

# Interim report 3 / 2010

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



**klp**

for the days to come



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# Interim report second quarter 2010

## Very satisfactory returns for our pensions customers

### Key elements::

- Value-adjusted returns 2,9 prosent, 5,1 per cent so far this year
- Securities Adjustment Fund at NOK 4,9 billion at the end of the third quarter
- Other added value NOK 4.2 billion
- KLP's solvency and balance sheet structure is well matched to current and future solvency requirements

### Strong financial development

Positive developments in the financial markets contributed to strong financial results in the third quarter. The Group's operating profits were strengthened by NOK 5.0 billion during the quarter and amount to NOK 6.5 billion so far this year. Total assets increased by NOK 3.4 billion to NOK 267.3 billion as at 30.09.2010.

The Group's capital adequacy amounted to 11.6 per cent and core capital adequacy 8.9 per cent at the end of the quarter.

### Kommunal Landspensjonskasse (KLP)

KLP is a life insurance company with public sector occupational pensions as its main product. The Company is a mutual company in which the public sector occupational pensions customers are also owners of the Company. KLP is the parent company in the KLP Group that delivers financial services aimed at the public sector and public sector employees.

### The result after the third quarter 2010

#### Returns

Over the third quarter the pension customers' assets have increased by a total of NOK 6.1 billion in returns, of which NOK 4.6 billion represents a surplus in excess of the guaranteed interest rate. The returns result taken to book so far this year thus amounts to NOK 3.4 billion after allocations to the Securities Adjustment Fund of NOK 2.5 million. Value-adjusted returns were 2.9 per cent for the quarter, 5.1 per cent so far this year. Book returns were 1.7 per cent, 3.9 per cent so far this year. If added value in long-term bonds and fixed rate lending is included, the value-adjusted return was 3.0 per cent for the quarter, 6.0 per cent so far this year.

#### Risk result

There were no unexpected risk matters of significance in the Company's insurance portfolio during the third quarter. The risk result

in group pension was NOK 44 million for the quarter, NOK 89 million so far this year. Up to half of the positive risk result may be allocated to the Risk Equalisation Fund whilst the remainder is returned to the pension customers through the Premium Fund.

#### Administration result

The Company's administration result shows a surplus of NOK 19 million in the third quarter. So far this year the administration result amounts to NOK 79 million. This is NOK 51 million lower than the corresponding result last year as a result of KLP having reduced the expenses premiums in 2010 so that the Company's cost effective operation benefits the pension customers directly.

#### Other result elements

Net income from investments in the corporate portfolio was NOK 193 million in the quarter, NOK 511 million so far this year.

KLP has dynamic risk management so the interest guarantee premium can be kept at a low-level. Income taken to book from the interest guarantee premium was NOK 47 million for the quarter, NOK 137 million so far this year.

The total profit for the Company was NOK 154 million for the quarter, NOK 412 million so far this year.

Profits NOK million	Customers	The Company	Total
Interest result	3 371		3 371
Risik result	89	-28	61
Administration profit/loss		79	79
Interest guarantee premium		137	137
Net income corporate portfolio		359	359
Return on the corporate portfolio credited to customers	136	-136	-
Result Q3 2010	3 595	412	4 007
Result Q3 2009	6 135	523	6 658
Result 2009	6 635	738	7 374

1) Provisional allocation to customers.

Up to half of the positive risk result can be allocated the Risk Equalisation Fund



Key figures - the common portfolio <i>Per cent</i>	Q3 2010	Q3 2009	Year 2009
Return on capital I	3.9	5.5	6.4
Return on capital II	5.1	5.8	7.7
Return on capital III	6.0	5.8	7.6
Capital adequacy	12.3	12.3	12.6
Solvency margin ratio	216	182	222
Insurance-related operating expenses as a percentage of average customer funds)	0.32	0.33	0.33

## Financial strength and capital-related matters

At the end of the third quarter total assets in KLP were NOK 238.6 (215.8 ) billion. Total assets in the Group were NOK 267.3 billion (254.4).

KLP capital adequacy at the end of the third quarter was 12.3 per cent and core capital adequacy was 9.4 per cent.

Solvency margin adequacy continues at a very strong level of 216 per cent (182 per cent).

At the end of the quarter KLP had total solvency capital of NOK 34.6 billion, representing 16.8 per cent of the insurance funds with interest guarantees. Solvency capital was increased by NOK 5.6 billion during the quarter.

The Company's solvency is assessed as good in relation to the risk profile and the authorities' requirements.

## New solvency requirements

New solvency requirements for insurance companies are being introduced from 2013: Solvency II. The new requirements mean the introduction of measurement of companies' total risk exposure (insurance risk, market risk, counter-party risk and operational risk) against the company's total solvency capital. In preparation for the introduction of new solvency requirements, the Financial Supervisory Authority of Norway introduced a new supervisory methodology and new stress tests in 2008 to measure solvency based on Solvency II.

KLP sets great store in a good process leading to the introduction of the new solvency rules. KLP is a company with long experience of risk management and monitoring and over several years the Company has given priority to building up buffer capital. KLP is now carrying out a quantitative study (Quantitative Impact Study 5 - QIS5) on the impact of the standard method in the new rules on the Company's capital requirement. KLP has participated in several quantitative studies previously. Both these and the Norwegian FSA's stress tests

1) Figures in brackets give the corresponding value as at the third quarter in 2009

indicate that KLP is well adapted to meeting the capital requirements in Solvency II.

## Premium income

Premium income was NOK 10 976 million for the quarter, an increase of NOK 1 283 million compared to the third quarter of 2009. The premium figures include discrete indexation premium resulting from increased pension obligations following the annual pay settlement and new National Insurance basic sum ("G"). Discrete indexation premium of NOK 7 870 (6 633) million is included in the third quarter figures.

## Claims

Pensions and other claims paid during the third quarter amounted to NOK 2 290 (2 149) million.

## Management of the Group portfolio

The assets in the common portfolio totalled NOK 214.7 (194.3) billion and as at 30 September were invested as follows:

Assets <i>Per cent</i>	Portion 30.09. 2010	Return as at Q3 2010	Return as at Q3 2009	Portion 31.12. 2009
Shares	15.1	3.6	26.5	12.3
Short-term bonds	23.5	8.0	9.6	21.7
Long-term/HTM bonds	33.2	3.9	4.0	34.6
Lending	15.1	2.7	3.2	13.8
Property	11.7	9.3	1.2	10.9
Other financial assets	1.4	2.0	2.8	6.7

## Equities

Total exposure in shares including share derivatives amounted to 15.1 per cent.

Seen in isolation the third quarter provided very good equity returns. The fall in value during the second quarter was recouped and the equity portfolio has contributed a positive return so far this year.

## Short-term bonds

Short-term bonds and money market instruments amounted to 23.5 per cent of the assets in the common portfolio as at 30 September.

The return on Norwegian and global government bonds has been good so far during 2010. The Norwegian government bond index produced a somewhat lower return over the third quarter than in the two previous quarters, whereas the global government bond index has produced a good return throughout all three quarters.



The international corporate bonds index that KLP follows, which comprises bonds rated BBB or higher, produced a very good return over the third quarter. This results from falling global interest rates. On the other hand credit premiums have shown a modest rise over the first nine months of the year. This has had a negative impact on the prices.

### Bonds held-to-maturity

Investment in bonds held to maturity amounted to 33.2 per cent of the common portfolio as at 30 September 2010. The portfolio is well diversified and comprises securities issued by highly credit-worthy institutions.

## Properties

Property investments amounted to 11.7 per cent of the common portfolio as at 30 September 2010. KLP carries out a thorough valuation of its property stock each quarter. Up to now during 2010 the markets have recouped to a certain extent the drop in value over 2008 and 2009. This has produced a write-up of property values in the common portfolio during the third quarter 2010 of NOK 665 million (including currency and funds) and in total NOK 1273 million so far this year (including currency and funds). Value-adjusted return in the third quarter was 3.6 per cent in the common portfolio and 9.3 per cent so far this year (including property funds).

KLP bought Schweigaards gate 17 in August. Skatt Øst hires the whole building.

## Lending

KLP's lending portfolio was NOK 32.3 billion, an increase of NOK 3.9 billion since the start of the year. The portfolio was divided into NOK 24.3 billion in lending to local authorities and other employers, and NOK 8.0 billion in mortgage-secured housing loans. The lending portfolio is characterised by high quality, with no losses on municipal loans and very modest loss provisions on housing loans.

Surplus values not brought to book was NOK 0.4 billion 30 September.

## Return on the corporate portfolio

The corporate portfolio covers investment of owners' equity and borrowed Tier 1 and Tier 2 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 1.4 per cent during the third quarter and 3.8 per cent so far in 2010.

## Product and market matters

Only one of KLP's municipal customers has put its pension scheme out to tender this year, whereas nine of the competitors' customers have put their schemes out to tender. This shows that KLP is a competitive provider of public sector occupational pensions. KLP's good customer relationships are also confirmed by customer satisfaction measurements in which the Company has achieved strong results.

KLP is working with determination to maintain a high level of service and has set ambitious targets for timely accuracy in case processing. It is pleasing to note that target achievement in these areas is very good.

## The business areas of the subsidiaries

### Private occupational pensions

Through KLP Bedriftspensjon AS, KLP offers defined benefit and defined contribution pensions to businesses not covered by a pay agreement on public sector occupational pensions.

KLP Bedriftspensjon has been in business for three years and is now seeing strong growth in the number of new customers, the majority in the market for defined contribution pensions.

KLP Bedriftspensjon achieved a value-adjusted return of 3.2 per cent on the common portfolio during the third quarter and 5.6 per cent so far this year.

Customers with defined contribution pensions can choose between several standard saving profiles with different risks, defined through varying proportions of the assets invested in equities. The actual defined contribution pensions profiles achieved the following returns during the third quarter:

Profile return	P90	P70	P50	P30
Q3	9.6 %	6.6 %	6.4 %	4.9 %
Year to date	2.4 %	3.7 %	5.0 %	5.8 %
Return 2009	36.8 %	30.7 %	23.7 %	17.7 %

As a result of good returns in the common portfolio the returns result increased by NOK 6.5 million during the third quarter to



NOK 8.6 million so far this year. The company's administration result continues to be impacted by low volume in relation to the level of investment in systems and other costs. The administration result for the third quarter was NOK -6.4 million and NOK -17.5 million so far this year.

The risk result amounted to NOK 0.2 million during the third quarter, NOK 3.4 million so far this year.

In the course of the quarter the company was strengthened through a capital expansion of NOK 25 million.

## Non-life insurance

KLP Skadeforsikring AS is a significant provider of non-life insurance to municipalities and county authorities. In addition the company has a growing number of customers within local government enterprises and companies in associated sectors.

Notwithstanding strong competition net new sales are showing positive development in both the personal market and the employers segments.

In the third quarter 2010 KLP Skadeforsikring AS recorded a profit of NOK 48 million, NOK 60 million so far this year.

The financial return for the period was satisfactory with a total return of 2.5 per cent, 5.2 per cent so far in 2010.

During 2010 the insurance business has been characterised by a greater number of major claims than normal, impacting profits.

The company has maintained a good capital base with satisfactory buffers against further negative claims development and, as at 30 September 2010, had capital adequacy of 27.1 per cent against the authorities' minimum of 8 per cent.

## KLP Kapitalforvaltning and KLP Fondsforvaltning

KLP Kapitalforvaltning ASA and KLP Fondsforvaltning AS comprise the KLP Group's securities management operation. In total at the end of the third quarter 2010 NOK 182.4 billion was under management in the securities funds and discretionary portfolios. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and its subsidiaries in the KLP Group.

Assets managed on behalf of external investors amounted to NOK 12.8 billion at the end of the third quarter. Net new subscription

to KLP's securities funds from customers external to the Group amounted to NOK 963 million as at the third quarter 2010.

Increased management volume and cost-effective operation helped KLP Fondsforvaltning to reduce the fund charges of two actively managed securities funds towards the end of the quarter. In this way KLP Fondsforvaltning is providing external investors with the opportunity to benefit from the KLP Group's professional securities management at very competitive prices.

The companies' total profits amounted to NOK 7.3 million after the third quarter.

## KLP Banken

KLP Banken's results bear witness to it's still being in its start-up phase in which costs accrue associated with the start-up of the business. The KLP Banken Group shows a loss of NOK 8.0 million so far this year, the third quarter producing a deficit of NOK 3.1 million. Solvency in the banking group is good with capital adequacy of 17.6 per cent against the authorities' requirement of 8.0 per cent.

KLP Banken manages, on its own behalf and on behalf of KLP a public lending portfolio of NOK 50.5 billion as well as a home mortgage portfolio of NOK 8.8 million.

KLP Kommunekreditt AS, which is the banking group's special enterprise issuing covered bonds secured in public sector loans, has issued bonds for NOK 6.5 billion during the third quarter. KLP Banken has received the issuer rating A- from Fitch Ratings, while KLP Kommunekreditt's covered bond has received the best rating, AAA from Fitch Ratings and Aaa from Moody's Investor Service.

The good rating achieved enables KLP Kommunekreditt to obtain long-term finance at favourable market terms.

## Group activities

### Social responsibility

KLP was one of the principal sponsors of the conference at Sauda, in Rogaland Norway, on Fairtrade and Ethical Trading held during the third quarter. KLP has also awarded the prize "Not at any price" to Helse Sør-Øst RHF (the South Eastern Norway Regional Health Authority). This prize is awarded to a person or an organisation in the public sector that has worked in a special way to promote ethical aspects of procurement.





## Rating

Several companies in the Group have received ratings in connection with the establishment of KLP Kommunekreditt's lending program for covered bonds. In addition to its Standard & Poor's rating, the financial strength of the parent company, Kommunal Landspensjonskasse, is now rated by Fitch Ratings (A+) and Moody's Investor Service (A2).

## Future prospects

The volatility there has been in the financial markets throughout the first three quarters of the year underlines the importance of strong solvency and good risk management. In addition it is expected that the new solvency regulations, Solvency II, will contribute to stronger solvency requirements. KLP will therefore continue to emphasise the maintenance of strong solvency

to meet market challenges in the short term and regulatory changes in the future.

The general interest rate level is currently at a low level compared to the estimated interest rate KLP has guaranteed its insurance customers. KLP has invested its assets in such a way that the company is well prepared for a scenario in which interest rates remain low in the immediate years. KLP considers it important to maintain good solvency in order to be able to place funds in assets expected to have high returns.

KLP has worked with determination over time on campaigns to make KLP and the Group's product spectrum better known in the market. Measurements indicate that this effort has been successful, contributing to enabling continued growth.

Oslo, 27th October 2010

The Board of Directors of Kommunal Landspensjonskasse

Arne Øren  
Chair

Finn Jebsen  
Deputy chair

Gunn Marit Helgesen

Ann Inger Døhl

Herlof Nilssen

Jan Helge Gulbrandsen

Siv Holland  
Employee representative

Freddy Larsen  
Employee representative



## Group accounts after the third quarter 2010

Notes	Income statement Group NOK million	Q3 2010	Q3 2009	01.01.10 -30.09.10	01.01.09 -30.09.09	2009
	Premium income for own account	10 993	9 730	17 529	16 342	19 404
	Current return on financial investments	2 513	2 126	6 152	5 952	8 254
	Net gain on financial investments	2 777	2 870	2 763	4 374	5 813
5	Net income from investment properties	1 052	78	2 241	275	315
	Net profit from investments in associated companies	0	23	0	102	102
	Other income	200	145	576	554	760
	<b>Total income</b>	<b>17 536</b>	<b>14 974</b>	<b>29 261</b>	<b>27 600</b>	<b>34 649</b>
	Claims for own account	-2 289	-2 157	-8 397	-8 325	-10 365
	Change in provisions for the non-life business	-29	-8	-7	-27	-51
	Change in technical provisions for the life business	-9 924	-9 311	-12 903	-11 934	-13 364
	Net costs subordinated loans and perpetual subordinated loans	38	213	-313	500	579
4	Operating expenses	-236	-192	-689	-670	-958
	Other expenses	-143	-164	-488	-496	-679
	<b>Total expenses</b>	<b>-12 582</b>	<b>-11 618</b>	<b>-22 797</b>	<b>-20 951</b>	<b>-24 838</b>
	<b>Operating result</b>	<b>4 954</b>	<b>3 356</b>	<b>6 464</b>	<b>6 649</b>	<b>9 810</b>
	To/from valuation reserves in life insurance	-2 614	0	-2 491	0	-2 387
	To/from supplementary provisions in life insurance	0	0	0	0	-4 214
	Assets allocated to life insurance customers	-2 115	-3 255	-3 605	-6 135	-2 427
	To/from other reserves	0	0	0	0	-7
3	<b>Consolidated group profit before tax</b>	<b>225</b>	<b>101</b>	<b>368</b>	<b>514</b>	<b>776</b>
	<b>Result</b>	<b>225</b>	<b>101</b>	<b>368</b>	<b>514</b>	<b>776</b>
	Revaluation own properties	1	0	26	-7	-32
	Currency effects foreign affiliates	-72	84	18	14	-5
	<b>Total other comprehensive income</b>	<b>-71</b>	<b>84</b>	<b>44</b>	<b>7</b>	<b>-37</b>
	<b>Total comprehensive income</b>	<b>154</b>	<b>185</b>	<b>412</b>	<b>521</b>	<b>738</b>





## Group accounts after the third quarter 2010

Notes	Balance sheet NOK million	30.09. 2010	30.09. 2009	31.12. 2009
<b>ASSETS</b>				
	Intangible assets	421	344	380
	Tangible fixed assets	988	476	450
	Investments in associated companies	3	3	3
5	Investment property	25 621	22 486	23 089
9	Debt instruments held to maturity	46 773	40 303	44 275
9	Debt instruments at fair value in profit/loss account	32 389	34 429	34 040
8,9	Lending to municipalities, companies and private individuals at fair value over P/L	19 024	25 800	30 192
9	Lending to municipalities, companies and private individuals	38 105	43 761	31 209
8,9	Debt instruments at fair value over P/L	64 729	54 508	66 384
8	Equity instruments at fair value over P/L	26 898	22 026	24 232
8,9	Financial derivatives	1 083	1 319	886
	Other loans and receivables incl. receivables from policyholders	9 022	7 581	1 280
8,9	Assets in life insurance with investment choice	104	13	17
	Cash and bank deposits	2 157	1 322	2 113
	<b>Total assets</b>	<b>267 318</b>	<b>254 370</b>	<b>258 549</b>
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Paid-up equity	5 626	4 639	5 107
	Retained earnings	5 026	4 382	4 614
	<b>Total equity</b>	<b>10 652</b>	<b>9 021</b>	<b>9 721</b>
6	Perpetual subordinated loan	1 001	866	806
6	Subordinated loan capital	3 121	3 234	3 175
6	Debt to credit institutions	17 270	34 571	30 241
6	Covered bonds issued	6 495	0	2 510
6	Debt to and deposits from customers	656	0	36
7	Provisions, unit-linked life insurance	222 528	200 635	204 858
	Provisions in life insurance with investment options	104	13	17
	Provisions for premiums, claims and contingency fund, non life insurance	2 611	2 349	2 245
	Pension liabilities	522	481	514
	Financial derivatives	741	1 023	1 038
	Other current liabilities	1 616	2 177	3 389
	<b>Total owners' equity an liabilities</b>	<b>267 318</b>	<b>254 370</b>	<b>258 549</b>
<b>OFF BALANCE SHEET ITEMS</b>				
	Contingent liabilities	2 879	1 943	2 624



## Group accounts after the third quarter 2010

Cashflow - Group NOK million	01.01.10 -30.09.10	01.01.10 -30.06.10	01.01.10 -31.03.10	01.01.09 -31.12.09	01.01.09 -30.09.09
Net cashflow from operational activities	12 663	11 669	1 511	41 350	8 003
Net cashflow from investment activities	-6 478	-4 231	103	-15 157	-8 123
Net cashflow from financing activities	-6 141	-7 027	-1 121	-25 330	192
<b>Net changes in cash and bank deposits</b>	<b>44</b>	<b>412</b>	<b>492</b>	<b>863</b>	<b>72</b>
Holdings of cash and bank deposits at start of period	2 113	2 113	2 113	1 250	1 250
<b>Holdings of cash and bank deposits at end of period</b>	<b>2 157</b>	<b>2 525</b>	<b>2 606</b>	<b>2 113</b>	<b>1 322</b>



## Group accounts after the third quarter 2010

### Changes in Owner's equity

2010 NOK million	Paid-up equity	Retained earnings	Total equity
<b>Equity 01.01.2010</b>	5 107	4 614	9 721
Result for the period	0	368	368
<b>Other comprehensive income</b>			
Revaluation of properties for own use	0	26	26
Currency effect foreign affiliates	0	18	18
<b>Total other comprehensive income</b>	<b>0</b>	<b>44</b>	<b>44</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>412</b>	<b>412</b>
<b>Transactions with owners</b>			
Equity paid-in	553	0	553
Equity reimbursed	-34	0	-34
<b>Total transactions with owners</b>	<b>519</b>	<b>0</b>	<b>519</b>
<b>Equity 30.09.2010</b>	<b>5 626</b>	<b>5 026</b>	<b>10 652</b>

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



## Note 1 Accounting principles

The accounts in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) and the Group for the period 01.01.2010 - 30.09.2010. The accounts have not been audited.

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

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

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

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

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

## Note 2 Key figures - accumulated

NOK million	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
<b>KLP Group</b>								
Profit before tax	368	143	102	776	676	412	158	348
Total assets	267 318	263 880	258 128	258 549	254 370	243 995	204 146	205 264
Owners' equity	10 632	9 958	9 829	9 721	9 021	8 716	8 485	8 429
Capital adequacy	11.6 %	11.6 %	n/a	12.0 %	n/a	11.7 %	n/a	13,5 %
Number of employees in the Group	763	755	745	741	720	706	692	683
<b>Kommunal Landspensjonskasse</b>								
Profit before tax	412	258	134	738	523	336	-781	397
Premium income for own account	16 960	5 984	2 956	18 868	15 841	6 148	3 074	22 082
- of which inflow of premium reserve	49	20	17	285	297	262	209	89
Insurance customers' funds incl. acc. profit	7 881	5 589	3 415	9 979	7 936	5 787	3 854	10 099
- of which funds with guaranteed returns	1 389	1 387	1 328	2 069	2 069	1 961	1 937	2 796
Net investment common portfolio	214 704	208 638	208 273	204 237	193 820	189 628	183 526	183 521
Net investment chose portfolio	267	254	248	239	236	219	211	n/a
Insurance funds incl. earnings for the year	222 120	208 740	208 239	204 486	200 277	189 394	184 342	184 103
- of which funds with guaranteed interest	203 870	196 573	194 476	193 641	189 262	182 298	180 093	180 076
Tier 1 and Tier 2 capital	13 201	12 705	12 595	12 606	11 489	11 470	11 526	11 652
Risk profit	61	45	20	274	112	83	41	366
Return profits	3 371	1 360	996	6 126	5 874	2 701	-874	-3 705
Administration profit	79	60	36	161	130	85	23	98
Solvency capital	34 583	28 940	29 533	25 329	25 113	20 923	16 797	17 882
Solvency margin ratio	216 %	219 %	220 %	222 %	182 %	188 %	191 %	196 %
Capital adequacy	12.3 %	12.2 %	12.7 %	12.6 %	12.3 %	12.6 %	14.1 %	14.6 %
Core capital ratio	9.4 %	9.2 %	9.7 %	9.6 %	9.1 %	9.3 %	10.4 %	10.7 %
Book return on common portfolio	3.9 %	2.2 %	1.2 %	6.4 %	5.5 %	3.0 %	0.3 %	1.0 %
Value-adjusted return on common portfolio	5.1 %	2.1 %	2.2 %	7.7 %	5.8 %	3.0 %	0.3 %	-3.0 %
Return on unit-linked portfolio	5.3 %	1.7 %	2.6 %	9.2 %	6.8 %	3.5 %	0.1 %	n/a
Return on corporate portfolio	3.8 %	2.4 %	1.1 %	6.7 %	4.3 %	2.8 %	0.6 %	4,0 %



NOK million	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
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### KLP Skadeforsikring AS

Profit before tax	60	12	36	217	179	95	17	35
Gross premium due	574	521	362	609	547	482	408	574
Premium income for own account	400	265	131	569	421	292	142	526
Owners' equity	454	424	446	430	493	437	386	382
Claims ratio	94.2 %	108.0 %	106.9 %	66.5 %	67.7 %	70.1 %	67.2 %	70.6 %
Combined-ratio	123.1 %	134.9 %	134.3 %	95.5 %	95.4 %	96.5 %	97.8 %	97.3 %
Return on assets under management	5.2 %	2.7 %	2.5 %	8.3 %	6.4 %	3.6 %	0.7 %	0.5 %
Capital adequacy	27.1 %	29.8 %	29.9 %	33.6 %	29.1 %	30.5 %	33.0 %	39.3 %
Tier 1 and Tier 2 capital	381	387	383	387	341	346	344	345
Annual premium volume per person	51	33	15	39	23	14	6	11
Annual premium volume employer	524	488	347	570	524	468	401	562
Net new subscriptions (accumulated within the year)	51	40	12	52	63	34	22	30

### KLP Bedriftspensjon AS

Loss before tax	-12.1	-7.1	-3.1	-13.5	-5.8	-4.8	-2.6	-9.5
Premium income for own account	113.1	93.1	80.1	51.6	41.0	33.5	14.7	60.1
- of which premium reserve added	77.0	73.0	68.0	26.6	23.7	22.7	8.8	36.5
Insurance customers' funds including accumulated profit	512.8	485.6	486.8	389.3	371.2	361.7	338.0	318.9
- of which funds with guaranteed returns	392.1	389.7	380.5	358.6	345.9	345.2	330.7	312.6
Investment result	9.5	2.5	4.7	11.6	7.4	4.8	0.4	6.8
Risk result	3.4	3.2	1.2	1.2	3.8	2.7	1.3	4.3
Administration losses	-17.5	-11.1	-5.3	-18.3	-11.9	-8.6	-3.9	-10.4
Tier 1 and Tier 2 capital	51.5	24.9	29.3	32.5	39.6	40.7	42.8	26.2
Solvency capital	95.7	63.3	72.9	68.1	73.8	69.4	64.7	42.5
Capital adequacy	23.1 %	11.9 %	14.2 %	18.9 %	25.1 %	28.5 %	33.1 %	21.7 %
Book capital return on common portfolio	5.1 %	3.1 %	2.0 %	7.1 %	4.7 %	3.2 %	1.0 %	1.1 %
Value-adjusted capital return on common portfolio	5.6 %	2.4 %	2.5 %	8.3 %	5.9 %	3.5 %	1.0 %	-2.3 %
Return on defined unit-linked contribution pensions	4.4 %	-2.0 %	2.9 %	23.3 %	17.7 %	8.3 %	-2.1 %	-21.4 %
Return on corporate portfolio	4.6 %	2.4 %	1.4 %	8.4 %	7.4 %	4.5 %	1.0 %	-0.8 %



NOK million	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
<b>KLP Banken Group</b>								
Profit/loss before tax	-8.0	-4.9	-19.8	6.1	4.0	7.1	n/a	n/a
Net interest income	25.6	10.3	5.8	144.4	120.9	72.2	n/a	n/a
Other operating income	35.8	20.7	10.1	17.9	10.2	2.6	n/a	n/a
Operating expenses and depreciation	-79.8	-53.1	-28.8	-76.6	-36.9	-13.8	n/a	n/a
Net realized/unrealized changes in financial instruments to fair value	10.5	17.2	-7.0	-79.6	-90.2	-53.8	n/a	n/a
Contributions	656.2	539.7	359.2	35.6	-	-	n/a	n/a
Housing mortgages granted	797.9	345.1	49.1	-	-	-	n/a	n/a
Loan(s) with public guarantee(s)	27 231	27 254	32 424	33 158	34 442	34 337	n/a	n/a
Defaulted loans	-	-	-	-	-	-	n/a	n/a
Borrowing on the issuance of securities	6 487	3 000	3 000	3 000	-	-	n/a	n/a
Other borrowing	19 782	24 076	29 229	30 241	34 571	34 428	n/a	n/a
Total assets	28 310	29 005	33 968	34 666	36 003	35 946	n/a	n/a
Average total assets	31 488	31 835	34 317	17 334	18 009	17 980	n/a	n/a
Owners' equity	1 187	1 190	1 175	1 195	1 193	1 195	n/a	n/a
Net interest rate	0.08 %	0.03 %	0.02 %	0.83 %	0.67 %	0.40 %	n/a	n/a
Profit/loss from general operations before tax	-0.03 %	-0.02 %	-0.06 %	0.04 %	0.02 %	0.04 %	n/a	n/a
Profit/loss from general operations excl. fair value assessments before tax	-0.06 %	-0.07 %	-0.04 %	0.49 %	0.52 %	0.34 %	n/a	n/a
Return on owners' equity before tax	-0.67 %	-0.41 %	-1.69 %	0.51 %	0.34 %	0.60 %	n/a	n/a
Capital adequacy	17.6 %	17.9 %	16.2 %	16.0 %	n/a	n/a	n/a	n/a
Number of personal customers	6 099	4 512	2 767	411	44	-	n/a	n/a
Of which members in KLP	3 728	2 819	1 833	408	44	-	n/a	n/a

**KLP Kapitalforvaltning and KLP Fondsforvaltning AS**

Profit/loss before tax	7.3	0.3	-12.9	11.5	9.3	-2.0	-2.7	63.4
Total assets under management	182 354	176 410	180 459	174 826	166 187	160 932	157 034	155 305
Assets managed for external customers	12 771	11 969	12 461	11 378	10 777	9 202	7 364	7 560

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

Time series result - by quarter

NOK million	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
Total income	12 807	5 657	8 140	7 049	14 974	8 532	4 094	5 661
Total expenses	-12 582	-5 615	-8 038	-6 786	-14 873	-8 278	-3 936	-5 538
Consolidated group profit before tax	225	41	102	263	101	254	158	123
Results by segment								
Life insurance	174	36	98	236	6	164	144	76
Non-life	47	-24	36	38	83	79	17	35
Banking	-3	15	-20	-14	2	11	0	0
Asset management	6	14	-13	2	11	0	-2	12
Other business	0	1	0	1	-1	1	-1	1
Consolidated group profit before tax	225	41	102	263	101	254	158	123



## Note 4 Operating expenses

NOK million	01.01.10 -30.09.10	01.01.09 -30.09.09	01.01.09 -31.12.09
<b>By class:</b>			
Staff costs	385	352	536
Depreciation	50	37	50
Other operating costs	254	281	372
<b>Total operating expenses</b>	<b>689</b>	<b>670</b>	<b>958</b>

## Note 5 Investment property

Profit/loss NOK million	01.01.10 -30.09.10	01.01.09 -30.09.09	01.01.09 -31.12.09
Profit/loss property	923	821	800
Value adjustment	1 317	-547	-485
<b>Net income from investment properties</b>	<b>2 241</b>	<b>275</b>	<b>315</b>

Balance sheet NOK million	30.09.2010	30.09.2009	31.12.2009
Value: investment property - opening balance	23 089	20 383	20 383
Value adjustment	1 317	-547	-485
Other changes	1 215	2 650	3 191
<b>Value: investment property - closing balance</b>	<b>25 621</b>	<b>22 486</b>	<b>23 089</b>





## Note 6 Financial liabilities

NOK million	Ominal value in NOK	Currency	Interest rate	Due date	Book value 30.09.2010	Book value 30.09.2009	Book value 31.12.2009
<b>Subordinated loan capital and perpetual subordinated loans</b>							
<b>Perpetual subordinated loans</b>							
Kommunal Landspensjonskasse	2 372	EUR	Fixed	Perpetual	2 445	2 608	2 566
Kommunal Landspensjonskasse	554	JPY	Fixed	Perpetual	677	626	593
<b>Hybrid Tier 1 capital</b>							
Kommunal Landspensjonskasse	984	JPY	Fixed	2034	1 001	866	806
Total subordinated loan capital and perpetual subordinated loans	3 910				4 122	4 100	3 965
<b>Debt contracted by issuing securities</b>							
<b>Covered bonds <sup>1</sup></b>							
KLP Kommunekreditt	3 000	NOK	Floating	2011	3 000	0	2 510
KLP Kommunekreditt	3 500	NOK	Floating	2015	3 496		
Covered bonds	6 500				6 495	0	2 510
<b>Liabilities to credit institutions</b>							
KLP Kreditt	0	NOK		2009		4 321	
KLP Kreditt	4 294	NOK	Floating	2010	4 315	17 285	17 280
KLP Kreditt	12 882	NOK	Floating	2011	12 932	12 964	12 960
Value adjustment relating to bonds measured at real value		NOK			23		
Total liabilities to credit institutions	17 176				17 270	34 571	30 241
<b>Deposits from customers <sup>1</sup></b>							
Private	656	NOK			656	0	36
Total contributions from customers	656				656	0	36
<b>Total financial liabilities</b>	<b>28 242</b>				<b>28 544</b>	<b>38 670</b>	<b>36 751</b>

<sup>1</sup> Maturity for contributions is not contractual

## Note 7 Insurance-related provisions in life

NOK million	30.09. 2010	30.09. 2009	31.12. 2009
Premium reserve	204 347	189 352	191 419
Premium funds, buffer funds and pensioners' surplus funds	1 583	501	2 826
Supplementary reserves	8 113	3 960	8 163
Securities adjustment fund	4 878	624	2 387
Other provisions	112	75	81
Non-allocated profit/loss of insurance contracts in the common portfolio	3 599	6 136	0
<b>Insurance-related provisions in life insurance</b>	<b>222 632</b>	<b>200 648</b>	<b>204 875</b>



**Note 8 Fair value hierarchy**

NOK million

30.09.2010

**Assets****Debt instruments at fair value**

Level 1: Value based on prices in an active market	43 398
Level 2: Value based on observable market data	20 904
Level 3: Value based on other than observable market data	-
Accrued interest	427
<b>Total debt instruments at fair value</b>	<b>64 729</b>

**Equity capital instruments at fair value through profit/loss**

Level 1: Value based on prices in an active market	24 374
Level 2: Value based on observable market data	1 058
Level 3: Value based on other than observable market data	1 465
<b>Total equity capital instruments at fair value through profit/loss</b>	<b>26 897</b>

**Financial derivatives**

Level 1: Value based on prices in an active market	-
Level 2: Value based on observable market data	1 083
Level 3: Value based on other than observable market data	-
<b>Total financial derivatives</b>	<b>1 083</b>

**Assets in defined contribution-based life insurance**

Level 1: Value based on prices in an active market	103
Level 2: Value based on observable market data	-
Level 3: Value based on other than observable market data	-
<b>Total assets in defined contribution-based life insurance</b>	<b>103</b>

**Lending local government, enterprises & individual customers/fair value over profit/loss**

Level 1: Value based on prices in an active market	-
Level 2: Value based on observable market data	19 024
Level 3: Value based on other than observable market data	-
<b>Total loans to local government, enterprises &amp; individual customers/fair value over profit/loss</b>	<b>19 024</b>

**Total financial assets valued at fair value** **111 837**



**Note 8 Fair value hierarchy (cont'd.)**

NOK millions	30.09.2010
<b>Liabilities</b>	
<b>Financial derivatives</b>	
Level 1: Value based on prices in an active market	-
Level 2: Value based on observable market data	741
Level 3: Value based on other than observable market data	-
<b>Total financial derivatives</b>	<b>741</b>
<b>Debt to credit institutions and other debt</b>	
Level 1: Value based on prices in an active market	-
Level 2: Value based on observable market data	17 927
Level 3: Value based on other than observable market data	-
<b>Total debt to credit institutions and other debt</b>	<b>17 927</b>
<b>Total financial liabilities at fair value</b>	<b>18 668</b>
<b>Changes in Level 3</b>	
<b>Shares unlisted</b>	
Opening balance 30.06.2010	118
Sold:	-1
Bought:	1
Unrealised change	-2
Realised loss/gain:	1
<b>Closing balance 30.09.2010</b>	<b>116</b>
<b>Private Equity</b>	
Opening balance 30.06.2010	1 231
Sold:	-79
Bought:	243
Unrealised change	-46
Realised loss/gain:	22
<b>Closing balance 30.09.2010</b>	<b>1 349</b>

## Note 9 Credit risk

	AAA	AA	A	BBB	Unrated/ NIG	Total
<b>Debt instruments at fair value - bonds and other securities with fixed returns</b>						
Financial and credit enterprises	0	2 923	2 793	28	895	6 639
Public guarantee	576	0	0	0	776	1 352
Savings bank	0	0	734	0	6 171	6 905
Government and government guarantee within OECD	7 299	1 484	378	0	0	9 161
State enterprises and Covered Bonds	411	0	11	0	836	1 258
Other	0	0	125	105	2 438	2 668
<b>Total</b>	<b>8 287</b>	<b>4 407</b>	<b>4 041</b>	<b>133</b>	<b>11 117</b>	<b>27 984</b>
<b>Debt instruments at fair value - fixed interest fund units</b>						
Financial and credit enterprises	283	259	0	0	542	1 085
Government and government guarantee within OECD	0	0	0	0	107	107
Other	0	0	22 913	0	2 783	25 695
<b>Total</b>	<b>283</b>	<b>259</b>	<b>22 913</b>	<b>0</b>	<b>3 432</b>	<b>26 887</b>
<b>Debt instruments at fair value - loans and receivables</b>						
Denmark	0	0	-55	0	0	-55
France	0	151	0	0	0	151
Norway	0	381	760	0	4 964	6 105
Great Britain	0	73	5	0	0	78
Sweden	0	0	344	0	0	344
USA	0	2 629	606	0	0	3 236
<b>Total</b>	<b>0</b>	<b>3 234</b>	<b>1 660</b>	<b>0</b>	<b>4 964</b>	<b>9 858</b>
<b>Financial derivatives classified as assets</b>						
Denmark	0	0	280	0	0	280
Finland	0	185	0	0	0	185
Norway	0	95	9	0	0	105
Great Britain	0	14	58	0	0	72
Switzerland	0	0	150	0	0	150
Sweden	0	0	181	0	0	181
Germany	0	0	0	0	0	0
USA	0	0	111	0	0	111
Other	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>294</b>	<b>789</b>	<b>0</b>	<b>0</b>	<b>1 083</b>



**Note 9 Credit risk, cont'd.**

	AAA	AA	A	BBB	Unrated/ NIG	Total
<b>Debt instruments classified as loans and receivables - at amortised cost</b>						
Financial and credit enterprises	0	3 023	1 248	9	915	5 196
Government guarantee	1 236	0	0	0	52	1 288
Savings bank	0	0	48	0	791	839
Government and government guarantee within OECD	21 372	828	1 610	0	0	23 811
Public sector enterprises and Covered Bonds	3 750	0	507	0	1 995	6 252
Other	527	533	4 742	0	3 585	9 388
<b>Total</b>	<b>26 885</b>	<b>4 385</b>	<b>8 156</b>	<b>9</b>	<b>7 339</b>	<b>46 773</b>
<b>Debt instruments classified as loans and receivables - at amortised cost</b>						
Financial and credit enterprises	502	2 358	2 443	621	1 302	7 227
Government guarantee	988	31	0	0	682	1 701
Savings bank	0	0	644	0	268	912
Government and government guarantee within OECD	14 149	0	2 024	0	0	16 172
Public sector enterprises and Covered Bonds	533	0	579	0	0	1 112
Other	0	254	1 665	353	2 992	5 265
<b>Total</b>	<b>16 171</b>	<b>2 643</b>	<b>7 355</b>	<b>975</b>	<b>5 244</b>	<b>32 389</b>
<b>Assets in defined contribution life insurance</b>						
Fixed income fund	0	0	0	0	53	53
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>53</b>
<b>Total securities</b>	<b>51 626</b>	<b>15 222</b>	<b>44 914</b>	<b>1 117</b>	<b>32 149</b>	<b>145 027</b>

NOK million	0 %	20 %	35 %	100 %	Total	
<b>Lending local government, enterprises &amp; pers. customers <sup>1</sup></b>						
Public sector		23	44 063	24	2 366	46 476
Credit institutions		0	1 821	0	0	1 821
Private individuals		0	0	8 832	0	8 832
<b>Total lending</b>		<b>23</b>	<b>45 884</b>	<b>8 856</b>	<b>2 366</b>	<b>57 130</b>

In the classification in this note Standard & Poor's ratings are used exclusively. The KLP Group also relies on ratings from Moody's Investor Services and Fitch Ratings, and the three are considered equal in relation to investments in fixed-income securities. Non-rated/non-investment grade securities relate mainly to a number of Norwegian financial institutions, municipalities/counties and other investments in Norwegian financial papers. KLP applies strong guidelines for investments in fixed-income securities, also applying to investments under this category.

<sup>1</sup> Credit exposure in lending is compiled on the basis of Norwegian capital adequacy calculations. 35 per cent weighting of public sector applies to lending to housing cooperatives. Lending is itemized separately in so far as they are not included in the same rating-categories.



## Note 10 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, i.e. normally during the second half of the year. In the accounts at the end of the third quarter 2010 this effect has been reflected through an estimate based on the annual pay and national insurance settlement. The indexation premium taken to income in the third quarter amounts to NOK 7.9 billion. A final statement will be made at the end of the year.



## Accounts after the third quarter 2010 Kommunal Landspensjonskasse

Notes	Income statement NOK million	Q3 2010	Q3 2009	01.01.10 30.09.10	01.01.09 -30.09.09	2009
7	Premium income	10 976	9 693	16 960	15 841	18 868
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	961	153	2 270	459	373
	Interest income/dividends on financial assets	2 333	1 919	5 644	5 289	7 399
	Value changes on investments	2 384	2 764	2 907	3 303	4 889
	Gains and losses realised on investments	445	365	-482	1 629	1 493
	<b>Net income from investments in the common portfolio</b>	<b>6 123</b>	<b>5 201</b>	<b>10 339</b>	<b>10 679</b>	<b>14 155</b>
	Net income from unit-linked portfolio	9	7	13	14	19
	Other insurance-related income	166	163	484	464	625
	Claims	-2 290	-2 149	-7 880	-7 936	-9 979
7	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-12 509	-9 293	-15 267	-11 871	-19 869
	Changes in insurance liabilities taken to profit/loss - investment option portfolio separately	-6	-8	-18	-21	-40
	Funds assigned to insurance contracts - contractual liabilities	-2 108	-3 255	-3 595	-6 135	-2 425
3	Insurance-related operating expenses	-181	-157	-498	-456	-633
	Other insurance-related costs	-165	-164	-485	-474	-637
	<b>Technical profit/loss</b>	<b>15</b>	<b>37</b>	<b>53</b>	<b>105</b>	<b>84</b>
	Net income from investments in the corporate portfolio	193	196	511	545	840
	Other income	-2	4	5	23	25
	Administration costs and other costs associated with the corporate portfolio	-53	-51	-156	-151	-210
	<b>Non-technical profit/loss</b>	<b>138</b>	<b>150</b>	<b>359</b>	<b>417</b>	<b>655</b>
	<b>COMPREHENSIVE INCOME</b>	<b>154</b>	<b>187</b>	<b>412</b>	<b>523</b>	<b>738</b>





# Accounts after the third quarter 2010 Kommunal Landspensjonskasse

Notes	Balance NOK million	30.09. 2010	30.09. 2009	31.12. 2009
<b>ASSETS</b>				
<b>ASSETS IN THE CORPORATE PORTFOLIO</b>				
	Intangible assets	357	274	303
	Investments	14 680	13 527	14 293
	Receivables	8 111	7 037	563
	Other assets	455	374	532
	<b>Total assets in the corporate portfolio</b>	<b>23 603</b>	<b>21 212</b>	<b>15 691</b>
<b>ASSETS IN THE CUSTOMER PORTFOLIOS</b>				
	Investments in the common portfolio			
	Shares and holdings in property subsidiaries	24 469	19 589	22 185
	Receivables from and securities issued by subsidiaries, associated enterprises and jointly controlled enterprises	50	53	52
5	Financial assets valued at amortised cost	103 135	95 134	100 171
5	Financial assets valued at fair value	87 051	79 564	85 508
	<b>Total assets in the customer portfolios</b>	<b>214 704</b>	<b>194 340</b>	<b>207 915</b>
	Assets in the investment option portfolio			
	Shares and holdings in property subsidiaries	32	22	25
5	Financial assets at amortised costs	100	0	0
5	Financial assets at fair value	134	213	216
	<b>Total assets in unit-linked portfolio</b>	<b>267</b>	<b>236</b>	<b>241</b>
	<b>ASSETS</b>	<b>238 573</b>	<b>215 787</b>	<b>223 847</b>
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Owners' equity contributed	5 626	4 639	5 107
	Retained earnings	4 947	4 335	4 535
	Subordinated loan capital etc.	4 122	4 084	3 965
4,7	Insurance obligations in life insurance - contractual liabilities	221 854	200 044	204 246
	Insurance liabilities unit-linked portfolio	266	233	240
	Provision for liabilities	382	360	374
	Liabilities	1 339	2 057	5 293
	Accrued costs and prepaid income	38	35	88
	<b>OWNERS' EQUITY AND LIABILITIES</b>	<b>238 573</b>	<b>215 787</b>	<b>223 847</b>
	<b>Off-balance sheet items</b>			
	Contingent liabilities	2 722	1 943	2 116



## Accounts after the third quarter 2010 Kommunal Landspensjonskasse

Cash flow analysis NOK million	01.01.10 -30.09.10	01.01.10 -30.06.10	01.01.10 - 31.03.10	01.01.09 -31.12.09	01.01.09 -30.09.09
Net cashflow from operational activities	5 353	4 327	1 497	15 939	6 380
Net cashflow from investment activities	-5 986	-4 260	-1 583	-16 272	-6 400
Net cashflow from financing activities	519	-21	-26	537	9
<b>Net changes in cash and bank deposits</b>	<b>-114</b>	<b>46</b>	<b>-112</b>	<b>203</b>	<b>-10</b>
Holdings of cash and bank deposits at start of period	504	504	504	301	301
<b>Holdings of cash and bank deposits at end of period</b>	<b>390</b>	<b>549</b>	<b>392</b>	<b>504</b>	<b>290</b>

## Changes in Owner's equity

2010 NOK million	Paid-up equity	Retained earnings	Total equity
<b>Equity 01.01.2010</b>	5 107	4 535	9 642
Total other comprehensive income	0	412	412
<b>Total income</b>	<b>0</b>	<b>412</b>	<b>412</b>
<b>Transaction with owners</b>			
Equity paid-in	553	0	553
Equity reimbursed	-34	0	-34
Sum transaction with owners	519	0	519
<b>Equity 30.09.2010</b>	<b>5 626</b>	<b>4 947</b>	<b>10 573</b>

2009 NOK million	Paid-up equity	Retained earnings	Total equity
<b>Equity 01.01.2009</b>	4 633	3 804	8 438
Total other comprehensive income	0	738	738
<b>Total income</b>	<b>0</b>	<b>738</b>	<b>738</b>
<b>Transaction with owners</b>			
Equity paid-in	536	0	536
Equity reimbursed	-62	0	-62
Total transaction with owners	474	0	474
<b>Other modifications</b>			
Surplus fund Group life	0	-12	-12
Other modifications	0	5	5
Total modifications	0	-8	-8
<b>Equity 31.12.2009</b>	<b>5 107</b>	<b>4 535</b>	<b>9 642</b>



## Note 1 Accounting principles

The accounts in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) and the Group for the period 01.01.2010 - 30.09.2010. The accounts have not been audited. The interim accounts do not contain all the information required of full annual accounts.

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

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

## Note 2 Value-adjustment investment property

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

NOK million	Q3 2010	Q3 2009	01.01.10 - 30.09.10	01.01.09 - 30.09.09	01.01.09 - 31.12.09
Value adjustment incl. foreign exchange	697	-129	1 343	-539	-518
Foreign exchange effect on hedging	-80	101	-15	245	328
<b>Net value adjustment incl. exchange hedging</b>	<b>617</b>	<b>-28</b>	<b>1 328</b>	<b>-294</b>	<b>-190</b>

## Note 3 Operating expenses

NOK million	Q3 2010	Q3 2009	01.01.10 -30.09.10	01.01.09 - 30.09.09	01.01.09 - 31.12.09
Staff costs	110	95	272	249	367
Depreciation	16	10	39	27	37
Other operating expenses	55	53	187	179	230
<b>Insurance related expenses</b>	<b>181</b>	<b>157</b>	<b>498</b>	<b>456</b>	<b>633</b>

## Note 4 Insurance-related provisions - obligations under contract

NOK million	30.09. 2010	30.09. 2009	31.12. 2009
Premium reserve	203 656	188 775	190 830
Premium fund(s)	1 565	487	2 812
Supplementary reserve	8 092	3 955	8 142
Securities adjustment fund	4 871	620	2 383
Other provisions	81	81	80
Non-allocated profit/loss on insurance contracts in the common portfolio	3 588	6 126	0
<b>Insurance-related provisions - obligations under contract</b>	<b>221 854</b>	<b>200 044</b>	<b>204 246</b>



## Note 5 Financial assets

NOK million	30.09.2010	30.09.2009	31.12.2009
<b>Financial assets corporate portfolio</b>			
Investments held to maturity	4 076	2 832	3 276
Bonds loans and receivables	2 442	2 392	2 391
<b>Total financial assets valued at amortised cost</b>	<b>6 518</b>	<b>5 224</b>	<b>5 667</b>
Shares and holdings	1 263	1 208	1 215
Bonds and other fixed-return securities	2 037	2 206	2 182
Lending and receivables	452	487	642
Financial derivatives	113	416	351
Other financial assets	0	-2	240
<b>Total financial assets valued at fair value</b>	<b>3 865</b>	<b>4 316</b>	<b>4 631</b>
<b>Total financial assets corporate portfolio</b>	<b>10 383</b>	<b>9 540</b>	<b>10 298</b>
<b>Financial assets common portfolio</b>			
Investments held to maturity	41 503	36 509	39 972
Bonds loans and receivables	28 937	31 436	30 587
Lending	32 694	27 189	29 611
<b>Total financial assets valued at amortised cost</b>	<b>103 135</b>	<b>95 134</b>	<b>100 171</b>
Shares and holdings	25 155	20 374	22 532
Bonds and other fixed-return securities	51 620	50 626	52 259
Lending and receivables	9 267	8 154	10 157
Financial derivatives	970	462	534
Other financial assets	38	-52	26
<b>Total financial assets valued at fair value</b>	<b>87 051</b>	<b>79 564</b>	<b>85 508</b>
<b>Total financial assets common portfolio</b>	<b>190 185</b>	<b>174 698</b>	<b>185 678</b>
<b>Financial assets investment choice portfolio</b>			
Investments held to maturity	50	0	0
Bonds loans and receivables	50	0	0
Lending	0	0	0
<b>Total financial assets valued at amortised cost</b>	<b>100</b>	<b>0</b>	<b>0</b>
Shares and holdings	54	40	46
Bonds and other fixed-return securities	77	167	172
Lending and receivables	4	7	4
Financial derivatives	0	0	0
Other financial assets	0	0	-7
<b>Financial assets valued at fair value</b>	<b>134</b>	<b>213</b>	<b>216</b>
<b>Total financial assets investment choice portfolio</b>	<b>235</b>	<b>213</b>	<b>216</b>
<b>Total financial assets</b>	<b>200 803</b>	<b>184 451</b>	<b>196 192</b>

## Note 6 Transactions with related parties

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

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

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

## Note 7 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, i.e. normally during the second half of the year. In the accounts at the end of the third quarter 2010 this effect has been reflected through an estimate based on the annual pay and national insurance settlement. The indexation premium taken to income in the third quarter amounts to NOK 7.9 billion. A final statement will be made at the end of the year.





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