

Oslo, 2nd November 2011

# Financial results third quarter 2011

## KLP Group



# Table of contents

- 1. Main features**
- 2. KLP Group**
- 3. Life and pension**
- 4. KLP solidity and capital issues**
- 5. KLP Non-Life Insurance**
- 6. Banking and credits**
- 7. KLP Asset Management and KLP Fund Management**
- 8. Summary**

# Client-owned KLP provide its clients and their employees with a broad spectre of advantageous financial services

KLP stands out as a financial group able to provide its pension clients as well as their present and former employees with a wide range of financial services:

- **Life- and pension insurance**

Kommunal Landspensjonskasse (KLP) offers public pensions and group life-insurance, while the affiliate KLP Bedriftspensjon offers private sector defined contribution and defined benefit plans

- **Non-life insurance**

KLP Skadeforsikring offers non-life and casualty insurance to the public sector as well as retail products.

- **Asset Management**

KLP Kapitalforvaltning offers premium active and index-tracking products, which in mutual fund format is marketed towards institutional and retail clients through KLP Fondsforvaltning

- **Banking- and financial services**

Advantageous deposit and lending rates for the retail market through KLP Banken. KLP Kommunekreditt offers competitive financing to Norwegian public sector entities

# Main features

## 9 months characterized by financial volatility and gains in the market

- KLP's robust solvency gives good book surplus to the clients after Q3: NOK 3.3 billion
- Through the first 9 months the common portfolio gave the following returns :
  - Book return 3.7 per cent
  - Value adjusted return: 1.1 per centThe corporate portfolio gave a return of 3.5 per cent
- Strong solvency maintained: total solvency capital NOK 34.7 billion – 15.6 per cent of insurance funds with interest rate guarantee,
- Dedicated client efforts yield positive result in the marketplace





# Through Q3

- The common portfolio of the life company yielded:

- A book return of 0.6 per cent
- A value adjusted return of -1.2 per cent

The corporate portfolio gave a return of 0.2 per cent

- Total surplus to clients was negative by NOK 0.3 billion, year to date, however, remains strongly positive at NOK 3.1 billion above the guaranteed interest
- Solidity was maintained:
  - Valuation reserve at 30.09 NOK 1,9 billion
  - Significant strengthening of valuation reserve since end of third quarter, due to market development in October
  - No charge on supplementary reserves.



# KLP return on investment portfolios

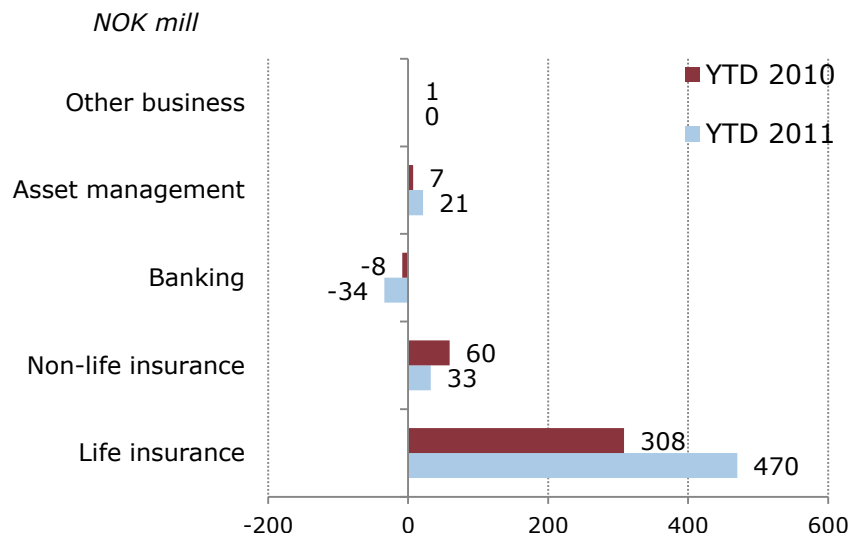
<i>All figures in per cent</i>	Q3		YTD 30.09.2011		Year
	2011	2010	2011	2010	2010
Common portfolio					
Booked return	0.6	1.7	3.7	3.9	5.1
Value adjusted return	-1.2	2.9	1.1	5.1	7.5
Value adjusted return incl. HTM bonds/bonds booked at amortised costs	-0.1	3.0	1.9	6.0	7.4
Investment options portfolio	-2.1	3.5	-0.3	5.3	8.6
Corporate portfolio	0.2	1.4	3.5	3.8	5.2

# KLP Group



# KLP Group – results by segment

	Ytd		Year
<i>NOK million</i>	2011	2010	2010
Life insurance	470	308	393
Non-life insurance	33	60	78
Banking	-34	-8	33
Asset management	21	7	19
Other	0	1	1
Group result	490	368	524



# KLP Group – main figures - results

	Ytd		Year
<i>NOK million</i>	2011	2010	2010
Pension premiums and incoming transfers	18 414	17 529	20 959
Allocated investment income	2 893	10 843	16 155
Claims f.o.a.	-7 879	-8 397	-10 590
Insurance provisions	-14 513	-12 910	-15 394
Operating cost	-767	-689	-980
Other income and cost	65	88	111
Technical result	-1 787	6 464	10 261
To/from value adjustment fund life insurance	5 607	-2 491	-5 077
To/from supplementary reserves life insurance	31	0	-2 074
Surplus allocated Life insurance clients	-3 361	-3 605	-2 586
Group result pre-tax	490	368	524
Tax	-21	0	-21
Other profit/loss elements	54	44	69
Group result pre-tax	523	412	572

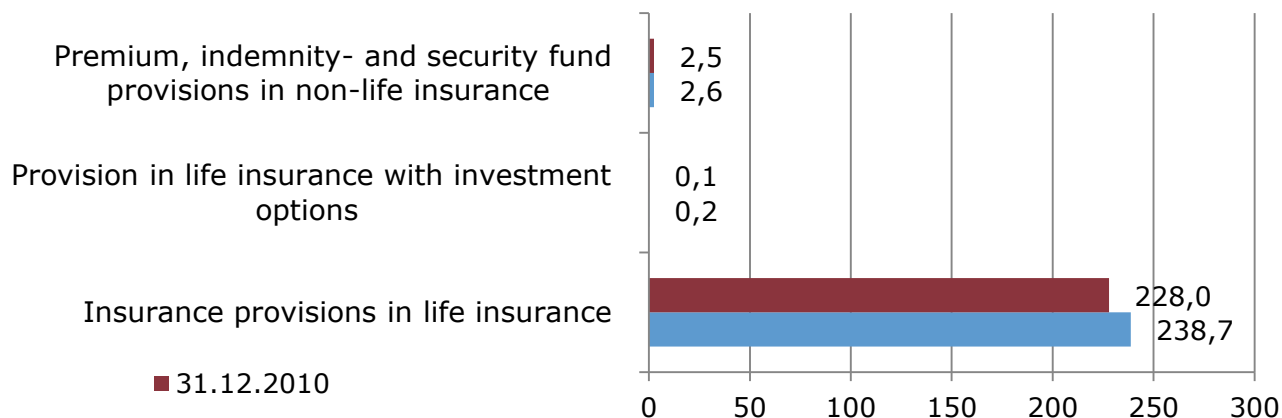
# KLP Group – assets

<i>NOK million</i>	30.09.2011	31.12.2010	Change
Investment properties	28 106	26 105	2 001
Debt instruments held to maturity	41 684	42 291	-607
Debt instruments classified as loans and receivables	41 923	39 897	2 026
Lending to municipalities, enterprises and individuals	53 868	56 014	-2 146
Debt instruments at fair value over P/L	70 574	64 305	6 268
Equity instruments at fair value over P/L	33 860	35 933	-2 073
Financial derivatives	758	1 386	-628
Share in associated companies	3	3	0
Assets in defined contribution life insurance	176	126	50
Immaterial assets	370	366	5
Other assets	13 197	5 343	7 854
Total assets	284 518	271 769	12 749

# KLP Group – own funds and liabilities

NOK million	30.09.2011	31.12.2010	Change
Own funds	11 927	10 814	1 113
Hybrid capital and subordinated loans	4 265	4 074	191
Debt to financial institutions	887	13 287	-12 400
Covered bonds issued	22 074	9 250	12 824
Debt to and deposits from clients	1 715	1 026	689
Insurance reserves	241 511	230 636	10 874
Financial derivatives	1 518	520	998
Other liabilities	622	2 162	-1 540
Total own funds and debt	284 518	271 769	12 749

## Insurance provisions KLP Group - NOK billion



# 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 division

- One municipality returned after 14 years and one county elected to stay with KLP after public tender
- Six municipalities representing premium reserves of NOK 1.9 have outstanding tender competitions, among those are two KLP members with total reserves of NOK 600 million
- Good volume growth in private sector pensions through KLP Bedriftspensjon
- Preparation for new regulations remain the foremost priority





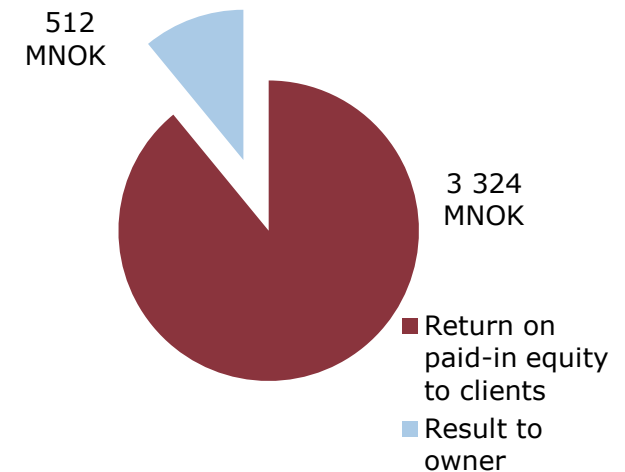
# KLP – presentation of accounts

<i>NOK million</i>	Q3 2011	2010	Year 2010
Pension premiums and incoming transfers	17 772	16 960	20 345
Net revenues from investments in Common portfolio	2 415	10 353	15 449
Claims paid and outgoing transfers	-7 492	-7 880	-10 080
Changes in valuation reserves	-8 678	-15 286	-22 360
Allocations to insurance contracts	-3 324	-3 595	-2 581
Insurance related operating costs	-550	-498	-714
Other insurance related costs	2	0	0
Technical result	146	53	59
Net revenues from investments in Corporate portfolio	520	511	712
Other revenues and expenditures	-153	-152	-199
Non-technical result	367	359	513
Total result	512	412	572

# KLP – appropriation of results

Nok million	Customers	Company	Q3		Year 2010
			2011	2010	
Interest result	3 124	3	3 127	3 371	4 280
Risk result	58	54	112	61	160
Administration result		72	72	79	82
Premium interest rate guarantee		158	158	137	184
Non-technical result		367	367	359	517
Return on paid-in equity to clients	141	141	-	-	-
Total	3 324	512	3 836	4 007	5 222

- Good return on common portfolio
- Good contribution from corporate portfolio
- Stipulated return of more than NOK 3.3 billion to clients



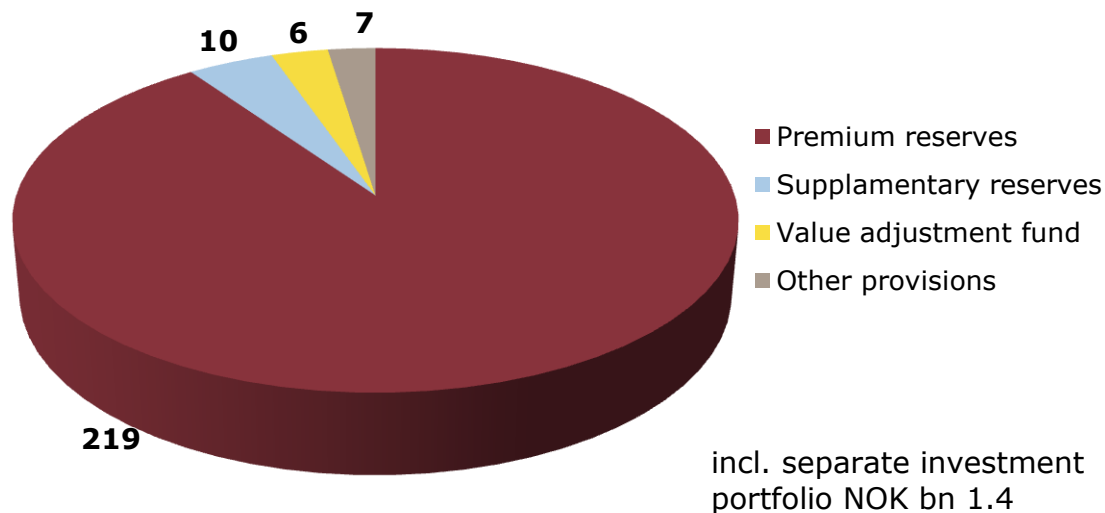
# KLP – assets

<i>NOK million</i>	30.09.2011	31.12.2010	Change 2011
Total assets in corporate portfolio	25 443	16 371	9 072
Total assets in common portfolio	230 914	227 637	3 277
Assets in investment options portfolio	1 380	274	1 106
Total assets	257 737	244 282	13 455

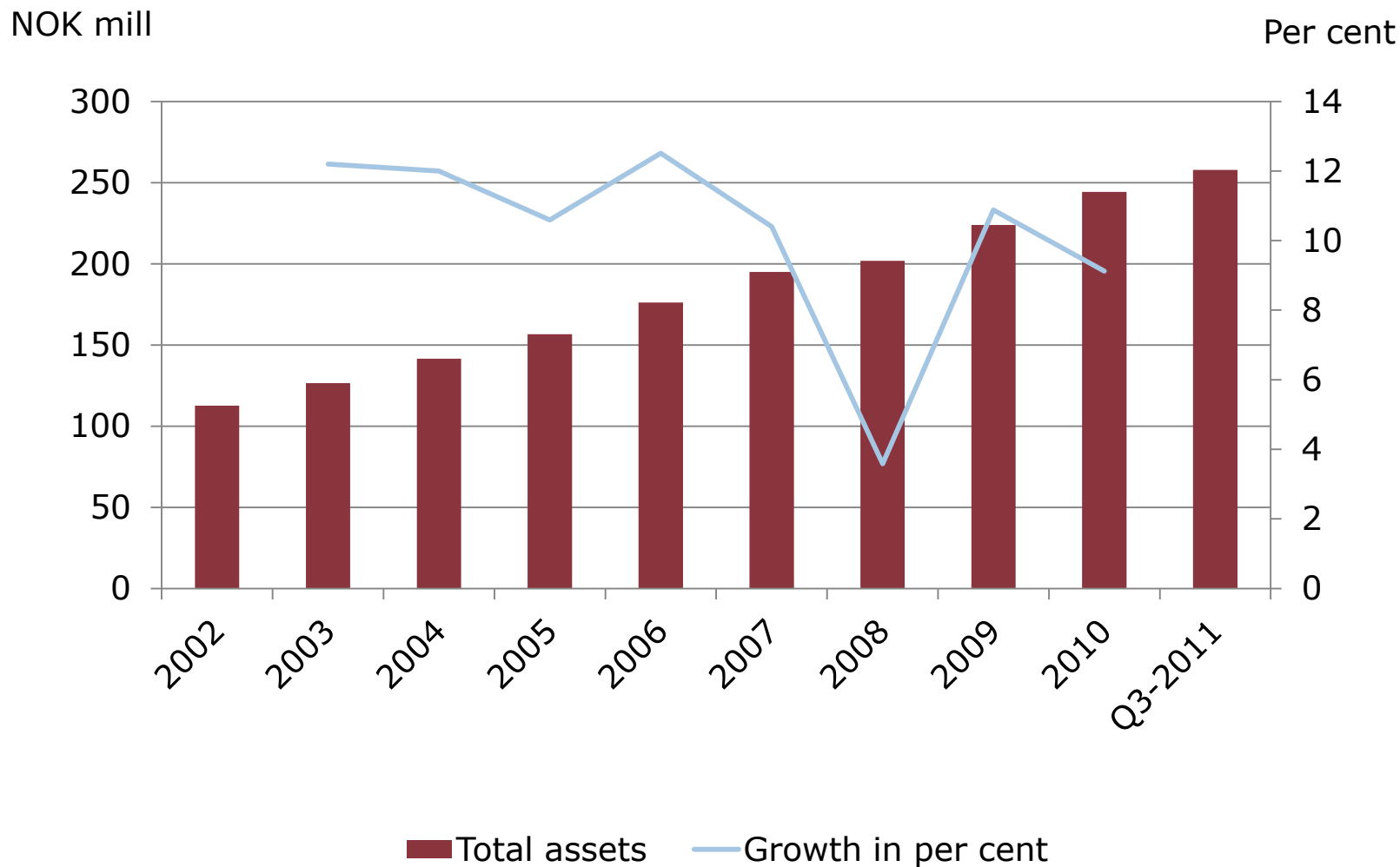
# KLP – own funds and liabilities

<i>NOK million</i>	30.09.2011	31.12.2010	Change 2011
Paid-in equity	6 217	5 628	589
Retained earnings	5 619	5 107	512
Hybrid capital and subordinated debt	4 265	4 074	191
Insurance liabilities	238 102	227 533	10 569
Other liabilities	3 534	1 941	1 594
<b>Total: own funds, provisions and debt</b>	<b>257 737</b>	<b>244 282</b>	<b>13 455</b>

Insurance liability per 31.09.2011 – NOK bn



# KLP – growth in assets



# KLP Bedriftspensjon – main figures

<i>NOK million</i>	Ytd		Year
	2011	2010	2010
Interest result	6.6	9.5	9.9
Risk result	2.8	3.4	3.6
Administration result	-19.0	-17.5	-23.4
Interest rate guarantee and profit element	1.3	0.7	0.9
Non-technical result	1.3	1.4	1.7
Total result	-7.0	-2.5	-7.3
Of which result to clients	6.8	9.6	9.7
Result to owner	-13.8	-12.1	-17.1



# KLP Bedriftspensjon – return and solvency

<i>Per cent</i>	Ytd 2011	2010	Year 2010
Common portfolio			
Book	3.8	5.1	6.0
Value adjusted	1.3	5.6	8.3
Investment options portfolio	-4.1	4.4	9.3
Corporate portfolio	3.2	4.6	5.0

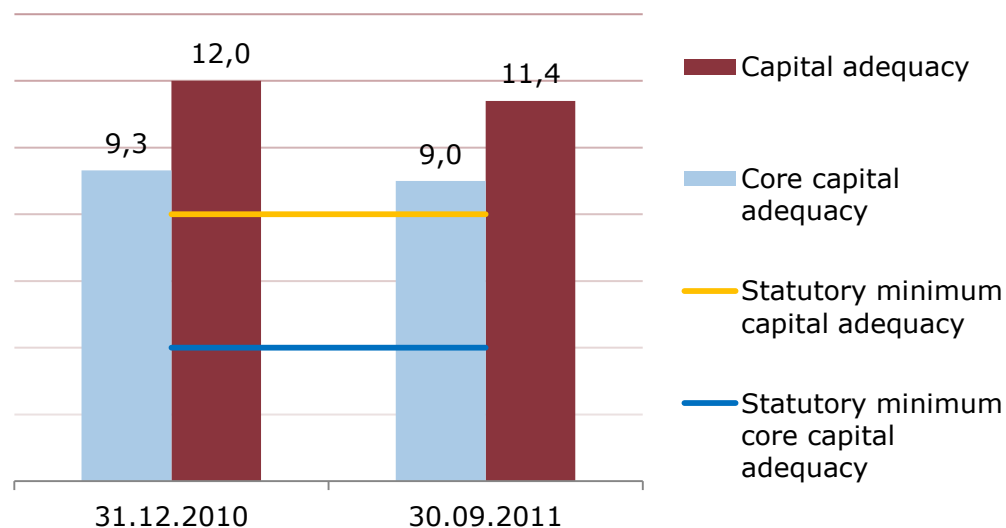
<i>Per cent</i>	30.09.2011	31.12.2010
Capital coverage	9.4	19.6
Solvency ratio	154.6	197.6

<i>NOK million</i>	30.09.2011	31.12.2010
Value adjustment fund	-	13.5
Supplementary reserves	19.1	15.9
Solvency capital	77.6	89.3

# KLP investments and capital issues

# KLP – capital adequacy

Per cent	30.09.2011	31.12.2010
Capital adequacy	11.4	12.0
Core capital adequacy	9.0	9.3
Statutory minimum capital adequacy	8.0	8.0
Statutory minimum core capital adequacy	4.0	4.0

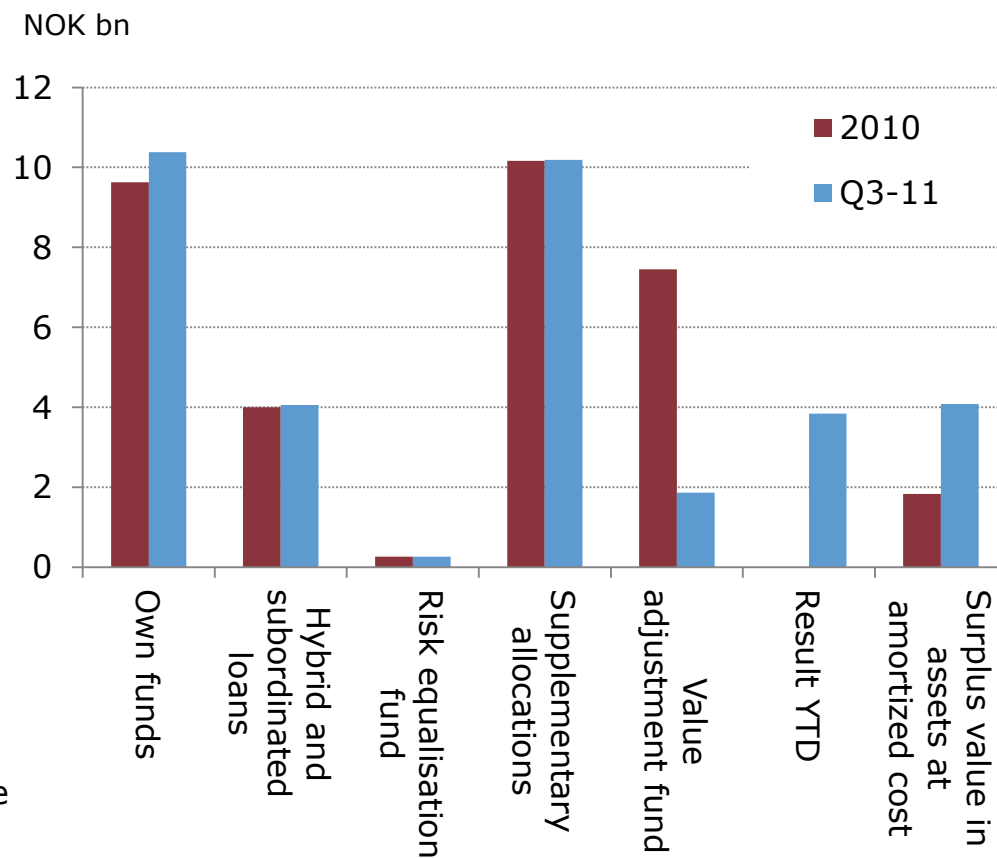
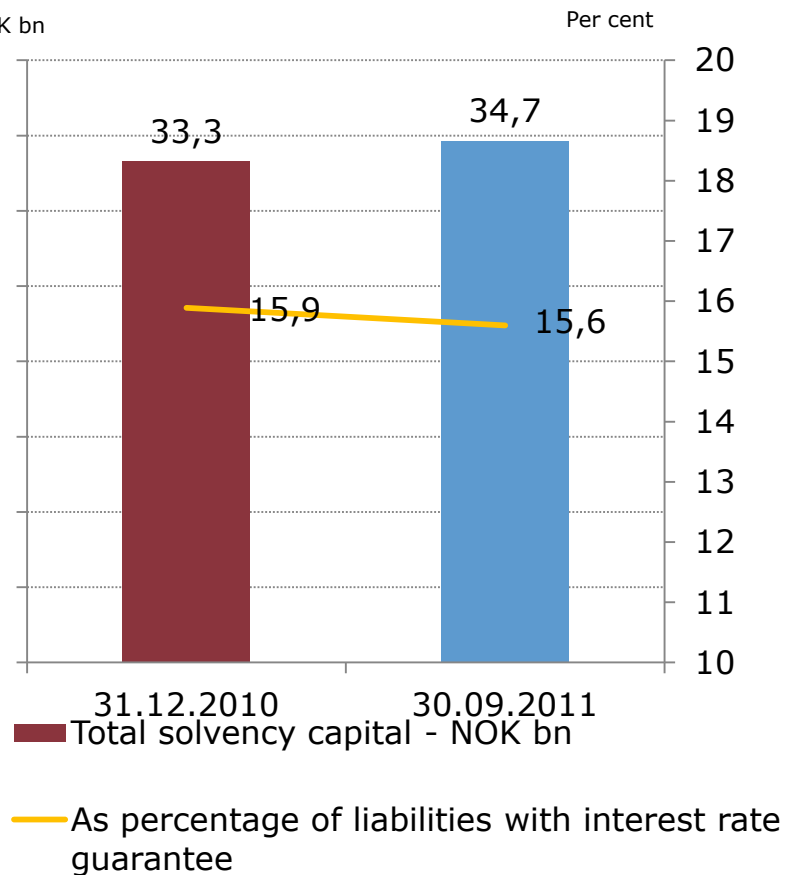


Capital adequacy and core capital ratio well in excess of regulatory requirement

# KLP – financial buffers

<i>NOK million</i>	30.09.2011	31.12.2010
Valuation reserve	1 856	7 450
Supplementary reserve	10 184	10 163
Core capital margin	4 328	4 521
Income to date	3 836	
Regulatory buffer capital	20 204	22 134
Valuation reserve booked at amortised costs	4 080	1 830

# KLP – financial solidity



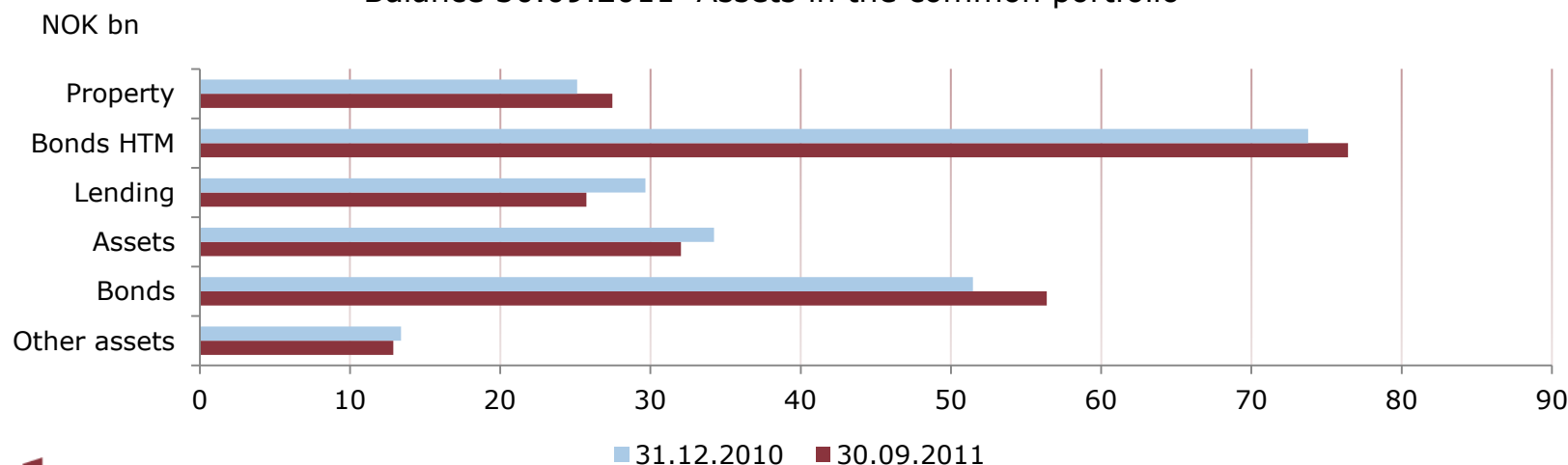
Solvency maintained in third quarter

# KLP common portfolio – allocation and return

Per cent	Share*	Return	Return
	30.09.2011		2010
Equities <sup>1)</sup>	14.3	-14.2	14.5
Bonds	22.1	5.7	7.3
Bonds held-to-maturity	33.7	3.8	5.3
Lending	11.2	2.8	3.6
Property	12.0	5.6	11.9
Other financial assets	6.6	2.0	2.8

\* Measured by exposure

Balance 30.09.2011 Assets in the common portfolio



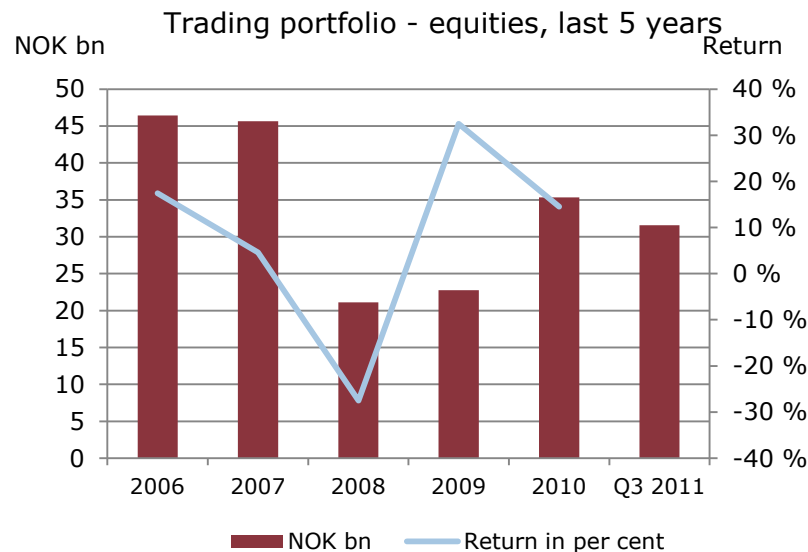


# Trading portfolios equities

## KLP common portfolio

Trading portfolio equities*	30.09.2011	30.09.2010	31.12.2010
Value equities (NOK mill)	31 239	25 647	34 906
Return equity portfolio	-14.2 %	3.6 %	14.5 %
Share index-tracking equities	77.6 %	72.0 %	72.9 %

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

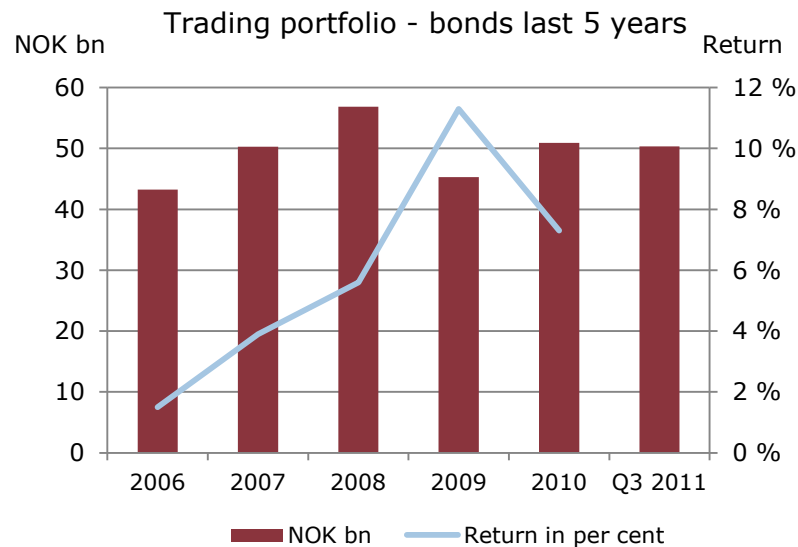


# Trading portfolios – bonds

## KLP common portfolio

Trading portfolios fixed-income *	30.09.2011	30.09.2010	31.12.2010
Value fixed income (NOK mill)	60 559	56 116	57 048
Return trading portfolios fixed income	5.0 %	7.2 %	6.6 %
Share index-tracking fixed-income	36.3 %	35.6 %	35.8 %

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

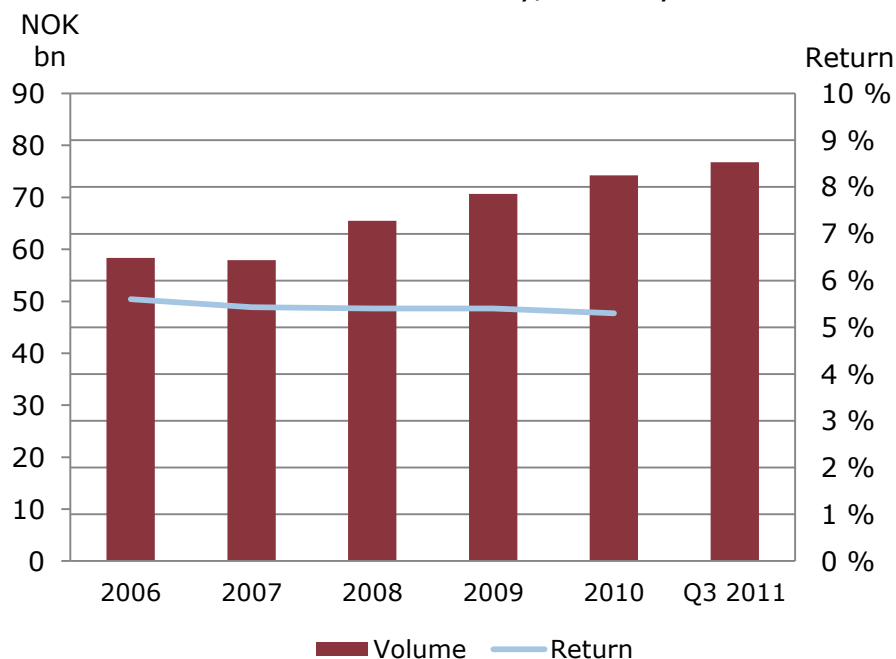


# Bonds booked at amortised costs

## KLP common portfolio

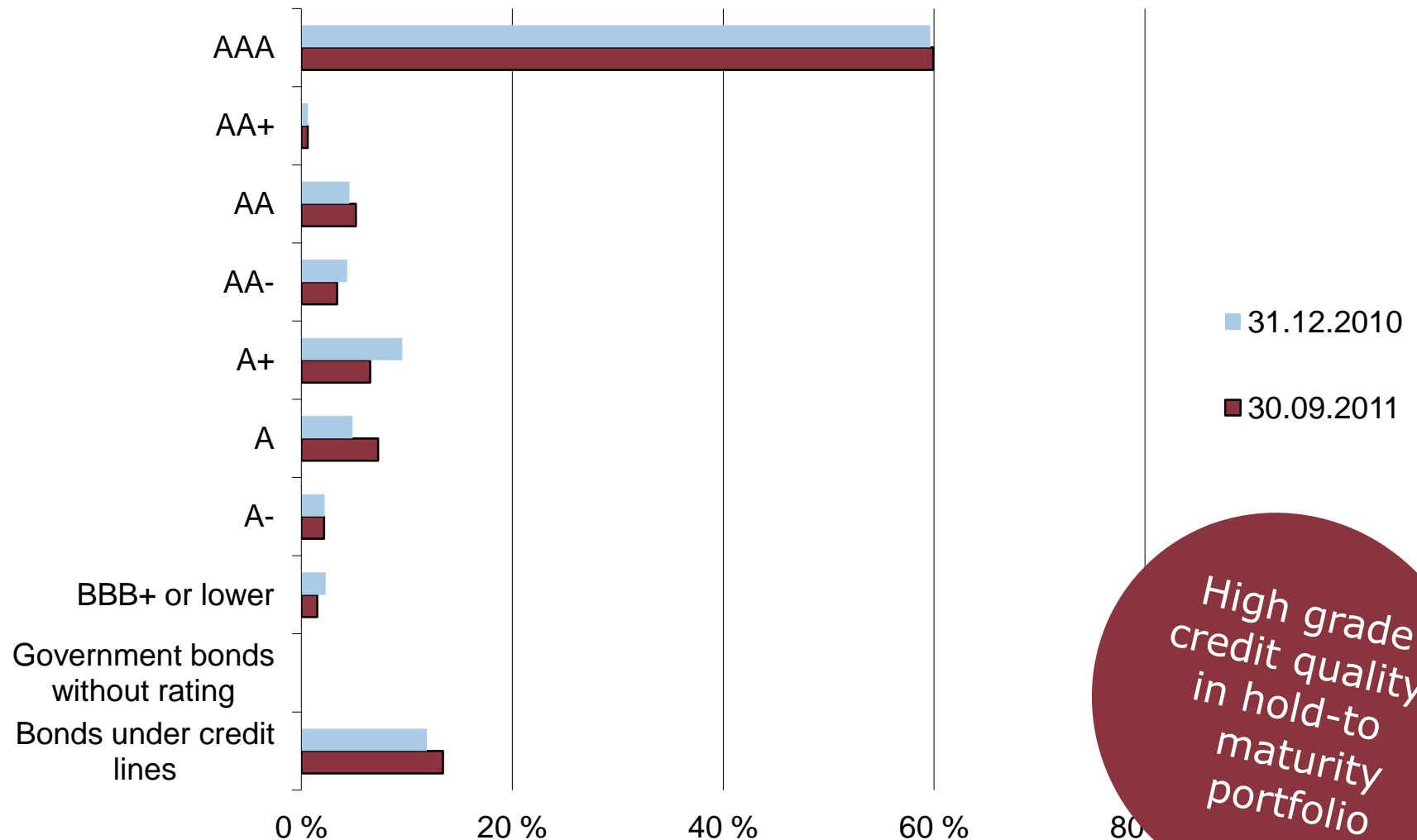
	Q3		Year
	2011	2010	2010
Book value (NOK mill)	76 791	70 854	74 227
Valuation reserve (NOK mill)	3 418	3 443	1 441
Return (per cent)	3.8	3.9	5.3

Bonds held-to maturity, last 5 years



# Bonds booked at amortised costs

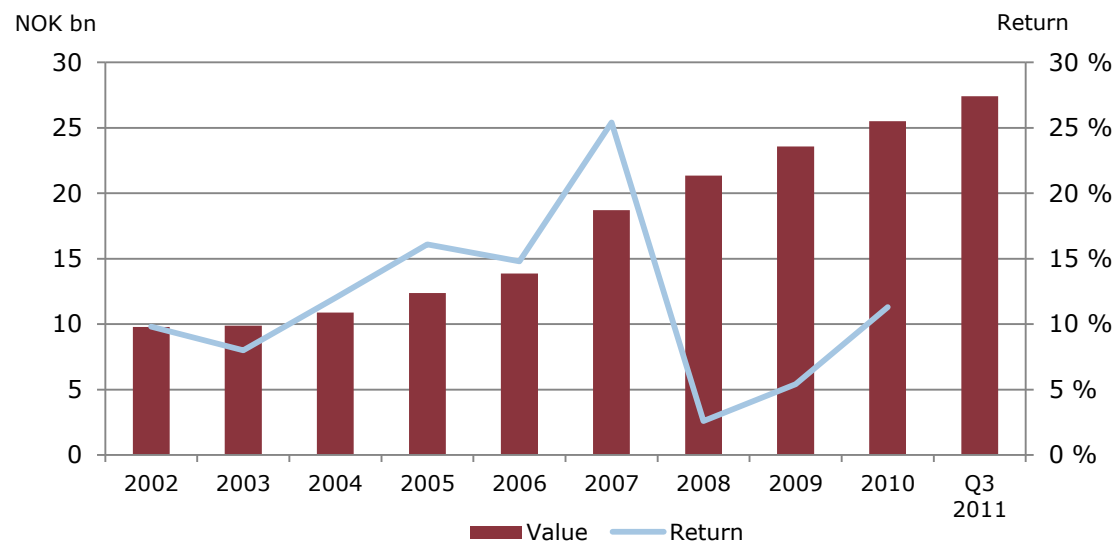
## KLP common portfolio



# Property investments

## Total portfolio

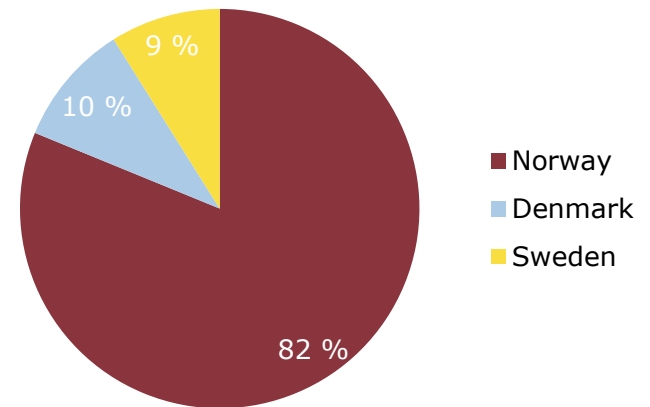
	Q3		Year
	2011	2010	2010
Book value (value-adjusted NOK mill)	29 202	26 632	27 123
Occupancy rate (per cent)	93.9%	92.4%	93.6%
Average lease duration (year)	7.2	7.5	7.4



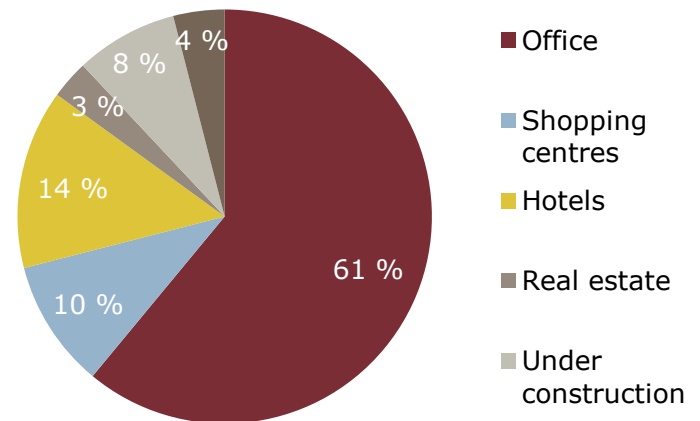
# KLP's real estate activities

- Whereas KLP Eiendom AS is held by the common portfolio, it also manages all property investments in the Group.
- Continuing positive development for centrally located properties: the property mass was appreciated by NOK 467 million through the first nine months
- Acquisitions carried out in y.t.d.:
  - Drammensveien 144 (Hafslund-building) in Oslo – NOK 365 million
  - TDC Building in Copenhagen acquired for NOK 1 316 million per 01.07
  - Scandic Grand Central, Stockholm Transaction date Oct. 7
- Property investments in the common portfolio constitute 12 per cent of the financial assets

Geographic split of the portfolio



Sector diversification of the portfolio





# KLP's real-estate investments

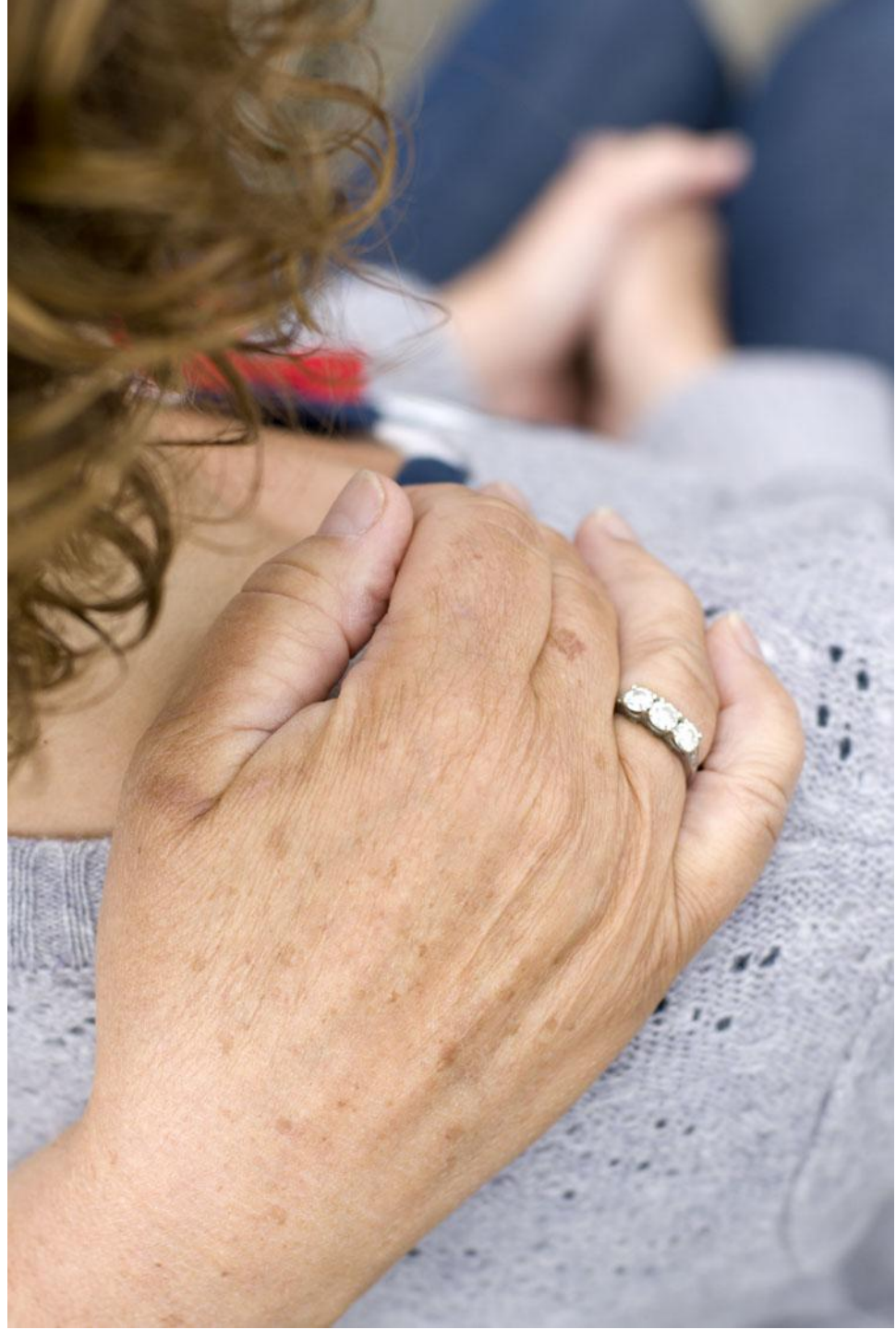
Property value	Ytd 2011	2010	Year 2010
Value adjustment in per cent	29 271	26 702	27 305
Fair value common portfolio (NOK mill)	1.6%	5.2%	6.8%
Value adjustment in per cent common portfolio	26 705	24 302	24 857
Property value	1.3%	5.5%	7.0%

Return	Ytd 2011
Total return	5.7%
Total return common portfolio	5.5%

\*All figures are exchange-rate hedged

# Real Estate funds

- KLP's investments had a book value of NOK 717 million as of 30.09.2011
- Dividends net of investments amounted to NOK 2 million in the quarter
- Increased uncertainty in the markets due to the debt-crisis. Asia better performing than Europe.



# Skadeforsikring (non-life insurance)

# KLP Skadeforsikring

- Ordinary operating profit NOK 33.4 mill
    - NOK -6.7 mill through Q3
  - Positive sales evolution in retail market maintained
  - Insurance results in 2011 slightly under budget
    - Frequency losses somewhat higher than expected
    - No major incident reported
    - Only minor economic incidence from terror acts of July 22nd
  - Positive results from previous years incidents
- Moderate financial returns
- Year to date 2,6 %
  - Third quarter -0,3 %
  - Y.t.d. appreciation of real estate investments 5,0 %
- Operating cost in line with budget



# KLP Skadeforsikring – profit & loss Q2 2011

<i>1 000 NOK</i>	Result Q3 2011	Result Q3 2010	Result 2010
Premium written f.o.a.	441 994	399 624	538 529
Allocated investment income	44 505	43 549	56 352
Claims f.o.a.	-364 823	-376 491	-493 007
Insurance related expenses	-119 700	-115 402	-163 451
Other insurance related income	2 045	2 128	2 110
Changes in security reserves etc.	-7 121	-7 387	-23 548
Result from technical activities	-3 099	-53 950	-83 024
Result from investment activities	81 032	157 033	217 299
Allocated investment income	-44 505	-43 549	-56 352
Result from ordinary operation	33 427	59 534	77 933
Estimated tax expense	-5 646	-9 559	2 915
Provisions for equity fund	-13 264	-25 395	-27 795
Result after provisions for equity fund	14 517	24 580	53 053

# KLP Skadeforsikring – main figures

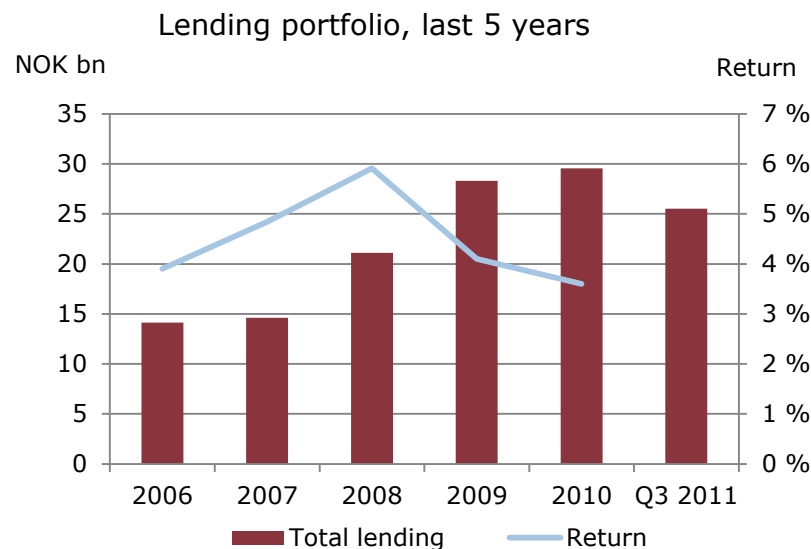
Key figures, <i>per cent</i>	Ytd 2011	Ytd 2010
Claims ratio on own account	82.5	94.2
Cost ratio on own account	27.1	28.9
Combined Ratio for own account	109.6	123.1
Return on capital	2.6	5.2
Capital adequacy ratio	30.9	29.8
Revenues, <i>NOK mill</i>	Ytd 2011	Ytd 2010
Gross premium written	586	574
Premium income for own account	442	400
Claims paid for own account	365	376
Insurance related costs for own account	120	115
Results	33	60
Key figure balance sheet. <i>NOK mill</i>	Ytd 2011	Ytd 2010
Financial assets	1 533	1 626
Total assets	3 599	3 595
Equity	868	810
Provisions in insurance funds for own account	2 343	2 310

# Banking and credit

# Lending portfolio

## KLP common portfolio

	Q3		Year
	2011	2010	2010
Book value (NOK mill)	25 525	32 307	29 550
Of this: fixed rate loans (NOK mill)	11 568	10 708	10 776
Return year to date (in per cent)	2.8	2.7	3.6
Specific and general credit loss provisions (NOK mill)	0.8	0.7	0.7





# KLP Bank-group – main figures

<i>NOK million</i>	KLP Kreditt			KLP Kommunekreditt			KLP Banken		
	Q3 2011	YTD 2011	2010	Q3 2011	YTD 2011	2010	Q3 2011	YTD 2011	2010
Net interest revenues	-2.2	3.6	22.0	2.0	-0.7	4.9	2.5	8.2	2.0
Net fee and commission income	-	-	-	-	-	-	0.9	2.6	2.1
Management fee	-	-	-	-	-	-	14.4	43.6	52.5
Operational costs	-1.1	-7.0	-22.2	-13.6	-31.2	-11.1	-20.6	-59.4	-76.4
Value adjustment financial instruments	6.4	0.9	52.1	-4.8	-1.0	-0.2	0	0	-0.3
Result before taxes	3.2	-2.5	51.9	-16.4	-32.9	-6.4	-2.7	-5.0	-20.0
Total assets	2 176		15 092	26 464		11 176	8 988		5 526

# KLP Bank-group – main figures

NOK million	KLP Banken Group		
	Q3 2011	YTD 2011	2010
Net interest revenues	1.0	11.1	31.6
Net fee and commission income	0.9	2.6	2.1
Management fee	14.4	43.6	52.5
Operational costs	-35.3	-97.5	-109.6
Value adjustment financial instruments	1.6	-0.2	59.2
Result before taxes	-12.5	-33.5	35.9
Total assets	31 387	31 387	27 865

# KLP Bank-group – lending and deposits

<i>NOK billion</i>	Mortgage loans		Public sector loans		Deposits	
	Q3 2011	2010	Q3 2011	2010	Q3 2011	2010
KLP Banken AS (parent)	2.5	1.3	-	-	1.7	0.9
KLP Kreditt AS	-	-	1.5	14.1	-	-
KLP Kommunekreditt AS	-	-	23.9	10.9	-	-
KLP (under management agreement )	6.6	7.5	18.7	21.9	-	-
Total	9.1	8.8	44.1	46.7	1.7	0.9

# KLP Banken group

- Public sector lending :
  - Loan volume increased by NOK 0.6 billion to NOK 25.7 billion
- Private market:
  - Deposits of NOK 1 715 million
  - Home mortgage lending NOK 2 477 million
  - NOK 5.4 million in delinquent loans
  - Loss provision private lending: NOK 50 000

Retail: More  
than  
13 500  
depositors

Success in  
home  
mortgages,  
volume close  
to doubled in  
2011



# Asset management

Net result  
NOK  
14 million for  
the first 9  
months

Managing NOK  
13 billion for  
external clients

Net new  
subscriptions  
from external  
clients in  
excess of NOK  
150 million in  
the period

# KLP Kapitalforvaltning & KLP Fondsforvaltning

- KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS constitute the asset management environment of the KLP group. Total assets in the management were NOK 195 billion at the end of the quarter. The major part of the assets are managed on behalf of KLP and the subsidiaries in the KLP group
- In August an "Emerging Markets" investment fund was started. Parallel funds for institutional and individual clients were established. The funds are index-tracking
- Result before tax per Q3 NOK 21 million



# Summary



# KLP stands firm in challenging markets

- Preliminary result to clients NOK 3 640 million, to the company NOK 461 million
- Strong flexible buffers owned by the clients important in turbulent markets
  - Equity contribution paid in through Q3 of NOK 593 million provides further solidity
  - Strong capital adequacy at 11.4 %
  - Valuation reserves improved significantly through October
  - KLP have not sold down the equity portfolio as a consequence of reduced values through Q3
- Stability and loyalty among clients
- Our clients employees remain a target group





# Contacts in KLP

Position	Name	Phone	E-mail
Executive Vice President & CFO	Aage E. Schaanning	+47 22 03 79 01/90 52 43 12	aes@klp.no
SVP Finance	Per Victor Nordan	+47 22 03 35 55/92 03 55 00	pvn@klp.no
Executive Vice President Communications	Ole Jacob Frich	+47 22 03 78 96/90 91 55 23	ojf@klp.no