

Interim report Q1 2012
KLP Kommunekreditt AS



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KLP Kommunekreditt AS

Interim financial statement 1/2012

Purpose and ownership

The Company's purpose is long-term financing of municipalities, county administrations and companies carrying out public sector assignments. Lending to companies is to be guaranteed by municipalities, county administrations, central government or a bank under Section 50 of the Norwegian Local Government Act. Guarantees are to be of the ordinary guarantor type covering both interest and repayments. 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 its marketing to customer groups in the public sector.

Income statement

Net interest and credit commission revenues at the end of the first quarter of 2012 were NOK 7.1 million. Operating costs for KLP Kommunekreditt as at the first quarter 2012 amounted to NOK 7.7 million. The Company has not had losses or made loss provisions on lending. KLP Kommunekreditt has a pre-tax profit for the first quarter 2012 of NOK 16.3 million.

Lending/Total assets

The Company's lending as at 31 March 2012 was NOK 23.4 billion against 23.8 billion as at 31 December 2011. Lending was acquired from KLP Kreditt AS and KLP. The Company's lending is to municipalities, county administrations 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 15.8 billion during 2011. Covered bond issues for NOK 500 million and SEK 500 million have been made in 2012. All of the covered bonds have AAA rating.

Solvency

At the end of the first quarter 2012, core capital i.a.w. the capital adequacy rules was NOK 623.2 million. Lending to municipalities and county administrations is risk-weighted by 20 per cent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS had a core capital adequacy and capital adequacy ratio of 12.1 per cent at the end of the first quarter 2012. The minimum statutory requirement is 8 per cent.

Income statement KLP Kommunekreditt AS

Note	NOK thousands	Q1 2012	Q1 2011	01.01.2011- 31.12.2011
	Interest income and similar income	225 391	91 923	644 784
	Cost of interest and similar costs	-218 330	-91 091	-641 795
3	Net interest income	7 060	832	2 989
	Commission costs & bank charges	0	0	-2
	Net charges and commission costs	0	0	-2
	Net gain/(loss) on finan.instrum.	16 961	2 119	-11 859
	Total other operating income	16 961	2 119	-11 859
	Other operating expenses	-7 717	-4 598	-41 135
	Operating income before tax	16 305	-1 647	-50 007
	Tax on ordinary income	-4 565	461	14 002
	Income	11 739	-1 186	-36 005
	Other comprehensive income	0	0	0
	Other comprehensive income for the period after tax	0	0	0
	COMPREHENSIVE INCOME FOR THE PERIOD	11 739	-1 186	-36 005

Financial position statement KLP Kommunekreditt AS

Note	NOK thousands	31.03.2012	31.03.2011	31.12.2011
ASSETS				
	Lending to and receivables from credit institutions	993 183	487 148	1 031 714
6	Lending to and receivables from customers	23 371 820	15 576 244	23 808 983
10	Interest-bearing securities	1 888 662	439 730	1 535 086
	Deferred tax asset	11 228	2 253	15 793
	Financial derivatives	102 870	4 280	70 165
4	Other assets	42 725	27 991	88 135
	TOTAL ASSETS	26 410 489	16 537 645	26 549 875
LIABILITIES AND OWNERS' EQUITY				
LIABILITIES				
7	Debt to credit institutions	3 565 359	2 412 852	3 568 757
8	Liabilities created on issuance of securities	21 947 487	13 629 144	22 152 457
	Financial derivatives	200 581	23 041	182 842
5	Other liabilities	50 884	3 363	8 510
5	Provision for accrued costs and liabilities	49	37	2 922
	TOTAL LIABILITIES	25 764 361	16 068 438	25 915 487
OWNERS' EQUITY				
	Share capital	362 500	262 500	362 500
	Share premium fund	271 889	207 893	271 888
	Unallocated profit/loss	11 739	-1 186	0
	TOTAL OWNERS' EQUITY	646 128	469 207	634 388
	TOTAL LIABILITIES AND OWNERS' EQUITY	26 410 489	16 537 645	26 549 875

Statement of owners' equity KLP Kommunekreditt AS

2012 NOK thousands	Share capital	Share premium fund	Total owners' equity
Owners' equity 1 January 2012	362 500	271 888	634 388
Income	0	11 739	11 739
Other comprehensive income	0	0	0
Total comprehensive income	0	11 739	11 739
Owners' equity contributed during the period	0	0	0
Group contributions received	0	0	0
Total transactions with the owners	0	0	0
Owners' equity 31 March 2012	362 500	283 627	646 128

2011 NOK thousands	Share capital	Share premium fund	Total owners' equity
Owners' equity 1 January 2011	212 500	157 893	370 393
Income	0	-1 186	-1 186
Other comprehensive income	0	0	0
Total comprehensive income	0	-1 186	-1 186
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 the owners	50 000	50 000	100 000
Owners' equity 31 March 2011	262 500	206 707	469 207

2012 NOK thousands	Number of shares	Nominal	Share premium fund	Total
As at 1 January 2012	3 625 000	100	312 500	675 000
Paid in on issuance of shares 2012	-	100	0	0
As at 31 March 2012	3 625 000	100	312 500	675 000
Retained earnings, attributed to Share Premium Fund				-40 612
Unallocated profit/loss				11 739
Owners' equity as at 31.03.2012				646 128

There is one class of shares. All shares are owned by KLP Banken AS.

Income per share 2012 in whole NOK: 3,2

Income per share 2011 in whole NOK: -9,9

Statement of cash flows KLP Kommunekreditt AS

NOK thousands	31.03.2012	31.03.2011	2011
Operational activities			
Payments received from customers - interest, commission & charges	182 783	55 511	501 221
Net receipts/disbursements (-) on lending, customers	450 369	-4 616 937	-12 640 153
Disbursements on operations	-12 806	-4 532	-32 346
Net receipts/disbursements concerning other operational activities	45 424	0	-66 237
Net interest investment accounts	250	40	23 394
Income tax paid	0	0	0
Net cash flows from operating activities	666 019	-4 565 919	-12 214 121
Investment activities			
Disbursements on purchase of securities	-280 599	-440 379	-1 618 210
Receipts on sales of securities	0	0	98 680
Net cash flows from investment activities	-280 599	-440 379	-1 519 530
Financing activities			
Net receipts/disbursements (-) on loans from credit institutions	-247 468	5 277 803	14 851 453
Net payment of interest on loans	-183 028	-75 165	-576 918
Net receipts/disbursements (-) on other short-term items	44 890	-63 060	-127 099
Proceeds on issue of owners' equity	0	100 000	300 000
Net cash flows from financing activities	-385 606	5 239 578	14 447 436
Net cash flows during the period	-186	233 280	713 784
Cash and cash equivalents at the start of the period	965 477	251 692	251 692
Cash and cash equivalents held at the end of the period	965 291	484 972	965 477
Net receipts/disbursements (-) of cash	-186	233 280	713 784

A change in principle has been made in regard to disbursements and receipts on acquisition of securities. These items have been moved from operational activities to investment activities. As at 31 March 2012 these represent disbursements of NOK 280,599,000.

The comparison figures have been adjusted accordingly. Purchase and sales of securities are to be considered an investment activity.

RECONCILIATION

Income before tax	16 305	-1 647	-50 007
Change in accounts payable	-73	-164	-160
Items classified as investment or financing activities	193 897	82 526	674 291
Changes in other accrued income and expenditure	455 890	-4 646 634	-12 838 245
Net cash flows from operating activities	666 019	-4 565 919	-12 214 121

Note 1 General information

KLP Kommunekreditt AS was formed on 25 August 2009. The Company provides or acquires public sector loans that are guaranteed by the Norwegian state, Norwegian county administrations or Norwegian municipalities. Guarantees are to be of the ordinary guarantor type covering both repayments and interest. The lending activities are principally 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 2012 to 31 March 2012. The accounts have not been audited.

The interim financial statements for KLP Kommunekreditt AS have been prepared in accordance with the international accounting standards IAS/IFRS approved by the EU. This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim financial statements are presented in accordance with the same principles as the annual accounts for 2011. This interim report should therefore be read in conjunction with the latter. The annual financial statements are available at www.klp.no.

Note 3 Net interest income

NOK thousands	Q1 2012	Q1 2011	The year 2011
Interest on lending to and receivables from credit institutions	7 328	2 215	23 394
Interest on lending to customers	204 367	87 230	594 936
Interest on securities	13 695	2 478	26 454
Total interest income	225 391	91 923	644 784
Interest on debt to credit institutions (covered bonds)	188 340	77 719	551 306
Interest on debt to KLP Banken	28 036	13 373	83 146
Premium/discount on covered bonds	1 955	0	7 342
Total interest costs	218 330	91 091	641 795
Net interest income	7 060	832	2 989

Note 4 Other assets

NOK thousands	31.03.2012	31.03.2011	31.12.2011
Intra-Group accounts	42 216	23 067	87 106
Miscellaneous receivables	0	3 182	0
Prepaid expenses	509	1 741	1 029
Total other assets	42 725	27 991	88 135

Note 5 Other liabilities and provision for accrued costs

NOK thousands	31.03.2012	31.03.2011	31.12.2011
Creditors	115	183	188
Intra-Group accounts	6 059	3 180	8 323
Interim securities liabilities	44 710	0	0
Total other liabilities	50 884	3 363	8 510
VAT	49	37	2 922
Total accrued costs and liabilities	49	37	2 922

Note 6 Lending to customers

NOK thousands	31.03.2012	31.03.2011	31.12.2011
Lending to customers before write-downs	23 136 526	15 484 879	23 559 548
Individual write-downs	0	0	0
Lending to customers after individual write-downs	23 136 526	15 484 879	23 559 548
Lending customers fair value hedging	60 349	0	96 075
Accrued interest	174 945	91 365	153 361
Lending to customers	23 371 820	15 576 244	23 808 983

All lending comprises loans to, or loans guaranteed by, Norwegian municipalities and county administrations, including loans to local government enterprises and inter-administration companies (public sector lending). Guarantees are of the ordinary guarantor type covering both repayments and interest.

Note 7 Debt to credit institutions

NOK thousands	Due date	Nominal	Accrued interest	31.03.2012 Book value
Loan KLP Banken	15.06.2012	2 260 000	2 810	2 262 810
Loan KLP Banken	31.08.2012	400 000	1 071	401 071
Loan KLP Banken	14.12.2012	400 000	594	400 594
Loan KLP Banken	11.06.2013	500 000	883	500 883
Total liabilities to credit institutions				3 565 359

NOK thousands	Due date	Nominal	Accrued interest	31.03.2011 Book value
Loan KLP Banken	15.06.2011	2 410 000	2 852	2 412 852
Total liabilities to credit institutions				2 412 852

NOK thousands	Due date	Nominal	Accrued interest	31.12.2011 Book value
Loan KLP Banken	01.03.2012	400 000	4 439	404 439
Loan KLP Banken	15.03.2012	2 760 000	4 139	2 764 139
Loan KLP Banken	14.12.2012	400 000	179	400 179
Total liabilities to credit institutions				3 568 757

Note 8 Liabilities created on issuance of securities

NOK thousands ISIN code	Nominal	Currency	Interest rate	Commencement	Due date	Accr. interest	31.03.2012 Book value
Covered bonds							
N00010585185	4 300 000	NOK	Variable	15.09.2010	15.09.2015	6 031	4 306 031
N00010592884	3 000 000	NOK	Variable	10.12.2010	10.12.2012	4 633	3 004 633
N00010592892	4 000 000	NOK	Variable	10.12.2010	10.12.2013	6 444	4 006 444
N00010592900	750 000	NOK	Fixed	15.12.2010	15.12.2020	10 180	760 180
XS0605180412	1 250 000	SEK	Variable	15.03.2011	15.03.2013	1 351	1 096 351
N00010609795	4 000 000	NOK	Variable	20.05.2011	20.05.2014	13 211	4 013 211
N00010614555	1 750 000	NOK	Variable	28.06.2011	28.06.2012	438	1 750 438
N00010624778	2 500 000	NOK	Fixed	15.09.2011	15.05.2015	47 771	2 547 771
XS0747335494	500 000	SEK	Variable	17.02.2012	17.02.2015	1 520	435 020
Amortisation/value adjustments							27 408
Total covered bonds issued							21 947 487

NOK thousands ISIN code	Nominal	Currency	Interest rate	Commencement	Due date	Accr. interest	31.03.2011 Book value
Covered bonds							
N00010587793	3 000 000	NOK	Variable	15.09.2010	21.09.2011	3 480	3 003 480
N00010585185	4 300 000	NOK	Variable	15.09.2010	15.09.2015	6 092	4 306 092
N00010592884	1 500 000	NOK	Variable	10.12.2010	10.12.2012	2 585	1 502 585
N00010592892	3 000 000	NOK	Variable	10.12.2010	10.12.2013	5 390	3 005 390
N00010592900	750 000	SEK	Fixed	15.12.2010	15.12.2020	10 114	760 114
XS0605180412	1 250 000	NOK	Variable	15.03.2011	15.03.2013	1 408	1 096 408
Amortisation/value adjustments							-44 924
Total covered bonds issued							13 629 144

NOK thousands ISIN code	Nominal	Currency	Interest rate	Commencement	Due date	Accr. interest	31.12.2011 Book value
Covered bonds							
N00010585185	4 300 000	NOK	Variable	15.09.2010	15.09.2015	7 208	4 307 208
N00010592884	3 000 000	NOK	Variable	10.12.2010	10.12.2012	5 500	3 005 500
N00010592892	4 000 000	NOK	Variable	10.12.2010	10.12.2013	7 600	4 007 600
N00010592900	750 000	NOK	Fixed	15.12.2010	15.12.2020	1 602	751 602
XS0605180412	1 250 000	SEK	Variable	15.03.2011	15.03.2013	1 597	1 096 597
N00010609795	4 000 000	NOK	Variable	20.05.2011	20.05.2014	15 443	4 015 443
N00010614555	2 900 000	NOK	Variable	28.06.2011	28.06.2012	938	2 900 938
N00010624778	2 000 000	NOK	Fixed	15.09.2011	15.05.2015	20 741	2 020 741
Amortisation/value adjustments							46 827
Total covered bonds issued							22 152 457

Note 9 Transactions with related parties

NOK thousands	31.03.2012	31.03.2011	31.12.2011
Income statement items			
KLP Banken AS, interest on borrowing	-28 036	-13 373	-83 146
KLP Banken AS, administrative services (at cost)	-5 965	-3 140	-19 592
KLP Kapitalforvaltning AS, fees for services provided	-94	-40	-177
TOTAL	-34 094	-16 553	-102 915
Financial position statement items			
KLP Banken AS, borrowing Group current liabilities	-3 565 359	-2 412 852	-3 568 757
KLP Banken AS, net intra-Group accounts	-5 965	-3 140	-8 259
KLP Banken AS, settlement banking system	42 216	23 067	87 106
KLP Kapitalforvaltning AS, net intra-Group accounts	-94	-40	-63
TOTAL	-3 529 202	-2 392 965	-3 489 974

There are no direct salary costs 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 are allocated at cost. Allocation is based on actual use.

All intra-Group accounts are settled as they arise.

Note 10 Capital adequacy

NOK thousands	31.03.2012	31.03.2011	31.12.2011
Share capital and share premium fund	634 389	470 393	634 389
Other owners' equity	0	0	0
Owners' equity	634 389	470 393	634 389
Unrealised value changes	0	0	0
Interim profit/loss	0	-4 834	0
Deduction goodwill and other intangible assets	0	0	0
Deferred tax asset	-11 228	-3 671	-15 793
Core capital	623 161	461 888	618 596
Supplementary capital	0	0	0
Supplementary capital	0	0	0
Total Eligible Tier 1 and 2 capital	623 161	461 888	618 596
Capital requirement	411 350	266 238	428 337
Surplus of Tier 1 and 2 capital	211 811	195 650	190 259
Estimate basis credit risk			
Institutions	236 352	113 788	250 775
Local and regional authorities	4 716 750	3 115 250	4 786 663
Covered bonds	177 788	87 950	305 788
Estimate basis credit risk	5 130 889	3 316 988	5 343 225
Credit risk	410 471	265 359	427 458
Operational risk	879	879	879
Total capital requirement assets	411 350	266 238	428 337
Core capital adequacy ratio	12,1 %	13,9 %	11,6 %
Supplementary capital ratio	0,0 %	0,0 %	0,0 %
Capital adequacy ratio	12,1 %	13,9 %	11,6 %

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 11 Interest-bearing securities

NOK thousands	31.03.2012		31.12.2011	
	Acquis. cost	Market value	Acquis. cost	Market value
Bonds	1 876 227	1 888 662	1 537 522	1 535 086

The bonds are brought to account at market value.

Note 12 Conditional liabilities

NOK thousands	31.03.2012	31.12.2011
Credit facilities for lending not utilised	0	0
Loan promise	65 604	80 709
Total conditional liabilities	65 604	80 709

Note 13 Key figures

Accumulated figures in NOK millions	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11
Pre-tax income	16,3	-50,0	-32,9	-16,5	-1,6
Net interest income	7,1	3,0	-0,7	-2,7	0,8
Other operating income	0,0	0,0	0,0	0,0	0,0
Operating costs and depreciation	-7,7	-41,1	-31,2	-17,5	-4,6
Net realised/unrealised change fin. instruments at f.v.	17,0	-11,9	-1,1	3,7	2,1
Lending with public sector guarantee	23 371,8	23 809,0	24 146,7	20 624,1	15 576,2
Defaulted loans	-	-	-	-	-
Borrowing on issuance of securities	21 947,5	22 152,5	22 131,7	18 634,7	13 629,1
Other borrowing	3 565,4	3 568,8	3 415,2	3 214,2	2 412,9
Total assets	26 415,1	26 549,9	26 464,2	22 669,9	15 537,6
Average total assets	26 482,5	13 274,9	13 232,1	11 335,0	13 356,9
Owners' equity	646,1	634,4	646,7	658,5	469,2
Interest net	0,03 %	0,02 %	0,00 %	-0,02 %	0,01 %
Income from ordinary operation before taxes	0,06 %	-0,38 %	-0,25 %	-0,15 %	-0,01 %
Income from ordin. operations excl. f.v.assessm'nt before tax	0,00 %	-0,29 %	-0,24 %	-0,18 %	-0,03 %
Return on owners' equity before tax	2,52 %	-7,88 %	-5,08 %	-2,50 %	-0,35 %
Capital adequacy ratio	12,1 %	11,6 %	11,8 %	14,2 %	14,0 %



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