

**Interim report Q4 2012**  
KLP Kommunekreditt AS



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# KLP Kommunekreditt AS

## Interim financial statement 4/2012

### Objective and ownership

The Company's objective is the 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, the 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 basically financed by issuing 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 formed in 2009 and has its head office in Trondheim (Norway). KLP Kommunekreditt, the brand name, is used in marketing directed at customer groups in the public sector.

### Income statement

Net interest and credit commission income amounted to NOK 70.1 million at the end of the fourth quarter 2012. KLP Kommunekreditt's operating expenses as at the fourth quarter 2012 amounted to NOK 28.1 million. Take provision for the company did not have any losses nor did it make provision for losses on lending. KLP Kommunekreditt's profit before tax as at the fourth quarter 2012 is NOK 92.2 million.

### Lending/total assets

The Company's lending as at 31.12.2012 stood at NOK 19.2 billion as against NOK 23.8 billion as at 31.12.2011. Lendings have been acquired from KLP Kreditt AS and KLP. The Company's lendings are for municipalities, county administrations, and municipal enterprises.

### Borrowing

The Company's borrowings are covered bonds and borrowings from the parent company. In 2011, covered bonds were issued for NOK 15.8 billion. In 2012, covered bonds were issued for NOK 6.5 billion and SEK 500 million. All the covered bonds have an AAA rating.

### Liquidity investments

KLP Kommunekreditt AS has strict rules as to which assets may be included in the body of securities. In addition to lendings to the public sector, the body of securities consists of safe securities and deposits in other banks. The securities constitute certificates and bonds with very good security, mainly investments in triple A-rated covered bonds. As at 31 December the nominal value of the bonds portfolio is NOK 3.9 billion. Unrealised gains amount to NOK 46.1 million.

### Solvency

Core capital in accordance with the rules for capital adequacy amounted to NOK 634.4 million at the end of the fourth quarter 2012. Loans to the municipalities and county administrations are 20 per cent risk-weighted according to the authorities' regulations for capital adequacy. KLP Kommunekreditt AS has a core capital adequacy and a capital adequacy ratio of 13.8 per cent as at the fourth quarter 2012. The minimum statutory requirement is 9 per cent.

## Income Statement

Note	Amounts in NOK thousands	Q4 2012	Q4 2011	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
	Interest income and similar income	190 633	227 879	825 602	644 784
	Interest expense and similar expenses	-167 189	-224 237	-755 551	-641 795
3	Net interest income	23 445	3 642	70 052	2 989
	Commission expenses and banking service-related expenses	0	-2	0	-2
	Net charges and commission expenses	0	-2	0	-2
	Net gain/(loss) on financial instruments	-1 139	-10 803	50 293	-11 859
	Total other operating income	-1 139	-10 803	50 293	-11 859
	Other operating expenses	-8 398	-9 983	-28 137	-41 135
	Operating profit/loss before tax	13 907	-17 144	92 207	-50 007
	Tax on ordinary profit/loss	-3 894	4 801	-25 818	14 002
	Profit/loss	10 013	-12 343	66 389	-36 005
	Comprehensive profit/loss	0	0	0	0
	Accrued omprehensive profit/loss after tax	0	0	0	0
	ACCRUED TOTAL PROFIT/LOSS	10 013	-12 343	66 389	-36 005

## Financial Position Statement

Note	Amounts in NOK thousands	31.12.2012	31.12.2011
ASSETS			
	Loans to and receivables from credit institutions	1 240 833	1 031 714
4	Loans to and receivables from customers	19 244 195	23 808 983
11	Interest-bearing securities	3 915 133	1 535 086
	Deferred tax asset	0	15 793
	Financial derivatives	172 025	70 165
8	Other assets	60 115	88 135
	<b>TOTAL ASSETS</b>	<b>24 632 301</b>	<b>26 549 875</b>
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
6	Debt to credit institutions	3 213 972	3 568 757
5	Debt created on the issuance of securities	20 365 434	22 152 457
	Financial derivatives	336 221	182 842
	Deferred tax	10 025	0
9	Other liabilities	5 459	8 510
9	Provision for costs incurred and obligations	412	2 922
	<b>TOTAL LIABILITIES</b>	<b>23 931 523</b>	<b>25 915 487</b>
OWNERS' EQUITY			
	Share capital	362 500	362 500
	Share premium fund	271 889	271 888
	Unallocated profit	66 389	0
	<b>TOTAL OWNERS' EQUITY</b>	<b>700 778</b>	<b>634 388</b>
	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>24 632 301</b>	<b>26 549 875</b>

## Statement of owners' equity

2012				
Amounts in NOK thousands	Share capital	Share premium fund	Other owners' equity	Total owners' equity
Owners' equity as at 01.01.2012	362 500	271 888	0	634 388
Profit	0	40 612	25 777	66 389
Comprehensive profit/loss	0	0	0	0
Total profit/loss	0	40 612	25 777	66 389
Accrued owners' equity received	0	0	0	0
Group contribution received	0	0	0	0
Total transactions with the owners	0	0	0	0
Owners' equity as at 31.12.2012	362 500	312 500	25 777	700 778

2011				
Amounts in NOK thousands	Share capital	Share premium fund	Other owners' equity	Total owners' equity
Owners's equity as at 01.01.2011	212 500	157 893	0	370 393
Profit/loss	0	-36 005	0	-36 005
Comprehensive profit/loss	0	0	0	0
Total profit/loss	0	-36 005	0	-36 005
Accrued owner's equity received	150 000	150 000	0	300 000
Accrued dividends/Group contributions paid	0	0	0	0
Total transactions with the owners	150 000	150 000	0	300 000
Owners' equity as at 31.12.2011	362 500	271 888	0	634 388

Amounts in NOK thousands	No. of shares	Nominal	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	25 777	25 777
Owners's equity as at 31.12.2012	3 625 000	100	362 500	312 500	25 777	700 778

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

Profit/loss per share 31.12.2012 (NOK): 18,31

Profit/loss per share 31.12.2011 (NOK): -9,93



## Statement of cash flows

Amounts in NOK thousands	2012		2011	
<b>Operating activities</b>				
Interest, commission and fees from customers received	757	876	501	221
Net amounts received/paid (-) on loans to customers	4	575 635	-12	640 153
Disbursements for operation	-33	604	-32	346
Net amounts received/paid regarding other operations	57	393	-66	237
Net interest on investment accounts	22	993	23	394
Income tax paid		0		0
<b>Net cash flow from operating activities</b>	<b>5</b>	<b>380 293</b>	<b>-12</b>	<b>214 121</b>
<b>Investment activities</b>				
Payments on the purchase of securities	-2	322 305	-1	638 503
Amounts received on the sale of securities		0		98 680
Interest received on securities	77	313	20	293
<b>Net cash flow from investment activities</b>	<b>-2</b>	<b>244 991</b>	<b>-1</b>	<b>519 530</b>
<b>Financing activities</b>				
Net amounts received/paid (-) on borrowing from credit institutions	-2	191 537	14	851 453
Net amount paid for interest on loans	-704	772	-576	918
Net amounts received/paid (-) in respect of other short-term items	27	519	-127	099
Amount received on the issuance of owners' equity		0		300 000
<b>Net cash flow from financing activities</b>	<b>-2</b>	<b>868 790</b>	<b>14</b>	<b>447 436</b>
<b>Net cash flow accrued</b>	<b>266</b>	<b>512</b>	<b>713</b>	<b>784</b>
Holdings of cash and cash equivalents at start of period	965	477	251	692
Holdings of cash and cash equivalents at end of period	1	231 988	965	477
<b>Net cash received/paid (-)</b>	<b>266</b>	<b>512</b>	<b>713</b>	<b>784</b>

A change has been made in the classification of payments and amounts received on the purchase of securities. These items have been moved from operating activities to investment activities. The comparative figures have been changed correspondingly.

### RECONCILIATION

Profit/loss before tax expense	92	207	-50	007
Change in trade debtors		-50		-160
Items qualified as investment or financing activity	619	446	674	291
Change in other accruals	4	668 690	-12	838 245
<b>Net cash flows from operating activities</b>	<b>5</b>	<b>380 293</b>	<b>-12</b>	<b>214 121</b>

## Note 1 General information

KLP Kommunekreditt AS was founded on 25 August 2009. The Company provides or acquires government loans, which are guaranteed by the Norwegian government, Norwegian county administrations or Norwegian municipalities. Guarantees are to be of the ordinary surety type, which covers both repayments and interest. The lending business is mainly financed by the issuance of covered bonds.

KLP Kommunekreditt AS is registered and domiciled in Norway. Its head office is at Beddingen 8 in Trondheim (Norway).

The Company is a subsidiary of KLP Banken AS, which is 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 is for the period between 1 January and 31 December 2012. The accounts are not audited.

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

The interim accounts have been submitted in accordance with the same principles as the annual accounts for 2011. This interim report should consequently be read in this context. The annual accounts are available at [www.klp.no](http://www.klp.no).

## Note 3 Net interest income

Amounts in NOK thousands	2012	2011
Interest on loans to and receivables from credit institutions	22 993	23 394
Interest on loans to customers	721 032	594 936
Interest on securities	81 577	26 454
<b>Total interest income</b>	<b>825 602</b>	<b>644 784</b>
Interest on debt to credit institutions (covered bonds)	646 983	551 306
Interest on debt to KLP Banken	105 790	83 146
Premium/discount on covered bonds	2 778	7 342
<b>Total interest expenses</b>	<b>755 551</b>	<b>641 795</b>
<b>Net interest income</b>	<b>70 052</b>	<b>2 989</b>



## Note 4 Loans to customers

Amounts in NOK thousands	31.12.2012	31.12.2011
Loans to customers before write-downs	18 864 431	23 499 198
Individual write-downs	0	0
Depreciation by group	0	0
Loans to customers after individual write-downs	18 864 431	23 499 198
Accrued interest	116 517	153 361
Loans to customers fair value hedging	263 248	156 424
Loans to customers	19 244 195	23 808 983

All lendings are loans to or loans guaranteed by Norwegian municipalities and county administrations, including loans to municipal enterprises and inter-municipal companies (government loans). Guarantees are of the ordinary surety type which cover both repayments and interest.

## Note 5 Debt created on the issuance of securities

Amounts in NOK thousands								31.12.2012
ISIN code	Nominal	Currency	Interest	Commenced	Due date	Accr. Interest		Book value
<b>Covered bonds</b>								
N00010585185	4 300 000	NOK	Floating	15.09.2010	15.09.2015	4 031	4 304 031	
N00010592892	1 103 000	NOK	Floating	10.12.2010	10.12.2013	1 490	1 104 490	
N00010592900	750 000	NOK	Fixed	15.12.2010	15.12.2020	1 607	751 607	
XS0605180412	1 250 000	SEK	Floating	15.03.2011	15.03.2013	765	1 095 765	
N00010609795	4 000 000	NOK	Floating	20.05.2011	20.05.2014	10 313	4 010 313	
N00010624778	2 500 000	NOK	Fixed	15.09.2011	15.05.2015	55 377	2 555 377	
XS0747335494	500 000	SEK	Floating	17.02.2012	17.02.2015	959	434 459	
N00010642192	1 000 000	NOK	Floating	13.04.2012	13.04.2016	5 092	1 005 092	
N00010662307	3 000 000	NOK	Floating	26.10.2012	10.11.2017	12 898	3 012 898	
N00010663180	2 000 000	NOK	Floating	15.11.2012	16.11.2016	5 797	2 005 797	
Amortisation / value adjustments							85 605	
Total covered bonds issued							20 365 434	

Amounts in NOK thousands								31.12.2011
ISIN code	Nominal	Currency	Interest	Commenced	Due date	Accr. Interest		Book value
<b>Covered bonds</b>								
N00010585185	4 300 000	NOK	Floating	15.09.2010	15.09.2015	7 208	4 307 208	
N00010592884	3 000 000	NOK	Floating	10.12.2010	10.12.2012	5 500	3 005 500	
N00010592892	4 000 000	NOK	Floating	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	Floating	15.03.2011	15.03.2013	1 597	1 096 597	
N00010609795	4 000 000	NOK	Floating	20.05.2011	20.05.2014	15 443	4 015 443	
N00010614555	2 900 000	NOK	Floating	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 6 Debt to credit institutions

Amounts in NOK thousands	Due date	Nominal	Accr. Interest	31.12.2012 Book value
Loan(s) KLP Banken	15.03.2013	3 210 000	3 972	3 213 972
Total debt to credit institutions				3 213 972

Amounts in NOK thousands	Due date	Nominal	Accr. 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 debt to credit institutions				3 568 757

## Note 7 Transactions with related parties

Amounts in NOK thousands	2012	2011
Profit/loss items		
KLP Banken AS, interest on borrowings	-105 790	-83 146
KLP Banken AS, administrative services (at cost)	-21 321	-19 592
KLP Kapitalforvaltning AS, fees for services provided	-326	-177
TOTAL	-127 437	-102 915

Amounts in NOK thousands	31.12.2012	31.12.2011
Financial position items		
KLP Banken AS, borrowing for Group current liabilities	-3 213 972	-3 568 757
KLP Banken AS, net intra-Group accounts	-5 277	-8 259
KLP Banken AS, bank clearing system	59 587	87 106
KLP Kapitalforvaltning AS, net intra-Group accounts	-45	-63
TOTAL	-3 159 707	-3 489 974

There are no actual salary costs at KLP Kommunekreditt AS. Staff 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. The allocation is based on actual use. All intra-Group accounts are settled as they arise.

## Note 8 Other assets

Amounts in NOK thousands	31.12.2012	31.12.2011
Intra-Group company accounts	59 587	87 106
Miscellaneous receivables	0	0
Pre-paid costs	528	1 029
Total other assets	60 115	88 135

## Note 9 Other liabilities and provision for costs incurred

Amounts in NOK thousands	31.12.2012	31.12.2011
Creditors	138	188
Intra-Group company accounts	5 322	8 323
Total other liabilities	5 459	8 510
VAT	216	2 922
Cost provision	196	0
Total costs and obligations incurred	412	2 922

## Note 10 Capital adequacy

Amounts in NOK thousands	31.12.2012	31.12.2011
Share capital and share premium fund	634 389	634 389
Other owners' equity	0	0
Owners' equity	634 389	634 389
Interim profit/loss	0	0
Deferred tax asset	0	-15 793
Core capital	634 389	618 596
Supplementary capital	0	0
Supplementary capital	0	0
Total Tier 1 and tier 2 capital to count	634 389	618 596
Capital requirement	367 084	428 337
Surplus of tier 1 and tier 2 capital	267 305	190 259
Calculation base credit risk		
Institutions	309 409	250 775
Local and regional authorities	3 888 420	4 786 663
Government-owned enterprises	0	0
Covered bonds	379 728	305 788
Calculation basis credit risk	4 577 557	5 343 225
Credit risk	366 205	427 458
Operating risk	879	879
Total capital requirement assets	367 084	428 337
Core capital adequacy ratio	13,8 %	11,6 %
Supplementary capital ratio	0,0 %	0,0 %
Capital adequacy ratio	13,8 %	11,6 %

The Basel II body of rules is used in calculating capital adequacy.

The authorities' requirement for capital adequacy is set at 9 per cent for financial institutions.

## Note 11 Interest-bearing securities

Amounts in NOK thousands	31.12.2012		31.12.2011	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	417 941	419 370	0	0
Bonds	3 440 598	3 495 763	1 537 522	1 535 086
Total interest-bearing securities	3 858 539	3 915 133	1 537 522	1 535 086

Interest-bearing securities have been booked at market value

## Note 12 Contingent obligations

Amounts in NOK thousands	31.12.2012	31.12.2011
Unused credit lines lending	0	0
Loan promises	49 671	80 709
Total contingent obligations	49 671	80 709

## Note 13 Key figures

Accumulated figures in NOK millions	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11
Profit/loss before tax	92,2	78,3	18,4	16,3	-50,0
Net interest income	70,1	46,6	24,7	7,1	3,0
Other operating income	0,0	0,0	0,0	0,0	0,0
Operating expenses and depreciation	-28,1	-19,7	-13,4	-7,7	-41,1
Net realised/unrealised change financial instruments to fair value	50,3	51,4	7,1	17,0	-11,9
Lending with government guarantee	19 244,2	20 758,3	20 941,8	23 371,8	23 809,0
Defaulted loans	-	-	-	-	-
Commencing loan on issuance of securities	20 365,4	20 763,2	20 692,5	21 947,5	22 152,5
Other internal loans	3 214,0	3 413,9	3 564,6	3 565,4	3 568,8
Total assets	24 632,3	25 44,1	25 212,7	26 410,5	26 549,9
Average total assets	25 591,1	25 897,0	25 881,3	26 435,2	13 274,9
Owners' equity	700,8	690,8	647,6	646,1	634,4
Net interest income	0,27 %	0,18 %	0,10 %	0,03 %	0,02 %
Profit/loss from ordinary operations before tax	0,36 %	0,30 %	0,07 %	0,06 %	-0,38 %
Profit/loss on ordin. operations excl. fair value assessment before tax	0,16 %	0,10 %	0,04 %	0,00 %	-0,29 %
Return on owners' equity before tax	13,16 %	11,34 %	2,84 %	2,52 %	-7,88 %
Capital adequacy	13,8 %	13,4 %	13,1 %	12,1 %	11,6 %



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