

Q2 Interim report 2024

KLP Banken Group

The KLP logo is rendered in a large, white, serif font. The 'K' and 'L' are connected, and the 'P' is positioned to the right. The logo is centered horizontally and partially overlaps the background image of pink cherry blossoms.

KLP

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KLP Banken Group

Interim Financial Statements 2/2024

Main features by second quarter:

- Increased operating income
- Moderate lending growth
- Good P&L development

The KLP Banken Group finances mortgages and other credit in the retail market and lending to municipalities, county administrations and companies carrying out public sector assignments. Additionally, the KLP Banken Group manages a lending portfolio on behalf of its parent company Kommunal Landspensjonskasse (KLP). The Group manages a lending total of NOK 125 (120)¹ billion. The lending business is nationwide and divided into the business areas retail market and public sector loans.

In the retail market, KLP Banken shall offer products and services at competitive terms, aiming at enterprises that have chosen KLP as their pension provider are considered attractive employers.

In the public sector market KLP Kommunekreditt AS, together with KLP, shall contribute to market competition and thereby access to favorable long-term financing for the sector.

KLP Banken AS is wholly owned by KLP. KLP Banken AS has two wholly owned subsidiaries, KLP Kommunekreditt AS and KLP Boligkreditt AS. The main office is in Trondheim.

Income statement

KLP Banken Group's operating profit before tax at the end of the first half-year was NOK 166.9 (121.5) million. The result for the second quarter alone was NOK 91.8 (68.3) million. The change in results is mainly due to increased net interest income in both business areas and net gains on financial instruments.

Segmented results show NOK 121.9 (87.5) million in the retail market and NOK 45.0 (34.0) million in the public market.

Net interest income in the KLP Banken Group for the first half-year was NOK 254.6 (220.8) million. The increase is mainly due to higher interest rates providing higher returns on loans financed with equity, as well as somewhat higher margins between loans and funding in the retail market.

At the end of the quarter, the income statement includes a net gain on value changes in financial instruments of NOK 5.9 (-9.3) million. This result effect is mainly related to changes in the market value of the bank's liquidity investments. An insignificant part of this is realized income.

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

Net fee and commission income amounts to NOK 15.1 (13.2) million per second quarter.

The bank group manages mortgages and public loans financed by the parent company (KLP). The management fee for this assignment amounted to NOK 31.3 (30.7) million for the first half-year.

Operating costs and depreciation amount to NOK -140.0 (-133.4) million so far this year. Most of the increase is due to price increases on purchases of external services and wage growth. Other operating costs also include reimbursements to customers due to fraud amounting to NOK -0.6 (-0.7) million.

Recognized losses and loss provisions so far in 2024 are NOK -0.0 (-0.4) million. KLP Banken's individual write-downs on mortgages have increased in the first half-year, but estimated provisions for future losses have been reduced by approximately the same amount. High inflation and high interest rates are expected to eventually lead to reduced repayment capacity among loan customers. Nor in 2024 there have been realized losses related to public loans.

The group's total result per the second quarter of 2024 was NOK 173.1 (155.1) million.

Lending and credits

KLP Banken manages loans on its own balance sheet and loans financed by KLP for a total of NOK 125 (120) billion. On its own balance sheet, KLP Banken Group had loans to customers amounting to NOK 42.8 (42.9) billion as of June 30, 2024. The distribution between the retail market and public loans was NOK 24.5 (23.5) billion and NOK 18.3 (19.4) billion, respectively.

Net mortgage growth in the first half-year was NOK 0.5 (0.2) billion. KLP Banken experiences that the growth in demand for new mortgages is lower than in previous years, which is related to the current high interest rate and inflation. The bank's main target group for mortgages is members of the pension schemes in KLP.

Mortgages amounting to NOK 1.6 (2.4) billion were sold from KLP Banken AS to the credit institution KLP Boligkreditt AS in the first half-year. The volume of managed mortgages for KLP has been relatively stable and amounted to NOK 2.7 billion at the end of the quarter.

Outstanding drawn credit on credit cards shows a slight reduction in the first half-year, but the number of customers using the bank's credit cards has increased by over 20 percent since the previous year-end.

KLP Banken's loan volume in the public sector market has decreased by NOK -0.7 (0.3) billion so far this year. Loans to public borrowers managed for KLP have increased by NOK 1.8 (1.0) billion.

Liquid investments

Available liquidity is placed in other banks and interest-bearing securities. Placements in credit institutions amounted to NOK 1.8 (1.3) billion in the KLP Banken Group at the end of the quarter. The book value of interest-bearing securities measured at fair value was NOK 5.1 (5.1) billion.

Market value changes on interest-bearing securities in the first half-year resulted in an accounting effect of NOK 13.2 (-5.6) million.

Borrowing

KLP Banken Group's external financing consists of deposits and bonds. At the reporting date, deposits from individuals and businesses amounted to NOK 15.6 (14.5) billion. Deposit growth so far this year is over 10 percent, which follows the bank's focus on attractive deposit products. This has given the bank a very positive growth in new deposit and daily banking customers. Fixed-rate deposits for personal customers were launched in the second quarter.

Debt incurred by issuing securities in the KLP Banken Group was NOK 30.8 (31.7) billion at the end of the second quarter. Of this, covered bonds issued by KLP Kommunekreditt AS amounted to NOK 18.8 (18.6) billion and by KLP Boligkreditt AS to NOK 11.1 (12.0) billion. All OMF issuances have achieved an Aaa rating. The debt securities in KLP Banken AS amounted to NOK 0.8 (1.1) billion.

Risk and capital adequacy

KLP Banken Group is exposed to various types of risk and has established a risk management framework to ensure that risks are identified, analysed, and managed through guidelines, frameworks, routines, and instructions.

The bank 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 business should have low market risk and that interest rate risk arising from lending and borrowing activities is reduced by using derivatives.

KLP Banken Group and its subsidiaries should have prudent long-term financing due to regulatory requirements, and frameworks have been established to ensure that this goal is met.

The bank's credit risk is low, and the bank's loans are mainly limited to loans with municipal risk and loans secured by real estate. The bank's liquidity is managed as placements in other banks and in securities that meet certain credit quality requirements in accordance with board-approved credit lines.

Equity capital according to capital adequacy rules at the end of the second quarter of 2024 was NOK 3,088 (2,897) million. Equity capital consists of core capital only. Loans are risk-weighted according to the capital requirements regulations. KLP Banken Group has a capital adequacy ratio and core capital ratio of 20.9 (20.3) percent at the reporting date. The current capital requirements, including buffer requirements, are 14.8 percent core capital ratio and 18.6 percent capital adequacy ratio. The leverage ratio was 6.1 (5.7) percent. The requirement here is 3.0 per cent.

Outlook

KLP Banken Group's target group in the retail market is KLP's membership base. It includes a significant portion of the population, and the basis for further developing KLP Banken Group's position among these is

considered good. KLP Banken Group will continue to work on developing favorable and relevant products and services for its members.

Norwegian society is still in a period of macroeconomic uncertainty, which has consequences for households. High price growth and increased interest rates particularly affect people's personal finances. KLP Group's members, who are mainly public employees and their households, are more shielded from employment-related risks than other groups, as they are employed by municipalities and health enterprises. KLP Banken Group therefore assumes that growth ambitions can remain, and that the risk of defaults and losses also will be limited in the future. The current high-cost period has also significantly reduced members' ability to save. Nevertheless, the bank maintains its growth ambitions for deposits, which should primarily be achieved by recruiting more deposit customers.

Household debt is subject to strict government-imposed credit granting requirements in the retail market. KLP Banken Group sees this as a good basis for further developing our banking products and services in the retail market. KLP Banken Group will continue conservative credit granting routines to maintain low risk in the bank's loan portfolios, but also support customers facing challenges in difficult times.

The banking industry is at the forefront of technological development, and customers' expectations for simple and digital solutions are increasing. KLP Banken Group aims to utilize proven technology to offer relevant, customer-friendly, and efficient services to customers. This entails a continuous need for IT investments to achieve the bank's goals of further growth and profitability.

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 a significant level of investment in the public sector in the coming years. Higher costs due to increased inflation and higher interest rates may in the short term contribute to somewhat lower loan growth than has been normal in recent years. However, municipalities in KS's annual budget survey express that the level of investment and borrowing should remain high in 2024. The demand for loans for projects that contribute to climate adaptation will likely continue to increase in the coming years.

KLP Kommunekreditt AS is the country's only credit institution that issues bonds secured by loans to the public sector. The presence of KLP Kommunekreditt AS together with KLP in the public sector loan market contributes to competition and thus ensures that the public sector has stable access to long-term financing on favorable terms.

KLP Banken AS has good solidity and an equity situation that meets all regulatory requirements. Combined with low credit risk in the lending business, this is a good basis for achieving the best possible financing in the capital markets.

KLP Banken is well-positioned for further development and growth.

Trondheim, 14 August 2024

SVERRE THORNES
Chair

AAGE E. SCHAANNING
Deputy Chair

JANICKE E. FALKENBERG

ANNE BJERTNÆS

PER KRISTIAN VAREIDE

JONAS V. KÅRSTAD
Elected by and from employees

ELLEN WINGE LER
Elected by and from employees

MARIANNE SEVALDSEN
Managing Director

Income statement

KLP Banken Group

NOTES	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	600 433	469 416	1 195 685	899 232	2 038 683
	Other interest income	98 731	81 954	192 974	170 353	351 367
3	Total interest income	699 164	551 370	1 388 659	1 069 585	2 390 050
	Interest expense, effective interest method	-536 429	-411 978	-1 065 062	-791 967	-1 802 752
	Other interest expense	-34 790	-28 747	-69 031	-56 823	-122 557
3	Total interest costs	-571 218	-440 725	-1 134 093	-848 790	-1 925 309
3	Net interest income	127 945	110 645	254 566	220 795	464 740
	Commission income and income from banking services	9 111	8 011	16 515	14 477	30 618
	Commission cost and cost from banking services	-684	-589	-1 403	-1 287	-2 734
	Net charges and commission income	8 426	7 422	15 112	13 189	27 884
	Other fee income	15 682	15 321	31 264	30 663	61 288
16	Net gain/ (loss) financial instruments	-972	-2 594	5 929	-9 325	2 466
	Total other operating income	14 711	12 727	37 194	21 337	63 754
	Salaries and administrative costs	-17 253	-21 066	-42 814	-43 196	-91 577
	Depreciation	-808	-950	-1 616	-1 943	-3 742
	Other operating expenses	-42 371	-40 324	-95 525	-88 269	-174 751
14	Net loan losses	1 146	-112	30	-448	-871
	Total operating expenses	-59 285	-62 452	-139 925	-133 857	-270 941
	Operating profit/loss before tax	91 797	68 341	166 947	121 465	285 437
	Tax ordinary income	-5 142	-16 408	-6 091	20 598	-18 622
	Profit/loss for the period	86 655	51 933	160 855	142 063	266 815
	Estimate difference, pension obligation and assets	6 193	15 942	16 334	17 331	-13 013
	Tax on actuarial gains and losses	-1 548	-3 985	-4 084	-4 333	3 253
	Items that will not be reclassified to profit and loss	4 644	11 956	12 251	12 998	-9 760
	Changes in the fair value through profit and loss	0	0	0	0	0
	Tax on changes in fair value of available for sale financial assets	0	0	0	0	0
	Items that may be reclassified to profit and loss	0	0	0	0	0
	Other comprehensive income for the period	4 644	11 956	12 251	12 998	-9 760
	Comprehensive income for the period	91 299	63 889	173 106	155 061	257 056

Balance sheet

KLP Banken Group

NOTES	NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
	ASSETS			
5	Claims on central banks	74 826	73 913	75 312
5	Loans to credit institutions	1 842 170	1 284 002	1 577 691
4,5	Loans to customers	42 804 313	42 930 435	42 856 271
5,6,13	Fixed-income securities	5 096 525	5 080 230	4 276 469
5,6	Shareholdings	1 852	1 187	1 897
5,6,8	Financial derivatives	113 546	143 105	108 370
	Intangible assets	13 262	14 807	13 943
17	Right-of-use assets	13 560	15 430	14 495
	Fixed assets	436	436	436
10	Other assets	12 107	13 606	3 221
	Total assets	49 972 597	49 557 153	48 928 107
	LIABILITIES AND OWNERS EQUITY			
	LIABILITIES			
5,7	Debt securities issued	30 766 945	31 660 782	31 408 338
5	Deposits and borrowings from the public	15 628 805	14 523 972	14 060 460
5,6,8	Financial derivatives	32 249	43 361	23 233
	Deferred tax liabilities	3 820	3 798	55 706
17	Lease liabilities	14 290	15 953	15 131
11	Other liabilities	202 860	193 648	127 394
11	Provision for accrued costs and liabilities	43 790	43 701	63 913
	Total liabilities	46 692 758	46 485 217	45 754 176
	EQUITY			
	Share capital	1 140 000	1 140 000	1 140 000
	Share premium	1 050 000	1 050 000	1 050 000
	Other owners' equity	916 733	726 875	983 931
	Profit for the period	173 106	155 061	0
	Total equity	3 279 839	3 071 936	3 173 931
	Total liabilities and equity	49 972 597	49 557 153	48 928 107

Statement of changes in equity

KLP Banken Group

2024 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2024	1 140 000	1 050 000	983 931	3 173 931
Profit for the period	0	0	160 855	160 855
Other comprehensive income	0	0	12 251	12 251
Total comprehensive income for the period	0	0	173 106	173 106
Group contribution received during the period	0	0	214 756	214 756
Group contribution paid during the period	0	0	-281 954	-281 954
Total transactions with the owners	0	0	-67 198	-67 198
Equity 30 June 2024	1 140 000	1 050 000	1 089 839	3 279 839

2023 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2023	1 140 000	1 050 000	776 466	2 966 466
Profit for the period	0	0	142 063	142 063
Other comprehensive income	0	0	12 998	12 998
Total comprehensive income for the period	0	0	155 061	155 061
Group contribution received during the period	0	0	159 535	159 535
Group contribution paid during the period	0	0	-209 126	-209 126
Total transactions with the owners	0	0	-49 591	-49 591
Equity 30 June 2023	1 140 000	1 050 000	881 936	3 071 936

2023 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2023	1 140 000	1 050 000	776 466	2 966 466
Income for the year	0	0	266 815	266 815
Other comprehensive income	0	0	-9 760	-9 760
Comprehensive income for the year	0	0	257 056	257 056
Group contribution received during the period	0	0	159 535	159 535
Group contribution paid during the period	0	0	-209 126	-209 126
Total transactions with the owners	0	0	-49 591	-49 591
Equity 31 December 2023	1 140 000	1 050 000	983 931	3 173 931

Statement of cash flow

KLP Banken Group

NOK THOUSANDS	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023	01.01.2023 -31.12.2023
OPERATING ACTIVITIES			
Payments received from customers – interest, commission and charges	1 189 519	858 953	1 908 976
Payments to customers – interest, commission and charges	-287 157	-190 610	-443 505
Disbursements on loans to customers and credit institutions	-4 074 431	-7 186 789	-13 278 857
Receipts on loans to customers	4 100 271	6 629 331	12 917 822
Net receipts on customer deposits banking	1 568 269	745 433	281 568
Disbursements on operations	-103 309	-84 226	-168 467
Payments to staff, pension schemes, employer's social security contribution etc.	-48 033	-42 655	-92 549
Interest investment accounts	38 969	20 755	65 614
Net receipts/disbursements from operating activities	85 773	72 276	20 301
Net cash flow from operating activities	2 469 871	822 469	1 210 903
INVESTMENT ACTIVITIES			
Receipts on the sale of securities	1 528 649	3 324 516	5 261 280
Payments on the purchase of securities	-2 330 770	-1 846 303	-2 966 767
Receipts of interest from securities	112 244	107 073	216 770
Payments on the purchase of tangible fixed assets	0	-191	-191
Net cash flow from investment activities	-689 877	1 585 096	2 511 092
FINANCING ACTIVITIES			
Receipts on loans	4 200 000	5 000 000	7 200 000
Repayments and redemption of securities debt	-5 300 000	-7 000 000	-7 300 000
Change in securities debt, own funds	443 183	199 261	-2 005 529
Net payment of interest on loans	-757 378	-577 782	-1 321 854
Payment of lease liabilities	-841	-808	-1 630
Group contributions paid	-67 198	-49 591	-49 591
Net cash flows from financing activities	-1 482 234	-2 428 920	-3 478 604
Net cash flow during the period	297 760	-21 355	243 392
Cash and cash equivalents at the start of the period	1 583 769	1 340 377	1 340 377
Cash and cash equivalents at the end of the period	1 881 529	1 319 022	1 583 769
Net receipts/disbursements (-)	297 760	-21 355	243 392

Notes to the financial statement

KLP Banken Group

Note 1 **General information**

KLP Banken AS was formed 25 February 2009. KLP Banken AS owns all the shares in KLP Kommunekreditt AS and KLP Boligkreditt AS. These companies together form the KLP Banken Group. KLP Banken Group provide or acquire loans to Norwegian municipalities and county authorities, as well as to companies with public sector guarantee. The lending activities are principally financed by issuance of covered bonds. The Group also offers standard banking products to private customers. KLP Banken AS is registered and domiciled in Norway. Its head office is at Beddingen 8 in Trondheim. The company has a branch office in Dronning Eufemiasgate 10, Oslo.

The company, KLP Banken AS, is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP). KLP is a mutual insurance company.

Note 2 **Accounting principles**

The interim report includes the interim Financial Statements of KLP Banken Group for the period 1 January 2024 – 30 June 2024, with a specification of the results in the 2nd quarter. The interim Financial Statements has not been audited.

The financial statements 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".

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	577 400	455 567	1 152 853	873 386	1 973 093
Interest income on loans to credit institutions	23 033	13 849	42 831	25 845	65 590
Total interest income, effective interest method	600 433	469 416	1 195 685	899 232	2 038 683
Interest income on bonds and certificates	60 960	50 591	118 421	108 288	219 358
Other interest income	37 771	31 364	74 553	62 065	132 009
Total other interest income	98 731	81 954	192 974	170 353	351 367
Total interest income	699 164	551 370	1 388 659	1 069 585	2 390 050
Interest expenses on deposits to KLP Banken	-146 053	-97 140	-279 549	-182 240	-426 988
Interest expenses on issued securities	-390 308	-314 763	-785 376	-609 576	-1 375 467
Interest expense lease liabilities	-67	-75	-137	-151	-297
Total interest expense, effective interest method	-536 429	-411 978	-1 065 062	-791 967	-1 802 752
Other interest expenses	-31 466	-25 171	-62 383	-49 294	-107 877
Interest expenses on deposits to customers	-3 324	-3 576	-6 648	-7 529	-14 680
Total other interest expense	-34 790	-28 747	-69 031	-56 823	-122 557
Total interest expense	-571 218	-440 725	-1 134 093	-848 790	-1 925 309
Net interest income	127 945	110 645	254 566	220 795	464 740

Note 4 Loans to customers

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Principal on loans to customers	42 642 282	42 849 602	42 665 975
Credit portfolio	42 584	42 949	42 393
Overdraft current account	166	132	175
Write-downs step 1 and 2	-1 538	-1 816	-1 765
Write-downs step 3	-2 357	-728	-1 413
Loans to customers after write-downs	42 681 137	42 890 138	42 705 364
Accrued interest	216 545	172 794	237 460
Fair value hedging	-93 369	-132 498	-86 554
Loans to customers	42 804 313	42 930 435	42 856 271

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	5 096 525	5 096 525	5 080 230	5 080 230	4 276 469	4 276 469
Financial derivatives	113 546	113 546	143 105	143 105	108 370	108 370
Shares and holdings	1 852	1 852	1 187	1 187	1 897	1 897
Total financial assets at fair value through profit and loss	5 211 923	5 211 923	5 224 522	5 224 522	4 386 736	4 386 736
FINANCIAL ASSETS FAIR VALUE HEDGING						
Loans to and receivables from customers	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	74 826	74 826	73 913	73 913	75 312	75 312
Loans to and receivables from central banks	1 842 170	1 842 170	1 284 002	1 284 002	1 577 691	1 577 691
Loans to and receivables from customers	41 089 182	41 089 182	41 384 853	41 384 853	41 271 643	41 271 643
Total financial assets at amortized cost	43 006 178	43 006 178	42 742 769	42 742 769	42 924 646	42 924 646
Total financial assets	49 933 232	49 945 752	49 512 872	49 519 488	48 896 010	48 889 678
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						
Liabilities created on issuance of securities	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 created on issuance of securities	29 064 635	29 162 159	29 981 293	29 916 767	29 695 315	29 718 083
Deposits from customers	15 628 805	15 628 805	14 523 972	14 523 972	14 060 460	14 060 460
Total financial liabilities at amortized cost	44 693 440	44 790 964	44 505 266	44 440 740	43 755 775	43 778 543
Total financial liabilities	46 428 000	46 538 004	46 228 116	46 163 488	45 492 031	45 524 579

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.

Shares (unlisted)

For liquid shares and units, the closing price on the balance sheet date is used as the basis for measurement at fair value. If the prices are not quoted, the last price traded is used. Illiquid shares are priced on the basis of the Oslo Stock Exchange's index algorithm based on the last traded prices. If the pricing information is outdated, a derived valuation is produced from relevant stock indices or other similar securities. If this is also considered unsatisfactory, a discretionary valuation is made. This may be based on fundamental analysis, broker assessment, or adjustments for risk or liquidity considerations in relation to the price.

Fair value of loans to retail customers

The fair value through profit/loss is calculated by discounting contractual cash flows to present values. The discount rate is determined as the market rate, including a suitable risk margin. For loans measured at fair value through other comprehensive income, the fair value is calculated as the recognised principal minus estimated loss provisions on loans classified in Stage 2 and 3 (see note 14 Loan losses provision).

Fair value of loans to Norwegian local administrations

The fair value of these loans is considered to be virtually the same as the book value, as the contract terms are constantly adjusted in line with market interest rates. The fair value of fixed rate loans is calculated by discounting contractual cash flows by market interest rates including a suitable risk margin at the end of the reporting period. This is valued at Level 2 in the valuation hierarchy, cf. Note 6.

Fair value of deposits

The fair value of floating rate deposits is taken to be approximately equal to the deposit amount including accrued interest. The fair value of fixed rate deposits is calculated by discounting contractual cash flows by market interest rates including a suitable risk margin. Discounting contractual cash flows by market interest rates including a suitable risk margin.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. The fair value of these is considered to be virtually the same as the book value, as the contract terms are continuously changed in step with change in market interest rates. This is valued at Level 2 in the valuation hierarchy, cf. Note 6.

Liabilities created on issuance of securities

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	722 609	4 373 916	0	5 096 525
Shareholdings	0	0	1 852	1 852
Financial derivatives	0	113 546	0	113 546
Total assets at fair value	722 609	4 487 462	1 852	5 211 923
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	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	849 930	4 230 300	0	5 080 230
Shareholdings	0	0	1 187	1 187
Financial derivatives	0	143 105	0	143 105
Total assets at fair value	849 930	4 373 404	1 187	5 224 522
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	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	825 632	3 450 837	0	4 276 469
Shareholdings	0	0	1 897	1 897
Financial derivatives	0	108 370	0	108 370
Total assets at fair value	825 632	3 559 207	1 897	4 386 736
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

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
CHANGES IN LEVEL 3 UNLISTED SHARES			
Opening balance	1 897	1 187	1 187
Additions/purchases of shares	0	0	0
Unrealized changes	-45	0	710
Closing balance	1 852	1 187	1 897
Realized gains/losses	0	0	0

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	30.06.2024	30.06.2023	31.12.2023
Bond debt, nominal amount	33 554 838	32 760 359	34 657 598
Adjustments	-49 837	-63 832	-11 981
Accrued interest	236 945	179 256	205 721
Own holdings, nominal amount	-2 975 000	-1 215 000	-3 443 000
Total debt securities issued	30 766 945	31 660 782	31 408 338
Interest rate on borrowings through the issuance of securities at the reporting date:	5.12%	4.23%	5.08%

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
Changes in debt securities issued - stock exchange listed covered bonds and certificates					
Bond debt, nominal amount	34 657 598	4 200 000	-5 300 000	-2 760	33 554 838
Adjustments	-11 981	0	0	-37 856	-49 837
Accrued interest	205 721	0	0	31 224	236 945
Own holdings, nominal amount	-3 443 000	0	468 000	0	-2 975 000
Total debt securities issued	31 408 338	4 200 000	-4 832 000	-9 393	30 766 945

Note 8 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	113 546	0	113 546	-32 249	-87 471	11 990
Total	113 546	0	113 546	-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	143 105	0	143 105	-43 361	0	99 744
Total	143 105	0	143 105	-43 361	0	99 744
LIABILITIES						
Financial derivatives	43 361	0	43 361	-43 361	-32	0
Total	43 361	0	43 361	-43 361	-32	0

31.12.2023 NOK THOUSANDS	Gross financial assets/liabilities	Gross assets/ liabilities presented net	Book value	Related sums that are not presented net		
				Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	108 370	0	108 370	-23 233	0	85 137
Total	108 370	0	108 370	-23 233	0	85 137
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 Banken Group. The note shows derivative positions in the financial position statement.

Note 9 Transactions with related parties

NOK THOUSANDS	01.01.2024	01.01.2023	01.01.2023
	-30.06.2024	-30.06.2023	-31.12.2023
KLP, fees lending management	31 264	30 625	61 251
KLP Skadeforsikring AS, fees	0	38	38
KLP Kapitalforvaltning AS, fees for services provided	0	0	-187
KLP, rent	-1 545	-1 706	-3 318
KLP Skipsbygget AS, rent	-1 129	-1 086	-2 171
KLP Bassengtømt AS, rent parking	-50	-48	-96
KLP Eiendomsdrift AS, cost office buildings	-234	-201	-472
KLP, pension premium	-7 791	-7 041	-13 855
KLP, staff services (at cost)	-42 609	-39 190	-77 627
KLP Group companies, subsidised interest employee loans	7 696	8 438	18 048

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
	BALANCES		
KLP, net internal accounts	-4 619	-4 120	-5 433
KLP, loan settlement	-35 945	-53 330	-32 167
KLP Group companies, net other internal accounts	1 374	1 436	1 421

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

Note 10 Other assets

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
	Intercompany receivables	2 339	2 941
Miscellaneous receivables	19	5	3
Prepaid expenses	9 750	10 661	2
Total other assets	12 107	13 606	3 221

Note 11 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Creditors	4 423	3 957	2 626
Intercompany payables	41 528	58 955	39 395
Short-term balances with credit institutions	87 800	101 400	80 000
Other liabilities	69 108	29 336	5 373
Total other liabilities	202 860	193 648	127 394
Withholding tax	2 378	2 109	3 024
Social security contributions	2 214	2 040	2 782
Capital activity tax	784	720	902
Holiday pay	3 331	2 995	6 820
Pension obligations	29 712	17 975	43 999
VAT	66	126	21
Provisioned costs	5 306	17 737	6 364
Total accrued costs and liabilities	43 790	43 701	63 913

Note 12 Capital adequacy

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Share capital and share premium fund	2 190 000	2 190 000	2 190 000
Other owners' equity	916 733	726 875	983 931
Total owners' equity	3 106 733	2 916 876	3 173 931
Adjustments due to requirements for proper valuation	-5 097	-5 080	-4 276
Deduction goodwill and other intangible assets	-13 262	-14 807	-13 943
Core capital/Tier 1 capital	3 088 374	2 896 989	3 155 711
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)	3 088 374	2 896 989	3 155 711
Capital requirement	1 185 174	1 142 092	1 162 608
Surplus of own funds (Tier 1 and Tier 2 capital)	1 903 201	1 754 897	1 993 104
Estimate basis credit risk:			
Institutions	375 933	284 426	336 067
Retail	933 647	580 932	942 002
Local and regional authorities (incl. municipalities/county administrations)	3 708 250	3 954 738	3 846 618
Investments with mortgage security in real estate	8 471 155	8 260 717	8 184 585
Investments fallen due	56 320	42 426	49 785
Covered bonds	416 495	391 703	325 440
Other items	27 677	32 825	22 517
Calculation basis credit risk	13 989 476	13 547 767	13 707 014
Credit risk	1 119 158	1 083 821	1 096 561
Operating risk	65 852	58 035	65 852
Credit valuation adjustments (CVA)	163	235	194
Total capital requirement assets	1 185 174	1 142 092	1 162 608
Core capital adequacy ratio	20.85 %	20.29 %	21.71 %
Supplementary capital ratio	0.00 %	0.00 %	0.00 %
Capital adequacy ratio	20.85 %	20.29 %	21.71 %
Leverage ratio	6.07 %	5.70 %	6.30 %

CAPITAL REQUIREMENT PER 30.06.2024	Core capital/Tier 1 capital	Supplementary capital/Tier 2 capital	Own funds
Minimum requirement excl. buffers	4.50 %	3.50 %	8.00 %
Protective buffer	2.50 %	0.00 %	2.50 %
Systemic risk buffer	4.50 %	0.00 %	4.50 %
Counter-cyclical capital buffer	2.50 %	0.00 %	2.50 %
Pillar 2-requirement	0.83 %	0.27 %	1.10 %
Current capital requirement incl. buffers	14.83 %	3.77 %	18.60 %
Capital requirement leverage ratio	3.00 %	0.00 %	3.00 %

Note 13 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	236 397	236 717	530 686	534 265	0	0
Bonds	4 840 950	4 859 808	4 555 110	4 545 965	4 269 911	4 276 469
Total fixed-income securities	5 077 347	5 096 525	5 085 796	5 080 230	4 269 911	4 276 469

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

Note 14 Loan loss provision

The company has updated the weight of the different stress scenarios. The weight of the negative scenario has been reduced and the weight of the positive scenario has been increased.

The total loan loss provisions have decreased by 14 percent in KLP Banken Group.

Refer to Note 10 and Note 2 in the annual report for more details of the model.

Expected credit loss (ECL) loans to customers – all segments

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	stage 1	stage 2	stage 3	stage 1-3
Opening balance ECL 01.01.2024	2 411	2 328	1 468	6 207
Transfer to stage 1	739	-680	-59	0
Transfer to stage 2	-19	19	0	0
Transfer to stage 3	-1	-75	77	0
Net changes	-822	326	989	493
New losses	220	20	14	254
Write-offs	-26	-29	-22	-77
Change in risk model	-284	-243	-71	-598
Closing balance ECL 30.06.2024	2 218	1 666	2 396	6 280
Changes (01.01.2024 - 30.06.2024)	-193	-662	928	72
This includes provisions for losses on loans and receivables - unused credit				2 381

Expected credit loss (ECL) loans to customers – mortgage

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Opening balance ECL 01.01.2024	139	320	1 048	1 507
Transfer to stage 1	13	-13	0	0
Transfer to stage 2	-8	8	0	0
Transfer to stage 3	0	-15	15	0
Net changes	-36	90	66	121
New losses	39	7	0	46
Write-offs	-5	-1	0	-6
Change in risk model	-22	-61	-40	-123
Closing balance ECL 30.06.2024	120	335	1 090	1 545
Changes (01.01.2024 - 30.06.2024)	-19	15	42	38
This includes provisions for losses on loans and receivables - unused credit on mortgages				7

Expected credit loss (ECL) – public lending

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Opening balance ECL 01.01.2024	180	0	0	180
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer 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

Expected credit loss (ECL) – credit card

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Opening balance ECL 01.01.2024	2 067	2 008	297	4 372
Transfer to stage 1	726	-667	-59	0
Transfer to stage 2	-11	11	0	0
Transfer to stage 3	-1	-60	62	0
Net changes	-798	207	-55	-646
New losses	176	14	13	203
Change in risk model	-259	-181	-31	-472
Closing balance ECL 30.06.2024	1 900	1 331	227	3 458
Changes (01.01.2024 - 30.06.2024)	-167	-677	-70	-915
This includes provisions for losses on loans and receivables - unused credit on credit card				2 374

Expected credit loss (ECL) loans to customers – senior loans

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Opening balance ECL 01.01.2024	24	0	0	24
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Net changes	0	0	873	874
New losses	2	0	0	2
Change in risk model	-3	0	0	-3
Closing balance ECL 30.06.2024	23	0	874	896
Changes (01.01.2024 - 30.06.2024)	-1	0	874	872

Expected credit loss (ECL) loans to customers – overdrafts deposit accounts

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Opening balance ECL 01.01.2024	0	0	124	124
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Net changes	0	0	82	82
Closing balance ECL 30.06.2024	0	0	207	207
Changes (01.01.2024 - 30.06.2024)	0	0	83	83

Book value of loans and receivables from customers – all segments

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Lending 01.01.2024	42 243 091	660 373	44 193	42 947 657
Transfer to stage 1	127 894	-127 709	-185	0
Transfer to stage 2	-263 566	269 805	-6 239	0
Transfer to stage 3	-2 232	-16 409	18 641	0
Net changes	-772 050	-2 980	-227	-775 257
New losses	4 586 711	45 149	2 272	4 634 131
Write-offs	-3 804 128	-92 927	-4 101	-3 901 156
Lending 30.06.2024	42 115 721	735 301	54 353	42 905 376

Book value of loans and receivables from customers – mortgages

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Lending 01.01.2024	21 036 709	657 456	43 154	21 737 319
Transfer to stage 1	126 836	-126 836	0	0
Transfer to stage 2	-262 849	269 087	-6 239	0
Transfer to stage 3	-436	-16 205	16 641	0
Net change	-2 219 772	-61 006	-4 085	-2 284 862
New lending	4 146 856	45 123	2 218	4 194 198
Write-offs	-1 393 181	-34 816	0	-1 427 997
Lending 30.06.2024	21 434 164	732 803	51 690	22 218 658

Book value of loans and receivables from customers – public lending

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Lending 01.01.2024	19 087 958	0	0	19 087 958
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Net change	-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

Book value of loans and receivables from customers – credit card

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Lending 01.01.2024	40 983	2 917	866	44 766
Transfer to stage 1	1 057	-872	-185	0
Transfer to stage 2	-717	717	0	0
Transfer to stage 3	-152	-204	356	0
Net change	-551	-86	-299	-937
New lending	3 168	25	53	3 247
Lending 30.06.2024	43 788	2 498	790	47 076

Book value of loans to receivables from customers – senior loans

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Lending 01.01.2024	2 077 541	0	0	2 077 541
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	-1 603	0	1 603	0
Net change	-10 848	0	-17	-10 866
New lending	168 528	0	0	168 528
Lending 30.06.2024	2 233 618	0	1 585	2 235 203

Book value of loans to receivables from customers – overdraft deposit accounts

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Lending 01.01.2024	-99	0	173	73
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	-41	0	41	0
Net change	-89	0	74	-15
New lending	58	0	1	59
Lending 30.06.2024	-171	0	288	117

Exposure - unused credit

NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total stage 1-3
	stage 1	stage 2	stage 3	
Lending 01.01.2024	1 766 778	57 144	198	1 824 120
Transfer to stage 1	9 912	-9 887	-25	0
Transfer to stage 2	-9 798	9 798	0	0
Transfer to stage 3	-30	-11	41	0
Net change	-67 151	-853	-77	-68 081
New lending	935 333	7 979	0	943 312
Write-offs	-248 898	-10 345	0	-259 243
Lending 30.06.2024	2 386 147	53 824	137	2 440 108

Losses recognised in the profit and loss account consist of:

NOK THOUSANDS	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023	01.01.2023 -31.12.2023
	Change in loss provisions in stage 1, 2 and 3	-128	-707
Established losses	-219	0	-7
Recovery for previously established losses	377	259	464
Total losses in the income statement	30	-448	-871

Note 15 **Contingent liabilities**

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Credit facilities for lending not utilized	1 277 074	1 173 795	1 275 687
Credit facilities issued credit card	272 003	258 681	262 897
Loan promise	1 575 460	1 529 932	885 271
Total contingent liabilities	3 124 537	2 962 408	2 423 855

Credit facilities for lending not utilized: The 'Fleksilån' product is included here; this is a credit facility which allows the customer to borrow up to a specified credit limit.

Credit facilities issued credit card: Customers' credit card limits are a contingent liability for the Bank, where the customer can choose to utilise the credit up to the allocated credit limit.

Loan commitment: The Bank issues funding certificates that customers can use in bidding procedures for home purchases. This also includes other loans that have been granted but not disbursed.

Note 16 **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	5 740	-503	13 178	-5 620	7 882
Net gain/(loss) financial derivatives and realized amortization linked to lending	-224	130	-225	122	284
Net gain/(loss) financial derivatives and realized repurchase of own debt	-7 447	-3 287	-8 943	-5 958	-9 933
Net accrual of over/under rates borrowings and securities	1 380	1 382	2 760	2 762	5 521
Other financial income and expenses	-421	-316	-841	-631	-1 288
Total net gain/(loss) on financial instruments	-972	-2 594	5 929	-9 325	2 466

Note 17 **Leases**

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
	Property		
RIGHT-OF-USE ASSETS			
Opening balance 01.01.	14 495	16 365	16 365
Depreciation	-935	-935	-1 870
Closing balance	13 560	15 430	14 495
LEASE LIABILITIES			
Opening balance 01.01.	15 131	16 761	16 761
Repayments	-841	-808	-1 630
Closing balance	14 290	15 953	15 131

NOK THOUSANDS	Q2 2024	Q2 2023	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023	01.01.2023 -31.12.2023
	Property				
Interest expense lease liabilities	67	75	137	151	297
Interest expense lease liabilities	67	75	137	151	297

In the fourth quarter of 2021, a new 10-year lease has been capitalized. It is an intercompany lease for the rental of office premises with KLP Eiendom AS.

Note 18 Pension obligations - own employees

NOK THOUSANDS	30.06.2024	30.06.2023	31.12.2023
Capitalized net liability	43 999	32 092	32 092
Pension costs taken to profit/loss	7 552	6 821	13 635
Finance costs taken to profit/loss	841	631	1 287
Actuarial gains and losses incl. social security contributions	-16 334	-17 331	13 013
Premiums/supplement paid-in including admin	-6 346	-4 238	-16 029
Capitalized net liability	29 712	17 975	43 999

ASSUMPTIONS	30.06.2024	30.06.2023	31.12.2023
Discount rate	3.50%	3.70%	3.10%
Salary growth	3.50%	3.50%	3.50%
The National Insurance basic amount (G)	3.25%	3.25%	3.25%
Pension increases	2.80%	2.60%	2.80%
Social security contribution	14.10%	14.10%	14.10%
Capital activity tax	5.00%	5.00%	5.00%

The effect of changes in the assumptions is a reduction of the obligation by NOK 16.3 million as of 30.06.2024. The change is recognized in comprehensive income.

Quarterly earnings trend

NOK MILLIONS	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Interest income	699.2	689.5	686.5	634.0	551.4
Interest expense	-571.2	-562.9	-561.5	-515.1	-440.7
Net interest income	127.9	126.6	125.0	118.9	110.6
Commission income and income from banking services	9.1	7.4	7.8	8.4	8.0
Commission cost and cost from banking services	-0.7	-0.7	-0.8	-0.7	-0.6
Net charges and commission income	8.4	6.7	7.0	7.7	7.4
Other fee income	15.7	15.6	15.3	15.3	15.3
Net gain/(loss) financial instruments	-1.0	6.9	5.4	6.4	-2.6
Total other operating income	14.7	22.5	20.7	21.7	12.7
Salaries and administrative costs	-17.3	-25.6	-27.7	-20.6	-21.1
Depreciation	-0.8	-0.8	-0.9	-0.9	-1.0
Other operating expenses	-42.4	-53.2	-41.9	-44.6	-40.3
Net loan losses	1.1	-1.1	0.2	-0.6	-0.1
Total operating expenses	-59.3	-80.6	-70.4	-66.7	-62.5
Operating profit/loss before tax	91.8	75.1	82.3	81.6	68.3
Tax ordinary income	-5.1	-0.9	-19.6	-19.6	-16.4
Profit/loss for the period	86.7	74.2	62.7	62.0	51.9
Other comprehensive income	6.2	10.1	-28.3	-2.0	15.9
Tax on other comprehensive income	-1.5	-2.5	7.1	0.5	-4.0
Other comprehensive income for the period	4.6	7.6	-21.2	-1.5	12.0
Comprehensive income for the period	91.3	81.8	41.5	60.5	63.9

Key figures – accumulated

NOK MILLIONS	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Pre-tax income	166.9	75.1	285.4	203.1	121.5
Net interest income	254.6	126.6	464.7	339.7	220.8
Other operating income	46.4	22.3	89.2	66.9	43.9
Other operating cost and depreciation	-139.9	-80.6	-270.9	-200.6	-133.9
Net gain/(loss) financial instruments	5.9	6.9	2.5	-2.9	-9.3
Deposits	15 628.8	14 157.5	14 060.5	14 350.6	14 524.0
Lending customers	24 493.5	24 101.5	23 855.0	23 753.6	23 481.3
Lending with public sector guarantee	18 310.8	18 735.1	19 001.2	19 370.6	19 449.1
Non-performing loans	54.4	53.0	44.2	52.1	42.6
Total liabilities created on issuance of securities	30 766.9	31 252.8	31 408.3	31 616.0	31 660.8
Other borrowing	0.0	0.0	0.0	0.0	0.0
Total assets	49 972.6	48 856.7	48 928.1	49 403.1	49 557.2
Average total assets	49 450.4	48 892.4	49 719.4	49 956.9	50 033.9
Equity	3 279.8	3 188.5	3 173.9	3 132.4	3 071.9
Interest net	0.51 %	0.26 %	0.93 %	0.68 %	0.44 %
Profit/loss from ordinary operation before taxes	0.34 %	0.15 %	0.57 %	0.41 %	0.24 %
Return on equity	10.52 %	9.47 %	9.62 %	9.13 %	8.19 %
Capital adequacy ratio	20.8 %	21.2 %	21.7 %	20.2 %	20.3 %
Liquidity coverage ratio (LCR)	452 %	325 %	520 %	404 %	513 %

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