# Annual report 2022

KLP Banken AS/KLP Banken Group

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## KLP Banken AS/ KLP Banken Group

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## Annual Report for 2022

2022 was another very good year for the KLP Banken Group, with continued lending growth and a result that reflects the desired long-term development.

### About KLP Banken

KLP Banken AS is 100% 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 and its subsidiaries are divided into the Retail and Public Sector business areas, both nationwide.

The KLP Banken Group offers simple and competitive savings and loan products and digital solutions to establish and manage them. The Bank aims to reinforce the perception that businesses which have chosen KLP as a pension provider are attractive employers. At the end of 2022, employees in these businesses accounted for almost 70 per cent of the KLP Banken Group's retail customers.

The KLP Banken Group's presence in the market for public loans encourages competition and benefits the target group of municipal and county authorities and enterprises with public guarantees providing access to favourable long-term financing. The Bank provides guidance to customers in financing and municipal funding.

The KLP Banken Group aims to be a significant lender and financial sparring partner for KLP's owners, and the preferred bank for members of KLP's pension schemes.

### Economic development 2022 - KLP Banken Group

| Profit (NOK millions) | 2022 | 2021 | Change |
|---|---|---|---|
| Profit before tax | 180.5 | 116.1 | 64.4 |
| Total comprehensive income after tax | 174.3 | 121.0 | 53.3 |
| Net interest income | 368.7 | 308.6 | 60.1 |
| **Lending activities (NOK billions)** | **2022** | **2021** | **Change** |
| Lending including managed loans | 17.3 | 20.5 | -3.2 |
| On-balance sheet lending | 42.4 | 39.9 | 2.4 |
| Lending managed on behalf of KLP | 78.5 | 77.9 | 0.7 |

## INCOME STATEMENT

The financial contributions from the two business areas were NOK 107.7 (87.6[1]) million from the retail market and NOK 72.8 (28.5) million from the public sector.

The KLP Banken Group achieved a return on equity of 7.0 (4.8) per cent before tax and 6.7 (5.1) per cent after tax.

1. Figures in brackets refer to last year´s results

Net lending in the KLP Banken Group increased by NOK 2.4 (1.7) billion, or 6 (4) per cent. The figure includes growth of NOK 1.1 (1.5) billion in home mortgages and NOK 1.3 (0.3) billion in public loans. Managed loans for KLP increased by NOK 0.7 (6.0) billion in 2022.

Money market rates, and hence general interest rates, continued to rise throughout 2022. The KLP Banken Group has increased its lending rates in line with market developments to compensate for rising borrowing costs. Growth in the volume of loans also contributed to higher net interest income compared with the previous year.

In the public-sector market, net interest income was significantly higher than in a normal year, and hence higher than in 2021. Total net interest income increased by 19 per cent in 2022 compared to the previous year. 71 (79) per cent of the KLP Banken Group's net interest income in 2022 came from the retail market.

Changes in the value of financial instruments were also negative in 2022. In previous years, this has been mainly due to the accounting effects of loan buybacks. In 2022, higher interest rates also resulted in losses on the Bank's liquidity investments recognised at market value.

The accounting item for net gains/losses on financial instruments contains not only the effects of changes in value for securities and buybacks of borrowing but also the effects of amended pension estimates and changes in the value of loans made. In total, financial instruments show a cost of NOK 26.3 (32.9) million for the financial year.

The KLP Banken Group does not charge high fees for its banking services. The Bank's earnings from fees generally follow changes in the volume of outstanding loans in the retail market. Increased deposit volume, adjustment of annual fees for debit cards and increased revenues from credit card use meant that fees and commission income increased to NOK 26.9 (19.5) million in 2022.

Operating costs and depreciation totalled NOK 246.7 (236.2) million in 2022. This corresponds to a rise in costs of 4 (4) per cent. The growth in expenses is mainly related to staff costs and investments in IT technology and digitalisation.

Loan loss provisions have been calculated on commitments both in the retail market and on public-sector loans (see note 10).

Individual losses and loan loss provisions are all associated with investments in the retail market. The public-sector market did not incur any individual loan losses in 2022 either.

Losses recognised through profit/loss and loan loss provisions amounted to NOK 0.3 (2.3) million in the financial year. Capitalised loan loss provisions amounted to NOK 5.5 (6.4) million. Of this, step 3 impairments amounted to NOK 1.0 (1.8) million while steps 1 and 2 totalled NOK 4.5 (4.6) million. The Bank's losses are at a very low level and the Board believes that the loan loss provisions are sufficient.

## OVERALL LENDING MANAGEMENT

On behalf of KLP and on its own account, the KLP Banken Group manages a lending portfolio totalling NOK 120.8 (117.7) billion. Outstanding loans (principal) per company in KLP Banken as at 31.12.2022:

| Company / NOK billions | Mortgage loans | Public/business | Total lending | Change in 2022 |
|---|---|---|---|---|
| KLP Banken AS (parent) | 10.9 | - | 10.9 | 1.2 |
| KLP Boligkreditt AS | 12.2 | - | 12.2 | -0.1 |
| KLP (Management agreement, home mortgages) | 2.9 | - | 2.9 | 0.0 |
| KLP Kommunekreditt AS | - | 19.1 | 19.1 | 1.3 |
| KLP (Management agreement, public-sector loans) | - | 70.3 | 70.3 | 1.8 |
| KLP (Management agreement, currency loans) | - | 5.3 | 5.3 | -1.1 |
| **Total** | **26.1** | **94.7** | **120.8** | **3.1** |

In addition to mortgages in the retail market there is drawn credit on credit cards.

A part of the managed loans to the public sector/enterprises are pure management jobs where KLP handle loan agreements, documentation and follow-up. With regard to the remaining management activities on behalf of KLP, the KLP Banken Group is also responsible for making offers, entering into agreements and producing loan documentation in accordance with its mandate.

## RETAIL MARKET

### Customers

The KLP Banken Group has a total of almost 49,000 (46,500) active retail customers. The table below shows the distribution by numbers of customers who make active use of the Bank's products (a customer may use one or more products).

| Product | Number in 2022 | Proportion of members 2022 | Number in 2021 | Proportion of members 2021 |
|---|---|---|---|---|
| Deposits | 47,434 | 69% | 44,859 | 69% |
| Lending | 14,965 | 80% | 14,734 | 80% |
| Credit cards | 5,061 | 86% | 4,498 | 86% |
| **Number of customers** | **48,804** | **69%** | **46,463** | **69%** |

Total customer growth in 2022 was 5 per cent.

### Products

The KLP Banken Group's main products in the retail market are home mortgage loans and deposits. The mortgage products include ordinary home mortgages, flexible loans (Fleksilån), bridge financing for house purchases, mortgages for the purchase of holiday homes and senior loans.

Other banking products in the retail market include current accounts, savings accounts, top interest accounts, 31-day placement accounts, young home-buyer savings accounts (BSU), and debit and credit cards. The Bank also has share savings accounts for customers with savings in KLP funds. Most retail customers use self-service through mobile banking and online banking.

The KLP Banken Group wants to help customers make sustainable choices. That is why the Bank now offers 'green mortgages' to members of KLP who have energy-friendly homes, or who choose to take steps to make their homes more energy-effective. At the end of 2022, green loans amounted to NOK 1.3 billion, corresponding to 5.7 per cent of the Bank's total retail lending portfolio.

**Lending**

The KLP Group's combined home mortgage portfolios increased in 2022 from NOK 25.0 billion to NOK 26.1 billion. Net growth in 2022 was 4.3 (5.6) per cent. New payouts totalled NOK 8.7 (9.9) billion gross. Home mortgages are secured with collateral within cautious valuations whereby all borrowers are assessed with respect to solvency and willingness to pay before the loan is approved. Fixed interest loans accounted for 8 (8) er cent of outstanding loans at the end of the year. The remaining loans were at floating interest rates.

The KLP Banken Group's outstanding mortgage loans in the retail market amounted to NOK 23.2 (22.0) billion at the end of 2022.

At the end of 2022, the mortgage portfolios in the KLP Banken Group had an average loan-to-value ratio (LTV - debt as a percentage of the estimated value of the property) of 54 (53) percent.

Outstanding credit drawn on credit cards issued by the Bank was NOK 43.0 (43.0) million at year-end. Although credit card use has picked up over the past year, utilised credit has remained relatively stable.

Commitments more than 90 days overdue totalled NOK 25.5 (19.4) million at the end of the year. This corresponds to 0.11 (0.09) 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 with most other banks.

Additionally, the bank's customer satisfaction in the retail market is very high, with a score of 77 points, well above the average of 69.5 measured by EPSI.

## PUBLIC SECTOR

**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 enterprises working in the public sector. The Bank also plays an important role as a sparring partner for customers, particularly on financial matters. Customers appreciate this, as shown by the fact that they say they are increasingly satisfied with the Bank. On Ennova's customer satisfaction indicator, the public-sector market scored 76 in 2022.

Total loans from KLP and KLP Kommunekreditt AS to public-sector borrowers and enterprises amounted to NOK 89.4 (86.3) billion at the end of 2022, an increase of NOK 3.0 (3.7) billion, or 4 per cent, in the financial year. For the local government sector as a whole, the estimated debt growth is 5 per cent in 2022.

Fixed-interest loans accounted for 32 (35) per cent of total lending at the end of the year.

During 2022 new loan applications amounted to NOK 76.3 billion, and new loans amounting to NOK 8.6 (11.2) billion were paid out to the public sector by companies within the KLP Group. Instalment payments and loan redemptions totalled NOK 5.6 (7.5) billion during the year.

The credit risk associated with lending to municipal and county authorities in Norway is limited to deferral of payment and does not include the cessation of payment obligations. This is a result of Norwegian legislation, which indemnifies the lender against losses if a local authority is unable to meet its payment obligations. In the event that payment is deferred, the lender is also assured under Norwegian law of compensation for accrued interest, late-payment interest and debt collection costs. Neither KLP nor the KLP Banken Group have incurred any credit losses on loans to municipal or county authorities.

The KLP Banken Group aims to be a driver and sparring partner to help municipalities to make sustainable choices in public administration. The Bank offers green loans to municipalities, county authorities and enterprises associated with local government for projects that have a clear positive environmental and climate impact. 25 new green loans were granted in 2022. Among other purposes, these loans are used to finance improvements to water and wastewater facilities to increase capacity and improve the quality of the water. The loans also help prepare communities for more surface water as a result of climate change. The Bank has also financed the construction of a new fire station in Eidsskog municipality, which is a solid wood building with solar panels on the roof.

The KLP Banken Group has developed a climate and environment guide which has been well received by the municipalities. The guidelines provide details of various financing and support schemes, making it easier and more transparent for municipalities and local government enterprises to make climate- and environmentally friendly investments.

In 2022, the KLP Banken Group implemented a new framework for integrating sustainability into the credit processes for public-sector lending. For municipalities and county authorities, we have established a model for an annual sustainability assessment, in which customers are assessed in the areas of environment, social responsibility and corporate governance. For publicly affiliated companies, sustainability will be integrated into the individual credit case.

The KLP Banken Group aims to be a driver in the transition to a more sustainable society. In 2022, we therefore acted as pilot owner for the project "financing restructuring of ports". With this pilot, the KLP Banken Group and its partners in the pilot want to propose a framework with specific criteria that must be achieved to qualify for financing to restructure ports. The framework will be launched in spring 2023.

## LIQUIDITY

The KLP Banken Group's liquidity situation is satisfactory, as its financing more than covers the liquidity requirement from operations. The cash flow statement at year-end shows a slightly negative net cash flow. Operating activities have a negative cash flow because new lending exceeds repayments and redemptions, resulting in a growth in net lending. The investment activities show that new investments in fixed income instruments for the liquidity portfolio were greater than sales from the portfolio. This difference has increased the liquidity reserve. Financing activities in 2022 reflect somewhat lower external refinancing needs compared to the previous year, and the KLP Banken Group increased its equity in 2022.

Surplus liquidity is invested in other banks and in interest-bearing securities. Investments in credit institutions amounted to NOK 1.4 (1.5) billion. The book value of interest-bearing securities was NOK 6.6 (6.0) billion in the KLP Banken Group at the end of the year. The portfolio is entirely composed of high-rated covered bank bonds and bonds issued by the Norwegian government or other public institutions.

The Bank reports the liquidity reserve (LCR) for the KLP Banken Group as a whole each month, and for the individual companies in the Group each quarter.

## BUSINESS FINANCING

### Financing of the retail market

The KLP Banken Group's business in the retail market is funded with deposits, borrowing and equity.

Through 2022, total deposits from retail customers increased from NOK 11.6 billion to NOK 12.1 billion.

At the end of the financial year, KLP Banken AS had outstanding securities debt of NOK 1.0 (0.9) billion. This is also used in financeing the subsidiaries in addition to the use of deposits.

The KLP Banken Group uses KLP Boligkreditt AS to finance part of its lending activities in the retail market by issuing covered bonds (OMF) secured with home mortgages. In 2022, new mortgage-backed covered bonds for NOK 2.5 (3.5) billion were issued. Outstanding bond debt in KLP Boligkreditt AS totalled NOK 12.6 (12.4) billion at the end of 2022. KLP Boligkreditt AS has received the best rating for its borrowing programme.

During 2022, KLP Boligkreditt AS purchased home mortgages worth NOK 4.5 (6.0) billion from KLP Banken AS. At year-end, mortgages totalling NOK 12.2 (12.3) billion were financed through KLP Boligkreditt's balance sheet, while mortgages totalling NOK 11.0 (9.8) billion were financed through the balance sheet of KLP Banken AS.

### Public-sector financing

The credit company KLP Kommunekreditt AS issues covered bonds secured by loans to municipal and county authorities and companies with municipal guarantees. Cost-effective financing is designed to ensure that the KLP Banken Group can offer long-term loans at favourable terms.

At the end of 2022, covered bonds secured by loans to the local government sector amounted to NOK 19.7 (18.6) billion. New issues in 2022 amounted to NOK 4.2 (5.5) billion. No bonds were issued outside Norway. KLP Kommunekreditt AS has achieved the best rating for its borrowing programme.

KLP Banken AS also offers deposit products for municipalities and public enterprises which are used to finance loans to the public sector. At the end of 2022, deposits from municipalities and enterprises amounted to NOK 1.7 (1.3) billion.

## BALANCE SHEET AND CAPITAL ADEQUACY

The KLP Banken Group had total assets of NOK 50.5 (47.5) billion at the end of 2022. The table below shows a breakdown of this amount:

| Total assets/NOK billions | KLP Banken Group | Change in 2022 |
|---|---|---|
| Public-sector loans/municipal guarantees | 19.1 | 1.3 |
| Lending to private individuals | 23.3 | 1.2 |
| Securities and liquidity | 8.0 | 0.5 |
| Other assets | 0.2 | 0.1 |
| **Total** | **50.5** | **3.0** |

The Group's equity and subordinated loan capital, based on the Board of Directors' proposal for allocation of the profit from the Group companies, was NOK 2.9 (2.5) billion at the end of 2022. Core capital was increased by NOK 300 million in September 2022 and is identical to equity and subordinated loan capital. This gives a capital adequacy and tier 1 capital ratio of 20.7 (18.7) per cent. The current capital requirement, including capital buffers, is a 13.5 per cent tier 1 capital ratio and 17.0 per cent capital adequacy.

KLP Banken AS has been given a Pillar 2 supplement of 1.5 per cent, which is included in the Group's capital requirements at the end of 2022. The bank also maintain a buffer of at least 0.5 per cent above the actual capital requirement for Pillar 1 and Pillar 2 risks, so the Bank's capital target is 17.5 per cent.

The risk-weighted balance came to NOK 13.5 (12.7) billion at the end of 2022.

The Group's leverage ratio was 5.7 (5.2) per cent. The leverage ratio requirement is 3 per cent. Capital adequacy is considered 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 continued operation are present, and this is assumed in the financial statements.

## ALLOCATION OF PROFIT FOR THE YEAR

KLP Banken AS's financial statements for 2022 show total comprehensive income of NOK 106.4 (65.6) million after tax. The Board of Directors proposes that a group contribution of NOK 119.5 (89.8) million be paid to KLP. NOK 89.6 (67.4) million will be received from KLP in return, as a group contribution without any tax effect. Net profit 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

KLP Banken AS and its subsidiaries are exposed to different types of risk. The Bank has established a risk management framework whose purpose is to ensure that risks are identified, analysed and managed by means of policies, limits, routines and instructions.

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

The overarching risk management policy covers, among other things, roles in the Banks'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 discussions. 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 on the basis of various stress scenarios, and various forms of stress testing are regularly carried out to measure whether actual exposure is within the predefined tolerance limits.

The Bank is also exposed to ESG risk through its own operations 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 as a result of exposure to counterparties that are 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.
- Management 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 influence the market price of the 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 a sparring partner for the municipalities within climate and sustainability, and offers 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 largely be the result of borrowing and lending activities as well as liquidity management. This means that the KLP Banken Group should have a low market risk, and that interest rate risks which arise in the course of borrowing and lending activities should be reduced through hedging using derivatives. The KLP Banken Group should have a prudent long-term financing structure, and limits have been set to ensure that this objective is achieved. Credit risk in the KLP Banken Group is low, and lending is limited to loans with municipal risk and loans secured through mortgages on residential and holiday property. Management of the KLP Banken Group's liquidity takes form of investments which meet requirements for credit quality and securities in line with board-approved credit lines.

The boards of KLP Banken AS, 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.

## CORPORATE GOVERNANCE

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

The Board of Directors sets the guidelines for the business. The Board held eight board meetings in 2022.

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 a directors' liability insurance. This also covers the chief executive officer. Directors' liability insurance also covers the subsidiaries.

## WORKING ENVIRONMENT AND ORGANISATION

KLP Banken AS and its subsidiaries had 75 (76) permanent employees at the end of 2022. All employment contracts are with KLP Banken AS. Two employees have additional functions with 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 in both the private market and the public sector and have acquired considerable credit and market expertise. The development of products and services, and regulatory requirements placed on the companies in the KLP Banken Group, lead to constant changes in the business and demand reorganisation and new skills.

Further development of the organisation and the employees' expertise are therefore important elements in 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, elected employee representatives and health and safety. The Board considers that cooperation between the management of the KLP Banken Group and the employees is working well.

The KLP Group's goal is sickness absence below 4 per cent. In 2022 the KLP Banken Group had a sickness absence rate of 8.0 (2.6) per cent. Long-term absence totalled 5.6 (2.1) per cent, while short-term absence totalled 2.4 (0.5) per cent. The absence is followed up by managers and the HR department in KLP, and by the Bank's Board of Directors in the event of increased absence over time. The increase in long-term absence last year is not related to workplace conditions and is assumed to be coincidental in an organisation with relatively few employees. Nor were there any work-related injuries or accidents in 2022.

As part of the KLP Group, the KLP Banken Group 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. A central working group has drawn up internal targets for equality and diversity. 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 KLP Banken Group's Board of Directors recognises the activity and reporting requirements arising from the Equality and Non-Discrimination Acts. Active work for diversity, equality, equal pay and reduced sickness absence are part of corporate social responsibility.

The KLP Banken Group also complies with the KLP Group's code of conduct and guidelines for reporting suspected wrongdoing in the workplace.

Of the KLP Banken Group's employees, 56 (49) per cent are women. Every effort is made to achieve a balance between women and men at all levels. Women hold 54 (46) per cent of management positions. In the KLP Banken Group's central management team (levels 1 and 2), the proportion of women was 56 (44) per cent.

At the end of 2022, the Board of Directors of KLP Banken AS comprised three women and three men, with one woman and one man having been elected from among the employees.

For further details, see KLP's sustainability report for 2022.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

KLP aims to be a leader in corporate social responsibility and sustainability in its industry. Corporate social responsibility is therefore a clearly defined responsibility in the KLP Group's strategy. KLP and the KLP Banken Group have been contributing to sustainable development in the community for many years 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. Lending to Norwegian municipalities is used for purposes that contribute to reducing national greenhouse gas emissions and that benefit society as a whole. More than three-quarters of KLP's owner municipalities have loans from KLP or the KLP Banken Group.

As part of KLP, the KLP Banken Group aims to help KLP to achieve its goals within corporate social responsibility. That is why the Bank signed the UN Principles for Responsible Banking (PRB) in 2019. The Bank then undertakes to implement the principles in the business over a four-year period. 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 UN Sustainable Development Goals and the Paris Agreement. The Bank reports annually to the UN on its work on these principles. The reports can be read here.

In 2022, KLP became a member of the PCAF, a global partnership of financial institutions working to develop and standardise the assessment and reporting of greenhouse gas emissions in investment portfolios. The KLP Banken Group is in the process of mapping financed emissions in the retail market portfolio, and will continue to work on calculations and targets related to this in 2023.

KLP is a signatory to the UN Global Compact, and is thereby committed to working for human rights, workers' rights and the environment, and against corruption throughout the Group. KLP is working on issues related to climate, corruption, human rights, employment rights and tax. The Norwegian Transparency Act, which entered 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 will form part of KLP's reporting.

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 employees. A detailed description of goals, measures and results is available on KLP's website (https://www.klp.no/om-klp/samfunnsansvar).

Preventing financial crime is an important part of 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. Effective measures to prevent money laundering and terrorist financing take a very high priority in the KLP Banken Group.

The premises of the KLP Banken Group 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 received help to implement concrete and profitable sustainability measures in areas such as the working environment, waste management, energy use, purchasing and transport. The Bank's locations were first certified when it was established in 2012, as part of KLP Huset in Oslo and with a separate fresh certification in Trondheim. Both locations were recertified in 2021.

Legal requirements have been drawn up for companies' sustainability work. The main driver behind this paradigm shift is the EU and the 'Fit for 55' climate package. This is a series of bills and regulations to ensure that the EU achieves its climate target of cutting emissions by at least 55 per cent by 2030. The EU taxonomy, which defines what may be called sustainable activities, is key to this, and it is supported by the other regulations. 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. KLP welcomes the legal requirements that are coming, and is preparing the Company and its subsidiaries for this.

For further information and details on corporate social responsibility and sustainability, please refer to KLP's sustainability reports at klp.no Reports and presentations - Finance and IR - About KLP - KLP.no

## OUTLOOK

The KLP Banken Group's target group in the retail market is KLP members. This covers a significant proportion of the population, and the basis for developing the KLP Banken Group's position further 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. The KLP Banken Group's members, who are mainly public-sector employees and their households, are more shielded than other groups from risk associated with their working conditions as employees in municipalities and health enterprises. The KLP Banken Group therefore assumes that its growth ambitions can be sustained and that the risk of defaults and losses will continue to be limited in the future.

The household debt burden is subject to strict regulatory requirements for the provision of credit in the retail market. The KLP Banken Group regards 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 increasing. The KLP Banken Group aims to exploit tried and tested technology to offer relevant, customer-friendly and efficient services to our customers. This creates a lasting need for IT investments if the Bank's goals for further growth and profitability are to be achieved.

Norwegian municipalities have developed a good and comprehensive range of services to the public. Increased life expectancy, demographics, income growth and climate risk give reason to expect a significant need for 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. 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 by loans to the public sector. The presence of KLP Kommunekreditt AS together with KLP in the market for public loans contributes to competition and so provides the public sector with 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 good position for accessing the best possible financing in the capital markets. This is an important prerequisite for offering favourable lending terms.

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

**Trondheim, 8 March 2023**
The Board of Directors of KLP Banken AS

SVERRE THORNES
Chair

AAGE E. SCHAANNING
Deputy Chair

AINA SLETTEDAL EIDE

KARIANNE OLDERNES TUNG

KJELL FOSSE

JONAS V. KÅRSTAD
Elected by and from employees

ELLEN WINGE LER
Elected by and from 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 2022 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.

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# Income statement

| | KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|---|
| **NOTES** | **01.01.2021 -31.12.2021** | **01.01.2022 -31.12.2022** | | **01.01.2022 -31.12.2022** | **01.01.2021 -31.12.2021** |
| | 209 015 | 335 779 | Interest income, effective interest method | 1 079 475 | 621 624 |
| | 27 125 | 50 421 | Other interest income | 174 402 | 68 176 |
| 5 | **236 140** | **386 200** | **Total interest income** | **1 253 877** | **689 801** |
| | -81 984 | -181 986 | Interest expenses, effective interest method | -818 588 | -290 728 |
| | -19 487 | -17 151 | Other interest expenses | -66 602 | -90 463 |
| 5 | **-101 471** | **-199 137** | **Total interest expense** | **-885 190** | **-381 191** |
| 5 | **134 669** | **187 063** | **Net interest income** | **368 687** | **308 609** |
| | 21 520 | 29 483 | Commission income and income from banking services | 29 483 | 21 520 |
| | -2 033 | -2 566 | Commission costs and costs of banking services | -2 566 | -2 033 |
| 6 | **19 487** | **26 917** | **Net charges and commission income** | **26 917** | **19 487** |
| | 59 400 | 58 105 | Other fee income | 58 105 | 59 400 |
| 7 | -6 082 | -10 511 | Net gain/(loss) on financial instruments | -26 252 | -32 896 |
| | **53 318** | **47 595** | **Total other operating income** | **31 853** | **26 504** |
| 8 | -81 930 | -87 701 | Salary and administrative costs | -87 701 | -81 930 |
| | -63 272 | -68 408 | Other operating expenses | -154 945 | -147 846 |
| 22,23,24 | -6 409 | -4 010 | Depreciation | -4 010 | -6 409 |
| 10 | -2 295 | -275 | Loss on loans issued, guarantees etc. | -323 | -2 299 |
| | **-153 906** | **-160 394** | **Total operating expenses** | **-246 979** | **-238 484** |
| | **53 568** | **101 180** | **Operating profit/loss before tax** | **180 478** | **116 117** |
| 11 | 6 786 | -3 046 | Tax on ordinary income | -14 474 | -423 |
| | **60 354** | **98 133** | **Income for the year** | **166 004** | **115 694** |
| 12 | 7 136 | 11 094 | Estimate difference, pension obligations and assets | 11 094 | 7 136 |
| 11 | -1 784 | -2 774 | Tax on actuarial gains and losses | -2 774 | -1 784 |
| | **5 352** | **8 321** | **Items that will not be reclassified to profit and loss** | **8 321** | **5 352** |
| | -170 | -11 | Changes in value of assets measured at fair value through other comprehensive income | - | - |
| 11 | 43 | 3 | Tax on changes in fair value of available for sale financial assets | - | - |
| | **-128** | **-8** | **Items that may be reclassified to profit and loss** | - | - |
| | **5 224** | **8 312** | **Other comprehensive income for the period** | **8 321** | **5 352** |
| | **65 578** | **106 446** | **COMPREHENSIVE INCOME FOR THE YEAR** | **174 324** | **121 046** |
| | | | **ALLOCATION OF INCOME** | | |
| | -65 578 | -106 446 | Allocated to/from retained earnings | | |
| | **-65 578** | **106 446** | **TOTAL ALLOCATION OF INCOME** | | |
| | 0.36% | 0.54% | Income for the year in per cent of total assets | 0.33% | 0.24% |
| | 0.39% | 0.59% | Comprehensive income for the year in per cent of total assets | 0.35% | 0.25% |

# Balance sheet

| | KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|---|
| NOTES | 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| | | | ASSETS | | |
| 13,14,15 | 67 244 | 72 960 | Claims on central banks | 72 960 | 67 244 |
| 13,14,15 | 2 804 864 | 3 050 512 | Loans to and receivables on credit institutions | 1 320 087 | 1 398 501 |
| 14,15 | 9 758 283 | 10 975 964 | Loans to and receivables on customers | 42 375 461 | 39 934 100 |
| 15,16,17 | 2 630 267 | 2 416 478 | Fixed-income securities | 6 564 627 | 6 001 099 |
| 15,16,18,20 | - | 255 | Financial derivatives | 139 153 | 42 051 |
| 15,16,19 | 1 187 | 1 187 | Shares, holdings and primary capital certificates | 1 187 | 1 187 |
| 21 | 1 385 470 | 1 615 470 | Holdings in Group companies | - | - |
| 22 | 16 789 | 15 624 | Intangible assets | 15 624 | 16 789 |
| 23 | 18 236 | 16 365 | Right-of-use assets | 16 365 | 18 236 |
| 24 | 436 | 436 | Fixed assets | 436 | 436 |
| 25 | 9 620 | 8 761 | Other assets | 4 816 | 2 217 |
| | **16 692 395** | **18 174 014** | **TOTAL ASSETS** | **50 510 716** | **47 481 860** |
| | | | LIABILITIES AND OWNERS' EQUITY | | |
| | | | LIABILITIES | | |
| 15,26 | 13 303 110 | 14 189 341 | Deposits from customers | 13 778 881 | 12 901 004 |
| 15,27 | 902 590 | 1 054 694 | Liabilities created on issuance of securities | 33 484 932 | 31 917 798 |
| 15,16,18,20 | 347 | - | Financial derivatives | 25 939 | 9 990 |
| 23 | 18 323 | 16 761 | Lease liabilities | 16 761 | 18 323 |
| 28 | 16 209 | 69 844 | Other liabilities | 143 180 | 38 369 |
| 11 | 11 935 | 17 507 | Deferred tax | 40 343 | 23 343 |
| 28 | 52 189 | 54 187 | Provision for accrued costs and liabilities | 54 215 | 52 249 |
| | **14 304 704** | **15 402 333** | **TOTAL LIABILITIES** | **47 544 250** | **44 961 078** |
| | | | OWNERS' EQUITY | | |
| | 1 065 000 | 1 140 000 | Share capital | 1 140 000 | 1 065 000 |
| | 825 000 | 1 050 000 | Share premium | 1 050 000 | 825 000 |
| | 497 691 | 581 681 | Other owners' equity | 776 466 | 630 782 |
| 29 | **2 387 691** | **2 771 681** | **TOTAL OWNERS' EQUITY** | **2 966 466** | **2 520 782** |
| | **16 692 395** | **18 174 014** | **TOTAL LIABILITIES AND OWNERS' EQUITY** | **50 510 716** | **47 481 860** |

**Trondheim, 8 March 2023**
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Managing Director

# Statement of owners' equity

## KLP BANKEN AS

| 2022<br>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** |

| 2021<br>NOK THOUSANDS | Share capital | Share premium | Other equity | Total owners' equity |
|---|---|---|---|---|
| Owners' equity 1 January 2021 | 1 065 000 | 825 000 | 452 353 | 2 342 353 |
| Income for the year | - | - | 60 354 | 60 354 |
| Other comprehensive income | - | - | 5 224 | 5 224 |
| **Comprehensive income for the year** | **-** | **-** | **65 578** | **65 578** |
| Group contribution received during the period | - | - | 60 719 | 60 719 |
| Group contribution paid during the period | - | - | -80 959 | -80 959 |
| **Total transactions with the owners** | **-** | **-** | **-20 240** | **-20 240** |
| **Owners' equity 31 December 2021** | **1 065 000** | **825 000** | **497 691** | **2 387 691** |

| NOK THOUSANDS | Number of shares | Par value | Share capital | Share premium | Other equity | Total |
|---|---|---|---|---|---|---|
| Equity at 1 January 2022 | 7 500 000 | 0.142 | 1 065 000 | 825 000 | 497 691 | 2 387 691 |
| Changes in the period 1 January - 31 December | - | 0.010 | 75 000 | 225 000 | 83 989 | 383 989 |
| **Equity at 31 December 2022** | **7 500 000** | **0.152** | **1 140 000** | **1 050 000** | **581 681** | **2 771 681** |

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

## KLP BANKEN GROUP

| 2022<br>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** |

| 2021<br>NOK THOUSANDS | Share capital | Share premium | Other equity | Total owners' equity |
|---|---|---|---|---|
| Owners' equity 1 January 2021 | 1 065 000 | 825 000 | 536 801 | 2 426 801 |
| Income for the year | - | - | 115 694 | 115 694 |
| Other comprehensive income | - | - | 5 352 | 5 352 |
| **Comprehensive income for the year** | **-** | **-** | **121 046** | **121 046** |
| Group contribution received during the period | - | - | 84 919 | 84 919 |
| Group contribution paid during the period | - | - | -111 985 | -111 985 |
| **Total transactions with the owners** | **-** | **-** | **-27 065** | **-27 065** |
| **Owners' equity 31 December 2021** | **1 065 000** | **825 000** | **630 782** | **2 520 782** |

# Statement of cash flows

| | KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|---|
| NOTES | 01.01.2021 -31.12.2021 | 01.01.2022 -31.12.2022 | | 01.01.2022 -31.12.2022 | 01.01.2021 -31.12.2021 |
| | | | OPERATING ACTIVITIES | | |
| | 228 314 | 338 828 | Payments received from customers – interest, commission and charges | 984 166 | 638 105 |
| | -90 768 | -177 208 | Payments to customers – interest, commission and charges | -168 854 | -89 196 |
| | -9 318 168 | -8 692 857 | Disbursements on loans to customers and credit institutions | -15 659 148 | -16 640 961 |
| | 9 304 231 | 7 482 887 | Receipts on loans to customers | 13 246 513 | 14 782 637 |
| | -1 000 963 | -379 728 | Net change internal loans | - | - |
| | 1 320 863 | 886 347 | Net receipts on customer deposits banking | 877 993 | 1 119 290 |
| | -64 649 | -63 678 | Disbursements on operations | -153 688 | -148 373 |
| | -81 174 | -80 949 | Payments to staff, pension schemes, employer's social security contribution etc. | -80 949 | -81 174 |
| | 1 564 | 14 474 | Interest investment accounts | 31 284 | 9 617 |
| | 63 834 | 112 119 | Net receipts/disbursements from operating activities | 156 254 | 64 335 |
| | **363 085** | **-559 763** | **Net cash flow from operating activities** | **-766 429** | **-345 719** |
| | | | INVESTMENT ACTIVITIES | | |
| | -5 785 095 | -2 580 357 | Payments on the purchase of securities | 4 783 697 | -9 551 367 |
| | 7 992 953 | 2 790 901 | Receipts on the sale of securities | -5 348 540 | 9 763 759 |
| | 26 839 | 43 757 | Receipts of interest from securities | 101 691 | 45 074 |
| | -2 578 | -974 | Payments on the purchase of tangible fixed assets | -974 | -2 578 |
| | - | -230 000 | Disbursement of capital to subsidiaries | - | - |
| | **2 232 120** | **23 327** | **Net cash flow from investment activities** | **-464 127** | **254 889** |
| | | | FINANCING ACTIVITIES | | |
| | -2 500 000 | - | Repayment and redemption from credit institutions | - | -2 500 000 |
| | -6 517 | - | Net payment of interest from credit institutions | - | -6 517 |
| 27 | 300 000 | 450 000 | Receipts on loans | 7 150 000 | 9 300 000 |
| 27 | -199 839 | -300 000 | Repayments and redemption of securities debt | -5 808 000 | -6 569 839 |
| | - | -371 | Change in securities debt, own funds | 118 142 | 343 369 |
| 27 | -7 782 | -20 845 | Net payment of interest on loans | -580 002 | -238 607 |
| 23 | -1 582 | -1 563 | Payment of lease liabilities | -1 563 | -1 582 |
| | -20 240 | -22 456 | Group contributions made | -28 640 | -27 066 |
| | - | 300 000 | Equity contributions received | 300 000 | - |
| | **-2 435 959** | **404 765** | **Net cash flow from financing activities** | **1 149 938** | **299 757** |
| | **159 245** | **-131 672** | **Net cash flow during the period** | **-80 618** | **208 928** |
| | 848 360 | 1 007 606 | Cash and cash equivalents at start of period | 1 420 995 | 1 212 067 |
| | 1 007 606 | 875 934 | Cash and cash equivalents at end of period | 1 340 377 | 1 420 995 |
| | **159 245** | **-131 672** | **Net receipts/disbursements (-) of cash** | **-80 618** | **208 928** |

# 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 2022 were approved by the company's board 08.03.2023. The annual financial statement is available at www.klp.no.

## Note 2 **Summary of the most important 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 International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC), 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. 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 2022:**

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 TRANSLATION OF TRANSACTIONS IN FOREIGN 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.

#### 2.3.2 Transactions and statement of financial position items

Transactions in foreign currency are converted to the functional currency at the transaction rate of exchange. Foreign exchange gains or losses realized on settlement and conversion of monetary items in foreign currency at the exchange-rate at the end of the reporting period are taken to profit/loss. Foreign exchange gains and losses are presented net on the line 'Net gain/loss on financial instruments.

Translation differences on non-monetary items (assets and liabilities) are included in the assessment of fair value. Foreign currency differences associated with non-monetary items, such as shares at fair value through profit or loss, are included as an element of value change recognized through profit or loss.

## 2.4 TANGIBLE FIXED ASSETS

Tangible fixed assets mainly comprise office machinery and inventory used by the company/group in its business.

Tangible fixed assets are recognized at acquisition including costs that can be attributed directly to the acquisition of the fixed asset, with a deduction for depreciation. Subsequent costs relating to fixed assets are capitalized as part of the fixed asset if it is likely that the expenditure will contribute to future financial benefit for the company/group and the cost can be measured reliably. Repair and maintenance are recognized through profit or loss during the period in which the expenses are incurred.

Depreciation is calculated by the straight-line method so the acquisition cost of tangible fixed assets, including subsequent costs, is depreciated to their residual value over the expected service life, which is:

Office machinery: 4 years

Inventory: 4 years

The service life of current assets is calculated annually. If there are indications of a fall in value below the residual value, the recoverable amount is calculated. If the recoverable amount is less than the residual value, the asset is written down to the recoverable amount.

The profit or loss from disposal is made up of the sale price minus the book value at the date of sale. The profit or loss from disposal is charged to the income statement.

## 2.5 INTANGIBLE ASSETS

The company/group’s intangible assets consist primarily of capitalized IT systems.

On the purchase of a new IT system, directly attributable costs for the system/software and costs of having the system installed and readied for use are capitalized.

On further development of IT systems and software, both external and internal costs are capitalized in accordance with the above. System changes regarded as maintenance are taken to expenses as they occur.

When an IT system is operational, the capitalized costs are depreciated on a linear basis over its expected life. In the event of subsequent capitalization because of further development, this is depreciated over the original lifetime unless the expenditure increases the total expected life of the system.

If there are indications that the book value of a capitalized IT system is higher than the recoverable amount, an impairment test is carried out. If the book value is higher than the recoverable sum (present value on continued use/ownership), the asset is written down to the recoverable amount.

## 2.6 FINANCIAL INSTRUMENTS

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

### 2.6.1 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.

### 2.6.2 Classification and subsequent measurement

#### 2.6.2.1 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').

### The business model criterion

The company/group assesses the target with a business model in which an asset is held at the portfolio level, because this best reflects the way the business is managed, and information is given to management. The information that is assessed includes:

- Explicit guidelines and goals for the portfolio and application of these guidelines in practice. In particular, if the management's strategy and goal is to keep the asset in order to collect the contractual cash flows, maintain a specific interest profile, and match duration between financial assets and the corresponding financial liabilities used to finance these assets, or realize cash flows through the sale of the assets;
- How the return on the portfolio is assessed and reported to management;
- The risks that affect the performance of the business model (and the financial assets held within this business model) and how these risks are managed;
- How the managers are compensated, e.g. whether the compensation is based on the fair value of the managed assets or the total contractual cash flows; and
- Frequency, volume and date of sale in previous periods, the reasons for such sales and expectations of future sales activity. Information about the sales activities is not however assessed in isolation, but as part of an overall assessment of how the company's stated goals for managing the financial assets are achieved and how the cash flows are realized.

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.

Assessment of the business model is based on reasonable future scenarios without regard to 'worst case' or 'stress case' scenarios. If cash flows after initial recognition are realized in a way that is different from the company/group's original expectations, the classification of the remaining financial assets in the relevant business model does not change, but the information is incorporated into the assessment of the newly issued or acquired financial assets in the future.

### Cash flow criterion

In this evaluation the principal amount is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as payment for the time value of money and for credit risk related to outstanding principal in a specific period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative expenses), as well as a profit margin.

In assessing whether the contractual cash flows are only repayments and interest on the outstanding principal amount, KLP Banken and the Group consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual clause that can change the date or the amount of the contractual cash flows so that it will not meet this condition. In assessing this the company/group considers:

- Contingent events that would change the amount and the date of the cash flows;
- Influence on functions;
- Advance payments and extended terms;
- Terms that limit the company/group's claim to cash flows from specific assets (e.g. 'nonrecourse asset arrangements');
- Terms that change the assessment of the time value of money - e.g. periodic resetting of interest rates.

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.

### 2.6.2.2 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 2.6.2.1.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.

### 2.6.2.3 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.

### 2.6.2.4 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 Bank Group<br>Financial Instruments | Classification |
|---|---|
| Receivables from central banks | Amortized cost |
| Loans to- and receivables from credit institutions | Amortized cost |
| Loans to- and receivables from customers | Amortized cost |
| | 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 |
| Deposit from customers | Amortized cost |
| Liabilities creates on issuance of securities | Amortized cost |
| | Amortized cost (hedging) |
| Financial derivatives (liabilities) | Fair value through profit or loss |

| KLP Banken AS<br>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 |
| Deposit from customers | Amortized cost |
| Liabilities creates on issuance of securities | Amortized cost |
| | Amortized cost (hedging) |
| Financial derivatives (liabilities) | Fair value through profit or loss |

### 2.6.3 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.

### 2.6.4 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.

## 2.7 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.

## 2.8 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.

## 2.9 RIGHT-OF-USE ASSETS/LEASE LIABILITIES

On entering into a contract, the company/group assesses whether the contract constitutes a lease. A contract constitutes a lease if it transfers control over the use of an identified asset for a period in exchange for a consideration. At the date of implementation, the company/group recognises a right-of-use asset and a lease liability, and these are presented on separate lines in the accounts.

The lease liability is measured on initial recognition at the present value of lease payments not yet paid at the reporting date. The discount rate used is the company/group's marginal loan rate. Subsequent measurements measure the lease liability at amortized cost by the effective interest method. The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or if the company/group changes its decision whether to exercise extension or termination options. When the lease liability is re-measured in this way, a corresponding adjustment is made to the recognized value of the right of use or is taken to profit/loss if the recognized value of the right of use is reduced to zero.

On initial recognition, the right of use is measured at acquisition cost, i.e. the lease liability (present value of the lease payments) plus advance lease payments and any direct acquisition costs. In subsequent periods, the right of use is measured using an acquisition model. When applying an acquisition model, the company/group measures the right-of-use assets at acquisition cost minus accumulated depreciation and impairment losses, and further adjust for any new measurements of the lease liability to reflect any revisions or changes to the agreement.

## 2.10 FINANCIAL LIABILITIES

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

### 2.10.1 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 in accordance with the effective interest rate method. The interest costs are included in amortization on the line for 'Interest expenses, effective interest rate method' in the income statement.

### 2.10.2 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 by the effective interest method. 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").

### 2.10.3 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 in accordance with the effective interest rate method. The interest expenses are included in the line 'Interest expenses, effective interest rate method' in the income statement.

## 2.11 OWNERS' EQUITY

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

#### 2.11.1 Equity contributed

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

#### 2.11.2 Accrued equity

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

### 2.12 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.

#### 2.12.1 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.

#### 2.12.2 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'. Setup fees for lending are included in the amortization and taken to income over the duration of the loan. This is true except for:

- Purchased or credit-impaired financial assets. For these assets, the company/group will apply the credit-adjusted effective interest rate on the amortised cost of the financial asset from initial recognition.
- Financial assets that are not purchased or credit-impaired financial assets, but which have subsequently become such. Here, the effective interest rate is applied to the amortised cost of the financial asset in subsequent reporting periods.

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.

### 2.13 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 2021 but not paid until later years.

### 2.14 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 in the group 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 the products where the company/group has not developed its own PD and LGD (loss given default) models, 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.

The lending portfolio has historically shown low losses and has generally very good collateral in public sector guarantees or mortgages. As a result, the loan loss provisions for the company/group are low.

# Note 4 Segment information

| NOK THOUSAND | Public sector Market | | Retail Market | | Other/eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Net interest income | 107 606 | 65 969 | 261 081 | 242 641 | - | - | 368 687 | 308 609 |
| Other operating income | 32 200 | 16 965 | 21 049 | 19 893 | 5 521 | 9 133 | 58 770 | 45 991 |
| Operating expenses, before loss on loans | -70 359 | -62 232 | -176 296 | -173 953 | - | - | -246 655 | -236 185 |
| Loss on loans issued, guarantees etc. | -8 | -3 | -315 | -2 296 | - | - | -323 | -2 299 |
| Elimination | 3 353 | 7 780 | 2 168 | 1 354 | -5 521 | -9 133 | - | - |
| **Operating profit/loss before tax** | **72 791** | **28 479** | **107 687** | **87 638** | **-** | **-** | **180 478** | **116 116** |
| Assets as at 31.12. | 22 548 024 | 20 125 706 | 32 261 484 | 31 006 061 | -4 298 793 | -3 649 908 | 50 510 716 | 47 481 860 |
| Liabilities as at 31.12. | 21 647 922 | 19 364 980 | 28 569 707 | 27 846 444 | -2 673 380 | -2 250 347 | 47 544 250 | 44 961 078 |

# Note 5 **Net interest income**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 01.01.2021 -31.12.2021 | 01.01.2022 -31.12.2022 | | 01.01.2022 -31.12.2022 | 01.01.2021 -31.12.2021 |
| 207 444 | 321 285 | Interest income on loans to customers | 1 048 171 | 617 688 |
| 1 571 | 14 494 | Interest income on loans to credit institutions | 31 304 | 3 937 |
| **209 015** | **335 779** | **Total interest income, effective interest method** | **1 079 475** | **621 624** |
| 26 866 | 50 284 | Interest income on bonds and certificates | 120 291 | 36 486 |
| 260 | 138 | Other interest income | 54 110 | 31 690 |
| **27 125** | **50 421** | **Total other interest income** | **174 402** | **68 176** |
| **236 140** | **386 200** | **Total interest income** | **1 253 877** | **689 801** |
| -71 789 | -158 340 | Interest expenses on deposits to KLP Banken | -149 986 | -70 216 |
| -10 087 | -23 320 | Interest expenses on issued securities | -668 276 | -220 403 |
| -109 | -326 | Interest expense lease liabilities | -326 | -109 |
| **-81 984** | **-181 986** | **Total interest expense, effective interest method** | **-818 588** | **-290 728** |
| -2 220 | -144 | Other interest expenses | -49 595 | -73 196 |
| -17 268 | -17 007 | Interest expenses on deposits to customers | -17 007 | -17 268 |
| **-19 487** | **-17 151** | **Total other interest expense** | **-66 602** | **-90 463** |
| **-101 471** | **-199 137** | **Total interest expense** | **-885 190** | **-381 191** |
| **134 669** | **187 063** | **Net interest income** | **368 687** | **308 609** |

# Note 6 **Net commission income**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 01.01.2021 -31.12.2021 | 01.01.2022 -31.12.2022 | | 01.01.2022 -31.12.2022 | 01.01.2021 -31.12.2021 |
| 298 | 90 | Interbank commission | 90 | 298 |
| 6 000 | 13 819 | Short commission | 13 819 | 6 000 |
| 563 | 893 | Payment handling | 893 | 563 |
| 14 658 | 14 680 | Other commission income | 14 680 | 14 658 |
| **21 520** | **29 483** | **Total commission income** | **29 483** | **21 520** |
| -111 | -135 | Interbank commission | -135 | -111 |
| -1 557 | -1 698 | Payment handling | -1 698 | -1 557 |
| -365 | -733 | Other commission expenses | -733 | -365 |
| **-2 033** | **-2 566** | **Total commission costs** | **-2 566** | **-2 033** |
| **19 487** | **26 917** | **Net commission income** | **26 917** | **19 487** |

# Note 7 **Net gain/(loss) on financial instruments**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 01.01.2021 -31.12.2021 | 01.01.2022 -31.12.2022 | | 01.01.2022 -31.12.2022 | 01.01.2021 -31.12.2021 |
| -4 726 | -9 771 | Net gain/(loss) on fixed-income securities | -18 704 | -12 528 |
| -750 | 265 | Net gain/(loss) financial derivatives and realized amortization linked to lending | 270 | -750 |
| - | - | Net gain/(loss) financial derivatives and realized repurchase of own debt | -12 335 | -28 146 |
| 336 | - | Net value change lending and borrowing, hedge accounting | - | 336 |
| - | - | Net accrual of over/under rates borrowings and securities | 5 521 | 9 133 |
| -942 | -1 004 | Other financial income and expenses | -1 004 | -942 |
| **-6 082** | **-10 511** | **Total net gain/(loss) on financial instruments** | **-26 252** | **-32 896** |

# Note 8 **Pay and general management costs**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 01.01.2021 -31.12.2021 | 01.01.2022 -31.12.2022 | | 01.01.2022 -31.12.2022 | 01.01.2021 -31.12.2021 |
| 55 424 | 59 060 | Salaries | 59 060 | 55 424 |
| 8 203 | 8 590 | Social security contributions | 8 590 | 8 203 |
| 2 908 | 3 046 | Capital activity tax | 3 046 | 2 908 |
| 13 140 | 14 485 | Pensions including social security contributions | 14 485 | 13 140 |
| 2 256 | 2 519 | Other benefits | 2 519 | 2 256 |
| **81 930** | **87 701** | **Total pay and general management costs** | **87 701** | **81 930** |

# Note 9 **Auditor's fee**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 01.01.2021 -31.12.2021 | 01.01.2022 -31.12.2022 | | 01.01.2022 -31.12.2022 | 01.01.2021 -31.12.2021 |
| 111 | 471 | Ordinary audit | 1 125 | 377 |
| - | 29 | Certification services | 341 | 255 |
| **111** | **499** | **Total auditor's fee** | **1 466** | **632** |

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.

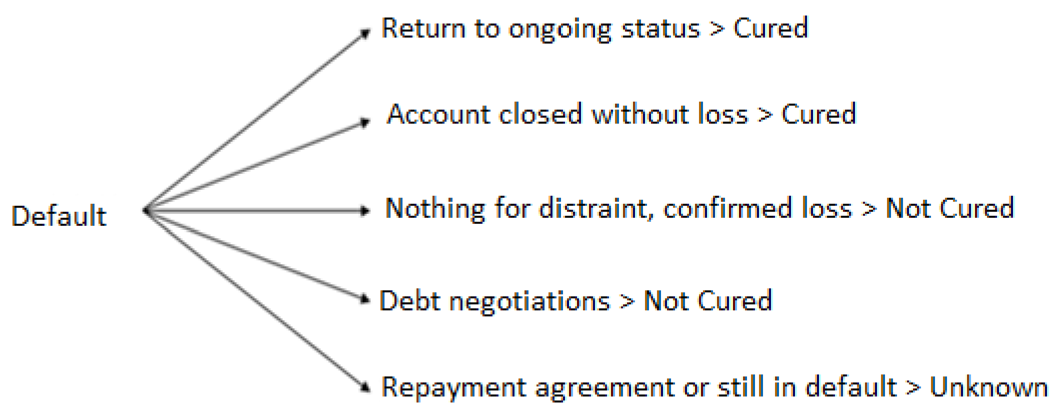
*The lifetime probability of default (Lifetime PD)* is used for all mortgage loans in KLP Banken excluding senior loans where a simplified model for expected loss is used. The lifetime probability of default (LTPD) of an exposuer is calculated based on aggregated figures for historically observed default 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 exposureis 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 at 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 stabile PD. In the negative scenario, a house price fall of 10 percent and an increase in average PD of 32 per cent, 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 per cent 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.

# KLP BANKEN AS

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

| KLP Banken AS<br>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<br>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<br>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<br>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<br>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 founds 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 to 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 to 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 to 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 to and receivables from customers - overdraft deposit accounts

| KLP Banken AS<br>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<br>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<br>NOK THOUSANDS | 01.01.2022<br>-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

## 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<br>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<br>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<br>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 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) | |
|---|---|---|---|---|
| **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<br>NOK THOUSANDS | 01.01.2022<br>-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** |

# KLP BANKEN AS 2021

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 4 227 | 583 | 1 568 | 6 378 |
| Transfer to Stage 1 | 261 | -119 | -142 | - |
| Transfer to Stage 2 | -71 | 159 | -89 | - |
| Transfer to Stage 3 | -11 | -191 | 203 | - |
| Net changes | -456 | -147 | 8 | -596 |
| New losses | 506 | 16 | 45 | 567 |
| Write-offs | -312 | -36 | -30 | -379 |
| Change risk model/parameters | 3 | 15 | 191 | 209 |
| **Closing balance ECL 31.12.2021** | **4 148** | **280** | **1 753** | **6 180** |
| Changes (01.01.2021 - 31.12.2021) | -80 | -303 | 185 | -198 |
| This includes provisions for losses on loans and receivables - unused credit | | | | 4 266 |

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 302 | 354 | 1 467 | 2 123 |
| Transfer to Stage 1 | 110 | -9 | -102 | - |
| Transfer to Stage 2 | -24 | 108 | -84 | - |
| Transfer to Stage 3 | - | -169 | 169 | - |
| Net changes | -358 | -175 | 44 | -488 |
| New losses | 99 | 9 | - | 109 |
| Change risk model/parameters | 7 | -1 | 2 | 8 |
| **Closing balance ECL 31.12.2021** | **137** | **118** | **1 497** | **1 751** |
| Changes (01.01.2021 - 31.12.2021) | -166 | -236 | 30 | -372 |
| This includes provisions for losses on loans and receivables - unused credit on mortgages | | | | 716 |

## Expected credit loss (ECL) - credit card

| KLP Banken AS NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 3 907 | 229 | 101 | 4 237 |
| Transfer to Stage 1 | 151 | -111 | -41 | - |
| Transfer to Stage 2 | -47 | 51 | -4 | - |
| Transfer to Stage 3 | -11 | -23 | 34 | - |
| Net changes | -405 | -9 | -23 | -436 |
| New losses | 400 | 7 | - | 407 |
| Change risk model/parameters | -9 | 16 | - | 7 |
| **Closing balance ECL 31.12.2021** | **3 987** | **161** | **67** | **4 215** |
| Changes (01.01.2021 - 31.12.2021) | 80 | -67 | -34 | -22 |
| This includes provisions for losses on loans and receivables - unused credit on credit card | | | | 3 550 |

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

| KLP Banken AS<br>NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 18 | - | - | 18 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Net changes | -2 | - | - | -2 |
| New losses | 3 | - | - | 3 |
| **Closing balance ECL 31.12.2021** | **19** | **-** | **-** | **19** |
| Changes (01.01.2021 - 31.12.2021) | 1 | - | - | 1 |

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

| KLP Banken AS<br>NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | - | - | - | - |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Net changes | -4 | - | -44 | -47 |
| New losses | 4 | - | 45 | 49 |
| Change risk model/parameters | 5 | - | 189 | 194 |
| **Closing balance ECL 31.12.2021** | **5** | **-** | **190** | **195** |
| Changes (01.01.2021 - 31.12.2021) | 5 | - | 190 | 195 |

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 founds 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.

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 9 626 541 | 65 073 | 54 315 | 9 745 929 |
| Transfer to Stage 1 | 19 809 | -11 224 | -8 584 | - |
| Transfer to Stage 2 | -189 505 | 202 137 | -12 631 | - |
| Transfer to Stage 3 | -4 189 | -7 915 | 12 104 | - |
| Net change | -47 832 | -98 | 1 288 | -46 643 |
| New lending | 4 814 719 | 24 137 | 3 146 | 4 842 002 |
| Write-offs | -4 746 875 | -20 243 | -13 683 | -4 780 801 |
| **Lending 31.12.2021** | **9 472 667** | **251 866** | **35 954** | **9 760 487** |

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 7 950 011 | 60 479 | 51 005 | 8 061 495 |
| Transfer to Stage 1 | 16 689 | -9 376 | -7 313 | - |
| Transfer to Stage 2 | -187 670 | 200 145 | -12 475 | - |
| Transfer to Stage 3 | -3 284 | -7 213 | 10 497 | - |
| Net change | -4 588 990 | -19 546 | -10 461 | -4 618 997 |
| New lending | 4 549 762 | 23 994 | 3 101 | 4 576 857 |
| Write-offs | -9 731 | - | -789 | -10 520 |
| **Lending 31.12.2021** | **7 726 786** | **248 483** | **33 565** | **8 008 834** |

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 42 146 | 4 594 | 3 310 | 50 049 |
| Transfer to Stage 1 | 3 120 | -1 849 | -1 271 | - |
| Transfer to Stage 2 | -1 835 | 1 992 | -157 | - |
| Transfer to Stage 3 | -780 | -702 | 1 482 | - |
| Net change | -7 890 | -796 | -1 163 | -9 848 |
| New lending | 3 524 | 144 | - | 3 667 |
| **Lending 31.12.2021** | **38 284** | **3 383** | **2 202** | **43 869** |

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 1 633 715 | - | - | 1 633 715 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Net change | -187 612 | - | - | -187 612 |
| New lending | 261 429 | - | - | 261 429 |
| **Lending 31.12.2021** | **1 707 532** | **-** | **-** | **1 707 532** |

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

| KLP Banken AS<br>NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 670 | - | - | 670 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | -125 | - | 125 | - |
| Net change | -485 | - | 18 | -467 |
| New lending | 4 | - | 44 | 49 |
| **Lending 31.12.2021** | **65** | **-** | **188** | **252** |

## Exposure - unused credit

| KLP Banken AS<br>NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 993 121 | 3 434 | 290 | 996 845 |
| Transfer to Stage 1 | 2 147 | -1 983 | -164 | - |
| Transfer to Stage 2 | -56 903 | 56 903 | - | - |
| Transfer to Stage 3 | -69 | -90 | 159 | - |
| Net change | 49 605 | 3 116 | -103 | 52 618 |
| New lending | 243 297 | 1 451 | - | 244 748 |
| Write-offs | -72 891 | -230 | -29 | -73 150 |
| **Lending 31.12.2021** | **1 158 308** | **62 601** | **153** | **1 221 062** |

## LOSSES RECOGNISED IN THE PROFIT AND LOSS ACCOUNT CONSIST OF:

| KLP Banken AS<br>NOK THOUSANDS | 01.01.2021<br>-31.12.2021 |
|---|---|
| Change in loss provisions in Stage 1, 2 and 3 | -2 506 |
| Established losses | -356 |
| Recovery for previously established losses | 566 |
| **Total losses in the income statement** | **-2 295** |

# KLP Banken Group 2021

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 4 422 | 586 | 1 567 | 6 577 |
| Transfer to Stage 1 | 261 | -119 | -142 | - |
| Transfer to Stage 2 | -71 | 160 | -89 | - |
| Transfer to Stage 3 | -11 | -191 | 203 | - |
| Net changes | -473 | -148 | 8 | -613 |
| New losses | 552 | 18 | 45 | 614 |
| Write-offs | -337 | -38 | -30 | -405 |
| Change risk model/parameters | 3 | 15 | 191 | 209 |
| **Closing balance ECL 31.12.2021** | **4 346** | **282** | **1 753** | **6 382** |
| Changes (01.01.2021 - 31.12.2021) | -76 | -304 | 185 | -195 |
| This includes provisions for losses on loans and receivables - unused credit | | | | 4 266 |

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 324 | 357 | 1 468 | 2 148 |
| Transfer to Stage 1 | 110 | -9 | -102 | - |
| Transfer to Stage 2 | -24 | 109 | -84 | - |
| Transfer to Stage 3 | - | -169 | 169 | - |
| Net changes | -366 | -175 | 44 | -497 |
| New losses | 119 | 11 | - | 130 |
| Write-offs | -10 | -2 | - | -12 |
| Change risk model/parameters | 7 | -1 | 2 | 8 |
| **Closing balance ECL 31.12.2021** | **159** | **121** | **1 498** | **1 777** |
| Changes (01.01.2021 - 31.12.2021) | -165 | -237 | 30 | -371 |
| This includes provisions for losses on loans and receivables - unused credit on mortgages | | | | 716 |

## Expected credit loss (ECL) - public lending

| KLP Banken Group NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 173 | - | - | 173 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Net changes | -9 | - | - | -9 |
| New losses | 26 | - | - | 26 |
| Write-offs | -15 | - | - | -15 |
| **Closing balance ECL 31.12.2021** | **176** | **-** | **-** | **176** |
| Changes (01.01.2021 - 31.12.2021) | 3 | - | - | 3 |

## Expected credit loss (ECL) - credit card

| KLP Banken Group NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 3 907 | 229 | 101 | 4 237 |
| Transfer to Stage 1 | 151 | -111 | -41 | - |
| Transfer to Stage 2 | -47 | 51 | -4 | - |
| Transfer to Stage 3 | -11 | -23 | 34 | - |
| Net changes | -405 | -9 | -23 | -436 |
| New losses | 400 | 7 | - | 407 |
| Change risk model/parameters | -9 | 16 | - | 7 |
| **Closing balance ECL 31.12.2021** | **3 987** | **161** | **67** | **4 215** |
| Changes (01.01.2021 - 31.12.2021) | 80 | -67 | -34 | -22 |
| This includes provisions for losses on loans and receivables - unused credit on credit card | | | | 3 550 |

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | 18 | - | - | 18 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Net changes | -2 | - | - | -2 |
| New losses | 3 | - | - | 3 |
| **Closing balance ECL 31.12.2021** | **19** | **-** | **-** | **19** |
| Changes (01.01.2021 - 31.12.2021) | 1 | - | - | 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance ECL 01.01.2021 | - | - | - | - |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Net changes | -4 | - | -44 | -47 |
| New losses | 4 | - | 45 | 49 |
| Change risk model/parameters | 5 | - | 189 | 194 |
| **Closing balance ECL 31.12.2021** | **5** | **-** | **190** | **195** |
| Changes (01.01.2021 - 31.12.2021) | 5 | - | 190 | 195 |

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 37 940 905 | 166 651 | 54 315 | 38 161 871 |
| Transfer to Stage 1 | 26 144 | -17 560 | -8 584 | - |
| Transfer to Stage 2 | -401 112 | 413 743 | -12 631 | - |
| Transfer to Stage 3 | -4 189 | -7 915 | 12 104 | - |
| Net changes | -1 338 481 | -10 335 | 1 288 | -1 347 528 |
| New losses | 12 320 968 | 46 816 | 3 146 | 12 370 930 |
| Write-offs | -9 139 803 | -63 815 | -13 683 | -9 217 300 |
| **Lending 31.12.2021** | **39 404 432** | **527 587** | **35 954** | **39 967 973** |

## Book value of loans and receivables from customers - mortgages

| KLP Banken Group NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 18 672 122 | 162 057 | 51 005 | 18 885 185 |
| Transfer to Stage 1 | 23 024 | -15 711 | -7 313 | - |
| Transfer to Stage 2 | -399 277 | 411 751 | -12 475 | - |
| Transfer to Stage 3 | -3 284 | -7 213 | 10 497 | - |
| Net changes | -5 025 645 | -29 782 | -10 461 | -5 065 888 |
| New losses | 9 431 086 | 46 673 | 3 101 | 9 480 860 |
| Write-offs | -2 915 409 | -43 572 | -789 | -2 959 770 |
| **Lending 31.12.2021** | **19 782 618** | **524 203** | **33 565** | **20 340 386** |

## Losses on lending and receivables from customers - public lending

| KLP Banken Group NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 17 592 253 | - | - | 17 592 253 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Net changes | -853 994 | - | - | -853 994 |
| New losses | 2 624 925 | - | - | 2 624 925 |
| Write-offs | -1 487 251 | - | - | -1 487 251 |
| **Lending 31.12.2021** | **17 875 934** | **-** | **-** | **17 875 934** |

## Losses on lending and receivables from customers - credit card

| KLP Banken Group NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 42 146 | 4 594 | 3 310 | 50 049 |
| Transfer to Stage 1 | 3 120 | -1 849 | -1 271 | - |
| Transfer to Stage 2 | -1 835 | 1 992 | -157 | - |
| Transfer to Stage 3 | -780 | -702 | 1 482 | - |
| Net changes | -7 890 | -796 | -1 163 | -9 848 |
| New losses | 3 524 | 144 | - | 3 667 |
| **Lending 31.12.2021** | **38 284** | **3 383** | **2 202** | **43 869** |

## Losses on lending and receivables from customers - senior loans

| KLP Banken Group NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 1 633 715 | - | - | 1 633 715 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Net changes | -187 612 | - | - | -187 612 |
| New losses | 261 429 | - | - | 261 429 |
| **Lending 31.12.2021** | **1 707 532** | **-** | **-** | **1 707 532** |

## 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) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 670 | - | - | 670 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | -125 | - | 125 | - |
| Net changes | -485 | - | 18 | -467 |
| New losses | 4 | - | 44 | 49 |
| **Lending 31.12.2021** | **65** | **-** | **188** | **252** |

## Exposure - unused credit

| KLP Banken Group NOK THOUSANDS | 12 months ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | |
|---|---|---|---|---|
| **2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Lending 01.01.2021 | 993 121 | 3 434 | 290 | 996 845 |
| Transfer to Stage 1 | 2 147 | -1 983 | -164 | - |
| Transfer to Stage 2 | -56 903 | 56 903 | - | - |
| Transfer to Stage 3 | -69 | -90 | 159 | - |
| Net changes | 49 605 | 3 116 | -103 | 52 618 |
| New losses | 243 297 | 1 451 | - | 244 748 |
| Write-offs | -72 891 | -230 | -29 | -73 150 |
| **Lending 31.12.2021** | **1 158 308** | **62 601** | **153** | **1 221 062** |

## LOSSES RECOGNISED IN THE PROFIT AND LOSS ACCOUNT CONSIST OF:

| KLP Banken Group<br>NOK THOUSANDS | 01.01.2021<br>-31.12.2021 |
|---|---|
| Change in loss provisions in Stage 1, 2 and 3 | -2 509 |
| Established losses | -356 |
| Recovery for previously established losses | 566 |
| **Total losses in the income statement** | **-2 299** |

# Note 11 Tax

| KLP Banken AS | | NOK THOUSAND | KLP Banken Group | |
|---|---|---|---|---|
| 01.01.2021<br>- 31.12.2021 | 01.01.2022<br>- 31.12.2022 | | 01.01.2022<br>- 31.12.2022 | 01.01.2021<br>- 31.12.2021 |
| 53 568 | 101 180 | Accounting income before taxes | 180 478 | 116 117 |
| | | **Other income components:** | | |
| 7 136 | 11 094 | Estimate difference, pension obligations and assets | 11 094 | 7 136 |
| -170 | -11 | Value adjustment for instruments other than shares through OCI | -11 | - |
| | | **Differences between accounting and tax income:** | | |
| 31 008 | 11 641 | Reversal of value increase financial assets | -55 995 | -25 805 |
| 247 | -152 | Other permanent differences | -152 | 247 |
| -1 964 | -4 297 | Change in differences between book and taxable income | 79 233 | 29 540 |
| **89 825** | **119 455** | **Taxable income** | **214 647** | **127 236** |
| - | - | Group contribution received with tax effect | - | - |
| **89 825** | **119 455** | **Base for tax payable in tax expenses** | **214 647** | **127 236** |
| **-** | **-** | **Total allowable carry-forward deficit as at 31 December** | **-** | **-** |
| **89 825** | **119 455** | **Tax surplus** | **214 647** | **127 236** |
| | | **RECONCILIATION OF BASIS FOR DEFERRED TAX/TAX ASSETS** | | |
| | | **DEFERRED TAX ASSETS LINKED TO:** | | |
| 37 | 131 | Fixed assets | 131 | 37 |
| -1 400 | -4 401 | Financial instruments | -9 741 | -7 144 |
| - | - | Hedging of borrowing | -2 202 | -85 |
| - | - | Lending to customers and credit enterprises | -21 571 | -6 898 |
| -9 173 | -8 023 | Pension obligation | -8 023 | -9 173 |
| -22 | -99 | Leases | -99 | -22 |
| **-10 558** | **-12 392** | **Total deferred tax assets** | **-41 505** | **-23 285** |
| | | **DEFERRED TAX LINKED TO:** | | |
| 37 | 35 | Lending to customers and credit enterprises | 35 | 37 |
| - | - | Financial instruments | 28 049 | 12 676 |
| - | - | Hedging loans | 4 173 | 5 276 |
| 22 456 | 29 864 | Tax effect of group contribution | 49 591 | 28 640 |
| **22 494** | **29 898** | **Total deferred tax** | **81 847** | **46 629** |
| **11 935** | **17 507** | **Net deferred tax/tax assets** | **40 343** | **23 343** |
| | | **SUMMARY OF TAX EXPENSES FOR THE YEAR** | | |
| -7 261 | -1 836 | Changes in deffered tax excl.group contribution | -3 952 | 633 |
| - | 246 | Too little allocated tax last year | 246 | - |
| -20 240 | -22 456 | Reversed tax on paid out group contribution | -28 640 | -27 065 |
| 22 456 | 29 864 | Tax on Group contribution payment made | 49 591 | 28 640 |
| **-5 045** | **5 817** | **Capitalized tax** | **17 248** | **2 207** |
| -6 786 | 3 046 | Tax on ordinary result | 14 474 | 423 |
| 1 741 | 2 771 | Tax on postings in other comprehensive income | 2 774 | 1 784 |
| **-5 045** | **5 817** | **Total tax expenses** | **17 248** | **2 207** |
| -8.3% | 5.2% | Effective tax percentage | 9.0% | 1.8% |

| KLP Banken AS | | NOK THOUSAND | KLP Banken Group | |
|---|---|---|---|---|
| 01.01.2021 - 31.12.2021 | 01.01.2022 - 31.12.2022 | | 01.01.2022 - 31.12.2022 | 01.01.2021 - 31.12.2021 |
| | | **RECONCILIATION OF TAX PERCENTAGE** | | |
| 53 568 | 101 180 | Accounting income before taxes | 180 478 | 116 117 |
| 6 966 | 11 083 | Items in other comprehensive income | 11 083 | 7 136 |
| **60 534** | **112 263** | **Total profit before tax** | **191 561** | **123 253** |
| 15 133 | 28 066 | Income taxs expense, nominal tax rate | 47 890 | 30 813 |
| -5 045 | 5 817 | Income tax expense, effective tax rate | 17 248 | 2 207 |
| **20 178** | **22 248** | **Difference between effective and nominal tax rate** | **30 642** | **28 606** |
| 20 240 | 22 456 | Tax effect on paid out group contribution | 28 640 | 27 065 |
| -62 | -208 | Tax effects of permanent differences | -211 | -62 |
| - | - | Effect of change in tax rate on deferred tax | 2 213 | 1 602 |
| **20 178** | **22 248** | **Total** | **30 642** | **28 606** |

## 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 | 2022 | Joint scheme | Via operation | 2021 |
|---|---|---|---|---|---|---|
| **Pension costs** | | | | | | |
| Present value of accumulation for the year | 11 286 | 521 | 11 806 | 10 282 | 410 | 10 692 |
| Administration cost | 207 | 0 | 207 | 209 | 0 | 209 |
| Planchange | 0 | 0 | 0 | 0 | 0 | 0 |
| Social security contributions - Pension costs | 1 620 | 73 | 1 694 | 1 479 | 58 | 1 537 |
| Capital activity tax - Pension costs | 575 | 26 | 601 | 525 | 20 | 545 |
| **Pension costs incl. social security and administration costs taken to income** | **13 687** | **620** | **14 307** | **12 495** | **488** | **12 983** |
| **Net financial costs** | | | | | | |
| Interest costs | 2 308 | 242 | 2 550 | 1 813 | 207 | 2 019 |
| Expected return | -1 808 | 0 | -1 808 | -1 325 | 0 | -1 325 |
| Management costs | 101 | 0 | 101 | 96 | 0 | 96 |
| Net interest costs | 601 | 242 | 843 | 584 | 207 | 791 |
| Social security contributions - Net interest cost | 85 | 34 | 119 | 82 | 29 | 112 |
| Capital activity tax - Net interest cost | 30 | 12 | 42 | 29 | 10 | 40 |
| **Net interest cost including social security contributions** | **716** | **288** | **1 004** | **696** | **246** | **942** |
| **Estimate difference, pensions** | | | | | | |
| Actuarial gains (losses) | -9 069 | -246 | -9 315 | -6 895 | 904 | -5 992 |
| Social security contributions | -1 279 | -35 | -1 313 | -972 | 127 | -845 |
| Capital activity tax | -453 | -12 | -466 | -345 | 45 | -300 |
| **Actuarial gains (losses) incl. social security contributions** | **-10 801** | **-293** | **-11 094** | **-8 212** | **1 076** | **-7 136** |
| **Total pension costs including interest costs and estimate difference** | **3 602** | **615** | **4 217** | **4 978** | **1 811** | **6 789** |

| NOK THOUSANDS | Joint scheme | Via operation | 2022 | Joint scheme | Via operation | 2021 |
|---|---|---|---|---|---|---|
| **Pension obligations** | | | | | | |
| Gross accrued pension obligation | 115 404 | 12 261 | 127 665 | 111 299 | 12 689 | 123 989 |
| Pension assets | 100 720 | 0 | 100 720 | 93 180 | 0 | 93 180 |
| Net liability before SSC | 14 684 | 12 261 | 26 945 | 18 119 | 12 689 | 30 808 |
| Social security contributions | 2 071 | 1 729 | 3 799 | 2 555 | 1 789 | 4 344 |
| Capital activity tax | 734 | 613 | 1 347 | 906 | 634 | 1 540 |
| Gross accrued obligations incl. social security costs | 118 209 | 14 603 | 132 812 | 114 760 | 15 113 | 129 873 |
| **Net liability incl. social security costs** | **17 489** | **14 603** | **32 092** | **21 580** | **15 113** | **36 693** |
| **Reconciliation of pension obligations** | | | | | | |
| Capitalized net liability/(asset) 01.01 | 21 580 | 15 113 | 36 693 | 26 895 | 14 656 | 41 550 |
| Pension costs taken to profit/loss | 13 687 | 620 | 14 307 | 12 495 | 488 | 12 983 |
| Finance costs taken to profit/loss | 716 | 288 | 1 004 | 696 | 246 | 942 |
| Actuarial gains and losses incl. social security contributions | -10 801 | -293 | -11 094 | -8 212 | 1 076 | -7 136 |
| Social security contributions paid in premiums/supplement | -6 459 | -945 | -7 404 | -8 642 | -1 136 | -9 778 |
| Capital activity tax paid-in premium/supplement | -323 | -47 | -370 | -432 | -57 | -489 |
| Premium/supplement paid-in including admin | -911 | -133 | -1 044 | -1 219 | -160 | -1 379 |
| **Capitalized net liability/(asset) 31.12** | **17 489** | **14 603** | **32 092** | **21 580** | **15 113** | **36 693** |
| **Change in pension obligations** | | | | | | |
| Gross pension assets 01.01. before planchange | 114 760 | 15 113 | 129 873 | 101 691 | 14 656 | 116 346 |
| Planchange | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross pension assets 01.01. after planchange | 114 760 | 15 113 | 129 873 | 101 691 | 14 656 | 116 346 |
| Present value of accumulation for the year | 11 286 | 521 | 11 806 | 10 282 | 410 | 10 692 |
| Interest costs | 2 308 | 242 | 2 550 | 1 813 | 207 | 2 019 |
| Actuarial losses (gains) gross pension obligation | -9 014 | -293 | -9 308 | 2 548 | 1 076 | 3 625 |
| Social security contributions - pension costs | 1 620 | 73 | 1 694 | 1 479 | 58 | 1 537 |
| Social security contributions - net interest costs | 85 | 34 | 119 | 82 | 29 | 112 |
| Social security contributions paid in premiums/supplement | -911 | -133 | -1 044 | -1 219 | -160 | -1 379 |
| Capital activity tax - pension costs | 575 | 26 | 601 | 525 | 20 | 545 |
| Capital activity tax - net interest costs | 30 | 12 | 42 | 29 | 10 | 40 |
| Capital activity tax - paid-in premiums/supplement | -323 | -47 | -370 | -432 | -57 | -489 |
| Payments | -2 207 | -945 | -3 151 | -2 039 | -1 136 | -3 175 |
| **Gross pension obligation 31.12** | **118 209** | **14 603** | **132 812** | **114 760** | **15 113** | **129 873** |
| **Change in pension assets** | | | | | | |
| Pension assets 01.01 | 93 180 | 0 | 93 180 | 74 796 | 0 | 74 796 |
| Expected return | 1 808 | 0 | 1 808 | 1 325 | 0 | 1 325 |
| Actuarial loss (gain) on pension assets | 1 787 | 0 | 1 787 | 10 761 | 0 | 10 761 |
| Administration cost | -207 | 0 | -207 | -209 | 0 | -209 |
| Financing cost | -101 | 0 | -101 | -96 | 0 | -96 |
| Premium/supplement paid-in including admin | 6 459 | 945 | 7 404 | 8 642 | 1 136 | 9 778 |
| Payments | -2 207 | -945 | -3 151 | -2 039 | -1 136 | -3 175 |
| **Pension assets 31.12** | **100 720** | **0** | **100 720** | **93 180** | **0** | **93 180** |

| NOK THOUSANDS | Joint scheme | Via operation | 2022 | Joint scheme | Via operation | 2021 |
|---|---|---|---|---|---|---|
| **Over/under-financing of the pension scheme** | | | | | | |
| Present value of the defined-benefit pension obligation | 118 209 | 14 603 | 132 812 | 114 760 | 15 113 | 129 873 |
| Fair value of the pension assets | 100 720 | 0 | 100 720 | 93 180 | 0 | 93 180 |
| **Net pension obligation** | **17 489** | **14 603** | **32 092** | **21 580** | **15 113** | **36 693** |

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Financial assumptions (common to all pension schemes)** | | |
| Discount rate | 3.00% | 1.90% |
| Salary growth | 3.50% | 2.75% |
| National Insurance basic amount (G) | 3.25% | 2.50% |
| Pension increases | 2.60% | 1.73% |
| Social security contributions | 14.10% | 14.10% |
| Capital activity tax | 5.00% | 5.00% |

For the measurement of pension expense for 2022 used assumptions as of 31.12.2021, while for calculating pensjon liabilities 31.12.2022 used assumptions and population per 31.12.2022. The assumptions are based on market conditions per 31.12.2022 and are in accordance with the recommendation from the Norwegian Accounting Standards Board.

### 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 (in years) | <24 | 24-29 | 30-39 | 40-49 | 50-55 | >55 |
| Turnover | 25% | 15% | 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 | 2022 | Joint scheme | Via operation | 2021 |
|---|---|---|---|---|---|---|
| **Membership status** | | | | | | |
| Number active | 75 | 2 | 77 | 77 | 2 | 79 |
| Number deferred (previous employees with deferred entitlements) | 66 | 5 | 71 | 51 | 5 | 56 |
| Number of pensioners | 21 | 4 | 25 | 19 | 3 | 22 |

| | 2022 | 2021 |
|---|---|---|
| **Composition of the pension assets:** | | |
| Property | 14.7% | 13.8% |
| Lending | 12.0% | 11.9% |
| Shares | 30.2% | 30.9% |
| Long-term/HTM bonds | 29.0% | 27.7% |
| Short-term bonds | 12.2% | 13.8% |
| Liquidity/money market | 1.9% | 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 -1.14 per cent in 2022 and 8.36 per cent in 2021.

Expected payment into benefit plans after cessation of employment for the period 1 January 2023 – 31 December 2023 is NOK 15.7 million.

| Sensitivity analysis as at 31 December 2022 | |
|---|---|
| Discount rate reduced by 0.5% | Increase |
| Gross pension obligation | 10.2% |
| Accumulation for the year | 16.3% |
| Salary growth increases by 0.25% | Increase |
| Gross pension obligation | 0.5% |
| Accumulation for the year | 1.3% |
| Mortality increases by 10% | Increase |
| Gross pension obligation | 2.8% |
| Accumulation for the year | 2.1% |

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 18.9 years.

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

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| 67 244 | 72 960 | Claims on central banks | 72 960 | 67 244 |
| 940 362 | 802 974 | Bank deposits operations | 1 267 417 | 1 353 751 |
| - | - | Cash | - | - |
| **1 007 606** | **875 934** | **Total cash and cash equivalents (liquidity)** | **1 340 377** | **1 420 995** |
| 14 755 | 15 538 | Bank accounts to be used for the purchase and sale of securities | 52 670 | 44 750 |
| 1 849 747 | 2 232 000 | Receivable on group coppanies | - | - |
| **2 872 108** | **3 123 473** | **Loans and receivables from credit institutions** | **1 393 047** | **1 465 745** |

# Note 14 Lending and receivables

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| | | **LOANS TO AND RECEIVABLES FROM CENTRAL BANKS AND CREDIT INSTITUTIONS** | | |
| 1 022 361 | 891 472 | Bank deposits (of which are restricted witholdings 2 974) | 1 393 047 | 1 465 745 |
| 1 849 308 | 2 229 036 | Principal on loans to Group companies | - | - |
| 439 | 2 964 | Accrued interest on loans to Group companies | - | - |
| **2 872 108** | **3 123 472** | **Loans to and receivables from central banks and credit institutions** | **1 393 047** | **1 465 745** |
| | | **LOANS TO AND RECEIVABLES FROM CUSTOMERS** | | |
| 9 711 426 | 10 922 826 | Principal on loans to customers | 42 287 934 | 39 870 185 |
| 43 355 | 43 141 | Credit portfolio | 43 141 | 43 355 |
| 179 | 90 | Overdraft current account | 90 | 179 |
| -874 | -1 522 | Write-downs step 1 and 2 | -1 771 | -1 075 |
| -1 040 | -933 | Write-downs step 3 | -933 | -1 040 |
| 5 237 | 12 362 | Accrued interest | 145 049 | 53 852 |
| - | - | Fair value hedging | -98 049 | -31 356 |
| **9 758 283** | **10 975 964** | **Loans to and receivables from customers** | **42 375 461** | **39 934 100** |

# Note 15 **Categories of financial instruments**

| 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** |

| KLP Banken AS 31.12.2021 | | NOK THOUSANDS | KLP Banken Group 31.12.2021 | |
|---|---|---|---|---|
| **Book value** | **Fair value** | | **Book value** | **Fair value** |
| | | **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS** | | |
| 2 630 267 | 2 630 267 | Fixed-income securities | 6 001 099 | 6 001 099 |
| - | - | Financial derivatives | 42 051 | 42 051 |
| 1 187 | 1 187 | Shares and holdings | 1 187 | 1 187 |
| **2 631 454** | **2 631 454** | **Total financial assets at fair value through profit and loss** | **6 044 337** | **6 044 337** |
| | | **FINANCIAL ASSETS FAIR VALUE HEDGING** | | |
| 31 631 | 32 108 | Loans to and receivables from customers | 2 012 822 | 2 056 718 |
| **31 631** | **32 108** | **Total financial assets fair value hedging** | **2 012 822** | **2 056 718** |
| | | **FINANCIAL ASSETS AT AMORTIZED COST** | | |
| 67 244 | 67 244 | Loans to and receivables from credit institutions | 67 244 | 67 244 |
| 955 117 | 955 117 | Loans to and receivables from central banks | 1 398 501 | 1 398 501 |
| 1 849 747 | 1 849 747 | Loans to Group companies | - | - |
| 43 355 | 43 355 | Loans to and receivables from customers | 37 921 278 | 37 921 278 |
| **2 915 463** | **2 915 463** | **Total financial assets at amortized cost** | **39 387 023** | **39 387 023** |
| | | **FINANCIAL ASSETS AT FAIR VALUE WITH VALUE CHANGE OVER OTHER COMPREHENSIVE INCOME** | | |
| 9 683 297 | 9 683 297 | Loans to and receivables from customers | - | - |
| **9 683 297** | **9 683 297** | **Total financial assets at fair value with value change over other comprehensive income** | **-** | **-** |
| **15 261 844** | **15 262 322** | **Total financial assets** | **47 444 182** | **47 488 078** |
| | | **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS** | | |
| 347 | 347 | Financial derivatives | 9 990 | 9 990 |
| **347** | **347** | **Total financial liabilities at fair value through profit and loss** | **9 990** | **9 990** |
| | | **FINANCIAL LIABILITIES FAIR VALUE HEDGING** | | |
| - | - | Liabilities created on issuance of securities | 508 146 | 515 581 |
| **-** | **-** | **Total financial liabilities fair value hedging** | **508 146** | **515 581** |
| | | **FINANCIAL LIABILITIES AT AMORTIZED COST** | | |
| 902 590 | 906 024 | Liabilities created on issuance of securities | 31 409 652 | 31 474 825 |
| 13 303 110 | 13 303 110 | Deposits from customers | 12 901 004 | 12 901 004 |
| **14 205 700** | **14 209 133** | **Total financial liabilities at amortized cost** | **44 310 656** | **44 375 829** |
| **14 206 047** | **14 209 480** | **Total financial liabilities** | **44 828 792** | **44 901 401** |

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

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

**Fixed-income securities – government**

Nordic Bond Pricing is used as a source for pricing Norwegian government bonds. The prices are compared with the prices from Bloomberg to reveal any errors.

**Fixed-income securities - other than government**

Norwegian fixed-income securities, except government are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves for Norwegian savings banks, municipalities and energy. Savings banks have various spread curves based on total assets.

**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 (unlisted)**

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 price picture is out of date, a derived valuation is produced from relevant equity indices or other similar securities. If this is also considered unsatisfactory, a discretionary valuation is made in which the Company's financial key figures, broker assessment etc. are used.

**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 | |
|---|---|---|---|---|
| **31.12.2021** | **31.12.2022** | | **31.12.2022** | **31.12.2021** |
| | | **Financial assets recognized at fair value:** | | |
| | | **Fixed-income securities and shares** | | |
| 491 693 | 695 463 | Level 1: Value based on prices in an active market | 804 841 | 595 610 |
| 2 138 574 | 1 721 015 | Level 2: Value based on observable market data | 5 759 785 | 5 405 489 |
| 1 187 | 1 187 | Level 3: Value based on other than observable market data | 1 187 | 1 187 |
| **2 631 454** | **2 417 665** | **Total fixed-income securities, shares, holdings and primary capital certificates** | **6 565 814** | **6 002 286** |
| | | **Financial derivatives - fair value hedging** | | |
| - | - | Level 1: Value based on prices in an active market | - | - |
| - | 255 | Level 2: Value based on observable market data | 139 153 | 42 051 |
| - | - | Level 3: Value based on other than observable market data | - | - |
| **-** | **255** | **Total financial derivatives** | **139 153** | **42 051** |
| | | **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 | - | - |
| 9 683 297 | 10 932 823 | Level 3: Value based on other than observable market data | - | - |
| **9 683 297** | **10 932 823** | **Total mortgage assessed at fair value over other comprehensive income** | **-** | **-** |
| **12 314 751** | **13 350 488** | **Total financial assets recognized at fair value.** | **6 704 966** | **6 044 337** |
| | | **Financial liabilities recognized at fair value:** | | |
| | | **Financial derivatives (liabilities) - fair value hedging** | | |
| - | - | Level 1: Value based on prices in an active market | - | - |
| 347 | - | Level 2: Value based on observable market data | 25 939 | 9 990 |
| - | - | Level 3: Value based on other than observable market data | - | - |
| **347** | **-** | **Total financial derivatives (liabilities)** | **25 939** | **9 990** |
| **347** | **-** | **Total financial assets recognized at fair value.** | **25 939** | **9 990** |
| | | **Changes in level 3 unlisted securities** | | |
| 1 197 | 1 187 | Opening balance 1 January | 1 187 | 1 197 |
| 77 | - | Additions/purchases of shares | - | 77 |
| -87 | - | Unrealized changes | - | -87 |
| **1 187** | **1 187** | **Closing balance** | **1 187** | **1 187** |
| - | - | Realized gains/losses | - | - |
| | | **Changes in level 3 loans to and receivables from customers** | | |
| 9 621 306 | 9 683 297 | Opening balance 1 January | | |
| 3 273 959 | 4 155 161 | Loans to and receivables from customers | | |
| -3 209 676 | -2 933 018 | Overdue/redeemed loans to and receivables from customers | | |
| -2 292 | 27 383 | Net other changes | | |
| **9 683 297** | **10 932 823** | **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 i 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 31.12.2022 | | | | NOK THOUSANDS | KLP Banken Group 31.12.2022 | | | |
|---|---|---|---|---|---|---|---|---|
| **Acquisition cost** | **Unrel. gain/loss** | **Accr. int. not due** | **Market value** | **Debtor categories** | **Acquisition cost** | **Unrel. gain/loss** | **Accr. int. not due** | **Market value** |
| 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% | |

| 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** | **Debtor categories** | **Acquisition cost** | **Unrel. gain/loss** | **Accr. int. not due** | **Market value** |
| 419 685 | -22 | - | 419 663 | Government/social security administration | 523 607 | -28 | - | 523 579 |
| 1 985 535 | -1 194 | 1 806 | 1 986 147 | Credit enterprises | 4 990 179 | -5 991 | 4 867 | 4 989 055 |
| - | - | - | - | Local government administration | 263 623 | -123 | 507 | 264 007 |
| 73 666 | -1 976 | 340 | 72 030 | Foreign credit institutions (not banks) | 73 666 | -1 976 | 340 | 72 030 |
| 153 565 | -1 389 | 251 | 152 427 | Multilateral development banks (not banks) | 153 565 | -1 389 | 251 | 152 427 |
| **2 632 451** | **-4 581** | **2 397** | **2 630 267** | **Total fixed-income securities** | **6 004 640** | **-9 507** | **5 965** | **6 001 099** |
| | Effective interest rate: | | 0.93% | | Effective interest rate: | | 0.94% | |

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 31.12.2022 | 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** |

### KLP Banken AS

| NOK THOUSANDS 31.12.2021 | Nominal amount | Fair value | < 1 year | 1-5 years | 5-10 years | > 10 years | Total |
|---|---|---|---|---|---|---|---|
| Derivatives related to borrowing | - | - | - | - | - | - | - |
| Derivatives related to lending | - | - | - | - | - | - | - |
| **Total assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Derivatives related to borrowing | - | - | - | - | - | - | - |
| Derivatives related to lending | 18 000 | -347 | 10 000 | 8 000 | - | - | 18 000 |
| **Total liabilities** | **18 000** | **-347** | **10 000** | **8 000** | **-** | **-** | **18 000** |

## KLP Banken Group

| NOK THOUSANDS<br>31.12.2021 | Nominal amount | Fair value | < 1 year | 1-5 years | 5-10 years | > 10 years | Total |
|---|---|---|---|---|---|---|---|
| Borrowing in currency | 500 000 | 7 097 | - | - | 500 000 | - | 500 000 |
| Derivatives related to lending | 1 445 093 | 34 954 | - | 930 735 | 514 358 | - | 1 445 093 |
| **Total assets** | **1 945 093** | **42 051** | **-** | **930 735** | **1 014 358** | **-** | **1 945 093** |
| Derivatives related to borrowing | - | - | - | - | - | - | - |
| Derivatives related to lending | 573 427 | -9 990 | 302 414 | 245 007 | 11 475 | 14 531 | 573 427 |
| **Total liabilities** | **573 427** | **-9 990** | **302 414** | **245 007** | **11 475** | **14 531** | **573 427** |

The company uses interest-rate swaps to adjust for differences in interest rate exposure between lending and borrowing. All derivative agreements entered into 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. See note 2.6.2.3 for a description of the accounting policies for classifying and measuring derivatives.

# Note 19 **Shares and holdings**

| KLP Banken AS 31.12.2022 | | | NOK THOUSANDS | KLP Banken Group 31.12.2022 | | |
|---|---|---|---|---|---|---|
| **Organisation number** | **Volume** | **Market value** | | **Organisation number** | **Volume** | **Market value** |
| 988477052 | 6700 | 7 | Bankenes Id-tjeneste AS | 988477052 | 6700 | 7 |
| 918713867 | 517 | 229 | Vipps AS | 918713867 | 517 | 229 |
| 821083052 | 799318725053768 | 748 | VN Norge AS | 821083052 | 799318725053768 | 748 |
| 920013015 | 2791 | 203 | Norsk Gjeldsinformasjon | 920013015 | 2791 | 203 |
| | | **1 187** | **Total shares and holdings** | | | **1 187** |

| KLP Banken AS 31.12.2021 | | | NOK THOUSANDS | KLP Banken Group 31.12.2021 | | |
|---|---|---|---|---|---|---|
| **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 | 799318725053768 | 748 | VN Norge AS | 821083052 | 799318725053768 | 748 |
| 920 013 015 | 2791 | 203 | Norsk Gjeldsinformasjon | 920013015 | 2791 | 203 |
| | | **1 187** | **Total shares and holdings** | | | **1 187** |

# Note 20 **Financial assets and liabilities subject to net settlement**

## KLP BANKEN AS

| 31.12.2022<br>NOK THOUSANDS | | | | Related sums that are not presented net | | |
|---|---|---|---|---|---|---|
| | Gross financial assets/liabilites | Gross assets/ liabilities presented net | Book value | 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<br>NOK THOUSANDS | | | | Related sums that are not presented net | | |
|---|---|---|---|---|---|---|
| | Gross financial assets/liabilites | Gross assets/ liabilities presented net | Book value | 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** | **-** |

## KLP BANKEN AS

| 31.12.2021<br>NOK THOUSANDS | | | | Related sums that are not presented net | | |
|---|---|---|---|---|---|---|
| | Gross financial assets/liabilites | Gross assets/ liabilities presented net | Book value | Financial instruments | Security in cash | Net recognised value |
| **ASSETS** | | | | | | |
| Financial derivatives | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** |
| **LIABILITIES** | | | | | | |
| Financial derivatives | 347 | - | 347 | - | -3 628 | - |
| **Total** | **347** | **-** | **347** | **-** | **-3 628** | **-** |

## KLP BANKEN GROUP

| 31.12.2021 NOK THOUSANDS | | | | Related sums that are not presented net | | |
|---|---|---|---|---|---|---|
| | Gross financial assets/liabilites | Gross assets/ liabilities presented net | Book value | Financial instruments | Security in cash | Net recognised value |
| **ASSETS** | | | | | | |
| Financial derivatives | 42 051 | - | 42 051 | -9 200 | - | 32 851 |
| **Total** | **42 051** | **-** | **42 051** | **-9 200** | **-** | **32 851** |
| **LIABILITIES** | | | | | | |
| Financial derivatives | 9 990 | - | 9 990 | -9 200 | -3 628 | - |
| **Total** | **9 990** | **-** | **9 990** | **-9 200** | **-3 628** | **-** |

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 31.12.2022 | Book value 31.12.2021 |
|---|---|---|---|---|---|
| KLP Boligkreditt AS | 912719634 | 100 | 860 470 | 860 470 | 710 470 |
| KLP Kommunekreditt AS | 994526944 | 100 | 755 000 | 755 000 | 675 000 |
| **Total** | | | **1 615 470** | **1 615 470** | **1 385 470** |

# Note 22 **Intangible assets**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| **31.12.2021** | **31.12.2022** | | **31.12.2022** | **31.12.2021** |
| 63 656 | 66 233 | Acquisition cost 01.01 | 66 233 | 63 656 |
| 2 578 | 974 | Additions | 974 | 2 578 |
| - | - | Disposals | - | - |
| **66 233** | **67 208** | **Acquisition cost 31.12** | **67 208** | **66 233** |
| -44 638 | -49 444 | Accumulated depreciation previous years | -49 444 | -44 638 |
| -4 806 | -2 140 | Ordinary depreciation for the year | -2 140 | -4 806 |
| **16 789** | **15 624** | **Book value** | **15 624** | **16 789** |
| | | Depreciation period 3-7 years | | |

# Note 23 **Leases**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| **31.12.2021** | **31.12.2022** | | **31.12.2022** | **31.12.2021** |
| | | RIGHT-OF-USE ASSETS - PROPERTY | | |
| 1 948 | 18 236 | Opening balance 01.01. | 18 236 | 1 948 |
| -1 636 | -1 870 | Depreciation | -1 870 | -1 636 |
| -779 | - | Deduction | - | -779 |
| 18 703 | - | Addition | - | 18 703 |
| **18 236** | **16 365** | **Closing balance 31.12.** | **16 365** | **18 236** |
| | | LEASE LIABILITIES - PROPERTY | | |
| 2 023 | 18 323 | Opening balance 01.01. | 18 323 | 2 023 |
| -1 582 | -1 563 | Repayments | -1 563 | -1 582 |
| -821 | - | Deduction | - | -821 |
| 18 703 | - | Addition | - | 18 703 |
| **18 323** | **16 761** | **Closing balance 31.12.** | **16 761** | **18 323** |

| 01.01.2021 -31.12.2021 | 01.01.2022 -31.12.2022 | NOK THOUSANDS | 01.01.2022 -31.12.2022 | 01.01.2021 -31.12.2021 |
|---|---|---|---|---|
| | | **PROPERTY** | | |
| 109 | 326 | Interest expense lease liabilities | 326 | 109 |
| **109** | **326** | **Interest expense lease liabilities** | **326** | **109** |

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.

## Note 24 **Fixed assets**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| 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** |
| -800 | -808 | Acc. depreciation previous years | -808 | -800 |
| -8 | - | Annual depreciation | - | -8 |
| **-808** | **-808** | **Accumulated depreciation** | **-808** | **-808** |
| **436** | **436** | **Book value** | **436** | **436** |

## Note 25 **Other assets**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| 9 599 | 6 514 | Receivables between companies in the same Group | 2 569 | 2 196 |
| - | 2 | Miscellaneous receivables | 2 | - |
| 21 | 2 245 | Prepaid expenses | 2 245 | 21 |
| **9 620** | **8 761** | **Total other assets** | **4 816** | **2 217** |

## Note 26 **Deposits from customers**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| 13 303 110 | 14 189 341 | Deposits from customers without agreed duration | 13 778 881 | 12 901 004 |
| **13 303 110** | **14 189 341** | **Total deposits from customers without agreed duration** | **13 778 881** | **12 901 004** |
| | | **CUSTOMER DEPOSITS DIVIDED BY CUSTOMER GROUPS** | | |
| 11 601 485 | 12 108 740 | Deposits from customers, retail market | 12 108 740 | 11 601 485 |
| 1 299 519 | 1 670 140 | Deposits from customers, public sector market | 1 670 140 | 1 299 519 |
| 402 106 | 410 460 | Deposits from subsidiaries | - | - |
| **13 303 110** | **14 189 341** | **Total deposits from customers** | **13 778 881** | **12 901 004** |
| **0.56%** | **2.38%** | **Interest rate on customer deposits, at the reporting date** | **2.28%** | **0.57%** |

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 | |
|---|---|---|---|---|
| 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| 900 000 | 1 050 000 | Bonds, nominal value | 33 331 119 | 31 818 640 |
| 1 320 | 429 | Revaluations | 9 932 | 60 603 |
| 1 270 | 4 265 | Accrued interest | 143 881 | 38 554 |
| **902 590** | **1 054 694** | **Total liabilities created on issuance of securities** | **33 484 932** | **31 917 798** |
| **1.28%** | **4.03%** | **Interest rate on borrowings through the issuance of securities at the reporting date** | **3.62%** | **1.10%** |

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 31.12.2021 | 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** |

## KLP Banken AS

| NOK THOUSANDS | Balance sheet 31.12.2020 | Issued | Matured/ redemed | Other adjustments | Balance sheet 31.12.2021 | Interest paid in 2021 |
|---|---|---|---|---|---|---|
| **CHANGE IN LIABILITIES CREATED ON ISSUANCE OF SECURITIES** | | | | | | |
| Bonds, nominal value | 800 000 | 300 000 | -200 000 | - | 900 000 | - |
| Revaluations | 1 761 | - | - | -441 | 1 320 | - |
| Accrued interest | 689 | - | - | 581 | 1 270 | -7 782 |
| **Total liabilities created on issuance of securities** | **802 450** | **300 000** | **-200 000** | **140** | **902 590** | **-7 782** |

## KLP Banken Group

| NOK THOUSANDS | Balance sheet 31.12.2020 | Issued | Matured/ redemed | Other adjustments | Balance sheet 31.12.2021 | Interest paid in 2021 |
|---|---|---|---|---|---|---|
| **CHANGE IN LIABILITIES CREATED ON ISSUANCE OF SECURITIES** | | | | | | |
| Bonds, nominal value | 25 698 407 | 9 300 000 | -6 248 000 | 3 068 233 | 31 818 640 | - |
| Revaluations | 74 537 | - | - | -13 934 | 60 603 | - |
| Accrued interest | 26 521 | - | - | 12 033 | 38 554 | -238 607 |
| **Total liabilities created on issuance of securities** | **25 799 465** | **9 300 000** | **-6 248 000** | **3 066 332** | **31 917 798** | **-238 607** |

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

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| **31.12.2021** | **31.12.2022** | | **31.12.2022** | **31.12.2021** |
| 7 483 | 65 101 | Receivables between companies in the same Group | 30 311 | 4 150 |
| 2 779 | 1 717 | Creditors | 1 742 | 2 867 |
| - | - | Short-term balances with credit institutions | 108 100 | 25 400 |
| 5 946 | 3 026 | Miscellaneous liabilities | 3 026 | 5 952 |
| **16 209** | **69 844** | **Total other liabilities** | **143 180** | **38 369** |
| 2 816 | 2 886 | Withholding tax | 2 886 | 2 816 |
| 2 262 | 2 425 | Social security contributions | 2 425 | 2 262 |
| 820 | 869 | Capital activity tax | 869 | 820 |
| 6 273 | 6 708 | Holiday pay | 6 708 | 6 273 |
| 36 693 | 32 092 | Pension obligations | 32 092 | 36 693 |
| 150 | - | VAT | 28 | 211 |
| 3 176 | 9 206 | Provisioned costs | 9 206 | 3 176 |
| **52 189** | **54 187** | **Total accrued costs and liabilities** | **54 215** | **52 249** |

# Note 29 **Capital adequacy**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| **31.12.2021** | **31.12.2022** | | **31.12.2022** | **31.12.2021** |
| 1 890 000 | 2 190 000 | Share capital and share premium fund | 2 190 000 | 1 890 000 |
| 497 691 | 581 681 | Other owners' equity | 776 466 | 630 782 |
| **2 387 691** | **2 771 681** | **Total owners' equity** | **2 966 466** | **2 520 782** |
| -2 630 | -2 416 | Adjustments due to requirements for proper valuation | -6 565 | -6 001 |
| -16 789 | -15 624 | Deduction goodwill and other intangible assets | -15 624 | -16 789 |
| **2 368 274** | **2 753 640** | **Core capital/Tier 1 capital** | **2 944 277** | **2 497 992** |
| - | - | Supplementary capital/Tier 2 capital | - | - |
| **-** | **-** | **Supplementary capital/Tier 2 capital** | **-** | **-** |
| 2 368 274 | 2 753 640 | Total own funds (eligible Tier 1 and Tier 2 capital) | 2 944 277 | 2 497 992 |
| 772 411 | 841 539 | Capital requirement | 1 138 790 | 1 070 801 |
| **1 595 862** | **1 912 101** | **Surplus of own funds (eligible Tier 1 and Tier 2 capital)** | **1 805 487** | **1 427 191** |
| | | Calculation basis credit risk: | | |
| 3 650 972 | 3 836 958 | Institutions | 298 953 | 286 512 |
| - | - | Local and regional authorities | 3 963 118 | 3 628 147 |
| 3 508 610 | 3 869 975 | Investments with mortgage security in real estate | 8 168 815 | 7 824 605 |
| 302 739 | 501 314 | Retail | 501 314 | 302 739 |
| 36 584 | 46 208 | Investments fallen due | 46 208 | 36 584 |
| 198 615 | 166 937 | Covered bonds | 502 740 | 498 905 |
| 1 516 418 | 1 639 493 | Other holdings | 24 731 | 131 535 |
| **9 213 938** | **10 060 885** | **Calculation basis credit risk** | **13 505 877** | **12 709 027** |
| 737 115 | 804 871 | Credit risk | 1 080 470 | 1 016 722 |
| 35 296 | 36 664 | Operational risk | 58 035 | 53 416 |
| - | 4 | Credit valuation adjustments (CVA) | 284 | 663 |
| **772 411** | **841 539** | **Total capital requirement assets** | **1 138 790** | **1 070 801** |
| 24.5% | 26.2% | Core capital adequacy ratio | 20.7% | 18.7% |
| 0.0% | 0.0% | Supplementary capital ratio | 0.0% | 0.0% |
| **24.5%** | **26.2%** | **Capital adequacy ratio** | **20.7%** | **18.7%** |
| **4.9%** | **5.4%** | **Unweighted capital adequacy** | **5.7%** | **5.2%** |

| Capital requirement as at 31.12.2022 | 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 | 3.0% | 0.0% | 3.0% |
| Counter-cyclical buffers | 2.0% | 0.0% | 2.0% |
| Pilar 2-requirement | 1.5% | 0.0% | 1.5% |
| **Current capital requirement incl. buffers** | **13.5%** | **3.5%** | **17.0%** |
| **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, analysed 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, organisation, 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 also 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.

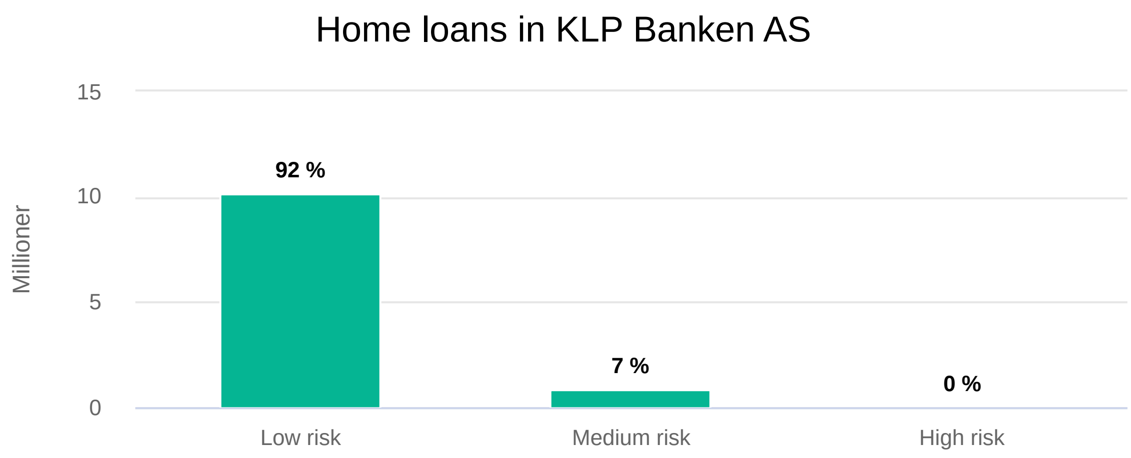
In processing all new loan applications in the public sector, checks are made on whether the customer's credit limits are greater than the sum of the loan amounts applied for and current lending. In the credit risk policy described above, requirements are set for reporting to the Board on the use of 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.

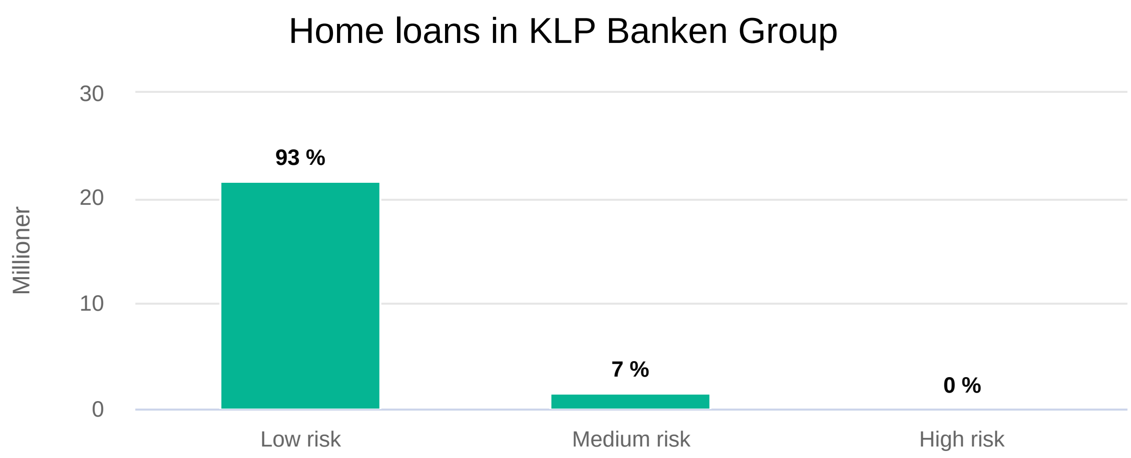
The market value of the mortgage assets is updated quarterly using market values for housingin Norway provided by Eiendomsverdi AS.

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

| NOK THOUSANDS | KLP Banken AS | | KLP Banken Group | |
|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Retail mortgage loans | 10 926 271 | 9 715 742 | 23 189 691 | 22 039 572 |
| Unsecured retail loans (credit cards) | 43 046 | 43 055 | 43 046 | 43 055 |
| Lending to municipalities and county administrations | - | - | 18 282 090 | 16 900 919 |
| Lending with municipal/county administration guarantee | - | - | 819 701 | 934 123 |
| **Total** | **10 969 316** | **9 758 796** | **42 334 528** | **39 917 668** |
| Sums falling due more than 12 months after the end of the reporting period | 10 749 180 | 9 527 560 | 40 648 866 | 38 220 027 |
| **Allocation of loan to value (principal) for retail mortgage loans** | | | | |
| Loan to value ratio up to 50 per cent | 4 676 730 | 3 195 117 | 9 523 161 | 8 030 521 |
| Loan to value ratio from 51 to 60 per cent | 2 133 163 | 1 109 613 | 4 725 696 | 4 077 378 |
| Loan to value ratio from 61 to 75 per cent | 1 956 812 | 2 125 718 | 6 381 378 | 6 279 807 |
| Loan to value ratio above 75 per cent | 2 159 566 | 3 285 294 | 2 559 457 | 3 651 867 |
| **Total** | **10 926 271** | **9 715 742** | **23 189 691** | **22 039 572** |

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.




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.

| 2022<br>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<br>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<br>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<br>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** |

| 2021<br>Lending in KLP Banken AS | Stage 1 | Stage 2 | Stage 3 | Total CB book value |
|---|---|---|---|---|
| Low risk - risk class A | 3 096 622 | 34 049 | - | 3 130 670 |
| Low risk - risk class B | 5 418 994 | 111 374 | 2 254 | 5 532 623 |
| Medium risk - risk class C | 868 467 | 41 612 | 986 | 911 065 |
| Medium risk - risk class D | 62 377 | 68 664 | 10 863 | 141 904 |
| High risk - risk class E | 2 561 | 14 358 | 15 351 | 32 270 |
| High risk - risk class F | - | 5 338 | - | 5 338 |
| High risk - risk class K | - | - | 6 500 | 6 500 |
| Engagements without risk class (new customers) | 118 | - | - | 118 |
| **Total CB book value** | **9 449 139** | **275 394** | **35 954** | **9 760 487** |

| 2021<br>Lending in KLP Banken Group | Stage 1 | Stage 2 | Stage 3 | Total CB book value |
|---|---|---|---|---|
| Low risk - risk class A | 7 877 760 | 94 075 | - | 7 971 835 |
| Low risk - risk class B | 12 202 656 | 215 832 | 2 254 | 12 420 742 |
| Medium risk - risk class C | 1 307 637 | 116 893 | 986 | 1 425 516 |
| Medium risk - risk class D | 113 959 | 102 565 | 10 863 | 227 387 |
| High risk - risk class E | 2 840 | 16 412 | 15 351 | 34 603 |
| High risk - risk class F | - | 5 338 | - | 5 338 |
| High risk - risk class K | - | - | 6 500 | 6 500 |
| Engagements without risk class (new customers) | 17 875 876 | - | - | 17 875 876 |
| **Total CB book value** | **39 380 727** | **551 115** | **35 954** | **39 967 797** |

| 2021<br>Unused credit in KLP Banken AS | Stage 1 | Stage 2 | Stage 3 | Total unused credit |
|---|---|---|---|---|
| Low risk - risk class A | 730 148 | 30 749 | - | 760 898 |
| Low risk - risk class B | 387 676 | 26 993 | 79 | 414 748 |
| Medium risk - risk class C | 32 285 | 3 972 | 47 | 36 304 |
| Medium risk - risk class D | 652 | 886 | 9 | 1 548 |
| High risk - risk class E | - | - | 18 | 18 |
| High risk - risk class F | - | - | - | - |
| High risk - risk class K | - | - | - | - |
| Engagements without risk class (new customers) | 7 546 | - | - | 7 546 |
| **Total unused credit** | **1 158 308** | **62 601** | **153** | **1 221 062** |

| 2021<br>Unused credit in KLP Banken Group | Stage 1 | Stage 2 | Stage 3 | Total unused credit |
|---|---|---|---|---|
| Low risk - risk class A | 730 148 | 30 749 | - | 760 898 |
| Low risk - risk class B | 387 676 | 26 993 | 79 | 414 748 |
| Medium risk - risk class C | 32 285 | 3 972 | 47 | 36 304 |
| Medium risk - risk class D | 652 | 886 | 9 | 1 548 |
| High risk - risk class E | - | - | 18 | 18 |
| High risk - risk class F | - | - | - | - |
| High risk - risk class K | - | - | - | - |
| Engagements without risk class (new customers) | 7 546 | - | - | 7 546 |
| **Total unused credit** | **1 158 308** | **62 601** | **153** | **1 221 062** |

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 | |
|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| AAA | 2 012 258 | 4 769 908 | 5 592 976 | 5 652 240 |
| Aa1-Aa3 | 404 220 | 72 975 | 404 220 | 72 043 |
| Unrated | - | - | 567 431 | - |
| **Total** | **2 416 478** | **4 842 883** | **6 564 627** | **5 724 282** |

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

| NOK THOUSANDS | KLP Banken AS | | KLP Banken Group | |
|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Aa1-Aa3 | 668 254 | 670 615 | 1 108 300 | 964 311 |
| A1-A3 | 150 258 | 284 502 | 211 787 | 434 190 |
| **Total** | **818 512** | **955 117** | **1 320 087** | **1 398 501** |

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 | |
|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Receivables from central banks | 72 960 | 67 244 | 72 960 | 67 244 |
| Loans to and receivables from credit institutions | 3 050 512 | 2 804 864 | 1 320 087 | 1 398 501 |
| Loans to and receivables from customers | 10 978 230 | 9 760 487 | 42 343 418 | 39 927 080 |
| - of which retail mortgage loans | 10 934 569 | 9 716 330 | 23 197 966 | 22 047 881 |
| - of which retail credit cards | 43 661 | 44 158 | 43 661 | 44 158 |
| - of which lending to the public sector | - | - | 19 101 791 | 17 835 041 |
| Fixed-income securities | 2 416 478 | 2 630 148 | 6 564 627 | 5 724 282 |
| Financial derivatives | 255 | 0 | 139 153 | 42 051 |
| Off-balance sheet items | 1 394 938 | 1 221 062 | 1 394 938 | 1 221 062 |
| Loan loss provisions rated at amortized cost | 1 790 | 871 | 2 040 | 1 072 |
| Loan loss provisons rated at a real value over other comprehensive income (FVOCI) | 430 | 324 | 430 | 324 |
| Loan loss provisions on off-balance items | 2 773 | 3 556 | 2 773 | 3 556 |
| **TOTAL** | **17 918 366** | **16 488 556** | **51 840 426** | **48 385 173** |

## 31.4 LOAN LOSS PROVISIONS

The Bank has very low losses, cf. Note 18, 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 | |
|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Principal on loans with payments overdue by 7-30 days | 60 598 | 78 731 | 214 340 | 128 333 |
| Principal on loans with payments overdue by 31-90 days | 54 230 | 20 463 | 67 238 | 36 117 |
| Principal on non-performing loans | 43 162 | 53 906 | 43 162 | 35 719 |
| **Total loans fallen due** | **157 990** | **153 100** | **324 739** | **200 169** |
| Relevant collateral or guarantees | 154 004 | 148 427 | 154 004 | 128 673 |
| Principal on lending that has been written down | 2 645 | 1 964 | 2 645 | 3 434 |
| - of which written down | 294 | 1 031 | 294 | 1 438 |

## 31.5 CONCENTRATION OF CREDIT RISK

A large proportion 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 2022 was approximately 1.7 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 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 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 | 42 334 527 | 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** | **1 445 408** | **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** |

# INTEREST RISK KLP BANKEN AS

## Repricing dates for interest-bearing assets and liabilities as at 31 December 2021

| 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 | 2 869 252 | 2 869 252 | - | - | - | - |
| Loans to and receivables from customers | 9 715 742 | 3 334 836 | 6 353 343 | 5 106 | 22 457 | - |
| Fixed-income securities | 2 609 000 | 335 000 | 2 274 000 | - | - | - |
| **Total** | **15 193 994** | **6 539 088** | **8 627 343** | **5 106** | **22 457** | **-** |
| Liabilities to depositors | 13 302 504 | - | 13 302 504 | - | - | - |
| Liabilities created on issuance of securities | 900 000 | - | 900 000 | - | - | - |
| Liabilities to credit institutions | - | - | - | - | - | - |
| **Total** | **14 202 504** | **-** | **14 202 504** | **-** | **-** | **-** |
| **Gap** | **991 490** | **6 539 088** | **-5 575 161** | **5 106** | **22 457** | **-** |
| Financial derivatives | - | - | 8 000 | - | -8 000 | - |
| **Net gap** | **991 490** | **6 539 088** | **-5 567 161** | **5 106** | **14 457** | **-** |

# INTEREST RISK KLP BANKEN GROUP

## Repricing dates for interest-bearing assets and liabilities as at 31 December 2021

| 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 | 1 462 877 | 1 462 877 | - | - | - | - |
| Loans to and receivables from customers | 39 874 613 | 17 205 576 | 20 728 778 | 292 662 | 1 245 595 | 402 002 |
| Fixed-income securities | 5 953 184 | 676 000 | 5 277 184 | - | - | - |
| **Total** | **47 290 674** | **19 344 453** | **26 005 962** | **292 662** | **1 245 595** | **402 002** |
| Liabilities to depositors | 13 302 504 | - | 13 302 504 | - | - | - |
| Liabilities created on issuance of securities | 33 649 308 | 5 349 308 | 27 800 000 | - | - | 500 000 |
| Liabilities to credit institutions | - | - | - | - | - | - |
| **Total** | **46 951 812** | **5 349 308** | **41 102 504** | **-** | **-** | **500 000** |
| **Gap** | **338 862** | **13 995 145** | **-15 096 542** | **292 662** | **1 245 595** | **-97 998** |
| Financial derivatives | - | 286 774 | 912 023 | 17 309 | -1 175 742 | -40 364 |
| **Net gap** | **338 862** | **14 281 919** | **-14 184 519** | **309 971** | **69 853** | **-138 362** |

The Company's interest rate sensitivity as at 31 December 2022 (2021), measured as value change in the event of one percentage point change in all interest rates, was NOK 6.7 (14.0) million.

# 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 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 | - |
| **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** |

# Liquidity risk KLP Banken AS

## Maturity analysis for assets and liabilities as at 31 December 2021:

| 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 | 11 092 211 | 3 326 281 | 26 877 | 54 437 | 250 533 | 1 341 411 | 6 092 671 |
| Credit Card issued | 44 158 | 44 158 | - | - | - | - | - |
| Securities | 2 681 034 | - | 101 165 | 455 678 | 499 409 | 1 624 782 | - |
| Receivables from credit institutions | 2 824 492 | - | 955 970 | 1 622 | 7 559 | 1 859 341 | - |
| Deposits in central banks | 67 244 | - | 67 244 | - | - | - | - |
| **Total** | **16 709 138** | **3 370 439** | **1 151 256** | **511 737** | **757 501** | **4 825 534** | **6 092 671** |
| Liabilities to depositors | 13 303 110 | - | 12 003 591 | 1 299 519 | - | - | - |
| Liabilities created on issuance of securities | 916 031 | - | - | 2 415 | 307 166 | 606 449 | - |
| Financial derivatives | 536 | - | 337 | 16 | 45 | 138 | - |
| Liabilities to credit institutions | - | - | - | - | - | - | - |
| **Total** | **14 219 676** | **-** | **12 003 928** | **1 301 950** | **307 211** | **606 587** | **-** |
| **Net cash flow** | **2 489 462** | **3 370 439** | **-10 852 672** | **-790 212** | **450 290** | **4 218 946** | **6 092 671** |

# Liquidity risk KLP Banken Group

## Maturity analysis for assets and liabilities as at 31 December 2021:

| 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 | 46 769 519 | 3 326 281 | 132 663 | 352 001 | 1 750 820 | 9 097 641 | 32 110 112 |
| Credit Card issued | 44 158 | 44 158 | - | - | - | - | - |
| Securities | 6 126 369 | - | 131 864 | 632 689 | 941 366 | 4 420 450 | - |
| Receivables from credit institutions | 1 398 501 | - | 1 398 501 | - | - | - | - |
| Deposits in central banks | 67 244 | - | 67 244 | - | - | - | - |
| **Total** | **54 405 791** | **3 370 439** | **1 730 272** | **984 690** | **2 692 186** | **13 518 091** | **32 110 112** |
| Liabilities to depositors | 13 303 110 | - | 12 003 591 | 1 299 519 | - | - | - |
| Liabilities created on issuance of securities | 32 806 965 | - | 8 084 | 84 134 | 4 464 481 | 27 235 550 | 1 014 715 |
| Financial derivatives | 9 608 | - | 143 | 6 192 | 1 267 | 3 222 | -1 216 |
| Liabilities to credit institutions | - | - | - | - | - | - | - |
| **Total** | **46 119 682** | **-** | **12 011 818** | **1 389 845** | **4 465 748** | **27 238 772** | **1 013 499** |
| **Net cash flow** | **8 286 108** | **3 370 439** | **-10 281 546** | **-405 154** | **-1 773 562** | **-13 720 682** | **31 096 613** |

# Note 34 **Hedge accounting**

As outstanding fixed-rate mortgages have come down to a very low volume, most associated hedging agreements have been terminated. Hedge accounting was therefore discontinued from October 2021.

The ineffective proportion of the Group reports hedging recognized through profit or loss amounts to NOK 0 in 2022.

Other hedging relationships in KLP Banken Group and which are stated in note 18 are 100% effective. See note 18 for nominal amounts and the fair value of these derivatives.

| NOK THOUSANDS 31.12.2021 | | Changes in fair value | | Book value | | Accumulated | |
|---|---|---|---|---|---|---|---|
| **KLP Banken AS KLP Banken Group** | **Nominal value** | **Assets** | **Liabilities** | **Assets** | **Liabilities** | **Changed value in hedged risk** | **Effective-ness** |
| **HEDGED OBJECT** | | | | | | | |
| Mortgage loans with fixed interest rates | 31 598 | 2 579 | - | 29 019 | - | -2 579 | 119.1% |
| **HEDGING INSTRUMENT** | | | | | | | |
| Interest rate swap loans with fixed interest | 18 000 | -5 | 3 740 | - | 2 165 | 2 165 | 84.0% |

Other hedging relationships in KLP Banken Group and which are stated in note 18 are 100% effective. See note 18 for nominal amounts and the fair value of these derivatives.

The ineffective proportion of the Group reports hedging recognized through profit or loss amounts to NOK 335.000 in 2021.

As outstanding fixed-rate mortgages have come down to a very low volume, most associated hedging agreements have been terminated. Hedge accounting was therefore discontinued from October 2021.

# Note 35 **Written-down assets**

| KLP Banken AS<br>KLP Banken Group<br><br>31.12.2022<br>THOUSANDS | | 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 |
|---|---|---|---|---|---|---|---|
| | Sector | 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 | 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** |
| Mortgage loans secured by collateral | 41 237 |
| Defaults over 90 days without collateral security | 2 417 |

| KLP Banken AS<br>KLP Banken Group<br><br>31.12.2021<br>THOUSANDS | | 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 |
|---|---|---|---|---|---|---|---|
| | Sector | 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 | 3 789 | -3 789 | 3 789 | - | 3 789 | 0.0% |
| Credit cards (established losses) | None | 14 508 | -14 508 | 14 508 | - | 14 508 | 0.0% |
| **Total** | | **18 297** | **-18 297** | **18 297** | **-** | **18 297** | **0.0%** |

| | 31.12.2021 |
|---|---|
| Defaulted loans with individual write-downs | 3 437 |
| Defaulted loans in the balance sheet (without individual write-downs) | 32 517 |
| **Total defaults** | **35 954** |
| Mortgage loans secured by collateral | 33 566 |
| Defaults over 90 days without collateral security | 2 388 |

KLP Banken follows up commitments in default where instalments and interest have not been paid on time becaused 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 | |
|---|---|---|---|---|
| 01.01.2021 -31.12.2021 | 01.01.2022 -31.12.2022 | | 01.01.2022 -31.12.2022 | 01.01.2021 -31.12.2021 |
| | | **Income statement items** | | |
| 59 400 | 57 951 | KLP, fees lending management | 57 951 | 59 400 |
| - | 155 | KLP Skadeforsikring AS, fees | 155 | - |
| 11 420 | 13 116 | KLP Kommunekreditt AS, administrative services (at cost) | - | - |
| 62 267 | 60 693 | KLP Boligkreditt AS, administrative services (at cost) | - | - |
| 1 880 | 17 264 | KLP Kommunekreditt AS, interest lending | - | - |
| 4 586 | 7 039 | KLP Boligkreditt AS, interest lending | - | - |
| -788 | -4 177 | KLP Kommunekreditt AS, interest on deposits | - | - |
| -785 | -4 177 | KLP Boligkreditt AS, interest on deposits | - | - |
| -84 | -87 | KLP Kapitalforvaltning AS, fees for services provided | -180 | -171 |
| -2 699 | -2 755 | KLP, rent | -2 755 | -2 699 |
| -1 727 | -1 867 | KLP Skipsbygget AS, rent | -1 867 | -1 727 |
| -87 | -90 | KLP Bassengtomten AS, rent | -90 | -87 |
| -366 | -532 | KLP Eiendomsdrift AS, rent | -532 | -366 |
| -13 140 | -14 485 | KLP, pension premium | -14 485 | -13 140 |
| -68 399 | -71 410 | KLP, staff services (at cost) | -71 410 | -68 399 |
| 4 552 | 5 712 | KLP Group companies, subsidised interest employee loans | 14 120 | 11 825 |
| **56 031** | **62 349** | **Total** | **-19 094** | **-15 364** |

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| | | **Financial position statement items** | | |
| 755 168 | 1 707 544 | KLP Kommunekreditt AS, lending Group short-term | - | - |
| 1 094 579 | 524 456 | KLP Boligkreditt AS, lending Group short-term | - | - |
| -201 054 | -205 231 | KLP Kommunekreditt AS, deposits | - | - |
| -201 052 | -205 229 | KLP Boligkreditt AS, deposits | - | - |
| -384 | -20 092 | KLP Kommunekreditt AS, loan settlement | - | - |
| -2 982 | -14 697 | KLP Boligkreditt AS, loan settlement | - | - |
| -1 333 | -28 988 | KLP, loan settlement | -28 988 | -1 333 |
| -6 006 193 | -4 485 153 | KLP Boligkreditt AS, transferred loans | - | - |
| | | **Net internal accounts to:** | | |
| -2 785 | -1 324 | KLP | -6 | -1 667 |
| 3 496 | 1 402 | KLP Kommunekreditt AS, net internal accounts | - | - |
| 5 612 | 4 569 | KLP Boligkreditt AS, net internal accounts | - | - |
| 491 | 544 | KLP Group companies, net other internal accounts | 1 252 | 1 046 |

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.**

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

| 2021 | Paid from KLP Banken AS | | | | | | Paid from another company in the same group | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salaries, fees etc. | Other benefits | Annual pension accumulation | Loans | Interest rate as at 31.12.2021 | Repayment plan [1] | Salaries, fees etc. | Other benefits | Annual pension accumulation | Loans | Interest rate as at 31.12.2021 | Repayment plan [1] |
| **SENIOR EMPLOYEES** | | | | | | | | | | | | |
| Leif Magne Andersen, *Managing Director* | 2 268 | 174 | 765 | 4 952 | 1.00 | A51 | - | - | - | - | - | - |
| Carl Steinar Lous, *Department Manager Public Market* | 1 412 | 39 | 303 | 2 335 | 1.00 | A39 | - | - | - | 556 | 1.00 | A27 |
| Christopher A. Steen, *Department Manager Finance* | 1 389 | 30 | 287 | 678 | 1.00 | A41 | - | - | - | 1 363 | 1.00 | A30 |
| **BOARD OF DIRECTORS** | | | | | | | | | | | | |
| Sverre Thornes, *Chair* | - | - | - | 20 000 | 1.00 | HC | 4 383 | 240 | 1 485 | - | - | - |
| Aage E. Schaanning | - | - | - | 6 390 | 1.00 | HC | 3 758 | 178 | 1 269 | - | - | - |
| Aina Iren Slettedal Eide | - | - | - | - | - | - | - | - | - | - | - | - |
| Kjell Fosse | 130 | - | - | - | - | - | - | - | - | - | - | - |
| Karianne Oldernes Tung | 118 | - | - | - | - | - | - | - | - | - | - | - |
| Malin Moldrem, *elected by and among the employees* | 118 | - | - | - | - | - | - | - | - | - | - | - |
| Kristian Lie-Pedersen, *elected by and among the employees* | 118 | - | - | - | - | - | - | - | - | - | - | - |
| **EMPLOYEES** | | | | | | | | | | | | |
| Loans to employees of KLP Banken AS for employee terms | - | - | - | 53 263 | - | - | - | - | - | 99 142 | - | - |
| Loans to employees of KLP Banken AS under ordinary terms | - | - | - | 5 530 | - | - | - | - | - | 3 327 | - | - |

1) A= Annuity loan, last payment.

| NOK THOUSANDS | 2022 | 2021 |
|---|---|---|
| Period expenses related to interest subsidies on loans to employees | 1 108 | 982 |

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 retired 31 July 2022. He did not recive any additional remunetarion in this regard. New Managing Director started 1 August. She 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, but has a salary guarantee in the event of dismissal/agreed termination. He is pensinable 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 the 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 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 loand 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 | |
|---|---|---|---|---|
| 2021 | 2022 | | 2022 | 2021 |
| 76 | 75 | Number of permanent employees 31.12. | 75 | 76 |
| 6 | 4 | Number of temporary employees 31.12. | 4 | 6 |
| **82** | **79** | **Total number of employees 31.12.** | **79** | **82** |
| 73 | 71 | Number of full time equivalents permanent employees | 71 | 73 |
| 6 | 3 | Number of full time equivalents temporary employees | 3 | 6 |
| **79** | **74** | **Total number of full time equivalents** | **74** | **79** |

## Note 39 **Contingent liabilities**

| KLP Banken AS | | NOK THOUSANDS | KLP Banken Group | |
|---|---|---|---|---|
| 31.12.2021 | 31.12.2022 | | 31.12.2022 | 31.12.2021 |
| 949 244 | 885 395 | Credit facilities for lending not utilized | 885 395 | 949 244 |
| 271 818 | 259 010 | Credit facilities issued credit card | 259 010 | 271 818 |
| 1 393 870 | 1 135 928 | Loan commitment | 1 170 419 | 1 458 520 |
| 18 496 000 | 19 668 000 | Credit facility KLP Kommunekreditt AS | - | - |
| 12 404 000 | 12 600 000 | Credit facility KLP Boligkreditt AS | - | - |
| **33 514 931** | **34 548 332** | **Total contingent liabilities** | **2 314 823** | **2 679 581** |

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 2022, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of KLP Banken AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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 14 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.

The banks's business activities have largely remained unchanged compared to last year. There have been no regulatory changes, transactions or events with material impact resulting in new areas of focus. Loans to customers have the same characteristics and risks as last year and has consequently been an important focus area in our audit in 2022 as well.

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|---|---|
| **Loans to customers** | |
| Loans to customers constitute a significant portion of the assets in the banks' balance sheet.<br><br>NOK 31,3 bn of the banks total loans to customers of NOK 42,4 bn is held in mortgage companies with covered bonds of which NOK 19.1 bn in loans to municipalities and counties and companies with public guarantees (KLP Kommunekreditt AS) and NOK 12,2 bn to private individuals with collateral in real estate (KLP Boligkreditt AS).<br><br>For loans to municipalities and counties and companies with public guarantees we have focused on KLP Kommunekreditt AS' controls aimed at compliance with the The Local Government Act (NO:Lov om kommuner og fylkeskommuner) when granting the loans, as this is a fundamental prerequisite to ensure that the loan portfolio does not contain loss potential that can affect the financial results. The Local Government Act ensures credit losses cannot occur on such loans when the Local Government Act's requirements for obtaining loans are fulfilled. We refer to the Board of Directors' report for further information.<br><br>For loans to private individuals in KLP Boligkreditt AS processes and controls have been established to ensure that the company complies with the requirements related to the collateral in real estate when covered bonds are issued.<br><br>The mortgage companies have not experienced losses in the loan portfolio historically. Because the requirements and | To ensure that loans issued by the mortgage company KLP Kommunekreditt AS are protected against credit losses based on the regulations in the Local Government Act, the company have established processes directed at ensuring a detailed review of the applications for loans and associated documentation to ensure compliance with the requirements in the Local Government Act at the time of granting the loan. The process includes formal controls and segregation of duties which are directed at ensuring that the process has been carried out prior to granting or transfer of loans from group companies to the mortgage company.<br><br>KLP Boligkreditt AS has established a process where loan applications and documentation are reviewed. The process consists of formal controls and segregation of duties, to make sure the process is fulfilled before granting the loan, or when transferring the loan from other group companies to the credit company.<br><br>Our audit was performed by obtaining documentation and examining whether the process was conducted appropriately and timely and according to the company's routines. This included assessing whether the underlying documentation collected by KLP Kommunekreditt AS supported the conclusions drawn by the company that the requirements in The Local Government Act and regulations had been met. Our work did not reveal any material deficiencies.<br><br>For other loans (KLP Banken AS), we have tested the design and efficiency of the bank's internal control for granting new loans and loss assessments. Our investigations have not revealed significant deviations and gave no indications of significant errors in the model or deviations from IFRS 9.<br><br>Our work included tests of the banks financial reporting systems relevant to financial reporting. The bank uses |

processes are of fundamental significance for the credit company's operations, historically low losses and compliance for the regulations, we have directed focus towards this area for this portfolio.

For other loans, the focus was on routines related to the granting and valuation of loans due to the significance of the valuation assessments for the value, and the fact that the use of judgment has a potential effect on the result for the period.

Notes 2, 3 and 10 are relevant for the description of the company's business areas as well as the loss model and for how the company estimates its loss provisions in accordance with IFRS 9.

external service providers to operate some of the core IT systems.

The auditor at the relevant service organization is used to evaluate the design and effectiveness of the established control systems, and tests the controls designed to ensure the integrity of the IT system that are relevant to financial reporting. The auditor's testing included, among other things, whether critical calculations carried out by the core systems were carried out in line with expectations, including interest calculations and amortization. The testing included the integrity of data, changes of and access to the systems.

To assess whether we could rely on the work performed by other auditors, we satisfied ourselves regarding the auditors' competence and objectivity and examined the reports received and assessed potential weaknesses and remediation initiatives.
Our assessments showed that we could rely on the data handled and calculations performed within the IT systems that are relevant to financial reporting. This was a necessary basis for our audit.

We have examined the relevant disclosures and found the information there to be sufficient.

## Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. 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.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. 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.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Social Responsibility.

## 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 International Financial Reporting 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, 8 March 2023
**PricewaterhouseCoopers AS**

Stig Lund
State Authorised Public Accountant
(This document is signed electronically)

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

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