

Q2 Interim Report 2024

KLP Kommunekreditt AS



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KLP Kommunekreditt AS

Q2 2024

Interim Financial Statements 2/2024

Main features by second quarter end:

- Increased net interest income
- Reduced lending volume
- Good P&L development

Objective

The Company's objective is financing KLP Banken's loans to municipalities, county administrations and enterprises carrying out public sector assignments. Loans to companies must be guaranteed by municipalities, county administrations or the central government under the Norwegian Local Government Act. Guarantees are to be of the ordinary surety type covering both repayments and interest. The lending business is principally funded issuing covered bonds.

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

Income statement

The operating profit before tax for the second quarter was NOK 18.6 (17.6)¹ million. Year-to-date, the profit before tax is NOK 45.3 (35.4) million. The change in profit is mainly due to growth in net interest income and positive effects from changes in the value of financial instruments.

Net interest income as at the second quarter was NOK 56.9 (51.8) million. The change is mainly due to higher interest rates compared to the first half of last year.

Net profit and loss effects of financial instruments as at the second quarter were NOK -2.2 (-5.7) million. This mainly includes losses on liquidity placements and costs associated with the repurchase of borrowings. Realized and unrealized changes in the value of the company's liquidity placements have so far this year resulted in an effect of NOK 5.4 (-1.7) million. The restructuring of the borrowing portfolio is done regularly to adjust the average maturity. This may result in both losses and gains. Accounting losses due to the repurchase of own debt amount to NOK -7.4 (-4.0) million so far this year.

Operating expenses in the first half of the year were NOK -9.5 (-10.7) million. The company has not had any realized loan losses and has very low loss provisions.

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

Lending/total assets

The company's loans to customers as of 30 June 2024 were NOK 18.3 (19.5) billion. Year-to-date, net lending growth has been NOK -0.7 billion. Borrowers are municipalities, county municipalities, and companies with municipal guarantees. Total assets was NOK 20.7 (21.9) billion.

Liquid investments

The security mass related to borrowing financing is subject to strict requirements. In addition to loans to the public sector, it consists of secure securities and deposits in other banks. The securities consist of certificates and bonds with very high credit quality, mainly covered bonds. As of 30 June 2024, the company's interest-bearing securities had a market value of NOK 1.8 (1.9) billion.

Borrowing

The company's financing consists of covered bonds (OMF) and loans from KLP Banken AS. The company had NOK 0.7 (2.3) billion in intra-group debt at the end of the quarter. Outstanding OMF debt was NOK 18.8 (18.6) billion. NOK 3.0 billion in new covered bonds were issued in the first half of the year. Net repurchase or sale of own holdings from previous issues amounted to NOK -1.5 (0.2) billion per the second quarter. All OMF issued have an Aaa rating from Moody's.

Risk and capital adequacy

KLP Kommunekreditt AS has established a risk management framework to ensure that risks are identified, analyzed, and managed through guidelines, frameworks, routines, and instructions. The company should have a cautious risk profile, and earnings should primarily result from lending and borrowing activities as well as 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 shall have sufficient long-term financing within established frameworks. The credit risk in the company is very low, and loans are limited to those with municipal risk. The company's liquidity is placed in banks with high credit quality requirements and in securities in line with board-approved credit lines.

At the end of the second quarter of 2024, core capital i.a.w. the capital adequacy rules were NOK 947.5 (878.5) million. Loans to municipalities and county administrations are risk-weighted 20 per cent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS has a core capital adequacy and capital adequacy ratio of 23.0 (20.2) percent per the second quarter. The minimum statutory requirement is 17.5 percent capital adequacy ratio. Leverage ratio was 4.6 (4.0) per cent. The requirement here is 3.0 per cent.

Future prospects

The presence of KLP Kommunekreditt AS together with KLP in the public lending market contributes to competition, thereby ensuring that the public sector has access to long-term financing on favorable terms. Combined growth in recent years shows that the market position is solid.

High credit quality in the loan portfolios shall contribute to KLP Kommunekreditt AS achieving favorable borrowing terms. Government regulation of banks and financial institutions means that a number of regulatory requirements for capital and liquidity must be met. This requires ongoing earnings that make it possible to meet such requirements.

The market for loans to the municipal sector continues to grow, and about one-third of the loans are financed in the securities market rather than by the financial institutions. KLP Kommunekreditt AS is well-capitalized and has an advantage as a stable and long-term lender with a good reputation in a low-risk market. Development in the financial markets are important in terms of the extent to which KLP Kommunekreditt AS can finance its lending activities in a way that provides sufficient profitability and growth opportunities going forward.

Norwegian municipalities have developed a good and comprehensive service offering to the population. Increased life expectancy, demographics, income development, and climate risk provide reasons to expect significant investment needs in the public sector also in the coming years. However, Norwegian society is currently experiencing a period of macroeconomic uncertainty that will also affect the framework conditions for the public sector. This uncertainty has also led to higher costs for the municipal sector through increased inflation and higher interest rates.

Higher costs due to increased inflation and higher interest rates may result in lower loan growth than has been normal in recent years, but this has not yet occurred, and loan growth remains high. The demand for loans to projects that contribute to climate adaptation is increasing and will most likely continue to increase in the coming years.

The board assumes that there also will be a need for significant long-term and stable financing for public borrowers in the future. KLP Banken's expertise in municipal financing should, regardless of the size of its own balance sheet, be used for the management assignment for KLP. KLP Kommunekreditt AS and KLP together shall continue to be a central player as a provider of loans for investment purposes in the public sector.

Trondheim, 14 August 2024

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 2024 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, 14 August 2024

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AUD NORUNN STRAND

JONAS V. KÅRSTAD

CARL STEINAR LOUS

Managing Director

Income statement

KLP Kommunekreditt AS

NOTE	NOK THOUSANDS	Q2 2024	Q2 2023	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023	01.01.2023 -31.12.2023
	Interest income, effective interest method	247 152	205 781	496 808	388 102	891 875
	Other interest income	58 356	49 655	114 328	102 649	209 113
3	Total interest income	305 508	255 436	611 136	490 751	1 100 988
	Interest expense, effective interest method	-246 234	-203 837	-491 894	-389 716	-879 623
	Other interest expenses	-31 434	-25 139	-62 320	-49 228	-107 746
3	Total interest costs	-277 668	-228 976	-554 214	-438 944	-987 369
3	Net interest income	27 840	26 460	56 922	51 807	113 619
17	Net gain/(loss) on financial instruments	-4 967	-3 157	-2 187	-5 686	-2 304
	Total net gain/(loss) on financial instruments	-4 967	-3 157	-2 187	-5 686	-2 304
	Other operating expenses	-4 234	-5 718	-9 470	-10 692	-22 717
18	Net loan losses	4	0	6	-2	4
	Total operating expenses	-4 230	-5 718	-9 464	-10 694	-22 713
	Operating profit/loss before tax	18 643	17 585	45 271	35 426	88 603
	Tax ordinary income	880	-3 869	4	11 934	235
	Profit for the period	19 524	13 716	45 275	47 360	88 838
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	19 524	13 716	45 275	47 360	88 838

Balance

KLP Kommunekreditt AS

NOTE	NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
ASSETS				
5	Loans to credit institutions	524 067	469 229	568 248
4,5	Loans to customers	18 310 780	19 449 096	19 001 225
5,6,15	Fixed-income securities	1 760 279	1 870 641	1 500 050
5,6	Financial derivatives	113 351	142 727	108 137
12	Other assets	12 529	16 996	10 618
	Total assets	20 721 007	21 948 689	21 188 279
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	751 377	2 309 036	701 570
5,7	Debt securities issued	18 832 822	18 555 159	19 390 805
5,6	Financial derivatives	32 249	43 361	23 233
	Deferred tax liabilities	1 695	2 129	21 622
13	Other liabilities	108 239	111 143	81 817
13	Provision for accrued costs and liabilities	66	126	21
	Total liabilities	19 726 448	21 020 954	20 219 067
EQUITY				
	Share capital	391 500	391 500	391 500
	Share premium	363 500	363 500	363 500
	Other owners' equity	194 284	125 374	214 212
	Unallocated profit/loss	45 275	47 360	0
	Total owners' equity	994 559	927 734	969 212
	Total liabilities and equity	20 721 007	21 948 689	21 188 279

Statement of changes in equity

KLP Kommunekreditt AS

2024 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2024	391 500	363 500	214 212	969 212
Profit for the period	0	0	45 275	45 275
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	45 275	45 275
Group contribution received	0	0	70 651	70 651
Group contribution made	0	0	-90 578	-90 578
Total transactions with the owners	0	0	-19 927	-19 927
Equity 30 June 2024	391 500	363 500	239 559	994 559

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

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

Statement of cash flow

KLP Kommunekreditt AS

NOK THOUSANDS	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023	01.01.2023 -31.12.2023
OPERATIONAL ACTIVITIES			
Payments received from customers - interest, commission & charges	505 280	355 260	794 436
Disbursements on loans customers & credit institutions	-256 922	-851 278	-1 069 415
Receipts on loans customers & credit institutions	926 277	519 943	1 300 680
Disbursements on operations	-12 293	-12 092	-22 301
Net receipts/disbursements from operating activities	32 618	1 793	-38 809
Interest from credit institutions	7 781	4 668	18 079
Net cash flow from operating activities	1 202 740	18 294	982 671
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-856 909	-200 397	-442 481
Receipts on sale of securities	603 316	1 051 281	1 666 175
Receipts of interest from securities	37 267	39 819	77 787
Net cash flow from investment activities	-216 325	890 703	1 301 482
FINANCING ACTIVITIES			
Receipts on loans from credit institutions	3 000 000	4 000 000	6 000 000
Repayments and redemption of securities debt	-5 000 000	-5 000 000	-5 000 000
Change in securities debt, own funds	1 424 412	-200 368	-1 407 062
Net payment of interest on loans credit institutions	-446 237	-329 296	-775 168
Receipts in internal funding	350 000	1 205 000	2 205 000
Disbursements in internal funding	-300 000	-605 000	-3 210 000
Net payment of interest on internal funding	-16 891	-32 053	-67 524
Payment on group contribution	-19 927	-19 728	-19 728
Net cash flows from financing activities	-1 008 644	-981 445	-2 274 481
Net cash flow during the period	-22 229	-72 448	9 672
Cash and cash equivalents at the start of the period	535 356	525 685	525 685
Cash and cash equivalents at the end of the period	513 127	453 237	535 356
Net receipts/disbursements	-22 229	-72 448	9 672

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 2024 – 30 June 2024, with a specification of the results in the Q2.

The financial statements for KLP Kommunekreditt AS have been prepared in accordance with IFRS Accounting Standards®) as adopted by the EU with some additions that follow The Norwegian Accounting Act and the Regulations concerning annual accounts for banks, mortgage firms and finance companies (the Accounting Regulations). The interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim Financial Statements has not been audited.

Other accounting principles and calculations are the same in the interim financial statement as in the annual report for 2023 please see the annual report for further information.

Note 3 Net interest income

NOK THOUSANDS	Q2 2024	Q2 2023	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023	01.01.2023 -31.12.2023
Interest income on loans to customers	240 736	202 259	485 832	381 440	873 796
Interest income on loans to credit institutions	6 416	3 522	10 976	6 662	18 079
Total interest income, effective interest method	247 152	205 781	496 808	388 102	891 875
Interest income on bonds and certificates	20 669	18 361	39 946	40 715	77 406
Other interest income	37 687	31 294	74 382	61 934	131 708
Total other interest income	58 356	49 655	114 328	102 649	209 113
Total interest income	305 508	255 436	611 136	490 751	1 100 988
Interest expenses on debt from KLP Banken AS	-9 760	-20 378	-16 697	-33 545	-66 549
Interest expenses on issued securities	-236 474	-183 459	-475 196	-356 171	-813 073
Total interest expenses, effective interest method	-246 234	-203 837	-491 894	-389 716	-879 623
Other interest expenses	-31 434	-25 139	-62 320	-49 228	-107 746
Total other interest expenses	-31 434	-25 139	-62 320	-49 228	-107 746
Total interest expenses	-277 668	-228 976	-554 214	-438 944	-987 369
Net interest income	27 840	26 460	56 922	51 807	113 619

Note 4 Loans to customers

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Loans to customers before write-downs	18 230 872	19 442 060	18 895 059
Write-downs steps 1 and 2	-174	-186	-180
Loans to customers after write-downs	18 230 698	19 441 874	18 894 880
Accrued interest	173 451	139 720	192 899
Fair value hedging	-93 369	-132 498	-86 554
Loans to customers	18 310 780	19 449 096	19 001 225

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	30.06.2024		30.06.2023		31.12.2023	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS						
Fixed-income securities	1 760 279	1 760 279	1 870 641	1 870 641	1 500 050	1 500 050
Financial derivatives	113 351	113 351	142 727	142 727	108 137	108 137
Total financial assets at fair value through profit and loss	1 873 630	1 873 630	2 013 368	2 013 368	1 608 187	1 608 187
FINANCIAL ASSETS FAIR VALUE HEDGING						
Lending to Norwegian municipalities	1 715 131	1 727 651	1 545 582	1 552 198	1 584 628	1 578 296
Total financial assets fair value hedging	1 715 131	1 727 651	1 545 582	1 552 198	1 584 628	1 578 296
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	524 067	524 067	469 229	469 229	568 248	568 248
Lending to Norwegian municipalities	16 595 649	16 595 649	17 903 514	17 903 514	17 416 597	17 416 597
Total financial assets at amortized cost	17 119 716	17 119 716	18 372 743	18 372 743	17 984 845	17 984 845
Total financial assets	20 708 478	20 720 998	21 931 693	21 938 309	21 177 661	21 171 328
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Financial derivatives	32 249	32 249	43 361	43 361	23 233	23 233
Total financial liabilities at fair value through profit and loss	32 249	32 249	43 361	43 361	23 233	23 233
FINANCIAL LIABILITIES FAIR VALUE HEDGING						
Covered bonds issued	1 702 310	1 714 791	1 679 489	1 679 388	1 713 024	1 722 804
Total financial liabilities fair value hedging	1 702 310	1 714 791	1 679 489	1 679 388	1 713 024	1 722 804
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	751 377	751 377	2 309 036	2 309 036	701 570	701 570
Covered bonds issued	17 130 513	17 200 401	16 875 670	16 857 885	17 677 781	17 707 656
Total financial liabilities at amortized cost	17 881 889	17 951 777	19 184 706	19 166 922	18 379 351	18 409 226
Total financial liabilities	19 616 448	19 698 818	20 907 556	20 889 670	20 115 608	20 155 262

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

30.06.2024 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	99 079	1 661 200	0	1 760 279
Financial derivatives	0	113 351	0	113 351
Total assets at fair value	99 079	1 774 551	0	1 873 630
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	32 249	0	32 249
Total financial liabilities at fair value	0	32 249	0	32 249
30.06.2023 NOK THOUSANDS				
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
31.12.2023 NOK THOUSANDS				
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	23 233	0	23 233
Total financial liabilities at fair value	0	23 233	0	23 233

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	30.06.2024	30.06.2023	31.12.2023
Bond debt, nominal amount	19 700 000	19 700 000	21 700 000
Adjustments	-45 387	-61 292	-8 726
Accrued interest	178 209	131 451	146 531
Own holdings, nominal amount	-1 000 000	-1 215 000	-2 447 000
Total debt securities issued	18 832 822	18 555 159	19 390 805
Interest rate on borrowings through the issuance of securities on the reporting date:	5.13 %	4.16 %	5.07%

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 31.12.2023	Issued	Matured/ redeemed	Other adjustments	Balance sheet 30.06.2024
Bond debt, nominal amount	21 700 000	3 000 000	-5 000 000	0	19 700 000
Adjustments	-8 726	0	0	-36 661	-45 387
Accrued interest	146 531	0	0	31 678	178 209
Own holdings, nominal amount	-2 447 000	0	1 447 000	0	-1 000 000
Total debt securities issued	19 390 805	3 000 000	-3 553 000	-4 983	18 832 822

Note 8 Over-collateralisation

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
SECURITY POOL			
Loans to customers	18 323 474	19 481 765	19 006 509
Financial derivatives (net)	81 026	99 275	84 952
Additional collateral ¹	2 933 148	3 222 704	4 196 638
Total security pool	21 337 648	22 803 744	23 288 100
Outstanding covered bonds incl. own funds and premium/discount	19 921 164	19 758 822	21 894 289
Coverage of the security pool	107.1 %	115.4 %	106.4 %

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

30.06.2024 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2025	400 000	734	400 734
Debt to KLP Banken AS	15.12.2025	350 000	642	350 642
Total liabilities to credit institutions		750 000	1 377	751 377

Interest rate on debt to credit institutions at the reporting date: 4.72 %

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

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.

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.

Note 10 Financial assets and liabilities subject to net settlement

30.06.2024 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	113 351	0	113 351	-32 249	-87 471	11 990
Total	113 351	0	113 351	-32 249	-87 471	11 990
LIABILITIES						
Financial derivatives	32 249	0	32 249	-32 249	0	0
Total	32 249	0	32 249	-32 249	0	0

30.06.2023 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	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

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

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	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023	01.01.2023 -31.12.2023
KLP Banken AS, interest on borrowing	-16 697	-33 545	-66 549
KLP Banken AS, interest on deposits	5 157	3 690	8 646
KLP Banken AS, administrative services (at cost)	-6 426	-7 073	-13 966
KLP Kapitalforvaltning AS, fees for services provided	0	0	-77

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
BALANCES			
KLP Banken AS, debt to credit institutions	-751 377	-2 309 036	-701 570
KLP Banken AS, deposit	219 034	208 922	213 878
KLP Banken AS, loan settlement	10 950	15 264	10 618
Net outstanding accounts to:			
KLP Banken AS	-294	-1 524	-1 627
KLP Kapitalforvaltning AS	0	0	-77

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	30.06.2024	30.06.2023	31.12.2023
Intercompany receivables	10 950	15 264	10 618
Prepaid expenses	1 580	1 732	0
Total other assets	12 529	16 996	10 618

Note 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Creditors	221	116	113
Intercompany payables	294	1 524	1 704
Short-term balances with credit institutions	87 800	101 400	80 000
Other liabilities	19 923	8 102	0
Total other liabilities	108 239	111 143	81 817
VAT	66	126	21
Total accrued costs and liabilities	66	126	21

Note 14 Capital adequacy

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Share capital and share premium fund	755 000	755 000	755 000
Other owners' equity	194 284	125 374	214 212
Total owners' equity	949 284	880 374	969 212
Adjustments due to requirements for proper valuation	-1 760	-1 871	-1 500
Core capital/Tier 1 capital	947 524	878 503	967 712
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)	947 524	878 503	967 712
Capital requirement	330 090	347 882	340 885
Surplus of own funds (Tier 1 and Tier 2 capital)	617 434	530 622	626 827
ESTIMATE BASIS CREDIT RISK:			
Institutions	114 866	125 444	137 401
Local and regional authorities	3 708 250	3 954 738	3 846 618
Covered bonds	145 223	145 816	120 454
Other items	1 580	1 732	0
Calculation basis credit risk	3 969 919	4 227 729	4 104 472
Credit risk	317 593	338 218	328 358
Operating risk	12 335	9 432	12 335
Credit valuation adjustment (CVA)	162	232	192
Total capital requirement assets	330 090	347 882	340 885
Core capital adequacy ratio	23.0 %	20.2 %	22.7 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	23.0 %	20.2 %	22.7 %
Leverage ratio	4.6 %	4.0 %	4.6 %

CAPITAL REQUIREMENT PER 30.06.2024	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	30.06.2024		30.06.2023		31.12.2023	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	98 941	99 079	213 414	216 767	0	0
Bonds	1 655 504	1 661 200	1 656 044	1 653 874	1 498 025	1 500 050
Total fixed-income securities	1 754 445	1 760 279	1 869 458	1 870 641	1 498 025	1 500 050

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

Note 16 Contingent liabilities

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Loan commitment	43 000	22 650	70 850
Total contingent liabilities	43 000	22 650	70 850

Note 17 Net gain/(loss) on financial instruments

NOK THOUSANDS	Q2 2024	Q2 2023	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023	01.01.2023 -31.12.2023
Net gain/(loss) on fixed-income securities	2 491	-8	5 406	-1 696	3 763
Net gain/(loss) financial derivatives and realized amortization linked to lending	-189	0	-189	0	-46
Net gain/(loss) financial derivatives and realized repurchase of own debt	-7 269	-3 149	-7 404	-3 990	-6 020
Total net gain/(loss) on financial instruments	-4 967	-3 157	-2 187	-5 686	-2 304

Note 18 **Loan loss provision**

Changes in provisions for expected losses in second quarter 2024 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 2024.

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 01.01.2024	180	0	0	180
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	3	0	0	3
Write-offs	-4	0	0	-4
Closing balance ECL 30.06.2024	174	0	0	174
Changes (01.01.2024-30.06.2024)	-6	0	0	-6

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 01.01.2024	19 087 959	0	0	19 087 959
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	-475 057	0	0	-475 057
New lending	268 101	0	0	268 101
Write-offs	-476 680	0	0	-476 680
Lending 30.06.2024	18 404 323	0	0	18 404 323

Quarterly earnings trend

NOK MILLIONS	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Interest income	305.5	305.6	313.9	296.4	255.4
Interest expense	-277.7	-276.5	-285.4	-263.1	-229.0
Net interest income	27.8	29.1	28.5	33.3	26.5
Net gain/(loss) financial instruments	-5.0	2.8	1.9	1.5	-3.2
Total net gain/(loss) on financial instruments	-5.0	2.8	1.9	1.5	-3.2
Other operating expenses	-4.2	-5.2	-6.1	-6.0	-5.7
Total operating expenses	-4.2	-5.2	-6.1	-6.0	-5.7
Operating profit/loss before tax	18.6	26.6	24.4	28.8	17.6
Tax ordinary income	0.9	-0.9	-5.4	-6.3	-3.9
Profit for the period	19.5	25.7	19.0	22.5	13.7

Key figures - accumulated

NOK MILLIONS	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Pre-tax income	45.3	26.6	88.6	64.2	35.4
Net interest income	56.9	29.1	113.6	85.1	51.8
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost	-9.5	-5.2	-22.7	-16.7	-10.7
Net gain/(loss) financial instruments	-2.2	2.8	-2.3	-4.2	-5.7
Lending with public sector guarantee	18 310.8	18 735.1	19 001.2	19 370.6	19 449.1
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	18 832.8	19 162.8	19 390.8	19 412.9	18 555.2
Other borrowing	751.4	551.2	701.6	1 107.2	2 309.0
Total assets	20 721.0	20 816.3	21 188.3	21 633.7	21 948.7
Average total assets	20 954.6	21 002.3	21 868.2	22 090.8	22 248.4
Equity	994.6	975.0	969.2	950.2	927.7
Interest net	0.27 %	0.14 %	0.52 %	0.39 %	0.23 %
Profit/loss from ordinary operation before taxes	0.22 %	0.13 %	0.41 %	0.29 %	0.16 %
Return on equity	9.34 %	10.99 %	9.84 %	9.52 %	7.87 %
Capital adequacy ratio	23.0 %	22.8 %	22.7 %	20.4 %	20.2 %
Liquidity coverage ratio (LCR)	851 %	975 %	925 %	1 034 %	2 158 %

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