



Interim report

KLP KOMMUNEKREDITT AS
Q2 2023

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KLP KOMMUNEKREDITT AS

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Interim Financial Statements

KLP KOMMUNEKREDITT AS

Main features by the first half year:

- Increased operating income
- Moderate lending growth
- Good earnings development

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

The pre-tax profit by quarter end was NOK 35.4 (21.5)¹ million. The change in profit is mainly due to increased net interest income and reduced negative profit effects from market value changes on financial instruments.

Net interest revenues in the first half year were NOK 51.8 (45.0) million. The change is primarily related to increased interest rates and higher lending volumes. Lending margins have been somewhat lower on average than in the first half of last year.

Net P&L effects of financial instruments so far this year amounts to NOK -5.7 (-13.5) million. This mainly comprises reduced market values on liquid investments and one-off costs for covered bond refinancing. Realized and unrealized loss caused by reduced market value of the company's liquid investments has so far this year had a P&L effect of NOK -1.7 (-8.1) million. Restructuring of the covered bond portfolio are done regularly to adjust average duration. This may cause both loss and gain. Accounting loss brought to book as a consequence of covered bond refinancing is NOK -4.0 (-5.4) so far this year.

Operating expenses in the first half year amounted to NOK -10.7 (-10.0) million. The Company has not had any credit losses and have very low loan loss provisions.

LENDING

The Company's loans to customers as at 30 June 2023 amounted to NOK 19.4 (18.3) billion. The Company's borrowers are municipalities, county municipalities and local government enterprises 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 public sector loans, 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 June 30th 2023, the Company's securities portfolio market value was NOK 1.9 (2.0) billion.

BORROWING

The Company's borrowing comprises covered bonds (OMF) as well as borrowing from KLP Banken AS. In the first half of 2023 new covered bond issues amounted NOK 4.0 (3.0) billion and net repurchase of previous issues was NOK 0.2 (0.7) billion. All covered bonds have achieved Aaa rating from Moody's.

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 activities 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.

At the end of the second quarter 2023, core capital i.a.w. the capital adequacy rules was NOK 878.5 (755.8) 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 16.0 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

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 development in the financial markets that 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. Increased life-time prospects, demography, income development and climate risk give reason to expect a continued high level of investments in the public sector also in the years to come. The demand for project funding that contributes to climate adaption is specially expected to increase ahead.

The Board assumes that the need for long-term and stable funding, in addition to what the securities market can offer public sector lenders, will be significant also ahead. KLP Banken's competence on municipal finance, independent on the size of the Company's own balance, shall be used for the benefit of the KLP lending 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, 10 August 2023

Aage E. Schaanning
Chair

Janicke E. Falkenberg

Aud Norunn Strand

Jonas V. Kårstad

Carl Steinar Lous
Managing Director

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 2023 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, 10 August 2023

Aage E. Schaanning
Chair

Janicke E. Falkenberg

Aud Norunn Strand

Jonas V. Kårstad

Carl Steinar Lous
Managing Director

Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q2 2023	Q2 2022	01.01.2023 -30.06.2023	01.01.2022 -30.06.2022	01.01.2022 -31.12.2022
	Interest income, effective interest method	205 781	92 318	388 102	165 478	463 028
	Other interest income	49 655	16 968	102 649	29 881	98 981
3	Total interest income	255 436	109 285	490 751	195 359	562 009
	Interest expense, effective interest method	-203 837	-74 322	-389 716	-132 099	-404 952
	Other interest expenses	-25 139	-8 942	-49 228	-18 234	-49 451
3	Total interest costs	-228 976	-83 264	-438 944	-150 333	-454 403
3	Net interest income	26 460	26 022	51 807	45 025	107 606
17	Net gain/(loss) on financial instruments	-3 157	-11 069	-5 686	-13 482	-10 751
	Total net gain/(loss) on financial instruments	-3 157	-11 069	-5 686	-13 482	-10 751
	Other operating expenses	-5 718	-4 820	-10 692	-10 013	-20 725
18	Net loan losses	0	-4	-2	-4	-8
	Total operating expenses	-5 718	-4 824	-10 694	-10 018	-20 733
	Operating profit/loss before tax	17 585	10 128	35 426	21 525	76 122
	Tax ordinary income	-3 869	-2 228	11 934	-1 760	-13 771
	Profit for the period	13 716	7 900	47 360	19 766	62 351
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	13 716	7 900	47 360	19 766	62 351

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	30.06.2023	30.06.2022	31.12.2022
ASSETS				
5	Loans to credit institutions	469 229	582 945	547 868
4,5	Loans to customers	19 449 096	18 321 099	19 117 097
5,6,15	Fixed-income securities	1 870 641	1 986 967	2 724 070
5,6	Financial derivatives	142 727	107 711	138 897
12	Other assets	16 996	15 095	20 092
Total assets		21 948 689	21 013 817	22 548 024
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	2 309 036	905 499	1 707 544
5,7	Debt securities issued	18 555 159	19 210 786	19 783 028
5,6	Financial derivatives	43 361	31 256	25 939
	Deferred tax liabilities	2 129	5 110	21 857
13	Other liabilities	111 143	83 585	109 527
13	Provision for accrued costs and liabilities	126	64	28
Total liabilities		21 020 954	20 236 300	21 647 922
EQUITY				
	Share capital	391 500	362 500	391 500
	Share premium	363 500	312 500	363 500
	Other owners' equity	125 374	82 751	145 102
	Unallocated profit/loss	47 360	19 766	0
Total owners' equity		927 734	777 517	900 102
Total liabilities and equity		21 948 689	21 013 817	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
Profit for the period	0	0	47 360	47 360
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	47 360	47 360
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 30 June 2023	391 500	363 500	172 734	927 734

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	19 766	19 766
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	19 766	19 766
Group contribution received	0	0	10 551	10 551
Group contribution made	0	0	-13 527	-13 527
Total transactions with the owners	0	0	-2 976	-2 976
Equity 30 June 2022	362 500	312 500	102 517	777 517

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 -30.06.2023	01.01.2022 -30.06.2022	01.01.2022 -31.12.2022
OPERATIONAL ACTIVITIES			
Payments received from customers - interest, commission & charges	355 260	143 603	381 107
Disbursements on loans customers & credit institutions	-851 278	-779 881	-2 481 139
Receipts on loans customers & credit institutions	519 943	226 130	1 198 315
Disbursements on operations	-12 092	-13 935	-22 801
Net receipts/disbursements from operating activities	1 793	58 705	79 152
Interest from credit institutions	4 668	1 654	9 273
Net cash flow from operating activities	18 294	-363 723	-836 092
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-200 397	-744 756	-2 084 060
Receipts on sale of securities	1 051 281	417 177	1 030 010
Receipts of interest from securities	39 819	12 511	36 175
Net cash flow from investment activities	890 703	-315 068	-1 017 875
FINANCING ACTIVITIES			
Receipts on loans from credit institutions	4 000 000	3 000 000	4 200 000
Repayments and redemption of securities debt	-5 000 000	-3 008 000	-3 008 000
Change in securities debt, own funds	-200 368	685 657	-52 701
Net payment of interest on loans credit institutions	-329 296	-127 173	-325 316
Receipts in internal funding	1 205 000	500 000	3 005 000
Disbursements in internal funding	-605 000	-350 000	-2 055 000
Net payment of interest on internal funding	-32 053	-2 174	-14 887
Payment on group contribution	-19 728	-2 976	-2 976
Change in owners' equity	0	0	80 000
Net cash flows from financing activities	-981 445	695 333	1 826 120
Net cash flow during the period	-72 448	16 542	-27 847
Cash and cash equivalents at the start of the period	525 685	553 531	553 531
Cash and cash equivalents at the end of the period	453 237	570 073	525 685
Net receipts/disbursements	-72 448	16 542	-27 847

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 2023 – 30 June 2023, 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 2022, please see the annual report for further information.

NOTE 3 Net interest income

NOK THOUSANDS	Q2 2023	Q2 2022	01.01.2023 -30.06.2023	01.01.2022 -30.06.2022	01.01.2022 -31.12.2022
Interest income on loans to customers	202 259	90 790	381 440	163 129	453 754
Interest income on loans to credit institutions	3 522	1 528	6 662	2 349	9 273
Total interest income, effective interest method	205 781	92 318	388 102	165 478	463 028
Interest income on bonds and certificates	18 361	7 909	40 715	13 367	45 009
Other interest income	31 294	9 059	61 934	16 514	53 973
Total other interest income	49 655	16 968	102 649	29 881	98 981
Total interest income	255 436	109 285	490 751	195 359	562 009
Interest expenses on debt from KLP Banken AS	-20 378	-1 675	-33 545	-2 507	-17 264
Interest expenses on issued securities	-183 459	-72 646	-356 171	-129 593	-387 688
Total interest expenses, effective interest method	-203 837	-74 322	-389 716	-132 099	-404 952
Other interest expenses	-25 139	-8 942	-49 228	-18 234	-49 451
Total other interest expenses	-25 139	-8 942	-49 228	-18 234	-49 451
Total interest expenses	-228 976	-83 264	-438 944	-150 333	-454 403
Net interest income	26 460	26 022	51 807	45 025	107 606

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2023	30.06.2022	31.12.2022
Loans to customers before write-downs	19 442 060	18 369 864	19 101 791
Write-downs steps 1 and 2	-186	-180	-184
Loans to customers after write-downs	19 441 874	18 369 684	19 101 607
Accrued interest	139 720	60 418	113 540
Fair value hedging	-132 498	-109 003	-98 049
Loans to customers	19 449 096	18 321 099	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	30.06.2023		30.06.2022		31.12.2022	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS						
Fixed-income securities	1 870 641	1 870 641	1 986 967	1 986 967	2 724 070	2 724 070
Financial derivatives	142 727	142 727	107 711	107 711	138 897	138 897
Total financial assets at fair value through profit and loss	2 013 368	2 013 368	2 094 678	2 094 678	2 862 967	2 862 967
FINANCIAL ASSETS FAIR VALUE HEDGING						
Lending to Norwegian municipalities	1 545 582	1 552 198	1 705 883	1 727 206	1 702 745	1 706 638
Total financial assets fair value hedging	1 545 582	1 552 198	1 705 883	1 727 206	1 702 745	1 706 638
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	469 229	469 229	582 945	582 945	547 868	547 868
Lending to Norwegian municipalities	17 903 514	17 903 514	16 615 216	16 615 216	17 414 352	17 414 352
Total financial assets at amortized cost	18 372 743	18 372 743	17 198 160	17 198 160	17 962 220	17 962 220
Total financial assets	21 931 693	21 938 309	20 998 722	21 020 044	22 527 932	22 531 825
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Financial derivatives	43 361	43 361	31 256	31 256	25 939	25 939
Total financial liabilities at fair value through profit and loss	43 361	43 361	31 256	31 256	25 939	25 939
FINANCIAL LIABILITIES FAIR VALUE HEDGING						
Covered bonds issued	1 679 489	1 679 388	472 432	477 424	1 728 703	1 745 090
Total financial liabilities fair value hedging	1 679 489	1 679 388	472 432	477 424	1 728 703	1 745 090
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	2 309 036	2 309 036	905 499	905 499	1 707 544	1 707 544
Covered bonds issued	16 875 670	16 857 885	18 738 355	18 721 130	18 054 324	18 048 197
Total financial liabilities at amortized cost	19 184 707	19 166 922	19 643 853	19 626 629	19 761 869	19 755 741
Total financial liabilities	20 907 556	20 889 670	20 147 541	20 135 310	21 516 511	21 526 770

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

30.06.2023 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 218	1 771 423	0	1 870 641
Financial derivatives	0	142 727	0	142 727
Total assets at fair value	99 218	1 914 150	0	2 013 368
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	43 361	0	43 361
Total financial liabilities at fair value	0	43 361	0	43 361

30.06.2022 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 687	1 887 280	0	1 986 967
Financial derivatives	0	107 711	0	107 711
Total assets at fair value	99 687	1 994 991	0	2 094 678
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	31 256	0	31 256
Total financial liabilities at fair value	0	31 256	0	31 256

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

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	30.06.2023	30.06.2022	31.12.2022
Bond debt, nominal amount	19 700 000	19 500 000	20 700 000
Adjustments	-61 292	-22 991	12 429
Accrued interest	131 451	38 777	102 599
Own holdings, nominal amount	-1 215 000	-305 000	-1 032 000
Total debt securities issued	18 555 159	19 210 786	19 783 028

Interest rate on borrowings through the issuance of securities on the reporting date: 4.16 % 1.56 % 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 30.06.2023
Bond debt, nominal amount	20 700 000	4 000 000	-5 000 000	0	19 700 000
Adjustments	12 429	0	0	-73 721	-61 292
Accrued interest	102 599	0	0	28 852	131 451
Own holdings, nominal amount	-1 032 000	0	-183 000	0	-1 215 000
Total debt securities issued	19 783 028	4 000 000	-5 183 000	-44 869	18 555 159

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.06.2023	30.06.2022	31.12.2022
SECURITY POOL			
Loans to customers	19 481 765	18 342 663	19 132 889
Financial derivatives (net)	99 275	76 452	112 913
Additional collateral ¹	3 222 704	2 537 795	3 974 463
Total security pool	22 803 744	20 956 910	23 220 266
Outstanding covered bonds incl. own funds and premium/discount	19 758 822	19 501 961	20 832 669
Coverage of the security pool	115.4 %	107.5 %	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

30.06.2023 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	16.12.2024	100 000	175	100 175
Debt to KLP Banken AS	16.12.2024	1 505 000	2 635	1 507 635
Debt to KLP Banken AS	16.12.2024	400 000	700	400 700
Debt to KLP Banken AS	16.12.2024	300 000	525	300 525
Total liabilities to credit institutions		2 305 000	4 036	2 309 036

Interest rate on debt to credit institutions at the reporting date: 3.94 %

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

30.06.2022 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2023	150 000	83	150 083
Debt to KLP Banken AS	15.12.2023	505 000	278	505 278
Debt to KLP Banken AS	15.12.2023	50 000	28	50 028
Debt to KLP Banken AS	15.12.2023	200 000	110	200 110
Total liabilities to credit institutions		905 000	499	905 499

Interest rate on debt to credit institutions at the reporting date: 1.24 %

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

30.06.2023 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	142 727	0	142 727	-43 361	0	99 366
Total	142 727	0	142 727	-43 361	0	99 366
LIABILITIES						
Financial derivatives	43 361	0	43 361	-43 361	0	0
Total	43 361	0	43 361	-43 361	0	0

30.06.2022 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	107 711	0	107 711	-31 256	-77 648	14 136
Total	107 711	0	107 711	-31 256	-77 648	14 136
LIABILITIES						
Financial derivatives	31 256	0	31 256	-31 256	0	0
Total	31 256	0	31 256	-31 256	0	0

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

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 -30.06.2023	01.01.2022 -30.06.2022	01.01.2022 -31.12.2022
KLP Banken AS, interest on borrowing	-33 545	-2 507	-17 264
KLP Banken AS, interest on deposits	3 690	1 320	4 177
KLP Banken AS, administrative services (at cost)	-7 073	-6 638	-13 116
KLP Kapitalforvaltning AS, fees for services provided	0	0	-74

NOK THOUSANDS	30.06.2023	30.06.2022	31.12.2022
BALANCES			
KLP Banken AS, debt to credit institutions	-2 309 036	-905 499	-1 707 544
KLP Banken AS, deposit	208 922	202 374	205 231
KLP Banken AS, loan settlement	15 264	13 507	20 092
Net outstanding accounts to:			
KLP Banken AS	-1 524	-986	-1 402

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	30.06.2023	30.06.2022	31.12.2022
Intercompany receivables	15 264	13 507	20 092
Prepaid expenses	1 732	1 587	0
Total other assets	16 996	15 095	20 092

NOTE 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2023	30.06.2022	31.12.2022
Creditors	116	163	25
Intercompany payables	1 524	986	1 402
Short-term balances with credit institutions	101 400	77 700	108 100
Other liabilities	8 102	4 736	0
Total other liabilities	111 143	83 585	109 527
VAT	126	64	28
Total accrued costs and liabilities	126	64	28

NOTE 14 Capital adequacy

NOK THOUSANDS	30.06.2023	30.06.2022	31.12.2022
Share capital and share premium fund	755 000	675 000	755 000
Other owners' equity	125 374	82 751	145 102
Total owners' equity	880 374	757 751	900 102
Adjustments due to requirements for proper valuation	-1 871	-1 987	-2 724
Core capital/Tier 1 capital	878 503	755 764	897 378
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)	878 503	755 764	897 378
Capital requirement	347 882	329 984	353 621
Surplus of own funds (Tier 1 and Tier 2 capital)	530 622	425 780	543 756
ESTIMATE BASIS CREDIT RISK:			
Institutions	125 444	140 843	141 371
Local and regional authorities	3 954 738	3 734 287	3 963 118
Covered bonds	145 816	160 804	194 389
Other items	1 732	1 535	0
Calculation basis credit risk	4 227 729	4 037 469	4 298 878
Credit risk	338 218	322 998	343 910
Operating risk	9 432	6 826	9 432
Credit valuation adjustment	232	160	280
Total capital requirement assets	347 882	329 984	353 621
Core capital adequacy ratio	20.2 %	18.3 %	20.3 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	20.2 %	18.3 %	20.3 %
Leverage ratio	4.0 %	3.6 %	4.0 %

CAPITAL REQUIREMENT PER 30.06.2023	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	3.0 %	0.0 %	3.0 %
Counter-cyclical capital buffer	2.5 %	0.0 %	2.5 %
Current capital requirement incl. buffers	12.5 %	3.5 %	16.0 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 15 Fixed-income securities

NOK THOUSANDS	30.06.2023		30.06.2022		31.12.2022	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	213 414	216 767	0	0	392 669	395 773
Bonds	1 656 044	1 653 874	1 995 268	1 986 967	2 328 552	2 328 297
Total fixed-income securities	1 869 458	1 870 641	1 995 268	1 986 967	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	30.06.2023	30.06.2022	31.12.2022
Loan commitment	22 650	160 737	35 491
Total contingent liabilities	22 650	160 737	35 491

NOTE 17 Net gain/(loss) on financial instruments

NOK THOUSANDS	Q2 2023	Q2 2022	01.01.2023 -30.06.2023	01.01.2022 -30.06.2022	01.01.2022 -31.12.2022
Net gain/(loss) on fixed-income securities	-8	-5 667	-1 696	-8 080	-4 379
Net gain/(loss) financial derivatives and realized amortization linked to lending	0	0	0	0	5
Net gain/(loss) financial derivatives and realized repurchase of own debt	-3 149	-5 403	-3 990	-5 403	-6 377
Total net gain/(loss) on financial instruments	-3 157	-11 069	-5 686	-13 482	-10 751

NOTE 18 Loan loss provision

Changes in provisions for expected losses in second 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 second 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	-6	0	0	-6
New losses	17	0	0	17
Write-offs	-9	0	0	-9
Closing balance ECL 30.06.2023	186	0	0	186
Changes (01.01.2023-30.06.2023)	2	0	0	2

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	-516 734	0	0	-516 734
New lending	1 837 388	0	0	1 837 388
Write-offs	-954 204	0	0	-954 204
Lending 30.06.2023	19 581 780	0	0	19 581 780

Quarterly earnings trend

NOK MILLIONS	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Interest income	255.4	235.3	225.0	141.6	109.3
Interest expense	-229.0	-210.0	-191.6	-112.5	-83.3
Net interest income	26.5	25.3	33.4	29.2	26.0
Net gain/(loss) financial instruments	-3.2	-2.5	6.1	-3.3	-11.1
Total net gain/(loss) on financial instruments	-3.2	-2.5	6.1	-3.3	-11.1
Other operating expenses	-5.7	-5.0	-5.1	-5.6	-4.8
Total operating expenses	-5.7	-5.0	-5.1	-5.6	-4.8
Operating profit/loss before tax	17.6	17.8	34.4	20.2	10.1
Tax ordinary income	-3.9	15.8	-7.6	-4.5	-2.2
Profit for the period	13.7	33.6	26.8	15.8	7.9

Key figures - accumulated

NOK MILLIONS	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Pre-tax income	35.4	17.8	76.1	41.8	21.5
Net interest income	51.8	25.3	107.6	74.2	45.0
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-10.7	-5.0	-20.7	-15.6	-10.0
Net gain/(loss) financial instruments	-5.7	-2.5	-10.8	-16.8	-13.5
Lending with public sector guarantee	19 449.1	19 384.1	19 117.1	18 717.6	18 321.1
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	18 555.2	18 474.4	19 783.0	18 806.4	19 210.8
Other borrowing	2 309.0	2 313.1	1 707.5	1 506.6	905.5
Total assets	21 948.7	21 843.2	22 548.0	21 245.7	21 013.8
Average total assets	22 248.4	22 195.6	21 336.9	20 685.7	20 569.8
Equity	927.7	914.0	900.1	793.3	777.5
Interest net	0.23 %	0.11 %	0.50 %	0.36 %	0.22 %
Profit/loss from ordinary operation before taxes	0.16 %	0.08 %	0.36 %	0.20 %	0.10 %
Return on equity	7.87 %	7.93 %	8.46 %	7.32 %	5.66 %
Capital adequacy ratio	20.2 %	20.4 %	20.3 %	18.2 %	18.3 %
Liquidity coverage ratio (LCR)	2 158 %	2 827 %	2 174 %	4 278 %	813 %



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