

27. May 2009

# Financial results first quarter 2009



# Milestones in Q 1

- Licence to establish bank: **KLP Banken** granted on January 29th  
The bank will be on stream during the second half of 2009
- Negotiations with a view to acquire Kommunekreditt Norge AS, successfully concluded, agreement with Eksportfinans signed on May 7th
- Troubled financial markets persevered through Q 1
  - Book and value-adjusted return in the common portfolio 0.3 per cent
  - Corporate portfolio yielded 0.6 per cent
  - Strong solidity maintained, total solvency capital 19 797 million NOK; equal to 9.3 per cent of insurance funds with interest guarantee
  - Capital adequacy ratio 14.1 per cent , core capital ratio 10.4 per cent
- Strategically important property acquisitions negotiated
- 60 years since KLP was founded on February 15th

# Key figures

	Q1 2008	Q1 2009
<i>All figures in per cent</i>		
<b>Return Common portfolio</b>		
Return on capital I – book	1.8	0.3
Return on capital II – value adjusted	-2.3	0.3
Return on capital III – value adjusted incl. value adjustments HTM bonds	-2.0	0.3
<b>Return Corporate portfolio</b>	1.1	0.6
<b>Capital Adequacy</b>	12.2	14.1
<b>Core capital adequacy</b>	8.9	10.4
<b>Solvency capital in per cent of insurance liabilities with interest guarantee</b>	12.1	9.3

# Presentation of accounts first quarter 2008

Income statement <i>NOK mill</i>	01.01. – 31.03.2008	01.01. – 31.03.09
Pension premiums and incoming transfers	2 861	3 074
Net revenues from investments in Common portfolio	-4 085	505
Claims paid and outgoing transfers	-4 429	-3 854
Changes in technical provisions incl. Changes in valuation reserves	7 905	-317
Allocations to insurance contracts	-1 928	-55
Insurance related operating costs	-147	-168
Other insurance related costs	0	-6
<b>Technical result</b>	<b>-4</b>	<b>-821</b>
Net revenues from investments in Corporate portfolio	130	81
Other revenues and expenditures	-45	-42
Other elements	2	0
<b>Total result</b>	<b>84</b>	<b>-781</b>

# Appropriation of results first quarter 2008

Results <i>NOK mill</i>	To customers	To owners	Total Q1 2009	Total Q1 2008
Interest result		-874	-874	1 869
Risk result	41	-3	38	88
Premium interest rate guarantee		47	47	25
Administration result		23	23	19
Other		39	39	10
Return on Corporate portfolio				
Appropriated to customers	14	-14	0	0
Accumulated results	55	-781	-726	2 012
<b>Notional presentation of results presupposing drawing on supplementary reserves.</b>	<b>55</b>	<b>93</b>	<b>148</b>	

# Main figures Balance Sheet

Assets <i>NOK mill</i>	31.12.08	Change	31.03.09
Immaterial assets	220	17	237
Investments in corporate portfolio	13 668	-232	13 436
Other Assets	1 914	-961	953
Total assets in corporate portfolio	15 802	-1 176	14 626
Investments in Common portfolio	186 094	-1 187	184 907
Investments in portfolios with investment choice	-	211	211
Total assets	201 896	-2 152	199 744

# Main figures Balance Sheet

Capital and liabilities <i>NOK mill</i>	31.12.08	Change	31.03.09
Equity paid-in	4 633	-51	4 582
Equity fund	3 804	4	3 808
Interim result – incl. profit to customers provisional interim allocation		-781	-781
Tier 1 and subordinated capital	5 022	-452	4 570
Insurance provisions	177 744	299	178 043
Supplementary reserve	3 940	-31	3 909
Valuation reserve	0		0
Other insurance	2 420	-31	2 389
Other liabilities	4 334	-1 112	3 222
Capital and Liabilities	201 896	-2 152	199 744

# Financial assets in Common portfolio

## - market exposure

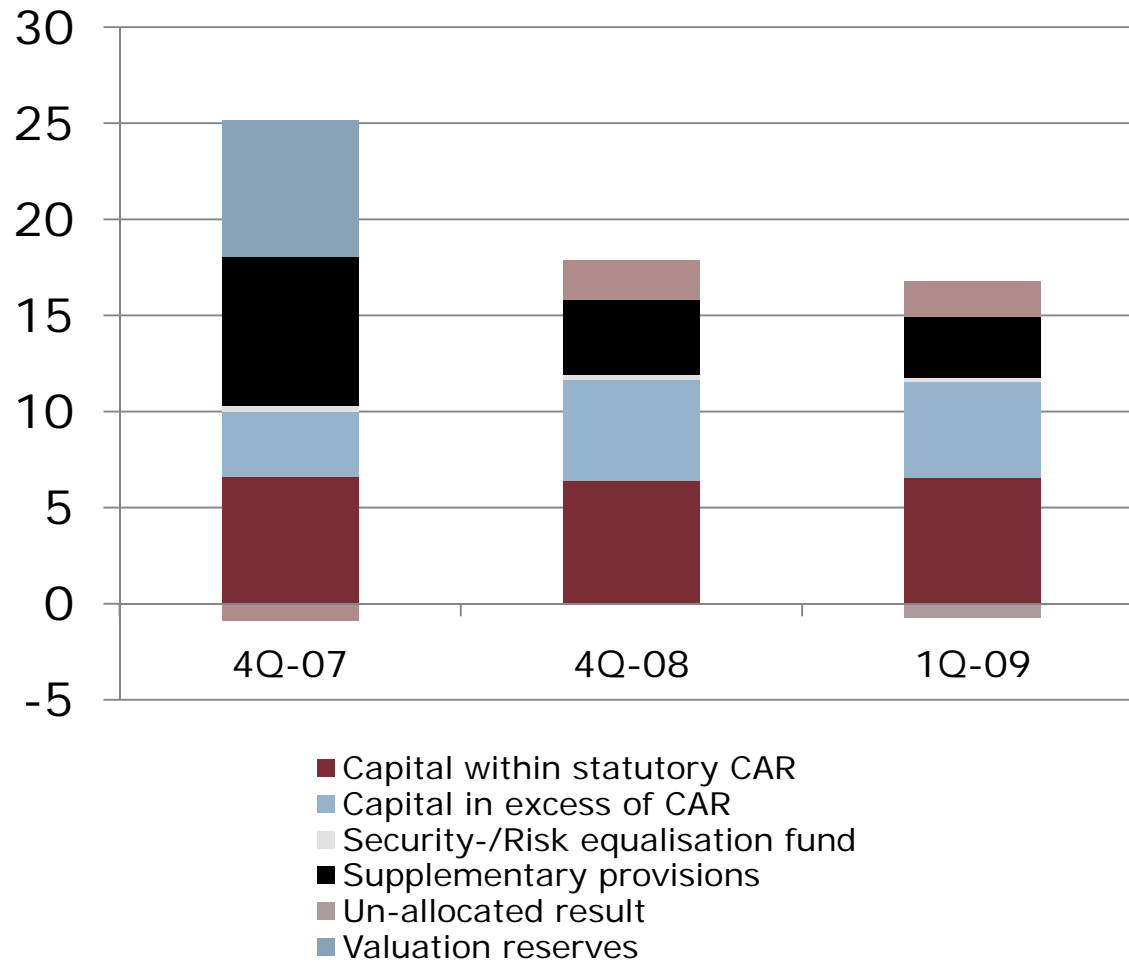
Assets	Share	Share	Return in
<i>All figures in per cent</i>	31.12.08	31.03.09	Q1 2009
Trading portfolio equities *	5.6	4.4	-6.7
Trading portfolio bonds	22.3	22.5	1.0
Liquidity/Money-Market	14.0	13.2	1.1
Long term-/Held-to-maturity bonds	35.7	37.1	1.3
Lending	11.4	11.8	1.2
Property	11.0	11.0	0.1
Total	100	100	

# Financial buffer capital/capital adequacy

<i>NOK mill</i>	31.12.2008	31.03.2009
Valuation reserves	0	0
Income to date		-726
Supplementary reserves (up to one year's guaranteed return)	3 940	3 909
Core capital margin	4 740	4 640
Regulatory buffer capital	8 680	7 823
Valuation reserve/deficit HTM	2 056	1 855

<i>Figures in per cent</i>	31.12.08	31.03.09
Capital adequacy ratio	12.2	14.1
Core-capital adequacy ratio	8.9	10.4

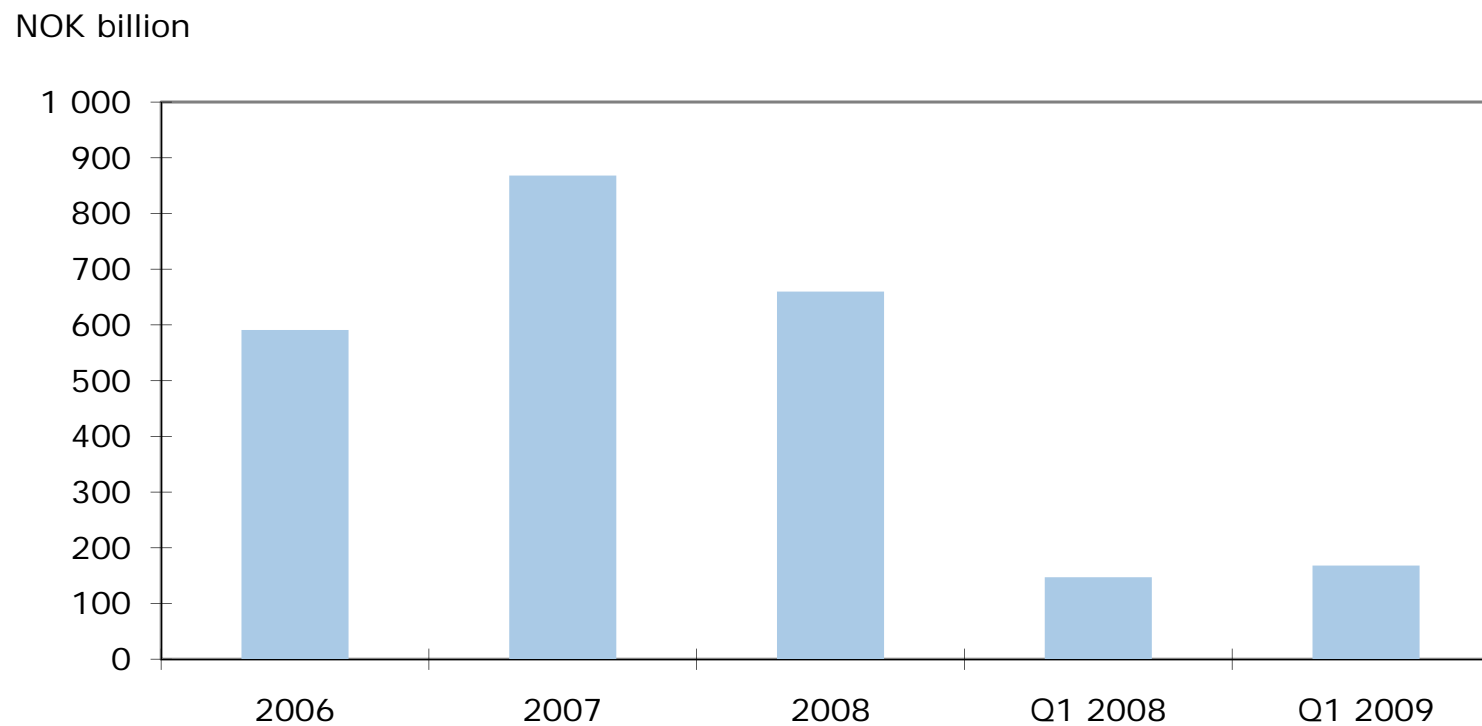
# Financial solidity



# Stable costs ratio

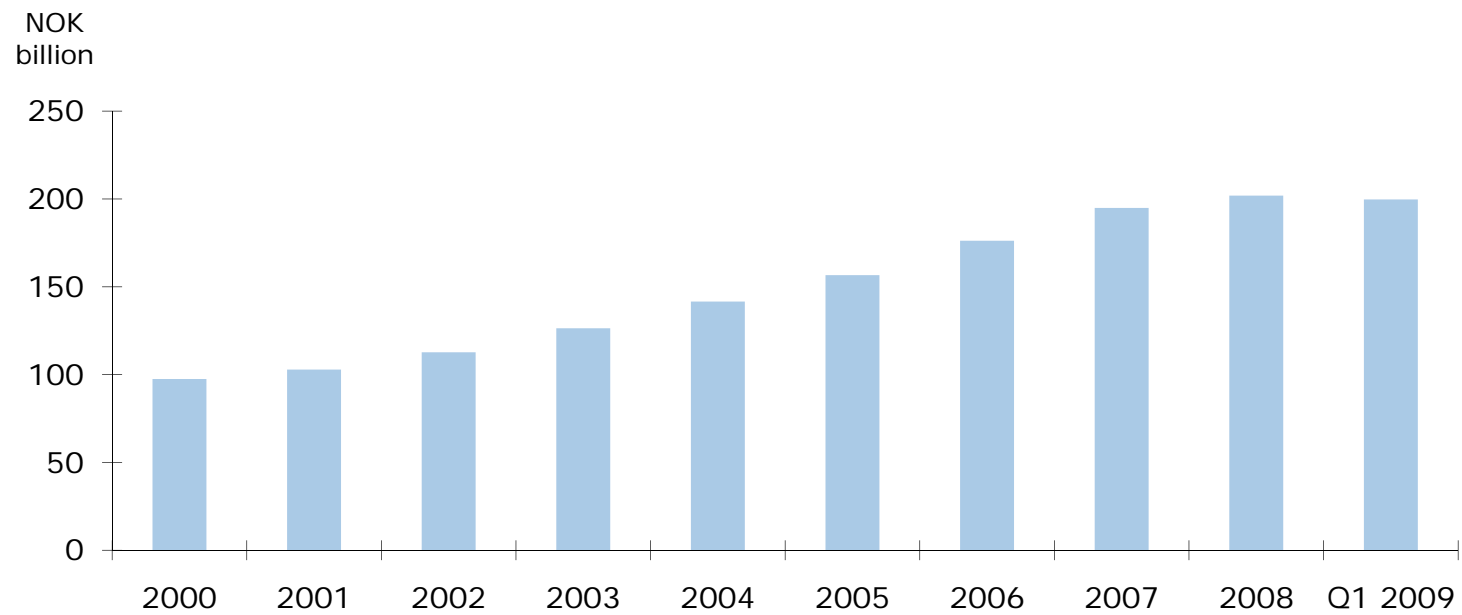


# Operating expenses

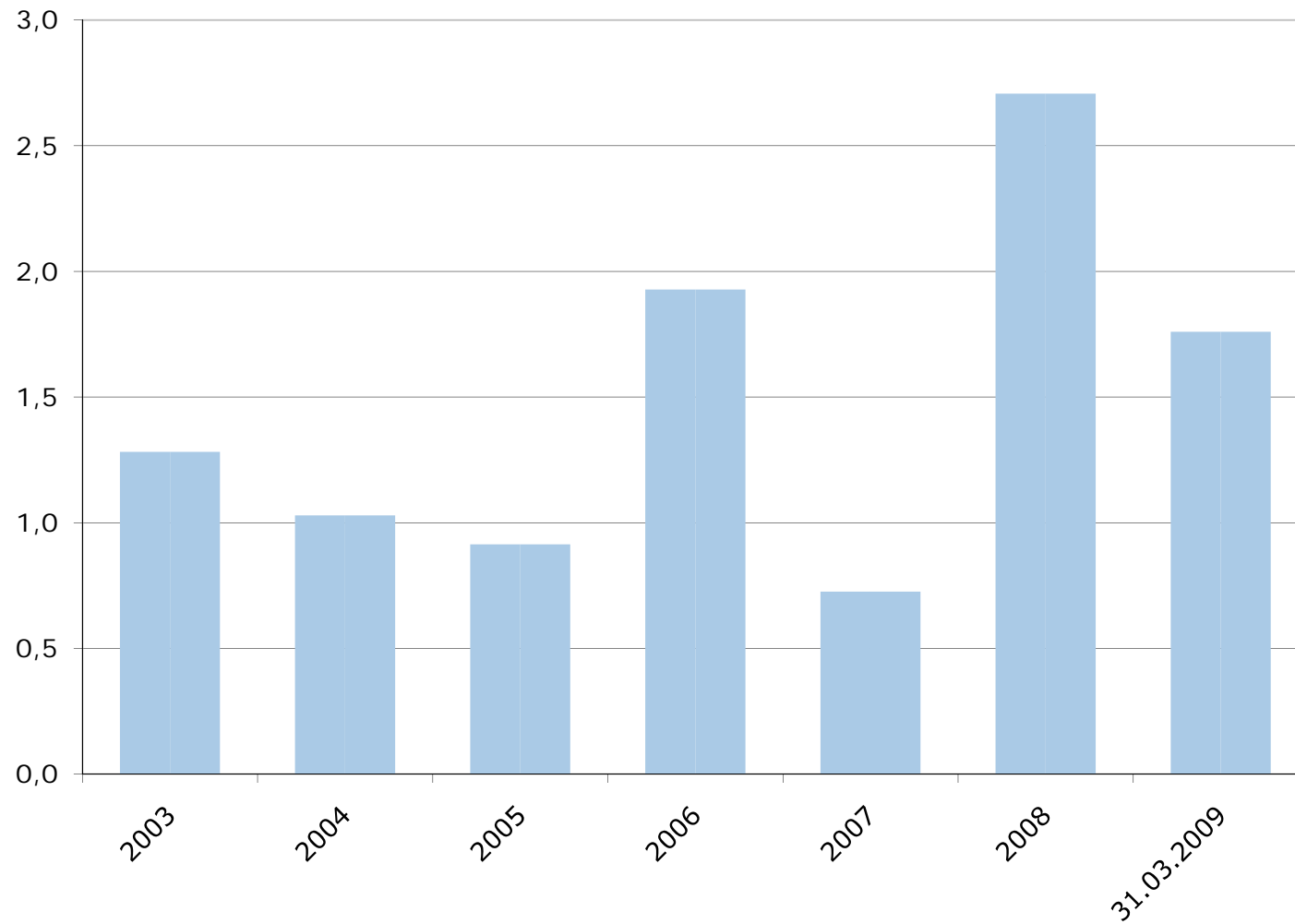


Costs in 2007 excluding NOK 244 million in connection with extraordinary bringing pension corridor to zero.

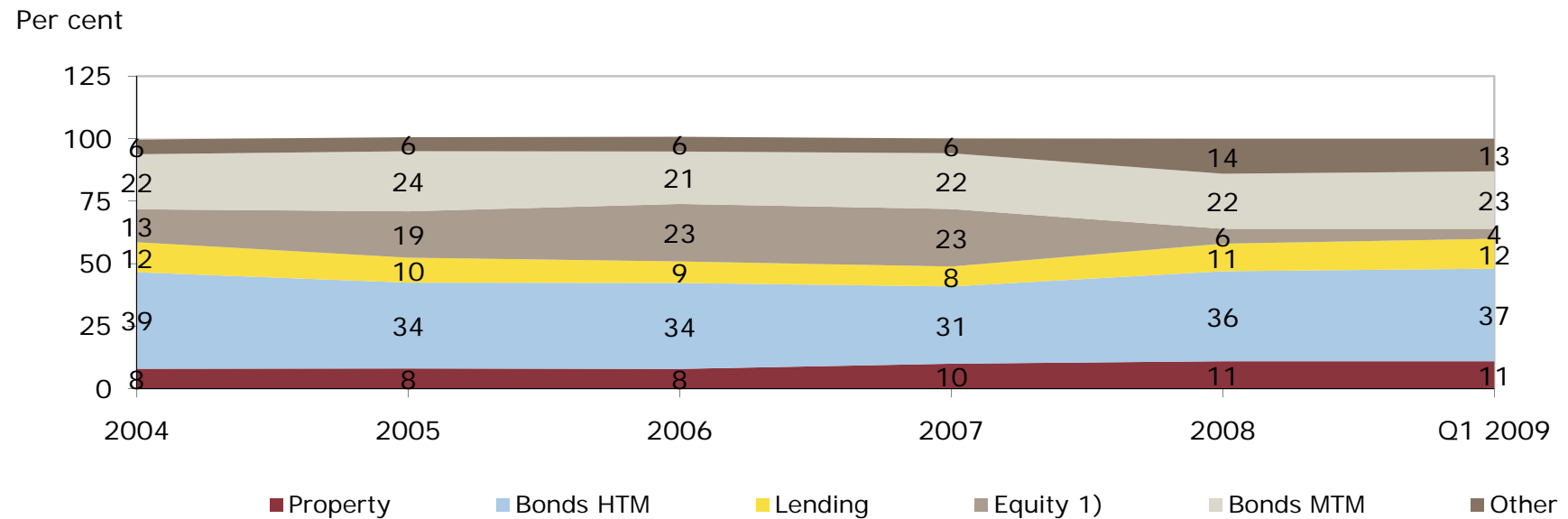
# Total assets



# Net transfers from KLP



# Asset allocation in KLP



1) Book value of equities, may differ from exposure figure.



# Trading portfolios – equities and bonds

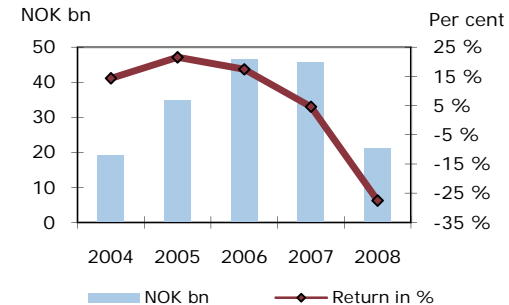
## Common portfolio

Trading portfolios equities and fixed income*	31.03.09
Value equities (NOK mill)	16 038
Value fixed income (NOK mill)	57 890
Equities incl. derivatives (in per cent of fin. assets)	4.4 %
Reurn equity portfolios	-6.71 %
Return trading portfolios fixed income	1.00 %

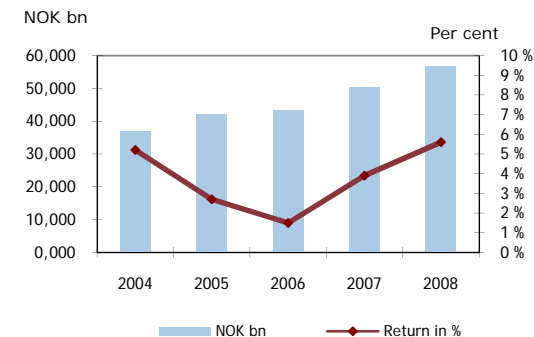
\* This table is an overview of financial assets. The statutory reported figures differ due to difference in classification.

Index-tracking portfolios	31.03.09
Share index-tracking equities	79 %
Share index-tracking fixed-income	39 %

Equities - last 5 years



Bonds last 5 years



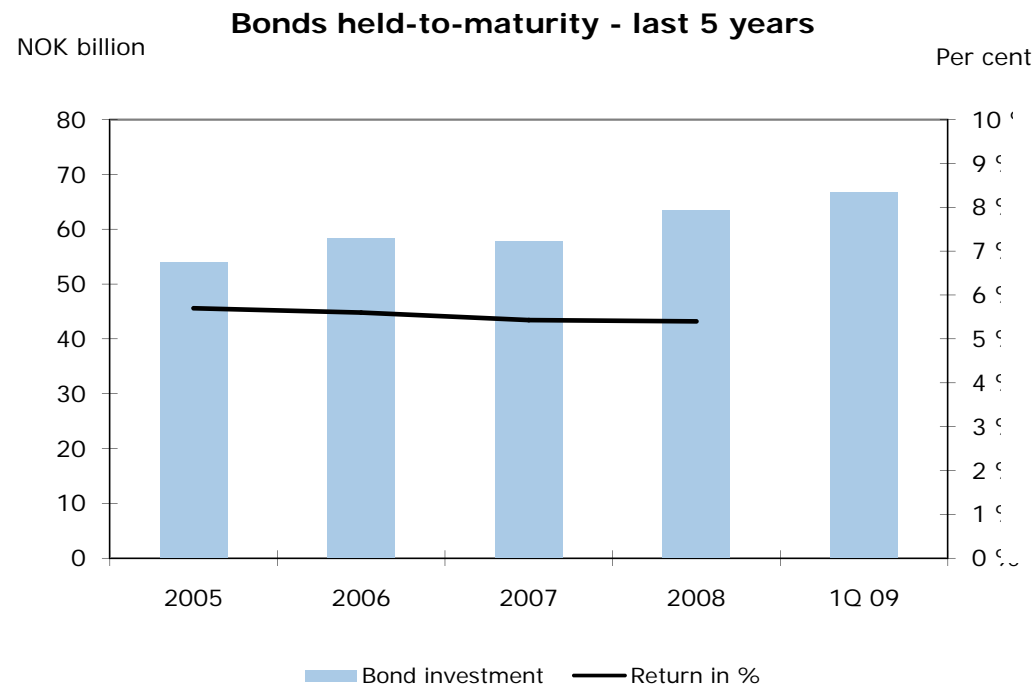
# Trading portfolios – geographic split

Trading portfolio equities – Geographic distribution incl. derivatives	31.03.08	31.12.08	31.03.09
Trading portfolio equities total	100 %	100 %	100 %
Norway	13.7 %	13.2 %	15.2 %
Other Nordic countries	4.1 %	6.1 %	6.5 %
Other International	79.8 %	76.6 %	74.0 %
Misc. portfolios	2.3 %	4.1 %	4.3 %

Trading portfolio fixed-income – Geographic distribution incl. derivatives	31.03.08	31.12.08	31.03.09
Fixed income – total trading portfolios	100 %	100 %	100 %
Norway – money market	21.4 %	26.8 %	26.8 %
Norway – bonds	12.3 %	17.9 %	24.1 %
International bonds	64.7 %	55.3 %	49.1 %
Other portfolios	1.6 %	0.0 %	0.0 %

# Bonds held-to-maturity

	31.03.08	31.12.08	31.03.09
Book value (NOK mill)	58 269	63 599	66 725
Valuation reserves (NOK mill)	-404	1 573	1 560
Return year to date (per cent)	1.3	5.4	1.3



# Credit policy

- Held-To-Maturity Bonds
  - International bonds bought to be held to maturity limited to sovereign risk or rated AA- or better <sup>(1)</sup>, 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 <sup>(2)</sup>
- 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 13.2 per cent per 31.03.2009

# Property portfolio

	31.03.08	31.12.08	31.03.09
Book value (value-adjusted NOK mill)	22 340	22 201	22 207
Total space occupied incl. sites (1 000 sq m)	1 328	1 358	1 372
Occupancy rate (per cent)	97.5	94.2	94.3
Average lease duration (year)	6.2	5.8	6.0
Yield year to date (per cent)	1.3	2.6	-0.3

## Property ownership by portfolio;

- Common portfolio 91.3 %
- Corporate portfolio 8.0 %
- KLP Skadeforsikring 0.6 %  
(Non-life insurance)
- KLP Bedriftspensjon 0.1 %  
(Private sector pensions)

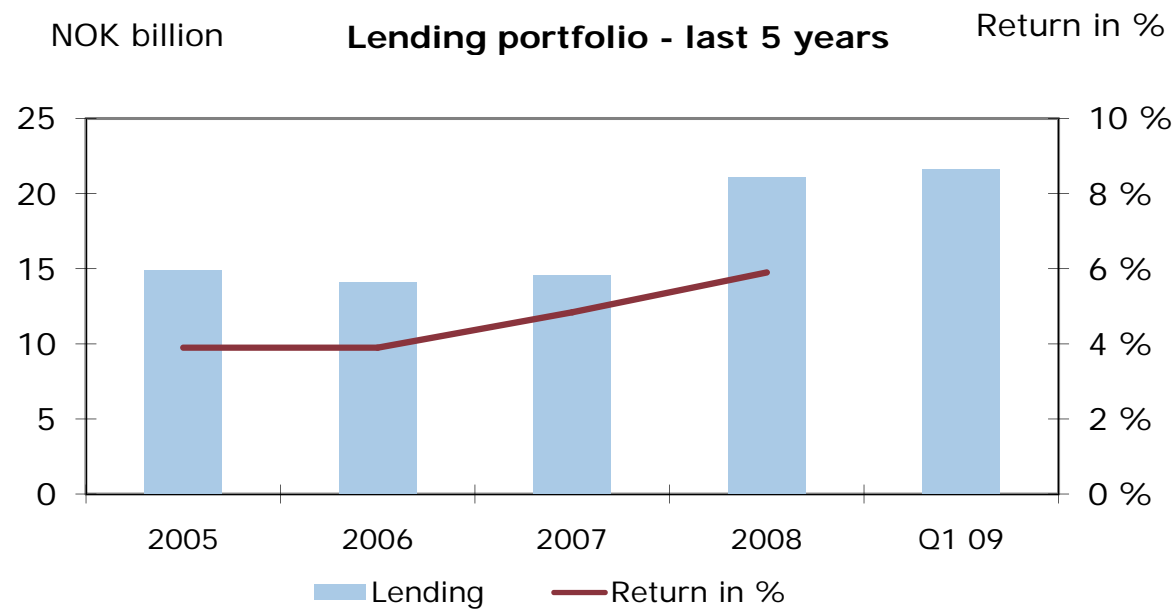
- Geographic split of the portfolio;  
78 % Oslo, 9 % Trondheim,  
8 % Copenhagen, 4 % Stavanger,  
1 % Sweden
- Sector diversification of the portfolio;  
62 % office, 13 % hotels,  
10 % shopping centres, 4 % real estate,  
6 % under construction, 5 % other

# Positioning in real-estate.

- Acquired important site to be developed into a shopping mall at Fornebu, centrally located within a business and habitation centre for the future
- Negotiated the acquisition of the SAS Royal Viking Hotel centrally located in Stockholm, thus confirming the diversification into the Swedish property market

# Lending portfolio

	31.03.07	31.12.08	31.03.09
Book value (NOK mill)	14 870	21 106	21 664
Of this: fixed rate loans (NOK mill)	4 946	8 404	8 872
Return year to date (in per cent)	1.4	5.9	1.2
Specific and general credit loss provisions (NOK mill)	1.3	1.2	1.0



# Restructuring of KLP's lending activities

Lending has through 60 years been a core business and competence for KLP. The new organisation paves the way for further growth and profitability for the Group and sharpens the strategic focus on providing stable and competitive loan products to our clients.

- KLP Banken which received its banking licence on January 29th, will have a strong retail bank profile offering attractive loan and deposit products aimed at present and retired employees of our clients
- The acquisition of Kommunekreditt as a new subsidiary of KLP Banken will be completed in Q2, signifying revigorated attention to the financing needs and wishes of Norwegian municipalities
- The management team of the bank will have overall responsibility for the lending activities
- The bank's head-office will be located in Trondheim

# KLP Banken

A bank for the individual and personal market addressing the financial needs of present and retired employees among our clientele

- A WEB-based bank supported by practical and user-friendly technology
- Further develop KLP's home mortgage portfolio of 8.4 billion NOK
- Primary business attractive mortgage loans secured by primary or secondary residences, including "Reversed Mortgages"
- Attractive deposit products bespoke for the target group
- Salary accounts, personal overdrafts, card and other products in demand with our target group
- Management and other functions relating to the lending activities



# KLP Kommunekreditt

KLP negotiated the acquisition of Kommunekreditt Norge AS, to be completed in Q 2

- Takes over Kommunekreditt with an excellent credit-quality portfolio of approx. 42 billion NOK
- The investment of NOK 870 million is subject to the intended sale of KLP's 20 per cent ownership stake in Kommunalbanken for NOK 530 million
- Combined with KLP's corresponding loan portfolio of 13.2 billion NOK the group will have a lending exposure of 55 billion NOK to the public sector in Norway
- Kommunekreditt's lending portfolio concentrated on floating- or short interest period lending
- Maintaining and revitalizing the considerable lending business of both institutions, thus ensuring a healthy competition in this specific market



# Non-life insurance:

## KLP Skadeforsikring AS

- Result for first quarter a deficit of NOK 16.9 million (12.0 million)
- Wind-up losses relating to previous years and increased operating costs gave a Combined Ratio of 97.9 per cent for the quarter (98.2 per cent)
- Claims percentage all branches 67.2 per cent (75.6 per cent)
- Cost percentage all branches 30.7 per cent (22.6 per cent)
- Return on financial assets 0.7 per cent for the quarter (-0.2 per cent)
- The security provisions constitute a satisfactory buffer against possible unwinding-losses and unfavourable risk evolution

# Profit & Loss, first quarter 2009

Result in NOK '000	Results	
	01.01.-31.03.08	01.01.- 31.03.09
Premium written f.o.a.	134 339	141 770
Allocated investment income	24 139	14 221
Claims f.o.a.	-101 558	-95 215
Insurance related expenses	-30 341	-43 472
Other insurance related income	2 632	539
Changes in security reserves etc.	-10 296	-6 071
Result from technical activities	18 915	11 772
Result from investment activities	-6 749	19 366
Allocated investment income	-24 139	-14 221
<b>Result from ordinary operation</b>	<b>-11 973</b>	<b>16 917</b>
Estimated tax expense	3 352	-4 737
Provisions for equity fund	-2 136	- 14 320
<b>Result after provisions for equity fund</b>	<b>-10 757</b>	<b>-2 139</b>

# KLP non-life insurance

Key figures, <i>per cent</i>	31.03.08	2008	31.03.09
Claims ratio on own account	75.6 %	70.6 %	67.2 %
Cost ratio on own account	22.6 %	26.7 %	30.7 %
Combined Ratio for own account	98.2 %	97.3 %	97.9 %
Return on capital	-0.2 %	0.4 %	0.7 %
Capital adequacy ratio	24.2 %	39.7 %	33.0 %

Revenues, <i>NOK mill</i>	31.03.08	2008	31.03.09
Gross premiums written	413	574	408
Premium income for own account	134	526	142
Claims paid for own account	102	371	95
Insurance related costs for own account	30	144	43
Results	-12	35	17

Key figure balance sheet, <i>NOK mill</i>	31.03.08	2008	31.03.09
Financial assets	2 754	2 786	2 888
Total assets	3 080	2 942	3 197
Equity	490	595	607
Provisions in insurance funds for own account	2 327	2 163	2 450

# Headlines

- Important strategic initiative: reorganizing the lending activities
- Active risk-control in challenging financial markets
- Returns influenced by the disquiet
- Satisfactory solidity maintained
- Cost-efficiency and competitive pricing



# Contacts in KLP

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