

KLP



Interim report

KLP KOMMUNEKREDITT AS
Q2 2022

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KLP KOMMUNEKREDITT AS

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Interim Financial Statements

KLP KOMMUNEKREDITT AS

Main features by the first half year:

- Increased operating income
- Reduced market value on liquid investments
- Reduced costs on covered bond refinancing

OBJECTIVE

The Company's objective is long-term financing of 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.

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

INCOME STATEMENT

Net interest revenues in the first half year were NOK 45.0 (31.1)¹ million. The change is due to slightly higher lending margins and growth in lending volume.

Net income effects of financial instruments so far this year amounts to NOK -13,5 (-22.1) million. This mainly comprises reduced market values on liquid investments and one-off costs for covered bond refinancing. Realized and unrealized loss caused by reduced market value of the company's liquid investments has so far this year had a P&L effect of NOK -8.1 (-0.4) million. Restructuring of the covered bond portfolio are done regularly to adjust average duration. This may cause both loss and gain. Accounting loss brought to book as a consequence of covered bond refinancing is NOK -5.4 (-21.7) so far this year.

Operating expenses in the first half year amounted to 10.0 (8.0) million.

The Company has not had any credit losses, and very low loan loss provisions are recognized in the income statement.

The pre-tax profit by quarter end was NOK 21,5 (0.9) million. The change in profit is mainly due to increased operating income and reduced net costs on financial instruments.

LENDING

The Company's loans to customers as at 30 June 2022 amounted to NOK 18.3 (16.8) billion. The Company's borrowers are municipalities, county municipalities and local government enterprise lending covered by municipal guarantees.

LIQUID INVESTMENTS

KLP Kommunekreditt AS has strict rules on what assets may be included in the securities holdings. In addition to public sector loans, the securities holdings comprise secure bonds as well as deposits in other banks. The securities comprise certificates and bonds of high credit quality, principally investments in covered bonds. As at 30 June 2022, the Company's securities portfolio market value was NOK 2.0 (1.6) billion.

BORROWING

The Company's borrowing comprises covered bonds as well as borrowing from KLP Banken AS. In the first half of 2022 new covered bond issues amounted NOK 3.0 (2.5) billion and net repurchase of previous issues was NOK 0.7 (0.4) billion. All covered bonds have achieved AAA rating.

RISK AND CAPITAL ADEQUACY

KLP Kommunekreditt AS has established a framework for risk management aimed at ensuring that risks are identified, analyzed and subject to management using policies, limits, procedures, and instructions. The Company is to have a prudent risk profile and earnings are to be principally a result of the borrowing and lending activity as well as liquidity management. This means that the Company is to have low market risk. Interest risk arising within the borrowing and lending 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.

At the end of the second quarter 2022, core capital i.a.w. the capital adequacy rules was NOK 755.8 (743.1) 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 18.3 (20.2) per cent at the end of second quarter. The minimum statutory requirement is 15.0 per cent capital adequacy ratio. Leverage ratio was 3.6 (4.0) per cent. The minimum statutory requirement is 3.0 per cent.

FUTURE PROSPECTS

KLP Kommunekreditt AS is the only issuer of covered bonds secured by public sector loans in the country. The presence of the Company, together with KLP, contribute to competition in the public sector lending market and thus offering the sector access to long-term financing at favorable terms. The combined growth figures in the past years show a strengthened market position.

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

High credit quality in the KLP Kommunekreditt AS lending portfolios shall contribute to the best funding terms possible. Statutory regulations on banks and financial institutions implies that many regulations on capital and liquidity must be met. These requirements presuppose a sufficient level of current earnings.

The public sector lending market is still growing, and a large proportion of the loans taken are financed in the securities markets rather than in the financial institutions. KLP Kommunekreditt AS is well capitalized and has an advantage as a stable and long-term lender in a market characterized by low risk. It will be the general development in the financial markets that will determine to what extent the Company may be able to finance its lending activities on terms that make it possible to achieve sufficient profitability for future growth.

Norwegian municipalities have developed good and comprehensive public services. Increased life-time prospects, demography, income development and climate risk gives reason to expect a continued high level of

investments in the public sector also in the years to come. The demand for project funding that contributes to climate adaption is specially expected to increase ahead.

The Board assumes that the need for long-term and stable funding, in addition to what the securities market can offer public sector lenders, will be significant also ahead. KLP Banken's competence on municipal finance, independent on the size of the Company's own balance, shall be used for the benefit of the KLP management task. KLP Kommunekreditt AS and KLP, as a unit, will continue to be a central provider of loans for public sector investment purposes.

The Board is concerned about the consequences of the war in Ukraine. The Company has no credit exposure in the area, but will, like other Norwegian financial institutions, be affected by the financial turmoil caused by the war.

Trondheim, 11 August 2022

Aage E. Schaanning
Chair

Aina Slettedal Eide

Aud Norunn Strand

Kristian Lie-Pedersen

Carl Steinar Lous
Managing Director

STATEMENT PURSUANT TO SECTION § 5-6 OF THE SECURITIES TRADING ACT

KLP KOMMUNEKREDITT AS

We hereby confirm that the half yearly financial statement for the company for the period 1 January through 30 June 2022 to the best of our knowledge have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair overview of important events that occurred during the accounting period and their impact on the half-yearly financial statement, and a description of the principal risks and uncertainties facing the company over the next accounting period.

Trondheim, 11 August 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	Q2 2022	Q2 2021	01.01.2022 -30.06.2022	01.01.2021 -30.06.2021	01.01.2021 -31.12.2021
	Interest income, effective interest method	92 318	57 990	165 478	115 318	233 743
	Other interest income	16 968	10 434	29 881	21 307	42 380
3	Total interest income	109 285	68 424	195 359	136 625	276 123
	Interest expense, effective interest method	-74 322	-31 387	-132 099	-67 374	-139 178
	Other interest expenses	-8 942	-18 607	-18 234	-38 165	-70 976
3	Total interest costs	-83 264	-49 994	-150 333	-105 539	-210 154
3	Net interest income	26 022	18 430	45 025	31 086	65 969
17	Net gain/(loss) on financial instruments	-11 069	-19 064	-13 482	-22 129	-27 435
	Total net gain/(loss) on financial instruments	-11 069	-19 064	-13 482	-22 129	-27 435
	Other operating expenses	-4 820	-4 106	-10 013	-8 018	-17 981
18	Net loan losses	-4	-1	-4	8	-3
	Total operating expenses	-4 824	-4 107	-10 018	-8 010	-17 984
	Operating profit/loss before tax	10 128	-4 740	21 525	947	20 550
	Tax ordinary income	-2 228	1 043	-1 760	5 247	935
	Profit for the period	7 900	-3 698	19 766	6 194	21 485
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	7 900	-3 698	19 766	6 194	21 485

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	30.06.2022	30.06.2021	31.12.2021
ASSETS				
5	Loans to credit institutions	582 945	309 641	572 172
4,5	Loans to customers	18 321 099	16 752 107	17 844 402
5,6,15	Fixed-income securities	1 986 967	1 636 097	1 666 698
5,6	Financial derivatives	107 711	35 677	42 051
12	Other assets	15 095	15 240	384
Total assets		21 013 817	18 748 762	20 125 706
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	905 499	255 037	755 168
5,7	Debt securities issued	19 210 786	17 684 542	18 563 116
5,6	Financial derivatives	31 256	42 129	9 644
	Deferred tax liabilities	5 110	3 565	8 086
13	Other liabilities	83 585	18 039	28 934
13	Provision for accrued costs and liabilities	64	14	33
Total liabilities		20 236 300	18 003 326	19 364 980
EQUITY				
	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	19 766	6 194	0
Total owners' equity		777 517	745 436	760 727
Total liabilities and equity		21 013 817	18 748 762	20 125 706

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	19 766	19 766
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	19 766	19 766
Group contribution received	0	0	10 551	10 551
Group contribution made	0	0	-13 527	-13 527
Total transactions with the owners	0	0	-2 976	-2 976
Equity 30 June 2022	362 500	312 500	102 517	777 517

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	6 194	6 194
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	6 194	6 194
Group contribution received	0	0	19 343	19 343
Group contribution made	0	0	-24 798	-24 798
Total transactions with the owners	0	0	-5 456	-5 456
Equity 30 June 2021	362 500	312 500	70 436	745 436

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
Total comprehensive income for the period	0	0	21 485	21 485
Group contribution received	0	0	19 343	19 343
Group contribution made	0	0	-24 798	-24 798
Total transactions with the owners	0	0	-5 456	-5 456
Equity 31 December 2021	362 500	312 500	85 727	760 727

Statement of cash flow

KLP KOMMUNEKREDITT AS

NOK THOUSANDS	01.01.2022 -30.06.2022	01.01.2021 -30.06.2021	01.01.2021 -31.12.2021
OPERATIONAL ACTIVITIES			
Payments received from customers - interest, commission & charges	143 603	109 110	231 825
Disbursements on loans customers & credit institutions	-779 881	-406 456	-1 316 600
Receipts on loans customers & credit institutions	226 130	1 226 081	979 570
Disbursements on operations	-13 935	-7 418	-16 168
Net receipts/disbursements from operating activities	58 705	8 708	11 216
Interest from credit institutions	1 654	333	1 390
Net cash flow from operating activities	-363 723	930 358	-108 767
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-744 756	-1 300 867	-2 017 481
Receipts on sale of securities	417 177	526 435	1 209 261
Receipts of interest from securities	12 511	6 027	12 103
Net cash flow from investment activities	-315 068	-768 405	-796 117
FINANCING ACTIVITIES			
Receipts on loans from credit institutions	3 000 000	2 500 000	5 500 000
Repayments and redemption of securities debt	-3 008 000	-2 627 000	-3 852 000
Change in securities debt, own funds	685 657	395 518	-491 530
Net payment of interest on loans credit institutions	-127 173	-77 428	-143 363
Receipts in internal funding	500 000	0	1 655 000
Disbursements in internal funding	-350 000	-490 000	-1 645 000
Net payment of interest on internal funding	-2 174	-603	-1 815
Payment on group contribution	-2 976	-5 456	-5 456
Net cash flows from financing activities	695 333	-304 969	1 015 836
Net cash flow during the period	16 542	-143 016	110 952
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	570 073	299 563	553 531
Net receipts/disbursements	16 542	-143 016	110 952

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 – 30 June 2022, with a specification of the results in the Q2. 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	Q2 2022	Q2 2021	01.01.2022 -30.06.2022	01.01.2021 -30.06.2021	01.01.2021 -31.12.2021
Interest income on loans to customers	90 790	57 802	163 129	114 850	232 353
Interest income on loans to credit institutions	1 528	188	2 349	467	1 390
Total interest income, effective interest method	92 318	57 990	165 478	115 318	233 743
Interest income on bonds and certificates	7 909	2 240	13 367	4 233	10 950
Other interest income	9 059	8 194	16 514	17 074	31 430
Total other interest income	16 968	10 434	29 881	21 307	42 380
Total interest income	109 285	68 424	195 359	136 625	276 123
Interest expenses on debt from KLP Banken AS	-1 675	-218	-2 507	-538	-1 880
Interest expenses on issued securities	-72 646	-31 169	-129 593	-66 836	-137 298
Total interest expenses, effective interest method	-74 322	-31 387	-132 099	-67 374	-139 178
Other interest expenses	-8 942	-18 607	-18 234	-38 165	-70 976
Total other interest expenses	-8 942	-18 607	-18 234	-38 165	-70 976
Total interest expenses	-83 264	-49 994	-150 333	-105 539	-210 154
Net interest income	26 022	18 430	45 025	31 086	65 969

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2022	30.06.2021	31.12.2021
Loans to customers before write-downs	18 369 864	16 697 692	17 835 041
Write-downs steps 1 and 2	-180	-165	-176
Loans to customers after write-downs	18 369 684	16 697 527	17 834 865
Accrued interest	60 418	46 105	40 892
Fair value hedging	-109 003	8 475	-31 356
Loans to customers	18 321 099	16 752 107	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 (public sector lending). Guarantees are of the ordinary surety type covering both repayments and interest.

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.06.2022		30.06.2021		31.12.2021	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS						
Fixed-income securities	1 986 967	1 986 967	1 636 097	1 636 097	1 666 698	1 666 698
Financial derivatives	107 711	107 711	35 677	35 677	42 051	42 051
Total financial assets at fair value through profit and loss	2 094 678	2 094 678	1 671 774	1 671 774	1 708 748	1 708 748
FINANCIAL ASSETS FAIR VALUE HEDGING						
Lending to Norwegian municipalities	1 705 883	1 727 206	2 927 452	2 982 803	1 981 191	2 024 610
Total financial assets fair value hedging	1 705 883	1 727 206	2 927 452	2 982 803	1 981 191	2 024 610
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	582 945	582 945	309 641	309 641	572 172	572 172
Lending to Norwegian municipalities	16 615 216	16 615 216	13 824 655	13 824 655	15 863 211	15 863 211
Total financial assets at amortized cost	17 198 160	17 198 160	14 134 296	14 134 296	16 435 383	16 435 383
Total financial assets	20 998 722	21 020 044	18 733 522	18 788 873	20 125 323	20 168 742
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Financial derivatives	31 256	31 256	42 129	42 129	9 644	9 644
Total financial liabilities at fair value through profit and loss	31 256	31 256	42 129	42 129	9 644	9 644
FINANCIAL LIABILITIES FAIR VALUE HEDGING						
Covered bonds issued	472 432	477 424	1 005 304	1 015 876	508 146	515 581
Total financial liabilities fair value hedging	472 432	477 424	1 005 304	1 015 876	508 146	515 581
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	905 499	905 499	255 037	255 037	755 168	755 168
Covered bonds issued	18 738 355	18 721 130	16 679 238	16 756 239	18 054 970	18 103 842
Total financial liabilities at amortized cost	19 643 853	19 626 629	16 934 275	17 011 277	18 810 137	18 859 010
Total financial liabilities	20 147 541	20 135 310	17 981 708	18 069 281	19 327 927	19 384 235

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

30.06.2022 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 687	1 887 280	0	1 986 967
Financial derivatives	0	107 711	0	107 711
Total assets at fair value	99 687	1 994 991	0	2 094 678
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	31 256	0	31 256
Total financial liabilities at fair value	0	31 256	0	31 256

30.06.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 996	1 536 101	0	1 636 097
Financial derivatives	0	35 677	0	35 677
Total assets at fair value	99 996	1 571 778	0	1 671 774
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	42 129	0	42 129
Total financial liabilities at fair value	0	42 129	0	42 129

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	0	1 666 698
Financial derivatives	0	42 051	0	42 051
Total assets at fair value	99 920	1 608 829	0	1 708 748
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	9 644	0	9 644
Total financial liabilities at fair value	0	9 644	0	9 644

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	30.06.2022	30.06.2021	31.12.2021
Bond debt, nominal amount	19 500 000	17 733 000	19 508 000
Adjustments	-22 991	47 218	37 436
Accrued interest	38 777	18 324	29 679
Own holdings, nominal amount	-305 000	-114 000	-1 012 000
Total debt securities issued	19 210 786	17 684 542	18 563 116

Interest rate on borrowings through the issuance of securities on the reporting date: 1.56 % 0.57 % 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 30.06.2022
Bond debt, nominal amount	19 508 000	3 000 000	-3 008 000	0	19 500 000
Adjustments	37 436	0	0	-60 428	-22 991
Accrued interest	29 679	0	0	9 098	38 777
Own holdings, nominal amount	-1 012 000	0	707 000	0	-305 000
Total debt securities issued	18 563 116	3 000 000	-2 301 000	-51 329	19 210 786

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.06.2022	30.06.2021	31.12.2021
SECURITY POOL			
Loans to customers	18 342 663	16 807 719	17 888 000
Financial derivatives (net)	76 452	-6 370	31 883
Additional collateral ¹	2 537 795	1 688 038	2 759 289
Total security pool	20 956 910	18 489 387	20 679 171
Outstanding covered bonds incl. own funds and premium/discount	19 501 961	17 772 115	19 633 708
Coverage of the security pool	107.5 %	104.0 %	105.3 %

¹ Additional collateral includes loans and receivables from credit institutions, 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

30.06.2022 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2023	150 000	83	150 083
Debt to KLP Banken AS	15.12.2023	505 000	278	505 278
Debt to KLP Banken AS	15.12.2023	50 000	28	50 028
Debt to KLP Banken AS	15.12.2023	200 000	110	200 110
Total liabilities to credit institutions		905 000	499	905 499

Interest rate on debt to credit institutions at the reporting date: 1.24 %

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

30.06.2021 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2022	255 000	37	255 037
Total liabilities to credit institutions		255 000	37	255 037

Interest rate on debt to credit institutions at the reporting date: 0.30 %

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
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.

NOTE 10 Financial assets and liabilities subject to net settlement

30.06.2022 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/ liabilites	Gross assets/ liabilites presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	107 711	0	107 711	-31 256	-77 648	14 136
Total	107 711	0	107 711	-31 256	-77 648	14 136
LIABILITIES						
Financial derivatives	31 256	0	31 256	-31 256	0	0
Total	31 256	0	31 256	-31 256	0	0

30.06.2021 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/ liabilites	Gross assets liabilites presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	35 677	0	35 677	-34 460	0	1 217
Total	35 677	0	35 677	-34 460	0	1 217
LIABILITIES						
Financial derivatives	42 129	0	42 129	-34 460	0	7 668
Total	42 129	0	42 129	-34 460	0	7 668

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

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	01.01.2022 -30.06.2022	01.01.2021 -30.06.2021	01.01.2021 -31.12.2021
KLP Banken AS, interest on borrowing	-2 507	-538	-1 880
KLP Banken AS, interest on deposits	1 320	279	788
KLP Banken AS, administrative services (at cost)	-6 638	-5 533	-11 420
KLP Kapitalforvaltning AS, fees for services provided	0	-38	-70

NOK THOUSANDS	30.06.2022	30.06.2021	31.12.2021
BALANCES			
KLP Banken AS, debt to credit institutions	-905 499	-255 037	-755 168
KLP Banken AS, deposit	202 374	100 546	201 054
KLP Banken AS, loan settlement	13 507	13 954	384
Net outstanding intercompany receivables/payables:			
KLP Banken AS	-986	-1 023	-3 496
KLP Kapitalforvaltning AS	0	-38	-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	30.06.2022	30.06.2021	31.12.2021
Intercompany receivables	13 507	13 954	384
Prepaid expenses	1 587	1 286	0
Total other assets	15 095	15 240	384

NOTE 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2022	30.06.2021	31.12.2021
Creditors	163	2 569	0
Intercompany payables	986	1 061	3 528
Other liabilities	82 435	14 409	25 406
Total other liabilities	83 585	18 039	28 934
VAT	64	14	33
Total accrued costs and liabilities	64	14	33

NOTE 14 Capital adequacy

NOK THOUSANDS	30.06.2022	30.06.2021	31.12.2021
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	82 751	69 697	85 727
Total owners' equity	757 751	744 697	760 727
Adjustments due to requirements for proper valuation	-1 987	-1 636	-1 667
Core capital/Tier 1 capital	755 764	743 061	759 060
Supplementary capital/Tier 2 capital	0	0	0
Supplementary capital/Tier 2 capital	0	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	755 764	743 061	759 060
Capital requirement	329 984	293 844	317 996
Surplus of own funds (Tier 1 and Tier 2 capital)	425 780	449 217	441 065
ESTIMATE BASIS CREDIT RISK:			
Institutions	140 843	71 854	122 921
Local and regional authorities	3 734 287	3 350 421	3 628 147
Covered bonds	160 804	153 610	130 277
Other items	1 535	1 286	0
Calculation basis credit risk	4 037 469	3 577 172	3 881 345
Credit risk	322 998	286 174	310 508
Operating risk	6 826	7 552	6 826
Credit valuation adjustment	160	119	663
Total capital requirement assets	329 984	293 844	317 996
Core capital adequacy ratio	18.3 %	20.2 %	19.1 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	18.3 %	20.2 %	19.1 %
Leverage ratio	3.6 %	4.0 %	3.8 %

CAPITAL REQUIREMENT PER 30.06.2022	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	1.5 %	0.0 %	1.5 %
Current capital requirement incl. buffers	11.5 %	3.5 %	15.0 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 15 Fixed-income securities

NOK THOUSANDS	30.06.2022		30.06.2021		31.12.2021	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	0	0	100 005	99 996	143 582	143 783
Bonds	1 995 268	1 986 967	1 534 209	1 536 101	1 523 965	1 522 915
Total fixed-income securities	1 995 268	1 986 967	1 634 214	1 636 097	1 667 547	1 666 698

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

NOTE 16 Contingent liabilities

NOK THOUSANDS	30.06.2022	30.06.2021	31.12.2021
Loan commitment	160 737	19 520	64 650
Total contingent liabilities	160 737	19 520	64 650

NOTE 17 Net gain/(loss) on financial instruments

NOK THOUSANDS	Q2 2022	Q2 2021	01.01.2022 -30.06.2022	01.01.2021 -30.06.2021	01.01.2021 -31.12.2021
Net gain/(loss) on fixed-income securities	-5 667	-746	-8 080	-383	-4 179
Net gain/(loss) financial derivatives and realized repurchase of own debt	-5 403	-18 318	-5 403	-21 746	-23 256
Total net gain/(loss) on financial instruments	-11 069	-19 064	-13 482	-22 129	-27 435

NOTE 18 Loan loss provision

Changes in provisions for expected losses in second 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 second 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
EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS - PUBLIC LENDING				
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	-6	0	0	-6
New losses	20	0	0	20
Write-offs	-10	0	0	-10
Closing balance ECL 30.06.2022	180	0	0	180
Changes (01.01.2022-30.06.2022)	4	0	0	4

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - PUBLIC LENDING				
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	-483 486	0	0	-483 486
New lending	2 022 813	0	0	2 022 813
Write-offs	-984 979	0	0	-984 979
Lending 30.06.2022	18 430 283	0	0	18 430 283

Quarterly earnings trend

NOK MILLIONS	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Interest income	109.3	86.1	76.2	63.3	68.4
Interest expense	-83.3	-67.1	-57.5	-47.1	-50.0
Net interest income	26.0	19.0	18.7	16.1	18.4
Net gain/(loss) financial instruments	-11.1	-2.4	-2.4	-2.9	-19.1
Total net gain/(loss) on financial instruments	-11.1	-2.4	-2.4	-2.9	-19.1
Other operating expenses	-4.8	-5.2	-5.1	-4.9	-4.1
Total operating expenses	-4.8	-5.2	-5.1	-4.9	-4.1
Operating profit/loss before tax	10.1	11.4	11.2	8.4	-4.7
Tax ordinary income	-2.2	0.5	-2.5	-1.9	1.0
Profit for the period	7.9	11.9	8.7	6.6	-3.7

Key figures - accumulated

NOK MILLIONS	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Pre-tax income	21.5	11.4	20.6	9.4	0.9
Net interest income	45.0	19.0	66.0	47.2	31.1
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-10.0	-5.2	-18.0	-12.9	-8.0
Net gain/(loss) financial instruments	-13.5	-2.4	-27.4	-25.0	-22.1
Lending with public sector guarantee	18 321.1	17 974.4	17 844.4	16 842.2	16 752.1
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	19 210.8	18 547.4	18 563.1	17 029.7	17 684.5
Other borrowing	905.5	755.2	755.2	1 005.1	255.0
Total assets	21 013.8	20 161.6	20 125.7	18 849.6	18 878.4
Average total assets	20 569.8	20 143.7	19 566.9	18 928.8	18 878.4
Equity	777.5	769.6	760.7	752.0	745.4
Interest net	0.22 %	0.09 %	0.34 %	0.25 %	0.16 %
Profit/loss from ordinary operation before taxes	0.10 %	0.06 %	0.11 %	0.05 %	0.01 %
Return on equity	5.66 %	5.99 %	2.76 %	1.68 %	0.25 %
Capital adequacy ratio	18.3 %	19.0 %	19.1 %	20.1 %	20.2 %
Liquidity coverage ratio (LCR)	813 %	1 628 %	2 117 %	7 273 %	242 522 %



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