

Interim report 2/2010

Report from the board of directors - Income statement & Balance sheet - Notes



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Interim report second quarter 2010

Good results for KLP customers

The accounts for the first half of 2010 shows:

- Operating profit: NOK 1.5 billion
- Value-adjusted return on the common portfolio for public sector occupational pensions: 2.1 per cent
- Book return on the common portfolio for public sector occupational pensions: 2.2 per cent
- The securities adjustment fund: NOK 2.3 billion as at 30 June 2010

Good results for the first half year

The first half of 2010 produced satisfactory results for KLP despite the fact that renewed financial uncertainty during the second quarter made an impact on the quarterly figures seen in isolation.

At the end of the quarter, the Group had total assets of NOK 263.9 billion and an operating profit of NOK 1 511 million.

The Group's capital adequacy was 11.6 per cent and the core capital adequacy was 8.8 per cent as at 30 June 2010.

Kommunal Landspensjonskasse (KLP)

KLP, the life company, is the parent company in the Group. The Company's main product is public service pensions and customers with agreements for such pensions are the Company's owners.

The result after the second quarter 2010

In all, there was an inflow of NOK 4.4 billion in returns to the pension customers' assets over the first half of the year, NOK 1.4 billion of which being a surplus in excess of guaranteed interest. The aggregate profit for the customers was NOK 434 million for the quarter and NOK 1 487 million for the first half year.

Returns

Increasing uncertainty in the capital markets in the second quarter marked the returns. Value-adjusted return amounted to minus 0.1 per cent for the quarter, whereas the book return was 0.9 per cent. The corresponding percentages for the half year were 2.1 per cent and 2.2 per cent respectively. If added values in bonds held to maturity and fixed rate lendings are included, the value-adjusted return was 0.3 per cent for the quarter and 2.9 per cent for the half year.

Financial income beyond the guaranteed interest rate amounted to NOK 0.4 billion for the quarter and NOK 1.4 billion for the half year.

Risk result

There were no unexpected risk situations of significance in the Company's insurance portfolios in the second quarter. The risk result in group pensions amounted to NOK 25 million for the quarter and NOK 45 million for the half year. Up to half of the positive risk result can be allocated to the Risk Equalization Fund.

Corporate result

The Company's administration result is a surplus of NOK 24 million for the second quarter 2010 and NOK 60 million for the half year. This is somewhat lower than last year and is due to the fact that KLP reduced the cost premium for 2010. KLP has the cost level well under control.

KLP has dynamic risk control, which means that the interest guarantee premium can be kept at a low lever. Book income from the interest guarantee premium amounted to NOK 44 million for the quarter and NOK 90 million for the half year.

The total profit for the Company was NOK 124 million for the quarter and NOK 258 million for the half year.

Profits NOK million	Customers	The Company	Total
Interest result	1 360		1 360
Risik result	45	-30	15
Administration profit/loss		60	60
Interest guarantee premium		90	90
Net income corporate portfolio		221	221
Return on the corporate portfolio credited to customers	83	-83	-
Result Q2 2010	1 487	258	1 746
Result Q2 2009	2 880	336	3 216
Result 2009	6 635	738	7 374

Key figures - the common portfolio Per cent	30.06. 2010	30.06. 2009	Year 2009
Return on capital I	2.2	3.0	6.4
Return on capital II	2.1	3.0	7.7
Return on capital III	2.9	3.0	7.6
Capital adequacy	12.2	12.6	12.6
Solvency margin ratio	219	188	222
Insurance-related operating expenses as a percentage of average customer funds)	0.31	0.32	0.33



Financial strength and capital

The parent company's total assets amounted to NOK 234.8 (205.3) billion as at 30 June 2010. The Group's total assets amounted to NOK 263.9 billion.

As at 30 June 2010 the capital adequacy ratio for KLP (mother company) was 12.2 per cent and the core capital adequacy was 9.2 per cent. The equity capital contribution for the year, NOK 545 million, was called but not paid-in by 30 June and consequently not included in the capital adequacy. Were the called contribution to be included the capital adequacy would have been at the same level as it was at the end of the first quarter, 12.7 per cent.

The solvency margin ratio remains at a very sound level, 219 per cent, as against 188 per cent the year before.

At the end of the quarter, KLP's total solvency capital was NOK 28.9 billion, which is the equivalent of 14.7 per cent of insurance funds with a interest rate guarantee. The solvency capital was reduced by NOK 0.6 billion in the quarter, which is due first of all to the downturn in the equity market, whereas other factors pulled in the opposite direction.

The Company's solvency is considered strong in relation to risk profile and authority requirements.

Premium income

Premium income amounted to NOK 3 025 million for the quarter and NOK 5 964 million for the first half year, an increase of NOK 78 million on the same period in 2009.

Compensations

Pensions paid and other compensation made up NOK 4 202 (3826) million for the second half, a 10 per cent growth. Compensations for the quarter amounted to NOK 2 115 (1 909) million.

Management of the Group portfolio

The Common portfolio assets amounted to NOK 208.6 (189.6) billion and as per 30 June they were invested as follows:

Assets Per cent	Portion 30.06.10	Return 30.06. 2010	Return 30.06. 2009	Portion 31.12. 2009
Shares ¹⁾	12,6	-5,4	4,3	12,3
Short-term bonds	23,6	5,0	5,4	21,7
Long-term/HTM bonds	34,0	2,6	2,7	34,6
Lending	15,8	1,8	2,3	13,8
Property	11,4	5,7	0,6	10,9
Other financial assets	2,5	1,2	2,1	6,7

¹⁾ Exposure including derivatives.

Government financial problems in Europe are expected to impact on future financial growth. The anticipated global contagious effect has impacted on financial returns over the second quarter.

Equities

The total exposure in shares including share derivatives was 12.6 per cent.

Following the positive first quarter, where global shares, measured through KLP's global index hedged to NOK, rose by about 5 per cent and Norwegian shares were up about 1.4 per cent, the equity markets fell sharply in the second quarter 2010. To date, there has been a negative return on Norwegian and global shares, the exception being the Nordic index which had a positive return in excess of 5 per cent as at 30 June. The global index was down 11.2 per cent in the second quarter 2010, whereas the return on the OSEBX index was down 12.9 per cent over the same period. The combined return for the global index for the first half year 2010 was minus 6.8 per cent and for the Oslo Stock Exchange it was minus 11.7 per cent. KLP's share portfolios produced a return of minus 5.4 per cent as at 30 June 2010.

Short-term bonds

Short term bonds and money market instruments made up 26.1 per cent of the assets in the common portfolio as at 30 June 2010.

The return on Norwegian and global government bonds was high in the first quarter 2010, 5.7 per cent and 5.2 per cent respectively, measured through relevant indexes. The Norwegian government bond index had a high return both in the first and the second quarter: 2.5 per cent and 3.1 per cent respectively, whereas the equivalent figures for the global government bond index was 1.6 per cent in the first quarter and 3.6 per cent in the second. High returns on government bonds are due to falling interest rates as a result of government financial problems in Europe coupled with uncertainty with regard to the growth estimate in the US.

The international credit bonds index that KLP follows and which consists of bonds with a BBB rating or higher, had a 5.5 per cent return in the first quarter 2010. Both the first and the second quarters were positive with 2.8 per cent and 2.6 per cent respectively. This is due to falling global interest rates. On the other hand, credit premiums have had an upswing. Norwegian credit bonds had lower returns and drew the overall result down, so that KLP's portfolios of short-term bonds produced a 5.0 per cent return for the half year.

Hold-to-maturity bonds

Investments in hold-to-maturity bonds accounted for 34.0 per cent of the common portfolio as at 30 June 2010. Added values not brought to book amounted to NOK 3.3 billion as at 30 June 2010. The portfolio is well diversified and consists of securities issued by institutions with strong creditworthiness.

1) Figures in brackets indicate corresponding values for Q2 2009



Properties

Properties accounted for 11.4 per cent of the common portfolio as at 30 June 2010. KLP carries out a thorough valuation of its property stock every quarter. Up until now in 2010, the reviews carried out show that the markets to a certain extent regained the decline in value during 2008 and 2009. This means that the property values in the common portfolio were appreciated by NOK 201 million in the second quarter 2010 and altogether by NOK 615 million in the half year. Value-adjusted returns in the second quarter made up 2.3 per cent in the common portfolio and 5.7 per cent in the first half year (including property funds).

In the second quarter, KLP entered into an agreement to buy the premises occupied by Skatt Øst in Bjørsvika, to be closed in August. This implies an investment in the order of NOK 725 million and will further strengthen KLP's position in and around Bjørsvika.

Lending

KLP's lending portfolio amounted to NOK 33.0 billion, which is a NOK 4.7 billion increase since the beginning of the year. The portfolio was split between NOK 24.6 billion in loans to municipalities and other employers, and NOK 8.4 billion in mortgaged home loans. What characterizes the lending portfolio is high quality, no losses on municipal loans, and very modest provision for loss on home loans.

Return on the corporate portfolio

The corporate portfolio represents the investment of the equity capital and borrowed Tier 1 and Tier 2 capital.

The corporate portfolio is managed according to a long-term investment horizon, the aim being to obtain stable returns and equity capital growth. The investments in the corporate portfolio obtained a 1.3 per cent return in the second quarter and a 2.4 per cent return for the half year.

The product and market situation

Operating environment

Reduction of the base rate

The Financial Supervisory Authority of Norway has sent out a proposal for consultation to reduce the base rate for all new earnings (even in existing contracts) with effect from 2011, alternatively from 2012.

KLP has nothing against reducing the base rate for new contracts and believes that the Norwegian practice should be adapted to international interpretation of the underlying directive, which implies that the rules should apply to new contracts only. However, KLP is skeptical about reducing the base rate

for future earnings on existing contracts now. Having multiple base rates relating to the individual insured are technically complicated. Moreover, they are not very transparent and are difficult to communicate to the customers. A working party among the Financial Supervisory Authority of Norway and the life companies is still very much required. Such a group should also explore solvency measures that are more expedient with regard to the technical and system aspects.

Reducing the base rate for new premium income is primarily effective in a long-term perspective as a solvency-promoting measure. Reducing it by half a percentage unit will mean an annual reduction of the average base rate of less than 0.05 percentage units. From the point of view of solvency, this is of very little help in a low interest rate scenario which will normally continue for a relatively short number of years. The Norwegian system with pricing of the interest rate guarantee is far more effective for ensuring solidity for the life companies through varying interest rate levels in a shorter time perspective. In the present low interest rate situation, considerable importance should be given to this.

Changing the occupational pension schemes as a result of the pension reform means that both life companies and customers must relate to many things being changed. It is desirable that this is focused on, not only because the life companies' resources should be concentrated on the pension reform but also so that customers do not have to relate to even more financial changes than those relating to the pension reform.

When it comes to private schemes, it seems to be particularly unfortunate to introduce a change to the base rate before the Banking Rate Commission has completed its ongoing work on the framework for changes to defined benefit schemes in the private sector. KLP also places emphasis on the fact that after the implementation of Solvens II from 2013 onwards, the base rate will be of less importance to technical provisions in the life companies. Against this background, it seems quite pointless to introduce technically complicated and cost-driven changes in the handling of the base rate now. A reduction of the base rate from 2011/2012 will hardly have any effect until the Solvens II regime takes over from 2013 onwards.

Longevity

There is a certain focus on strengthening reserves for long life in individual insurance. KLP does not have individual insurance. The strengthening in individual insurance is comparable to the process that was carried out on the transition to K2005 for group pension some years ago. KLP is only active in group pensions and therefore does not need further strengthening.



The competitive situation

So far in 2010 it seems that very few of KLP's municipal customers will be out for tender. Several of the competition's customers have warned that they will put their pension schemes out to tender and so far five tenders have been publicized. However, it is too soon to say anything for certain as to how this will develop in the course of the autumn.

The subsidiaries' areas of business

Private occupational pensions

Through KLP Bedriftspensjon AS KLP offers defined benefit and defined contribution pensions to companies that do not come under any collective agreement for public sector occupational pensions.

KLP Bedriftspensjon has been operating for three years and now sees strong growth in the number of new customers, most of them being in the market for defined contribution pensions.

KLP Bedriftspensjon obtained a value-adjusted return in the common portfolio of 2.4 per cent in the first half of 2010.

Customers with defined contribution pensions can choose between several standard saving profiles with varying risk, defined by a varying part of the funds being invested in shares. No customers have so far chosen pure money market funds. The relevant defined contribution pension profiles obtained the following returns in the first half year:

Returns as a percentage	As at 30 June 2010
Equity stake 90 per cent	-7.18
Equity stake 70 per cent	-2.89
Equity stake 50 per cent	-1.39
Equity stake 30 per cent	0.92

As a result of good returns in the common portfolio in the first quarter, the Company can book a profit for the customers of NOK 3.3 million in the first half year. This reflects a drop of NOK 1.4 million over the second quarter. The Company's administration result is still marked by a low volume in relation to the investment level in systems and other costs. Including the negative administration result of NOK 11.1 million, the total result for the second quarter was negative: minus NOK 4 million and minus 7.1 million for the first half year.

Non-life insurance

KLP Skadeforsikring AS retains a significant position as provider of non-life insurance to municipalities and county administrations. The Company also has a growing number in municipi-

pal enterprises and companies in associated sectors.

Despite strong competition net new sales show a positive trend both in the personal market and employer segments.

In the first half of 2010, KLP Skadeforsikring AS had a profit of NOK 12 million, whereas the second quarter produced a deficit of NOK 24 million. The result for the first half year is characterized by five major property claims which after reinsurance cost NOK 80 million, of which as much as NOK 50 million was in the second quarter.

Financial returns for the period were satisfactory with a total return of 2.7 per cent. The turbulence in the financial services markets and particularly in the equity market marked the returns in the second quarter, which ended at 0.2 per cent.

The Company has maintained a healthy capital base with sufficient buffers against further negative claim trends and its capital adequacy was 29.8 per cent as at 30 June 2010, against the authorities' minimum limit of 8 per cent.

KLP Kapitalforvaltning and KLP Fondsforsvaltning

The KLP Group's securities management is covered by KLP Kapitalforvaltning AS and KLP Fondsforsvaltning AS. In all, NOK 176.4 billion was being managed in securities funds and discretionary portfolios by the end of the first quarter 2010. The bulk of the assets is being managed on behalf of Kommunal Landspensjonskasse and the KLP Group's subsidiaries.

Assets managed on behalf of external investors and private individuals grew by 22 per cent last year, amounting to NOK 12 billion by the end of the first half year. Net new subscriptions by Group-external customers to KLP's securities funds amounted to NOK 715 million for the first half year 2010.

KLP Kapitalforvaltning AS obtained a profit of NOK 13 million for the half year. KLP Fondsforsvaltning AS had a negative result of NOK 0.6 million.

KLP Banken

The Group's lending activity towards the municipal loans market comes under the common denomination of KLP Kommunekreditt. The loans are booked either in KLP's common portfolio, with KLP Kreditt AS or with KLP Kommunekreditt AS, and are managed by KLP Banken.

KLP Kommunekreditt AS is established as a credit institution issuing pre-emptive bonds with security in municipal loans. During the second quarter, a major undertaking was made to



complete KLP Kommunekreditt's international covered bond programme. The programme was signed on 5 August, and will with the best rating provide good market terms for financing our customers.

The Bank's results show that it is still in a start-up phase with costs accruing in relation to the starting up of the business. The KLP Banken Group returned a deficit, minus NOK 4.9 billion, for the first half year, but the second quarter returned a profit of NOK 15.0 million. The Bank Group's solvency is good, capital adequacy being 17.9 per cent against the authorities' requirement of 8.0 per cent.

Group activities

KLP's new head office

On 25 May, KLP concentrated all its activities in the Oslo area in a new, suitable 25,000-square metre head office in Bjørvika, a newly-developed area in central Oslo. The building has a high standard, with flexible and good workplaces. Good environmental solutions have formed the basis for the layout of the building, in line with KLP's fundamental policy. The property was taken over at the beginning of April and has been included in the corporate portfolio.

A responsible investor and owner

KLP and the KLP funds are active owners and increasingly use their voting rights at general meetings in accordance with the principles on which their corporate governance is based.

KLP wishes not to be an owner in companies connected with breaches of basic rights or companies that do not take on the necessary responsibility for the environment – or for society. Against that background, a list is published every six months of those companies that do not satisfy KLP's ethical requirements. In June, another four companies were excluded at the half year review, whilst two companies were reinstated.

Future prospects

KLP has considerable financial strength, good risk management, and well adapted asset management. Consequently the Company can account for a satisfactory result in a quarter marked by financial turbulence.

Accounts reflect the Company's financial situation on a given date, whereas the markets in which the Company operates are under constant change. The markets have shown a more positive trend again during the summer.

KLP's new head office in Bjørvika has state of the art technical solutions and the space has been effectively exploited using the open office system. This, plus the fact that several divisions have been located together, is expected to provide the Group with positive synergies in future.

Oslo, 12th August 2010

The Board of Directors of Kommunal Landspensjonskasse

Arne Øren
Chair

Finn Jebsen
Deputy chair

Gunn Marit Helgesen

Ann Inger Døhl

Herlof Nilssen

Jan Helge Gulbrandsen

Siv Holland
Employee representative

Freddy Larsen
Employee representative



Group accounts after the second quarter 2010

Notes	Income statement Group NOK million	Q2 2010	01.01.10 -30.06.10	Q2 2009	01.01.09 -30.06.09	2009
	Premium income for own account	3 167	6 536	3 147	6 612	19 404
	Current return on financial investments	1 810	3 639	1 987	3 829	8 254
	Net gain on financial investments	-2 068	-14	2 936	1 504	5 813
5	Net income from investment properties	493	1 189	218	196	315
	Net profit from investments in associated companies	0	0	53	80	102
	Other income	183	375	192	361	760
	Total income	3 586	11 725	8 532	12 582	34 649
	Claims for own account	-2 336	-6 109	-1 961	-6 167	-10 365
	Change in provisions for the non-life business	18	21	-13	-19	-51
	Change in technical provisions for the life business	-2 123	-2 978	-2 293	-2 623	-13 364
	Net costs subordinated loans and perpetual subordinated loans	-365	-351	67	287	579
4	Operating expenses	-188	-453	-204	-434	-958
	Other expenses	-165	-345	-172	-332	-679
	Total expenses	-5 158	-10 215	-4 576	-9 288	-24 839
	Operating result	-1 573	1 511	3 955	3 293	9 810
	To/from valuation reserves in life insurance	2 046	123	0	0	-2 387
	To/from supplementary provisions in life insurance	0	0	-874	0	-4 214
	Assets allocated to life insurance customers	-432	-1 490	-2 827	-2 880	-2 427
	To/from other reserves	0	0	0	0	-7
	Consolidated group profit before tax	41	143	254	412	776
	Taxes	0	0	0	0	0
	Result	41	143	254	412	776
	Revaluation own properties	19	25	-11	-7	-32
	Currency effects foreign affiliates	65	90	-4	-70	-5
	Total other comprehensive income	83	115	-15	-78	-37
	Total result	124	258	240	336	738



Group accounts after the second quarter 2010

Notes	Balance sheet NOK million	30.06. 2010	30.06. 2009	31.12. 2009
ASSETS				
	Intangible assets	418	323	380
	Tangible fixed assets	987	477	450
	Investments in associated companies	3	3	3
5	Investment property	24 421	22 736	23 089
	Debt instruments held to maturity	44 961	40 446	44 275
	Debt instruments at fair value in profit/loss account	34 058	40 620	34 040
	Lending to municipalities, companies and private individuals at fair value over P/L	24 303	34 336	30 192
	Lending to municipalities, companies and private individuals	35 895	25 546	31 209
	Debt instruments at fair value over P/L	60 747	55 481	66 384
	Equity instruments at fair value over P/L	24 071	19 860	24 232
	Financial derivatives	620	939	886
	Other loans and receivables incl. receivables from policyholders	10 773	986	1 280
	Assets in life insurance with investment choice	91	9	17
	Cash and bank deposits	2 525	2 233	2 113
	Total assets	263 874	243 995	258 549
OWNERS' EQUITY AND LIABILITIES				
	Paid-up equity	5 086	4 583	5 107
	Retained earnings	4 873	4 134	4 614
	Total equity	9 958	8 716	9 721
6	Perpetual subordinated loan	1 053	933	806
6	Subordinated loan capital	3 120	3 379	3 175
6	Debt to credit institutions	21 565	34 428	30 241
6	Covered bonds issued	2 551	0	2 510
6	Debt to and deposits from customers	540	0	36
7	Provisions, unit-linked life insurance	209 226	189 755	204 875
	Provisions for premiums, claims and contingency fund, non life insurance	2 627	2 392	2 245
	Pension obligations	519	481	514
	Financial derivatives	1 145	1 466	1 038
	Other current liabilities	11 570	2 445	3 389
	Total owners' equity an liabilities	263 874	243 995	258 549
OFF BALANCE SHEET ITEMS				
	Contingent liabilities	2 543	2 372	2 624



Group accounts after the second quarter 2010

Cashflow - Group NOK million	01.01.10 -30.06.10	01.01.10 -31.03.10	01.01.09 -31.12.09	01.01.09 -30.09.09	01.01.09 -30.06.09
Net cashflow from operational activities	11 669	3 008	41 350	8 003	31 732
Net cashflow from investment activities	-4 231	-1 481	-15 157	-8 123	-9 012
Net cashflow from financing activities	-7 027	-1 147	-25 330	192	-21 737
Net changes in cash and bank deposits	412	380	863	72	983
Holdings of cash and bank deposits at start of period	2 113	2 113	1 250	1 250	1 250
Holdings of cash and bank deposits at end of period	2 525	2 493	2 113	1 322	2 233



Group accounts after the second quarter 2010

Changes in Owner's equity

2010 NOK million	Paid-up equity	Retained earnings	Total equity
Own funds 01.01.2010	5 107	4 614	9 721
Result for the period	0	143	143
Other comprehensive income			
Revaluation of properties for own use	0	25	25
Currency effect foreign affiliates	0	90	90
Total other comprehensive income	0	115	115
Total income	0	258	258
Transactions with owners			
Equity paid-in	13	0	13
Equity reimbursed	-34	0	-34
Total transactions with owners	-21	0	-21
Own funds 30.06.2010	5 086	4 873	9 958

2009 NOK million	Paid-up equity	Retained earnings	Total equity
Own funds 01.01.2009	4 633	3 796	8 429
Result for the period	0	776	776
Other comprehensive income			
Revaluation of properties for own use	0	-32	-32
Currency effect foreign affiliates	0	-5	-5
Total other comprehensive income	0	-37	-37
Total income	0	738	738
Transactions with owners			
Equity paid-in	536	0	536
Equity reimbursed	-62	0	-62
Total transactions with owners	474	0	474
Reclassifications			
Reclassification of funds in non-life insurance	0	86	86
Other reclassifications	0	-6	-6
Total reclassifications	0	80	80
Own funds 31.12.2009	5 107	4 614	9 721



Note 1 Accounting principles

The accounts in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) and the Group for the period 01.01.2010 - 30.06.2010. The accounts have not been audited.

The Group interim accounts are presented in accordance with internationally EU-approved accounting standards (IAS/IFRS). This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting" and follows the same accounting principles as used in the annual accounts.

The following norms were amended with effect from 1 January 2010:

- IFRS 3 Business mergers
- IAS 27 Group accounts and fiscal accounts

The changes to these accounting norms have not been relative to the Group's business, nor have they impacted on the financial reporting in 2010.

It is recommended that this interim report be read in conjunction with the annual report for 2009 and the interim report Q1 2010. This may be obtained on application to the Company's registered office, Dronning Eufemias gate 10, Oslo, or at www.klp.no.

Note 2 Key figures - accumulated

NOK million	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08
KLP Group								
Profit before tax	143	102	776	676	412	158	348	225
Total assets	263 880	258 128	258 549	254 370	243 995	204 146	205 264	205 509
Owners' equity	9 958	9 829	9 721	9 021	8 716	8 485	8 429	8 256
Capital adequacy	11,6 %	n/a	12,0 %	n/a	11,7 %	n/a	13,5 %	n/a
Number of employees in the Group	755	745	741	720	706	692	683	666
Kommunal Landspensjonskasse								
Profit before tax	258	134	738	523	336	-781	397	-3 418
Premium income for own account	5 984	2 956	18 868	15 841	6 148	3 074	22 082	19 004
- of which inflow of premium reserve	20	17	285	297	262	209	89	62
Insurance customers' funds incl. acc. profit	5 589	3 415	9 979	7 936	5 787	3 854	10 099	8 050
- of which funds with guaranteed returns	1 387	1 328	2 069	2 069	1 961	1 937	2 796	2 622
Net investment common portfolio	208 638	208 273	204 237	193 628	189 628	183 526	183 521	175 294
Net investment chose portfolio	254	248	239	236	219	211	n/a	n/a
Insurance funds incl. earnings for the year	208 740	208 239	204 486	200 277	189 394	184 342	184 103	186 935
- of which funds with guaranteed interest	196 573	194 476	193 641	189 262	182 298	180 093	180 076	178 852
Tier 1 and Tier 2 capital	12 705	12 595	12 606	11 489	11 470	11 526	11 652	10 854
Risk profit	45	20	274	112	83	41	366	302
Return profits	1 360	996	6 126	5 874	2 701	-874	-3 705	-3 400
Administration profit	60	36	161	130	85	23	98	96
Solvency capital	28 940	29 533	25 329	25 113	20 923	16 797	17 882	14 443
Solvency margin ratio	219 %	220 %	218 %	182 %	188 %	191 %	196 %	213 %
Capital adequacy	12.2 %	12.7 %	12.6 %	12.3 %	12.6 %	14.1 %	14.6 %	12.6 %
Core capital ratio	9.2 %	9.7 %	9.6 %	9.1 %	9.3 %	10.4 %	10.7 %	9.2 %
Book return on common portfolio	2.2 %	1.2 %	6.4 %	5.5 %	3.0 %	0.3 %	1.0 %	0.4 %
Value-adjusted return on common portfolio	2.1 %	2.2 %	7.7 %	5.8 %	3.0 %	0.3 %	-3.0 %	-3.6 %
Return on unit-linked portfolio	1.7 %	2.6 %	9.2 %	6.8 %	3.5 %	0.1 %	n/a	n/a
Return on corporate portfolio	2.4 %	1.1 %	6.7 %	4.3 %	2.8 %	0.6 %	4.0 %	1.9 %



NOK million	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08
KLP Skadeforsikring AS								
Profit before tax	12	36	217	179	95	17	35	-41
Gross premium due	521	362	609	547	482	408	574	541
Premium income for own account	265	131	569	421	292	142	526	400
Owners' equity	424	446	430	493	437	386	382	262
Claims ratio	108.0 %	106.9 %	66.5 %	67.7 %	70.1 %	67.2 %	70.6 %	78.6 %
Combined-ratio	134.9 %	134.3 %	95.5 %	95.4 %	96.5 %	97.8 %	97.3 %	99.9 %
Return on assets under management	2.7 %	2.5 %	8.3 %	6.4 %	3.6 %	0.7 %	0.5 %	-0.2 %
Capital adequacy	29.8 %	29.9 %	33.6 %	29.1 %	30.5 %	33.0 %	39.3 %	29.2 %
Tier 1 and Tier 2 capital	387	383	387	341	346	344	345	271
Annual premium volume per person	33	15	39	23	14	6	11	4
Annual premium volume employer	488	347	570	524	468	401	562	537
Net new subscriptions (accumulated within the year)	40	12	52	63	34	22	30	18
KLP Bedriftspensjon AS								
Loss before tax	-7.1	-3.1	-13.5	-5.8	-4.8	-2.6	-9.5	-10.3
Premium income for own account	93.1	80.1	51.6	41.0	33.5	14.7	60.1	49.3
- of which premium reserve added	73.0	68.0	26.6	23.7	22.7	8.8	36.5	36.9
Insurance customers' funds including accumulated profit	485.6	486.8	3893	371.2	361.7	338.0	318.9	314.6
- of which funds with guaranteed returns	389.7	380.5	358.6	345.9	345.2	330.7	312.6	308.3
Investment result	2.5	4.7	11.6	7.4	4.8	0.4	6.8	-5.6
Risk result	3.2	1.2	1.2	3.8	2.7	1.3	4.3	28
Administration losses	-11.1	-5.3	-18.3	-11.9	-8.6	-3.9	-10.4	-6.7
Tier 1 and Tier 2 capital	24.9	29.3	32.5	39.6	40.7	42.8	26.2	31.8
Solvency capital	63.3	72.9	68.1	73.8	69.4	64.7	42.5	43.4
Capital adequacy	11.9 %	14.2 %	18.9 %	25.1 %	28.5 %	33.1 %	21.7 %	22.3 %
Book capital return on common portfolio	3.1 %	2.0 %	7.1 %	4.7 %	3.2 %	1.0 %	1.1 %	2.5 %
Value-adjusted capital return on common portfolio	2.4 %	2.5 %	8.3 %	5.9 %	3.5 %	1.0 %	-2.3 %	-1.0 %
Return on defined unit-linked contribution pensions	-2.0 %	2.9 %	23.3 %	17.7 %	8.3 %	-2.1 %	-21.4 %	-13.6 %
Return on corporate portfolio	2.4 %	1.4 %	8.4 %	7.4 %	4.5 %	1.0 %	-0.8 %	1.2 %



Notes to the Group accounts after the second quarter 2010

NOK million	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08
KLP Banken Group								
Profit/loss before tax	-4.9	-19.8	6.1	4.0	7.1	n/a	n/a	n/a
Net interest income	10.3	5.8	144.4	120.9	72.2	n/a	n/a	n/a
Other operating income	20.7	10.1	17.9	10.2	2.6	n/a	n/a	n/a
Operating expenses and depreciation	-53.1	-28.8	-76.6	-36.9	-13.8	n/a	n/a	n/a
Net realized/unrealized changes in financial instruments to fair value	17.2	-7.0	-79.6	-90.2	-53.8	n/a	n/a	n/a
Contributions	539.7	359.2	35.6	-	-	n/a	n/a	n/a
Housing mortgages granted	345.1	49.1	-	-	-	n/a	n/a	n/a
Loan(s) with public guarantee(s)	27 254	32 424	33 158	34 442	34 337	n/a	n/a	n/a
Defaulted loans	-	-	-	-	-	n/a	n/a	n/a
Borrowing on the issuance of securities	3 000	3 000	3 000	-	-	n/a	n/a	n/a
Other borrowing	24 076	29 229	30 241	34 571	34 428	n/a	n/a	n/a
Total assets	29 005	33 968	34 666	36 003	35 946	n/a	n/a	n/a
Average total assets	31 835	34 317	17 334	18 009	17 980	n/a	n/a	n/a
Owners' equity	1 190	1 175	1 195	1 193	1 195	n/a	n/a	n/a
Net interest rate	0.03 %	0.02 %	0.83 %	0.67 %	0.40 %	n/a	n/a	n/a
Profit/loss from general operations before tax	-0.02 %	-0.06 %	0.04 %	0.02 %	0.04 %	n/a	n/a	n/a
Profit/loss from general operations excl. fair value assessments before tax	-0.07 %	-0.04 %	0.49 %	0.52 %	0.34 %	n/a	n/a	n/a
Return on owners' equity before tax	-0.41 %	-1.69 %	0.51 %	0.34 %	0.60 %	n/a	n/a	n/a
Capital adequacy	17.89 %	16.2 %	16.0 %	n/a	n/a	n/a	n/a	n/a
Number of personal customers	4 512	2 767	411	44	-	n/a	n/a	n/a
Of which members in KLP	2 819	1 833	408	44	-	n/a	n/a	n/a

KLP Kapitalforvaltning and KLP Fondsförvaltning AS

Profit/loss before tax	0.3	-12.9	11.5	9.3	-2.0	-2.7	63.4	19.4
Total assets under management	176 410	180 459	174 826	166 187	160 932	157 034	155 305	148 572
Assets managed for external customers	11 969	12 461	11 378	10 777	9 202	7 364	7 560	7 727

Note 2 Segment information - profit/loss i.a.w. IFRS by business area

Time series result - by quarter

NOK million	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08
Total income	5 657	8 140	10 888	14 988	8 478	4 845	5 661	15 153
Total expenses	-5 615	-8 038	-10 789	-14 724	-8 224	-4 687	-5 538	-15 110
Consolidated group profit before tax	41	102	99	264	254	158	123	42
Results by segment								
Life insurance	36	98	72	169	164	144	76	68
Non-life	-24	36	38	83	79	17	35	-41
Banking	15	-20	-14	2	11	0	0	0
Asset management	14	-13	2	11	0	-2	12	17
Other business	1	0	1	-1	1	-1	1	-1
Consolidated group profit before tax	41	102	99	264	254	158	123	42



Note 4 Operating expenses

NOK million	01.01.10 -30.06.10	01.01.09 -30.06.09	01.01.09 -31.12.09
By class:			
Staff costs	249	236	536
Depreciation	30	25	50
Other operating costs	174	172	372
Total operating expenses	453	434	958

Note 5 Investment property

Profit/loss NOK million	01.01.10 -30.06.10	01.01.09 -30.06.09	01.01.09 -31.12.09
Profit/loss property	568	599	800
Value adjustment	621	-403	-485
Net income from investment properties	1 189	196	315

Balance sheet NOK million	30.06.2010	30.06.2009	31.12.2009
Value: investment property - opening balance	23 089	20 383	20 383
Value adjustment	621	-403	-485
Other changes and eliminations	712	2 756	3 191
Value: investment property - closing balance	24 421	22 736	23 089



Note 6 Financial liabilities

NOK million	Ominal value in NOK	Currency	Interest rate	Due date	Book value 30.06.2010	Book value 30.06.2009	Book value 31.12.2009
Subordinated loan capital and perpetual subordinated loans							
Perpetual subordinated loans							
Kommunal Landspensjonskasse	2 372	EUR		Perpetual	2 418	2 741	2 581
Kommunal Landspensjonskasse	554	JPY		Perpetual	703	638	593
Hybrid Tier 1 capital							
Kommunal Landspensjonskasse	984	JPY		2034	1 053	933	806
Total subordinated loan capital and perpetual subordinated loans					4 174	4 312	3 980
Debt contracted by issuing securities							
Covered bonds¹							
KLP Kommunekreditt	3 000	NOK		2011	2 551	0	2 510
Covered bonds					2 551	0	2 510
Liabilities to credit institutions							
KLP Kreditt	0	NOK		2009		4 303	
KLP Kreditt	8 588	NOK	2,4	2010	8 626	17 214	17 280
KLP Kreditt	12 882	NOK	2,4	2011	12 939	12 910	12 960
Total liabilities to credit institutions					21 565	34 428	30 241
Deposits from customers²							
Private	540	NOK			540	0	36
Industrial		NOK					
Abroad		NOK					
Total contributions from customers					540	0	36
Total financial liabilities					28 919	38 740	36 767

¹ The difference between the nominal and book values as at 30 June 2010 derives from KLP having bought NOK 449 million covered bonds from KLP. The bonds have been eliminated in the Group accounts.

² Maturity for contributions is not contractual.

Note 7 Insurance-related provisions in life

NOK million	30.06. 2010	30.06. 2009	31.12. 2009
Premium reserve	194 470	180 607	191 419
Premium funds, buffer funds and pensioners' surplus funds	2 816	2 256	2 826
Supplementary reserves	8 112	3 923	8 163
Securities adjustment fund	2 264	1	2 387
Other provisions	74	82	81
Non-allocated profit/loss of insurance contracts in the common portfolio	1 490	2 887	0
Insurance-related provisions in life insurance	209 226	189 755	204 875



Note 8 Events after the balance sheet date

In the second quarter a call were made out for owners' equity contribution of NOK 545 million, to be paid-up in the third quarter. The owners' equity contribution is only brought to book when it is paid in, which means that the invoiced owners' equity contribution had no effect on the second quarter accounts. As at the end of July, NOK 518.5 million of the invoiced owners' equity supplement had been paid.



Accounts after the second quarter 2010 Kommunal Landspensjonskasse

Notes	Income statement NOK million	Q2 2010	01.01.10 -30.06.10	Q2 2009	01.01.09 -30.06.09	2009
	Premium income	3 029	5 984	3 074	6 148	18 868
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	543	1 309	165	306	373
	Interest income/dividends on financial assets	1 632	3 312	1 728	3 370	7 399
	Value changes on investments	-1 516	523	4 548	538	4 889
	Gains and losses realised on investments	-835	-928	-1 468	1 264	1 493
	Net income from investments in the common portfolio	-175	4 216	4 973	5 478	14 155
	Net income from unit-linked portfolio	-2	4	7	7	19
	Other insurance-related income	160	318	154	301	625
	Claims	-2 175	-5 590	-1 933	-5 787	-9 979
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-65	-2 758	-2 268	-2 578	-19 869
	Changes in insurance liabilities taken to profit/loss - investment option portfolio separately	-10	-13	-6	-13	-40
	Funds assigned to insurance contracts - contractual liabilities	-434	-1 487	-2 824	-2 880	-2 425
3	Insurance-related operating expenses	-164	-318	-130	-298	-633
	Other insurance-related costs	-161	-319	-157	-310	-637
	Technical profit/loss	2	37	890	69	84
	Net income from investments in the corporate portfolio	172	318	268	349	840
	Other income	4	6	14	19	25
	Administration costs and other costs associated with the corporate portfolio	-53	-103	-54	-100	-210
	Non-technical profit/loss	123	221	228	267	655
	TOTAL PROFIT/LOSS	124	258	1 117	336	738



Accounts after the second quarter 2010 Kommunal Landspensjonskasse

Notes	Balance sheet NOK million	30.06. 2010	30.06. 2009	31.12. 2009
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	346	237	303
	Investments	13 918	13 436	14 293
	Receivables	532	557	563
	Other assets	626	395	547
	Total assets in the corporate portfolio	15 421	14 626	15 706
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Investments in the common portfolio			
	Shares and holdings in property subsidiaries	22 769	19 636	22 185
	Receivables from and securities issued by subsidiaries, associated enterprises and jointly controlled enterprises	50	53	52
4	Financial assets valued at amortised cost	103 946	94 934	100 171
5	Financial assets valued at fair value	92 367	75 957	85 508
	Total assets in the customer portfolios	219 133	190 580	207 915
	Assets in the investment option portfolio			
	Shares and holdings in property subsidiaries	30	22	25
	Financial assets at amoritsed costs	98	0	0
	Financial assets at fair value	132	196	216
	Total assets in unit-linked portfolio	260	219	241
	ASSETS	234 815	205 257	223 863
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	5 086	4 583	5 107
	Retained earnings	4 793	4 149	4 535
	Subordinated loan capital etc.	4 173	4 312	3 980
6	Insurance obligations in life insurance - contractual liabilities	208 487	189 175	204 246
	Insurance liabilities unit-linked portfolio	253	219	240
	Provision for liabilities	379	360	374
	Liabilities	11 608	2 430	5 293
	Accrued costs and prepaid income	35	30	88
	OWNERS' EQUITY AND LIABILITIES	234 815	205 257	223 863
	Off-balance sheet items			
	Contingent liabilities	2 388	2 372	2 624



Accounts after the second quarter 2010 Kommunal Landspensjonskasse

Cash flow analysis NOK million	01.01.10 -30.06.10	01.01.10 - 31.03.10	01.01.09 -31.12.09	01.01.09 -30.09.09	01.01.09 -30.06.09
Net cashflow from operational activities	4 327	1 497	15 939	6 380	4 671
Net cashflow from investment activities	-4 260	-1 583	-16 272	-6 400	-4 553
Net cashflow from financing activities	-21	-26	537	9	-50
Net changes in cash and bank deposits	46	-112	203	-10	68
Holdings of cash and bank deposits at start of period	504	504	301	301	301
Holdings of cash and bank deposits at end of period	549	392	504	290	368

Changes in Owner's equity

2010 NOK million	Paid-up equity	Retained earnings	Total equity
Own funds 01.01.2010	5 107	4 535	9 642
Total other comprehensive income	0	258	258
Total income	0	258	258

Transaction with owners

Equity paid-in	13	0	13
Equity reimbursed	-34	0	-34
Sum transaction with owners	-21	0	-21
Own funds 30.06.2010	5 086	4 793	9 879

2009 NOK million	Paid-up equity	Retained earnings	Total equity
Own funds 01.01.2009	4 633	3 804	8 438
Total other comprehensive income	0	738	738
Total income	0	738	738

Transaction with owners

Equity paid-in	536	0	536
Equity reimbursed	-62	0	-62
Total transaction with owners	474	0	474

Other modifications

Surplus fund Group life	0	-12	-12
Other modifications	0	5	5
Total modifications	0	-8	-8
Own funds 31.12.2009	5 107	4 535	9 642



Note 1 Accounting principles

The accounts in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) and the Group for the period 01.01.2010 - 30.06.2010. The accounts have not been audited. 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 the Company's registered office, Dronning Eufemias gate 10, Oslo, or at www.klp.no.

Similarly to the annual accounts 2009, the interim accounts have been submitted in accordance with Regulation 1241 of 16 December 1998: Regulations on annual accounts etc. for insurance companies (the Annual Accounts Regulations).

Note 2 Value-adjustment investment property

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 30 June 2010.

NOK million	Q2 2010	01.01.10 -30.06.10	Q1 2010	01.01.09 -30.06.09	01.01.09 -31.12.09
Value adjustment incl. foreign exchange	201	646	-81	-410	-518
Foreign exchange effect on hedging	11	64	-11	143	328
Net value adjustment incl. exchange hedging	212	710	-92	-267	-190

Note 3 Operating expenses

NOK million	Q2 2010	01.01.10 -30.06.10	Q2 2009	01.01.09 -30.06.09	01.01.09 -31.12.09
Staff costs	71	162	63	154	367
Depreciation	13	24	9	17	37
Other operating expenses	81	132	58	127	230
Insurance related expenses	164	318	130	298	633

Note 4 Insurance-related provisions - obligations under contract

NOK million	30.06. 2010	30.06. 2009	31.12. 2009
Premium reserve	193 771	180 049	190 830
Premium fund(s)	2 802	2 249	2 812
Supplementary reserve	8 091	3 919	8 142
Securities adjustment fund	2 262	0	2 383
Other provisions	74	82	80
Non-allocated profit/loss on insurance contracts in the common portfolio	1 487	2 876	0
Insurance-related provisions - obligations under contract	208 487	189 175	204 246



Note 5 Transactions with related parties

On 15 June 2010 KLP took over loans/receivables of NOK 4,032 million from KLP Kreditt AS on 15 June 2010. The amount included the principal, interest accrued, and premium.

KLP granted KLP Banken AS two short-term loans at the end of the first quarter. The loans amounted to NOK 1.3 billion and NOK 2.0 billion respectively. As agreed, these loans were repaid during the second quarter. The loans were granted at market rate (NIBOR + margin).

During the second quarter, KLP Banken AS was granted two further loans by KLP. One of the loans (of NOK 0.5 billion) was repaid during the quarter as agreed, whereas the other loan (of NOK 2.5 billion) falls due on 15 September. Market conditions (NIBOR + margin) applied to both loans.

Note 6 Events after the balance sheet date

In the second quarter invoices were made out for owners' equity contribution of NOK 545 million, to be paid-up in the third quarter. The owners' equity contribution is only brought to book when it is paid in, which means that the invoiced owners' equity contribution had no effect on the second quarter accounts. As at the end of July, NOK 518.5 million of the invoiced owners' equity supplement had been paid.





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