

Oslo, 15th August 2014

Financial results second quarter 2014 KLP Group



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Main features



A year of extraordinary growth for KLP

The major part of the municipalities opting for a new supplier of insured pension solutions will be moving to KLP in 2014:

- 58 new municipalities
- 193 new corporate entities

These represent a net inflow of funds in the order of NOK 28,6 billion, and 128 000 new individual insured members.

Through the first 6 months the common portfolio gave:

- A book return of 1.8 per cent
- A value adjusted return of 3.6 per cent

The corporate portfolio gave a return of 4.0 per cent

Group operating profit through first six months: NOK 8.8 billion

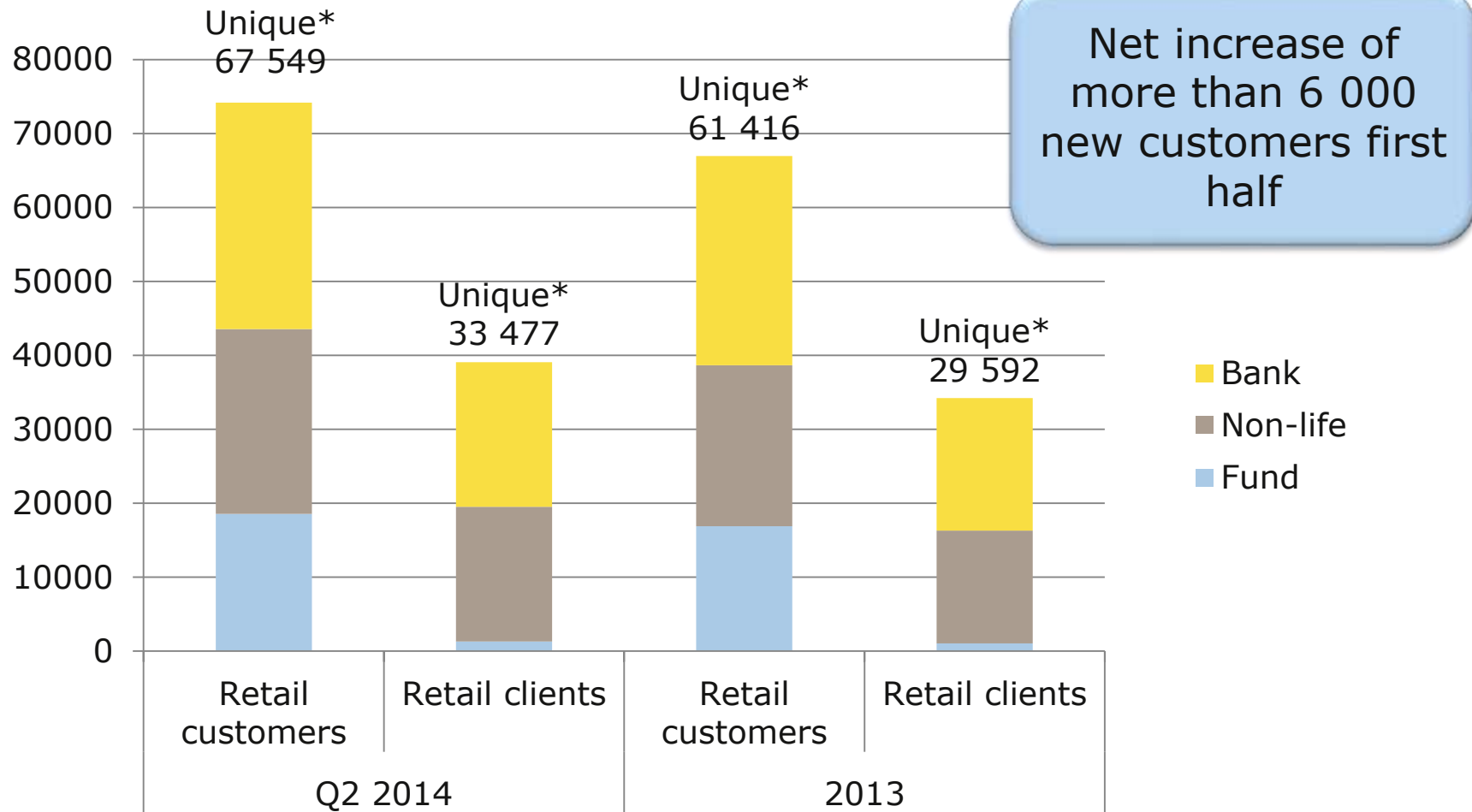
Total solvency capital NOK 59.5 billion, equivalent to 18.6 per cent of insurance funds with interest guarantee



KLP return on investment portfolios

<i>All figures in per cent</i>	Q2 2014	Q2 2013	YTD 2014	YTD 2013	Year 2013
Common portfolio					
Booked return	0.9	1.1	1.8	2.2	6.4
Value adjusted return	2.2	0.6	3.6	2.8	6.7
Value adjusted return incl. HTM bonds/bonds booked at amortised costs	2.7	0.3	4.6	2.5	6.4
Investment options portfolio	2.4	0.6	3.5	3.2	8.8
Corporate portfolio	2.7	1.5	4.0	3.0	5.7

Status for the retail initiative



*Unique clients may differ from the total number of customers since a customer may have multiple customer relationships

KLP Group



KLP Group – results by segment

<i>Result before tax - NOK million</i>	YTD		Year 2013
	2014	2013	
Life insurance	959	-156	-328
Non-life insurance	137	78	190
Banking	31	69	87
Asset management	5	9	33
Other	1	2	1
Group result before tax	1 133	2	-17

KLP Group – main figures - results

NOK million	YTD		Year
	2014	2013	2013
Pension premiums and incoming transfers	38 046	20 971	31 883
- of which premium reserves transferred from other companies	21 712	6 001	5 796
Allocated investment income	14 800	9 349	23 708
Minority share of return of financial instruments	-1 767	-1 525	-4 596
Claims f.o.a.	-10 925	-6 117	-12 503
Insurance provisions	-30 716	-19 421	-30 324
Operating cost	-641	-576	-1 191
Other income and cost	28	19	37
Technical result	8 824	2 700	7 013
To/from value adjustment fund life insurance	-6 164	-1 707	-1 148
To/from supplementary reserves life insurance	0	2	1
Surplus allocated Life insurance clients	-1 528	-994	-5 884
Group result pre-tax	1 133	2	-17
Tax	-102	-44	-137
Other profit/loss elements	-231	561	1 023
Group result pre-tax	800	519	869

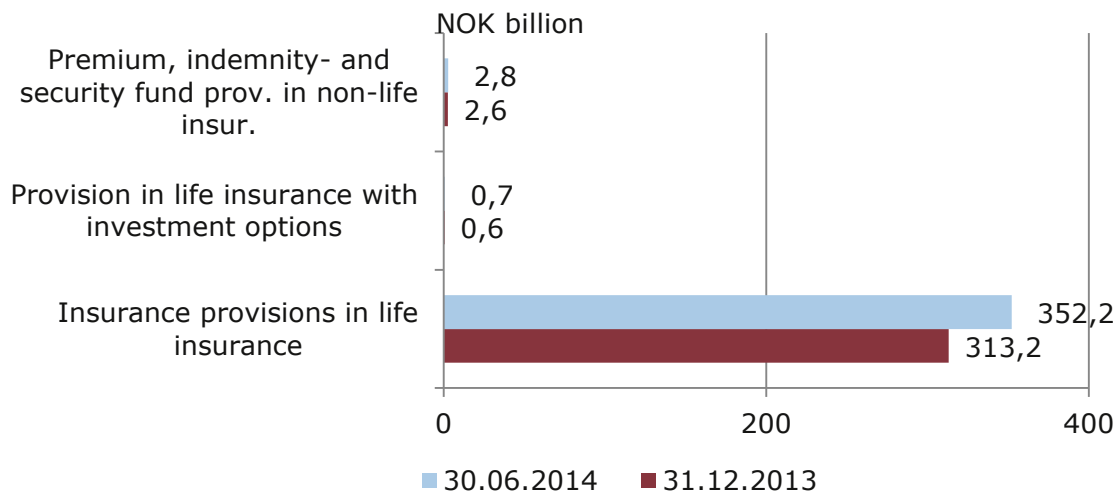
KLP Group – assets

<i>NOK million</i>	30.06.2014	31.12.2013	Change
Investment properties	40 359	39 744	615
Debt instruments held to maturity	28 896	31 758	-2 862
Debt instruments classified as loans and receivables	76 834	67 272	9 562
Lending to municipalities, enterprises and individuals	60 115	55 381	4 734
Debt instruments at fair value over P/L	130 769	122 398	8 371
Equity instruments at fair value over P/L	88 508	73 239	15 269
Financial derivatives	832	1 661	-829
Share in associated companies	4	4	0
Assets in defined contribution life insurance	735	578	157
Immaterial assets	398	377	21
Other assets	15 012	6 844	8 168
Total assets	442 463	399 257	43 205

KLP Group – own funds and liabilities

<i>NOK million</i>	30.06.2014	31.12.2013	Change
Own funds	16 032	15 268	764
Hybrid capital and subordinated loans	4 132	4 070	62
Debt to financial institutions	3 702	3 249	453
Covered bonds issued	16 236	17 217	-981
Debt to and deposits from clients	5 079	4 407	672
Insurance reserves	355 776	316 427	39 349
Minority interests classified as liabilities	30 880	28 750	2 130
Other liabilities	10 626	9 868	757
Total own funds and debt	442 463	399 257	43 206

Insurance provisions KLP Group



Life and pension



Life and pension

Kommunal Landspensjonskasse is the operative unit for the group's core business, supplying public sector occupational pensions and group life-insurance to the municipal and health sectors as well as to enterprises with public sector type pension plans. Kommunal Landspensjonskasse is referred to as KLP in this presentation and tables.

KLP Bedriftspensjon offers defined contribution and private sector type pension plans to clients not obliged to provide public sector pensions for their employees.

Life and pension



**Preliminary result
return more than
NOK 1.5 Billion
To clients**

**Carried through
Transfer to KLP of
58 new
clients in first half**

Life and pension

- A record number of new insurance contracts established for municipalities and corporate entities transferring to KLP Through the first 6 months.
 - Smooth transfer of historic large number of members
 - Positive feed-back throughout the process
 - Based on this experience it was decided to open for further transfers per July 1st.
- Certain larger municipalities are expected to opt for proprietary pension funds.
 - KLP offers turn-key management for such funds
- KLP established new milestones in number of active members as well as in pension payments.
- An estimated 2/3 of the total transfers expected will be effected through 2014
- High level of activity in KLP Bedriftspensjon give volume growth and catchment of new clients



Status transfers 2014

Transferred to KLP	01.01.2014	01.07.2014
Transferred funds	21.6 bn	10.6 bn
Number of active	33 573	16 350 ₁
Number of pensioners	15 400	7 500 ₁
Number of paid-up pension rights	53 280	25 900 ₁
Number of municipalities	42	16
Number of corporate entities	47	146

Transferred from KLP	01.01.2014	01.07.2014 ₂
Transferred funds	4.1 bn	-
Number of active	6 597	-
Number of pensioners	1 430	-
Number of paid-up pension rights	15 916	-

1) Stipulated figures

2) No clients transferred 01.07.2014

Effect of transfers to KLP

Clients transferring to KLP

- Are charged full equity contribution in the order of 2.6 per cent of premium reserves.
 - o Representing approximately NOK 600 million in 2014.
- Joins fully reserved
- Contributing to more effective operations and lower cost per unit managed.

Will over time lead to improved earnings and solvency

- o Capital ratios slightly weakened in the short term, whereas the enlarged customer base will improve current revenues and generate capital.



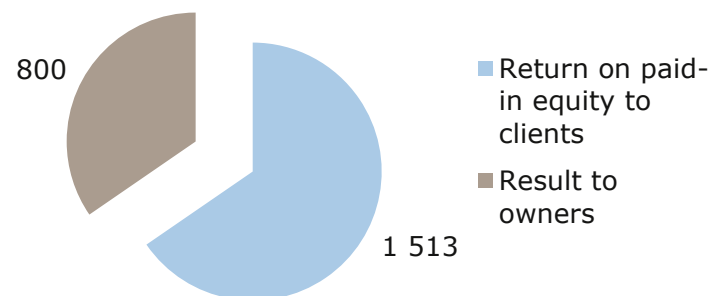
KLP – presentation of accounts

<i>NOK million</i>	YTD		Year 2013
	30.06.14	30.06.13	
Pension premiums and incoming transfers	37 414	20 475	30 860
Net revenues from investments in Common portfolio	11 849	7 748	18 912
Claims paid and outgoing transfers	-10 597	-5 808	-11 886
Changes in valuation reserves	-36 593	-20 939	-31 029
Allocations to insurance contracts	-1 513	-994	-5 884
Insurance related operating costs	-395	-389	-807
Other insurance related costs	21	14	26
Technical result	185	107	191
Net income from investments in the corporate portfolio	761	520	979
Other income and cost	-107	-100	-221
Net revenues from investments in Corporate portfolio	653	419	759
Other revenues and expenditures	839	526	950
Non-technical result	-38	0	-102
Total result	800	526	847

KLP – appropriation of results

<i>Nok million</i>	Customers	Company	YTD 2014	Q2 2014	2013
Interest result	1 217	3	220	615	2
Risk result	37	40	78	11	13
Premium interest rate guarantee		279	279	0	136
Administration result		123	123	0	87
Non-technical result		653	653	-	466
Return on paid-in equity to clients	259	-259	-	184	-184
Other result elements		38	38	0	-38
Total	1 513	800	2 314	810	482

- Good return on common portfolio
- Good contribution from corporate portfolio
- Stipulated return of more than NOK 1.5 billion to clients

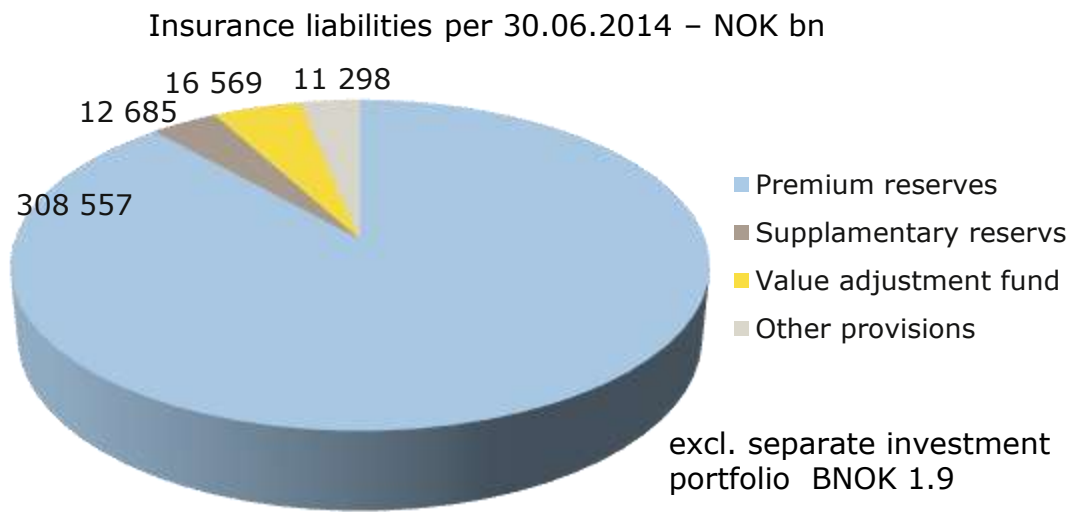


KLP – assets

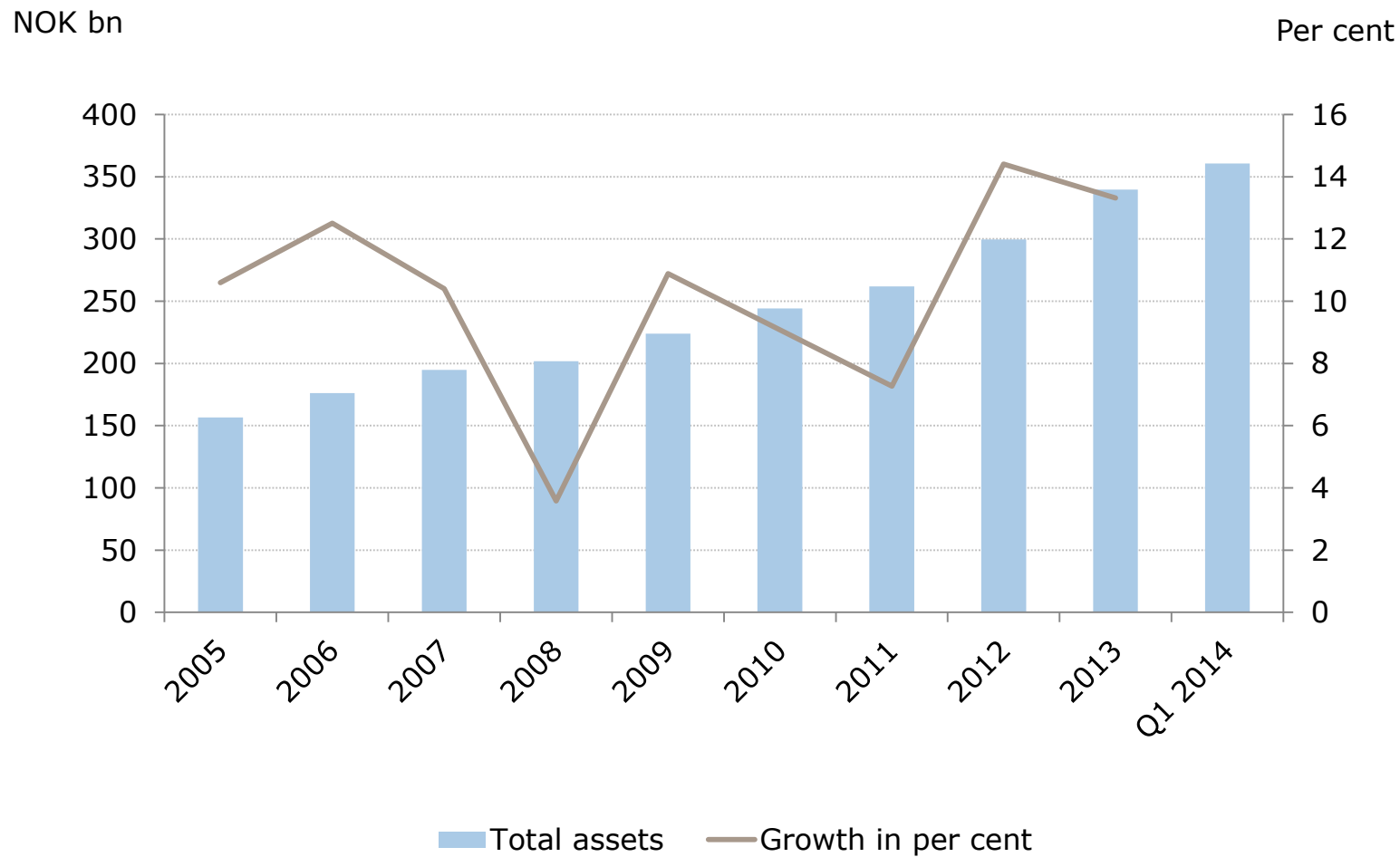
<i>NOK million</i>	30.06.2014	31.12.2013	Change YTD 2014
Total assets in corporate portfolio	29 407	21 654	7 753
Total assets in common portfolio	346 465	316 194	30 271
Assets in investment options portfolio	1 881	1 745	136
Total assets	377 752	339 592	38 160

KLP – own funds and liabilities

<i>NOK million</i>	30.06.2014	31.12.2013	Change YTD 2014
Paid-in equity	7 623	7 659	-36
Retained earnings	8 230	7 429	800
Hybrid capital and subordinated debt	4 132	4 070	62
Insurance liabilities	350 962	312 127	38 835
Other liabilities	6 805	8 307	-1 502
Total: own funds, provisions and debt	377 752	339 592	38 160



KLP – growth in assets



KLP Bedriftspensjon – main figures

NOK million	YTD		Year
	2014	2013	2013
Interest result	12.0	5.9	7.6
Risk result	3.2	1.4	2.3
Administration result	-14.5	-15.2	-32.3
Interest rate guarantee and profit element	2.5	2.0	4.4
Non-technical result	2.5	0.8	2.4
Total result	5.8	-5.0	-15.6
Of which result to clients	15.1	5.3	7.2
Result to owner	-9.3	-10.4	-22.9

KLP Bedriftspensjon – return and solvency

<i>Per cent</i>	YTD		Year
	2014	2013	2013
Common portfolio			
Book	2.7	1.8	4.0
Value adjusted	3.2	2.6	6.2
Investment options portfolio	6.1	4.7	13.5
Corporate portfolio	1.9	1.4	3.1


<i>Per cent</i>	30.06.2014	31.12.2013
Capital coverage	12.9	14.7
Solvency ratio	161.0	198.0
Buffer capital employment	126.4	122.3

<i>NOK million</i>	30.06.2014	31.12.2013
Value adjustment fund	42.0	11.8
Supplementary reserves	30.2	27.9
Solvency capital	235.4	131.1

KLP investments and capital issues



KLP investments and capital issues

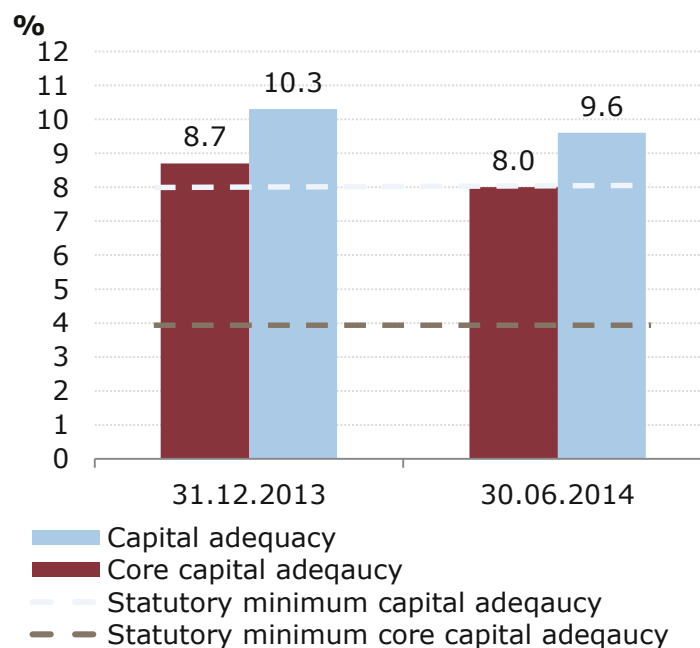


**More than 59.5
billion i total
solvency capital**

**Good investment
return in Q2**

KLP – capital adequacy

Per cent	30.06.2014	31.12.2013
Capital adequacy	9.6	10.3
Core capital adequacy	8.0	8.7
Statutory minimum capital adequacy	8.0	8.0
Statutory minimum core capital adequacy	4.0	4.0

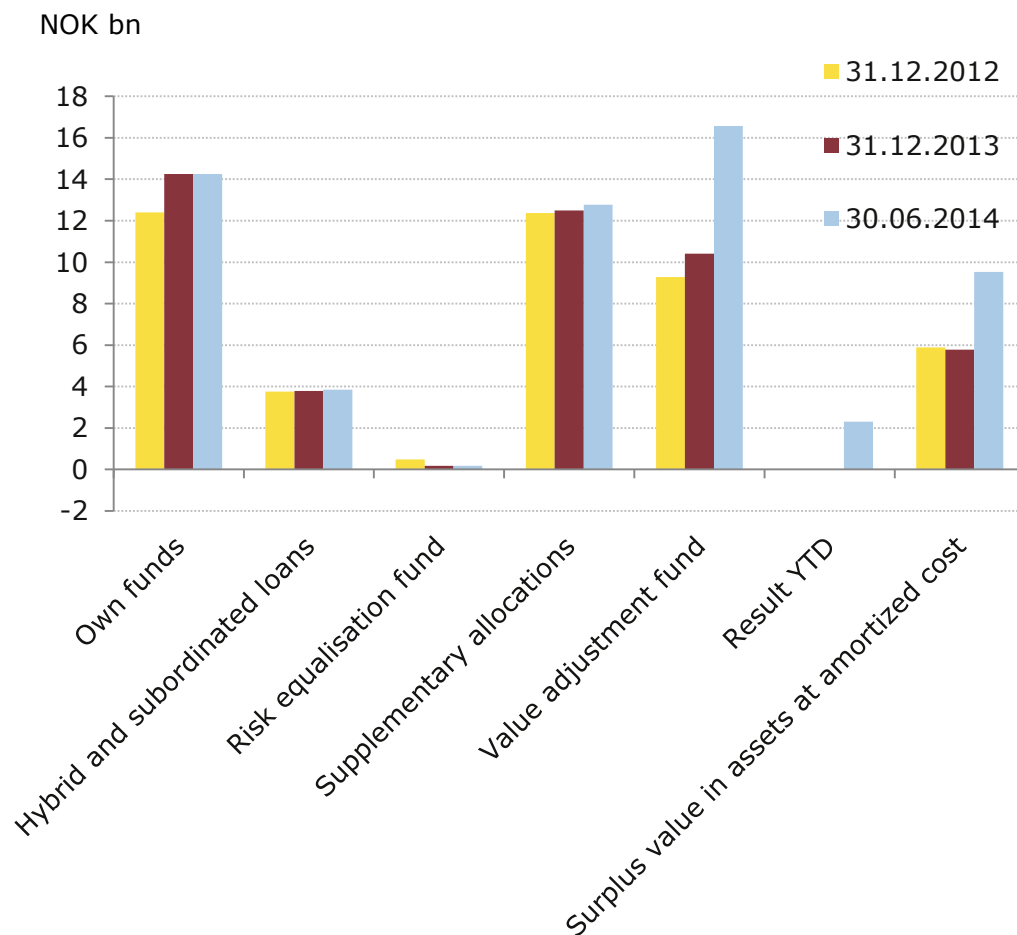
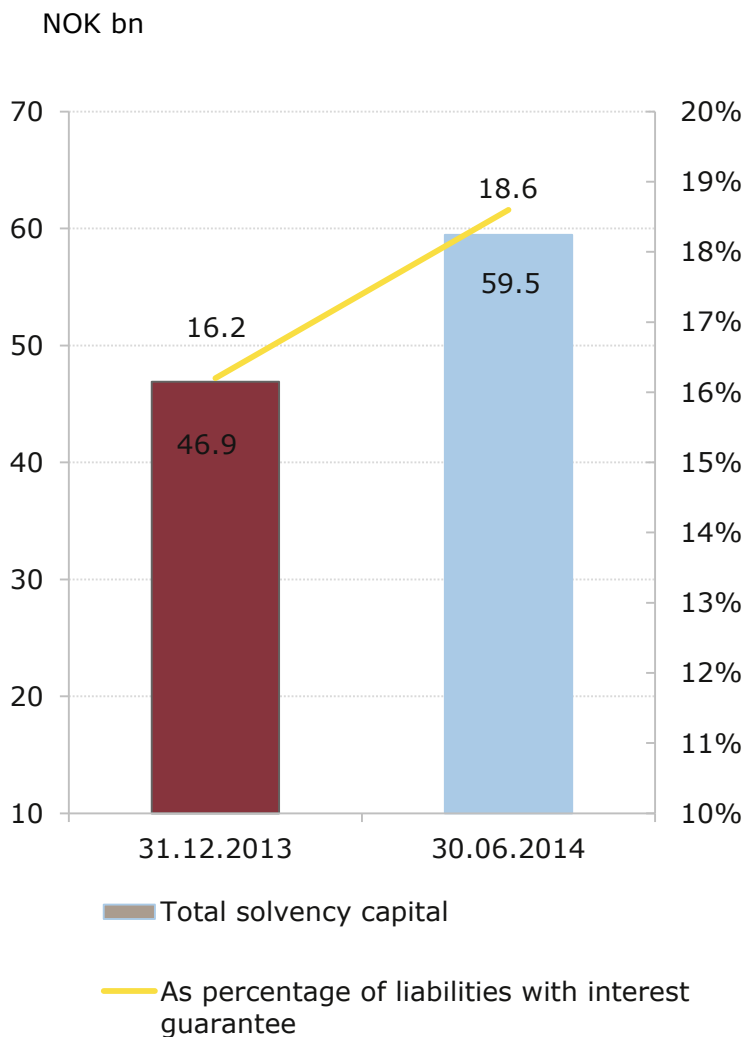


Capital and core-capital coverage including called, but not paid in per 30.06 capital contribution, and result per 30.06: 10.8% and 9.2%

KLP – buffer capital

<i>NOK million</i>	30.06.2014	31.12.2013
Valuation reserve	16 569	10 412
Supplementary reserve	12 767	12 495
Core capital margin	2 980	4 082
Income to date	2 314	
Regulatory buffer capital	34 630	26 989
Valuation reserve on investments booked at amortised costs	9 525	5 782

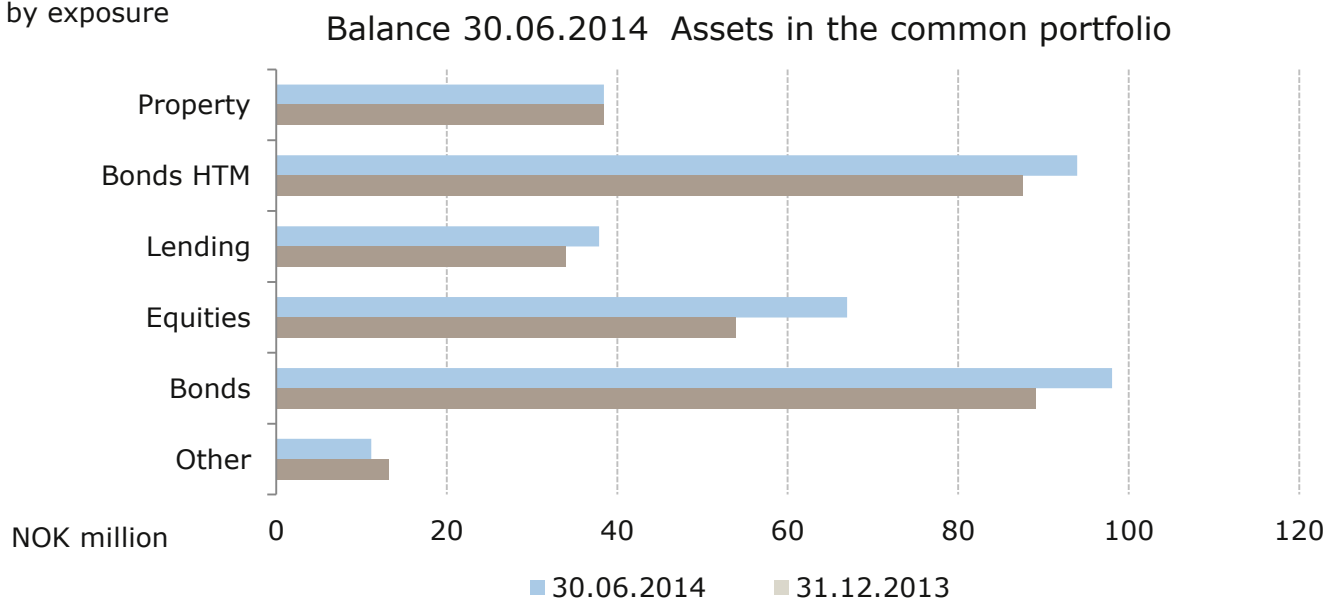
KLP – financial solidity



KLP common portfolio – allocation and return

	Share 1)	Return	Return
<i>Per cent</i>	30.06.2014	30.06.2014	2013
Equities ¹	20.8	7.3	25.3
Bonds	20.7	4.6	0.9
Bonds held-to-maturity	28.1	2.3	4.8
Lending	11.1	1.6	3.5
Property	11.4	3.6	7.1
Other financial assets	8.0	1.3	2.5

¹⁾ Measured by exposure

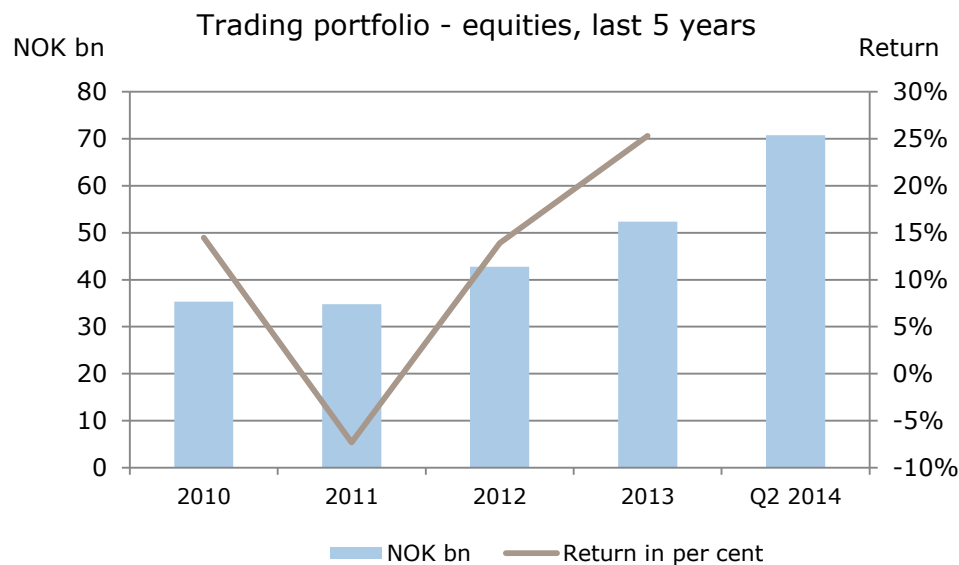


Trading portfolios equities

KLP common portfolio

Trading portfolio equities*	30.06.2014	30.06.2013	31.12.2013
Value equities (NOK mill)	66 021	48 034	54 004
Return equity portfolio	7.3 %	9.8 %	25,3 %
Share index-tracking equities	59.5 %	60.4 %	60.2 %
Share of active managment equities	17.5 %	18.7 %	19.2 %
Share of low beta equities	23.0 %	20.8 %	20.6 %

* This table is an overview of financial assets. The statutory reported figures differ due to difference in classification.

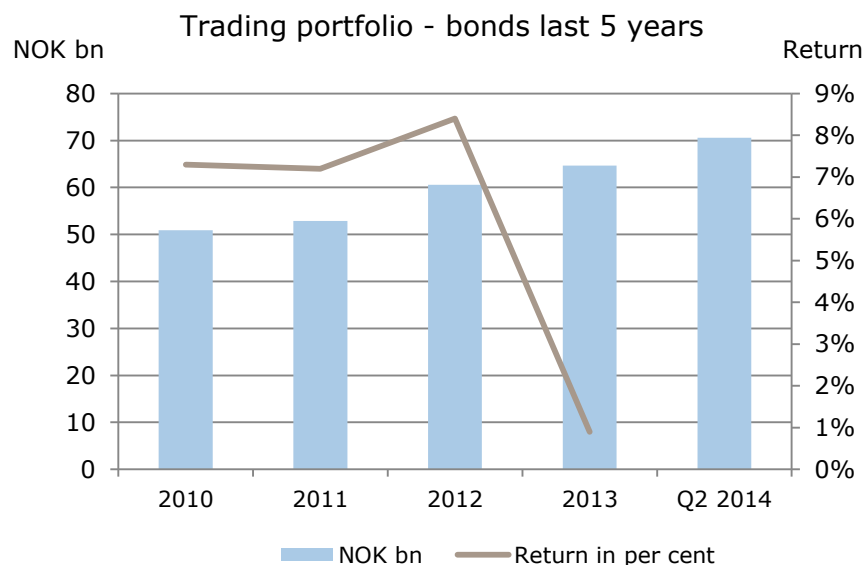


Trading portfolios – bonds

KLP common portfolio

Trading portfolios fixed-income *	30.06.2014	30.06.2012	31.12.2013
Value fixed income (NOK mill)	101 916	92 269	93 872
Return trading portfolios fixed income	3.6 %	-0.1 %	1.4 %
Share index-tracking fixed-income	37.4 %	35.5 %	35.3 %

* This table is an overview of financial assets. The statutory reported figures differ due to difference in classification.

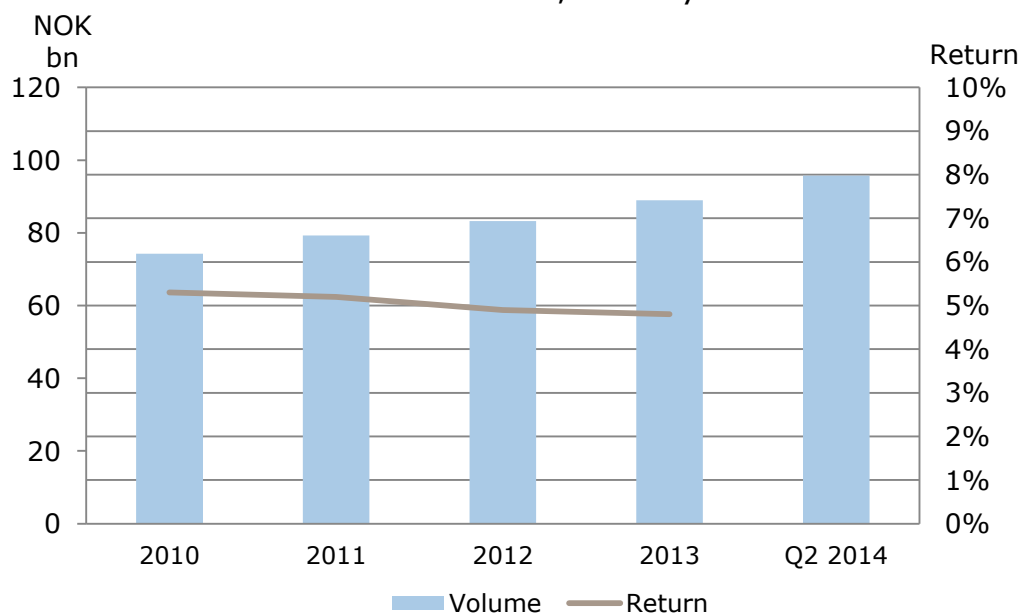


Bonds booked at amortised costs

KLP common portfolio

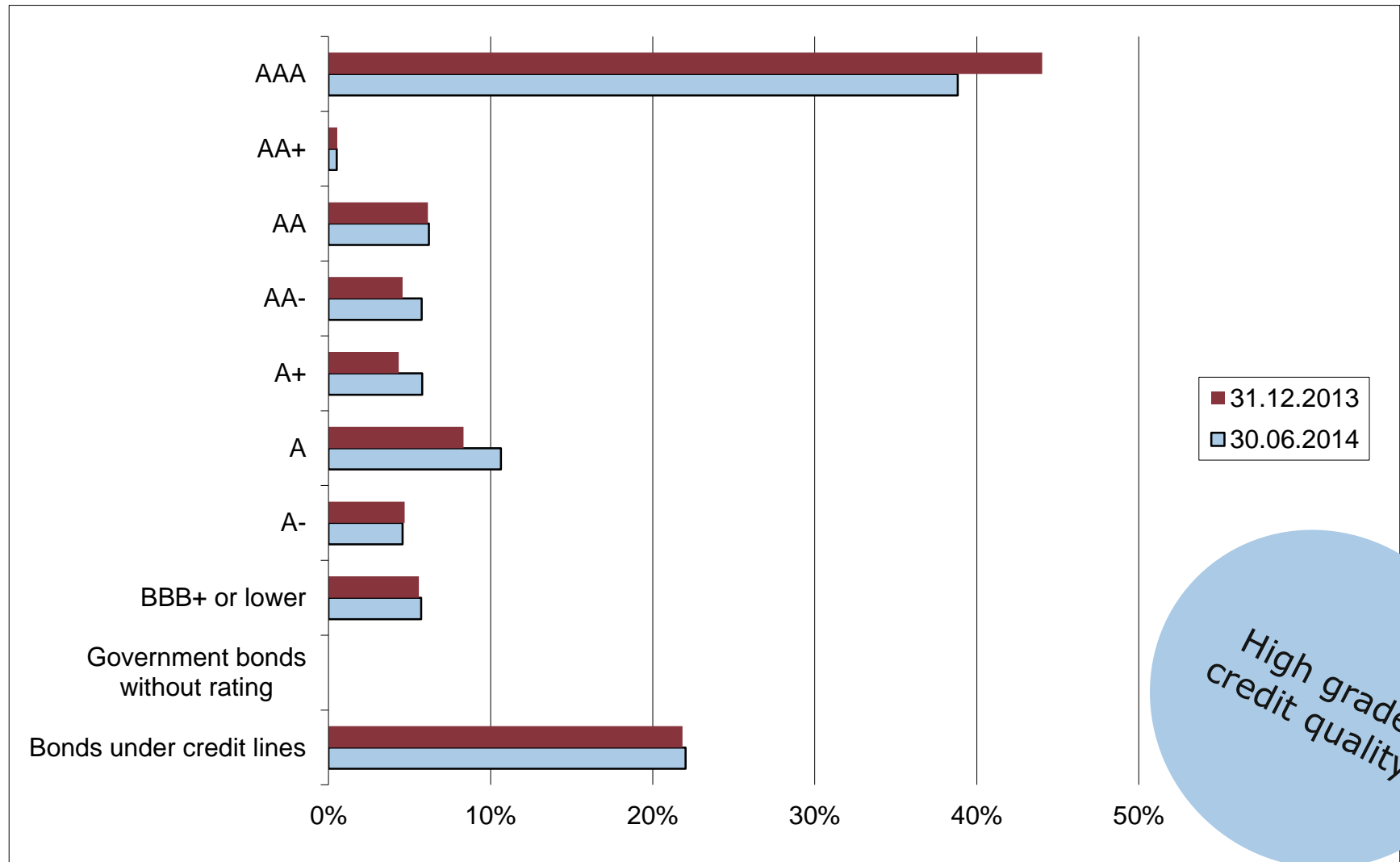
	30.06.2014	30.06.2013	31.12.2013
Book value (NOK mill)	95 741	85 300	88 960
Valuation reserve (NOK mill)	8 366	4 679	4 974
Return (per cent)	2.3	2.4	4.8

Bonds amortised costs, last 5 years



Bonds booked at amortised costs

KLP common portfolio

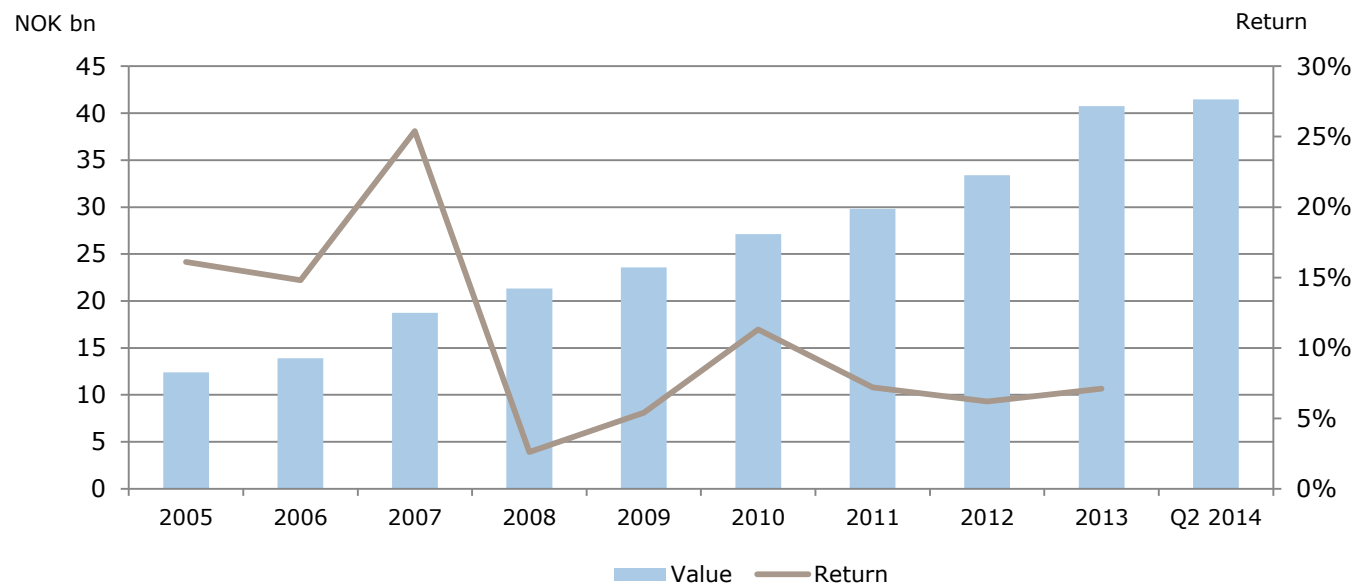


Property investments

Total portfolio

	YTD 2014	2013	Year 2013
Book value (value-adjusted NOK mill)*	41 483	34 598	40 776
Occupancy rate (per cent)	96.2 %	96.9 %	97.0 %
Average lease duration (year)	8.1	6.9	7.7

*Excl exchange-rate hedged and property fund



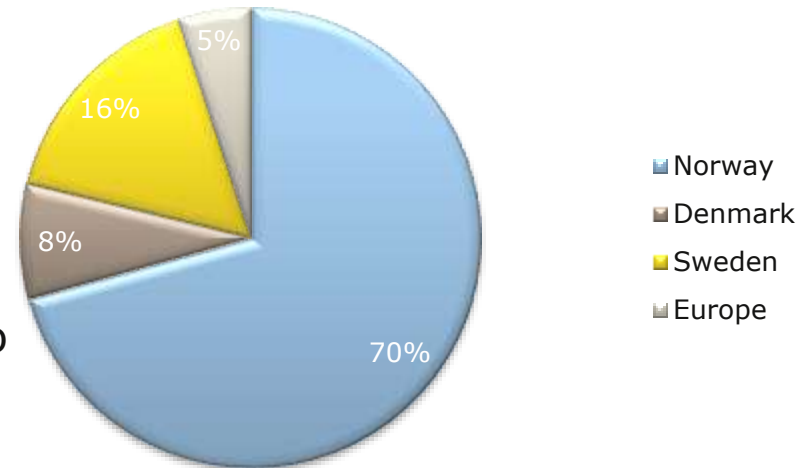
KLP's real-estate activities

KLP Eiendom AS is part of the common portfolio, however, the company also manages the real-estate portfolios of other group companies.

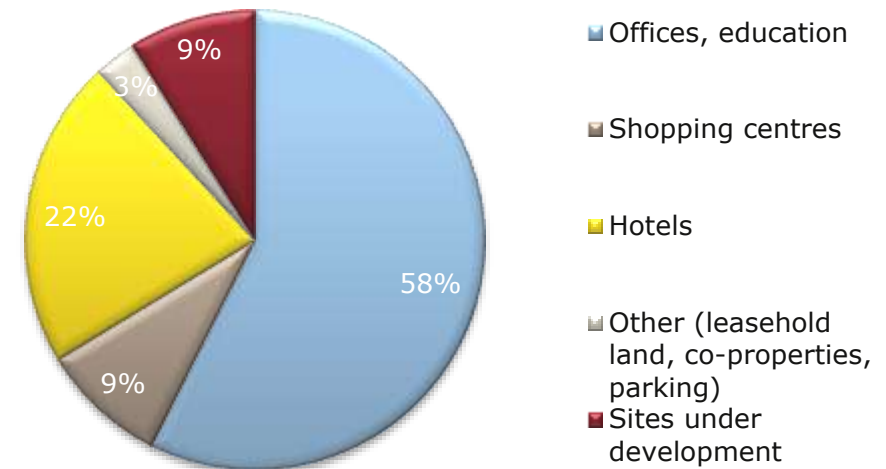
The price development for centrally located properties is stable, the portfolio revalued by NOK 520 million (1.3 per cent), post currency hedging in Q2

Real-estate investments constitute 11.4 per cent of the financial assets of the common portfolio

Property value - by country



Property value - by sector



KLP's real-estate investments

Property value	YTD		Year
	2014	2013	2013
Fair value total portfolio*	41 179	34 311	40 110
Value adjustment in per cent	1.2 %	1.0 %	1.3 %
Fair value common portfolio (NOK mill)*	38 377	31 600	37 422
Value adjustment in per cent common portfolio	1.0 %	1.0 %	1.4 %

Return	YTD		Year
	2014	2013	2013
Total return*	3.7 %	3.7 %	6.9 %
Total return common portfolio**	3.5 %	3.8 %	7.1 %


*Incl exchange-rate hedged and excl. property fund

**Incl exchange-rate hedged and property fund

Skadeforsikring (non-life insurance)



KLP Skadeforsikring



Historically good
half-year results:
137.2 million
before tax

Significant
reversal of prior
years' reserving.

Generally low
casualty
indemnities in
Q2

Continued strong
growth in
wholesale/public
sector, improved
sale in Retail
market

KLP Skadeforsikring Q2 2014

- Historical good results NOK 137.2 million
- Good damage development, overall loss ratio of 71.8 percent
- Satisfactory financial return 3.5 per cent
- Significant gains from prior years' reserves
- Sales in the retail market somewhat below expectations, however improved in second quarter
- Negative sales development in Public sector, loss of two health enterprises
- Strong solvency maintained



KLP Skadeforsikring – profit & loss Q1

<i>NOK million</i>	YTD 2014	YTD 2013
Premium written f.o.a.	410.0	350.3
Allocated investment income	22.9	18.8
Claims f.o.a.	-294.4	-278.8
Insurance related expenses	-98.2	-85.0
Other insurance related income	1.3	1.5
Changes in security reserves etc.	-5.7	-6.0
Result from technical activities	36.0	0.7
Result from investment activities	123.5	95.7
Allocated investment income	-22.9	-18.8
Other income	0.6	0.5
Result from ordinary operation	101.2	77.4
Estimated tax expense	-32.7	-26.4
Other components	-2.8	0.0
Provisions for equity fund	-16.2	16.1
Result after provisions for equity fund	85.4	67.9


KLP Skadeforsikring – main figures

Key figures, <i>per cent</i>	30.06.2014	30.06.2013
Claims ratio on own account	71.8	79.6
Cost ratio on own account	23.9	24.3
Combined Ratio for own account	95.7	103.9
Return on capital	3.5	2.9
Capital adequacy ratio	37.0	32.0
Revenues, <i>NOK mill</i>	30.06.2014	30.06.2013
Gross premium written	667	610
Premium income for own account	410	350
Claims paid for own account	-294	-279
Insurance related costs for own account	-98	-85
Results	137	78
Key figure balance sheet. <i>NOK mill</i>	30.06.2014	30.06.2013
Financial assets	3 774	3 493
Total assets	4 048	3 846
Equity	1 075	885
Provisions in insurance funds for own account	2 736	2 642

Banking and credit



Banking and credit



KLP Boligkreditt has
acquired mortgages
from KLP Banken AS
for about half a billion
NOK

Stable earnings from
lending activities

KLP Banken Q2

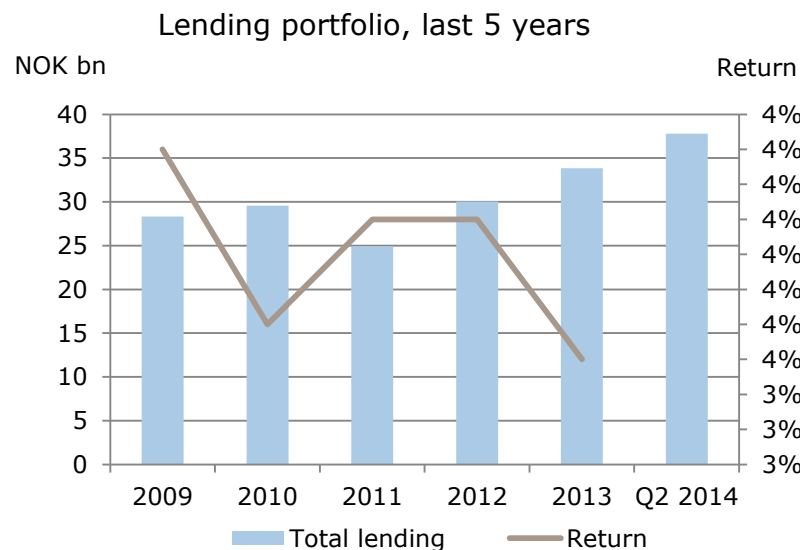
- Growth in PM lending and deposits maintained
- Margins on PM-loans stable good
- Maintained profitability on stable public sector loan portfolio
- Good cost-control
- KLP Boligkreditt has acquired mortgages from KLP Banken AS for about half a billion NOK. The acquisition was financed through intercompany funding



Lending portfolio

KLP common portfolio

	YTD		Year
	2014	2013	2013
Book value (NOK mill)	37 784	30 231	33 843
Of this: fixed rate loans (NOK mill)	14 758	12 772	14 352
Return year to date (in per cent)	1.6	1.8	3.5
Specific and general credit loss provisions (NOK mill)	1.4	1.5	1.4



KLP Bank-group – main figures

<i>NOK million</i>	KLP Kommunekreditt		KLP Banken		KLP Boligkreditt	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Net interest revenues	37.0	92.3	23.0	30.3	0.9	0.0
Net fee and commission income	-	-	4.7	7.8	-	-
Management fees	-	-	29.0	58.1	-	-
Operational costs	-8.5	-22.4	-59.4	-122.1	-0.9	-0.0
Value adjustment financial instruments	5.4	-8.0	-0.1	80.1	-	-
Result before taxes	33.9	62.0	-2.9	54.2	-0.0	-0.0
Total assets	19 439	20 683	9 859	8 492	631	1

KLP Bank-group – main figures

<i>NOK million</i>	KLP Banken group		
	30.06.2014	30.06.2013	2013
Net interest revenues	60.8	54.7	122.0
Net fee – and commissions income	4.7	2.2	7.8
Management fees	29.0	29.5	58.1
Operating cost	-68.8	-64.0	-144.7
Value changes financial instruments	5.3	46.5	43.8
Pre-tax earnings	30.9	68.9	87.0
Total assets	26 209	25 703	26 010

KLP Bank-group – lending and deposits

<i>NOK billion</i>	Mortgage loans		Public sector loans		Deposits	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
KLP Banken AS (parent)	5.3	4.5	-	-	5.0	4.4
KLP Boligkreditt AS	0.5	-	-	-	-	-
KLP Kommunekreditt AS	-	-	16.0	16.6	-	-
KLP (under management agreement)	6.1	7.0	31.4	26.7	-	-
Total	11.9	11.4	47.4	43.3	5.0	4.4

Asset management



Asset management



Manager in all
330 billion in
funds and
discretionary

Managing NOK
30 billion for
external clients
Net inflows
170 million in
1st half

Annual revenues
from external
mutual fund
clients in excess
of NOK 40 million

KLP Kapitalforvaltning & KLP Fondsforvaltning

- KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS constitute the securities management activities within the KLP Group. Assets under management totals NOK 330 billion at the end of the quarter. The major share represent funds managed for Kommunal Landspensjonskasse and its subsidiaries
- NOK 30 billion managed on behalf of external investors and retail clients. There are about 35 000 holders of KLP funds
- Profit before tax 30. June 2014: NOK 11.6 million



Summing up



2014 – a year out of the ordinary

Historic number of transfers and growth in assets

Dedicated efforts towards the Public Sector and Retail market clients remain a success

Stong results for the firs six months.

Strengthening of reserves for longevity accomplished in 2013, however essential clarifications regarding the restitution by the company of its contribution remain outstanding.

KLP has good solvency, however, the large influx of funds has lead to capital ratios being in the lower layer of the long term strategic «corridor».

- Measures to improve the ratios under consideration.



Contacts in KLP

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