

# Interim report 2/2012

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



**kLP**

for dagene som kommer

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# Interim report firsts half year 2012

## A satisfactory first half year for KLP

KLP's progress is maintained into 2012. At the end of the half year the Group had an operating profit of NOK 4 831 million and total assets of NOK 313 billion.

After a good first quarter the second quarter was marked by major market movements and weak development in the equities markets.

At the end of the quarter KLP had total solvency capital of NOK 41.7 billion, corresponding to 17.5 per cent of the insurance funds with interest guarantee. This means that KLP is well prepared to face the unsettled state of the financial markets.

Results:

- Group operating profit of NOK 4.8 billion and total income for customers in excess of NOK 4.2 billion
- Value-adjusted return, common portfolio public sector occupational pensions 3.1 per cent
- Book return, common portfolio public sector occupational pensions 1.9 per cent
- Return, corporate portfolio 2.6 per cent

## KLP - a customer-owned company in development

The KLP Group is the leading provider of occupational pensions, group life and non-life insurance to the local government sector and health enterprises, the second largest lender in the local government sector and the leading Norwegian provider of index-tracker funds products.

Pension schemes within the public sector are offered and managed by the Group's parent company Kommunal Landspensjonskasse (KLP). Of the Group's total assets of NOK 313 billion, NOK 260.2 billion represents pension funds belonging to this customer group.

## Kommunal Landspensjonskasse gjensidig forsikringselskap

### Result for the second quarter 2012

#### Returns result

The return in the second quarter was NOK 22 million lower than the guaranteed interest rate, whereas it was NOK 1.5 billion above the guaranteed interest rate for the same period last year. Financial income from customers' assets totalled NOK 1 billion (2.4<sup>1</sup>) for the

quarter. Value-adjusted return on the common portfolio was 0.4 per cent for the quarter and book return was 0.7 per cent. The return for the half year was NOK 3.1 per cent and 1.9 per cent respectively.

#### Risk result

There were no unexpected risk matters of significance in the Company's insurance portfolio during the second quarter. The risk result at the end of the half year was NOK 82 million. This has been provisionally allocated as NOK 43 million to customer profit and NOK 39 million to corporate income provision in the risk equalisation fund.

#### Administration result

The Company's administration result shows a surplus of NOK 49 million (65) at the end of the second quarter. This reflects KLP having good control of its cost levels. Insurance-related operating expenses represent 0.31 per cent of customer funds, which is in line with the target for 2012.

#### Total income

Profit for the Company was NOK 207 million for the quarter and NOK 442 million for the first half year. Profit for customers was NOK 39 million for the quarter and NOK 1 340 million for the first half year.

1) Figures in brackets give corresponding values for 2011



Result <i>NOK million</i>	Custo- mers	The company	Total
Returns result	1 175	8	1 183
Risk result	43	39	82
Interest guarantee premium		142	142
Administration profit loss		49	49
Net income from investments in the corporate portfolio		327	327
Return from owners' equity contributions credited to customers	123	-123	-
Income Q2 2012	1 340	442	1 782
Income Q2 2011	3 640	461	4 101
Income 2011	3 594	705	4 299

## Financial strength and capital-related matters

Total assets amounted to NOK 280.7 billion, a reduction of NOK 21.4 billion in the quarter because of significant reduction in short-term liabilities associated with securities trading with settlement straddling the previous quarter end.

Capital adequacy in KLP at the end of the quarter was 10.9 per cent (11.2) and core capital adequacy was 8.7 per cent (8.8).

The securities adjustment fund was strengthened by NOK 2.9 billion during the year to NOK 7.8 billion. Supplementary reserves total NOK 12.3 billion.

At the end of the quarter KLP had total solvency capital of NOK 41.7 billion, corresponding to 17.5 per cent of the insurance funds with interest guarantee.

The Board of Directors considers the Company's solvency satisfactory in relation to the composition of the financial position, prevailing market conditions and the requirements of the authorities.

Key figures <i>Per cent</i>	So far Q2		Year
	2012	2011	2011
Capital return I	1.9	3.1	4.5
Capital return II	3.1	2.3	3.2
Capital return III	3.3	2.0	3.9
Capital adequacy	10.9	11.2	11.5
Solvency margin ratio	232	227	244

## Premium income

Premium income excluding premium reserves received on transfer totalled NOK 13.6 billion (6.6) for the half year. Of this, NOK 5.8 billion can be attributed to revised accounting practice for premiums associated with salary and National Insurance Basic Sum (G) adjustment. Other premium increases are due to increased premium rates from 2012 as a result of reduced guaranteed interest rates, in addition to business volume changes during 2011 and so far this year.

## Benefits/claims

Pensions paid and other claims increased by 12.1 per cent and amounted to NOK 5 248 million (NOK 4 682 million) so far this year.

## Management of the common portfolio

The assets in the common portfolio totalled NOK 254.6 billion (236.8) and were invested as shown below:

Assets <i>Per cent</i>	Portion 30.06. 2012	Return at Q2 2012	Portion 30.06. 2011	Return at Q2 2011
Shares	15.9 %	5.4 %	17.6 %	0.8 %
Short-term bonds	21.9 %	4.0 %	23.0 %	2.6 %
Long-term/HTM bonds	32.5 %	2.3 %	33.0 %	2.5 %
Lending	11.5 %	1.9 %	12.2 %	1.8 %
Property	12.1 %	3.9 %	11.4 %	4.2 %
Other financial assets	6.2 %	1.7 %	2.8 %	1.5 %

## Shares

Total exposure in shares including share derivatives amounted to 15.9 per cent. Following a very good first quarter the equities markets had a negative reaction which was partially reversed towards the end of the quarter. KLP's global index and Oslo Børs (stock exchange) both showed a fall of 4.6 per cent.

## Short-term bonds

Short-term bonds and money market instruments amounted to 28.1 per cent of the assets in the common portfolio. Positive developments in the bond markets contributed to an acceptable result for the quarter. The international credit bond index used by KLP had a currency-hedged return of 2.1 per cent in the second quarter 2012, whilst the index for international government



bonds had a good quarter with a return of 2.3 per cent. Norwegian bonds were also positive with a return of 1.8 per cent.

### Bonds held to maturity

Investments in bonds held to maturity represented 32.5 per cent of the common portfolio. Added value not brought to book totalled NOK 3.8 billion. The portfolio is well diversified and comprises securities issued by governments and highly creditworthy institutions. One issuer held in the Hold-to-maturity portfolio no longer meet the quality required by KLP for such investments. Consequently the position was divested. This had an influence on the return for the quarter of 1.1 per cent.

## Property

So far in 2012 there has been net property acquisition of about NOK 2.1 billion (including contracts pertaining to properties not formally taken over by the end of the half year). The property market has been stable during the first half year, and write-ups of NOK 160 million have been carried out during the half year based on property-specific factors. Total value of the property stock is NOK 32.3 billion. The properties have solid tenants on the whole, and long leases. Across all the properties the economic occupancy rate is 96.3 per cent.

Development of new projects is central to KLP's property activity and our aim is to build environmentally friendly buildings for the future. Several major projects are expected to be completed over the next three year period. The building of the Fornebu Senter shopping centre outside Oslo starts in autumn 2012. KLP's objective is to increase its property exposure, and substantial investments are anticipated in completed property as well in the years to come.

Outside the Nordic region KLP has property exposure through various property funds. At the end of the half year the value of investments in such funds was NOK 0.7 billion. Property management is carried out only within the Group and has therefore contributed to the other business areas' incomes, primarily to returns on invested capital for the life insurance customers. In total, property achieved a business return of 3.9 per cent during the first half year.

## Lending

Lending in the common portfolio was NOK 29.0 billion. This was divided between NOK 20.3 billion in lending to local administrations and other organisations, and NOK 8.7 billion in

housing mortgages. The lending portfolio is characterised by high quality, with no losses on local government loans and very modest loss provisions on housing loans. Added value not brought to book in the lending portfolio (fixed interest rate loans) represented NOK 255 million on 30 June 2012.

## Return on the corporate portfolio

The corporate portfolio covers investment of owners' equity and subordinated loan capital.

The corporate portfolio is managed with a long-term investment horizon aiming at stable returns and growth in the owners' equity. The investments in the corporate portfolio achieved a return of 1.2 per cent during the second quarter.

## Market conditions

So far 15 municipalities and 1 county administration have decided to put their occupational pension schemes out to tender this year. Four of these currently have their occupational pension schemes with KLP. In addition there is a municipal merger between a KLP customer and a competitor's customer which is considering its own pension fund solution. It is still possible to announce tender competitions so the picture may change somewhat during the third quarter.

## The business areas of the subsidiaries

### Private occupational pensions

The Group's private occupational pension effort is through its subsidiary KLP Bedriftspensjon AS.

There is high market activity at KLP Bedriftspensjon, and this is being demonstrated through a satisfactory growth in volume: during the first half year the company has increased its total assets by just under 40 per cent from NOK 904 million at the start of the year to NOK 1252 million at the end of the second quarter.

171 new customers signed agreements with KLP Bedriftspensjon AS in the first quarter, of which 25 per cent were transfers from other insurance companies.

## Results

The company has good returns on customer funds and for the



first half year achieved a result for customers of NOK 4.7 million. The company's deficit for the first half year was NOK 8.1 million. During the second quarter the company was provided with NOK 25 million in new owners' equity.

## Returns - customer assets

Return <i>Per cent</i>	As at Q2		Year
	2012	2011	2011
<i>Common portfolio</i>			
Capital return I	2.3	2.6	6.3
Capital return II	3.1	1.5	3.7
<i>Defined contribution pension with investment option (unit linked)</i>			
Profil P90	4.9	1.5	0.2
Profil P70	5.9	1.1	-6.0
Profil P60	5.4	1.3	-3.0
Profil P50	5.2	1.6	-1.4
Profil P40	5.0	1.9	0.3
Profil P30	4.8	2.2	2.0
Profil P20	4.4	2.0	2.8
Profil P10	4.0	2.5	4.3
Profil PM	3.5	2.3	5.2
Profil PM	1.6	1.2	3.0

"Profile" indicates equity share in portfolio.

## Non-life insurance

KLP Skadeforsikring AS offers products in the public sector market, the corporate market and the retail market.

### The public sector/corporate market

Competition in the market remains fierce. There is a high level of tendering activity and the results showed good growth in the corporate market. In the local government market there is also market progress.

The combined claims ratio for own account for all sectors and years viewed together was 78.9 per cent. This is a weak decrease compared to the same period in 2011. During the first half year four property claims in excess of NOK 5 million have been notified with a total claim cost of NOK 46 million, of which three were during the first quarter.

### Retail market

Sales in the retail market continue to develop well and net new business so far this year is at NOK 28 million. The sales result is as expected.

The claims ratio for own account for all sectors and years viewed together was 80.7 per cent. This is a clear improvement compared to the same time in 2011.

## Results

The pre-tax operating profit for the first half year was NOK 71.2 million. At the same time last year the result was NOK 43.6 million.

The 2012 technical result is good. NOK 16.1 million has been taken to income on adjustment of previous years' reserves. At the same time no major claims over NOK 20 million have been reported so far this year.

Contingency reserves have increased by 16.0 million during the first half of 2012.

Notwithstanding weaker financial markets during the second quarter the financial return has been satisfactory for the first half year at 3.0 per cent.

## Kapitalforvaltning and Fondsforvaltning

Securities management in the KLP Group is conducted by KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS, and the assets are managed in discretionary mandates and securities funds. At the end of the first half of 2012 a total of NOK 198 billion was under management for Group customers and NOK 18 billion for customers outside the Group. Net new subscriptions from customers external to the Group amounted to NOK 3.3 billion during the first half of 2012.

There are around 18,000 personal customers in KLP funds, a 75 per cent growth in the last year.

In March the securities fund KLP Pension II was awarded the Morningstar Award for the best Norwegian bond fund.

## Results

KLP Kapitalforvaltning AS achieved a pre-tax profit of NOK 2.2 million during the first half year, while KLP Fondsforvaltning AS achieved a profit of NOK 4.0 million.

## KLP Banken

KLP Banken has had success in several areas so far in 2012. It has implemented many market-oriented initiatives and its level of activity is high.



The public sector market (PSM) can point to improved earnings during the second quarter as well. This is a result of improved margins on lending as well as unrealised losses burdening the 2011 result having been largely reversed as income because of improved market development.

The retail market (RM) effort is in line with the established plans and budgets in regard to lending, but faces big challenges in regard to deposits. The aim is to achieve balance magnitude sufficient to cover the costs, as well as in due course to provide operating profits. In this context particular attention is being paid to measures that may increase the volume of deposits.

There is optimism about the results of efforts aimed at new customer groups. 5 482 new retail customers have been registered during the first half year, an increase of about 35 per cent. Housing mortgage development has been positive. Net volume increase so far this year is NOK 723 million. There is a steady stream of new borrowing customers and the development is ahead of the sales budget.

Default in housing mortgages is at a relatively low level. As at 30 June 2012 default in excess of 90 days lies at 0.3 per cent. There are no known losses during the first half year.

## Results

The KLP Banken Group had pre-tax profits of NOK 34 million at the end of the second quarter. Of this, NOK 8 million is the result for the second quarter in isolation. Total net interest income in the Bank during the first half year was NOK 35 million. Of this, NOK 22 million accrued during the second quarter.

## Corporate social responsibility

The KLP Group sets requirements for its suppliers in regard to quality, the environment and ethics. KLP is to be a responsible purchaser and safeguard considerations of human rights, labour rights, the environment and ethical business principles in accordance with the UN Global Compact, which KLP has joined. Exclusion from KLP's investments will normally have consequences for the companies concerned as suppliers of goods and services to the Group. Attention is also drawn to the non-financial accounts forming a part of this report. KLP and the KLP funds are active owners and attach weight to using their voting rights at general meetings.

## Framework conditions and product matters

On 28 June the Norwegian Banking Law Commission presented NOU (Official Norwegian Report) 2012:13, The Pension Acts

and National Insurance Reform II, with new draft legislation on group occupational pension insurance as part of the Ministry of Finance's tasking on adaptation of private sector pensions to the pension reform.

The Banking Law Commission has endeavoured to create a flexible framework for the new insurance-based products, in which the cost and risk distribution between employer, product provider and employee is balanced, adapted to the main principles of the new National Insurance Scheme and solvency challenges in the future. The draft mainly affects defined benefit schemes (the Company Pensions Act, often referred to as the Defined Benefits Act). The draft has been published for consultation for responses by 1 October. Private occupational pensions form a relatively small proportion of KLP's business.

The positive development in expected longevity results in the need to strengthen the premium reserve. Longevity adjustment of the pension benefits in public sector occupational pensions helps to reduce the need to increase reserves. All Norwegian life companies will be strengthening the premium reserve through an escalation over several years within frameworks expected to be determined by the Financial Supervisory Authority of Norway during the second half of 2012.

At the end of June the Ministry of Finance decided that the maximum calculation interest rate in life insurance is not to be changed with effect from 1 January 2013. Instead the Ministry assumes that the Financial Supervisory Authority of Norway will consider whether the maximum calculation interest rate ought to be changed with effect from 1 January 2014.

## Future prospects

Developments following the end of the first half year have been positive. Again in 2012 KLP will give priority to surplus returns corresponding to 0.3 per cent of the premium reserve being re-allocated to the customers' premium fund to meet the liquidity requirement associated with calling up owners' equity contributions at the usual level. Surplus returns in excess of this will probably have to be applied entirely towards increasing reserves for greater longevity.

In the longer term continuing low interest rates and volatile equity markets will challenge the objective of stable good earnings. Strong solvency and a large portfolio of bonds held to maturity are a good start point to achieving good results in the future as well.

KLP works continuously on preparing for transition to the new solvency rules for insurance under Solvency II. The regulations



are comprehensive and preparing for implementation is time-consuming. KLP is financially well positioned in regard to the requirements of the regulations.

It is expected that KLP will have a considerable increase in the number of pensioners in the years to come. Work is therefore being carried out to develop systems to automate case processing so that this increase can be met in an efficient way.

KLP is a customer-owned company. Work on developing the Company's products and services for the good of its owners and customers therefore remains crucial. KLP will continue in the future to work for low costs, good returns and customer-friendly service in order to contribute to competitive value creation.

Oslo, 16th August 2012

The Board of Directors Kommunal Landspensjonskasse gjensidig forsikringsselskap

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Chair

Finn Jebsen  
Deputy chair

Liv Kari Eskeland

Marit Torgersen

Herlof Nilssen

Jan Helge Gulbrandsen

Siv Holland  
Elected by and from the employees

Freddy Larsen  
Elected by and from the employees





## Group accounts after Q2 2012

Notes	Income statement Group NOK million	Q2 2012	Q2 2011	01.01.12- 30.06.12	01.01.11- 30.06.11	Year 2011
1,4	Premium income for own account	9 353	3 632	15 723	7 120	22 574
	Current return on financial investments	1 725	2 540	4 012	5 515	9 343
	Net interest income from bank	33	39	76	54	142
	Net value change on financial instruments	-981	-752	2 655	-1 245	-2 842
5	Net income from investment properties	652	803	1 386	1 223	1 879
6	Other income	190	195	384	373	748
	<b>Total income</b>	<b>10 974</b>	<b>6 457</b>	<b>24 236</b>	<b>13 040</b>	<b>31 845</b>
	Claims for own account	-2 711	-2 466	-5 671	-5 239	-10 615
	Change in provisions	-8 031	-2 487	-12 841	-4 528	-17 291
7	Net costs and change in value subordinated loans and perpetual subordinated loans	-278	-33	-33	64	-406
8	Operating expenses	-245	-246	-539	-498	-1 115
9	Other expenses	-159	-166	-322	-330	-660
	<b>Total expenses</b>	<b>-11 424</b>	<b>-5 398</b>	<b>-19 405</b>	<b>-10 531</b>	<b>-30 087</b>
	<b>Operating result</b>	<b>-450</b>	<b>1 059</b>	<b>4 831</b>	<b>2 510</b>	<b>1 757</b>
	To/from securities adjustment fund in life insurance	747	814	-2 875	1 571	2 505
	To/from supplementary provisions in life insurance	0	0	0	0	-2 156
	Assets allocated to life insurance customers	-39	-1 627	-1 345	-3 651	-1 453
3	<b>Consolidated group profit before tax</b>	<b>258</b>	<b>246</b>	<b>611</b>	<b>429</b>	<b>653</b>
	Tax	2	-1	-2	-21	-24
	<b>Result</b>	<b>260</b>	<b>245</b>	<b>609</b>	<b>408</b>	<b>629</b>
	Revaluation own properties	5	43	17	81	92
	Currency effects foreign affiliates	-56	-96	-175	-74	6
	<b>Total other comprehensive income</b>	<b>-51</b>	<b>-52</b>	<b>-158</b>	<b>7</b>	<b>97</b>
	<b>Total comprehensive income</b>	<b>209</b>	<b>193</b>	<b>451</b>	<b>415</b>	<b>726</b>



## Group accounts after Q2 2012

Notes	Balance NOK million	30.06. 2012	30.06. 2011	31.12. 2011
<b>ASSETS</b>				
	Intangible assets	348	372	344
	Tangible fixed assets	1 046	1 042	1 041
	Investments in associated companies	3	3	3
5	Investment property	30 998	26 812	28 726
13	Debt instruments held to maturity	40 998	42 266	41 438
13	Debt instruments at fair value in profit/loss account	49 542	41 244	46 936
11,13	Lending to municipalities, companies and private individuals at fair value over P&L	2 519	4 260	2 519
13	Lending to municipalities, companies and private individuals	50 445	51 218	51 024
11,13	Debt instruments at fair value over P/L	86 013	70 475	77 050
11	Equity instruments at fair value over P/L	38 378	36 269	36 168
11,13	Financial derivatives	1 302	904	915
12	Receivables	8 316	5 329	1 603
	Assets in life insurance with investment option	244	173	198
	Cash and bank deposits	2 514	4 782	3 820
	<b>Total assets</b>	<b>312 665</b>	<b>285 149</b>	<b>291 784</b>
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Paid-up equity	6 221	5 624	6 217
	Retained earnings	6 298	5 514	5 847
	<b>Total equity</b>	<b>12 519</b>	<b>11 138</b>	<b>12 064</b>
10	Perpetual subordinated loan	1 175	870	1 145
10	Subordinated loan capital	2 992	2 984	3 143
	Pension obligations	518	476	518
14	Technical provisions - life insurance	261 100	234 605	244 086
14	Provisions in life insurance with investment option	244	173	198
	Premiums, claims and contingency fund provisions - non-life insurance	2 774	2 771	2 567
10	Covered bonds issued	20 691	18 649	22 152
10,11	Debt to financial institutions	4 244	4 894	1 398
10	Deposits from and liabilities to customers	2 324	1 530	1 840
11	Financial derivatives	870	311	1 031
	Deferred tax	46	41	45
15	Other short term debt	3 169	6 706	1 596
	<b>Total liabilities</b>	<b>300 146</b>	<b>274 010</b>	<b>279 720</b>
	<b>Total owners' equity and liabilities</b>	<b>312 665</b>	<b>285 149</b>	<b>291 784</b>
	Contingent liabilities	4 459	3 538	4 753



## Group accounts after Q2 2012

### Changes in Owner's equity

2012 NOK million	Paid-up equity	Retained earnings	Total equity
<b>Equity 01.01.2012</b>	6 217	5 847	12 064
Result for the period	0	609	609
<b>Other comprehensive income</b>			
Revaluation of properties for own use	0	17	17
Currency effect foreign affiliates	0	-175	-175
<b>Total other comprehensive income</b>	<b>0</b>	<b>-158</b>	<b>-158</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>451</b>	<b>451</b>
<b>Transactions with owners</b>			
Equity paid-in	7	0	7
Equity reimbursed	-4	0	-4
<b>Total transactions with owners</b>	<b>4</b>	<b>0</b>	<b>4</b>
<b>Equity 30.06.2012</b>	<b>6 221</b>	<b>6 298</b>	<b>12 519</b>

2011 NOK million	Paid-up equity	Retained earnings	Total equity
<b>Equity 01.01.2011</b>	5 628	5 186	10 814
Result for the period	0	417	417
<b>Other comprehensive income</b>			
Revaluation of properties for own use	0	72	72
Currency effect foreign affiliates	0	-74	-74
<b>Total other comprehensive income</b>	<b>0</b>	<b>-2</b>	<b>-2</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>415</b>	<b>415</b>
<b>Transactions with owners</b>			
Equity paid-in	3	0	3
Equity reimbursed	-7	0	-7
<b>Total transactions with owners</b>	<b>-3</b>	<b>0</b>	<b>-3</b>
<b>Other changes</b>			
Reclassification of funds in non-life insurance	0	-87	-87
<b>Total other changes</b>	<b>0</b>	<b>-87</b>	<b>-87</b>
<b>Equity 30.06.2011</b>	<b>5 624</b>	<b>5 514</b>	<b>11 138</b>



## Group accounts after Q2 2012

Cashflow - Group NOK million	01.01.12- 30.06.12	01.01.2012 -31.03.2012	01.01.2011 -31.12.2011	01.01.2011 -30.09.2011	01.01.2011 -30.06.2011
Net cashflow from operational activities	-1 269	-1 278	-2 570	1 004	3 093
Net cashflow from investment activities	-40	-18	-96	-916	-898
Net cashflow from financing activities	4	-81	3 562	153	-337
<b>Net changes in cash and bank deposits</b>	<b>-1 305</b>	<b>-1 377</b>	<b>896</b>	<b>242</b>	<b>1 859</b>
Holdings of cash and bank deposits at start of period	3 820	3 820	2 924	2 924	2 924
<b>Holdings of cash and bank deposits at end of period</b>	<b>2 514</b>	<b>2 443</b>	<b>3 820</b>	<b>3 166</b>	<b>4 782</b>



## Note 1 Accounting principles- and estimates

The accounts in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) and the Group for the period 01.01.2012 - 30.06.2012. The accounts have not been audited.

The Group interim accounts are presented in accordance with internationally EU-approved accounting standards (IAS/IFRS). This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting" and follows the same accounting principles as used in the annual account for 2011.

It is recommended that this interim report be read in conjunction with the annual report for 2011. The annual report may be obtained at [www.klp.no](http://www.klp.no).

### Premium income for own account/change in technical provisions

Salary changes and change to the National Insurance basic amount (G) for members of KLP's defined benefits pension schemes affect the insurance liabilities and this is financed by a discrete indexation premium paid by the employer. Previously the effect of these provisions and the premium income were recognised on invoicing of the discrete indexation premium.

From the start of 2012 indexation premiums linked to salary and G-indexation are being estimated and taken to income on the date the liability increase is registered. Until the indexation premium supplement is invoiced the accrued liability resulting from registered salary adjustments will appear as premiums receivable or, alternatively, as current liabilities to policyholders if the supplement has been prepaid.

Similarly, the factors mentioned above result in an increase in changes taken through profit or loss in insurance liabilities - contractual obligations by corresponding amounts from the same date. The net effect on income and owners' equity will thus be nil.

Net effect of the estimate change is increased premium income and increased liabilities of NOK 5 838 million in Q2 2012 against Q2 2011.

## Note 2 Key figures - accumulated

NOK million	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
<b>KLP Group</b>								
Profit before tax	611	353	653	490	429	183	524	368
Total assets	312 665	315 057	291 784	284 518	285 149	287 849	271 736	267 318
Owners' equity	12 519	12 304	12 064	11 927	11 138	10 943	10 814	10 632
Capital adequacy	10.4 %	10.5 %	10.9 %	11.0 %	10.8 %	11.0 %	11.5 %	11.6 %
Number of employees in the Group	802	796	775	769	768	753	762	763



NOK million	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
<b>Kommunal Landspensjonskasse gjensidig forsikringselskap</b>								
Profit before tax	442	235	705	512	461	222	572	412
Premium income for own account	15 159	6 158	21 752	17 772	6 649	3 315	20 345	16 960
- of which inflow of premium reserve	1 550	1 683	112	108	63	63	54	49
Insurance customers' funds incl. acc. profit	5 394	2 783	10 033	7 492	4 991	2 633	10 082	7 881
- of which funds with guaranteed returns	146	142	310	310	309	297	1 389	1 389
Net investment common portfolio	254 584	262 615	242 267	230 914	236 763	240 414	225 522	214 704
Net investment chose portfolio	1 463	1 447	1 404	1 380	1 453	1 338	274	267
Insurance funds incl. earnings for the year	258 734	251 509	243 439	238 102	233 982	229 445	227 533	222 120
- of which funds with guaranteed interest	234 561	226 698	226 153	223 335	214 061	207 968	207 026	203 870
Tier 1 and Tier 2 capital	14 928	14 891	14 857	14 433	13 631	13 765	13 221	13 201
Risk profit	82	64	308	112	95	53	160	61
Return profits	1 183	1 202	3 286	3 127	3 455	1 915	4 280	3 371
Administration profit	49	8	61	72	65	30	82	79
Solvency capital	41 680	41 336	36 190	34 657	35 408	33 427	33 308	34 583
Solvency margin ratio	232 %	239 %	244 %	227 %	227 %	230 %	224 %	216 %
Capital adequacy	10.9 %	11.0 %	11.5 %	11.4 %	11.2 %	11.5 %	12.0 %	12.3 %
Core capital ratio	8.7 %	8.8 %	9.1 %	9.0 %	8.8 %	9.0 %	9.3 %	9.4 %
Book return on common portfolio	1.9 %	1.2 %	4.5 %	3.7 %	3.1 %	1.6 %	5.1 %	3.9 %
Value-adjusted return on common portfolio	3.1 %	2.7 %	3.2 %	1.1 %	2.3 %	1.2 %	7.5 %	5.1 %
Return on unit-linked portfolio	3.4 %	3.4 %	2.2 %	-0.3 %	1.9 %	1.1 %	8.6 %	5.3 %
Return on corporate portfolio	2.6 %	1.4 %	4.2 %	3.5 %	3.3 %	1.7 %	5.2 %	3.8 %

**KLP Skadeforsikring AS**

Profit before tax	71	23	25	33	44	12	72	60
Gross premium due	591	427	650	586	520	365	631	574
Premium income for own account	325	161	599	442	288	141	539	400
Owners' equity	535	512	481	497	501	483	481	454
Claims ratio	78.9 %	102.9 %	88.3 %	82.5 %	85.5 %	94.4 %	91.5 %	94.2 %
Combined-ratio	103.3 %	130.2 %	118.4 %	109.6 %	109.6 %	123.3 %	121.9 %	123.1 %
Return on assets under management	3.0 %	2.4 %	4.5 %	2.6 %	2.8 %	1.3 %	7.2 %	5.2 %
Capital adequacy	29.0 %	29.8 %	31.8 %	30.9 %	30.0 %	31.5 %	32.0 %	27.1 %
Tier 1 and Tier 2 capital	453	453	451	439	438	436	433	381
Annual premium in force - retail market	142	130	120	109	99	88	79	67
Annual premium in force - public sector market	577	562	548	551	541	542	530	529
Net new subscriptions (accumulated within the year)	31	14	90	44	34	15	68	51



NOK million	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
<b>KLP Bedriftspensjon AS</b>								
Loss before tax	-8.1	-5.1	-23.8	-13.8	-6.8	-2.4	-17.1	-12.1
Premium income for own account	274.9	66.6	286.5	259.6	212.3	47.8	149.5	113.1
- of which premium reserve added	219.9	39.2	194.7	191.2	166.3	25.3	97.7	77.0
Insurance customers' funds including accumulated profit	1 139.4	941.8	844.0	810.3	796.3	622.3	559.0	512.8
- of which funds with guaranteed returns	842.0	662.8	605.2	589.9	566.6	423.0	396.3	392.1
Investment result	4.7	5.4	14.2	6.6	11.9	8.1	9.9	9.5
Risk result	2.9	0.3	0.1	2.8	2.3	1.2	3.6	3.4
Administration losses	-14.0	-7.4	-28.2	-19.0	-11.6	-4.9	-23.4	-17.5
Tier 1 and Tier 2 capital	60.4	43.0	48.0	32.3	39.4	43.9	46.7	51.5
Solvency capital	122.0	94.8	90.2	77.6	88.2	87.8	89.3	95.7
Capital adequacy	11.9 %	11.2 %	13.9 %	9.4 %	12.0 %	16.8 %	19.6 %	23.1 %
Book capital return on common portfolio	2.3 %	1.6 %	6.3 %	3.8 %	4.2 %	2.6 %	6.0 %	5.1 %
Value-adjusted capital return on common portfolio	3.1 %	2.3 %	3.7 %	1.3 %	2.6 %	1.5 %	8.3 %	5.6 %
Return on defined unit-linked contribution pensions	4.9 %	6.1 %	0.2 %	-3.9 %	1.9 %	1.5 %	9.3 %	4.4 %
Return on corporate portfolio	3.0 %	1.9 %	4.8 %	3.2 %	1.9 %	0.6 %	5.0 %	4.6 %
<b>KLP Banken Group</b>								
Profit/loss before tax	34.1	26.4	-62.2	-33.5	-20.9	1.6	35.9	-8.0
Net interest income	35.2	12.8	21.1	11.1	10.1	11.3	31.6	25.6
Other operating income	51.5	29.5	63.4	46.2	30.9	17.6	54.6	35.8
Operating expenses and depreciation	-60.3	-33.4	-139.9	-97.7	-62.4	-28.5	-109.6	-79.8
Net realized/unrealized changes in financial instruments to fair value	7.6	17.5	-6.8	7.0	0.5	1.1	59.2	10.5
Contributions	2 323.6	2 115.0	1 840.3	1 715.1	1 530.4	1 440.9	1 025.7	656.2
Housing mortgages granted	1 597.4	1 653.3	3 213.9	2 476.9	2 057.0	1 614.3	1 266.6	797.9
Loan(s) with public guarantee(s)	22 191	24 734	25 202	25 652	24 732	24 794	25 062	26 433
Defaulted loans	5.7	11.8	16.1	40.8	3.5	-	-	-
Borrowing on the issuance of securities	24 868	25 864	24 170	22 132	18 635	13 629	9 245	6 487
Other borrowing	200	450	4 306	6 010	8 313	11 819	16 167	19 782
Total assets	28 960	29 932	31 716	31 387	29 859	28 237	27 865	28 310
Average total assets	29 752	30 238	29 790	29 626	28 862	28 051	31 252	31 488
Owners' equity	1 184	1 175	1 171	1 170	1 179	1 189	1 186	1 187
Net interest rate	0.12 %	0.04 %	0.07 %	0.04 %	0.04 %	0.04 %	0.10 %	0.08 %
Profit/loss from general operations before tax	0.11 %	0.09 %	-0.21 %	-0.11 %	-0.07 %	0.01 %	0.11 %	-0.03 %
Profit/loss from general operations excl. fair value assessments before tax	0.09 %	0.03 %	-0.19 %	-0.14 %	-0.07 %	0.00 %	-0.07 %	-0.06 %
Return on owners' equity before tax	2.88 %	2.25 %	-5.31 %	-2.86 %	-1.78 %	0.13 %	3.02 %	-0.67 %
Capital adequacy	18.2 %	17.2 %	14.4 %	15.6 %	17.1 %	17.7 %	14.2 %	17.6 %
<b>KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS</b>								
Profit/loss before tax	6.2	0.1	26.3	21.0	14.0	2.5	19.2	7.3
Total assets under management	216 113	214 399	205 099	192 636	192 446	186 521	185 714	172 810
Assets managed for external customers	17 713	16 134	13 650	13 143	14 704	13 820	14 170	12 771



**Note 3 Segment information - profit/loss (i.a.w. IFRS) by business area**

Time series result - by quarter

NOK million	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
Total income	10 974	13 262	11 527	13 535	6 457	7 340	11 647	12 808
Total expenses	-10 716	-12 909	-11 351	-13 487	-6 211	-7 157	-11 491	-12 583
Consolidated group profit before tax	258	353	176	48	246	183	148	225
Results by segment								
Life insurance	193	305	224	79	211	167	84	174
Non-life	48	23	-7	-20	40	12	10	47
Banking	8	26	-47	-15	-21	2	41	-3
Asset management	7	-1	5	5	14	2	12	6
Other business	1	0	2	-1	2	0	0	0
Consolidated group profit before tax	258	353	176	48	246	183	148	225

**Note 4 Premium income for own account**

NOK million	Q2 2012	Q2 2011	01.01.12 -30.06.12	01.01.11 -30.06.11	Year 2011
Staff costs	9 319	3 503	13 979	6 917	22 316
Depreciation	-14	-12	-26	-26	-48
Other operating costs	48	141	1 770	229	306
<b>Total operating expenses</b>	<b>9 353</b>	<b>3 632</b>	<b>15 723</b>	<b>7 120</b>	<b>22 574</b>

**Note 5 Investment property**

Profit/loss NOK million	Q2 2012	Q2 2011	01.01.12 -30.06.12	01.01.11 -30.06.11	Year 2011
Profit/loss property	519	580	1 242	886	1 469
Value adjustment	134	223	143	337	410
<b>Net income from investment properties</b>	<b>652</b>	<b>803</b>	<b>1 386</b>	<b>1 223</b>	<b>1 879</b>

Balance NOK million	30.06. 2012	30.06. 2011	31.12. 2011
Value investment property 01.01	28 726	26 105	26 105
Value adjustment	143	337	410
Net increase	2 112	330	2 211
Other changes	17	40	0
<b>Value investment property 30.06/31.12</b>	<b>30 998</b>	<b>26 812</b>	<b>28 726</b>





## Note 6 Other income

NOK million	Q2 2012	Q2 2011	01.01.12- 30.06.12	01.01.11- 30.06.11	Year 2011
Supplement contractual early retirement scheme (AFP)	159	165	321	329	655
Fee income	27	24	56	47	94
Other income/expenses	5	6	8	-3	0
<b>Total other income</b>	<b>190</b>	<b>195</b>	<b>384</b>	<b>373</b>	<b>748</b>

## Note 7 Subordinated loan and Perpetual hybrid Tier 1 securities

NOK million	Q2 2012	Q2 2011	01.01.12- 30.06.12	01.01.11- 30.06.11	Year 2011
<b>Subordinated loan</b>					
Interest costs <sup>1</sup>	-37	-37	-72	-75	-151
Value changes	-34	24	90	55	-41
<b>Total subordinated loan</b>	<b>-71</b>	<b>-13</b>	<b>19</b>	<b>-19</b>	<b>-192</b>
<b>Perpetual hybrid Tier 1 securities</b>					
Interest costs	-11	-10	-22	-20	-42
Value changes	-196	-11	-30	103	-172
<b>Total Perpetual hybrid Tier 1 securities</b>	<b>-207</b>	<b>-20</b>	<b>-51</b>	<b>84</b>	<b>-213</b>
<b>Total interest costs and value change subordinated loan and perpetual hybrid Tier 1 securities</b>	<b>-278</b>	<b>-33</b>	<b>-33</b>	<b>64</b>	<b>-406</b>

<sup>1</sup> Besides pure interest costs this includes recognition through profit/loss of a discount on one subordinated loan.

The note provides a specification of the line "Net costs and change in value subordinated loan and perpetual hybrid Tier 1 securities" attributed to interest costs and value change during the stated periods.

The large fluctuations in value change are predominantly due to the loans being denominated in foreign currency. One subordinated loan is issued in euros, whereas the other subordinated loan and the perpetual hybrid Tier 1 securities are issued in Japanese yen. Hedge accounting is used on the hybrid Tier 1 securities. The two subordinated loans have ordinary financial hedging. In practice, the use of hedging involves a minimal total income effect if account is taken of the hedged object and the hedging instrument together. For more information concerning hedging and terms of the subordinated loans and perpetual hybrid Tier 1 securities attention is drawn to the annual report.

## Note 8 Operating costs

NOK million	Q2 2012	Q2 2011	01.01.12 - 30.06.12	01.01.11 - 30.06.11	Year 2011
Staff costs	168	158	344	301	608
Depreciation	24	23	48	47	138
Other operating expenses	53	64	146	149	370
<b>Total operating expenses</b>	<b>245</b>	<b>246</b>	<b>539</b>	<b>498</b>	<b>1 115</b>



**Note 9 Other expenses**

NOK million	Q2 2012	Q2 2011	01.01.12- 30.06.12	01.01.11- 30.06.11	Year 2011
Expenses AFP	158	164	320	328	654
Other expenses	1	2	1	2	5
<b>Total other expenses</b>	<b>159</b>	<b>166</b>	<b>322</b>	<b>330</b>	<b>660</b>

**Note 10 Financial liabilities**

NOK million	Nominal value in NOK <sup>1</sup>	Currency	Interest rate	Due date	Book value 30.06.2012	Book value 30.06.2011	Book value 31.12.2011
<b>Subordinated loan capital and perpetual subordinated loans</b>							
Perpetual subordinated loans							
Kommunal Landspensjonskasse	2 372	EUR	Fixed	Perpetual	2 279	2 349	2 402
Kommunal Landspensjonskasse	554	JPY	Fixed	Perpetual	713	635	742
Hybrid Tier 1 capital							
Kommunal Landspensjonskasse	984	JPY	Fixed	2034	1 175	870	1 145
<b>Total subordinated loan capital and perpetual subordinated loans</b>	<b>3 910</b>				<b>4 166</b>	<b>3 854</b>	<b>4 288</b>
<b>Debt contracted by issuing securities</b>							
<b>Covered bonds</b>							
KLP Kommunekreditt AS		NOK	Floating	2011	0	100	0
KLP Kommunekreditt AS	2 470	NOK	Floating	2012	2 474	1 500	5 900
KLP Kommunekreditt AS	1 250	SEK	Floating	2013	1 095	1 095	1 095
KLP Kommunekreditt AS	4 000	NOK	Floating	2013	4 006	6 900	4 000
KLP Kommunekreditt AS	4 000	NOK	Floating	2014	4 012	4 000	4 000
KLP Kommunekreditt AS	500	SEK	Floating	2015	435	0	0
KLP Kommunekreditt AS	4 300	NOK	Floating	2015	4 305	4 300	4 300
KLP Kommunekreditt AS	2 500	NOK	Fixed	2015	2 511	0	2 000
KLP Kommunekreditt AS	1 000	NOK	Floating	2016	1 006	0	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	769	750	750
Valuation adjustment and accrued interest					79	4	107
<b>Total covered bonds</b>	<b>20 770</b>				<b>20 691</b>	<b>18 649</b>	<b>22 152</b>
<b>Liabilities to credit institutions</b>							
KLP Kreditt AS	0	NOK	Floating	2011	0	4 294	0
KLP Banken AS	899	NOK	Fixed	2012	908	0	1 006
KLP Banken AS	500	NOK	Floating	2012	501	0	0
KLP Banken AS	1 660	NOK	Floating	2013	1 663	0	0
KLP Banken AS	300	NOK	Floating	2015	302	0	0
KLP Banken AS	300	NOK	Fixed	2017	300	0	0
Kommunal Landspensjonskasse	601	NOK/EUR/ USD	Floating	2012	571	600	392
<b>Total liabilities to credit institutions</b>	<b>4 260</b>				<b>4 244</b>	<b>4 894</b>	<b>1 398</b>
<b>Deposits from customers <sup>1</sup></b>							
Private	2 265	NOK			2 265	1 504	1 809
Business	59	NOK			59	26	31
<b>Total contributions from customers</b>	<b>2 324</b>				<b>2 324</b>	<b>1 530</b>	<b>1 840</b>
<b>Total financial liabilities</b>	<b>31 263</b>				<b>31 425</b>	<b>28 927</b>	<b>29 680</b>

<sup>1</sup> There are no contractual due dates for deposits.

The note shows the financial liabilities the Group has at the end of the reporting period.



## Note 11 Fair value hierarchy

NOK million	30.06. 2012	30.06. 2011	31.12. 2011
<b>Assets<sup>1</sup></b>			
<b>Lending local authorities, enterprises and personal customers</b>			
Level 1: Value based on prices in an active market	0	0	0
Level 2: Value based on observable market data	2 519	4 260	2 519
Level 3: Value based on other than observable market data	0	0	0
<b>Lending local authorities, enterprises and personal customers</b>	<b>2 519</b>	<b>4 260</b>	<b>2 519</b>
<b>Debt instruments (bonds, certificates and investments in financial institutions)</b>			
Level 1: Value based on prices in an active market	52 229	46 392	49 219
Level 2: Value based on observable market data	33 784	24 083	27 832
Level 3: Value based on other than observable market data	0	0	0
<b>Debt instruments (bonds, certificates and investments in financial institutions)</b>	<b>86 013</b>	<b>70 475</b>	<b>77 050</b>
<b>Owners' equity instruments (shares; equity and property funds; and alternative investments)</b>			
Level 1: Value based on prices in an active market	33 528	32 334	31 378
Level 2: Value based on observable market data	1 964	2 120	2 259
Level 3: Value based on other than observable market data	2 886	1 815	2 547
<b>Owners' equity instruments (shares; equity and property funds; and alternative investments)</b>	<b>38 378</b>	<b>36 269</b>	<b>36 184</b>
<b>Financial derivatives</b>			
Level 1: Value based on prices in an active market	0	0	0
Level 2: Value based on observable market data	1 302	904	915
Level 3: Value based on other than observable market data	0	0	0
<b>Financial derivatives</b>	<b>1 302</b>	<b>904</b>	<b>915</b>
<b>Total financial assets valued at fair value</b>	<b>128 212</b>	<b>111 908</b>	<b>116 668</b>
<b>Liabilities</b>			
<b>Financial derivatives</b>			
Level 1: Value based on prices in an active market	0	0	0
Level 2: Value based on observable market data	870	311	1 031
Level 3: Value based on other than observable market data	0	0	0
<b>Financial derivatives</b>	<b>870</b>	<b>311</b>	<b>1 031</b>
<b>Debt to financial institutions</b>			
Level 1: Value based on prices in an active market	571	600	392
Level 2: Value based on observable market data	3 673	4 294	1 006
Level 3: Value based on other than observable market data	0	0	0
<b>Debt to financial institutions</b>	<b>4 244</b>	<b>4 894</b>	<b>1 398</b>
<b>Total financial liabilities at fair value</b>	<b>5 114</b>	<b>5 205</b>	<b>2 429</b>

## Note 11 Fair value hierarchy, contd.

Changes in level 3 NOK million	Q2 2012	Q2 2011	Year 2011
<b>Holdings 01.01</b>	2 547	1 589	1 589
Sold	-529	-196	-360
Bought	784	307	1 018
Value change	84	115	300
Realised loss/gain	2 886	1 815	2 547
<b>Holdings 30.06/31.12</b>	<b>25</b>	<b>5</b>	<b>62</b>

<sup>1</sup> In addition to the assets listed, assets in defined contribution plans also fall within the realm of the fair value hierarchy. Those assets are not included in the table, however, of the NOK 244 million concerned NOK 112 million relate to equity investments and participation under level 1, and 132 million to debt instruments at fair value under level 1 as of 30.06.2012.

<sup>2</sup> The higher opening balance compared to previous reports is due to a higher value of the fund Abingworth Bioventures V (CO-INV GROWTH) than previously stated.

Changes in level 3 (Q3 columns) reflects changes in book-value for the year to date.

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. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered to be listed in an active market if the listed price is 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.

Level 1: Instruments at this level obtain fair value from listed prices in an active market (see above) for identical assets or liabilities to which the unit has access at the date of reporting. Examples of instruments at Level I are stock market listed securities.

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 principally includes prices based on identical instruments, but where the instrument does not have a sufficiently high trading frequency, as well as prices based on corresponding assets and price-leading indicators that can be confirmed by market information. Examples of instruments at Level 2 are interest-bearing securities priced on the basis of interest rate paths.

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. The financial instruments included in level three in the KLP Group include un-listed stocks and private equity.

## Note 12 Accounts receivable

NOK million	30.06. 2012	30.06. 2011	31.12. 2011
Short-term receivable trade in securities	805	3 772	134
Premium receivable	5 832	86	305
Reinsurance share of gross outstanding claims provisions	201	259	218
Other receivable	1 477	1 212	946
<b>Total receivable</b>	<b>8 316</b>	<b>5 329</b>	<b>1 603</b>



## Note 13 Credit risk

30.06.2012 NOK million	AAA	AA	A	BBB	NR/NIG	Total
<b>Debt instruments held to maturity - at amortised cost</b>						
Financial and credit enterprises	0	1 056	2 175	10	1 050	4 290
Public guarantee	0	0	0	0	1 000	1 000
Savings banks	1 382	0	0	0	52	1 434
Government and government guarantee within OECD	20 278	0	0	819	1 009	22 107
State enterprises and Covered Bonds	2 731	549	932	0	1 468	5 680
Other	0	1 012	1 680	0	3 795	6 487
<b>Total</b>	<b>24 391</b>	<b>2 617</b>	<b>4 787</b>	<b>829</b>	<b>8 374</b>	<b>40 998</b>
<b>Debt instruments classified as loans and receivables - at amortised cost</b>						
Banks	0	1 770	4 150	0	1 254	7 174
Financial and credit enterprises	526	0	251	0	251	1 028
Public guarantee	1 125	0	0	0	787	1 913
Government and government guarantee within OECD	12 160	0	0	2 001	2 211	16 373
State enterprises and Covered Bonds	6 848	817	2 025	0	2 395	12 086
Other	0	1 692	1 384	874	7 019	10 968
<b>Total</b>	<b>20 660</b>	<b>4 279</b>	<b>7 809</b>	<b>2 875</b>	<b>13 918</b>	<b>49 542</b>
<b>Debt instruments at fair value - bonds and other securities with fixed returns</b>						
Banks	0	445	3 949	51	9 397	13 842
Financial and credit enterprises	38	0	726	0	3 664	4 429
Public guarantee	720	55	0	0	854	1 629
Government and government guarantee within OECD	5 813	3 995	0	518	0	10 326
State enterprises and Covered Bonds	993	73	0	0	3 403	4 469
Other	0	868	120	32	5 899	6 920
<b>Total</b>	<b>7 564</b>	<b>5 437</b>	<b>4 796</b>	<b>601</b>	<b>23 217</b>	<b>41 615</b>
<b>Financial derivatives classified as assets</b>						
Denmark	0	0	231	0	0	231
Finland	0	63	0	0	0	63
Norway	0	47	323	0	0	370
Great Britain	0	0	0	0	0	0
Switzerland	0	0	51	0	0	51
Sweden	0	0	268	0	0	268
Germany	0	0	19	0	0	19
USA	0	0	300	0	0	300
<b>Total</b>	<b>0</b>	<b>110</b>	<b>1 192</b>	<b>0</b>	<b>0</b>	<b>1 302</b>
<b>Debt instruments at fair value - fixed income fund units</b>						
Government and government guarantee within OECD	0	0	0	0	120	120
Other	0	0	18 025	0	14 791	32 815
<b>Total</b>	<b>0</b>	<b>0</b>	<b>18 025</b>	<b>0</b>	<b>14 911</b>	<b>32 936</b>



**Note 13 Credit risk, contd.**

30.06.2012 NOK million	AAA	AA	A	BBB	NR/NIG	Total
<b>Debt instruments at fair value - lending and receivables</b>						
Denmark	0	0	268	0	0	268
Norway	0	156	4 383	0	3 028	7 568
Great Britain	0	10	0	0	0	10
Sweden	0	2 057	0	0	0	2 057
Finland	0	97	1 043	0	0	1 141
USA	0	0	419	0	0	419
<b>Total</b>	<b>0</b>	<b>2 321</b>	<b>6 113</b>	<b>0</b>	<b>3 028</b>	<b>11 462</b>
<b>Total securities</b>	<b>52 615</b>	<b>14 765</b>	<b>42 722</b>	<b>4 305</b>	<b>63 445</b>	<b>177 851</b>
<b>Lending local government, enterprises &amp; personal customers<sup>1</sup></b>						
	<b>0 %</b>	<b>20 %</b>	<b>35 %</b>	<b>100 %</b>	<b>150 %</b>	<b>Total</b>
Public sector <sup>1</sup>		36 309	0	4 772	0	41 080
Credit institutions		7	0	1 769	2	1 778
Private individuals		0	10 057	48	0	10 105
<b>Total</b>		<b>36 315</b>	<b>10 057</b>	<b>6 589</b>	<b>2</b>	<b>52 964</b>
<b>31.12.2011</b>						
NOK million	AAA	AA	A	BBB	NR/NIG	Total
<b>Debt instrument held to maturity - at amortised cost</b>						
Financial and credit enterprises	0	2 043	1 042	1 032	861	4 977
Public guarantee	1 368	0	0	0	50	1 419
Savings banks	0	0	50	0	210	260
Government and government guarantee within OECD	21 087	839	1 581	0	0	23 506
State enterprises and Covered Bonds	3 246	0	0	0	1 462	4 708
Other	0	989	2 587	0	2 991	6 568
<b>Total</b>	<b>25 701</b>	<b>3 871</b>	<b>5 260</b>	<b>1 032</b>	<b>5 574</b>	<b>41 438</b>
<b>Debt instruments classified as loans and receivables -at amortised cost</b>						
Financial and credit enterprises	510	259	3 889	0	2 302	6 960
Public guarantee	1 111	0	0	0	829	1 940
Savings banks	0	0	451	0	681	1 132
Government and government guarantee within OECD	14 355	0	2 045	0	0	16 400
State enterprises and Covered Bonds	5 973	1 118	1 768	0	2 401	11 260
Other	0	1 268	2 245	389	5 341	9 243
<b>Total</b>	<b>21 949</b>	<b>2 645</b>	<b>10 399</b>	<b>389</b>	<b>11 555</b>	<b>46 936</b>



**Note 13 Credit risk, contd.**

31.12.2011 NOK million	AAA	AA	A	BBB	NR/NIG	Total
<b>Debt instruments at fair value - bonds and other securities with fixed returns</b>						
Financial and credit enterprises	45	2 477	4 029	10	1 959	8 520
Public guarantee	681	55	0	0	720	1 456
Savings banks	0	0	826	0	7 972	8 797
Government and government guarantee within OECD	5 452	3 832	349	0	0	9 633
State enterprises and Covered Bonds	1 311	0	0	0	3 077	4 388
Other	0	223	25	391	4 272	4 910
<b>Total</b>	<b>7 490</b>	<b>6 586</b>	<b>5 229</b>	<b>401</b>	<b>17 999</b>	<b>37 704</b>
<b>Financial derivatives classified as assets</b>						
Denmark	0	0	170	0	0	170
Finland	0	42	0	0	0	42
Norway	0	75	136	0	0	211
Great Britain	0	0	2	0	0	2
Switzerland	0	0	43	0	0	43
Sweden	0	0	152	0	0	152
Germany	0	0	84	0	0	84
USA	0	0	211	0	0	211
<b>Total</b>	<b>0</b>	<b>117</b>	<b>798</b>	<b>0</b>	<b>0</b>	<b>915</b>
<b>Debt instruments at fair value - fixed income fund units</b>						
Public sector, Financial and credit enterprises	0	0	0	0	1 240	1 240
Government and government guarantee within OECD	0	0	0	0	117	117
Other	0	0	16 405	0	12 871	29 276
<b>Total</b>	<b>0</b>	<b>0</b>	<b>16 405</b>	<b>0</b>	<b>14 228</b>	<b>30 633</b>
<b>Debt instruments at fair value - lending and receivables</b>						
Denmark	0	0	130	0	0	130
Finland	0	299	0	0	0	299
France	0	0	0	0	0	0
Norway	0	0	2 743	0	2 661	5 404
Sweden	0	195	444	0	0	639
Great Britain	0	1 763	9	0	0	1 771
USA	0	0	470	0	0	470
<b>Total</b>	<b>0</b>	<b>2 257</b>	<b>3 796</b>	<b>0</b>	<b>2 661</b>	<b>8 713</b>
<b>Total securities</b>	<b>55 140</b>	<b>15 476</b>	<b>41 886</b>	<b>1 822</b>	<b>52 077</b>	<b>166 400</b>
<b>Lending local government, enterprises &amp; personal customers<sup>1</sup></b>						
		0 %	20 %	35 %	100 %	Total
Public sector <sup>1</sup>		0	39 789	0	3 098	42 887
Companies		0	0	0	1 474	1 474
Private individuals		0	0	9 100	82	9 182
<b>Total</b>		<b>0</b>	<b>39 789</b>	<b>9 100</b>	<b>4 654</b>	<b>53 543</b>



## Note 13 Credit risk, contd.

Emphasis is placed on diversification of credit exposure to avoid concentration of credit risk against individual debtors. To monitor credit risk in lending and investments a special credit committee has been established, meeting regularly. The limits for credit risk against the individual debtor are set by the committee. Changes in debtors' credit assessments are monitored and followed up by KLP Kapitalforvaltning.

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. The Group can be said to have a high concentration of debt instruments directed at the Norwegian public sector, however this does not imply concentration risk in the ordinary meaning since the counterparty risk is minimal. Only ratings from Standard and Poor's have been used in the note grouping. KLP Group also uses ratings from Moody's Investor Services and Fitch Ratings and all three are considered equal as a basis for investments in interest-bearing securities. The table shows exposure against the rating categories that S & P uses, where AAA is linked to securities with the highest creditworthiness. Non-rated/non-investment-grade mostly applies to individual Norwegian financial institutions, municipalities/county authorities and other investments within Norwegian finance. KLP Group has strict guidelines for investments in interest-bearing securities, which also apply to investments falling into this category.

The lines in the note coincide with the financial position statement layout. The exceptions are debt instruments at fair value, which are divided into three categories in the note and lending which is shown combined in the note, but is shown in two lines in the financial position statement (fair value and amortised cost).

### Geographic extract of debt instruments - Exposure against profiled countries in the Eurozone (PIIGS<sup>2</sup>)

30.06.2012 NOK million	Acquisition cost	Unrealised gain/loss	Of which due to rate of exchange	Market value	Book value 30.06. 2012
<b>Spain</b>					
Fixed income securities at fair value	158	-16	-6	142	142
Fixed income securities at amortised cost	813	-30	0	783	813
<b>Total Spain</b>	<b>972</b>	<b>-47</b>	<b>-6</b>	<b>925</b>	<b>955</b>
<b>Italy</b>					
Fixed income securities at fair value	435	-59	-34	376	376
Fixed income securities at amortised cost	1 990	-66	0	1 924	1 990
<b>Total Italy</b>	<b>2 425</b>	<b>-125</b>	<b>-34</b>	<b>2 299</b>	<b>2 366</b>
<b>Total exposure PIIGS</b>	<b>3 396</b>	<b>-172</b>	<b>-39</b>	<b>3 224</b>	<b>3 321</b>

In Spain and Italy pure government debt represents 142 million and 2 299 million respectively, and government guaranteed securities 783 million and 0 million (market value) as at 30.06.2012.

30.06.2012 Rating	Spain	Italy
Moody's	Baa3	A3
Standard & Poor's	BBB+	BBB+
Fitch	BBB	A-





**Note 13 Credit risk, contd.**

31.12.2011 NOK million	Acquisition cost	Unrealised gain/loss	Of which due to rate of exchange	Market value	Book value 31.12. 2011
<b>Spain</b>					
Fixed income securities at fair value	176	-9	-3	167	167
Fixed income securities at amortised cost	813	-18	0	795	813
<b>Total Spain</b>	<b>988</b>	<b>-27</b>	<b>-3</b>	<b>962</b>	<b>980</b>
<b>Italy</b>					
Fixed income securities at fair value	422	-72	-22	349	349
Fixed income securities at amortised cost	3 587	-289	-31	3 298	3 556
<b>Total Italy</b>	<b>4 009</b>	<b>-361</b>	<b>-54</b>	<b>3 648</b>	<b>3 905</b>
<b>Total exposure PIIGS</b>	<b>4 997</b>	<b>-388</b>	<b>-56</b>	<b>4 609</b>	<b>4 885</b>

In Spain and Italy pure government debt represents 167 million and 3647.7 million respectively, and government guaranteed securities 794.6 million and 0 million (market value) on 31 December 2011.

31.12.2011 Rating	Spain	Italia
Moody's	A1	A2
Standard & Poor's	AA-	A
Fitch	AA-	A+

<sup>1</sup> The credit risk to which lending is exposed is calculated based on the regulations on minimum capital adequacy requirements, and the rules that apply on determining the basis for calculations. The loans are shown separately since they are not included in the same rating categories.

<sup>2</sup> The acronym PIIGS refers to the countries assumed to be most exposed as a result of the market disquiet concerning government debt in the Eurozone and is used in regard to Portugal, Ireland, Italy, Greece, Spain.

The overview shows government debt the KLP Group holds against selected countries, and the rating. The countries in the table are selected on the basis of the profile they have gained as exposed economies in the Eurozone, and in the continuing unease about debt. The debt unease is primarily based on the fear of default in government debt. In Greece, the country where the probability of default is highest, the KLP Group has no fixed income securities. The KLP Group has no government securities in Ireland and Portugal as at 30.06.2012. The securities measured at amortised have not been written down.



**Note 14 Insurance-related provisions in life including investment choice option**

NOK million	30.06. 2012	30.06. 2011	31.12. 2011
Premium reserve	236 899	211 238	224 051
Premium funds, buffer funds and pensioners' surplus funds	2 777	3 653	1 106
Supplementary reserves	12 374	10 203	12 344
Securities adjustment fund	7 833	5 893	4 958
Other provisions	123	141	76
Non-allocated profit/loss of insurance contracts in the common portfolio	1 338	3 651	0
Profit/loss allocated to insurance contracts	0	0	1 749
<b>Insurance-related provisions in life insurance incl. investment options</b>	<b>261 344</b>	<b>234 778</b>	<b>244 284</b>

**Note 15 Other short term liabilities**

NOK million	30.06. 2012	30.06. 2011	31.12. 2011
Short-term liabilities securities	1 951	5 472	2
Advance tax-deduction pension scheme	396	354	204
Other short-term liabilities	822	879	1 389
<b>Total other short-term liabilities</b>	<b>3 169</b>	<b>6 706</b>	<b>1 596</b>



## Note 16 Interest rate risk

30.06.2012							Changes in cashflow	
NOK million	Up to 3 months	From 3 mths. to 12 mths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	01.01.12-30.06.12	Total	
<b>Assets</b>								
Mutual funds shares <sup>1</sup>	-1	0	0	0	0	2	1	
Alternative investments	-1	0	0	0	0	1	1	
Financial derivatives classified as assets	5	18	-164	-85	-210	-40	-476	
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	4	4	
Bonds and other fixed-return securities	-18	-38	-332	-406	-198	72	-921	
Fixed income fund holdings	-1 743	0	0	0	0	10	-1 734	
Shares in Non-UCIT funds	-1	0	0	0	0	2	0	
Lending and receivables	-2	-8	0	0	0	35	24	
Lending	0	-1	-1	0	0	204	202	
<b>Total assets</b>	<b>-1 762</b>	<b>-29</b>	<b>-497</b>	<b>-491</b>	<b>-408</b>	<b>288</b>	<b>-2 898</b>	
<b>Liabilities</b>								
Deposit	0	0	0	0	0	-23	-23	
Liabilities created on issue of securities	0	0	81	53	0	-229	-95	
Liabilities to financial institutions	0	0	0	0	0	-63	-63	
Financial derivatives classified as liabilities	-5	-13	165	149	0	29	324	
Hybrid capital, subordinated loans	0	0	0	51	35	0	85	
Call Money	0	0	0	0	0	-3	-3	
<b>Total liabilities</b>	<b>-5</b>	<b>-13</b>	<b>246</b>	<b>252</b>	<b>35</b>	<b>-289</b>	<b>225</b>	
<b>Total</b>	<b>-1 767</b>	<b>-42</b>	<b>-251</b>	<b>-239</b>	<b>-373</b>	<b>-1</b>	<b>-2 673</b>	

31.12.2011							Changes in cashflow	
NOK million	Up to 3 months	From 3 mths. to 12 mths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	01.01.11-31.12.11	Total	
<b>Assets</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	5	4	
Alternative investments	0	0	0	0	0	7	6	
Financial derivatives classified as assets	4	6	-94	-330	-190	349	-255	
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	7	7	
Bonds and other fixed-return securities	-15	-28	-305	-351	-189	63	-826	
Fixed income fund holdings	-1 486	0	0	0	0	13	-1 473	
Shares in Non-UCIT funds	0	0	0	0	0	1	0	
Lending and receivables	-10	-13	0	-6	0	80	52	
Lending	0	-1	-1	0	0	199	198	
<b>Total assets</b>	<b>-1 507</b>	<b>-36</b>	<b>-400</b>	<b>-687</b>	<b>-380</b>	<b>722</b>	<b>-2 288</b>	



**Note 16 Interest rate risk, contd.**

31.12.2011						Changes in cashflow	
NOK million	Up to 3 months	From 3 mnths. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	01.01.11-31.12.11	Total
<b>Liabilities</b>							
Deposit	0	0	0	0	0	-18	-18
Liabilities created on issue of securities	0	0	64	60	0	-256	-132
Liabilities to financial institutions	0	0	0	0	0	-63	-63
Financial derivatives classified as liabilities	0	8	64	133	0	-698	-494
Hybrid capital, subordinated loans	0	0	0	50	33	0	83
Lending and receivables - call money	0	0	0	0	0	-6	-6
<b>Total liabilities</b>	<b>0</b>	<b>8</b>	<b>128</b>	<b>243</b>	<b>33</b>	<b>-1 042</b>	<b>-630</b>
<b>Total</b>	<b>-1 507</b>	<b>-28</b>	<b>-272</b>	<b>-444</b>	<b>-347</b>	<b>-320</b>	<b>-2 918</b>

<sup>1</sup> Equity fund holdings covers that part of the fund that is not shares, but that comprises assets covered by interest rate risk; surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.

The note shows the effect on profits if market interest rates were to increase by one percent, for fair value risk and variable interest risk.

Change in fair value (fair value risk) is shown in the first five columns and is calculated by the change in fair value of interest-bearing instruments if interest rates had been one percent higher at the end of the period. The sixth column shows the change in cash flows if the interest had been one percent higher over the year being reported on. The sum of these results reflects the overall effect that the scenario had given the group during the period being reported on.

The fair value risk applies to fixed interest securities where the market value of the securities is affected by market interest rates. Floating rate risk applies to securities with floating interest rates, where a change in market interest rates affects the cash-flow from the interest bearing securities.

The following securities are included in the note; securities measured at fair value through profit or loss (floating and fixed interest rates), investments held to maturity (only those with floating interest rates) and loans and receivables (only those with floating interest rates). The group has no securities classified as available for sale.

The Groups total interest rate risk is limited as a significant portion of the investments are bonds with fixed interest rates that are classified as held to maturity and loans and receivables, or fixed rate lending, measured at amortized cost. A change in market interest rate does not affect profit or loss for these assets.



## Note 17 Liquidity risk

The table below specify the company's financial obligations ranked by maturity. The amounts given are non-discounted contractual flows of cash.

30.06.2012 NOK million	Within 1 mnth	1-12 mnth.	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	161	3 441	0	0	3 602
Perpetual hybrid Tier 1 securities	0	65	173	216	1 608	2 063
Debt to and deposits from customers	2 324	0	0	0	0	2 324
Covered bonds issued	0	3 925	17 164	871	0	21 961
Receivables from credit institutions	1 171	2 531	676	0	0	4 378
Financial derivatives	206	113	280	181	-57	723
Accounts payable	562	0	0	0	0	562
Contingent liabilities	4 346	0	0	0	0	4 346
<b>Total</b>	<b>8 609</b>	<b>6 795</b>	<b>21 734</b>	<b>1 268</b>	<b>1 551</b>	<b>39 958</b>

31.12.2011 NOK million	Within 1 mnth	1-12 mnth.	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	151	2 930	766	0	3 848
Perpetual hybrid Tier 1 securities	0	43	174	217	1 699	2 134
Debt to and deposits from customers	1 840	0	0	0	0	1 840
Covered bonds issued	0	6 564	16 528	855		23 948
Receivables from credit institutions	0	1 398	0	0	0	1 398
Financial derivatives	393	160	185	175	-125	788
Accounts payable	1 046	0	0	0	0	1 046
Contingent liabilities	4 753	0	0	0	0	4 753
<b>Total</b>	<b>8 033</b>	<b>8 318</b>	<b>19 817</b>	<b>2 013</b>	<b>1 574</b>	<b>39 756</b>

The risk that the Group would not have adequate liquidity to meet its current liabilities and current operations is very small since a major part of the Group's assets is liquid. The Group has significant funds invested in the money market, bonds and shares that can be sold in the event of a liquidity requirement. The Group's liquidity strategy involves the Group always having adequate liquid assets to meet the Group's liabilities as they fall due without accruing significant costs associated with releasing assets.

Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning manages the Group's liquidity. Internal parameters have been established for the size of the liquidity holding. The Group's risk management unit monitors and reports developments in the liquidity holding continuously. The Group Board determines an asset management and liquidity strategy annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

The table above shows financial liabilities the Group has grouped by interest payments and repayment of principal, based on the date payment is due. Banking contains the largest proportion of the financial liabilities in the Group.



# Non-financial accounts interim report Q2 2012

Notes	As at Q2 2012	As at Q1 2012	Target 2012	2011	2010	2009	
<b>Environment</b>							
1	Energy consumption kWh own office Oslo	1 913 273	997 235	3 314 954	3 489 425	5 367 259	NA
1	Energy consumption kWh own offices Trondheim	94 120	51 631	188 254	165 135	357 159	NA
1	Energy consumption kwh own office Bergen	130 446	81 072	437 492	460 518	541 337	NA

Notes	As at Q2 2012	As at Q1 2012	Target 2012	2011	2010	2009	
<b>Employees</b>							
	Number of employees	802	796	NA	775	762	742
	Percentage reported sickness absence 12 months rolling	4.2	4.6	less than 4	4.6	4.4	4.2
	Percentage reported sickness absence quarter	4.5	5.3		4.6		

Notes	As at Q2 2012	As at Q1 2012	Target 2012	2011	2010	2009	
<b>Responsible investments</b>							
	Number of exclusions of companies from the investment portfolio	63	64	NA	64	59	47
	Number of companies reinstated in the investment portfolio	1	0	NA	1	3	10
2	Number of general meetings in Norwegian companies in which KLP has voted	92 % (84)	92 % (11)	90 %	130	127	123
2	Number of general meetings in foreign companies in which KLP has voted	77 % (1 421)	55 % (211)	70 %	1 662	1 533	1 558
	Number of companies KLP has been in dialogue with	135	106	116	96		

## Note 1 Energy consumption

Target is set at 5 per cent reduction in tonnes CO<sub>2</sub>/employee.

1 kWh approximates to NOK 1 and 100g CO<sub>2</sub> equivalents at 'Nordic mix'.

Figures for 2009 are not available.

Energy consumption related to common areas in Trondheim is estimated due to missing reporting from the supplier.

Figures relating to energy consumption in Bergen for Q1 have been adjusted due to misreporting in Q1.

## Note 2 Responsible investing

The indicator shows both percentage and actual number of general meetings.



## Accounts after the second quarter Kommunal Landspensjonskasse

Notes	Income statement NOK million	Q2 2012	Q2 2011	01.01.12 - 30.06.12	01.01.11 - 30.06.11	Year 2011
1,8	Premium income	9 001	3 334	15 159	6 649	21 752
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	552	644	1 120	1 027	1 696
	Interest income/dividends on financial assets	1 555	2 372	3 685	5 164	8 790
	Value changes on investments	-161	-1 094	3 054	-2 779	-2 728
	Gains and losses realised on investments	-979	422	-405	1 705	-337
	<b>Net income from investments in the common portfolio</b>	<b>967</b>	<b>2 344</b>	<b>7 453</b>	<b>5 117</b>	<b>7 420</b>
	Net income of the investment option portfolio	0	11	48	24	30
	Other insurance-related income	160	166	322	331	660
	Claims	-2 611	-2 358	-5 394	-4 991	-10 033
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-7 032	-1 437	-15 382	-2 694	-16 618
	Changes in insurance liabilities investment option portfolio	-43	-52	-45	-46	-45
	Funds assigned to insurance contracts - contractual liabilities	-39	-1 623	-1 340	-3 640	-1 451
3	Insurance-related operating expenses	-174	-171	-384	-343	-788
	Other insurance-related costs	-159	-165	-321	-329	-656
	<b>Technical profit/loss</b>	<b>69</b>	<b>49</b>	<b>116</b>	<b>79</b>	<b>271</b>
	Net income from investments in the corporate portfolio	190	237	425	479	639
	Other income	3	4	6	7	10
	Administration costs and other costs associated with the corporate portfolio	-54	-51	-103	-104	-215
	<b>Non-technical profit/loss</b>	<b>138</b>	<b>189</b>	<b>327</b>	<b>383</b>	<b>434</b>
	Profit/loss pre-tax	207	239	442	461	705
	Tax	0	0	0	0	0
	<b>Profit/loss before other comprehensive income</b>	<b>207</b>	<b>239</b>	<b>442</b>	<b>461</b>	<b>705</b>
	Other comprehensive income	0	0	0	0	0
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>207</b>	<b>239</b>	<b>442</b>	<b>461</b>	<b>705</b>



## Accounts after the second quarter Kommunal Landspensjonskasse

Notes	Balance NOK million	30.06. 2012	30.06. 2011	31.12. 2011
<b>ASSETS</b>				
<b>ASSETS IN THE CORPORATE PORTFOLIO</b>				
	Intangible assets	298	319	293
5	Investments	16 893	16 344	16 468
	Receivables	7 054	1 032	964
	Other assets	445	634	350
	<b>Total assets in the corporate portfolio</b>	<b>24 689</b>	<b>18 329</b>	<b>18 075</b>
<b>ASSETS IN THE CUSTOMER PORTFOLIOS</b>				
	Shares and holdings in property subsidiaries	29 383	26 571	27 816
6	Receivables from and securities issued by subsidiaries, associated enterprises and jointly controlled enterprises	704	4 000	4 306
5	Financial assets valued at amortised cost	110 163	103 499	104 059
5	Financial assets valued at fair value	114 333	102 693	106 085
	<b>Total assets in the common portfolios</b>	<b>254 584</b>	<b>236 763</b>	<b>242 267</b>
	Shares and holdings in property subsidiaries	180	167	170
5	Financial assets at amortised costs	551	518	538
5	Financial assets at fair value	732	768	696
	<b>Total assets in investment portfolio</b>	<b>1 463</b>	<b>1 453</b>	<b>1 404</b>
	<b>ASSETS</b>	<b>280 736</b>	<b>256 545</b>	<b>261 746</b>
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Owners' equity contributed	6 221	5 624	6 217
	Retained earnings	6 166	5 568	5 723
	Subordinated loan capital etc.	4 166	3 854	4 288
4	Insurance obligations in life insurance - contractual liabilities	258 734	232 578	242 045
	Insurance liabilities unit-linked portfolio	1 471	1 404	1 394
	Provision for liabilities	362	340	362
	Liabilities	3 561	7 134	1 662
	Accrued costs and prepaid income	55	43	54
	<b>OWNERS' EQUITY AND LIABILITIES</b>	<b>280 736</b>	<b>256 545</b>	<b>261 746</b>
<b>Off-balance sheet items</b>				
	Contingent liabilities	4 244	3 309	4 510





## Accounts after the second quarter Kommunal Landspensjonskasse

Changes in Owner's equity NOK million	Paid-up equity	Retained earnings	Total equity
<b>2012</b>			
Own funds 01.01.2012	6 217	5 723	11 941
Total other comprehensive income	0	442	442
<b>Total comprehensive income</b>	<b>0</b>	<b>442</b>	<b>442</b>
<b>Transaction with owners</b>			
Equity paid-in	7	0	7
Equity reimbursed	-4	0	-4
<b>Sum transaction with owners</b>	<b>4</b>	<b>0</b>	<b>4</b>
<b>Own funds 30.06.2012</b>	<b>6 221</b>	<b>6 166</b>	<b>12 387</b>

NOK million	Paid-up equity	Retained earnings	Total equity
<b>2011</b>			
Own funds 01.01.2011	5 628	5 107	10 735
Total other comprehensive income	0	461	461
<b>Total comprehensive income</b>	<b>0</b>	<b>461</b>	<b>461</b>
<b>Transaction with owners</b>			
Equity paid-in	3	0	3
Equity reimbursed	-7	0	-7
<b>Sum transaction with owners</b>	<b>-3</b>	<b>0</b>	<b>-3</b>
<b>Own funds 30.06.2011</b>	<b>5 624</b>	<b>5 568</b>	<b>11 193</b>

Cash flow analysis NOK million	01.01.12 -30.06.12	01.01.12 -31.03.12	01.01.11 -31.12.11	01.01.11 -30.09.11	01.01.11 -30.06.11
Net cashflow from operational activities	130	40	-673	-578	157
Net cashflow from investment activities	-36	-18	-88	-65	-47
Net cashflow from financing activities	4	-3	589	596	0
<b>Net changes in cash and bank deposits</b>	<b>98</b>	<b>19</b>	<b>-172</b>	<b>-47</b>	<b>110</b>
Holdings of cash and bank deposits at start of period	288	288	460	460	460
<b>Holdings of cash and bank deposits at end of period</b>	<b>385</b>	<b>307</b>	<b>288</b>	<b>413</b>	<b>569</b>



## Note 1 Accounting principles and estimates

The financial statements in this interim report show the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January 2012 - 30 June 2012. The accounts have not been audited. The interim financial statements do not contain all the information required of full annual financial statements.

It is recommended that this interim report be read in conjunction with the annual report for 2011. This may be obtained on application to the Company's registered office, Dronning Eufemias gate 10, Oslo, or at [www.klp.no](http://www.klp.no).

Similarly to the annual financial statements 2011, the interim financial statements have been submitted in accordance with Regulation 1241 of 16 December 1998: Regulations on annual accounts etc. for insurance companies (the Annual Accounts Regulations).

### Premium income for own account/change in technical provisions

Salary changes and change to the National Insurance basic amount (G) for members of KLP's defined benefits pension schemes affect the insurance liabilities and this is financed by a discrete indexation premium paid by the employer. Previously the effect of these provisions and the premium income were recognised on invoicing of the discrete indexation premium.

From the start of 2012 indexation premiums linked to salary and G-indexation are being estimated and taken to income on the date the liability increase is registered. Until the indexation premium supplement is invoiced the accrued liability resulting from registered salary adjustments will appear as premiums receivable or, alternatively, as current liabilities to policyholders if the supplement has been prepaid.

Similarly, the factors mentioned above result in an increase in changes taken through profit or loss in insurance liabilities - contractual obligations by corresponding amounts from the same date. The net effect on income and owners' equity will thus be nil.

Net effect of the estimate change is increased premium income and increased liabilities of NOK 5 838 million in Q2 2012 against Q2 2011.

## Note 2 Value-adjustment investment property

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 30 June 2012.

NOK million	Q2 2012	Q2 2011	01.01.12- 30.06.12	01.01.11- 30.06.11	Year 2011
Value adjustment incl. foreign exchange	139	276	160	419	472
Foreign exchange effect on hedging	10	123	206	95	12
<b>Net value adjustment incl. exchange hedging</b>	<b>149</b>	<b>399</b>	<b>366</b>	<b>514</b>	<b>484</b>

## Note 3 Operating expenses

NOK million	Q2 2012	Q2 2011	01.01.12- 30.06.12	01.01.11- 30.06.11	Year 2011
Staff costs	86	79	203	176	419
Depreciation	17	16	34	32	101
Other operating expenses	71	76	147	135	268
<b>Insurance related expenses</b>	<b>174</b>	<b>171</b>	<b>384</b>	<b>343</b>	<b>788</b>

## Note 4 Insurance obligations

NOK million	30.06. 2012	30.06. 2011	31.12. 2011
Premium reserve	234 561	209 313	221 983
Premium fund(s)	2 708	3 582	1 350
Supplementary reserve	12 263	10 090	12 234
Securities adjustment fund	7 828	5 886	4 958
Other provisions	61	70	69
Non-allocated profit/loss to insurance contracts in the common portfolio	1 312	3 636	
Allocated profit/loss to insurance contracts in the common portfolio			1 451
<b>Insurance-related provisions - obligations under contract</b>	<b>258 734</b>	<b>232 578</b>	<b>242 045</b>
Premium reserve	1 319	1 268	1 275
Premium fund(s)	41	39	35
Supplementary reserve	83	94	85
Non-allocated profit/loss to insurance contracts in the investment option portfolio	28	4	
Allocated profit/loss to insurance contracts in the investment option portfolio			0
<b>Total insurance liabilities - investment option portfolio</b>	<b>1 471</b>	<b>1 404</b>	<b>1 394</b>

## Note 5 Financial assets

NOK million	30.06. 2012	30.06. 2011	31.12. 2011
<b>Financial assets corporate portfolio</b>			
Investments held to maturity	3 175	3 376	3 225
Bonds loans and receivables	3 965	3 496	3 860
Lending	0	0	0
<b>Total financial assets valued at amortised cost</b>	<b>7 140</b>	<b>6 872</b>	<b>7 085</b>
Shares and holdings	560	1 312	968
Bonds and other fixed-return securities	3 535	1 985	3 114
Lending and receivables	943	502	723
Financial derivatives	275	-32	252
Other financial assets	1	1 190	10
<b>Total financial assets valued at fair value</b>	<b>5 313</b>	<b>4 957</b>	<b>5 067</b>
<b>Total financial assets corporate portfolio</b>	<b>12 453</b>	<b>11 829</b>	<b>12 152</b>
Real-estate investments	943	978	941
Affiliated companies	3 497	3 537	3 375
<b>Total investments in the common portfolio</b>	<b>16 893</b>	<b>16 344</b>	<b>16 468</b>
<b>Financial assets common portfolio</b>			
Investments held to maturity	36 635	37 651	37 013
Bonds loans and receivables	44 382	37 386	41 942
Lending	29 146	28 462	25 104
<b>Total financial assets valued at amortised cost</b>	<b>110 163</b>	<b>103 499</b>	<b>104 059</b>

## Note 5 Financial assets, contd.

NOK million	30.06. 2012	30.06. 2011	31.12. 2011
Shares and holdings	37 088	34 202	34 562
Bonds and other fixed-return securities	66 173	49 015	58 654
Lending and receivables	9 821	16 296	12 228
Financial derivatives	660	761	571
Other financial assets	591	2 418	70
<b>Total financial assets valued at fair value</b>	<b>114 333</b>	<b>102 693</b>	<b>106 085</b>
<b>Total financial assets common portfolio</b>	<b>224 496</b>	<b>206 192</b>	<b>210 145</b>
<b>Financial assets investment choice portfolio</b>			
Investments held to maturity	197	196	189
Bonds loans and receivables	354	322	349
Lending	0	0	0
<b>Total financial assets valued at amortised cost</b>	<b>551</b>	<b>518</b>	<b>538</b>
Shares and holdings	295	301	267
Bonds and other fixed-return securities	416	400	409
Lending and receivables	20	67	16
Financial derivatives	1	2	1
Other financial assets	1	-2	2
<b>Financial assets valued at fair value</b>	<b>732</b>	<b>768</b>	<b>696</b>
<b>Total financial assets investment choice portfolio</b>	<b>1 283</b>	<b>1 286</b>	<b>1 234</b>
<b>Total financial assets</b>	<b>242 672</b>	<b>227 822</b>	<b>227 847</b>

## Note 6 Transactions with related parties

KLP has as at 30.06.2012 granted KLP Banken an outstanding loan of MNOK 200 and a notes issue of MNOK 500. The loans were made at market rate (NIBOR + margin). The notes fall due on 2nd August 2012.

## Note 7 Events after the balance sheet date

During the second quarter, owners equity contributions of NOK 638 million were called, with payments due in the third quarter. Owners equity contributions are brought to book on receipt, so called owners equity contributions have no accounting effect on the financial statement following the second quarter. At the end of July NOK 626 million of the called owners equity contribution is paid.

## Note 8 Premium income

NOK million	Q2 2012	Q2 2011	01.01.12- 30.06.12	01.01.11- 30.06.11	Year 2011
Gross premiums due <sup>1</sup>	9 135	3 335	13 612	6 589	21 644
- Reinsurance premiums ceded	-2	-2	-3	-3	-3
Transfer of premium reserved from others	-133	0	1 550	63	112
<b>Total premium income</b>	<b>9 001</b>	<b>3 334</b>	<b>15 159</b>	<b>6 649</b>	<b>21 752</b>

<sup>1</sup> For more information regarding the increase in premiums due, see note 1.





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