

KLP



Interim report

KLP KOMMUNEKREDITT AS

Q4 2020

Table of contents

KLP KOMMUNEKREDITT AS

INTERIM FINANCIAL STATEMENTS	3
INCOME STATEMENT	5
BALANCE SHEET	6
STATEMENT OF CHANGES IN EQUITY	7
STATEMENT OF CASH FLOW	8
NOTES TO THE ACCOUNTS	9
NOTE 1 General information	9
NOTE 2 Accounting principles	9
NOTE 3 Net interest income	10
NOTE 4 Loans to customers	10
NOTE 5 Categories of financial instruments	11
NOTE 6 Fair value hierarchy	13
NOTE 7 Securities liabilities - stock exchange listed covered bonds and certificates	15
NOTE 8 Over-collateralisation	15
NOTE 9 Liabilities to credit institutions	16
NOTE 10 Financial assets and liabilities subject to net settlement	17
NOTE 11 Transactions with related parties	18
NOTE 12 Other assets	18
NOTE 13 Other liabilities and provision for accrued costs	19
NOTE 14 Capital adequacy	20
NOTE 15 Fixed-income securities	21
NOTE 16 Contingent liabilities	21
NOTE 17 Net gain/(loss) on financial instruments	21
NOTE 18 Loan loss provision	22
Quarterly earnings trend	23
Key figures - accumulated	23

Interim Financial Statements

KLP KOMMUNEKREDITT AS

Main features by fourth quarter end:

- Healthy growth in lending volumes
- Stable margins
- 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 is owned by Kommunal Landspensjonskasse (KLP).

INCOME STATEMENT

Net interest revenues by the fourth quarter were NOK 72.4 (62.9)¹ million.

In the fourth quarter, the company's lending margins fell compared with the third quarter and have returned to more normal levels following the market turmoil that followed the COVID-19 pandemic. Interest rates fell hard at the start of the pandemic in March, and this led to reduced lending margins towards the summer. Net interest income in the fourth quarter alone has been reduced compared to the same period last year.

Net income effects of financial instruments by fourth quarter amounts to NOK -19.2 (-18.2) million.

Operating expenses in the fourth quarter amounted to 18.5 (19.6) 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 34.7 (25.1) million. The change in earnings is mainly due to stable decent lending margins on average and lending growth.

LENDING

The Company's loans to customers as of 31 December 2020, amounted to NOK 17.7 (16.5) billion. The Company's 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 31.12.2020, the Company's securities portfolio market value was NOK 0.9 (1.4) billion. Realized and unrealized market value changes so far this year has created a loss of NOK 0.1 (1.8) million.

BORROWING

The Company's borrowing consists of covered bonds (OMF) as well as loans from KLP Banken AS. In 2020, new covered bond issues amounted NOK 4.0 (6.0) billion and net repurchase of previous issues was NOK -3.9 (5.5) 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 loss of NOK 19.1 (16.3) million brought to book by the fourth quarter.

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 activity 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.

At the end of the fourth quarter 2020, core capital i.a.w. the capital adequacy rules were NOK 744 (768) 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 19.4 (20.7) per cent at the end of the fourth quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 3.9 (4.1) per cent. The minimum statutory requirement is 3.0 per cent.

¹Figures in parenthesis refer to the corresponding period in 2019.

SUMMARY OF PANDEMIC EFFECTS ON THE
FINANCIAL STATEMENT

The market turmoil due to the pandemic, had a negative effect on the company's lending margins in the second quarter, but has since normalized during the second half of the year. (See comments under Income Statement above).

The reduced regulatory capital adequacy for the countercyclical capital buffer, has enhanced the company's capital adequacy position relative to the authoritative requirements

Trondheim, 10. February 2021

Aage E. Schaanning
Chair
(Sign.)

Aina Slettedal Eide
(Sign.)

Aud Norunn Strand
(Sign.)

Kristian Lie-Pedersen
(Sign.)

Carl Steinar Lous
Managing Director
(Sign.)

Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
	Interest income, amortised cost	57 060	105 373	305 293	390 583
	Interest income at fair value	18 059	35 339	108 258	135 127
3	Total interest income	75 119	140 712	413 551	525 710
	Interest expense, amortised cost	-38 614	-91 671	-241 866	-343 159
	Interest expense at fair value	-21 451	-29 725	-99 274	-119 667
3	Total interest costs	-60 065	-121 396	-341 140	-462 826
3	Net interest income	15 054	19 316	72 411	62 884
17	Net gain/(loss) financial instruments	-1 639	-4 717	-19 164	-18 167
	Total other operating income	-1 639	-4 717	-19 164	-18 167
	Other operating expenses	-6 507	-8 217	-18 528	-19 593
18	Net loan losses	-8	0	-13	2
	Total operating expenses	-6 515	-8 217	-18 540	-19 591
	Operating profit/loss before tax	6 901	6 382	34 706	25 126
	Tax ordinary income	-1 518	-1 404	1 317	-5 528
	Profit for the period	5 382	4 978	36 023	19 598
	Other comprehensive income for the period	0	0	0	0
	Comprehensive income for the period	5 382	4 978	36 023	19 598

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	31.12.2020	31.12.2019
ASSETS			
5	Loans to credit institutions	447 030	594 461
4,5	Loans to customers	17 654 327	16 547 394
5,6,15	Fixed-income securities	863 851	1 365 769
5,6	Financial derivatives	42 630	40 785
12	Other assets	237	1 010
Total assets		19 008 076	18 549 418
LIABILITIES AND OWNERS EQUITY			
LIABILITIES			
5,9	Debt to credit institutions	745 103	320 169
5,7	Debt securities issued	17 429 657	17 387 458
5,6	Financial derivatives	77 831	60 674
	Deffered tax liabilities	3 565	1 385
13	Other liabilities	7 187	10 286
13	Provision for accrued costs and liabilities	36	78
Total liabilities		18 263 379	17 780 052
EQUITY			
	Share capital	362 500	362 500
	Share premium	312 500	312 500
	Other owners' eqyity	69 697	94 367
Total owners' equity		744 697	769 367
Total liabilities and equity		19 008 076	18 549 418

Statement of changes in equity

KLP KOMMUNEKREDITT AS

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 received	0	0	31 740	31 740
Group contribution made	0	0	-83 480	-83 480
Tax on group contribution given 2019	0	0	-8 952	-8 952
Total transactions with the owners	0	0	-60 693	-60 693
Equity 31 December 2020	362 500	312 500	69 697	744 697

2019 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2019	362 500	312 500	74 769	749 769
Profit for the period	0	0	19 598	19 598
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	19 598	19 598
Group contribution received	0	0	17 009	17 009
Group contribution made	0	0	-17 009	-17 009
Total transactions with the owners	0	0	0	0
Equity 31 December 2019	362 500	312 500	94 367	769 367

Statement of cash flow

KLP KOMMUNEKREDITT AS

NOK THOUSANDS	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
OPERATIONAL ACTIVITIES		
Payments received from customers - interest, commission & charges	328 355	376 913
Disbursements on loans customers & credit institutions	-3 405 493	-1 603 652
Receipts on loans customers & credit institutions	2 275 762	1 748 981
Net receipts/disbursements on operations	-18 135	-19 859
Net receipts/disbursements from operating activities	2 366	11 584
Net interest investment accounts	1 940	5 603
Net cash flow from operating activities	-815 205	519 570
INVESTMENT ACTIVITIES		
Payments on the purchase of securities	-3 285 779	-2 035 775
Receipts on sale of securities	3 787 878	1 396 679
Receipts of interest from securities	26 544	29 868
Net cash flow from investment activities	528 643	-609 228
FINANCING ACTIVITIES		
Receipts on loans from credit institutions	4 000 000	6 000 000
Disbursements on loans from credit institutions	-4 744 000	-5 139 000
Change of interest of loans	804 000	-378 000
Net payment of interest on loans credit institutions	-278 048	-318 269
Receipts in internal funding	4 165 000	2 420 000
Disbursements in internal funding	-3 740 000	-2 530 000
Net payment of interest on internal funding	-4 762	-3 742
Payment on group contribution	-60 693	-5 081
Net cash flows from financing activities	141 498	45 908
Net cash flow during the period	-145 064	-43 750
Cash and cash equivalents at the start of the period	587 644	631 394
Cash and cash equivalents at the end of the period	442 579	587 644
Net receipts/disbursements of cash	-145 064	-43 750

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 2020 – 31 December 2020, with a specification of the results in the fourth quarter. The interim Financial Statements has not been audited.

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

The amendments to IAS 12 Income Tax, effective from 2019, have had an effect on the interim financial statements. The tax effect of all distributions in 2019 was in the first quarter recognized to profit or loss, other income and expenses or in equity in accordance with

where the company originally recognized the transactions that generated the distribution. This entailed an income recognition of the tax effect on the group contribution provided in the income statement, which was recognized in other owners' equity. At the same time, this was offset against higher earnings, so that the net effect on equity was zero. Comparative figures are not changed.

Other accounting principles and calculations are the same in the interim financial statement as in the annual report for 2019, please see the annual report for further information

NOTE 3 Net interest income

NOK THOUSANDS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Interest income on loans to customers, amortised cost	56 799	103 433	303 354	384 962
Interest income on loans to credit institutions, amortised cost	261	1 940	1 940	5 622
Total interest income, amortised cost	57 060	105 373	305 293	390 583
Interest income on bonds and certificates, fair value	3 443	8 472	26 841	31 144
Other interest income, fair value	14 616	26 867	81 416	103 983
Total interest, fair value	18 059	35 339	108 258	135 127
Total interest income	75 119	140 712	413 551	525 710
Interest expenses on debt to KLP Banken AS, amortised cost	-449	-1 054	-4 695	-3 703
Interest expenses on issued securities, amortised cost	-38 165	-90 617	-237 171	-339 456
Total interest costs, amortised cost	-38 614	-91 671	-241 866	-343 159
Other interest expenses, fair value	-21 451	-29 725	-99 274	-119 667
Total interest costs	-60 065	-121 396	-341 140	-462 826
Net interest income	15 054	19 316	72 411	62 884

NOTE 4 Loans to customers

NOK THOUSANDS	31.12.2020	31.12.2019
Loans to customers before write-downs	17 551 888	16 468 493
Write-downs steps 1 and 2	-173	-161
Loans to customers after write-downs	17 551 715	16 468 332
Accrued interest	40 365	65 366
Fair value hedging	62 247	21 397
Premium/discount	0	-7 701
Loans to customers	17 654 327	16 547 394

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	31.12.2020		31.12.2019	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Fixed-income securities	863 851	863 851	1 365 769	1 365 769
Financial derivatives	42 630	42 630	40 785	40 785
Total financial assets at fair value through profit and loss	906 482	906 482	1 406 554	1 406 554
FINANCIAL ASSETS FAIR VALUE HEDGING				
Lending to Norwegian municipalities	3 659 595	3 715 811	2 796 387	2 835 237
Total financial assets fair value hedging	3 659 595	3 715 811	2 796 387	2 835 237
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	447 030	447 030	594 461	594 461
Lending to Norwegian municipalities	13 994 732	13 994 732	13 751 007	13 744 458
Total financial assets at amortized cost	14 441 762	14 441 762	14 345 468	14 338 919
Total financial assets	19 007 838	19 064 054	18 548 409	18 580 710
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Financial derivatives	77 831	77 831	60 674	60 674
Total financial liabilities at fair value through profit and loss	77 831	77 831	60 674	60 674
FINANCIAL LIABILITIES FAIR VALUE HEDGING				
Covered bonds issued	1 139 041	1 148 872	1 793 121	1 809 391
Total financial liabilities fair value hedging	1 139 041	1 148 872	1 793 121	1 809 391
FINANCIAL LIABILITIES AT AMORTIZED COST				
Liabilities to credit institutions	745 103	745 103	320 169	320 169
Covered bonds issued	16 290 616	16 873 438	15 594 337	15 662 495
Total financial liabilities at amortized cost	17 035 718	17 618 541	15 914 507	15 982 664
Total financial liabilities	18 252 590	18 845 243	17 768 302	17 852 729

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. 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

31.12.2020 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

31.12.2019 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	59 879	1 305 890	0	1 365 769
Financial derivatives	0	40 785	0	40 785
Total assets at fair value	59 879	1 346 675	0	1 406 554
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	60 674	0	60 674
Total financial liabilities at fair value	0	60 674	0	60 674

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 Securities liabilities - stock exchange listed covered bonds and certificates

NOK THOUSANDS	31.12.2020	31.12.2019
Bond debt, nominal amount	17 860 000	18 604 000
Adjustments	42 033	19 695
Accrued interest	23 624	63 764
Own holdings, nominal amount	-496 000	-1 300 000
Total debt securities issued	17 429 657	17 387 458

Interest rate on borrowings through the issuance of securities on the reporting date: 0.63 % 2.22 %

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 31.12.2019	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2020
Bond debt, nominal amount	18 604 000	4 000 000	-4 744 000	0	17 860 000
Adjustments	19 695	0	0	22 338	42 033
Accrued interest	63 764	0	0	-40 140	23 624
Own holdings, nominal amount	-1 300 000	0	804 000	0	-496 000
Total debt securities issued	17 387 458	4 000 000	-3 940 000	-17 802	17 429 657

NOTE 8 Over-collateralisation

NOK THOUSANDS	31.12.2020	31.12.2019
SECURITY POOL		
Loans to customers	17 710 745	16 587 551
Financial derivatives (net)	-35 294	-20 236
Additional collateral ¹	1 260 821	2 790 615
Total security pool	18 936 272	19 357 930
Outstanding covered bonds incl. own funds and premium/discount	18 022 310	18 710 618
Coverage of the security pool	105.1 %	103.5 %

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

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.

31.12.2019 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2021	220 000	116	220 116
Debt to KLP Banken AS	15.12.2021	100 000	53	100 053
Total liabilities to credit institutions		320 000	169	320 169

Interest rate on debt to credit institutions at the reporting date: 1.19 %

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

NOTE 10 Financial assets and liabilities subject to net settlement

31.12.2020 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	42 630	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

31.12.2019 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	40 785	0	40 785	-40 785	0	0
Total	40 785	0	40 785	-40 785	0	0
LIABILITIES						
Financial derivatives	60 674	0	60 674	-40 785	0	19 889
Total	60 674	0	60 674	-40 785	0	19 889

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	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
KLP Banken AS, interest on borrowing	4 695	3 703
KLP Banken AS, interest on deposits	-267	0
KLP Banken AS, administrative services (at cost)	11 838	13 335
KLP Kapitalforvaltning AS, fees for services provided	94	103

NOK THOUSANDS	31.12.2020	31.12.2019
BALANCES		
KLP Banken AS, debt to credit institutions	-745 103	-320 169
KLP Banken AS, deposit	100 267	0
KLP Banken AS, loan settlement	237	1 010
Net outstanding accounts to:		
KLP Banken AS	-1 605	-1 196
KLP Kapitalforvaltning AS	-24	-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	31.12.2020	31.12.2019
Intercompany receivables	237	1 010
Total other assets	237	1 010

NOTE 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	31.12.2020	31.12.2019
Creditors	101	113
Intercompany payables	1 629	1 221
Tax payable	5 456	8 952
Other liabilities	1	1
Total other liabilities	7 187	10 286
VAT	36	78
Total accrued costs and liabilities	36	78

NOTE 14 Capital adequacy

NOK THOUSANDS	31.12.2020	31.12.2019
Share capital and share premium fund	675 000	675 000
Other owners' equity	69 697	94 367
Total owners' equity	744 697	769 367
Adjustments due to requirements for proper valuation	-864	-1 366
Core capital/Tier 1 capital	743 833	768 001
Supplementary capital/Tier 2 capital	0	0
Supplementary capital/Tier 2 capital	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	743 833	768 001
Capital requirement	306 181	297 257
Surplus of own funds (Tier 1 and Tier 2 capital)	437 653	470 745
ESTIMATE BASIS CREDIT RISK:		
Institutions	97 979	127 049
Local and regional authorities	3 559 832	3 346 561
Covered bonds	58 636	130 589
Other items	0	1 010
Calculation basis credit risk	3 716 447	3 605 209
Credit risk	297 316	288 417
Operating risk	8 755	8 745
Credit valuation adjustment	110	96
Total capital requirement assets	306 181	297 257
Core capital adequacy ratio	19.4 %	20.7 %
Supplementary capital ratio	0.0 %	0.0 %
Capital adequacy ratio	19.4 %	20.7 %
Leverage ratio	3.9 %	4.1 %

CAPITAL REQUIREMENT PER 31.12.2020	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	31.12.2020		31.12.2019	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	276 564	277 494	59 832	59 879
Bonds	584 494	586 358	1 306 280	1 305 890
Total fixed-income securities	861 058	863 851	1 366 112	1 365 769

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

NOTE 16 Contingent liabilities

NOK THOUSANDS	31.12.2020	31.12.2019
Loan commitment	4 650	370 820
Total contingent liabilities	4 650	370 820

NOTE 17 Net gain/(loss) on financial instruments

NOK THOUSANDS	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Net gain/(loss) on fixed-income securities	-83	-1 824
Net gain/(loss) financial derivatives and realized repurchase of own debt	-19 081	-16 343
Total net gain/(loss) on financial instruments	-19 164	-18 167

NOTE 18 Loan loss provision

Changes in provisions for expected losses in fourth quarter 2020 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. Refer to Note 16 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, AMORTISED COST				
Opening balance ECL 01.01.2020	161	0	0	161
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	-7	0	0	-7
New losses	40	0	0	40
Write-offs	-20	0	0	-20
Closing balance ECL 31.12.2020	174	0	0	174
Changes (01.01.2020-31.12.2020)	13	0	0	13

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 - AMORTISED COST				
Gross lending 01.01.2020	16 533 859	0	0	16 533 859
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	-910 740	0	0	-910 740
New lending	4 035 223	0	0	4 035 223
Write-offs	-2 066 089	0	0	-2 066 089
Gross lending 31.12.2020	17 592 253	0	0	17 592 253

Quarterly earnings trend

NOK MILLIONS	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Interest income	75.1	80.1	114.7	143.6	140.7
Interest expense	-60.1	-55.9	-96.3	-128.9	-121.4
Net interest income	15.1	24.2	18.4	14.7	19.3
Net gain/(loss) financial instruments	-1.6	-2.3	-8.7	-6.5	-4.7
Total other operating income	-1.6	-2.3	-8.7	-6.5	-4.7
Other operating expenses	-6.5	-3.2	-4.7	-4.2	-8.2
Total operating expenses	-6.5	-3.2	-4.7	-4.2	-8.2
Operating profit/loss before tax	6.9	18.7	5.1	4.0	6.4
Tax ordinary income	-1.5	-4.1	-1.1	8.1	-1.4
Profit for the period	5.4	14.6	4.0	12.1	5.0

Key figures - accumulated

NOK MILLIONS	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Pre-tax income	34.7	27.8	9.1	4.0	25.1
Net interest income	72.4	57.4	33.2	14.7	62.9
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-18.5	-12.0	-8.9	-4.2	-19.6
Net gain/(loss) financial instruments	-19.2	-17.5	-15.2	-6.5	-18.2
Lending with public sector guarantee	17 654.3	16 932.7	17 356.5	16 823.5	16 547.4
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	17 429.7	17 990.6	18 231.7	18 136.8	17 387.5
Other borrowing	745.1	515.1	675.1	935.2	320.2
Total assets	19 008.1	19 381.1	19 767.8	19 975.3	18 549.4
Average total assets	18 778.7	18 965.3	19 158.6	19 262.4	18 377.8
Equity	744.7	739.3	724.7	720.7	769.4
Interest net	0.39 %	0.30 %	0.17 %	0.08 %	0.34 %
Profit/loss from ordinary operation before taxes	0.18 %	0.15 %	0.05 %	0.02 %	0.14 %
Return on equity	4.51 %	4.82 %	2.36 %	2.08 %	3.35 %
Capital adequacy ratio	19.4 %	18.3 %	18.3 %	18.2 %	20.7 %
Liquidity coverage ratio (LCR)	55 095 %	248 %	5 046 %	215 %	288 %



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