

Quarterly report Q3 2010

Income statement & Balance sheet - Notes



KLP Kommunekreditt AS

KLP KOMMUNEKREDITT AS QUARTERLY REPORT 3 / 2010

PURPOSE AND OWNERSHIP. The company's objective is long-term financing of municipalities, counties and companies performing public duties. Loans to companies should be guaranteed by municipal, county, state or bank within the municipal Act § 50 Lending activities are funded mainly by issuing bonds (OMF).

KLP Kommunekreditt is a wholly owned subsidiary of KLP Banken. KLP Banken Group is owned by Kommunal Landspensjonskassen (KLP). KLP Kommunekreditt was established in 2009 and is headquartered in Trondheim. The company uses the brand name KLP Kommunekreditt in marketing to customer groups in the public sector.

INCOME STATEMENT. Net interest and commission income at the end of the third quarter of 2010 was NOK 5.4 million. Operating expenses, in KLP Kommunekreditt for the third quarter amounted to NOK 5.6 million. The company has not incurred losses or made provisions for losses on loans. KLP Kommunekreditt have a profit before tax at the third quarter of NOK 0.4 million.

LOANS/TOTAL ASSETS. The company's loans as at 30 September 2010 was NOK 7.4 billion, compared with NOK 2.96 billion as of 31.12.2009. All loans are acquired from KLP Kreditt. The company lends to municipalities, counties and municipal corporations.

BORROWING. The company's borrowings are covered bonds (OMF) and funding from the parent company. It was covered bonds issuer of NOK 6.5 billion in September. The covered bonds (OMF) has AAA rating.

FINANCIAL STRENGTH. Core capital according to capital adequacy rules by the end of the third quarter of 2010 was NOK 375 million. Loans to municipalities and counties are risk-weighted by 20 percent after the government's regulations for capital adequacy. KLP Kommunekreditt has a core capital adequacy and capital adequacy of 24 percent for the third quarter of 2010. The minimum requirement is 8 percent.

Income statement

KLP Kommunekreditt AS

<i>NOK thousands</i>	Note	3Q 2010	3Q 2009	30.09.2010	30.09.2009	25.08.-31.12.2009
Total interest income		29 167	0	66 518	0	3 260
Total interest expenses		-27 234	0	-61 126	0	-2 860
NET INTEREST INCOME	3	1 933	0	5 393	0	400
Management fee	6	801		801		
Operating expenses	6	-3 231	0	-5 597	0	-440
Profit before tax		-498	0	596	0	-40
Taxes		139	0	-167	0	11
Profit for the period		-358	0	429	0	-29
Other comprehensive income		0	0	0	0	0
Total comprehensive income		-358	0	429	0	-29

Balance Sheet Statement

KLP Kommunekreditt AS

<i>NOK thousands</i>		30.09.2010	30.09.2009	31.12.2009
ASSETS				
	Note			
Loans issued to and receivables from credit institutions		222 780	0	69 813
Loans issued to and receivables from customers	4	7 405 808	0	2 966 038
Deferred tax asset		0	0	11
Other assets		3 336	0	40 189
TOTAL ASSETS		7 631 924	0	3 076 051
LIABILITIES AND OWNERS' EQUITY				
LIABILITIES				
Liabilities to credit institutions	6	760 906	0	0
Debt securities issued	5	6 495 078	0	3 000 640
Deferred tax		156	0	0
Other liabilities		0	0	440
Provisions		385	0	0
TOTAL LIABILITIES		7 256 524	0	3 001 080
OWNERS' EQUITY				
Share capital		212 500	0	62 500
Share premium fund		162 471	0	12 471
Other equity		429	0	0
TOTAL OWNERS' EQUITY		375 401	0	74 971
TOTAL LIABILITIES AND OWNERS' EQUITY		7 631 924	0	3 076 051

Changes in Owner's equity

2010

KLP Kommunekreditt AS

<i>NOK thousands</i>	Paid in capital	Retained earnings	Total equity
Equity at 01.01.2010	75 000	-29	74 971
Profit for the period	0	429	429
Other comprehensive income	0	0	0
Total income	0	429	429
Equity transactions with the owner:			
Capital increase	300 000	0	300 000
Equity reimbursed	0	0	0
Total transactions with owners	300 000	0	300 000
Equity at 30.09.2010	375 000	400	375 401

2009

<i>NOK thousands</i>	Paid in capital	Retained earnings	Total equity
Equity at 01.01.2009	0	0	0
Profit for the period	0	-29	-29
Other comprehensive income	0	0	0
Total income	0	-29	-29
Equity transactions with the owner:			
Capital increase	50 000	0	50 000
Equity reimbursed	25 000	0	25 000
Total transactions with owners	75 000	0	75 000
Equity at 31.12.2009	75 000	-29	74 971

Cash flow statement

KLP Kommunekreditt AS

<i>NOK thousands</i>	30.09.2010
Pre-tax profit/loss	595
Provision of funds from operation:	
New lending	-4 455 225
Change in:	
Other receivables	49 593
<u>Other short term debt</u>	<u>-3 322</u>
Total acquisition of funds from operating activities	-4 408 358
Net cash flow from investment activities	0
Change in liability to credit institutions	4 258 107
<u>Shares issue</u>	<u>300 000</u>
Net cash flow from financing activities	4 558 107
Change in rate adjustments on cash and cash equivalents	0
NET CHANGE IN CASH AND CASH EQUIVALENTS	149 748
<u>Cash and cash equivalents at the start of the period</u>	<u>69 813</u>
<u>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</u>	<u>219 561</u>

KLP Kommunekreditt AS

Notes to the accounts 30.09.2010

Note 1 General information

KLP Kommunekreditt AS was formed on 25 August 2009. The company provides or acquires public sector loans, guaranteed by the Norwegian state, Norwegian county authorities or Norwegian municipalities. 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.

KLP Kommunekreditt is a wholly-owned subsidiary of KLP through KLP Banken AS and KLP Bankholding AS. KLP is a mutual insurance and banking group, owned by the public sector.

Note 2 Accounting principles

The accounts in this interim report show the accounts for the period 01.01.2010 - 30.09.2010. The accounts have not been audited. The interim accounts have been submitted in accordance with the Norwegian Regulation 1240 "Regulations on financial statements etc for banks, financial enterprises and their parent companies", hereinafter referred to as the Annual Accounts Regulations of 16.12.1998 and Norwegian Act No. 56 «Act relating to annual accounts etc (Accounting Act)» of 17.07.1998.

The interim accounts do not contain all the information required of full annual accounts. It is recommended that this interim report be read in conjunction with the annual report for 2009 and the interim report for Q1 2010. This may be obtained on application to KLP Kommunekreditt AS.

Note 3 Net interest income

<i>NOK thousands</i>	3Q 2010	3Q 2009	As of 30.09 2010	As of 30.09 2009	2009
Interest and other income on loans to and c	1 148	0	3 723	0	287
Interest and other income on loans to and c	28 019	0	62 795	0	2 973
Total interest income	29 167	0	66 518	0	3 260
Interest and other expenses on securities is	25 061	0	57 851	0	2 763
Interest and other expenses on debt to cred	906	0	906	0	-
Other interest expenses	1 267	0	2 367	0	97
Total interest expenses	27 234	0	61 125	0	2 860
Net interest income	1 933	0	5 393	0	400

Note 4 Loans to customers

<i>NOK thousands</i>	30.09.2010	31.12.2009	30.09.2009
Loans issued to and receivables from customers, principal	7 357 410	2 997 877	-
Provisions for individual impairment losses	-	-	-
Loans issued to and receivables from customers after impairment	7 357 410	2 997 877	-
Accrued interest	48 398	2 763	-
Loans issued to and receivables from customers	7 405 808	3 000 640	-

All loans are either loans made directly to, or unconditionally guaranteed by, Norwegian municipalities or county administrations. KLP Kommunekreditt only includes loans with an unconditional and irrevocable on-demand guarantees covering both interest and principal.

Note 5 Liabilities created on issue of securities

NOK thousands

						30.09.2010
Covered bonds						Book value
ISIN	Nominal value	Currency	Interest	Issued	Maturity	
NO0010587793	3 000 000 000	NOK	Flytende	15.09.2010	21.09.2011	2 999 532
NO0010585185	3 500 000 000	NOK	Flytende	15.09.2010	15.09.2015	3 495 546
Total covered bonds issued						6 495 078

Note 6 Transactions with related parties

<i>NOK thousands</i>	30.09.2010
Services purchased:	
KLP Banken AS, management fee	801
KLP Banken AS, interest paid	-906
KLP Banken AS, services purchased	-2 070
KLP Kapitalforvaltning AS, services purchased	-94
<u>Total</u>	<u>-2 269</u>
Net inter-company balances:	
KLP Banken AS, liabilities to credit institutions*	-760 906
KLP Banken AS, receivable	3 336
<u>Total</u>	<u>-757 570</u>

* Floating rate loan with maturity 15.12.2010

There are no employees in KLP Kommunekreditt.

Transactions with related parties are carried out on ordinary market terms and conditions. Allocation of joint costs is based on a full cost coverage basis. All inter-company balances are settled as they arise.

Note 7 Capital adequacy

<i>NOK thousands</i>	30.09.2010
Share capital and premium fund	374 971
Owners' equity	374 971
Deferred tax	-
<u>Core capital (Tier 1)</u>	<u>374 971</u>
<u>Supplementary capital</u>	<u>-</u>
Supplementary capital (Tier 2)	-
Total Tier 1 and 2 capital to count.	374 971
Capital requirement	123 367
<u>Surplus of Tier 1 and 2 capital</u>	<u>251 604</u>
Risk weighted credit risk exposure	
Institutions	47 800
Local regional authorities	1 481 163
<u>Credit risk</u>	<u>1 528 963</u>
Operational risk	1 050
Impairment	-
Core capital adequacy per cent	24,3 %
Capital adequacy per cent	24,3 %

Capital adequacy is calculated in accordance with the Basel II regulations.

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

Note 8 Nøkkeltall

<i>NOK millions</i>	Q3-10	Q2-10	Q1-10	Q4-09
Pretax operating profit	0,6	1,1	0,7	0,0
Net interest income	5,4	3,5	1,7	0,4
Other income	0,8	-	-	-
Operating costs	-5,6	-2,4	-1,1	-0,4
Loans to municipalities and counties	7 405,8	3 206,4	2 943,8	2 966,0
Non-performing loans	0,0	0,0	0,0	0,0
Debt securities issued	6 495,1	3 000,0	3 000,0	3 000,0
Liabilities to credit institutions	760,9	0,0	0,0	0,0
Total assets	7 631,9	3 379,2	3 378,4	3 076,1
Average total assets	5 354,0	3 227,6	3 227,2	1 563,0
Equity	375,4	375,8	375,5	75,0
Net interest	0,10 %	0,11 %	0,05 %	0,03 %
Pretax operating profit	0,01 %	0,03 %	0,02 %	0,00 %
Return on equity (pretax)	0,16 %	0,29 %	0,18 %	0,05 %
Capital adequacy per cent	24,3 %	54,3 %	55,5 %	12,2 %