Interim report 3/2008

Report from the board of directors - Account & balance - Notes

for the days to come

Interim report **third quarter 2008**

KLP maintains its solidity in a difficult financial market

- Strong solvency: Capital adequacy 12.6 per cent - core capital adequacy 9.2 per cent - solvency margin adequacy 213 per cent
- Book and value-adjusted returns were both - 1.3 per cent in the third quarter and reached 0.4 per cent and - 3.2 per cent respectively so far this year
- Positive management and risk results
- KLP is well-positioned for good returns when the financial markets stabilise

Developments during the quarter

The financial markets continued to be marked by disquiet, uncertainty and falls in value through the third quarter of 2008. A conducive factor to the market deterioration towards the end of the third quarter was the well-known American investment bank Lehman Brothers, rated A by Standard & Poor's, filing for bankruptcy protection on the 14 September. This triggered a renewed loss of confidence that led even to solvent banks having problems refinancing themselves in the market. Even though the authorities and central banks have subsequently taken multiple and appropriate steps to restore stability and confidence in the financial markets, major uncertainty continues.

KLP has solid financial reserves, good risk control and strong discipline in reducing risk in difficult markets.

Prudent investment strategy means the company remains very secure even in the current situation.

Solvency and results

At the end of the third quarter KLP shows a deficit of NOK 2 819 million in accounting terms in accordance with the applicable accounting principles. This is due to the fact that supplementary reserves may be used only in allocations at the end of the accounting year and cannot therefore be used to cover guaranteed interest in the course of the year. Buffer capital in excess of the minimum requirement for capital adequacy amounts to NOK 6 874 million for the rest of 2008. In 2009 KLP will also be able to use supplementary reserves of NOK 2 311 million (representing supplementary reserves in excess of guaranteed interest during 2008).

Were the accounts as at 30 September presented as annual accounts, the interest deficit would have been covered by the supplementary reserves and the accounts would have shown a book surplus of NOK 581 million.

KLP's obligations to pay future pensions are calculated on the basis of a guaranteed return on the investment of insurance funds of 3.2 per cent (guaranteed rate). If the return one year does not amount to 3.2 per cent the difference must be covered in the first instance by using supplementary reserves which are established precisely for this purpose.

KLP has built up its insurance fund on the basis of lower guaranteed interest than its main competitors, which is a strength for the company.

Accounting principles

No significant changes in accounting principles have been implemented in relation to what has been reported in previous quarterly reports.

KLP has not reconsidered classification of bonds between the short and long-term portfolios.

Results

The corporate portfolio

Ordinary income and expenses charged to the corporate portfolio produced a provisional surplus of NOK 252 million at the end of the third quarter.

As the interest deficit at the end of the third quarter cannot be covered by supplementary reserves in the interim accounts, corporate capital is charged with an interest deficit of NOK 3 400 million, which in accounting terms produces a loss of NOK 3 148 million for the company.

The common portfolio
The book profit for customers was NOK 330 million.

Total premium income (not including premium reserves received in connection with transfers in) was NOK 18 941 million at the end of the third quarter (15 673 million).

Seen in isolation the premium income in the third quarter amounted to NOK 11 518 million (10 747 million).

Both the management result and the risk result were again positive in the third quarter by NOK 52 million and NOK 119 million respectively. So far this year the management profit is NOK 96 million and the risk profit is NOK 294 million.

Operating expenses over the quarter were NOK 165 million (156 million) and so far this year NOK 447 million (445 million). This confirms that KLP is maintaining its cost-effective operation.

Provisional results allocation as at 30.09

Provisional results allocation as at 30.09 NOK millions	Customers	Company	Total
Interest profit	0	-3 400	-3 400
Risk profits	302	-8	294
Administration profits		96	96
Interest guarantee premium		117	117
Net income corporate portfolio		75	75
Return on corporate portfolio allocated to customers	28	-28	0
Total profits	**330**	**-3 148**	**-2 818**
Covered by supplementary allocations		3 400	3 400
Results under presumption of use of supplementary allocations	330	252	581

Financial solidity and capital-related matters

KLP's total assets amounted to NOK 201.8 billion at the end of the quarter (196.7 billion).

Capital adequacy as at 30 September 2008 was very satisfactory at 12.6 per cent (11.8 per cent). The authorities' minimum capital adequacy requirement is 8.0 per cent. In September, owners' equity was increased by NOK 347 million in connection with an ordinary call on owners' equity.

At the end of the third quarter the company's buffer capital for the rest of the year was NOK 6 874 million.

Total solvency capital (including discounts in the long-term portfolio) was NOK 14 443 million at the end of the third quarter. This represents 8.1 per cent of interest-guaranteed insurance obligations.

Discounts in the long-term bonds portfolio amounted to NOK 1 511 million. There were no net unrealised capital gains (securities adjustment fund) at the end of the quarter.

Supplementary reserves in the accounts amounted to NOK 7 661 million. When NOK 3 400 million is deducted to cover the guaranteed interest as at 30 September supplementary reserves of NOK 4 261 remain, of which supplementary reserves in excess of the year's interest requirement amount to NOK 2 311 million.

Asset management

Return on capital All figures as a %	Q3	Year to date
Common portfolio		
Return on capital I - booked	-1.5	0.4
Return on capital II - value-adjusted	-1.4	-3.6
Return on capital III - value-adjusted incl. changes in the value of long-term bonds	-0.6	-3.8
Corporate portfolio	0.3	1.9
Total assets		
Return on capital I - booked	-1.3	0.4
Return on capital II - value-adjusted	-1.3	-3.2
Return on capital III - value-adjusted incl. changes in the value of long-term bonds	-0.6	-3.6

Investments in the common portfolio

Investments in the common portfolio - distribution of assets All figures as a %	30.09.2008
Short-term shares 1)	16,3
Short-term bonds	20,4
Liquidity/money market	5,9
Long-term bonds/hold to maturity	36,0
Lendings	9,8
Property	11,6
Total	**100,0**

1) Equity exposure, including derivatives: 7.2 per cent

Shares
The negative trend in the stock markets accelerated in September with strong falls in values both in Norway and internationally.

KLP's Norwegian share index has fallen 35 per cent over the year, whilst KLP's world index, which is currency-hedged against Norwegian kroner and SRI-adjusted, has fallen 22 per cent.

The management of the shares in KLP's group portfolio so far this year has produced a negative return of 21.8 per cent.

Equity exposure in the group portfolio, including share derivatives, amounted to 7.2 per cent at the end of the quarter. Since the end of the quarter it has been further reduced.

Interest-bearing investments

Short-term bonds in the group portfolio showed a return of -1.3 per cent during the quarter. So far this year the portfolio has produced a return of -1.4 per cent. KLP's portfolio of short-term bonds comprises bonds with good ratings. The market value of these bonds was negatively influenced during the quarter by the failing confidence in banks and financial institutions. As currently valued these bonds will give very good regular returns in the future.

Liquidity/money market instruments in the group portfolio produced returns of 1.2 per cent, and so far this year the return is 3.5 per cent. The portfolio of long-term bonds produced a return of 4.2 per cent.

During the quarter a loss of NOK 6.9 million in Lehman Brothers shares has been taken to expenses, together with a write-down of NOK 162.5 million on direct exposure in bonds. In addition there was an indirect exposure through international funds resulting in a value reduction of a similar magnitude.

Lending

During the disquiet in the financial markets lending has stood out as a stable and appropriate asset class. During the quarter and since the end of the quarter KLP has increased its lending portfolio both in housing mortgages and in particular in municipal lending. During a period when it has been difficult for Norwegian municipalities to gain access to credit KLP has expanded its total municipal lending by NOK 5 billion through reallocation of investment assets. This reflects KLP's wish to contribute to a healthy and functional credit market for Norwegian municipalities at the same time as this represents investments of excellent quality.

So far this year lending has produced a return of 4.4 per cent.

Property

During the third quarter, developments in KLP's property investments have also been affected by circumstances that in turn affect the valuation of the various properties. During the third quarter KLP wrote down the value of the property stock in the group portfolio by NOK 239.7 million. So far this year the total write-down amounts to NOK 941 million.

Some of the property stock in the corporate portfolio has been revalued as a result of leases having been renegotiated. This amounts to a net revaluation in the corporate portfolio of NOK 247.4 million. Taking into account previous write-downs this produces a revaluation of NOK 210 million over the year.

In total KLP's property stock has been written down by NOK 742 million during 2008. During the first nine months of the year the total property portfolio in the Group provided a return of 0.7 per cent.

Other activities

Non-life insurance

The result for the first nine months of the year was NOK -13.1 million after the company brought to book a loss of NOK 12.0 million connected with the investment activities (-0.3 per cent return). Notwithstanding major fire claims in both the first and the third quarters the results from the insurance operation are good. Total accrued premium volume amounted to NOK 400 million, up NOK 11 million compared to the same period last year.

The launch of insurance aimed at the personal market is going according to plan. The reception in the selected customer segments has been good but experience indicates that growth will be moderate during the first period.

Despite the negative result the capital situation is good with capital adequacy of 29.2 per cent.

Fund management/asset management

Net new subscriptions to KLP's securities fund from customers outside the Group amount to NOK 3.1 billion so far this year, of which NOK 1 billion was in the third quarter. The total net new subscription for all Norwegian fund manage companies is NOK 4.7 billion so far this year, so KLP's securities fund is increasing its market share.

There is still great interest in the index-linked unit trust fund products, the global credit fund and our Norwegian fixed-interest funds. As a result of the credit crunch in September and October we have experienced extraordinary transaction volumes from our unit holders in our securities funds.

Social responsibility

The collaborative investor initiative, Sustainable Value Creation (Bærekraftig verdiskaping), a KLP initiative, was received positively on its launch in August. Twelve of Norway's largest institutional investors are collaborating to influence companies towards sustainable value creation. In concrete terms the project has initiated a survey of a responsible and sustainable business operation that is being conducted amongst all the OBX-listed companies on the Oslo Stock Exchange.

In February this year KLP rendered its report in relation to the UN's Principles for Responsible Investment on its compliance with the six principles. In August this year KLP received its results which show that KLP is amongst the leaders on all six principles.

Future prospects

The stock markets have continued to fall during the fourth quarter. As a consequence KLP has further reduced its risk exposure. KLP now has a very low equity exposure and a correspondingly large proportion of investments in long-term interest-bearing securities with a high regular return that will provide stable and good income for the future.

KLP makes a call for equity every year. According to established practice, an amount at least equvivalent to the call, has been allocated to the client's premium funds. Even assuming continuing weak financial markets through the remainder of the year, this prctice will be maintained.

Oslo, 12th november 2008

The Board of Directors of Kommunal Landspensjonskasse

Accounts Kommunal Landspensjonskasse after the third quarter 2008

Profit and loss account
NOK million

Note		Q3 2008	30.09. 2008
2	Premium income	13 401	19 004
4	Net income from investments in the common portfolio	-2 549	-6 591
	Income from investments in subsidiaries, associated and jointly controlled undertakings	15	-208
	Interest and dividends, financial assets	1 175	5 040
	Net operating income - property	0	0
	Value adjustments on investments	-3 542	-12 090
	Realised gains and losses on investments	-197	666
	Other insurance related income	162	430
	Claims	-1 917	-8 050
2	Adjustments to insurance liabilities, contractual liabilities, brought to income statement	-12 457	-6 797
	Assets associated with insurance contracts, contractual liabilities	398	-330
3,6	Insurance related operating expenses	-159	-441
	Other insurance related expenses	-183	-447
	Profit from technical accounts	**-3 304**	**-3 223**
4,9	Net income from investments in the corporate portfolio	28	218
	Other income	7	5
6	Management expenses and other expenses in connection with the corporate portfolio	-54	-149
	Profit from non-technical accounts	**-18**	**75**
	Profit before tax expense	-3 322	-3 148
	Profit before other profit components	**-3 322**	**-3 148**
	Other profit components	0	0
7	**TOTAL PROFITS**	**-3 322**	**-3 148**

Accounts Kommunal Landspensjonskasse after the third quarter 2008

Note	Balance NOK million	30.09.2008
	ASSETS	
	ASSETS IN THE CORPORATE PORTFOLIO	
	Intangible assets	192
4,9	Investments	12 388
	Receivables	11 045
	Other assets	195
	Pre-paid costs and earned, not yet received income	105
	Total assets in the corporate portfolio	**23 924**
	ASSETS IN THE CUSTOMER PORTFOLIOS	
	Investments in the common portfolio	
4	Shares and ownership interests in real estate subsidiary	18 517
	Receiveables from and securities issued by subsidiaries, associated companies and joint venture companies	56
	Financial assets calculated at amortised cost	79 654
	Financial assets calculated at fair value	79 693
	Total assets in the customer portfolios	**177 920**
	TOTAL ASSETS	**201 844**
	OWNERS' EQUITY AND LIABILITIES	
7	Paid-up equity I	4 549
7	Retained earnings	-38
	Risk equalisation fund	258
	Other retained earnings	2 848
	Non-allocated profit	-3 145
	Subordinated loan capital etc.	3 818
2	Insurance obligations in life insurance - contractual obligations	186 935
	Provision for obligations	353
	Obligations	6 154
	Costs accrued, and received not earned income	74
	TOTAL EQUITY AND LIABILITIES	**201 844**

Note 1 Accounting principles

The accounts in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) and the Group for the period 01.01.2008 - 30.09.2008. The accounts have not been audited. The interim accounts do not contain all the information required of full annual accounts. These notes have been prepared for KLP's accounts whilst the notes to the Group accounts follow further on in the report.

Similarly to the annual accounts 2007, the interim accounts have been submitted in accordance with Regulation 1241 of 16 December 1998: Regulations on annual accounts etc. for insurance companies (the Annual Accounts Regulations). With effect from 1 January 2008 the Annual Accounts Regulations were changed as a result of changes to insurance legislation and harmonisation with international EU-approved accounting standards (IFRS/IAS).

The changes to the accounts resulting from the amended accounting regulations were reported in the interim report following the first quarter. A change in principle was introduced in the second quarter. It is therefore recommended that this interim report be read in conjunction with the interim reports for the first and second quarters 2008, as well as the annual accounts for 2007.
These may be obtained on application to the company's head office, Karl Johans gate 41b, Oslo, or at www.klp.no.

Note 2 Period-specific matters

Indexation premium

The increase in insurance obligations resulting from annual adjustment of the National Insurance basic sum (G) and pay settlements for occupationally active members is financed through a discrete indexation premium. This discrete premium and the increase in insurance obligations are brought to account simultaneously once the effect is known, normally during the second half of the year. Thus indexation premium of NOK 10,488 million had been taken to income by the end of the third quarter. In the profit and loss account the income is included in the item Premium income and the increase in the insurance obligations is shown in the item Adjustments to insurance obligations, contractual liabilities, brought to income statement. On the balance sheet the increased insurance obligations are included in the item Insurance obligations in life insurance - contractual obligations.

Note 3 Pension, own employees

No new estimate of pension obligations in regard to own employees has been carried out as at 30.09.2008. The pension cost for the period therefore corresponds to pension premiums paid in and current pension payments disbursed during the period, NOK 30.2 million. This cost is included in the profit and loss account item Insurance related operating expenses.

Note 4 Investment property owned directly or indirectly via property company

The portfolio of investment properties including investment properties owned through subsidiaries has been valued as at 30 September 2008. The valuation involved a write-down of the properties of NOK 403.9 million during the third quarter as a result of increased return requirements and reduced rental levels.

KLP has previously set property values by reducing the estimated property value by the stamp duty (transfer tax). The valuation as at 30.09.2008 has been based on discounting the effect of the stamp duty in relation to the expected date of sale. This substantially reduces the value of the stamp duty and has involved an upward adjustment of the properties by NOK 418.4 million.

In total this has involved a net write-up by NOK 14.5 million combined in the group and corporate portfolios during the third quarter 2008. So far this year the properties have been written down by NOK 723.7 million. The changes in value of property are included in the profit and loss items Net income from investments in the group portfolio and Net income from investments in the corporate portfolio and in the balance sheet items Investments and Shares and holdings in property subsidiaries according to whether they come from property subsidiaries or from directly owned properties.

Note 5 Segment information

The Company's business segments have been defined in relation to business areas where risk and returns are differentiated from each other. The Company operates within the three segments life insurance, non-life insurance and asset management. Other business has not been specified.

NOK millions	Life-insurance	Non-life-insurance	Asset-management	Other	Eliminated	Total
Profit/loss	-3 158.3	-13.1	52.5	-2.6	-26.5	-3 148.0

Note 6 Operating expenses

NOK millions	Q3 2008	30.09.2008
Staff expenses	93	224
Depreciation	10	28
Other operating expenses	52	189
Insurance related expenses	155	441
Other operating expenses	2	6
Total operating expenses	**157**	**447**

The item Insurance-related operating expenses has been specified in its entirety. Other operating expenses are included in the item Management costs and other costs associated with the corporate portfolio.

Note 7 Changes in owners' equity KLP

NOK millions	Paid-up equity	Fund for revaluation	Reinsur-ance provisions	Other equity	Total equity
Owners' equity at 31.12.2006	**3 720**	**0**	**0**	**2 115**	**5 835**
Equity contribution paid in	521	0	0	0	521
Repaid equity contribution	-22	0	0	0	-22
Added from the profit for the period	0	0	0	267	267
Owners' equity as at 31.12.2007	**4 219**	**0**	**0**	**2 382**	**6 601**
Re-alloc. of contingency fund to risk equalization fund	0	0	262	0	262
Unrealised gains on financial assets corp. capital	0	0	0	381	381
Reclassified premium fund group life	0	0	0	86	86
Equity contribution paid in	395	0	0	0	395
Repaid equity contribution	-65	0	0	0	-65
Allocated from the profit for the period	0	0	0	-3 145	-3 148
Owners' equity as at 30.09.2008	**4 549**	**0**	**0**	**-296**	**4 511**

Total Result	**-3 148**
Of which interest result clients	-3 400
Of which corporate result	252

The interest deficit as at 30.09 has been charged to the corporate equity since it is not possible to use supplementary reserves in the interim accounts. According to the rules for annual accounts the whole amount could have been covered by supplementary reserves since the interest deficit does not exceed accrued guaranteed interest.

Note 8 Capital adequacy

The company's capital adequacy is as follows:	30.09.2008
Capital adequacy	12.6 %

Note 9 Write-down in the long-term bonds portfolio

A write-down of NOK 162.5 million has been carried out in the portfolio of long-term bonds in the third quarter 2008 as a result of the issuer's proven payment problems. This amount has been taken into account in the balance sheet item Investments and in the profit and loss account in the item Net income from investments in the corporate portfolio.

Group accounts after the third quarter 2008

	Profit and loss accounts NOK millions	Q3 2008	01.01.08-30.09.08	Q3 2007	01.01.07-30.09.07
2	Premiums for own account	13 416	19 516	10 877	16 284
	Current return on financial investments	1 180	5 485	2 578	6 667
7	Net gain on financial investments	-3 481	-11 464	-799	2 344
6	Net income from investment properties	-10	-183	-10	354
	Net profit from investments in associated companies	36	53	7	21
	Other income	203	533	292	863
	Total income	**11 345**	**13 941**	**12 945**	**26 533**
	Claims/indemnities for own account	-1 951	-8 484	-1 952	-6 235
	Change in provisions for the non-life business	6	-5	-9	4
2	Change in technical provisions for the life business	-12 460	-6 840	-8 971	-13 524
	Net costs subordinated loans and perpetual subordinated loans	-318	-412	-44	-150
	Operating expenses	-174	-520	-204	-584
5	Other expenses	-214	-531	-148	-488
	Total expenses	**-15 110**	**-16 791**	**-11 328**	**-20 977**
	Operating profits	**-3 765**	**-2 850**	**1 617**	**5 556**
	To/from supplementary allocations in life business	3 405	3 405	0	0
	Non-allocated funds to life insurance customers	-402	-330	-1 560	-5 401
	Group pre-tax profits	**-762**	**225**	**57**	**155**

Group accounts after the third quarter 2008

Balance

Note	NOK million	30.09.2008	31.12.2007
	ASSETS		
	Intangible assets	270	208
	Tangible fixed assets	1 761	737
	Investments in associated companies	355	270
6	Investment properties	19 267	17 865
7	Debt instruments held to maturity	34 878	31 657
	Debt instruments at fair value in the profit and loss account	45 074	44 457
	Equity instruments at fair value in the profit and loss account	28 768	45 537
	Financial derivatives	1 431	977
	Loans and receivables for investment purposes	61 605	54 327
	Other loans and receivables, incl. on insurance customers	11 630	689
	Assets in unit-linked life insurance	5	2
	Cash and bank deposits	466	1 069
	Total assets	**205 509**	**197 795**
	OWNERS' EQUITY AND LIABILITIES		
3	Equity paid in	4 549	4 220
3	Retained earnings	3 707	3 225
3	**Total equity**	**8 256**	**7 445**
	Perpetual subordinated loan(s)	726	577
	Subordinated loan capital	3 092	2 937
2	Technical provisions, life insurance	183 840	182 577
	Provisions , unit-linked life insurance	5	2
	Provisions for premiums, claims and contingency fund, non-life insurance	2 297	2 050
	Pension obligations	463	463
	Financial derivatives	2 423	486
	Other short-term liabilities	4 407	1 258
	Total owners' equity and liabilities	**205 509**	**197 795**
	OFF-BALANCE SHEET ITEMS		
	Possible obligations	2	2

Note 1 Accounting principles

The accounts in this interim report show the group accounts for Kommunal Landspensjonskasse (KLP) and its subsidiaries. The interim accounts are for the period from 1 January 2008 up to and including 30 September 2008 and have not been audited.

The interim accounts for the Group are according to international EU-approved accounting standards (IAS/IFRS). The interim accounts do not contain all the information required of full annual accounts and this quarterly report should be read in conjunction with the annual accounts for 2007 and the reports for the first and second quarters of 2008, which can be obtained on application from KLP's head office in Karl Johans gate 41b, Oslo, or at www.klp.no.

Note 2 Period-specific matters

Indexation premium

The increase in insurance obligations resulting from annual adjustment of the National Insurance basic sum (G) and pay settlements for occupationally active members is financed through a discrete premium. This discrete premium and the increase in insurance obligations are brought to account simultaneously once the effect is known, normally during the second half of the year. Thus indexation premium of NOK 10 488 million had been taken to income at the end of the third quarter. In the profit and loss account the income is included in the item Premium income for own account and the increase in the insurance obligations is included in the item Changes in insurance provisions related to the life business. On the balance sheet the increased insurance obligations are included in the item Insurance provisions in life insurance.

Note 3 Equity reconciliation

NOK millions	Equity paid in	Other equity	Fund for revaluation	Mics. provisions for fund(s)	Total equity 30.09.08	Total equity 30.09.07
Equity 01.01	4 220	2 857	88	280	7 445	6 096
Net change opening balance	-	(66)	-	-	(66)	-
Net movement paid-in equity	329	-	-	-	329	500
Revaluation of properties used by Group	-	-	(7)	-	(7)	51
Premium fund	-	(86)	-	86	-	-
Risk equalization fund	-	-	-	260	260	-
Provision for natural catastrophes	-	-	-	9	9	-
Provision for administration costs	-	-	-	13	13	-
Changes in allocation to guarantee scheme, non-life	-	-	-	1	1	-
Minimum requirement for reinsurance, non-life	-	-	-	1	1	-
Currency conversion foreign subsidiary	-	-	-	-	47	6
Profit for the period	-	-	-	-	225	155
Other changes	-	-	-	-	(2)	0
Equity CB (closing balance)	**4 549**	**2 974**	**81**	**651**	**8 225**	**6 807**

Note 4 Segment information - result according to IFRS by business area

NOK millions	01.01. - 30.09.08	01.01. - 30.09.07	01.01. - 31.12.07
Life insurance before allocation of profit	272	2 263	3 955
Profits to customers (provisional distribution during interim periods)	-330	-2 281	-3 607
Profit to owner(s) (provisional distribution during interim periods)	**-58**	**-18**	**348**
Non-life insurance	-13	46	52
Asset management	52	39	47
Other business	-3	7	12

Total profits will not tally with Group profits since profits from subsidiaries have been booked acording to the equity method of accounting and consequently they have been included in the parent company's profit.

Note 5 Operating expenses

NOK millions	01.01 - 30.09.08	01.01. - 30.09.07	01.01. - 31.12.07
By type:			
Personnelcosts	334	308	362
Depreciation	28	28	40
Other operating expenses	158	248	438
Total operating expenses	**520**	**584**	**840**
By function:			
Insurance-related administrations costs	385	245	419
Other costs/expenses	135	339	421
Total operating expenses	**520**	**584**	**840**

Note 6 Properties for investment

The portfolio of investment properties was valued as at 30 September. The valuation involved writing down the properties by NOK 414 million in the third quarter as a result of increased return requirements and reduced rental levels.

Previously KLP has determined property values by reducing the calculated property value by the stamp duty. As at 30.09.2008 it was determined that the effect of the stamp duty be disounted as at the time fo sale. This greatly reduced the value of the stamp to an upward adjustment of the properties of NOK 422 million.

Alltogether this has led to NOK 8 million in net revaluation for the Group in the third quarter 2008. So far this year the properties have been written down by NOK 742 million. The changes in the value of property are included in the profit and loss item *Net income from investment property* and in the balance sheet item *Investment property*.

Note 7 Write-downs in the long-term bonds portfolio

The portfolio of long-term bonds was written down by 162.5 million in the third quarter of 2008 as a result of the issuer's settlement problems. The amount has been taken into account in the balance sheet item Debt instruments held to maturity and in the profit and loss account item Net gain from financial investments.

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