

Oslo, 22. February 2013

# Financial results Q4 2012 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



# Main features

**Market  
victory in  
2012**

**Good  
investment  
return and  
strong  
solvency**

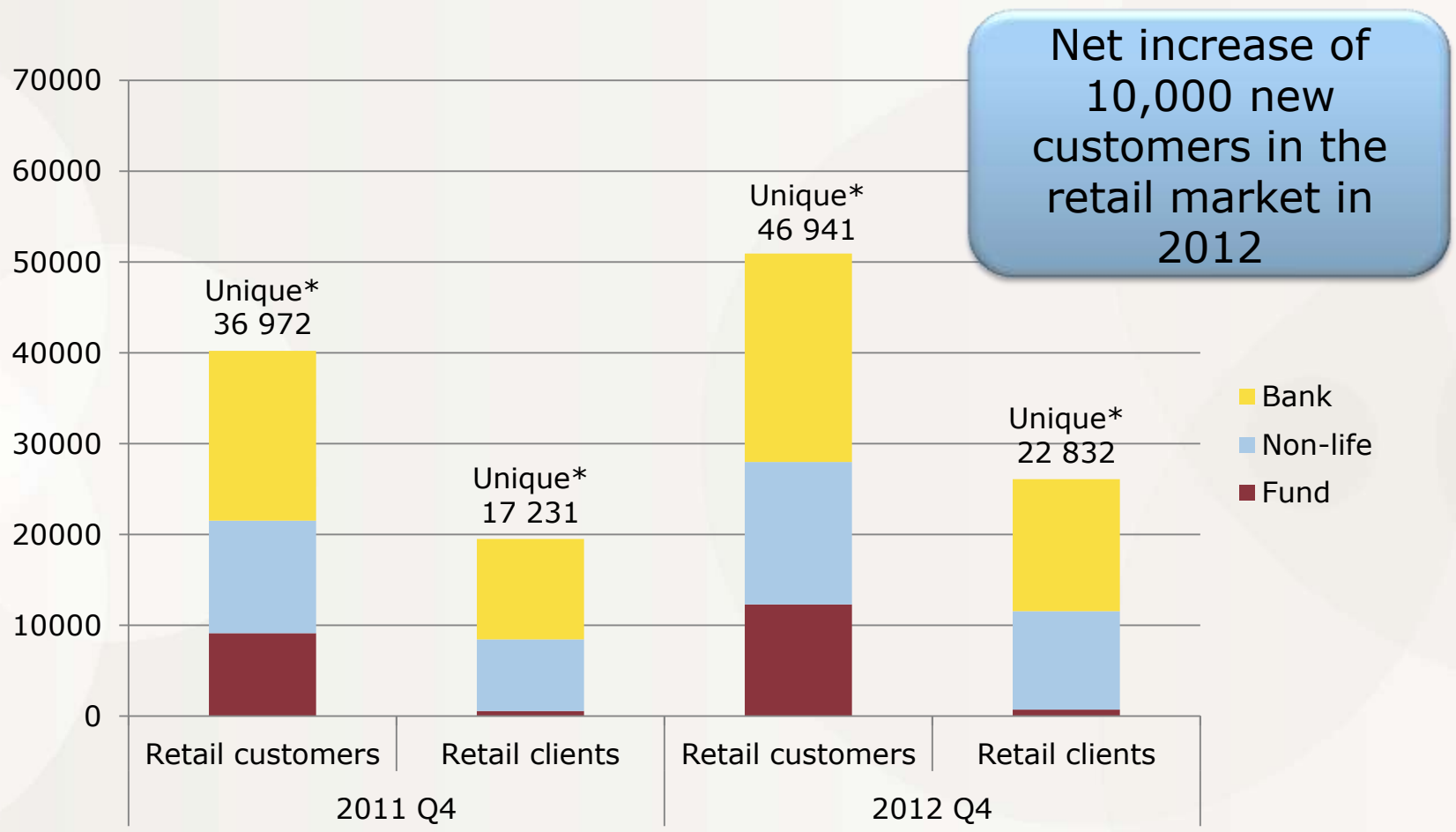
**Vital  
reserve  
build-up in  
2012**

# 2012 – A strong year for KLP

- Historic good outcome of “transfer season” - 14 municipalities transferred to KLP with:
  - NOK 6 billion in reserves
  - 28 000 new insured
- The life company’s common portfolio gave a:
  - Booked return of 5.0 per cent
  - Value adjusted return of 6.7 per centThe corporate portfolio gave a return of 4.5 per cent
- Longevity reserving strengthened with NOK 3.1 billion in 2012
- Value adjustment fund increased by NOK 4.3 billion
- Total solvency capital NOK 44.1 billion – 17,4 percent of insurance funds with interest rate guarantee



# Status for the retail initiative



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

# KLP return on investment portfolios

<i>All figures in per cent</i>	Q4 2012	Q4 2011	Year	
			2012	2011
Common portfolio				
Booked return	1.8	0.8	5.0	4.5
Value adjusted return	1.3	2.1	6.7	3.3
Value adjusted return incl. HTM bonds/bonds booked at amortised costs	1.4	1.9	7.5	4.0
Investment options portfolio	1.1	2.5	7.2	2.2
Corporate portfolio	1.8	0.8	4.5	4.2

# KLP Group



# KLP Group – results by segment\*

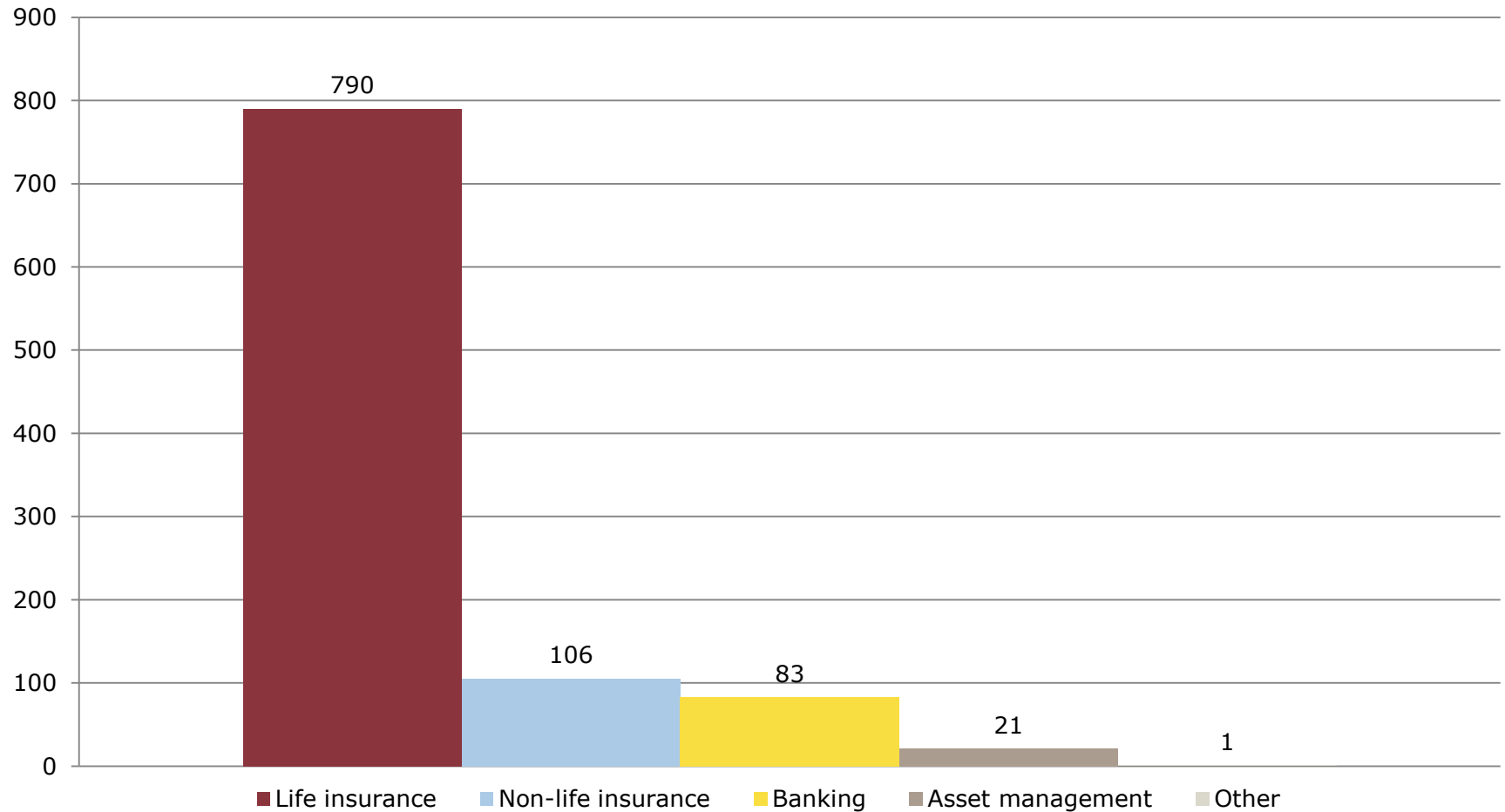
<i>NOK million</i>	Ytd	
	31.12.2012	31.12.2011
Life insurance	598	753
Non-life insurance	106	25
Banking	83	-81
Asset management	21	26
Other	1	2
Group result	809	726

\*After tax and other profit/loss elements



# KLP Group – results by segment\*

NOK million



\*Before tax and other profit/loss elements

# KLP Group – main figures - results

<i>NOK million</i>	Ytd	
	31.12.2012	31.12.2011
Pension premiums and incoming transfers	29 841	22 574
Allocated investment income	17 588	8 117
Claims f.o.a.	-11 457	-10 615
Insurance provisions	-27 239	-17 291
Operating cost	-1 150	-1 115
Other income and cost	130	89
<b>Technical result</b>	<b>7 714</b>	<b>1 757</b>
To/from value adjustment fund life insurance	-4 342	2 505
To/from supplementary reserves life insurance	0	-2 156
Surplus allocated Life insurance clients	-2 370	-1 453
<b>Group result pre-tax</b>	<b>1 002</b>	<b>653</b>
Tax	-7	-24
Other profit/loss elements	-185	97
<b>Group result pre-tax</b>	<b>809</b>	<b>726</b>

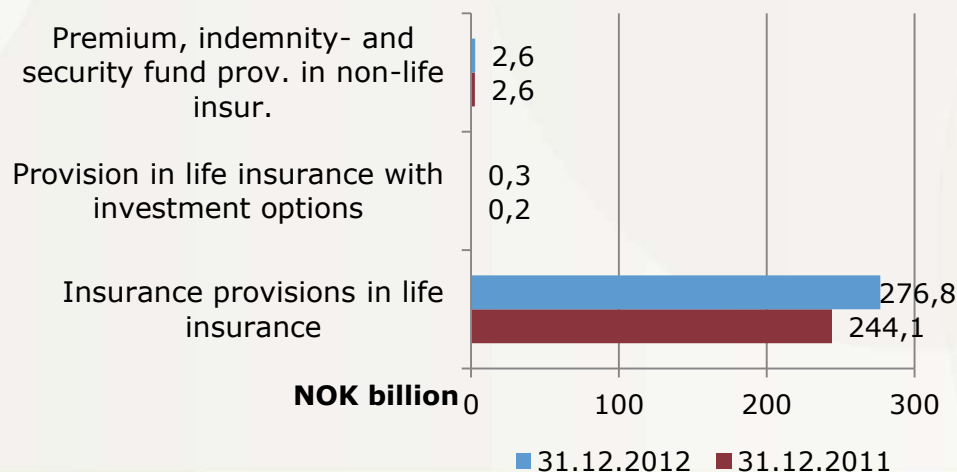
# KLP Group – assets

<i>NOK million</i>	31.12.2012	31.12.2011	Change
Investment properties	32 322	28 726	3 596
Debt instruments held to maturity	37 283	41 438	-4 154
Debt instruments classified as loans and receivables	55 917	46 936	8 980
Lending to municipalities, enterprises and individuals	52 128	53 543	-1 416
Debt instruments at fair value over P/L	103 375	77 050	26 325
Equity instruments at fair value over P/L	42 410	36 168	6 243
Financial derivatives	1 541	915	626
Share in associated companies	6	3	3
Assets in defined contribution life insurance	300	198	103
Immaterial assets	365	344	21
Other assets	6 137	6 463	-326
<b>Total assets</b>	<b>331 783</b>	<b>291 784</b>	<b>39 998</b>

# KLP Group – own funds and liabilities

<i>NOK million</i>	31.12.2012	31.12.2011	Change
Own funds	13 547	12 064	1 483
Hybrid capital and subordinated loans	3 865	4 288	-423
Debt to financial institutions	4 799	1 398	3 400
Covered bonds issued	20 370	22 152	-1 782
Debt to and deposits from clients	2 946	1 840	1 106
Insurance reserves	279 707	246 850	32 856
Financial derivatives	6 548	3 190	3 358
Other liabilities	331 783	291 784	39 999

## Insurance provisions KLP Group



# 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 insurance

- Of 18 municipal schemes for tender in 2012 17 were awarded to KLP,
  - 14 among these returned or were new clients to KLP, representing an increase in the insurance funds of NOK 6 billion and an increase in the insured population of 28 000 individuals
  - One municipality which merged with a larger partner left KLP. The new unit opted for a proprietary pension fund. One county opted to retain its supplier
- KLP Bedriftspensjon has signed 17 new defined benefit contracts and 366 defined contribution contracts.



# 14 municipalities joining KLP from 2013



Hvaler  
Songdalen  
Frøya  
Hitra  
Røyken  
Holmestrand  
Kvinnherad  
Volda  
Klæbu  
Lødingen  
Sortland  
Nøtterøy  
Ås  
Narvik



# KLP – presentation of accounts

<i>NOK million</i>	Ytd	
	31.12.2012	31.12.2011
Pension premiums and incoming transfers	29 025	21 752
Net revenues from investments in Common portfolio	16 517	7 449
Claims paid and outgoing transfers	-10 882	-10 033
Changes in valuation reserves	-31 247	-16 663
Allocations to insurance contracts	-2 366	-1 451
Insurance related operating costs	-813	-788
Other insurance related costs	4	4
Technical result	237	271
Net revenues from investments in Corporate portfolio	735	639
Other revenues and expenditures	-197	-205
Resultat av ikke-teknisk regnskap	538	434
Totalresultat	775	705



# KLP – appropriation of results

<i>NOK million</i>	Customers	Company	Year	
			2012	2011
Interest result	5 030	21	5 051	3 286
Risk result	219	38	258	305
Administration result		89	89	61
Premium interest rate guarantee		292	292	212
Non-technical result		541	541	434
Return on paid-in equity to clients	206	-206	-	-
<b>Total</b>	<b>5 455</b>	<b>775</b>	<b>6 230</b>	<b>4 299</b>

Return  
of NOK  
5.5  
billion to  
clients

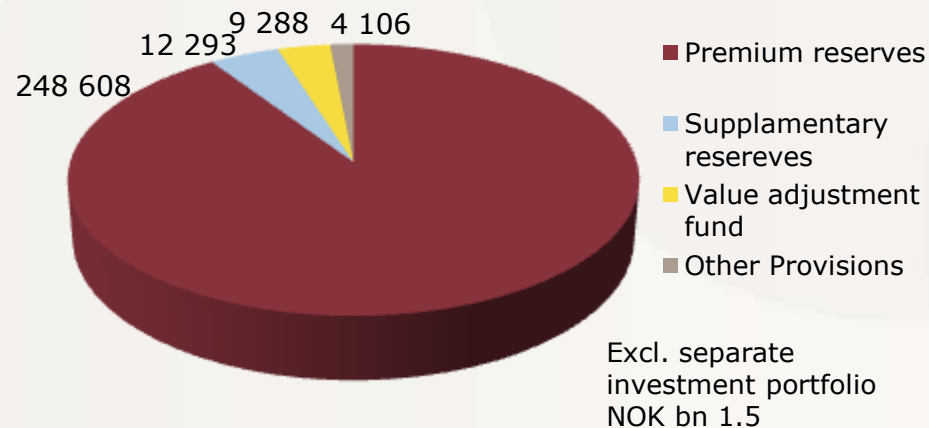
# KLP – assets

<i>NOK million</i>	31.12.2012	31.12.2011	Change 2012
Total assets in corporate portfolio	19 384	18 075	1 309
Total assets in common portfolio	278 731	242 267	36 463
Assets in investment options portfolio	1 556	1 404	152
<b>Total assets</b>	<b>299 671</b>	<b>261 746</b>	<b>37 925</b>

# KLP – own funds and liabilities

<i>NOK million</i>	31.12.2012	31.12.2011	Change 2012
Paid-in equity	6 891	6 217	673
Retained earnings	6 499	5 723	775
Hybrid capital and subordinated debt	3 865	4 288	-423
Insurance liabilities	275 843	243 439	32 403
Other liabilities	6 573	2 078	4 496
<b>Total: own funds, provisions and debt</b>	<b>299 671</b>	<b>261 746</b>	<b>37 925</b>

**Insurance liability per 31.12.2012 - NOK bn**



# Reserve strengthening K2013 OTP

-financed by use of previously restricted funds	1.4
-funded from net profit	3.1
Reserve strengthening 31.12.2012	0.1

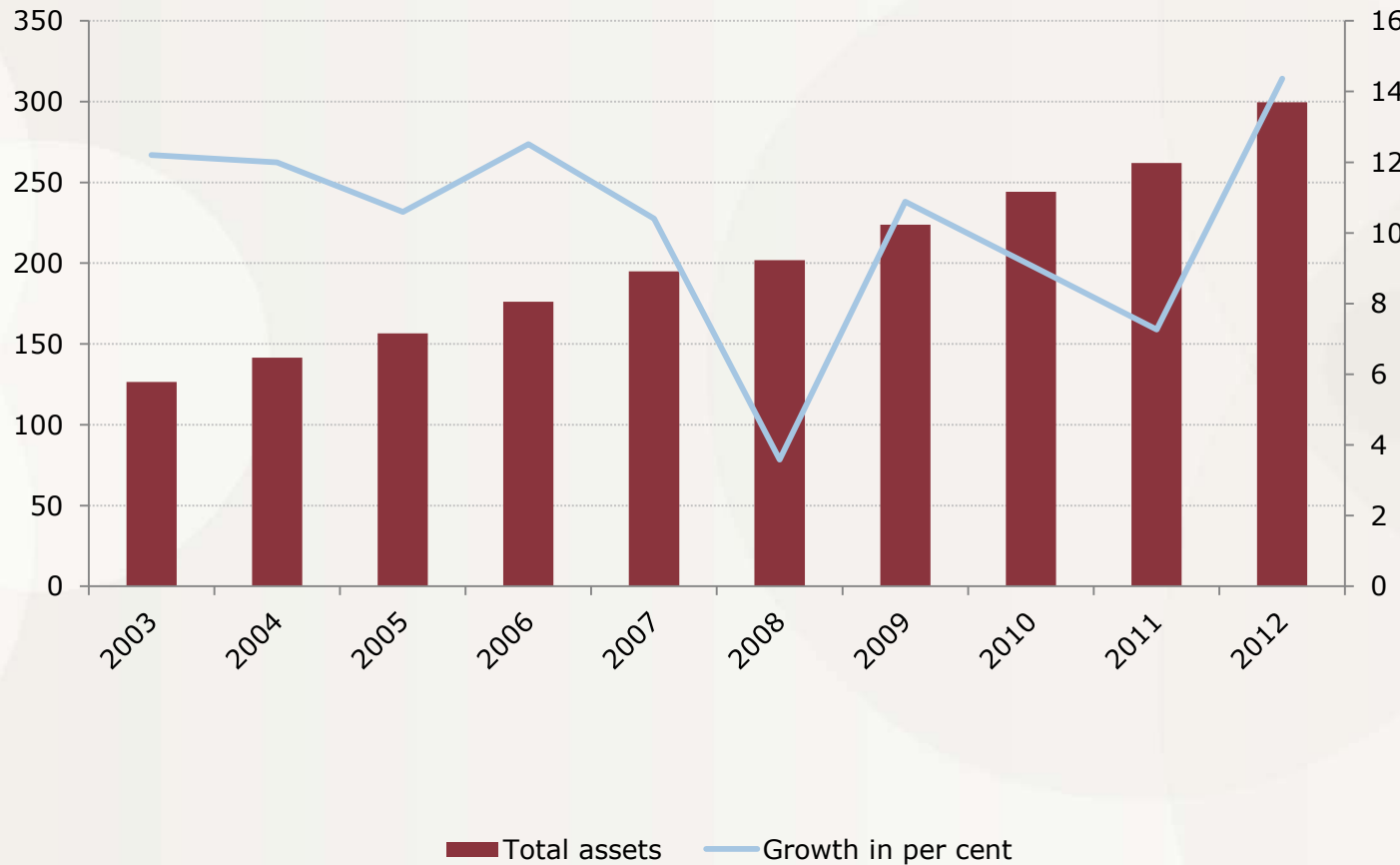


2.7%

# KLP – growth in assets

NOK bn

Per cent



# KLP Bedriftspensjon – main figures

<i>NOK million</i>	Year 2012	Year 2011
Interest result	15.0	14.2
Risk result	2.6	2.2
Administration result	-33.5	-28.2
Interest rate guarantee and profit element	2.5	1.9
Non-technical result	3.1	1.9
<b>Total result</b>	<b>-10.3</b>	<b>-8.0</b>
Of which result to clients	15.2	15.8
Result to owner	-25.5	-23.8

# KLP Bedriftspensjon – return and solvency

<i>Per cent</i>	Year 2012	Year 2011
Common portfolio		
Book	5.2	6.3
Value adjusted	6.7	3.7
Investment options portfolio	12.0	0.2
Corporate portfolio	6.4	4.8

<i>Per cent</i>	31.12.2012	31.12.2011
Capital coverage	9.6	13.9
Solvency ratio	157.0	217.0
Buffer capital employment	124.9	82.0

<i>NOK million</i>	31.12.2012	31.12.2011
Value adjustment fund	11.8	-
Supplementary reserves	27.9	24.9
Solvency capital	131.1	90.2

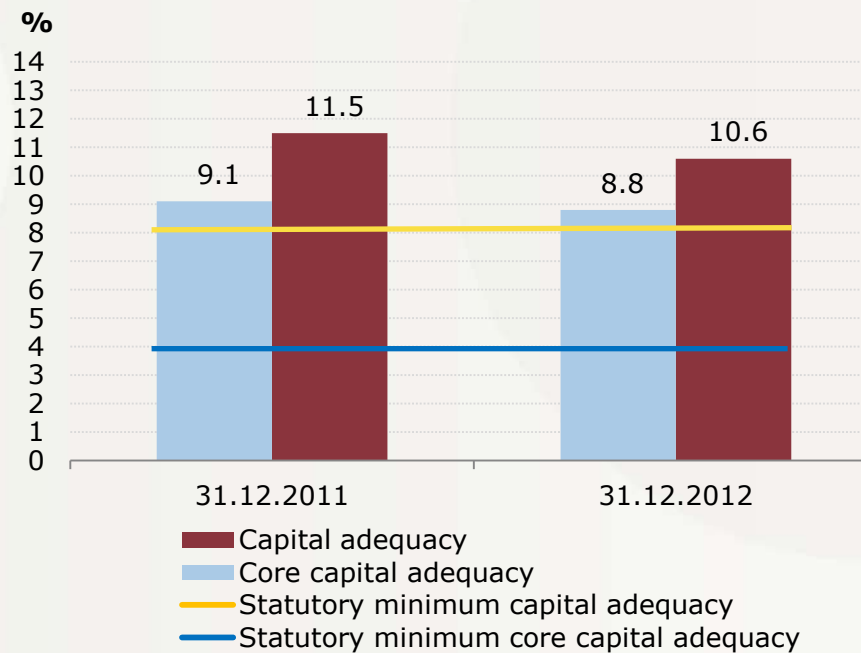
# KLP solidity and capital issues





# KLP – capital adequacy

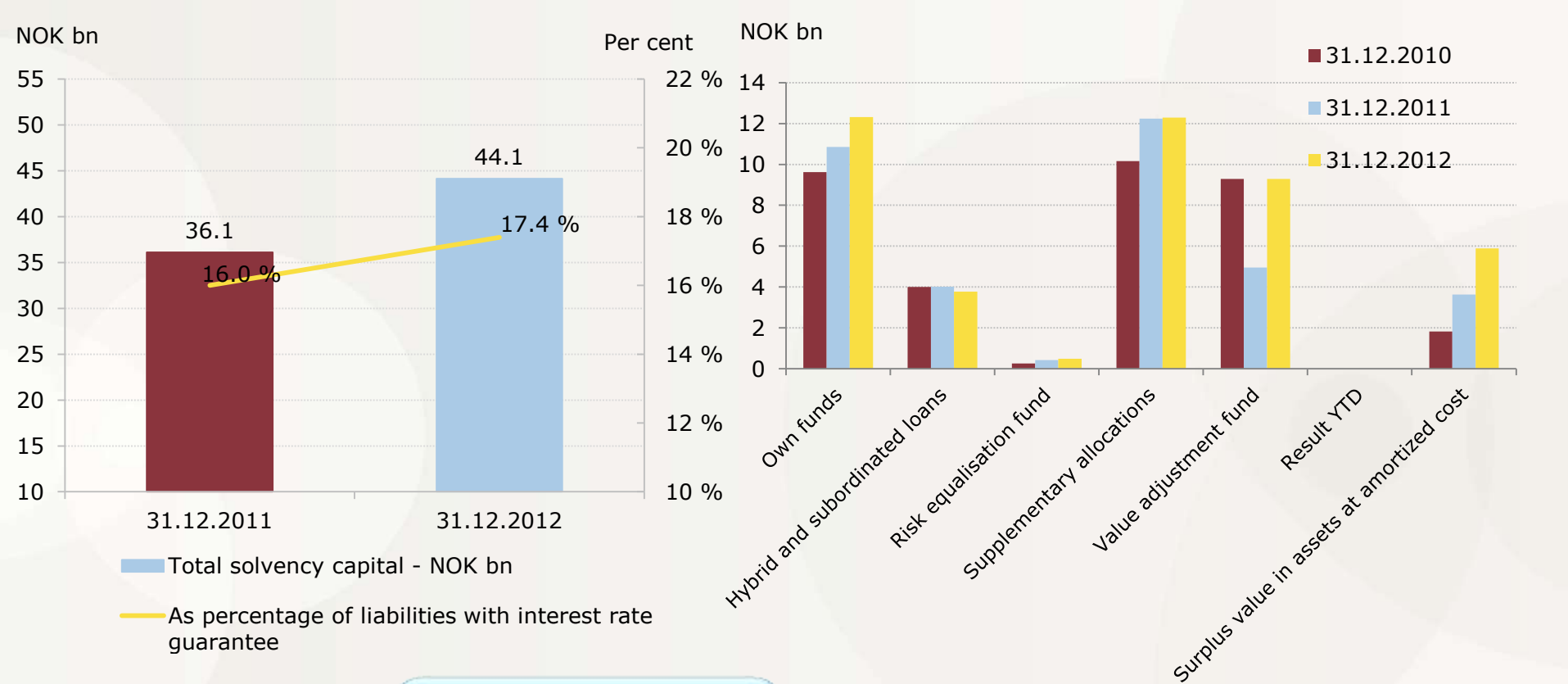
<i>Per cent</i>	31.12.2012	31.12.2011
Capital adequacy	10.6	11.5
Core capital adequacy	8.8	9.1
Statutory minimum capital adequacy	8.0	8.0
Statutory minimum core capital adequacy	4.0	4.0



# KLP – financial buffers

<i>NOK million</i>	31.12.2012	31.12.2011
Valuation reserve	9 288	4 958
Supplementary reserve	12 375	12 319
Core capital margin	3 992	4 505
Regulatory buffer capital	25 655	21 782
Valuation reserve booked at amortised costs	5 892	3 626

# KLP – financial solidity

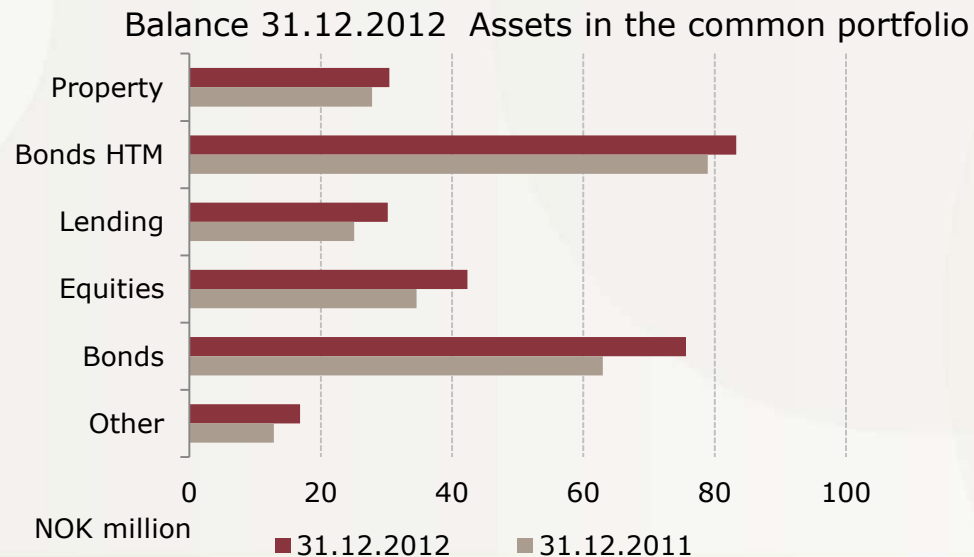


Improved solvency in 2012

# KLP common portfolio – allocation and return

<i>Per cent</i>	Share <sup>1</sup> 31.12.2012	Return 31.12.2012	Return 2011
Equities <sup>1)</sup>	16.2	13.9	-7.3
Bonds	22.2	8.4	7.2
Bonds held-to-maturity	30.6	4.9	5.2
Lending	11.0	3.9	3.9
Property	11.5	6.2	7.2
Other financial assets	8.5	3.5	2.9

<sup>1</sup> Measured by exposure

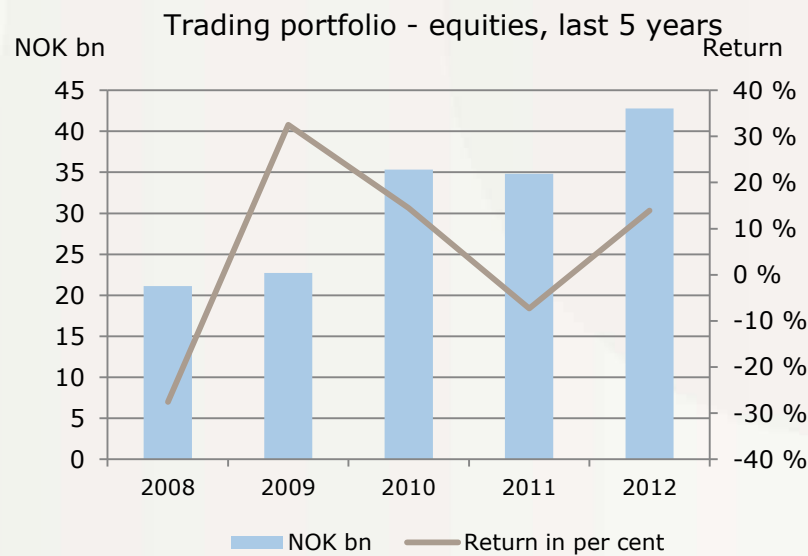


# Trading portfolios – equities

## KLP common portfolio

Trading portfolio equities*	31.12.2012	31.12.2011
Value equities (NOK mill)	42 787	34 830
Return equity portfolio	13.9 %	-7.3 %
Share index-tracking equities	79.3 %	77.7 %

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

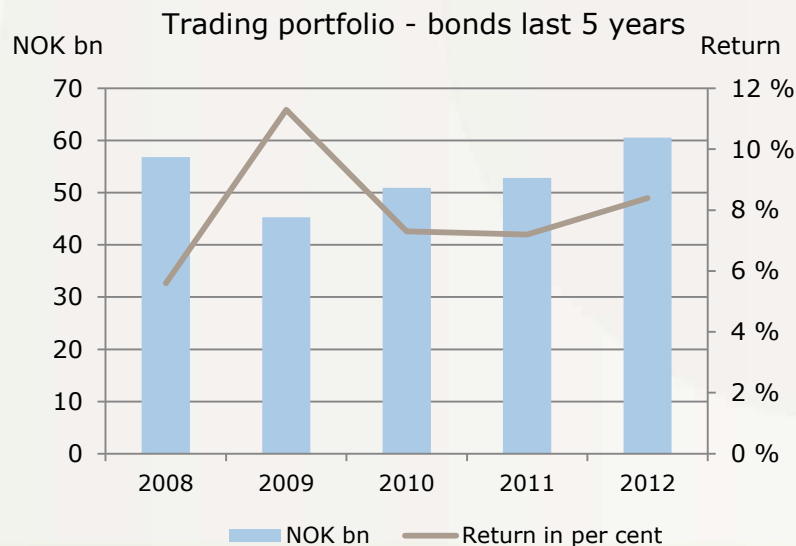


# Trading portfolios – bonds

## KLP common portfolio

Trading portfolios fixed-income *	31.12.2012	31.12.2011
Value fixed income (NOK mill)	84 105	67 011
Return trading portfolios fixed income	8.4 %	6.3 %
Share index-tracking fixed-income	35.3 %	35.5 %

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

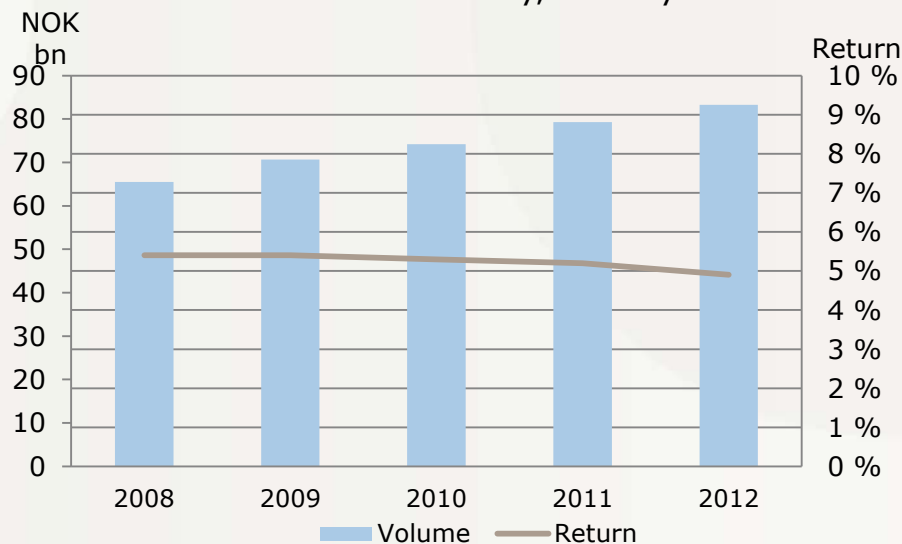


# Bonds booked at amortised costs

## KLP common portfolio

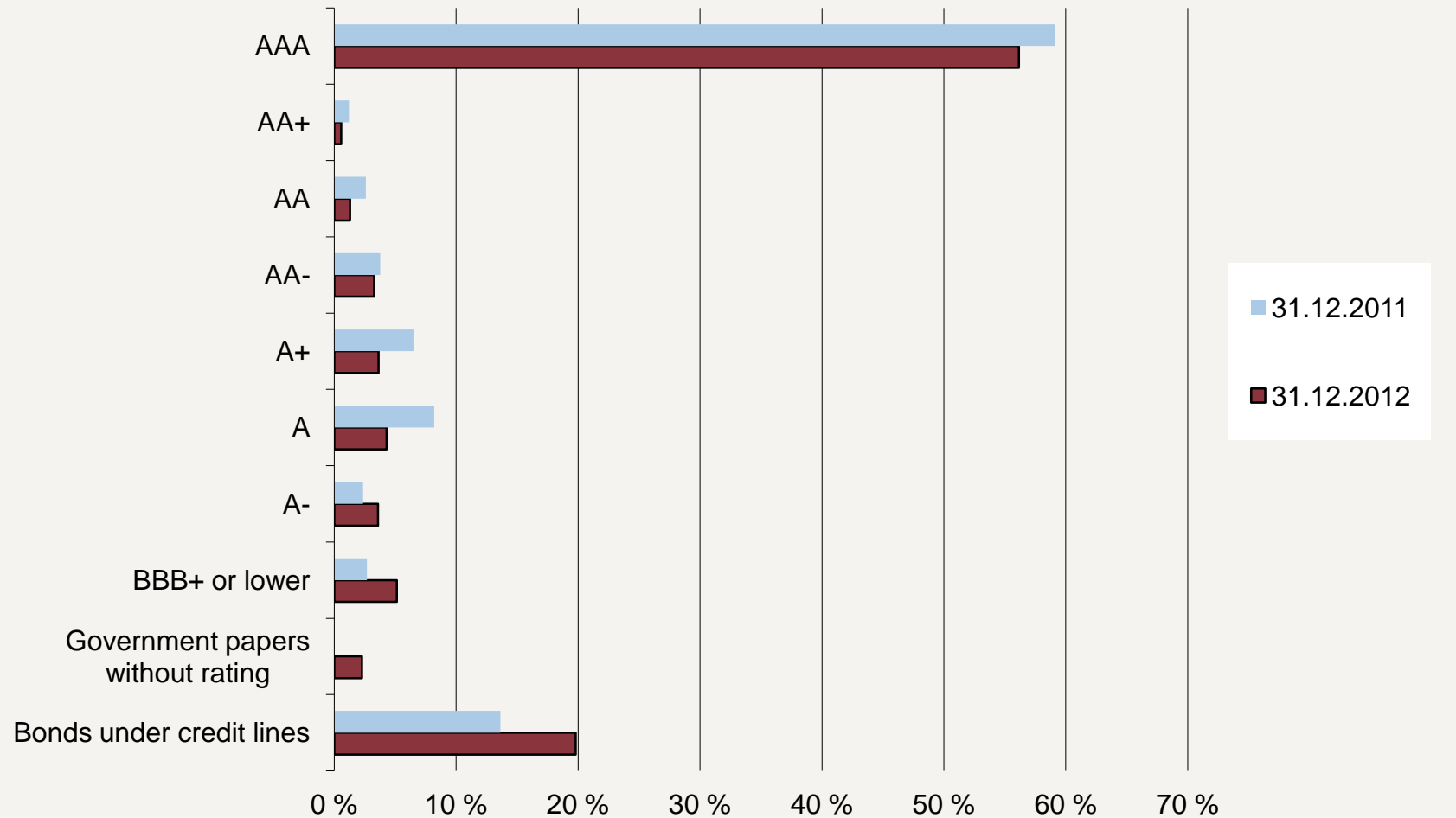
	31.12.2012	31.12.2011
Book value (NOK mill)	83 277	79 287
Valuation reserve (NOK mill)	5 164	3 027
Return (per cent)	4.9	5.2

Bonds held-to maturity, last 5 years



# Bonds booked at amortised costs

## KLP common portfolio

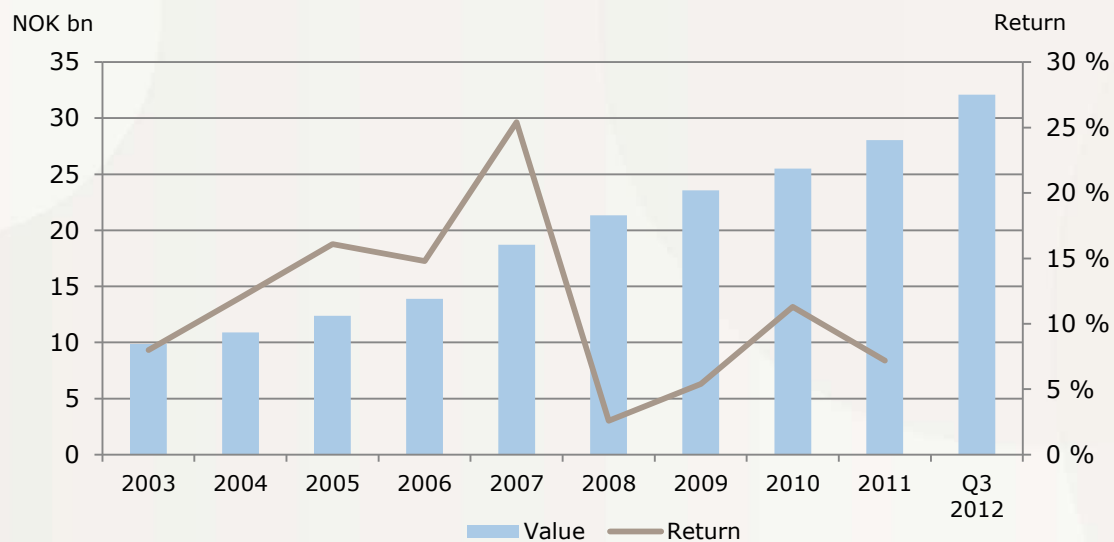




# Property investments

## Total portfolio

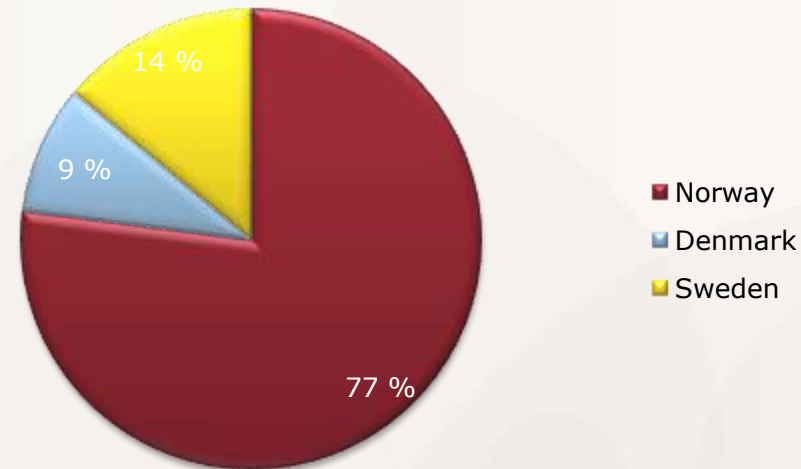
	Ytd 2012	2011
Book value (value-adjusted NOK mill)	33 388	29 821
Occupancy rate (per cent)	96.8	95.1
Average lease duration (year)	7.4	7.6



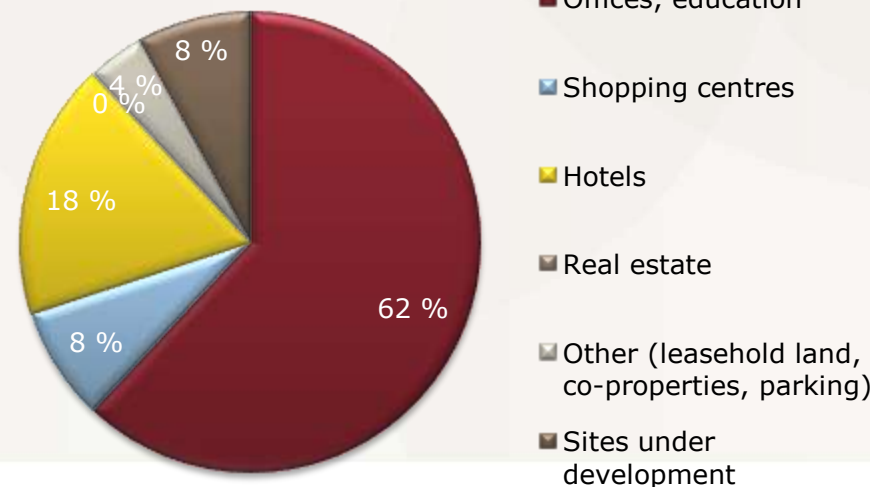
# KLP's real-estate activities

- KLP Eiendom AS is part of the common portfolio, however, the company also manages the real-estate portfolios of other group companies.
- Generally stable valuations, property mass appreciated by NOK 19 million (+0.1%) in Q4
- New acquisitions so far in 2012 :
  - Ibsen-quarter in Oslo (acquired) and Fondbygget in Oslo (ceded) in a property SWAP with Norwegian Property
  - Akersgata 64-68 in Oslo
  - S apsjudaren 15 in Stockholm
  - Stavanger Airport Hotel
  - Scandic Aarhus City
  - Klamparen in Stockholm
- Real-estate investments constitute 11.5 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	
	2012	2011
Value adjustment in per cent	33 469	29 840
Fair value common portfolio (NOK mill)	0.9 %	1.4 %
Value adjustment in per cent common portfolio	30 904	27 283
Property value	0.9 %	1.1 %

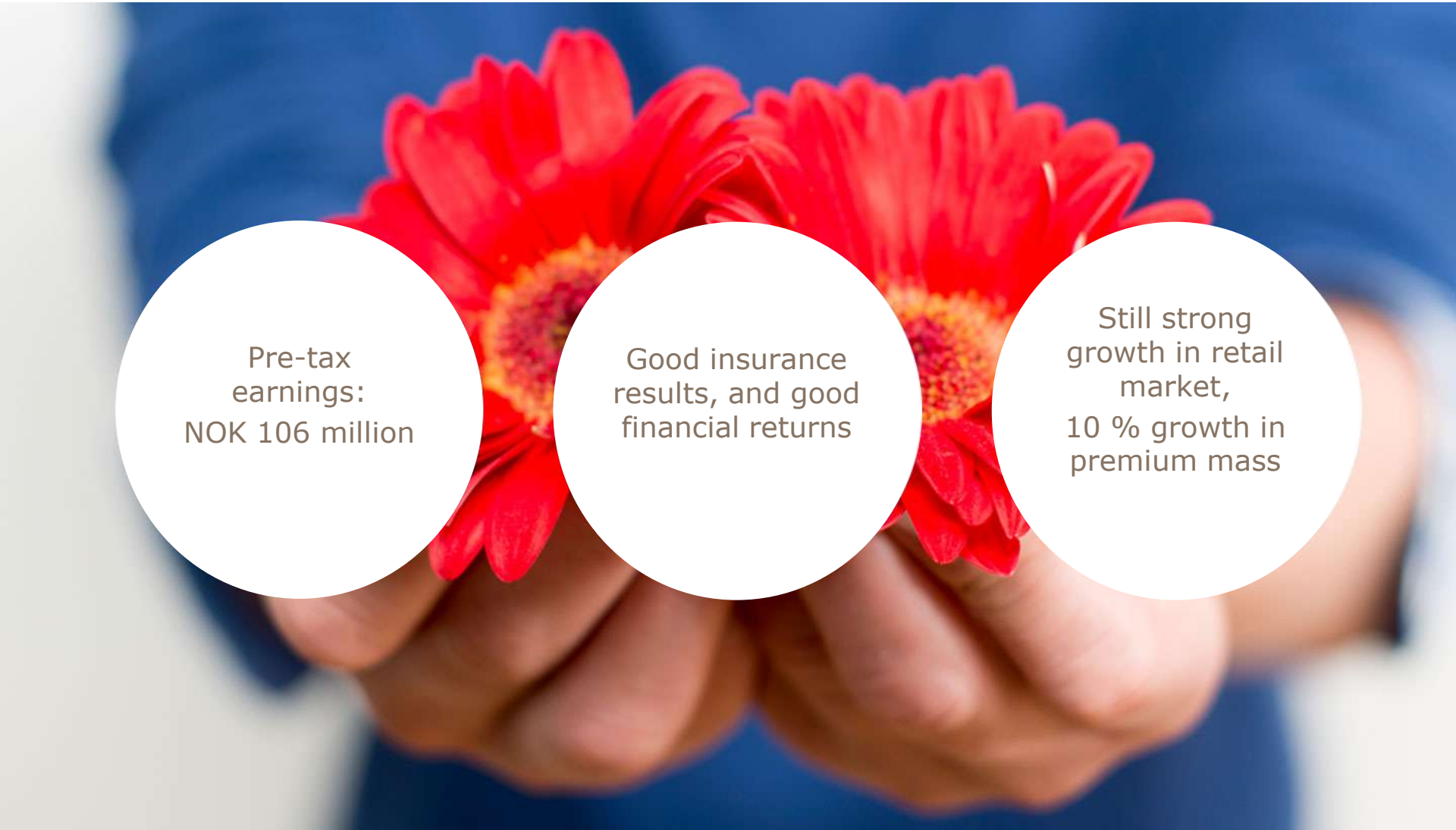
Return	Ytd	
	2012	2011
Total return	6.5 %	7.0 %
Total return common portfolio	6.5 %	6.8 %

\*All figures are exchange-rate hedged

# KLP Skadeforsikring (non-life insurance)



# KLP Skadeforsikring



Pre-tax  
earnings:  
NOK 106 million

Good insurance  
results, and good  
financial returns

Still strong  
growth in retail  
market,  
10 % growth in  
premium mass

# KLP Skadeforsikring pr. 31.12.2012

- Good pre-tax operating result - NOK 105.6 million
- Good insurance result and good financial revenues
- In spite of net new sales somewhat below expectations a 10 per cent increase in premium population through the year
- Largest single incident : NOK 20.1 million. Incidents exceeding NOK 5 million totals NOK 99 million
- First project "Lean" accomplished, new project planned for 2013
- CRM for public sector/enterprises implemented - large degree of user satisfaction



# Market development

- Strong position within municipalities and enterprises maintained
  - 305 municipalities and counties
  - 2 665 enterprises
  - Heavy tender activity, and intense competition
- Good sales in the retail market
  - 16 000 customers, of which 12 400 members
  - NOK 167 million in premiums
  - High level of renewals
  - Low defection rate



# KLP Skadeforsikring – profit & loss Q4 2012

<i>1 000 NOK</i>	Result 31.12.2012	Result 31.12.2011
Premium written f.o.a.	658 948	598 831
Allocated investment income	37 027	53 947
Claims f.o.a.	-536 027	-548 356
Insurance related expenses	-174 237	-158 893
Other insurance related income	2 885	2 629
Changes in security reserves etc.	-56 048	-7 902
Result from technical activities	-67 452	-59 746
Result from investment activities	210 074	138 877
Allocated investment income	-37 027	-53 947
Result from ordinary operation	105 595	25 185
Estimated tax expense	-17 420	-28 848
Provisions for equity fund	8 010	34 403
Result after provisions for equity fund	96 185	30 740



# KLP Skadeforsikring – main figures

Key figures, <i>per cent</i>	31.12.2012	31.12.2011
Claims ratio on own account	81.3 %	91.6 %
Cost ratio on own account	26.4 %	26.5 %
Combined Ratio for own account	107.8 %	118.1 %
Return on capital	6.5 %	4.5 %
Capital adequacy ratio	34.1 %	31.8 %
<i>Revenues, NOK mill</i>	31.12.2012	31.12.2011
Gross premium written	750	650
Premium income for own account	659	599
Claims paid for own account	-536	-548
Insurance related costs for own account	-174	-159
Results	106	25
<i>Key figure balance sheet. NOK mill</i>	31.12.2012	31.12.2011
Financial assets	3 250	3 091
Total assets	3 607	3 440
Equity	825	719
Provisions in insurance funds for own account	2 427	2 338

# Banking and credit

The background of the slide features a close-up, shallow depth-of-field photograph of currency. In the foreground, several silver coins are stacked, with the reverse side of a coin showing a circular emblem and the word 'DINAR'. Below the coins, a portion of a green and yellow banknote is visible, featuring a stylized logo with a yellow triangle and a green square. The overall scene is brightly lit, creating soft shadows and highlights on the metallic surfaces of the coins.

**Increased  
margins**

**Insignificant  
loan-losses**

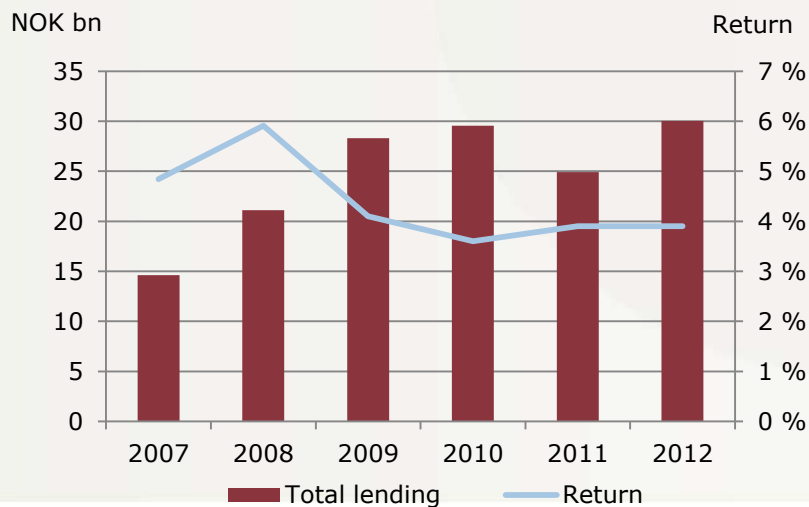
# Lending portfolio

## KLP common portfolio

	2012	2011
Book value (NOK mill)	30 037	24 914
Of this: fixed rate loans (NOK mill)	12 523	10 193
Return year to date (in per cent)	3.9	3.9
Specific and general credit loss provisions (NOK mill)	4.3*	0.8

\*A small loan of 3.9 million in connection with KLP's social investments are written down

Lending portfolio, last 5 years



# KLP Bank-group – main figures

<i>NOK million</i>	KLP Kreditt		KLP Kommunekreditt		KLP Banken	
	Q4 2012	2011	Q4 2012	2011	Q4 2012	2011
Net interest revenues	2.4	6.0	70.1	3.0	13.9	12.2
Net fee and commission income	-	0.0	-	-0.0	4.5	3.8
Management fee	-	0.0	-	-	79.3	59.6
Operational costs	-1.9	-7.3	-28.1	-41.1	-107.7	-91.2
Value adjustment financial instruments	0.7	-2.1	50.3	-11.9	0.2	0.0
Result before taxes	1.1	-3.5	92.2	-50.0	-9.7	-15.6
Total assets	1 364	1 513	24 632	26 588	7 616	9 525

# KLP Bank-group – main figures

<i>NOK million</i>	KLP Banken Group	
	Q4 2012	2011
Net interest revenues	86.3	21.1
Net fee and commission income	4.5	3.8
Management fee	79.1	59.6
Operational costs	-137.7	-139.9
Value adjustment financial instruments	51.1	-6.8
Result before taxes	83.4	-62.2
Total assets	28 282	31 715

# KLP Bank-group – lending and deposits

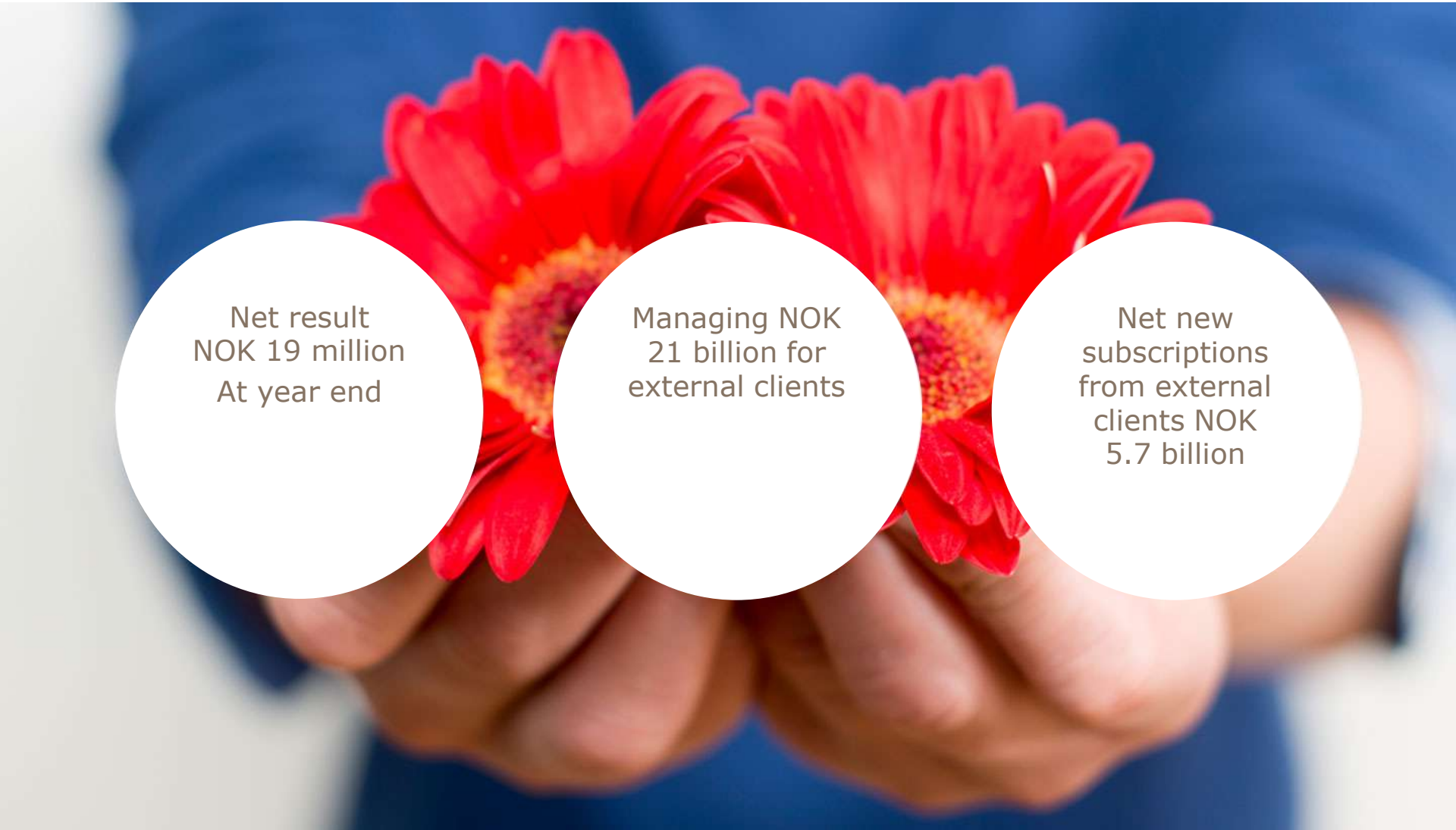
<i>NOK bn</i>	Mortgage loans		Public sector loans		Deposits	
	Q4 2012	2011	Q4 2012	2011	Q4 2012	2011
KLP Banken AS (parent)	1.5	3.2	-	-	2.9	1.8
KLP Kreditt AS	-	-	1.1	1.4	-	-
KLP Kommunekreditt AS	-	-	18.9	23.5	-	-
KLP (under management agreement )	9.0	6.3	20.9	18.4	-	-
<b>Total</b>	<b>10.5</b>	<b>9.5</b>	<b>40.9</b>	<b>43.3</b>	<b>2.9</b>	<b>1.8</b>

# KLP Banken in 2012

- Volume growth in home mortgages according to plan
- Good deposit growth from retail customers
- Improved profitability in public sector loans positive influence on banking results
- KTI (client satisfaction) on target
- Deposits from corporates NOK 206 million
- Credit cards launched
- The bank an approved issuer of "Bank-id"

PM:  
22 665  
active  
customers

# KLP Kapitalforvaltning



Net result  
NOK 19 million  
At year end

Managing NOK  
21 billion for  
external clients

Net new  
subscriptions  
from external  
clients NOK  
5.7 billion



# 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 250 billion at the end of the quarter. The major share represent funds managed for Kommunal Landspensjonskasse and its subsidiaries
- NOK 21 billion managed on behalf of external investors and retail clients and there are about 23 000 holders of KLP funds
- Pre-tax results;
  - Per 31.12 2012: NOK 19 million

# Summary



# 2013 – a year of challenges and aspirations

- Low interest rates prevailing
- Solvency II
- Pension reform and further adjustments in public sector pensions
- Longevity reserving to K2013 standards
- The market situation
- A more disciplined competitive environment in 2012
- Strong competition maintained in public sector pensions

**Backed by strong solvency, strong risk control, strong return potential and strong market growth KLP is in excellent shape to face the coming year**



# Contacts in KLP

Position	Name	Phone	E-mail
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