



# Interim report

KLP KOMMUNEKREDITT AS  
Q1 2022

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# Interim Financial Statements

## KLP KOMMUNEKREDITT AS

Main features by first quarter end:

- Increased operating income
- Lending growth
- No recognized losses on lending

### OBJECTIVE

The Company's objective is financing KLP Banken's loans to municipalities, county administrations and enterprises carrying out public sector assignments. Loans to companies must be guaranteed by municipalities, county administrations or the central government under the Norwegian Local Government Act. Guarantees are to be of the ordinary surety type covering both repayments and interest. The lending business is principally funded issuing covered bonds (OMF).

KLP Kommunekreditt AS is a wholly owned subsidiary of KLP Banken AS. The KLP Banken AS is owned by Kommunal Landspensjonskasse (KLP).

### INCOME STATEMENT

Net interest revenues by the first quarter were NOK 19.0 (12.7)<sup>1</sup> million. The change is mainly due to somewhat higher lending margins in average and to increased lending volume.

Net profit and loss effects of financial instruments by first quarter amounts to NOK -2.4 (-3.1) million. This is mainly due to market value changes in the securities holdings.

Operating expenses in the first quarter amounted to 5.2 (3.9) million. The Company has not had any credit losses, and very low loan loss provisions are recognized in the income statement.

Profit before tax for the quarter was NOK 11.4 (5.7) million. The change in profit is mainly due to increased net interest income.

### LENDING

The Company's loans to customers as of 31 March 2022, amounted to NOK 18.0 (16.7) billion. Borrowers are municipalities, county municipalities and local government enterprise lending covered by municipal guarantees.

### LIQUID INVESTMENTS

There are strict rules on which assets may be included in the securities holdings. In addition to loans to the public sector the securities holdings consist of secure bonds as well as deposits in other banks. The securities consist of certificates and bonds of high credit quality, principally investments in covered bonds. As of 31.03.2022, the Company's securities portfolio market value was NOK 1.8 (0.9) billion. Realized and unrealized market value changes so far this year has given a profit and loss effect of NOK -2.4 (0.4) million.

### BORROWING

The Company's borrowing consists of covered bonds (OMF) as well as loans from KLP Banken AS. There were no new covered bonds issues in the first quarter and no repurchase of previous issues. All covered bonds have AAA rating.

The Company regularly restructures its borrowing with the purpose of adjusting average duration. This may cause profit or loss. Buying back own bond issues have caused a net value of NOK 0.0 (-3.4) million as at first quarter.

### RISK AND CAPITAL ADEQUACY

KLP Kommunekreditt AS has established a framework for risk management aimed at ensuring risks are identified, analyzed and subject to management using policies, limits, procedures, and instructions. The Company is to have a prudent risk profile and earnings are to be principally a result of the borrowing and lending activity as well as liquidity management. This means that the Company is to have low market risk. Interest risk arising from the borrowing and lending activities are reduced using derivatives. The Company is to have sufficient long-term financing within set limits. The credit risk in the Company is low and lending is limited to local government risk. Management of the Company's liquidity is conducted through investments in banks satisfying high credit quality requirements and in securities in accordance with Board-approved credit lines.

The Board is worried about the development following the war in Ukraine. The Company has no credit exposure in this area, but may as other Norwegian banks, be affected by the financial turmoil following the situation.

At the end of the first quarter 2022, core capital i.a.w. the capital adequacy rules were NOK 755.9 (743.8) million. Loans to municipalities and county administrations are risk-weighted 20 per cent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS had a core capital adequacy and capital adequacy ratio of 19.0 (20.3) per cent at the end of the first quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 3.7 (4.1) per cent. The minimum statutory requirement is 3.0 per cent.

<sup>1</sup> Figures in parenthesis are from the corresponding period last year.

Oslo, 27 April 2022

Aage E. Schaanning  
Chair

Aina Slettedal Eide

Aud Norunn Strand

Kristian Lie-Pedersen

Carl Steinar Lous  
Managing Director

# Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q1 2022	Q1 2021	01.01.2021 -31.12.2021
	Interest income, effective interest method	73 160	57 328	233 743
	Other interest income	12 913	10 873	42 380
3	<b>Total interest income</b>	<b>86 074</b>	<b>68 201</b>	<b>276 123</b>
	Interest expense, effective interest method	-57 778	-35 987	-139 178
	Other interest expenses	-9 292	-19 558	-70 976
3	<b>Total interest costs</b>	<b>-67 070</b>	<b>-55 545</b>	<b>-210 154</b>
3	<b>Net interest income</b>	<b>19 004</b>	<b>12 656</b>	<b>65 969</b>
17	Net gain/(loss) on financial instruments	-2 413	-3 066	-27 435
	<b>Total net gain/(loss) on financial instruments</b>	<b>-2 413</b>	<b>-3 066</b>	<b>-27 435</b>
	Other operating expenses	-5 193	-3 912	-17 981
18	Net loan losses	-1	9	-3
	<b>Total operating expenses</b>	<b>-5 194</b>	<b>-3 903</b>	<b>-17 984</b>
	<b>Operating profit/loss before tax</b>	<b>11 397</b>	<b>5 687</b>	<b>20 550</b>
	Tax ordinary income	469	4 204	935
	<b>Profit for the period</b>	<b>11 866</b>	<b>9 892</b>	<b>21 485</b>
	<b>Other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Comprehensive income for the period</b>	<b>11 866</b>	<b>9 892</b>	<b>21 485</b>

# Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
<b>ASSETS</b>				
5	Loans to credit institutions	274 419	583 706	572 172
4,5	Loans to customers	17 974 431	16 734 400	17 844 402
5,6,15	Fixed-income securities	1 825 195	919 680	1 666 698
5,6	Financial derivatives	87 530	45 859	42 051
12	Other assets	43	776	384
<b>Total assets</b>		<b>20 161 619</b>	<b>18 284 421</b>	<b>20 125 706</b>
<b>LIABILITIES AND OWNERS EQUITY</b>				
<b>LIABILITIES</b>				
5,9	Debt to credit institutions	755 168	255 041	755 168
5,7	Debt securities issued	18 547 439	17 202 722	18 563 116
5,6	Financial derivatives	17 111	51 434	9 644
	Deferred tax liabilities	5 110	9 021	8 086
13	Other liabilities	66 469	16 376	28 934
13	Provision for accrued costs and liabilities	706	694	33
<b>Total liabilities</b>		<b>19 392 002</b>	<b>17 535 287</b>	<b>19 364 980</b>
<b>EQUITY</b>				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Other owners' equity	82 751	64 242	85 727
	Unallocated profit/loss	11 866	9 892	0
<b>Total owners' equity</b>		<b>769 616</b>	<b>749 133</b>	<b>760 727</b>
<b>Total liabilities and equity</b>		<b>20 161 619</b>	<b>18 284 421</b>	<b>20 125 706</b>

# Statement of changes in equity

KLP KOMMUNEKREDITT AS

2022 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2022	362 500	312 500	85 727	760 727
Profit for the period	0	0	11 866	11 866
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>11 866</b>	<b>11 866</b>
Group contribution received	0	0	10 551	10 551
Group contribution made	0	0	-13 527	-13 527
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>-2 976</b>	<b>-2 976</b>
<b>Equity 31 March 2022</b>	<b>362 500</b>	<b>312 500</b>	<b>94 616</b>	<b>769 616</b>

  

2021 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2021	362 500	312 500	69 697	744 697
Profit for the period	0	0	9 892	9 892
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>9 892</b>	<b>9 892</b>
Group contribution received	0	0	19 343	19 343
Group contribution made	0	0	-24 798	-24 798
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>-5 456</b>	<b>-5 456</b>
<b>Equity 31 March 2021</b>	<b>362 500</b>	<b>312 500</b>	<b>74 133</b>	<b>749 133</b>

  

2021 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2021	362 500	312 500	69 697	744 697
Income for the year	0	0	21 485	21 485
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>21 485</b>	<b>21 485</b>
Group contribution received	0	0	19 343	19 343
Group contribution made	0	0	-24 798	-24 798
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>-5 456</b>	<b>-5 456</b>
<b>Equity 31 December 2021</b>	<b>362 500</b>	<b>312 500</b>	<b>85 727</b>	<b>760 727</b>

# Statement of cash flow

KLP KOMMUNEKREDITT AS

NOK THOUSANDS	Q1 2022	Q1 2021	01.01.2021 -31.12.2021
<b>OPERATIONAL ACTIVITIES</b>			
Payments received from customers - interest, commission & charges	54 673	49 134	231 825
Disbursements on loans customers & credit institutions	-220 560	-200 000	-1 316 600
Receipts on loans customers & credit institutions	48 752	1 072 325	979 570
Disbursements on operations	-6 795	-4 055	-16 168
Net receipts/disbursements from operating activities	46 470	10 151	11 216
Interest from credit institutions	661	185	1 390
<b>Net cash flow from operating activities</b>	<b>-76 799</b>	<b>927 739</b>	<b>-108 767</b>
<b>INVESTMENT ACTIVITIES</b>			
Payments on the purchase of securities	-354 203	-484 022	-2 017 481
Receipts on sale of securities	193 684	426 435	1 209 261
Receipts of interest from securities	5 022	4 109	12 103
<b>Net cash flow from investment activities</b>	<b>-155 497</b>	<b>-53 478</b>	<b>-796 117</b>
<b>FINANCING ACTIVITIES</b>			
Receipts on loans from credit institutions	0	0	5 500 000
Repayments and redemption of securities debt	-1 751	0	-3 852 000
Change in securities debt, own funds	0	-219 788	-491 530
Net payment of interest on loans credit institutions	-50 898	-31 558	-143 363
Receipts in internal funding	150 000	0	1 655 000
Disbursements in internal funding	-150 000	-490 000	-1 645 000
Net payment of interest on internal funding	-831	-382	-1 815
Payment on group contribution	-2 976	0	-5 456
<b>Net cash flows from financing activities</b>	<b>-56 456</b>	<b>-741 727</b>	<b>1 015 836</b>
<b>Net cash flow during the period</b>	<b>-288 752</b>	<b>132 533</b>	<b>110 952</b>
Cash and cash equivalents at the start of the period	553 531	442 579	442 579
Cash and cash equivalents at the end of the period	264 779	575 113	553 531
<b>Net receipts/disbursements</b>	<b>-288 752</b>	<b>132 533</b>	<b>110 952</b>



# Notes to the accounts

KLP KOMMUNEKREDITT AS

## NOTE 1 General information

KLP Kommunekreditt AS was formed on 25 August 2009. The company is a credit enterprise that provides or acquires public sector loans that are guaranteed by the Norwegian municipalities. Borrowers provide surety covering both repayments and interest.

The object of the Company is primarily to finance activities by issuing covered bonds with security in public sector guarantees loans. Parts of these loans are listed on Oslo Børs (Stock Exchange).

KLP Kommunekreditt AS is registered and domiciled in Norway. It's head office is 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.

## NOTE 2 Accounting principles

The interim report includes the interim Financial Statements of KLP Kommunekreditt AS for the period 1 January 2022 – 31 March 2022, with a specification of the results in the Q1. The interim Financial Statements has not been audited.

The interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

Other accounting principles and calculations are the same in the interim financial statement as in the annual report for 2021, please see the annual report for further information.

**NOTE 3** Net interest income

NOK THOUSANDS	Q1 2022	Q1 2021	01.01.2021 -31.12.2021
Interest income on loans to customers	72 339	57 049	232 353
Interest income on loans to credit institutions	821	279	1 390
<b>Total interest income, effective interest method</b>	<b>73 160</b>	<b>57 328</b>	<b>233 743</b>
Interest income on bonds and certificates	5 458	1 993	10 950
Other interest income	7 455	8 880	31 430
<b>Total other interest income</b>	<b>12 913</b>	<b>10 873</b>	<b>42 380</b>
<b>Total interest income</b>	<b>86 074</b>	<b>68 201</b>	<b>276 123</b>
Interest expenses on debt from KLP Banken AS	-831	-320	-1 880
Interest expenses on issued securities	-56 947	-35 667	-137 298
<b>Total interest expenses, effective interest method</b>	<b>-57 778</b>	<b>-35 987</b>	<b>-139 178</b>
Other interest expenses	-9 292	-19 558	-70 976
<b>Total other interest expenses</b>	<b>-9 292</b>	<b>-19 558</b>	<b>-70 976</b>
<b>Total interest expenses</b>	<b>-67 070</b>	<b>-55 545</b>	<b>-210 154</b>
<b>Net interest income</b>	<b>19 004</b>	<b>12 656</b>	<b>65 969</b>

**NOTE 4** Loans to customers

NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
Loans to customers before write-downs	18 002 969	16 670 054	17 835 041
Write-downs steps 1 and 2	-177	-164	-176
<b>Loans to customers after write-downs</b>	<b>18 002 792</b>	<b>16 669 890</b>	<b>17 834 865</b>
Accrued interest	58 559	48 280	40 892
Fair value hedging	-86 920	16 230	-31 356
<b>Loans to customers</b>	<b>17 974 431</b>	<b>16 734 400</b>	<b>17 844 402</b>

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

**NOTE 5** Categories of financial instruments

NOK THOUSANDS	31.03.2022		31.03.2021		31.12.2021	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>						
Fixed-income securities	1 825 195	1 825 195	919 680	919 680	1 666 698	1 666 698
Financial derivatives	87 530	87 530	45 859	45 859	42 051	42 051
<b>Total financial assets at fair value through profit and loss</b>	<b>1 912 725</b>	<b>1 912 725</b>	<b>965 539</b>	<b>965 539</b>	<b>1 708 748</b>	<b>1 708 748</b>
<b>FINANCIAL ASSETS FAIR VALUE HEDGING</b>						
Lending to Norwegian municipalities	1 754 478	1 789 435	3 229 963	3 292 101	1 981 191	2 024 610
<b>Total financial assets fair value hedging</b>	<b>1 754 478</b>	<b>1 789 435</b>	<b>3 229 963</b>	<b>3 292 101</b>	<b>1 981 191</b>	<b>2 024 610</b>
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>						
Loans to and receivables from credit institutions	274 419	274 419	583 706	583 706	572 172	572 172
Lending to Norwegian municipalities	16 219 953	16 219 953	13 504 438	13 504 438	15 863 211	15 863 211
<b>Total financial assets at amortized cost</b>	<b>16 494 373</b>	<b>16 494 373</b>	<b>14 088 144</b>	<b>14 088 144</b>	<b>16 435 383</b>	<b>16 435 383</b>
<b>Total financial assets</b>	<b>20 161 575</b>	<b>20 196 532</b>	<b>18 283 645</b>	<b>18 345 784</b>	<b>20 125 323</b>	<b>20 168 742</b>
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS</b>						
Financial derivatives	17 111	17 111	51 434	51 434	9 644	9 644
<b>Total financial liabilities at fair value through profit and loss</b>	<b>17 111</b>	<b>17 111</b>	<b>51 434</b>	<b>51 434</b>	<b>9 644</b>	<b>9 644</b>
<b>FINANCIAL LIABILITIES FAIR VALUE HEDGING</b>						
Covered bonds issued	489 379	494 163	1 127 265	1 139 273	508 146	515 581
<b>Total financial liabilities fair value hedging</b>	<b>489 379</b>	<b>494 163</b>	<b>1 127 265</b>	<b>1 139 273</b>	<b>508 146</b>	<b>515 581</b>
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>						
Liabilities to credit institutions	755 168	755 168	255 041	255 041	755 168	755 168
Covered bonds issued	18 058 059	18 098 066	16 075 457	16 169 095	18 054 970	18 103 842
<b>Total financial liabilities at amortized cost</b>	<b>18 813 227</b>	<b>18 853 233</b>	<b>16 330 498</b>	<b>16 424 136</b>	<b>18 810 137</b>	<b>18 859 010</b>
<b>Total financial liabilities</b>	<b>19 319 717</b>	<b>19 364 508</b>	<b>17 509 197</b>	<b>17 614 843</b>	<b>19 327 927</b>	<b>19 384 235</b>

**NOTE 5** Categories of financial instruments (continues)

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

**The different financial instruments are thus priced in the following way:****Fixed-income securities - government**

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

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

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

from more than one of these banks, an equal-weighted average is used. If a bond lacks an appropriate spread curve, spread from a comparable bond from the same issuer is used.

**Financial derivatives**

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

**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 fixed rate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

**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 6.

**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 6.

**Liabilities created on issuance of covered bonds**

Fair value in this category is determined on the basis of internal valuation models based on external observable data. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

**NOTE 6** Fair value hierarchy

31.03.2022 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	99 855	1 725 340	0	1 825 195
Financial derivatives	0	87 530	0	87 530
<b>Total assets at fair value</b>	<b>99 855</b>	<b>1 812 869</b>	<b>0</b>	<b>1 912 725</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives (liabilities)	0	17 111	0	17 111
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>17 111</b>	<b>0</b>	<b>17 111</b>

  

31.03.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	34 991	884 689	0	919 680
Financial derivatives	0	45 859	0	45 859
<b>Total assets at fair value</b>	<b>34 991</b>	<b>930 548</b>	<b>0</b>	<b>965 539</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives (liabilities)	0	51 434	0	51 434
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>51 434</b>	<b>0</b>	<b>51 434</b>

  

31.12.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	99 920	1 566 778	0	1 666 698
Financial derivatives	0	42 051	0	42 051
<b>Total assets at fair value</b>	<b>99 920</b>	<b>1 608 829</b>	<b>0</b>	<b>1 708 748</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives (liabilities)	0	9 644	0	9 644
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>9 644</b>	<b>0</b>	<b>9 644</b>

**NOTE 6 Fair value hierarchy (continues)**

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

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

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

NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
Bond debt, nominal amount	19 508 000	17 860 000	19 508 000
Adjustments	11 705	24 243	37 436
Accrued interest	39 734	29 479	29 679
Own holdings, nominal amount	-1 012 000	-711 000	-1 012 000
<b>Total debt securities issued</b>	<b>18 547 439</b>	<b>17 202 722</b>	<b>18 563 116</b>

Interest rate on borrowings through the issuance of securities on the reporting date: 1.43 % 0.81 % 1.05 %

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

NOK THOUSANDS	Balance sheet 31.12.2021	Issued	Matured/ redeemed	Other adjustments	Balance sheet 31.03.2022
Bond debt, nominal amount	19 508 000	0	0	0	19 508 000
Adjustments	37 436	0	0	-25 731	11 705
Accrued interest	29 679	0	0	10 054	39 734
Own holdings, nominal amount	-1 012 000	0	0	0	-1 012 000
<b>Total debt securities issued</b>	<b>18 563 116</b>	<b>0</b>	<b>0</b>	<b>-15 677</b>	<b>18 547 439</b>

**NOTE 8** Over-collateralisation

NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
SECURITY POOL			
Loans to customers	18 009 565	16 796 718	17 888 000
Financial derivatives (net)	70 381	-5 717	31 883
Additional collateral <sup>1</sup>	2 772 054	1 394 623	2 759 289
<b>Total security pool</b>	<b>20 852 000</b>	<b>18 185 624</b>	<b>20 679 171</b>
Outstanding covered bonds incl. own funds and premium/discount	19 604 409	17 308 368	19 633 708
<b>Coverage of the security pool</b>	<b>106.4 %</b>	<b>105.1 %</b>	<b>105.3 %</b>

<sup>1</sup> Additional collateral includes loans and receivables from credit institutions and bonds and certificates. 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 9** Liabilities to credit institutions

31.03.2022 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2023	70 000	16	70 016
Debt to KLP Banken AS	15.12.2023	605 000	134	605 134
Debt to KLP Banken AS	15.12.2023	80 000	18	80 018
<b>Total liabilities to credit institutions</b>		<b>755 000</b>	<b>168</b>	<b>755 168</b>

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.

31.03.2021 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2022	255 000	41	255 041
<b>Total liabilities to credit institutions</b>		<b>255 000</b>	<b>41</b>	<b>255 041</b>

Interest rate on debt to credit institutions at the reporting date: 0.34 %

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

31.12.2021 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2023	755 000	168	755 168
<b>Total liabilities to credit institutions</b>		<b>755 000</b>	<b>168</b>	<b>755 168</b>

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.



**NOTE 10** Financial assets and liabilities subject to net settlement

31.03.2022 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
<b>ASSETS</b>						
Financial derivatives	87 530	0	87 530	-17 111	0	70 419
<b>Total</b>	<b>87 530</b>	<b>0</b>	<b>87 530</b>	<b>-17 111</b>	<b>0</b>	<b>70 419</b>
<b>LIABILITIES</b>						
Financial derivatives	17 111	0	17 111	-17 111	0	0
<b>Total</b>	<b>17 111</b>	<b>0</b>	<b>17 111</b>	<b>-17 111</b>	<b>0</b>	<b>0</b>

  

31.03.2021 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
<b>ASSETS</b>						
Financial derivatives	45 859	0	45 859	-36 866	0	8 993
<b>Total</b>	<b>45 859</b>	<b>0</b>	<b>45 859</b>	<b>-36 866</b>	<b>0</b>	<b>8 993</b>
<b>LIABILITIES</b>						
Financial derivatives	51 434	0	51 434	-36 866	0	14 568
<b>Total</b>	<b>51 434</b>	<b>0</b>	<b>51 434</b>	<b>-36 866</b>	<b>0</b>	<b>14 568</b>

  

31.12.2021 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
<b>ASSETS</b>						
Financial derivatives	42 051	0	42 051	-9 190	0	32 861
<b>Total</b>	<b>42 051</b>	<b>0</b>	<b>42 051</b>	<b>-9 190</b>	<b>0</b>	<b>32 861</b>
<b>LIABILITIES</b>						
Financial derivatives	9 644	0	9 644	-9 190	0	454
<b>Total</b>	<b>9 644</b>	<b>0</b>	<b>9 644</b>	<b>-9 190</b>	<b>0</b>	<b>454</b>

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

**NOTE 11** Transactions with related parties

NOK THOUSANDS	Q1 2022	Q1 2021	01.01.2021 -31.12.2021
KLP Banken AS, interest on borrowing	-831	-320	-1 880
KLP Banken AS, interest on deposits	592	150	788
KLP Banken AS, administrative services (at cost)	-3 565	-2 612	-11 420
KLP Kapitalforvaltning AS, fees for services provided	0	0	-70

NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
<b>BALANCES</b>			
KLP Banken AS, debt to credit institutions	-755 168	-255 041	-755 168
KLP Banken AS, deposit	201 647	100 417	201 054
KLP Banken AS, loan settlement	43	776	384
<b>Net outstanding accounts to:</b>			
KLP Banken AS	-1 246	-919	-3 496
KLP Kapitalforvaltning AS	0	0	-32

There are no direct salary cost 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 12** Other assets

NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
Intercompany receivables	43	776	384
<b>Total other assets</b>	<b>43</b>	<b>776</b>	<b>384</b>

**NOTE 13** Other liabilities and provision for accrued costs

NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
Creditors	0	5	0
Intercompany payables	1 246	919	3 528
Other liabilities	65 223	15 452	25 406
<b>Total other liabilities</b>	<b>66 469</b>	<b>16 376</b>	<b>28 934</b>
VAT	56	16	33
Accrued expenses	650	678	0
<b>Total accrued costs and liabilities</b>	<b>706</b>	<b>694</b>	<b>33</b>

**NOTE 14** Capital adequacy

NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	82 751	69 697	85 727
<b>Total owners' equity</b>	<b>757 751</b>	<b>744 697</b>	<b>760 727</b>
Adjustments due to requirements for proper valuation	-1 825	-920	-1 667
<b>Core capital/Tier 1 capital</b>	<b>755 925</b>	<b>743 778</b>	<b>759 060</b>
Supplementary capital/Tier 2 capital	0	0	0
<b>Supplementary capital/Tier 2 capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total eligible own funds (Tier 1 and Tier 2 capital)	755 925	743 778	759 060
Capital requirement	317 541	292 606	317 996
<b>Surplus of own funds (Tier 1 and Tier 2 capital)</b>	<b>438 384</b>	<b>451 172</b>	<b>441 065</b>
ESTIMATE BASIS CREDIT RISK:			
Institutions	72 398	126 068	122 921
Local and regional authorities	3 640 816	3 347 270	3 628 147
Covered bonds	153 552	88 469	130 277
<b>Calculation basis credit risk</b>	<b>3 866 766</b>	<b>3 561 807</b>	<b>3 881 345</b>
Credit risk	309 341	284 945	310 508
Operating risk	6 826	7 552	6 826
Credit valuation adjustment	1 374	110	663
<b>Total capital requirement assets</b>	<b>317 541</b>	<b>292 606</b>	<b>317 996</b>
Core capital adequacy ratio	19.0 %	20.3 %	19.1 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
<b>Capital adequacy ratio</b>	<b>19.0 %</b>	<b>20.3 %</b>	<b>19.1 %</b>
<b>Leverage ratio</b>	<b>3.7 %</b>	<b>4.1 %</b>	<b>3.8 %</b>

CAPITAL REQUIREMENT PER 31.03.2022	Core capital/ Tier 1 capital	Supplementary capital/Tier 2 capital	Own funds
Minimum requirement excl. buffers	4.5 %	3.5 %	8.0 %
Protective buffer	2.5 %	0.0 %	2.5 %
Systemic risk buffer	3.0 %	0.0 %	3.0 %
Counter-cyclical capital buffer	1.0 %	0.0 %	1.0 %
<b>Current capital requirement incl. buffers</b>	<b>11.0 %</b>	<b>3.5 %</b>	<b>14.5 %</b>
<b>Capital requirement leverage ratio</b>	<b>3.0 %</b>	<b>0.0 %</b>	<b>3.0 %</b>

**NOTE 15** Fixed-income securities

NOK THOUSANDS	31.03.2022		31.03.2021		31.12.2021	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	99 848	99 855	34 992	34 991	143 582	143 783
Bonds	1 728 237	1 725 340	882 365	884 689	1 523 965	1 522 915
<b>Total fixed-income securities</b>	<b>1 828 084</b>	<b>1 825 195</b>	<b>917 356</b>	<b>919 680</b>	<b>1 667 547</b>	<b>1 666 698</b>

Fixed income securities are brought to account at market value, including accrued but not due interests.

**NOTE 16** Contingent liabilities

NOK THOUSANDS	31.03.2022	31.03.2021	31.12.2021
Loan commitment	79 650	19 520	64 650
<b>Total contingent liabilities</b>	<b>79 650</b>	<b>19 520</b>	<b>64 650</b>

**NOTE 17** Net gain/(loss) on financial instruments

NOK THOUSANDS	Q1 2022	Q1 2021	01.01.2021 -31.12.2021
Net gain/(loss) on fixed-income securities	-2 413	363	-4 179
Net gain/(loss) financial derivatives and realized repurchase of own debt	0	-3 429	-23 256
<b>Total net gain/(loss) on financial instruments</b>	<b>-2 413</b>	<b>-3 066</b>	<b>-27 435</b>

**NOTE 18** Loan loss provision

Changes in provisions for expected losses in first quarter 2022 are related to changes in lending volume. No other changes have been made to the assumptions or input to the model for calculating loss provisions in the first quarter of 2022.

Refer to Note 8 and Note 2 in the annual report for more details of the model.

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
<b>EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS - PUBLIC LENDING</b>				
Opening balance ECL 01.01.2022	176	0	0	176
Transfers to stage 1	0	0	0	0
Transfers to stage 2	0	0	0	0
Transfers to stage 3	0	0	0	0
Net changes	-3	0	0	-3
New losses	5	0	0	5
Write-offs	-1	0	0	-1
<b>Closing balance ECL 31.03.2022</b>	<b>177</b>	<b>0</b>	<b>0</b>	<b>177</b>
Changes (01.01.2022-31.03.2022)	1	0	0	1

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
<b>VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - PUBLIC LENDING</b>				
Lending 01.01.2022	17 875 934	0	0	17 875 934
Transfers to stage 1	0	0	0	0
Transfers to stage 2	0	0	0	0
Transfers to stage 3	0	0	0	0
Net changes	-211 608	0	0	-211 608
New lending	515 344	0	0	515 344
Write-offs	-118 142	0	0	-118 142
<b>Lending 31.03.2022</b>	<b>18 061 528</b>	<b>0</b>	<b>0</b>	<b>18 061 528</b>

## Quarterly earnings trend

NOK MILLIONS	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Interest income	86.1	76.2	63.3	68.4	68.2
Interest expense	-67.1	-57.5	-47.1	-50.0	-55.5
<b>Net interest income</b>	<b>19.0</b>	<b>18.7</b>	<b>16.1</b>	<b>18.4</b>	<b>12.7</b>
Net gain/(loss) financial instruments	-2.4	-2.4	-2.9	-19.1	-3.1
<b>Total net gain/(loss) on financial instruments</b>	<b>-2.4</b>	<b>-2.4</b>	<b>-2.9</b>	<b>-19.1</b>	<b>-3.1</b>
Other operating expenses	-5.2	-5.1	-4.9	-4.1	-3.9
<b>Total operating expenses</b>	<b>-5.2</b>	<b>-5.1</b>	<b>-4.9</b>	<b>-4.1</b>	<b>-3.9</b>
<b>Operating profit/loss before tax</b>	<b>11.4</b>	<b>11.2</b>	<b>8.4</b>	<b>-4.7</b>	<b>5.7</b>
Tax ordinary income	0.5	-2.5	-1.9	1.0	4.2
<b>Profit for the period</b>	<b>11.9</b>	<b>8.7</b>	<b>6.6</b>	<b>-3.7</b>	<b>9.9</b>

## Key figures - accumulated

NOK MILLIONS	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Pre-tax income	11.4	20.6	9.4	0.9	5.7
Net interest income	19.0	66.0	47.2	31.1	12.7
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-5.2	-18.0	-12.9	-8.0	-3.9
Net gain/(loss) financial instruments	-2.4	-27.4	-25.0	-22.1	-3.1
Lending with public sector guarantee	17 974.4	17 844.4	16 842.2	16 752.1	16 734.4
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	18 547.4	18 563.1	17 029.7	17 684.5	17 202.7
Other borrowing	755.2	755.2	1 005.1	255.0	255.0
Total assets	20 161.6	20 125.7	18 849.6	18 878.4	18 284.4
Average total assets	20 143.7	19 566.9	18 928.8	18 878.4	18 646.2
Equity	769.6	760.7	752.0	745.4	749.1
Interest net	0.09 %	0.34 %	0.25 %	0.16 %	0.07 %
Profit/loss from ordinary operation before taxes	0.06 %	0.11 %	0.05 %	0.01 %	0.03 %
Return on equity	5.99 %	2.76 %	1.68 %	0.25 %	3.05 %
Capital adequacy ratio	19.0 %	19.1 %	20.1 %	20.2 %	20.3 %
Liquidity coverage ratio (LCR)	1 628 %	2 117 %	7 273 %	242 522 %	6 919 %



**KLP KOMMUNEKREDITT AS**

Beddingen 8, 7042 Trondheim

Organization no.: 994 526 944

**VISITOR ADDRESS**

Trondheim: Beddingen 8

Oslo: Dronning Eufemias gate 10

klpbanken.no

Phone: + 47 55 54 85 00

[klpkommunekreditt@klp.no](mailto:klpkommunekreditt@klp.no)