

Interim report Q3 2013

Income statement, balance sheet and notes



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KLP Kommunekreditt AS

Interim financial statements Q3 / 2013

Objective and ownership

The Company's objective is long-term financing of municipalities, county administrations and companies carrying out public sector assignments. Loans to companies are 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 surety type covering both repayments and interest. The lending business is principally financed by the issue of covered bonds.

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 brand name KLP Kommunekreditt is used in marketing to customer groups in the public sector.

Income statement

Net interest and credit commission revenues at the end of the third quarter of 2013 amounted to NOK 70.4 million. Operating expenses for KLP Kommunekreditt as at the third quarter 2013 amounted to NOK 16.3 million. The Company has not had losses or made loss provisions on loans. KLP Kommunekreditt has a pre-tax deficit as at the end of the third quarter of NOK 50.5 million.

Loans / total assets

The Company's loans to customers as at 30 September 2013 were at NOK 17.9 billion against 20.8 billion as at 30 September 2012. 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. During the first three quarters of 2013 covered bonds issuance amounted to NOK 2 billion. Total covered bonds issuance during 2012 was NOK 6.5 billion and SEK 500 million. All the covered bonds have an AAA rating.

Liquidity investments

KLP Kommunekreditt AS has strict rules on what assets may be included in the securities holdings. In addition to loans to the public sector the securities holdings comprise secure bonds as well as deposits in other banks. The securities comprise certificates and bonds with very good security, principally investments in covered bonds with AAA rating. As at 30 September 2013 the bond portfolio's nominal value was NOK 2.7 billion. Unrealized gains amounted to NOK 5.5 million.

Solvency

At the end of the third quarter 2013, core capital in accordance with the capital adequacy rules was NOK 700.7 million. Loans to municipalities and county administrations are risk-weighted by 20 per cent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS has a core capital adequacy and capital adequacy ratio of 16.6 per cent at the end of the third quarter 2013. The minimum statutory requirement is 12.5 per cent.

Income Statement

KLP Kommunekreditt AS

Note	NOK thousands	Q3 2013	Q3 2012	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	01.01.2012- 31.12.2012
	Interest income and similar income	165 929	195 382	524 244	634 969	825 602
	Interest expenses and similar expenses	-143 942	-173 491	-453 831	-588 362	-755 551
3	Net interest income	21 987	21 891	70 413	46 607	70 052
	Commission costs & bank charges	0	0	0	0	0
	Net charges and commission costs	0	0	0	0	0
	Net gain/(loss) on financial instruments	-28	44 370	-3 651	51 432	50 293
	Total other operating income	-28	44 370	-3 651	51 432	50 293
	Other operating expenses	-6 233	-6 346	-16 270	-19 739	-28 137
	Operating profit/loss before tax	15 726	59 915	50 492	78 300	92 207
	Tax on ordinary profit/loss	-4 404	-16 776	-14 138	-21 924	-25 879
	Income	11 323	43 139	36 354	56 376	66 329
	Other comprehensive income	0	0	0	0	0
	Other comprehensive income for the period after tax	0	0	0	0	0
	COMPREHENSIVE INCOME FOR THE PERIOD	11 323	43 139	36 354	56 376	66 329

Financial Position Statement

KLP Kommunekreditt AS

Note	NOK thousands	30.09.2013	30.09.2012	31.12.2012
ASSETS				
	Loans to and receivables from credit institutions	866 220	793 067	1 240 833
4	Loans to and receivables from customers	17 892 832	20 758 297	19 244 195
14	Interest-bearing securities	2 747 628	3 490 663	3 915 133
	Financial derivatives	181 691	196 260	172 025
11	Other assets	16 088	5 811	60 115
	TOTAL ASSETS	21 704 460	25 244 098	24 632 301
LIABILITIES AND OWNERS' EQUITY				
LIABILITIES				
8	Debt to credit institutions	2 527 841	3 413 912	3 213 972
7	Liabilities created on issuance of securities	18 135 106	20 763 227	20 365 434
	Financial derivatives	273 393	364 088	336 221
	Deferred tax	10 085	0	10 085
12	Other liabilities	20 606	11 694	5 459
12	Provision for accrued costs and liabilities	358	413	412
	TOTAL LIABILITIES	20 967 388	24 553 333	23 931 584
OWNERS' EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium fund	312 500	271 889	312 500
	Other owners' equity	25 717	0	25 717
	Unallocated profit/loss	36 354	56 376	0
	TOTAL OWNERS' EQUITY	737 072	690 765	700 717
TOTAL LIABILITIES AND OWNERS' EQUITY		21 704 460	25 244 098	24 632 301

Statement of owners' equity

KLP Kommunekreditt AS

2013 NOK thousands	Share capital	Share premium fund	Other owners' equity	Total owners' equity
Owners' equity 1 January 2013	362 500	312 500	25 717	700 717
Income	0	0	36 354	36 354
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	36 354	36 354
Owners' equity contributed during the period	0	0	0	0
Group contributions received	0	0	0	0
Total transactions with the owners	0	0	0	0
Owners' equity 30 September 2013	362 500	312 500	62 072	737 072

2012 NOK thousands	Share capital	Share premium fund	Other owners' equity	Total owners' equity
Owners' equity 1 January 2012	362 500	271 889	0	634 389
Income	0	0	56 376	56 376
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	56 376	56 376
Owners' equity contributed during the period	0	0	0	0
Dividends/Group contribution paid during the period	0	0	0	0
Total transactions with the owners	0	0	0	0
Owners' equity 30 September 2012	362 500	271 889	56 376	690 765

NOK thousands	Number of shares	Nominal value in whole NOK	Share capital	Share premium fund	Other owners' equity	Total owners' equity
Share capital paid in/share premium fund	3 625 000	100	362 500	312 500	0	675 000
Changes in other owners' equity	-	-	0	0	62 072	62 072
Owners' equity as at 30 September 2013	3 625 000	100	362 500	312 500	62 072	737 072

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

Income per share 30.09.2013 in NOK: 10.03

Income per share 30.09.2012 in NOK: 15.55

Statement of cash flows

KLP Kommunekreditt AS

NOK thousands	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	01.01.2012- 31.12.2012
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	423 535	532 604	757 876
Net receipts/payments on loans to customers	1 270 405	3 177 685	4 575 635
Payments on operation	-15 476	-25 086	-33 604
Net receipts/payments on other operating activities	-2 487	-4 651	57 393
Net interest investment accounts	2 722	2 478	22 993
Income tax paid	0	0	0
Net cash flow from operating activities	1 678 698	3 683 030	5 380 293
INVESTMENT ACTIVITIES			
Payments on purchase of securities	-1 246 590	-1 903 076	-2 322 305
Receipts on sales of securities	2 420 084	2 430	0
Interest received from securities	56 601	51 438	77 313
Net cash flow from investment activities	1 230 095	-1 849 208	-2 244 992
FINANCING ACTIVITIES			
Net receipts/payments on loans from credit institutions	-2 919 398	-1 631 501	-2 191 537
Net payment of interest on loans	-419 416	-542 585	-704 772
Net receipts/payments on other short-term items	44 243	81 805	27 519
Net cash flow from financing activities	-3 294 571	-2 092 281	-2 868 790
Net cash flow during the period	-385 778	-258 459	266 510
Cash and cash equivalents at the start of the period	1 231 988	965 477	965 477
Cash and cash equivalents at the end of the period	846 210	707 017	1 231 988
Net receipts/ disbursements of cash	-385 778	-258 459	266 510
RECONCILIATION			
Profit/loss before tax	50 492	78 300	92 207
Change in accounts payable	1 146	-188	-50
Items classified as investment or financing activities	359 766	523 642	619 446
Changes in other accrual items	1 267 294	3 081 276	4 668 690
Net cash flow from operating activities	1 678 698	3 683 030	5 380 293

Notes to the Accounts

KLP Kommunekreditt AS

Note 1 GENERAL INFORMATION

KLP Kommunekreditt AS was formed on 25 August 2009. The Company is a credit enterprise that provides or acquires public sector loans that are guaranteed by the Norwegian state, Norwegian county administrations or Norwegian municipalities. Borrowers provide ordinary surety covering both repayments and interest.

The object of the Company is primarily to finance activities by issuing covered bonds with security in public sector guarantees loans.

KLP Kommunekreditt AS is registered and domiciled in Norway. The head office address is KLP Kommunekreditt AS, Beddingen 8, Postboks 8814, 7481 Trondheim. The Company is a wholly-owned subsidiary of KLP Banken AS, which is in turn wholly owned by Kommunal Landspensjonskasse (KLP) through KLP Bankholding AS.

Note 2 ACCOUNTING PRINCIPLES

This is an interim report for the period 1 January 2013 - 30 September 2013.

KLP Kommunekreditt AS presents financial statements in accordance with the principles on interim reporting in IAS 34.

The financial statements for the third quarter 2013 are presented in accordance with the same accounting principles as the annual financial statements for 2012, with the exception of those changes described in the interim reports for the first and second quarters of 2013. These reports are available at klp.no

The accounts for the third quarter have not been audited.

Note 3 NET INTEREST INCOME

NOK thousands	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	The year 2012
Interest on loans to and receivables from credit institutions	11 400	17 639	22 993
Interest on loans to customers	455 977	558 832	721 032
Interest on securities	56 867	58 497	81 577
Total interest income	524 244	634 969	825 602
Interest on debt to credit institutions (covered bonds)	389 300	505 397	646 983
Interest on debt to KLP Banken	61 598	80 982	105 790
Premium/discount on covered bonds	2 933	1 983	2 778
Total interest costs	453 831	588 362	755 551
Net interest income	70 413	46 607	70 052

Note 4 LOANS TO CUSTOMERS

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Loans to customers before write-downs	17 553 319	20 316 883	18 864 431
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to customers after individual write-downs	17 553 319	20 316 883	18 864 431
Accrued interest	148 959	179 589	116 517
Loans to customers, fair value hedging	190 554	261 825	263 248
Loans to customers	17 892 832	20 758 297	19 244 195

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

Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

NOK thousands	30.09.2013		30.09.2012		31.12.2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS AT FAIR VALUE						
Interest-bearing securities	2 747 628	2 747 628	3 490 663	3 490 663	3 915 133	3 915 133
Financial derivatives	181 691	181 691	196 260	196 260	172 025	172 025
Total financial assets at fair value	2 929 319	2 929 319	3 686 923	3 686 923	4 087 158	4 087 158
FINANCIAL ASSETS AT FAIR VALUE HEDGING						
Loans to Norwegian local authorities	6 175 364	6 194 309	5 877 751	5 882 053	5 978 833	5 983 059
Total financial assets at fair value hedging	6 175 364	6 194 309	5 877 751	5 882 053	5 978 833	5 983 059
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	866 220	866 220	793 067	793 067	1 240 833	1 240 833
Loans to Norwegian local authorities	11 717 468	11 714 849	14 880 545	14 867 382	13 265 362	13 265 362
Total financial assets at amortized cost	12 583 688	12 581 069	15 673 612	15 660 449	14 506 195	14 506 195
Total financial assets	21 688 371	21 704 697	25 238 286	25 229 425	24 572 186	24 576 412
FINANCIAL LIABILITIES AT FAIR VALUE						
Financial derivatives	273 393	273 393	364 088	364 088	336 221	336 221
Total financial liabilities at fair value	273 393	273 393	364 088	364 088	336 221	336 221
DEBT TO CREDIT INSTITUTIONS AT FAIR VALUE HEDGING						
Covered bonds issued	4 405 914	4 424 320	3 440 943	3 454 652	3 379 250	3 456 709
Total financial liabilities at fair value hedging	4 405 914	4 424 320	3 440 943	3 454 652	3 379 250	3 456 709
DEBT TO FINANCIAL INSTITUTIONS AT AMORTIZED COST						
Liabilities to credit institutions	2 527 841	2 527 841	3 413 912	3 413 912	3 213 972	3 213 972
Covered bonds issued	13 729 192	13 634 143	17 322 284	17 396 801	16 986 184	16 999 955
Total financial liabilities at amortized cost	16 257 032	16 161 984	20 736 196	20 810 713	20 200 156	20 213 927
Total financial liabilities	20 936 339	20 859 696	24 541 227	24 629 453	23 915 627	24 006 857

Fair value of investments listed in an active market is based on the current purchase price. 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, the Group uses valuation techniques 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 interest rate curves and spread curves. As far as possible the estimates are based on external observable market data and rarely on company-specific information.

The different financial instruments are thus priced in the following way:

Interest-bearing securities - other than government

All Norwegian fixed income securities except government are priced theoretically. A zero coupon curve is used as well as spread curves for the pricing. Reuters is used as the source for the zero coupon curve from 0 to 10 years. From 10 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years.

Financial derivatives

These transactions are valued based on the applicable swap curve at the time of valuation.

Fair value of loans to Norwegian local government

Fair value of lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Lending with fixed interest is valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates.

Fair value of debt to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Liabilities created on issuance of covered bonds

Fair value in this category is determined on the basis of internal valuation models based on external observable data.

Note 6 FAIR VALUE HIERARCHY

NOK thousands	Level 1	Level 2	Level 3	Total 30.09.2013
ASSETS				
Interest-bearing securities	0	2 747 628	0	2 747 628
Financial derivatives	0	181 691	0	181 691
Total financial assets valued at fair value	0	2 929 319	0	2 929 319
LIABILITIES				
Financial derivatives liabilities	0	273 393	0	273 393
Total financial liabilities at fair value	0	273 393	0	273 393

NOK thousands	Level 1	Level 2	Level 3	Total 30.09.2012
ASSETS				
Interest-bearing securities	0	3 490 663	0	3 490 663
Financial derivatives	0	196 260	0	196 260
Total financial assets valued at fair value	0	3 686 924	0	3 686 924
LIABILITIES				
Financial derivatives liabilities	0	364 088	0	364 088
Total financial liabilities at fair value	0	364 088	0	364 088

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2012
ASSETS				
Interest-bearing securities	0	3 915 133	0	3 915 133
Financial derivatives	0	172 025	0	172 025
Total financial assets valued at fair value	0	4 087 158	0	4 087 158
LIABILITIES				
Financial derivatives liabilities	0	336 221	0	336 221
Total financial liabilities at fair value	0	336 221	0	336 221

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 noted in an active market if noted 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 regularly occurring transactions at arm's length.

Level 1: Instruments in 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 in 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 not therefore 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 curves.

Level 3: Instruments at Level 3 contain no 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 7 LIABILITIES CREATED ON ISSUANCE OF SECURITIES

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	30.09.2013 Book value
Covered bonds							
N00010585185	4 300 000	NOK	Flytende	15.09.10	15.09.15	3 852	4 303 852
N00010592892	602 000	NOK	Flytende	10.12.10	10.12.13	713	602 713
N00010592900	750 000	NOK	Fast	15.12.10	15.12.20	27 411	777 411
N00010609795	1 339 000	NOK	Flytende	20.05.11	20.05.14	3 093	1 342 093
N00010624778	2 500 000	NOK	Fast	15.09.11*	15.05.15	33 322	2 533 322
XS0747335494	500 000	SEK	Flytende	17.02.12	17.02.15	913	434 413
N00010642192	1 000 000	NOK	Flytende	13.04.12	13.04.16	4 463	1 004 463
N00010662307	3 000 000	NOK	Flytende	26.10.12	10.11.17	8 792	3 008 792
N00010663180	2 000 000	NOK	Flytende	15.11.12	16.11.16	5 188	2 005 188
N00010675952	1 000 000	NOK	Fast	02.05.13	19.05.17	9 370	1 009 370
N00010675978	1 000 000	NOK	Flytende	15.05.13	15.05.18	2 703	1 002 703
Amortization / value adjustments							110 787
Total covered bonds issued							18 135 106

* Paid 500 mill. NOK in January 2012.

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	30.09.2012 Book value
Covered bonds							
N00010585185	4 300 000	NOK	Flytende	15.09.10	15.09.15	3 930	4 303 930
N00010592884	2 470 000	NOK	Flytende	10.12.10	10.12.12	3 184	2 473 184
N00010592892	4 000 000	NOK	Flytende	10.12.10	10.12.13	5 437	4 005 437
N00010592900	750 000	NOK	Fast	15.12.10	15.12.20	27 430	777 430
XS0605180412	1 250 000	SEK	Flytende	15.03.11	15.03.13	866	1 095 866
N00010609795	4 000 000	NOK	Flytende	20.05.11	20.05.14	10 967	4 010 967
N00010624778	2 500 000	NOK	Fast	15.09.11	15.05.15	33 322	2 533 322
XS0747335494	500 000	SEK	Flytende	17.02.12	17.02.15	1 344	434 844
N00010642192	1 000 000	NOK	Flytende	13.04.12	13.04.16	5 889	1 005 889
Amortization / value adjustments							122 359
Total covered bonds issued							20 763 227

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	31.12.2012 Book value
Covered bonds							
N00010585185	4 300 000	NOK	Flytende	15.09.10	15.09.15	4 031	4 304 031
N00010592892	1 103 000	NOK	Flytende	10.12.10	10.12.13	1 490	1 104 490
N00010592900	750 000	NOK	Fast	15.12.10	15.12.20	1 607	751 607
XS0605180412	1 250 000	SEK	Flytende	15.03.11	15.03.13	765	1 095 765
N00010609795	4 000 000	NOK	Flytende	20.05.11	20.05.14	10 313	4 010 313
N00010624778	2 500 000	NOK	Fast	15.09.11	15.05.15	55 377	2 555 377
XS0747335494	500 000	SEK	Flytende	17.02.12	17.02.15	959	434 459
N00010642192	1 000 000	NOK	Flytende	13.04.12	13.04.16	5 092	1 005 092
N00010662307	3 000 000	NOK	Flytende	26.10.12	10.11.17	12 898	3 012 898
N00010663180	2 000 000	NOK	Flytende	15.11.12	16.11.16	5 797	2 005 797
Amortization / value adjustments							85 605
Total covered bonds issued							20 365 434

Note 8 DEBT TO CREDIT INSTITUTIONS

NOK thousands	Due date	Nominal	Accrued interest	30.09.2013 Book value
Loan KLP Banken	16.12.13	2 525 000	2 841	2 527 841
Total liabilities to credit institutions				2 527 841

NOK thousands	Due date	Nominal	Accrued interest	30.09.2012 Book value
Loan KLP Banken	17.12.12	3 410 000	3 912	3 413 912
Total liabilities to credit institutions				3 413 912

NOK thousands	Due date	Nominal	Accrued interest	31.12.2012 Book value
Loan KLP Banken	15.03.13	3 210 000	3 972	3 213 972
Total liabilities to credit institutions				3 213 972

Note 9 PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

30.09.13 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	181 691	0	181 691	-147 666	0	34 025
Total	181 691	0	181 691	-147 666	0	34 025
LIABILITIES						
Financial derivatives	273 393	0	273 393	-147 666	0	125 726
Total	273 393	0	273 393	-147 666	0	125 726

30.09.12 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	196 260	0	196 260	-191 853	0	4 408
Total	196 260	0	196 260	-191 853	0	4 408
LIABILITIES						
Financial derivatives	364 088	0	364 088	-191 853	0	172 235
Total	364 088	0	364 088	-191 853	0	172 235

31.12.12 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	172 025	0	172 025	-172 025	0	0
Total	172 025	0	172 025	-172 025	0	0
LIABILITIES						
Financial derivatives	336 221	0	336 221	-172 025	0	164 196
Total	336 221	0	336 221	-172 025	0	164 196

The purpose of the note is to show the potential effect of netting agreements at KLP Kommunekreditt AS. The Note shows derivative positions in the financial position statement.

Note 10 TRANSACTIONS WITH RELATED PARTIES

NOK thousands	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	The year 2012
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-61 598	-80 982	-105 790
KLP Banken AS, administrative services (at cost)	-12 472	-16 045	-21 321
KLP Kapitalforvaltning AS, fees for services provided	-241	-281	-326
TOTAL	-74 310	-97 308	-127 437
NOK thousands	30.09.2013	30.09.2012	31.12.2012
FINANCIAL POSITION STATEMENT ITEMS			
KLP Banken AS, borrowing Group current liabilities	-2 527 841	-3 413 912	-3 213 972
KLP Banken AS, net internal receivables	-5 096	-5 376	-5 277
KLP Banken AS, bank clearing system	15 344	5 301	59 587
KLP Kapitalforvaltning AS, net internal receivables	-86	-187	-45
TOTAL	-2 517 680	-3 414 174	-3 159 707

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 is allocated at cost. Allocation is based on actual use. All internal receivables are settled as they arise.

Note 11 OTHER ASSETS

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Receivables from companies in the same Group	15 344	5 301	59 587
Prepaid expenses	745	510	528
Total other assets	16 088	5 811	60 115

Note 12 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Creditors	1 284	0	138
Receivables from companies in the same Group	5 182	5 563	5 322
Interim securities liabilities	2	0	0
Tax provision	14 138	6 131	0
Total other liabilities	20 606	11 694	5 459
VAT	358	143	216
Provisioned costs	0	270	196
Total accrued costs and liabilities	358	413	412

Note 13 CAPITAL ADEQUACY

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Share capital and share premium fund	675 000	634 389	675 000
Other owners' equity	25 717	0	25 717
Owners' equity	700 717	634 389	700 717
Interim profit/loss	0	0	0
Deferred tax asset	0	0	0
Core capital	700 717	634 389	700 717
Supplementary capital	0	0	0
Supplementary capital	0	0	0
Total eligible Tier 1 and 2 capital	700 717	634 389	700 717
Capital requirement	337 823	379 869	370 359
Surplus of Tier 1 and 2 capital	362 894	254 520	330 358
CALCULATION BASIS CREDIT RISK			
Institutions	249 138	214 059	315 485
Local and regional authorities	3 620 723	4 186 239	3 964 218
Covered bonds	274 763	337 074	338 791
Calculation basis credit risk	4 144 625	4 737 372	4 618 494
Credit risk	331 570	378 990	369 480
Operating risk	6 253	879	879
Total capital requirement assets	337 823	379 869	370 359
Core capital adequacy ratio	16,6 %	13,4 %	15,1 %
Supplementary capital ratio	0,0 %	0,0 %	0,0 %
Capital adequacy ratio	16,6 %	13,4 %	15,1 %

Basel II regulations have been used in calculating capital adequacy.

The core capital requirement is 9 per cent, and the capital adequacy requirement is 12.5 per cent.

Note 14 INTEREST-BEARING SECURITIES

NOK thousands	30.09.2013		31.12.2012	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	50 363	50 361	417 941	419 370
Bonds	2 697 611	2 697 267	3 440 598	3 495 763
Total interest-bearing securities	2 747 974	2 747 628	3 858 539	3 915 133

The bonds are brought to account at market value, including accrued but not due interests.

Note 15 CONTINGENT LIABILITIES

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Credit facilities for lending not utilised	0	0	0
Promised loans	179 829	24 679	49 671
Total contingent liabilities	179 829	24 679	49 671

Note 16 KEY FIGURES

Accumulated figures in NOK millions	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Pre-tax income	50.5	34.8	21.1	92.2	78.3
Net interest income	70.4	48.4	23.3	70.1	46.6
Other operating income	0.0	0.0	0.0	0.0	0.0
Depreciation and write down	-16.3	-10.0	-5.6	-28.1	-19.7
Net realized/unrealized change fin. instruments at fair value	-3.7	-3.6	3.5	50.3	51.4
Lending with public sector guarantee	17 892.8	18 676.6	19 139.1	19 244.2	20 758.3
Defaulted loans	-	-	-	-	-
Borrowing on issuance of securities	18 135.1	18 652.5	18 849.6	20 365.4	20 763.2
Other borrowing	2 527.8	2 628.0	2 889.1	3 214.0	3 413.9
Total assets	21 704.5	22 325.7	22 791.6	24 632.3	25 244.1
Average total assets	23 168.4	23 479.0	23 712.0	25 591.1	25 897.0
Owners' equity	737.1	725.7	715.9	700.7	690.8
Interest net	0.30 %	0.21 %	0.10 %	0.27 %	0.18 %
Income from ordinary operation before tax	0.22 %	0.15 %	0.09 %	0.36 %	0.30 %
Income from ordin. operations excl. f.v.assessm'nt before tax	0.23 %	0.16 %	0.07 %	0.16 %	0.10 %
Return on owners' equity before tax	6.85 %	4.79 %	2.95 %	13.16 %	11.34 %
Capital adequacy ratio	16.6 %	16.0 %	15.9 %	15.1 %	13.4 %



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