

Q4 Interim Report 2023

KLP Kommunekreditt AS



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KLP Kommunekreditt AS

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KLP Kommunekreditt AS

Q4 2023

Interim Financial Statements 4/2023

Main features by fourth quarter end:

- Good profit development
- Reduced costs on financial instruments
- Stable loan balance

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 by 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

Profit before tax at the fourth quarter was NOK 88.6 (76.1)¹ million. The change in profit is mainly due to increased net interest income and reduced negative effects from financial instruments.

Net interest income at the fourth quarter was NOK 113.6 (107.6) billion. The change is primarily related to increased interest rates and somewhat higher loan margins on average over the year.

Net effects of financial instruments were NOK -2.3 (-10.8) million at the fourth quarter. This includes value changes on liquid investments and costs of repurchasing own loans. Restructuring of the loan portfolio is done regularly to adjust the average maturity. This can result in both profit and loss. Accounting losses due to repurchase of own debt total NOK -6.0 (-6.4) million at the end of the fourth quarter. Realized and unrealized value changes in the liquidity portfolio have resulted in a profit effect of 3.8 (-4.4) million kroner.

Operating expenses at the end of the quarter amounted to NOK 22.7 (20.7) million. The company has no realized losses on loans and has very low loss provisions.

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

Lending

The Company's loans to customers as of 31 December 2023, amounted to NOK 19.0 (19.1) billion. The borrowers are municipalities, county municipalities and local government enterprise lending covered by municipal guarantees.

Liquid investments

The security mass associated with the deposit financing is subject to strict requirements. In addition to loans to the public sector, the security mass consists of secure bonds as well as deposits in other banks. The securities consist mainly of certificates and bonds of high credit quality, mainly covered bonds. As of December 31, 2023, the company's interest-bearing securities had a market value of NOK 1.5 (2.7) billion.

Borrowing

The company's financing consists of covered bonds (OMF) and loans from KLP Banken AS. In 2023, new OMF bonds issued amounted NOK 6.0 (4.2) billion and net repurchases of previous issuances were amounted to NOK 6.4 (3.0) billion. All OMF issuances have an Aaa rating from Moody's.

Risk and capital adequacy

Kommunekreditt AS has established a risk management framework to ensure that risks are identified, analyzed, and managed using guidelines, limits, routines, and instructions. The company should have a cautious risk profile, and earnings should primarily be a result of lending and borrowing activities and liquidity management. This means that the company should have low market risk. Interest rate risk arising from lending and borrowing activities is reduced using derivatives. The company should have sufficient long-term financing within established frameworks. The credit risk in the company is very low, and loans are limited to municipal risk. The company's liquidity is placed in banks with high credit quality requirements and in securities in accordance with board-approved credit lines.

Core capital according to capital adequacy regulations at the end of the fourth quarter of 2023 was NOK 967.7 (897.4) million. Loans to municipalities and county municipalities are risk-weighted at 20 percent according to government regulations for capital adequacy. KLP Kommunekreditt AS has a core capital adequacy and capital adequacy of 22.7 (20.3) percent per fourth quarter. The minimum requirement for total capital adequacy is 17.5 percent. Leverage ratio was 4.6 (4.0) percent. The requirement here is 3.0 percent.

Oslo, February 8 2024

AAGE E. SCHAANNING
Chair

JANICKE E. FALKENBERG

AUD NORUNN STRAND

JONAS KÅRSTAD

CARL STEINAR LOUS
Managing Director

Income statement

KLP Kommunekreditt AS

NOTE	NOK THOUSANDS	Q4 2023	Q4 2022	01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
	Interest income, effective interest method	259 588	176 783	891 875	463 028
	Other interest income	54 298	48 234	209 113	98 981
3	Total interest income	313 886	225 017	1 100 988	562 009
	Interest expense, effective interest method	-255 094	-170 242	-879 623	-404 952
	Other interest expenses	-30 281	-21 348	-107 746	-49 451
3	Total interest costs	-285 375	-191 590	-987 369	-454 403
3	Net interest income	28 511	33 427	113 619	107 606
17	Net gain/(loss) on financial instruments	1 897	6 053	-2 304	-10 751
	Total net gain/(loss) on financial instruments	1 897	6 053	-2 304	-10 751
	Other operating expenses	-6 055	-5 128	-22 717	-20 725
18	Net loan losses	4	-3	4	-8
	Total operating expenses	-6 050	-5 131	-22 713	-20 733
	Operating profit/loss before tax	24 358	34 350	88 603	76 122
	Tax ordinary income	-5 359	-7 557	235	-13 771
	Profit for the period	18 999	26 793	88 838	62 351
	Other comprehensive income for the period	0	0	0	0
	Comprehensive income for the period	18 999	26 793	88 838	62 351

Balance

KLP Kommunekreditt AS

NOTE	NOK THOUSANDS	31.12.2023	31.12.2022
ASSETS			
5	Loans to credit institutions	568 248	547 868
4,5	Loans to customers	19 001 225	19 117 097
5,6,15	Fixed-income securities	1 500 050	2 724 070
5,6	Financial derivatives	108 137	138 897
12	Other assets	10 618	20 092
	Total assets	21 188 279	22 548 024
LIABILITIES AND OWNERS EQUITY			
LIABILITIES			
5,9	Debt to credit institutions	701 570	1 707 544
5,7	Debt securities issued	19 390 805	19 783 028
5,6	Financial derivatives	23 233	25 939
	Deferred tax liabilities	21 622	21 857
13	Other liabilities	81 817	109 527
13	Provision for accrued costs and liabilities	21	28
	Total liabilities	20 219 067	21 647 922
EQUITY			
	Share capital	391 500	391 500
	Share premium	363 500	363 500
	Other owners' equity	214 212	145 102
	Total owners' equity	969 212	900 102
	Total liabilities and equity	21 188 279	22 548 024

Statement of changes in equity

KLP Kommunekreditt AS

2023 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2023	391 500	363 500	145 102	900 102
Income for the year	0	0	88 838	88 838
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	88 838	88 838
Group contribution received	0	0	69 944	69 944
Group contribution made	0	0	-89 671	-89 671
Total transactions with the owners	0	0	-19 728	-19 728
Equity 31 December 2023	391 500	363 500	214 212	969 212

2022 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2021	362 500	312 500	85 727	760 727
Income for the year	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

Statement of cash flow

KLP Kommunekreditt AS

NOK THOUSANDS	01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
OPERATIONAL ACTIVITIES		
Payments received from customers - interest, commission & charges	794 436	381 107
Disbursements on loans customers & credit institutions	-1 069 415	-2 481 139
Receipts on loans customers & credit institutions	1 300 680	1 198 315
Disbursements on operations	-22 301	-22 801
Net receipts/disbursements from operating activities	-38 809	79 152
Interest from credit institutions	18 079	9 273
Net cash flow from operating activities	982 671	-836 092
INVESTMENT ACTIVITIES		
Payments on the purchase of securities	-442 481	-2 084 060
Receipts on sale of securities	1 666 175	1 030 010
Receipts of interest from securities	77 787	36 175
Net cash flow from investment activities	1 301 482	-1 017 875
FINANCING ACTIVITIES		
Receipts on loans from credit institutions	6 000 000	4 200 000
Repayments and redemption of securities debt	-5 000 000	-3 008 000
Change in securities debt, own funds	-1 407 062	-52 701
Net payment of interest on loans credit institutions	-775 168	-325 316
Receipts in internal funding	2 205 000	3 005 000
Disbursements in internal funding	-3 210 000	-2 055 000
Net payment of interest on internal funding	-67 524	-14 887
Payment on group contribution	-19 728	-2 976
Change in owners' equity	0	80 000
Net cash flows from financing activities	-2 274 481	1 826 120
Net cash flow during the period	9 672	-27 847
Cash and cash equivalents at the start of the period	525 685	553 531
Cash and cash equivalents at the end of the period	535 356	525 685
Net receipts/disbursements	9 672	-27 847

Notes to the financial statement

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 2023 – 31 December 2023, 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 2022 please see the annual report for further information.

Note 3 Net interest income

NOK THOUSANDS	Q4 2023	Q4 2022	01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
Interest income on loans to customers	253 547	171 913	873 796	453 754
Interest income on loans to credit institutions	6 041	4 870	18 079	9 273
Total interest income, effective interest method	259 588	176 783	891 875	463 028
Interest income on bonds and certificates	18 573	21 487	77 406	45 009
Other interest income	35 725	26 747	131 708	53 973
Total other interest income	54 298	48 234	209 113	98 981
Total interest income	313 886	225 017	1 100 988	562 009
Interest expenses on debt from KLP Banken AS	-12 142	-10 225	-66 549	-17 264
Interest expenses on issued securities	-242 951	-160 016	-813 073	-387 688
Total interest expenses, effective interest method	-255 094	-170 242	-879 623	-404 952
Other interest expenses	-30 281	-21 348	-107 746	-49 451
Total other interest expenses	-30 281	-21 348	-107 746	-49 451
Total interest expenses	-285 375	-191 590	-987 369	-454 403
Net interest income	28 511	33 427	113 619	107 606

Note 4 Loans to customers

NOK THOUSANDS	31.12.2023	31.12.2022
Loans to customers before write-downs	18 895 059	19 101 791
Write-downs steps 1 and 2	-180	-184
Loans to customers after write-downs	18 894 880	19 101 607
Accrued interest	192 899	113 540
Fair value hedging	-86 554	-98 049
Loans to customers	19 001 225	19 117 097

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	31.12.2023		31.12.2022	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Fixed-income securities	1 500 050	1 500 050	2 724 070	2 724 070
Financial derivatives	108 137	108 137	138 897	138 897
Total financial assets at fair value through profit and loss	1 608 187	1 608 187	2 862 967	2 862 967
FINANCIAL ASSETS FAIR VALUE HEDGING				
Lending to Norwegian municipalities	1 584 628	1 578 296	1 702 745	1 706 638
Total financial assets fair value hedging	1 584 628	1 578 296	1 702 745	1 706 638
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	568 248	568 248	547 868	547 868
Lending to Norwegian municipalities	17 416 597	17 416 597	17 414 352	17 414 352
Total financial assets at amortized cost	17 984 845	17 984 845	17 962 220	17 962 220
Total financial assets	21 177 661	21 171 328	22 527 932	22 531 825
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Financial derivatives	23 233	23 233	25 939	25 939
Total financial liabilities at fair value through profit and loss	23 233	23 233	25 939	25 939
FINANCIAL LIABILITIES FAIR VALUE HEDGING				
Covered bonds issued	1 713 024	1 722 804	1 728 703	1 745 090
Total financial liabilities fair value hedging	1 713 024	1 722 804	1 728 703	1 745 090
FINANCIAL LIABILITIES AT AMORTIZED COST				
Liabilities to credit institutions	701 570	701 570	1 707 544	1 707 544
Covered bonds issued	17 677 781	17 707 656	18 054 324	18 048 197
Total financial liabilities at amortized cost	18 379 351	18 409 226	19 761 869	19 755 741
Total financial liabilities	20 115 608	20 155 262	21 516 511	21 526 770

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.

Fixed-income securities - other than government

Norwegian fixed-income securities are generally priced based on rates from Nordic Bond Pricing. Securities not covered by Nordic Bond Pricing are priced theoretically. The theoretical price should be based on the discounted value of the security's future cash flows. Discounting is done using a swap curve adjusted for credit spread and liquidity spread. The credit spread should, to the extent possible, be based on a comparable bond from the same issuer. Liquidity spread is determined at the discretion of the evaluator.

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

31.12.2023 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 073	1 400 977	0	1 500 050
Financial derivatives	0	108 137	0	108 137
Total assets at fair value	99 073	1 509 114	0	1 608 187
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0		0	23 233
Total financial liabilities at fair value	0	23 233	0	23 233

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

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. 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	31.12.2023	31.12.2022
Bond debt, nominal amount	21 700 000	20 700 000
Adjustments	-8 726	12 429
Accrued interest	146 531	102 599
Own holdings, nominal amount	-2 447 000	-1 032 000
Total debt securities issued	19 390 805	19 783 028
Interest rate on borrowings through the issuance of securities on the reporting date:	5.07 %	3.60%

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 31.12.2022	Issued	Matured/ redeemed	Other adjustments	Balance sheet 31.12.2023
Bond debt, nominal amount	20 700 000	6 000 000	-5 000 000	0	21 700 000
Adjustments	12 429	0	0	-21 155	-8 726
Accrued interest	102 599	0	0	43 933	146 531
Own holdings, nominal amount	-1 032 000	0	-1 415 000	0	-2 447 000
Total debt securities issued	19 783 028	6 000 000	-6 415 000	22 777	19 390 805

Note 8 Over-collateralisation

NOK THOUSANDS	31.12.2023	31.12.2022
SECURITY POOL		
Loans to customers	19 006 509	19 132 889
Financial derivatives (net)	84 952	112 913
Additional collateral ¹	4 196 638	3 974 463
Total security pool	23 288 100	23 220 266
Outstanding covered bonds incl. own funds and premium/discount	21 894 289	20 832 669
Coverage of the security pool	106.4 %	111.5 %

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 percent of the value of the outstanding covered bonds.

Note 9 Liabilities to credit institutions

31.12.2023 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2025	700 000	1 570	701 570
Total liabilities to credit institutions		700 000	1 570	701 570

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

4.75 %

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

31.12.2022 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2023	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.

Note 10 Financial assets and liabilities subject to net settlement

31.12.2023 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	108 137	0	108 137	-23 233	0	84 905
Total	108 137	0	108 137	-23 233	0	84 905
LIABILITIES						
Financial derivatives	23 233	0	23 233	-23 233	0	0
Total	23 233	0	23 233	-23 233	0	0

31.12.2022 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	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

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	01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
KLP Banken AS, interest on borrowing	-66 549	-17 264
KLP Banken AS, interest on deposits	8 646	4 177
KLP Banken AS, administrative services (at cost)	-13 966	-13 116
KLP Kapitalforvaltning AS, fees for services provided	-77	-74

NOK THOUSANDS	31.12.2023	31.12.2022
BALANCES		
KLP Banken AS, debt to credit institutions	-701 570	-1 707 544
KLP Banken AS, deposit	213 878	205 231
KLP Banken AS, loan settlement	10 618	20 092
Net outstanding accounts to:		
KLP Banken AS	-1 627	-1 402
KLP Kapitalforvaltning AS	-77	0

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	31.12.2023	31.12.2022
Intercompany receivables	10 618	20 092
Total other assets	10 618	20 092

Note 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	31.12.2023	31.12.2022
Creditors	113	25
Intercompany payables	1 704	1 402
Short-term balances with credit institutions	80 000	108 100
Total other liabilities	81 817	109 527
VAT	21	28
Total accrued costs and liabilities	21	28

Note 14 Capital adequacy

NOK THOUSANDS	31.12.2023	31.12.2022
Share capital and share premium fund	755 000	755 000
Other owners' equity	214 212	145 102
Total owners' equity	969 212	900 102
Adjustments due to requirements for proper valuation	-1 500	-2 724
Core capital/Tier 1 capital	967 712	897 378
Supplementary capital/Tier 2 capital	0	0
Supplementary capital/Tier 2 capital	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	967 712	897 378
Capital requirement	340 885	353 621
Surplus of own funds (Tier 1 and Tier 2 capital)	626 827	543 756
ESTIMATE BASIS CREDIT RISK:		
Institutions	137 401	141 371
Local and regional authorities	3 846 618	3 963 118
Covered bonds	120 454	194 389
Calculation basis credit risk	4 104 472	4 298 878
Credit risk	328 358	343 910
Operating risk	12 335	9 432
Credit valuation adjustment (CVA)	192	280
Total capital requirement assets	340 885	353 621
Core capital adequacy ratio	22.7 %	20.3 %
Supplementary capital ratio	0.0 %	0.0 %
Capital adequacy ratio	22.7 %	20.3 %
Leverage ratio	4.6 %	4.0 %

CAPITAL REQUIREMENT PER 31.12.2023	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	4.5 %	0.0 %	4.5 %
Counter-cyclical capital buffer	2.5 %	0.0 %	2.5 %
Current capital requirement incl. buffers	14.0 %	3.5 %	17.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

Note 15 Fixed-income securities

NOK THOUSANDS	31.12.2023		31.12.2022	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	0	0	392 669	395 773
Bonds	1 498 025	1 500 050	2 328 552	2 328 297
Total fixed-income securities	1 498 025	1 500 050	2 721 221	2 724 070

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

Note 16 **Contingent liabilities**

NOK THOUSANDS	31.12.2023	31.12.2022
Loan commitment	70 850	35 491
Total contingent liabilities	70 850	35 491

Note 17 **Net gain/(loss) on financial instruments**

NOK THOUSANDS	Q4 2023	Q4 2022	01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
Net gain/(loss) on fixed-income securities	2 016	6 454	3 763	-4 379
Net gain/(loss) financial derivatives and realized amortization linked to lending	-46	0	-46	5
Net gain/(loss) financial derivatives and realized repurchase of own debt	-73	-401	-6 020	-6 377
Total net gain/(loss) on financial instruments	1 897	6 053	-2 304	-10 751

Note 18 Loan loss provision

Changes in provisions for expected losses in fourth quarter 2023 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 2023.

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 01.01.2023	184	0	0	184
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	-13	0	0	-13
New losses	27	0	0	27
Write-offs	-19	0	0	-19
Closing balance ECL 31.12.2023	180	0	0	180
Changes (01.01.2023-31.12.2023)	-4	0	0	-4

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - PUBLIC LENDING				
Lending 01.01.2023	19 215 331	0	0	19 215 331
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	-1 109 055	0	0	-1 109 055
New lending	2 947 008	0	0	2 947 008
Write-offs	-1 965 325	0	0	-1 965 325
Lending 31.12.2023	19 087 959	0	0	19 087 959

Quarterly earnings trend

NOK MILLIONS	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Interest income	313.9	296.4	255.4	235.3	225.0
Interest expense	-285.4	-263.1	-229.0	-210.0	-191.6
Net interest income	28.5	33.3	26.5	25.3	33.4
Net gain/(loss) financial instruments	1.9	1.5	-3.2	-2.5	6.1
Total net gain/(loss) on financial instruments	1.9	1.5	-3.2	-2.5	6.1
Other operating expenses	-6.1	-6.0	-5.7	-5.0	-5.1
Total operating expenses	-6.1	-6.0	-5.7	-5.0	-5.1
Operating profit/loss before tax	24.4	28.8	17.6	17.8	34.4
Tax ordinary income	-5.4	-6.3	-3.9	15.8	-7.6
Profit for the period	19.0	22.5	13.7	33.6	26.8

Key figures - accumulated

NOK MILLIONS	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Pre-tax income	88.6	64.2	35.4	17.8	76.1
Net interest income	113.6	85.1	51.8	25.3	107.6
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-22.7	-16.7	-10.7	-5.0	-20.7
Net gain/(loss) financial instruments	-2.3	-4.2	-5.7	-2.5	-10.8
Lending with public sector guarantee	19 001.2	19 370.6	19 449.1	19 384.1	19 117.1
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	19 390.8	19 412.9	18 555.2	18 474.4	19 783.0
Other borrowing	701.6	1 107.2	2 309.0	2 313.1	1 707.5
Total assets	21 188.3	21 633.7	21 948.7	21 843.2	22 548.0
Average total assets	21 868.2	22 090.8	22 248.4	22 195.6	21 336.9
Equity	969.2	950.2	927.7	914.0	900.1
Interest net	0.52 %	0.39 %	0.23 %	0.11 %	0.50 %
Profit/loss from ordinary operation before taxes	0.41 %	0.29 %	0.16 %	0.08 %	0.36 %
Return on equity	9.84 %	9.52 %	7.87 %	7.93 %	8.46 %
Capital adequacy ratio	22.7 %	20.4 %	20.2 %	20.4 %	20.3 %
Liquidity coverage ratio (LCR)	925 %	1 034 %	2 158 %	2 827 %	2 174 %

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