



Interim report

KLP KOMMUNEKREDITT AS
Q2 2021

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KLP KOMMUNEKREDITT AS

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Interim Financial Statements

KLP KOMMUNEKREDITT AS

Main features by the first half year:

- Stable lending margins
- Increased costs of repurchasing loans.
- 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.

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

INCOME STATEMENT

Net interest revenues in the first half year were NOK 31.1 (33.2)¹ million. The change is mainly related to somewhat lower lending volumes.

Net income effects of financial instruments so far this year amounts to NOK -22.1 (-15.2) million for assets and liabilities combined. Increased costs mainly come from exchange rate effects when repurchasing loans.

Operating expenses in the first half year amounted to 8.0 (8.9) 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 0.9 (9.1) million. The change in profit is mainly due to increased costs of repurchasing loans.

LENDING

The Company's loans to customers as at 30 June 2021 amounted to NOK 16.8 (17.4) 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 comprise secure bonds as well as deposits in other banks. The securities comprise certificates and bonds of high credit quality, principally investments in covered bonds. As at 30 June 2021, the Company's securities portfolio market value was NOK 1.6 (2.0) billion. Realized and unrealized market value changes so far this year has created a profit and loss effect of NOK -0.4 (0.7) million.

BORROWING

The Company's borrowing comprises covered bonds as well as borrowing from KLP Banken AS. In the first half of 2021 new covered bond issues amounted NOK 2.5 (4.0) billion and net repurchase of previous issues was NOK 1.0 (3.2) billion. All covered bonds have achieved AAA rating.

The Company regularly restructures its borrowing with the purpose of adjusting average duration. This may cause loss or gain. Buying back own bond issues have caused a net loss of NOK -21.7 (-15.9) million brought to book 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, 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 second quarter 2021, core capital i.a.w. the capital adequacy rules was 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 20.2 (18.3) per cent at the end of second quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 4.0 (3.6) per cent. The minimum statutory requirement is 3.0 per cent.

FUTURE PROSPECTS

The enterprises in the KLP Banken Group satisfies all statutory requirements for capital adequacy and liquidity and have capacity for further growth. The Group may also utilize funding from KLP to maintain its financial capacity towards public sector borrowers.

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

¹Figures in parenthesis refer to the corresponding period last year.

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

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

Norwegian municipalities have developed good and comprehensive public services. The combination of increased life-time prospects and population growth gives reason to expect a continued high level of investments in the public sector. The demand for project funding that contribute to climate adaption is expected to increase ahead. The Board assumes that considerable volumes of long-term and stable financing will be needed in addition to what the securities market can offer public sector borrowers.

KLP Banken's competence on municipal finance shall, independent on the size of the Company's own balance, be used for the benefit of the KLP management task. KLP Kommunekreditt AS and KLP, as a unit, will continue to be a central provider of loans for public sector investment purposes.

Trondheim, 12 August 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	Q2 2021	Q2 2020	01.01.2021 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
	Interest income, effective interest method	57 990	82 132	115 318	189 966	305 293
	Other interest income	10 434	32 573	21 307	68 363	108 258
3	Total interest income	68 424	114 705	136 625	258 329	413 551
	Interest expense, effective interest method	-31 387	-69 588	-67 374	-169 403	-241 866
	Other interest expenses	-18 607	-26 707	-38 165	-55 768	-99 274
3	Total interest costs	-49 994	-96 295	-105 539	-225 171	-341 140
3	Net interest income	18 430	18 410	31 086	33 158	72 411
17	Net gain/(loss) financial instruments	-19 064	-8 660	-22 129	-15 207	-19 164
	Total other operating income	-19 064	-8 660	-22 129	-15 207	-19 164
	Other operating expenses	-4 106	-4 654	-8 018	-8 862	-18 528
18	Net loan losses	-1	-7	8	-9	-13
	Total operating expenses	-4 107	-4 661	-8 010	-8 871	-18 540
	Operating profit/loss before tax	-4 740	5 088	947	9 080	34 706
	Tax ordinary income	1 043	-1 119	5 247	6 955	1 317
	Profit for the period	-3 698	3 969	6 194	16 035	36 023
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	-3 698	3 969	6 194	16 035	36 023

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
ASSETS				
5	Loans to credit institutions	309 641	278 532	447 030
4,5	Loans to customers	16 752 107	17 356 534	17 654 327
5,6,15	Fixed-income securities	1 636 097	2 037 807	863 851
5,6	Financial derivatives	35 677	81 383	42 630
12	Other assets	15 240	13 507	237
Total assets		18 748 762	19 767 762	19 008 076
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	255 037	675 127	745 103
5,7	Debt securities issued	17 684 542	18 231 671	17 429 657
5,6	Financial derivatives	42 129	128 898	77 831
	Deffered tax liabilities	3 565	1 385	3 565
13	Other liabilities	18 039	5 921	7 187
13	Provision for accrued costs and liabilities	14	51	36
Total liabilities		18 003 326	19 043 053	18 263 379
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Other owners' eqity	64 242	33 674	69 697
	Unallocated profit/loss	6 194	16 035	0
Total owners' equity		745 436	724 709	744 697
Total liabilities and equity		18 748 762	19 767 762	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	6 194	6 194
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	6 194	6 194
Group contribution received	0	0	19 343	19 343
Group contribution made	0	0	-24 798	-24 798
Total transactions with the owners	0	0	-5 456	-5 456
Equity 30 June 2021	362 500	312 500	70 436	745 436

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	16 035	16 035
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	16 035	16 035
Group contribution made	0	0	-60 693	-60 693
Total transactions with the owners	0	0	-60 693	-60 693
Equity 30 June 2020	362 500	312 500	49 709	724 709

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 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
OPERATIONAL ACTIVITIES			
Payments received from customers - interest, commission & charges	109 110	189 848	328 355
Disbursements on loans customers & credit institutions	-406 456	-1 547 872	-3 405 493
Receipts on loans customers & credit institutions	1 226 081	812 562	2 275 762
Disbursements on operations	-7 418	-7 635	-18 135
Net receipts/disbursements from operating activities	8 708	-1 367	2 366
Net interest investment accounts	333	405	1 940
Net cash flow from operating activities	930 358	-554 059	-815 205
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-1 300 867	-1 722 545	-3 285 779
Receipts on sale of securities	526 435	1 053 267	3 787 878
Receipts of interest from securities	6 027	15 828	26 544
Net cash flow from investment activities	-768 405	-653 449	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	-2 627 000	-3 179 000	-4 732 110
Change in buyback of securities debt	395 518	0	804 000
Net payment of interest on loans credit institutions	-77 428	-222 387	-289 937
Receipts in internal funding	0	2 910 000	4 165 000
Disbursements in internal funding	-490 000	-2 555 000	-3 740 000
Net payment of interest on internal funding	-603	-3 828	-4 762
Payment on group contribution	-5 456	-60 693	-60 693
Net cash flows from financing activities	-304 969	889 092	141 498
Net cash flow during the period	-143 016	-318 416	-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	299 563	269 227	442 579
Net receipts/disbursements of cash	-143 016	-318 416	-145 064

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

KLP KOMMUNEKREDITT AS

We hereby confirm that the half yearly financial statement for the company for the period 1 January through 30 June 2021 to the best of our knowledge have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

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

Trondheim, 12 August 2021

Aage E. Schaanning
Chair

Aina Slettedal Eide

Aud Norunn Strand

Kristian Lie-Pedersen

Carl Steinar Lous
Managing Director

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 June 2021, with a specification of the results in the Q2. The interim Financial Statements has not been audited.

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

Other accounting principles and calculations are the same in the interim financial statement as in the annual report for 2020, please see the annual report for further information.

NOTE 3 Net interest income

NOK THOUSANDS	Q2 2021	Q2 2020	01.01.2021 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
Interest income on loans to customers	57 802	81 952	114 850	188 441	303 354
Interest income on loans to credit institutions	188	180	467	1 525	1 940
Total interest income, effective interest method	57 990	82 132	115 318	189 966	305 293
Interest income on bonds and certificates	2 240	9 073	4 233	17 928	26 841
Other interest income	8 194	23 501	17 074	50 435	81 416
Total other interest income	10 434	32 573	21 307	68 363	108 258
Total interest income	68 424	114 705	136 625	258 329	413 551
Interest expenses on debt to KLP Banken AS	-218	-2 644	-538	-3 786	-4 695
Interest expenses on issued securities	-31 169	-66 943	-66 836	-165 617	-237 171
Total interest expenses, effective interest method	-31 387	-69 588	-67 374	-169 403	-241 866
Other interest expenses	-18 607	-26 707	-38 165	-55 768	-99 274
Total other interest expenses	-18 607	-26 707	-38 165	-55 768	-99 274
Total interest expenses	-49 994	-96 295	-105 539	-225 171	-341 140
Net interest income	18 430	18 410	31 086	33 158	72 411

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
Loans to customers before write-downs	16 697 692	17 188 243	17 551 888
Write-downs steps 1 and 2	-165	-170	-173
Loans to customers after write-downs	16 697 527	17 188 073	17 551 715
Accrued interest	46 105	63 959	40 365
Fair value hedging	8 475	111 043	62 247
Premium/discount	0	-6 541	0
Loans to customers	16 752 107	17 356 534	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	30.06.2021		30.06.2020		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	1 636 097	1 636 097	2 037 807	2 037 807	863 851	863 851
Financial derivatives	35 677	35 677	81 383	81 383	42 630	42 630
Total financial assets at fair value through profit and loss	1 671 774	1 671 774	2 119 190	2 119 190	906 482	906 482
FINANCIAL ASSETS FAIR VALUE HEDGING						
Lending to Norwegian municipalities	2 927 452	2 982 803	3 691 277	3 741 577	3 659 595	3 715 811
Total financial assets fair value hedging	2 927 452	2 982 803	3 691 277	3 741 577	3 659 595	3 715 811
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	309 641	309 641	278 532	278 532	447 030	447 030
Lending to Norwegian municipalities	13 824 655	13 824 655	13 665 257	13 658 998	13 994 732	13 994 732
Total financial assets at amortized cost	14 134 296	14 134 296	13 943 788	13 937 529	14 441 762	14 441 762
Total financial assets	18 733 522	18 788 873	19 754 255	19 798 296	19 007 838	19 064 054
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Financial derivatives	42 129	42 129	128 898	128 898	77 831	77 831
Total financial liabilities at fair value through profit and loss	42 129	42 129	128 898	128 898	77 831	77 831
FINANCIAL LIABILITIES FAIR VALUE HEDGING						
Covered bonds issued	1 005 304	1 015 876	1 862 106	1 869 421	1 139 041	1 148 872
Total financial liabilities fair value hedging	1 005 304	1 015 876	1 862 106	1 869 421	1 139 041	1 148 872
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	255 037	255 037	675 127	675 127	745 103	745 103
Covered bonds issued	16 679 238	16 756 239	16 369 565	16 425 573	16 290 616	16 873 438
Total financial liabilities at amortized cost	16 934 275	17 011 277	17 044 692	17 100 700	17 035 718	17 618 541
Total financial liabilities	17 981 708	18 069 281	19 035 696	19 099 019	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. If a bond lacks an appropriate spread curve, spread from a comparable bond from the same issuer is used.

Financial derivatives

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

Fair value of loans to Norwegian local administrations

Fair value of lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Fair value of fixed rate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms are continuously changed in step with marked interest rates. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

Fair value of liabilities to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

Liabilities created on issuance of covered bonds

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

NOTE 6 Fair value hierarchy

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

30.06.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	34 994	2 002 813	0	2 037 807
Financial derivatives	0	81 383	0	81 383
Total assets at fair value	34 994	2 084 196	0	2 119 190
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	128 898	0	128 898
Total financial liabilities at fair value	0	128 898	0	128 898

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	30.06.2021	30.06.2020	31.12.2020
Bond debt, nominal amount	17 733 000	19 425 000	17 860 000
Adjustments	47 218	65 397	42 033
Accrued interest	18 324	41 275	23 624
Own holdings, nominal amount	-114 000	-1 300 000	-496 000
Total debt securities issued	17 684 542	18 231 671	17 429 657

Interest rate on borrowings through the issuance of securities on the reporting date: 0.57 % 0.74 % 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 30.06.2021
Bond debt, nominal amount	17 860 000	2 500 000	-2 627 000	0	17 733 000
Adjustments	42 033	0	0	5 185	47 218
Accrued interest	23 624	0	0	-5 300	18 324
Own holdings, nominal amount	-496 000	0	382 000	0	-114 000
Total debt securities issued	17 429 657	2 500 000	-2 245 000	-115	17 684 542

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
SECURITY POOL			
Loans to customers	16 807 719	17 407 337	17 710 745
Financial derivatives (net)	-6 370	-47 376	-35 294
Additional collateral ¹	1 688 038	2 775 306	1 260 821
Total security pool	18 489 387	20 135 267	18 936 272
Outstanding covered bonds incl. own funds and premium/discount	17 772 115	19 600 303	18 022 310
Coverage of the security pool	104.0 %	102.7 %	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

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

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

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

30.06.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2021	50 000	10	50 010
Debt to KLP Banken AS	15.12.2021	100 000	19	100 019
Debt to KLP Banken AS	15.12.2021	150 000	27	150 027
Debt to KLP Banken AS	15.12.2021	40 000	8	40 008
Debt to KLP Banken AS	15.12.2021	85 000	16	85 016
Debt to KLP Banken AS	15.12.2021	250 000	48	250 048
Total liabilities to credit institutions		675 000	127	675 127

Interest rate on debt to credit institutions at the reporting date: 0.43 %

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

30.06.2021 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	35 677	0	35 677	-34 460	0	1 217
Total	35 677	0	35 677	-34 460	0	1 217
LIABILITIES						
Financial derivatives	42 129	0	42 129	-34 460	0	7 668
Total	42 129	0	42 129	-34 460	0	7 668

30.06.2020 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	81 383	0	81 383	-81 383	0	0
Total	81 383	0	81 383	-81 383	0	0
LIABILITIES						
Financial derivatives	128 898	0	128 898	-81 383	0	47 515
Total	128 898	0	128 898	-81 383	0	47 515

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 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
KLP Banken AS, interest on borrowing	538	3 786	4 695
KLP Banken AS, interest on deposits	-279	0	-267
KLP Banken AS, administrative services (at cost)	5 533	6 026	11 838
KLP Kapitalforvaltning AS, fees for services provided	38	69	94

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
BALANCES			
KLP Banken AS, debt to credit institutions	-255 037	-675 127	-745 103
KLP Banken AS, deposit	100 546	0	100 267
KLP Banken AS, loan settlement	13 954	12 152	237
Net outstanding accounts to:			
KLP Banken AS	-1 023	-1 098	-1 605
KLP Kapitalforvaltning AS	-38	-69	-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	30.06.2021	30.06.2020	31.12.2020
Intercompany receivables	13 954	12 152	237
Prepaid expenses	1 286	1 355	0
Total other assets	15 240	13 507	237

NOTE 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
Creditors	2 569	2 755	101
Intercompany payables	1 061	1 167	1 629
Tax payable	0	0	5 456
Other liabilities	14 409	1 998	1
Total other liabilities	18 039	5 921	7 187
VAT	14	51	36
Total accrued costs and liabilities	14	51	36

NOTE 14 Capital adequacy

NOK THOUSANDS	30.06.2021	30.06.2020	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	-1 636	-2 038	-864
Core capital/Tier 1 capital	743 061	715 589	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)	743 061	715 589	743 833
Capital requirement	293 844	313 059	306 180
Surplus of own funds (Tier 1 and Tier 2 capital)	449 217	402 530	437 655
ESTIMATE BASIS CREDIT RISK:			
Institutions	71 854	74 413	97 979
Local and regional authorities	3 350 421	3 579 358	3 559 832
Covered bonds	153 610	147 238	58 636
Other items	1 286	1 355	0
Calculation basis credit risk	3 577 172	3 802 364	3 716 447
Credit risk	286 174	304 189	297 316
Operating risk	7 552	8 746	8 755
Credit valuation adjustment	119	124	110
Total capital requirement assets	293 844	313 059	306 180
Core capital adequacy ratio	20.2 %	18.3 %	19.4 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	20.2 %	18.3 %	19.4 %
Leverage ratio	4.0 %	3.6 %	3.9 %

CAPITAL REQUIREMENT PER 30.06.2021	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	30.06.2021		30.06.2020		31.12.2020	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	100 005	99 996	562 180	565 424	276 564	277 494
Bonds	1 534 209	1 536 101	1 470 555	1 472 383	584 494	586 358
Total fixed-income securities	1 634 214	1 636 097	2 032 735	2 037 807	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	30.06.2021	30.06.2020	31.12.2020
Loan commitment	19 520	19 650	4 650
Total contingent liabilities	19 520	19 650	4 650

NOTE 17 Net gain/(loss) on financial instruments

NOK THOUSANDS	Q2 2021	Q2 2020	01.01.2021 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
Net gain/(loss) on fixed-income securities	-746	5 419	-383	682	-83
Net gain/(loss) financial derivatives and realized repurchase of own debt	-18 318	-14 079	-21 746	-15 889	-19 081
Total net gain/(loss) on financial instruments	-19 064	-8 660	-22 129	-15 207	-19 164

NOTE 18 Loan loss provision

Changes in provisions for expected losses in second 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 second 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	-4	0	0	-4
New losses	9	0	0	9
Write-offs	-13	0	0	-13
Closing balance ECL 30.06.2021	166	0	0	166
Changes (01.01.2021-30.06.2021)	-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 - 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	-406 022	0	0	-406 022
New lending	897 380	0	0	897 380
Write-offs	-1 339 813	0	0	-1 339 813
Gross lending 30.06.2021	16 743 797	0	0	16 743 797

Quarterly earnings trend

NOK MILLIONS	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Interest income	68.4	68.2	75.1	80.1	114.7
Interest expense	-50.0	-55.5	-60.1	-55.9	-96.3
Net interest income	18.4	12.7	15.1	24.2	18.4
Net gain/(loss) financial instruments	-19.1	-3.1	-1.6	-2.3	-8.7
Total other operating income	-19.1	-3.1	-1.6	-2.3	-8.7
Other operating expenses	-4.1	-3.9	-6.5	-3.2	-4.7
Total operating expenses	-4.1	-3.9	-6.5	-3.2	-4.7
Operating profit/loss before tax	-4.7	5.7	6.9	18.7	5.1
Tax ordinary income	1.0	4.2	-1.5	-4.1	-1.1
Profit for the period	-3.7	9.9	5.4	14.6	4.0

Key figures - accumulated

NOK MILLIONS	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Pre-tax income	0.9	5.7	34.7	27.8	9.1
Net interest income	31.1	12.7	72.4	57.4	33.2
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-8.0	-3.9	-18.5	-12.0	-8.9
Net gain/(loss) financial instruments	-22.1	-3.1	-19.2	-17.5	-15.2
Lending with public sector guarantee	16 752.1	16 734.4	17 654.3	16 932.7	17 356.5
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	17 684.5	17 202.7	17 429.7	17 990.6	18 231.7
Other borrowing	255.0	255.0	745.1	515.1	675.1
Total assets	18 748.8	18 284.4	19 008.1	19 381.1	19 767.8
Average total assets	18 878.4	18 646.2	18 778.7	18 965.3	19 158.6
Equity	745.4	749.1	744.7	739.3	724.7
Interest net	0.16 %	0.07 %	0.39 %	0.30 %	0.17 %
Profit/loss from ordinary operation before taxes	0.01 %	0.03 %	0.18 %	0.15 %	0.05 %
Return on equity	0.25 %	3.05 %	4.51 %	4.82 %	2.36 %
Capital adequacy ratio	20.2 %	20.3 %	19.4 %	18.3 %	18.3 %
Liquidity coverage ratio (LCR)	242 522 %	6 919 %	55 095 %	248 %	5 046 %



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