Annual report 2022

KLP Kommunekreditt AS

Table of Contents

KLP Kommunekreditt AS

KLP Kommunekreditt AS

Annual Report 2022

The operating profit before tax was NOK 76.1 million and the loan balance increased from NOK 17.8 billion to NOK 19.1 billion.

KLP Kommunekreditt AS is a mortgage company 100% owned by KLP Banken AS. The purpose of the Company is long-term financing of municipalities, county municipalities and companies working for the public sector.

KLP Banken AS is a commercial bank 100% owned by Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP). KLP Banken AS also owns all the shares in its subsidiary KLP Boligkreditt AS. The collective operations of KLP Banken AS and its subsidiaries are divided into two business areas: retail market and public-sector lending. The business is nationwide and the companies' head office is located in Trondheim.

KLP Kommunekreditt AS is the only financial institution in Norway that issues covered bonds by way of loans to municipalities, county municipalities or enterprises with public guarantees. Its presence in the market for public loans encourages competition and benefits the target group of municipal and county authorities with public guarantees providing access to favourable long-term financing.

Profit (NOK millions)	2022	2021	Change
Profit before tax	76.1	20.6	55.6
Net interest income	107.6	66.0	41.6
Operating expenses	-20.7	-18.0	-2.7
Profit/loss fin. instr.	-10.8	-27.4	16.7
Balance sheet (NOK billions)	**2022**	**2021**	**Change**
New loan payments	2.5	1.3	1.2
Net lending	19.1	17.8	1.3
Liquidity	3.3	2.2	1.0

INCOME STATEMENT

The Company's profit before tax was NOK 76.1 (20.6[1]) million and total comprehensive income for the year was NOK 62.4 (21.5) million. This gave a return on equity of 9.8 (2.8) per cent before tax. The change in profit compared with last year is mainly due to an

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

increase in lending margins from the turmoil in interest rates which marked the second half of the year. Along with higher interest rates, credit premiums also increased, driving up lending margins. The Company's financing costs have not increased to the same extent, resulting in a greater than normal overall difference between lending rates in the market and the Company's financing, especially in the latter part of the financial year. Good lending growth has also contributed to an increase in net interest income.

Net interest income from the lending and investment portfolios increased by about 63 per cent compared with last year.

The result is also affected by the fact that losses on financial instruments are significantly lower in 2022 than the previous year. This can be mainly attributed to the fact that refinancing and loan buybacks have resulted in lower costs. A fall in the value of securities investments resulted in somewhat higher costs in 2022 than in the previous year.

Credit premiums in the securities market were unusually volatile through 2022. The overall profit/loss effect of the fall in the value of the Company's securities investments shows realised and unrealised losses of NOK -4.4 (-4.2) million.

During the term of its borrowing agreements, the Company makes regular adjustments to reduce its liquidity risk and meet regulatory requirements with respect to liquidity indicators and capital adequacy. Refinancing of the borrowing side then results in a need to buy back the Company's own issuance. In 2022, the effect on profits of borrowing buybacks was NOK -6.4 (-23.3) million.

The overall accounting effect of changes in the value of financial instruments is thus 61 per cent lower in 2022 compared with the previous year. See note 6.

Operating expenses show an increase compared to the previous year. This is driven by ordinary cost inflation, but also by an increased lending balance and a higher volume of new payments.

The Company's lending is managed by KLP Banken AS, and most of the operating expenses are regulated in a management agreement with the parent company. Under this agreement, KLP Kommunekreditt AS is charged for its share of the parent company's costs for the management of public-sector loans, based on volume. Costs are settled monthly. Operating expenses in excess of this are mainly direct costs incurred by the Company in connection with external assistance, such as rating, auditing, etc. Increased efficiency in the parent company's management of loans to public-sector borrowers contributed to lower costs in KLP Kommunekreditt AS.

LENDING

Lending activities in KLP Kommunekreditt AS are primarily based on the sale of new loans directly from the Company.

Total lending increased by 7 per cent in 2022. 91 (89) per cent of the lending volume is at floating interest rates. The rest is fixed-rate loans.

In 2022, the Company paid out new loans worth NOK 2.5 (1.3) billion. The lending portfolio consists of loans to Norwegian municipalities and county municipalities directly, or to enterprises working for the public sector and receiving unconditional guarantees from municipalities or county authorities. The risk in the loan portfolio is considered very low.

The credit risk associated with lending to municipal and county authorities in Norway is limited to deferral of payment and does not provide for cessation of payment obligations. This is a consequence of the Norwegian Local Government Act, which indemnifies lenders against losses if a local authority is unable to meet its payment obligations. Where payment is deferred, the lender is also secured against losses of accrued interest, late-payment interest and debt collection costs. KLP Kommunekreditt AS has not had any credit loss on loans to Norwegian municipalities or county authorities.

The Company had no non-performing loans more than 90 days overdue at the end of 2022. Nor were any individual losses recorded in the financial year. In the financial year, estimated loan loss provisions under IFRS 9 had an effect on profits of NOK -8 (-3) thousand. For more information on loan loss provisions, please refer to note 8.

LENDING ACTIVITIES AND THE ROLE OF THE BANK

KLP provides loans to the public sector from its own balance sheet and through KLP Kommunekreditt AS. Loans are managed by KLP Banken.

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.

Total loans to public-sector borrowers amounted to NOK 87.1 (84.1) billion at the end of 2022, an increase of NOK 3.0 (3.7) billion, or 3.6 (4.6) per cent, in the financial year. For the local government sector as a whole, the estimated debt growth is just under 5 per cent in 2022.

Loan applications totalling NOK 76.3 (62.3) billion were received in 2022.

LIQUIDITY

The Company's liquidity situation is satisfactory, as its financing more than covers the liquidity requirement from operations.

KLP Kommunekreditt AS is subject to strict rules with respect to the assets it may invest in. The portfolio of liquid investments comprises safe securities and deposits in other banks. The securities are certificates and bonds with excellent security, largely covered bonds with an AAA rating.

Holdings of cash and cash equivalents have been used to pay out new loans or for redemptions and buybacks of borrowings.

As new borrowings occur when the terms for them are considered favourable, a need sometimes arises to invest surplus liquidity. This liquidity contributes to earnings and provides the flexibility to meet demand for new lending.

At the end of 2022, outstanding liquidity investments in the form of interest-bearing securities amounted to NOK 2.7 (1.7) billion. Securities are recognised at market value. At the same time, bank deposits amounted to NOK 0.6 (0.6) billion.

BORROWING

KLP Kommunekreditt AS has established a programme for issuing covered bonds.

At the end of 2022, loan-backed covered bonds issued in the Norwegian market amounted to NOK 19.8 (18.6) billion. New issues in 2022 totalled NOK 4.2 (5.5) billion. Buybacks of previous issues amounted to NOK 3.0 (4.4) billion. No bonds were issued outside Norway. KLP Kommunekreditt AS has achieved the best rating for its borrowing programme.

The bonds are backed by the Company's lending activity. Loans to enterprises have to be guaranteed by municipalities or county authorities under the provisions of the Local Government Act, by the Norwegian government or by a bank. They must be unconditional and cover both repayments and interest. In 2022, the Financial Supervisory Authority of Norway approved the Company's programme for issuing 'premium' covered bonds (OMF Premium).

The Company's debt to credit institutions at the end of the year comprised internal financing from KLP Banken AS in the amount of NOK 1.7 (0.8) billion.

BALANCE SHEET AND CAPITAL ADEQUACY

The Company had total assets of NOK 22.5 (20.1) billion at the end of 2022. Of this, loans to public-sector borrowers amount to NOK 19.1 (17.8) billion and NOK 3.3 (2.2) billion are liquid investments.

The Company's equity and subordinated loan capital, based on the Board of Directors' proposal for allocation of the year's profit, totalled NOK 897 (759) million at the end of 2022. Core capital is identical to equity and subordinated loan capital. This gives a capital adequacy and tier 1 capital ratio of 20.3 (19.1) per cent.

The current capital requirement, including capital buffers, is a 12.0 per cent tier 1 capital ratio and 15.5 per cent capital adequacy. The unweighted tier 1 capital ratio was 4.0 (3.8) per cent, compared with the requirement of 3.0 per cent.

The risk-weighted balance was NOK 4.3 (3.9) billion. Capital adequacy is considered good.

ALLOCATION OF THE PROFIT FOR THE YEAR

The financial statements for KLP Kommunekreditt AS for 2022 show total comprehensive income of NOK 62.4 (21.5) million. The Board of Directors proposes that a group contribution of NOK 89.7 million be paid to KLP. NOK 69.9 million will be returned from KLP 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.

ABOUT THE FINANCIAL STATEMENTS

The Board of Directors believes that the financial statements provide a true and fair view of the Company's assets and liabilities, financial position and profit. The conditions for continued operation are present, and this is assumed in the financial statements.

KLP Kommunekreditt AS prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as approved by the EU with associated interpretations. See Note 2 for more details.

RATING

The rating agencies' assessments of the Company have a bearing on its borrowing terms. The Company uses Moody's for credit rating of bonds. All covered bond issues have the best rating, AAA.

RISK MANAGEMENT

KLP Kommunekreditt AS is subject to KLP Banken's risk management framework, the purpose of which is to ensure that risks are identified, analysed and managed by means of policies, limits, procedures and instructions.

It has established its own guidelines for the most important individual risks (liquidity, credit, market, operational and compliance risk) and an overall policy for risk management, which covers principles, organisation, limits, etc. for the Bank'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 Company aims to maintain a low level of operational risk, and to be characterised by a high level of professional competence, good procedures and efficient operations.

The Company is included in the KLP Banken Group's process for assessing and quantifying material risks and calculating its capital and liquidity requirements (ICAAP). The capital requirement assessment is forward-looking and, in addition to calculating needs based on current exposure (and, if appropriate, limits), an assessment is made of future needs in light of planned growth, determined strategic changes, etc. The Company's Board of Directors takes an active part in these assessments and, in addition to the capital requirement assessment, determines a desired level for total capital (capital target).

The boards of KLP Banken AS, KLP Kommunekreditt and KLP Boligkreditt have appointed a joint risk committee. The risk committee deals with matters specifically related to risk and has an advisory function to the Board of KLP Kommunekreditt AS.

CORPORATE GOVERNANCE

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

The Board of Directors sets the policies for the Company's activities. The Board held eight board meetings in 2022. At the end of 2022, the Board was made up of two women and two men.

The Managing Director is in charge of the day-to-day management of the Company in accordance with instructions issued by the Board of Directors.

Board members and the general manager have taken out directors' liability insurance.

An account of KLP Banken's corporate governance is available on the KLP website (https://www.klp.no/en).

WORKING ENVIRONMENT AND ORGANISATION

There are no direct employees in KLP Kommunekreditt AS. The Company's governance and management are handled by people employed by KLP Banken AS.

A management agreement has been entered into with KLP Banken AS, covering administration, IT support, finance and risk management, as well as borrowing and liquidity management.

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 KLP Kommunekreditt 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. Over three-quarters of KLP's owner municipalities have loans from KLP or the KLP Banken Group.

As part of the KLP Group, KLP Kommunekreditt AS aims to contribute to sustainable investments and responsible business operations. Social responsibility is of strategic importance for KLP. This is manifested through actions linked to the Group's business. 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. A detailed description of goals, measures and results is available on KLP's website (https://www.klp.no/en/corporate-responsibility-and-responsible-investment).

KLP Banken signed the UN Principles for Sustainable Banking in the autumn of 2019 and has committed to implementing these principles in its operations. 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 KLP Banken Group aims to be a driver and sparring partner to help municipalities to make sustainable choices within 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.

The premises of the parent company KLP Banken AS in both Oslo and Trondheim are certified as "eco-lighthouses" through the Eco-Lighthouse Foundation. Both locations were recertified in 2021.

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 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. Overall growth in recent years shows that the market position is solid.

High credit quality in the lending portfolio will help KLP Kommunekreditt AS to achieve favourable borrowing terms. Government regulation of banks and financial institutions means that a number of regulatory requirements for capital and liquidity have to be met. This requires constant earnings that make it possible to meet such requirements.

The market for loans to the municipal sector is still growing and a large portion of the loans taken are financed in the securities market rather than in the financial institutions. KLP Kommunekreditt AS is well capitalised and has an advantage as a stable and long-term lender in a market characterised by low risk. General developments in the financial markets will determine the extent to which KLP Kommunekreditt AS can finance its lending activities on terms that provide sufficient profitability for further growth.

Norwegian society is going through turbulent times with great macroeconomic uncertainty, and this will also affect the general conditions facing the public sector. Norwegian municipalities have developed a good and comprehensive range of services to the public. Increased life expectancy, demographics, income growth and climate risk give grounds to expect a 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.

The Board of Directors expects that there will also be a need for significant long-term and stable financing beyond what the securities market can offer to public-sector borrowers. KLP Banken's expertise in municipal financing, regardless of the size of its own balance sheet, can be used in its stewardship role for KLP. KLP Kommunekreditt AS and KLP as a whole will be a key player providing loans for public investment purposes.

Trondheim, 8 March 2023
The Board of Directors KLP Kommunekreditt AS

AAGE E. SCHAANNING
Chair

AINA SLETTEDAL EIDE

AUD NORUNN STRAND

JONAS V. KÅRSTAD

CARL STEINAR LOUS
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 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, together with a description of the most significant risk and uncertainty factors the Company faces.

Trondheim, 8 March 2023
The Board of Directors KLP Kommunekreditt AS

AAGE E. SCHAANNING
Chair

AINA SLETTEDAL EIDE

AUD NORUNN STRAND

JONAS V. KÅRSTAD

CARL STEINAR LOUS
Managing Director

Income Statement

KLP Kommunekreditt AS

NOTES	NOK THOUSANDS	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
	Interest income, effective interest method	463 028	233 743
	Other interest income	98 981	42 380
5	**Total interest income**	**562 009**	**276 123**
	Interest expenses, effective interest method	-404 952	-139 178
	Other interest expenses	-49 451	-70 976
5	**Total interest expense**	**-454 403**	**-210 154**
5	**Net interest income**	**107 606**	**65 969**
6	Net gain/(loss) on financial instruments	-10 751	-27 435
	Total net gain/(loss) on financial instruments	**-10 751**	**-27 435**
	Other operating expenses	-20 725	-17 981
8	Net loan losses	-8	-3
	Total operating expenses	**-20 733**	**-17 984**
	Operating profit/loss before tax	**76 122**	**20 550**
9	Tax on ordinary income	-13 771	935
	Income for the year	**62 351**	**21 485**
	Other comprehensive income	-	-
	Other comprehensive income for the year after tax	**-**	**-**
	COMPREHENSIVE INCOME FOR THE YEAR	**62 351**	**21 485**
	ALLOCATION OF INCOME		
	Allocated to/from retained earnings	-62 351	-21 485
	TOTAL ALLOCATION OF INCOME	**-62 351**	**-21 485**
	Total profit in % of total assets	0.28%	0.11%

Balance Sheet

KLP Kommunekreditt AS

NOTES	NOK THOUSANDS	31.12.2022	31.12.2021
	ASSETS		
10,11,12	Loans to and receivables from credit institutions	547 868	572 172
11,12	Loans to and receivables from customers	19 117 097	17 844 402
12,13,14	Fixed-income securities	2 724 070	1 666 698
11,12,14,15,16	Financial derivatives	138 897	42 051
17	Other assets	20 092	384
	TOTAL ASSETS	**22 548 024**	**20 125 706**
	LIABILITIES AND OWNERS' EQUITY		
	LIABILITIES		
12,18	Liabilities to credit institutions	1 707 544	755 168
12,19	Liabilities created on issuance of securities	19 783 028	18 563 116
11,12,14,15,16	Financial derivatives	25 939	9 644
20	Other liabilities	109 527	28 934
9	Deferred tax	21 857	8 086
20	Provisions for accrued costs and liabilities	28	33
	TOTAL LIABILITIES	**21 647 922**	**19 364 980**
	OWNERS' EQUITY		
	Share capital	391 500	362 500
	Share premium	363 500	312 500
	Other owners' equity	145 102	85 727
22	**TOTAL OWNERS' EQUITY**	**900 102**	**760 727**
	TOTAL LIABILITIES AND OWNERS' EQUITY	**22 548 024**	**20 125 706**

Trondheim, 8 March 2023
The Board of Directors KLP Kommunekreditt AS

AAGE E. SCHAANNING
Chair

AINA SLETTEDAL EIDE

AUD NORUNN STRAND

JONAS V. KÅRSTAD

CARL STEINAR LOUS
Managing Director

Statement of owners' equity

KLP Kommunekreditt AS

2022 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Owners' equity 1 January 2022	362 500	312 500	85 727	760 727
Income for the year	-	-	62 351	62 351
Other comprehensive income	-	-	-	-
Comprehensive income for the year	**-**	**-**	**62 351**	**62 351**
Group contribution received during the period	-	-	10 551	10 551
Group contribution paid during the period	-	-	-13 527	-13 527
Owners' equity received during the period	29 000	51 000	-	80 000
Total transactions with the owners	**29 000**	**51 000**	**-2 976**	**77 024**
Owners' equity 31 December 2022	**391 500**	**363 500**	**145 102**	**900 102**

2021 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Owners' equity 1 January 2021	362 500	312 500	69 697	744 697
Income for the year	-	-	21 485	21 485
Other comprehensive income	-	-	-	-
Comprehensive income for the year	**-**	**-**	**21 485**	**21 485**
Group contribution received	-	-	19 343	19 343
Group contribution paid during the period	-	-	-24 798	-24 798
Total transactions with the owners	**-**	**-**	**-5 456**	**-5 456**
Owners' equity 31 December 2021	**362 500**	**312 500**	**85 727**	**760 727**

NOK THOUSANDS	Number of shares	Par value	Share capital	Share premium	Other equity	Total
Equity at 1 January 2022	3 625 000	0.1	362 500	312 500	85 727	760 727
Changes in the period 1 January - 31 December	-	0.0	29 000	51 000	59 375	139 375
Equity at 31 December 2022	**3 625 000**	**0.1**	**391 500**	**363 500**	**145 102**	**900 102**

There is one class of shares. All the shares are owned by KLP Banken AS.

Statement of cash flows

KLP Kommunekreditt AS

NOTES	NOK THOUSANDS	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
	Operational activities		
	Payments received from customers – interest, commission & charges	381 107	231 825
	Disbursements on loans customers & credit institutions	-2 481 139	-1 316 600
	Receipts on loans customers & credit institutions	1 198 315	979 570
	Disbursements on operations	-22 801	-16 168
	Net receipts/disbursements from operating activities	79 152	11 216
	Interest from credit institutions	9 273	1 390
	Net cash flow from operating activities	**-836 092**	**-108 767**
	Investment activities		
	Payments on purchase of securities	-2 084 060	-2 017 481
	Receipts on sales of securities	1 030 010	1 209 261
	Interest received from securities	36 175	12 103
	Net cash flow from investment activities	**-1 017 875**	**-796 117**
	Financing activities		
19	Receipts on loans from credit institutions	4 200 000	5 500 000
19	Repayments and redemption of securities debt	-3 008 000	-3 852 000
19	Change in securities debt, own funds	-52 701	-491 530
19	Net payment of interest on loans credit institions	-325 316	-143 363
18	Receipts in internal funding	3 005 000	1 655 000
18	Disbursements in internal funding	-2 055 000	-1 645 000
18	Net payment of interest on internal funding	-14 887	-1 815
	Payment on group contribution	-2 976	-5 456
		80 000	-
	Net cash flow from financing activities	**1 826 120**	**1 015 836**
	Net cash flow during the period	**-27 847**	**110 952**
	Cash and cash equivalents at start of period	553 531	442 579
	Cash and cash equivalents at end of period	525 685	553 531
	Net receipts/disbursements (-) during the period	**-27 847**	**110 952**

Notes to the accounts

KLP Kommunekreditt AS

Note 1 General information

KLP Kommunekreditt AS was founded on 25 August 2009. The company is a credit enterprise whose object is to provide and acquire public sector loans that are guaranteed by the Norwegian state, Norwegian county administrations or Norwegian municipalities. Borrowers provide ordinary surety covering both repayments and interest.

The business is mainly financed by issuing covered bonds with collateral in government guaranteed loans. Some of these are listed on Oslo Børs (The Norwegian Stock Exchange).

KLP Kommunekreditt AS is registered and domiciled in Norway. KLP Kommunekreditt AS has its head office at Beddingen 8 in Trondheim and the company has a branch office in Dronning Eufemiasgate 10 in Oslo.

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

The company's financial statement for 2022 were approved by the company's board on 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 financial statements for KLP Kommunekreditt AS. These principles are applied in the same way in all periods presented unless otherwise indicated.

2.1 FUNDAMENTAL PRINCIPLES

The financial statements for KLP Kommunekreditt AS have been prepared in accordance with international accounting 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.

The annual accounts have been prepared on the principle of historic cost, with the following exceptions:

- Financial assets and liabilities (including financial derivatives) are valued at fair value through profit or loss
- Financial assets and liabilities are valued in accordance with the rules on fair value hedging

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 assets and liabilities, income and expenses recognised in the financial statements. Actual figures may deviate from estimates used. Areas in which discretionary valuations and estimates of material significance to the company 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 in 2022:

There are no new and/or changed standards with material effect adopted by the company in 2022.

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

There are other standards or interpretations not yet in force that are expected to have a significant impact on the company's financial statements.

2.2 FOREIGN CURRENCY

2.2.1 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 company.

2.3 FINANCIAL INSTRUMENTS

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

2.3.1 Recognition and derecognition

Financial assets and liabilities are recognised on the balance sheet on the date when the KLP Kommunekreditt AS becomes party to the instrument's contractual terms and conditions. Regular purchases and sales of investments are recognised 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 KLP Kommunekreditt AS has essentially transferred the risk and the potential benefit from ownership. Financial liabilities are derecognised when the rights to the contractual conditions have been fulfilled, cancelled or have expired.

2.3.2. Classification and subsequent measurement

2.3.2.1 Financial assets

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

- Amortized cost
- Fair value through profit or loss

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”)

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

- 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”).

KLP Kommunekreditt AS 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”).

The business model criterion

KLP Kommunekreditt AS 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 include:

- 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 realise 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
- 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.

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'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 Kommunekreditt AS 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 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'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

Impairment model

The impairment model for losses on loans and receivables is based on expected credit losses. The impairment model defines default *as "a claim 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 is considered defaulted on if it has been forfeited for various reasons, such as in debt negotiations.

How the impairment loss is to be measured is determined for each individual stage and the model uses the effective interest rate method. Upon initial recognition, and in cases where the credit risk has not increased significantly after initial recognition, provision has to be made for credit losses that are expected to occur over the next 12 months (Stage 1). If the credit risk has increased significantly, the provisions should correspond to the expected credit losses over the expected useful life (Stage 2). If there is a loss event, impairments are raised equal to the expected loss on the commitment throughout its life (Stage 3).

For the products where the company has not developed its own PD (probability of defalult) and LGD (loss given default) models, the loss ratio method is used.

The company has only public loans, and here the loss ratio method is used, with the exception for low credit risk such as all loan are in stage 1.

For more information on loan losses, please refer to note 8.

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 company safeguards itself against movements in market interest rates. Changes in the credit spread are not taken into account in the hedging effectiveness. The company uses the rules on fair value hedging, so that 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 amortized cost is amortized over the period up to the due date of the hedging instrument.

2.3.2.2 Financial liabilities

The company 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 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

Other financial liabilities recognised 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.

2.3.2.3 Presentation, classification and measurement in the balance sheet and the income statement

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

Financal instruments	Classification
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
Liabilities created on insurance of securities	Amortized cost / amortized cost (hedging)
Financial derivatives (liabilities)	Amortized cost (Hedging)
Liabilities to credit institutions	Amortized cost

2.3.3 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.

2.3.4 Modification

When the contractual cash flows from a financial asset are renegotiated or otherwise amended, and the renegotiation or change does not lead to derecognition of the financial asset, the gross book value of the financial asset is recalculated, and a gain or loss is recognised in the income statement. The gross book value of the financial asset is recalculated as the present value of the renegotiated or amended contractual cash flows, discounted at the original effective interest rate for the financial asset. Any costs or fees incurred adjust the book value of the modified financial asset and are written down over the remaining lifetime of the changed financial asset.

2.4 CASH AND BANK DEPOSITS

Cash and bank deposits 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.

2.5 FINANCIAL LIABILITIES

The company's financial liabilities comprise liabilities to credit institutions and covered bonds issued.

2.5.1 Liabilities to credit institutions

Liabilities to credit institutions are capitalized at market value on acquisition. 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 the amortization and are shown in the line "Interest expenses effective interest rate method" in the income statement.

2.5.2 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 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 since they are hedged against change in interest rate level. Upon repurchase of covered bond issued, any gain or loss is recognized in the line "net gain/loss on financial instruments".

2.6 OWNERS' EQUITY

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

2.6.1 Owners' equity contributed

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

2.6.2 Retained earnings

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

2.7 PRESENTATION OF INCOME IN THE ACCOUNTS

2.7.1 Interest income/expenses

Interest income and interest expenses associated with all interest-bearing financial instruments valued at amortized cost are taken to income using the effective interest rate method (internal rate of return) and is presented in the line "Interest income/ expenses, effective interest rate method.

Internal interest rates are determined by discounting contractual cash flows within the expected maturity. The cash flows include setup fees and direct transaction costs that are not paid by the customer. Amortized cost is the present value of these cash flows discounted by the internal rate of return. Interest income for financial assets in stage 1 and stage 2 is calculated using the effective interest method on the gross asset value of the financial asset, while interest income for financial assets in stage 3 is calculated based on the financial asset's amortized cost.

2.8 TAX

Tax costs in the income statement comprise tax payable and changes in deferred tax. 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 it can be shown probable that the company will have sufficient taxable profit 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.

The company pays no benefits to employees and is not covered by the rules on financial activity tax. The company's nominal income tax rate in 2022 is 22 per cent.

Note 3 **Important accounting estimates and valuations**

The company 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.

The company's balance sheet principally comprises loans to local government and enterprises with local government guarantee, as well as covered bonds issued. These items are valued in the accounts at amortized cost, except for borrowing and lending with fixed interest rates which are valued at fair value in accordance with the rules on fair value hedging. This means that the accounting value of the hedging object (fixed interest borrowing and lending) is changed when the market interest rate changes. The credit spread is locked at the commencement date, so the market's pricing of credit is not reflected in book value. This is because the credit element is not hedged.

Financial instruments valued in the accounts at amortized cost 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 (step 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 (step 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 (step 3).

For the products where the company 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. For more information about the company's calculation of losses, please refer to note 8.

Note 4 **Segment information**

KLP Kommunekreditt AS has no division of its income by products or services. The Company has only the public sector market segment and offers only loans to its customers. The Company has only Norwegian customers. The Company has no external customers representing more than 10 per cent of the Company's total operating income.

Note 5 **Net interest income**

NOK THOUSANDS	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
Interest income on loans to customer	453 754	232 353
Interest income on loans to credit institutions	9 273	1 390
Total interest income, effective interest method	**463 028**	**233 743**
Interest income on bonds and certificates	45 009	10 950
Other interest income	53 973	31 430
Total other interest income	**98 981**	**42 380**
Total interest income	**562 009**	**276 123**
Interest expenses on debt from KLP Banken AS	-17 264	-1 880
Interest expenses on issued securities	-387 688	-137 298
Total interest expense, effective interest method	**-404 952**	**-139 178**
Other interest expenses	-49 451	-70 976
Total other interest expense	**-49 451**	**-70 976**
Total interest expence	**-454 403**	**-210 154**
Net interest income	**107 606**	**65 969**

Note 6 **Net gain/(loss) on financial instruments**

NOK THOUSANDS	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
Net gain/(loss) on fixed-income securities	-4 379	-4 179
Net gain/(loss) financial derivatives and realized amortization linked to lending	5	-
Net gain/(loss) financial derivatives and realized repurchase of own debt	-6 377	-23 256
Total net gain/(loss) on financial instruments	**-10 751**	**-27 435**

Note 7 **Auditor's fee**

NOK THOUSANDS	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
Ordinary audit	440	106
Certification services	158	118
Total auditor's fee	**598**	**224**

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

Note 8 **Loan loss provision**

KLP Kommunekreditt uses the IFRS 9 exception in the rules for very low credit risk in public-sector lending, and there will be no estimated future losses on the basis of substantially increased credit risk since initial recognition. All loans are classed in stage 1, which corresponds to immaterial change in credit risk since initial recognition. For KLP Kommunekreditt, a simplified loss rate method has been chosen to calculate the expected credit loss (ECL), where the bank uses a very low loss rate to calculate its losses, corresponding to 0.001 per cent of total lending.

A part of the assessment of future losses is the assessment of how the future will look with regard to the future in terms of macroeconomic conditions affecting the bank's credit losses. The expected credit loss (ECL) should be probability-weighted based on several scenarios defined by the bank, but since we use an exception for very low credit risk the bank only use the expected scenario as a basis for the calculation of expected credit loss. KLP Banken's risk forum reviews the changes in macroeconomic conditions or other factors that could affect the impairments in KLP Kommunekreditt.

Follow-up on non-performing commitments

Non-performing exposures are currently monitored by the public-sector loan administration department. There have been no recorded losses on public-sector lending in KLP Kommunekreditt or KLP at any time. Loans with payments over 30 days past due are followed up by way of dialogue with the public-sector customers, which is believed to be the reason why there have been no cases of default over 90 days in recent years.

EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS - PUBLIC LENDING

NOK THOUSANDS	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2022	**stage 1**	**stage 2**	**stage 3**	**Total stage 1-3**
Opening balanse 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

VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - PUBLIC LENDING

NOK THOUSANDS	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2022	**stage 1**	**stage 2**	**stage 3**	**Total stage 1-3**
Lending 01.01.2022	17 875 934	-	-	17 875 934
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change	-762 931	-	-	-762 931
New lending	3 724 592	-	-	3 724 592
Write-offs	-1 622 264	-	-	-1 622 264
Lending 31.12.2022	**19 215 331**	**-**	**-**	**19 215 331**

EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS - PUBLIC LENDING

NOK THOUSANDS	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2021	**stage 1**	**stage 2**	**stage 3**	**Total stage 1-3**
Opening balanse 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

VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - PUBLIC LENDING

NOK THOUSANDS	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2021	**stage 1**	**stage 2**	**stage 3**	**Total stage 1-3**
Lending 01.01.2021	17 592 253	-	-	17 592 253
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change	-853 994	-	-	-853 994
New lending	2 624 925	-	-	2 624 925
Write-offs	-1 487 251	-	-	-1 487 251
Lending 31.12.2021	**17 875 934**	**-**	**-**	**17 875 934**

Note 9 **Tax**

NOK THOUSAND	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
Accounting income before taxes	76 122	20 550
Differences between accounting and tax income:		
Reversal of value increase financial assets	-67 782	-59 019
Change in differences affecting relationship between booked and taxable income	81 331	51 996
Taxable income	**89 671**	**13 527**
DEFFERED TAX ASSETS LINKED TO		
Hedging of borrowing	-2 202	-85
Securites	-1 451	-507
Loan to customers	-21 571	-6 898
Total tax-reducing temporary differences	**-25 225**	**-7 490**
DEFERRED TAX LINKED TO		
Securities	23 181	7 325
Premium/discount on borrowing	4 173	5 276
Tax effect of group distribution	19 728	2 976
Total tax-increasing temporary differences	**47 081**	**15 576**
Net deferred tax(+)/tax assets(-)	**21 857**	**8 086**
SUMMARY OF TAX EXPENSES OF THE YEAR		
Change in deferred tax taken to income excl. effect of group distribution	-2 981	1 545
Capitalized tax from Group contribution	19 728	2 976
Reallocated tax from paid out Group contribution	-2 976	-5 456
Total tax costs	**13 771**	**-935**
Effective tax rate	18.1%	-4.5 %
RECONCILIATION OF TAX RATE		
Accounting income before taxes	76 122	20 550
Income taxs expense, nominal tax rate	16 747	4 521
Income tax expense, effective tax rate	13 771	-935
Difference between effective and nominal tax rate	**2 976**	**5 456**
Effect of reallocated tax from paid out Group contribution	2 976	5 456
Total	**2 976**	**5 456**

Note 10 Cash and cash equivalents and other loans and receivables from credit institutions

NOK THOUSANDS	31.12.2022	31.12.2021
Bank deposits operations	525 685	553 531
Cash	-	-
Total cash and cash equivalents (liquidity)	**525 685**	**553 531**
Bank accounts to be used for the purchase and sale of securities	22 183	18 641
Loans and receivables from credit institutions	**547 868**	**572 172**

Note 11 Lending and receivables

NOK THOUSANDS	31.12.2022	31.12.2021
LOANS TO AND RECEIVABLES FROM CREDIT INSTITUTIONS		
Bank deposits	547 868	572 172
Loans to and receivables from credit institutions	**547 868**	**572 172**
LOANS TO AND RECEIVABLES FROM CUSTOMERS		
Principal on lending	19 101 791	17 835 041
Write-downs steps 1 and 2	-184	-176
Fair value hedging	-98 049	-31 356
Accrued interest	113 540	40 892
Loans to and receivables from customers	**19 117 097**	**17 844 402**

All lending comprises loans to, or loans guaranteed by, Norwegian municipalities and county administrations, including loans to local government enterprises and intermunicipal companies (public sector loans). Guarantees are of the ordinary guarantor type covering both repayments and interest.

Note 12 **Categories of financial instruments**

NOK THOUSANDS	31.12.2022		31.12.2021	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Fixed-income securities	2 724 070	2 724 070	1 666 698	1 666 698
Financial derivatives	138 897	138 897	42 051	42 051
Total financial assets at fair value through profit and loss	**2 862 967**	**2 862 967**	**1 708 748**	**1 708 748**
FINANCIAL ASSETS FAIR VALUE HEDGING				
Lending to Norwegian municipalities	1 702 745	1 706 638	1 981 191	2 024 610
Total financial assets fair value hedging	**1 702 745**	**1 706 638**	**1 981 191**	**2 024 610**
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	547 868	547 868	572 172	572 172
Lending to Norwegian municipalities	17 414 352	17 414 352	15 863 211	15 863 211
Total financial assets at amortized cost	**17 962 220**	**17 962 220**	**16 435 383**	**16 435 383**
Total financial assets	**22 527 932**	**22 531 825**	**20 125 323**	**20 168 742**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Financial derivatives	25 939	25 939	9 644	9 644
Total financial liabilities at fair value through profit and loss	**25 939**	**25 939**	**9 644**	**9 644**
FINANCIAL LIABILITIES FAIR VALUE HEDGING				
Covered bonds issued	1 728 703	1 745 090	508 146	515 581
Total financial liabilities fair value hedging	**1 728 703**	**1 745 090**	**508 146**	**515 581**
FINANCIAL LIABILITIES AT AMORTIZED COST				
Liabilities to credit institutions	1 707 544	1 707 544	755 168	755 168
Covered bonds issued	18 054 324	18 048 197	18 054 970	18 103 842
Total financial liabilities at amortized cost	**19 761 869**	**19 755 741**	**18 810 137**	**18 859 010**
Total financial liabilities	**21 516 511**	**21 526 770**	**19 327 927**	**19 384 235**

NOK THOUSANDS	31.12.2022	31.12.2021
GAIN/LOSS FAIR VALUE HEDGING		
On the hedging object	76 318	64 620
On the hedged item attributable to hedged risk	-76 318	-64 620
Gain and loss in fair value hedging	**0**	**0**

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. 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. If the market for the security is not active, or the security is not listed on a stock market or similar, the Group uses valuation techniques 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 generally priced using prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves for Norwegian saving banks, municipalities and energy. Saving banks have various spread curves based on total assets.

Financial derivatives

Interest rate swaps 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.

Fair value of loans to Norwegian local administrations

Fair value of lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Fair value of fixedrate loans is calculated by discounting contracual cash flows by the marked rate including a relevant riskmargin on the reporting date. This is valued in Level 2 in the valuation hierarchy, cf. note 14.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms are continuously changed in step with marked interest rates. This is valued in Level 2 in the valuation hierarchy, cf. note 14.

Fair value of liabilities to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market. This is valued in Level 2 in the valuation hierarchy, cf. note 14.

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 14.

Note 13 **Fixed income securities**

NOK THOUSANDS				31.12.2022
Debtor categories	**Acquisition cost**	**Unreal. gain/loss**	**Accr. int. not due**	**Market value**
Government/social security administration	99 368	67	-	99 435
Credit enterprises	1 944 672	-5 580	4 798	1 943 890
Local government administration	677 182	-824	4 388	680 745
Total fixed-income securities	**2 721 221**	**-6 337**	**9 185**	**2 724 070**
Effective interest rate: 3.75%				

NOK THOUSANDS				31.12.2021
Debtor categories	**Acquisition cost**	**Unreal. gain/loss**	**Accr. int. not due**	**Market value**
Government/social security administration	99 925	-5	-	99 920
Credit enterprises	1 303 999	-2 176	948	1 302 771
Local government administration	263 623	-123	507	264 007
Total fixed-income securities	**1 667 547**	**-2 304**	**1 454**	**1 666 698**
Effective interest rate: 0.95%				

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 14 **Fair value hierarchy**

31.12.2022 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 435	2 624 635	-	2 724 070
Financial derivatives	-	138 897	-	138 897
Total assets at fair value	**99 435**	**2 763 533**	**-**	**2 862 967**
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	-	25 939	-	25 939
Total financial liabilities at fair value	**-**	**25 939**	**-**	**25 939**

31.12.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 920	1 566 778	-	1 666 698
Financial derivatives	-	42 051	-	42 051
Total assets at fair value	**99 920**	**1 608 829**	**-**	**1 708 748**
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	-	9 644	-	9 644
Total financial liabilities at fair value	**-**	**9 644**	**-**	**9 644**

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

Level 1:

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

Level 2:

Instruments at this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is therefore not considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed-income securities priced on the basis of interest rate paths.

Level 3:

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

Note 12 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. 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 15 **Financial derivatives**

NOK THOUSANDS 31.12.2022	Nominal amount	Fair value	< 1 year	1-5 years	5-10 years	> 10 years	Total
Derivatives related to borrowing	1 200 000	37 764	-	500 000	700 000	-	1 200 000
Derivatives related to lending	1 588 570	101 133	81 605	1 102 980	403 985	-	1 588 570
Total assets	**2 788 570**	**138 897**	**81 605**	**1 602 980**	**1 103 985**	**-**	**2 788 570**
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**

NOK THOUSANDS 31.12.2021	Nominal amount	Fair value	< 1 year	1-5 years	5-10 years	> 10 years	Total
Derivatives related to borrowing	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 lending	555 427	-9 644	292 414	237 007	11 475	14 531	555 427
Total liabilities	**555 427**	**-9 644**	**292 414**	**237 007**	**11 475**	**14 531**	**555 427**

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 2.3.2.1 for a description of the accounting policies for classifying and measuring derivatives.

Note 16 **Presentation of assets and liabilities subject to net settlement**

31.12.2022 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	138 897	-	138 897	-25 939	-	112 959
Total	**138 897**	**-**	**138 897**	**-25 939**	**-**	**112 959**
LIABILITIES						
Financial derivatives	25 939	-	25 939	-25 939	-	-
Total	**25 939**	**-**	**25 939**	**-25 939**	**-**	**-**

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	-9 190	-	32 861
Total	**42 051**	**-**	**42 051**	**-9 190**	**-**	**32 861**
LIABILITIES						
Financial derivatives	9 644	-	9 644	-9 190	-	454
Total	**9 644**	**-**	**9 644**	**-9 190**	**-**	**454**

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

Note 17 **Other assets**

NOK THOUSANDS	31.12.2022	31.12.2021
Receivables between Group companies	20 092	384
Total other assets	**20 092**	**384**

Note 18 **Liabilities to credit institutions**

31.12.2022 NOK THOUSANDS	Currency	Interest	Due date	Nominal	Accrued interest	Book value
Debt from KLP Banken AS	NOK	Fixed	15.12.2024	1 705 000	2 544	1 707 544
Total liabilities to credit institutions				**1 705 000**	**2 544**	**1 707 544**

Interest rate on debt to credit institutions at the reporting date	3.16%
The interest rate is calculated as a weighted average of the act/360 basis.	

NOK THOUSANDS	Book value 31.12.2021	Receipts internal funding	Disbursements internal funding	Changes accrued interest	Book value 31.12.2022	Interest paid in 2022
Debt from KLP Banken AS	755 168	3 005 000	-2 055 000	2 377	1 707 544	-14 887
Debt from KLP Banken AS	**755 168**	**3 005 000**	**-2 055 000**	**2 377**	**1 707 544**	**-14 887**

31.12.2021 NOK THOUSANDS	Currency	Interest	Due date	Nominal	Accrued interest	Book value
Debt from KLP Banken AS	NOK	Fixed	15.12.2023	755 000	168	755 168
Total liabilities to credit institutions				**755 000**	**168**	**755 168**

Interest rate on debt to credit institutions at the reporting date	0.47%
The interest rate is calculated as a weighted average of the act/360 basis.	

NOK THOUSANDS	Book value 31.12.2020	Receipts internal funding	Disbursements internal funding	Changes accrued interest	Book value 31.12.2021	Interest paid in 2021
Debt from KLP Banken AS	745 103	1 655 000	-1 645 000	65	755 168	-1 815
Debt from KLP Banken AS	**745 103**	**1 655 000**	**-1 645 000**	**65**	**755 168**	**-1 815**

Note 19 **Securities liabilities – stock exchange listed covered bonds**

NOK THOUSANDS	31.12.2022	31.12.2021
Bonds, nominal value	19 668 000	18 496 000
Revaluations	12 429	37 436
Accrued interest	102 599	29 679
Total liabilities created on issuance of securities	**19 783 028**	**18 563 116**
Interest rate on borrowings through the issuance of securities at the reporting date.	**3.60%**	**1.05%**

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

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	18 496 000	4 200 000	-3 028 000	-	19 668 000	-
Revaluations	37 436	-	-	-25 007	12 429	-
Accrued interest	29 679	-	-	72 919	102 599	-325 316
Total liabilities created on issuance of securities	**18 563 116**	**4 200 000**	**-3 028 000**	**47 912**	**19 783 028**	**-325 316**

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	17 364 000	5 500 000	-4 368 000	-	18 496 000	-
Revaluations	42 033	-	-	-4 597	37 436	-
Accrued interest	23 624	-	-	6 055	29 679	-143 363
Total liabilities created on issuance of securities	**17 429 657**	**5 500 000**	**-4 368 000**	**1 459**	**18 563 116**	**-143 363**

Note 20 **Other liabilities and provision for accrued costs and liabilities**

NOK THOUSANDS	31.12.2022	31.12.2021
Receivables between companies in the same Group	1 402	3 528
Creditors	25	-
Short-term balances with credit institutions	108 100	25 400
Other liabilities	-	6
Total other liabilities	**109 527**	**28 928**
Value-added tax	28	33
Total accrued costs and liabilities	**28**	**33**

Note 21 **Transactions with related parties**

NOK THOUSANDS	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
Income statement items		
KLP Banken AS, interest on borrowing	-17 264	-1 880
KLP Banken AS, interest on deposits	4 177	788
KLP Banken AS, administrative services (at cost)	-13 116	-8 166
KLP Kapitalforvaltning AS, fees for services provided	-74	-70
Total	**-26 277**	**-9 329**

NOK THOUSANDS	31.12.2022	31.12.2021
Financial position statement items		
KLP Banken AS, debt to credit institutions	-1 707 544	-755 168
KLP Banken AS, deposit	205 231	201 054
KLP Banken AS, loan settlement	20 092	384
Net outstanding accounts to:		
KLP Banken AS	-1 402	-242
KLP Kapitalforvaltning AS	-	-32
Total	**-1 483 623**	**-554 004**

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

Transactions with related parties are carried out on general market terms, with the exception of the Company's share of common functions, which is allocated at cost.

Allocation is based on actual use. All internal receivables are settled as they arise.

Note 22 **Capital adequacy**

NOK THOUSANDS	31.12.2022	31.12.2021
Share capital and share premium fund	755 000	675 000
Other owners' equity	145 102	85 727
Total owners' equity	**900 102**	**760 727**
Adjustments due to requirements for proper valuation	-2 724	-1 667
Core capital/Tier 1 capital	**897 378**	**759 060**
Supplementary capital/Tier 2 capital	-	-
Supplementary capital/Tier 2 capital	**-**	**-**
Total own funds (eligible Tier 1 and Tier 2 capital)	897 378	759 060
Capital requirement	353 621	317 996
Surplus of own funds (eligible Tier 1 and Tier 2 capital)	**543 756**	**441 064**
ESTIMATE BASIS CREDIT RISK		
Institutions	141 371	122 921
Local and regional authorities	3 963 118	3 628 147
Covered bonds	194 389	130 277
Calculation basis credit risk	**4 298 878**	**3 881 345**
Credit risk	343 910	310 508
Operational risk	9 432	6 826
Credit valuation adjustment	280	663
Total capital requirement assets	**353 621**	**317 996**
Core capital adequacy ratio	20.3%	19.1%
Supplementary capital ratio	0.0%	0.0%
Capital adequacy ratio	**20.3%**	**19.1%**
Leverage ratio	**4.0%**	**3.8%**

Capital requirement per 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%
Applicable capital requirements including buffers	**12.0%**	**3.5%**	**15.5%**
Capital requirement leverage ratio	**3.0%**	**0.0%**	**3.0%**

Note 23 **Financial risk management**

Organisation of risk management

KLP Kommunekreditt AS is a wholly owned subsidiary of KLP Banken AS. 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.

Note 24 **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. KLP Kommunekreditt AS provides loans to 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. Guarantees are payable on demand.

24.1 CONTROL AND LIMITATION OF CREDIT RISK

The Board has determined a credit policy that contains overarching guidelines, requirements and limits associated with credit risk. The policy lays down that the bank is to have a low credit risk profile and includes limits on types of lending and principles for organisation and operation of the Company's lending activity. The policy also includes an overall mandate structure for lending and other counterparty exposure. The mandates are linked to Board-determined limits for a large number of the Company's individual borrowers and these limits derive from a risk classification in which the individual borrowers are assigned a risk class based on a set of fixed criteria. Furthermore requirements are set for reporting to the Board on usage of the limits.

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 the counterparties' creditworthiness.

In processing all new loan applications 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.

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

NOK THOUSANDS	31.12.2022	31.12.2021
LOANS ACCORDING TO TYPE OF SECURITY/EXPOSURE (PRINCIPAL)		
Lending to municipalities and county administrations	18 282 090	16 900 919
Lending with municipal/county administration guarantee	819 701	934 123
Total	**19 101 791**	**17 835 041**
Sums falling due more than 12 months after the end of the reporting period	18 100 414	16 902 342

The Company also invests in securities issued by municipalities and county administrations and will in addition have credit risk exposure in the form of "additional collateral". The additional collateral can amount up to 20 percent of the cover. In accordance with the Company's internal guidelines the additional collateral may be in the form of deposits in banks satisfying minimum rating requirements as well as covered bonds issued by Norwegian credit enterprises.

CREDIT QUALITY OF SECURITIES, BANK DEPOSITS AND DERIVATIVES

Securities with external credit rating (Moody's)

NOK THOUSANDS	31.12.2022	31.12.2021
AAA	2 156 639	1 390 000
Unrated	567 431	-
Total	**2 724 070**	**1 390 000**

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

NOK THOUSANDS	31.12.2022	31.12.2021
Aa1-Aa3	336 166	228 739
A1-A3	211 701	343 433
Total	**547 868**	**572 172**

The Company may also be exposed to credit risk as a result of derivative agreements struck. The purpose of such agreements is to reduce risks arising as a result of the Company's borrowing and lending activities. The Company's internal guidelines specify creditworthiness requirements for derivative counterparties. All derivative agreements are entered into with counterparties with a minimum A1 rating (Moody's).

24.3 MAXIMUM EXPOSURE TO CREDIT RISK

KLP Kommunekreditt AS measures maximum exposure as 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 KLP Kommunekreditt AS.

Maximum exposure to credit risk

NOK THOUSANDS	31.12.2022	31.12.2021
Loans to and receivables from credit institutions	547 868	572 172
Loans to and receivables from customers	19 215 147	17 875 758
Fixed-income securities	2 724 070	1 390 000
Financial derivatives	42 051	42 051
Loss write-downs stage 1	184	176
Total	**22 529 319**	**19 880 157**

24.4 LOANS FALLEN DUE OR WRITTEN DOWN

The Company has not incurred losses on lending. The company considers all receivables to be satisfactorily secured.

Loans fallen due or written down

NOK THOUSANDS	31.12.2022	31.12.2021
Principal on loans with payments overdue by 7-30 days	25 375	66 249
Principal on loans with payments overdue by 31-90 days	13 008	-
Principal on non-performing loans	-	-
Total loans fallen due	**38 383**	**66 249**
Relevant security or guarantees	38 383	66 249
Lending that has been written down	-	-

24.5 CONCENTRATION OF CREDIT RISK

The Company's lending is in its entirety 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.

KLP Kommunekreditt AS's largest borrower as at 31 December 2022 was approximately 3.9 per cent of the Company's total lending.

Note 25 **Market risk**

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

KLP Kommunekreditt AS is exposed to market risk as a result of the Company's borrowing and lending activity and management of its liquidity. The exposure is however limited to interest 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.

25.1 MEASUREMENT OF MARKET RISK

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

25.2 INTEREST RATE RISK

The market risk policy comprises the Company'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 Company 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 managment 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 Company'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-RATE RISK KLP KOMMUNEKREDITT 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	548 122	548 122	-	-	-	-
Loans to and receivables from customers	19 101 791	15 495 497	1 797 952	233 690	1 274 628	300 024
Fixed-income securities	2 709 804	171 000	2 350 500	188 304	-	-
Total	**22 359 717**	**16 214 619**	**4 148 452**	**421 994**	**1 274 628**	**300 024**
Liabilities to credit institutions	1 705 000	1 705 000	-	-	-	-
Liabilities created on issuance of securities	21 373 000	6 705 000	12 968 000	-	1 000 000	700 000
Total	**23 078 000**	**8 410 000**	**12 968 000**	**-**	**1 000 000**	**700 000**
Gap	**-718 283**	**7 804 619**	**-8 819 548**	**421 994**	**274 628**	**-399 976**
Financial derivatives	-	-931 130	817 268	73 568	-241 659	281 953
Net gap	**-718 283**	**6 873 489**	**-8 002 280**	**495 562**	**32 969**	**-118 023**

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 credit institutions	571 649	571 649	-	-	-	-
Loans to and receivables from customers	17 835 041	13 864 678	2 057 667	287 556	1 223 138	402 002
Fixed-income securities	1 653 184	141 000	1 512 184	-	-	-
Total	**20 059 874**	**14 577 327**	**3 569 851**	**287 556**	**1 223 138**	**402 002**
Liabilities to credit institutions	755 000	755 000	-	-	-	-
Liabilities created on issuance of securities	19 251 000	1 755 000	16 996 000	-	-	500 000
Total	**20 006 000**	**2 510 000**	**16 996 000**	**-**	**-**	**500 000**
Gap	**53 874**	**12 067 327**	**-13 426 149**	**287 556**	**1 223 138**	**-97 998**
Financial derivatives	-	286 774	904 023	17 309	-1 167 742	-40 364
Net gap	**53 874**	**12 354 101**	**-12 522 126**	**304 865**	**55 396**	**-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 3.2 (9.1) million.

Note 26 **Liquidity Risk**

Liquidity risk is the risk that the Company 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.

26.1 MANAGEMENT OF LIQUIDITY RISK

The management of KLP Kommunekreditt’s liquidity risk must be viewed in the context of the management of the liquidity risk in the KLP Banken Group. 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 states that the Group is to have a moderate liquidity risk profile and various requirements. 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 KLP Kommunekreditt, 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.

26.2 MATURITY ANALYSIS

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

LIQUIDITY RISK KLP KOMMUNEKREDITT 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
Loans to and receivables from customers	23 023 578	-	95 932	240 075	1 030 010	5 246 445	16 411 115
Fixed-income securities	2 931 795	-	1 546	415 549	617 396	1 897 303	-
Loans to and receivables from credit institutions	547 868	-	342 637	205 231	-	-	-
Total	**26 503 240**	**-**	**440 115**	**860 856**	**1 647 407**	**7 143 748**	**16 411 115**
Liabilities created on issuance of securities	21 324 837	-	43 604	120 657	3 312 752	17 086 224	761 600
Financial derivatives	115 660	-	-9 370	279	36 024	69 316	19 412
Liabilities to credit institutions	1 784 372	-	4 227	3 180	24 727	1 752 236	-
Total	**23 224 869**	**-**	**38 461**	**124 116**	**3 373 504**	**18 907 776**	**781 012**
Net cash flow	**3 278 372**	**-**	**401 653**	**736 740**	**-1 726 097**	**-11 764 027**	**15 630 103**

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
Loans to and receivables from customers	21 128 539	-	47 552	179 932	963 277	4 870 552	15 067 227
Fixed-income securities	1 700 475	-	30 362	168 233	41 589	1 460 290	-
Loans to and receivables from credit institutions	572 172	-	371 118	201 054	-	-	-
Total	**23 401 186**	**-**	**449 033**	**549 219**	**1 004 866**	**6 330 842**	**15 067 227**
Liabilities created on issuance of securities	19 057 978	-	1 887	49 442	2 150 397	16 344 252	512 000
Financial derivatives	9 071	-	-194	6 176	1 222	3 084	-1 216
Liabilities to credit institutions	762 196	-	306	582	2 711	758 598	-
Total	**19 829 245**	**-**	**1 998**	**56 200**	**2 154 329**	**17 105 933**	**510 784**
Net cash flow	**3 571 942**	**-**	**447 034**	**493 019**	**-1 149 463**	**-10 775 091**	**14 556 443**

A 24-month internal loan of NOK 1705 million has been provided from KLP Banken AS to KLP Kommunekreditt AS, which is defined as “Liabilities to credit institutions”. This loan is rolled over currently every third month and the interest rate is set each month.

Note 27 **Over- collateralization**

NOK THOUSANDS	Fair value	
	31.12.2022	**31.12.2021**
SECURITY POOL		
Loans to customers	19 132 889	17 888 000
Financial derivatives (net)	112 913	31 883
Additional collateral 1)	3 974 463	2 759 289
Total security pool	**23 220 266**	**20 679 171**
Outstanding covered bonds incl. own funds and premium/discount	20 832 669	19 633 708
Coverage of the security pool	**111.5%**	**105.3%**

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

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

Note 28 **Salary and obligations to senior management**

2022 NOK THOUSANDS	Paid from KLP Kommunekreditt AS				Paid from another company in the same group					
	Salaries, fees etc.	Other benefits	Annual pension accumulation	Loans	Salaries, fees etc.	Other benefits	Annual pension accumulation	Loans	Interest rate as at 31.12.2022	Repayment plan [1]
SENIOR EMPLOYEES										
Carl Steinar Lous, Department manager Public Market/ Managing Director	-	-	-	-	1 503	29	330	3 435	3.50	A27/A39
BOARD OF DIRECTORS										
Aage E. Schaanning, *Chair*	-	-	-	-	3 912	144	1 377	9 600	3.50	HC
Aud Norunn Strand	85	-	-	-	12	-	-	3 000	4.15	HC
Aina Slettedal Eide	-	-	-	-	-	-	-	-	-	-
Kristian Lie-Pedersen	-	-	-	-	59	-	-	-	-	-
Jonas Vincent Kårstad	-	-	-	-	70	-	-	-		
EMPLOYEES										
Total loans to employees of KLP Kommunekreditt AS	-	-	-	-	-	-	-	3 435	-	-

2021 NOK THOUSANDS	Paid from KLP Kommunekreditt AS				Paid from another company in the same group					
	Salaries, fees etc.	Other benefits	Annual pension accumulation	Loans	Salaries, fees etc.	Other benefits	Annual pension accumulation	Loans	Interest rate as at 31.12.2021	Repayment plan [1]
SENIOR EMPLOYEES										
Carl Steinar Lous, Department manager Public Market/ Managing Director	-	-	-	-	1 412	39	303	2 891	1.00	A39
BOARD OF DIRECTORS										
Aage E. Schaanning, *Chair*	-	-	-	-	3 758	178	1 269	6 390	1.00	HC
Aud Norunn Strand	83	-	-	-	12	-	-	3 000	1.55	HC
Aina Slettedal Eide	-	-	-	-	-	-	-	-	-	-
Kristian Lie-Pedersen	-	-	-	-	118	-	-	-	-	-
EMPLOYEES										
Total loans to employees of KLP Kommunekreditt AS	-	-	-	-	-	-	-	2 891	-	-

1) A= Annuity loan, last payment, HC=Home Credit.

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.

Managing director is a contracted-in function from the parent company, KLP Banken AS, and the individual receives no benefits directly from KLP Kommunekreditt AS for the appointment. KLP Kommunekreditt AS refunds that part of the benefits associated with the role as managing director. The Managing Director has no agreement on performance pay (bonus) or guaranteed salary on termination. He is pensionable aged 70.

There are no obligations to provide the Chair of the Board of Directors 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. 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. This also applies to any loans they may have with the Group. Of the board members, Aage E. Schaanning, Aina Slettedal Eide, Kristian Lie-Pedersen and Jonas Vincent Kårstad are employed in the KLP Group.

All benefits are shown without the addition of social security costs.

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 board members are only granted under ordinary loan terms. The interest rebate that accrues to employees is refunded to the lending company.

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

Note 29 **Number of FTEs and employees**

KLP Kommunekreditt AS has two employees, but they do not receive any remuneration or other benefits from the Company.

KLP Kommunekreditt AS buys personnel services from other companies in the KLP Group.

Note 30 **Contingent liabilities**

NOK THOUSANDS	31.12.2022	31.12.2021
Loan commitment	35 491	64 650
Total contingent liabilities	**35 491**	**64 650**

These are contractual payments to borrowers that are highly likely to be paid out.

To the General Meeting of KLP Kommunekreditt AS

Independent Auditor’s Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KLP Kommunekreditt 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.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- 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 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 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 August 2009 for the accounting year 2009.

Key Audit Matters

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

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

Other Information

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

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.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion
As part of the audit of the financial statements of KLP Kommunekreditt AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Årsrapport_2022_KLP_Kommunekreditt_xhtml, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

pwc

Auditor's Responsibilities
Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Contact information

KLP KOMMUNEKREDITT AS
Beddingen 8
7042 Trondheim

Organisation number: 994 526 944

Visitors address, Trondheim
Beddingen 8

Visitors address, Oslo
Dronning Eufemias gate 10

klpbanken.no

Phone: + 47 55 54 85 00
klpkommunekreditt@klp.no