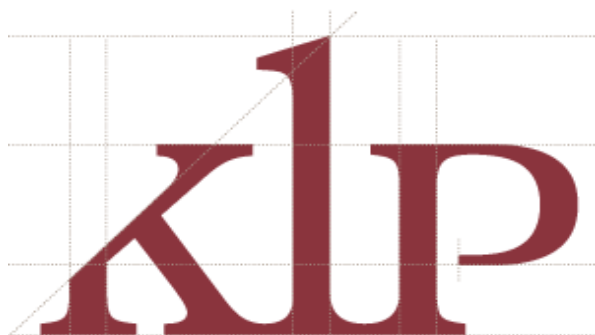


Interim report – Q1 2011

Income statement, financial position statement and notes



KLP Kommunekreditt AS

KLP KOMMUNEKREDITT AS

INTERIM FINANCIAL STATEMENT 1/2011

PURPOSE AND OWNERSHIP The Company's purpose is long-term financing of municipalities, county authorities and companies carrying out public sector assignments. Lending to companies is to be guaranteed by municipalities, county authorities, central government or a bank within the terms of Section 50 of the Norwegian Local Government Act. The lending activities are principally financed by the issue of covered bonds (obligasjoner med fortrinnsrett – OMF).

KLP Kommunekreditt AS is a wholly owned subsidiary of KLP Banken AS. The KLP Banken Group is owned by Kommunal Landspensjonskasse (KLP). KLP Kommunekreditt AS was established in 2009 and has its head office in Trondheim. The Company uses the brand name KLP Kommunekreditt in marketing to customer groups in the public sector.

INCOME STATEMENT Net interest and credit commission revenues at the end of the first quarter of 2011 were NOK 0.8 million. Operating costs for KLP Kommunekreditt for the first quarter amounted to NOK 4.6 million. The Company has not had losses or made loss provisions on lending. KLP Kommunekreditt has a pre-tax deficit for the first quarter of NOK 6.7 million.

LENDING/TOTAL ASSETS The Company's lending as at 31 March 2011 was NOK 15.6 billion against 10.90 billion as at 31 December 2010. All lending was acquired from KLP Kreditt AS. The Company's lending is to municipalities, county authorities and local government enterprises.

BORROWING The Company's borrowing comprises covered bonds as well as borrowing from its parent company. Covered bonds were issued for NOK 4.4 billion during the first quarter of 2011. All covered bonds have a AAA rating.

SOLVENCY. At the end of the first quarter 2011, core capital i.a.w. the capital adequacy rules was NOK 461.9 million. Lending to municipalities and county authorities is risk-weighted by 20 per cent in accordance with the authorities' capital adequacy directives. KLP Kommunekreditt AS has a core capital adequacy ratio and capital adequacy ratio of 13.9 per cent at the end of the first quarter 2011. The minimum statutory requirement is 8 per cent.

INCOME STATEMENT

KLP Kommunekreditt AS

<i>NOK thousands</i>	Notes	31.03.2011	31.03.2010	2010
Interest income and similar income		91 923	17 311	126 371
Cost of interest and similar costs		-91 091	-15 585	-121 464
Net interest income	3	832	1 726	4 907
Net gain/(loss) on finan.instrum.		-2 948	0	-183
Total other operating income		-2 948	0	-183
Other operating costs	6	-4 598	-1 057	-11 083
Operating income before tax		-6 714	668	-6 359
Tax on ordinary income		1 880	-187	1 780
Profit/loss from ordinary operation after taxes		-4 834	481	-4 579

FINANCIAL POSITION STATEMENT

KLP Kommunekreditt AS

<i>NOK thousands</i>	Notes	31.03.2011	31.03.2010	31.12.2010
ASSETS				
Lending to and receivables from credit institutions		487 148	392 378	251 692
Lending to and receivables from customers	4	15 576 244	2 943 776	10 920 279
Fixed income securities		439 730	0	0
Deferred tax assets		3 671	11	1 791
Financial derivatives		4 885	0	0
Other assets		27 991	42 247	2 472
TOTAL ASSETS		16 539 668	3 378 412	11 176 234
LIABILITIES AND OWNERS' EQUITY				
LIABILITIES				
Debt to financial institutions	6	2 412 852	3 001 275	1 511 729
Liabilities created on issue of securities	5	13 629 144	0	9 245 104
Financial derivatives		28 712	0	4 950
Other liabilities		3 363	1 684	43 676
Provision for accrued costs and liabilities		37	0	383
TOTAL LIABILITIES		16 074 109	3 002 959	10 805 841
OWNERS' EQUITY				
Share capital		262 500	212 500	212 500
Share premium fund		207 893	162 471	157 893
Unallocated profit/loss		-4 834	481	0
TOTAL OWNERS' EQUITY		465 559	375 453	370 393
TOTAL LIABILITIES AND OWNERS' EQUITY		16 539 668	3 378 412	11 176 234

STATEMENT OF OWNERS' EQUITY

2011

KLP Kommunekreditt AS

<i>NOK thousands</i>	Owners' equity contributed	Share premium reserve	Total owners' equity
Owners' equity 01.01.2011	212 500	157 893	370 393
Income	0	-4 834	-4 834
Other income components	0	0	0
Total comprehensive income	0	-4 834	-4 834
Transactions with owners			
Owners' equity contributed during the period	50 000	50 000	100 000
Dividends/Group contribution paid during the period	0	0	0
Total transactions with owners	50 000	50 000	100 000
Owners' equity 31.03.2011	262 500	203 059	465 559

2010

<i>NOK thousands</i>	Owners' equity contributed	Share premium reserve	Total owners' equity
Owners' equity 01.01.2010	62 500	12 471	74 971
Income	0	-4 578	-4 578
Other income components	0	0	0
Total comprehensive income	0	-4 578	-4 578
Transactions with owners			
Owners' equity contributed during the period	150 000	150 000	300 000
Dividends/Group contribution paid during the period	0	0	0
Total transactions with owners	150 000	150 000	300 000
Owners' equity 31.12.2010	212 500	157 893	370 393

STATEMENT OF CASH FLOWS

KLP Kommunekreditt AS

<i>NOK thousands</i>	31.03.2011	31.03.2010	2010
Pre-tax income	-6 714	668	-6 358
Provision of funds from operation:			
New lending	-4 655 965	3 826	-7 969 696
Unrealised changes	26 459	0	0
Change in:			
Accrued income not yet received	0	-15 673	0
Other receivables	-485 938	31 814	93 165
Other short term debt	-23 732	1 145	863
Total acquisition of funds from operating activities	-5 145 890	21 780	-7 882 026
Net cash flow from investment activities	0	0	0
Change in liability to credit institutions	5 279 170	547	7 763 905
Shares issue	100 000	300 000	300 000
Net cash flow from financial activities	5 379 170	300 547	8 063 905
Change in rate adjustments on cash and bank equivalents	0	0	0
NET CHANGE IN CASH AND CASH EQUIVALENTS	233 280	322 328	181 879
Cash and cash equivalents at the start of the period	251 692	69 813	69 813
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	484 972	392 141	251 692

KLP Kommunekreditt AS

NOTES TO THE ACCOUNTS 31.03.2011

Note 1 General information

KLP Kommunekreditt AS was formed on 25 August 2009. The Company provides or acquires public sector loans, which are guaranteed by the Norwegian government, Norwegian county authorities or Norwegian municipalities. Guarantees shall be of the ordinary surety type covering both repayments and interest. The lending business is primarily financed by the issue of covered bonds. KLP Kommunekreditt AS is registered and domiciled in Norway. Its head office is at Beddingen 8 in Trondheim.

The Company is a subsidiary of KLP Banken AS, which is in turn wholly owned by Kommunal Landspensjonskasse (KLP) through the holding company KLP Bankholding AS. KLP is a mutual insurance company.

Note 2 Accounting principles

This interim report covers the period 1 January to 31 March 2011. The accounts have not been audited. The accounts are presented in accordance with Regulation No. 1240 "Regulations on annual accounts etc for banks, insurance companies and their parent companies" of 16 December 1998. A comprehensive description of accounting principles and important estimates is provided in the accounts for 2010.

The interim financial statement at the end of Q1 2011 is presented in accordance with the same principles as the financial statement for 2010. This interim report should thus be read in connection with this. The annual financial statement is available on application to KLP Kommunekreditt AS.

Note 3 Net interest income

	31.03.2011	31.03.2010	2010
<i>NOK thousands</i>			
Interest on lending to and receivables from credit institutions	2 215	714	4 861
Interest on lending to customers	87 230	16 597	121 364
Interest interest rate swaps	2 478	0	146
Total interest income	91 923	17 311	126 371
Interest on debt to credit institutions (covered bonds)	-77 719	-15 585	-110 028
Interest on debt to KLP Banken	-13 373	0	-7 524
Premium/discount on covered bonds	0	0	-3 910
Total interest costs	-91 091	-15 585	-121 464
Net interest income	832	1 726	4 907

Note 4 Lending to customers

	31.03.2011	31.03.2010	31.12.2010
<i>NOK thousands</i>			
Lending to customers, nominal principal	15 484 879	2 943 776	10 860 633
Individual write-downs	0	0	0
Lending to customers after individual write-downs	15 484 879	2 943 776	10 860 633
+ Accrued interest	91 365	0	59 646
Lending to customers at amortised cost	15 576 244	2 943 776	10 920 279

All lending comprises loans to, or loans guaranteed by, Norwegian municipalities and county authorities, including loans to local inter-municipal companies (public sector lending). Guarantees shall be of the ordinary surety type covering both repayments and interest.

Note 5 Liabilities created on issue of securities

<i>NOK thousands</i>							31.03.2011
ISIN code	Nominal	Currency	Interest	Commencement	Due date	Book value	
NO0010587793	3 000 000	NOK	Variable	15.09.2010	21.09.2011	3 000 000	
NO0010592884	1 500 000	NOK	Variable	10.12.2010	10.12.2012	1 500 000	
NO0010592892	3 000 000	NOK	Variable	10.12.2010	10.12.2013	3 000 000	
XS0605180412	1 250 000	SEK	Variable	15.03.2011	15.03.2013	1 095 000	
NO0010585185	4 300 000	NOK	Variable	15.09.2010	15.09.2015	4 300 000	
NO0010592900	750 000	NOK	Fixed	15.12.2010	15.12.2020	750 000	
Accrued interest						29 068	
Amortisation / value adjustment						-44 924	
Total covered bonds issued							13 629 144

Note 6 Transactions with related parties

<i>NOK thousands</i>	31.03.2011
Income statement items	
KLP Banken AS, interest on borrowing	-13 373
KLP Banken AS, administrative services (at cost)	-3 140
KLP Kapitalforvaltning AS, fees services provided	-40
TOTAL	-16 553
Statement of financial position items	
KLP Banken AS, debt to credit institutions	-2 392 925
KLP Kapitalforvaltning AS, net receivables	-40
TOTAL	-2 392 965

Liabilities to KLP Banken have variable interest and fall due 16.06.2011.

There are no direct salary costs in KLP Kommunekreditt AS. Personnel costs (administrative services) are paid from KLP Banken AS.

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

Note 7 Capital adequacy

<i>NOK thousands</i>	31.03.2011	31.12.2010
Share capital and premium fund	470 393	370 393
Other owners' equity	0	0
Owners' equity	470 393	370 393
Unrealised value changes	0	0
Interim profit/loss	-4 834	0
Deduction goodwill and other intangible assets	0	0
Deferred tax assets	-3 671	-1 791
Core capital	461 888	368 602
Supplementary capital	0	0
Supplementary capital	0	0
Total Tier 1 and 2 capital to count	461 888	368 602
Capital requirement	266 238	179 889
Surplus of Tier 1 and 2 capital	195 650	188 713
Estimate basis credit risk		
Institutions	113 788	53 563
Local and regional authorities	3 115 250	2 184 050
Holdings securities funds	87 950	0
Other holdings	0	0
Estimate basis credit risk	3 316 988	2 237 613
Credit risk	265 359	179 009
Operational risk	879	879
Total capital requirement assets	266 238	179 888
Core capital adequacy ratio	13,9 %	16,4 %
Supplementary capital ratio	0,0 %	0,0 %
Capital adequacy ratio	13,9 %	16,4 %

Basel II regulations have been used in calculating capital adequacy.

The authorities' minimum requirement for capital adequacy is set at 8 per cent for financial institutions.

Note 8 Key figures

<i>Accumulated figures in NOK millions</i>	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
Pre-tax income	-6,7	-6,4	0,6	1,1	0,7
Net interest income	0,8	4,9	5,4	3,5	1,7
Other operating income	0,0	-0,2	0,8	-	-
Operating costs and depreciation	-4,6	-11,1	-5,6	-2,4	-1,1
Net realised/unrealised change fin. instrum. at f.v.	-2,9	-	-	-	-
Lending with public sector guarantee	15 576,2	10 920,3	7 405,8	3 206,4	2 943,8
Defaulted loans	-	-	-	-	-
Borrowing on issuance of securities	13 629,1	9 245,1	6 495,1	3 000,0	3 000,0
Other borrowing	2 412,9	1 511,7	760,9	-	-
Total assets	16 539,7	11 176,2	7 631,9	3 379,2	3 378,4
Average total assets	13 857,9	7 126,1	5 354,0	3 227,6	3 227,2
Owners' equity	465,6	370,4	375,4	375,8	375,5
Interest net	0,01 %	0,07 %	0,10 %	0,11 %	0,05 %
Income from ordinary operation after taxes	-0,05 %	-0,09 %	0,01 %	0,03 %	0,02 %
Income from ordinary op. excl. fair value valued pre-tax	-0,03 %	-0,09 %	0,01 %	0,03 %	0,02 %
Return on owners equity pre-tax	-1,44 %	-1,73 %	0,16 %	0,29 %	0,18 %
Capital adequacy ratio	13,9 %	16,4 %	24,3 %	54,3 %	55,5 %