

25th February 2009

# Financial results fourth quarter 2008 (Preliminary and unaudited accounts)



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## 2008 – in a year tainted by weak financial markets

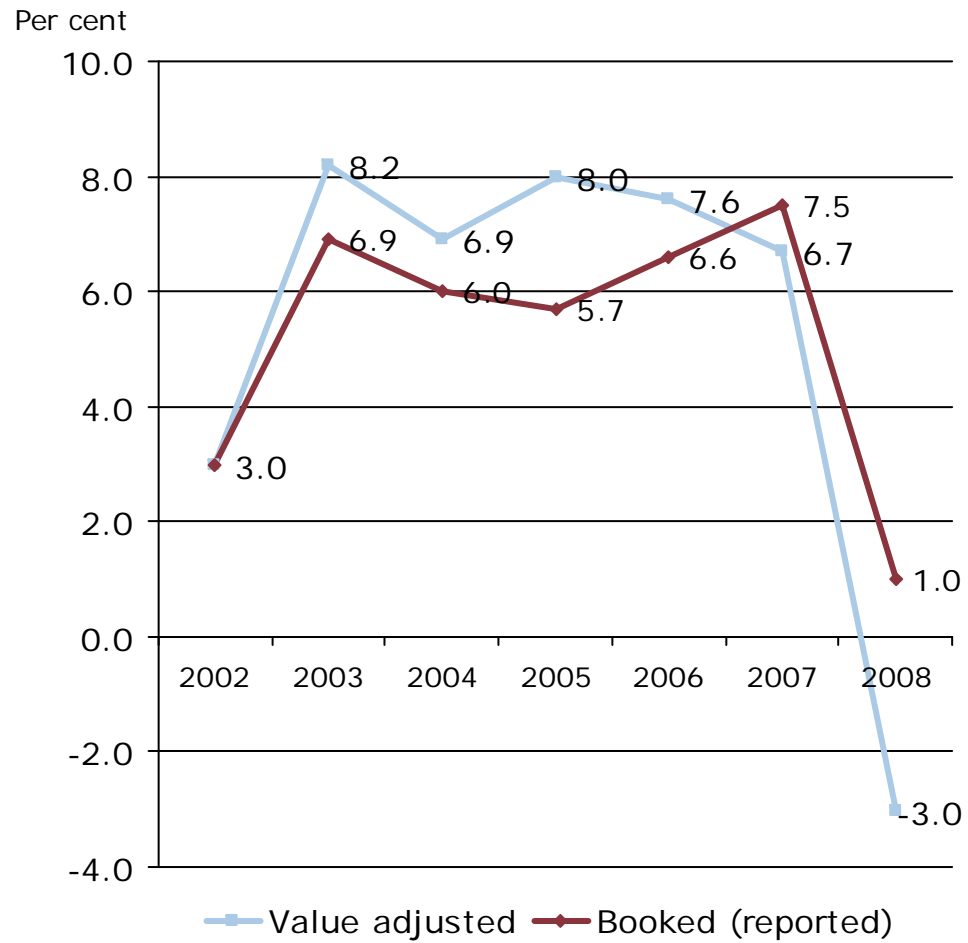
- The results enable a transfer of NOK 1 903 million to our customers' premium-fund
- A surplus of NOK 397 million applied to strengthening the capital base
- Total assets increased by 3.6 per cent to reach NOK 201.9 billion (194.9 billion)
- Cost percentage 0.33
- Positive value adjusted return of 0.6 per cent in Q4



# Presentation of accounts 2008

| Income statement<br><i>NOK mill</i>                                 | Q1<br>2008 | Q2<br>2008 | Q3<br>2008    | Q4<br>2008   | Sum<br>2008 |
|---|------------|------------|---------------|--------------|-------------|
| Pension premiums and incoming transfers                             | 2 681      | 2 921      | 13 401        | 3 079        | 22 082      |
| Net revenues from investments in common portfolio                   | -4 085     | 43         | -2 549        | 1 090        | -5 503      |
| Other insurance related income                                      | 145        | 122        | 162           | 203          | 633         |
| Claims paid and outgoing transfers                                  | -4 429     | -1703      | -1 917        | -2 049       | -10 099     |
| Changes in technical provisions incl. changes in valuation reserves | 7 905      | -2 246     | -12 457       | 3 048        | -3 749      |
| Allocations to insurance contracts                                  | -1 928     | 1 201      | 398           | -1 573       | -1 903      |
| Insurance related operating costs                                   | -148       | -134       | -159          | -212         | -651        |
| Other insurance related costs                                       | -145       | -118       | -183          | -213         | -661        |
| <b>Technical result</b>   | -4         | 85         | -3 304        | 3 373        | 150         |
| Net revenues from investments in corporate portfolio                | 130        | 60         | 28            | 240          | 458         |
| Other revenues and expenditures                                     | -45        | -52        | -47           | -67          | -210        |
| Result non-technical accounts                                       | 85         | 7          | -18           | 323          | 397         |
| Other elements  | 2          | -2         | 0             | 0            | 0           |
| <b>Total result</b>   | <b>84</b>  | <b>90</b>  | <b>-3 322</b> | <b>3 546</b> | <b>397</b>  |

# Returns for KLP



# Investment returns in 2008

| <b>Common portfolio</b>                               | Q1     | Q2     | Q3     | Q4     | Year   |
|---|--------|--------|--------|--------|--------|
| <i>Per cent</i>                                       |        |        |        |        |        |
| Booked return (reported)                              | 1.8 %  | 0.0 %  | -1.5 % | 0.7 %  | 1.0 %  |
| Value adjusted return                                 | -2.3 % | 0.1 %  | -1.4 % | -0.6 % | -3.0 % |
| Value adjusted return incl.<br>held-to-maturity bonds | -2.0 % | -1.2 % | -0.6 % | 2.1 %  | -1.7 % |
| <b>Corporate portfolio</b>                            | 1.1 %  | 0.5 %  | 0.3 %  | 2.1 %  | 4.0 %  |

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# Key figures - profit and loss account

| Result                                     |                      |         |                    |         |
|--|----------------------|---------|--------------------|---------|
| <i>NOK million</i>                         | Q4 2007              | Q4 2008 | 2007               | 2008    |
| Premium income                             | 2 662                | 3 052   | 18 335             | 21 993  |
| Net transfers                              | -59                  | -147    | -726               | -2 707  |
| Net financial income                       | 2 427                | 1 255   | 11 953             | -5 273  |
| Claims                                     | -1 718               | -1 874  | -6 695             | -7 302  |
| Changes in insurance provisions            | -4 400 <sup>2)</sup> | -658    | -17 696            | -14 681 |
| Other insurance related revenues and costs | 1                    | 0       | 15                 | 0       |
| Operating costs                            | -423 <sup>1)</sup>   | -213    | -868 <sup>1)</sup> | -660    |
| Value adjusted result                      | -1 510               | 1 413   | 4 320              | -8 631  |
| To(-)/from(+) securities reserve fund      | 1 038                | 0       | 802                | 7 226   |
| Result before allocation                   | -472                 | 1413    | 5 122              | -1 405  |
| To/from supplementary reserves             |                      |         | 1 248              | -3 705  |
| Transfer to premium fund                   |                      |         | 3 607              | 1 903   |
| Transfer to equity fund                    |                      |         | 267                | 397     |



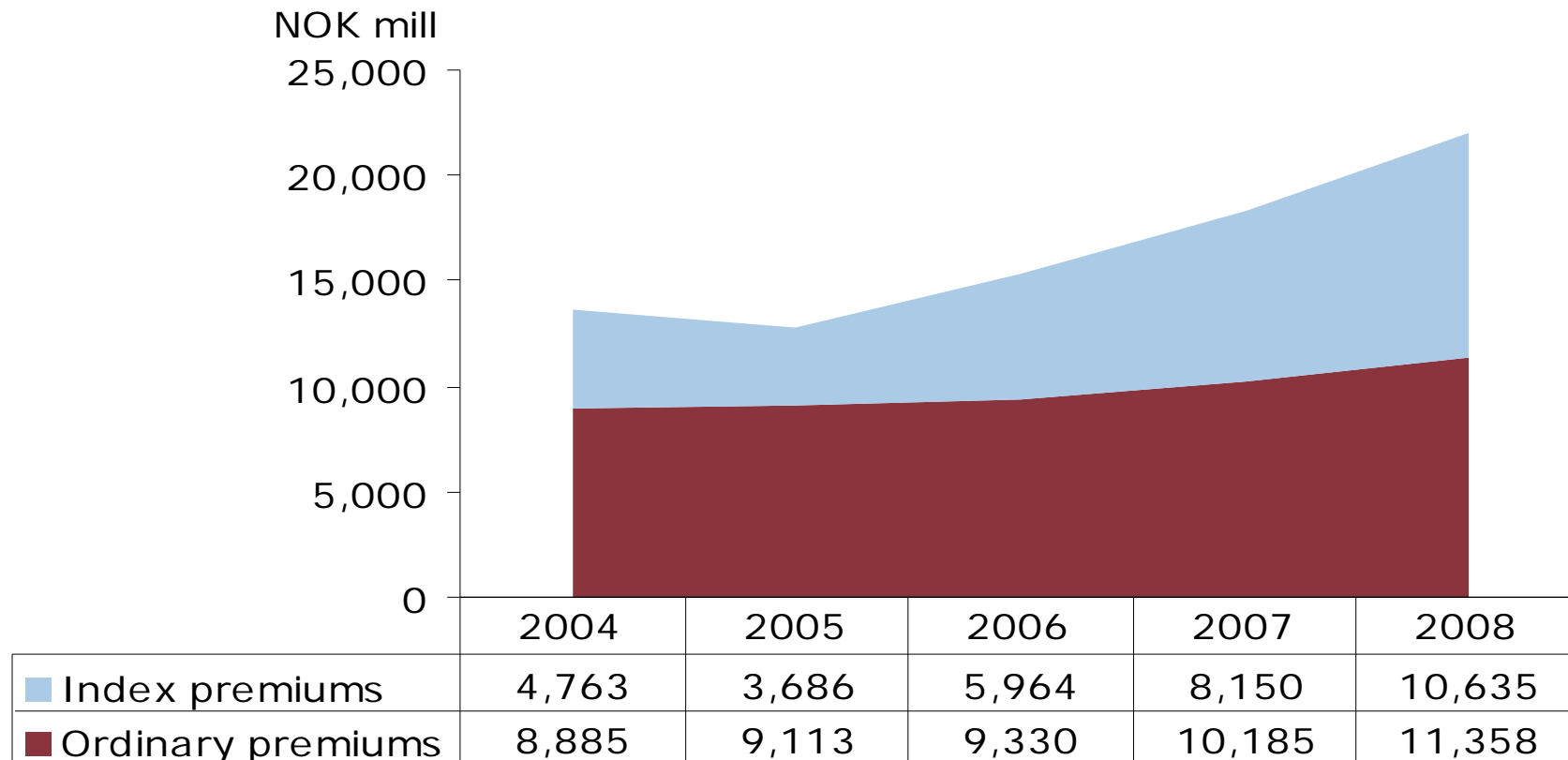
1) Incl. charges for adjustment of pension provisions of NOK 244 million

2) Incl. Reserving for long life

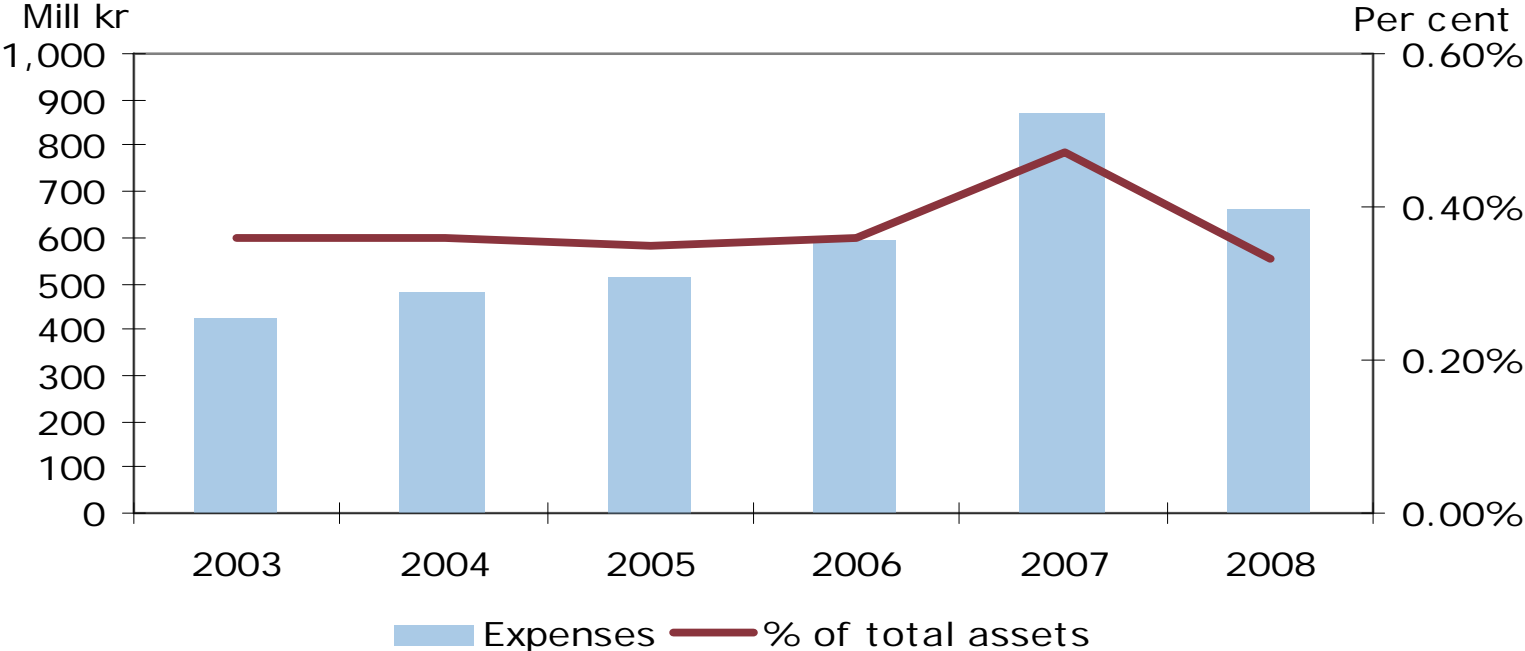
# Appropriation of results

| <i>NOK mill</i>                                    | Customers | Company | Total  |
|--|-----------|---------|--------|
| Result before transfer from supplementary reserves |           |         | -1 405 |
| Transfer from supplementary reserves               |           |         | 3 705  |
| Result for appropriation                           |           |         | 2 300  |
| Risik result and other                             |           |         |        |
| result components to customers                     | 1 811     |         | 1 811  |
| Premium interest rate guarantee                    |           | 155     | 155    |
| Administration result                              |           | 98      | 98     |
| Result non-technical items                         |           | 248     | 248    |
| Return on paid-in equity                           | 92        | -92     | 0      |
| Other  |           | -11     | -11    |
| Accumulated results                                | 1 903     | 397     | 2 300  |

# Pension premiums last 5 years



# Operating expenses



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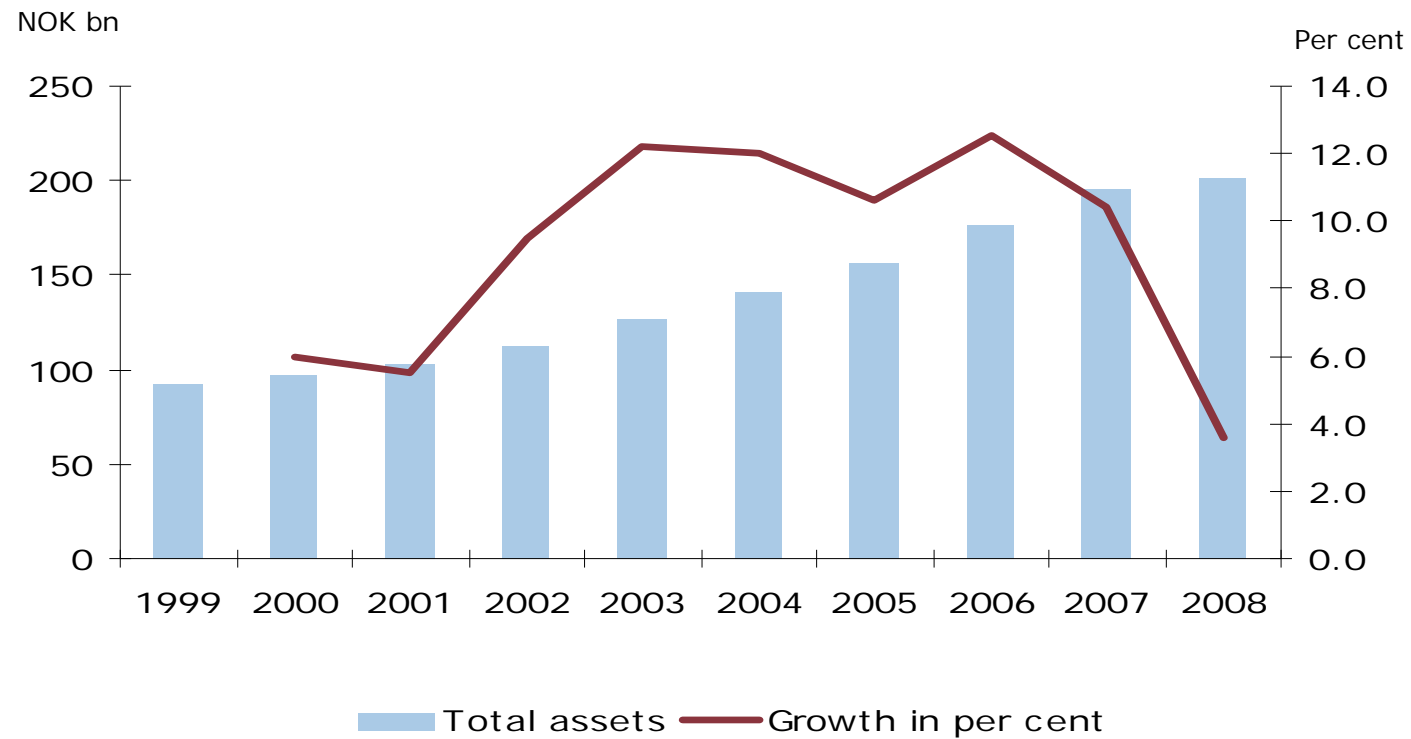
# Key figures – balance sheet

| Assets<br><i>NOK mill</i>        | <b>31.12.07</b> | 31.12.08       |
|----------------------------------|-----------------|----------------|
| Total assets corporate portfolio | 13 730          | 16 495         |
| Real-estate subsidiaries         | 17 399          | 17 846         |
| Bonds at amortized cost          | 57 791          | 63 599         |
| Lending                          | 15 716          | 22 399         |
| Equity investments               | 43 858          | 16 807         |
| Bonds                            | 37 068          | 50 709         |
| Financial derivatives            | 890             | 2 231          |
| Other financial assets           | 8 464           | 11 810         |
| <b>Total assets</b>              | <b>194 916</b>  | <b>201 896</b> |

# Key figures – balance sheet

| Capital and liabilities<br><i>NOK mill</i> | 31.12.07       | 31.12.08       |
|--|----------------|----------------|
| Equity paid-in                             | 4 220          | 4 633          |
| Equity fund                                | 3 110          | 3 804          |
| Hybrid and subordinated capital            | 3 514          | 5 022          |
| Technical reserves                         | 163 277        | 177 744        |
| Supplementary reserves                     | 7 784          | 3 940          |
| Valuation reserves                         | 7 132          | 0              |
| Unallocated result to clients              |                | -              |
| Other attribution to technical reserves    | 4 204          | 2 420          |
| Other liabilities                          | 1 675          | 4 335          |
| <b>Capital and liabilities</b>             | <b>194 916</b> | <b>201 896</b> |

# Total assets and growth in per cent

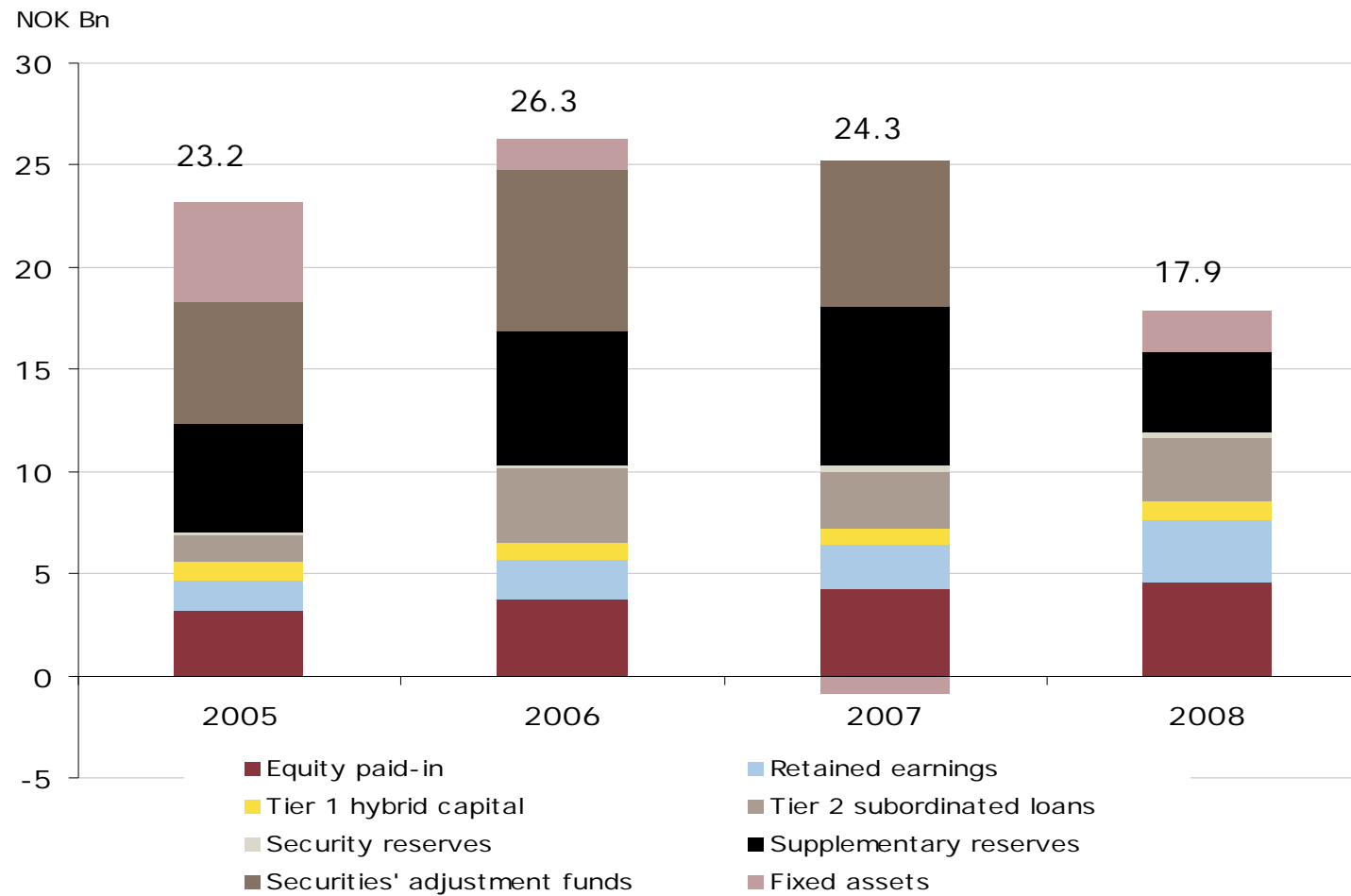


# Financial assets – allocation and return

| <i>per cent</i>  | 31.12.<br>2004 | 31.12.<br>2005 | 31.12.<br>2006 | 31.12.<br>2007 | 31.12.<br>2008 | Return<br>2008 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Equities   | 13.2           | 18.6           | 23.0           | 23.0           | 9.8            | -27.5          |
| Bonds  | 22.3           | 23.4           | 20.9           | 22.3           | 22.7           | 2.7            |
| Bonds held-to-maturity   | 38.6           | 34.3           | 34.4           | 30.9           | 34.9           | 5.4            |
| Lending  | 12.0           | 10.0           | 8.6            | 8.0            | 11.5           | 5.9            |
| Property   | 8.0            | 8.1            | 7.9            | 10.0           | 11.0           | 1.3            |
| Other financial assets   | 5.9            | 5.6            | 5.1            | 5.9            | 10.1           | 6.5            |
| Sum  | 100            | 100            | 100            | 100            | 100            |                |
| <i>Overall exposure to the equity market incl. derivatives</i> | 16.2           | 22.6           | 27.2           | 25.5           | 5.6            |                |

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# Financial solidity



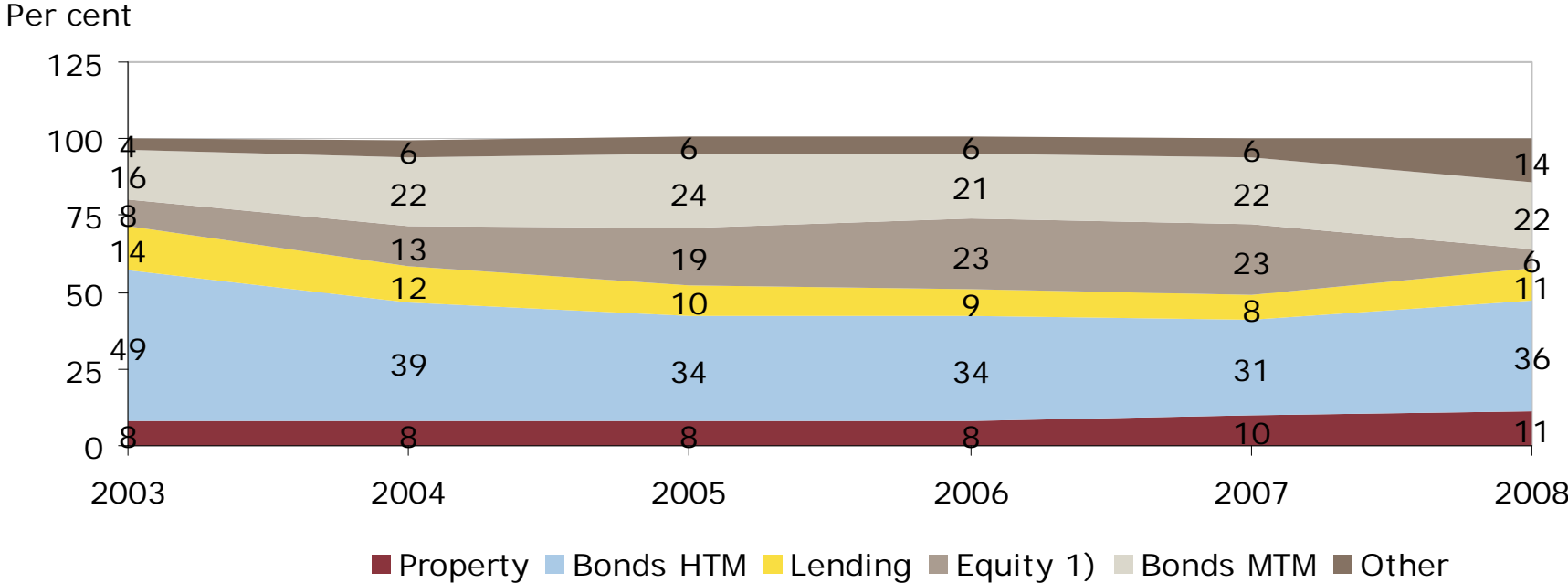
# Financial buffer capital

| <i>NOK mill</i>  | 31.12.07 | 31.12.08 |
|--|----------|----------|
| Securities adjustment fund                                   | 7 132    | 0        |
| Supplementary reserves<br>(up to 1 year's guaranteed return) | 5 388    | 3 940    |
| Core capital margin  | 3 398    | 4 740    |
| Regulatory buffer capital                                    | 15 918   | 8 680    |
| Valuation reserve/deficit bonds HTM                          | -894     | 2 057    |

| <i>Per cent</i>        | 31.12.07 | 31.12.08 |
|------------------------|----------|----------|
| Capital adequacy ratio | 12.1     | 14.6     |
| Core capital margin    | 8.7      | 10.8     |
| Solvency margin        | 218      | 196      |

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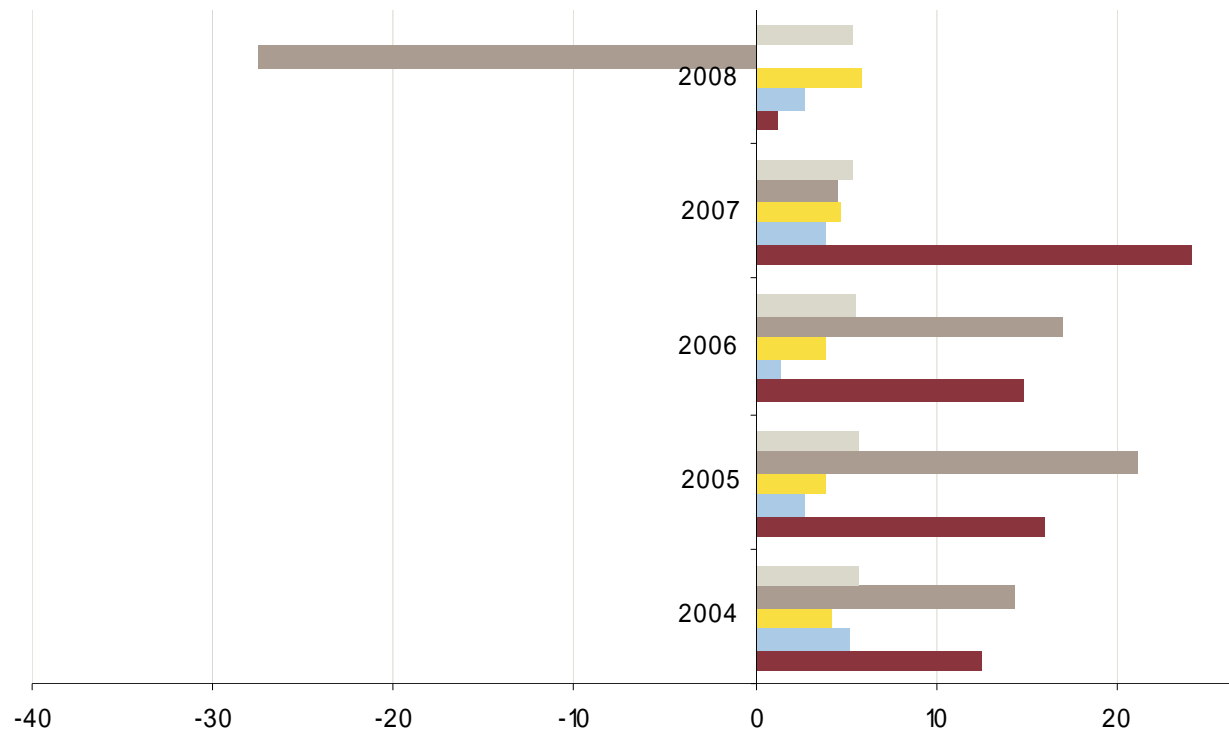
# Allocation of financial assets



1) Book value, deviates from exposure figure



# Development in investment returns



|             | 2004 | 2005 | 2006 | 2007 | 2008  |
|-------------|------|------|------|------|-------|
| ■ Bonds HTM | 5.8  | 5.7  | 5.6  | 5.4  | 5.4   |
| ■ Equity    | 14.3 | 21.2 | 17.1 | 4.6  | -27.5 |
| ■ Lending   | 4.3  | 3.9  | 3.9  | 4.8  | 5.9   |
| ■ Bonds     | 5.2  | 2.7  | 15   | 3.9  | 2.7   |
| ■ Property  | 12.5 | 16.1 | 14.8 | 24.2 | 1.3   |

■ Property ■ Bonds ■ Lending ■ Equity ■ Bonds HTM

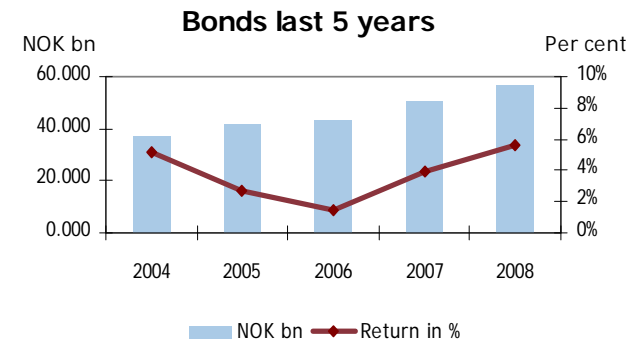
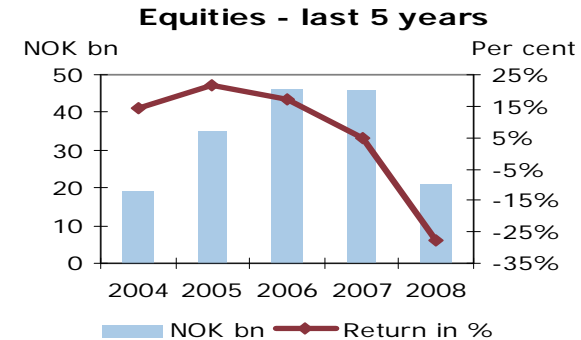
# Trading portfolios – equities and bonds

## Common portfolio

|   |            |
|---|------------|
| Trading portfolios equities and fixed income            | 31.12.08 * |
| Value equities (NOK mill)                               | 21 115     |
| Value fixed income (NOK mill)                           | 56 843     |
| Equities incl. derivatives (in per cent of fin. assets) | 5.6 %      |
| Reurn equity portfolios                                 | -27.54 %   |
| Return trading portfolios fixed income                  | 3.69 %     |

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

|                                   |          |
|-----------------------------------|----------|
| Index-tracking portfolios         | 31.12.08 |
| Share index-tracking equities     | 79 %     |
| Share index-tracking fixed-income | 39 %     |



# Trading portfolios – geographic split

## Common portfolio

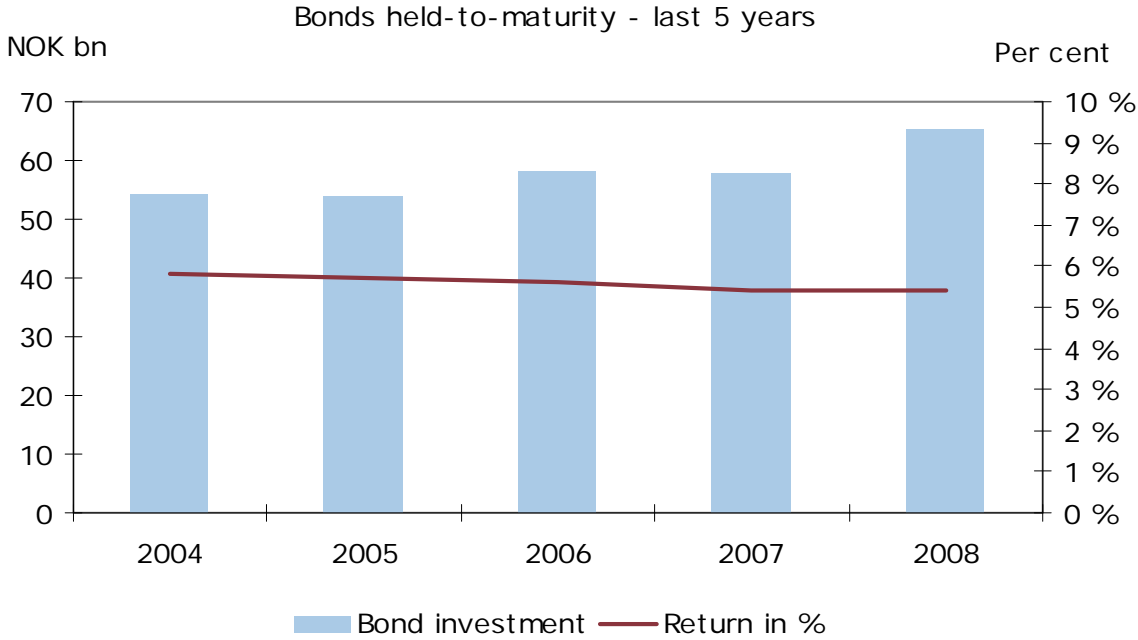
| Trading portfolio equities – Geographic distribution incl derivatives | Q1     | Q2     | Q3     | Q4     |
|---|--------|--------|--------|--------|
| Trading portfolio equities total                                      | 100 %  | 100 %  | 100 %  | 100 %  |
| Norway  | 13.7 % | 19.4 % | 12.8 % | 13.2 % |
| Other Nordic countries  | 4.1 %  | 5.0 %  | 4.6 %  | 6.1 %  |
| Other International   | 79.8 % | 74.8 % | 80.3 % | 76.6 % |
| Misc. portfolios  | 2.3 %  | 0.8 %  | 2.3 %  | 4.1 %  |

| Trading portfolio fixed-income – Geographic distribution incl derivatives | Q1     | Q2     | Q3     | Q4     |
|---|--------|--------|--------|--------|
| Fixed income – total trading portfolios                                   | 100 %  | 100 %  | 100 %  | 100 %  |
| Norway – money market   | 21.4 % | 21.6 % | 22.4 % | 26.8 % |
| Norway – bonds  | 12.3 % | 12.2 % | 15.5 % | 17.9 % |
| International bonds   | 64.7 % | 65.6 % | 61.5 % | 55.3 % |
| Other portfolios  | 1.6 %  | 0.6 %  | 0.6 %  | 0.0 %  |

# Bonds held-to-maturity

## Common portfolio

|                                | Q1     | Q2     | Q3     | Q4     |
|--------------------------------|--------|--------|--------|--------|
| Book value (NOK mill)          | 58 269 | 57 081 | 61 858 | 63 599 |
| Valuation reserves (NOK mill)  | -404   | -2 695 | -1 218 | 1 573  |
| Return year to date (per cent) | 1.3    | 2.7    | 4.0    | 5.4    |



# 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.

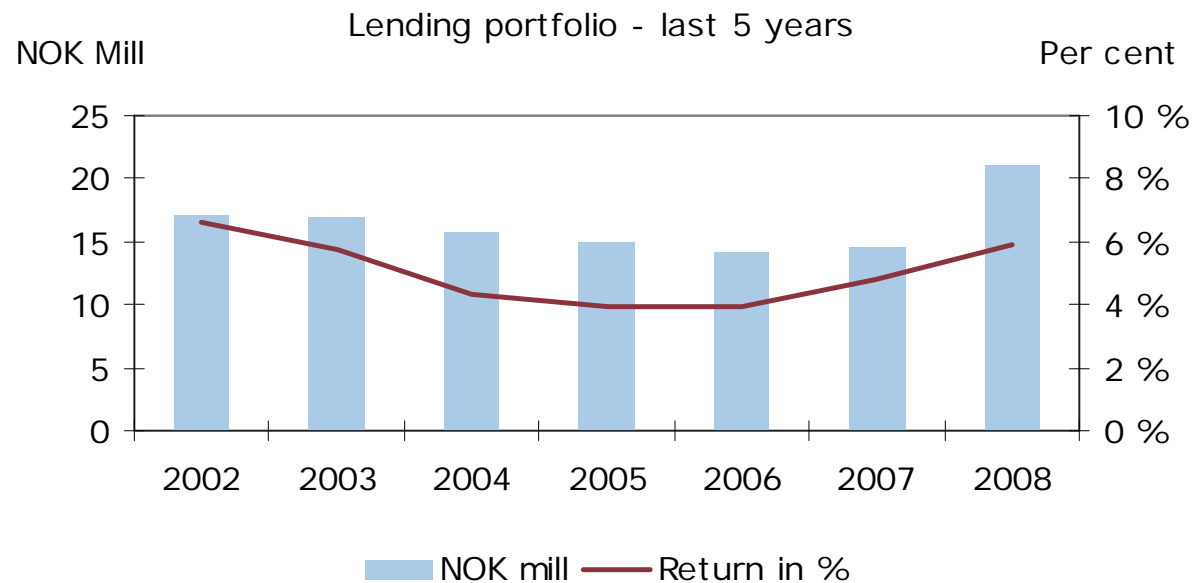
1) Or equivalent by other leading rating agency

2) Actual utilisation 9.7 per cent per 31.12.2008

# Lending portfolio 2008

## Common portfolio

|  | Q1     | Q2     | Q3     | Q4     |
|--|--------|--------|--------|--------|
| Book value (NOK mill)                                  | 14 870 | 15 701 | 16 854 | 21 106 |
| Of this: fixed rate loans (NOK mill)                   | 4 946  | 5 039  | 5 647  | 8 404  |
| Return year to date (in per cent)                      | 1.4    | 2.8    | 4.4    | 5.9    |
| Specific and general credit loss provisions (NOK mill) | 1.3    | 1.1    | 1.2    | 1.2    |

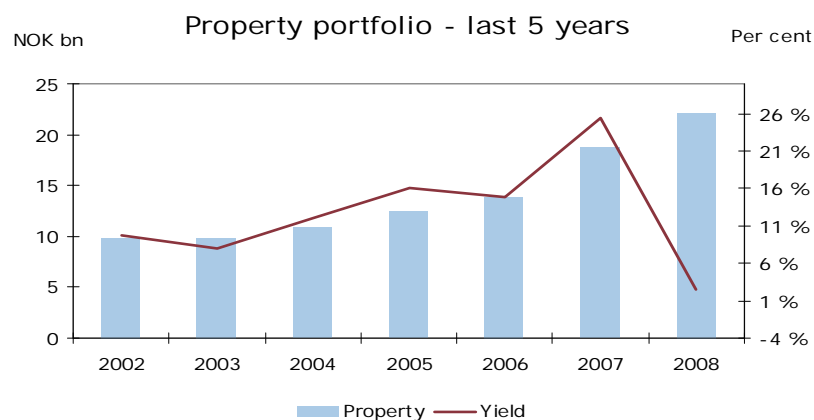


# Lending in KLP

- The lending portfolio increased by NOK 6 503 million to NOK 21 106 million year on year, an increase of 44.5 per cent.
- With a return of 5.9 per cent lending ranks among the most attractive asset classes for 2008.
- The home mortgage portfolio had a net increase of NOK 1 157 million – reflecting active marketing and improved products.
- Lending to local authorities and other customers increased by NOK 5 346 million, mainly through the fourth quarter.
- The increased focus on lending reflects KLP's strategy of offering attractive products to established, quality clients within the company's core target group.
- In January KLP was granted concession to open a bank dedicated to expanding the home mortgage lending to core individual clients employed in the public sector.
- Surplus values not brought to book in fixed rate lending amounted to NOK 285 million at year-end.

# Property investments

|   | 31.03.08 | 30.06.08 | 30.09.08 | 31.12.08 |
|---|----------|----------|----------|----------|
| Book value (value-adjusted. NOK mill)         | 22 340   | 21 759   | 21 944   | 22 201   |
| Total space occupied incl. sites (1 000 sq m) | 1 328    | 1 328    | 1 365    | 1 358    |
| Occupancy rate (per cent)                     | 97.5     | 97.5     | 96.3     | 94.2     |
| Average lease duration (year)                 | 6.2      | 6.2      | 6.3      | 5.8      |
| Yield year to date (per cent)                 | 1.3      | -0.8     | 0.7      | 2.6      |



- Geographic split of the portfolio;
  - 81 % Oslo, Norway
  - 10 % København, Denmark
  - 9 % Trondheim, Norway
- Sector diversification of the portfolio;
  - 63 % Office, 12 % Hotels,
  - 10 % Shopping centres, 4 % Apartments,
  - 6 % Under construction, 5 % Other

# Property investments

## – KLP Eiendom AS

- Property investments increased to 11.0 per cent of financial assets, i.a. through the acquisition of the VG-building and the headquarters of Gjensidige Insurance in Oslo.
- Office project in Ørestaden (Copenhagen) completed.
- Swedish subsidiary up and running and contract first acquisition concluded.
- Property portfolio evaluated according to internal and external assessments at NOK 21 341 million, giving a net reduction in value of NOK 849 million.



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# KLP Kapitalforvaltning & KLP Fondsforvaltning

## (Asset management)

- Total assets under management NOK 155 billion, a decrease of NOK 7 billion year on year.
- External assets under management NOK 7 560 million, an increase of 33 per cent year on year.
- Good results from both alpha and beta products.
- KLP extends its allocation to municipal loans by NOK 5 billion in Q4. Total increase in lending portfolio year on year NOK 6 503 million in 2008.

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# KLP Skadeforsikring AS

## Non-life insurance

- Pre-tax earnings at NOK 34.7 million compared to NOK 70.7 million the previous year.
- Gross premiums increased by 3.4 per cent to NOK 574 million compared by 2008.
- Net financial revenues decreased as a result of the marked unrest from NOK 98.2 million in 2007 to NOK 9.1 million in 2008.
- 6 large fire incidents reported through 2008.
- Accounts restated according to modified GAAP:
  - Administration-, guarantee - and natural perils provisions restated as capital and deferred taxes
  - Effect to capital: NOK 214 million.



# Profit & Loss, third quarter 2008

| <i>Results NOK mill</i>               | 2007        | 2008        |
|---------------------------------------|-------------|-------------|
| Premium written f.o.a.                | 521.3       | 525.8       |
| Allocated investment income           | 99.2        | 101.4       |
| Claims f.o.a.                         | -428.2      | -371.3      |
| Operating costs                       | -118.1      | -144.2      |
| Insurance related expenses            | 29.4        | 4.8         |
| Other insurance related income        | -31.8       | 10.6        |
| Result from technical activities      | 71.7        | 127.1       |
| Result from investment activities     | 98.2        | 9.1         |
| Allocated investment income           | -99.2       | -101.4      |
| <b>Result from ordinary operation</b> | <b>70.7</b> | <b>34.7</b> |

# KLP non-life insurance

| Key figures, <i>per cent</i>   | 2006   | 2007    | 2008   |
|--------------------------------|--------|---------|--------|
| Claims ratio on own account    | 76.1 % | 82.2 %  | 70.6 % |
| Cost ratio on own account      | 20.3 % | 23.1 %  | 26.7 % |
| Combined Ratio for own account | 96.4 % | 105.3 % | 97.3 % |
| Return on capital              | 4.1 %  | 4.0 %   | 0.4 %  |
| Capital adequacy ratio         | 52.7 % | 27.4 %  | 39.7 % |

| Resultatposter, <i>NOK mill</i>         | 2006 | 2007 | 2008 |
|---|------|------|------|
| Gross premiums written                  | 583  | 555  | 574  |
| Premium income for own account          | 537  | 521  | 526  |
| Claims paid for own account             | 409  | 428  | 371  |
| Insurance related costs for own account | 109  | 118  | 144  |
| Results                                 | 71   | 71   | 35   |

| Key figure balance sheet, <i>NOK mill</i>     | 2006  | 2007  | 2008  |
|---|-------|-------|-------|
| Financial assets                              | 2 452 | 2 630 | 2 786 |
| Total assets                                  | 2 579 | 2 763 | 2 942 |
| Equity  | 499   | 502   | 595   |
| Provisions in insurance funds for own account | 1 902 | 2 052 | 2 163 |



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# Fair return to clients – even in difficult year

- The accounts for 2008 allows a return of NOK 1 903 million to customers' premium fund.
- Net result of NOK 397 million to strengthen capital.
- Sustained growth
  - Total assets at NOK 201 596 million, an increase of 3.4 per cent.
- Good solvency
  - Having applied NOK 3 705 million to cover guaranteed interest supplementary allocations remain at NOK 3 940 millioner, covering nearly  $\frac{3}{4}$  of the guaranteed interest for 2009.
  - Total solvency capital at year end amounted to NOK 17 882 million.
  - Capital adequacy ratio at year end: 14.6 per cent; core capital adequacy: 10.8 per cent.

# Contacts in KLP

| Position                                   | Name               | Phone                           | E-mail     |
|--|--------------------|---------------------------------|------------|
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