



Interim report

KLP KOMMUNEKREDITT AS
Q4 2022

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KLP KOMMUNEKREDITT AS

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Interim Financial Statements

KLP KOMMUNEKREDITT AS

Main features by fourth quarter end:

- Good P&L development
- Good lending growth

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 fourth quarter was NOK 107.6 (66.0)¹ million. The significant increase in net interest income compared to last year is mainly due to that the interest rate turmoil, especially through the last half of the year, resulted in somewhat higher lending margins. The increased interest rate level has also contributed to higher returns on lending financed by equity. Additionally, the lending volume has grown.

Net profit and loss effects on financial instruments so far this year amounted to NOK -10.8 (-27.4) million. This comprises both fall in market value of liquid investments as well as buy-back of bond issues. 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 -6.4 (-23.3) million at the end of fourth quarter. Realized and unrealized market value changes in the liquidity portfolios gave a profit and loss effect of NOK -4.4 (-4.2) million.

Operating expenses at the end of the quarter amounted to 20.7 (18.0) million. The Company has not had any lending credit losses and have very low loan loss provisions.

The pre-tax profit in 2022 was NOK 76.1 (20.6) million. The change in profit is mainly due to increased net interest income and reduced loss contribution from financial instruments.

¹Figures in parenthesis refer to the corresponding last period.

LENDING

The Company's loans to customers as of 31 December 2022, amounted to NOK 19.1 (17.8) billion. The 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 31 December 2022, the Company's securities portfolio market value was NOK 2.7 (1.7) billion.

BORROWING

The Company's borrowing comprises covered bonds (OMF) as well as loans from KLP Banken AS. In 2022 new covered bond issues amounted NOK 4.2 (5.5) billion and net repurchase of previous issues was NOK 3.0 (4.4) billion. All covered bonds have AAA rating. The Norwegian Financial Authority (Finanstilsynet) has approved the Company's program for issuing OMF Premium.

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 fourth quarter 2022, core capital i.a.w. the capital adequacy rules were NOK 897.4 (759.1) million. Loans to municipalities and county administrations are risk-weighted 20 percent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS had a core capital adequacy and capital adequacy ratio of 20.3 (19.1) percent at the end of the fourth quarter. The minimum statutory requirement is 15.5 percent capital adequacy ratio. Leverage ratio was 4.0 (3.8) percent. The minimum statutory requirement is 3.0 percent.

Oslo, 8 February 2023

Aage E. Schaanning
Chair

Aina Slettedal Eide

Aud Norunn Strand

Jonas V. Kårstad

Carl Steinar Lous
Managing Director

Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q4 2022	Q4 2021	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
	Interest income, effective interest method	176 783	65 035	463 028	233 743
	Other interest income	48 234	11 205	98 981	42 380
3	Total interest income	225 017	76 240	562 009	276 123
	Interest expense, effective interest method	-170 242	-42 347	-404 952	-139 178
	Other interest expenses	-21 348	-15 145	-49 451	-70 976
3	Total interest costs	-191 590	-57 492	-454 403	-210 154
3	Net interest income	33 427	18 747	107 606	65 969
17	Net gain/(loss) on financial instruments	6 053	-2 448	-10 751	-27 435
	Total net gain/(loss) on financial instruments	6 053	-2 448	-10 751	-27 435
	Other operating expenses	-5 128	-5 099	-20 725	-17 981
18	Net loan losses	-3	-10	-8	-3
	Total operating expenses	-5 131	-5 109	-20 733	-17 984
	Operating profit/loss before tax	34 350	11 191	76 122	20 550
	Tax ordinary income	-7 557	-2 462	-13 771	935
	Profit for the period	26 793	8 729	62 351	21 485
	Other comprehensive income for the period	0	0	0	0
	Comprehensive income for the period	26 793	8 729	62 351	21 485

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	31.12.2022	31.12.2021
ASSETS			
5	Loans to credit institutions	547 868	572 172
4,5	Loans to customers	19 117 097	17 844 402
5,6,15	Fixed-income securities	2 724 070	1 666 698
5,6	Financial derivatives	138 897	42 051
12	Other assets	20 092	384
Total assets		22 548 024	20 125 706
LIABILITIES AND OWNERS EQUITY			
LIABILITIES			
5,9	Debt to credit institutions	1 707 544	755 168
5,7	Debt securities issued	19 783 028	18 563 116
5,6	Financial derivatives	25 939	9 644
	Deferred tax liabilities	21 857	8 086
13	Other liabilities	109 527	28 934
13	Provision for accrued costs and liabilities	28	33
Total liabilities		21 647 922	19 364 980
EQUITY			
	Share capital	391 500	362 500
	Share premium	363 500	312 500
	Other owners' equity	145 102	85 727
Total owners' equity		900 102	760 727
Total liabilities and equity		22 548 024	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	62 351	62 351
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	62 351	62 351
Group contribution received	0	0	10 551	10 551
Group contribution made	0	0	-13 527	-13 527
Owners' equity received during the period	29 000	51 000	0	80 000
Total transactions with the owners	29 000	51 000	-2 976	77 024
Equity 31 December 2022	391 500	363 500	145 102	900 102

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 -31.12.2022	01.01.2021 -31.12.2021
OPERATIONAL ACTIVITIES		
Payments received from customers - interest, commission & charges	381 107	231 825
Disbursements on loans customers & credit institutions	-2 481 139	-1 316 600
Receipts on loans customers & credit institutions	1 198 315	979 570
Disbursements on operations	-22 801	-16 168
Net receipts/disbursements from operating activities	79 152	11 216
Interest from credit institutions	9 273	1 390
Net cash flow from operating activities	-836 092	-108 767
INVESTMENT ACTIVITIES		
Payments on the purchase of securities	-2 084 060	-2 017 481
Receipts on sale of securities	1 030 010	1 209 261
Receipts of interest from securities	36 175	12 103
Net cash flow from investment activities	-1 017 875	-796 117
FINANCING ACTIVITIES		
Receipts on loans from credit institutions	4 200 000	5 500 000
Repayments and redemption of securities debt	-3 008 000	-3 852 000
Change in securities debt, own funds	-52 701	-491 530
Net payment of interest on loans credit institutions	-325 316	-143 363
Receipts in internal funding	3 005 000	1 655 000
Disbursements in internal funding	-2 055 000	-1 645 000
Net payment of interest on internal funding	-14 887	-1 815
Payment on group contribution	-2 976	-5 456
Change in owners' equity	80 000	0
Net cash flows from financing activities	1 826 120	1 015 836
Net cash flow during the period	-27 847	110 952
Cash and cash equivalents at the start of the period	553 531	442 579
Cash and cash equivalents at the end of the period	525 685	553 531
Net receipts/disbursements	-27 847	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 – 31 December 2022, with a specification of the results in the Q4. 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	Q4 2022	Q4 2021	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
Interest income on loans to customers	171 913	64 283	453 754	232 353
Interest income on loans to credit institutions	4 870	752	9 273	1 390
Total interest income, effective interest method	176 783	65 035	463 028	233 743
Interest income on bonds and certificates	21 487	3 882	45 009	10 950
Other interest income	26 747	7 323	53 973	31 430
Total other interest income	48 234	11 205	98 981	42 380
Total interest income	225 017	76 240	562 009	276 123
Interest expenses on debt from KLP Banken AS	-10 225	-951	-17 264	-1 880
Interest expenses on issued securities	-160 016	-41 396	-387 688	-137 298
Total interest expenses, effective interest method	-170 242	-42 347	-404 952	-139 178
Other interest expenses	-21 348	-15 145	-49 451	-70 976
Total other interest expenses	-21 348	-15 145	-49 451	-70 976
Total interest expenses	-191 590	-57 492	-454 403	-210 154
Net interest income	33 427	18 747	107 606	65 969

NOTE 4 Loans to customers

NOK THOUSANDS	31.12.2022	31.12.2021
Loans to customers before write-downs	19 101 791	17 835 041
Write-downs steps 1 and 2	-184	-176
Loans to customers after write-downs	19 101 607	17 834 865
Accrued interest	113 540	40 892
Fair value hedging	-98 049	-31 356
Loans to customers	19 117 097	17 844 402

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

NOTE 5 Categories of financial instruments

NOK THOUSANDS	31.12.2022		31.12.2021	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Fixed-income securities	2 724 070	2 724 070	1 666 698	1 666 698
Financial derivatives	138 897	138 897	42 051	42 051
Total financial assets at fair value through profit and loss	2 862 967	2 862 967	1 708 748	1 708 748
FINANCIAL ASSETS FAIR VALUE HEDGING				
Lending to Norwegian municipalities	1 702 745	1 706 638	1 981 191	2 024 610
Total financial assets fair value hedging	1 702 745	1 706 638	1 981 191	2 024 610
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	547 868	547 868	572 172	572 172
Lending to Norwegian municipalities	17 414 352	17 414 352	15 863 211	15 863 211
Total financial assets at amortized cost	17 962 220	17 962 220	16 435 383	16 435 383
Total financial assets	22 527 932	22 531 825	20 125 323	20 168 742
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Financial derivatives	25 939	25 939	9 644	9 644
Total financial liabilities at fair value through profit and loss	25 939	25 939	9 644	9 644
FINANCIAL LIABILITIES FAIR VALUE HEDGING				
Covered bonds issued	1 728 703	1 745 090	508 146	515 581
Total financial liabilities fair value hedging	1 728 703	1 745 090	508 146	515 581
FINANCIAL LIABILITIES AT AMORTIZED COST				
Liabilities to credit institutions	1 707 544	1 707 544	755 168	755 168
Covered bonds issued	18 054 324	18 048 197	18 054 583	18 103 842
Total financial liabilities at amortized cost	19 761 869	19 755 741	18 809 751	18 859 010
Total financial liabilities	21 516 511	21 526 770	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.

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

31.12.2022 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 435	2 624 635	0	2 724 070
Financial derivatives	0	138 897	0	138 897
Total assets at fair value	99 435	2 763 533	0	2 862 967
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	25 939	0	25 939
Total financial liabilities at fair value	0	25 939	0	25 939

31.12.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 920	1 566 778	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	31.12.2022	31.12.2021
Bond debt, nominal amount	20 700 000	19 508 000
Adjustments	12 429	37 436
Accrued interest	102 599	29 679
Own holdings, nominal amount	-1 032 000	-1 012 000
Total debt securities issued	19 783 028	18 563 116

Interest rate on borrowings through the issuance of securities on the reporting date: 3.60 % 1.05 %

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

NOK THOUSANDS	Balance sheet 31.12.2021	Issued	Matured/ redeemed	Other adjustments	Balance sheet 31.12.2022
Bond debt, nominal amount	19 508 000	4 200 000	-3 008 000	0	20 700 000
Adjustments	37 436	0	0	-25 007	12 429
Accrued interest	29 679	0	0	72 919	102 599
Own holdings, nominal amount	-1 012 000	0	-20 000	0	-1 032 000
Total debt securities issued	18 563 116	4 200 000	-3 028 000	47 912	19 783 028

NOTE 8 Over-collateralisation

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

¹ Additional collateral includes loans and receivables from credit institutions and bonds and certificates. Liquidity reserve are not included in additional collateral.

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

NOTE 9 Liabilities to credit institutions

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

Interest rate on debt to credit institutions at the reporting date: 3.16 %

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

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

31.12.2022 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	138 897	0	138 897	-25 939	0	112 959
Total	138 897	0	138 897	-25 939	0	112 959
LIABILITIES						
Financial derivatives	25 939	0	25 939	-25 939	0	0
Total	25 939	0	25 939	-25 939	0	0

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 -31.12.2022	01.01.2021 -31.12.2021
KLP Banken AS, interest on borrowing	-17 264	-1 880
KLP Banken AS, interest on deposits	4 177	788
KLP Banken AS, administrative services (at cost)	-13 116	-11 420
KLP Kapitalforvaltning AS, fees for services provided	-74	-70

NOK THOUSANDS	31.12.2022	31.12.2021
BALANCES		
KLP Banken AS, debt to credit institutions	-1 707 544	-755 168
KLP Banken AS, deposit	205 231	201 054
KLP Banken AS, loan settlement	20 092	384
Net outstanding accounts to:		
KLP Banken AS	-1 402	-3 496
KLP Kapitalforvaltning AS	0	-32

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

Transactions with related parties are carried out on general market terms, with the exception of the Company's share of common functions, which is allocated at cost. Allocation is based on actual use. All internal receivables are settled as they arise.

NOTE 12 Other assets

NOK THOUSANDS	31.12.2022	31.12.2021
Intercompany receivables	20 092	384
Total other assets	20 092	384

NOTE 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	31.12.2022	31.12.2021
Creditors	25	0
Intercompany payables	1 402	3 528
Other liabilities	108 100	25 406
Total other liabilities	109 527	28 934
VAT	28	33
Total accrued costs and liabilities	28	33

NOTE 14 Capital adequacy

NOK THOUSANDS	31.12.2022	31.12.2021
Share capital and share premium fund	755 000	675 000
Other owners' equity	145 102	85 727
Total owners' equity	900 102	760 727
Adjustments due to requirements for proper valuation	-2 724	-1 667
Core capital/Tier 1 capital	897 378	759 060
Supplementary capital/Tier 2 capital	0	0
Supplementary capital/Tier 2 capital	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	897 378	759 060
Capital requirement	353 621	317 996
Surplus of own funds (Tier 1 and Tier 2 capital)	543 756	441 065
ESTIMATE BASIS CREDIT RISK:		
Institutions	141 371	122 921
Local and regional authorities	3 963 118	3 628 147
Covered bonds	194 389	130 277
Calculation basis credit risk	4 298 878	3 881 345
Credit risk	343 910	310 508
Operating risk	9 432	6 826
Credit valuation adjustment	280	663
Total capital requirement assets	353 621	317 996
Core capital adequacy ratio	20.3 %	19.1 %
Supplementary capital ratio	0.0 %	0.0 %
Capital adequacy ratio	20.3 %	19.1 %
Leverage ratio	4.0 %	3.8 %

CAPITAL REQUIREMENT PER 31.12.2022	Core capital/ Tier 1 capital	Supplementary capital/Tier 2 capital	Own funds
Minimum requirement 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	2.0 %	0.0 %	2.0 %
Current capital requirement incl. buffers	12.0 %	3.5 %	15.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 15 Fixed-income securities

NOK THOUSANDS	31.12.2022		31.12.2021	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	392 669	395 773	143 582	143 783
Bonds	2 328 552	2 328 297	1 523 965	1 522 915
Total fixed-income securities	2 721 221	2 724 070	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	31.12.2022	31.12.2021
Loan commitment	35 491	64 650
Total contingent liabilities	35 491	64 650

NOTE 17 Net gain/(loss) on financial instruments

NOK THOUSANDS	Q4 2022	Q4 2021	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
Net gain/(loss) on fixed-income securities	6 454	-2 962	-4 379	-4 179
Net gain/(loss) financial derivatives and realized amortization linked to lending	0	0	5	0
Net gain/(loss) financial derivatives and realized repurchase of own debt	-401	514	-6 377	-23 256
Total net gain/(loss) on financial instruments	6 053	-2 448	-10 751	-27 435

NOTE 18 Loan loss provision

Changes in provisions for expected losses in fourth 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 fourth 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	-11	0	0	-11
New losses	36	0	0	36
Write-offs	-16	0	0	-16
Closing balance ECL 31.12.2022	184	0	0	184
Changes (01.01.2022-31.12.2022)	8	0	0	8

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	-762 931	0	0	-762 931
New lending	3 724 592	0	0	3 724 592
Write-offs	-1 622 264	0	0	-1 622 264
Lending 31.12.2022	19 215 331	0	0	19 215 331

Quarterly earnings trend

NOK MILLIONS	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Interest income	225.0	141.6	109.3	86.1	76.2
Interest expense	-191.6	-112.5	-83.3	-67.1	-57.5
Net interest income	33.4	29.2	26.0	19.0	18.7
Net gain/(loss) financial instruments	6.1	-3.3	-11.1	-2.4	-2.4
Total net gain/(loss) on financial instruments	6.1	-3.3	-11.1	-2.4	-2.4
Other operating expenses	-5.1	-5.6	-4.8	-5.2	-5.1
Total operating expenses	-5.1	-5.6	-4.8	-5.2	-5.1
Operating profit/loss before tax	34.4	20.2	10.1	11.4	11.2
Tax ordinary income	-7.6	-4.5	-2.2	0.5	-2.5
Profit for the period	26.8	15.8	7.9	11.9	8.7

Key figures - accumulated

NOK MILLIONS	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Pre-tax income	76.1	41.8	21.5	11.4	20.6
Net interest income	107.6	74.2	45.0	19.0	66.0
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-20.7	-15.6	-10.0	-5.2	-18.0
Net gain/(loss) financial instruments	-10.8	-16.8	-13.5	-2.4	-27.4
Lending with public sector guarantee	19 117.1	18 717.6	18 321.1	17 974.4	17 844.4
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	19 783.0	18 806.4	19 210.8	18 547.4	18 563.1
Other borrowing	1 707.5	1 506.6	905.5	755.2	755.2
Total assets	22 548.0	21 245.7	21 013.8	20 161.6	20 125.7
Average total assets	21 336.9	20 685.7	20 569.8	20 143.7	19 566.9
Equity	900.1	793.3	777.5	769.6	760.7
Interest net	0.50 %	0.36 %	0.22 %	0.09 %	0.34 %
Profit/loss from ordinary operation before taxes	0.36 %	0.20 %	0.10 %	0.06 %	0.11 %
Return on equity	10.01 %	7.32 %	5.66 %	5.99 %	2.76 %
Capital adequacy ratio	20.3 %	18.2 %	18.3 %	19.0 %	19.1 %
Liquidity coverage ratio (LCR)	2 174 %	4 278 %	813 %	1 628 %	2 117 %



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