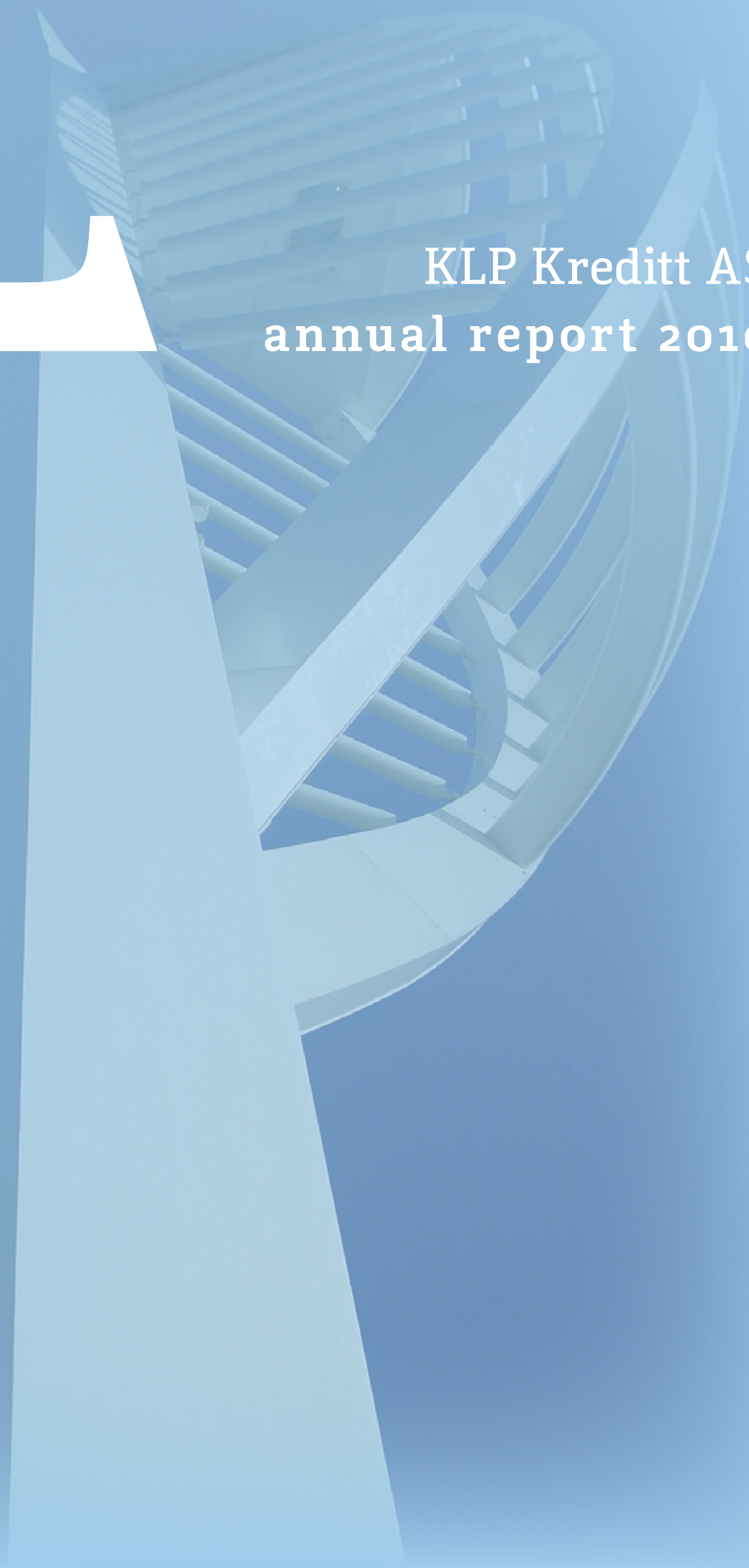

KLP Kreditt AS
annual report 2010

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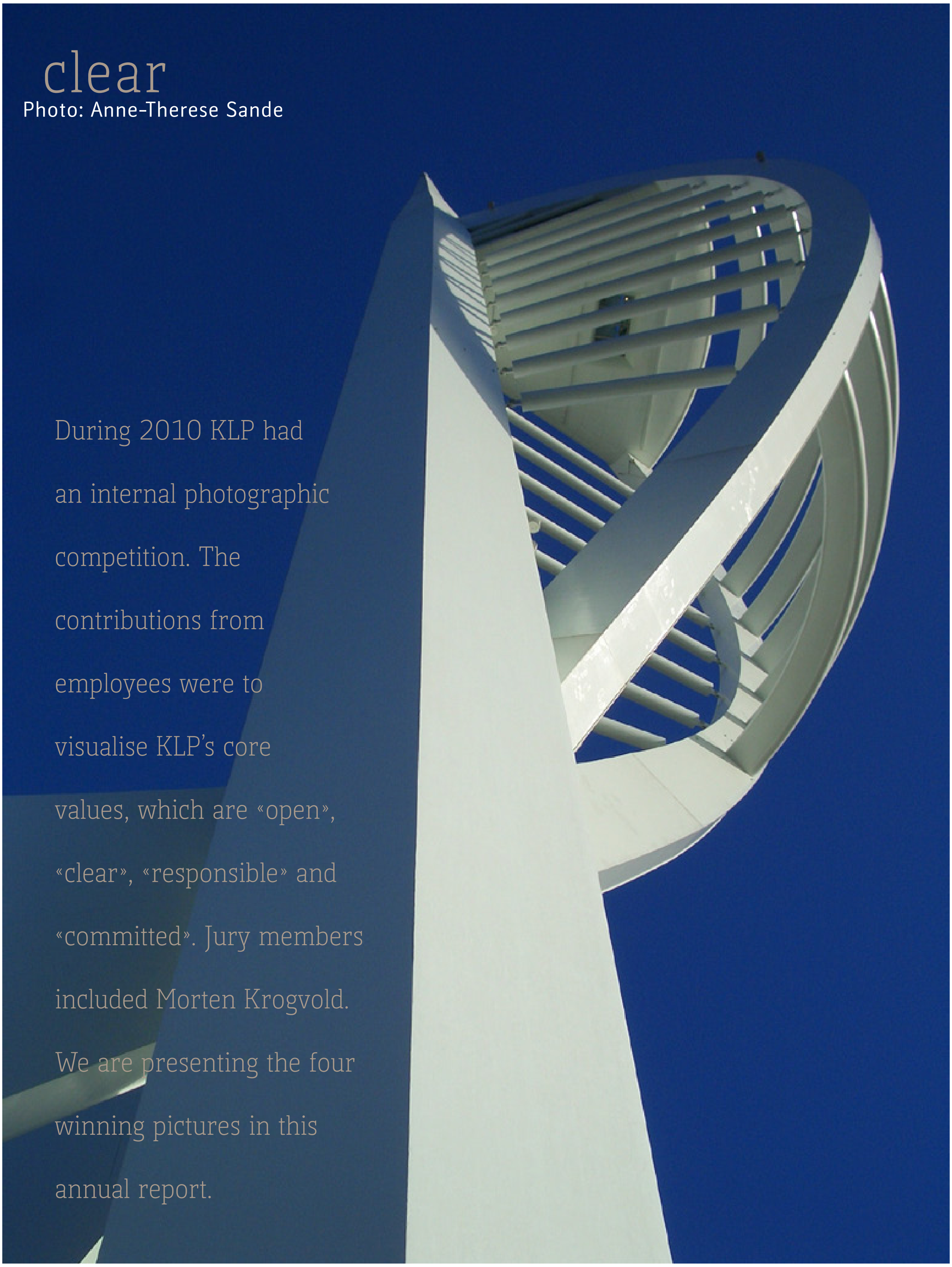

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Photo: Anne-Therese Sande

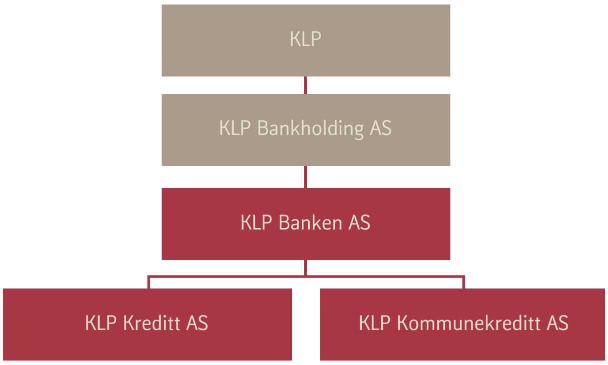
During 2010 KLP had an internal photographic competition. The contributions from employees were to visualise KLP's core values, which are «open», «clear», «responsible» and «committed». Jury members included Morten Krogvold. We are presenting the four winning pictures in this annual report.

The report of the Board of Directors for 2010

KLP Kreditt AS transfers loans to KLP Kommunekreditt AS in step with the stepping down of the loan from Eksportfinans ASA. During 2010 the lending portfolio was reduced by NOK 16.0 billion.

In June 2009 KLP Kreditt AS became a wholly owned subsidiary of KLP Banken AS and at the same time changed its name from Kommunekreditt Norge AS. The Company forms part of the KLP Group lending operation.

KLP Banken AS is a commercial bank owned by KLP through KLP Bankholding AS. KLP Banken AS also owns all the shares in its subsidiary KLP Kommunekreditt AS.



The overall business in KLP Banken AS and its subsidiaries is divided into the personal market and public sector loans segments. The business is nationwide and the companies' head office is in Trondheim.

Financial development during 2010

- Pre-tax income: NOK 51.9 million
- Net interest income: NOK 22.0 million
- New lending: NOK 1.0 billion
- Lending balance: NOK 14.1 billion

INCOME STATEMENT

Income statement

Income was a NOK 51.9 million before tax, and NOK 37.3 million after taxes. That produced a return on owners' equity of 8.7 per cent before tax and 6.2 per cent after taxes.

The income includes unrealised gains on lending and financial instruments at fair value of NOK 52.1 million.

The unrealised gains include reversal of a previously unrealised loss brought to book at NOK 25.9 million associated with one individual loan. This loss was first brought to book in March 2010. The loan was included in the purchase of Kommunekreditt Norge AS in 2009. The accounting item is substantial, which dictates changes in the accounts for 2009.

Income in 2009 has therefore been adjusted from NOK 110.1 million to NOK 84.2 million before tax and from NOK 78.8 million to NOK 60.1 million after taxes. The adjusted income in 2009 is after deduction of estimated unrealised losses of NOK 150.0 million. This adjustment means that the unrealised loss is recognised in the accounts for 2009.

INTEREST INCOME

Net interest income was NOK 22.0 million in 2010, against NOK 270.7 million in 2009.

LENDING

The Company has been in the market for loans to the public sector since 1993. Following incorporation into KLP in 2009 the strategy has been to transfer loans to its sister company KLP Kommunekreditt AS. During 2010 loans were transferred from KLP Kreditt AS for NOK 8.6 billion. During 2009 loans were transferred for NOK 3.0 billion.

Total lending amounted to NOK 14.1 billion at the end of 2010, a net reduction of NOK 16.0 billion from 2009.

The portfolio comprises loans to Norwegian municipalities and county authorities directly, or to public sector enterprises guaranteed by municipalities or county authorities. The risk in the lending portfolio is assessed as very low.

In Norway the credit risk associated with lending to municipalities and county authorities is limited to postponement of payment and not to the payment liability ceasing. This is provided for in the Norwegian Local Government Act of 1992, which gives the lender security against loss if a local authority cannot meet its payment obligations. Under the same Act in the event of payment postponement the lender is also secured against losses of accrued interest, overdue payment interest and costs of recovery. Neither KLP Kreditt AS nor other lenders have previously had credit losses on lending to Norwegian municipalities or county authorities.

Interest and repayment arrears over 90 days amounted to NOK 1.8 million at the end of 2010.

BORROWING

KLP Kreditt AS finances its activity through owners' equity as well as one loan from Eksportfinans ASA. The deposit was established through the purchase of Kommunekreditt Norge AS in spring 2009. In accordance with the purchase agreement the loan should be repaid by September 2011. The lending portfolio is to be refinanced during this period through borrowing either from KLP Kreditt AS or from its sister company KLP Kommunekreditt AS.

The KLP Kreditt AS loan portfolio was reduced in 2010 in step with due dates on the loan by a running loan at the same time being transferred to KLP Kommunekreditt AS.

FINANCIAL POSITION DEVELOPMENT AND SOLVENCY

Total assets were NOK 15.1 billion at the end of 2010. Of this, lending to public sector borrowers represented NOK 14.1 billion.

Based on the Board's proposed allocation of the income, the Company's Tier 1 and Tier 2 capital amounted to NOK 599.6 million at the end of 2010. The core capital is identical to the Tier 1 and 2 capital. This gives a capital adequacy and core capital adequacy ratio of 17.7 per cent. Corresponding figures for 2009 were NOK 944.6 million and 14.4 per cent respectively. The authorities' minimum requirement is 8.0 per cent. The risk-weighted balance was NOK 3.2 billion. Solvency is considered good.

THE LIQUIDITY SITUATION

The Company's liquidity situation is very satisfactory. It is shown in the statement of cash flows that funds from operating activities are substantial, and in 2010 they amounted to more than NOK 16 billion. The reason for this is that the Company continually transfers its lending stock to its sister company KLP Kommunekreditt AS on due dates for its loan.

ALLOCATION OF INCOME FOR THE YEAR

The annual accounts show income for 2010 of NOK 37.3 million. The Board proposes that NOK 65.0 million be added from funds for unrealised price gains, that NOK 46.2 million be allocated to other owners' equity, that NOK 21.8 million be allocated as returned taxes on Group contributions, and that NOK 77.8 million be surrendered as Group contribution.

THE ACCOUNTS

The Board considers that the annual accounts provide an accurate picture of the Company's assets and liabilities, financial position and income. The going concern presumption is appropriate and this provides the basis for the annual accounts.

KLP Kreditt AS has presented its accounts in accordance with simplified IFRS (International Financial Reporting Standards) since 2007. This means that the majority of items in the statement of financial position are brought to book at fair value. For 2010 an unrealised gain of NOK 52.1 million has been brought to book. This figure expresses net value change according to market value valuation of asset items and liabilities. Financial assets and liabilities in the financial position statement have been corrected for market values including accrued interest and thus deviate from nominal outstanding sums. In 2009 an unrealised loss of NOK 150.0 million was brought to book.

Risk management

KLP Kreditt AS is exposed to various types of risk. The Company has established a framework for risk management aimed at ensuring risks are identified, analysed and subjected to management using policies, limits, procedures and instructions.

Risk policies are set covering the most important individual risks (liquidity risk, credit risk, market risk and operational risk) as well as an overall risk policy covering principles, organisation, limits etc for the Company's overall risk. The risk policies are of a high-level nature and are complemented by procedures, guidelines and instructions laid down at the senior management level.

Among other things, the high-level risk policies cover roles in the Company's risk management, including requirements and guidelines for the Company's risk control function. One of the purpose of the risk control function is to check that the risk policies and other guidelines for risk management are being followed.

This function is carried out by the Risk Analysis and Control Department of KLP Banken AS, which is responsible for preparing periodic risk reports to senior management and the Board as well is reporting in the event of breaches of policies or guidelines. This department also has other tasks associated with the Company's risk management, including responsibility for development of methods of risk measurement and stress testing, risk analyses as well as documentation of the process of assessment of capital requirements (Internal Capital Adequacy and Assessment Process - ICAAP). The head of the department reports to the managing director of the Company and

The photograph shows board members of the various companies in KLP's banking group.
Back row from left to right: Stig Helberg (Managing Director of KLP Banken up to and including 28 February 2011), Mai-Lill Ibsen, Aage Schaanning, and Sverre Thornes.
Front row from left to right: Torgeir Gustafson (Employee Representative), Astrid Sommerstad, Merete Birgit Hessen, Jan Olav Tryggestad (Employee Representative), Mette-Jorunn Meisland, and Jan Otto Langmoen.

has an independent role in relation to units with authorisation to take risks.

Arrangements are in place for the use of stress testing as a method of risk assessment and as a tool for communication and the exchange of views concerning risk matters. In this context stress testing means both sensitivity analyses and scenario analyses.

The policies include risk tolerance for the individual risks and for the overall risk. The risk tolerances are defined on the basis of various stress scenarios. Different forms of stress testing are conducted regularly to measure that the actual exposure remains within laid down tolerance limits.

Internal Audit examines the Company's management and control of overall risk and individual risks and presents an annual report to the Board of Directors on this.

The KLP Kommunekreditt brand

KLP's lending business to the public sector is run by the KLP Banken Group under the brand name "KLP Kommunekreditt".

Total lending for "KLP Kommunekreditt" at the turn of the year was NOK 46.7 billion, a reduction of NOK 5.8 billion in the course of the year. Notwithstanding this reduction, "KLP Kommunekreditt" has retained its position as a leading provider of long-term loans to the local authority sector in Norway.

The lending is financed through the companies KLP Kreditt AS, KLP Kommunekreditt AS, and KLP. KLP Kommunekreditt AS issues covered bonds in a security pool comprising loans to the local authority sector. Cost effective financing should help the KLP Banken Group to offer loans on good terms and conditions.

In total, "KLP Kommunekreditt" is a substantial long-term lender to public sector wealth creation and welfare and a leading national player within this area of business.

The work of the Board of Directors

The Board has held eight Board meetings during 2010. For details of the Board's members and chair, see Note 21 to the annual accounts.

Working environment and organisation

KLP Kreditt AS had three employees at the end of 2010. These also had employment in other companies in the KLP Banken Group. An administration agreement has been reached with KLP Banken AS covering administration, IT operations, finance and risk management as well as borrowing and liquidity management.

KLP Kreditt AS complies with the KLP Group's policy for equal opportunities and diversity in which targets, measures and activities take account of the discriminatory factors legislation describes. KLP Kreditt AS also complies with the KLP Group's ethical guidelines, as well as the guidelines for whistle blowing.

Future prospects

In 2011 KLP Kreditt AS will continue to transfer loans to KLP Kommunekreditt AS in step with the stepping down of the loan from Eksportfinans ASA.

Oslo, 2 March 2011
Board of Directors KLP Kreditt AS

Stig Helberg
Chair

Aage Schaanning
Vice Chair

Mai-Lill Ibsen

Merete Birgit Hessen

Arnulf Arnøy
Managing Director

KLP Kreditt AS Income Statement

Note	NOK thousands	2010	2009
	Interest income and similar income	748 631	1 450 466
	Cost of interest and similar costs	-726 653	-1 179 773
9	Net interest income	21 978	270 693
10	Net charges and commission income	0	-19
	Fees lending management	0	0
4	Net gain/(loss) on financial instruments at fair value	52 117	-149 956
	Total other operating income	52 117	-149 956
26	Management costs	2 963	-33 968
17	Depreciation	-323	-339
	Other operating costs	-24 813	-2 218
	Total operating costs	-22 173	-36 525
	Operating income before tax	51 922	84 194
19	Tax on ordinary income	-14 662	-24 092
	Profit for the year from total operations	37 260	60 102
	Other comprehensive income	0	0
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	37 260	60 102
	Group contribution made	-77 759	0
	Refunded tax on Group contribution	21 773	0
	Allocated to/from other owners' equity	-46 235	-13 818
	Allocated to/from fund for unrealised gains	64 962	-46 285
	TOTAL ALLOCATION OF INCOME	-37 260	-60 103

KLP Kreditt AS Financial Position Statement

Note	NOK thousands	31.12.2010	31.12.2009
	ASSETS		
5,6,8,15	Lending to and receivables from credit institutions	948 528	1 025 126
5,6,8,15	Lending to and receivables from customers	14 141 813	30 166 186
5,6,7,8	Financial derivatives	1 085	275
17	Tangible fixed assets	675	998
27	Other assets	251	106 362
	TOTAL ASSETS	15 092 352	31 298 947
	LIABILITIES AND OWNERS' EQUITY		
	LIABILITIES		
5,6,8,16	Debt to credit institutions	14 304 408	30 240 763
5,6,7,8	Financial derivatives	130 802	148 716
19	Deferred taxes	10 476	13 174
23	Other liabilities	46 778	8 363
23	Provision for accrued costs and liabilities	686	7 127
	TOTAL LIABILITIES	14 493 150	30 418 143
	OWNERS' EQUITY		
	Share capital	500 000	500 000
	Other equity	99 202	315 842
	Fund for unrealised gains	0	64 963
	TOTAL OWNERS' EQUITY	599 202	880 805
	TOTAL LIABILITIES AND OWNERS' EQUITY	15 092 352	31 298 947

Oslo, 2 March 2011
Board of Directors KLP Kreditt AS

Stig Helberg
Chair

Aage Schaanning
Vice Chair

Mai-Lill Ibsen

Merete Birgit Hessen

Arnulf Arnøy
Managing Director

KLP Kreditt AS Statement of Cash Flows

NOK thousands	2010	2009
Pre-tax income	51 922	110 134
Provision of funds from operation:		
New lending	0	-4 906 375
Loan repayment	15 942 842	33 764 262
Unrealised loss/ (gain) on financial instruments at fair value	136 366	-125 267
Depreciation	323	339
Net cash flow from financial derivatives	0	158 550
Change in short-term investments	-123 801	0
Taxes paid	0	-25 916
Change in:		
Accrued income not yet received	61 522	526 918
Other receivables	-472	-77 385
Other short term debt	2 198	-263 576
Total acquisition of funds from operating activities	16 070 899	29 161 684
Net cash flow from investment activities	0	0
Change in liability to credit institutions	-15 968 126	-28 199 452
Change in subordinated loan and hybrid Tier 1 securities	0	-600 000
Group contributions made	-300 000	0
Net cash flow from financial activities	-16 268 126	-28 799 452
Change in rate adjustments on cash and bank equivalents	0	0
NET CHANGE IN CASH AND CASH EQUIVALENTS	-197 227	362 232
Cash and cash equivalents at the start of the period	1 021 954	659 722
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	824 727	1 021 954

KLP Kreditt AS Statement of Owners' equity

2010

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2010	500 000	380 805	880 805
Profit/loss before other profit/loss components	0	37 260	37 260
Other profit/loss components	0	0	0
Total comprehensive income	0	37 260	37 260
Transactions with owners			
Owners' equity contributed during the period	0	0	0
Group contribution paid during the period	-340 636	0	-340 636
Refunded tax on Group contribution	21 773	0	21 773
Total transactions with owners	-318 863	0	-318 863
Owners' equity 31.12.2010	181 137	418 065	599 203

2009

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2009	500 000	302 025	802 025
Profit/loss before other profit/loss components	0	78 780	78 780
Other profit/loss components	0	0	0
Total comprehensive income	0	78 780	78 780
Transactions with owners			
Owners' equity contributed during the period	0	0	0
Dividends/Group contribution paid during the period	0	0	0
Total transactions with owners	0	0	0
Owners' equity 31.12.2009	500 000	380 805	880 805

The Financial Supervisory Authority of Norway has approved the extraordinary Group contribution to KLP Banken AS of NOK 300 million.

The remainder of the Group contribution (NOK 40.6 million) is also to KLP Banken AS. This is an allocation of income for the year.

Photo: Øyvind Arnegård

Note 1 General information

KLP Kreditt AS (previously Kommunekreditt Norge AS) provides financing to municipalities, county authorities and companies conducting public sector activities. The Company has its head office at Beddingen 8, 7014 Trondheim, Norge.

KLP Kreditt is part of a group with the parent company KLP Banken AS and with Kommunal Landspensjonskasse (KLP), of Dronning Eufemias gate 10, 0191 Oslo, Pb 400, Sentrum, 0103 Oslo, Norway, being the ultimate holding company.

The financial statements presented represent the period 01.01.2010 - 31.12.2010.

Note 2 Summary of the most important accounting principles

Below is a description of the most important accounting principles used in preparation of the KLP Kreditt AS financial statements.

2.1 BASIC PRINCIPLES

The KLP Kreditt AS financial statements have been prepared in accordance with the Norwegian Regulation 1240 "Regulations on financial statements etc for banks, financial enterprises and their parent companies", hereinafter referred to as the Annual Accounts Regulations of 16.12.1998 and Norwegian Act No. 56 "Act regarding annual accounts etc (Accounting Act)" of 17.07.1998.

The Accounting Act and the regulations require that the Company uses international accounting standards (IAS/IFRS), which are approved by the EU in the preparation of the accounts, but allows certain exceptions from IFRS through Regulation No. 57: "Regulations on simplified application of international accounting standards" of 21.01.2008 (hereinafter referred to as "the Simplification Regulations". The Simplification Regulations allow the presentation in the accounts of a provision for dividend and group contribution at the end of the reporting period even though the resolution is passed at a later date. This is the only accounting principle deviating in regard to IFRS.

The Accounting Act contains certain supplementary information requirements not required in accordance with IFRS. This supplementary information is included in the notes to the financial statements.

The accounts have been prepared based on the principle of historic cost, with the exception that financial assets and debt (including financial derivatives) have been valued at fair value through income.

To prepare the accounts in accordance with IFRS, management has to make accounting estimates and approximate valuations. This will affect the value presented in the accounts of the Group's assets and liabilities, income and expenses. Actual figures may deviate from estimates used. Areas in which approximate valuations and estimates of material significance for the Company have been shown are described in Note 3.

The accounts have been prepared in accordance with the going concern assumption.

2.2 FINANCIAL ASSETS

The Company's financial position comprises mostly financial instruments. The accounting principles applied to these assets and liabilities therefore have great significance for understanding the financial statements. Financial instruments in the Company's financial position comprise lending, funding/deposit-taking and derivatives. A limited number of derivative agreements have been struck to achieve a financial hedging effect against market risk. The Company has no trading portfolio.

2.2.1 Calculation of fair value

Financial instruments are on first recognition valued at fair value. Subsequent measurement is also carried out at fair value with value changes through income, in accordance with the IFRS regulations that apply for selection of valuation principles.

Fair value is the sum for which an asset may be traded or a liability settled in a transaction at arm's length distance between well-informed and voluntary parties.

Fair value may be selected as a principle when it provides more relevant information because it eliminates, or significantly reduces, an inconsistency in measuring or recognising (sometimes called an accounting incongruity), which would otherwise arise on measurement of assets or liabilities or on recognition of gains or losses on these on different bases. The most important reason for an accounting incongruity to arise otherwise is that according to the IFRS rules all derivatives should be measured at fair value. Derivatives are used extensively for hedging market risk. To achieve a symmetrical measurement of financial instruments it has therefore been decided to use the option available for valuation at fair value of all financial instruments.

2.3 NETTING

Financial assets and financial liabilities are only netted to the extent there is a legal entitlement to net liability against receivable as well as the maturity date of the asset corresponding with the date the debt is due payment.

2.4 CASH AND CASH EQUIVALENTS

Bank deposits associated with daily operations are shown as cash and cash equivalents. These are included in the financial position statement line "Lending to and receivables from credit institutions". Bank deposits associated with the securities business are defined as financial assets. The statement of cash flow has been prepared in accordance with the indirect method.

2.5 FINANCIAL LIABILITIES

The Company's financial liabilities comprise debts to credit institutions, and other financial liabilities. These are valued at fair value.

2.6 OWNERS' EQUITY

The owners' equity in the Company comprises owners' equity contributed and retained earnings.

2.6.1 Owners' equity contributed

Owners' equity contributed comprises share capital and other owners' equity.

2.6.2 Retained earnings

Retained earnings comprise other owners' equity. Ordinary company law rules apply for any allocation or use of retained earnings.

2.7 PRESENTATION OF INCOME IN THE ACCOUNTS

Income on sale of services is valued at fair value of the consideration, net after deductions for VAT and any discounts.

2.7.1 Interest income/costs

Interest income and interest costs associated with all interest-bearing financial assets and liabilities are taken to income as they accrue.

2.8 TAX

The tax expense in the income statement comprises both the period's tax payable and change in deferred tax. Deferred tax is calculated at 28 per cent on the basis of the temporary differences existing between accounting and taxable values, as well the tax deficit to be carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off. Net deferred tax gains are recorded in the financial position statement to the extent it is likely they may be utilised.

2.9 PENSION OBLIGATIONS - OWN EMPLOYEES

The Company is obliged to have an occupational pension scheme in accordance with the Norwegian Act on Mandatory Occupational Pension. The Company's pension schemes satisfy the requirements in this legislation.

The pension schemes in the Company are generally financed through contributions to insurance companies, set according to periodic actuarial calculations.

The pension schemes define a pension benefit that the employee is to receive on pension. The benefit is dependent on various factors, such as age, number of years in the Company and salary. The pension schemes are defined benefit plans.

The pension costs in the income statement are based on assumptions at the start of the period, whereas the pension obligations are based on the assumptions at the end of the period (financial position statement date).

The pension costs are included in the accounting line "Management costs" in the income statement.

The liabilities that are capitalised for the defined benefit plans are the present value of the defined benefits on the financial position statement date less the fair value of the pension funds, adjusted for estimate deviations and costs associated with previous periods' pension accumulation and not taken to income.

The pension obligations are calculated annually by an independent actuary using a linear accumulation method. The calculations are based on assumptions linked to discounting interest rates, future salary growth, pension and other benefits from national insurance, expected return on the pension funds as well as actuarial assumptions associated with mortality and voluntary early retirement.

The present value of the defined benefits is calculated by discounting the expected cash flows with interest rates from the financial position statement date's yield curves linked to long-term Norwegian government bonds, adjusted for differences in payment structure and average maturity date for the pension obligations.

Expected returns on the pension funds are calculated based on the discounting interest rate, with the addition of a risk premium that reflects expected long-term investment profiles for the pension funds.

Estimate deviation resulting from new information or changes in the actuarial assumptions, and that is greater than the higher of the value of 10 per cent of the pension funds and 10 per cent of the defined pension benefits, is taken to income over the employees' expected remaining period of service.

Costs associated with previous periods' pension accumulations are taken to income immediately, unless the changes in the pension plan are conditional on the employees' remaining in their position for a specified period (qualifying period). In these cases the costs are amortised by straight line over the qualifying period.

Social security costs associated with pension obligations are calculated based on net pension obligation for each pension scheme, before account is taken of estimate deviations not taken to income and costs associated with previous periods' pension accumulation not taken to income.

Pension obligations are classified under the line "Provision for accrued costs and liabilities" in the financial position statement.

See Note 20 for specifications.

Note 3 Important accounting estimates and valuations

The Company prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the accounts.

It must be expected that the estimates will deviate from the final outcome and below the areas are discussed where there is significant risk of substantial change in capitalised values in future periods.

3.1 FAIR VALUE ON FINANCIAL ASSETS

None of the Company's financial instruments are listed in an active market. Various estimating methods are therefore used to measure fair value. The methods involve calculating the cash flows from each individual contract and subsequently discounting these to present value. The expected cash flows can be set either directly from contract terms and conditions or by using financial market models if the cash flow is uncertain. These models are based on observable market prices and take account possible changes in credit premiums.

3.2 FAIR VALUE OF FINANCIAL LIABILITIES

Fair value of financial instruments is set using a valuation model.

The method of calculating fair value using a valuation model is to calculate the expected cash flows based on the terms of each individual contract and then to discount these values to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable markets or by modelling the cash flows based on relevant models for market pricing. These models use observable market prices and rates as a basis, including for example yield curves for the majority of the asset's or liability's duration and option volatilities.

Note 4 Net gain/(loss) on financial instruments

NOK thousands	2010	2009
Net realised gain/ (loss) on financial instruments at fair value	0	-249 282
Lending and receivables	-22 903	-31 055
Financial derivatives	9 553	39 888
Debt to credit institutions	65 467	55 600
Subordinated loan capital	0	60 835
Total	52 117	-124 015

Note 5 Fair value of financial assets and liabilities

NOK thousands	2010 Capitalised value	2010 Fair value	2009 Capitalised value	2009 Fair value
Financial assets				
Lending and receivables				
Lending to Norwegian local authorities	14 141 813	14 141 813	30 192 127	30 192 127
Loans to and receivables from credit institutions	948 528	948 528	1 025 126	1 025 126
Financial derivatives	1 085	1 085	907	907
Total financial assets at fair value	15 091 426	15 091 426	31 218 160	31 218 160
Financial liabilities				
Debt to credit institutions				
Debt to credit institutions	14 304 408	14 304 408	30 247 683	30 247 683
Financial derivatives	130 802	130 802	148 119	148 119
Total financial liabilities at fair value	14 435 210	14 435 210	30 395 802	30 395 802

Lending to Norwegian local authorities

The receivables are valued using a valuation model that uses relevant credit risk premium adjustments obtained from the market. The lending is to municipalities, county authorities and local authority supported projects and observable interest-rate curves and credit spread curves are used in a valuation model that discounts future cash flows. The credit spreads used in the model calculations are based on quotations from three different price makers. An assessment is made of the quality of the quotations by comparing them with each other and against previously received observations as well as other market information.

For guaranteed lending fair value is calculated as a discounted cash flow based on the same interest-rate curves as the direct loans, but the credit margin is initially based on the initial margin. Guarantees are traded bilaterally and not through open marketplaces such as for example a stock market (OTC) and are therefore not priced in the market. It is therefore the Group's view that initial margin agreed on the commencement date is the best estimate for market spread on the same date. Creditworthiness does not change just as much for the loan as for the guarantor or borrower individually. The borrower is generally not credit rated by credit rating agencies or banks. The guarantor is either a local authority or bank (or both - triple default loan). Statistical analyses indicate that the credit margin on guaranteed loans fluctuates less than on non-guaranteed loans and bonds. Guaranteed loans are therefore not adjusted for credit risk premium before the guarantor has experienced a significant rating change since the initial margin was set. The Group's lending with both local authority and bank guarantee is credit-premium adjusted in relation to the initial margin only if both the guarantors have had their credit rating significantly changed since the date of payment.

Loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms and conditions are continually changed in step with change in market interest rates.

Financial derivatives

These transactions are valued using a valuation model in which the credit risk of the swap counterparty is implicit in the swap prices with the counterparty concerned.

Debt to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Note 6 Fair value hierarchy

NOK thousands	31.12.2010	31.12.2009
Assets		
Lending to credit institutions and other lending		
Level 1: Value based on prices in an active market	948 528	1 025 126
Level 2: Value based on observable market data	14 141 813	30 166 186
Level 3: Value based on other than observable market data	0	0
Accrued interest	0	0
Certificates, bonds, as well as lending and receivables	15 090 341	31 191 312
Derivatives and other financial assets		
Level 1: Value based on prices in an active market	0	0
Level 2: Value based on observable market data	1 085	275
Level 3: Value based on other than observable market data	0	0
Derivatives and other financial assets	1 085	275
Total financial assets valued at fair value	15 091 426	31 191 587
Liabilities		
Debt to credit institutions and other deposits/borrowing		
Level 1: Value based on prices in an active market	0	0
Level 2: Value based on observable market data	14 304 408	30 240 763
Level 3: Value based on other than observable market data	0	0
Derivatives and other financial assets	14 304 408	30 240 763
Derivatives and other financial assets		
Level 1: Value based on prices in an active market	0	0
Level 2: Value based on observable market data	130 802	148 716
Level 3: Value based on other than observable market data	0	0
Derivatives and other financial assets	130 802	148 716
Total financial liabilities at fair value	14 435 210	30 389 479

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms and conditions. The highest quality of fair value is based on noted prices in an active market. A financial instrument is considered as noted in an active market if noted prices are simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length distance.

Level 1: Instruments at this level obtain fair value from noted prices in an active market (see above) for identical assets or liabilities that the entity has access to at the reporting date.

Level 2: Instruments at this level obtain fair value from observable market data, but where the instrument is not considered to have an active market. This includes prices based on identical instruments, but where the instrument does not have a high enough trading frequency, as well as prices based on corresponding assets and price leading indicators that can be confirmed from market information.

Level 3: Instruments at Level 3 contain no observable market data or where the market is considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded.

Note 7 Financial derivatives

NOK thousands	2010 Nominal sum	2010 Fair value	2009 Nominal sum	2009 Fair value
Interest swap	4 079 628	-129 707	5 388 134	-148 441

Interest rate agreements are used to correct for imbalances between the Company's lending and deposit taking in regard to interest rate exposure. All the agreements struck are hedging deals. The interest-rate differences in the agreements are periodised in the same way as the items the hedging contracts are intended to cover.

Interest rate swaps are agreements on exchange of interest rate terms in a future period. They do not cover exchange of principal.

Note 8 Categories of financial assets and liabilities

NOK thousands	2010			2009		
Financial assets	FVO	HFT	Total	FVO	HFT	Total
Lending to and receivables from credit institutions	948 528		948 528	1 025 126	0	1 025 126
Lending to and receivables from customers	14 141 813		14 141 813	30 166 186	0	30 166 186
Financial derivatives		1 085	1 085	0	275	275
Total	15 090 341	1 085	15 091 426	31 191 312	275	31 191 587
Financial liabilities	FVO	HFT	Total	FVO	HFT	Total
Debt to credit institutions	14 304 408		14 304 408	30 240 764	0	30 240 764
Financial derivatives		130 802	130 802	0	148 716	148 716
Total	14 304 408	130 802	14 435 210	30 240 764	148 716	30 389 480

FVO: Financial instruments at fair value through income - voluntarily categorised

HFT: Financial instruments at fair value through income - held for trading

Note 9 Net interest surplus

NOK thousands	2010	2009
Interest on lending to and receivables from credit institutions	23 553	63 803
Interest on lending to customers	724 341	1 382 754
Interest on securities	738	2 309
Other interest surplus and similar income	0	1 600
Total interest income	748 631	1 450 466
Interest on debt to KLP Banken AS	-43 085	0
Interest on debt to credit institutions	-683 563	-1 165 824
Interest on subordinated loan capital	0	-12 718
Other interest costs	-5	-1 231
Total cost of interest	-726 653	-1 179 773
Net interest surplus	21 978	270 693

Note 10 Net commission income

NOK thousands	2010	2009
Other commission income	0	-19
Total commission income	0	-19
Net commission	0	-19

Note 11 Financial risk management

The Board of Directors has established a risk management framework aimed at ensuring risks are identified, analysed and subjected to management using policies, limits, procedures and instructions. The Board has adopted risk policies covering the key individual risks as well as an overall risk policy that covers principles, organisation, limits etc for the business's total risk. The risk policies are of a high level nature and are complemented by procedures, guidelines and instructions laid down at the senior management level.

The policies state which departments are responsible for handling the various risks and also cover the establishment of a separate independent risk control function. The purpose of the risk control function is inter alia to check that the risk policies and other guidelines for risk management are being followed. This function is carried out by the Risk Analysis and Control Department, which is responsible for preparing periodic risk reports to senior management and the Board as well is reporting in the event of breaches of policies or guidelines. The Department also has other tasks associated with the Company's risk management. The responsibility for the operational direction of the Company's liquidity risk, exchange-rate risk and interest rate risk lies with the Finance Department.

Note 12 Credit risk

Credit risk is understood here to mean the risk of loss associated with lending customers, counterparties in derivatives, issuers of securities and other counterparties who cannot or will not settle at the agreed time and in accordance with written contracts, and that securities established do not cover the outstanding demand.

KLP Kreditt AS provides loans to, or loans guaranteed by, Norwegian municipalities and county authorities, banks or the state, including loans to local government enterprises and inter-authority companies (public sector loans).

Loans according to type of security/exposure (principal):

NOK thousands	31.12.10	31.12.09
Lending to municipalities and county authorities	9 121 561	22 686 195
Lending with municipal/county authority guarantee	3 678 870	4 797 250
Security with guarantee from Norwegian banks	1 174 939	2 430 802
Lending with Government guarantee	21 262	25 281
Total	13 996 632	29 939 528
Sums falling due more than 12 months after the end of the reporting period	13 384 739	28 351 365

In addition to lending, the Company has credit risk exposure in the form of deposits in banks and investments in interest-bearing securities, as well as derivative contracts struck. The purpose of the derivative agreements is to reduce risks arising as a result of the Company's borrowing and lending activities.

12.1 MEASUREMENT OF CREDIT RISK

The Board has determined a credit policy that contains overall guidelines, requirements and limits associated with credit risk. The policy lays down that the business is to have a low credit risk profile and includes limits on types of lending and principles for organisation and operation of the Company's lending activity. The policy also includes an overall mandate structure for lending and other counterparty exposure. The mandates are linked to Board-determined limits for a large number of the Company's individual borrowers and these limits derive from a risk classification in which the individual borrowers are assigned a risk class based on a set of fixed criteria. Further, requirements are set for reporting to the Board on usage of the limits.

Credit risk associated with issuers of securities, derivative counterparties and other counterparties in the financial area is also limited by Board-determined limits on individual counterparties. These limits are based on the counterparty's solvency and other assessments of the counterparties' creditworthiness.

12.2 Control and limitation of credit risk

In processing all new loan applications checks are made on whether the customer's credit limits are larger than the total of the loan amounts applied for and current lending. In the credit policy described above requirements are set for reporting to the Board on usage of the limits. Any exceeding of the limits is to be reported to the Company's Board regardless.

12.3 MAXIMUM EXPOSURE TO CREDIT RISK

KLP Kreditt AS measures maximum exposure as principal and accrued interest. Security in cash or securities is not exchanged, nor are other credit improvements carried out. The table below shows the maximum exposure for KLP Kreditt AS.

NOK thousands	31.12.10	31.12.09
Lending to and receivables from credit institutions	948 528	1 025 126
Lending to and receivables from customers	14 202 290	30 192 127
Financial derivatives	0	275
Total	15 150 818	31 217 528

12.4 Loans fallen due or written down

NOK thousands	31.12.10	31.12.09
Principal on loans with payments with 1-30 days' default	74 871	372 244
Principal on loans with payments with 31-90 days' default	0	81 120
Principal on loans with payments with more than 90 days' default	75 704	38 938
Total principal on loans fallen due	150 575	492 302
Relevant security or guarantees	150 575	492 302
Lending that has been written down	0	0

The Company has not incurred losses on lending. The company considers all receivables to be satisfactorily secured.

12.5 Concentration of credit risk

The Company's lending is in its entirety linked to public sector financing and the portfolio thus has high concentration against one single sector. The underlying credit risk against this sector is however so low that it is hardly possible to reduce this concentration without increasing total risk in the portfolio. The concentration against the Norwegian public sector is thus considered not to be a risk challenge.

The concentration against individual borrowers is limited by individual Board-set limits. KLP Kreditt AS's largest exposure as at 31 December 2010 was about 4 per cent of the Company's total lending.

12.6 EFFECTS OF CHANGES IN CREDIT RISK PREMIUMS

Market values of lending are determined through credit risk premium adjusted theoretical discounting of future cash flows.

Lending and receivables at fair value through income:

NOK thousands	31.12.10	31.12.09
Maximum exposure to credit risk on lending and receivables on the reporting date	9 954 663	31 217 253
Market value change during the period on loans and receivables because of change in credit spread	-11 066	271 352
Accumulated market value change on financial liabilities because of change in credit spread	-23 650	-31 763

Financial liabilities at fair value through income:

NOK thousands	31.12.10	31.12.09
Book value of financial liabilities at fair value	12 930 978	30 240 764
Contractual repayments on maturity	12 882 049	30 058 114
Accrued interest and market value adjustments	48 929	182 650
Market value change during the period on financial liabilities because of change in credit spread	-41 372	106 788
Accumulated market value change on financial liabilities because of changes in credit spread	-498	62 691

Note 13 Market risk

Market risk is understood here as the risk of reduced fair value of the Company's owners' equity as a result of fluctuations in market prices for the Company's assets and liabilities. Changes in credit margins are however excluded since this comes under the term credit risk.

KLP Kreditt AS is exposed to market risk as a result of the Company's funding/deposit-taking and lending activity and management of the Company's liquidity. The exposure is however limited to interest rate risk. Interest-rate risk arises as a result of differences in timing of interest rate adjustment for the Company's assets and liabilities. The risk associated with such imbalances is reduced by using derivative contracts. The whole of the lending portfolio comprises loans in Norwegian kroner.

13.1 MEASUREMENT OF MARKET RISK

Interest rate risk is measured as change in value on 1 percentage point change in all interest rates.

13.2 INTEREST RATE RISK

The market risk policy is the Company's overall guidelines, requirements and limits associated with market risk. The policy dictates that the market risk should be minimised so that the total market risk is low. It further states that the Company should not actively take positions that expose the Company to market risk. The policy also sets limits for interest rate risk both for the total interest rate risk for the infinite future and for rolling 12 month periods. The limits are set in relation to the Company's Tier 1 and 2 capital and the level of the limits should ensure that the low market risk profile policy is complied with. The operational responsibility for managing the Company's market risk lies with the Finance Department. The Risk Analysis and Control Department reports the Company's actual exposure in relation to limits in accordance with guidelines set by the Board.

The table below shows repricing dates for the Company's interest-bearing assets and liabilities Lending at variable rates is assumed to be able to be repriced within a 1-month horizon.

Interest risk KLP Kreditt AS

Repricing dates for interest-bearing assets and liabilities as at 31 December 2010

NOK thousands	Total principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	1 year to 5 years	Over 5 years
Lending	13 996 632	6 101 177	3 430 488	2 402 271	1 830 623	232 073
Cash and receivables from credit institutions	948 528	948 528	0	0	0	0
Total	14 945 160	7 049 705	3 430 488	2 402 271	1 830 623	232 073
Debt to credit institutions	14 222 049		14 222 049			
Total	14 222 049	0	14 222 049	0	0	0
Gap	723 111	7 049 705	-10 791 561	2 402 271	1 830 623	232 073
Financial derivatives	0	1 079 966	2 701 385	-1 732 465	-1 820 528	-228 358
Net gap	723 111	8 129 671	-8 090 176	669 806	10 095	3 715

Repricing dates for interest-bearing assets and liabilities as at 31 December 2009

NOK thousands	Total principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	1 year to 5 years	Over 5 years
Lending	29 920 849	18 334 605	6 277 097	1 993 946	2 946 693	368 508
Cash and receivables from credit institutions	1 021 954	1 021 954	0	0	0	0
Total	30 942 803	19 356 559	6 277 097	1 993 946	2 946 693	368 508
Debt to credit institutions	30 058 114	0	30 058 114	0	0	0
Total	30 058 114	0	30 058 114	0	0	0
Gap	884 689	19 356 559	-23 781 017	1 993 946	2 946 693	368 508
Financial derivatives	0	1 194 322	3 680 092	-1 567 440	-2 938 809	-368 165
Net gap	884 689	20 550 881	-20 100 925	426 506	7 884	343

The Company's interest rate sensitivity as at 31 December 2010 amounted to NOK 13.8 million.

13.3 Exchange rate risk

All receivables and all liabilities as at 31 December 2010 were in Norwegian kroner and the Company was thus not exposed to exchange-rate risk.

Note 14 Liquidity risk

Liquidity risk means the risk that the Company does not manage to meet its liabilities and/or finance increases in its assets without substantial additional costs arising in the form of price falls in assets that must be realised, or in the form of more costly financing.

14.1 MANAGEMENT OF LIQUIDITY RISK

The management of KLP Kreditt's liquidity risk must be viewed in the context of the management of the liquidity risk in the KLP Banken-Group. A liquidity policy is established for the Group containing principles, guidelines, requirements and limits that apply to the management of the liquidity risk. The policy lays down that the Group is to have a moderate liquidity risk profile and various requirements and limits are set to achieve this, including targets for deposit cover, limits for refinancing requirements for various time periods and requirements for liquidity buffers. The Board has further adopted an emergency plan for liquidity crises as part of the liquidity policy. The operational responsibility for managing the Company's liquidity risk lies with the Finance Department. The Risk Analysis and Control Department reports the Company's actual exposure in relation to limits in accordance with guidelines set by the Board.

14.2 MATURITY ANALYSIS

The table below shows the maturity analysis of the Company's assets and liabilities based on expected maturity and contractual maturity respectively.

Liquidity risk KLP Kreditt AS

Maturity analysis for assets and liabilities based on expected maturity:

NOK thousands	Total principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	1 year to 5 years	Over 5 years
31 December 2010						
Lending	13 996 632	71 250	192 093	908 415	4 947 594	7 877 280
Receivables from credit institutions	948 528	948 528				
Total	14 945 160	1 019 778	192 093	908 415	4 947 594	7 877 280
Debt to credit institutions	14 222 048		5 634 016	8 588 032		
Total	14 222 048	0	5 634 016	8 588 032	0	0
Net cash flows	723 112	1 019 778	-5 441 923	-7 679 617	4 947 594	7 877 280

Maturity analysis for assets and liabilities based on contractual maturity:

NOK thousands	Total principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	1 year to 5 years	Over 5 years
31 December 2010						
Lending	13 996 632	24 595	98 782	488 516	2 708 133	10 676 606
Receivables from credit institutions	948 528	948 528				
Total	14 945 160	973 123	98 782	488 516	2 708 133	10 676 606
Debt to credit institutions	14 222 048		5 634 016	8 588 032		
Total	14 222 048	0	5 634 016	8 588 032	0	0
Net cash flows	723 112	973 123	-5 535 234	-8 099 516	2 708 133	10 676 606

Maturity analysis for assets and liabilities based on expected maturity:

NOK thousands	Total principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	1 year to 5 years	Over 5 years
31 December 2009						
Lending	29 920 850	170 653	964 841	1 913 784	9 637 735	17 233 837
Receivables from credit institutions	1 021 954	1 021 954				
Total	30 942 804	1 192 607	964 841	1 913 784	9 637 735	17 233 837
Liabilities created on issue of securities	0	0	0	0	0	0
Debt to credit institutions	30 058 112	0	4 294 016	12 882 048	12 882 048	0
Total	30 058 112	0	4 294 016	12 882 048	12 882 048	0
Net cash flows	884 692	1 192 607	-3 329 175	-10 968 264	-3 244 313	17 233 837

Maturity analysis for assets and liabilities based on contractual maturity:

NOK thousands	Total principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	1 year to 5 years	Over 5 years
31 December 2009						
Lending	29 920 850	70 916	766 506	1 050 224	5 338 284	22 694 920
Receivables from credit institutions	1 021 954	1 021 954				
Total	30 942 804	1 092 870	766 506	1 050 224	5 338 284	22 694 920
Liabilities created on issue of securities	0	0	0	0	0	0
Debt to credit institutions	30 058 112	0	4 294 016	12 882 048	12 882 048	0
Total	30 058 112	0	4 294 016	12 882 048	12 882 048	0
Net cash flows	884 692	1 092 870	-3 527 510	-11 831 824	-7 543 764	22 694 920

Note 15 Lending and receivables

NOK thousands	2010	2009
Lending to and receivables from credit institutions		
Bank deposits	948 528	1 021 954
Accrued interest	0	3 172
Lending to and receivables from credit institutions	948 528	1 025 126
Lending to and receivables from customers		
Principal on lending	13 998 684	29 913 587
Adjustment to fair value	63 949	112 793
Accrued interest	79 180	139 806
Lending to and receivables from customers	14 141 813	30 166 186

Note 16 Debt to credit institutions

NOK thousands	2010	2009
Debt to credit institutions		
Deposit Eksportfinans	12 882 049	30 058 114
Group debt	1 340 000	
Accrued interest Eksportfinans	47 035	115 288
Accrued interest Group debt	1 660	
Value adjustment Eksportfinans	1 894	67 361
Other liabilities	31 770	0
Total lending and receivables	14 304 408	30 240 764

Note 17 Fixed assets

NOK thousands	2010	2009
Acquisition cost 01.01	998	1 336
Acquired during the period	0	0
Depreciation during the period	-323	-338
Acquisition cost 31.12	675	998
Acquisition cost as at 31 December	3 329	3 329
Accumulated depreciation previous years	-2 654	-2 331
Book value 31.12	675	998
Economic life	1-3 years	1-3 years
Depreciation scheme	Straight-line	Straight-line

Note 18 Capital adequacy

NOK thousands	31.12 2010	31.12 2009
Share capital and premium fund	500 000	500 000
Other owners' equity	99 202	334 519
Owners' equity	599 202	834 519
Fund for unrealised value changes	0	64 963
Interim profit/loss	0	0
Unrealised value changes	359	45 137
Deduction goodwill and other intangible assets	0	0
Deferred tax	0	0
Core capital	599 561	944 619
Supplementary capital	0	0
Supplementary capital	0	0
Total Tier 1 and 2 capital to count	599 561	944 619
Capital requirement	271 273	524 814
Surplus of Tier 1 and 2 capital	328 288	419 805
Estimate basis credit risk:		
Local and regional authorities	2 482 288	5 112 238
Publicly owned enterprises	130 950	377 150
Institutions	430 025	779 063
Investments with mortgage security in real estate/property	0	0
Holdings securities funds	0	0
Other holdings	144 013	1 200
Estimate basis credit risk	3 187 276	6 269 650
Credit risk	254 982	501 572
Operational risk	16 291	23 242
Total capital requirement assets	271 273	524 814
Core capital adequacy ratio	17,7 %	14,4 %
Supplementary capital ratio	0,0 %	0,0 %
Capital adequacy ratio	17,7 %	14,4 %

Basel II regulations have been used in calculating capital adequacy.

The authorities' minimum requirement for capital adequacy is set at 8 per cent for financial institutions.

Note 19 Tax

NOK thousands	2010	2009
Income before taxes	51 922	110 134
Permanent differences linked to:		
Other permanent differences	443	1 847
Tax base for the year	52 365	111 981
Change in temporary differences related to:		
Errors in previous periods	-25 941	25 941
Financial instruments at fair value	72 735	-129 519
Debt items at fair value	-65 467	-
Fixed assets	134	98
Receivables	48 843	-
Pension	-4 910	1 678
Deficit to carry forward	-	-
Change in temporary differences	25 395	-101 802
Base for tax payable	77 760	-15 762
Group contribution paid with tax effect	-77 760	-
Annual loss	-	-15 762
Surplus to carry forward	-	-
Basis for deferred tax / deferred tax assets	25 395	-101 802
Allocation of tax expense:		
Tax payable on income for the year	21 773	-4 413
Change in deferred tax	-7 110	35 768
Tax expense on income for the year	14 662	31 355
Calculation of deferred tax / deferred tax asset		
Errors in previous periods	-	25 941
Fixed assets	356	222
Outstanding receivables	-63 950	-112 793
Financial instruments	23 689	-49 045
Pension	595	5 505
Debt items at fair value	1 894	67 361
Deficit to be carried forward for tax	-	-
Basis for deferred tax / deferred tax benefit in the statement of financial position	-37 416	-62 810
Deferred tax (-) / deferred tax benefit (+), tax rate 28 %	-10 476	-17 587
Tax repaid from 2009		4 413
Capitalised deferred taxes 2009		-13 174

Note 20 Pensions obligations, own employees

When KLP bought Kommunekreditt Norge AS (now KLP Kreditt AS) the employees were transferred to KLP Banken AS. Old pension agreements have been converted to free standing policies. Remaining pension obligations are links to a still existing manager agreement.
The accounting treatment of pension obligations is described in more detail in Note 2.

NOK thousands	2010	2009
Pension costs		
Present value of accumulation for the year	257	2 354
Interest cost	120	928
Gross pension cost	377	3 283
Expected return	-113	-810
Administration costs/Interest guarantee	12	96
Net pension cost including administration costs	276	2 569
Social security costs net pension cost including administration costs	39	362
Actuarial loss/gain taken to income	0	409
Plan change taken to income	0	0
Proportion of actuarial loss/gain taken to income on curtailment	0	0
Proportion of net obligation taken to income on curtailment	0	0
Extraordinary costs	0	18
Pension costs including social security costs taken to income	314	3 358
Of which SSC on actuarial loss/gain taken to income	0	51

Note 20 Pensions obligations, own employees (continued)

NOK thousands	2010	2009
Pension obligations		
Gross accrued obligations	2 778	24 924
Pension assets	2 133	15 900
Net pension obligations/assets before social security costs	645	9 024
Social security costs	91	1 272
Net pension obligations incl. social security costs	736	10 296
Actuarial loss/gain excl social security costs not taken to income	-124	-3 984
Actuarial loss/gain social security costs not taken to income	-17	-562
Plan changes not taken to income	0	-246
Capitalised net liabilities/assets including social security costs	595	5 505

Number	2010	2009
Member status ("Fellesordningen")		
Number active	1	13
Number arranged	0	0
Number of pensioners	0	1

NOK thousands	2010	2009
Development of actuarial gains/losses not taken to income		
Actuarial gains/losses not taken to income OB	-141	-5 953
Actuarial gain/loss funds	0	511
Actuarial gain/loss obligation	0	363
Actuarial loss/gain taken to income	0	409
SSC on deviation	0	123
Proportion of actuarial loss/gain taken to income on curtailment	0	0
Taken to owners' equity	0	0
Taken to owners' equity SSC	0	0
Actuarial gains/losses not taken to income CB	-141	-4 546

NOK thousands	2010	2009
Change in pension assets		
Gross pension assets book value 01.01.	1 952	13 339
Expected return	113	810
Actuarial losses/gains	0	511
Administration costs/Interest guarantee	-12	-96
Takeovers/acquisitions	0	0
Premiums paid in/contribution (including administration costs)	81	1 473
Curtailment/settlement	0	0
Payments	0	-135
Gross pension assets book value 31.12.	2 133	15 900

NOK thousands	2010	2009
Change in pension obligations		
Gross pension obligations book value 01.01.	2 402	22 140
Plan change	0	0
Gross pension obligations OB after plan change	2 402	22 140
Present value of accumulation for the year	257	2 354
Interest cost	120	928
Curtailment/settlement	0	0
Actuarial losses/gains	0	-363
Takeovers/acquisitions	0	
Payments	0	-135
Gross pension obligations book value 31.12.	2 778	24 924

NOK thousands	2010	2009
Pension scheme's over-/under-financing		
Present value of the defined benefits pension obligation	2 778	24 924
Fair value of the pension assets	2 133	15 900
Net pension obligations	645	9 024

NOK thousands	2007	2006
Pension scheme's over-/under-financing last 4 years		
Present value of the defined benefits pension obligation		
Fair value of the pension assets		
Net pension obligations	0	0

Note 20 Pensions obligations, own employees (continued)

NOK thousands	2010	2009
Return on pension assets		
Expected returns on pension assets	113	810
Actuarial loss/gain on pension funds	0	511
Actual return on pension funds	113	1 321

NOK thousands	2010	2009
Plan changes during the period		
Plan changes during the period	0	0
SSC on plan changes	0	0
Plan changes during the period taken to income	0	0
Plan change not taken to income CB	0	0

	2010	2009
Financial assumptions for the result (common to all pension schemes)		
Discount rate	4,50 %	3,80 %
Salary growth	4,50 %	4,00 %
National Insurance basic sum (G)	4,25 %	3,75 %
Pension increases	4,25 %	3,75 %
Expected return	5,70 %	5,80 %
Social security contribution rates	14,10 %	14,10 %
Amortisation time	15	15
Corridor magnitude	10,00 %	10,00 %

	2010	2009
Financial assumptions for the financial position statement (common to all pension schemes)		
Discount rate	4,00 %	4,50 %
Salary growth	4,00 %	4,50 %
National Insurance basic sum (G)	3,75 %	4,25 %
Pension increases	2,97 %	4,25 %
Expected return	5,40 %	5,70 %
Social security contribution rates	14,10 %	14,10 %
Amortisation time	15	15
Corridor magnitude	10,00 %	10,00 %

Actuarial assumptions

KLP's joint pension scheme for municipalities and enterprises ("Fellesordningen"):
The calculations are based on mortality and disability assumptions for the members of the pension scheme as well as frequencies of take-up of the contractual early retirement scheme (AFP)/early pension.

Take-up of AFP for 2009 and 2010 (per cent in relation to remaining employees):
On reaching 62 years there are 45 per cent who retire with an AFP pension. The remainder retire on reaching pensionable age.

Voluntary termination for Fellesordning during 2009 and 2010 (in %)

Age (in years)	Turnover
< 20	20 %
20-23	15 %
24-29	10 %
30-39	7,5 %
40-50	5 %
51-55	2 %
>55	0 %

Longevity:
K2005 without a safety margin has been used for mortality assumptions in 2010.

Pensions through operation:
Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2005 has been used as for Fellesordningen.

Note 21 Benefits for senior management/governing bodies

NOK thousands	2010	2009
Remuneration of the Board of Directors	285	528
Remuneration of the Supervisory Board	37	386
Remuneration of the Control Committee	74	160

From the start of 2010 the Company does not pay remuneration to governing bodies, but refunds its share to the company the remuneration is paid from. Remuneration is declared with total remuneration from KLP Banken AS Group.

NOK thousands	2010	2009
Salary and other remuneration for the Managing Director of which:	2 546	1 910
Salary	1 399	1 372
Bonus	0	10
Other benefits	143	289
Pension cost incl accumulated pension for the year	1 004	239
Loan from the Group	1 497	1 569

KLP Kreditt does not provide loans to individuals, but KLP Group employees are allowed to take up loans at standard terms and conditions apply to employees in the KLP Group from the companies that provide personal loans including externally. The Managing Director's loan is with Kommunal Landspensjonskasse at 3.15 per cent interest. The loan is a serial loan with the final repayment in 2032.
The Managing Director has agreed pensionable age of 65 with the option of termination from 62.
The Board is made up of the following: Stig Hellberg, Chair, Aage E. Schaaning, Vice Chair, Mai-Lill Ibsen and Merete Birgit Hessen.

Note 22 Number of employees

	2010	2009
Number of employees as at 31.12	3	14
Average number of employees	3	14

Note 23 Other liabilities and provision for accrued costs and liabilities

NOK thousands	31.12 2010	31.12 2009
Creditors	326	0
Receivables from companies in the same Group	46 452	616
Miscellaneous liabilities	0	7 747
Total other liabilities	46 778	8 363
Provisioned costs	116	0
Social security costs	0	315
Holiday Pay	0	1 306
Pension obligations	595	5 504
VAT	-25	0
Total provision for accrued costs and liabilities	686	7 127

Note 24 Transactions with related parties

NOK thousands	2010	2009
Income statement items		
KLP Banken AS, interest on deposit	-43 085	0
KLP Banken AS, administrative services (at cost)	-17 003	0
KLP Kapitalforvaltning AS, fees services provided	-298	-616
Total	-60 387	616
Statement of financial position items		
KLP Banken AS, debt to credit institutions	-1 341 660	0
Net outstanding accounts to:		
KLP Banken AS	-46 329	0
KLP Kapitalforvaltning AS	-124	-616
Total	-1 388 113	616

Note 25 Auditor's fee

NOK thousands	2010	2009
Ordinary audit	395	806
Certification services	40	0
Tax consultancy	0	0
Other services excluding audit	13	0
Total Auditor's fee	448	806

The sums above include VAT.

Note 26 Pay and general management costs

NOK thousands	2010	2009
Salary	0	-12 275
Social security costs	0	-1 656
Pensions	3 011	-3 214
Other benefits	-48	-270
Management costs	0	-16 552
Total	2 963	-33 968

Note 27 Other assets

NOK thousands	31.12 2010	31.12 2009
Shares in Kommunekonsult AS	204	204
Prepaid expenses	47	0
CCOA (hedging derivatives)	0	105 800
CCOA, accrued not due interest	0	167
Miscellaneous receivables	0	191
Total	251	106 362

Note 28 Errors in previous periods

In 2010 it was discovered that a loan had been valued based on incorrect lending terms and conditions. This has resulted in a write-down of accounting value on the loan by a total of NOK 25.9 million compared to as previously reported. The error is corrected in the accounts for 2010, and the comparison figures have been reworked accordingly. This has meant corrections on previous periods:

NOK thousands	2009
Income	
Net gain/ (loss) on financial instruments at fair value	-25 941
Tax on ordinary income	7 263
Allocated to/from fund for unrealised gains	18 677

NOK thousands	31.12.09	31.12.08
Financial position statement		
Lending to and receivables from customers	-25 941	-38 010
Fund for unrealised gains	-18 677	-27 367
Deferred taxes	-7 263	-10 643

PricewaterhouseCoopers AS
Brattørkaia 17 B
NO-7492 Trondheim
Telefon 02316

To the Supervisory Board and the Annual Shareholders' Meeting of KLP Kreditt AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of KLP Kreditt AS, which comprise the balance sheet as at 31 December 2010, income statement, changes in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act, and for such internal control as The Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of KLP Kreditt AS as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act.

pwc

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 2 March 2011
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Supervisory Board and General Meeting of KLP Kreditt AS

THE CONTROL COMMITTEE'S STATEMENT ON THE FINANCIAL STATEMENT FOR 2010

In accordance with Section 8 of its instructions, the Control Committee has examined the annual financial statement and the report of the Board of Directors, the income statement and the financial position statement, as well as the auditors' report for KLP Kreditt AS.

The Control Committee advises the KLP Kreditt AS Supervisory Board and General Meeting to approve the annual financial statements and the report of the Board of Directors and, in accordance with the resolution of the Board of Directors, resolve to allocate the profit for the year as follows:

KLP Kreditt AS's financial statement for the year shows a result for the year for 2010 of NOK 37,260,000. NOK 64,962,000 is to be provided from funds for unrealised share premiums, NOK 46,235,000 is to be allocated to other owners' equity, NOK 21,773,000 is to be allocated as retroceded taxes on Group contributions, and NOK 77,760,000 is to be furnished as Group contribution.

Oslo, 4 March 2011

Ole Hetland

Aud Mork

Bengt P. Johansen

Anne-Marie Barane

Jan Rune Fagermoen

To the KLP Kreditt AS General Meeting

The KLP Kreditt AS Supervisory Board has examined the annual financial statements produced by the Board of Directors for the Company, comprising the income statement, the statement of financial position, the statement of cash flow and the notes, the Report of the Board of Directors, the Auditor's Report and the Control Committee's Statement. In addition there is the statement of owners' equity. The Supervisory Board recommends that the Company's annual report, financial statements and allocation of profits for 2010 be determined in accordance with the recommendation of the Board of Directors.

KLP Kreditt AS's financial statement for the year shows a result for the year for 2010 of NOK 37,260,000. NOK 64,962,000 is to be provided from funds for unrealised share premiums, NOK 46,235,000 is to be allocated to other owners' equity, NOK 21,773,000 is to be allocated as retroceded taxes on Group contributions, and NOK 77,760,000 is to be furnished as Group contribution.

Trondheim, 9 March 2011

Ragna Dahl Grønnevet
The Chair of the Supervisory Board


committed
Photo: Øyvind Arnegård

Risk management

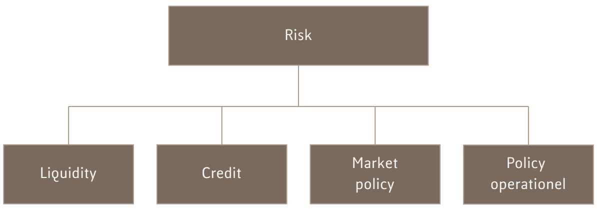
The KLP Banken-Group is exposed to different types of risk and has established a framework for risk management. The objective is to ensure that risks are identified, analysed and subjected to management using policies, limits, procedures and instructions.

KLP Kreditt AS is part of KLP Banken-Group and is embraced by the Group's risk management processes.

The boards of directors of the bank and its subsidiaries have adopted risk policies covering the key individual risks as well as an overall risk policy that covers principles, organisation, limits etc for the banking group's overall risk.

The risk policies are of a high level nature and are complemented by procedures, guidelines and instructions laid down at the senior management level. The five risk policies are shown in the figure below.

Risikopolicyer i KLP Banken-konsernet



Each one of these policies covers the bank and its subsidiaries and includes principles, guidelines, limits, reporting requirements etc that apply for the whole group. In certain areas the policies also contain specific limits for individual companies in the Group.

Risk policy

The risk policy addresses principles that are general for various types of risk, and in this way the policy provides high-level policies for individual risks. Among other things, the policy covers roles in the banking group's risk management, including requirements of and guidelines for the bank's risk control function.

The purpose of the risk control function is, among other things, to check that the risk policies and other guidelines for risk management are being followed. This function is carried out by the Risk Analysis and Control Department, which is responsible for preparing periodic risk reports to senior management and the Board as well is reporting in the event of breaches of policies or guidelines.

This department, which has an independent role in relation to the bank's other departments, also has other tasks associated with risk management, including responsibility for development of methods of risk measurement and stress testing, risk analyses as well as documentation of the bank's process for assessing capital requirements (Internal Capital Adequacy and Assessment Process - ICAAP).

The policy contains a description of the group's risk appetite, risk profile and risk tolerance. The description of the risk profile states that revenues should be a result of borrowing and lending activity and not other financial risk taking.

Guidelines are given in the policy for the banking group's internal capital requirement assessment process (ICAAP). This process should involve the Board and various groupings in the Bank.

Both in the high-level risk policy and in the policies for individual risks there are arrangements to use stress testing as a method for risk measurement and as a tool for communication and exchange of opinions concerning risk matters. In this context stress testing means both sensitivity analyses and scenario analyses. The policies include risk tolerance for the individual risks and for the Bank's overall risk, and these risk tolerances are defined based on various stress scenarios. Different forms of stress testing are to be conducted regularly to monitor that the bank's actual exposure remains within laid down tolerance limits.

The high-level risk policy and the policies for individual risks require that Internal Audit examines the bank's management and control of overall risk and individual risks and presents an annual report to the Board of Directors on this.

Liquidity risk

Liquidity risk means the risk that the banking group does not manage to meet its liabilities and/or finance increases in its assets without substantial additional costs arising in the form of price drops in assets that must be realised, or in the form of extra costly financing.

The bank's lending in the personal market will be financed mainly through deposits. In the somewhat longer term however it could become realistic to establish a credit enterprise in which the housing mortgages are financed by issuance of covered bonds.

The banking group's lending to the public sector is currently financed by a deposit from Eksportfinans ASA and covered bonds. The last instalment on the loan from Eksportfinans ASA falls due in September 2011. A programme has been established for issuance of covered bonds and such bonds are the banking group's most important funding instrument and in due course will finance the major part of the portfolio of public sector lending.

In the years ahead the banking group will be affected by how well the market for covered bonds functions, but has an extra security associated with the refinancing capability resulting from the high credit quality in the lending to the public sector. This lending represents an attractive kind of asset for KLP and an agreement has been established between KLP Banken AS and KLP, in which an option to sell loans has been formalised for a set sum.

The liquidity policy deals with principles, guidelines, requirements and limits that apply to the management of the liquidity risk in the banking group. This includes a formulation of the Bank's liquidity risk profile and various requirements and limits in order to comply with this have been set, including targets for deposit cover, limits for refinancing needs for various timeframes and liquidity buffer requirements.

The policy also contains specific requirements for KLP Kommunekreditt AS in order to meet particular liquidity requirements for issuers of covered bonds. The Board has further adopted an emergency plan for handling liquidity crises as part of the liquidity policy.

Credit risk

Credit risk is the risk of loss associated with lending customers, derivatives counterparties, issuers of securities and other counterparties who cannot or will not settle at the agreed time and where securities established do not cover outstanding demands.

Credit risk linked to the bank's lending operation is low because a large proportion of the lending is loans to, or loans guaranteed by, Norwegian municipalities or county authorities. All lending operations in the personal market are loans with mortgage lien in residential or leisure real estate. The lending operation is organisationally divided into the personal market and the market for the public sector.

All lending is to Norwegian borrowers and the bank's exposure to the public sector represents a large part of the total lending stock. The portfolio therefore has a high concentration against one individual sector, but the underlying credit risk against this sector is so low that it is hardly possible to reduce this concentration without increasing total risk in the portfolio. The concentration against the Norwegian public sector is thus considered not to be a risk challenge. The concentration against individual borrowers is limited by individual limits set by the Board of Directors.

The credit policy deals with the Bank's high-level guidelines, requirements and limits associated with credit risk. It lays down that the bank is to have a low credit risk profile and includes limits on types of lending and principles for organisation and operation of the Bank's lending activity. The policy also includes an overall mandate structure for lending and other counterparty exposure. The authorisations outside the personal market area are limited by limits adoptecd by the Board for individual borrowers. In setting limits for borrowers a risk classification methodology is used in which the individual borrower is allocated to a risk class based on a set of criteria.

Certain credit cases require referral to the credit committee before decision. This applies for example to all cases lying outside the senior management's authorisation and that therefore must be decided by the Board. The credit committee has no authorisations and has thus only an advisory role in relation to the decision maker.

Credit risk associated to banks, issuers of securities and derivatives counterparties is also limited by limits set by the Board on individual counterparties. The credit policy also includes some specific requirements for individual companies. This applies for example to KLP Kommunekreditt AS where stringent guidelines are operated for composition of the security stock.

Market risk

Market risk is understood here as the risk of reduced fair value of the owners' equity as a result of fluctuations in market prices for the banking group's assets and liabilities. Changes in credit margins are however excluded and this is dealt with in the credit policy.

The banking group will be exposed to market risk as a result of funding/deposit taking and lending operations and the administration of liquidity. The exposure is however limited to interest rate risk and exchange-rate risk.

Interest-rate risk arises as a result of differences in timing of interest rate adjustment for the bank's assets and liabilities.

The risk associated with such imbalances is reduced by using derivative contracts. The entire lending portfolio comprises loans in Norwegian kroner, but exchange-rate risk will arise in proportion to the bank issuing debt in foreign currency. The risk associated with changes in exchange rates will be reduced using derivative contracts.

The market risk policy is the bank's overall guidelines, requirements and limits associated with market risk. The policy dictates that the market risk should be minimised so that the bank's total market risk is low. It further states that the bank should not actively take positions that expose the bank to market risk.

Limits are also set in the policy for interest rate risk and exchange-rate risk. The limits are set in relation to the bank's Tier 1 and 2 capital and the level of the limits should ensure that the bank's low market risk profile policy is complied with. The operational responsibility for managing the bank's market risk lies with the bank's Finance Department.

Operational risk

Operational risk is the risk of loss as a result of inadequate or failing internal processes or systems, human error, or external events.

The banking group aims to have good management and control of this operational risk. To achieve this the bank must have good processes and procedures, clear division of authority and high professional competence. A special policy for operational risk has been established containing high-level principles and requirements linked to the process of identifying and assessing operational risks, how operational risks are to be handled, control activities and division of responsibility linked to operational risk as well as reporting to the Board on operational risk.

Other risks

In addition to the policies described above a separate compliance policy has been established that is to help to reduce the risk of the banking group incurring official sanctions, financial loss or loss of reputation as a result of inadequate compliance with legislation, regulations and standards, such as for example good business practice. A compliance function has been established that should ensure that relevant changes in the regulations are captured and made known to senior management as well as that the business is adapted to such changes. The compliance function is also to keep the Board briefed on changes in the regulations that may have substantial significance for the banking group and provide advice associated with compliance.

The banking group is also exposed to risks other than those that arededicated to a special policy. This includes the bank's business risk where the most important uncertainty is linked to margin development for borrowing and lending, and this is a risk that attracts major attention from senior management and the Board.

Internal capital assessment process

Assessment and planning of capital matters is an important part of risk management. ICAAP (Internal Capital Adequacy Assessment Process) is the banking group's special process for assessing the capital requirement. The purpose of the process is, among other things, to calculate the magnitude of the capital requirement and the process helps to ensure high awareness of the risks to which the banking group is exposed.

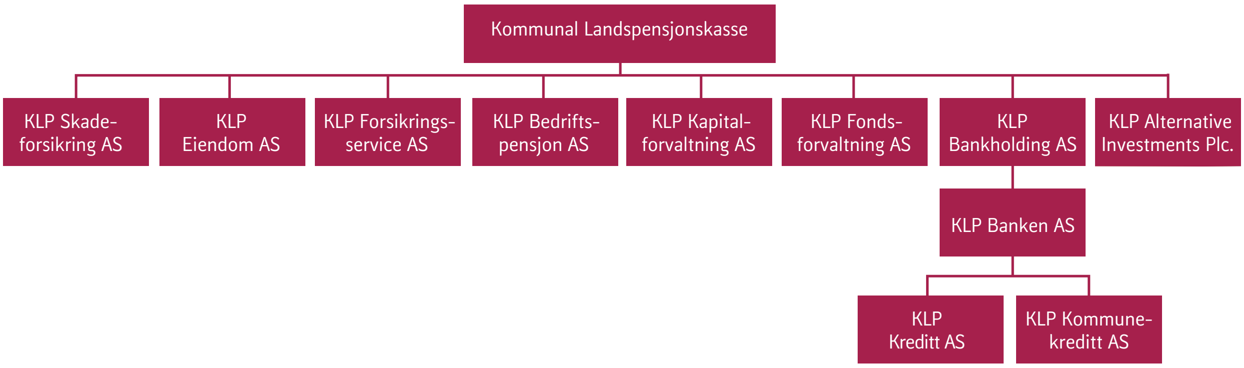
The assessment carried out is forward-looking, and the capital requirement is assessed in relation to the banking group's present and future risk profiles. The assessment and numerical estimates must therefore allow for known internal changes, changes in the regulatory framework, growth plans etc. The numerical calculations are carried out in the form of sensitivity analyses and scenario analyses.

The division of roles between the Board and senior management means that the Board, which has overall ownership of the process, approves formulation and choice of methodology as well as the calculations made by management. Management present a report that is discussed by the Board at least once a year. The process concludes in a capital target for the banking group, as well as a plan for the capital for the immediate years ahead. ICAAP is subject to assessment by Internal Audit.

Photo: Grete Ingelsrud

This is KLP

KLP provides safe and competitive pensions, finance and insurance services to municipalities, county authorities and health enterprises, as well as to businesses both in the public and the private sector, and to their employees.



Competitiveness and efficient operation – high-level targets

Competitiveness and efficient operation are high level strategic objectives for KLP's business. KLP aims to meet its customers' needs, operate profitably and deliver quality in all its services. Its customers should find that KLP strengthens their finances, simplifies their everyday life and helps to make them good and attractive employers. All activity in the Group should contribute to strengthening relationships with present and potential future owners. It is an objective that other activities in the Group should strengthen its market position in relation to this group of customers.

Market leader

KLP's main product is public sector occupational pension. At the start of 2011, 330 municipalities and county authorities had their pension schemes with the Company. The same applies to 25 of the country's 27 health enterprises and about 2500 corporate enterprises. The Company's pension schemes cover more than 300,000 occupationally active individuals and 150,000 pensioners. In addition more than 115,000 members have a pension entitlement with KLP from previous employment.

The KLP Group

The Group's parent company is Kommunal Landspensjonskasse gjensidig forsikringsselskap (Kommunal Landspensjonskasse Mutual Insurance Company). The parent company, KLP, and its subsidiaries together have more than 762 employees. The Group's total assets were (NOK) 271.7 billion at the end of 2010 and KLP is thus the second-biggest life insurance company in Norway.

In addition to pensions and pension fund services, the Group provides products and services in:

- Banking
- Insurance
- Fund and asset management
- Property

Subsidiaries

KLP Skadeforsikring AS is the leading provider of accident, occupational injury and property insurance to Norwegian local authorities and companies in the public sector. The company also delivers personal insurance products, primarily directed at public sector employees.

History

1949 – The Union of Norwegian Cities and the Norwegian Association of Rural Municipalities (forerunners to the Norwegian Association of Local and Regional Authorities - KS) decided to establish Kommunal Landspensjonskasse. KLP was established as a «managed» pension scheme under Norsk Kollektiv Pensjonskasse.

1962 – The pension scheme for nurses was established at KLP by separate statute.

1967 – The Norwegian parliament, the Storting, passed a resolution to introduce National Insurance.

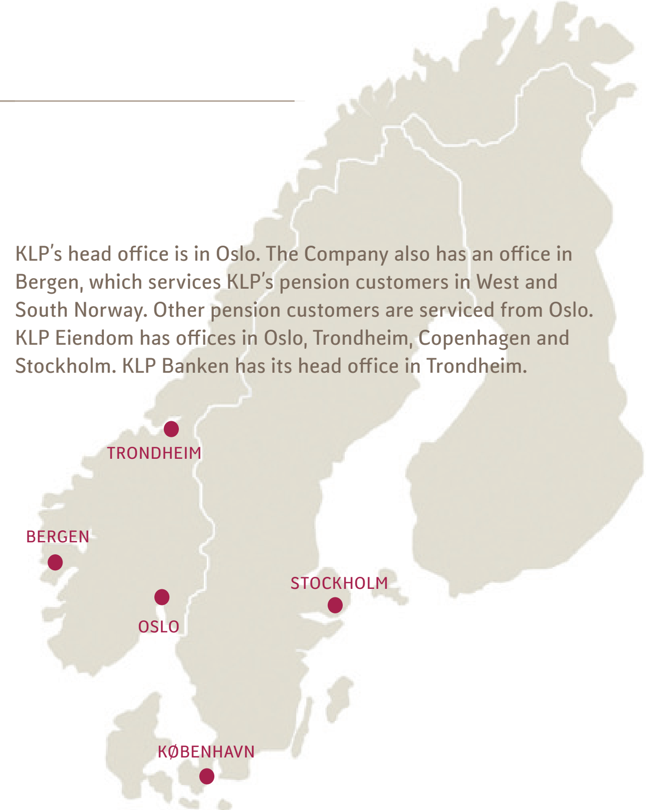
1972 – KLP passed NOK 1 billion in total assets

KLP'S VISION "The best partner for the days to come".

VALUES The values to which employees at KLP aspire are "Open. Responsible. Clear. Committed".

BUSINESS CONCEPT "KLP will deliver safe and competitive financial and insurance services to the public sector and enterprises associated with the public sector, and their employees".

KLP's head office is in Oslo. The Company also has an office in Bergen, which services KLP's pension customers in West and South Norway. Other pension customers are serviced from Oslo. KLP Eiendom has offices in Oslo, Trondheim, Copenhagen and Stockholm. KLP Banken has its head office in Trondheim.



KLP Eiendom AS is one of the country's largest property managers, with more than 1,300,000 m² divided between office/commercial premises, shopping centres, hotels, housing and leasehold sites. The company administers all of KLP's property interests and has offices in Oslo, Trondheim, Copenhagen and Stockholm.

KLP Forsikringsservice AS has specialist expertise in public sector pension schemes and offers a full spectrum of pension fund services.

Through its wholly owned subsidiary, **KLP Bedriftspensjon AS**, defined contribution and defined benefit pensions are offered, with various risk profiles at the customer's option.

KLP Kapitalforvaltning AS is one of Norway's largest asset management operations and offers a broad spectrum of investment and management services. In its investment process KLP systematically applies and promotes ethical considerations based on international norms for such things as human rights, employee rights and the environment.

KLP Fondsforvaltning AS offers a broad spectrum of funds with a variety of investment mandates and risk. The company has funds in active and index tracking management suitable for institutions', companies' and private clients' investments. All the funds are managed in line with KLP's ethical criteria.

KLP Banken AS is an online bank focused on mortgage lending and deposits. This provides the basis for efficient operation and low costs. KLP Banken AS was launched on 1 February 2010

KLP Kommunekreditt AS and **KLP Kreditt AS** are subsidiaries of KLP Banken AS. These companies will help to secure good terms and conditions on loans for the public sector.

KLP Alternative Investments plc enables KLP further to specialise active asset management and in this way to increase returns on the life company's money.

It pays to be a KLP owner

KLP's corporate form brings several advantages. KLP's customers themselves provide equity capital and are thus also owners of the Company. This produces good returns and a great deal of influence.

As well as the direct return there is also an element of profit in having equity in KLP. Being an owner of the mutual KLP means that the surplus on the premium elements is retroceded to the owners/customers. Were KLP an ordinary limited company, this surplus would go to the shareholders and not the customers. Being a customer and owner of KLP as a mutual company is therefore profitable.

Social responsibility

KLP's customers and owners are committed to contribute to a good and sustainable development, and they have high expectations that KLP should also contribute in an effective way. We are well pleased with these expectations and we try to live up to them. KLP emphasises very strongly the responsibility the Company has for society and the environment.

1974 – KLP obtains its own permit as an insurance company, and establishes a joint local authority pension scheme.

1984 – KLP expanded its product range with group life and accident insurance for local authority employees.

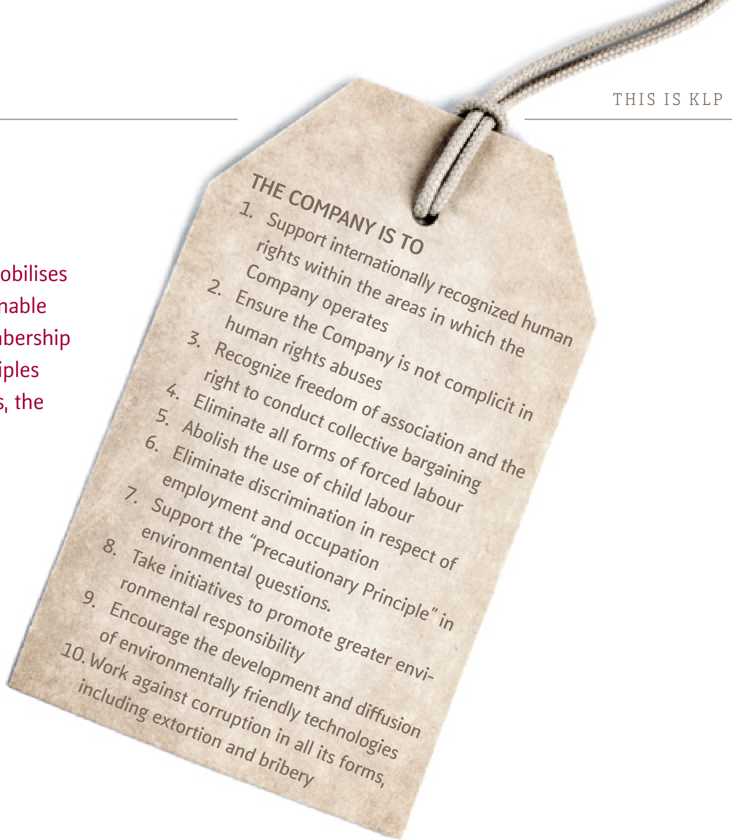
1993 – Kommunal Ulykkesforsikring (KUF) obtained a licence to engage in property insurance.

1994 – Establishment of KLP Skadeforsikring AS (non-life) and KLP Fondsforvaltning AS (funds management).

1995 – KLP buys Nora Eiendom.

1997 – Nora Eiendom was renamed KLP Eiendom AS.

Global Compact is a UN-initiated network that mobilises business and voluntary organisations for a sustainable world. KLP has been a member since 2002. Membership involves an undertaking to comply with 10 principles associated with human rights, working conditions, the environment and corruption.



Throughout membership in the UN's Global Compact Company has pledged itself to take account of human rights, workers rights, the environment and anticorruption throughout its operation. Social responsibility is integrated in KLP's overall strategy and included in the Group's balanced scorecard reporting and other directives.

KLP has also signed the UN Principles for Responsible Investment and thereby committed itself to integrating these themes into its asset management. This is important because KLP manages the pensions of more than half a million Norwegians. We do our best to manage these funds in a responsible, long-term and sustainable way.

All the companies in which KLP invests are monitored in regard to discreditable situations and potential breaches of key UN conventions and declarations. In practice this means that KLP excludes companies that may be linked to breaches of conventions in the following areas:

- Human rights, including child labour
- Employee rights
- The environment
- Arms
- Corruption

To exclude companies is not a goal in itself and KLP uses dialogue with companies as an active tool, both to prevent companies from having to be excluded and to achieve the reinclusion of companies previously excluded.

KLP is also a responsible owner in companies and works actively to promote environmental and social responsibility through dialogue, projects and voting at general meetings.

Since the work on social responsibility has a long history in KLP we know that continuous improvement is the only thing that works. To integrate social responsibility into our day-to-day operations and business is important, and to emphasise this social responsibility is included in the Board's report and notes to the financial statements for the first time this year. Together with this report the non-financial accounts provide important information about the Company's administration of its human capital and how the Company behaves in regard to society and the environment.

In its social responsibility strategy KLP has committed to developing good procedures for measuring and reduction of the Company's environmental impact. The Company wishes to contribute to reducing the burden on the environment and climate as well is promoting new behavioural patterns, products, services and technical solutions that may reduce the environmental burden.

To ensure that we achieve our goals of continuous improvement and integration of social responsibility into our business, KLP wishes to continue the dialogue with our stakeholders. On our website, klp.no/samfunnsansvar, and our blogg, blogg.klp.no, you can give us your opinions and comments, and find relevant information.

1999 – KLP Kapitalforvaltning AS was formed under the name Aktiv Forvaltning ASA.

2001 – KLP passed NOK 100 billion in total assets

2008 – KLP Skadeforsikring AS launched sales of personal non-life insurance
KLP passed NOK 200 billion in total assets
KLP exceeded 300,000 occupationally active members

2009 – KLP received a licence from the Financial Supervisory Authority of Norway (Kredittilsynet) to establish banking activities. KLP bought Kommunekreditt Norge AS from Eksportfinans.

2010 – KLP Banken is launched

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