



Interim report

KLP KOMMUNEKREDITT AS
Q3 2021

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KLP KOMMUNEKREDITT AS

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Interim Financial Statements

KLP KOMMUNEKREDITT AS

Main features by third quarter end:

- Stable lending volume
- Normalized margins
- No recognized losses on lending

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 (OMF).

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 income by third quarter was NOK 47.2 (57.4)¹ million.

As at third quarter, the company's net interest income is lower than at the same time last year, but there is little change in the lending balance. The Company's lending margins thus have come down to more normal levels, after showing great variations during the pandemic.

Net profit and loss effects on financial instruments so far this year amounted to NOK -25.0 (-17.5) million and comprise both assets and liabilities combined.

Operating expenses at the end of the quarter amounted to 12.9 (12.0) million. The Company has not had any lending credit losses and have very low loan loss provisions.

The pre-tax profit by quarter end was NOK 9.4 (27.8) million. The change in profit is mainly due to decreased lending margins and the negative loss effects on financial instruments.

LENDING

The Company's loans to customers as of 30 September 2021, amounted to NOK 16.8 (16.9) 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 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 30 September 2021, the Company's securities portfolio market value was NOK 1.6 (2.1) billion. Realized and unrealized market value changes so far this year has created a loss of NOK -1.2 (0.3) million.

BORROWING

The Company's borrowing consists of covered bonds (OMF) as well as loans from KLP Banken AS. So far in 2021, new covered bond issues amounted NOK 2.5 (4.0) billion and net repurchase of previous issues was NOK -2.8 (0.4) billion. All covered bonds have AAA rating.

The Company regularly restructures its borrowing with the purpose of adjusting average duration. This may cause both loss and gain. Buying back own bond issues have caused a net booked loss of NOK -23.8 (-17.9) million so far this year.

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, routines 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 very 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 third quarter 2021, core capital i.a.w. the capital adequacy rules were NOK 743 (716) 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 20.1 (18.8) per cent at the end of the third quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 3.9 (3.7) per cent. The minimum statutory requirement is 3.0 per cent.

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

Oslo, 27 October 2021

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	Q3 2021	Q3 2020	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
	Interest income, effective interest method	53 390	58 267	168 708	248 234	305 293
	Other interest income	9 868	21 835	31 175	90 198	108 258
3	Total interest income	63 258	80 103	199 883	338 432	413 551
	Interest expense, effective interest method	-29 457	-33 849	-96 831	-203 252	-241 866
	Other interest expenses	-17 666	-22 056	-55 831	-77 824	-99 274
3	Total interest costs	-47 123	-55 905	-152 662	-281 076	-341 140
3	Net interest income	16 135	24 198	47 221	57 356	72 411
17	Net gain/(loss) financial instruments	-2 858	-2 318	-24 987	-17 525	-19 164
	Total other operating income	-2 858	-2 318	-24 987	-17 525	-19 164
	Other operating expenses	-4 864	-3 159	-12 882	-12 021	-18 528
18	Net loan losses	-1	4	7	-5	-13
	Total operating expenses	-4 865	-3 154	-12 874	-12 026	-18 540
	Operating profit/loss before tax	8 413	18 726	9 360	27 805	34 706
	Tax ordinary income	-1 851	-4 120	3 396	2 835	1 317
	Profit for the period	6 562	14 606	12 756	30 641	36 023
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	6 562	14 606	12 756	30 641	36 023

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
ASSETS				
5	Loans to credit institutions	365 186	231 373	447 030
4,5	Loans to customers	16 842 207	16 932 681	17 654 327
5,6,15	Fixed-income securities	1 584 626	2 121 842	863 851
5,6	Financial derivatives	44 845	88 126	42 630
12	Other assets	12 759	7 087	237
Total assets		18 849 622	19 381 108	19 008 076
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	1 005 136	515 053	745 103
5,7	Debt securities issued	17 029 733	17 990 601	17 429 657
5,6	Financial derivatives	35 703	127 709	77 831
	Deferred tax liabilities	3 565	1 385	3 565
13	Other liabilities	23 103	7 026	7 187
13	Provision for accrued costs and liabilities	385	18	36
Total liabilities		18 097 624	18 641 793	18 263 379
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Other owners' equity	64 242	33 674	69 697
	Unallocated profit/loss	12 756	30 641	0
Total owners' equity		751 998	739 315	744 697
Total liabilities and equity		18 849 622	19 381 108	19 008 076

Statement of changes in equity

KLP KOMMUNEKREDITT AS

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	12 756	12 756
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	12 756	12 756
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 September 2021	362 500	312 500	76 998	751 998

2020 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2020	362 500	312 500	94 367	769 367
Profit for the period	0	0	30 641	30 641
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	30 641	30 641
Group contribution made	0	0	-60 693	-60 693
Total transactions with the owners	0	0	-60 693	-60 693
Equity 30 September 2020	362 500	312 500	64 315	739 315

2020 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2020	362 500	312 500	94 367	769 367
Profit for the period	0	0	36 023	36 023
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	36 023	36 023
Group contribution made	0	0	-60 693	-60 693
Total transactions with the owners	0	0	-60 693	-60 693
Equity 31 December 2020	362 500	312 500	69 697	744 697

Statement of cash flow

KLP KOMMUNEKREDITT AS

NOK THOUSANDS	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
OPERATIONAL ACTIVITIES			
Payments received from customers - interest, commission & charges	153 169	248 556	328 355
Disbursements on loans customers & credit institutions	-622 719	-1 855 372	-3 405 493
Receipts on loans customers & credit institutions	1 336 845	1 533 567	2 275 762
Disbursements on operations	-14 650	-13 155	-18 135
Net receipts/disbursements from operating activities	4 592	-3 865	2 366
Net interest investment accounts	489	539	1 940
Net cash flow from operating activities	857 726	-89 730	-815 205
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-1 406 177	-2 682 010	-3 285 779
Receipts on sale of securities	677 202	1 926 723	3 787 878
Receipts of interest from securities	8 737	22 889	26 544
Net cash flow from investment activities	-720 238	-732 399	528 643
FINANCING ACTIVITIES			
Receipts on loans from credit institutions	2 500 000	4 000 000	4 000 000
Repayments and redemption of securities debt	-2 760 000	-3 829 000	-4 732 110
Change in buyback of securities debt	-125 771	404 000	804 000
Net payment of interest on loans credit institutions	-103 566	-250 908	-289 937
Receipts in internal funding	750 000	3 040 000	4 165 000
Disbursements in internal funding	-490 000	-2 845 000	-3 740 000
Net payment of interest on internal funding	-896	-4 363	-4 762
Payment on group contribution	-5 456	-60 693	-60 693
Net cash flows from financing activities	-235 689	454 036	141 498
Net cash flow during the period	-98 201	-368 092	-145 064
Cash and cash equivalents at the start of the period	442 579	587 644	587 644
Cash and cash equivalents at the end of the period	344 378	219 551	442 579
Net receipts/disbursements of cash	-98 201	-368 092	-145 064

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 2021 – 30 September 2021, with a specification of the results in the Q3. 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 2020, please see the annual report for further information.

NOTE 3 Net interest income

NOK THOUSANDS	Q3 2021	Q3 2020	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
Interest income on loans to customers	53 220	58 114	168 070	246 555	303 354
Interest income on loans to credit institutions	170	154	638	1 678	1 940
Total interest income, effective interest method	53 390	58 267	168 708	248 234	305 293
Interest income on bonds and certificates	2 835	5 470	7 068	23 398	26 841
Other interest income	7 033	16 365	24 107	66 800	81 416
Total other interest income	9 868	21 835	31 175	90 198	108 258
Total interest income	63 258	80 103	199 883	338 432	413 551
Interest expenses on debt to KLP Banken AS	-391	-460	-929	-4 246	-4 695
Interest expenses on issued securities	-29 066	-33 389	-95 902	-199 006	-237 171
Total interest expenses, effective interest method	-29 457	-33 849	-96 831	-203 252	-241 866
Other interest expenses	-17 666	-22 056	-55 831	-77 824	-99 274
Total other interest expenses	-17 666	-22 056	-55 831	-77 824	-99 274
Total interest expenses	-47 123	-55 905	-152 662	-281 076	-341 140
Net interest income	16 135	24 198	47 221	57 356	72 411

NOTE 4 Loans to customers

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Loans to customers before write-downs	16 803 545	16 768 017	17 551 888
Write-downs steps 1 and 2	-166	-165	-173
Loans to customers after write-downs	16 803 379	16 767 852	17 551 715
Accrued interest	55 266	63 364	40 365
Fair value hedging	-16 439	101 464	62 247
Loans to customers	16 842 207	16 932 681	17 654 327

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	30.09.2021		30.09.2020		31.12.2020	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS						
Fixed-income securities	1 584 626	1 584 626	2 121 842	2 121 842	863 851	863 851
Financial derivatives	44 845	44 845	88 126	88 126	42 630	42 630
Total financial assets at fair value through profit and loss	1 629 471	1 629 471	2 209 968	2 209 968	906 482	906 482
FINANCIAL ASSETS FAIR VALUE HEDGING						
Lending to Norwegian municipalities	2 771 019	2 821 710	3 514 842	3 566 041	3 659 595	3 715 811
Total financial assets fair value hedging	2 771 019	2 821 710	3 514 842	3 566 041	3 659 595	3 715 811
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	365 186	365 186	231 373	231 373	447 030	447 030
Lending to Norwegian municipalities	14 071 188	14 071 188	13 417 839	13 417 839	13 994 732	13 994 732
Total financial assets at amortized cost	14 436 374	14 436 374	13 649 211	13 649 211	14 441 762	14 441 762
Total financial assets	18 836 864	18 887 555	19 374 021	19 425 221	19 007 838	19 064 054
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Financial derivatives	35 703	35 703	127 709	127 709	77 831	77 831
Total financial liabilities at fair value through profit and loss	35 703	35 703	127 709	127 709	77 831	77 831
FINANCIAL LIABILITIES FAIR VALUE HEDGING						
Covered bonds issued	1 118 675	1 127 681	1 869 145	1 878 218	1 139 041	1 148 872
Total financial liabilities fair value hedging	1 118 675	1 127 681	1 869 145	1 878 218	1 139 041	1 148 872
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	1 005 136	1 005 136	515 053	515 053	745 103	745 103
Covered bonds issued	15 911 058	16 617 982	16 121 456	16 196 335	16 290 616	16 873 438
Total financial liabilities at amortized cost	16 916 194	17 623 117	16 636 509	16 711 388	17 035 718	17 618 541
Total financial liabilities	18 070 571	18 786 501	18 633 364	18 717 315	18 252 590	18 845 243

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**

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

30.09.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 976	1 484 651	0	1 584 626
Financial derivatives	0	44 845	0	44 845
Total assets at fair value	99 976	1 529 495	0	1 629 471
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	35 703	0	35 703
Total financial liabilities at fair value	0	35 703	0	35 703

30.09.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	35 003	2 086 840	0	2 121 842
Financial derivatives	0	88 126	0	88 126
Total assets at fair value	35 003	2 174 965	0	2 209 968
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	127 709	0	127 709
Total financial liabilities at fair value	0	127 709	0	127 709

31.12.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	134 985	728 866	0	863 851
Financial derivatives	0	42 630	0	42 630
Total assets at fair value	134 985	771 496	0	906 482
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	77 831	0	77 831
Total financial liabilities at fair value	0	77 831	0	77 831

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	30.09.2021	30.09.2020	31.12.2020
Bond debt, nominal amount	17 600 000	18 775 000	17 860 000
Adjustments	35 831	60 603	42 033
Accrued interest	24 902	50 999	23 624
Own holdings, nominal amount	-631 000	-896 000	-496 000
Total debt securities issued	17 029 733	17 990 601	17 429 657

Interest rate on borrowings through the issuance of securities on the reporting date: 0.72 % 0.63 % 0.63 %

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 31.12.2020	Issued	Matured/ redeemed	Other adjustments	Balance sheet 30.09.2021
Bond debt, nominal amount	17 860 000	2 500 000	-2 760 000	0	17 600 000
Adjustments	42 033	0	0	-6 202	35 831
Accrued interest	23 624	0	0	1 278	24 902
Own holdings, nominal amount	-496 000	0	-135 000	0	-631 000
Total debt securities issued	17 429 657	2 500 000	-2 895 000	-4 924	17 029 733

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
SECURITY POOL			
Loans to customers	16 893 064	16 984 048	17 710 745
Financial derivatives (net)	8 732	-39 475	-35 294
Additional collateral ¹	2 293 027	2 748 833	1 260 821
Total security pool	19 194 823	19 693 407	18 936 272
Outstanding covered bonds incl. own funds and premium/discount	17 763 228	18 977 294	18 022 310
Coverage of the security pool	108.1 %	103.8 %	105.1 %

¹ 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 per cent of the value of the outstanding covered bonds.

NOTE 9 Liabilities to credit institutions

30.09.2021 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2022	300 000	47	300 047
Debt to KLP Banken AS	15.12.2022	150 000	23	150 023
Debt to KLP Banken AS	15.12.2022	255 000	40	255 040
Debt to KLP Banken AS	15.12.2022	300 000	26	300 026
Total liabilities to credit institutions		1 005 000	136	1 005 136

Interest rate on debt to credit institutions at the reporting date: 0.35 %

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

30.09.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2021	50 000	6	50 006
Debt to KLP Banken AS	15.12.2021	50 000	3	50 003
Debt to KLP Banken AS	15.12.2021	40 000	5	40 005
Debt to KLP Banken AS	15.12.2021	85 000	10	85 010
Debt to KLP Banken AS	15.12.2021	40 000	1	40 001
Debt to KLP Banken AS	15.12.2021	250 000	29	250 029
Total liabilities to credit institutions		515 000	53	515 053

Interest rate on debt to credit institutions at the reporting date: 0.26 %

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

31.12.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2022	250 000	30	250 030
Debt to KLP Banken AS	15.12.2022	495 000	72	495 072
Total liabilities to credit institutions		745 000	103	745 103

Interest rate on debt to credit institutions at the reporting date: 0.26 %

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

NOTE 10 Financial assets and liabilities subject to net settlement

30.09.2021 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
ASSETS						
Financial derivatives	44 845	0	44 845	-35 222	0	9 623
Total	44 845	0	44 845	-35 222	0	9 623
LIABILITIES						
Financial derivatives	35 703	0	35 703	-35 222	0	481
Total	35 703	0	35 703	-35 222	0	481

30.09.2020 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
ASSETS						
Financial derivatives	88 126	0	88 126	-88 126	0	0
Total	88 126	0	88 126	-88 126	0	0
LIABILITIES						
Financial derivatives	127 709	0	127 709	-88 126	0	39 584
Total	127 709	0	127 709	-88 126	0	39 584

31.12.2020 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
ASSETS						
Financial derivatives	42 630	0	42 630	-42 630	0	0
Total	42 630	0	42 630	-42 630	0	0
LIABILITIES						
Financial derivatives	77 831	0	77 831	-42 630	0	35 201
Total	77 831	0	77 831	-42 630	0	35 201

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	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
KLP Banken AS, interest on borrowing	929	4 246	4 695
KLP Banken AS, interest on deposits	-422	-123	-267
KLP Banken AS, administrative services (at cost)	7 441	8 295	11 838
KLP Kapitalforvaltning AS, fees for services provided	38	69	94

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
BALANCES			
KLP Banken AS, debt to credit institutions	-1 005 136	-515 053	-745 103
KLP Banken AS, deposit	100 689	100 123	100 267
KLP Banken AS, loan settlement	6 816	6 409	237
Net outstanding accounts to:			
KLP Banken AS	-242	-908	-1 605
KLP Kapitalforvaltning AS	0	0	-24

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	30.09.2021	30.09.2020	31.12.2020
Intercompany receivables	6 816	6 409	237
Prepaid expenses	643	678	0
Miscellaneous receivables	5 300	0	0
Total other assets	12 759	7 087	237

NOTE 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Creditors	0	0	101
Intercompany payables	242	908	1 629
Tax payable	0	0	5 456
Other liabilities	22 861	6 118	1
Total other liabilities	23 103	7 026	7 187
VAT	385	18	36
Total accrued costs and liabilities	385	18	36

NOTE 14 Capital adequacy

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	69 697	42 627	69 697
Total owners' equity	744 697	717 627	744 697
Adjustments due to requirements for proper valuation	-1 585	-2 122	-864
Core capital/Tier 1 capital	743 113	715 505	743 833
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)	743 113	715 505	743 833
Capital requirement	296 205	304 835	306 180
Surplus of own funds (Tier 1 and Tier 2 capital)	446 908	410 671	437 655
ESTIMATE BASIS CREDIT RISK:			
Institutions	83 369	65 182	97 979
Local and regional authorities	3 368 906	3 444 351	3 559 832
Covered bonds	148 465	189 410	58 636
Other items	5 943	678	0
Calculation basis credit risk	3 606 684	3 699 620	3 716 447
Credit risk	288 535	295 970	297 316
Operating risk	7 552	8 746	8 755
Credit valuation adjustment	119	119	110
Total capital requirement assets	296 205	304 835	306 180
Core capital adequacy ratio	20.1 %	18.8 %	19.4 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	20.1 %	18.8 %	19.4 %
Leverage ratio	3.9 %	3.7 %	3.9 %

CAPITAL REQUIREMENT PER 30.09.2021	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 %
Current capital requirement incl. buffers	11.0 %	3.5 %	14.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 15 Fixed-income securities

NOK THOUSANDS	30.09.2021		30.09.2020		31.12.2020	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	99 982	99 976	226 765	227 745	276 564	277 494
Bonds	1 483 793	1 484 651	1 889 887	1 894 098	584 494	586 358
Total fixed-income securities	1 583 775	1 584 626	2 116 651	2 121 842	861 058	863 851

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

NOTE 16 Contingent liabilities

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Loan commitment	4 650	192 670	4 650
Total contingent liabilities	4 650	192 670	4 650

NOTE 17 Net gain/(loss) on financial instruments

NOK THOUSANDS	Q3 2021	Q3 2020	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
Net gain/(loss) on fixed-income securities	-834	-381	-1 217	301	-83
Net gain/(loss) financial derivatives and realized amortization linked to lending	0	41	0	41	0
Net gain/(loss) financial derivatives and realized repurchase of own debt	-2 024	-1 978	-23 770	-17 867	-19 081
Total net gain/(loss) on financial instruments	-2 858	-2 318	-24 987	-17 525	-19 164

NOTE 18 Loan loss provision

Changes in provisions for expected losses in third quarter 2021 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 third quarter of 2021.

Refer to Note 18 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, AMORTIZED COST				
Opening balance ECL 01.01.2021	174	0	0	174
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	12	0	0	12
Write-offs	-14	0	0	-14
Closing balance ECL 30.09.2021	167	0	0	167
Changes (01.01.2021-30.09.2021)	-7	0	0	-7

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 - AMORTIZED COST				
Gross lending 01.01.2021	17 592 253	0	0	17 592 253
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	-573 073	0	0	-573 073
New lending	1 247 321	0	0	1 247 321
Write-offs	-1 407 690	0	0	-1 407 690
Gross lending 30.09.2021	16 858 812	0	0	16 858 812

Quarterly earnings trend

NOK MILLIONS	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Interest income	63.3	68.4	68.2	75.1	80.1
Interest expense	-47.1	-50.0	-55.5	-60.1	-55.9
Net interest income	16.1	18.4	12.7	15.1	24.2
Net gain/(loss) financial instruments	-2.9	-19.1	-3.1	-1.6	-2.3
Total other operating income	-2.9	-19.1	-3.1	-1.6	-2.3
Other operating expenses	-4.9	-4.1	-3.9	-6.5	-3.2
Total operating expenses	-4.9	-4.1	-3.9	-6.5	-3.2
Operating profit/loss before tax	8.4	-4.7	5.7	6.9	18.7
Tax ordinary income	-1.9	1.0	4.2	-1.5	-4.1
Profit for the period	6.6	-3.7	9.9	5.4	14.6

Key figures - accumulated

NOK MILLIONS	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Pre-tax income	9.4	0.9	5.7	34.7	27.8
Net interest income	47.2	31.1	12.7	72.4	57.4
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-12.9	-8.0	-3.9	-18.5	-12.0
Net gain/(loss) financial instruments	-25.0	-22.1	-3.1	-19.2	-17.5
Lending with public sector guarantee	16 842.2	16 752.1	16 734.4	17 654.3	16 932.7
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	17 029.7	17 684.5	17 202.7	17 429.7	17 990.6
Other borrowing	1 005.1	255.0	255.0	745.1	515.1
Total assets	18 849.6	18 878.4	18 284.4	19 008.1	19 381.1
Average total assets	18 928.8	18 878.4	18 646.2	18 778.7	18 965.3
Equity	752.0	745.4	749.1	744.7	739.3
Interest net	0.25 %	0.16 %	0.07 %	0.39 %	0.30 %
Profit/loss from ordinary operation before taxes	0.05 %	0.01 %	0.03 %	0.18 %	0.15 %
Return on equity	1.68 %	0.25 %	3.05 %	4.51 %	4.82 %
Capital adequacy ratio	20.1 %	20.2 %	20.3 %	19.4 %	18.3 %
Liquidity coverage ratio (LCR)	7 273 %	242 522 %	6 919 %	55 095 %	248 %



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