

12th February 2010 – KLP Group

Financial results fourth quarter 2009 (Preliminary and unaudited accounts)



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2009 – Solid results

KLP Group:

- Operating result NOK 9.9 billion, applied as follows:
 - Pension clients NOK 9.0 billion
 - NOK 2.4 billion to premium fund
 - NOK 4.2 billion to supplementary reserves
 - NOK 2.4 billion to valuation reserves fund
- Annual result for Group NOK 0.9 billion

KLP Life and Pension

- Value adjusted return common portfolio public sector pensions 7.7 per cent
- Book return common portfolio public sector pensions 6.4 per cent
- Return corporate portfolio 6.7 per cent



Strong results in Q4 2009

KLP Group

- Operating result NOK 2.6 billion

KLP Life and Pension

- Value adjusted return common portfolio public sector pensions 1.8 per cent
- Book return common portfolio public sector pensions 0.9 per cent
- Return corporate portfolio 2.4 per cent



KLP – solid through the financial crisis

- Since the previous financial crisis in 2001 – 2002 KLP has been dedicated to building solvency and refining its CPPI models
- The systems were tested under the financial crisis in 2008, and passed the test
- KLP entered 2009 with satisfactory solvency remaining, thus being able to exploit the positive markets in 2009 for the benefit of our clients
- The Group's solid basis entering 2009 also provided the opportunity to undertake important strategic initiatives
 - The acquisition of Kommunekreditt Norge and establishing KLP Banken enables KLP to provide a wider spectre of products and services to its clients and owners
- The capital base was strengthened in 2009 by NOK 1 205 million through the regular calling-in of capital and retained earnings

Client-owned KLP provide its clients and their employees with a broad spectre of advantageous financial services.

KLP stands out as a financial group able to provide its pension clients as well as their present and former employees with a wide range of financial services:

- **Life- and pension insurance**
Kommunal Landspensjonskasse (KLP) offers public pensions and group life-insurance, while the affiliate KLP Bedriftspensjon offers private sector defined contribution and defined benefit plans
- **Non-life insurance**
KLP Skadeforsikring offers non-life and casualty insurance to the public sector as well as retail products.
- **Asset Management**
KLP Kapitalforvaltning offers premium active and index-tracking products, which in mutual fund format is marketed towards institutional and retail clients through KLP Fondsforsvaltning
- **Banking- and financial services**
Advantageous deposit and lending rates for the retail market through KLP Banken.
KLP Kommunekreditt offers competitive financing to Norwegian public sector entities

KLP Key figures – return on investments

<i>All figures in per cent</i>	Q4 2009	2009	2008
Return common portfolio			
Return on capital I – book	0.9	6.4	1.0
Return on capital II – value adjusted	1.8	7.7	-3.0
Return on capital III – value adjusted including value adjustments HTM bonds	1.8	7.6	-1.7
Segregated investment portfolio	2.4	9.2	
Corporate portfolio	2.3	6.7	4.0

KLP key figures – capital adequacy and solvency

<i>Per cent</i>	31.12.2009	31.12.2008
KLP		
Capital adequacy (after allocations)	12.6	14.6
Core capital ratio (after allocations)	9.6	10.7
Solvency capital in per cent of insurance assets with interest rate guarantee.	13.1	9.9
KLP Group		
Capital adequacy (after allocations)	12.0	13.5
Core capital ratio (after allocations)	9.2	9.9

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KLP Group - presentation of accounts 2009

<i>NOK mill</i>	2009	2008
Pension premiums and incoming transfers	19 410	22 610
Net revenues from investments in Common portfolio	14 548	-3 778
Other insurance related income	760	770
Claims paid and outgoing transfers	-10 365	-10 481
Changes in technical provisions incl. changes in valuation reserves	-13 416	-14 706
Other insurance related costs	-1 026	-3 072
Technical results	9 911	-8 657
Changes in valuation reserves	-2 388	7 204
Changes in supplementary reserves	-4 211	3 706
Surplus allocated to pension clients' premium fund	-2 427	-1 905
Changes in other reserves	-7	-
Total result	878	348

KLP Group, main balance sheet figures

<i>NOK mill</i>	31.12.2009	31.12.2008	Endring
Investment properties	22 589	20 383	2 204
Debt instruments held to maturity	44 275	37 842	6 433
Debt instruments classified as loans and receivables	34 016	34 004	12
Lending to municipalities, enterprises and individuals	61 425	21 049	40 376
Debt instruments at fair value over p&l	66 828	66 499	329
Equity instruments at fair value over p&l	24 232	18 289	5 942
Financial derivatives	886	3 043	-2 157
Share in associated companies	3	433	-430
Share in defined contribution life insurance	17	6	11
Immaterial assets	380	281	99
Other assets	4 327	3 434	894
Total assets	258 977	205 264	53 713

KLP Group, main balance sheet figures

<i>NOK mill</i>	31.12.2009	31.12.2008	Endring
Own funds	9 721	8 429	1 292
Hybrid capital and subordinated loans	3 980	5 021	-1 041
Debt to financial institutions	33 211	-	33 211
Debt to and deposits from clients	35	-	35
Insurance reserves	207 120	186 577	20 543
Financial derivatives	1 038	2 770	-1 732
Other liabilities	3 871	2 467	1 404
Total own funds and debt	258 977	205 264	53 713

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Presentation of accounts 2009

Income statement <i>NOK mill</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Sum 2009
Pension premiums and incoming transfers	3 074	3 074	9 693	3 027	18 868
Net revenues from investments in Common portfolio	505	4 979	5 208	3 481	14 174
Claims paid and outgoing transfers	-3 854	-1 933	-2 149	-2 044	-9 979
Changes in technical provisions incl. changes in valuation reserves	-317	-2 274	-9 301	-8 017	-19 909
Allocations to insurance contracts	-55	-2 824	-3 255	3 711	-2 425
Insurance related operating costs	-168	-130	-157	-178	-633
Other insurance related costs	-6	-3	-1	-1	-11
Technical result	-821	890	37	-22	84
Net revenues from investments in Corporate portfolio	81	268	196	294	840
Other revenues and expenditures	-42	-40	-47	-57	-185
Total result	-781	1 117	187	216	738

Appropriation of results 2009

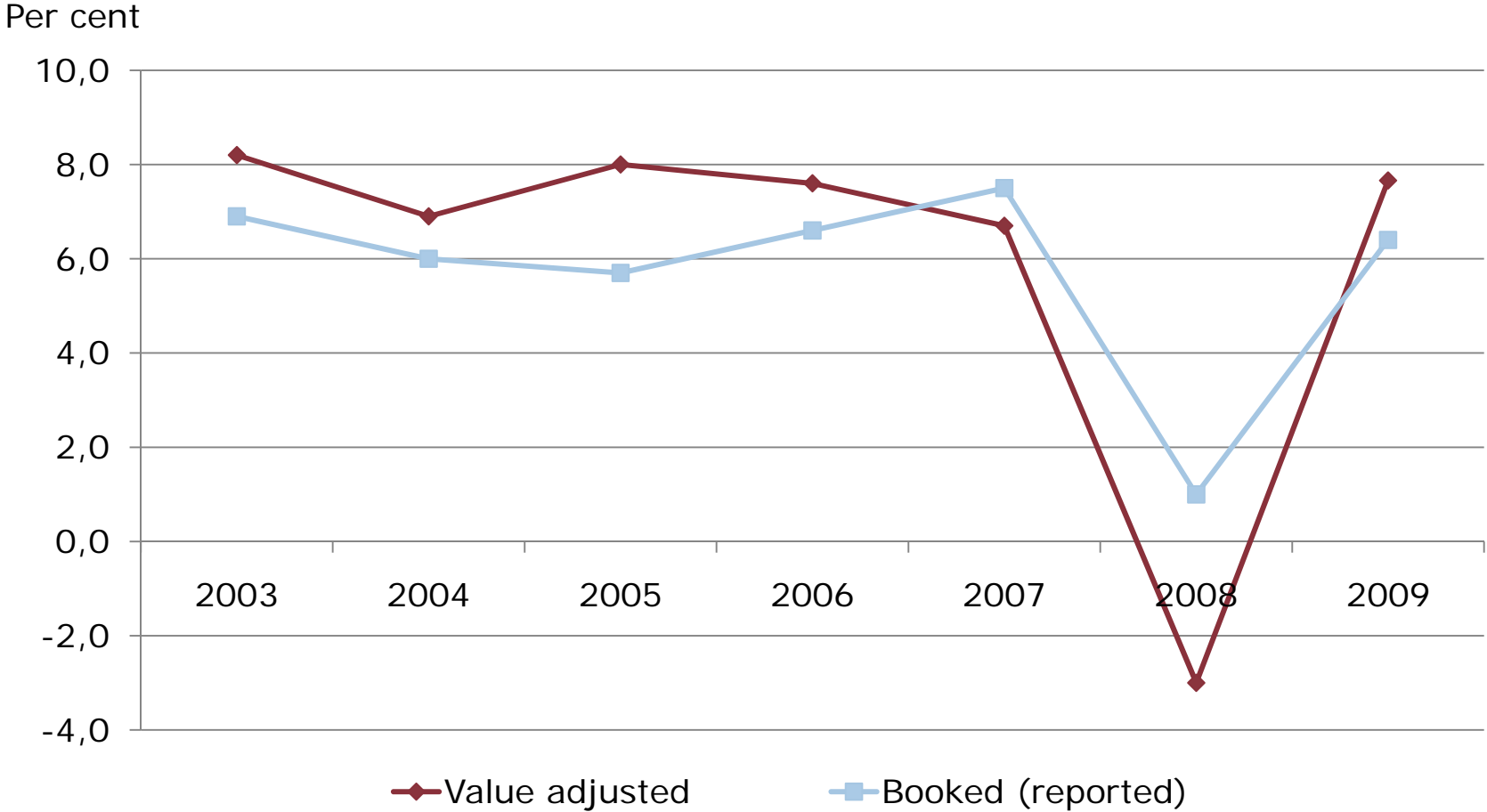
<i>NOK mill</i>	Kunde	Eier	Sum 2009	Sum 2008
Interest result	6 126		6 126	-3 705
Risk result	274	-15	259	1 800
Administration result		161	161	98
Premium interest rate guarantee		174	174	155
Non-technical result		655	655	248
Return on paid-in equity to clients	236	-236	-	
Total	6 636	738	7 375	-1 405

KLP allocation of results 2009

<i>NOK million</i>	2009	2008
Clients		
To (from) supplementary reserves	4 205	-3 705
To Premium fund	2 424	1 903
To Buffer-fund (Investment choice)	7	
To Retained earnings	738	397
Total	7 375	-1 405



KLP return on investments



KLP return on investment portfolios 2009

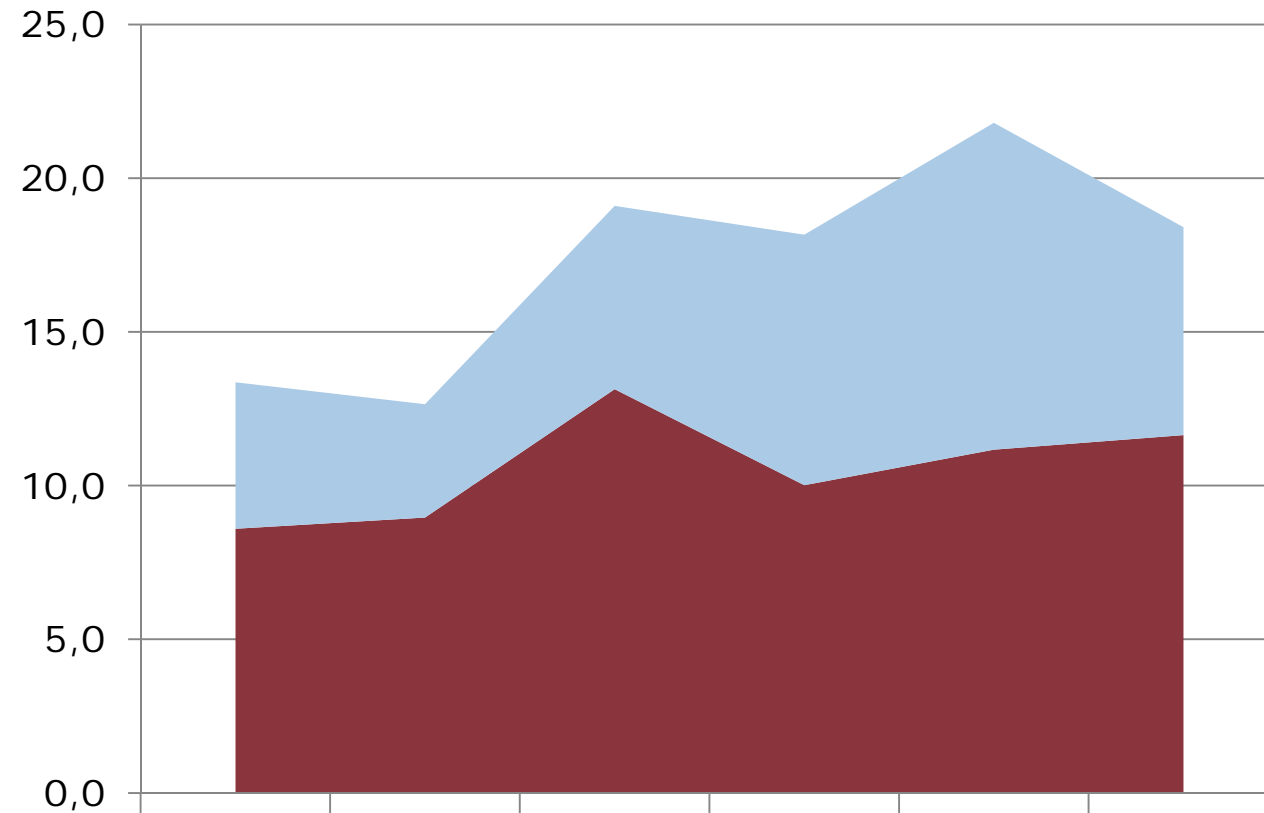
Common portfolio <i>Per cent</i>	Q1	Q2	Q3	Q4	Year
Booked return (reported)	0.3 %	2.7 %	2.5 %	0.9 %	6.4 %
Value adjusted return	0.3 %	2.7 %	2.8 %	1.8 %	7.7 %
Value adjusted return incl. held-to-maturity bonds	0.3 %	2.7 %	2.8 %	1.8 %	7.6 %
Corporate portfolio	0.6 %	2.1 %	1.6 %	2.3 %	6.7 %

Appropriation of results 2009

Results <i>NOK mill</i>	To customers	To owners	Sum
Interest result	6 126		6 126
Risk result	274	-15	259
Premium interest rate guarantee		174	174
Administration result		161	161
Net income corporate portfolio		655	655
Appropriated to customers	236	-236	-
Accumulated results	6 636	738	7 375

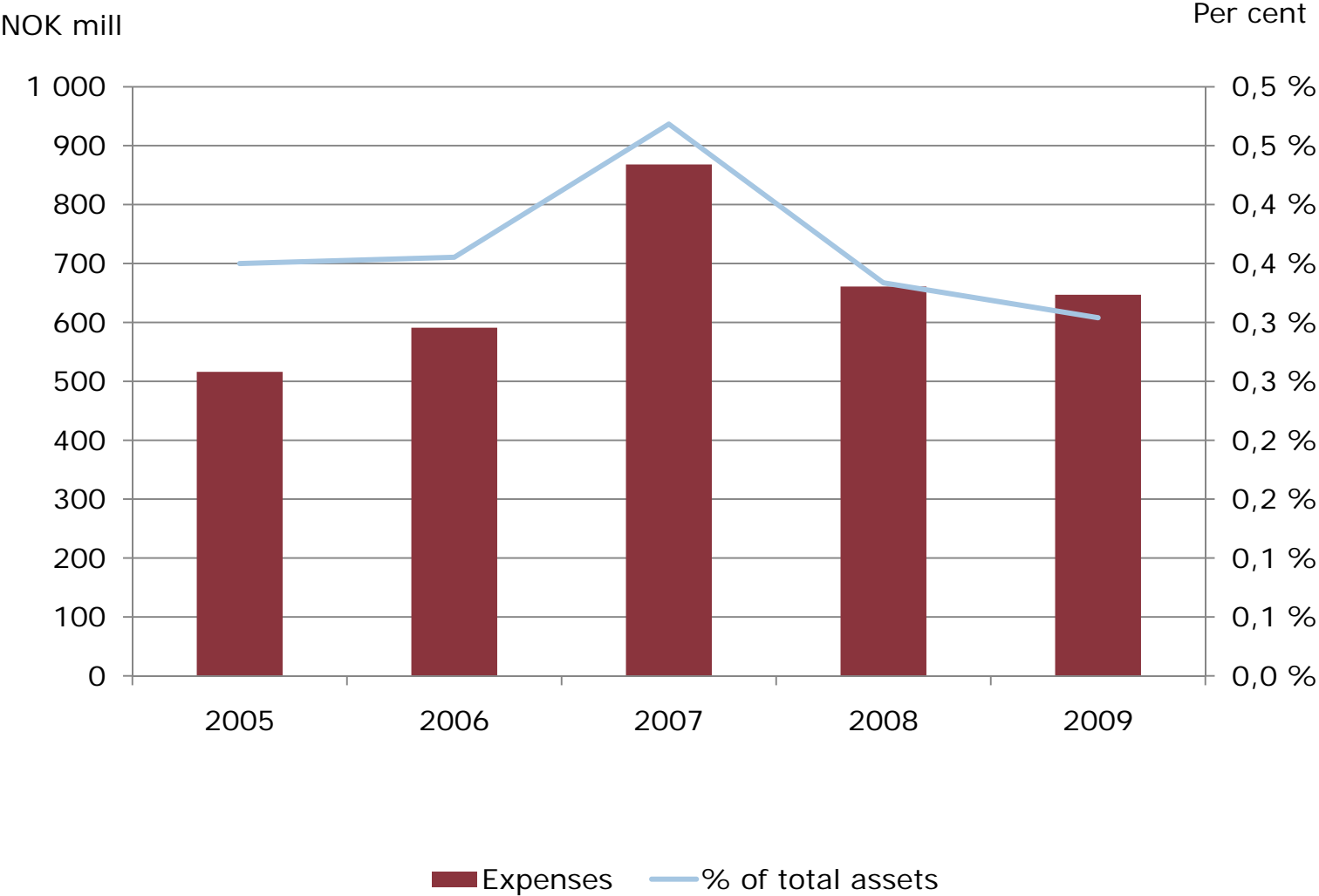
Pension premiums last 6 years

NOK bn



■ Index premiums	4,8	3,7	6,0	8,2	10,6	6,8
■ Ordinary premiums	8,6	9,0	13,1	10,0	11,2	11,6

Operating expenses



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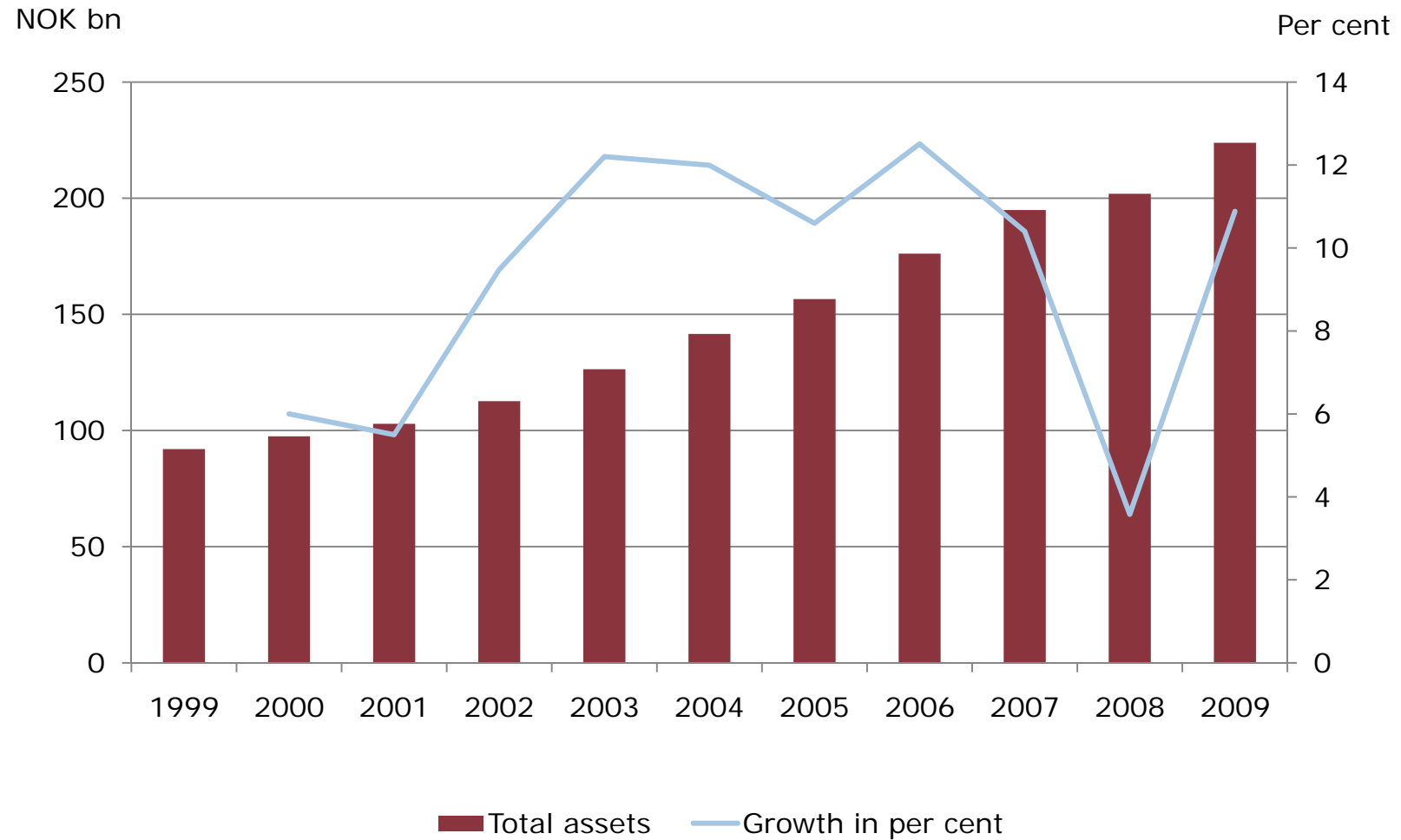
KLP main balance sheet figures

Assets <i>NOK mill</i>	31.12.2009	31.12.2008
Total assets in corporate portfolio	15 706	15 802
Real-estate subsidiaries	22 237	17 901
Bonds at amortized cost	70 559	63 599
Lending	29 611	22 405
Equities	22 532	16 807
Bonds	52 259	50 709
Financial derivateives	534	2 231
Other financial assets	10 183	12442
Total assets in common portfolio	207 915	186 094
Assets in investment choice portfolio	241	
Total assets	223 863	201 896

KLP main balance sheet figures

Own funds, provisions and debt <i>NOK mill</i>	31.12.2009	31.12.2008
Paid in equity	5 107	4 633
Retained earnings	4 535	3 804
Hybrid capital and subordinated debt	3 980	5 022
Insurance reserves	191 053	177 744
Supplementary reserves	8 151	3 940
Valuation reserves	2 383	0
Other insurance reserves	2 898	2 420
Other liabilities	5 755	4 335
Total: Own funds, provisions and debt	223 863	201 896

Total assets and growth in per cent



Financial assets in the common portfolio – allocation and return

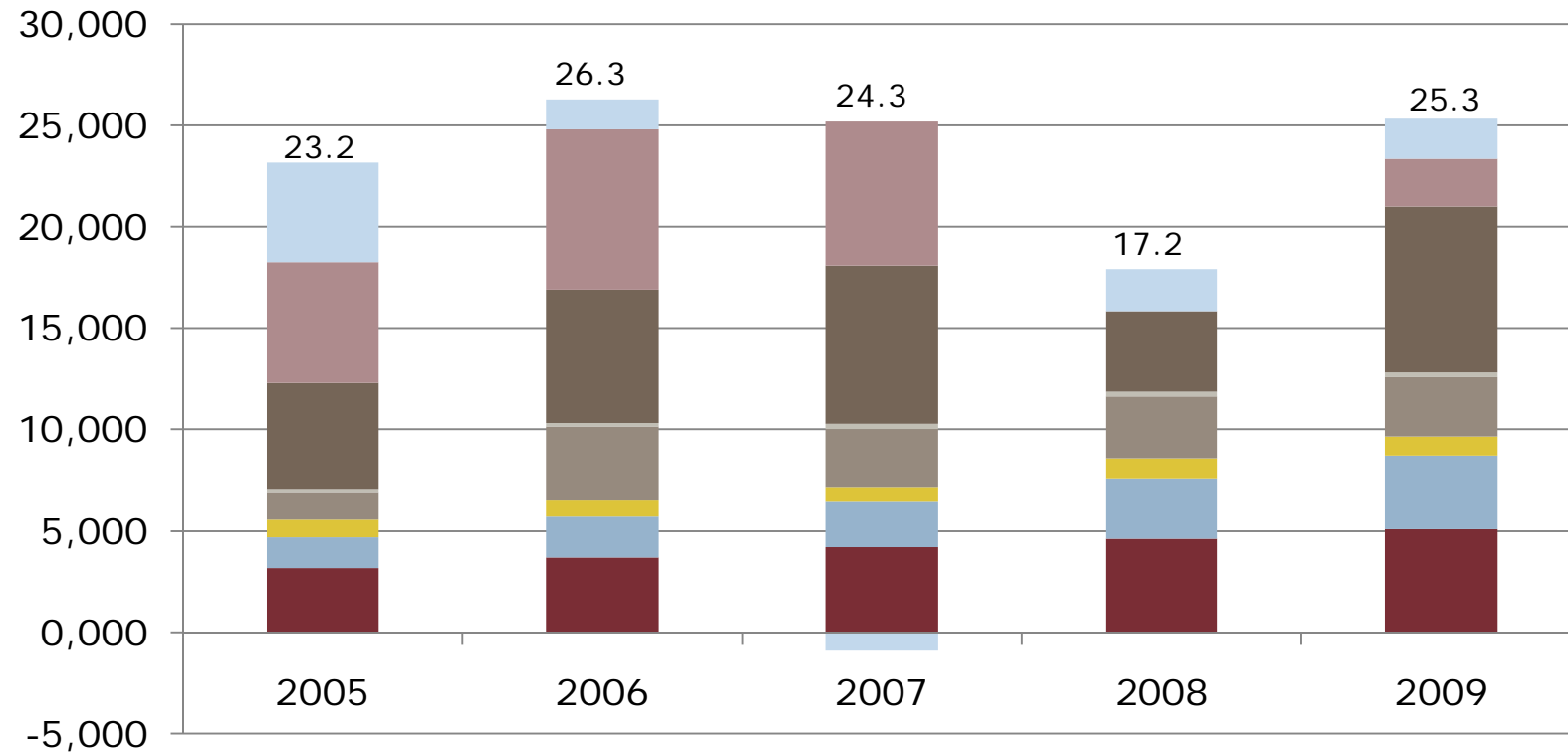
<i>Per cent</i>	Share 31.12.09	Return 2009	Share 31.12.08
Equities	12.3	32.5	5.6
Bonds	21.7	11.3	22.3
Bonds held-to-maturity	34.6	5.4	35.7
Lending	13.8	4.1	11.4
Property	10.9	2.2	11.0
Other financial assets	6.7	3.5	14.0
Sum	100		100

1) Measured by exposure

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Financial solidity

NOK billion



- Equity paid-in
 - Tier 1 hybrid capital
 - Security reserves
 - Securities' adjustment funds
- Retained earnings
 - Tier 2 subordinated loans
 - Supplementary reserves
 - Fixed assets



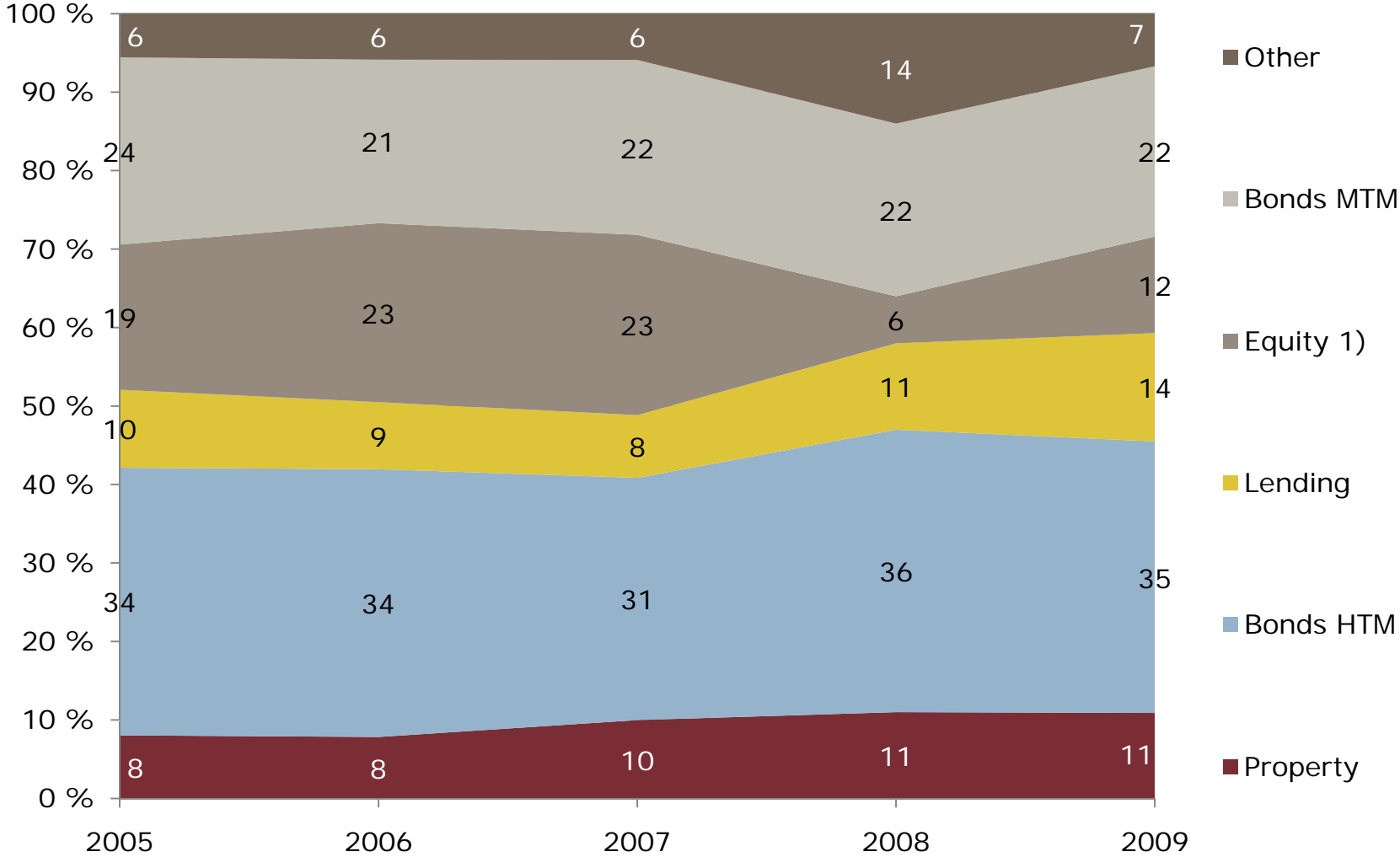
Solvency capital

Capital adequacy - og solvency margin

<i>NOK mill</i>	31.12.2009	31.12.2008
Solvency capital	25 329	17 882
- In per cent of insurance reserves with interest rate guarantee	13.1	9.9
Capital adequacy ratio	12.6*	14.6
Core capital ratio	9.6*	10.7
Solvency margin coverage	222*	196
* Including allocation of results to own funds		

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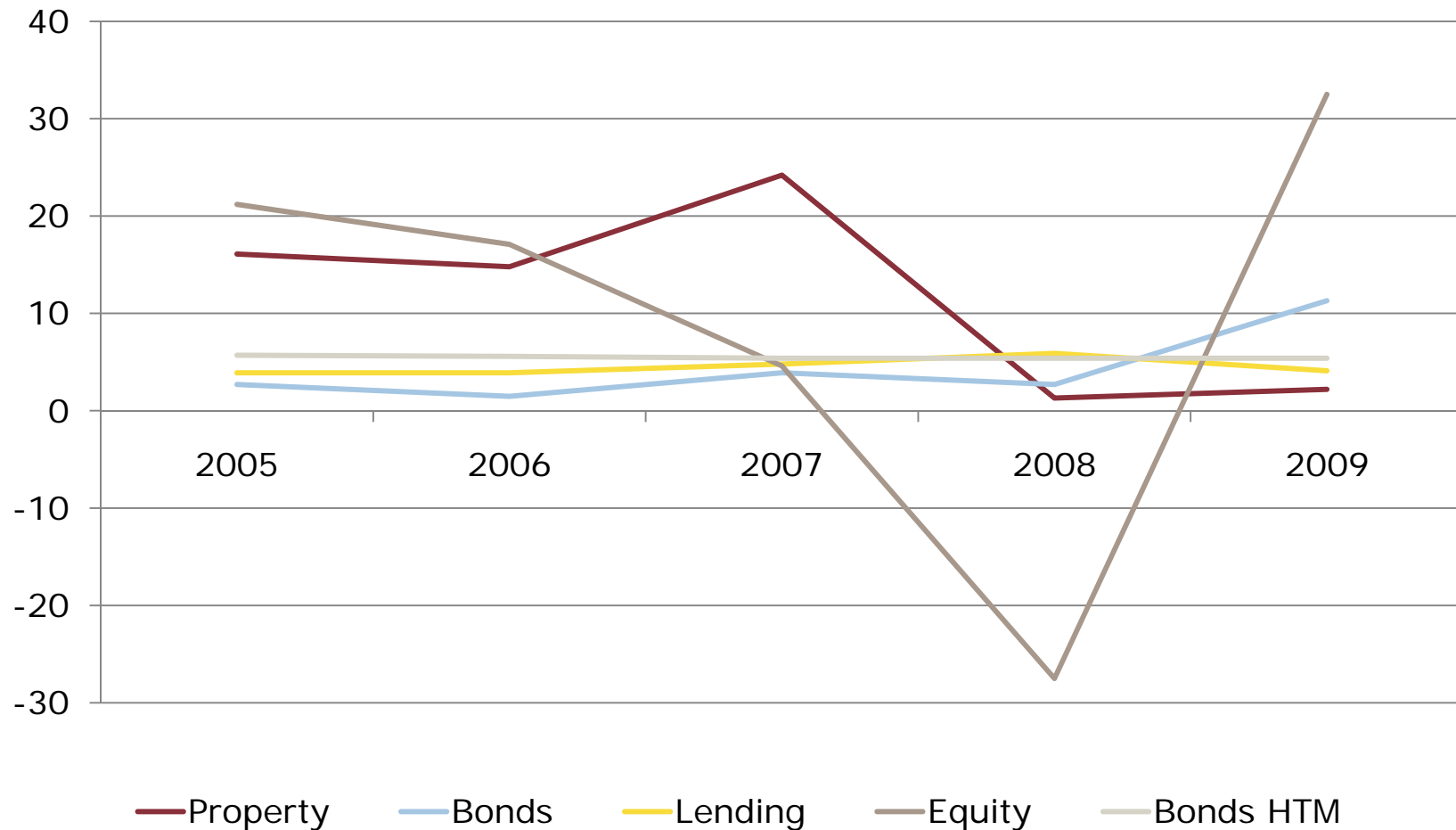
Asset allocation in KLP



1) Exposure value equity portfolio, may differ from book value



Development in investment returns



Figures for 2008 og 2009 for common portfolio



Financial assets in Common portfolio

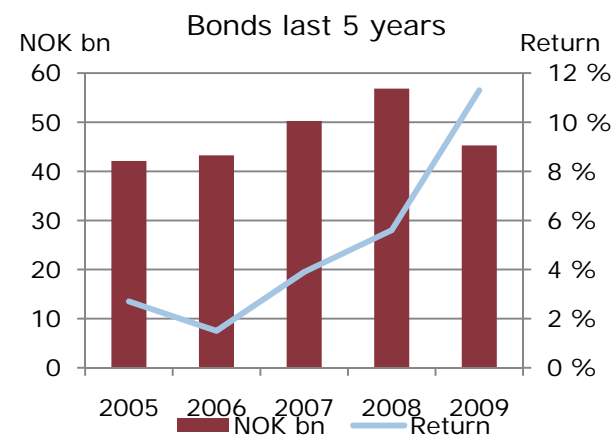
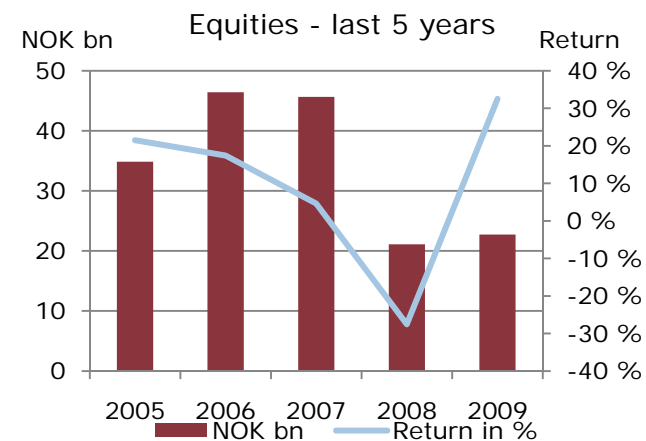
- market exposure

Assets <i>All figures in per cent</i>	Share 31.12.09	Share 2009	Return 31.12.08
Trading portfolio equities ¹⁾	12.3	32.5	5.6
Trading portfolio bonds	21.7	11.3	22.3
Liquidity/Money-Market	34.6	5.4	35.7
Long term-/Held-to-maturity bonds	13.8	4.1	11.4
Lending	10.9	2.2	11.0
Property	6.7	3.5	14.0
Total	100		100

1) Measured by exposure

Trading portfolios – equities and bonds

Trading portfolios equities and fixed income	31.12.09
Value equities (NOK mill)	22 740
Value fixed income (NOK mill)	45 269
Equities incl. derivatives (in per cent of fin. assets)	12.3 %
Reurn equity portfolios	32.5 %
Return trading portfolios fixed income	11.3 %
* This table is an overview of financial assets. The statutory reported figures differ due to difference in classification.	
Index-tracking portfolios	
Share index-tracking equities	49.4%
Share index-tracking fixed-income	50.6%



Trading portfolios – geographic split

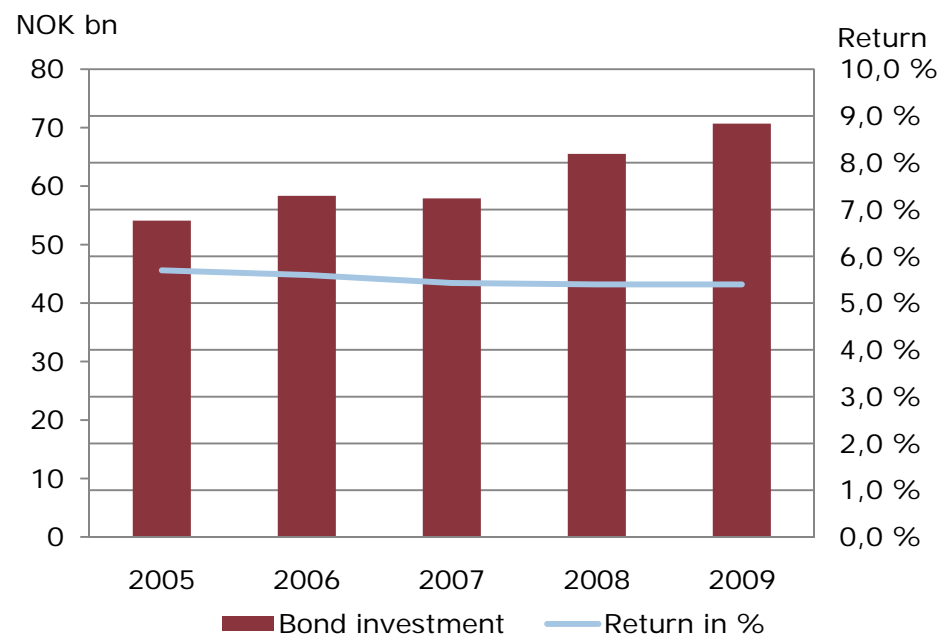
Trading portfolio equities – Geographic distribution incl derivatives	Q1	Q2	Q3	Q4
Trading portfolio equities total	100 %	100 %	100 %	100%
Norway	15.2 %	18.7 %	20.5 %	28.3%
Other Nordic countries	6.5 %	6.8 %	6.4 %	5.5%
Other International	74.0 %	70.7 %	69.5 %	62.5%
Misc. portfolios	4.3 %	3.8 %	3.6 %	3.7%
Trading portfolio fixed-income – Geographic distribution incl derivatives	Q1	Q2	Q3	Q4
Fixed income – total trading portfolios	100 %	100 %	100 %	100%
Norway – money market	26.8 %	24.1 %	23.3 %	24.7%
Norway – bonds	24.1 %	25.2 %	25.0 %	24.9%
International bonds	49.1 %	50.7 %	51.7 %	50.5%

Bonds held-to-maturity

Common portfolio

	Q1	Q2	Q3	Q4
Book value (NOK mill)	66 725	68 051	67 945	70 700
Valuation reserves (NOK mill)	1 560	1 694	1 668	1 610
Return year to date (per cent)	1.3	2.7	4.0	5.4

Bonds held-to-maturity - last 5 years



Credit policy

- Held-To-Maturity Bonds
 - International bonds bought to be held to maturity limited to sovereign risk or rated AA- or better ⁽¹⁾, or bonds rated A or better with maturity of less than 10 years.
Bonds downgraded to be reviewed for reclassification
- Global bond portfolios divided into
 - International bonds in trading portfolio limited to sovereign risk or rated AA or better
 - International Credit Portfolio "investment grade" bonds, limited to 20 per cent of total assets ²⁾
- Norwegian bonds
 - Within specific credit limits given by Credit committee
 - Lines subject to annual renewal and quarterly review.

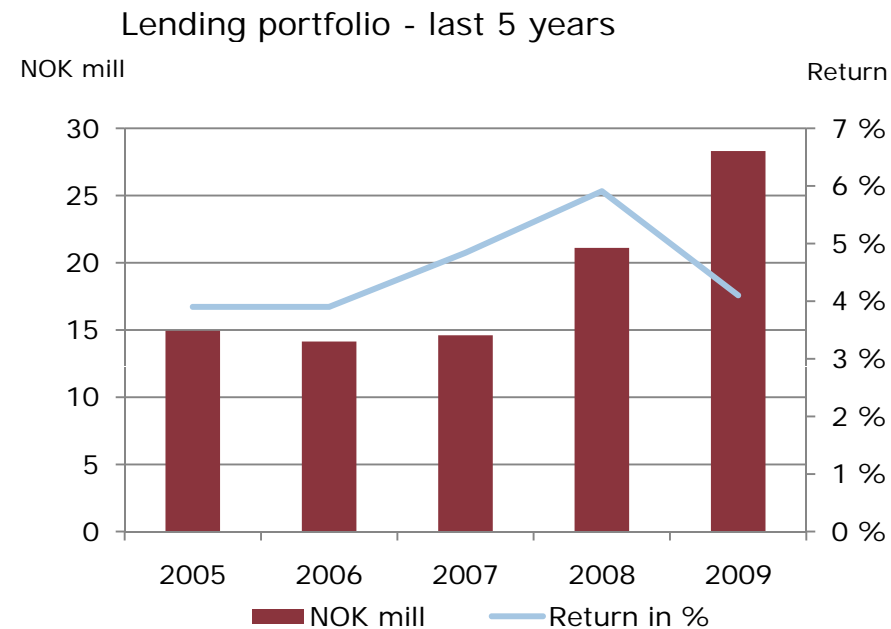
1) Or equivalent by other leading rating agency

2) Actual utilisation 11.2 per cent per 31.12.2009

Lending portfolio 2009

common portfolio

	Q1	Q2	Q3	Q4
Book value (NOK mill)	21 664	21 877	25 846	28 311
Of this: fixed rate loans (NOK mill)	8 872	9 727	9 744	10 417
Return year to date (in per cent)	1.2	2.3	3.2	4.1
Specific and general credit loss provisions (NOK mill)	1.0	0.6	0.6	0.6



Lending in KLP

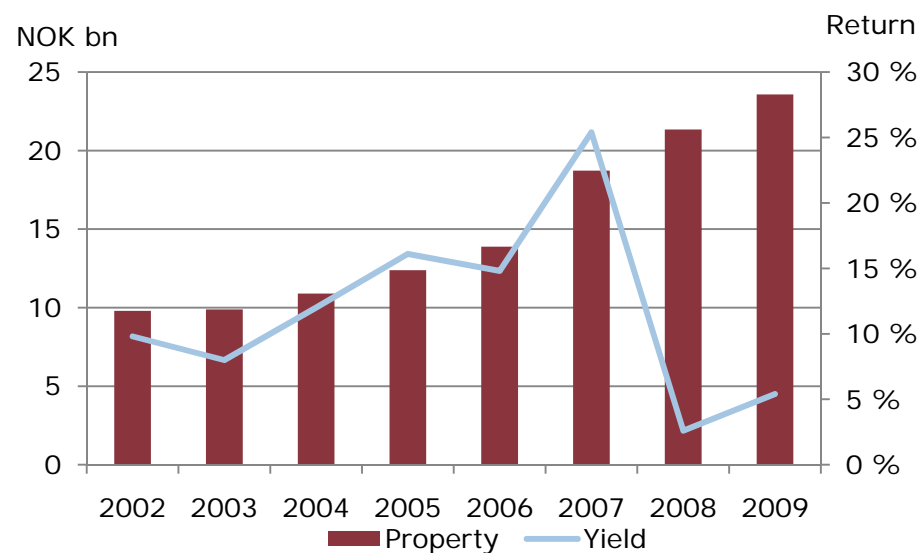
In 2009 KLP established KLP Banken and acquired Kommunekreditt Norge. KLP Banken manages the total lending activity in the group. Comments below pertain to lending in the common portfolio

- The loan volume increased by NOK 7 206 million to NOK 28 311 million through the year, an increase of 34.1 per cent
- The loan portfolio gave a return of 4.1 per cent
- The housing mortgage portfolio grew by NOK 603 million
- Loans to public sector borrowers increased by NOK 6 603 million
- The portfolio of fixed rate loans had surplus values of NOK 224 million not brought to book
- There are no overdue loans in the public sector portfolio, and only 0.46 per cent of the housing mortgage portfolio is delinquent for more than 90 days

Property investments

Total portfolio

	Q1	Q2	Q3	Q4
Book value (value-adjusted NOK mill)	22 207	23 509	23 361	23 567
Total space occupied incl. sites (1 000 sq m)	1 372	1 372	1 416	1 477
Occupancy rate (per cent)	94.3	94.3	93.4	94.9
Average lease duration (year)	6.0	6.0	6.4	6.8



- Geographic split of the portfolio;
76 % Oslo, 9 % Trondheim,
7 % Copenhagen, 9 % Sweden
- Sector diversification of the portfolio;
60 % office, 15 % hotels,
10 % shopping centres, 4 % real estate
5 % under construction, 5 % other

Real-Estate – KLP Eiendom AS

- KLP Eiendom AS is booked in the common portfolio
- Real-estate investments in 2009 amounted to NOK 2.7 billion, of which NOK 2.1 billion in Sweden
- Directly held properties were written down by NOK 648 million kroner through the year
- International property funds were written down by 348 million
- Real-estate investments make up 10.9 per cent of the common portfolio
- The real-estate portfolio valued through internal and external assessments amounted to NOK 24 259 million, inclusive effect of currency hedging



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Subsidiaries– results in 2009

	Pre-tax results		Capital
	2009	2008	coverage
<i>NOK mill</i>			
KLP Skadeforsikring	216.9	34.7	33.0 %
KLP Bedriftspensjon ¹⁾	-13.5	-8.9	18.9 %
KLP Forsikringservice	0.6	-	N/A
KLP Kapitalforvaltning	10.9	54.0	110.3 %
KLP Fondsforvaltning	0.7	9.4	N/A

1) Allocated to clients NOK 2.7 million. Furthermore supplementary reserves strengthened by NOK 9 million. Supplementary reserves constitute 0.9 per cent of the annual interest guarantee. Valuation reserves amount to NOK 4.1 million.

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KLP Bedriftspensjon –main figures

<i>Mill NOK</i>	Clients	Supplementary reserves		Total 2009
		Company		
Interest result	2.4	9.0	0.2	11.6
Risk result	0.3	-	1.0	1.3
Administration result			-18.3	-18.3
Interest rate guarantee and profit element			0.5	0.5
Non-technical result			3.2	3.2
Total result	2.7	9.0	-13.4	-1.7

	2009	2008
Return common portfolio in per cent		
Return on capital I – book	7.1	1.1
Return on capital II – value adjusted		
	8.3	-2.3

	31.12.2009	31.12.2009
Capital coverage and solvency in per cent		31.12.
Capital adequacy ratio	18.9	21.7
Solvency ratio	135.2	103.1

KLP Bedriftspensjon

- Value adjusted return 8.3 per cent for the year and 2.4 per cent in Q4
- Defined contribution plans yielded an aggregate of 23.3 per cent through the year
- Client volume in relation to initial system investments remains cause of weak results
- Growing client base both in defined benefit and defined contribution plans
- New client with 2 700 members acquired in November

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KLP Kapitalforvaltning & KLP Fondsforvaltning

- Total assets under management NOK billion, an increase of NOK 25 billion through the year
- External assets under management NOK 11 billion, increased by 45 per cent through the year
- Net new subscriptions in KLP's mutual funds from external clients amounted to NOK 2.2 billion in 2009
- Good results in both active management products and index-linked products

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KLP Skadeforsikring– 2009

- Excellent results also in Q4 2009, with an operating result of NOK 37.9 million for the quarter and NOK 216.9 million per 31.12.2009
- Positive run-off results through the quarter as well as the full year
- Good financial return also in Q4
- High level of new sales in the public sector segment, however downward pressure on pricing
- Net new sales NOK 24 million, somewhat weaker than anticipated following the tender processes
- 1 000 new retail clients in Q4 bringing total premiums of NOK 9.8 million
- Continued good sales results through the sales corps
- As of Q4 the company had around 4 550 retail clients, with total premium volume of NOK 41 million



KLP Skadeforsikring

- Good insurance results gave a combined ratio of 95.5 per cent per 31.12.2009 (97.3 per cent)
- Claims percentage all branches 66.5 per cent (70.6 per cent)
- Claims percentage all branches 29.1 per cent (26.7 per cent)
 - Due to low premium volume in combination with elevated IT related expenditures
 - Cost percentage stemming from ordinary 25.0 per cent
- Return on financial assets 1.8 per cent for the quarter (0.7 per cent) and 8.4 per cent for the year (0.4 per cent)
- The company's solvency and capital situation meet all supervisory requirements with a solid margin.
- The Board of directors propose to give a net group contribution of NOK 115 million

KLP Skadeforsikring – profit & loss 2009

<i>Result in NOK '000</i>	Results 2009	Results 2008
Premium written f.o.a.	569 284	525 810
Allocated investment income	60 107	101 426
Claims f.o.a.	-378 450	-371 332
Insurance related expenses	-165 463	-144 215
Other insurance related income	1 295	4 762
Changes in security reserves etc.	-51 436	10 604
Result from technical activities	35 336	127 056
Result from investment activities	241 719	9 116
Allocated investment income	-60 107	-101 426
Result from ordinary operation	216 949	34 746
Estimated tax expense	-25 167	-39 028
Provisions for equity fund	-32 907	-18 814
Result after provisions for equity fund	158 874	-23 096

KLP Skadeforsikring AS (non-life insurance)

Key figures, <i>per cent</i>	2009	2008
Claims ratio on own account	66.5 %	70.6 %
Cost ratio on own account	29.1 %	26.7 %
Combined Ratio for own account	95.6 %	97.3 %
Return on capital	8.3 %	0.4 %
Capital adequacy ratio	33.6 %	39.4 %
Revenues, <i>NOK mill</i>	2009	2008
Gross premiums written	605	560
Premium income for own account	569	526
Claims paid for own account	378	371
Insurance related costs for own account	165	144
Results	217	35
Key figure balance sheet, <i>NOK mill</i>	2009	2008
Financial assets	3 000	2 786
Total assets	3 263	2 953
Equity	760	685
Provisions in insurance funds for own account	2 254	2 163

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3. **Kommunal Landspensjonskasse - KLP**
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4. Balance sheet with key trends
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KLP Banken

- KLP Banken AS was launched in the market on February 1. 2010
- The new internet based bank will be an everyday bank with attractive and uncomplicated savings- and loan products
- The primary objective for the bank is to reinforce KLP's position in relation to its owners and their employees
- KLP Banken AS has particular focus on members of pension schemes managed by KLP in its operations and marketing
- Initially KLP Banken offers the following products: Operating accounts, savings accounts, internet-banking, debit cards, housing mortgages, drawing facilities, secondary homes financing and reverse-mortgages. Further products and services will be introduced gradually
- KLP Banken AS manages housing mortgage loans totalling NOK 9 billion on behalf of KLP's common portfolio



Core targets for KLP Banken

Core targets

13 000 existing loan clients

480 000 members and retirees
plus their families

Nationwide retail clients

Strategies

- KLP has approx. 13 000 home mortgage clients
- A strategic goal for KLP Banken is to succeed in selling supplementary products to the existing client base and their families.
- KLP has all-together 335 000 members and 145 000 old age pensioners registered.
- These already have an established relationship with KLP and thus constitute a natural target group for the banking products
- KLP Banken will offer products and services to the whole market based on competitive products, competence and confidence

KLP Kommunekreditt

- To provide advantageous loans to public sector borrowers KLP Kommunekreditt AS was established in Q3 2009
- The company qualifies for the issuance of covered bonds
- The company will acquire public sector loans from KLP or KLP Kreditt AS (the former Kommunekreditt Norge AS) to be included in the covered bond pool
- In December 2009 KLP Kommunekreditt AS acquired loans amounting to NOK 3 billion from KLP Kreditt AS and issued covered bonds for the corresponding amount.

Pre-tax results KLP Banken sub-group 2009

<i>Mill NOK</i>	Company	Group
KLP Kreditt ¹⁾	110.1	N/A
KLP Kommunekreditt	-1.5	N/A
KLP Banken	-35.7	-1.4

1) Of which for KLP's account (from 01.04.2009) NOK 42.2 million

- 1. Main features**
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2009 – a good year

- The group's total surplus of NOK 9.9 billion allows the return of NOK 2.4 billion to the clients premium fund, as well as to apply NOK 7.5 billion to re-establish the solvency to pre 2008 levels, securing ample financial flexibility into 2010
- Net result of NOK 738 million strengthens the company's own funds
- Growth maintained
 - The Group's total assets attained NOK 259.0 billion , representing a growth of 34 per cent, while the life company's assets ended up at NOK 223.9 billion, a 10 per cent growth
- Good solvency:
 - Total solvency capital NOK 25.3 billion after allocation to the premium fund, representing a reinforcement of 42 per cent.
 - Capital coverage ratio 12.6 per cent and core capital ratio of 9.6 per cent counting provisional results
- The launch of KLP Banken and establishment of KLP Kommunekreditt as well as the promising reception of individual non-life products opens up interesting perspectives for a more global client servicing concept

Contacts in KLP

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