

Oslo, 5th November 2015

# Financial results Q3 2015

## KLP Group



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# Main features





# KLP 30.09.2015

- Total group assets: NOK 527 billion
- Common portfolio of life company
  - Book return of 2.6 per cent
  - Value adjusted return of 2.0 per cent
- Corporate portfolio returned 3.2 per cent
- Total solvency capital NOK 80.1 billion



# KLP return on investment portfolios

<i>All figures in per cent</i>	Q3 2015	Q3 2014	Year 2014
Common portfolio			
Booked return	0.6	0.8	4.3
Value adjusted return	-0.3	1.2	6.9
Value adjusted return incl. HTM bonds/bonds booked at amortised costs	0.1	1.6	9.5
Investment options portfolio	-0.8	1.1	6.7
Corporate portfolio	0.8	1.3	7.3

# KLP Group



# KLP Group – results by segment

<i>NOK million</i>	YTD		Year 2014
	2015	2014	
Life insurance	1 765	1 188	801
Non-life insurance	46	168	304
Banking	34	30	29
Asset management	45	43	56
Other	0	0	1
Group result before tax	1 889	1 430	1 189

# KLP Group – main figures - results

NOK million	YTD		Year
	2015	2014	2014
Pension premiums and incoming transfers	33 075	55 454	63 611
- of which premium reserves transferred from another company	9 402	30 970	30 324
Allocated investment income	7 523	19 687	29 374
Minority share of return of financial instruments	222	-1 935	-3 343
Claims f.o.a.	-12 116	-14 813	-18 643
Insurance provisions	-26 360	-45 928	-51 848
Operating cost	-1 032	-790	-1 167
Other income and cost	44	35	71
Technical result	1 356	11 710	18 056
To/from value adjustment fund life insurance	2 078	-7 896	-9 130
To/from supplementary reserves life insurance	57	0	-3 415
Surplus allocated Life insurance clients	-1 601	-2 385	-4 322
Group result pre-tax	1 889	1 430	1 189
Tax	-497	-145	-324
Other profit/loss elements	132	35	-2
Group result pre-tax	1 524	1 320	863



# KLP Group – assets

<i>NOK million</i>	30.09.2015	31.12.2014	Change
Investment properties	51 602	44 467	7 134
Debt instruments held to maturity	38 464	30 620	7 845
Debt instruments classified as loans and receivables	90 153	86 974	3 179
Lending to municipalities, enterprises and individuals	77 503	67 010	10 493
Debt instruments at fair value over P/L	144 955	152 489	-7 534
Equity instruments at fair value over P/L	106 453	101 123	5 330
Financial derivatives	1 363	1 785	-422
Share in associated companies	340	248	92
Assets in defined contribution life insurance	1 080	842	238
Deferred tax assets	30	88	-58
Immaterial assets	503	448	55
Other assets	14 315	4 800	9 516
Total assets	526 761	490 894	35 867

# KLP Group – own funds and liabilities

<i>Millioner kroner</i>	30.09.2015	31.12.2014	Change
Own funds	20 314	17 644	2 670
Hybrid capital and subordinated loans	10 855	4 676	6 179
Debt to financial institutions	4 552	5 220	-668
Covered bonds issued	17 024	18 468	-1 444
Debt to and deposits from clients	7 279	6 251	1 028
Insurance reserves	410 679	383 309	27 370
Minority interests classified as liabilities	41 962	36 968	4 994
Other liabilities	14 096	18 359	-4 262
Total own funds and debt	526 761	490 894	35 866

# 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 of NOK 2 300  
million to clients**

**Corporate results  
so far this year  
1 470 million**



# Life division

- KLP has successfully tackled the extraordinary growth without increasing cost levels.
- Focus on operational efficiency and lower costs without this being at the expense of customer service.
- Further improvement in our own pension funds solution for relevant customers.
- High level of activity in KLP Bedriftspensjon results in volume growth and increase of new clients.



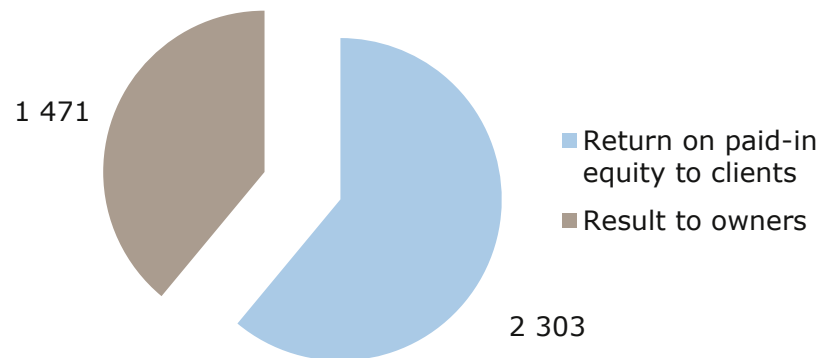
# KLP – presentation of accounts

NOK million	YTD		Year
	30.09.2015	30.09.2014	2014
Pension premiums and incoming transfers	31 985	54 570	62 454
Net revenues from investments in Common portfolio	7 565	16 225	23 511
Claims paid and outgoing transfers	-11 397	-14 292	-17 996
Changes in valuation reserves	-24 081	-53 463	-64 160
Allocations to insurance contracts	-2 294	-1 959	-3 368
Insurance related operating costs	-678	-537	-752
Other insurance related costs	16	26	58
Technical result	1 117	571	-253
Net income from investments in the corporate portfolio	770	1 027	1 446
Other income and cost	-275	-159	-233
Non-technical result	495	868	1 212
Result before tax	1 613	1 439	959
Tax	-203	0	35
Result before other components	1 410	1 439	994
Comprehensive income	61	-122	-143
Total result	1 471	1 317	852

# KLP – appropriation of results

<i>Nok million</i>	Result	Result	YTD	
	Customers	Company	2015	2014
Interest result	2 120	14	2 134	1 390
Risk result	233	239	473	422
Premium interest rate guarantee		618	618	443
Administration result		197	197	261
Net income corporate portfolio		495	495	868
Returned reserve contribution	-50	50	-	-
Tax		-226	-226	-
Other result elements		84	84	-122
<b>Total</b>	<b>2 303</b>	<b>1 471</b>	<b>3 744</b>	<b>3 261</b>

- Good return on common portfolio
- Good contribution from corporate portfolio
- Stipulated return of NOK 2.3 bn to clients



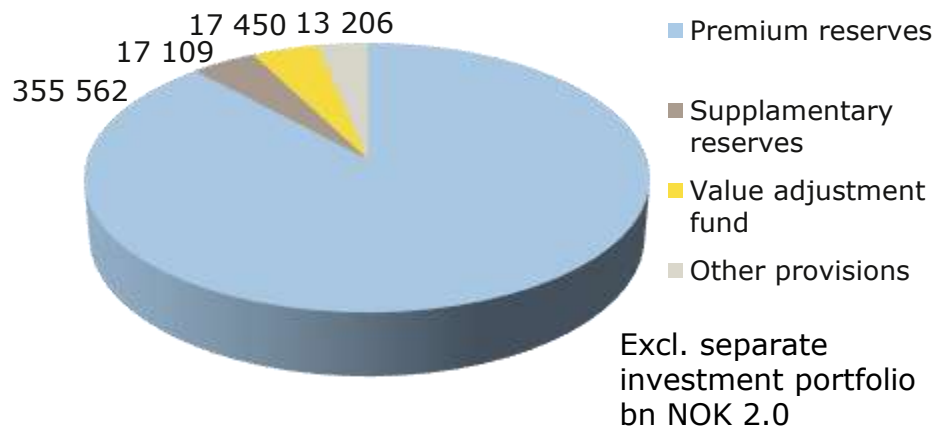
# KLP – assets

<i>NOK million</i>	30.09.2015	31.12.2014	Change YTD 2015
Total assets in corporate portfolio	39 030	25 090	13 970
Total assets in common portfolio	405 551	387 982	17 569
Assets in investment options portfolio	2 020	1 958	62
Total assets	446 600	415 030	31 601

# KLP – own funds and liabilities

<i>NOK million</i>	30.09.2015	31.12.2014	Change YTD 2015
Paid-in equity	10 404	9 173	1 231
Retained earnings	9 752	8 281	1 471
Hybrid capital and subordinated debt	10 855	4 676	6 179
Insurance liabilities	405 343	378 602	26 742
Other liabilities	10 195	14 298	-4 103
<b>Total: own funds, provisions and debt</b>	<b>446 600</b>	<b>415 030</b>	<b>31 570</b>

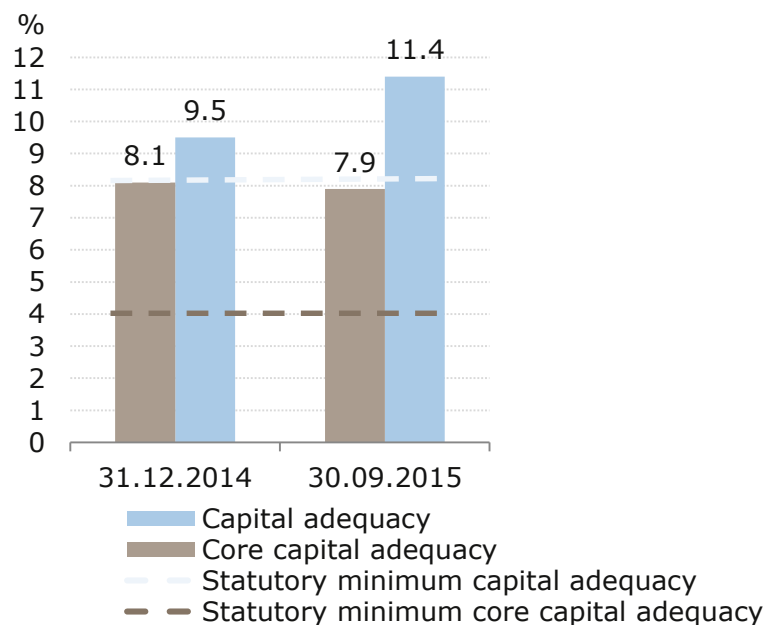
Insurance liabilities per 30.09.2015 – NOK bn





# KLP – capital adequacy

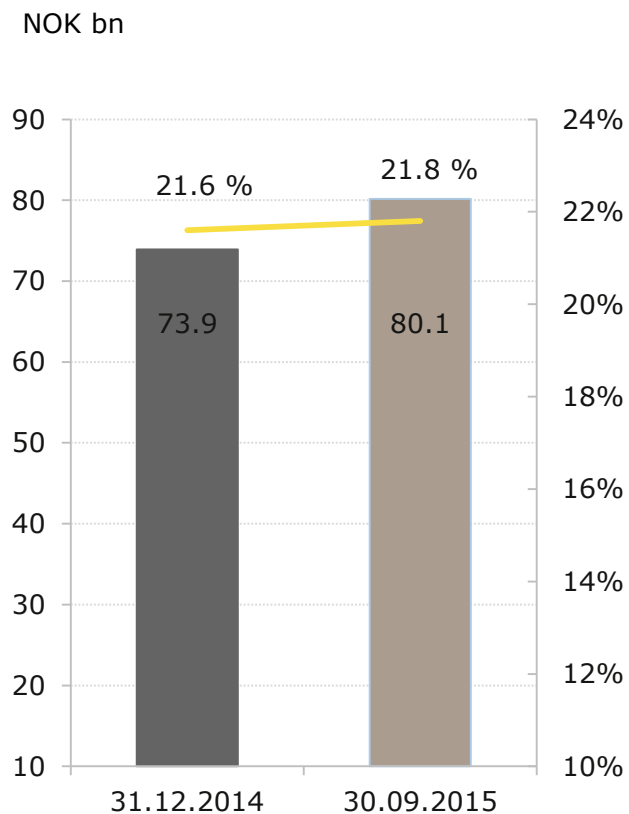
Per cent	30.09.2015	31.12.2014
Capital adequacy	11.4	9.5
Core capital adequacy	7.9	8.1
Statutory minimum capital adequacy	8.0	8.0
Statutory minimum core capital adequacy	4.0	4.0



# KLP – buffer capital

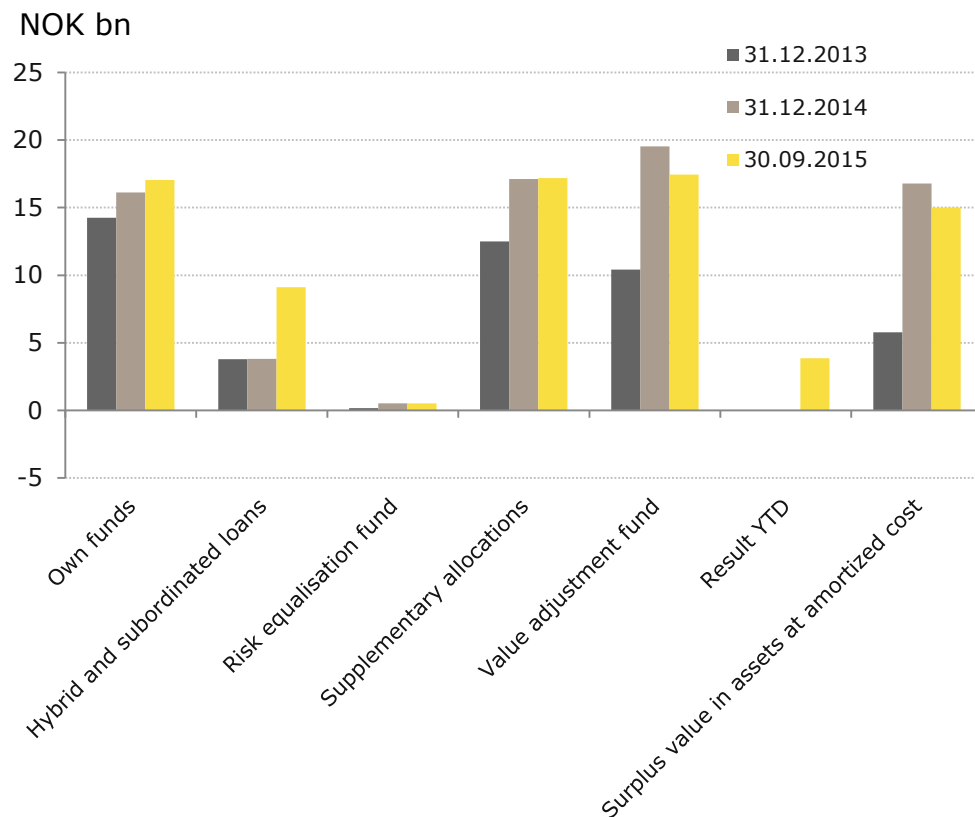
<i>NOK million</i>	30.09.2015	31.12.2014
Valuation reserve	17 450	19 522
Supplementary reserve	17 200	17 103
Core capital margin	7 838	3 210
Income to date	3 774	
Regulatory buffer capital	46 263	39 835
Valuation reserve booked at amortised costs	15 008	16 789

# KLP – financial solidity

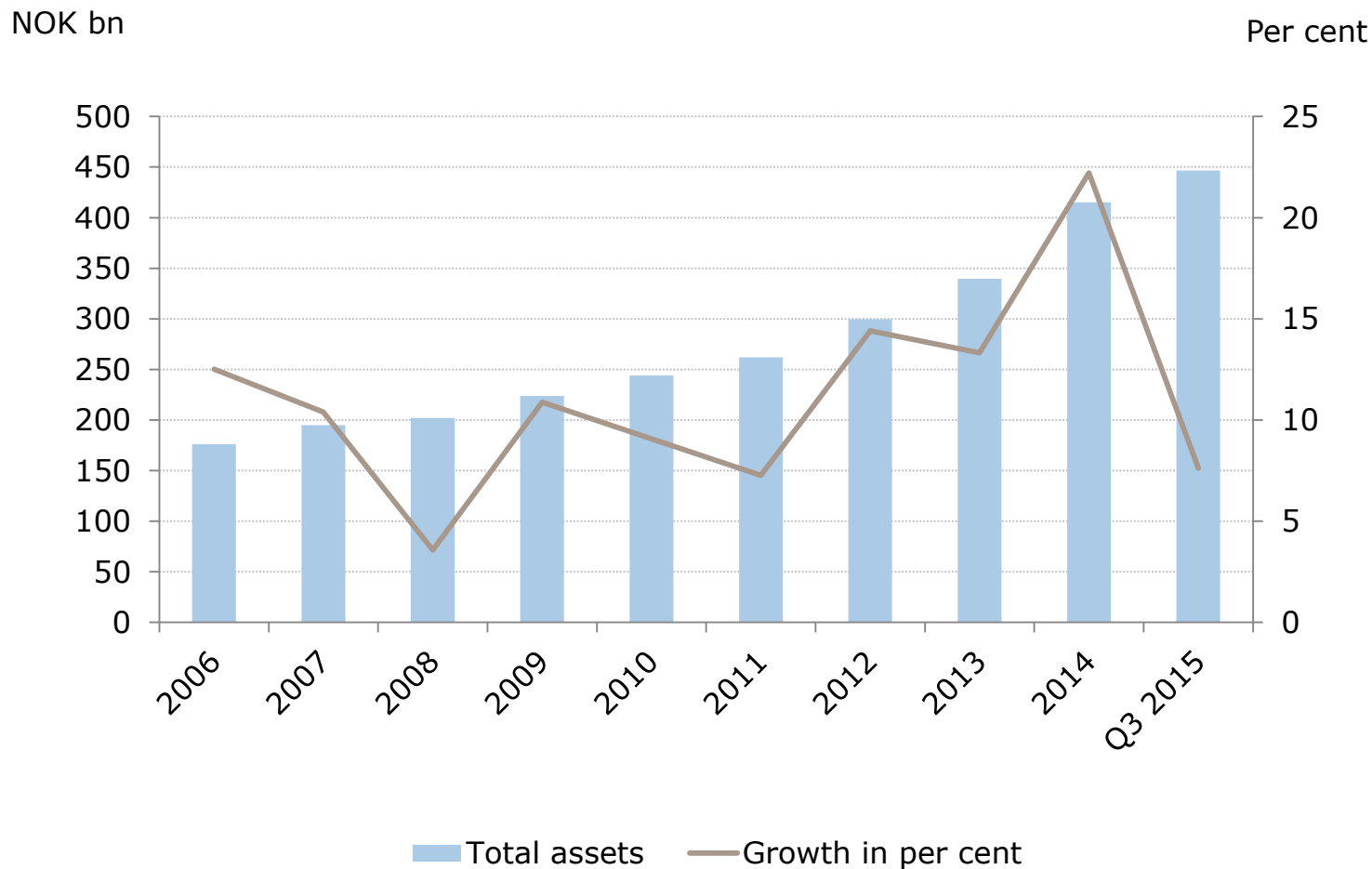


■ Total solvency capital

— As percentage of liabilities with interest guarantee



# KLP – growth in assets

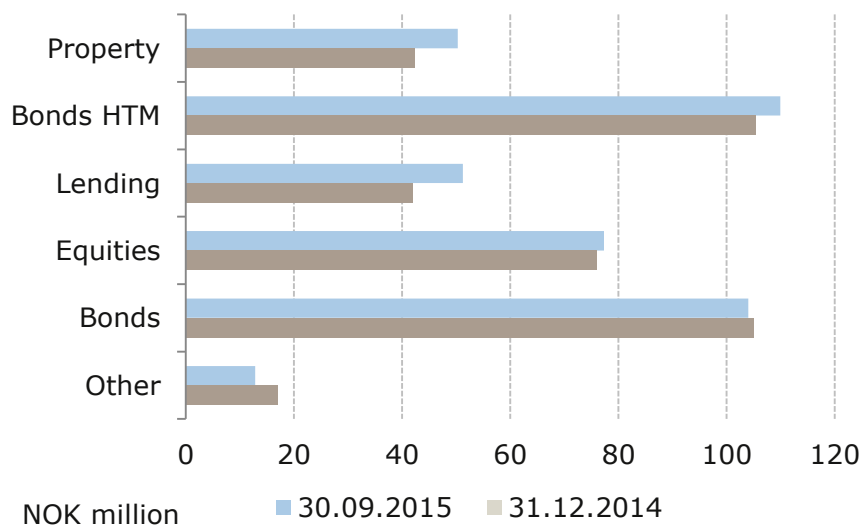


# KLP common portfolio – allocation and return

	Share <sup>*)</sup>	Return	Return
<i>Per cent</i>	30.09.2015	30.09.2015	2014
Equities*	19.3	-1.0	13.0
Bonds	21.4	1.7	8.4
Bonds held-to-maturity	27.7	3.4	4.7
Lending	12.8	2.0	3.2
Property	12.3	6.6	6.9
Other financial assets	6.6	0.6	2.4

<sup>\*)</sup> Measured by exposure

Balance 30.09.2015 Assets in the common portfolio



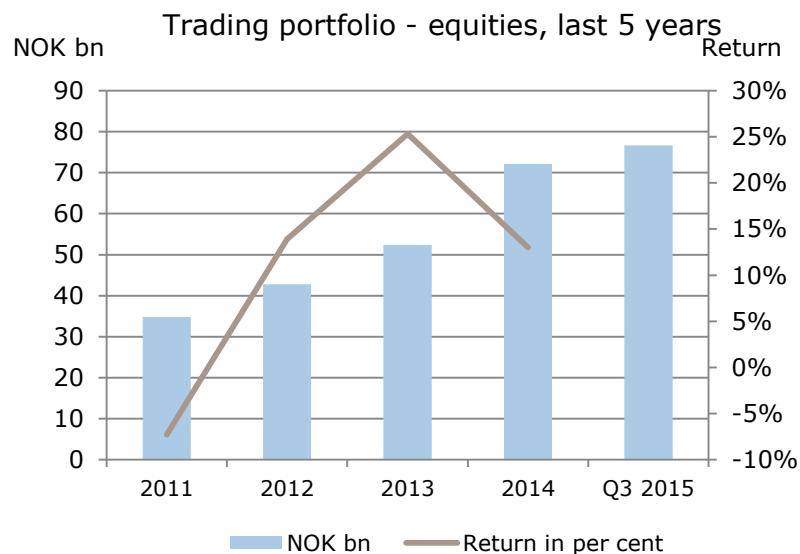


# Trading portfolios equities

## KLP common portfolio

Trading portfolio equities*	30.09.2015	30.09.2014	31.12.2014
Value equities (NOK mill)	76 667	71 178	72 087
Return equity portfolio	-1.0 %	21.3 %	13.0 %
Share index-tracking equities	58.7 %	59.5 %	61.1 %

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

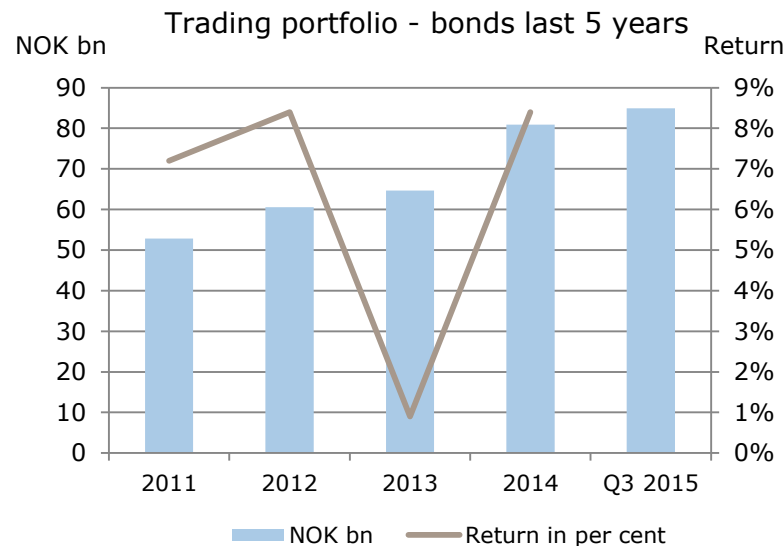


# Trading portfolios – bonds

## KLP common portfolio

Trading portfolios fixed-income *	30.09.2015	30.09.2014	31.12.2014
Value fixed income (NOK mill)	112 352	106 826	117 859
Return trading portfolios fixed income	1.4 %	4.6 %	6.5 %
Share index-tracking fixed-income	48.3 %	38.4 %	43.4 %

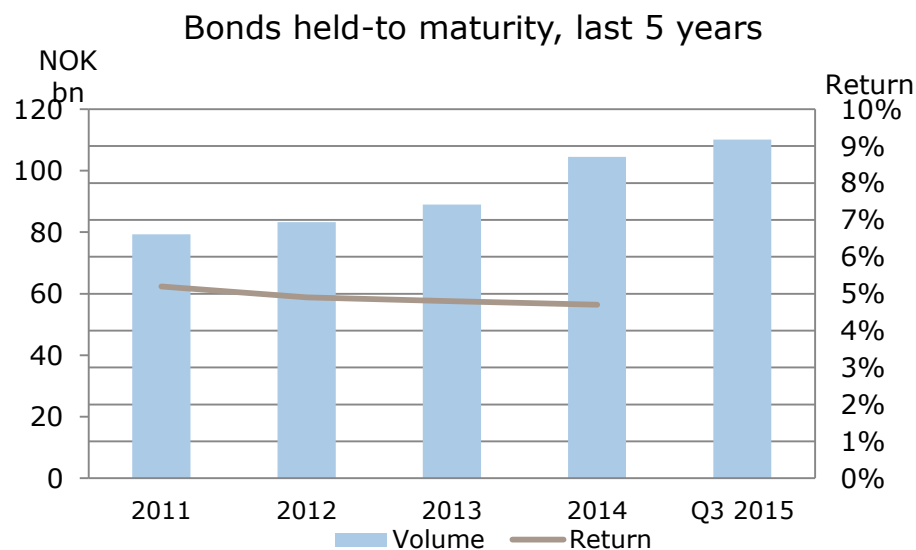
\* This table is an overview of financial assets. The statutory reported figures differ due to difference in classification.



# Bonds booked at amortised costs

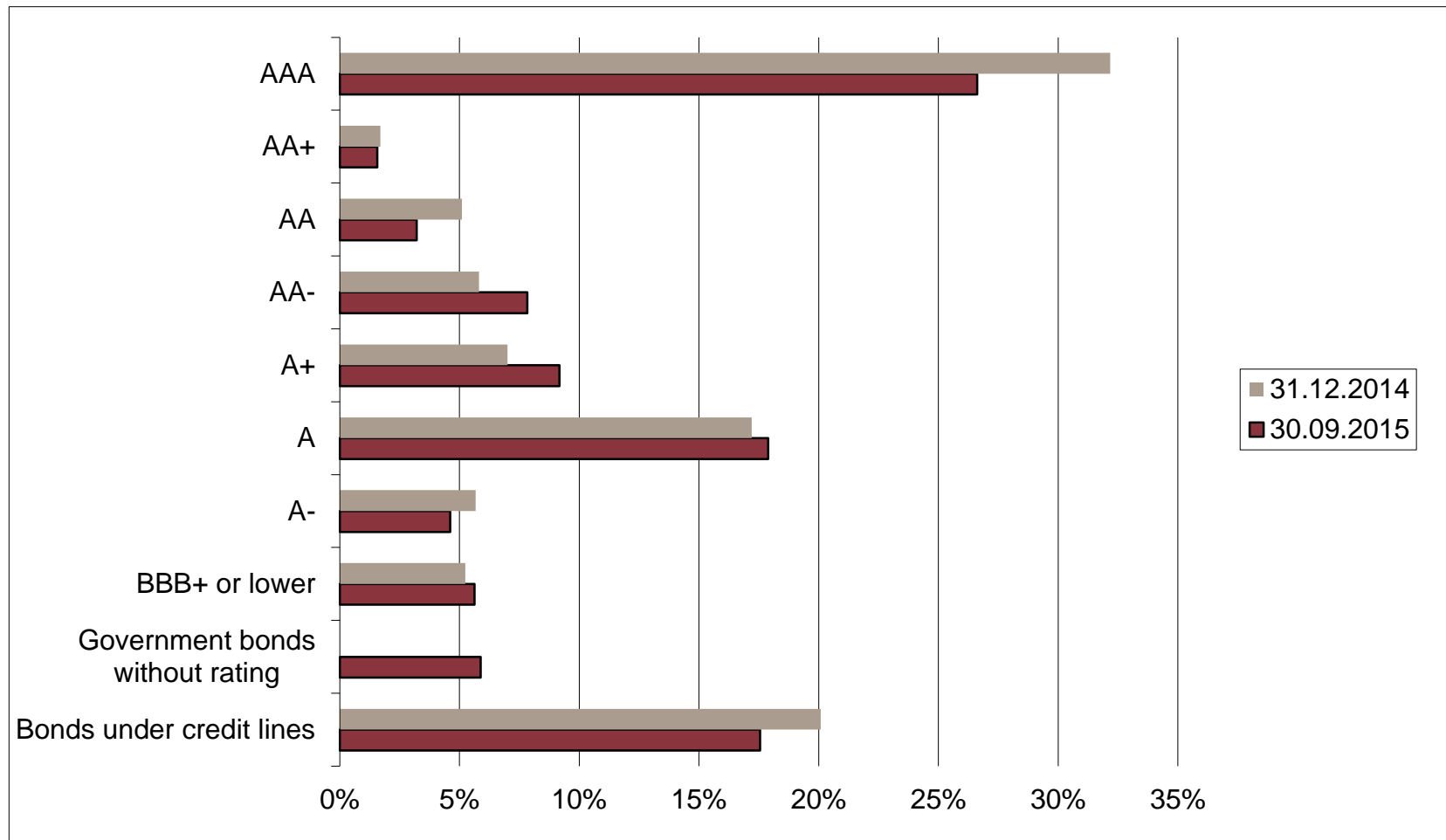
## KLP common portfolio

	30.09.2015	30.09.2014	31.12.2014
Book value (NOK mill)	110 0741	99 466	104 504
Valuation reserve (NOK mill)	12809	9 152	14 590
Return (per cent)	3.4	3.5	4.7



# Bonds booked at amortised costs

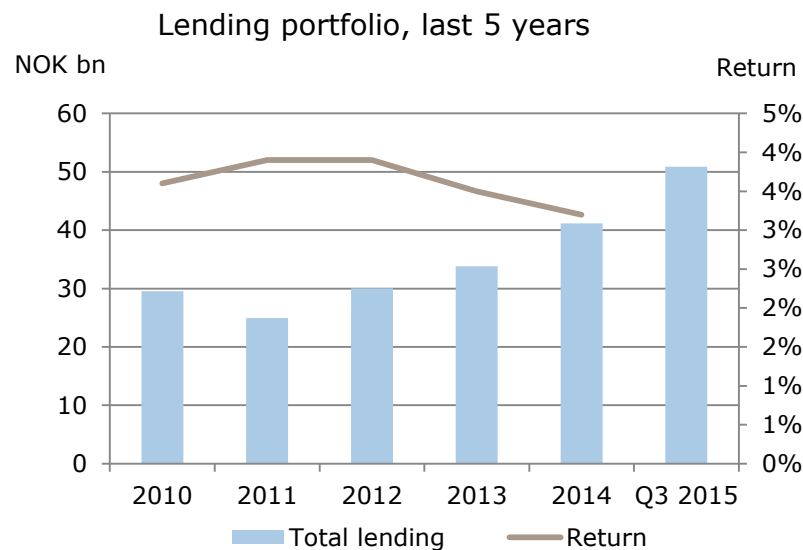
## KLP common portfolio



# Lending portfolio

## KLP common portfolio

	30.09.2015	30.09.2014	31.12.2014
Book value (NOK mill)	50 861	38 565	41 136
Of this: fixed rate loans (NOK mill)	20 840	15 582	18 031
Return year to date (in per cent)	2.0	2.4	3.2
Specific and general credit loss provisions (NOK mill)	0.5	1.5	0.7



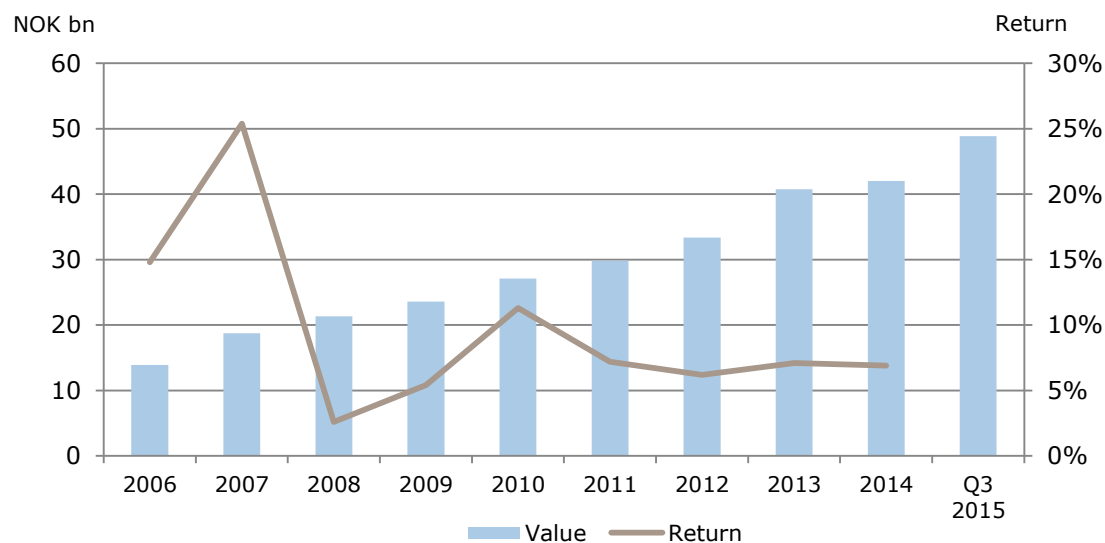


# Property investments

## Total portfolio

	30.09.2015	30.09.2014	31.12.2014
Book value (value-adjusted NOK mill)	52 836	42 099	45 652
Occupancy rate (per cent)	96.0 %	95.9 %	95.4 %
Average lease duration (year)	7.6	8.4	8.2

\*Excl exchange-rate hedged and property fund



Incl 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.

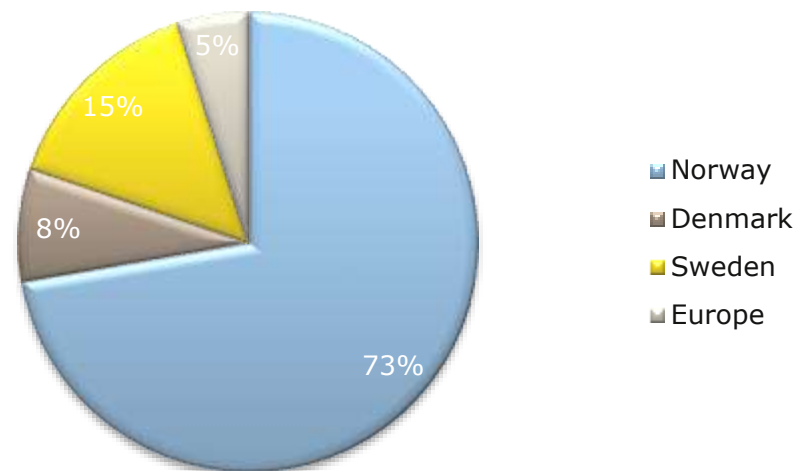
The price development for centrally located properties is stable, the portfolio written up by NOK 11 million (0.0 per cent), post currency hedging in Q3

## New investments / sales in 2015:

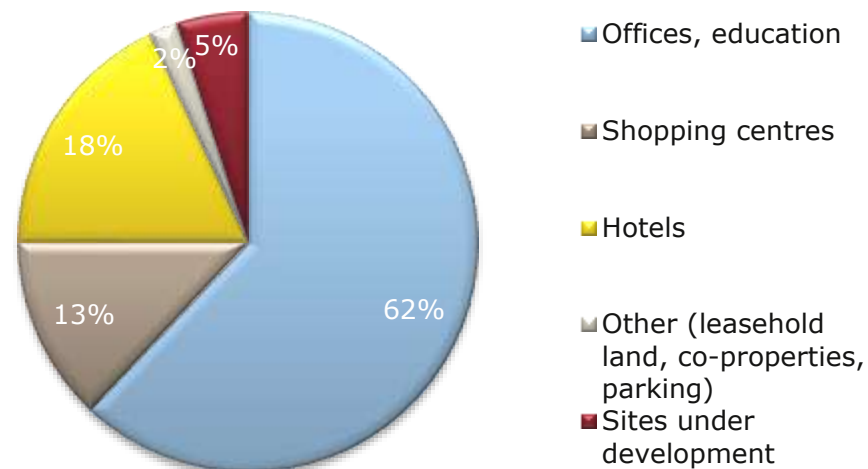
- Hovlandsbanen i Larvik
- Ulvenveien 75B i Oslo
- Verftsgata/Ferjemannsveien 10 i Trondheim
- Lysaker Torg 35
- Citypassagen i Oslo
- Aberdeen-porteføljen:
  - Lysaker Torg 45
  - Bergerveien 12 i Asker
  - Munkedamsveien 53B i Oslo
  - Fløisbonnveien 2-4 utenfor Oslo
  - Munkedamsveien 35 i Oslo
  - Søren Bulls vei 2 i Oslo (solgt igjen i Q3)
  - Solsiden i Trondheim
- Sold Hotell Park Inn in Stavanger

Real-estate investments constitute 12.4 per cent of the common portfolio

Property value - by country



Property value - by sector



# KLP's real-estate investments

Property value	YTD		Year
	2015	2014	2014
Fair value total portfolio*	51 491	41 914	44 610
Value adjustment in per cent	2.3 %	1.6 %	2.0 %
Fair value common portfolio (NOK mill)*	48 387	39 093	41 734
Value adjustment in per cent common portfolio	2.1 %	1.3 %	1.6 %

Return	YTD		Year
	2015	2014	2014
Total return*	6.6 %	5.4 %	7.2 %
Total return common portfolio**	6.6 %	5.2 %	6.8 %

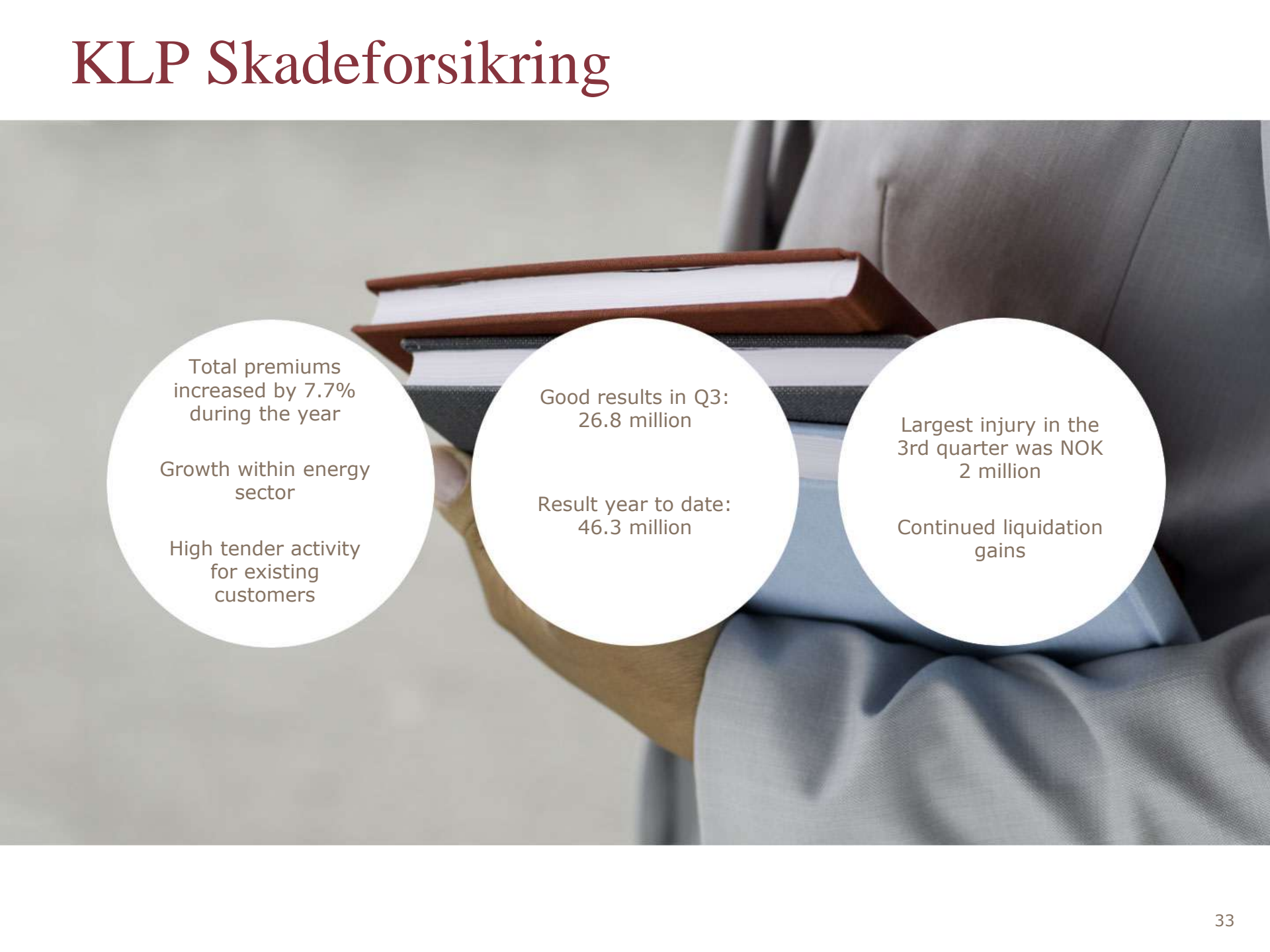
\*Incl exchange-rate hedged and excl. property fund

\*\*Incl exchange-rate hedged and property fund

# Skadeforsikring (non-life insurance)



# KLP Skadeforsikring



Total premiums  
increased by 7.7%  
during the year

Growth within energy  
sector

High tender activity  
for existing  
customers

Good results in Q3:  
26.8 million

Result year to date:  
46.3 million

Largest injury in the  
3rd quarter was NOK  
2 million

Continued liquidation  
gains

# KLP Skadeforsikring 30.09.2015

- Operating result Q3 NOK 27 million, and year to date 46 million
- Total premiums increased by 7.7% during the year
- High and increasing membership share in the retail market
- Large claims of Q1 characterize this year's earnings, while the largest single injury in the 3rd quarter was only NOK 2 million
- Liquidation gains of 76.9 million
- Weak financial result in Q3 - financial return of 0.2 per cent I Q3 and 2.5 percent year to date
- Security provisions unchanged from 31.12.2014
- Strong solvency maintained, even after significant damages in Q1



# KLP Skadeforsikring – profit & loss

<i>NOK 1 000</i>	YTD 2015	YTD 2014
Premium written f.o.a.	768.4	622.8
Allocated investment income	16.8	32.9
Claims f.o.a.	-661.5	-473.7
Insurance related expenses	-156.0	-135.8
Other insurance related income	0.8	1.8
Changes in security reserves etc.	0	-12.8
Result from technical activities	-31.6	47.9
Result from investment activities	94.0	165.1
Allocated investment income	-16.8	-32.9
Other income	0.6	0.8
Result from ordinary operation	46.3	168.2
Estimated tax expense	-19.9	-38.7
other elements	5.7	-9.3
Provisions for equity fund	27.4	-24.9
Result after provisions for equity fund	59.4	95.3

# KLP Skadeforsikring – main figures

Key figures, <i>per cent</i>	30.09.2015	30.09.2014
Claims ratio on own account	86.1	76.1
Cost ratio on own account	20.3	21.8
Combined Ratio for own account	106.4	97.9
Return on capital	2.5	4.6
Capital adequacy ratio	41.4	37.9
Revenues, <i>NOK mill</i>	30.09.2015	30.09.2014
Gross premium written	959	782
Premium income for own account	768	623
Claims paid for own account	661	474
Insurance related costs for own account	156	136
Results	46	168
Key figure balance sheet. <i>NOK mill</i>	30.09.2015	30.09.2014
Financial assets	3 878	3 749
Total assets	4 172	4 009
Equity	1 154	1 094
Provisions in insurance funds for own account	2 753	2 692



# Bedriftspensjon



# KLP Bedriftspensjon – main figures

<i>NOK million</i>	YTD		Year 2014
	2015	2014	
Interest result	13.1	11.5	17.3
Risk result	-1.4	3.3	5.2
Administration result	-19.3	-22.1	-30.7
Interest rate guarantee and profit element	5.5	3.8	5.1
Non-technical result	0.4	3.1	4.1
Other profit elements	0.9		-2.0
Total result	-0.8	-0.3	-1.0
Of which result to clients	12.6	15.3	23.7
Result to owner	-14.7	-16.9	-24.7
Reserve Management	1.4	1.4	1.8

# KLP Bedriftspensjon – return and solvency

<i>Per cent</i>	YTD		Year 2014
	2015	2014	
Common portfolio			
Book	3.4	3.5	4.6
Value adjusted	2.8	4.3	6.1
Investment options portfolio	-0.9	6.9	8.8
Corporate portfolio	0.5	2.5	3.6

<i>Per cent</i>	30.09.2015	31.12.2014
Capital coverage	12.7	12.7
Solvency ratio	164	165
Buffer capital employment	195	372.0

<i>NOK million</i>	30.09.2015	31.12.2014
Value adjustment fund	48.6	55.5
Supplementary reserves	30.0	30.1
Solvency capital	254.0	265.4

# Banking and credit



# Banking and credit



Net Interest in the Group increased due to stronger retail loans

Lending balance increased to NOK 4.1 billion

Increased equity with NOK 200 million

Value adjusted income is negative due to developments in spreads

# KLP Banken Q3

- Growth in lending and unchanged deposits in retail market.
- Margins on mortgage stable good
- Maintained profitability on stable public sector loan portfolio, however accounting losses from financial investments and refinancing of loans reduce results
- Higher costs in the Group, due to increased IT investments and overall lending growth
- Increased equity with NOK 200 million

PM:  
38 200  
clients



# KLP Bank-group – main figures

NOK million	KLP Kommunekreditt		KLP Banken		KLP Boligkreditt	
	Q3 2015	2014	Q3 2015	2014	Q3 2015	2014
Net interest revenues	52.0	71.7	46.3	46.9	34.7	14.5
Net fee and commission income	-	-	7.8	10.0	-	-
Management fees	-	-	43.2	58.0	-	-
Operational costs	-13.9	-19.9	-88.6	-126.0	-19.6	-11.5
Value adjustment financial instruments	-24.3	-15.2	36.8	31.0	-1.7	-0.2
Result before taxes	13.8	36.5	45.6	20.0	13.4	2.8
Total assets	17 722	20 022	11 841	10 827	4 354	3 074

# KLP Bank-group – main figures

NOK million	KLP Banken group		
	Q3 2015	Q3 2014	2014
Net interest revenues	133.1	92.4	133.0
Net fee – and commissions income	7.8	7.1	10.0
Management fees	43.2	43.5	58.0
Operating cost	-122.1	-105.6	-157.4
Value changes financial instruments	-27.6	-7.5	-15.0
Pre-tax earnings	34.4	29.9	28.7
Total assets	29 267	27 674	29 755



# KLP Bank-group – lending and deposits

<i>NOK billion</i>	Mortgage loans		Public sector loans		Deposits	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014	30.09.2015	31.12.2014
KLP Banken AS (parent)	6.2	5.6	-	-	7.2	6.2
KLP Boligkreditt AS	4.1	3.0	-	-		
KLP Kommunekreditt AS	-	-	15.4	15.9	-	-
KLP (management agreement)	3.6	4.1	37.9	32.4	-	-
KLP (currency loans)	-	-	9.3	5.2	-	-
Total	14.0	12.6	62.6	53.5	7.2	6.2

# Asset management



# Asset management



Manages total  
NOK 383 billion

Managing NOK  
41 billion for  
external clients

Net inflows  
4.3 billion  
YTD

Number of clients  
in KLP's funds  
have during one  
year increased by  
23% to 45,000

# KLP Kapitalforvaltning

- KLP Kapitalforvaltning AS manages investments in securities on behalf of KLP Group and other customers
- Assets under management totals NOK 383 billion at the end of the quarter
- NOK 41 billion managed on behalf of external investors and retail clients. There are about 45 000 holders of KLP funds
- Profit before tax 30.09.2015: NOK 44.7 million



# Summing up



# 2015 – solid basis for the future

Fully reserved for longevity. KLP has regained necessary flexibility for allocation of results and continued building of solvency

Demanding transfer process completed.

Focus on:

- Efficient operation
- Cost reduction
- Service and Customer Satisfaction

Preparations for Solvency II on schedule

- Necessary amendments for adaptation to new laws and regulations in place
- Routines and models for reporting and monitoring according to plan



# Contacts in KLP

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