Interim report 4/2008

Report from the board of directors – Income statement & balance sheet – Notes

for the days to come

Content

Interim report **fourth quarter**
and provisional net income for 2008

The results for 2008 provided:

- Customers premium fund credited with NOK 1.9 billion.
- A net result to equity of NOK 397 million

Positive results in the fourth quarter of 2008.

2008 - Key figures

- The accounts for 2008 allow for the reversion of MNOK 1,903 to the customers' premium fund.
- The result for the Company of NOK 397 million strengthens owners' equity.
- The common portfolio achieved a book return of 1.0 per cent and a negative value-adjusted return of 3.0 per cent. Including value adjustment of long-term and hold-to-maturity bonds, the value-adjusted return was -1.7 per cent.
- The corporate portfolio provided a return of 4.0 per cent.
- After transfer of NOK 3,705 million to cover guaranteed interest, supplementary reserves of NOK 3,940 million remain, corresponding to almost ¾ of the interest guarantee for 2009.
- Total solvency capital at the end of the year was NOK 17,882 million.
- Total assets reached NOK 201,896 million, a growth of 3.6 per cent.
- Capital adequacy remains solid at 14.6 per cent.

Fourth quarter 2008 - key figures

- Fourth quarter produced a positive result.
- The common portfolio produced a value-adjusted return of 0.6 per cent and book return of 0.7 per cent. Value-adjusted return including change in value of long-term bonds was 2.1 per cent.

Weak financial markets

Despite weak financial markets KLP's total assets are growing and amounted to NOK 201.9 billion at the end of the year, a year on year growth of NOK 7 billion. Developments in the world's financial markets were characterised by unease over much of 2008. Uncertainty and falls in value in Norwegian and international financial markets mark KLP's results. A negative trend in the equities markets accelerated during the autumn with strong value downturns both in Norway and internationally. Over the same period, interest rate instruments were negatively influenced by failing confidence in banks and financial institutions.

The conditions in the financial markets are reflected in the returns on the insurance funds managed in the common portfolio. The common portfolio achieved a book return of 1.0 per cent, making it necessary to transfer NOK 3,705 million from previous years' supplementary reserves to cover the interest guaranteed to the policyholders. After this transfer NOK 3,940 million remain in supplementary reserves, corresponding to almost ¾ of the guaranteed interest for 2009.

Released reserve

During 2008 an examination and recalculation of the premium reserves for the existing pensioners was undertaken, showing that somewhat too high a premium reserve had been set aside as at 31.12.2007. In addition the authorities agreed, as a part of the pensioner settlement in spring 2008, a new and substantially higher special supplement for pensioners with low National Insurance pensions (single pensioners etc). In total these two factors resulted in a released reserve of NOK 1,445 million. This amount is returned to the customers' Premium Fund as at 31.12.2008.

In addition the customers have been credited with a risk result for 2008 of NOK 366 million and the returns of the year on owners' paid-in equity of NOK 92 million. The customers' Premium Fund was therefore credited with a total of NOK 1,903 million as at 31.12.2008.

Premium income

During 2008 premium income was NOK 21,993 million, growth was NOK 3,658 million or 20 per cent, compared to 2007. NOK 2,485 million of the increase resulted from increased costs for the pay and National Insurance Basic Sum ("G") adjustment (the adjustment premium). The adjustment premium totalled NOK 10,635 million in 2008.

Claims and pension payments

Pensions paid and other claims increased by 9 per cent and amounted to NOK 7,302 million during 2008 as against NOK 6,695 million in 2007.

Result in Q4 2008

Even though the unease in the financial markets continued through the fourth quarter, the quarterly result seen in isolation was slightly positive. Book and value-adjusted returns on the common portfolio were 0.7 per cent and 0.6 per cent respectively for the quarter. Value-adjusted return on the common portfolio including change in the value of hold-to-maturity and long-term bonds was 2.1 per cent.

The total profit for the Company increased by NOK 145 million during the quarter when the effect of the drawing on supplementary reserves is neutralised. The allocation to the customers' Premium Fund increased by NOK 1,573 million, including the one-off effects described above of NOK 1,445 million.

Premium income amounted to NOK 3,052 million in the fourth quarter (NOK 2,662 million). Insurance related operating expenses were NOK 212 million in the fourth quarter.

Key figures	Q4 2008	Q4 2007	31.12. 2008	31.12. 2007
Percentage return				
Return on capital I	0.7	1.9	1.0	7.5
Return on capital II	0.6	1.2	-3.0	6.7
Return on capital III	2.1	1.2	-1.7	5.4
Capital adequacy			14.6	12.1
Solvency margin adequacy			196	218
Adm. costs in % of average customer funds			0.3	0.5

Profit allocation	Customers	Company	Total
Interest profit/loss	-3 705		-3 705
Risk profit/loss	366		366
Released reserves	1 445		1 445
Administration profit/loss		98	98
Interest guarantee premium		155	155
Net income corporate portfolio		236	236
Return on corporate portfolio allocated to customers	92	-92	0
Profit/loss before supplementary reserves transfers	**-1 802**	**397**	**-1 405**
Transfer from supplementary reserves	3 705		3 705
Profit/loss for allocation	1 903	397	2 300

Financial solidity and capital-related matters

Total assets were NOK 201.9 billion at the end of the year (NOK 194.9 billion).

Capital adequacy at the end of the year was 14.6 per cent and core capital adequacy was 10.8 per cent.

At the end of the year KLP had total solvency capital of NOK 17,882 million. Buffer capital, calculated in accordance with previous standards, was NOK 8,680 million at the end of 2008 (15,918 million).

The Board of Directors assesses the Company's capital situation as good in relation to the risk profile and the authorities' requirements.

Management of the common portfolio

As at 31.12.2008 the common portfolio comprised the following assets:

Assets	Accounting value 1)	Eksposure value NOK	Eksposure value %	Return in 2008 (%)
Shares	17 892	10 353	5.6	-27.5
Short-term bonds	41 588	41 224	22.3	2.7
Liquidity/money market	18 478	25 899	14.0	6.5
Bonds held to maturity	63 957	66 001	35.7	5.4
Lending	21 106	21 106	11.4	5.9
Property	20 272	20 272	11.0	1.3
Total	183 293	184 855	100.0	

1) Accounting value in the above table is not directly comparable to that in the balance sheet because of a different classification of negative positions.

- Shares

Holdings of short term shares corresponded to 9.8 per cent of the common portfolio as at 31.12.2008. Total exposure in shares including share derivatives amounted to 5.6 per cent.

- Short-term bonds

Short-term bonds and money market instruments comprised 32.8 per cent of the assets in the common portfolio as at 31.12.2008, of which 13 per cent are managed externally. Interest-bearing investments in state or state-guaranteed securities comprise just over 20 per cent of these portfolios. Global credit bonds with a credit assessment of BBB or better comprise about 40 per cent of the bond portfolio. The majority of the internally managed credit portfolio is index-tracker managed.

- Bonds held to maturity

Investments in hold-to-maturity bonds comprise 34.9 per cent of the common portfolio as at 31.12.2008. This represents an increase of about NOK 8 billion in this type of investment, which helps ensure good future returns. Average weighted remaining time to maturity for the portfolio is about 5.5 years. The accounting value of the portfolio does not fluctuate with the market value and assures a stable return of 5.2 per cent. Added value not brought to account was NOK 1,573 million as at 31.12.2008. The portfolio is well diversified and comprises securities issued by highly rated institutions. No write-downs have been made resulting from credit losses.

- Lending

KLP's total lending portfolio was NOK 21.1 billion, corresponding to 11.5 per cent of the common portfolio as at 31.12.2008. The lending portfolio is characterised by high quality and low default rates. Loans on which the instalment had not been paid within 90 days of the due date were NOK 26.3 million at the turn of the year, corresponding to 0.12 per cent of total lending.

The credit crisis in autumn 2008 also lead to difficulties in access to credit for Norwegian municipalities. KLP assumed responsibility and increased KLP's allocation to municipal lending by NOK 5 billion. This reflects both that the municipal sector represents a sound and attractive group of borrowers and KLP's long term commitment to its municipal loan customers. In total the lending portfolio increased by NOK 4,522 million during the fourth quarter.

- Property

Property investments comprised 11.1 per cent of the common portfolio as at 31.12.2008. The return on KLP's property investments has been very good in recent years. However during 2008 property value was coloured by the financial disquiet. This involved a write-down of property values by NOK 895 million over the year. The property values are set partly on the basis of valuations undertaken by independent external valuers who have valued a representative portion of the portfolio and partly by internal models which take account of the experience gained from the external valuation process.

Return on the common portfolio

Book return on the common portfolio in 2008 was 1.0 per cent and value-adjusted return was -3.0 per cent. Including value changes in bonds held to maturity, the return was -1.7 per cent.

Return on the corporate portfolio

The corporate portfolio covers investment of owners' equity, subordinated and hybrid capital and liquidity in connection with operations.

The corporate portfolio is managed with a long-term investment horizon aiming for stable returns and emphasising that returns should contribute to stable growth in the owner's equity. The investments in the corporate portfolio achieved a return of 4.0 per cent during 2008.

KLP and society

KLP is a responsible social partner wishing to contribute to long-term wealth creation and sustainable development. Through its membership of the UN Global Compact the company has undertaken to take account of human rights, labour rights, the environment, anticorruption measures and ethics throughout its business.

A responsible investor and owner

During 2008 KLP had direct dialogue with 16 companies because they are associated with breach of international standards. Seven of these companies have been excluded from KLP's investments. At the end of 2008 a total of 53 companies were excluded from KLP's investments.

Customer-focused health, safety and environment (HSE) and Inclusive Working Life (IWL) activities

During 2008 KLP co-operated with 120 customers on developing a health-promoting and inclusive working environment. The aim is to achieve working conditions that help reduce sickness absence, disability and early retirement. A joint effort in this area ensures a safe and profitable pension community.

External environment

KLP takes its environmental impact seriously. In its social responsibility strategy the Company is committed to developing good procedures for measuring and reduction of the Company's environmental impact. During 2008 KLP Skadeforsikring was accredited as a Miljøfyrtårn ("Eco-Beacon") and the process of accreditation for other parts of the Group was initiated in 2008.

Product and market matters

Marketing effort produced good results during 2008. This has resulted in the maintenance of KLP's solid market position in public sector occupational pensions.

A total of 15 of KLP's municipalities have carried out reassessment of the KLP pension scheme. Of these, 13 chose to stay. In addition one municipality chose to return to KLP. The market picture among customers in the health sector is positive and shows an increase in the number of members.

In addition the inflow of customers into the corporate segment for public sector occupational pensions is continuing. During 2008 KLP agreed 115 new pension contracts with enterprises. The number of insured members has shown a steady increase over the last five years. At the end of 2008 there were more than

300,000 members of KLP's pension schemes. That is 5 000 more occupationally active members than in the previous year.

Non-life insurance

Once again in 2008 KLP Skadeforsikring AS was a market leader in non-life insurance for municipalities and county administrations with a customer relationship with 350 municipalities and county administrations, and 2 032 enterprises.

In spring 2008 KLP Skadeforsikring started selling insurance products for the personal market, primarily directed at public sector employees.

In 2008 KLP Skadeforsikring AS recorded pre-tax earnings of NOK 34.7 million (NOK 70.7 million in 2007). The profit deteriorated as a result of the weak financial market. The total claims percentage for own account for all sectors was 70.6 per cent (82.2 per cent). The combined ratio, which is claims and expenses as a percentage of premiums for own account was 97.4 per cent (105.3 per cent). Book owners' equity was NOK 681.9 million as at 31.12.2008, of which NOK 220 million was share capital.

KLP Kapitalforvaltning and KLP Fondsforvaltning

KLP Kapitalforvaltning AS, the asset management company, and KLP Fondsforvaltning AS, the fund management company, comprise the KLP Group's securities management operation.
In total at the end of 2008 NOK 155 billion was under management. This is a reduction of NOK 7 billion from 2007.

Funds under management on behalf of customers outside the KLP Group increased by 33 per cent in the course of the year and amounted to NOK 7,560 million at the end of 2008. The growth has been driven by institutional investors choosing to invest in KLP's fund products.

KLP Kapitalforvaltning AS achieved an annual profit of NOK 38.0 million (NOK 35.6 million) and KLP Fondsforvaltning AS achieved an annual profit of NOK 6.7 million (NOK 10.6 million).

Future prospects

KLP entered 2009 with good solvency and remaining supplementary reserves approaching ¾ of the interest guarantee for 2009. This provides the necessary room to manoeuvre to conduct good and forward-looking investment management.

KLP's objective is to deliver safe and competitive financial and insurance services to the public sector and enterprises associated with the public sector and their employees. During 2008 KLP has raised as a strategic objective stronger and more determined investment towards the target group represented by the individual employees of its employer customers. This means that KLP will continue to offer more and more products and services in the individual market. This is the background to the strategic decision to establish a separate bank. KLP received its licence to establish a bank on 29.01.2009.

Developing and selling new non-life insurance products, new pensions products as well as banking, lending and fund management products to the individual market provides the Company with a broader platform for business growth.

Provisional allocation of annual profits

The book loss before allocation from supplementary reserves was NOK 1,405 million. Following transfer of NOK 3,705 to cover negative interest results, NOK 2,300 million remains for allocation between customers and owners. As described above the customers are being credited with profit totalling NOK 1,903 million.

The Board of Directors proposes that the net income, thus totalling NOK 397 million, be transferred to the Company's owners' equity fund.

Oslo, 24th February 2009
The Board of Directors of Kommunal Landspensjonskasse

Arne Øren Chairman	Finn Jebsen Deputy Chairman	Gunn Marit Helgesen
Ann Inger Døhl	Herlof Nilssen	Anne Grethe Skårdal
Kari Bakken	Rune Brakstad	

Accounts after the fourth quarter 2008 Kommunal Landspensjonskasse

Notes	Income statement NOK million	Q4 2008	31.12. 2008
	Premium income	3 079	22 082
4	Net income from investments in the common portfolio	1 090	-5 503
	Income from investments in subsidiaries, associated and jointly controlled enterprises	264	56
	Interest and dividends, financial assets	1 129	6 167
	Value adjustments on investments	4 622	-7 467
	Realised gains and losses on investments	-4 925	-4 259
	Other insurance related income	203	633
	Claims	-2 049	-10 099
2	Changes in insurance liabilities taken to profit/loss - contractual liabilities	3 048	-3 749
	Funds assigned to insurance contracts - contractual liabilities	-1 573	-1 903
3, 6	Insurance related operating expenses	-212	-651
	Other insurance related expenses	-213	-661
	Profit from technical accounts	**3 373**	**150**
4, 9	Net income from investments in the corporate portfolio	240	458
	Other income	13	18
6	Management expenses and other expenses in connection with the corporate portfolio	-80	-228
	Profit from non-technical accounts	**173**	**248**
7	**TOTAL PROFIT/LOSS**	**3 546**	**397**

Notes	Balance sheet NOK million	31.12.2008
	ASSETS	
	ASSETS IN THE CORPORATE PORTFOLIO	
	Intangible assets	220
4, 9	Investments	13 668
	Receivables	1 549
	Other assets	1 004
	Prepayments and accrued interest	55
	Total assets in the corporate portfolio	**16 495**
	ASSETS IN THE CUSTOMER PORTFOLIOS	
	Investments in the common portfolio	
4	Shares and ownership interests in real estate subsidiary	17 846
	Receivables from and securities issued by subsidiaries, associated companies and joint venture companies	55
	Financial assets calculated at amortised cost	85 998
	Financial assets calculated at fair value	81 502
	Total assets in the customer portfolios	**185 401**
	ASSETS	**201 896**
	OWNERS' EQUITY AND LIABILITIES	
7	Paid-up equity	4 633
7	Retained earnings	3 804
	Subordinated loan capital etc.	5 022
2	Insurance obligations in life insurance - contractual obligations	184 103
	Provisions for liabilities	360
	Obligations	3 924
	Accrued costs and prepaid income	51
	OWNERS' EQUITY AND LIABILITIES	**201 896**

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 - 31.12.2008. 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: 1241: Regulations on annual accounts etc. for insurance companies (the Annual Accounts Regulations). With effect from 1 January 2008 the Annual Accounts Regulations were amended as a result of changes in insurance legislation and harmonisation with international EU-approved accounting principles (IFRS/IAS).

The changes in the accounts resulting from the amended accounting regulations were reported in the interim report for 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, second and third quarters of 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 Recalculated premium reserves

During 2008 an examination and recalculation of the premium reserves for the existing pensioners was undertaken, showing that somewhat too high a premium reserve had been set aside as at 31.12.2007. In addition the authorities decided, as a part of the pensioner settlement in spring 2008, a new and substantially higher special supplement for pensioners with low National Insurance pensions (single pensioners etc). In total these two factors resulted in a released reserve of NOK 1 445 million. This sum is being returned to the customers' premium fund as at 31.12.2008. The sum is included in the line "Changes in insurance liabilities taken to profit/loss".

Note 3 Pensions, own employees

A new estimate of pension obligations in regard to own employees has been carried out as at 31.12.2008. Pension costs for the year have been calculated at NOK 48.8 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 companies

The portfolio of investment properties including investment properties owned by subsidiaries has been valued as at 31. December 2008. The valuation resulted in write-up of the properties by NOK 148.6 million during Q4. The write-up is mainly the result of a building having been completed and thus valued. In addition during the fourth quarter there was a foreign exchange gain of NOK 344 million (NOK 410 million in 2008). The properties in Norway have been written down by NOK 324.5 million. The exposure to property in Danish kroner is partially hedged and the Company therefore has a foreign exchange loss on the hedging. The foreign exchange loss is shown in the lines " Net income from investments in the common portfolio" and "Net income from investments in the corporate portfolio" and amounts to NOK 180 million during Q4 (NOK 252 million during 2008).

During Q4 investments in property funds have been written down by NOK 151.9 million (NOK 182.5 million during 2008). Foreign exchange loss on hedging in connection with property funds amounted to NOK 32.5 million in Q4 (NOK 23.0 million in 2008).

So far this year the properties have been written down by NOK 765.4 million including the foreign exchange gain and excluding foreign exchange hedging. The changes in value of property are included in the profit and loss items "Net-income from investments in the common portfolio" and "Net income from investments in the corporate portfolio" and in the balance sheet item "Investments and shares and holdings in property subsidiaries" according to whether they come from property subsidiaries investments in real estate funds 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 million	Life-insurance	Non-life-insurance	Asset-management	Other	Eliminated	Total
Profit/loss	388.1	34.7	63.4	-2	-87.2	397

Note 6 Operating expenses

NOK million	Q4 2008	31.12. 2008
Staff costs	104	328
Depreciation	10	38
Other operating expenses	98	285
Insurance related expenses	212	651
Other operating expenses	4	10
Total insurance-related operating expenses	**216**	**661**

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 million	Paid-up equity	Fund for revaluation	Risk equalisation fund	Retained earnings	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**
Change OB 08: Risk equalisation fund converted to equity	0	0	-24	24,1	0
Change OB 08: Restatement KLP Skade	0	0	0	301	301
Reallocation of contingency fund to risk equialisation 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	480	0	0	0	480
Repaid equity contribution	-66	0	0	0	-66
Allocated from the profit for the period	0	0	-3	397	394
Owners' equity as at 31.12.2008	**4 633**	**0**	**234**	**3 507**	**8 437**

Note 8 Capital adequacy

	31.12.2008
Capital adequacy	14.6 %

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

A write-down of NOK 162.5 million was carried out in the portfolio of long-term bonds in the third quarter 2008 as a result of the issuer's proven payment problems. During Q4 a further write-down of NOK 40 million has been carried out, making total write-downs in 2008 NOK 212.5 million. This amount has been taken into account in the balance sheet item *Investments* and in the profit and loss account item *Net income from investments in the corporate portfolio*.

Consolidated Group accounts after the fourth quarter 2008

Notes	Income statement Group NOK million	Q4 2008	Year 2008	Q4 2007	Year 2007
	Premium income for own account	3 094	22 610	2 784	19 025
	Current return on financial investments	1 282	6 767	1 866	7 425
7	Net gain on financial investments	568	-10 895	-328	362
6	Net income from investment properties	367	-184	1 271	4 261
	Net profit from investments in associated companies	17	70	4	25
	Other income	237	770	52	743
	Total income	**5 564**	**19 505**	**5 649**	**31 840**
	Claims for own account	-1 997	-10 481	-1 834	-8 069
	Change in provisions for the non-life business	16	11	-27	-22
2	Change in technical provisions for the life business	-361	-3 796	-3 158	-18 142
	Net costs subordinated loans and perpetual subordinated loans	-982	-1 394	-57	18
5	Operating expenses	-271	-790	-255	-755
	Other expenses	-271	-802	-154	-610
	Total expenses	**-3 866**	**-17 252**	**-5 485**	**-27 580**
	Operating profits	**1 698**	**2 253**	**1 202**	**4 259**
	Results allocated to life business customers	-1 576	-1 905	-705	-3 607
	Group pre-tax profits	**123**	**348**	**497**	**652**

Consolidated Group accounts after the fourth quarter 1008

Notes	Balance sheet NOK million	31.12.2008	31.12.2007
	Assets		
	Intangible assets	281	208
	Tangible fixed assets	960	783
	Investments in associated companies	433	270
6	Investment property	20 383	17 818
7	Debt instruments held to maturity	37 842	31 657
	Debt instruments at fair value in profit/loss account	54 747	44 457
	Equity capital instruments at fair value in profit/loss account	18 289	45 537
	Financial derivatives	3 211	977
	Loans and receivables - investment business	67 466	54 327
	Other loans and receivables incl. receivables from policyholders	228	689
	Assets in life insurance with investment choice	27	2
	Cash and bank deposits	1 397	1 069
	Total assets	**205 264**	**197 795**
	Owners' equity and liabilities		
3	Paid-up equity	4 633	4 220
3	Retained earnings	3 877	3 488
3	**Total equity**	**8 510**	**7 708**
	Tier I perpetual subordinated loan capital	1 250	577
	Tier II subordinated loan capital	3 771	2 937
2	Technical provisions, life insurance	184 416	182 314
	Provisions, unit-linked life insurance	6	2
	Provisions for premiums, claims and contingency fund, non-life insurance	2 155	2 050
	Pension obligations	481	463
	Financial derivatives	2 528	486
	Other short-term liabilities	2 147	1 258
	Total owners' equity and liabilities	**205 264**	**197 795**
	Off-balance sheet items		
	Contingent liabilities	2	2

Note 1 Accounting principles

The accounts in this interim report show the Group accounts for Kommunal Landspensjonskasse (KLP) and subsidiaries. The interim accounts show the accounts for the period 01.01.2008 – 31.12.2008 and have not been audited.

The Group interim accounts are presented in accordance with internationally EU-approved accounting standards (IAS/IFRS). The interim accounts contain all the information required of full annual accounts and this interim report ought to be read in conjunction with the annual accounts for 2007 and the interim accounts for Q1 2008, Q2 2008 and Q3 2008. These are available on request from KLP's head office at Karl Johans gate 41b, or at www.klp.no.

Note 2 Recalculated premium reserves

During 2008 an examination and recalculation of the premium reserves for the existing pensioners was undertaken, showing that somewhat too high a premium reserve had been set aside as at 31.12.2007. In addition the authorities decided, as a part of the pensioner settlement in spring 2008, a new and substantially higher special supplement for pensioners with low National Insurance pensions (single pensioners etc). In total these two factors resulted in a released reserve of NOK 1,445 million. This sum was returned to the customers' premium fund as at 31.12.2008. The item is included in the line "Change in insurance-related provisions associated with life business".

Note 3 Owners equity reconciliation

NOK million	Paid-up owners' equity	Other owners' equity	Fund for revaluation	Mics. funds provisions	Total owners' equity 31.12.08	Total owners' equity 31.12.07
Owners' equity opening balance	4 219	2 857	88	280	7 444	5 939
Restatement OB - change in GAAP	-	-	-	-	-	263
Net receipt/payment of equity contributions	413	-	-	-	413	500
Revaluation properties used by the Group	-	-	-8	-	-8	84
Surplus fund	-	-86	-	86	-	-
Risk equalization fund	-	-	-	237	237	102
Currency conversion foreign subsidiaries	-	63	-	-	63	-10
Profit/loss for the period	-	348	-	-	348	652
Reclassification fund, non-life insurance	-	-	-	-63	-63	178
Other changes	-	76	-	-	46	-
Equity closing balance	**4 632**	**3 258**	**80**	**540**	**8 510**	**7 708**

Note 4 Segment information - profit/loss i.a.w. IFRS by business area

NOK million	01.01. - 31.12.2008	01.01. - 31.12.2007
Life insurance before profit/loss allocation	2 253	4 259
Profit to customers (provisional interim allocation)	-1 905	-3 607
Profit to owners (provisional interim allocations)	**348**	**652**
Non-life insurance	35	52
Asset managment	54	47
Other business	1	12

Total profit/loss will not agree with the consolidated profit/loss since the subsidiaries' profit/loss has been brought to account i.a..w. the equity method and is thus included in the parent company's profit/loss.

Note 5 Operating expenses

NOK million	01.01. - 31.12.2008	01.01. - 31.12.2007
By type:		
Staff costs	500	475
Depreciation	44	40
Other operating expenses	246	354
Total operating expenses	**790**	**755**
By function:		
Insurance-related administration costs	568	419
Other costs/expenses	222	240
Total operating expenses	**790**	**755**

Note 6 Investment property

The portfolio of investment properties has been valued as at 31 December 2008. The valuation resulted in write-up of the properties by NOK 145 million during Q4 because a building was completed and therefore valued.

The properties in Denmark have been written up by NOK 473.1 million. Write-up was mainly because a building was completed and therefore valued. In addition during the fourth quarter there was a foreign exchange gain of NOK 344 million (NOK 410 million in 2008). The properties in Norway have been written down by NOK 324.5 million. Exposure against property in Danish kroner is partially hedged. This foreignh exchange loss amounts to NOK 180 million during Q4 (NOK 252 million during 2008).

The properties have been written down for the 2008 accounting year by NOK 597 million including the foreign exchange gain and excluding foreign exchange hedging. The value changes on property are included in the income statement item "Net income from investment properties" and in the balance sheet as "Investment property".

Note 7 Write-down in the long-term bond portfolio

A write-down of NOK 162.5 million was carried out in the portfolio of long-term bonds in the third quarter 2008 as a result of the issuer's proven payment problems. During Q4 a further write-down of NOK 40 million was carried out, so the total write-down during 2008 was NOK 212.5 million. The sum is taken into account in the balance sheet in the item "Bonds held to maturity" and in the income statement in the item "Net gain from financial investments".

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