KLP

annual report 2011

Customer dialogue Winning photograph by Kari Jakobsen

In 2011 KLP invited entries in a photographic competition in which KLP staff were to visualise the themes «Customer dialogue» and «For the days to come». The Chair of the jury was the photographer, Olav Storm. We present some of the contributions in this annual report.

Key figures 2011

For the days to come Winning photograph by Anne Westad

Contents

Developments over the last five years

NOK millions

KLP Group	2011	2010	2009	2008	2007
Pre-tax income	653	515	776	348	652
Total assets	291 784	271 736	258 549	205 264	197 795
Owners' equity	12 064	10 749	9 721	8 429	7 166
Capital adequacy ratio	10,9 %	11,5 %	12,0 %	13,5 %	11,3 %
Number of employees	775	762	741	683	647

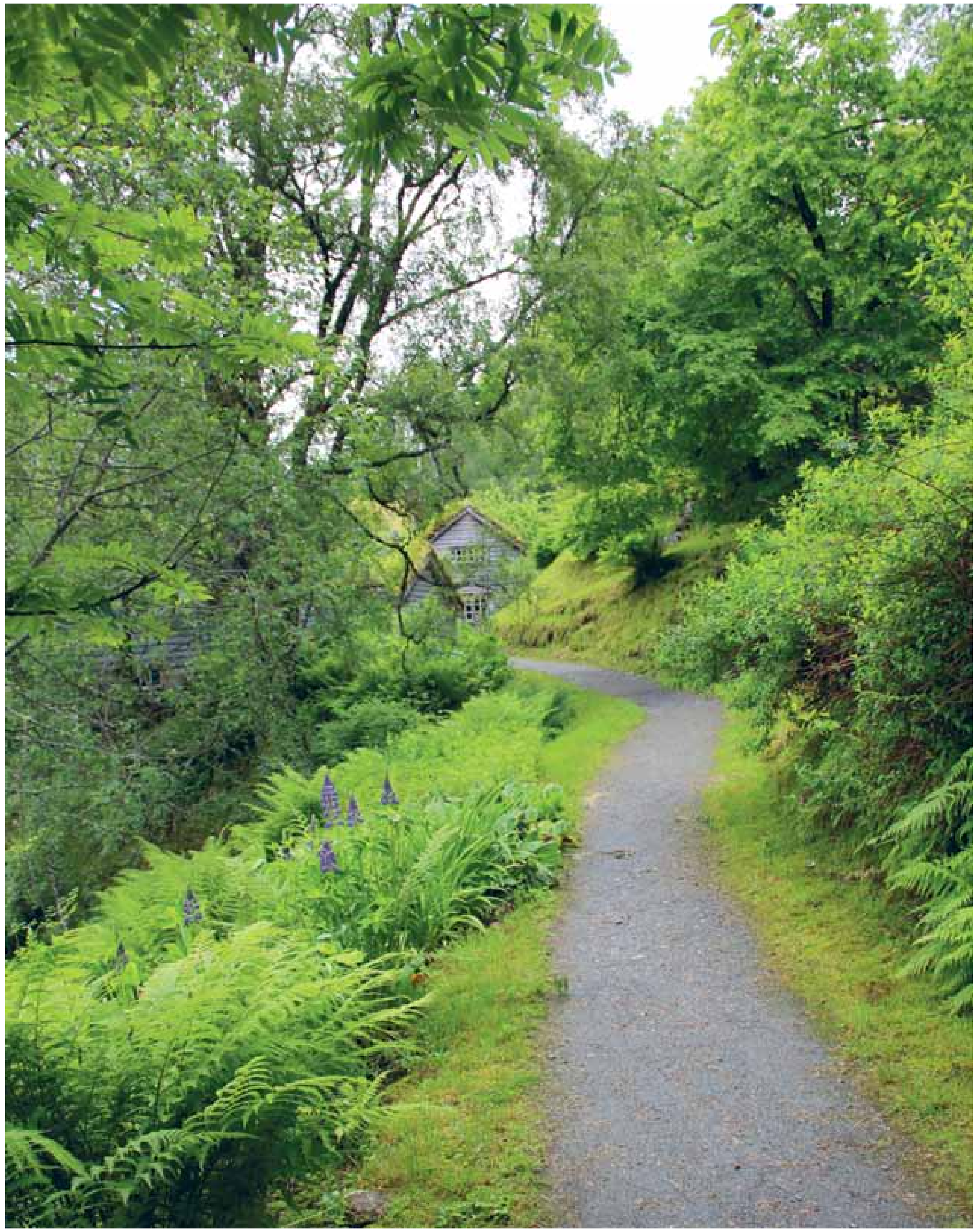
Kommunal Landspensjonskasse	2011	2010	2009	2008	2007
Pre-tax income	705	563	738	397	267
Premium income (without premium reserves transferred in)	21 641	20 291	18 583	21 993	15 294
Net transfers in/out of premium reserves and other funds	-199	-1 335	-1 784	-2 707	-726
Income to customers	3 594	4 651	6 636	-1 802	4 855
of which supplementary reserves	2 143	2 070	4 211	-3 705	1 248
of which to Premium Fund	1 451	2 581	2 425	1 903	3 607
Insurance funds	243 439	227 533	204 486	180 076	182 314
Total assets	261 746	244 194	223 863	201 896	194 455
Owners' equity	11 941	10 647	9 642	8 437	6 952
Solvency capital	36 190	33 338	25 329	17 882	24 293
Solvency capital measured against insurance funds with	16,0 %	15,9 %	13,1 %	9,9 %	14,5 %
Capital adequacy ratio	11,5 %	12,0 %	12,6 %	14,6 %	12,1 %
Solvency margin ratio	243,5 %	230,6 %	221,6 %	195,5 %	218,0 %
Return on the common portfolio:					
- book return	4,5 %	5,1 %	6,4 %	1,0 %	7,5 %
- value-adjusted return	3,2 %	7,5 %	7,7 %	-3,0 %	6,7 %
- value-adjusted return including VAT on assets recognised at amortised cost	3,9 %	7,4 %	7,6 %	-1,7 %	5,4 %
Return investment options portfolio	2,3 %	8,6 %	9,2 %	n/a	n/a
Insurance-related administration costs measured against average customer funds	0,34 %	0,34 %	0,33 %	0,36 %	0,50 %
Number of premium-paying members	309 333	304 985	304 651	299 408	297 496
Number of pensioners	172 272	163 701	155 306	149 833	145 963
Number of employees	460	449	427	407	387

KLP Bedriftspensjon AS	2011	2010	2009	2008	2007
Pre-tax income	-24	-17	-13	-10	-4
Premium income (without premium reserves transferred in)	93	52	25	24	3
Net inward/outward transfer of premium reserves	182	89	21	32	-
Income to customers	16	10	12	11	-
Total assets	904	614	436	360	55

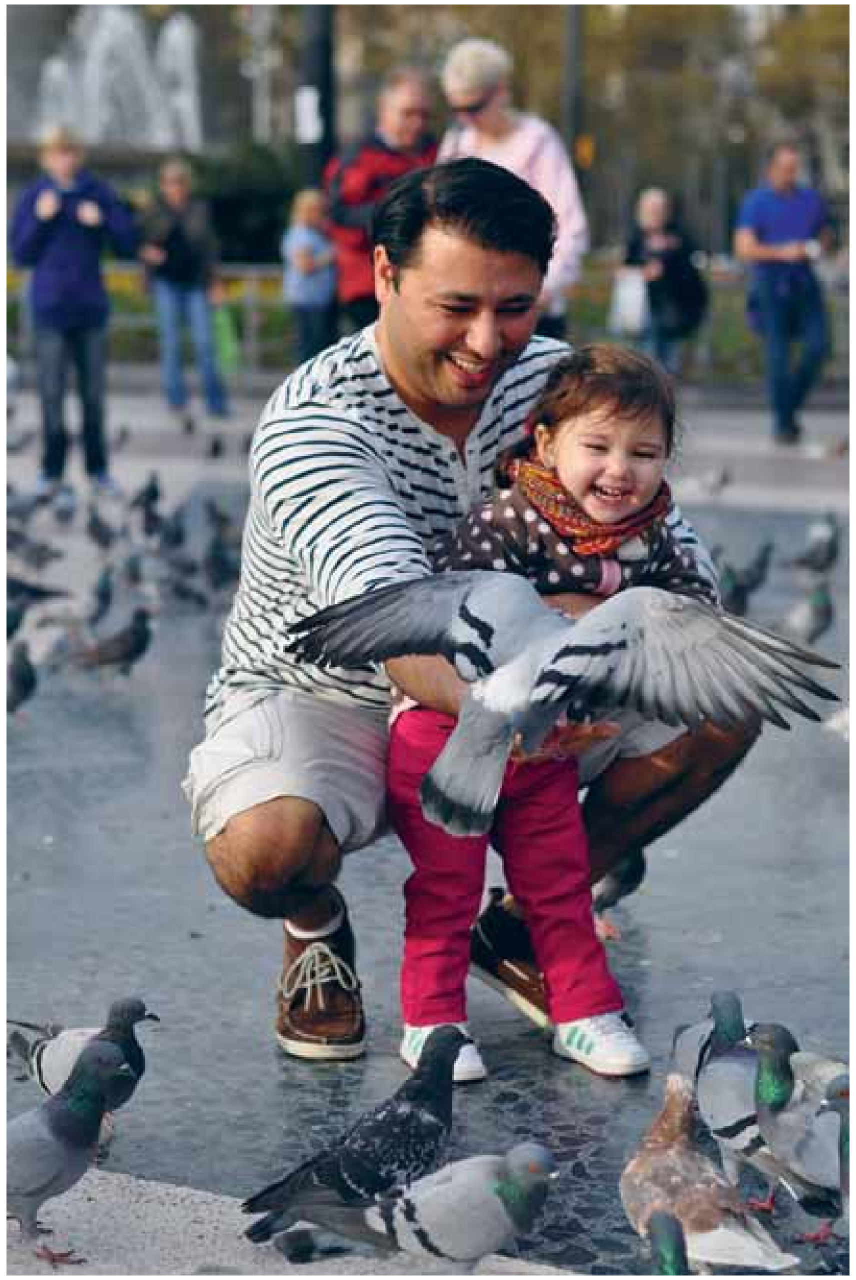
KLP Skadeforsikring AS	2011	2010	2009	2008	2007
Pre-tax income	25	70	217	35	71
Annual premium	650	631	609	574	555
Combined ratio	118,1 %	121,9 %	95,5 %	97,3 %	105,3 %

KLP Banken Group	2011	2010	2009	2008	2007
Pre-tax income	-62	36	-39	n/a	n/a
Deposits	1 840	1 026	36	n/a	n/a
Lending	28 416	26 320	33 097	n/a	n/a

KLP Kapitalforvaltning AS og KLP Fondsforvaltning AS	2011	2010	2009	2008	2007
Pre-tax income	20	19	12	63	47
Assets for management in total	205 099	185 714	167 052	155 305	162 574
Assets for management from external customers	13 650	14 170	11 378	7 560	5 673



For the days to come Photographed by Anne-Therese Sande



For the days to come Photographed by Razvana Ali

Important events in 2011

JANUARY

Delighted winners of KLP's working environment prize

KLP awarded the Company's annual working environment prizes within three customer groups: local government administrations, health enterprises and companies. The prize is NOK 100,000. The winners were Stryn Municipality, Helse Sunnmøre (a health enterprise) and Vesterålskraft Nett AS.

New accreditation for KLP Skadeforsikring

KLP Skadeforsikring was ISO 9001 accredited - the first Norwegian-registered non-life insurance company to achieve this. In order to be accredited in accordance with this standard it is necessary for example to document all working procedures and for these to be followed in day-to-day operations.

FEBRUARY

KLP Banken's first birthday

One year after its establishment in the retail market, KLP Banken has made housing mortgage loans for NOK 1.5 billion. In addition the bank is managing housing lending on behalf of KLP for NOK 7.5 billion. Two thirds of customers are KLP members.

KLP best in class

Positive developments in the financial markets contributed to strong financial results for KLP again in 2010. Value-adjusted and book returns ended at 7.5 and 5.1 per cent respectively for 2010. Rising share prices and positive value developments in property contributed most to the good returns in 2010.

MARCH

Strong first quarter

KLP's good results continued into 2011. The KLP Group delivered an operating profit of NOK 1.5 billion for the first quarter.

APRIL

Launch of petroleum fund for small savers

KLP Fondsforvaltning launched the combination fund KLP Kombinasjon. The fund has the market's lowest costs and suits investors who want long-term saving with somewhat lower risk than in equity funds.

MAY

KLP Annual General Meeting

KLP held its Annual General Meeting. The Annual General Meeting adopted the Board's proposal to retrocede NOK 2.6 billion to the customers' premium fund.

JUNE

Three more companies excluded

Three new company names came onto the KLP list from the beginning of June: Lingui Development, Adris Grupa and Shanghai Industrial Holdings. The companies were excluded because of tobacco and the environment. No companies were readmitted to the portfolio.

Strong half-year results

The KLP Group delivered an operating profit of NOK 2.5 billion for the first half-year. Despite the fact that the financial markets were sometimes uneasy and interest rates were low, KLP could point to a good return for the first half-year.

JULY

KLP Eiendom buys property in Denmark

KLP increased its property exposure in Denmark. KLP Eiendom's Danish subsidiary, KLP Ejendomme AS, bought the 81,000 m² TDC property complex in Copenhagen's Sydhavn.

AUGUST

KLP Eiendom acquires hotel in Stockholm

KLP Eiendom continued its expansion in Sweden with the acquisition of the Klockan 1 property from Diligentia (Skandia). Scandic is to operate the «Scandic Grand Central» hotel in the property on a long-term lease.

SEPTEMBER

New index tracking funds in developing markets

KLP Fondsforvaltning launched three index tracking funds that invest in emerging markets. The funds have a clear ethical profile and invest in markets such as China, Brazil, South Korea and India.

For the days to come Photographed by Christin Oldebråten

OCTOBER

Major interest in senior loans

KLP experiences great interest in the senior loan Litt Extra. 65 per cent of the Norwegian population are happy with parents borrowing against mortgaging part of their homes. This is shown in a survey carried out by Perduco for KLP.

KLP sponsor for ethics prize

At the annual conference for Fairtrade and ethical trading in the public sector, the prize for promoting work on ethical aspects of procurement in the public sector was awarded to the great enthusiast Ståle Pedersen. KLP is the sponsor and organiser of the prize.

Gabrielsen Prize to Kristine Landmark

Kristine Landmark was awarded the Gabrielsen Prize and acclaimed Female Chair Talent of the Year. KLP is a Gabrielsen Prize partner.

NOVEMBER

KLP won seven of eight tenders

The year's tendering competitions in the market for public sector occupational pensions have now been completed. This year, seven municipalities and one county administration decided to put their occupational pension schemes out to tender. Following finalisation the result is that seven of eight chose KLP as their provider of public sector occupational pensions.

Good results in troubled waters

Despite troubled financial markets KLP can point to good results for the third quarter. This shows the importance of solid buffers. Total profit to customers ended up at NOK 3.4 billion.

Improvement of Norwegian climate reporting

The results for the year from Carbon Disclosure Projects (CDP) show that Norwegian companies are poorer at reporting than companies in our neighbouring countries. But there are also some good signs. Twelve Norwegian companies received better scores in 2011 than the year before. KLP is a Norwegian partner in CDP.

Satisfied non-life insurance customers

The EPSI analysis of customer satisfaction in the non-life insurance industry showed that KLP Skadeforsikring AS has the most satisfied and loyal corporate customers. KLP scored higher than its competitors in all the parameters measured.

DECEMBER

KLP restricted to 15 per cent of Trønder Energi Nett AS (TEN)

The Ministry of Finance rejected KLP's application to acquire 35 per cent of the shares in TEN as an infrastructure investment. However the Ministry gave permission for a holding of 15 per cent.

China Mengniu back in the portfolio

KLP has excluded 63 companies from its investment portfolios. China Mengniu is back into KLP's investment world after having implemented a new test and monitoring system for its products.

Record payments to KLP pensioners

KLP set a new payment record in 2011. More than NOK 9.6 billion gross was paid in pensions. This is an increase of NOK 1.3 billion over the yea before. 148,000 people receive a pension benefit from KLP.

Expanded child insurance

KLP Skadeforsikring launched an expanded child insurance policy covering both accidents and illness, and providing 24-hour cover.

GROUP CHIEF EXECUTIVE OFFICER SVERRE THORNES

Sverre Thornes, Group CEO

Strong solvency and more new customers

KLP delivers the best return among the large life companies for the third year in a row. We are experiencing the largest inflow of customers since the 1990s. Our strong solvency provides us with a good foundation for the days to come.

2011 was a demanding financial year but it was a very good year for the pension business at KLP. Seven out of eight municipalities that went out to tender selected KLP. KLP thus achieved a net inflow of customer assets of NOK 1.4 billion. It is the best tender result for KLP since the middle of the 1990s.

We take this as a sign that KLP is considered a highly competitive pension provider. We are consolidating our position as the leading provider of public sector occupational pensions to municipalities, county administrations, health enterprises and companies in the public sector. In addition many companies find KLP attractive as a provider of private sector occupational pensions through our wholly-owned subsidiary, KLP Bedriftspensjon AS. The company has now exceeded NOK 900 million in total assets: that is an increase of NOK 290 million since 2010. The company was voted «Best in the industry» in the Company Pensions Barometer 2011.

KLP is now also the largest life company in Norway and we manage a total of NOK 261.7 billion for our customers. In fact it is not a target of ours to be the largest - but it does provide the basis for economies of scale that benefit our customers and owners as we go forward.

KLP maintains a very strong financial position. We have customers and owners who for many years have prioritised the building up of financial buffers in order to secure predictability and freedom of action in asset management. We were not forced in 2011to sell shares on a falling market but were able to retain our equities portfolio. It proved to be a profitable strategy. Uncertainty in the international economic scene contributed to uneasy and weak financial markets. During the fourth quarter however, developments were more positive and gave KLP a relatively good return.

KLP is delivering the highest return for the third year in a row amongst the companies operating in the public sector pensions market. Total financial returns for 2011 were finalised at NOK 9.9 billion. Value-adjusted and book returns are 3.2 per cent and 4.5 per cent respectively. This allows for supplementary reserves to be strengthened by NOK 2.1 billion and for NOK 1.5 billion to be transferred to our customers' premium fund. At the end of last year KLP Kapitalforvaltning AS was managing NOK 205 billion in various securities. KLP Fondsforvaltning AS is attracting capital from other institutional investors and about 9000 retail customers. This has grown to NOK 14 billion during 2011, and demonstrates that KLP's capital and fund management is considered highly competitive both amongst institutional investors and by retail customers.

KLP Eiendom AS is one of the most important contributors to the positive return in 2011. They delivered a value adjusted return of 7 per cent for 2011. Property acquisitions totalled NOK 2.6 billion during 2011, and the company now has a total property portfolio of NOK 30 billion. The occupancy ratio is increasing and our investment in Sweden and Denmark show good results.

We are pleased that customers of KLP's non-life insurance company had a year without major claims. KLP Skadeforsikring continues to gain ground in occupational injury insurance and a number of local administrations have decided to move their insurance to us. A customer satisfaction survey by EPSI shows that KLP Skadeforsikring has the best customer satisfaction. They score higher than their competitors in all service areas.

The public sector lending operates under the brand name KLP Kommunekreditt AS and is the second-largest provider of long-term loans to the local government sector in Norway. Since the summer KLP Kommunekreditt has contributed to strong competition and lower costs for the customers for fixed-interest loans and has increased its lending by more than NOK 3 billion in fixed-interest loans.

Since 2010 KLP has offered retail customers simple and good banking, funds and insurance products. Members of KLP's pension schemes are offered particularly good terms. The initiative towards our members has produced results - and KLP now has 40,000 retail customers in non-life insurance, banking and funds.

KLP has a strong commitment to contribute to sustainable social development. An important part of this is to carry out and integrate the UN's Global Compact and its 10 principles, linked to human rights, worker rights, the environment and anti-corruption, into our investment operations.

We want to be our owners' best partner for the days to come. Therefore our owners' needs will be our key concern and our operations will be aimed at strengthening their finances, facilitating their day-to-day life and helping to strengthen them as employers.

With unique financial strength and with competent and committed staff, we are in the best position to continue achieving good results for our customers and owners as we go forward.

This is KLP

KLP is Norway's largest life insurance company. KLP provides safe and competitive financial and insurance services to the public sector, to enterprises associated with it and to their employees.

Its customers should find that KLP is a predictable partner that strengthens their finances, simplifies their everyday lives, helps to make them good and attractive employers as well as helping to create a world that is a little better. KLP's mutual ownership model, in which the customers are also the owners, means that KLP must always supply products and solutions in consultation with its customers.

KLP'S VISION: The best partner for the days to come.

VALUES: the values KLP employees are to espouse are "Open. Responsible. Clear. Committed».

BUSINESS CONCEPT: KLP will deliver safe and competitive financial and insurance services to the public sector, enterprises associated with the public sector and their employees.

KLP's head office is in Oslo. The company also has offices in Oslo, Trondheim, Stockholm and Copenhagen.

Market leader

KLP is the leading provider of occupational pensions to the public sector and associated organisations. At the start of 2012, 333 municipalities and county administrations had their pension schemes with the Company. The same applies to 23 of the country's 25 health enterprises, as well as the four regional health enterprises and about 2300 corporate enterprises. The Company's pension schemes cover more than 309,000 occupationally active individuals and 172,000 pensioners. In addition more than 124,000 members have a pension entitlement with KLP from previous employment. KLP Skadeforsikring is also the market leader in non-life insurance to 295 local government administrations and 2650 enterprises.

Retail market initiative in progresses

Over the last two years KLP has actively invested in offering good and advantageous banking, insurance and fund products primarily to its owners' employees. 37,000 customer relationships have been established in the course of a relatively short period, showing that KLP is offering competitive and good products in the market. At the end of the year, after almost 2 years' operating as an online bank, KLP Banken had 18,691 active customers. KLP Skadeforsikring has 12,405 retail customers and a premiums volume of NOK 120 million. The KLP funds also now have more than 9127 retailcustomers/direct customers.

The KLP Group

The Group's parent company is Kommunal Landspensjonskasse gjensidig forsikringsselskap (Kommunal Landspensjonskasse Mutual Insurance Company). The parent company, KLP, and its subsidiaries together have more than 775 employees. The Group's total assets were (NOK) xxx.x billion at the end of 2011 and KLP is thus Norway's largest life insurance company.

In addition to pensions and pension fund services, the Group provides products and services in:

- Pensions and pension fund services
- Banking
- Insurance
- Funds and asset management
- Property

Subsidiaries

KLP Skadeforsikring AS is a significant provider of accident, occupational injury and property insurance to 295 Norwegian municipal and county administrations as well as to 2650 public sector enterprises. The company also delivers retail insurance products, primarily directed at the employees of the Group's owners.

HISTORY (TIME LINE)

1949 – The Union of Norwegian Cities and the Norwegian Association of Rural Municipalities (forerunners to the Norwegian Association of Local and Regional Authorities - KS) decided to establish Kommunal Landspensjonkasse.

1962 – The pension scheme for nurses was established at KLP by separate statute.

1967 – The Norwegian parliament, the Storting, passed a resolution to introduce National Insurance.

1972 – KLP passed NOK 1 billion in total assets

1974 – KLP obtains its own licence as an insurance company, and establishes a joint local authority pension scheme.

1984 – KLP expanded its product range with group life and accident insurance for local authority employees.

1993 – Kommunal Ulykkesforsikring (KUF) obtained a licence to engage in property insurance.

1994 – Establishment of KLP Skadeforsikring AS (non-life) and KLP Fondsforvaltning AS (funds management).

KLP Eiendom AS is one of the country's largest property managers with more than 1,190,000 m² of premises and 366,000 m² of leasehold sites under management, as well as substantial projects under development. The property stock had a value of NOK 29.9 billion as at 31 December 2011. KLP Eiendom has operations in Norway, Sweden and Denmark. The properties have good locations, a high standard of building and efficient space utilisation.

KLP Forsikringsservice AS has specialist expertise in public sector pension schemes and offers a full spectrum of pension fund services.

KLP Bedriftspensjon AS offers defined contribution and defined benefit pensions, with risk profiles according to the customer's wishes, both to private and to public sector organisations.

KLP Kapitalforvaltning AS is one of Norway's largest asset management operations and offers a broad spectrum of investment and management services. In its investment process KLP works systematically to assure and promote ethical considerations as well as sustainable value creation.

KLP Fondsforvaltning AS offers a broad spectrum of funds with a variety of investment mandates and risk. The company has funds in active and index tracking management suitable for institutions', companies' and private clients' investments. All the funds are managed in line with KLP's ethical criteria.

KLP Banken AS is an online bank focused on mortgage lending and deposits. This provides the basis for efficient operation and low costs. KLP Banken AS was launched on 1 February 2010.

KLP Kommunekreditt AS and **KLP Kreditt AS** are subsidiaries of KLP Banken AS. These companies should help to secure good terms on loans for the public sector.

KLP Alternative Investments plc enables KLP further to specialise active asset management mandates and in this way to increase returns on the life company's money.

It pays to be a KLP owner

KLP's corporate form brings a number of advantages. KLP's customers themselves provide equity capital and are thus also owners of the Company. This produces good returns and great opportunities to influence matters.

As well as the direct return there is also an element of profit in having equity in KLP. Being an owner of the mutual KLP company means that the surplus on the premium elements is retroceded to the owners/customers. Were KLP an ordinary limited company, this surplus would go to the shareholders and not the customers. Being a customer and owner of KLP as a mutual company is therefore profitable.

Corporate responsibility

KLP will contribute to a sustainable public sector through responsible business operation. Taking corporate social responsibility is about how we respond to society's challenges through our own activity. For KLP, corporate social responsibility is not something the Company does in parallel to the Company's actual business. KLP's corporate responsibility is a natural part of our business, embracing for example: responsible investment; reduction of energy consumption in commercial properties; prevention of damage to health, the environment and safety.

The description of KLP's corporate responsibility is integrated into the discussion of the different business areas.

In 2011 at Board level, KLP adopted a new strategy for corporate social responsibility . The strategy describes two objectives: one is to contribute to a sustainable public sector and the other is to integrate sustainability and responsible business operations into our working processes. To ensure we achieve our objectives we have implemented a number of measures and more await implementation. You will find comprehensive information on this on our website.

Reporting of corporate social responsibility

Just as important as setting goals is the reporting of goal achievement. KLP's corporate social responsibility reporting is important in order to assure and demonstrate continuous improvement.

THE COMPANY IS TO
1. *Support internationally recognized human rights within the areas in which the Company operates*
2. *Ensure the Company is not complicit in human rights abuses*
3. *Recognize freedom of association and the right to conduct collective bargaining*
4. *Eliminate all forms of forced labour*
5. *Abolish the use of child labour*
6. *Eliminate discrimination in respect of employment and occupation*
7. *Support the Code of Ethics («Precautionary Principle») in environmental questions.*
8. *Take initiatives to promote greater environmental responsibility*
9. *Encourage the development and spread of environmentally friendly technologies*
10. *Work against corruption in all its forms, including extortion and bribery.*

Global Compact is a UN-initiated network that mobilises business and voluntary organisations for a sustainable world. KLP has been a member since 2002. Membership involves an undertaking to comply with 10 principles associated with human rights, working conditions, the environment and corruption.

KLP, as the first company in Norway to do so, has published non-financial accounts in its interim reports. The Company's different goals, performance indicators and goal achievement comply with the Global Reporting Initiative reporting standard (Level A) and Global Compact's requirements for Communication on Progress through comprehensive reporting on our website.

Global Compact

Since 2003 KLP has been a member of Global Compact, a UN initiative uder which companies and other organisations voluntarily commit to supporting international human rights, protecting the environment, respecting workers' rights and working against corruption. This commits us always to working towards sustainable social development as the Group CEO, Sverre Thornes, confirms in his introduction to KLP's annual report 2011.

To ensure that KLP achieves its goals of continuous improvement KLP wishes to continue the dialogue with its stakeholders. On the Company's website, www.klp.no/english/corporate-responsibility and KLP's blog, everyone can give KLP feedback and comment as well as find relevant information.

Responsible investment

KLP has signed the UN Principles for Responsible Investment (UN PRI) and thereby committed itself to integrating these themes into its asset management. This is important because KLP manages the pensions of more than half a million Norwegians. We shall manage these assets in a responsible and sustainable way.

All the companies in which KLP invests are monitored in regard to discreditable situations and potential breaches of key UN conventions and declarations in the following areas:
- Human and worker rights
- The environment
- Corruption
- Business ethics

As an investor, KLP engages in dialogue with companies about these subjects and in the most serious cases companies may be excluded from our investments. At the end of 2011, 64 listed companies were excluded from KLP's investments. (See the list of excluded companies on our website). Excluding companies is not a goal in itself. KLP has a continuing dialogue with excluded companies and with companies that are in danger of becoming so. This is important both in preventing companies having to be excluded and to getting excluded companies back into the portfolios.

In addition KLP has chosen not to invest in companies that produce tobacco or weapons that breach fundamental humanitarian principles.

KLP is an active and responsible owner in companies and works actively to promote corporate social responsibility and sustainable value creation through dialogue, a range of measures and projects, as well as through voting at companies' general meetings.

1995 – KLP buys Nora Eiendom.

1997 – Nora Eiendom was renamed KLP Eiendom AS.

1999 – KLP Kapitalforvaltning AS was formed under the name KLP Aktiv Forvaltning ASA.

2001 – KLP exceeds NOK 100 million in total assets and establishes the strategy for responsible investment with the exclusion of tobacco producing companies.

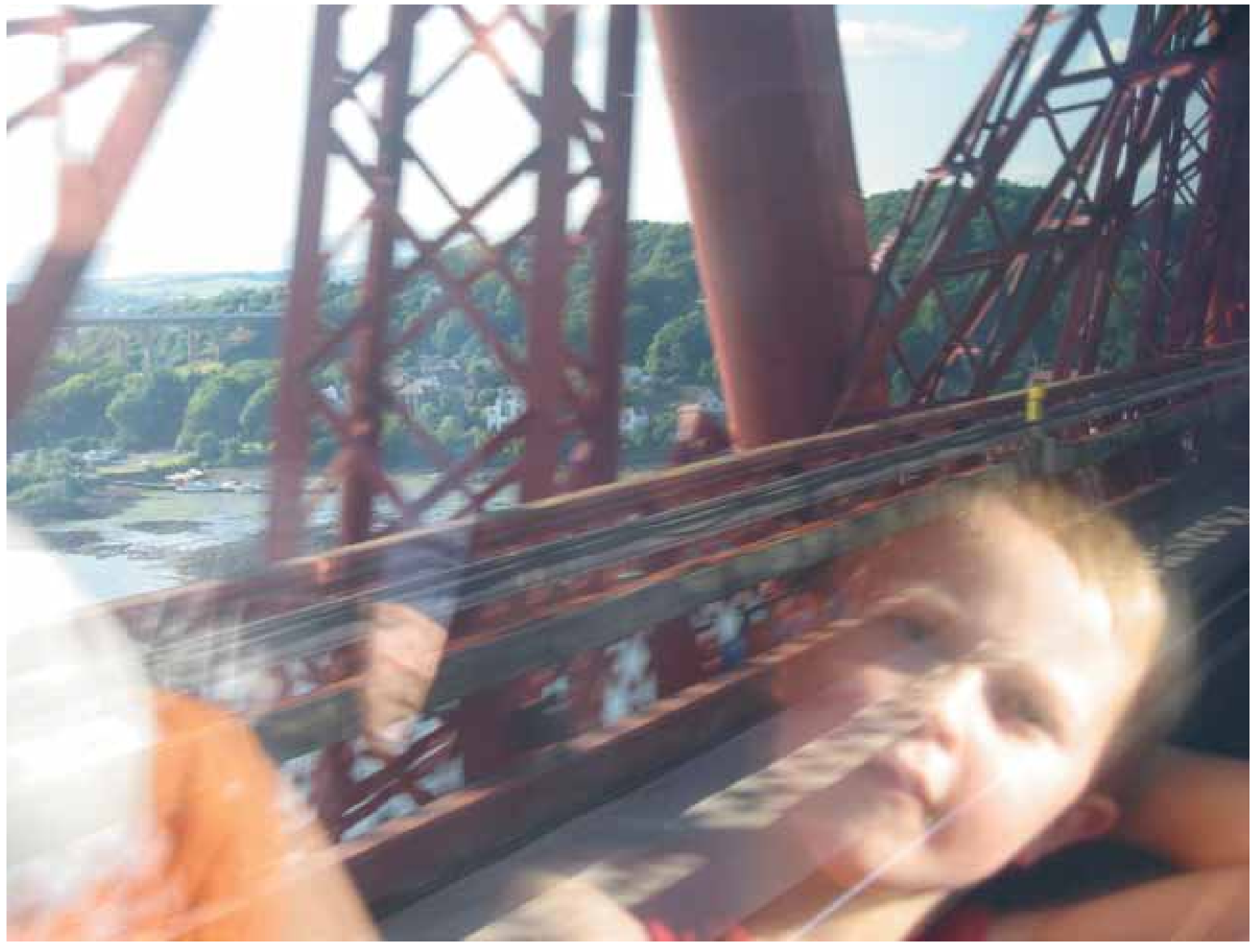
2003 – KLP signed the UN Global Compact.

2008 – KLP Skadeforsikring AS launched sales of retail non-life insurance
KLP passed NOK 200 billion in total assets.
KLP exceeded 300,000 occupationally active members.

2009 – KLP received a licence from the Financial Supervisory Authority of Norway (Kredittilsynet) to establish banking business. KLP bought Kommunekreditt Norge AS from Eksportfinans. KLP is Eco-Lighthouse accredited.
KLP becomes climate neutral.

2010 – KLP Banken is launched.

2011 – KLP assumes the position of Norway's largest life insurance company.



Relationship Photographed by Eli Bleie Munkelien

KLP pensions and life insurance

KLP offers dependable and efficient management of public sector occupational pensions. The Company has the industry's lowest administrative costs and over the last three years KLP has also had the industry's best returns. Our customers, who are also our owners, reap the benefit of this: in 2011 KLP retroceded NOK 1.5 billion to the customers' premium fund.

KLP's leading market position in public sector occupational pensions was further strengthened during 2011. KLP retained all of its own municipalities and county administrations that were put out to tender: Inderøy Municipality, Rogaland County administration and Mandal Municipality. In addition KLP won four out of five of its competitors' customers out to tender: Karasjok, Ullensaker, Lier and Mosvik municipalities. KLP retained and received in transfer value in excess of NOK 3 billion and has thus achieved an even better basis for delivering secure and competitive services for the benefit of our customers and owners.

Public sector occupational pension

More than 600 000 Norwegians have pension rights with KLP, the company is the market leader in providing public sector pensions to municipalities, counties, health enterprises as well as enterprises and organisations within the public sector. The Company also offers good schemes for defined contribution pensions and defined benefit pensions for companies that do not have collective bargaining requirements for public sector occupational pensions. In addition KLP provides professional insurance services to a range of pension funds in the local government sector.

Through collective pay agreements all local government administrations, health enterprises and a number of other enterprises within the public sector are obliged to have a public sector occupational pension scheme for their employees. KLP's principal task, within the provisions of the basic agreement, is to deliver the agreed product for employers and the insured (employees) with good service and low costs. KLP works to help to keep employers' costs as low as possible through producing good returns on pension assets as well as keeping the administration and asset management costs down.

From 1 January 12, KLP is managing the pension scheme for 319 municipalities and 15 county administrations, as well as 2300 enterprises and organisations. 25 of the country's 27 state health enterprises have at least one pension scheme with KLP. In addition all hospital doctors are covered by the KLP pension scheme for hospital doctors through a special collective pay agreement. The nurses have their pension scheme with KLP through the Norwegian Nurses Pension Scheme Act.

KLP is also a major player in the group life area amongst municipalities, county administrations, health enterprises and public sector companies. 182,000 people were covered by group life insurance with KLP at the end of 2011.

KLP Bedriftspensjon AS

KLP offers private occupational pensions through its subsidiary, KLP Bedriftspensjon AS. Defined contributions and defined benefits pensions are offered through the subsidiary. With this, KLP is a full value provider of occupational pension. The investment in private occupational pension started in 2006, and KLP Bedriftspensjon is working to establish a business volume that is adequate to achieve cover for costs required in order to operate a policy volume. The increase in the volume has moved up well in 2011, with new take-up of almost 300 agreements and 1600 new members. In total the company has more than 9000 agreements, divided between the products: defined benefit pension; defined contribution pension; paid-up policies and pension capital certificates. In recent years KLP Bedriftspensjon has achieved very good returns. The company's portfolio of private occupational pensions had accumulated growth in premium volume of NOK 22.5 million. Growth in premium reserves in 2011 was NOK 221.6 million.

KLP Forsikringsservice AS

Through the wholly-owned subsidiary, KLP Forsikringsservice AS, technical insurance services are offered to the independent municipal and county administration pension funds. The provision of these services is done in close collaboration with KLP's life insurance division. At the end of 2011, 13 of a total of 21

municipal and county administration pension funds used KLP as their technical insurance consultant. KLP is thus maintaining its position as market leader in this area.

Customer relations

KLP endeavours to be the best partner for the days to come. Customer treatment is tailored to the individual customer with efficient procedures, rapid follow-up and high-quality of service. This means being in close dialogue and listening to the customers' needs, as well as being present where the customer is. All customers have identified contact persons in KLP, and customers are offered budgeting help, courses and information associated with their pension schemes. In recent years they have also been offered information about KLP's other services in banking, funds and non-life insurance products.

Course and meeting activities

KLP offers a broad spectrum of courses and meetings both for individual members, decision-makers and HR managers. In addition courses and information briefs are tailor-made according to the needs of the customer. During 2011 almost 2000 meetings and courses were carried out on public sector occupational pension and almost 8000 personal advisory sessions.

The «Worth Knowing» course, a course designed for payroll and HR managers, was run during 2011 with great success. The course was arranged regionally for municipalities and county administrations, in the health regions and among the corporate customers with many hundreds of participants. Feedback has been good: «The course appears professional, with particularly effective presenters".

HES and a healthier work life

Over the last 15 years, health environment and safety (HES) have been part of the services offered to KLP's pension customers. Advice, courses and financial support are offered for HES projects. It is our experience that our customers achieve good results by investing in a good working environment for their managers and employees. This can contribute to lower sickness absence, fewer disabled and to employees remaining in their jobs longer. A high level of contentment in the workplace is good for the employees and profitable for the employers.

KLP's HES team has special expertise in the working environment, management development and life phase policy. During the year KLP has carried out 325 HES activities together with customers and contributed with direct financial support to 63 customer-run HES projects. A joint effort in this area ensures a safe and profitable pension community. Many other projects in which KLP has participated can point to very good results, and in 2011 a customer satisfaction survey was carried out with a result of 5.3. More information about projects supported and results may be found at www.klp.no/hms-torget (Norwegian language only, but for an overview in English see http://www.klp.no/english/corporate-responsibility/society-and-environment/customers-and-products -‹HSE for our customers - why and what›).

KLP's Working Environment Prize

KLP values work to create good working environments at our customers', and KLP's Working Environment Prize was awarded in 2011 for the 11th time. The purpose of the prize is to promote positive measures and processes on the road towards the best possible working environment. KLP believes that putting the good examples and the best stories on show is important to encouraging focus on the working environment. New for the year was the award of two prizes: one to «The working environment project of the year» and one to «The enthusiast of the year». Each of the winners receives NOK 150,000 that is to be used on working environment measures at the winner's workplace.

KLP's main product is public sector occupational pension. The scheme provides a guarantee of pension benefits at a minimum 66 per cent of the pensioner's final salary up to 12 G (12 times the National Insurance basic sum - G), where there is full accumulation time, which is 30 years.

KLP received 34 applications from municipalities, county administrations, enterprises and health enterprises. In making its awards the jury concentrated on process, solid foundations, participation from the employees, results and transference value. The prize winners were announced on 1 February 2012:

- Enthusiast of the year: Trond Gunnar Skillingstad, Nord-Trøndelag Health Trust, as the initiative-taker for the project «Lyden av trivsel (The sound of happiness)»
- Working environment project of the year: Rissa Municipality with the project «Veksthus for ledere (Hothouse for leaders)»

Pensions

More than 600,000 people have pension entitlements with KLP. These are distributed between about 300,000 active employees of employers with public sector occupational pensions; about 125,000 deferred - people have previously worked for an employer with public sector occupational pension; and about 175,000 pensioners who receive public sector occupational pensions.

During 2011 a total of more than 108,000 enquiries were registered in KLP's enquiry management system.

In total about 135,000 enquiries have been processed. This includes for example conversions and matters associated with retrospective adjustment/settlement for AFP (contractual early retirement) pensioners. The majority of enquiries are processed within the time limits.

KLP works continuously on further developing online solutions in order to provide customers and members with a better overview of their own customer relationship and own pension entitlements.

For the days to come...

The number of pensioners will increase substantially in the coming years: a doubling in the number of pensioners is expected up to 2020. To meet this growth in the most effective way KLP is working systematically to improve, expand and coordinate its service offering to employer customers and their employees. During 2011 KLP undertook a reorganisation of the Life division, the largest division in KLP, with the aim of meeting the future growth in the number of pensioners within current costs parameters. This should be achieved through more efficient processes and a focus on continuous improvement.

KLP is working to be the preferred supplier of public sector occupational pensions and constantly seeks to fulfil the vision of being the best partner for the days to come.

Non-life insurance

KLP Skadeforsikring AS is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP). KLP Skadeforsikring AS offers non-life insurance services to the local government sector. The Company also offers insurance solutions in the retail market with special advantages for members of KLP.

The 2011 insurance year was marked by a greater number of small claims, both within property and car insurance. During 2011 the Company had no major fires. The bomb attack in Oslo on 22 July became the year's largest claim and represents a charge on the accounts of about NOK 13 million.

Also during 2011 we saw a great deal of tendering activity, and competition is still strong in the public sector/corporate market. KLP has experienced a pleasing increase in acceptances and is strengthening its position in the local government market. The Company has a stable customer base and is experiencing a positive inflow within selected corporate segments.

The retail market for non-life insurance may be described as highly competitive. The trend in this market appears to be that the larger companies are losing market share. As one of the new operators, KLP Skadeforsikring sees the strong competition as an opportunity and will work hard to retain the customers who join. The Company still has strong growth in the retail customer market and customer departure is among the lowest in the market.

The Company insures for example:
- employees, school pupils and pre-school children
- buildings and inventory
- third-party liability
- vehicles and machines

In addition retail insurance solutions are offered in the following areas:
- vehicles, motorcycles, motorbikes and boats
- homes, holiday homes and contents
- child insurance
- travel insurance
- personal accident insurance
- pets

About the Company

Since the start in 1993 KLP Skadeforsikring has built up a substantial insurance portfolio. The Company has maintained a stable and strong position as one of the leading providers of non-life and retail insurance tailored to municipalities, county administrations, enterprises and business associated with the public sector. At the end of 2011 the Company had one or more customer relationships with 261 municipalities and 14 county administrations, as well as over 2630 enterprises. In addition the Company had 12,400 retail market customers. KLP Skadeforsikring has 98 employees.

Customer dialogue

This year's EPSI analysis of the business market shows that satisfaction in the non-life insurance industry has advanced and that it is KLP Skadeforsikring that can point to the best customer satisfaction. Across the board the Company scores higher than its competitors in all the parameters measured. Customers who have had a claim are more satisfied than those who have not had a claim.

At KLP Skadeforsikring the individual local government and corporate customer is given their own contact person. Continuous maintenance of the customers' policies is handled in a special customer service department to ensure the best possible accessibility and service for customers.

The customers in the public sector and corporate segment now have electronic access to a comprehensive overview of their business with KLP via a new customer page. This makes day-to-day life easier for the customers and increases the opportunity for self-service.

The retail market customers are served by a separate sales team in which our representatives handle all customer enquiries directly. In addition the customers are served through a fully functional online service. Through this continuous customer contact KLP Skadeforsikring AS stimulates sales of the full scope of KLP's services to the retail market.

Collaborative partners in claims prevention work

During 2011 KLP Skadeforsikring AS has continued its systematic safety management partnership with the Directorate for Civil Protection and Emergency Planning (DSB) and the Norwegian Fire Protection Association. Systematic safety management was implemented in four municipalities/county administrations during 2011. The collaboration will continue in 2012. Six systematic safety management pilot projects are planned this year. The idea is that adjacent administrations will be able to draw lessons from what the pilot project administrations have done so that they also may be inspired to initiate such work.

During 2011 KLP Skadeforsikring collaborated with Norsk Vann (a largely local government-owned water industry body) with health, environment and safety (HES) courses for water treatment plant staff. This has been well received and a number of people have been through the course.

The Company continued its good dialogue on risk reduction measures with local administrations during 2011, with particular emphasis on preventing school fires. It has been found that there is great awareness about this in local administrations but that the fire risk can still be reduced through simple measures.

The guide «6-year-olds on the school route», an information booklet for parents of six-year-olds about to begin school, is a good result of the cooperation between KLP Skadeforsikring and the Norwegian Council for Road Safety during 2011. The cooperation with the Council for Road Safety will continue during 2012, with a HES traffic course aimed at the home nursing.

Asset management

KLP Skadeforsikring AS' portfolio of financial assets amount to NOK 3 091 million (NOK 3 037 million), The Company's financial investments are managed by KLP Kapitalforvaltning AS, a sister company within the KLP Group.

The Company's finance department continuously monitors the investment activities and the Board receives regular reports of status and analyses of the investment portfolio's fluctuation risk. The Board also regularly receives an independent status report in regard to current investment parameters.

KLP Skadeforsikring has a major part of its business in personal injury related sectors. In such long tail sectors it takes many years before claim settlements are finally determined and paid. Therefore substantial claim reserves are built up and invested in securities. The financial revenues provide a major part of the Company's value creation.

The interaction between insurance risk and financial risk is analysed thoroughly. In this endeavour the Company uses, inter alia, simulation tools in order to find the optimal financial allocation.

Key figures for KLP Skadeforsikring AS

In NOK millions	2011	2010
Premium income for own account	598,8	538,5
Claims for own account	-548,4	-524,4
Pre-tax income	25,2	69,5
Owners' equity	719,0	753,4
Total assets	3 440,0	3 501,8

Income*

In 2011 KLP Skadeforsikring achieved a result for the year after tax of NOK 8 million (72 million). The pre-tax result was NOK 25 million (70 million).
The result is satisfactory when account is taken of weaker financial returns than the previous year and a greater number of small claims.

The total claims ratio for own account for all sectors was 91.6 per cent (91.5 per cent) and the combined ratio was 118.1 per cent (121.9 per cent). Figures in brackets are for 2010.

Future prospects

Because of an increasing number of operators in the market, including some large financial groups, competition will become ever fiercer. There will be greater mobility and thus lower renewal rates with the companies. This will particularly be the case in the retail customer segment.

As a result of this, many of the largest operators will invest heavily in digital channels with the aim of strengthening customer loyalty. KLP Skadeforsikring is fully aware of this challenge and these development trends underlie its prioritisation of technological development. Over the year the Company has seen many positive effects of the major systems investment we have made in recent years. The processes are more efficient and the system is stable for the users.

Hans Martin Hovden, chief operating officer of KLP Skadeforsikring since 1997, will be succeeded by Tore Tenold later in the year. Mr Hovden will assume other responsibilities within the company until he reaches retirement.

KLP Skadeforsikring is a solid Company with sound finances. In January 2011 the Company was ISO 9001 accredited. The Company's Environmental Beacon accreditation was renewed during the year by Oslo Municipality. Backed by customer surveys that show a very high degree of customer satisfaction, the prerequisites are in place for further growth during 2012.

* 2010 figures in brackets.

Asset and Fund management

KLP Kapitalforvaltning and KLP Fondsforvaltning represent KLP's asset management operation in securities and institutional equity. The companies offer a broad spectrum of investment and asset management services to the public sector and operations associated with it. KLP Fondsforvaltning also offers cost-effective funds to the retail market. At the end of the year the two companies were managing more than NOK 216 billion for the parent company and external customers. This is an increase of NOK 20 billion over 2010. The majority of the assets managed are managed on behalf of Kommunal Landspensjonskasse and its subsidiaries in the KLP Group.

The management companies' overall objective is to provide customers with a competitive return within predefined risk parameters. KLP Kapitalforvaltning and KLP Fondsforvaltning cooperate closely on the basis of efficient division of tasks and responsibilities. The asset management company, KLP Kapitalforvaltning, undertakes all management and associated functions linked to settlement, risk management, reporting, advisory services and IT. The funds management company, KLP Fondsforvaltning, is responsible for marketing. Cooperation between the companies is regulated through business agreements.

Asset management

KLP Kapitalforvaltning is one of Norway's largest asset management companies. The asset management operation in KLP Kapitalforvaltning is organised in three areas, all with different approaches to their investment activity: index-tracking management, active management and institutional equity.

Index-tracking management aims to provide a cost-effective market exposure in the shares and bonds market. The goal is to provide a return as close as possible to that of the market. KLP has therefore developed methods and processes that make it possible to run index-tracking management at very low cost.

The section for active management is tasked to manage specialised securities portfolios in which the aim is to select individual securities or industries with better development than the average in the market - and in this way to create added return. Traditional shares and bonds portfolios are managed within this area as well as specialist funds.

In institutional equity, investments are made in funds with unlisted companies that are in a start-up phase or a restructuring process. The funds have a life of eight to ten years with an investment period of four to five years.

Fund management

At the end of the year KLP Fondsforvaltning was managing 29 funds, comprising two combination funds, nine fixed income (money market & bonds) funds, two active equity funds and fifteen index-tracking equity funds as well as a specialist fund. Total assets were NOK 50 billion at the end of 2011.

Management on behalf of customers outside the KLP Group was at the same level at the end of the year as at the previous year. NOK 14 billion was being managed on behalf of external investors and retail customers at the end of 2011. In total there are over 14,000 customers in the funds. The institutional customers are by far the largest group measured in total assets. Our customers are served directly or via partners in collaboration.

Responsible investments

KLP is a responsible social partner wishing to contribute to long-term value 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 and anticorruption measures throughout its business.

Since 2002 KLP has had a responsible investment strategy. Openness has been fundamental to this strategy. Each half-year KLP announces which companies are excluded from the Company's investments and why. In addition KLP Kapitalforvaltning conducts a dialogue with companies and excludes companies that breach our ethical guidelines. In total 64 companies were excluded at the end of 2011. One company was reinstated to the portfolios.

KLP exercises ownership over stock market listed companies, for example through voting at general meetings. During 2011, votes were cast at 130 general meetings in Norway and 1624 in foreign markets. This represents 86 per cent of the general meetings in which KLP were entitled to vote in the course of the year. How we have voted, and the reasons for it, are published on our website.

KLP has signed the UN's Principles for Responsible Investment. KLP is one of the leading investors when it comes to respecting the principles reflected in the initiative and is working actively to promote these principles and their objectives.

KLP is a Norwegian partner in the Carbon Disclosure Project (CDP). This is a project in which many of the world's largest institutional investors have come together to influence companies to report on their impact on the climate.

For the days to come Photographed by Ingrid Eriksen

For the days to come Photographed by Ingrid Eriksen

Property

All management and development of KLP's properties is carried out through the wholly owned subsidiary KLP Eiendom AS. KLP Eiendom manages property investments for the common portfolio, the corporate portfolio, KLP Bedriftspensjon AS and KLP Skadeforsikring AS.

KLP Eiendom is one of Norway's largest property managers with 1,190,000 m^2 of premises and 366,000 m^2 of leasehold sites under management, as well as substantial projects under development. The property stock had a value of NOK 29.9 billion as at 31 December 2011. KLP Eiendom has operations in Norway, Sweden and Denmark. The properties have good locations, are of a high standard and provide efficient space utilisation.

Energy and the environment are focal points for KLP Eiendom , and all operations in Oslo, Trondheim and Copenhagen are environmentally accredited in accordance with ISO 14001. It is KLP Eiendom's aim to build environmentally friendly office premises for the future. Responsibility for external environment and the climate has become a natural part of KLP Eiendom's operation and this is now being integrated into our day-to-day activities. Using a proactive environmental policy, KLP Eiendom will contribute to reducing the burden on the environment and climate, as well as promoting new patterns of behaviour, products, services and technical solutions that can reduce the environmental burden and CO2 emissions. During 2011 the total actual energy consumption was reduced by 14.1 GWh. Ongoing new projects have major focus on the environment and are being accredited under BREEAM-NOR.

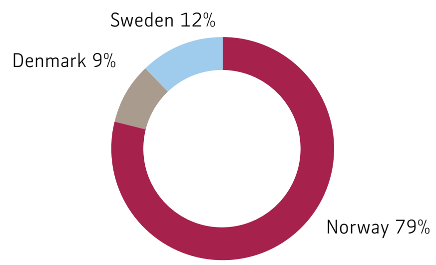
The return on KLP's property investments have been satisfactory in recent years. The nascent improvement in the property market from 2010, following two difficult years, continued into 2011 with good pricing of investment properties. This has provided the basis for an appreciation of the property values. Value-adjusted return on the operation was 7.3 per cent in 2011 (7.0 per cent in the common portfolio). Property values were written up by NOK 472 million gross in 2011 (of which the write-up in the common portfolio amounted to NOK 358 million). The property values are set partly on the basis of valuations undertaken by independent external assessors who have valued a representative portion of the portfolio and partly on internal models which take account of the outcomes of the external valuation process.

In 2011 KLP Eiendom had rental income of NOK 1682 million. The common portfolio's property investments at year-end represented 11.2 per cent of financial assets in the portfolio. KLP Eiendom carried out a number of property transactions in the course of the year. During the first quarter the company took over «Hafslundbygget» in Oslo, during the second quarter the «TDC Property" in Copenhagen was taken over and during the third quarter the company took over the «Scandic Grand Sentral» hotel in central Stockholm. In addition the company sold a large proportion of its housing properties in Norway, and there were a number of minor acquisitions and disposals. Investments amounted to NOK 1.9 billion in addition to investments in buildings already owned and development projects. With a substantial project portfolio, good properties and competent staff, KLP Eiendom is well prepared to meet the challenges both in regard to growth ambitions and proper administration of the existing property portfolio.

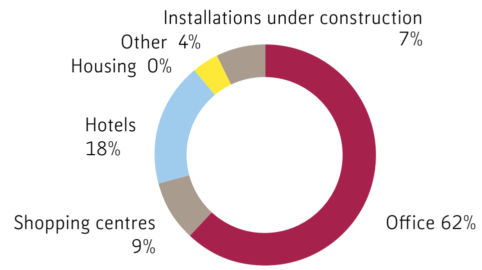
Property funds

In addition to investments in the property operation managed by KLP Eiendom, the common portfolio invested in international property funds managed by well reputed managers. Value-adjusted returns on the investments amounted to about 12.8 per cent. The value of KLP's investments in such funds amounted to NOK 706 million at the end of 2011.

Geographically by value
as at 31 December 2011



Sector distribution by value
as at 31 December 2011



Banking and municipal lending

KLP Banken offers the following services: current accounts, savings accounts, online banking, debit cards, ordinary housing mortgages, housing-linked credit, lending for holiday homes and Litt Extra (equity release for over-60s). There will be a gradual introduction of more products and services.

KLP Banken

KLP Banken was launched into the market in February 2010. KLP Banken was well received and had about 22,000 customers at the end of 2011. In its operations and marketing KLP Banken pays special attention to the members of the pension schemes managed by KLP. They are to experience that KLP Banken is particularly advantageous for them. KLP Banken is an online bank providing good and uncomplicated saving and lending services.

KLP Bankholding AS is owned 100 per cent by KLP. KLP Banken AS is a wholly owned subsidiary which itself has two wholly owned subsidiaries, KLP Kreditt AS (previously Kommunekreditt Norge AS) and KLP Kommunekreditt AS.

The overall business of KLP Banken AS and its subsidiaries is divided into the retail market and public sector loans business areas. The business is nationwide and the companies' head offices are in Trondheim.

Financial development in the KLP Banken Group during 2011*

- Pre-tax result: NOK -62.2 (35.9) million
- Net interest income: NOK 22.1 (31.6) million
- New lending: NOK 5.5 (5.8) billion
- Lending: NOK 28.4 (27.3) million on own account

Lending managed for KLP: NOK 24.7 (29.4) billion

KLP's experience of the lending business has been good. KLP's debtors are reliable and solvent. Default is very low, even in housing mortgages.

The portfolio is secured through mortgages based on conservative valuations, mainly within 60 per cent of loan value, and the debtors' ability to pay also forms part of the credit assessment.

Results

In 2011 the KLP Banken AS Group achieved a pre-tax result of NOK -62.2 million against NOK 35.9 million the previous year. KLP Kommunekreditt achieved a result of NOK -50 million in 2011 against NOK -6.4 million the year before.

KLP Kommunekreditt

KLP bought Kommunekreditt Norge AS in 2009 and on takeover Kommunekreditt was brought in as a subsidiary of the bank. KLP Kommunekreditt has long experience of lending to Norwegian local authorities and their organisations.

KLP Kommunekreditt's aim is to be a key financial partner for the public sector. The future will continue to see major development tasks. Ever stronger focus on tasks associated with climate and the environment will in addition involve increased financing needs for our customer groups. KLP Kommunekreditt emphasises a high level of competency in local government financing and consultancy, cost effective operation and competitive financing, particularly on loans with long-term fixed interest.

The two rating agencies Moody's and Fitch have awarded KLP Kommunekreditt with a triple A rating for its lending programme for covered bonds (obligasjoner med fortrinnsrett - OMF). With this rating KLP Kommunekreditt has issued covered bonds/OMF in the Norwegian and Swedish securities markets. The loan sum so far is NOK 1.1 billion.

The marketing of loans to municipalities, county administrations and other borrowers associated with the public sector is carried out under the brand name KLP Kommunekreditt regardless of which KLP company is actually the lender.

Lending by regions is broken down as follows: East and South Norway 41 per cent, West Norway 28 per cent, Mid-Norway 16 per cent and North Norway 15 per cent.

* 2010 figures in brackets.

For dagene som kommer Fotografert av Ingrid Eriksen

Corporate governance

Kommunal Landspensjonskasse gjensidige forsikringsselskap (KLP) is owned by customers with public sector occupational pensions with the Company. The owners are municipalities, county administrations and health enterprises as well as companies associated with the public sector.

KLP's Articles of Association and applicable legislation provide the framework for appropriate corporate governance and clear division of roles between the directing bodies and executive management. The Company has not issued negotiable owners' equity instruments and KLP is therefore not listed on the Oslo Stock Exchange or in other marketplaces. KLP complies with the Norwegian Code of Practice for Corporate Governance to the extent this is compatible with the mutual form of incorporation. The Norwegian Code of Practice for Corporate Governance gives expression to generally accepted principles for corporate governance.

The Board of Directors undertakes an annual review of the Company's corporate governance. Contributing to good corporate governance in the companies in which KLP has holdings is a further objective.

KLP's vision is to be the best partner for the days to come. Our customers should see that KLP is contributing to an improved economy, simpler daily tasks and sustainable social development. KLP's values: Open, Clear, Responsible and Committed, are supporting pillars to ensure the vision is achieved.

At KLP, considerations regarding society, the environment and responsible investment are part of the daily operation. KLP's goal for corporate social responsibility and responsible investment, as well as other governing documents, for example ethical guidelines and environment and supplier requirements, are designed to correspond with KLP's vision and values. KLP has signed the UN's principles for responsible business operations (the Global Compact) and the UN's principles for responsible investments (UNPRI). Comprehensive information about this is to be found at www.klp.no/english/corporate-responsibility.

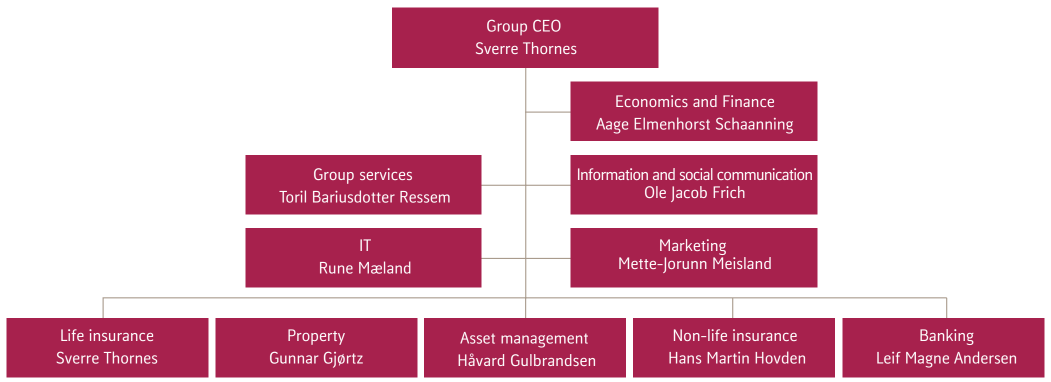
Group senior management

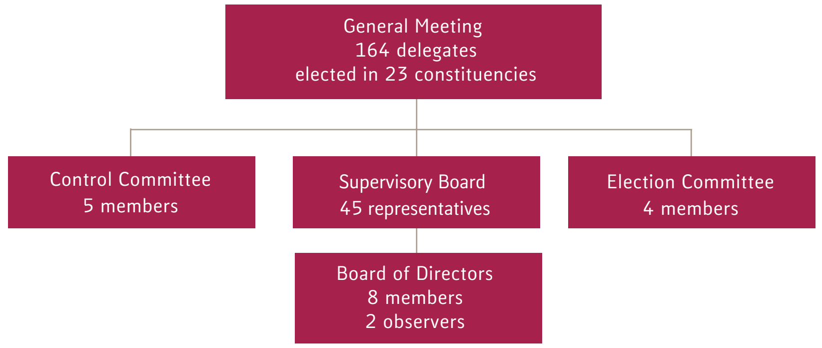
The KLP Group senior management comprises ten experienced individuals with a broad background from Norwegian business. See presentation on page 28-29.

The Group management is organised according to business areas, where the Life Insurance, Asset Management, Non-Life Insurance, Property and Banking units are represented. In addition the Group management comprises the staff units: Finance/Economy, Communications, IT and Group Services.

The General Meeting

The General Meeting is the Company's highest authority and comprises elected representatives of the Company's owners. 164 delegates from a total of 23 constituencies were elected to the General Meeting for 2010 and 2011. New election meetings are being conducted in spring 2012 to elect delegates to the general meetings for 2012 and 2013.
18 of the constituencies comprise county administrations and municipalities in each county. The regional health enterprises and their subsidiaries each comprise a constituency. The enterprises together form one constituency. In each constituency an election meeting is held to elect delegates to the General Meeting.





The tasks of the General Meeting include electing the Control Committee and 24 of the 45 members of the Supervisory Board. The General Meeting sets the remuneration of the Supervisory Board and Control Committee.

The Supervisory Board

The Supervisory Board comprises 45 members, 24 members elected by the General Meeting, 6 representatives nominated by the staff organisations in the local government sector. 15 representatives are elected from and by the staff in the Group.

In the main the Supervisory Board has the same responsibilities as a Corporate Assembly in accordance with the provisions of the Norwegian Limited Liability Companies Act.

The Supervisory Board members elected by the General Meeting elect five members with deputies to the Board of Directors, whereas the full Supervisory Board elects the Chair and Deputy Chair of the Board of Directors.

The Supervisory Board elects a nomination committee with four members and a deputy member.

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

The Board of Directors is a collective body responsible for the Company's and the owners' interests. The Board is to monitor the Company's compliance with business regulations and licence requirements.

The Board is to ensure appropriate organisation of the business, determine plans and budgets, maintain its awareness of the Company's financial position and liabilities and ensure that the business, accounts and asset management are subject to satisfactory controls. The Board is to supervise the day-to-day management and the Company's business in general.

The Board of Directors comprises eight members who are elected for a term of two years so that half are up for election every year. Five Board members with up to as many deputies are elected by the members of the Supervisory Board who are elected by the General Meeting. Two members are elected with deputies by and from the KLP employees. One member and the deputy are nominated by the employee organisation or negotiating alliance with the most members in the pension schemes. In addition two observers are nominated from those organisations that are second and third in regard to the number of members. The Group Chief Executive Officer is not a member of the Board of Directors.

BOARD OF DIRECTORS

See presentation of the Board of Directors on page 30-31.

METTE NORD is a personal deputy for Jan Helge Gulbrandsen..
KARI UGLAND is second deputy member.
MORTEN ALM BIRKELID is third deputy member.
ERLING BENDIKSEN is deputy member for the employees' representatives.
IDA KVALVAAG is deputy member for the employees' representatives.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

The Board has two working committees, a remuneration committee and an audit committee. The committees do not make decisions on behalf of the Board, but present their assessments and recommendations to the Board.

REMUNERATION COMMITTEE

The Remuneration Committee is a preparatory and advisory working committee for the Board's deliberations on remuneration questions. In 2011 the Financial Supervisory Authority of Norway gave permission for a joint KLP Group allowances/remuneration committee to be set up. On this basis the committee also functions as allowances/remuneration committees for those boards of directors in the KLP Group that are statutorily required to have allowances/remuneration committees. The committee's responsibilities include responsibility for ensuring the requirements in law and in the regulations on allowances/remuneration in financial institutions, securities enterprises and securities fund management companies are complied with in those companies in the KLP Group that are subject to these regulations. Members: Arne Øren (Chair), Gunn Marit Helgesen, Marit Torgersen.

AUDIT COMMITTEE
The Audit Committee is a preparatory and advisory working committee for the Board. The Committee was set up in accordance with the requirements for an audit committee in accordance with the Norwegian Act on Insurance Activity. The committee's brief is to enhance the quality of the Board's deliberations on financial reporting, audit, risk management and internal audit. Members: Finn Jebsen (Chair), Herlof Nilssen, Freddy Larsen.

The Election Committee
The Election Committee is laid down in the Articles of Association and recommends candidates for election to the following offices:

- Those members of the Supervisory Board that are elected by the General Meeting as well as the Chair and Deputy Chair of the Supervisory Board.
- The members of the Board of Directors to be elected by the Supervisory Board members elected by the General Meeting as well as the Chair and Deputy Chair of the Supervisory Board.
- The Control Committee as well as its Chair and Deputy Chair.
- The Supervisory Board has laid down instructions for the work of the Election Committee.

Members: Paul Dahlø (Chair), Bente Mikkelsen, Ingunn Foss, Mette Qvortrup. Deputy Member: Trond Lesjø

Internal and external audit bodies
CONTROL COMMITTEE
The Control Committee supervises the Company's activities. The work is carried out in accordance with the Norwegian Insurance Activity Act, the Company's Articles of Association and instructions given by the Supervisory Board. Members: Ole Hetland (Chair), Jan Rune Fagermoen (Deputy Chair), Bengt Petter Johansen, Line Alfarrustad, Dordi Flormælen. Thorvald Hillestad (deputy)

Group Internal Audit carries out independent assessments of whether the Company's most important risks are adequately handled and controlled. The Internal Audit also evaluates the appropriateness and effectiveness of the Group's governance and audit processes. The risk of dishonesty and control measures are included as part of the assessments in the internal audit reviews. The Internal Audit works in accordance with instructions laid down by the Board of Directors and reports to the Board. In addition to the Company's internal audit bodies the Company is also subject to regulatory supervision by the Financial Supervisory Authority of Norway. The Financial Supervisory Authority checks that financial institutions are run responsibly and in accordance with legislation.

The KLP Group's external auditor is elected by the Supervisory Board. The Auditor participates in meetings of the Board of Directors where the annual financial statements are adopted. Annual meetings are held between external auditors and the Board of Directors without the presence of the Group CEO or other management.

Internal control
The Board of Directors has laid down special Board Directives and Instructions for the Group Chief Executive Officer. The Group CEO's instructions govern implementation of the day-to-day management of KLP. KLP's Group CEO is chair of the boards of directors of KLP Skadeforsikring AS; KLP Kapitalforvaltning AS; KLP Eiendom AS; KLP Bankholding AS and KLP Banken AS.

In 2011 KLP's ethical guidelines for employees and officeholders were revised by the Board of Directors. The Group CEO has laid down separate regulations for proprietary trading in securities. These regulations are of special importance to employees of KLP Kapitalforvaltning and employees of KLP with particular insight into the investment operation.

Balanced scorecard
KLP uses the «balanced scorecard» as an important part of its strategic management. This is an important tool in developing KLP as a values-governed and vision-driven organisation that is market and business oriented. The Group's scorecard also comprises goals associated with our corporate social responsibility.

Boards of directors of subsidiaries
KLP BEDRIFTSPENSJON AS
Sverre Thornes, Chair
Cathrine Hellandsvik, Alexander Vistnes, Mette Qvortrup ,Stig Even Jacobsen, Harald R. Hagen (employee representative)
MD Torun Wahl

KLP EIENDOM AS
Sverre Thornes, Chair
Aage E Schaanning, Ida Louise Skaurum Mo, Svein Sivertsen, Ingrid Dahl Hovland
MD Gunnar Gjørtz
Deputy member: Per Victor Nordan

KLP KAPITALFORVALTNING AS
Sverre Thornes, Chair
Elizabeth Marinelli, Kjersti Storm, Jørn Gunnar Kleven, Torun Wahl, Heidi Sofia Finskas (staff representative), John Bjørnersen (employee representative), Christin Sunde (deputy employee representative), Magnus Riiber (employee representative),
MD Håvard Gulbrandsen

KLP FONDSFORVALTNING AS
Håvard Gulbrandsen, Chair
Per Victor Nordan, Anne Beate Lien, Monica Mæland, Hans Jørgen Gade, Wenche Øveraas
MD Ståle Øksnes

KLP FORSIKRINGSSERVICE AS
Sverre Thornes, Chair
Roar Engen, Anne Käte Grøholt, John J. Syre, Bjørn Eknes
MD Arild Halvorsen

KLP SKADEFORSIKRING AS
Sverre Thornes, Chair
Kjell Arvid Svendsen, Ida Espolin Johnson, Reidun W. Ravem
Reidar Mæland, Bengt Kr. Hansen (employee representative), Lene Elisabeth Bjerkan (deputy member), Steinar Haukeland (deputy employee representative)
MD Hans Martin Hovden

KLP BANKHOLDING AS OG KLP BANKEN AS:
Sverre Thornes, Chair
Aage E-lmenhorst Schaanning, Deputy Chair
Jan Otto Langmoen, Mai-Lill Ibsen, Mette-Jorunn Meisland
Jan Olav Tryggestad (employee representative), Mette Rinde (deputy employee representative)
MD Leif Magne Andersen

KLP KREDITT AS
Sverre Thornes, Chair
Aage Elmenhorst Schaanning, Deputy Chair
Mai-Lill Ibsen, Merete Birgit Hessen
MD Arnulf Arnøy

KLP KOMMUNEKREDITT AS
Sverre Thornes, Chair
Aage Elmenhorst Schaanning, Deputy Chair
Mai-Lill Ibsen, Toril Lahnstein
MD Arnulf Arnøy

KLP ALTERNATIVE INVESTMENTS PLC
Peter O'Dwyer, Michael Boyce, Håvard Gulbrandsen

For the days to come Photographed by Anne Kristin Kristiansen

TORIL BARIUSDOTTER RESSEM
Executive Vice President Group Services
Toril Bariusdotter Ressem has previously been Executive Vice President at NSB (Norwegian State Railways), Customer Services Director at Telenor, HR and OD Director at Rikshospitalet University Hospital, Project Manager at South-Eastern Norway Regional Health Authority, in addition to extensive consultancy activity in private and public sector organisations. Ressem has been a KLP Executive Vice President since April 2009. From 1 March 2011 to 31 December 2011 she has also been acting as Deputy Managing Director of KLP Banken.

GUNNAR GJØRTZ
Managing Director KLP Eiendom AS
Gunnar Gjørtz's background includes appointments as Finance Director at NetCom, Løvenskiold Vækerø and at Hafslund. From 1 August 2010 Gjørtz was Deputy Managing Director at KLP Eiendom AS and on 1 January 2011 he took over as Managing Director of KLP Eiendom AS.

HÅVARD GULBRANDSEN
Managing Director KLP Kapitalforvaltning AS
Håvard Gulbrandsen has previously worked at Storebrand Kapitalforvaltning and DnB Investor AS and in 2009 came from the position as Head of Asset Strategies Equities/Head of Core Corporate Governance at Norges Bank Investment Management.

HANS MARTIN HOVDEN
Managing Director KLP Skadeforsikring AS
Hans Martin Hovden has been active in the non-life company since 1992, as head of the operation since 1997. He has previously worked at Uni Forsikring and Storebrand.

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AAGE ELMENHORST SCHAANNING
Group Chief Financial Officer
Aage Schaanning has previously worked in funding, asset/liability management and asset management at BN Bank and Kredittkassen. He started with KLP in 2001 as Investment Director of KLP Kapitalforvaltning. Schaanning headed KLP Kapitalforvaltning from 2006-2008.

KLP GROUP SENIOR MANAGEMENT

PHOTO OLAV STORM

RUNE MÆLAND
Executive Vice President IT
Rune Mæland has worked at KLP since 1981, first in system development, subsequently as Head of Systems and has led IT at KLP since 1993. Mæland has been Executive Vice President IT at KLP since July 2008.

SVERRE THORNES
Group Chief Executive Officer of KLP
Sverre Thornes has broad experience in insurance and asset management. Thornes came directly from the position as a KLP Group Director with responsibility for Life Insurance. Thornes joined KLP in 1995 and worked in asset management, which he headed during the period 2001-2006. At present Sverre Thornes is also the acting Executive Vice President for Life Insurance

METTE-JORUNN MEISLAND
Executive Vice President Marketing
Mette-Jorunn Meisland came to KLP from Sparebank1, where she worked on brand-building right from the start-up of Sparebank1 Alliansen and up to 2006. She has previous experience from customer service and travel. Meisland was appointed Marketing Director of KLP for the Group on 1 October 2006.

OLE JACOB FRICH
Executive Vice President Communications
Ole Jacob Frich joined KLP in 2000. Prior to this he worked at Geelmuyden.Kiese and at Finance Norway (FNO). He has background including as Kommunalråd (a full-time municipal politician with executive powers) in Oslo municipality (1986-1992) and as State Secretary within the then Ministry of Health and Social Affairs (1992-1996).

LEIF MAGNE ANDERSEN
Managing Director KLP Banken AS
Leif Magne Andersen has worked in the Postbanken and DnB NOR system since 1997 where one of his positions was as Regional Director for retail market investment. Before that he worked as head of department at Intentia and he also has a background with the Norwegian Defence Forces. Since 1 December 2011 Andersen has been Managing Director at KLP Banken.

HERLOF NILSSEN
was re-elected as a member of the KLP Board in May 2010. Nilssen is Managing Director of Helse Vest RHF (the Western Norway Regional Health Authority). He was previously Chief Administrative Officer at Sveio Municipality and Randaberg Municipality, as well as Managing Director at Haga Nor.

JAN HELGE GULBRANDSEN
was nominated a member of the KLP Board in March 2010. He is a member of the Executive Committee of Fagforbundet (the Norwegian Union of Municipal and General Employees - NUMGE) and represents the employee organisation with the most members in KLP.

FINN JEBSEN
Deputy Chair
Finn Jebsen was re-elected Deputy Chair of KLP's Board in May 2009. He has broad industrial experience from the Orkla Group where he worked during the period 1980-2005.

FREDDY LARSEN
was elected as a KLP employees' representative to the Board in May 2009. He has been employed at KLP since 1986 and works as a specialist consultant in IT-Life at KLP's Bergen office.

KLP's BOARD OF DIRECTORS

FOTO: OLAV STORM

NOT PRESENT WHEN PHOTOGRAPH TAKEN:

GUNN MARIT HELGESEN
was re-elected a member of the KLP Board in May 2010. She is County Mayor of Telemark and until this year was Chair of KLP's Supervisory Board.

EGIL JOHANSEN
is a deputy member in attendance. He was elected in May 2011. Johansen is County Chief Administrative Officer of Vestfold and was previously Chief Administrative Officer of Re Municipality and Porsgrunn Municipality.

INGJERD HOVDENAKK
is an observer of the Board. She is Head of Secretariat in UNIO (the Confederation of Unions for Professionals, Norway's second-largest confederation of professional employee unions).

SIV HOLLAND
was elected as a KLP employees' representative to the Board in May 2010. She has been employed at KLP since 1998 and works as head of department for PS Fag in Oslo. She graduated in law from the University of Oslo.

ARNE ØREN
Chair
Arne Øren was re-elected Chair of the Board of Directors of KLP in May 2010. His background is as County Mayor of Østfold from 1991 to 2007 and he was Mayor of Rolvsøy Municipality from 1982 to 1991.

GUNN OLANDER
is an observer of the Board. She is Head of DELTA, the employee organisation for public service sector employees.

MARIT TORGERSEN
was elected a member of the Board in May 2011. She has previously worked a total of nine years in various positions at Norges Bank and is now Executive Vice President Group Functions at Eidsiva Energi.

For the days to come Photographed by Ingrid Eriksen

Annual report of the Board of Directors for 2011

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) strengthened its market position in the local government pensions market during 2011. Of the eight municipal and county administration pension schemes put out to tender during 2011, KLP won seven. The total tender sums amounted to NOK 3.1 billion. Of this, KLP had its bids accepted on NOK 3.0 billion, of which NOK 1.4 billion represented new customers from 2012.

During a year characterised by great uncertainty in the global economy KLP achieved a value-adjusted return on its pension customers' assets of 3.2 per cent and a book return of 4.5 per cent. This allows for both securing solvency and retroceding the surplus to the pension customers. Supplementary reserves are being strengthened by NOK 2.1 billion and the customers' premium fund is being credited with the surplus of NOK 1.5 billion.

Kommunal Landspensjonskasse gjensidig forsikringsselskap (Kommunal Landspensjonskasse mutual insurance company) is the parent company in the KLP Group. KLP is the largest life insurance company in Norway and was established by and for the public sector to service this market's need for occupational pension schemes. The registered office is in Oslo.

Seen as a whole, the KLP Group is the leading provider of occupational pensions, group life and non-life insurance to the local government sector and health enterprises, the second-largest lender in the local government sector and the leading Norwegian provider of index-tracking funds products.

KLP's vision is to be *the best partner for the days to come*. This means that the overall provision of products, services and service levels is developed through good dialogue with customers and owners to ensure it is grounded in their needs.

Over recent years KLP has developed a broad spectrum of financial services and products in the retail market, particularly directed at pensioners and employees of the local administrations and enterprises with KLP pension insurance.

At KLP, taking on social responsibility is a part of the day-to-day operation, with firm ambition both for its own business and the companies in which it invests.

The Group's income

The income for the year in the Group amounted to NOK 726.1 million from the following business areas:

NOK millions	2011	2010
Life insurance	753,5	439,7
Non-life insurance	25,2	69,4
Asset management	26,3	19,2
Banking	-80,8	32,7
Other business	1,9	2,1
Group income	726,1	563,1

Over the year the owners' equity in the Group has increased by NOK 1316 million to NOK 12,064 million. In addition to the income for the year there were net receipts of NOK 590 million in owners' equity contributions during 2011.

The Group's combined total assets increased by NOK 20.0 billion to NOK 291.8 billion at the end of 2011. The increase is mainly the result of the growth in the pension customers' funds following new accumulation and KLP Kommunekreditt's issuance of new covered bonds with security in publicly guaranteed lending.

The business areas

Life insurance

PUBLIC SECTOR OCCUPATIONAL PENSION

Pension schemes within the public sector are offered and managed by the Group's parent company Kommunal Landspensjonskasse . Of the Group's total assets of NOK 291.8 billion, NOK 243.4 billion represents pension funds belonging to this customer group.

The public sector occupational pension is KLP's main product. The Company aims to be the preferred provider of this product. Continual efforts are therefore made in all parts of the organisation in order to improve continuously the delivery of products and services, whether it is a matter of management of the customers' funds, cost effective operation or improved customer service.

In 2011 KLP achieved the best transfer result since competition in the local government market was intensified in the mid-1990s. Seven municipalities and one county administration put their pension schemes out to tender. KLP won seven of these and lost none. Measured in premium reserve this means that, from a volume of NOK 3.1 billion, KLP had its bid accepted for somewhat more than NOK 3.0 billion, of which about NOK 1.4 billion represents transfers in of assets. Formally the transfer occurs at the end of the year and the assets are recognised in KLP's statement of financial position from 1 January 2012. The year's transfer result shows that long-term investment in good service and efficient operation, purposeful marketing and good financial results over time have been valued in the market.

A number of larger organisations assessed their pension provider during 2011 without there being major movements. Two large customers chose to move to KLP, whilst all existing customers of any size chose KLP again in 2012.

In 2010 KLP received and processed almost 110,000 settlement cases for pensions and a continually rising growth in the number of pension cases is expected in the years to come. It is of the utmost importance that case processing is on schedule in order to meet the high service targets KLP has set itself and that the market demands. During 2011 all new retirement pensions were processed within the time-limit.

The majority of our customers have chosen joint management in the common portfolio, which achieved a value-adjusted return of 3.2 per cent in 2011. Including changes in added values of financial assets measured at amortised cost not brought to book, the return was 3.9 per cent. After changes in the securities adjustment fund the book return for 2011 was 4.5 per cent.

The investments in the common portfolio are distributed between the various categories of financial assets as shown in the table below.

NOK billions	Allocation 31.12.2011[1]	Return 2011 per cent	Allocation 31.12.2010
Shares	34,2	-7,3	35,3
Short-term bonds	52,7	7,2	50,9
Liquidity/money market	20,6	2,9	11,0
Bonds held to maturity	79,3	5,2	74,2
Utlån	24,9	3,9	29,6
Eiendom	28,1	7,2	25,5
Sum	239,8		226,6

[1] The figures presented in the table show net exposure, whereas the official figures from the statement of financial position are presented gross. Deviations may therefore arise between the figures in this table and the financial statements.

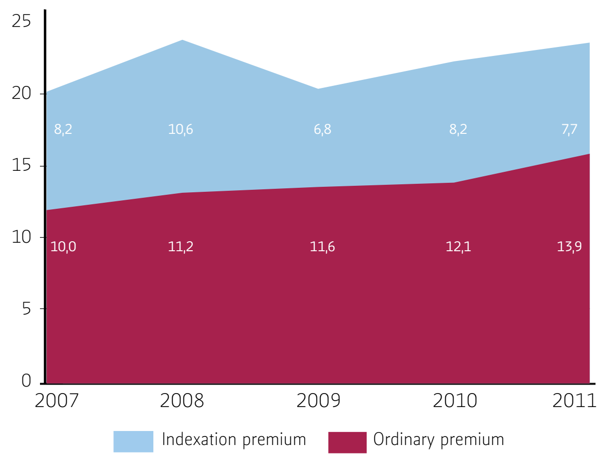
DETAILS CONCERNING THE ACCOUNTING RESULTS

KLP is a customer-owned company. This means that all value creation benefits its customers. This happens both directly, by retrocession of surplus, and indirectly by strengthening the Company's owners' equity and solvency. The accounting results for the year are characterised by:

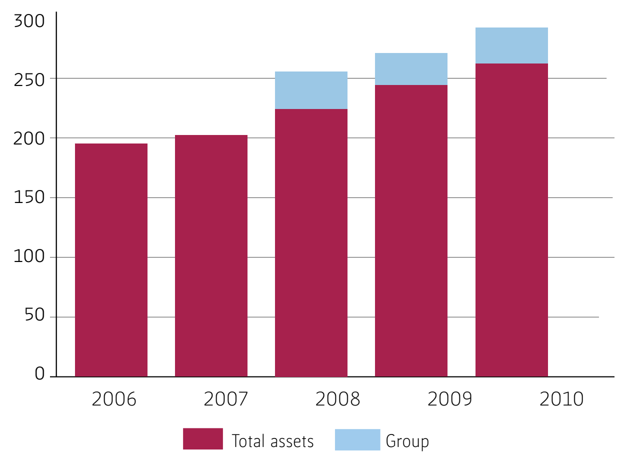
- positive return results despite uneasy financial markets
- insurance risk result as expected
- cost effective operation
- good solvency

The corporate portfolio, primarily comprising KLP's capital, produced a return of 4.2 per cent during 2011.

Premium development NOK billions



Total assets NOK billions



The total recorded net income before allocation between the pension customers and the company was NOK 4299 million in 2011 against NOK 5214 million in 2010.

NOK billion	Result to customers	Result to company	Total 2011	Total 2010
Returns result	3 275	12	3 286	4 284
Risk result	154	151	305	160
Interest guarantee premium		61	61	82
Administration result		212	212	184
Net income from investments in corporate capital	165	269	434	-
Total book result	3 594	705	4 299	4 710
Allocation of income				
To supplementary reserves	2 143		2 143	2 070
To premium fund	1 451		1 451	2 581
To risk equalisation fund		166	166	13
To owners' equity fund		539	539	550
Total allocations 2011	3 594	705	4 299	5 214
Total allocations 2010	4 651	563	5 214	550

RISK RESULT

The risk result expresses how developments have been in the insurance stock relative to the assumptions adopted in the annual setting of premium. The incidence of disability and longevity trends are important parameters affecting the risk result. The incidence of disability has developed in a positive direction again in 2011, but the trend has been as expected otherwise. The risk result in group pension was NOK 308 million. Half of this has been credited to the risk equalization fund, whilst the other half is being retroceded to our customers via the premium fund.

ADMINISTRATION RESULT

The administration result shows a surplus of NOK 61 million against NOK 82 million in 2010. KLP has economies of scale as a result of its high market share in public sector occupational pensions and can thus maintain good service at a very competitive price. Major growth is expected in the number of retirement pensioners in future and the Company has started comprehensive systems development to automate case processing to meet this growth in a cost-effective way.

RETURNS RESULT

In 2011 the finance markets have been characterised by disquiet as a result of financial problems for several countries in the Eurozone and weak development in the USA. KLP, with very solid buffers, has been able to withstand the troubles without having to sell shares. KLP was therefore able to participate in the upswing that came in the equity market towards the end of the year. Financial income from the customer portfolios exceeded the guaranteed interest liability of about 3.1 per cent that is linked to the pension funds. After returning NOK 2.5 billion from the securities adjustment fund, book return was 4.5 per cent and the returns result was NOK 3.3 billion.

ALLOCATION OF INCOME

The income for 2011 allows for a NOK 1.5 billion retrocession of profits to our customers and a strengthening of the owners' equity by NOK 705 million. In addition the good solvency is being maintained by increasing the supplementary reserves by NOK 2.1 billion. The securities adjustment fund, which represents the first line buffer in turbulent financial markets, has been reduced by NOK 2.5 billion. With this the supplementary reserves and the securities adjustment fund represent 2.5 years' guaranteed interest on the customer funds.

Solid buffers provide the basis for achieving good returns in the future as well and reduce the need for contributions from our customers. Good solvency also increases the Company's ability to design its investment strategy with a long-term perspective and secures stability and predictability.

KLP's Board of Directors considers that the income statement and the statement of financial position for 2011 with notes, statement of cash flows and statement of changes in owners' equity, provide comprehensive information on the operation through the year and the financial position at year-end. The financial statements have been prepared in accordance with the going concern assumption and the Company's activities are considered to be well adapted to the risk situation. The financial statements for KLP, the parent company, are presented in accordance with the Norwegian Annual Accounts Regulations for Insurance. The Group financial statements are presented in accordance with the EU-approved international accounting standards (IFRS/IAS).

PRIVATE OCCUPATIONAL PENSIONS

KLP Bedriftspensjon AS offers private occupational pensions in accordance with the Norwegian Tax Act.

In private occupational pensions a total of 274 new agreements were included with a 1538 insured members altogether in 2011. The majority of the new agreements were for defined contribution pensions. The largest retail customers to have transferred to KLP Bedriftspensjon AS are nevertheless customers with defined benefit pensions.

Premium income increased by NOK 40 million and KLP Bedriftspensjon received reserves in the order of NOK 195 million. The insurance funds increased by NOK 285 million, divided between NOK 213 million on defined benefit pensions and NOK 72 million on defined contribution pensions.

INCOME

KLP Bedriftspensjon achieved a good returns result. The value-adjusted return on the common portfolio was 3.7 per cent and the book return was 6.3 per cent. For customers on defined contribution pension the return was 0.3 per cent in the KLP50 (50 per cent proportion of share holding) defined contribution pension profile. The result for the customers totalled NOK 15.8 million in 2011. Of this, NOK 4.1 million has been allocated to supplementary reserves and there is a NOK 9.5 million provision booked to meet greater obligations resulting from expected increased longevity. This allows for retrocession of NOK 2.2 million to the customers' premium fund. The company result was negative by NOK 23.8 million. The investment in private occupational pensions is relatively newly started. It takes time to establish a business volume that is adequate to achieve cover for costs required for the operation of an insurance stock.

HEALTH, ENVIRONMENT AND SAFETY (HES) AND INCLUSIVE WORKING LIFE (IWL) ACTIVITIES

Over the last 15 years KLP has assisted employers in conducting health, environment and safety activities as a strand in the Company's exercising of corporate social responsibility and good customer relations. KLP offers its customers advice, courses and financial support for selected projects. During 2011 KLP gave financial support to 50 customer-run HES projects. In the course of the year KLP has completed 325 HES customer-facing activities. Through working together, KLP wants to contribute to good working conditions amongst our customers where the benefit can be reduced sickness absence, disability and early retirement.

A joint effort in this area ensures a safe and profitable pension community. Many of the projects in which KLP has participated can point to very good results, and in 2011 a customer satisfaction survey was carried out with a result of 5.3 on a scale where 6 is «very satisfied». More information about projects supported and results may be found at www. klp.no/hms-torget (Norwegian language only, but for an overview in English see -<HSE for our customers - why and what>).

Non-life insurance

KLP Skadeforsikring AS offers all property and personal injury related insurance products. Customer friendly solutions and competitive terms and conditions mean the company has maintained a stable and good position as one of the leading providers of non-life insurance to municipalities, county administrations and associated enterprises. The initiative aimed at employees with KLP's owners is into its fourth year of operation and is showing good growth. At the end of 2011 KLP Skadeforsikring had a customer relationship with 261 municipalities, 14 county administrations and about 2630 enterprises, in addition to 12,200 retail customers.

The company's principal customer group is municipalities, county administrations and the regional health enterprises, and with particular focus on the Group's owners. Following a period of net departures, in 2011 the company found itself chosen as the preferred provider to a much greater extent and net new sales for the year comprised NOK 48 million. The company's quality accreditation (ISO 9001) complements its customers perception of quality in their contact with the company and its employees.

Experience from the investment in the retail insurance market is good, and after a little over three years of operation the company has gained a customer base of 12,200 customers with a total premium volume of NOK 122 million. In the course of the year the company's products have been included in the consumer authorities' online price comparisons (www.finansportalen.no) and the portal shows that the company's prices and its terms and conditions are attractive to the Group's members. Net new policies in the course of 2011 represented NOK 43 million, in line with the targets the company had set for the year.

In contrast to 2010, during 2011 the company did not receive reports of any major school fires. The 2011 insurance year has nevertheless not been satisfactory as a result of a number of medium-sized claims in the property industry as well as generally high claims figures in parts of the car insurance segment. On the other hand during 2011 the company also reduced the reserves related to previous insurance years, with a positive impact on the result of about NOK 47 million. The total claims ratio for own account, including previous years' impact on profits, was 91.6 per cent.

Claim prevention measures are part of the company's social responsibility. The initiative involving visits to schools for guidance and information concerning fire safety and fire prevention activities was continued during 2011, although on a somewhat smaller scale than in 2010. Much awareness about this is to be found in the local administrations and it shows that using simple measures the fire risk can be reduced.

INCOME

Net premium income was NOK 599 million, an increase of NOK 60 million compared to 2010. Financial income for the year was NOK 139 million, a fall from NOK 217 million in 2010. This year's moderate financial result is principally due to weak results from the company's equity portfolios. Income for the year was NOK 25.2 million.

Banking

Kommunal Landspensjonskasse started lending operations in 1962. Over a long period of time the majority of the customers' pension funds were lent to municipal and county administrations. Traditionally, local government employees have also received offers for housing mortgages. The background for establishing a separate bank from 2009 was the desire to expand the provision of advantageously priced services to the employees of the owners, as a benefit of the employment contract.

At the end of 2011 the Group's total lending operation covers a total of NOK 53.1 billion. Of this, NOK 28.4 billion was financed by KLP Banken and the remainder by Kommunal Landspensjonskasse. The loans were divided between NOK 9.5 billion in housing mortgages to private individuals, and NOK 43.6 billion in public sector loans.

LENDING TO THE RETAIL MARKET

KLP Banken's lending for housing mortgages has increased by NOK 3.2 billion, but housing mortgages financed by Kommunal Landspensjonskasse have been reduced by NOK 2.5 billion. This development is a result of the new housing mortgages now being financed by deposits from banking. Seen as a whole, the volume of lending for housing has had a satisfactory increase and the portfolio has good collateral and minimal losses.

OTHER BANKING PRODUCTS AND SERVICES TO THE RETAIL MARKET

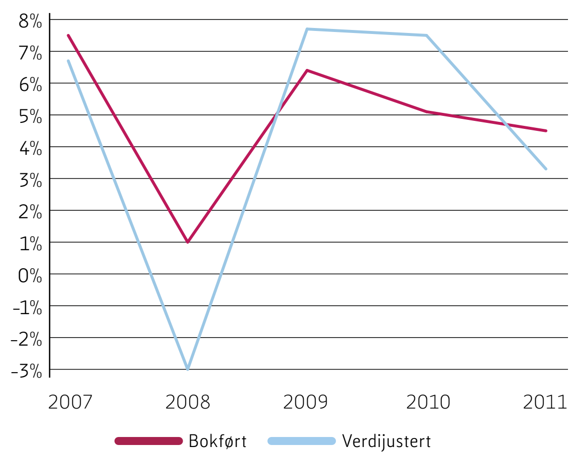
KLP Banken was launched publicly in February 2010 as an internet-based bank without a physical branch network. The online bank is a retail bank with good and simple saving and lending provision. KLP Banken offers current accounts, savings accounts, online banking, debit cards, ordinary housing mortgages, framework loans (lines of credit secured in home equity), bridging loans for house purchase, loans for leisure homes and the seniors' loan, LittExtra. A credit card service will be launched during the first quarter 2012.

LENDING TO THE PUBLIC SECTOR

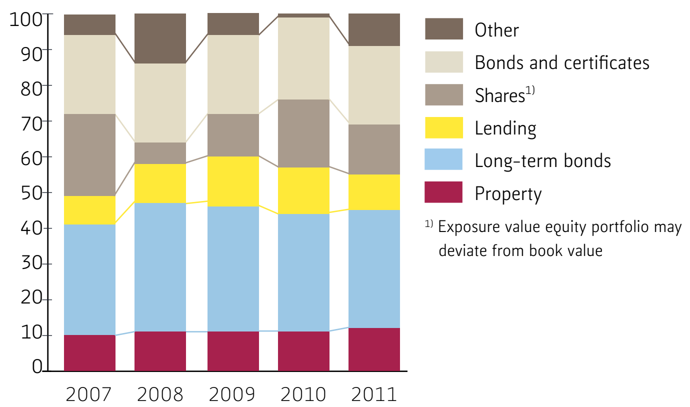
Lending to the public sector shows a reduced balance by NOK 3.5 billion, from NOK 46.9 to NOK 43.6 billion. Here as well the reduction has come in that part of the lending volume that is financed by Kommunal Landspensjonskasse, whereas the bank's balance of public sector lending is about the same as at the end of 2010. The reduction is nevertheless smaller than in 2010 and the KLP Group remains an important provider of long-term loans to the local government sector in Norway.

Lending operations to the public sector are run under the brand name "KLP Kommunekreditt". The company KLP Kommunekreditt AS issues covered bonds in a security pool comprising loans to the public sector. The rating agencies' assessment of

Book and value-adjusted return. Common portfolio



Development in asset allocation in the KLP common portfolio
Assets Percentage of financial assets



KLP Kommunekreditt AS and the KLP Group is of importance to the terms on which the credit enterprise borrows. Fitch Ratings and Moody's have been engaged to provide a credit rating of the company's bonds. In 2011 covered bonds were issued for NOK 10 billion. All were rated AAA, which is the best possible rating. The financial unrest and the difficult market conditions in 2011 again denied the company the opportunity to use international borrowing to achieve better borrowing terms. Domestic borrowing carried out has also brought higher costs than anticipated. KLP Kommunekreditt has therefore appeared less competitive than hoped in lending with short-term fixed interest. However it has been possible to offer good terms on loans with long-term fixed interest. In total NOK 3.6 billion of new public sector lending was paid out during 2011, the vast majority with long-term fixed interest. Again in 2011 there were no losses on lending to the public sector.

INCOME

In 2011 the banking business achieved pre-tax income for the year of NOK -62.3 million, against NOK 35.5 million in 2010. The result after tax was NOK -35.2 million against NOK 18.9 million last year.

The weak result was impacted by large one-off costs. Measures are being taken to make the organisation more efficient and better to utilise the resources and the potential integral to the business.

Asset management

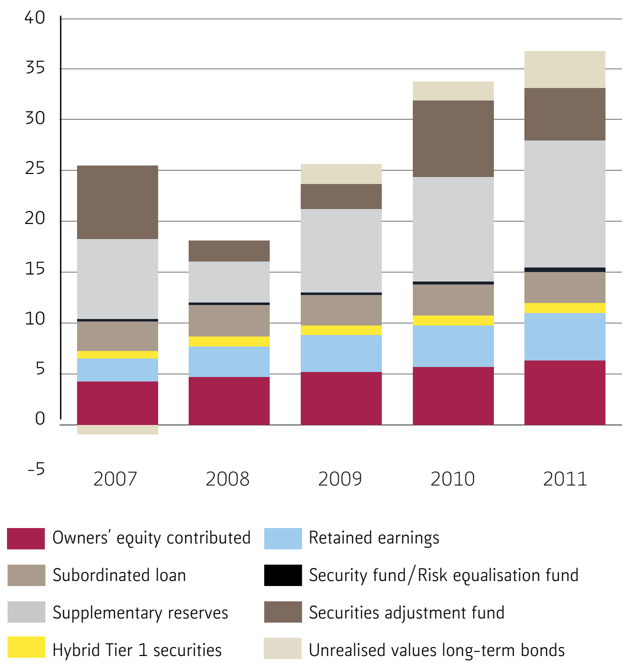
SECURITIES

KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS comprise the Group's securities and management operation. At the end of 2011, a total of NOK 205 billion was under management. This is an increase of NOK 9 billion over 2010. Most of the assets are managed on behalf of Kommunal Landspensjonskasse and its subsidiaries in the KLP Group.

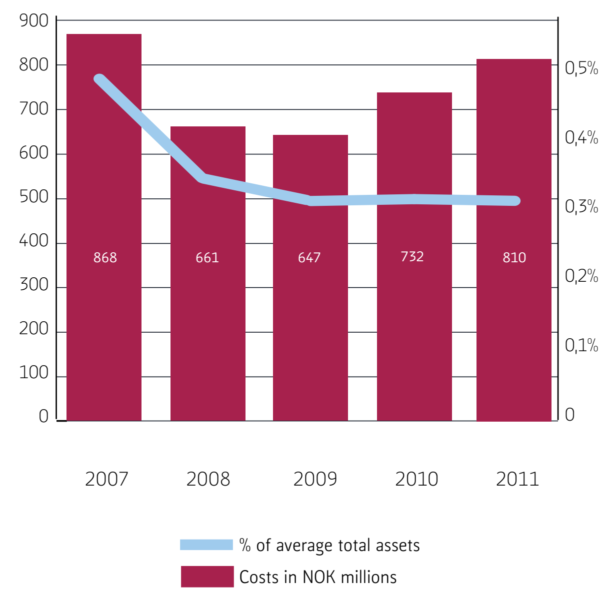
Management on behalf of customers outside the KLP Group was almost unchanged during 2011. At the end of the year the company was managing NOK 14 billion on behalf of external investors. Because of the unsettled market conditions there was major activity amongst our funds customers in regard to subscription/redemption and exchanges of funds. In the course of the year there was positive net new subscription in equity funds investing in Norway and in the global credit fund. Net new subscription in global equity funds has been negative.

KLP Kapitalforvaltning's aim is to maximise long-term and sustainable value creation by KLP's and KLP Fondsforvaltning's securities investments. KLP Kapitalforvaltning exercises ownership over stock market listed companies on behalf of KLP, including through voting at general meetings. During 2011 votes were cast at 130 general meetings in Norway and 1624 in foreign markets. This represents around 86 per cent of the general meetings in which KLP has been entitled to vote in the course of the year. How we have voted and the grounds for this are published on the website. In addition there is dialogue with the relevant companies on subjects such as the environment, social conditions and corporate governance. Companies that breach the KLP Group's ethical guidelines are excluded from the investment portfolios. In total 64 companies had been excluded at the end of 2011. One company was re-included in the portfolios in the course of the year.

Solvency capital NOK billions



Administration costs NOK millions



MUTUAL FUNDS

In total KLP Fondsforvaltning offers 29 different securities funds to institutional customers and retail customers. The funds offered are within the following categories: Norwegian fixed income funds, global credit funds, active equity funds, index (tracker) funds (Norwegian and global) and combination funds. Total managed assets in the funds amount to NOK 50 billion, representing growth of NOK 3 billion during 2011. For retail customers the funds are available via distributors and as part of pension arrangements. During the year six new securities funds were started up. Of these there were two new combination funds of which one is solely for members of KLP's pension schemes. In addition three new index funds have been started up investing in what are known as emerging markets. A Norwegian registered specialist fund was also started up as a continuation of a previous Irish hedge fund, since the rules now allow such business to be carried out in Norway. All the newly started securities funds have the same guidelines for exercising ownership and ethics as the other funds. There are about 300 institutional customers and about 13,000 retail customers (including via distributors) in the funds.

INCOME

The asset management business achieved net income of NOK 26 million in 2011. This is satisfactory seen in the light of a troubled year in the securities markets.

Property management

All management and development of KLP's properties is carried out through the wholly owned subsidiary KLP Eiendom AS, which is one of Norway's largest property operators. The company has business in Norway, Sweden and Denmark. The KLP Group's properties have good locations, a high standard of building and efficient space utilisation. The property company attaches weight to energy-saving and the environment, and is environmentally accredited in accordance with ISO 14001.

During 2011 KLP acquired property for about NOK 1.9 billion net. The nascent improvement in the property market from 2010, following two difficult years, continued into 2011 with good price development of investment properties. This provided the basis for appreciating the property stock by NOK 0.5 billion. Total value of the property stock is NOK 29.8 billion. KLP Eiendom has solid tenants and long leases for its properties. Across all the properties the economic occupancy rate is 95 per cent.

Development of new projects is essential and the aim is to use future-oriented solutions for energy efficiency and the environment in all new buildings. Several large property development projects are planned for the next three year period. KLP's objective is to increase its property exposure, and substantial investments are anticipated in completed property as well in the years to come.

Outside the Nordic region KLP has property exposure through property funds. At the end of the year the value of investments in such funds was NOK 706 million.

INCOME

Property management is carried out only on behalf of the companies within the Group and has thus primarily contributed to returns on invested capital for the life insurance customers. In total, the return on property was 7.2 per cent in 2011.

Consultancy and services

The wholly owned subsidiary KLP Forsikringsservice provides insurance-related services to the municipal and county administration pension funds. These services are based on the expertise and the systems developed for KLP's pension business. At the end of the year the company had a customer relationship with 80 per cent of the pension funds in this sector. The pre-tax income from this business was NOK 1.9 million in 2011.

Financial strength and capital-related matters

KLP's capital situation is satisfactory in relation to the business, the size and the risk profile. KLP has very satisfactory liquidity, with substantial holdings of liquid securities that can be realised at short notice. In addition, cash flows from operational activities showed net receipts of NOK 16.4 billion. Net cash flows from operational activities comprise premium receipts to cover obligations falling due several years forward in time.

KLP's financial strength is assessed at A+ by Fitch Ratings, A2 by Moody's Investor Service and A- by Standard & Poor's, all with stable prospects. During a year marked by uncertainty and financial disquiet that has led to extensive downgrades of nations, public sector controlled companies and financial institutions, it is satisfactory to note that confidence in KLP has not weakened.

KLP's perpetual subordinated notes (tier 1 capital) and subordinated loans are all perpetual and satisfy the transition arrangements to Solvency II, as far as these have been clarified. The first interest resetting, which also gives KLP the opportunity to redeem the loans, takes place in 2016. The Company is therefore not exposed to refinancing risk.

SOLVENCY DEVELOPMENT

The Board of Directors is prioritising building up solvency in the Company. At the start of 2012 the world economy remains marked by uncertainty. KLP has maintained a solid buffer and solvency situation. The fact that a considerable proportion of the returns result for 2011 is being provisioned for strengthening the supplementary reserves underlines the Board's emphasis on the significance financial strength and solid buffer capital have when it comes to sustaining the Company's objectives for predictability and good long-term returns.

New solvency requirements, Solvency II, will cover the overall risk picture for insurance business through both investment risk and insurance liabilities being measured dynamically. KLP's work in preparation for implementation is entering its final phase in 2012. The new requirements emerging through this method will be stricter than today's capital adequacy regime. However, provisional estimates show that KLP fulfils the new requirements in a satisfactory manner.

KLP's solvency capital increased from NOK 33.3 billion to NOK 36.2 billion during 2011, and is established at a level that provides the necessary freedom of action to exercise competitive and sound asset management.

SOLVENCY CAPITAL

Figures in NOK billions	2011	2010
Tier 1 and 2 capital tied to capital adequacy requirement	10,4	9,1
Tier 1 and 2 capital in excess of capital adequacy requirement	4,5	4,5
Risk equalization fund	0,4	0,3
Supplementary reserves	12,3	10,2
Securities adjustment fund	5,0	7,4
Unrealised value financial assets at amortised cost	3,6	1,8
Total solvency capital	36,2	33,3

Total solvency capital amounts to 16.0 per cent of guaranteed interest customer funds at the end of 2011 against 15.9 per cent at the previous year's end.

At year-end the capital adequacy ratio was 11.5 per cent. Core capital adequacy was 9.1 per cent. The solvency margin adequacy was 243.5 per cent at the end of 2011.

RISK

Monitoring and management of risk is a prerequisite for good value creation and security for pension assets. Identification, assessment and management of the risk factors, related both to insurance and to financial management, are therefore very important aspects of KLP's business. The risk picture is assessed both by company and combined at Group level and is monitored within the individual operational units.

INSURANCE RISK

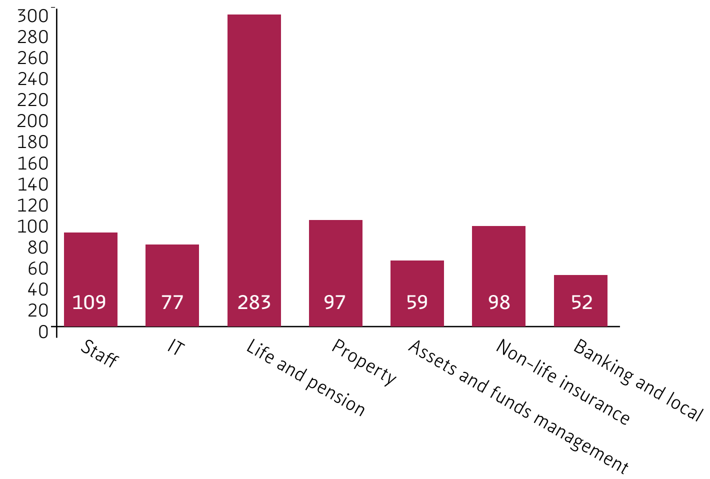
KLP's principal activity is life and pension insurance. The industry is characterised by predictability and to a limited degree by single events that may affect results significantly. For KLP, developments in the incidence of disability and in longevity may affect the risk picture. Expected increasing longevity brings longer retirement and creates requirements for increased premium reserves. In 2007 all Norwegian life companies introduced new assumptions on longevity in line with the expected increase in longevity up to 2020 and have increased premium reserves correspondingly. With an increasing number of occupationally active individuals in the higher age groups there is an increasing flow of new disability pensioners. This is catered for through the premium reserves provided in the accounts.

The pension reform has resulted in changed regulations for retirement pension from 2011, whereas changes to the disability pension and possible changes to survivor pension will not be implemented until a later date. New National Insurance disability benefit was approved by the Storting (the Norwegian Parliament) in December 2011 and comes into force with effect from 1 January 2015. From the same date new disability benefits in public sector occupational pensions must come into effect. The Ministry of Labour is now working on a study of new disability benefits in public sector occupational pensions and in that connection has a process that involves public sector employers and employee organisations. There is also to be an assessment of the future shape of the benefits to surviving spouses and children both in National Insurance and in public sector occupational pensions.

RETURNS RISK

Financial risk is a key aspect associated with life insurance and the ability of this class of insurance to meet annual return guarantees for the customers, in other words the risk in the

Number of employees in KLP Group: 775



financial markets. A strategy is therefore being worked out for how the pension assets should be invested. KLP's investment strategy emphasises achieving competitive returns in which stability and the long-term are prioritised. In addition the investment sums are to be managed in accordance with KLP's internal guidelines for socially responsible investments and ownership principles. The investment strategy sets the framework for various financial risks such as credit risk, counterparty exposure, foreign exchange risk, use of derivatives and liquidity risk. A credit policy is also laid down for the Group and credit lines for total exposure to the various counterparties are set by the Group's credit committee.

The aim of this continuous risk management is to ensure that risk capacity is exploited in line with the strategy and to continuously match the financial risk to the Company's solvency.

Responsibility for risk management and asset allocation belongs to a special organisational unit. It manages KLP's management strategy through mandates and ensures that asset management is within limits set by the Board of Directors. An independent control unit is responsible for monitoring and reporting whether the management of the Company's assets is being conducted within the limits set, applicable authority and guidelines provided by the Board of Directors.

OPERATIONAL RISK

The Group's operational risks are associated with undesirable events as a result of failure in internal working processes, employee error, dishonest acts and criminality or external events. All processes throughout the value chain are exposed to various types of operational risk. Society and climate in change can involve both threats and opportunities and have significance for risk associated with external events.

KLP has developed procedures for identifying, monitoring and taking necessary measures to reduce the risk of undesirable events. It is a daily management responsibility at all levels to identify and follow up the deviations that occur. The Group Management Team carries out an annual examination of significant risks in the business and these are delegated with ownership to an operational manager on the Group Management Team. The Board of Directors reviews risk assessments with documentation on established management and control measures annually, together with a total risk overview. Procedures have been established for independent control and reporting at different levels. Tasks and functions are distributed so that conflicts of interest are avoided and responsibilities made clear.

To ensure good quality in the financial accounting reporting, a detailed plan is developed for each presentation of financial statements showing clear division of responsibility and work. Valuations carried out of the company's and Group's assets and liabilities are recorded in writing. Detailed checks are carried out with reconciliation of ledger accounts, as well as more high level checks. All the checks are recorded and signed.

INTERNAL AUDIT

The Company's independent Internal Audit undertakes assessment of insurance, financial and operational risks. Following consultation with the Board and management, assessments and testing are carried out of significant areas and areas exposed to risk in regard to satisfactory management and control. The result with any recommendations on necessary measures is presented to the management and the Board and is followed up.

Responsibility

KLP places very heavy emphasis on the responsibility the business has for society and the environment and as the manager of substantial funds on behalf of employees in the public sector. The Group's efforts in this area are not shown in the traditional presentation of financial statements and so the annual report includes a non-financial supplementary account that together with the Board of Directors' report provides important information about the Group's management of its human capital and how it behaves in regard to society and the environment.

Corporate social responsibility is integrated into KLP's overall strategy and included in the Group's balanced scorecard reporting. KLP has signed the UN Global Compact, which commits us to working for human rights, workers' rights, the environment and against corruption. Social responsibility is also included in steering documents through guidelines for ethics and the environment. In 2011 KLP's Board of Directors was presented with this report and has also reviewed KLP's ethical guidelines and the implementation of these. Steering documents, such as action plans, implementation measures and results are presented on www.klp.no/samfunnsansvar (in Norwegian, but see also www.klp.no/english/corporate-responsibility in English)

EMPLOYEES

Purposeful resource management and organisation of development and learning are important tools on which the business focuses to secure business-oriented development of the organisation. Cooperation between the elected employee representatives and the management is organised in several local and one central cooperation committee on which the safety service is also represented. The Group has committed employee representatives who take responsibility for their members through open, clear and constructive dialogue with the management of the Company.

Regular measures are implemented to gauge the working environment and to obtain feedback on compliance with the core values, Open, Clear, Committed and Responsible. The results of these measurements confirm that the working environment is perceived as good.

The number of permanent employees with the KLP Group was 775 at the end of 2011. This is 18 more than in 2010. Thirty-four people left during 2011. This means a turnover of 4.4 per cent.

All staff carry out at least two performance interviews annually with their managers in which personal development plans are prepared.

Sickness absence at KLP during 2011 was 4.6 per cent. There has been no reduction in sickness absence from 2010, but there is continuous effort to improve the monitoring of those reported sick and to reduce sickness absence. The target for 2012 is 4.0 per cent.

EQUAL OPPORTUNITIES AND DIVERSITY

KLP has laid down a policy for equality and diversity based on equality and fairness. This means not only focus on gender equality, but also inclusion of people with reduced functional capability and other groups that have problems fitting into working life.

During 2011 KLP continued systematic work on equal opportunities and diversity in order to create a structure with equal opportunities for all carried forward.

It is important that the best qualified applicants, regardless of background, are invited to interviews in connection with recruitment. KLP has incorporated this consideration in its guidelines for recruitment. As an IWL company, KLP has also taken on special responsibility for providing an inclusive working environment.

New employees go through an introductory programme where they are familiarised with KLP's basic values, ethical guidelines and policy for equal opportunities and diversity.

Following good experiences KLP has continued its participation in Finance Norway's (FNO's) programme for women in finance, and internal development measures have been initiated directed particularly at women. Salary differences between women and men are monitored through internal systems and tools to avoid unjustified differences.

The target of at least 40 per cent of each gender amongst the Group's managers at all management levels has been achieved at Levels 3 and 4. At Level 2 the proportion of women has increased to 23.8 per cent (17.8 per cent) and at Level 1 (Group Management Team) to 27 per cent.

The target of KLP's Group Board of Directors and the boards of directors of KLP's directly owned subsidiaries is to fulfil the requirement of having at least 40 per cent of each gender amongst those elected by the owners. On the Group Board there is a 40 per cent proportion of women amongst the five elected by owners. The two elected by employees represent both genders. In addition one member is nominated by the employee organisation or negotiating alliance with the most members in KLP pension schemes. At present the nominee is a man.

MANAGEMENT DEVELOPMENT

KLP has strong focus on management development. During 2011, 60 per cent of KLP managers carried out a management development programme and several internal practically oriented management courses are being offered in 2012.

In several areas the Group's objectives for an inclusive personnel policy and development of a good management culture have been achieved, but in recognition that this is a continuing job KLP is carrying on its systematic work to enable it to be an attractive workplace for all.

INVESTMENTS

Through its membership of the UN Global Compact, KLP is also committed to complying with the UN's principles for responsible investment in finance management.

KLP shows active ownership through participation and voting at general meetings in Norway and internationally. Companies that do not meet KLP's requirements for responsibility are excluded from KLP's investments. KLP is one of the few investors complying with the principle on openness associated with exclusion and voting and it reports on this as part of its non-financial accounts and in its entirety at www.klp.no/samfunnsansvar.

KLP is a Norwegian partner in the Carbon Disclosure Project (CDP). This is a project in which many of the world's largest institutional investors have come together to influence companies to report on their climate emissions and climate strategy. The number of Norwegian stock market listed companies that reported to CDP increased in 2010.

High environmental ambitions characterise properties developed under the Company's aegis, at the same time as the aim is to increase environmental efficiency throughout the property stock. The aim is that all new buildings should meet strict environmental requirements. Responsibility for the external environment and climate has become a natural part of KLP Eiendom's business and day-to-day operations.

EXTERNAL ENVIRONMENT

KLP is primarily an office business, with associated environment-related challenges, working to reduce the environmental footprint of the business. This is demonstrated for example through the Miljøfyrtårn («Eco-Lighthouse») accreditation of the KLP Group. In the course of the year KLP's environmental policy was revised at the same time as a new mandate for the Environment Committee was established. The Environment Committee is to work to reduce KLP's environmental impact through applying the «cautionary principle», through developing different environmental measures and through promoting KLP's own employees' commitment to the environment. For 2011 the business achieved its high level goal associated with the external environment on reducing CO_2 emissions by 5 per cent.

Regulatory framework

KLP takes a proactive approach to the regulatory framework set by the authorities for financial and insurance business and to the agreements in the area of pensions entered into by the parties to the collective wage agreements. Throughout 2011 KLP has continued a close dialogue with the authorities and stakeholders influencing the Company's financial and regulatory framework.

COMPETITION CONDITIONS

There is strong competition between providers of public sector occupational pensions. Each year there are customers considering whether to go out to tender with their pension scheme to achieve the best terms and conditions. This was also the case in 2011. A number of local administrations undertook a thorough internal assessment of their pension provider compared to competing providers to assess whether to gazette a formal tender competition. The majority concluded that they were satisfied with the present provider, but eight authorities chose to invite tenders. The Ministry of Finance's clarification of the rules for setting premiums ensured that this year's tenders competition was more orderly. KLP is in favour of an open and fair competition where tenders are lodged in accordance with applicable regulations and the customer receives a good insight into the complete picture.

THE PENSION REFORM

The pension reform introduced changed regulations for retirement pension in public sector occupational pensions from 2011, but the rules provided cover only those born by the end of 1953 with regard to harmonisation. Proposed harmonisation rules for those born in 1954 and later are expected to be published for consultation late in 2012. Proposed new regulations for disability benefits in public sector occupational pensions are planned to be published for consultation before the summer holidays 2012, after the Ministry of Labour has conducted a process with employer and the employee organisations in connection with the report on this. The new disability benefits are expected to come into force in January 2015, at the same time as the new National Insurance disability pension approved by the Storting in December 2011. The remaining changes in public sector occupational pension must also be rooted in law and collective wage agreement before they can come into force.

SOLVENCY II

The new solvency regulations for insurance, Solvency II, are to be implemented in Norwegian law by 1 January 2013, but with various transitional arrangements, which means, for instance, that the solvency requirements will most probably be made applicable from 1 January 2014. The new capital requirement that is calculated based on insurance risk and market risk in addition to counterparty risk and operational risk will be common for the whole EU/EEA area and will therefore be implemented in countries with great variation in insurance legislation and traditional product ranges. This harmonisation is demanding and provides certain challenges in regard to translation and how individual national terms and rules are to be interpreted and taken into account in the new regulations.

The Financial Supervisory Authority of Norway is working on putting in place appropriate and well-designed Solvency II regulations in Norway. The timeframes are tight and it is important for the industry to have the final regulations with national interpretations in place as early as possible in order to be able to finalise the comprehensive internal work in the individual companies.

KLP has initiated preparations for Solvency II, both in the form of changes in solvency calculations, but also with adjustments to increased requirements for management and control of risk. KLP's owners' equity model with stable calling up of equity capital, together with other buffer capital, provides an important contribution to the financial strength of the Company. This means that KLP considers itself well positioned to meet the new solvency rules.

ASSET MANAGEMENT

In a consultation note on the implementation of Solvency II in Norwegian law the Financial Supervisory Authority of Norway has inter alia proposed basing the companies' asset management on «the prudent man principle» in which risk management, spreading and monitoring are the most important elements. This will involve abolition of quantitative limitations such as for example the 15 per cent ownership limit in companies carrying on non-insurance business. KLP supports the proposal and looks forward to more principled regulations.

The Asset Management Regulations were amended on 1 July 2011, which means that it is again permissible to invest in real property through corporate forms other than limited companies and through multiple levels of limited companies.

TAX

The Ministry of Finance has sent a proposal out for consultation on limiting the use of the exemption method for shares etc. for life companies. If the proposal goes through the exemption method will cease for shares in the customer portfolios with effect from 1 January 2012, but carry-forward deficit accrued by the beginning of 2012 will be able to be carried forward. Even though this is a tightening up of the tax rules, the proposal will have little real financial consequence for KLP since carry-forward deficit is retained and full deduction continues to be given for provision to insurance funds.

Other matters

GROUP MANAGEMENT CHANGES

Leif Magne Andersen has taken up his position as the new managing director of KLP Banken.

Mette-Jorunn Meisland became Executive Vice President Marketing and a member of the Senior Group Management team.

Ida Espolin Johnson left the post of Executive Vice President Life Insurance in January 2012.

CHANGES IN KLP'S BOARD OF DIRECTORS

Marit Torgersen, Executive Vice President Group Functions at Eidsiva Energi AS, was elected as a new Board member in 2011. Egil Johansen, County Administrative Officer of Vestfold County administration, was elected a deputy member in attendance in 2011.

CORPORATE GOVERNANCE

KLP's Articles of Association and applicable legislation provide guidance in favour of corporate governance and a clear division of roles between the governing bodies and the day-to-day management.

The KLP Board undertakes an annual review of corporate governance at KLP, including in relation to the Norwegian Code of Practice for Corporate Governance, as applicable to KLP's mutual corporate form. KLP's Articles of Association at www.klp.no provide more comprehensive information
Within the mutual insurance company Kommunal Landspensjonskasse, the Company's members undertake to pay owners' equity contributions to the extent necessary to provide KLP with adequate solvency. Such owners' equity contribution may only be repaid in connection with movement of a customer's business from KLP, and approval in advance by the Financial Supervisory Authority of Norway is a prerequisite. The Company has no owners' equity instruments.

The way forward

Public sector occupational pension is the core business at KLP. Retaining today's position in the market is the principal aim for the business. This is an ambitious aim taking into account that KLP is the market leading operator with a market share exceeding 60 per cent.

The most important prerequisite for attaining this goal is satisfied customers. Emphasis is therefore placed on developing customer service through arranging good online self-service solutions and better system support in enquiry handling. KLP finds there is a continual growth in customer enquiries and it is expected that this development will continue. Given its size, KLP has the opportunity to meet this development in a cost-effective way through exploiting economies of scale.

Good returns are also an important prerequisite for achieving the Group's principal aim. This is demanding since having to act in the face of disquiet and uncertainty in the world economy has come to be the norm. The importance of a good financial backbone and good risk management is underlined through this development.
To ensure financial freedom of action KLP has the objective over time to strengthen the most important financial buffers, the securities adjustment fund and supplementary reserves, to a level that covers three years' guaranteed interest on the insurance funds.

The customer-owned company, KLP, is approaching the future's challenges by keeping its customers' wishes and needs central.

This approach has been behind KLP in recent years widening its business breadth, including through developing advantageous services and offerings for its owners' employees. The marketing aim for the investment in retail market products is a market share of 15 per cent among the active members by 2016, and of them, 45 per cent should be customers for two or more products. This is an ambitious target given that KLP is a new player in this market where there is great competition. KLP must invest further in marketing measures to increase familiarity with its products for this target group.

National and international initiatives have been started to create improved regulation in insurance, principally with a view to providing greater security to policyholders and other stakeholders. It is KLP's objective to be at the leading edge in regard to the changes that are coming, and at the same time to maintain an active dialogue with the industry and the authorities concerning the final formulation of the new regulations.

Having to act in the face of disquiet and uncertainty in the world economy has gradually become the norm and finance management is being equipped to meet the challenges this provides.

In summary KLP's objective is further to develop its business in a way that continues to create good values for customers, owners and employees.

Oslo, 22 March 2012
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Arne Øren Chair	Finn Jebsen Deputy Chair	Gunn Marit Helgesen	Jan Helge Gulbrandsen
Herlof Nilssen	Marit Torgersen	Freddy Larsen Elected by and from the employees	Siv Holland Elected by and from the employees

Sverre Thornes,
Group Chief Executive Officer

For the days to come Photographed by Harald Lindanger

Contents
Group Accounts

Income statement Group accounts

Notes	NOK million	2011	2010
21	Premium income for own account	22 574	20 959
5	Current return on financial assets	9 343	7 542
5	Net interest income banking	142	87
5	Net value changes on financial instruments	-2 842	5 920
16	Net income from investment properties	1 879	2 907
32	Other income	748	781
	TOTAL NET INCOME	31 845	38 196
21	Claims for own account	-10 615	-10 613
21	Change in technical reserves	-17 291	-15 402
	Net costs subord. loan & hybrid Tier 1 securities	-406	-301
31	Operating expenses	-1 115	-957
32	Other expenses	-660	-670
	TOTAL EXPENSES	-30 087	-27 943
	OPERATING PROFIT/LOSS	1 757	10 252
21	To/from securities adjustment fund – life insurance	2 505	-5 077
21	To supplementary reserves – life insurance	-2 156	-2 074
21	Assets alloc. to insurance customers - life insurance	-1 453	-2 586
	PRE-TAX INCOME	653	515
20	Cost of taxes	-24	-21
35	INCOME	629	494
22,35	Revaluation real property for use in own operation	92	43
35	Currency translation foreign subsidiaries	6	26
	TOTAL OTHER COMPREHENSIVE INCOME	97	69
	TOTAL COMPREHENSIVE INCOME	726	563

Statement of Financial position Group accounts

Notes	NOK million	31.12.2011	31.12.2010
	ASSETS		
24	Intangible assets	344	366
22	Tangible fixed assets	1 041	959
15	Investments in associated companies	3	3
16	Investment property	28 726	26 105
6,13	Debt instruments held to maturity	41 438	42 291
6,13	Debt instruments classified as loans and receivables	46 936	39 897
6,7,13,14	Lending local government, enterprises & retail customers at fair value through profit/loss	2 519	3 974
6,13,14	Lending local authorities, enterprises and retail customers	51 024	52 041
6,7,13	Debt instruments at fair value through profit or loss	77 050	64 305
6	Equity capital instruments at fair value through profit or loss	36 168	35 933
6,7,13	Financial derivatives	915	1 386
	Receivables	1 603	1 460
8	Assets in defined contribution-based life insurance	198	126
	Cash and bank deposits	3 820	2 924
	TOTAL ASSETS	291 784	271 769
	EQUITY		
	Owners' equity contributed	6 217	5 628
35	Retained earnings	5 847	5 121
	TOTAL OWNERS' EQUITY	12 064	10 749
	LIABILITIES		
6,10,17,18,19	Hybrid Tier 1 securities	1 145	973
6,10,17,19	Subordinated loan capital	3 143	3 100
27	Pension obligations	518	476
21	Technical provisions - life insurance	244 086	227 966
21	Provisions in life insurance with investment option	198	126
21	Premiums, claims and contingency fund provisions - non-life insurance	2 567	2 632
6,10,19	Covered bonds issued	22 152	9 250
6,10,19	Debt to credit institutions	1 398	13 287
6,10,19	Liabilities to and deposits from customers	1 840	1 026
6	Financial derivatives	1 031	520
20	Deferred taxes	45	21
33	Other short-term liabilities	1 596	1 642
	TOTAL LIABILITIES	279 720	261 020
	TOTAL OWNERS' EQUITY AND LIABILITIES	291 784	271 769
	OFF-BALANCE SHEET ITEMS		
34	Conditional liabilities	4 753	3 678

Oslo, 22 March 2012

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

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Finn Jebsen, Deputy Chair
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Siv Holland, Elected by and from the employees

Sverre Thornes, Group Chief Executive Officer

Schedule of changes in owners' equity Group accounts

2011 NOK million	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2011	5 628	5 121	10 749
Income	0	629	629
Comprehensive income statement			
Revaluation of properties for own use	0	92	92
Currency translation foreign subsidiaries	0	6	6
Total other comprehensive income	0	97	97
Total comprehensive income	0	726	726
Transactions with owners			
Owners' equity contribution received	597	0	597
Owners' equity contribution repaid	-8	0	-8
Total transactions with the owners	590	0	590
Owners' equity 31 December 2011	6 217	5 847	12 064

2010 NOK million	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2010	5 107	4 614	9 721
Income	0	494	494
Comprehensive income statement			
Revaluation of properties for own use	0	43	43
Currency translation foreign subsidiaries	0	26	26
Total other comprehensive income	0	69	69
Total comprehensive income	0	563	563
Transactions with owners			
Owners' equity contribution received	556	0	556
Owners' equity contribution repaid	-35	0	-35
Total transactions with the owners	521	0	521
Other changes			
Reclassifying of funds in non-life insurance	0	-79	-79
Change in principle, revaluation fund	0	23	23
Total other changes	0	-57	-57
Owners' equity 31 December 2010	5 628	5 121	10 749

Statement of cash flows Group accounts

NOK million	2011	2010
Cash flow from operational activities		
Direct insurance premiums received	19 081	18 259
Reinsurance premiums paid	-47	-52
Direct insurance claims and benefits paid	-9 805	-8 784
Reinsurance settlement for claims and insurance benefits, received	50	31
Payments received on transfer	305	153
Payments made on transfer	-321	-1 385
Payments to other suppliers for products and services	-873	-1 211
Payments to staff, pension schemes, employer's social security contribution etc.	-615	-523
Interest paid	-1 068	-151
Interest received	7 608	7 237
Dividend received	2 433	954
Tax and public charges paid	-101	-166
Net receipts/payments from property activities	880	3 164
Net receipts/payments of loans to customers etc.	3 615	6 053
Receipts on the sale of shares	10 048	3 790
Payments on the purchase of shares	-14 481	-13 874
Receipts on the sale of bonds	7 694	7 917
Payments on the purchase of bonds	-22 755	-11 721
Receipts on the sale of certificates	5 879	7 212
Payments on the purchase of certificates	-8 950	-4 799
Net payments for investments in assets in insurance with investment option	-70	-105
Receipts on the sale of property	35	229
Payments on the purchase of property	-1 548	-1 340
Net cash flow from purchase/sale of other short-term securities	438	1 650
Net cash flow from operating activities	-2 570	12 538
Cash flows from investment activities		
Receipts on the sale of tangible fixed assets etc.	0	7
Payments on the purchase of tangible fixed assets etc.	-96	-1 073
Net cash flows from investment activities	-96	-1 066
Cash flows from financing activities		
Receipts on take-up of long-term liabilities	15 901	9 250
Payments on repayment of long-term liabilities	-12 929	-20 440
Receipts of owners' equity contributions	597	556
Payments on repayment of owners' equity contributions	-8	-35
Net cash flow from financing activities	3 562	-10 669
Net changes in cash and bank deposits	896	810
Holdings of cash and bank deposits at start of period	2 924	2 113
Holdings of cash and bank deposits at end of period	3 820	2 924

Notes Group

Note 1 General information

Kommunal Landspensjonskasse (the Company) and its subsidiaries (together the Group) provides pension, finance, banking and insurance services to municipalities and county administrations, health enterprises and to enterprises both in the public and private sector.

The biggest product area is group pensions insurance. Within pension insurance the Group offers local government occupational pensions, defined benefit pensions and defined contribution pensions. In addition the Group offers group life and non-life insurance, banking services, funds and asset management.

Kommunal Landspensjonskasse (KLP) is a mutual insurance company registered and domiciled in Norway. The Company has its head office in Dronning Eufemias gate 10, Oslo.

The Company has subordinated loans listed on the London Stock Exchange.

Note 2 Summary of significant accounting policies

Below follows a description of the most important accounting principles used in the Group accounts. These principles have been used consistently for all periods presented.

2.1. BASIC PRINCIPLES

The Group accounts for KLP have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU with certain supplements resulting from the Norwegian Accounting Act and the Regulations on annual accounts for insurance companies.

The Group financial statements have been prepared based on the principle of historic cost, with the following exceptions:

- Investment property is valued at fair value
- Properties the Group itself uses have been revalued at fair value
- Financial assets and liabilities (including financial derivatives) are valued at fair value through profit or loss

In preparing the annual financial statements management must make accounting estimates and discretionary evaluations. This will affect the value of the Group's assets and liabilities, income and expenses presented in the accounts. Actual figures may deviate from estimates used. Areas in which discretionary valuations and estimates of material significance for the Group have been utilised are described in Note 3.

2.1.1 Changes in accounting principles and information

(a) New and changed standards adopted by the Group

There are no new or changed IFRSs or IFRIC interpretations that have come into force for the 2011 annual financial statements that are considered to have or expected to have a significant effect on the Group.

(b) Standards, changes and interpretations of existing standards that have not come into effect and where the Group has not chosen advanced application.

The Group has not elected early application of any new or changed IFRSs or IFRIC interpretations.

- IAS 19 «Employee Benefits» was changed in June 2011. The change means that all estimate deviations are presented in extended income as they arise (no corridor), immediate recognition in profit/loss of all costs of previous periods' pensions accumulation as well as interest costs and expected returns on pension assets being replaced by a net interest sum calculated using discounting interest on net pension obligations (assets). The latest implementation date for the standard is 1 January 2013. KLP plans to implement it from that date.

- IFRS 9 «Financial Instruments» governs classification, measurement and accounting for financial assets and financial liabilities. IFRS 9 was published in November 2009 and October 2010, and replaces those parts of IAS 39 that cover accounting for, classification and measurement of financial instruments. In accordance with IFRS 9, all financial assets are divided into two categories based on method of measurement: those that are measured at fair value and those that are measured at amortized cost. The classification assessment is made on first recognition in the accounts. Classification will depend on the company's business model for handling its financial instruments and the characteristics of the contractual cash flows from the instrument. For financial liabilities the requirements are principally the same as for IAS 39. The main change, in those cases in which fair value has been selected for financial liabilities, is that that part of the change in fair value resulting from change in the company's own credit risk is recognised in extended income instead of in the income statement, provided this does not involve an accrual error in income measurement. The Group will apply IFRS 9 when the standard comes into force and is approved by the EU. The standard comes into force for accounting period starting on 1 January 2015 or later.

- IFRS 10 «Consolidated Financial Statements» is based on current principles on using the control term as the deciding criterion in deciding whether a company is to be included in the group financial statements of the parent company. The standard provides expanded guidance in determining whether control is present in those cases where this is difficult. The Group has not considered all possible consequences resulting from IFRS 10. The Group plans to apply the standard for accounting periods starting on 1 January 2013 and later.

- IFRS 12 «Disclosures of Interest in Other Entities» contains the information requirements for financial interests in subsidiaries, jointly controlled enterprises, associated companies, companies for special purposes, «SPE», and other companies not included in the statement of financial position. The Group has not considered all possible consequences of IFRS 12. The Group plans to apply the standard for accounting periods starting on 1 January 2013 and later.

- IFRS 13 «Fair Value Measurement» defines what is meant by fair value when the term is used in IFRS, provides a comprehensive description of how fair value is to be determined in IFRS and defines what supplementary information is to be provided when fair value is used. The standard does not expand the scope of accounting at fair value, but provides guidance on the application method where the use is already required or permitted in other IFRSs. The Group uses fair value as the measurement criterion for certain assets and liabilities. The Group has not considered all possible consequences of IFRS 13. The Group plans to apply IFRS 13 for accounting periods starting on 1 January 2013 and later.

Otherwise there are no other IFRSs or IFRIC interpretations that have not come into force but are expected to have a significant impact on the financial statements.

2.1.2 Changes in accounts in comparison with previous periods

Certain reclassifications have been carried out in the accounts compared to previous periods and comparison figures have been converted correspondingly. This means that certain lines and notes are not directly comparable with the annual accounts for 2010. The statement shows what changes have been made:

The following changes have been made in the Group income - the statement's 2010 figures compared to the previous year's reported Group income.

Group income line	Changed figure
Claims for own account/net costs subordinated loan and bonds	23/-23
Change in technical provisions non-life insurance (reduced claim result)	8
Operating profit/loss/Pre-tax income/ Comprehensive income	8

The following changes have been made in the Group statement of financial position - the statement's 2010 figures compared to last year's reported Group financial position:

Group financial position line	Changed figure
Retained earnings/premium, claims and contingency reserves in non-life insurance (ULEA)	-89/89

All sums are presented in NOK millions without decimals unless otherwise stated.

The accounts have been prepared in accordance with the going concern assumption.

2.2 CONSOLIDATION PRINCIPLES

2.2.1 Subsidiaries

All entities in which the Group has deciding influence/control are considered subsidiaries. Deciding influence is normally achieved through ownership of more than half of the voting capital. Subsidiaries are consolidated from the date on which the Group takes over control and they are omitted from consolidation when that control ceases. Securities funds in which the Group has the majority of investments are omitted from the consolidation. This applies regardless of the securities fund's legal form and whether the fund's asset management is carried out by the Group.

Purchase of subsidiaries is taken to account in accordance with the acquisition method. Acquisition cost is set at the same as fair value of assets provided by way of consideration for the purchase, equity instruments issued and liabilities assumed on transfer of control. The identifiable assets and liabilities of the acquired company are valued at fair value. If cost of acquisition exceeds fair value of identifiable net assets in the subsidiary, the excess is capitalized as goodwill. If the cost of acquisition is lower, the difference is taken to profit/loss on the date of acquisition.

Internal Group transactions and accounts between Group companies are eliminated. Where Group companies present accounts in accordance with principles other than those of the Group, these are converted to correspond to the Group's accounting principles before they are consolidated. The Group's accounts are presented in NOK and those of subsidiaries in foreign currency are converted to NOK at the exchange rate on the date of the balance sheet. On consolidation of income statement items in foreign currency, average foreign exchange rates are used.

2.2.2 Associated companies

Associated companies are entities in which the Group has substantial influence without having control. Normally substantial influence is reached through a holding of 20-50 per cent of voting capital. In addition to owning at least 20 per cent of the voting capital the Group has substantial influence through board representation or in some other way in all companies defined as associated with the Company.

On the date of acquisition investments in associated companies are taken to account at cost of acquisition. The equity capital method is used for accounting in subsequent periods. This means that the Group's share of profit or loss in associated companies is taken to profit/loss and is added to the balance sheet value together with owners' equity changes not taken to profit/loss. The Group does not take a share of the loss to profit/loss if this involves the balance sheet value of the investment becoming negative unless the Group has assumed liabilities on behalf of the associated company.

Where necessary accounting principles in associated companies are changed to achieve harmonisation with the Group's accounting principles.

2.3 BUSINESS SEGMENTS

The Group's business segments have been defined in relation to business areas where risk and returns are differentiated from each other. The Group's business segments are grouped into public sector occupational pension and group life, enterprise occupational pension, non-life insurance, banking, asset management and other business. The segments are described in detail in Note 4.

2.4 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

2.4.1 Functional currency and presentational currency

The Group accounts are presented in NOK, which is the functional currency of the parent company.

2.4.2 Transactions and statement of financial position items

Transactions in foreign currency have been translated to NOK by using the conversion rate on the date of the transaction. Currency gains and losses on transactions in foreign currency are taken to expenses. This also applies to translation of money items (assets and liabilities) on the date of the statement of financial position.

Translation differences on non-money items are included as part of the gain and loss on valuation at fair value. Translation differences associated with non-money items, such as shares at fair value through profit and loss, are included as an element of value change taken to profit/loss.

2.4.3 Group companies

Entities that are consolidated and that have functional currency other than the presentation currency are treated as follows:

- the financial position is translated at the exchange-rate at the end of the reporting period
- the statement of income is translated at average exchange-rate (if the average does not in general have either a reasonable estimate on use of the transaction rate, the transaction rate is used)
- translation differences are taken to expanded income.

2.5 TANGIBLE FIXED ASSETS

In the main, the Group's tangible fixed assets comprise office machinery, inventory, vehicles and real estate used by the Group in its business.

Real estate used by the Group is revalued at fair value based on periodic valuations carried out by the Group, with deductions for depreciation. Valuation review is carried out regularly. The principles for valuation of properties are the same for investment property and are described in detail in connection with the principles for accounting treatment of investment property. Other tangible fixed assets are booked at cost of acquisition including costs that can be attributed directly to the fixed asset, with deduction for depreciation.

Subsequent costs relating to fixed assets are capitalized as part of the fixed asset if it is likely that the expenditure will contribute to future financial benefit for the Group and the cost can be measured reliably. Repair and maintenance are recognised against income during the period in which the expenses are incurred.

Increase in capitalized value as a result of valuation of property used in-house is taken through other comprehensive income to owners' equity as a change in the revaluation fund. A reduction of the property's fair value is first booked through other comprehensive income against the property's share of the revaluation fund. Any further reduction is taken to income through ordinary income.

Depreciation is by straight-line so the acquisition cost of fixed assets or their reassessed value is depreciated to residual value over expected life, which is:

Buildings:	50 years
Office machinery:	3 – 5 years
Vehicles:	5 years
Inventory:	3 – 5 years

For some fixed assets, where the drop in value is expected to be highest at the start, reducing balance depreciation is used.

Buildings are divided into components if substantial parts have significantly different usable lives. Each component is depreciated in accordance with that component's life.

The utilisable life of tangible fixed assets is assessed annually. Where there are indications of value reduction in excess of residual value, the recoverable sum is calculated. If the recoverable sum is lower than the residual value, write-down is carried out to the recoverable sum.

Gains and losses on disposals comprise the price of sale less the book value at the time of sale. Gains and losses on disposals are taken to income. On the sale of revalued fixed assets, any sum in the revaluation reserve linked to the fixed asset is transferred to retained earnings. In setting fair value, the returns requirement is corrected for 2011 as a result of technical model changes (removed obsolescence in final value).

2.6 INVESTMENT PROPERTY

Real estate not used by the Group is classified as investment property. If a property is partially used by the Group and partially leased to external tenants, the part that is leased to external tenants is classified as investment property if it can be sectioned out.

Investment property comprises buildings and sites, and is valued at fair value at the end of the reporting period. The Group uses a valuation model to estimate market value.

The valuation method is based on discounting of the property's expected net cash flow by the market's return requirements.

In the first instance, the market rent at currently applicable terms is used in calculating net cash flow whereas for periods after the expiry of contracts an estimated market rent is used. In addition an income deduction is taken into account for expected vacancy, expected maintenance/improvement costs and normal operating costs.

The expected cash flow is discounted by a return requirement that is determined on the basis of the risk-free interest rate (10-year Norwegian Government Bond interest rate) adjusted by a supplement for estimate on a 20-year risk-free interest rate. The estimate on the 20-year interest rate corresponds to the slope of the swap curve between 10 and 20 years. The risk-free interest is then accorded a general property risk to find the return requirement for prime properties. Finally a risk premium is added that is determined on the basis of the willingness of the investors in the property market to accept risk taking account of matters specific to the property such as for example geography, property type, contracts, tenants and technical state of the property.

Quarterly a set selection of the Group property stock, the pilot portfolio, is valued by external, independent and qualified valuers. In the event of significant deviation from our own valuation of fair value the differences are analysed and the valuation model's parameters are adjusted if this proves necessary.

Changes in fair value are taken to profit/loss. Changes in fair value are taken to profit/loss in the line «Net income from investment properties».

If an investment property is occupied by the Group, the property is reclassified as a tangible fixed asset. Fair value on the date of reclassification provides the cost price for the reclassified property.

If a property the Group has used is leased externally, the property is reclassified as investment property. Any difference between book value and fair value on the date of reclassification is taken to owners' equity as a revaluation.

Properties classified as «installations under construction» are presented at cost price if fair value cannot be measured reliably. The property is measured at cost up until its fair value can either be measured in a reliable way or until the property is completed. In setting fair value, the returns requirement in 2011 is corrected as a result of technical model changes (removed obsolescence in final value).

Account is taken of deferred tax on value adjustments for investment property.

In the event of sale of properties that are recognised at revalued value, the revaluation reserve is transferred from owners' capital not taken to profit/loss to retained earnings.

2.7 INTANGIBLE ASSETS

The Group's intangible assets comprise capitalized IT systems. Directly attributable costs capitalized on the purchase of a new IT system comprise those paid to the system supplier, as well as external consultancy support and internally accrued costs of having the system installed and readied for use.

On further development of IT systems both external and internal costs are capitalized in accordance with the above. System changes regarded as maintenance are taken to expenses as they occur.

When an IT system is operational the capitalized costs are depreciated by straight line over the expected life (3 – 10 years). In the event of subsequent capitalisation because of further development this is depreciated over the originally set life unless the expenditure increases the total expected life of the system.

If there are indications that the book value of a capitalized IT system is higher than the recoverable sum, a test of decline in value is carried out. If the book value is higher than the recoverable sum (present value on continued use/ownership), the asset is depreciated to the recoverable sum.

2.8 2.8 FINANCIAL INSTRUMENTS

2.8.1 Classification

Financial instruments are classified on first recognition in one of the following categories:

Financial assets
a) Financial assets at fair value through profit or loss
b) Lending and receivables taken to book at amortized cost
c) Investments held to maturity recognised at amortized cost
Financial liabilities
a) Financial liabilities opted to be recognised at fair value
d) Other financial instruments recognised at amortized cost

a) Financial assets and liabilities at fair value through profit or loss
Within this category the classification may be obligatory or opted to be recognised at fair value with value changes through profit or loss.
- Financial assets held for trading are assets acquired primarily with a view to providing a profit from short-term price fluctuations. The Group's derivatives are included in this category unless they form part of hedging.
- Financial instruments and liabilities opted to be recognised at fair value with value changes through profit or loss are classified in this category if the financial instruments are either managed as a group, and where their earnings are assessed and reported to management on the basis of fair value or if the classification eliminates or reduces accounting inconsistencies in measurement.

The financial assets include bonds, certificates, shares and loans whilst the financial liabilities cover debts to credit institutions.

b) Lending and receivables taken to book at amortized cost
Lending and receivables are financial assets, with the exception of derivatives, with set or determinable payments, and that are not traded in an active market or that the Group intends to sell in the short term or has earmarked at fair value through income. Lending and receivables taken to book at amortized cost comprise:

- Loans and receivables linked to investment business
- Other loans and receivables including receivables from policyholders

Lending and receivables in the investment business include debt instruments classified as loans and receivables i.e. bonds that are not priced in an active market as well as lending to local authorities, enterprises and retail customers.

c) Financial assets held to maturity
Financial assets held to maturity comprise financial assets that are not derivatives and that have set or determinable payments and a defined date of maturity and that the Group has the intention and the ability to hold to maturity with the exception of:

- Those the business on first recognition earmarks at fair value through income
- Those that meet the definition of loans and receivables.

The category includes bonds taken to book at amortized cost.

d) Other financial instruments recognised at amortized cost
The category covers hybrid Tier 1 securities, subordinated loan capital, covered bonds issued and debt to and deposits from customers.

2.8.2 Recognition and measurement
Purchases and sales of financial instruments are recognised at fair value on the trading date, i.e. when the Group has committed itself to buy or sell that financial instrument. Direct costs of purchase are included in acquisition cost except for purchase costs associated with financial instruments at fair value through profit or loss. For these instruments purchase costs are taken to expenses directly. Financial assets cease to be recognized when the Group is no longer entitled to receive the cash flow from the asset or the Group has transferred all risk and entitlements associated with its ownership. Financial liabilities are excluded when the underlying obligation in the contract has been met, cancelled or expired.

a) Value measurement at fair value
The principles for calculating fair value related to the various instruments are shown in Note 6.

b) Value measurement at amortized cost
Financial instruments not measured at fair value are measured at amortized cost using the effective interest rate method. The internal rate of return is set through discounting contractual cash flows over expected duration. The cash flows include setting up charges and direct transaction costs as well as any residual value on expiry of the expected duration. Amortized cost is the present value of these cash flows discounted by the internal rate of return.

c) Write-down of financial assets valued at amortized cost
In assessing whether there is impairment in value of a financial asset, weight is attached to whether the issuer/debtor has significant financial difficulties and whether there is breach of contract, including default. An assessment is made of whether it is probable the debtor will be bankrupted, whether there is an active market for the asset because of financial difficulties, or whether measurable reduction is being seen in expected cash flow from a group of financial assets. The assessment is based exclusively on historical data: future events are not considered regardless of the degree of probability.

If there is objective proof of a fall in value write-down is carried out. The write-down is calculated by comparing the new, anticipated cash flows with the original cash flows discounted by the original effective interest rate (assets with fixed interest) or by the effective interest rate at the time of measurement (assets with variable interest). The write-down reduces the assets capitalized value and is included in the statement of income under «Current returns from financial assets».

Loss assessment and loss write-down is carried out quarterly on individual loans. Loans with unpaid repayments older than 90 days or credits with overdrafts older than 90 days are examined at the end of the reporting period. In addition continuous assessment is carried out of other lending engagements where there is objective proof of fall in value.

Lending is also assessed by group. If there is objective proof of a fall in value in a group of loans, write-down is carried out.

2.8.3 Presentation in the financial position statement and income statement
a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are recognised in the financial position statement either as «Lending to local authorities, enterprises and retail customers at fair value through profit or loss», «Debt instruments at fair value through profit or loss» or «Equity instruments at fair value through profit or loss». Interest income and share dividend are included in the line «Current returns on financial assets». For the banking business interest income is included in the line «Net interest income banking». Other value changes are included in the line «Net value changes on financial instruments».

b) Lending and receivables at amortized cost
Lending and receivables at amortized cost are presented in the financial position statement either as «Debt instruments classified as loans and receivables», «Lending to local authorities, enterprises and retail customers», «receivables» or «Cash and bank deposits». Interest income is included in the line «Current returns on financial assets». For the banking business interest income is included in the line «Net interest income banking». Value changes that can be linked to objective indications of fall in value as well as foreign exchange changes are included in the line «Net value changes on financial instruments».

c) Financial assets held to maturity
Financial assets held to maturity comprise bonds and are presented in the financial position statement as «Debt instruments held to maturity». Interest income in accordance with the effective interest rate method is included in the line «Current returns on financial assets». Value changes that can be linked to objective indications of fall in value as well as I unrealised foreign exchange changes are included in the line «Net value changes on financial instruments».

d) Liabilities to and deposits from customers
Liabilities to and deposits from customers are presented at fair value on the balance sheet when the deposit has been recorded as transferred to the customer's account. In subsequent periods, liability to and deposits from customers with variable interest rates are accounted for at amortized cost in accordance with the effective interest rate method. The costs of interest are included in the line «Net interest income banking».

e) Subordinated loan
Subordinated loan is taken to account at fair value on subscription. On subsequent measurement subordinated loan is brought to account at amortized cost using the effective interest rate method. The method is used to allocate the interest costs over a relevant period and is posted over income in the line «Net costs subordinated loan and hybrid Tier 1 securities». Subordinated loan in foreign currency is translated to NOK at the end of the reporting period. Value change as a result of the foreign exchange change is posted through income and included in the line «Net cost subordinated loan and hybrid Tier 1 securities».

f) Hybrid Tier 1 securities issued
Hybrid Tier 1 securities are taken to account at nominal on date of issue and valued subsequently at amortized cost. For hybrid Tier 1 securities hedged against currency and interest rate changes (fair value hedging), book value is adjusted on value change in hedged risk. The value change is posted through income in the line «Net costs subordinated loan and hybrid Tier 1 securities».

g) Covered bonds issued
Covered bonds issued are brought to account in the first instance at fair value, i.e. nominal adjusted for any premium/discount on issue. On subsequent valuation the bonds are valued at amortized cost by the effective interest method. The costs of interest are included in the line «Net interest income banking» in the statement of income.

Covered bonds issued with fixed interest are recognised in accordance with the rules on fair value hedging to the extent these are hedged against change in interest rate level.

h) Debt to credit institutions
Debt to credit institutions is capitalized at market value on taking up. On subsequent measurement fair value is used when this eliminates or reduces accounting inconsistencies. The interest costs are included in the line «Net interest income banking» whereas other value changes are included in the line «Net gain from financial instruments» in the income statement.

i) Derivatives and hedging
Financial derivatives are capitalized at fair value at the time they are contracted. On subsequent measurement the derivatives are recognised at fair value and are presented as an asset if the value is positive and a liability if the value is negative. Recognition of associated gains and losses depends on whether the derivative has been identified as an accounting hedge instrument and in which type of accounting hedge the derivative is included.

For derivatives not included in accounting hedging, gains and losses are taken to income as they arise on the line for «Net value changes on financial instruments». These are included in the category financial assets at fair value over income. Interest income and costs are included in the line «Current returns on financial assets».

The Group has in three cases used accounting hedging (hedge accounting). In one case the hedge accounting is used on hedging of hybrid Tier 1 securities issued (the hedging object) against value changes resulting from changes in interest rates and exchange rates (fair value hedging). The hedging instrument is a combined interest rate and currency swap (CIRCUS). The hedging contract is documented and the effectiveness of the hedging is measured continuously. In the second instance it is fair value hedging of fixed interest borrowing that is hedged against interest rate risk. The hedging contract is documented and the effectiveness of the hedging is measured continuously. The third instance is fair value hedging of fixed interest lending. The hedging contract is documented and its effectiveness is measured continuously.

Change in fair value of the hedging instrument is included in the income statement at the line for «Net value change on financial instruments». Value changes on the hedging object that can be attributed to the hedge risk are booked as a correction of the hedging object's capitalized value and included in the income statement at the line for «Net costs subordinated loan and perpetual hybrid Tier 1 securities» and «Net interest income banking». In those instances in which a security has inbuilt derivatives that are not separated out, the value of the derivative will be included in the security's value as a whole. Value change in KLP/the KLP Group will be reported on the income statement line «Value change on investments/Net value changes on financial instruments».

2.9 NETTING
Financial assets and financial liabilities are only netted to the extent there is a legal entitlement to net asset against liability as well as the maturity date of the asset corresponding with the date the debt is due payment.

2.10 CASH AND CASH EQUIVALENTS
Cash holdings and bank deposits associated with daily operations are shown as cash and bank deposits. These are included in the financial position statement at the line for «Cash and bank deposits».

Bank deposits associated with the asset management business are defined as financial assets and included in the financial position statement at the line for «Debt instruments at fair value through profit or loss». Bank deposits related to the asset management business are not defined as cash in the statement of cash flows. The statement of cash flows has been prepared in accordance with the direct method.

2.11 THE GROUP'S OWNERS' EQUITY

The Group owners' equity is divided into two main elements:

2.11.1 Owners' equity contributed

The Group's parent company is a mutual company owned by its customers. This means that employers wishing to be members of KLP's "fellesordninger» (Joint Pensions - schemes for public sector occupational pensions) pay an owners' equity contribution on registration. The owners' equity contribution is set in proportion to the relative size of the customer measured in premium reserves.

The owners' equity contribution may be used to cover losses or deficits in current operation. It may only be repaid in connection with movement of a customer's business from the Company after approval in advance from the Financial Supervisory Authority of Norway. The member's share of the actual combined owners' equity contribution at the termination date calculated in relation to the member's share of the Company's total premium reserves is subject to repayment.

Distribution of returns on owners' equity contributions depends on the Company's results. Normally the members are annually credited with book returns on the owners' equity contribution. Costs associated with external financing through subordinated loans and hybrid Tier 1 securities are deducted in the calculation.

Annual assessment is undertaken of the need to call up owners' equity contributions from the members. The contribution is set in proportion to the premium reserves within a defined level, and it is calculated individually for the individual Joint Pension.

The owners' equity contribution may not be traded.

2.11.2 Retained earnings

The Group's retained earnings comprise the risk equalisation fund, the natural perils fund, the re-evaluation fund and the owners' equity fund. The owners' equity fund arose through a transfer from the contingency fund and the special fund in connection with the annual settlement for 1989.

The administration reserve fund in non-life insurance was previously included in restricted retained earnings, but has now been dissolved and reclassified to the owners' equity fund because insurance legislation now assumes that the claims reserves should contain provision for indirect claim processing costs. The change in the claims reserves is a change in principal that has been taken to book directly between retained earnings and claims provision. The effect is presented in the Group financial statements with effect for 2010.

Ordinary company law rules apply for any distribution or use of retained earnings.

2.12 PRESENTATION OF INCOME IN THE ACCOUNTS

Income on sale of goods is valued at fair value of the consideration, net after deductions for VAT and any discounts. Sales internal to the Group are eliminated.

2.12.1 Premium income

Premium income is taken to income by the amount falling due during the accounting year. Accrual of earned premium is dealt with through provisions against unearned premiums. Reserves transferred in are also taken to profit/loss and included in the premium income. The share of the period's gross premium income accruing to reinsurers in connection with reinsurance is shown as a deduction from gross premium income.

2.12.2 Interest income/expenses

Interest income and interest expenses associated with all interest-bearing financial instruments valued at amortized cost are taken to income using the effective interest rate method. Setting-up fees for lending are included in the amortisation and taken to income over the loan's expected duration.

Interest income for interest-bearing financial investments measured at fair value is classified as «Current returns on financial assets». For the banking business the interest income is included in the line «Net interest income banking», whereas other value changes are classified as «Net value changes on financial instruments».

2.12.3 Rental income and other income

Income from leasing of real estate is taken to income by straight line over the duration of the lease. The income is included in the line «Net income from investment properties». Fees for asset management are taken to income in proportion to the management carried out for the period up to the end of the reporting period. The income is included in the line «Other income». Other services are taken to income by straight line over the contract period.

2.13 TAX

The Group's parent company has a large deficit to be carried forward that can be used to set off any taxable profit in its Norwegian subsidiaries using Group contributions with taxable effect.

In presenting the Group accounts, capitalisation of Norwegian deferred tax is considered at Group level. Deferred taxes are capitalized to the extent it can be shown probable that the companies in the Group will have sufficient taxable profit to exploit the deferred tax. In assessing the probability, emphasis is placed on historic earnings and expected future taxable income.

For foreign subsidiaries tax payable and deferred tax/deferred tax assets are taken to account in accordance with local tax rules. The tax cannot be set off against the parent company's deficit to be carried forward using Group contributions with tax effect. In the Group statement of financial position this tax is recognised at the line for «Deferred tax». In the income statement the tax cost is shown as «Cost of taxes».

Wealth tax is calculated on net taxable wealth. Tax assessment values are used to calculate taxable wealth.

A change of principal has been made for 2011 in as much as account has been taken of temporary differences on value indexed buildings and other properties. Comparable figures for 2010 have been corrected correspondingly.

The cost of taxes is further specified in Note 20.

2.14 INSURANCE CONTRACTS

In accordance with IFRS 4 significant insurance risk must be associated with the contract for it to be able to be defined as an insurance contract. The insurance products the Group offers satisfy the requirement for significant insurance risk and are taken to account in accordance with IFRS 4. In accordance with IFRS 4, the insurance contracts are valued together as an insurance contract even though this contains a financial element.

Adequacy testing has been carried out to check that the level of the liabilities on the insurance contracts recognised in the accounts is proportionate to the insurance customers' contractual entitlements. The Group's reserves satisfy the requirements of this test and IFRS 4 therefore imposes no further requirements for reserves. The Group has therefore used applicable Norwegian regulations to account for insurance contracts.

2.14.1 Sectors

The Group offers products to its customers in the following sectors:
a) Group pension (public sector and private)
b) Group life
c) Non-life insurance

a) Group pensions (public sector) comprise mainly defined benefits local government schemes covering retirement pension, survivor pension, disability pension and premium suspension while unfit to work.

The group pension schemes are based on straight line accumulation. This means that the individual's accumulated benefits always amount to the proportionate part of the benefits to which they would be entitled in the event of continued service up to pensionable age. The proportionate part is the result of the ratio between the period of service the individual has already accumulated and the total period of service the individual would achieve by continued service to pensionable age, although the latter figure may not exceed 40 years in calculating the proportionate part. The schemes are based on the final salary principle. Indexation of current pensions and paid-up polices (deferred entitlements) to the Norwegian National Insurance 'basic amount' ('grunnbeløpet' or 'G') is part of the pension scheme's defined benefits. The benefits of the schemes are coordinated with National Insurance in accordance with prevailing rules and guarantee a defined gross level of pension. The indexation of current pensions and accumulated pension entitlements is financed entirely by a separate indexation premium. Gross guarantees etc. are financed through single payment premiums at the start of and possibly on later changes to the pension.

The net premium reserve in the pension schemes is set as a net single payment premium for the accumulated age, disability and survivors' pensions. In addition administration reserves are set aside for the purposes designated by the Financial Supervisory Authority of Norway and based on the Group's actual costs for these purposes. Additionally provision for insured events that have occurred but not yet been settled, including a waiting period provision for disability risks, is included in the pension schemes' premium reserve.

In addition to the guaranteed future gross benefits scheme described above, benefits-based defined benefit pensions and defined contribution pensions are offered. These are also group schemes. These schemes are therefore called net pension schemes.

Defined contribution pension is a pension savings scheme in which the organisation pays contribution according to an agreed contribution plan to the members' future retirement pension. The defined contribution pension scheme has an associated risk-benefit that as at 31 December 11 comprised contributions relief and disability pension without free standing policy accumulation, both with 12 months' waiting period. For these a waiting period provision (IBNR/RBNS) is made of 12 months' risk premium. For contracts where at the end of the year there was premium due for less than 12 months, IBNR/RBNS provision is made only for the risk premium due. On the same principle provision is made for (up to) 12 months' administration reserve premium as administration reserve, to cover administration of the expected disability benefits the IBNR/RBNS is to cover.

Provisions in life insurance with investment option comprise the customers' deposited savings capital supplemented by returns made.

b) Group life is mainly concentrated on local government group life and teacher group life covering only whole life risk. Other cover exists for a small number of customers. In addition there is debt group life that covers whole life risk and for a large number of existing customers also covers disability risk.

The technical insurance provisions in group life insurance are based on the risk theory methods. The claims reserve includes provisions for the expected payments on insured events that have occurred but are not yet settled regardless of whether or not these have been reported.

c) In non-life insurance the following products are offered to employer customers:

Occupational injury, Safety and Accident

Insurance contracts cover the customers' employees for occupational injury within the scope of the Occupational Injury Act and the Basic Collective Agreement for the Civil Service. In addition insurance contracts are taken out covering the employees for accidents during their own time. Insurance contracts are also taken out covering school pupils during school time.

Fire-Combined
Insurance contracts covering damage to customers' property and any loss incurred by the customer in the event of damage to or loss of the property. The risk for the Company is reduced through taking reinsurance contracts covering compensation in excess of a certain amount per claim.

Motor Vehicle
Insurance contracts covering damage occurring through use of the customers' motor vehicles. The risk for the Company is reduced through taking reinsurance contracts covering compensation in excess of a certain amount per claim.

Third-party liability
Insurance contracts that cover damage incurred by third parties as a result of customers' activities. The cover applies both for property claims and retail claims.

Travel
Travel contracts that cover the customers' employees for injury and loss arising on travel for the employer.

Retail customers are offered the following products: Fire-Combined, Motor Vehicle, Travel and Accident.

The Group is at all times to have technical reserves fully covering the technical liability and other risk emanating from the insurance business. The Group's reserves are in any event at all times to satisfy the minimum requirements for reserves pursuant to the regulations or from decisions and rules laid down pursuant to the «Regulations concerning technical provisions and risk statistics in non-life insurance» of 10 May 1991, No. 301, and "Supplementary regulations concerning technical provisions and risk statistics in non-life insurance" of 18 November 1992, No. 1242.

2.14.2 Provisions in insurance funds
The Group's most important insurance funds are described below:

a) **Premium reserve**
The premium reserve represents the actuarial cash value of pension entitlements accumulated on the date of calculation. The premium reserve also includes administration reserve in accordance with KLP's calculation base, as well as provisions for incurred, not yet settled insurance claims, including waiting period provisions for disability risk.

b) **Supplementary reserves**
Supplementary reserves are presented in the income statement in line «To/from supplementary reserves - life insurance» as required reserves. Supplementary reserves are allocated to the customers conditionally and may be used to cover any shortfall in returns. Any negative return cannot be covered from supplementary reserves.

c) **Premium Fund**
The premium fund contains premiums paid in advance and any surplus assets allocated to the individual customer's premium fund accounts. Premium fund assets may be used to cover future premiums.

d) **Claims reserve**
Claims provision relates to and incorporates provision for unsettled claims for group life insurance and non-life insurance. Change in claims reserves is taken to the income statement as one element in the claims costs.

e) **Securities adjustment fund**
The securities adjustment fund is defined in Norwegian insurance legislation and is associated with the common portfolio in life insurance.

The securities adjustment fund comprises net unrealised gains associated with short-term financial assets. If net securities valuation reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through income.

Unrealised securities valuation reserves associated with short-term financial assets in foreign currency that can be ascribed to foreign exchange rate changes are not allocated to the securities adjustment fund if the investment is hedged against exchange rate changes. Foreign exchange rate changes linked to the hedging instrument are thus not allocated to the securities adjustment fund either but are taken directly to income.

2.14.3 Base interest rate
The Group's defined benefit insurance contracts in the group pension sector contain a returns guarantee (guaranteed interest rate). The returns guarantee must be met annually. For newly agreed contracts entered into on 01.01.2006 or later the guaranteed interest rate is 2.75 per cent.

For other contracts the following applies:
In Fellesordningen for kommuner og bedrifter (the joint pension scheme for municipalities and enterprises), Fellesordningen for fylkeskommuner (the joint pension scheme for county administrations) and Fellesordningen for helseforetak (the joint pension scheme for health enterprises) the guaranteed interest rate is 3.4 per cent for accumulation before 01.01.2004 (although 3.0 per cent for a small number of customers), while for new accumulation after 01.01.2004 it is 3.0 per cent. The base interest rate is 3.0 % in the Pension Scheme for Nurses, the Joint Pension Scheme for Hospital Doctors and the Pension Scheme for Publicly Elected Representatives.

In the defined benefit pension schemes, some schemes have guaranteed interest of 4 per cent for accumulation before 01.01.2004. All defined benefit pension schemes have guaranteed interest of 3 per cent for new accumulation after 01.01.2004. From 01.01.2012 all new accumulation will be at 2.5 per cent.

Gross premium reserve allocated to guaranteed interest rate

2011		2010	
Percentage rate	Proportion	Percentage rate	Proportion
2.75 %	0.0 %	2.75 %	0.0 %
3.00 %	70.4 %	3.00 %	68.6 %
3.40 %	29.5 %	3.40 %	31.3 %
4.00 %	0.1 %	4.00 %	0.1 %

In 2011 the total average interest rate guarantee in the group pensions (public sector) sector amounted to 3.1 per cent and in the group pension (private) sector, 3.5 per cent.

2.15 RESULT ELEMENTS - LIFE INSURANCE
2.15.1 Returns result
To calculate the returns result, separation has been introduced between the customers' accumulated funds and the insurance company's, i.e. the owners' own funds. A division has been carried out in the common and the corporate portfolios respectively. The common portfolio may be further divided into sub-portfolios with different investment profiles. The returns result thus comprises the return on the common portfolio less guaranteed interest. A positive returns result is credited to the customer, whereas a negative returns result must be covered from the customers' supplementary reserves and/or from owners' equity. The company invoices a special premium element (interest guarantee premium) to guarantee the interest guarantee. This premium element is included in the Group's/Company's results.

2.15.2 Risk result
The risk result is an expression of the development of mortality and disability in the insured population during the period as a ratio of that assumed in the Company's premium tariff. A positive risk result is reallocated to the customers but it is permissible to retain up to half of a risk profit in a risk equalization fund as part of owners' equity. The risk equalization fund may only be used to cover later deficits in the risk result and may amount to a maximum of 150 per cent of risk premium for the year.

Any negative risk result must be covered by the risk equalization fund or owners' equity in the Company.

2.15.3 Administration result
The administration result is a result of how the Company's actual expenses deviate from the premium tariff. The administration result is credited entirely to the Company.

2.15.4 Return on the corporate portfolio
KLP transfers parts of the returns on assets in the corporate portfolio to the premium fund. The remainder of the returns are included in the owners' income allocated to owners' equity.

2.15.5 Free-standing policies
For free-standing policies (paid-up policies) there is profit allocation so that at least 80 per cent of the return achieved on the assets managed accrues to the customers and a maximum of 20 per cent accrues to the Company.

2.16 SURPLUS FUNDS SET ASIDE TO CUSTOMERS
Surplus assets credited to the customer contracts are set aside in the customers' premium fund and included as part of the insurance liabilities on the balance sheet date.

2.17 PENSION OBLIGATIONS - OWN EMPLOYEES
The Group's pension obligations are partially insurance-covered through KLP's public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises («Fellesordningen»). Pension liability in excess of the joint pension scheme is covered through operation. Pension costs are treated in accordance with IAS 19.

Net pension liability is the difference between the pension assets' fair value (i.e. transfer value) and the present value of the calculated pension obligations. These calculations have been carried out according to straight line accruals on the basis of assumptions on mortality, disability, voluntary cessation, take-up of early retirement (AFP), future pay developments (in the local authority sector for the joint pension scheme), future growth in the National Insurance basic sum ('G'), assumptions on future returns etc. The financial assumptions have been set in line with the principles in the Norwegian Accounting Standards Board's (NASB) guidance on pension assumptions. Net obligation is classified as provision for liability in the financial position statement. If the value of the pension assets exceeds the current value of calculated pension obligations, net assets are shown as long-term receivables.

The period's net pension costs comprise the sum of the period's pension accumulation, interest costs on the calculated obligations and expected returns on the pension assets.

The joint pension scheme (Fellesordningen) is a multi-enterprise scheme, i.e. the technical insurance risk is spread between all of the local authorities and enterprises participating in the scheme. The financial and actuarial assumptions underlying the calculation of net pension obligations are thus based on assumptions that are representative of the whole group.

Social security costs are calculated on net obligations. Gross pension obligations as the basis for determining the amortisation basis for the corridor do not include social security costs.

Premiums associated with the Groups' employees are eliminated in the Group accounts.

Note 3 Important accounting estimates and valuations

The Group prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

It must be expected that the estimates will deviate from the final outcome and the areas where there is significant risk of substantial change in capitalised values in future periods are discussed below.

3.1 INSURANCE CONTRACTS

In calculating technical provisions in the group pension insurance sector, assumptions on disability risk are based on KLP's disability data for the period 2005 - 2007. For the other risk elements, including longevity risk, the assumptions from calculation basis K2005 are used with contingency margins in accordance with the minimum standard set by the Financial Supervisory Authority of Norway in 2007.

The companies in the Group invoice average premium for the different pension schemes so that the technical net premium is equalised between the customers included in the scheme. Had this not been done the KLP annual net premium for retirement, disability and survivor pension based on a salary of NOK 350,000 would, for the various individual ages and genders, amount to:

Men			
Age	30 years	45 years	60 years
Amount	NOK 12 427	NOK 18 817	NOK 20 222

Women			
Age	30 years	45 years	60 years
Amount	NOK 18 876	NOK 24 381	NOK 21 613

In calculating technical provisions in the group life sector, provisions are made for claims incurred but not finally settled. The provisions are set using statistical models. Models take account of experience based on reported changes in the insurance population.

In calculating technical provisions in the non-life insurance industry individual claim provisions are made for all reported but not settled claims (RBNS). The provisions are continuously adjusted as claims are processed. All open claims should have a special assessment at least once a year. Provision for claims incurred but not yet reported to the Company (IBNR) is made using statistical models. The models take account of the historic reporting pattern in the different risk groups.

In non-life insurance, measurements and adjustments are also made of the total claim provisions (RBNS+IBNR) so the total level of provision is measured against changes in risk elements such as claim frequency, major claim occurrence, population mix and population size. The claims provisions are assessed at the expectation level, i.e. they contain no safety margins. Claim provision is not discounted, i.e. financial income from the provisional assets up to date of pay-out is not taken into account. This represents a safety margin in relation to future claim payments.

Non-life insurance contingency reserves should cover extraordinary fluctuations. The minimum requirement corresponds to a level that will cover fluctuations in claims results with 99 per cent probability.

The minimum requirement for provisions in non-life insurance is calculated with models provided in the Regulations concerning technical provisions and risk statistics in non-life insurance laid down by the Financial Supervisory Authority of Norway. The actual provisions exceed the minimum requirements.

The sensitivity overview is specified in detail in Note 9.

3.2 INVESTMENT PROPERTIES

Buildings and other real estate are valued at fair value as this is defined in IAS 40. Fair value means the amount for which buildings and other real estate can be sold in an arm's-length transaction between well-informed, voluntary parties. The Group's investment properties are not considered to be part of an active market.

As at 31 December 2011, buildings and real estate were valued using the Group's internal value assessment model. The model is based on discounting of estimated 20-year cash flow, and as at 31 December 2010 used a discounting factor in the interval 7.38 – 9.23 per cent for Norwegian properties. For a Swedish property a discounting factor of 6.78 per cent has been used.

The following main components are included in future cash flows:

- Currently applicable terms and conditions, contract expiry and estimated market rent
- Vacant areas with estimated market rent
- Parking income, parking area and number of places
- Estimated annual inflation
- Annual rent adjustment as a percentage of inflation
- General vacancy
- Normal annual operating costs
- Normal annual communal costs per square metre
- Upgrading costs per square metre on new lease
- Any further upgrading costs (year and amount)
- Number of months vacancy on each contract expiry
- Estimated final value Year 20
- Nominal return requirement

As a part of the valuation, yield assessments are also carried out for the individual property and for the total portfolio. In addition to valuation using KLP Eiendom's value assessment model, external valuations are obtained for a selection of the properties. These are used to determine own calculation parameters and to quality-assure the internal valuations.

Minor changes in the return requirement will have relatively large impact in property values and it is assumed that substantial changes, particularly in «Applicable terms, contract expiry and assumed market rent» as well as «General vacancy», are the factors that will affect the accounts figures most.

The sensitivity analysis below shows how the value of one of the Group's centrally located office properties in Oslo changes with certain changes in key parameters in the Group's valuation model. The analysis shows change in value (given as percentage change) for a given change in a parameter on the assumption that all other parameters stay unchanged. In reality it may well be that there are mutual connections between several variables, so that a change in a parameter will be accompanied by change in one or more other parameters. The sensitivity figures given do not capture such connections to other variables and are shown only for illustrative purposes. The effects of changes in parameters will vary somewhat from property to property.

	Change in parameter	Change in value
Return requirements	+100 bps	-10 %
	-100 bps	12 %
Market rent	+10 %	7 %
	- 10 %	-7 %
Exit yield	+ 100 bps	-5 %
	- 100 bps	7 %
Inflation	+ 50 bps	6 %
	-50 bps	-5 %

In the analysis above the return requirement means the interest rate used in discounting future cash flows in the model. Market rent is understood as expected rent in the event of renegotiation of existing contracts or on change of tenant. Exit yield means the yield that is used to calculate the final value in the valuation model's final analysis period (Year 20).

3.3 PENSION OBLIGATIONS - OWN EMPLOYEES

The present value of net pension obligations the Group has for its employees depends on a range of economic and demographic assumptions. Small changes in these variables can have a relatively large effect on gross accrued pension obligations and thus gross pension costs. The Company cushions the accounting effect of changed assumptions when quantifying pension obligations by allocating and taking to profit/loss over the remaining duration only estimate deviations in excess of 10 per cent of the higher of gross pension obligations and gross pension assets.

The Group has followed «The guidance for determining pension assumptions» published by the Norwegian Accounting Standards Board (NASB) Updated guidance published on 5 January 2012 has been used as the basis for updated measurement of best-estimate accrued liability and assets as at 31 December 2011.
Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension obligations are the discounting interest rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic sum (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The discounting interest rate is set on the basis of government bonds interest and was assessed as at 31 December 2011 at 2.6 per cent and as at 31 December 2010 at 4,0 per cent (25 years' weighted duration).

The assumptions on future salary growth, future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 3.5 per cent (salary growth) and 3.25 per cent (G and pensions adjustment) respectively. The pension adjustment for the local authority pension scheme should be the same as the G-adjustment.

The assumptions on longevity (mortality) are based on the latest mortality table (K2005).

Future take-up of contractual early retirement scheme (AFP) has been assumed at 45 per cent, i.e. 45 per cent will take AFP on reaching the age of 62.

3.4 FAIR VALUE ON FINANCIAL ASSETS

Financial assets classified as assets for which changes in fair value are taken to profit/loss are generally assets traded in a market, so the market value can be determined with a great deal of certainty. For listed securities with little turnover, assessment is made whether the observable price can be taken as realistic.

If it is concluded the observable market price is not representative of the fair value of the asset or the security is not traded on a listed market, the market value is estimated. The estimate is based on the market circumstances prevailing at the end of the reporting period. Unlisted interest-bearing securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models.

The pricing methods and the accounts figures are discussed in more detail in Note 6.

3.5 FAIR VALUE OF FINANCIAL LIABILITIES

The method of calculating fair value using a valuation model is to calculate the expected cash flows based on the terms of each individual contract and then to discount these values to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable markets or by modelling the cash flows based on relevant models for market pricing. These models use observable market prices and rates as a basis, including for example yield curves for the majority of the asset's or liability's duration and option volatilities.

Note 3 Important accounting estimates and valuations, contd.

The pricing methods and the accounts figures are discussed in more detail in Note 6.

3.6 LOSSES ON FINANCIAL ASSETS

Financial assets not measured at market value are assessed for loss of value at the end of the reporting period. The Group's lending portfolio is valued individually for loans on which default has been observed. If there is an objective event at the end of the reporting period that has influence on future cash flows, the loan is written down. In addition, valuation by group is carried out each quarter of lending with uniform risk profile. This is described in more detail under Note 2.

The Group's lending portfolio has historically shown insignificant losses. The reason for this is that there is very good security in mortgages for loans to the private market and that other lending is virtually all to the public sector or enterprises with public sector guarantees. The Group has insignificant loss provisions, so any future losses will have a direct effect on the income statement.

For the Group's portfolio of long-term bonds, including long-term bonds held to maturity, the need for write-down is assessed individually each quarter. The portfolio comprises highly rated issuers and if the issuer's rating changes negatively the need for write-down is assessed.

Note 4 Business segments

	Group pensions public sect. & group life		Group pensions, private		Non-life insurance		Banking	
NOK million	2011	2010	2011	2010	2011	2010	2011	2010
Premium income f.o.a. from external customers[1]	21 689	20 280	286	150	590	529	0	0
Premium income f.o.a. from other Group com-	63	65	0	0	9	9	0	0
Net financial income from investments	8 366	16 159	22	44	144	220	801	883
Other income from external customers	610	778	1	0	1	2	4	3
Other income from other Group companies	0	0	0	0	0	0	59	53
Total income	30 728	37 282	310	193	744	761	865	939
Claims f.o.a.	-10 033	-10 080	-30	-17	-553	-516	0	0
Insurance provisions f.o.a.	-17 012	-15 222	-276	-148	-3	-32	0	0
Costs borrowing	-406	-301	0	0	0	0	-677	-689
Costs borrowing from other Group companies	0	0	0	0	0	0	-110	-106
Operating expenses	-710	-618	-33	-26	-156	-133	-138	-108
Depreciation	-101	-118	0	0	-6	-10	-2	-2
Other expenses	-660	-652	0	0	0	0	0	0
Total expenses	-28 920	-26 992	-341	-191	-718	-691	-927	-906
Operating profit/loss	1 808	10 290	-31	2	25	69	-62	33
Funds credited to insurance customers[2]	-1 103	-9 718	7	-19	0	0	0	0
Pre-tax income	705	572	-24	-17	25	69	-62	33
Cost of taxes	0	0	0	0	-29	10	17	-15
Income after tax	705	572	-24	-17	-4	79	-45	18
Change in other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income	705	572	-24	-17	-4	79	-45	18
Assets 31.12	261 746	244 282	904	614	3 427	3 497	31 669	27 799
Liabilities 31.12	249 805	233 548	852	562	4 146	2 649	32 823	26 608
Key figures 31.12.								
Capital adequacy ratio	11.5 %	12.0 %	13.9 %	19.6 %	31.8 %	32.0 %	15.0 %	14.2 %
Solvency margin capital ratio	244.0 %	224.0 %	217.2 %	197.6 %				
Return on capital customer funds with interest rate guarantee, book	4.5 %	5.1 %	6.3 %	6.0 %				
Return on capital customer funds w/interest guarantee, value-adjusted	3.2 %	7.5 %	3.7 %	8.3 %				
Interest net							0.1 %	0.1 %
Deposits							1 840	1 026
Lending	25 104	29 653					28 416	26 329
Defaulted loans as a percentage of gross loans	0.0 %	0.0 %					0.0 %	0.0 %

	Asset management		Other		Eliminations		Total	
NOK million	2011	2010	2011	2010	2011	2010	2011	2010
Premium income f.o.a. from external customers[1]	0	0	0	0	0	0	22 565	20 959
Premium income f.o.a. from other Group companies[1]	0	0	0	0	-72	-74	0	0
Net financial income from investments	5	4	0	0	-816	-853	8 522	16 456
Other income from external customers	166	82	8	8	-42	-93	748	781
Other income from other Group companies	101	163	0	0	-160	-216	0	0
Total income	272	249	8	8	-1 090	-1 236	31 836	38 196
Claims f.o.a.	0	0	0	0	0	0	-10 615	-10 613
Insurance provisions f.o.a.	0	0	0	0	0	0	-17 291	-15 403
Costs borrowing	0	0	0	0	677	690	-406	-301
Costs borrowing from other Group companies	0	0	0	0	110	106	0	0
Operating expenses	-241	-224	-7	-6	302	315	-982	-801
Depreciation	-5	-5	0	0	-18	-20	-133	-155
Other expenses	0	0	0	0	1	-18	-660	-670
Total expenses	-246	-229	-7	-6	1 071	1 073	-30 087	-27 943
Operating profit/loss	26	20	2	2	-19	-163	1 749	10 252
Funds credited to insurance customers[2]							-1 095	-9 737
Pre-tax income	26	20	2	2	-19	-163	653	515
Cost of taxes	-7	-5	-1	-1	-5	-10	-24	-21
Income after tax	19	15	1	1	-24	-173	629	494
Change in other comprehensive income					97	69	97	69
Total comprehensive income	19	15	1	1	74	-104	726	563
Assets 31.12	220	196	12	11	-6 194	-4 628	291 784	271 770
Liabilities31.12	111	94	3	2	-8 020	-2 507	279 720	260 955

[1] Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies

[2] Funds transferred to the insurance customers include transfers to the premium fund, provisions to the securities adjustment fund, provisions to supplementary reserves and other provisions of surplus funds to the insurance customers.

Management has identified the business segments and internal reporting supports these. The KLP Group's business is divided into the five areas: public sector occupational pension/group life; enterprise (defined benefit) and defined contribution pension; non-life insurance; banking and asset management. All business is directed towards customers in Norway.

Public sector occupational pension and group life
Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pension
KLP Bedriftspensjon offers products to enterprises within both the public and private sectors.

Non-life insurance
KLP Skadeforsikring offers property and personal injury products to employers within the public and private sectors. In addition a broad spectrum of standard insurance products is offered to the retail market.

Banking
KLP's banking business embraces the companies KLP Banken AS and its wholly-owned subsidiaries KLP Kommunekreditt AS and KLP Kreditt AS. The banking business covers services such as deposits and lending to the retail market, as well as lending with public sector guarantee.

Asset management
Asset management is offered from the companies KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS. The companies offer a broad selection of securities funds both to retail customers and institutional customers. The securities management has a socially responsible profile.

Other
Other segments comprises KLP Forsikringsservice AS which offers a broad spectrum of services to local authority pension funds.

Note 5 Net income from financial instruments

NOK million	2011	2010
Interest income bank deposits	101	55
Interest income derivatives	143	86
Interest income debt instruments fair value	3 275	1 841
Total interest income financial assets at fair value	3 519	1 982
Interest income fixed interest securities amortised cost	4 234	4 059
Interest income lending amortised cost	1 059	1 133
Total interest income financial assets at amortised cost	5 292	5 192
Dividend/interest shares and holdings/units	567	410
Other income and expenses	-35	-41
Total other current costs and income	532	369
Current return on financial assets	9 343	7 542
Interest income lending fair value	547	176
Total interest income financial assets at fair value	547	176
Interest income lending amortised cost	342	736
Total interest income financial assets at amortised cost	342	736
Interest costs debt to credit institutions	-166	-579
Interest costs covered bonds	-549	-114
Interest costs debt to and deposits from customers	-50	-16
Other income and expenses	17	-115
Total other income and expenses banking	-748	-825
Net interest income banking[1]	142	87
Value changes shares and holdings/units	-2 735	3 404
Value change derivatives	-790	838
Value change debt instruments at fair value	860	1 642
Value change lending fair value	-139	-18
Value change borrowing fair value	2	65
Total value change financial instruments at fair value	-2 803	5 931
Other unrealised values	0	0
Total other unrealised values	0	0
Net unrealised gain on financial instruments	-2 587	5 931
Realised shares and holdings/units	-81	346
Realised derivatives	-134	-151
Realised debt instruments at fair value	-38	-124
Total realised financial instruments at fair value	-253	71
Realised bonds at amortised cost[2]	34	-53
Total realised financial instruments at amortised cost	34	-53
Other financial income and costs	-36	-30
Total other financial income	-36	-30
Net realised gain on financial instruments	-255	-11
Net value changes on financial instruments	-2 842	5 920
Total net income from financial instruments	6 643	13 549

[1] Net interest income banking is income and costs linked to banking activity.

[2] Realised values on bonds at amortised cost come from realised gain/loss on foreign exchange. Securities denominated in foreign currency are hedged, resulting in minimal net effect of exchange rate changes (reflected in value change/realised derivatives). See Note 9 and 12 for more information.

The note specifies net income from financial instruments.

Note 6 Fair value of financial assets and liabilities

Fair value of investments listed in an active market is based on the current purchase price. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. If the market for the security is not active, or the security is not listed on a stock market or similar, the Group uses valuation techniques to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected interest rate curves and spread curves. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

The different financial instruments are thus priced in the following way:

a) Shares (listed)
Liquid shares are generally valued on the basis of prices provided by an index provider. At the same time prices are compared between different sources to identify any errors. The following sources are used for shares: Oslo Børs, Morgan Stanley Capital International (MSCI) og Reuters.

Oslo Børs has first priority, followed by MSCI and finally Reuters.

b) Shares (unlisted)
As far as possible the Group uses the industry recommendations of the Norwegian Mutual Fund Association (NMFA). Broadly this means the following:

The last traded price has the highest priority. If the last traded price lies outside the offer/bidspread in the market, price is adjusted accordingly. I.e. if the last traded price is below the offer price, the price is adjusted up to offer price. If it is above the bid price, it is adjusted down to bid. If the price picture is considered outdated the price is adjusted according to a market index. The Company has selected the Oslo Børs's Small Cap Index (OSESX) as an approach for unlisted shares.

For shares on which very little information is available, valuations are obtained from brokers to provide a basis for estimating an assumed market price.

c) Foreign fixed interest securities
Foreign fixed interest securities are generally priced on the basis of prices obtained from an index provider. At the same time prices are compared between several different sources to identify any errors. The following sources are used:

JP Morgan and Barclays Capital Indices have the first priority (they cover government and corporate bonds respectively). After that Bloomberg is used ahead of Reuters based on Bloomberg's price source, Business Valuator Accredited in Litigation (BVAL). BVAL contains verified prices from Bloomberg. The final priority is Reuters.

d) Norwegian fixed interest securities - government
Reuters is used as a source for pricing Norwegian government bonds. It is Oslo Børs that provides the price (via Reuters). The prices are compared with the prices from Bloomberg to reveal any errors.

e) Norwegian fixed interest securities - other than government
All Norwegian fixed interest securities except government are priced theoretically. A zero coupon curve is used as well as yield curves for the pricing. Reuters is used as the source for the zero coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years.

The yield curves are received from the Norwegian Mutual Fund Association NMFA. These are based on yield curves collected from five different market operators and converted to an average curve.

f) Fixed interest securities issued by foreign enterprises, but denominated in NOK
Air value is calculated in accordance with the same principle as for Norwegian fixed income securities described above. Yield curves provided by SE Banken and Swedbank are converted to an average curve used as the basis for calculation of fair value.

g) Futures/FRA/IRF
All Group futures contracts are traded on stock exchanges. Reuters is used as a price source. Prices are also obtained from another source to check that the Reuters prices are correct.

h) Options
Bloomberg is used as the source for pricing stock market traded options.

i) Interest rate swaps
Interest rate swaps are valued on a model taking account of observable market data such as yield curves and relevant credit risk premiums.

j) Loans secured by mortgage
The principles for calculating fair value depend on whether the loans have fixed interest rates or not.

Fair value of fixed interest loans is calculated by discounting contracted cash flows by market interest rates including a relevant risk margin on the balance sheet date.

Fair value of variable interest rate loans is considered virtually the same as book value since the contract terms and conditions can be continually changed in step with change in market interest rates.

k) Lending to local authorities and enterprises with local government guarantee
The receivables are valued using a valuation model that uses relevant credit risk premium adjustments obtained from the market. For lending to municipalities, county authorities and local government supported projects, observable interest-rate curves and credit interest differential curves are used in a valuation model that discounts future cash flows. The credit risk premiums the model calculations use are based on quotations from three different price makers. Assessment is made of the quality of the quotations by comparing them with each other and against previously received observations as well as other market information.

For guaranteed lending, fair value is calculated as a discounted cash flow based on the same interest-rate curves as the direct loans, but the credit margin is initially based on the initial margin. Guarantees are traded bilaterally and not through open marketplaces such as for example a stock market (OTC) and are therefore not priced in the market. Initial margin agreed on the commencement date is the best estimate for market premiums on the same date. Creditworthiness does not change equally for the loan as for the guarantor or the borrower as seen individually. The borrower is generally not credit-rated by credit-rating agencies or banks. The guarantor is either a local administration or bank (or both - triple default loan). Statistical analyses indicate that the credit margin on guaranteed loans fluctuates less than on non-guaranteed loans and bonds. Guaranteed loans are therefore not adjusted for credit risk premium before the guarantor has experienced a significant rating change since the initial margin was set. The Group's lending with both local government and bank guarantee is credit premium adjusted in relation to the initial margin only if both the guarantors have had their credit rating significantly changed since the date of payment.

Note 6 Fair value of financial assets and liabilities, contd.

l) Investments with credit institutions
Investments with credit institutions are short term deposits. Fair value is calculated by discounting contracted cash flows by market interest rates including a relevant risk margin on the date of the statement of financial position.

m) Fair value of debt to credit institutions
These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

n) Fair value of receivables from credit institutions, lending to private individuals and customers' deposits
All lending and deposits are without fixed interest rates. Fair value of these is considered virtually the same as book value since the contract terms and conditions are continually changed in step with change in market interest rates.

o) Fair value of subordinated loan capital
For stock market listed loans where there is considered to be an active market the observable price is used as fair value. For other loans that are not part of an active market fair value is set based on an internal valuation model based on observable data.

p) Fair value of hybrid Tier 1 securities issued
Fair value in this category is determined on the basis of internal valuation models based on external observable data.

q) Fair value of covered bonds issued
Fair value in this category is determined on the basis of internal valuation models based on external observable data.

Note 6 Fair value of financial assets and liabilities, contd.

The table below give a more detailed specification of the content of the different classes of asset and financial derivatives.

Financial assets	31.12.2011		31.12.2010	
NOK million	Capitalised value	Fair value	Capitalised value	Fair value
Debt instruments held to maturity - at amortised cost				
Norwegian hold-to-maturity bonds	17 459	18 309	18 771	19 435
Foreign hold-to-maturity bonds	23 979	25 075	23 520	24 212
Total debt instruments held to maturity	41 438	43 383	42 291	43 647
Debt instruments classified as loans and receivables – at amortised cost				
Norwegian bond loans	16 852	17 185	12 059	11 840
Foreign bond loans	30 064	31 205	27 829	28 359
Other receivables	21	21	9	9
Total debt instruments classified as loans and receivables – at amortised cost	46 936	48 411	39 897	40 208
Lending local government, enterprises & retaill customers at fair value through				
Loans to local government sector or enterprises with local government guarantee	2 519	2 519	3 974	3 974
Total loans to local government, enterprises & retail customers at fair value through	2 519	2 519	3 974	3 974
Lending to local government, enterprises & retaill customers – at amortised cost				
Loans secured by mortgage	9 054	9 054	8 694	8 706
Loans to local government sector or enterprises with local government guarantee	41 971	42 254	43 346	43 585
Total lending	51 024	51 308	52 041	52 292
Debt instruments at fair value through profit or loss				
Norwegian bonds	41 761	41 761	32 406	32 406
Norwegian certificates	3 764	3 764	2 036	2 036
Foreign bonds	22 117	22 117	19 957	19 957
Foreign certificates	695	695	136	136
Investments with credit institutions	8 714	8 714	9 769	9 769
Total debt instruments at fair value through profit/loss	77 050	77 050	64 305	64 305
Equity capital instruments at fair value through profit or loss				
Shares	16 328	16 328	16 660	16 660
Equity funds	17 909	17 909	17 594	17 594
Property funds	706	706	653	653
Alternative investments	1 225	1 225	1 025	1 025
Total equity capital instruments at fair value	36 168	36 168	35 933	35 933
Other loans and receivables including receivables from policyholders - at amortised cost				
Receivables related to direct business	1 374	1 374	1 126	1 126
Receivables related to reinsurance agreements	218	218	321	321
Reinsurance share of unearned gross premium	0	0	-2	-2
Reinsurance share of gross claims reserve	11	11	13	13
Other receivables	0	0	1	1
Total other loans and receivables including receivables from policyholders	1 603	1 603	1 460	1 460
Financial liabilities				
Hybrid Tier 1 securities	1 145	1 017	973	887
Subordinated loan capital	3 143	2 988	3 100	3 019
Debt to credit institutions	1 398	1 398	13 287	13 287
Utstedt obligasjonslån med fortrinnsrett	22 152	22 152	9 250	9 250
Liabilities to and deposits from customers	1 840	1 840	1 026	1 026
Total financial liabilities	29 680	29 397	27 637	27 468
Assets in life insurance with investment option	198	198	126	126
Provisions in life insurance with investment option	198	198	126	126

Financial derivatives	2011		2010	
NOK millions	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts	54	423	522	32
Interest rate swaps	706	598	577	476
Interest rate options	0	0	0	12
Share options	155	0	288	0
Interest rate futures (IRF)	0	10	0	0
Total financial derivatives	915	1 031	1 386	520

Note 7 Fair value hierarchy

Assets[1]

NOK million	31.12.2011	31.12.2010
Lending local authorities, enterprises and retail customers		
Level 1: Value based on prices in an active market	0	0
Level 2: Value based on observable market data	2 519	3 974
Level 3: Value based on other than observable market data	0	0
Lending local authorities, enterprises and retail customers	2 519	3 974
Debt instruments (bonds, certificates and investments in financial institutions)		
Level 1: Value based on prices in an active market	49 219	44 177
Level 2: Value based on observable market data	27 832	20 128
Level 3: Value based on other than observable market data	0	0
Debt instruments (bonds, certificates and investments in financial institutions)	77 050	64 305
Owners' equity instruments (shares; equity and property funds; and alternative investments)		
Level 1: Value based on prices in an active market	31 378	32 335
Level 2: Value based on observable market data	2 259	2 008
Level 3: Value based on other than observable market data	2 531	1 589
Owners' equity instruments (shares; equity and property funds; and alternative investments)	36 168	35 933
Financial derivatives		
Level 1: Value based on prices in an active market	0	0
Level 2: Value based on observable market data	915	1 386
Level 3: Value based on other than observable market data	0	0
Financial derivatives	915	1 386
Total financial assets valued at fair value	116 652	105 598

Liabilities

NOK millions	31.12.2011	31.12.2010
Financial derivatives		
Level 1: Value based on prices in an active market	0	0
Level 2: Value based on observable market data	1 031	520
Level 3: Value based on other than observable market data	0	0
Financial derivatives	1 031	520
Debt to credit institutions[2]		
Level 1: Value based on prices in an active market	392	330
Level 2: Value based on observable market data	1 006	12 958
Level 3: Value based on other than observable market data	0	0
Debt to credit institutions	1 398	13 287
Total financial liabilities at fair value	2 429	13 807

Changes in Level 3:		
NOK millions	2011	2010
Opening balance	1 589	889
Sold	-360	-390
Bought	1 018	975
Unrealised changes	285	115
Closing balance	2 531	1 589
Realised gains/losses	62	66

[1] In addition to the assets listed, assets in defined contribution schemes also come under the fair value hierarchy. This is excluded from the table above, but of the NOK 197 million this supplement would have represented NOK 90 million in shares and holdings/units at Level 1 and NOK 107 million in debt instruments at fair value in Level 1 as at 31 December 2011.
[2] Debt to credit institutions comprises call money and certificate loans.

The columns «Changes in Level 3» show changes in Level 3 classified securities through the year. Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered as noted in an active market if noted prices are simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

Level 1: Instruments in this level obtain fair value from listed prices in an active market for identical assets or liabilities that the entity has access to at the reporting date. Examples of instruments at Level 1 are stock market listed securities.

Level 2: Instruments in this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is therefore not considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed interest securities priced on the basis of interest rate paths.

Level 3: Instruments at Level 3 contain no observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded. The instruments covered in Level 3 in the Group are unlisted shares and Private Equity.

Note 8 Assets in defined contribution-based life insurance

NOK million	Number units	Price	Fair value 31.12.11	Average return per unit %	Average return per unit whole NOK	Fair value 31.12.10
Units in equity funds						
KLP AKSJEGLOBAL INDEKS II	57 962	1 086.19	63	-5.17 %	-59	42
KLP AKSJENORGE INDEKS	22 473	1 200.47	27	-12.34 %	-169	20
Total units in equity funds	80 435		90			62
Units in bond funds						
KLP PENSJON II	40 254	1 234.38	50	7.68 %	93	27
KLP OBLIGASJON GLOBAL I	50 669	999.64	51	8.19 %	86	28
Total units in bond funds	90 923		100			55
Units in money market funds						
KLP PENGEMARKED	6 056	1 002.96	6	3.04 %	30	3
Total units in money market funds	6 056		6			3
Total units in securities funds			**196**			**120**
Bank deposits			1			6
Total assets in defined contribution-based life insurance			198			126

Per cent	Q1	Q2	Q3	Q4
Returns per quarter	1.37 %	0.30 %	-5.93 %	4.67 %

The return on the holdings is value change of deposited sum and takes account of transactions during the period. This is termed money-weighted return. The return on the fund is the total return for the fund, also called time-weighted return.

If there are no transactions during the period, the return on the holding and the fund is the same.

Note 9 Risk management

Through its activity the Group is exposed both to insurance risk and financial risk. For the Group overall risk management is aimed at the financial risk being handled in such a way that the Group at all times meets the liabilities the insurance contracts impose on the business. The Board of Directors sets the overall risk strategies that are made operational at the senior management level.

Risk strategy is implemented and monitored by the line organisation, with periodic reporting. Any breaches in risk lines and limits are reported as they occur, with a description of measures taken to regularise the situation. Units outside the line organisation monitor that the risk-taking is carried out within the authorisations the line has.

9.1 INSURANCE RISK

Insurance risk comprises the risk that a future, defined event occurs for which the Group has undertaken to pay out financial consideration. The larger the portfolio, the more stable and predictable the insurance result will be.

The Group's insurance business is divided into the sectors: group pension public sector; group pension private; and non-life insurance. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas mortality risk is somewhat less weighty. Group life covers primarily the risk of death, whereas debt group life covers the risk of death and, for a large proportion of existing customers, disability risk. Guidelines have been prepared for non-life insurance for the types of risks the company accepts in its portfolio. In the first instance risks are accepted from customers from within the Group's primary target groups on non-life insurance provided the scope of the insurance lies within the standard products the Group offers.

In non-life insurance, insurance risk is generally managed through provisions for future expected claims on existing contracts, pricing of the risk element in insurance premium, and through reinsurance contracts. In addition more specific measures have been taken according to the insurance cover offered.

Insurance risk in the group pension public sector/private and group life sectors is generally managed through close monitoring of the risk incidence and if appropriate subsequent change in the tariffs. The Group is safeguarded against extreme events through catastrophe reinsurance.

9.1.1 Insurance provisions

Insurance provisions are set at the level of expectation, with a supplement of contingency margins depending on sector. In addition provisions are made to the contingency fund in non-life insurance and the risk equalization fund in group pension to meet unexpected fluctuations in claims incidence.

Assumptions based on KLP's disability data up to 2009 are used for disability risk in the group pensions sector. For the other risk elements in group pensions the assumptions from calculation basis K2005 are used with contingency margins in accordance with the minimum standard set by the Financial Supervisory Authority of Norway in 2007. KLP has an excess of longevity risk. In relation to longevity risk there is a contingency margin of 15 per cent for men in regard to estimated mortality in 2020 based on K2005, and 10 per cent for women in both the sectors, group pension public sector and group pension private.

9.1.2 Premium setting

Development in the Group's insurance risk is continuously monitored. Risk result and future expectations of development in insured risk based on observations and/or theoretic risk models create the basis for pricing of the risk element in the premium. The premiums are set annually, except for the non-life insurance sector. Here the premium is assessed continuously, but the premium invoiced to the customer applies for one year at a time.

In the sector group pension public sector the Group has a large number of insured which provides a high degree of predictability and stability in its tariffs. Normally they will therefore stay the same for several years at a time. In non-life insurance premium is differentiated based on the individual customer's risk.

9.1.3 Reinsurance and reinsurance programme

a) Group pension public sector/private and group life insurance

The way the insurance contracts are set, current risk is generally within the limits of the Group's risk-bearing ability. The need for reinsurance is therefore limited.

The Group has taken out a catastrophe reinsurance contract for group pension public sector. The agreement covers up to NOK 300 million in excess of the Company's NOK 50 million on own account for events that lead to more than 10 people dying or becoming disabled. For group pension private this contract covers up to NOK 20 million in excess of the Company's NOK 5 million on own account for events that lead to more than 3 people dying or becoming disabled. The contracts do not cover events that result from epidemics, war and terrorism.

b) Non-life insurance

The reinsurance contracts cover all claims over a certain sum per event/accident. Guidelines have been set to minimise counterparty risk in the reinsurance contracts in non-life insurance. Inter alia a maximum limit is set for the individual reinsurer and a minimum level is defined for the reinsurers' credit ratings.

9.1.4 Concentration risk in non-life insurance

Continuous assessment of the concentration risk is undertaken. This risk is primarily associated with property risks. The portfolio of insured properties is characterised generally by a good geographic spread, but with greater concentration in the Oslo region. The risks are combined where this is appropriate. Therefore there is no significant accumulation between these risks. The Group has four property risks with sums insured higher than NOK 1 billion at NOK 1585, 1335, 1249 and 1051 million.

Note 9 Risk management, contd.

In addition the Company has 18 property risks with sums insured in the bracket NOK 500 - 1 000 million.

9.1.5 Sensitivity calculations

9.1.5.1 Sensitivity calculations in group public sector and private pensions

The effect of an immediate 20 per cent increase in the incidence of disability in group public sector pension would, with current numbers, involve an effect of NOK 902.8 million (NOK -1.6 million in the group private pension) on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in the incidence of disability would be NOK 1335.7 million.

An immediate 10 per cent reduction in mortality would, with current numbers, mean an effect of NOK 326.0 million (NOK 0.2 million in group private pension) on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be NOK 5480.0 million.

The Group's large numbers within group public sector pensions help to stabilise the insurance risk and the claim estimates. Deviations are related primarily to non-insurable magnitudes that do not affect the result.

9.1.5.2 Sensitivity calculations in non-life insurance

The effect on result in non-life insurance both before and after tax through:

1 per cent change in the costs	NOK 1.6 milion
1 per cent change in premium level	NOK 6.5 million
1 per cent change in claim payments	NOK 5.5 million
1 per cent change in claims reserves	NOK 19.6million

The effect on the result would be the same before and after reinsurance.

9.2 FINANCIAL RISK

The group's financial goal is to achieve a competitive and stable return, at the same time as solvency satisfies external and internal requirements. The Group has a long-term investment strategy in which risk-taking is at all times matched to the Group's ability to bear risk. The focus in asset management is cost effectiveness, a long-term perspective and broadly diversified portfolios with the goal of achieving competitive and stable returns for our customers and owners over time.

The Group's financial risk comprises liquidity risk, market risk and credit risk.

9.2.1 Liquidity risk

Liquidity risk is the risk that the Group does not have adequate liquidity to cover short-term debt, non-called-in residual liabilities that may fall due and current operations without substantial extra costs arising in the form of price falls on assets that have to be realised, or in the form of unfavourable financing terms. The liquidity strategy contains various requirements and limits in order to comply with the desired liquidity risk profile limits for refinancing needs for various time frames and liquidity buffer requirements. In addition division of responsibilities and contingency planning are covered. The liquidity strategy is operated at the senior management level and the liquidity is managed internally in accordance with mandates. Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise.

Not-called-in residual obligations of NOK 4753 million comprise committed, not paid in sums against private equity and approved lending that has not been paid out. The total is specified in detail in Note 35 Conditional liabilities. The agreements govern inter alia solvency requirements so that the drawing can be approved for payment. As at 31 December 2011 there were no unpaid claims fallen due associated with bonds.

9.2.2 Market risk

Market risk is the risk of losses as a result of changes in market prices of various assets such as shares, bonds, property and other securities, and currency. The market risk depends on how large an exposure there is to the various assets and on the volatility in the market prices. Developments in the Norwegian and international securities markets generally have major significance for the Group's results.

Risk of a fall in the value of various assets is the biggest financial risk in the short term. Of the risk in regard to assets, equity exposure is the largest financial risk factor. The Group's interest rate risk associated with a prolonged low interest rate level is limited. Technical provisions, which comprise the majority of the Group's assets, are not affected by changes in market interest rate. On the future transition to market value for liabilities, annual pricing of the interest rate guarantee will mean that the risk of the interest rate level being lower than the base interest rate is not borne by the insurance company. Since the Group mainly provides pension schemes to the public sector, the Group will price the interest rate guarantee right up until the insured dies, which means the interest rate risk arising from the insurance obligations is limited.

The Group exchange-rate hedges the majority of international exposure. Financial hedging of currency exposure is done through derivatives. In principle all of the Group's fixed interest investments and property investments in foreign currency are hedged back to NOK. For equity investments in foreign currency the objective is a 90 per cent hedging ratio with permitted fluctuations between 80 and 100 per cent.

All equity and interest rate exposures are included in a risk measurement system that enables simulation and monitoring of equity and interest rate risk across the portfolios. Active risk is managed through specifying a reference index and a maximum tracking error relative to the index for each portfolio. Each individual share is specified in Note 14 in the company financial statements.

The Group manages equity risk dynamically through the equity holding being continuously adjusted to financial buffers. The effect of this type of hedging measure reduces the probability of low returns. The dynamic hedging strategy ensures that the Group's risk is correctly exploited in relation to its risk-bearing capability. The strategy helps to ensure that as a minimum the Group achieves a predetermined income target. The income target is set in the light of the target-setting on solvency at the end of the period, so the Group should continue to have risk capacity moving ahead. The strategy means that the exposure to equities or other assets with anticipated high risk and returns increases progressively as solvency is strengthened. When solvency is weakened this means that the Group reduces its market risk. This helps to reduce the load on the Group's solvency capital during downturns and thus also to protect owners' equity. In addition the Group has a high proportion of long-term bonds (hold-to-maturity bonds) and fixed-interest loans that contribute to stability in returns and reduce the risk of low returns in low interest rate scenarios.

In the Group's management, derivatives are principally used for risk reduction as well as for cost effective and time effective implementation of value-hedging or adjustments in the investment portfolio. In many cases it will be both cheaper and quicker to implement risk changes using derivatives than through trading in underlying instruments. An example could be short-term adjustments of equity exposure in global markets.

Sensitivity analysis - market risk

At the end of 2011 about 12 per cent of the Group's assets were placed in equities (measured by exposure) and 10 per cent placed in property. Other assets were placed in fixed interest current and fixed assets, including lending. Given no change in the exposure and the existing solvency capital (measured as valuation reserves and available supplementary reserves) returns on the portfolio will, with 98 per cent probability, be high enough to cover the Group's liabilities within its main product, public sector occupational pensions, in 2011 without drawing on owners' equity.

The different companies in the Group conduct their own stress tests in line with applicable requirements and regulations. No aggregated stress test is carried out for the Group, but the stress test carried out for the parent company, KLP, can be viewed as a stress test for the whole Group. The background is that KLP bears the risk for the different subsidiaries.

In accordance with the Financial Supervisory Authority of Norway's Stress Test I the KLP has a buffer capital utilisation of 72 per cent: in 2010 the buffer capital utilisation was 88 per cent. The purpose of the stress test is to illustrate how various scenarios can impact on KLP's ability to meet statutory solvency and security requirements. An important reason for the reduction from 2010 is the reduced stress levels for shares. The most significant risk in the stress test is market risk which seen in isolation represented a loss potential of NOK 30.9 billion. In the stress test for Q4 2011 the loss potential for concentration risk was included. This does not affect the loss potential significantly as a result of broadly diversified portfolios. Gross contribution to the loss potential from the various risks classes is divided as follows:

Interest rate risk	NOK 11.8 billion
Equities risk	NOK 12,9 billion
Property risk	NOK 7,5 billion
Exchange rate risk	NOK 1,3 billion
Spread risk	NOK 10,9 billion
Concentrfation risk	NOK 0,1 billion

The total of the risk potential linked in isolation to each risk type does not add up to the total loss potential for market risk. This is because in calculating total loss potential the correlation between the different types of risk is taken into account. The figures are before and after tax.

9.2.3 Credit risk

Emphasis is placed on diversification of credit exposure to avoid concentration of credit risk against individual debtors. To monitor credit risk in lending and investments a special credit committee has been established, meeting regularly. The limits for credit risk against the individual debtor are set by the committee. Changes in debtors' credit assessments are monitored and followed up.

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. In the portfolio of hold-to-maturity and loans and receivables just under 60 per cent are rated AAA. The Group has a separate international government bonds portfolio and the element of government bonds is also relatively high in the Norwegian bonds portfolio.

The Group has a lending portfolio of high-quality, with limited credit risk and historically very low losses. In the main the Group provides loans secured on housing with a mortgage level of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to about NOK 9.6 billion. The value of the mortgage securities represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.

9.3 TOTAL MAXIMUM EXPOSURE TO CREDIT RISK FOR THE GROUP

The Group's total maximum exposure to credit risk comprises book values of financial assets and liabilities. The book classes of securities are specified in detail in Note 6 Fair value of financial assets and liabilities.

Note 10 Liquidity risk

The table below specifies the Company's financial liabilities classified according to maturity structure. The sums in the table are non-discounted contractual cash flows.

31.12.2011 NOK million	Within 1 months	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	151	2 930	766	0	3 848
Hybrid Tier 1 securities	0	43	174	217	1 699	2 134
Liabilities to and deposits from customers	1 840	0	0	0	0	1 840
Covered bonds issued	0	6 564	16 528	855	0	23 948
Debt to credit institutions	0	1 398	0	0	0	1 398
Financial derivatives	394	162	197	181	-125	809
Accounts payable	1 046	0	0	0	0	1 046
Conditional liabilities	4 753	0	0	0	0	4 753
Total	8 033	8 320	19 829	2 020	1 574	39 776

31.12.2010 NOK million	Within 1 months	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan capital	0	150	600	3 197	0	3 948
Hybrid Tier 1 securities	0	42	169	212	1 639	2 063
Liabilities to and deposits from customers	1 026	0	0	0	0	1 026
Covered bonds issued	0	3 263	6 505	308	0	10 076
Debt to credit institutions	0	13 411	0	0	0	13 411
Financial derivatives	49	239	406	223	-18	901
Accounts payable	672	0	0	0	0	672
Conditional liabilities	3 678	0	0	0	0	3 678
Total	5 425	17 105	7 681	3 940	1 622	35 773

The risk that the Group would not have adequate liquidity to meet its current liabilities and current operations is very small since a major part of the Group's assets is liquid. The Group has significant funds invested in the money market, bonds and shares that can be sold in the event of a liquidity requirement. The Group's liquidity strategy involves the Group always having adequate liquid assets to meet the Group's liabilities as they fall due without accruing significant costs associated with releasing assets.

Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning has the continuous responsibility to report the Group's liquidity. Internal parameters have been established for the size of the liquidity holding. The Group's risk management unit monitors and reports developments in the liquidity holding continuously. The Group Board determines an asset management and liquidity strategy annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.
The table above shows financial liabilities the Group has grouped by interest payments and repayment of principal, based on the date payment is due. The banking business contains the largest proportion of the financial liabilities in the Group.

Settlement profile insurance liabilities

31.12.2011 NOK million									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	9 166	37 999	57 608	139 366	154 742	138 985	87 350	44 760	669 976

31.12.2010 NOK million									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	8 297	34 486	52 016	124 383	128 574	101 779	56 046	25 597	531 179

The payment profile for insurance liabilities is based on non-discounted values and applies to life insurance and non-life insurance.

Insurance liabilities related to the life insurance businesses are discounted in the financial statements and show the present value at the end of the reporting period. The claim reserves are not discounted in the non-life insurance financial statements.

Note 11 Interest rate risk

31.12.2011 NOK million	Up to 3 months	3 mnths to 12 months	1 year to 5 years	5 year to 10 years	Over 10 years	Change in cash flows	Total
Assets							
Equity fund holdings[1]	0	0	0	0	0	5	4
Alternative investments	0	0	0	0	0	7	6
Financial derivatives classified as assets	4	6	-94	-330	-190	349	-255
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-15	-28	-305	-351	-189	63	-826
Fixed income fund holdings	-1 486	0	0	0	0	13	-1 473
Special fund units	0	0	0	0	0	1	0
Lending and receivables	-10	-13	0	-6	0	80	52
Lending	0	-1	-1	0	0	199	198
Total assets	-1 507	-36	-400	-687	-380	722	-2 288
Liabilities							
Deposits	0	0	0	0	0	-18	-18
Liabilities created on issue of securities	0	0	64	60	0	-256	-132
Liabilities to financial institutions	0	0	0	0	0	-63	-63
Financial derivatives classified as liabilities	0	8	64	133	0	-698	-494
Hybrid Tier 1 securities, subordinated loan capital	0	0	0	50	33	0	83
Lending and receivables - call money	0	0	0	0	0	-6	-6
Total liabilities	0	8	128	243	33	-1 042	-630
Total before and after taxes	-1 507	-28	-272	-444	-347	-320	-2 918

31.12.2010 NOK million	Up to 3 months	3 mnths to 12 months	1 year to 5 years	5 year to 10 years	Over 10 years	Change in cash flows	Total
Assets							
Equity fund holdings[1]	1	0	0	0	0	4	5
Alternative investments	-13	0	0	0	0	5	-8
Financial derivatives classified as assets	-34	6	3	-169	-158	-11	-364
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-20	-20	-282	-385	-130	49	-787
Fixed income fund units	-1 290	0	0	0	0	5	-1 285
Lending and receivables	-7	-13	0	0	0	54	33
Lending	0	-13	-53	-3	0	240	171
Call Money	0	0	0	0	0	0	0
Total assets	-1 364	-40	-332	-557	-289	353	-2 228
Liabilities							
Deposits	0	0	0	0	0	-2	-2
Liabilities created on issue of securities	0	0	0	20	0	-44	-24
Liabilities to financial institutions	17	0	0	0	0	-240	-223
Financial derivatives classified as liabilities	1	8	60	101	0	18	187
Hybrid Tier 1 securities, subordinated loan capital	0	0	0	43	28	0	71
Call Money	0	0	0	0	0	0	0
Total liabilities	18	8	60	164	28	-268	9
Total before and after taxes	-1 346	-32	-273	-392	-261	85	-2 219

[1] Equity fund holdings covers that part of the fund that is not shares, but that comprises assets covered by interest rate risk; surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.

The note shows the effect on income on the change in market interest rate of 1 per cent, for fair value risk and variable interest rate risk. Fair value risk is calculated on the change in fair value of interest-bearing instruments if the interest rate had been 1 per cent higher at the end of the period. Variable interest rate risk indicates the change in cash flows if the interest rate had been one per cent higher over the year being reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would have had on the Group.

Seen overall, the interest rate risk is limited for the Group since a high proportion is invested in long-term bonds and lending with fixed interest rate at amortised cost, which does not have an impact on income when there is change in the market interest rate. In addition the fixed interest rate exposure on lending and borrowing in the banking operation is hedged through derivatives that swap fixed interest over to variable interest. The hedging is reflected in the financial statements through the rules on fair value hedging.

Note 12 Currency risk

31.12.2011 NOK million/	Statem. of fin. pos. items excl. currency derivatives		Currency derivatives		Conversion rate	Total		Net
foreign currency[1]	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	position
Australian dollar	135	0	11	-136	6.118	147	-136	65
Brazilian real	95	0	0	0	3.200	95	0	305
Canadian dollar	218	-3	18	-213	5.861	236	-216	118
Swiss franc	111	0	9	-111	6.382	121	-111	64
Chilean peso	2 974	0	0	0	0.011	2 974	0	34
Colombian peso	6 158	0	0	0	0.003	6 158	0	19
Czech koruna	24	0	0	0	0.304	24	0	7
Danish krone	344	-20	0	-286	1.042	345	-305	41
Egyptian pound	5	0	0	0	0.990	5	0	5
Euro	1 671	-139	11	-1 496	7.747	1 682	-1 635	360
British pound	402	-1	0	-380	9.275	403	-381	203
Hong Kong dollar	770	0	25	-303	0.768	796	-303	378
Hungarian forint	235	0	0	0	0.025	235	0	6
Indonesian rupiah	86 813	0	0	0	0.001	86 813	0	57
Israeli shekel	218	0	2	-228	1.561	220	-228	-12
Indian rupee	1 044	0	0	0	0.112	1 044	0	117
Islandic krone	262	0	0	0	0.049	262	0	13
Japanese yen	49 460	0	1 935	-49 328	0.078	51 396	-49 328	160
Korean won	58 292	0	0	0	0.005	58 292	0	302
Moroccan dirham	5	0	0	0	0.696	5	0	3
Mexican peso	196	0	0	0	0.428	196	0	84
Malaysian ringgit	38	0	0	0	1.883	38	0	72
New Zealand dollar	2	0	0	-2	4.656	2	-2	1
Philippines peso	112	0	0	0	0.136	112	0	15
Polish zloty	15	0	0	0	1.738	15	0	26
Swedish krone	2 342	-1 006	0	-1 210	0.871	2 342	-2 216	110
Singapore dollar	29	0	3	-30	4.603	32	-30	9
Thai baht	217	0	0	0	0.189	217	0	41
Turkish lira	8	0	0	0	3.160	8	0	24
Taiwan new dollar	1 110	0	0	0	0.197	1 110	0	219
US dollar	4 909	-836	100	-3 986	5.968	5 009	-4 822	1 115
South African rand	215	0	0	0	0.739	215	0	159
Total short-term foreign exchange								4 121
Euro	464	-312	0	-154	7.747	464	-465	-10
Japanese yen	31 969	-25 350	0	0	0.078	31 969	-25 350	513
US dollar	127	-98	0	0	5.968	127	-98	168
Total long-term foreign exchange								672
Total foreign exchange positions								4 793

Note 12 Currency risk, contd.

31.12.2010 NOK million/	Statem. of fin. pos. items excl. currency derivatives		Currency derivatives		Conversion rate	Total		Net
foreign currency[1]	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	position
Australian dollar	135	0	11	-135	5.958	135	-124	64
Canadian dollar	169	-2	7	-168	5.850	167	-160	42
Swiss franc	112	0	9	-116	6.236	112	-107	30
Danish krone	371	-64	37	-293	1.046	307	-256	54
Euro	1 662	-299	28	-1 369	7.798	1 363	-1 341	172
British pound	356	-84	2	-263	9.100	272	-261	98
Hong Kong dollar	340	0	47	-375	0.748	340	-327	9
Israeli shekel	26	0	2	-25	1.641	26	-23	4
Islandic krone	263	0	0	0	0.051	263	0	13
Japanese yen	51 696	-2 344	1 376	-49 176	0.072	49 352	-47 800	112
Korean won	7 521	0	730	-7 300	0.005	7 521	-6 570	5
New Zealand dollar	2	0	0	-2	4.541	2	-2	1
Swedish krone	1 998	-225	0	-1 648	0.865	1 774	-1 648	109
Singapore dollar	35	0	6	-39	4.537	35	-33	6
US dollar	4 221	-860	71	-3 410	5.813	3 361	-3 339	133
Total short-term positions								852
Euro	309	-312	0	0	7.798	309	-312	-17
Japanese yen	31 365	-25 112	0	0	0.072	31 365	-25 112	448
US dollar	122	-98	0	0	5.813	122	-98	139
Total long-term positions								570
Total foreign exchange positions								1 422

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the actual currency risk the KLP Group had at the end of the period in NOK. Other sums are in local currency. The table shows a hedging ratio for 2011 and 2010 for currency of 93 and 97 per cent

The group has a method that involves currency-rate hedging of the major part of international exposure. Financial hedging of currency exposure is done through derivatives. As a general rule all of the Group's interest-bearing investments and property investments in foreign currency are hedged back to Norwegian kroner, whilst for equity investments in foreign currency the degree of hedging is between 80 and 100 per cent.

If all currency positions change by 1 per cent at the same time and in the same direction this would affect the result by (NOK??) 47.9 million. For 2010 the corresponding effect on the result was NOK 14.2 million.

Note 13 Credit risk

31.12.2011 NOK million	AAA	AA	A	BBB	NR/NIG	Total
Debt instruments held to maturity - at amortised cost						
Finance and credit enterprises	0	2 043	1 042	1 032	861	4 977
Public sector guarantee	1 368	0	0	0	50	1 419
Savings banks	0	0	50	0	210	260
Government and government guarantee within OECD	21 087	839	1 581	0	0	23 506
Public sector enterprises and covered bonds	3 246	0	0	0	1 462	4 708
Other	0	989	2 587	0	2 991	6 568
Total	25 701	3 871	5 260	1 032	5 574	41 438
Debt instruments classified as loans and receivables - at amortised cost						
Finance and credit enterprises	510	259	3 889	0	2 302	6 960
Public sector guarantee	1 111	0	0	0	829	1 940
Savings banks	0	0	451	0	681	1 132
Government and government guarantee within OECD	14 355	0	2 045	0	0	16 400
Public sector enterprises and covered bonds	5 973	1 118	1 768	0	2 401	11 260
Other	0	1 268	2 245	389	5 341	9 243
Total	21 949	2 645	10 399	389	11 555	46 936
Debt instruments at fair value - bonds and other securities with fixed returns						
Finance and credit enterprises	45	2 477	4 029	10	1 959	8 520
Public sector guarantee	681	55	0	0	720	1 456
Savings banks	0	0	826	0	7 972	8 797
Government and government guarantee within OECD	5 452	3 832	349	0	0	9 633
Public sector enterprises and covered bonds	1 311	0	0	0	3 077	4 388
Other	0	223	25	391	4 272	4 910
Total	7 490	6 586	5 229	401	17 999	37 704
Financial derivatives classified as assets						
Denmark	0	0	170	0	0	170
Finland	0	46	0	0	0	46
Norway	0	75	68	0	0	143
UK	0	0	2	0	0	2
Switzerland	0	0	43	0	0	43
Sweden	0	0	149	0	0	149
Germany	0	0	84	0	0	84
USA	0	0	278	0	0	278
Total	0	121	794	0	0	915
Debt instruments at fair value - Fixed interest fund units						
Public sector, financial and credit enterprises	0	0	0	0	1 240	1 240
Government and government guarantee within OECD	0	0	0	0	117	117
Other	0	0	16 405	0	12 871	29 276
Total	0	0	16 405	0	14 228	30 633
Debt instruments at fair value - Loans and receivables						
Denmark	0	0	130	0	0	130
Finland	0	299	0	0	0	299
France	0	0	0	0	0	0
Norway	0	0	2 743	0	2 661	5 404
Sweden	0	195	444	0	0	639
UK	0	1 763	9	0	0	1 771
USA	0	0	470	0	0	470
Total	0	2 257	3 796	0	2 661	8 713
Total securities	55 140	15 480	41 882	1 822	52 016	166 339

Lending local government, enterprises & personal customers[1]	0 %	20 %	35 %	100 %	Total
Public sector	0	39 789	0	3 098	42 887
Enterprises	0	0	0	1 474	1 474
Private individuals	0	0	9 100	82	9 182
Total	0	39 789	9 100	4 654	53 543

31.12.2010 NOK million	AAA	AA	A	BBB	BR/NIG	Total
Debt instruments held to maturity - at amortised cost						
Finance and credit enterprises	0	3 067	1 556	9	917	5 549
Public sector guarantee	1 030	0	0	0	50	1 080
Savings banks	0	0	49	0	278	328
Government and government guarantee within OECD	21 420	839	1 587	0	0	23 845
Public sector enterprises and covered bonds	3 007	0	0	0	1 466	4 473
Other	0	542	2 984	0	3 491	7 016
Total	25 456	4 447	6 176	9	6 203	42 291
Debt instruments classified as loans and receivables - at amortised cost						
Finance and credit enterprises	510	1 717	2 694	0	1 306	6 228
Public sector guarantee	1 111	30	0	0	679	1 820
Savings banks	0	0	656	0	788	1 443
Government and government guarantee within OECD	13 924	0	2 045	0	0	15 970
Public sector enterprises and covered bonds	4 689	1 118	263	0	1 862	7 931
Other	0	259	2 650	359	3 237	6 505
Total	20 234	3 124	8 308	359	7 872	39 897
Debt instruments at fair value - Bonds and certificates						
Finance and credit enterprises	0	2 857	2 751	20	846	6 474
Public sector guarantee	643	0	0	0	756	1 399
Savings banks	0	0	657	0	6 066	6 722
Government and government guarantee within OECD	7 080	1 554	379	0	0	9 013
Public sector enterprises and covered bonds	522	0	0	0	971	1 493
Other	0	0	118	106	2 602	2 826
Total	8 244	4 411	3 905	126	11 242	27 927
Financial derivatives classified as assets						
Denmark	0	0	358	0	0	358
Finland	0	459	0	0	0	459
Norway	0	106	23	0	0	128
UK	0	8	4	0	0	12
Switzerland	0	0	260	0	0	260
Sweden	0	0	68	0	0	68
USA	0	0	101	0	0	101
Total	0	573	813	0	0	1 386
Debt instruments at fair value - Fixed interest fund units						
Public sector, financial and credit enterprises	0	0	0	0	1 053	1 053
Government and government guarantee within OECD	0	0	0	0	106	106
Other	0	0	13 369	0	12 081	25 450
Total	0	0	13 369	0	13 240	26 609

Note 13 Credit risk, contd.

NOK million	AAA	AA	A	BBB	NR/NIG	Total
Debt instruments at fair value - Loans and receivables						
Denmark	0	0	21	0	0	21
France	0	894	0	0	0	894
Norway	0	573	1 630	0	2 480	4 683
UK	0	2 884	0	0	0	2 884
Sweden	0	82	651	0	0	733
USA	0	105	448	0	0	554
Total	0	4 538	2 751	0	2 480	9 769
Total securities	53 935	17 093	35 322	494	41 036	147 880

Lending local government, enterprises & personal customers[1]	0 %	20 %	35 %	100 %	Total
Public sector	3	42 881	0	2 858	45 741
Private individuals	0	0	8 909	71	8 980
Enterprises	0	1 192	0	4	1 196
Not allocated	0	0	0	98	98
Total lending	3	44 073	8 909	3 030	56 014

[1] The credit risk to which lending is exposed is calculated based on the regulations concerning minimum requirements for capital adequacy, and the rules that apply on determining the calculation base. The lending is placed separately since it is not included with the same rating categories.

Emphasis is placed on diversification of credit exposure to avoid concentration of credit risk against individual debtors. To monitor credit risk in lending and investments a special credit committee has been established, meeting regularly. The limits for credit risk against the individual debtor are set by the committee. Changes in debtors' credit assessments are monitored and followed up by KLP Kapitalforvaltning.

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. The Group can be said to have a high concentration of debt instruments directed at the Norwegian public sector, however this does not imply concentration risk in the ordinary meaning since the counterparty risk is minimal.

Only ratings from Standard and Poor's have been used in the note grouping. KLP Group also uses ratings from Moody's Investor Services and Fitch Ratings and all three are considered equal as a basis for investments in fixed income securities. The table shows exposure against the rating categories that S & P uses, where AAA is linked to securities with the highest creditworthiness. Non-rated/non-investment-grade applies in the main to municipalities / County administrations, certain Norwegian financial institutions and other investments within Norwegian finance. KLP Group has strict guidelines for investments in fixed income securities, which also apply to investments falling into this category.

The lines in the note coincide with the financial position statement layout. The exceptions are debt instruments at fair value, which are divided into three categories in the note and lending which is shown combined in the note, but is shown in two lines in the financial position statement (fair value and amortised cost).

Geographic extract of debt instruments - Exposure against profiled countries in the Eurozone (PIIGS[2])

31.12.2011 NOK million	Acquisition cost	Unrealised gain/loss	Of which due to currency	Market value	Book value 31.12.2011
Spain					
Fixed income securities at fair value	176	-9	-3	167	167
Fixed income securities at amortised cost	813	-18	0	795	813
Total Spain	988	-27	-3	962	980
Italy					
Fixed income securities at fair value	422	-72	-22	349	349
Fixed income securities at amortised cost	3 587	-289	-31	3 298	3 556
Total Italy	4 009	-361	-54	3 648	3 905
Total	4 997	-388	-56	4 609	4 885

In Spain and Italy pure government debt represents 167 million and 3647.7 million, and government guaranteed securities 794.6 million and 0 million (market value) as at 31 December 2011.

31.12.2011 Rating	Spain	Italy
Moody's	A1	A2
Standard & Poor's	AA-	A
Fitch	AA-	A+

[2] The acronym PIIGS refers to the countries assumed to be most exposed as a result of the market disquiet concerning government debt in the Eurozone and is used in regard to Portugal, Ireland, Italy, Greece, Spain.

31.12.2010 NOK million	Acquisition cost	Unrealised gain/loss	Of which due to currency	Market value	Book value 31.12.2010
Spain					
Fixed income securities at fair value	95	-15	-2	80	80
Fixed income securities at amortised cost	813	5	0	818	813
Total Spain	908	-10	-2	897	892
Italy					
Fixed income securities at fair value	367	-33	-23	334	334
Fixed income securities at amortised cost	3 645	-60	-83	3 584	3 562
Total Italy	4 012	-93	-106	3 919	3 897
Portugal					
Fixed income securities at fair value	48	-4	-2	45	45
Total Portugal	48	-4	-2	45	45
Total	4 967	-108	-110	4 861	4 834

In Spain and Italy pure government debt represents 79.7 million and 3918.7 million, and government guaranteed securities 817.6 million and 0 million (market value) as at 31 December 2010.

31.12.2010 Rating	Portugal	Spain	Italy
Moody's	A1	Aa1	Aa2
Standard & Poor's	A-	AA	A+
Fitch	A+	AA+	AA-

The overview shows government debt the KLP Group holds against selected countries, and the rating. The countries in the table are selected on the basis of the profile they have gained as exposed economies in the Eurozone, and in the continuing unease about debt. The debt unease is primarily based on the fear of default on the sovereign debt. In Greece, the country where the probability of default is highest, the KLP Group has no fixed income securities. The KLP Group had no government securities in Ireland and Portugal as at 31 December 2011. The securities measured at amortised have not been written down.

Loans are listed separately as they are not classified within the same rating categories.

Premium receivables and receivables in connection with reinsurance

NOK million	2011	2010
Premium receivables	887	502
Write-downs of premium receivables	-2	-4
Receivables from reinsurers	251	341
Write-down of receivables from reinsurers	0	0
Total	1 135	839

The Group's premium receivables are primarily in regard to the public sector and the credit risk is considered low. In addition the main group pension/public sector industry is linked to the «Transfer agreement for the public sector». This transfer agreement has a security scheme intended to help to secure pension rights accrued with employers who cease to exist or do not pay premiums when due in accordance with detailed rules. The Group may thus apply for cover for unpaid demands in this industry from the security arrangement if the demand falls within the security arrangement's regulations.

The Group reduces its credit risk on reinsurance by using a number of different reinsurers. The creditworthiness of the reinsurer is assessed on entring into the contract.

Note 14 Mortgage loans and other lending

NOK million	Municipalities and county administrations	State and local government owned enterprises [1]	Private organisations and enterprises [2]	Employees, pensioners, etc.	Total 31.12. 2011	Total 31.12. 2010
Akershus	1 763	404	119	1 797	4 083	4 060
Aust-Agder	497	7	24	145	673	992
Buskerud	3 316	1 200	93	358	4 967	5 911
Finnmark	982	143	0	66	1 191	1 240
Hedmark	2 239	185	121	317	2 861	3 192
Hordaland	2 052	554	276	822	3 704	3 728
Møre og Romsdal	3 294	855	450	542	5 142	5 238
Nordland	2 934	339	50	340	3 663	3 540
Nord-Trøndelag	1 325	103	34	124	1 585	1 679
Oppland	1 225	105	39	205	1 573	1 575
Oslo	0	556	158	1 561	2 275	2 158
Rogaland	2 194	662	23	648	3 527	4 057
Sogn og Fjordane	1 487	81	82	58	1 709	1 842
Svalbard and Jan Mayen	29	36	0	1	66	71
Sør-Trøndelag	3 633	49	73	423	4 179	4 725
Telemark	602	84	117	216	1 020	884
Troms	1 605	301	147	335	2 387	2 464
Vest-Agder	654	453	11	179	1 298	1 199
Vestfold	2 871	236	85	686	3 879	3 736
Østfold	2 219	139	50	666	3 074	2 985
Not allocated	298	1	0	50	349	443
Accrued interest					339	294
Total	35 219	6 491	1 953	9 541	53 543	56 014

This table shows the KLP Group's lendings by county and sector. The sectors are based on the sector codes from Statistics Norway (SSB).

NOK million	31.12.2011	31.12.2010
Individual write downs of lendings at amortised cost		
Number of loans	11	8
Total principal before write-downs	1.03	0.72
Write downs	-0.83	-0.69
Total principal after write-downs	0.20	0.03
Individual write downs		
Write down of individual lendings as at 01.01	0.69	0.62
Established losses for the period, where individual write downs have been carried out previously	-0.09	0.16
Write down of individual lendings for the	0.24	0.00
Reversal of the write down of individual lendings for the period	-0.02	-0.09
Write down of individual lendings 31.12	0.83	0.69

Lendings fallen due, not yet written down

NOK million	31.12.2011 Remaining debt	31.12.2010 Remaining debt
Fallen due		
30-90 days	54	39
over 90 days	76	113
Total lendings fallen due	130	151

[1] This category also comprises local government business in addition to state and local government owned enterprises.
[2] This category mianly comprises private limited liability companies and non-profit organisations

These are absolute numbers, amounts are in NOK millions. Defaulted loans are loans measured at amortised cost.

The Group has a high-quality lending portfolio with limited credit risk and all-time low losses. The Group mainly provides housing morgate loans for less than 80 per cent of the value of the object to be bought, loans to local government and loans with guarantees from the authorities. Housig mortgages make up about NOK 8.7 billion. There is very little lending diversified by sector since a very large proportion of the lending is aimed at the public sector. The risk of concentration that this suggests is nevertheless not much of a real risk to consider in as much as the loans are backed by government/local government guarantees that carry a particularly low risk in relation to the opposite party.

Note 15 Shares in associated companies

NOK million	Office and business address	Holding	Acquisition cost	Book value 31.12.2010	Additions/ disposals	Profit/loss share[1]	Book value 31.12.2011
Norsk Pensjon AS[1]	Hansteens gate 2 0253 Oslo	25 %	5.0	2.81	0.0	0.2	2.97
Fylkeshuset, Molde AS	Fylkeshuset, Julsundvn. 9, 6400 Molde	48 %	0.0	0.05	0.0	0.0	0.05
Total shares in associated companies			5.0	2.85	0.0	0.2	3.02

All shares have equal voting proportions.

Financial information on associated companies

NOK million	Assets	Liabilities	Income	Income
2011				
Norsk Pensjon AS[1]	15.3	1.7	10.4	1.7
Fylkeshuset, Molde AS	179.2	174.5	21.6	4.7
2010				
Norsk Pensjon AS[2]	16.2	4.3	10.0	0.6
Fylkeshuset, Molde AS	148.0	142.0	17.4	0.0

[1] The profit/loss share on Norsk Pensjon from the previous year has been taken to 2011. The profit for 2011 will be taken to 2012
[2] KLP sold one share in Norsk Pensjon AS in 2010 and after that has a holding of 4 999 shares.

Note 16 Investment properties

NOK million	2011	2010
Rental income	1 711	1 571
Operating expenses[1]	-297	-246
Currency changes	6	-26
Net realised gains/losses	49	17
Change in fair value	410	1 591
Total net income from investment properties	1 879	2 907

[1] Of total operating costs, total renovations and maintenance represent about NOK 62 million of which properties that did not generate rental income represent about NOK 2.5 million. (Biskop Gunnerus gt. which was vacant at the end of 2010 and 2011).

NOK million	2011	2010
Book value 01.01.	26 105	23 088
Additions through purchase	2 804	1 156
Additions as a result of reclassification	-73	413
Additions through capitalisations	211	69
Reductions through sales	-731	-212
Net write-up/down resulting from change in fair value	410	1 591
Book value 31.12.	28 726	26 105

Liabilities, etc.

The Group has an obligation to sell Solna Haga in Sweden if SAS decides to use its purchase option which expires in 2013. Solna Haga has a book value of NOK 979 million (SEK 1.125 million) as at 31.12.2011.

Note 17 Subordinated loan capital and hybrid Tier 1 securities

31.12.2011		Loan amount	Book value	
NOK million	Currency	NOK	31.12.2011	Due date
Borrowings[1]				
October 1997	JPY 9 500	554	742	Perpetual
April 2006	EUR 300	2 372	2 401	Perpetual
Total subordinated loan		2 926	3 143	
April 2004	JPY 15 000	984	1 145	Perpetual
Total hybrid Tier 1		984	1 145	
Total subordinated loan capital and hybrid Tier 1 securities		3 911	4 288	

31.12.2010		Loan amount	Book value	
NOK million	Currency	NOK	31.12.2011	Due date
Borrowings[1]				
October 1997	JPY 9 500	554	685	Perpetual
April 2006	EUR 300	2 372	2 415	Perpetual
Total subordinated loan		2 926	3 100	
April 2004	JPY 15 000	984	973	Perpetual
Total hybrid Tier 1		984	973	
Total subordinated loan capital and hybrid Tier 1 securities		3 911	4 074	

JPY 9 500: The interest on the loan is fixed at 4.0 per cent p.a. The loan is perpetual but KLP has the right to redeem the loan after 20 years. After 30 October 2017 the interest will be the higher of fixed 4.75 per cent p.a. and 6 mnth JPY-interest plus 2.05 per cent p.a. In 2009 the existing financial hedging, comprising a loan with a corresponding interest rate swap, was replaced by a new balancing transaction comprising two bonds of JPY 4.5 b and JPY 5 b from Telia FRN and United Utilities respectively. This transaction is shown combined in the table below. KLP has not invoked accounting hedging for the financial hedging associated with this borrowing.

EUR 300: The interest on the loan is fixed at 5.25 per cent p.a. until 11 April 2016 after which it changes to a variable rate set at 2.27 per cent above three months' EURIBOR. The loan is perpetual but KLP has the right to redeem it at par on 11 April 2016. The loan is currency hedged by a similar investment in EUR-denominated bonds as shown in the table below. KLP has not invoked hedge accounting for the financial hedging shown in the table below. KLP has not invoked hedge accounting for the financial hedgingassociated with this borrowing. The composition of bonds has been changed in the last year.

JPY 15 000: The interest on the loan is fixed USD-interest of 5.07 per cent p.a. The loan is perpetual but KLP has the right to redeem the loan on 28 April 2034. If KLP does not exercise its redemption right in 2034, the loan will switch to variable interest. The credit margin then increases by 1 percentage point to 6-month JPY LIBOR-interest + a margin of 3.30 per cent p.a. To hedge the interest and exchange risk associated with the loan a combined interest rate and currency swap has been agreed in which KLP pays 3-month NIBOR-interest + a margin of 2.65 per cent p.a. and receives USD-interest of 5.07 per cent p.a. This hedging arrangement is shown in Note 18.

31.12.2011 NOK million	Nominal currency	Acquisition cost NOK	OIF interest	Unrealised currency	Book value 31.12.2011	Due date
Bonds	JPY 9 500	635	2	102	739	2017
Bonds[2]	EUR 304	2 419	40	-77	2 382	2015/2016
Total hedging transactions		3 055	42	25	3 121	

31.12.2010 NOK million	Nominal currency	Acquisition cost NOK	OIF interest	Unrealised currency	Book value 31.12.2011	Due date
Bonds	JPY 9 500	635	2	46	683	2017
Bonds[2]	EUR 304	2 445	34	-123	2 356	2015/2016
Total hedging transactions		3 080	36	-77	3 039	

[1] Interest costs on the two subordinated loans were NOK 151.3 million (147.9 million) and NOK 41.8 million (45.3 million) for the hybrid Tier 1 securities in 2011. Figures in brackets are 2010 figures.
[2] New composition of bonds through 2011.

Note 18 Hedge accounting

31.12.2011 NOK million	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	-161	-1 145
Hedging instrument			
Combined interest and currency swap	984	161	161
Hedging effectiveness as at 31.12.2011		100 %	
Hedging effectiveness through the year		100 %	
Hedged object			
Hedged object 1: Lending fixed interest in NOK	5 008	156	5 165
Hedging object 2: Covered bonds in NOK	2 750	-64	2 686
Hedging instrument			
Hedging instrument 1: Interest rate swap lending fixed interest in NOK	4 994	-168	4 825
Hedging instruments 2: Interest rate swap borrowing in NOK	2 750	70	2 820
Hedging 1:			
Hedging effectiveness as at 31.12.2011		-93 %	
Hedging effectiveness through the year		-93 %	
Hedging 2:			
Hedging effectiveness as at 31.12.2011		-91 %	
Hedging effectiveness through the year		-91 %	

31.12.2010 NOK million	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	11	-973
Hedging instrument			
Combined interest and currency swap	984	-11	-11
Hedging effectiveness as at 31.12.2010		100 %	
Hedging effectiveness through the year		100 %	
Hedged object			
10 years fixed interest borrowing with coupon 4.6 %	-250	-4.9	-255
Hedging instrument			
Interest rate swap	250	5.1	5
Hedging effectiveness as at 31.12.2010		96 %	
Hedging effectiveness through the year		96 %	

The note shows the financial instruments in the Group subject to hedge accounting, with associated hedging instruments.

Hybrid Tier 1 securities in foreign currency with fixed interest
The hybrid Tier 1 securities loans are hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is brought to account in accordance with the rules on fair value hedging. In practice the hedging involves a swap of currency terms (JPY 15 b against NOK 0.984 b) and interest terms (fixed interest at 5.07 % against NIBOR +2.6475 %) on the borrowing and the combined interest and currency swap respectively. The hedging effect is measured by looking at the change in fair value of the hedged object and the hedging instrument.

The hedging effect is valued retrospectively each month and is then considered effective if the change in fair value between hedged object and hedging instrument lies within the bracket 80 % to 125 %.

Covered bonds (CB) with fixed interest
The hedging instrument is an interest rate swap where the Group pays variable interest and receives fixed interest. The hedging is brought to book in accordance with the rules on fair value hedging and the purpose of this hedging is to hedge the interest-rate risk on the borrowing. The hedged object

and the hedging instrument are struck on the same terms and conditions. Principal, interest, duration and interest dates are identical. The hedging effect is measured by comparing accumulated value change on the hedging instrument to accumulated value change on the hedged object. The hedging effect is valued retrospectively each month and is then considered effective if the change in fair value between hedged oject and hedging instrument lies within the bracket 80 % to 125 %.

Lending with fixed interest
The hedging of lending is done with an interest rate swap in which the Group pays variable and receives fixed. The hedging is brought to book in accordance with the rules on fair value hedging and the purpose of this hedging is to hedge the interest-rate risk on the lending. The hedgedobject and the hedging instrument are struck on the same terms and conditions. The hedging effect is measured by comparing accumulated value change on the hedging instrument to accumulated value change on the hedged object.
The hedging effect is valued retrospectively each month and is then considered effective if the change in fair value between hedging object and hedging instrument lies within the bracket 80 % to 125 %.

General
Fair value hedging means that the hedged value development of the hedged object is taken to income. Correspondingly the value change on the hedging instrument is taken to income.

Since the value development on the hedged object and the hedging instrument is almost 100 % negatively correlated to the hybrid Tier 1 securities and the hedging of the borrowing and lending in the banking business has a very high hedging effect, the effect on income will be very small on these three instances of hedge accounting. See also Note 2 for detailed description of the hedge accounting in the accounts.

Note 19 Financial liabilities

NOK million	Nominal in NOK	Currency	Interest rate	Due date	Book value 31.12.2011	Book value 31.12.2010
Subordinated loan capital and hybrid Tier 1						
Perpetual subordinated loan capital						
Kommunal Landspensjonskasse	2 372	EUR	Fixed	Perpetual	2 402	2 415
Kommunal Landspensjonskasse	554	JPY	Fixed	Perpetual	742	685
Hybrid Tier 1 securities						
Kommunal Landspensjonskasse	984	JPY	Fixed	Perpetual	1 145	973
Total subordinated loan capital and hybrid Tier 1	3 910				4 288	4 074
Liabilities created on issuance of securities						
Covered bonds						
KLP Kommunekreditt		NOK	Variable	2011		3 000
KLP Kommunekreditt	5 900	NOK	Variable	2012	5 900	1 500
KLP Kommunekreditt	1 095	SEK	Variable	2013	1 095	0
KLP Kommunekreditt	4 000	NOK	Variable	2013	4 000	1 000
KLP Kommunekreditt	4 000	NOK	Variable	2014	4 000	0
KLP Kommunekreditt	4 300	NOK	Variable	2015	4 300	3 500
KLP Kommunekreditt	2 000	NOK	Fixed	2015	2 000	0
KLP Kommunekreditt	750	NOK	Fixed	2020	750	250
Value adjustment on accrued interest					107	0
Total covered bonds	22 045				22 152	9 250
Debt to credit institutions						
KLP Kreditt		NOK	Variable	2011		12 958
KLP Banken	1 000	NOK	Fixed	2012	1 006	
Kommunal Landspensjonskasse	392	NOK/ EUR/USD	Variable	2012	392	330
Total liabilities to credit institutions	1 392				1 398	13 287
Liabilities to and deposits from customers[1]						
Personal	1 809	NOK			1 809	905
Business	31	NOK			31	121
Total liability to and deposits from customers	1 840				1 840	1 026
Total financial liabilities	29 187				29 680	27 636

[1] There is no contractual maturity date on deposits

The note shows financial liabilities the Group had at the end of the reporting period.

The companies stated are the issuers of the financial liability described. Deposits belong under KLP Banken AS.

Note 20 Tax

NOK million	2011	2010
Accounting income before taxes	653	569
Differences between accounting and tax income:		
Refunding of value reduction, financial assets	5 298	518
Reversal of value increase financial assets	-4 964	-6 097
Reversal of value increase properties	-472	-1 634
Accounting loss on realisation of shares and other securities	1 817	1 302
Accounting gain on realisation of shares and other securities	-1 239	-1 293
Tax gain on realisation of shares and other securities	60	25
Tax loss on realisation of shares and other securities	0	-1
Reversing of previous years' depreciation on shares etc. taken to income	-5	-5
Refunding of 3% tax-free income i.a.w. the exemption method	2	11
Share of taxable income in partnerships	32	80
Share of accounting income in partnerships	0	0
Other permanent differences	-213	-113
Dissolving of admin. reserve 1 January 2011	-85	0
Change in principal concerning value change - properties	0	7 381
Change in differences affecting relationship between accounting and tax income	-81	-765
Taxable income	803	-23
Group contribution made/received with tax effect	0	0
Surplus/deficit for the year is transferred to carryforward deficit	803	-23
Deficit carryforward allowable from previous years	-9 526	-9 504
Change for the year in carryforward deficit	803	-23
Total carryforward deficit and allowance as at 31 December 2011	-8 723	-9 526

Unused allowance from previous years may only be used within 10 years. The Company used none in 2011 and it is not very likely the Company will be able to use the remaining allowance before it expires.

Reconciliation of basis for deferred tax	31.12.2011	31.12.2010
Tax-increasing temporary differences:		
Fixed assets	33	55
Buildings and other real estate	7 655	7 381
Long term receivables	286	83
Change risk equalisation fund	435	265
Securities	4 922	4 488
Shares in partnerships	48	30
Lending to customers and credit enterprises	104	64
Other differences	7	0
Total tax-increasing temporary differences	13 491	12 366
Tax-reducing temporary differences:		
Gains and losses account	-585	-526
Fixed assets	-1	-1
Pension obligations	-592	-600
Other liabilities	-2	0
Securities	-82	-214
Unused allowance share dividend	-238	-513
Other differences	-9	-9
Total tax-reducing temporary differences	-1 509	-1 862
Net temporary differences	11 982	10 504
Carryforward deficit	-15 799	-16 827
Basis for deferred tax	-3 817	-6 323
28% deferred tax assets	-1 069	-1 770
Devaluation of deferred tax assets	1 024	1 750
Capitalised deferred tax/tax assets	-45	-21
Change in deferred tax taken to income	-24	-21

Tax effect associated with items in comprehensive income is NOK 0.

Note 21 Technical matters

Premiums, claims and change in technical reserves by sector

NOK million	Premium income for own account 2011	Premium income for own account 2010	Claims for own account 2011	Claims for own account 2010	Change in technical reserves before income allocations 2011	Change in technical reserves before income allocations 2010
Life insurance						
Group pension - Public sector	21 543	20 114	9 890	9 896	17 011	15 217
Group pensions private	295	150	30	17	276	148
Group life	146	166	143	184	1	6
Non-life insurance						
Business-related insurances	444	423	379	432	-4	26
Personal/ private insurances	104	65	94	57	7	6
Natural perils insurances	41	41	80	27		
Total	22 574	20 959	10 616	10 613	17 291	15 402

Insurance liabilities by sector

NOK million	Total 31.12.2011	Total 31.12.2010	Change in 2011
Group pension - defined benefit	244 086	227 966	16 120
Group pension - defined contribution	198	126	72
Non-life insurance	2 567	2 632	-65
Total technical provisions	246 850	230 724	16 126

Insurance liabilities in life insurance by sector

	Group pension - Public sector		Group pensions - Private					
NOK million	Defined benefits with annual returns guarantee	Defined benefits with multi-year returns guarantee	Defined benefits with annual returns guarantee	Defined benefits with investment option	Group life	Total 31.12.2011	Total 31.12.2010	Change in 2011
Premium reserve	221 976	1 275	605	195	7	224 058	206 836	17 222
Supplementary reserves	12 234	85	25			12 344	10 179	2 165
Securities adjustment fund	4 958		0			4 958	7 463	-2 505
Premium fund, the pensioners' surplus fund and deposit fund	2 801	28	16	3		2 848	3 528	-680
Claims reserve			0		69	69	79	-10
Buffer reserves		7				7	7	0
Total insurance liabilities in life insurance 31.12.2011	241 969	1 394	646	198	76	244 283	228 092	16 192
Total insurance liabilities in life insurance 31.12.2010	227 175	273	433	126	85	228 092		

Technical provisions in non-life insurance by sector

NOK million	Business-related insurances	Personal/ private insurances	Natural perils and other pool schemes	Total 31.12.2011	Total 31.12.2010	Change 2011
Premium provision						
FSA of N min requirements						
Claims reserve	1 842	68	53	1 963	2 043	-79
FSA of N min requirements	1 559	54	53	1 665	1 759	-93
Security reserve	437	26	1	464	456	8
FSA of N min requirements	197	26	1	224	236	-12
Total technical provisions non-life insurance 31.12.2011	2 348	158	61	2 567	2 632	-65
Total technical provisions non-life insurance 31.12.2010	2 506	107	19	2 632		

Note 21 Technical matters, contd.

Changes in insurance liabilities

NOK million	Premium reserve	Supplementary reserves	Securities adjustment fund	Premiums and deposits funds	Buffer reserves	Claim reserves	Total 2011	Total 2010
Opening balance	206 836	10 179	7 463	3 528	7	79	228 092	204 875
Changes in insurance liabilities taken to income								
Net reserves taken to income	17 208	2 153	-2 505	85	0	-10	16 931	22 516
Surplus on returns result	7	4	0	1 135	0	0	1 146	2 206
Risk result assigned to insurance contracts	2	0	0	154	0	0	156	190
Other assignment of surplus	1	0	0	164	0	0	164	195
Total changes taken to income	17 218	2 157	-2 505	1 537	0	-10	18 398	25 107
Transfers between funds/allocation to premium payment	3	8		-2 254			-2 242	-1 891
To/from funds on transfer settlement	0			36			36	2
Total changes not taken to income	3	8		-2 218	0		-2 206	-1 889
Total changes in insurance liabilities	17 221	2 166	-2 505	-680	0	-10	16 192	23 218
Total insurance liabilities 31.12.2011	224 058	12 344	4 958	2 848	7	69	244 283	228 092
Total insurance liabilities 31.12.2010	206 836	10 179	7 463	3 528	7	79	228 092	

Results analysis

NOK million	Group pension - public sector	Group pensions - private	Group life	Total 2011	Total 2010
Result to insurance customers					
Returns result	3 275	14	0	3 288	4 305
Risk result excluding profit element - customer share	154	2		156	161
Other income elements	165			165	195
Total result to insurance customers	3 594	16	0	3 610	4 661
Increased reserves because of greater longevity		10		10	0
Transferred to supplementary reserves	2 143	4		2 147	2 074
Allocated to the customers' premium fund	1 451	2		1 453	2 586
Total allocated result to customers	3 594	16	0	3 610	4 661
Result to insurance providers					
Share of returns result	12	0		12	13
Risk result excluding profit element	154	0	-3	151	-26
Administration result	55	-28	7	33	59
Consideration for interest rate guarantee and profit element	212	2		214	185
Other income elements	-165			-165	-191
Result to insurance provider (technical result in life insurance)	268	-26	3	245	40

Note 21 Technical matters, contd.

Transfers and new business - life insurance

	Group pension - Public sector		Group pensions - Private			
	Defined benefits		Defined benefits		Defined contribution	
NOK million	2011	2010	2011	2010	2011	2010
Funds transferred in						
Premium reserve	112	54	173	26	22	72
Supplementary reserves	16	0	7	1	0	0
Funds received taken to income	127	54	180	27	22	72
Premium Fund	31	11	7	2	2	3
Total funds received	158	65	187	28	24	75
Number of contracts	10	9	18	12	65	717
Funds transferred out						
Premium reserve	282	1 289	10	3	3	5
Supplementary reserves	13	100	0	0	0	0
Valuation reserves	16	0	0	0	0	0
Funds paid out taken to income	310	1 389	10	3	3	5
Premium Fund	4	14	0	0	0	0
Total funds paid out	314	1 403	10	3	3	5
Number of contracts	13	35	2	2	11	60

New business

	Group pension - Public sector		Group pensions - Private					
	Defined benefits		Defined benefits		Defined contribution		Group life	
NOK million	2011	2010	2011	2010	2011	2010	2011	2010
Premium volume	41	26	9	4	14	12	8	10
Number of contracts	80	81	6	2	175	98	97	144

Note 22 Tangible fixed assets

NOK million	Property for own use	Vehicles	Machines/ inventory	2011	Property for own use	Vehicles	Machines/ inventory	2010
Book value 01.01.	870	5	84	959	403	6	41	450
Acquisition cost 01.01.	883	12	209	1 104	377	11	152	540
Accum. depreciation previous years	-36	-7	-125	-168	-21	-6	-111	-138
Accum. value adjustment previous years	23	0	0	23	48	0	0	48
Additions	0	1	16	17	851	1	57	909
Assets held for sale	0	-1	-2	-3	0	0	0	0
Purchases re business transfer	0	0	0	0	0	0	0	0
Value adjustments	92	0	0	92	43	0	0	43
Loss on fall in value	0	0	0	0	0	0	0	0
Depreciation	-18	-1	-15	-34	-14	-2	-14	-30
Reclassified to investment property	0	0	0	0	-413	0	0	-413
Other changes	0	0	10	10	0	0	0	0
Acquisition cost 31.12.	883	12	223	1 118	883	12	209	1 104
Accumulated depreciation 31.12	-54	-9	-140	-202	-36	-7	-125	-168
Accumulated value adjustment 31.12	114	0	0	114	23	0	0	23
Book value 31.12.	944	3	94	1 041	870	5	84	959
Economic life	50 years	5 years	3-5 years					
Depreciation scheme	Straight-line	Balance/ Straight-line	Balance/ Straight-line					

Note 23 Capital control and capital adequacy

NOK million	31.12.2011	31.12.2010
Owners' equity contributed	6 217	5 628
Retained earnings	5 847	5 186
Total owners' equity	12 064	10 814
Hybrid Tier 1 securities	1 145	984
Intangible assets	-344	-366
Risk equalization fund	-431	-265
Unrealised price changes in the corporate portfolio	-133	-174
Reinsurance provision	-11	-14
Deductions for investments in other financial institutions	-3	-3
Other owners' equity	-401	-371
Surplus fund	-19	-49
Adjustment of owners' equity at Group level	-117	-17
Core capital	11 751	10 539
Perpetual Tier 1 and 2 capital	3 032	3 020
Deduction Tier 1 and 2 capital in other financial institutions	-3	-3
Supplementary capital	3 028	3 017
Net Tier 1 and 2 capital	14 780	13 556

Assets and off-financial position statement items by risk weighting[1]	31.12.2011 Non-weighted sums		Weighted sums	31.12.2010 Non-weighted sums		Weighted sums
Fixed interest securities	50 603	0 %	0	49 689	0 %	-
Covered bonds	17 089	10 %	1 709	3 694	10 %	369
Fixed income securities, lending, bank deposits and fixed	94 718	20 %	18 944	103 538	20 %	20 708
Housing mortgage lending	9 100	35 %	3 185	8 908	35 %	3 118
Fixed income funds	16 465	50 %	8 233	16 243	50 %	8 121
Shares, equity funds and fixed income securities	99 100	100 %	99 100	85 333	100 %	85 333
Private Equity	3 626	150 %	5 439	2 719	150 %	4 078
Proportion investment option[2]	198		25	120		16
Total weighted assets in the financial position statement			136 634			121 743
Derivatives and contingent liabilities	48 971		3 113	48 937		2 359
Deduction Tier 1 and 2 capital in other financial institutions			-6			-7
Deduction unrealised gains on financial investments			-4 022			-5 757
Risk-weighted calculation basis			135 718			118 338
Capital adequacy ratio			10.9 %			11.5 %
Core capital adequacy			8.7 %			8.9 %

[1] The description given on each of the rates is given based on those assets that form the majority of the basis for weighting.

[2] The investment option units are those of the assets of KLP Bedriftspensjon that are included in the investment option portfolio and are weighted 1/5 of ordinary weighting.

Note 23 Capital control and capital adequacy, contd.

The parent company of the Group is a mutually owned life insurance company whose principal aim is to administer the capital the members have placed in the Company either as owners (owners' capital) or as pension customers (pension funds) as well as possible within the business's ability to bear risk.

Life insurance companies are subject to special regulations that set requirements for investment management and that provide investment limitations in the management of the pension customers' funds. The Group's strategy for management of its pension customers' funds is formulated within the scope allowed by the regulations. Investment areas (asset classes) in which the assets are placred are defined. The different asset classes have different characteristics and risk profiles and the proportion invested in the different asset classes is continuously adjusted on the basis of the business's ability to bear, and appetite for, risk. This is monitored and reported on a daily basis.

Besides financial diversification of its customers' assets, the Company has a long-term investment strategy in which risk-taking is continuously matched to the Company's ability to bear risk.

That risk-bearing ability is based on the risk being correlated with the Company's financial buffers and its ability to tolerate unexpected negative movements.

For more information concerning management , please see Note 9 Risk management.

The Group also conduct other business for which there are regulatory requirements for asset management. This is primarily non-life insurance and banking activity. These activities are conducted through wholly-owned subsidiaries and must comply with regulatory solvency requirements at the company level.

In the same way as life insurance, the non-life insurance activity is subject to special regulations that stipulate requirements for capital management. In the same way as for life insurance different investment areas (asset classes) in which the capital is invested are defined. The proportion that is invested in the different asset classes is matched to the defined risk-bearing capability and risk appetite of the business.

The banking activity is conducted within a clearly defined target group for placement of lending to achieve the desired level of security and guarantees for the investments.

The activities must meet the capital adequacy and core capital adequacy requirements set by the authorities at the consolidated level. The capital adequacy rules are based on the probability of a financial institution or a securities enterprise not being able to meet its payment liabilities increasing with its proportion of debt. The main components comprise net Tier 1 and Tier 2 capital seen in relation to a financial position statement adjusted for estimated counterparty risk.

The capital adequacy is an obligatory report requirement that is reported quarterly at company level and half-yearly at the consolidated level.

Core capital

Contributed owners' equity and retained earnings form the most significant element of the core capital. Generally it may be said that other items that for accounting purposes are included as owners' equity but that have limited loss absorption are deducted from core capital (see over for details). Hybrid Tier 1 securities are included as core capital to maximum 15 per cent of other core capital. Any surplus counts as supplementary capital. Intangible assets are deducted from core capital. Unrealised price changes in the corporate portfolio are deducted when the income from the Company is included.

Supplementary capital

Subordinated loans in foreign currency are valued at the lower of the exchange rate on the calculation date and the exchange rate on the date taken up, apart from the subordinated loan in Japanese yen (JPY). For this, instead of the date taken up, the exchange rate as at 29.10.01 is used, which is the date of the application to the Financial Supervisory Authority of Norway for a different rate of exchange to be used. The hybrid Tier 1 securities loan also falls subject to the lowest value principle.

The deduction of Tier 1 and Tier 2 capital in other financial institutions is divided 50/50 between core capital and supplementary capital in accordance with Section 7 of the Regulations on calculation of subordinated capital. The authorities' minimum requirement for capital adequacy is set at 8 per cent for insurance companies as for other financial institutions.

Note 24 Intangible assets

NOK million	IT-systems	Other	2011	IT-systems	Other	2010
Book value 01.01.	350	16	366	364	16	380
Acquisition cost 01.01.	654	16	669	543	16	559
Total additions	82	0	82	112	0	112
of which internally developed	17	0	17	18	0	18
of which bought	65	0	65	93	0	93
Assets taken to expenses	0	0	0	0	0	0
Acquisition cost 31.12.	735	16	751	655	16	671
Accumulated depreciation and write downs previous years	-304	0	-304	-179	0	-179
Ordinary depreciation for the year	-67	0	-67	-61	0	-61
Write-down[1]	-37	0	-37	-65	0	-65
Accumulated depreciation and write downs 31.12.	-407	0	-407	-305	0	-305
Book value 31.12.	328	16	344	350	16	366
Depreciation period			3 to 10 years			3 to 10 years

[1] At the end of 2011 three capitalised IT systems were identified where the book value exceeded the estimated recoverable sum. The estimated recoverable sum is calculated by estimating future earnings with book value. This resulted in the following assessment:

NOK million	31.12.2011	31.12.2010
Book value before depreciation	92	155
Recoverable sum	56	90
Write-down	37	65

The write-down is included within the operating costs in the income statement.

Note 25 Solvency margin

NOK million	2011	2010	2009
Solvency margin requirement calculated i.a.w. Norwegian Ministry of Finance regulations			
KLP Bedriftspensjon AS	8 747	8 201	7 610
KLP Skadeforsikring AS	127	127	127
Combine solvency margin requirement	8 874	8 328	7 737
Solvency capital			
Tier 1 and 2 capital	14 780	13 556	12 532
Other solvency margin capital life insurance	6 390	5 224	4 200
Other solvency margin capital non-life insurance	372	355	339
Solvency capital	21 541	19 134	17 071
Solvency margin ratio	242.7 %	229.7 %	220.7 %

The solvency margin requirement for Kommunal Landspensjonskasse and KLP Bedriftspensjon AS is correlated i.a.w. the Regulations of 19 May 1995 No. 481 and calculation of solvency margin requirement and solvency margin capital for Norwegian life insurance companies Chapter 2.

The solvency margin requirement for KLP Skadeforsikring AS is calculated i.a.w. The Regulations of 19 May 1995 No. 482 on calculation of solvency margin requirement and solvency margin capital for Norwegian non-life insurance companies

Note 26 Return on capital for life insurance companies

Return I = Book return
Return II = Value-adjusted return This is the book return +/-unrealised value changes charged to the securities adjustment fund

Kommunal Landspensjonskasse

Per cent	2011	2010	2009	2008	2007
Total of common portfolio					
Return I - Book	4.5	5.1	6.4	1.0	7.5
Return II - Value-adjusted	3.2	7.5	7.7	-3.0	6.7
Sub-portfolios of the common portfolio					
Balanced portfolio 1					
Return I - Book	4.5	5.1	6.1	0.9	N/A
Return II - Value-adjusted	3.2	7.5	7.4	-3.1	N/A
Balanced portfolio 2					
Return I - Book	4.5	5.1	7.0	1.1	N/A
Return II - Value-adjusted	3.3	7.5	8.2	-2.8	N/A
Proactive portfolio					
Return I - Book	N/A	5.4	6.8	2.7	N/A
Return II - Value-adjusted	N/A	7.9	8.0	-2.3	N/A
Investment option portfolio	2.2	8.6	9.2	N/A	N/A
Corporate portfolio	4.2	5.2	6.7	4.0	N/A

Until the end of 2007, customer assets and Company assets were managed in the same portfolio. During 2011 no assets were managed in the Proactive sub-portfolio. The investment option portfolio was established on 1 January 2009 for KLP pension customers with multi-annual interest rate guarantee and separate investment portfolio.

KLP Bedriftspensjon AS

Per cent	2011	2010	2009	2008	2007
Common portfolio					
Return I - Book	6.3	6.0	7.1	1.1	N/A
Return II - Value-adjusted	3.7	8.3	8.3	-2.3	N/A
Investment option portfolio	0.2	9.3	23.3	-21.3	N/A
Corporate portfolio	4.8	5.0	8.4	-0.8	N/A

The tracks associated with defined benefit enterprise pensions were established in KLP Bedriftspensjon on 1 January 2008 on the transfer of business from the parent company. There are no sub-portfolios in this common portfolio. The investment option portfolio in KLP Bedriftspensjon relates to defined contribution pension.

Note 27 Pensions obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises («Fellesordningen») . The company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ('obligatorisk tjenestepensjon', or OTP). The company has a contract pension (AFP) scheme.

The accounting treatment of pension obligations is described in more detail in Note 2.

NOK million	Joint scheme	Via operation	2011	2010
Pension costs				
Present value of accumulation for the year	79	9	88	86
Cost of interest	37	5	42	41
Gross pension cost	116	13	130	127
Expected return	-31	0	-31	-29
Administration costs/Interest guarantee	3	0	3	3
Net pension cost including administration costs	89	13	102	102
Social security costs net pension cost including administration costs	13	2	14	14
Plan change through profit/loss	0	0	0	-73
Pension costs including social security costs through profit/loss	101	15	116	42

NOK million	Joint scheme	Via operation	2011	2010
Pension obligations 31.12				
Gross accrued obligations	1 141	138	1 280	980
Pension assets	622	7	629	555
Net pension obligations/assets before social security costs	520	131	651	424
Social security costs	73	19	92	60
Net obligations incl. social security costs	593	150	743	484
Actuarial loss/gain excl social security costs not taken to profit/loss	-176	-21	-197	-7
Actuarial loss/gain social security costs not taken to profit/loss	-25	-3	-28	-1
Capitalised net liabilities/assets including social security costs	392	126	518	476

Number	31.12. 2011	31.12. 2010
Member status ("Fellesordningen")		
Number active	770	728
Number deferred (previous employees with deferred entitlements)	214	201
Number of pensioners	161	154

NOK million	Joint scheme	Via operation	2011	2010
Development of actuarial gains/losses not taken to profit/loss				
Actuarial gains/losses not taken to profit/loss OB	-3	-5	-8	25
Actuarial gain/loss funds	2	0	1	0
Actuarial gain/loss obligation	-176	-16	-192	-29
SSC on deviation	-25	-2	-27	-4
Actuarial gains/losses not taken to profit/loss CB	-201	-24	-225	-8

NOK million	Joint scheme	Via operation	2011	2010
Change in pension assets				
Gross pension assets book value 01.01.	560	7	567	492
Pension agreements converted to KLP Kreditt AS paid-up policies	-14	0	-14	-14
Expected return	31	0	31	29
Actuarial losses/gains	2	0	1	0
Administration costs/Interest guarantee	-3	0	-3	-3
Takeovers/acquisitions	0	0	0	0
Premiums paid in/contribution (including administration costs)	61	4	65	67
Payments	-14	-4	-18	-16
Gross pension assets book value 31.12.	622	7	629	555

Note 27 Pensions obligations, own employees, contd.

NOK million	Joint scheme	Via operation	2011	2010
Change in pension obligations				
Gross pension obligations book value 01.01.	882	113	995	921
Pension agreements converted to KLP Kreditt AS free standing policies	-18	0	-18	-18
Plan change	0	0	0	-64
Gross pension obligations OB after plan change	864	113	977	839
Present value of accumulation for the year	79	9	88	86
Cost of interest	37	5	42	41
Actuarial losses/gains	176	16	192	29
Payments	-14	-4	-18	-16
Gross pension obligations book value 31.12.	1 141	138	1 280	980

NOK million	Joint scheme	Via operation	2011	2010
Pension scheme's over-/under-financing				
Present value of the defined benefits pension obligation	1 141	138	1 280	980
Fair value of the pension assets	-622	-7	-629	-555
Net pension obligations	520	131	651	424

NOK million	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Pension scheme's over-/under-financing last 4 years				
Present value of the defined benefits pension obligation	980	921	818	683
Fair value of the pension assets	-555	-492	-400	-362
Net pension obligations	424	429	418	321

NOK million	Joint scheme	Via operation	2011	2010
Return on pension assets				
Expected returns on pension assets	31	0	31	29
Actuarial loss/gain on pension funds	2	0	1	0
Actual return on pension funds	32	0	32	29

NOK million	Joint scheme	Via operation	2011	2010
Plan changes during the period				
Plan changes during the period	0	0	0	-64
SSC on plan changes	0	0	0	-9
Plan changes during the period taken to profit/loss	0	0	0	73
Plan change not taken to profit/loss CB	0	0	0	0

Per cent	31.12.2011	31.12.2010
Financial assumptions for the result (common to all pension schemes)		
Discount rate	4.00 %	4.50 %
Salary growth	4.00 %	4.50 %
National Insurance basic sum (G)	3.75 %	4.25 %
Pension increases	2.97 %	4.25 %
Expected return	5.40 %	5.70 %
Social security contribution rates	14.10 %	14.10 %
Amortisation time	15	15
Corridor magnitude	10.00 %	10.00 %

Per cent	31.12.2011	31.12.2010
Financial assumptions for the financial position statement (common to all pension schemes)		
Discount rate	2.60 %	4.00 %
Salary growth	3.50 %	4.00 %
National Insurance basic sum (G)	3.25 %	3.75 %
Pension increases	2.48 %	2.97 %
Expected return	4.10 %	5.40 %
Social security contribution rates	14.10 %	14.10 %
Amortisation time	15	15
Corridor magnitude	10.00 %	10.00 %

Actuarial assumptions:

KLP's joint pension scheme for municipalities and enterprises («Fellesordningen»):
An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme. The 2011 calculation is based on a strengthened K2005 mortality tariff and an disability frequency corresponding with that observed in KLP's total membership.

Take-up of AFP for 2011 (per cent in relation to remaining employees):
On reaching 62 years there are 45 per cent who retire with an AFP pension. The remainder retire on reaching pensionable age.

Voluntary termination for Fellesordning during 2011 (in %)

Age (in years)	< 20	20-23	24-29	30-39	40-50	51-55	>55
Turnover	20 %	15 %	10 %	7.5 %	5 %	2 %	0 %

Longevity: K2005 without a safety margin has been used for mortality assumptions in 2011.

Pensions via operation: Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2005 has been used as for Fellesordningen.

Per cent	31.12.2011	31.12.2010
Composition of the pension assets:		
Property	11.7 %	11.3 %
Lending	10.4 %	13.1 %
Shares	14.3 %	18.5 %
Long-term/HTM bonds	33.1 %	32.9 %
Short-term bonds	22.0 %	22.5 %
Liquidity/money market	8.6 %	1.6 %
Total	100.0 %	100.0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds managed at the end of the year by KLP. Value-adjusted return on the assets was 3.3 per cent in 2011 and 7.5 per cent in 2010.

Expected payment into benefits plans after cessation of employment for the period 1 January 2011 – 31 December 2011 is NOK 88,872,940.

Note 28 Salary and obligations towards senior management/governing bodies

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines. For further information on remuneration schemes in companies forming the KLP Group, see www.klp.no.
Senior employees are defined as the senior management team of the Kommunal Landspensjonskasse Group. This comprises the Group Chief Executive Officer, the KLP Group executive vice presidents and managing directors of certain subsidiaries.

All members of the Group Senior Management are pensionable at age 65. Pension costs for the year include accumulation for the year and interest costs less expected returns and plan change.

The Group Chief Executive Officer has termination salary corresponding to a year's salary including supplementary benefits in the event of termination of the employment contract. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for its members of the Board of Directors.

Two of the members of the Group Senior Management have bonus agreements. The bonus is primarily linked to results achieved and is individually capped in relation to a given percentage of the individual's annual salary, up to 50 per cent and 150 per cent of annual salary respectively. One of the members of the Group Senior Management has an agreement on termination salary for three years.

All employees in the Group may take up loans with KLP on lending terms and conditions for staff. No senior management have terms and conditions that deviate from this. Loans to external members of the Board of Directors, the Control Committee and the Supervisory Board are only made on general lending terms.

2011 NOK thousand	Salary, fees, etc.	Bonus	Other benefits	Annual pension accumulation	Loan with the Group	Interest rate as at 31.12.11	Payments plan[2]
Senior management[1]							
Sverre Thornes, Group CEO	3 063		165	1 001	7 507	2.70-3.60	A2038
Ida Espolin Johnson, Executive Vice President, Life insurance	2 234		116	803	8 400	3.15-4.60	A2039
Ole Jacob Frich, Executive Vice President Communicatons	1 334		130	395	6 576	3.15-3.90	A2041
Aage E. Schaanning, Executive Vice President and CFO	2 814		120	871	2 977	2.70-2.95	A2031
Rune Mæland, Executive Vice President IT	1 394		160	277	1 741	2.70	A2034
Toril B. Ressem, Executive Vice President, Group Services (January and February)	378		29	90	2 707	2.95-3.60	A2041
Cathrine Hellandsvik, Executive Vice President, Group Services (March to December)	990		88	260	2 002	2.95-3.45	A2037
Mette-Jorunn Meisland, Executive Vice President Marketing	1 134		117	381	6 000	2.95-3.45	A2038
Hans Martin Hovden, Managing Director KLP Skadeforsikring AS	1 527		124	416	7 422	2.95-3.60	A2041
Håvard Gulbrandsen, Managing Director KLP Kapitalforvaltning AS	1 638	1 575	121	543	2 794	3.15	A2040
Gunnar Gjørtz, Managing Director KLP Eiendom AS	2 311		128	854	4 899	3.15	housing credit
Leif Magne Andersen, Managing Director KLP Banken AS (from Desember 2011)	206		10	51			
Board of Directors							
Arne Øren, Chair	283						
Finn Jebsen, Deputy Chair	226						
Herlof Nilssen	188				497	3.75	A2031
Gunn Marit Helgesen	175						
Jan Helge Gulbrandsen	150						
Marit Torgersen	89						
Siv Holland, elected by and from the employees	150				1 751	3.15	housing credit
Freddy Larsen, elected by and from the employees	188				1 354	2.70-3.55	A2031
Control Committee							
Ole Hetland, Chair	67						
Jan Rune Fagermoen, Deputy Chair	56						
Bengt Johansen	84						
Line Alfarustad	29						
Dordi E. Flormælen	29						
Supervisory Board							
Total Supervisory Board, incl. employee representatives[3]	677				36 770		
Employees							
Total loans to Group staff					1 046 987		

Note 28 Salary and obligations towards senior management/governing bodies, contd.

2010 NOK thousand	Salary, fees, etc.	Bonus	Other benefits	Annual pension accumulation	Loan with the Group	Interest rate as at 31.12.11	Payments plan[2]
Senior management[1]							
Sverre Thornes, Group CEO	2 862		182	938	6 907	3.15-3.34	A2038
Ida Espolin Johnson, Executive Vice President,	2 146		130	752	8 400	3.15-3.35	A2040
Ole Jacob Frich, Executive Vice President Communicatons	1 280		126	371	6 363	3.15-3.50	A2041
Aage E. Schaanning, Executive Vice President and CFO	2 577		124	816	3 127	3.15-3.40	S2033
Rune Mæland, Executive Vice President IT	1 262		151	256	1 741	3.40	A2036
Toril B. Ressem, Executive Vice President, Group	1 330		146	511	2 707	3.15	S2040
Hans Martin Hovden, Managing Director KLP Skadeforsikring AS	1 405		114	383	445	3.15	A2026
Steinar Manengen, Managing Director KLP Eiendom AS	2 420	1 165	147	812	5 500	3.15	A2037
Stig Helberg, Managing Director KLP Banken AS	1 719		118	522	0	-	-
Håvard Gulbrandsen, Managing Director KLP Kapitalforvaltning AS	1 494	563	118	516	2 471	3.15	A2041
Board of Directors							
Arne Øren, Chair	273						
Finn Jebsen, Deputy Chair	201						
Ann Inger S. Døhl	169						
Herlof Nilssen	163				525	4.30	A2026
Gunn Marit Helgesen	169						
Jan Gulbrandsen	111						
Siv Holland, elected by and from the employees	74				1 737	3.15	housing credit
Freddy Larsen, elected by and from the employees	145				1 523	3.15-4.10	A2033
Control Committee							
Ole Hetland, Chair	80						
Anne-Marie Barane, Deputy Chair	67						
Aud Mork	67						
Jan Rune Fagermoen	67						
Bengt Johansen	8						
Supervisory Board							
Total Supervisory Board, incl. employee representatives[3]	702				25 569		
Total loans to Group staff					1 098 488		

1 Declared salary/remuneration applies only for the period the senior employee has held the position.
2 S= Serial loan, A= Annuity loan, last payment.

Note 29 Number of employees

	2011	2010
Total permanent employees in the Group 31.12.	775	762
Average number of employees in the Group	769	752

Note 30 Auditor's fee

NOK million	2011	2010
Ordinary audit	5.9	4.8
Certification services	0.5	0.6
Tax consultancy	0.3	0.1
Other services excluding audit	0.3	0.2
Total Auditor's fee	7.0	5.7

The sums above include VAT.

Note 31 Operating costs

NOK million	2011	2010
By class		
Staff costs	644	554
Depreciation and write down	138	158
Other operating expenses	334	245
Total operating expenses	1 115	957

Note 32 Other income and expenses

NOK million	2011	2010
Other income		
Contribution service pension/AFP	655	660
Fee income asset management	92	81
Income from associated companies	0	8
Other income	2	32
Total other income	748	781
Other expenses		
Other costs related to financial assets and liabilities	5	5
Payments service pension/AFP	654	664
Other costs	1	1
Total other expenses	660	670

Note 33 Other short term liabilities

NOK million	31.12.2011	31.12.2010
Accounts payable	1 046	672
Liabilities to insurance customers[1]	79	626
Social security costs, VAT and tax deductions owing	264	241
Salary and holiday pay due	72	70
Other short-term liabilities	134	33
Total other short term liabilities	1 596	1 642

[1] Liabilities to insurance customers involves the Group's liabilities to customers; the sum mainly reflects returns of pensions, the supplement scheme and the security scheme.

Note 34 Conditional liabilities

NOK million	31.12.2011	31.12.2010
KLP guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	3 658	2 630
Approved, not paid out KLP Group loan pledge	1 094	1 047
Total conditional liabilities	4 753	3 678

Note 35 Retained earnings

NOK million	Revaluation fund	Risk equalization fund	Natural perils pool fund	Other retained earnings	Retained earnings
Capitalised value 01.01.2010	48	237	225	4 104	4 614
Income	0	27	21	446	494
Other comprehensive income:					
-Revaluation of properties for own use	43	0	0	0	43
-Currency translation foreign subsidiaries	0	0	0	26	26
Other changes (directly capitalised):					
-Reclassification of funds in non-life insurance	0	0	0	-79	-79
-change in principle, revaluation fund	0	0	0	23	23
Capitalised value 31.12.2010	91	265	246	4 519	5 121
Income	0	166	-36	499	629
Comprehensive income:					
-revaluation of properties for own use	92	0	0	0	92
-currency translation foreign subsidiaries	0	0	0	6	6
Capitalised value 31.12.2011	183	431	211	5 023	5 847

For the days to come Photographed by Liv Nærstad

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Notes	NOK million	2011	2010
	Premiums due, gross	21 644	20 293
	Reinsurance premiums ceded	-3	-2
	Transfer of premium reserve from other insurance companies/pension funds	112	54
17	Total premium income	21 752	20 345
	Income from investments in property subsidiary	1 696	2 922
	Interest income/dividends on financial assets	8 790	6 998
	Value changes on investments	-2 728	5 438
	Gains and losses realised on investments	-337	69
4	Total net income from investments in the common portfolio	7 420	15 427
	Income from investments in property subsidiaries	10	4
	Interest income/dividends on financial assets	55	7
	Value changes on investments	-37	10
	Gains and losses realised on investments	1	0
4	Total net income from investment option portfolio	30	21
	Cover received AFP/service -pensions	655	646
	Miscellaneous interest income	6	4
32	Other insurance-related income	660	650
	Claims paid	-9 732	-8 692
	Changes in claims reserve	10	1
	Transfer of premium reserve, supplementary reserves and securities adjustment fund to other insurance companies/pension funds	-310	-1 389
17	Total claims	-10 033	-10 080
	Change in premium reserve	-16 886	-15 239
	Change in supplementary reserves	-2 140	-1 960
	Change in securities adjustment fund	2 492	-5 067
	Change in premium and deposits fund	-83	-64
17	Total changes in insurance liabilities taken to profit/loss – contractual liabilities	-16 618	-22 331
	Change in premium reserve	-54	-19
	Change in premium and deposits fund	-1	0
	Changes in other provisions	-6	-10
	Transfer of supplementary reserves from other insurance companies/pension funds	16	0
17	Total changes in insurance liabilities taken to profit/loss – individual investment option portfolio	-45	-29
	Surplus on returns result	-1 131	-2 197
	Risk result assigned to insurance contracts	-154	-189
	Other assignment of surplus	-165	-195
17	Total funds assigned to insurance contracts - contractual liabilities	-1 451	-2 581
	Administration costs	-170	-154
24	Sales costs	-99	-84
	Insurance-related administration costs	-519	-477
	Total insurance-related operating expenses	-788	-714
32	Other insurance-related costs	-656	-651
17	Technical result	271	59

Income statement KLP, contd.

Notes	NOK million	2011	2010
	Income from investments in subsidiaries, associated companies & joint ventures	100	216
	Interest income/dividends on financial assets	452	421
16	Net operating income from property	38	39
	Value changes on investments	-43	81
	Gains and losses realised on investments	93	-54
4	Total net income from investments in the corporate portfolio	639	703
	Other income	10	13
	Administration costs	-22	-18
	Other expenses	-194	-194
	Total administration costs and other costs associated with the corporate portfolio	-215	-212
	Non-technical profit/loss	434	504
	Income before tax	705	563
26	Tax	0	0
	Income before other profit/loss components	705	563
	Other comprehensive income	0	0
	Total comprehensive income	705	563
	Allocations and transfers		
	Transferred to other retained earnings	-539	-550
	Transferred to the risk equalization fund	-166	-13
	Total profit/loss allocation and transfer	-705	-563

Statement of financial position KLP

Notes	NOK million	31.12.2011	31.12.2010
	ASSETS		
	ASSETS IN THE CORPORATE PORTFOLIO		
	Intangible assets	293	306
18	Total intangible assets	293	306
	Investments in the corporate portfolio		
	Investment properties	941	949
5, 16	Investment properties	941	949
	Shares and holdings in subsidiaries and associated companies	2 037	2 130
13	Total shares and holdings in subsidiaries and associated companies	2 037	2 130
11	Investments held to maturity	3 225	3 238
11	Bonds classified as loans and receivables	3 860	3 341
5	Total financial assets at amortised cost	7 085	6 579
14	Shares and holdings	968	1 222
11	Bonds and other fixed-return securities	3 114	2 021
11	Lending and receivables	723	504
11	Financial derivatives	252	86
	Other financial assets	10	0
5,6	Total financial assets valued at fair value	5 067	3 832
5	Total investments in the corporate portfolio	16 468	14 699
	Receivables related to direct business	795	628
30	Intra-Group receivables	109	33
	Other receivables	60	95
	Total receivables	964	756
	Tangible fixed assets	63	62
	Cash, bank deposits	288	460
	Total other assets	351	522
	Total assets in the corporate portfolio	18 075	16 283
	ASSETS IN THE CUSTOMER PORTFOLIOS		
	Investments in the common portfolio		
13	Shares and holdings in property subsidiaries	27 816	25 122
	Receivables from and securities issued by subsidiaries, associated enterprises and joint ventures	4 306	3 200
5	Total subsidiaries, associated enterprises and joint ventures	32 122	28 322
11	Investments held to maturity	37 013	37 982
11	Bonds classified as loans and receivables	41 942	35 788
11,12	Other loans and receivables	20 798	26 453
5,11	Total financial assets valued at amortised cost	99 753	100 223
14	Shares	16 064	16 353
14	Equity fund units	17 977	17 772
14	Alternative investments	521	110
11	Bonds and other fixed-return securities	62 961	51 456
11	Lending and receivables	12 228	12 266
11	Financial derivatives	571	1 117
	Other financial assets	70	18
5,6	Total financial assets valued at fair value	110 392	99 092
5	Total assets in the common portfolio	242 267	227 637
	Investments in investment option portfolio		
13	Shares and holdings in property subsidiaries	170	33
5,11	Financial assets at amortised cost	538	103
6,14	Financial assets at fair value	696	139
5	Total assets in the investment option portfolio	1 404	274
	ASSETS	261 746	244 194

Statement of financial position KLP, contd.

Notes	NOK million	31.12.2011	31.12.2010
	OWNERS' EQUITY AND LIABILITIES		
	Other owners' equity contributed	6 217	5 628
	Total paid-up equity	6 217	5 628
	Risk equalization fund	431	265
	Other retained earnings	5 293	4 754
	Total retained earnings	5 723	5 019
	Perpetual subordinated loan capital	3 143	3 100
20	Hybrid Tier 1 securities	1 145	973
5,20	Total subordinated loan capital etc.	4 288	4 074
	Premium reserve	221 983	206 075
	Supplementary reserves	12 234	10 144
15	Securities adjustment fund	4 958	7 450
	Claims reserve	69	79
	Premium fund, deposits fund and pensioners' surplus fund	2 801	3 512
17	Total insurance liabilities in life insurance - contractual liabilities	242 045	227 260
	Premium reserve	1 275	243
	Supplementary reserves	85	19
	Premium fund, deposits fund and pensioners' surplus fund	35	12
17	Total insurance liabilities investment option portfolio	1 394	273
25	Pension liabilities	362	340
	Total provision for liabilities	362	340
	Liabilities related to direct insurance	74	619
	Liabilities to credit institutions	392	330
5	Financial derivatives related to the corporate portfolio	2	11
5	Financial derivatives related to the common portfolio	836	373
31	Other liabilities	357	210
	Total liabilities	1 662	1 544
	Other accrued costs and pre-paid income	54	57
	Total accrued costs and pre-paid income	54	57
	OWNERS' EQUITY AND LIABILITIES	261 746	244 194
	OFF BALANCE SHEET ITEMS		
33	Conditional liabilities	4 510	2 978
	Off balance sheet items	4 510	2 978

Oslo, 22 March 2012

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Arne Øren
Chair

Finn Jebsen
Deputy chair

Gunn Marit Helgesen

Jan Helge Gulbrandsen

Herlof Nilssen

Marit Torgersen

Freddy Larsen
Elected by and from the employees

Siv Holland
Elected by and from the employees

Sverre Thornes,
Group Chief Executive Officer

Schedule of changes in owners' equity KLP

2011

NOK million	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2011	5 628	5 019	10 647
Income	0	705	705
Other comprehensive income	0	0	0
Total comprehensive income	0	705	705
Transactions with owners			
Equity contribution paid in	597	0	597
Owners' equity contribution repaid	-8	0	-8
Total transactions with the owners	590	0	590
Owners' equity 31.12.2011	6 217	5 723	11 941

2010

NOK million	Owners' equity contributed	Retained earnings	Total owners' equity
Owner's equity 01.01.2010	5 107	4 535	9 642
Income	0	563	563
Other comprehensive income	0	0	0
Total comprehensive income	0	563	563
Transactions with owners			
Equity contribution paid in	556	0	556
Owners' equity contribution repaid	-35	0	-35
Total transactions with the owners	521	0	521
Other changes			
Change in principal non-life provision - unallocated loss adjustment expense (ULEA)	0	-79	-79
Total other changes	0	-79	-79
Owners' equity 31.12.2010	5 628	5 019	10 647

Statement of cash flows KLP

NOK million	2011	2010
Cash flow from operational activities		
Direct insurance premiums received	18 341	17 642
Reinsurance premiums paid	-3	-2
Direct insurance claims and benefits paid	-9 208	-8 277
Payments received on transfer	110	55
Payments made on transfer	-308	-1 378
Payments to other suppliers for products and services	-590	-449
Payments to staff, pension schemes, employer's social security contribution etc.	-344	-316
Interest paid	-206	-206
Interest received	6 599	6 662
Dividend received	2 433	954
Tax and public charges paid	1	-5
Receipts to the property business	2 793	1 715
Net receipts/payments of loans to customers etc.	4 843	-1 112
Receipts on the sale of shares	6 143	3 623
Payments on the purchase of shares	-11 949	-14 440
Receipts on the sale of bonds	7 829	7 481
Payments on the purchase of bonds	-22 532	-11 369
Receipts on the sale of certificates	5 718	7 085
Payments on the purchase of certificates	-8 950	-4 686
Receipts on the sale of property	22	0
Payments on the purchase of property	-1 569	-1 935
Net cash flow from purchase/sale of other short-term securities	152	-1 451
Net cash flow from operating activities	-673	-409
Cash flow from investment activities		
Payments on the purchase of tangible fixed assets etc.	-88	-157
Net cash flows from investment activities	-88	-157
Cash flows from financing activities		
Receipts of owners' equity contributions	597	556
Payments on repayment of owners' equity contributions	-8	-35
Net cash flow from financing activities	589	521
Net changes in cash and bank deposits	-172	-44
Holdings of cash and bank deposits at start of period	460	504
Holdings of cash and bank deposits at end of period	288	460

Notes to the Accounts KLP

Note 1 General information

Kommunal Landspensjonskasse gjensidige forsikringsselskap (the Company) provides pension and insurance services to municipalities and county administrations, health enterprises and to enterprises both in the public and private sector.

The biggest product area is group pensions insurance. Within pension insurance the Company offers local government occupational pensions.

Kommunal Landspensjonskasse (KLP) is a mutual insurance company registered and domiciled in Norway. The Company has its head office in Dronning Eufemias gate 10, Oslo.

The Company has subordinated loans listed on the London Stock Exchange.

Note 2 Summary of the significant accounting principles

Below follows a description of the most important accounting principles that have been used in the Company accounts.

2.1 FUNDAMENTAL PRINCIPLES

The annual accounts have been presented in accordance with Regulation No. 1241 of 16 December 1998: «Regulations for annual accounts etc. for insurance companies» (Annual Accounts Regulations). This means that the Company's annual accounts have been prepared in accordance with international accounting standards (EU –approved IFRS/IAS) with those additions resulting from the Regulations.

The Company has used Regulation No. 57 of 21 January 2008 «Regulations on simplified application of international accounting standards» for presentation of Group contributions. This means that the Group contribution taken to account is presented as a liability (Group contribution paid) and a receivable (Group contribution received), even though the Group contributions had not been approved at the date of the statement of financial position.

The annual accounts have been prepared based on the principle of historic cost, with the following exceptions:
- Investment property is valued at fair value.
- Financial assets and liabilities (including financial derivatives) are valued at fair value through profit or loss.
- Holdings in subsidiaries and associated companies are valued in accordance with the owners' equity method.

In preparing the annual financial statements management must make accounting estimates and discretionary evaluations. This will affect the value of the Company's assets and liabilities, income and expenses presented in the accounts. Actual figures may deviate from estimates used. Areas in which approximate valuations and estimates of material significance for the Company have been shown are described in Note 3.

All sums are presented in NOK millions without decimals unless otherwise stated.

The accounts have been prepared in accordance with the going concern assumption.

2.1.1 Changes in accounting principles and information

a) New and changed standards adopted by the Company
There are no new or changed IFRSs or IFRIC interpretations that have come into force for the 2011 annual financial statements that are considered to have or expected to have a significant effect on the Company.

b) Standards, changes and interpretations of existing standards that have not come into effect and where the Company has not elected advanced application.

The Company has not elected early application of any new or changed IFRSs or IFRIC interpretations.

- IAS 19 «Employee Benefits» was changed in June 2011. The change means that all estimate deviations are presented in extended income as they arise (no corridor); immediate recognition in profit/loss of all costs of previous periods' pensions' accumulation as well as interest costs and expected returns on pension assets being replaced by a net interest sum calculated using discounting interest on net pension obligations (assets). The latest implementation date for the standard is 1 January 2013. KLP plans to implement it from that date.

- IFRS 9 «Financial Instruments» governs classification, measurement and accounting for financial assets and financial liabilities. IFRS 9 was published in November 2009 and October 2010, and replaces those parts of IAS 39 that cover accounting for, classification and measurement of financial instruments. In accordance with IFRS 9, all financial assets are divided into two categories based on method of measurement: those that are measured at fair value and those that are measured at amortized cost. The classification assessment is made on first recognition in the accounts. Classification will depend on the company's business model for handling its financial instruments and the characteristics of the contractual cash flows from the instrument. For financial liabilities the requirements are generally the same as in IAS 39. The Company will apply IFRS 9 when the standard comes into effect and is approved by the EU. The standard comes into effect for the accounting period starting on 1 January 2013 or subsequently, but in consultation the IASB has a proposal for delayed implementation until the accounting periods that begin 1 January 2015 or later.

- IFRS 10 «Consolidated Financial Statements» is based on current principles on using the control term as the deciding criterion in deciding whether a company is to be included in the company financial statements of the parent company. The standard provides expanded guidance in determining whether control is present in those cases where this is difficult. The Company has not considered all possible consequences resulting from IFRS 10. The Company plans to apply the standard for accounting periods starting on 1 January 2013 and later.

- IFRS 12 «Disclosures of Interest in Other Entities» contains the information requirements for financial interests in subsidiaries, jointly controlled enterprises, associated companies, companies for special purposes, «SPE», and other companies not included in the statement of financial position. The Company has not considered all possible consequences of IFRS 12. The Company plans to apply the standard for accounting periods starting on 1 January 2013 and later.

- IFRS 13 «Fair Value Measurement» defines what is meant by fair value when the term is used in IFRS, provides a comprehensive description of how fair value is to be determined in IFRS and defines what supplementary information is to be provided when fair value is used. The standard does not expand the scope of accounting at fair value, but provides guidance on the application method where the use is already required or permitted in other IFRSs. The Company uses fair value as the measurement criterion for certain assets and liabilities. The Company has not considered all possible consequences of IFRS 13. The Company plans to apply IFRS 13 for accounting periods starting on 1 January 2012 and later.

  Otherwise there are no other IFRSs or IFRIC interpretations that have not come into force but are expected to have a significant impact on the financial statements.

2.1.2 Changes in accounts in comparison with previous periods

Certain reclassifications have been carried out in the accounts compared to previous periods and comparison figures have been converted correspondingly. This means that certain lines and notes are not directly comparable with the annual accounts for 2010. The statement shows what changes have been made:

All sums are presented in NOK millions without decimals unless otherwise stated. The accounts have been prepared in accordance with the going concern assumption.

The following changes have been made in the income statement for KLP for 2010-figures in regard to the income statement presented for the previous year.

Income statement line	Changed figure
Interest income/dividends on financial assets/ other income	4 / -4
Change in supplementary reserves /transfer of supplementary reserves from other insurance companies/pension funds	100 /-100
Income from investments in subsidiaries, associated companies & joint ventures	-9
Transferred to other retained earnings	-9

The following changes have been made in the statement of financial position - the statement's 2010 figures compared to last year's reported financial position.

Financial position statement line	Changed figure
Shares and holdings in subsidiaries and associated companies/other retained earnings	89 / 89

2.2 SUBSIDIARIES AND ASSOCIATED COMPANIES

2.2.1 Subsidiaries

All entities in which the Company has deciding influence/control are considered subsidiaries. Deciding influence is normally achieved through ownership of more than half of the voting capital. Subsidiaries have been consolidated in accordance with the equity capital method. This means that the Company's share of profit or loss in subsidiaries is taken to profit/loss and is added to the balance sheet value together with owners' equity changes not taken to profit/loss. The Company does not take a share of the loss to profit/loss if this involves the balance sheet value of the investment becoming negative unless the Company has assumed liabilities on behalf of the subsidiary.

Purchase of subsidiaries is taken to account in accordance with the acquisition method. Acquisition cost is set at the same as fair value of assets provided by way of consideration for the purchase, equity instruments issued and liabilities assumed on transfer of control. The identifiable assets and liabilities of the acquired company are valued at fair value. If cost of acquisition exceeds fair value of identifiable net assets in the subsidiary, the excess is capitalized as goodwill. If the cost of acquisition is lower, the difference is taken to profit/loss on the date of acquisition.

The Company's accounts are presented in NOK and those of subsidiaries in foreign currency are converted to NOK at the exchange rate on the date of the balance sheet.

2.2.2 Associated companies

Associated companies are entities in which the Company has substantial influence without having control. Normally substantial influence is reached through a holding of between 20 per cent and 50 per cent of voting capital. In addition to owning at least 20 per cent of the voting capital the Company has substantial influence through Board representation or in some other way in all companies defined as associated with the Company.

On the date of acquisition investments in associated companies are taken to account at cost of acquisition. The equity capital method is used for accounting in subsequent periods. This means that the Company's share of profit or loss in associated companies is taken to profit/loss and is added to the balance sheet value together with owners' equity changes not taken to profit/loss. The Company does not take a share of the loss to profit/loss if this involves the balance sheet value of the investment becoming negative unless the Company has assumed liabilities on behalf of the associated company.

Where necessary accounting principles in associated companies are changed to achieve harmonisation with the Company's accounting principles.

2.3 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

2.3.1 Functional currency and presentational currency

The Company's accounts are presented in NOK, which is the functional currency of the Company.

2.3.2 Transactions and balance sheet items

Transactions in foreign currency have been translated to NOK by using the conversion rate on the date of the transaction. Currency gains and losses on transactions in foreign currency are taken to expenses. This also applies to translation of money items (assets and liabilities) on the date of the statement of financial position.

Translation differences on non-money items are included as part of the gain and loss on valuation at fair value. Translation differences associated with non-money items, such as shares at fair value through profit or loss, are included as an element of value change taken to profit/loss.

2.4 TANGIBLE FIXED ASSETS

The Company's tangible fixed assets mainly comprise office machines, inventory and vehicles.

Tangible fixed assets are booked at cost of acquisition including costs that can be attributed directly to the fixed asset, with deduction for depreciation.

Subsequent costs relating to fixed assets are capitalized as part of the fixed asset if it is likely that the expenditure well contribute to future financial benefit for the Company. Repair and maintenance are recognised against income during the period in which the expenses are incurred.

Depreciation is by straight-line so the acquisition cost of fixed assets or their reassessed value is depreciated to residual value over expected life, which is:

Office machinery:	3 – 5 years
Vehicles:	5 years
Inventory:	3 – 5 years

For some fixed assets, where the drop in value is expected to be highest at the start, reducing balance depreciation is used.

The utilisable life of tangible fixed assets is assessed annually. Where there are indications of value reduction in excess of residual value, the recoverable sum is calculated. If the recoverable sum is lower than the residual value, write-down is carried out to the recoverable sum.

Gains and losses on disposals comprise the price of sale less the book value at the time of sale. Gains and losses on disposals are taken to income.

2.5 INVESTMENT PROPERTY

Real estate not used by the Company is classified as investment property if the properties are directly owned by the Company. The properties owned through a limited company or general partnership are classified as shares and holdings in subsidiaries.

Investment property comprises buildings and sites, and is valued at fair value at the end of the reporting period. The Company uses a valuation model to estimate market value.

The valuation method is based on discounting of the property's expected net cash flow by the market's return requirements.

In the first instance, the market rent at currently applicable terms is used in calculating net cash flow whereas for periods after the expiry of contracts an estimated market rent is used. In addition an income deduction is taken into account based on expected vacancy, expected maintenance/improvement costs and normal operating costs.

The expected cash flow is discounted by a return requirement that is determined on the basis of the risk-free interest rate (10-year Norwegian Government Bond interest rate) adjusted by a supplement for estimate on a 20-year risk-free interest rate. The estimate on the 20-year interest rate corresponds to the slope of the swap curve between 10 and 20 years. The risk-free interest is then accorded a general property risk to find the return requirement for prime properties. Finally a risk premium is added that is determined on the basis of the willingness of the investors in the property market to accept risk taking account of matters specific to the property such as for example geography, property type, contracts, tenants and technical state of the property.

A set selection of the Company property stock is valued quarterly by external, independent and qualified valuers. In the event of significant deviation from our own valuation of fair value the differences are analysed and the valuation model's parameters are adjusted if this proves necessary.

Changes in fair value are taken to profit/loss.

If an investment property is occupied by the Company, the property is reclassified as a tangible fixed asset. Fair value on the date of reclassification provides the cost price for the reclassified property.

If a property the Company has used is leased externally, the property is reclassified as investment property.

Properties classified as «installations under construction» are presented at cost price if fair value cannot be measured reliably. The property is measured at cost up until its fair value can either be measured in a reliable way or until the property is completed. In setting fair value, the returns requirement in 2011 is corrected as a result of technical model changes (removed obsolescence in final value).

2.6 INTANGIBLE ASSETS

The Company's intangible assets comprise capitalized IT systems. On the purchase of a new IT system, costs capitalized include directly attributable costs paid out to the system supplier as well as external consultancy support and internally accrued costs to have the system installed and ready for use.

On further development of IT systems both external and internal costs are capitalized in accordance with the above. System changes regarded as maintenance are taken to expenses as they occur.

When an IT system is operational the capitalized costs are depreciated by straight line over the expected life (3 – 10 years). In the event of subsequent capitalisation because of further development this is depreciated over the originally set life unless the expenditure increases the total expected life of the system.

If there are indications that the book value of a capitalized IT system is higher than the recoverable sum, a test of decline in value is carried out. If the book value is higher than the recoverable sum (present value on continued use/ownership), the asset is depreciated to the recoverable sum.

2.7 FINANCIAL INSTRUMENTS

2.7.1 Classification

Financial instruments are classified on first recognition in one of the following categories:

Financial assets
a) Financial assets at fair value through profit or loss
b) Lending and receivables taken to book at amortized cost
c) Hold-to-maturity investments taken to book at amortized cost
Financial liabilities
d) Other financial instruments recognised at amortized cost

a) Financial assets at fair value through profit or loss

Within this category the classification may be obligatory or opted to be recognised at fair value with value changes through profit or loss.

- Financial assets held for trading are assets acquired primarily with a view to providing a profit from short-term price fluctuations. The Company's derivatives are included in this category unless they form part of hedging.
- Financial assets and liabilities opted taken to book at fair value with value changes through income. Financial instruments are classified in this category if either they are managed as a group, and where their earnings are assessed and reported to management on the basis of fair value or if the classification eliminates or reduces accounting incongruities in measurement.

The group covers bonds, certificates and shares.

b) Lending and receivables taken to book at amortized cost

Loans and receivables are financial assets, with the exception of derivatives, with set or determinable payments, and that are not traded in an active market or that the Company intends to sell in the short-term or has earmarked at fair value through income. Lending and receivables taken to book at amortized cost comprise:

- Loans and receivables linked to investment business
- Other loans and receivables including receivables from policyholders

Lending and receivables in the investment business include debt instruments classified as loans and receivables i.e. bonds that are not priced in an active market as well as lending to local authorities, enterprises and personal customers.

c) Financial assets held to maturity

Financial assets held to maturity comprise financial assets that are not derivatives and that have set or determinable payments and a defined date of maturity and that the Company has the intention and the ability to hold to maturity with the exception of:

- Those the business on first recognition earmarks at fair value through income
- Those that meet the definition of loans and receivables.

The category includes bonds taken to book at amortized cost.

d) Other financial instruments recognised at amortized cost

The category includes perpetual subordinated notes (tier 1 capital) and subordinated loan capital.

2.7.2 Recognition and measurement

Purchases and sales of financial instruments are taken to account at fair value on the trading date, i.e. when the Company has committed itself to buy or sell that financial asset. Direct costs of purchase are included in acquisition cost except for purchase costs associated with financial instruments at fair value through profit or loss. For these instruments purchase costs are taken to expenses directly. Financial assets cease to be recognized when the Company is no longer entitled to receive the cash flow from the asset or the Company has transferred all risk and entitlements associated with its ownership. Financial liabilities are excluded when the underlying obligation in the contract has been met, cancelled or expired.

a) Value measurement at fair value

The principles for calculating fair value related to the various instruments are shown in Note 5.

b) Value measurement at amortized cost

Financial instruments not measured at fair value are measured at amortized cost using the effective interest rate method. The internal rate of return is set through discounting contractual cash flows over expected duration. The cash flows include setting up charges and direct transaction costs as well as any residual value on expiry of the expected duration. Amortized cost is the present value of these cash flows discounted by the internal rate of return.

c) Write-down of financial assets valued at amortized cost

In assessing whether there is impairment in value of a financial asset, weight is attached to whether the issuer/debtor has significant financial difficulties and whether there is breach of contract, including default. An assessment is made of whether it is probable the debtor will be bankrupted, whether there is an active market for the asset because of financial difficulties, or whether measurable reduction is being seen in expected cash flow from a group of financial assets. The assessment is based exclusively on historical data: future events are not considered regardless of the degree of probability.

If there is objective proof of a fall in value write-down is carried out. The write-down is calculated by comparing the new, anticipated cash flows with the original cash flows discounted by the original effective interest rate (assets with fixed interest) or by the effective interest rate at the time of measurement (assets with variable interest). The write-down reduces the asset's financial position statement value and is recognised in the income statement under «Value change on investments».

Loss assessment and loss write-down is carried out quarterly on individual loans. Loans with unpaid repayments older than 90 days or credits with overdrafts older than 90 days are examined at the end of the reporting period. In addition continuous assessment is carried out of other lending engagements where there is objective proof of fall in value.

Lending is also assessed by group. If there is objective proof of a fall in value in a group of loans, write-down is carried out.

2.7.3 Presentation in the financial position statement and income statement

a) Financial assets at fair value through profit or loss

Financial assets at fair value through income are presented in the statement of financial position either as «Shares», «Equity fund units», «Bonds and other securities with fixed returns» or «Lending and receivables». Interest income and share dividend are included in the line «Interest income/dividend on financial assets» in the income statement. Other value changes are included in the line «Value changes on investments».

b) Lending and receivables at amortized cost
Lending and receivables at amortized cost are presented in the financial position statement either as «Bonds classified as lending and receivables» or «Other lending and receivables». Interest income is included in the line «Interest income/dividends on financial assets». Value changes that can be linked to objective indications of fall in value as well as foreign exchange changes are included in the line «Value changes on financial instruments».

c) Financial assets held to maturity
Financial assets held to maturity comprise bonds and are presented in the financial position statement as «Investments held to maturity». Interest income in accordance with the effective interest rate method is included in the line «Interest income/dividend on financial assets». Value changes that can be linked to objective indications of fall in value as well as unrealised foreign exchange changes are included in the line «Value changes on investments».

d) Subordinated loan
Subordinated loan is taken to account at fair value on subscription. On subsequent measurement subordinated loan is brought to account at amortized cost using the effective interest rate method. The method is used to apportion the interest costs over a relevant period and is posted over income in the line «Other costs». Subordinated loan in foreign currency is translated to NOK at the end of the reporting period. Value change resulting from currency change is posted through income and included in the line «Value changes on investments».

e) Hybrid Tier 1 securities issued
Hybrid Tier 1 securities are taken to account at nominal on date of issue and valued subsequently at amortized cost. For hybrid Tier 1 securities hedged against currency and interest rate changes (fair value hedging), book value is adjusted on value change in hedged risk. The value change is taken through income in the line «Value changes on investments».

f) Derivatives and hedging
Financial derivatives are capitalized at fair value at the time they are contracted. On subsequent measurement the derivatives are recognised at fair value and are presented as an asset if the value is positive and a liability if the value is negative. Recognition of associated gains and losses depends on whether the derivative has been identified as an accounting hedge instrument and in which type of accounting hedge the derivative is included.

For derivatives not included in accounting hedging, gains and losses are taken to income as they arise on the line for «Value changes on investments». These are included in the category financial assets at fair value over income. Interest income and costs are included in the line «Interest income/dividend on financial assets». The Company has in one case used accounting hedging (hedge accounting). Hedge accounting is used on hedging of perpetual hybrid Tier 1 securities issued (the hedged object) against value changes resulting from changes in interest rates and exchange rates (fair value hedging). The hedging instrument is a combined interest rate and currency swap (CIRCUS). The hedging contract is documented and the effectiveness of the hedging is measured continuously.

Change in fair value of the hedging instrument is included in the income statement at the line for «Value changes in investments». Value changes on the hedged object that can be attributed to the hedged risk are booked as a correction of the hedged object's capitalized value and included in the income statement at the line for «Value changes on investments». In those instances in which a security has embedded derivatives that are not separated, the value of the derivative will be included in the security's value as a whole. Value change in KLP will be reported on the income statement line «Value change on investments/net value changes on financial instruments».

2.8 NETTING
Financial assets and financial liabilities are only netted to the extent there is a legal entitlement to net liability against receivable and when the maturity date of the asset corresponds with the date the debt is due to be repaid.

2.9 CASH AND CASH EQUIVALENTS
Cash holdings and bank deposits associated with daily operations are shown as cash and bank deposits. These are included in the financial position statement at the line for «Cash, bank». Bank deposits associated with asset management business are defined as financial assets and included in the financial position statement in the line for «Lending and receivables». Bank deposits related to the asset management business are not defined as cash in the statement of cash flows. The statement of cash flows has been prepared in accordance with the direct method.

2.10 OWNERS' EQUITY
Owners' equity in the Company is divided into three main elements:

2.10.1 Owners' equity contributed
Kommunal Landspensjonskasse is a mutual company owned by its customers. This means that employers wishing to be members of KLP's "fellesordninger» (Joint Pensions - schemes for public sector occupational pensions) pay an owners' equity contribution on registration. The owners' equity contribution is set in proportion to the relative size of the customer measured in premium reserves.

The owners' equity contribution may be used to cover losses or deficits in current operation. It may only be repaid in connection with movement of a customer's business from the Company after approval in advance from the Financial Supervisory Authority of Norway. The member's share of the actual combined owners' equity contribution at the termination date calculated in relation to the member's share of the Company's total premium reserves is subject to repayment.

Distribution of returns on owners' equity contributions depends on the Company's results. Normally the members are annually credited with book returns on the owners' equity contribution. Costs associated with external financing through subordinated loans and hybrid Tier 1 securities are deducted in the calculation.

Annual assessment is undertaken of the need to call up owners' equity contributions from the members. The contribution is set in proportion to the premium reserves within a defined level, and it is calculated individually for the individual Joint Pension.

The owners' equity contribution may not be traded.

2.10.2 Retained earnings
The company's retained earnings comprise mainly an equity capital fund. The equity capital fund arose through a transfer from the contingency fund and special fund in connection with the accounts for 1989. Ordinary corporate law regulations apply for any distribution or use of the equity capital fund.

2.10.3 Risk equalization fund
The purpose of the risk equalization fund is to cover any losses through personal risk in the insurance business. In life and pensions insurance it is permissible to set aside up to 50 per cent of risk profit to the risk equalization fund limited upwards to 150 per cent of annual risk premium.

2.11 PRESENTATION OF INCOME IN THE ACCOUNTS
Income on sale of goods is valued at fair value of the consideration, net after deductions for VAT and any discounts.

2.11.1 Premium income
Premium income is taken to income by the amount falling due during the accounting year. Accrual of earned premium is dealt with through provisions against unearned premiums. Reserves transferred in are also taken to profit/loss and included in the premium income.

2.11.2 Interest income/expenses
Interest income and interest expenses associated with all interest-bearing financial instruments valued at amortized cost are taken to income using the effective interest rate method. Setting-up fees for lending are included in the amortisation and taken to income over the loan's expected duration.

For interest-bearing financial investments measured at fair value, interest income is classified as «Interest income/dividend on financial assets», whereas other value changes are classified as «Value changes on investments».

2.12 TAX
The Company has a large deficit to be carried forward that can be used to set off any taxable profit. On presentation of the Company accounts capitalisation of deferred tax is considered. The Company is parent company in a tax Group and deferred taxes are capitalized to the extent it can be shown probable that the companies in the Group will have sufficient taxable profit to exploit the deferred tax. In assessing the probability, emphasis is placed on historic earnings and expected future taxable income.

Wealth tax is calculated on net taxable wealth. Tax assessment values are used to calculate taxable wealth.

The cost of taxes is specified in Note 26.

2.13 SURPLUS FUNDS SET ASIDE TO CUSTOMERS
Surplus assets credited to the customer contracts are set aside in the customers' premium fund and included as part of the insurance liabilities on the balance sheet date.

2.14 INSURANCE CONTRACTS
In accordance with IFRS 4 significant insurance risk must be associated with the contract for it to be able to be defined as an insurance contract. The insurance products the Company offers satisfy the requirement for significant insurance risk and are taken to account in accordance with the Regulations for Annual Accounts etc. for Insurance Companies and IFRS 4. In accordance with IFRS 4, the insurance contracts are valued together as an insurance contract even though this contains a financial element.

Adequacy testing has been carried out to check that the level of the liabilities on the insurance contracts recognised in the accounts is proportionate to the insurance customers' contractual entitlements. The Company's provisions satisfy the requirements of this test and IFRS 4 therefore imposes no further requirements for reserves. The Company has therefore used applicable Norwegian regulations to account for insurance contracts.

2.15 INSURANCE SECTORS
The Company offers products to its customers in the following sectors:

2.15.1 Group pension - Public sector
Group pensions comprise mainly defined benefits local government schemes covering retirement pension, survivor pension, disability pension and premium suspension while unfit to work.

The group pension schemes are based on straight line accumulation. This means that the individual's accumulated benefits always amount to the proportionate part of the benefits to which they would be entitled in the event of continued service up to pensionable age. The proportionate part is the result of the ratio between the period of service the individual has already accumulated and the total period of service the individual would achieve by continued service to pensionable age, although the latter figure may not exceed 40 years in calculating the proportionate part. The schemes are based on the final salary principle. Indexation of current pensions and paid-up polices (deferred entitlements) to the Norwegian National Insurance 'basic amount' ('G') is part of the pension scheme's defined benefits. The benefits of the schemes are coordinated with National Insurance in accordance with prevailing rules and guarantee a defined gross level of pension.

The indexation of current pensions and accumulated pension entitlements is financed entirely by a separate indexation premium. Gross guarantees etc. are financed through single payment premiums at the start of and possibly on later changes to the pension.

The net premium reserve in the pension schemes is set as a net single payment premium for the accumulated age, disability and survivors' pensions. In addition provision is made for administration reserves. Additionally provision for insured events that have occurred but not yet been settled, including a waiting period provision for disability risks, is included in the pension schemes' premium reserve.

2.15.2 Group life
Group life is mainly concentrated on local government group life and teacher group life covering only whole life risk. Other cover exists for a small number of customers. In addition there is debt group life that covers whole life risk and for a large number of existing customers also covers disability risk.

The technical insurance provisions in group life insurance are based on the risk theory methods. The claims reserve includes provisions for the expected payments on insured events that have occurred but are not yet settled regardless of whether or not these have been reported.

2.16 PROVISIONS IN INSURANCE FUNDS

2.16.1 Premium reserve

The premium reserve represents the actuarial cash value of pension entitlements accumulated on the date of calculation. The premium reserve also includes administration reserve in accordance with KLP's calculation base, as well as provisions for incurred, not yet settled insurance claims, including waiting period provisions for disability risk.

2.16.2 Supplementary reserves

Supplementary reserves are allocated to the customers conditionally and may be used to cover any shortfall in returns. Any negative return cannot be covered from supplementary reserves.

2.16.3 Premium Fund

The premium fund contains premiums paid in advance and any surplus assets allocated to the individual customer's premium fund accounts. Premium fund assets may be used to cover future premiums.

2.16.4 Claims reserve

Claims reserves are linked to group life and incorporate provision for unsettled claims. Change in claims reserves is taken to the income statement as one element in the claims costs.

2.16.5 Securities adjustment fund

The securities adjustment fund is defined in Norwegian insurance legislation.

The securities adjustment fund comprises net unrealised gains associated with short-term financial assets in the common portfolio. If net securities valuation reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through income.

Unrealised securities valuation reserves associated with short-term financial assets in foreign currency that can be ascribed to foreign exchange rate changes are not allocated to the securities adjustment fund if the investment is hedged against exchange rate changes. Foreign exchange rate changes linked to the hedging instrument are thus not allocated to the securities adjustment fund either but are taken directly to income.

2.16.6 Guaranteed («base») interest

The Company's insurance contracts in group pension contain an interest guarantee (base interest). The returns guarantee is to be met annually, but for customers who have chosen a multi-year returns guarantee, this is the customer's own risk up until the end of the multi-year period. For newly agreed contracts entered into on 01.01.2006 or later the guaranteed interest rate is 2.75 per cent.

For other contracts the following applies:
In Fellesordningen for kommuner og bedrifter (the joint pension scheme for municipalities and enterprises), Fellesordningen for fylkeskommuner (the joint pension scheme for county administrations) and Fellesordningen for helseforetak (the joint pension scheme for health enterprises) the guaranteed interest rate is 3.4 per cent for accumulation before 01.01.2004 (although 3.0 per cent for a small number of customers), while for new accumulation after 01.01.2004 it is 3.0 per cent.

The base interest rate is 3.0 % in the Pension Scheme for Nurses, the Joint Pension Scheme for Hospital Medical Doctors and the Pension Scheme for Publicly Elected Representatives. From 1 January 2012 all new accumulation will be at 2.5 %.

Gross premium reserve allocated to guaranteed interest rate

2011		2010	
Percentage rate	Holding	Percentage rate	Holding
2.75 %	0.0 %	2.75 %	0.0 %
3.0 %	70.5 %	3.0 %	68.6 %
3.4 %	29.5 %	3.4 %	31.3 %
4.0 %	0.0 %	4.0 %	0.1 %

The total average interest rate guarantee in the group pensions sector amounted to 3.12 per cent in 2011.

2.16.7 Mortality and disability

Assumptions based on KLP's disability data for the period 2005 - 2007 are used for disability risk. For other risk elements the assumptions from calculation basis K2005 are used with contingency margins in accordance with the minimum standard set by the Financial Supervisory Authority of Norway in 2007.

2.17 RESULTS ELEMENTS

2.17.1 Returns result

Administratively a clear division has been introduced between the customers' accumulated funds and the insurance company's, i.e. the owners' funds. This is shown in reporting defined as investments in the common and investment option portfolios respectively for customer assets and investments in the corporate portfolio. The common portfolio may be further divided into subportfolios with different investment profiles. The returns result thus comprises the return on the customer portfolio less guaranteed interest. A positive returns result is credited to the customer, whereas a negative returns result must be covered from the customers' supplementary reserves and/or from owners' equity. The company invoices a special premium element (interest guarantee premium) to guarantee the interest guarantee. This premium element is included in the Company's results.

2.17.2 Risk result

The risk result is an expression of the development of mortality and disability in the insured population during the period as a ratio of that assumed in the Company's premium tariff. A positive risk result is reallocated to the customers but it is permissible to retain up to half of a risk profit in a risk equalization fund as part of owners' equity. The risk equalization fund may only be used to cover later deficits in the risk result and may amount to a maximum of 150 per cent of risk premium for the year.

Any negative risk result must be covered by the risk equalization fund or owners' equity in the Company.

2.17.3 Administration result

The administration result is a result of how the Company's actual expenses deviate from the premium tariff. The administration result is credited entirely to the Company.

2.17.4 Return on the Corporate Portfolio

Returns on assets in the corporate portfolio accrue to the Company. The Company generally allocates part of the returns on the corporate portfolio to the customers' premium fund.

2.18 TRANSFER

Transfers in/out of KLP's group pension schemes are carried out in accordance with the schemes' rules as at the year's end. Transfer transactions are brought to book in the following year. Premium reserves received in connection with transfers are shown on the line «Transfer of premium reserve from others» in the income statement and form part of the premium income. Transferred premium reserves, valuation reserves and supplementary reserves in connection with transfers are shown as a claim cost in the profit and loss account. The amount is shown in the line «Transfer of premium reserve, supplementary reserves and valuation reserves to others».

2.19 PENSION OBLIGATIONS - OWN EMPLOYEES

The Company's pension obligations are partially insurance-covered through KLP public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises («Fellesordningen»). Pension liability in excess of the joint pension scheme is covered through operation. Pension costs are treated in accordance with Regulations for Annual Accounts etc. for Insurance Companies.

Net pension liability is the difference between the pension assets' fair value (i.e. transfer value) and the present value of the calculated pension obligations. These calculations have been carried out according to straight line accruals on the basis of assumptions on mortality, disability, voluntary cessation, take-up of early retirement (AFP), future pay developments (in the local authority sector for the joint pension scheme), future growth in the National Insurance basic sum ('G'), assumptions on future returns etc. The financial assumptions have been set in line with the principles in the Norwegian Accounting Standards Board's (NASB) guidance on pension assumptions. Net obligation is classified as provision for liability in the financial position statement. If the value of the pension assets exceeds the current value of calculated pension obligations, net assets are shown as long-term receivables.

The period's net pension costs comprise the sum of the period's pension accumulation, interest costs on the calculated obligations and expected returns on the pension assets.

The joint pension scheme (Fellesordningen) is a multi-enterprise scheme, i.e. the technical insurance risk is spread between all of the local authorities and enterprises participating in the scheme. The financial and actuarial assumptions underlying the calculation of net pension obligations are thus based on assumptions that are representative of the whole group.

Social security costs are calculated on net obligations. Gross pension obligations as the basis for determining the amortisation basis for the corridor do not include social security costs.

2.20 GROUP FINANCIAL STATEMENTS

KLP reports the group financial statements in accordance with the international accounting standards IFRS/IAS. The Group accounts are shown for themselves in a separate presentation and a full set of notes has been prepared for the Group including description of accounting principles used.

Note 3 Important accounting estimates and valuations

The Company prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

It must be expected that the estimates will deviate from the final outcome and below are discussed the areas where there is significant risk of substantial changes in capitalized values in future periods.

3.1 INSURANCE CONTRACTS

In calculating technical provisions in the public sector group pension insurance sector, assumptions on disability risk are based on KLP's disability data for the period 2005 - 2007. For the other risk elements, including longevity risk, the assumptions from calculation basis K2005 are used with contingency margins in accordance with the minimum standard set by the Financial Supervisory Authority of Norway in 2007.

KLP invoices average premium for the different pension schemes so that the technical net premium is proportionate between the customers included in the scheme. Had this not been done the annual net premium for retirement, disability and survivor pension based on a salary of NOK 350,000 would, for the various individual ages and genders, amount to:

Men:			
Age	30 years	45 years	60 years
Amount	NOK 12 427	NOK 18 817	NOK 20 222
Women:			
Age	30 years	45 years	60 years
Amount	NOK 18 876	NOK 24 381	NOK 21 613

In calculating technical provisions in the group life sector, provisions are made for claims incurred but not finally settled. The provisions are set using statistical models. Models take account of experience based on reported changes in the insurance population.

3.2 INVESTMENT PROPERTIES

Buildings and other real estate are valued at fair value as this is defined in IAS 40. Fair value means the amount for which buildings and other real estate can be sold in an arm's-length transaction between well-informed, voluntary parties. The Company's investment properties are not considered to be part of an active market.

The majority of the Company's property investments are carried out through subsidiaries. These subsidiaries are valued/presented in accordance with the equity capital method based on the property values calculated as described in this section.

As at 31.12.2011 buildings and real estate were valued using KLP Eiendom's value assessment model. The model is based on discounting of estimated 20-year cash flow, and as at 31 December 2011 used a discounting factor in the interval 7.38 - 9.23 per cent for Norwegian properties. For a Swedish property a discounting factor of 6.78 per cent has been used.

The following main components are included in future cash flows:

- Currently applicable terms and conditions, contract expiry and estimated market rent
- Vacant areas with estimated market rent
- Parking income, parking area and number of places
- Estimated annual inflation
- Annual rent adjustment as a percentage of inflation
- General vacancy
- Normal annual operating costs
- Normal annual communal costs per square metre
- Upgrading costs per square metre on new lease
- Any further upgrading costs (year and amount)
- Number of months vacancy on each contract expiry
- Estimated final value Year 20
- Nominal return requirement

As a part of the valuation, yield assessments are also carried out for the individual property and for the total portfolio. In addition to valuation using KLP Eiendom's value assessment model, external valuations will be obtained for a selection of the properties. These are used to determine own calculation parameters and to quality-assure the internal valuations.

Minor changes in the return requirement will have relatively large impact in property values and it is assumed that substantial changes, particularly in «Applicable terms, contract expiry and assumed market rent» as well as «General vacancy», are the factors that will affect the accounts figures most.

The sensitivity analysis below shows how the value of one of the Company's centrally located office properties in Oslo changes with certain changes in key parameters in the Company's valuation model. The analysis shows change in value (given as percentage change) for a given change in a parameter on the assumption that all other parameters stay unchanged. In reality it may well be that there are mutual connections between several variables, so that a change in a parameter will be accompanied by change in one or more other parameters. The sensitivity figures given do not capture such connections to other variables and are shown only for illustrative purposes. The effects of changes in parameters will vary somewhat from property to property.

	Change in parameter	Change in value
Return requirement	+100 bps	-10 %
	-100 bps	12 %
Market rent	+10 %	7 %
	- 10 %	-7 %
Exit yield	+ 100 bps	-5 %
	- 100 bps	7 %
Inflation	+ 50 bps	6 %
	- 50 bps	-5 %

In the analysis above the return requirement means the interest rate used in discounting future cash flows in the model. Market rent is understood as expected rent in the event of renegotiation of existing contracts or on change of tenant. Exit yield means the yield that is used to calculate the final value in the valuation model's final analysis period (Year 20).

3.3 PENSION OBLIGATIONS - OWN EMPLOYEES

The present value of the net pension obligations the Company has for its employees depends on a range of economic and demographic assumptions. Small changes in these variables can have a relatively large effect on gross accrued pension obligations and thus gross pension costs. The Company cushions the accounting effect of changed assumptions when quantifying pension obligations by allocating and taking to profit/loss over the remaining duration only estimate deviations in excess of 10 per cent of the higher of gross pension obligations and gross pension assets.

The Company has followed «The guidance for determining pension assumptions» published by the Norwegian Accounting Standards Board (NASB). Updated guidance published on 5 January 2012 has been used as the basis for updated measurement of best-estimate accrued liability and assets as at 31 December 2011. Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension obligations are the discounting interest rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic sum (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The discounting interest rate is set on the basis of government bonds interest and was assessed as at 31 December 2011 at 2.6 per cent and as at 31 December 2010 at 4 per cent (25 years' weighted duration).

The assumptions on future salary growth, future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 3.5 per cent (salary growth) and 3.25 per cent (G and pensions adjustment) respectively. The pension adjustment for the local authority pension scheme should be the same as the G-adjustment.

The assumptions on longevity (mortality) are based on the latest mortality table (K2005).

Future take-up of contractual early retirement scheme (AFP) has been assumed at 45 per cent, i.e. 45 per cent will take AFP on reaching the age of 62.

3.4 FAIR VALUE ON FINANCIAL ASSETS

Financial assets classified as assets for which changes in fair value are taken to profit/loss are generally assets traded in a market, so the market value can be determined with a great deal of certainty. For listed securities with little turnover, assessment is made whether the observable price can be taken as realistic.

If it is concluded the observable market price is not representative of the fair value of the asset or the security is not traded on a listed market, the market value is estimated. The estimate is based on the market circumstances prevailing at the end of the reporting period. Unlisted interest-bearing securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models.

The pricing methods and the accounts figures are discussed in more detail in Note 5.

3.5 FAIR VALUE OF FINANCIAL LIABILITIES

The method of calculating fair value using a valuation model is to calculate the expected cash flows based on the terms of each individual contract and then to discount these values to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable markets or by modelling the cash flows based on relevant models for market pricing. These models use observable market prices and rates as a basis, including for example yield curves for the majority of the asset's or liability's duration and option volatilities.

The pricing methods and the accounts figures are discussed in more detail in Note 5.

3.6 LOSSES ON FINANCIAL ASSETS

Financial assets not measured at market value are assessed for loss of value at the end of the reporting period. The Company's lending portfolio is valued individually for loans on which default has been observed. If there is an objective event on the balance sheet date that has influence on future cash flow, the loan is written down. In addition, valuation by group is carried out each quarter of lending with uniform risk profile. This is described in more detail under Note 2.

The Company's lending portfolio has historically shown insignificant losses. The reason for this is that there is very good security in mortgages for loans to the private market and that other lending is virtually all to the public sector or enterprises with public sector guarantees. The Company has insignificant loss provisions, so any future losses will have a direct effect on the income statement.

For the Company's portfolio of long-term bonds, including long-term bonds held to maturity, the need for write-down is assessed individually each quarter. The portfolio comprises issuers with high credit rating and, if the issuer's credit rating changes for the worse, write-down is carried out only if in addition factors are observed that are considered to be an objective event that influences future cash flows from the investment.

Note 4 Net income from financial instruments

2011 NOK million	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write up/down shares and units	87	385	2	474
Profit/loss subsidiaries	13	1 310	8	1 331
Profit/loss associated enterprises	0	0	0	0
Total income from investments in subsidiaries, associated enterprises and joint enterprises	100	1 696	10	1 806
Interest bank	11	356	1	367
Interest financial derivatives	8	135	0	143
Interest bonds and other fixed-return securities	92	2 928	29	3 050
Total interest income financial instruments at fair value	*111*	*3 419*	*30*	*3 559*
Interest bonds amortised cost	303	3 816	25	4 145
Interest lending	0	1 107	0	1 107
Total interest income financial instruments at amortised cost	*303*	*4 923*	*25*	*5 252*
Dividend /interest shares and units	36	531	0	567
Other income and expenses	1	-83	0	-82
Total net interest income /dividend on financial instruments	452	8 790	55	9 297
Rental income property	38	0	0	38
Total net operating income from property	38	0	0	38
Value changes shares and units	-26	-2 427	-37	-2 490
Value change bonds and other fixed-return securities	-150	643	0	493
Value change financial derivatives	176	-960	0	-785
Value change lending and receivables	-2	16	0	14
Total value change financial instruments at fair value	*-2*	*-2 728*	*-37*	*-2 768*
Value change other	-41	0	0	-41
Total value changes on investments	-43	-2 728	-37	-2 809
Realised shares and units	59	-161	3	-99
Realised bonds and other fixed-return securities	-8	-46	1	-54
Realised financial derivatives	1	-150	-1	-150
Realised lending and receivables	0	26	-1	26
Total realised financial instruments at fair value	*52*	*-331*	*1*	*-278*
Realised bonds at amortised cost[1]	40	-6	0	34
Total realised financial instruments at amortised cost	*40*	*-6*	*0*	*34*
Other financial costs and income	0	0	0	0
Total realised gains and losses on investments	93	-337	1	-243
Total net income from investments	639	7 420	30	8 088

Note 4 Net income from financial instruments, contd.

2010 NOK million	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write up/down shares and units	83	1 514	2	1 599
Profit/loss subsidiaries	133	1 408	2	1 543
Profit/loss associated enterprises	0	0	0	0
Total income from investments in subsidiaries, associated enterprises and joint enterprises	216	2 922	4	3 142
Interest bank	12	223	0	235
Interest financial derivatives	10	76	0	86
Interest bonds and other fixed-return securities	81	1 595	5	1 681
Total interest income financial instruments at fair value	*104*	*1 893*	*5*	*2 002*
Interest bonds amortised cost	278	3 686	3	3 966
Interest lending	3	1 111	0	1 114
Total interest income financial instruments at amortiz ed cost	*281*	*4 797*	*3*	*5 081*
Dividend/interest shares and units	37	373	0	410
Oher income and expenses	-1	-66	0	-66
Total net interest income /dividend on financial instruments	421	6 998	7	7 426
Rental income property	39	0	0	39
Total net operating income from property	39	0	0	39
Value changes shares and units	6	4 716	9	4 731
Value change bonds and other fixed-return securities	-163	231	0	68
Value change financial derivatives	182	501	0	683
Value change lending and receivables	0	-9	0	-9
Total value change financial instruments at fair value	*25*	*5 438*	*10*	*5 473*
Total value change financial instruments at amortised cost	*0*	*0*	*0*	*0*
Value change other	56	0	0	56
Total value changes on investments	81	5 438	10	5 529
Realised shares and units	9	324	0	333
Realised bonds and other fixed-return securities	-2	104	1	103
Realised financial derivatives	-18	-131	0	-150
Realised lending and receivables	11	-229	0	-218
Total realised financial instruments at fair value	*1*	*67*	*0*	*68*
Realised bonds at amortised cost[1]	-55	2	0	-53
Total realised financial instruments at amortised cost	*-55*	*2*	*0*	*-53*
Total realised gains and losses on investments	-54	69	0	16
Total net income from investments	703	15 427	21	16 152

[1] Realised values on bonds at amortised cost come from realised added/reduced foreign exchange values.

Note 5 Fair value of financial assets and liabilities

Fair value of investments listed in an active market is based on the current purchase price. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. If the market for the security is not active, or the security is not listed on a stock market or similar, the Group uses valuation techniques to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected yield curves and spread curves. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

The different financial instruments are thus priced in the following way:

a) Shares (listed)
Liquid shares are generally valued on the basis of prices provided by an index provider. At the same time prices are compared between different sources to identify any errors. The following sources are used for shares: Oslo Børs, Morgan Stanley Capital International (MSCI) and Reuters.

Oslo Børs has first priority, followed by MSCI and finally Reuters.

b) Shares (unlisted)
As far as possible the Group uses the industry recommendations of the Norwegian Mutual Fund Association (NMFA). Broadly this means the following:

The last traded price has the highest priority. If the last traded price lies outside the bid/ask spread in the market, price is adjusted accordingly. I.e. if the last traded price is below bid, price is adjusted up to bid. If it is above ask, it is adjusted down to ask. If the price picture is considered outdated the price is adjusted according to a market index. The Company has selected the Oslo Børs's Small Cap Index (OSESX) as an approach for unlisted shares.

For shares on which very little information is available, valuations are obtained from brokers to provide a basis for estimating an assumed market price.

c) Foreign fixed income securities
Foreign fixed income securities are generally priced on the basis of prices obtained from an index provider. At the same time prices are compared between several different sources to identify any errors. The following sources are used: JP Morgan, Barclays Capital Indicies, Bloomberg og Reuters.

JP Morgan and Barclays Capital Indices have the first priority (they cover government and corporate bonds respectively). After that Bloomberg is used ahead of Reuters based on Bloomberg's price source, Business Valuator Accredited in Litigation (BVAL). BVAL contains verified prices from Bloomberg. The final priority is Reuters.

d) Norwegian fixed income securities - government
Reuters is used as a source for pricing Norwegian government bonds. It is Oslo Børs that provides the price (via Reuters). The prices are compared with the prices from Bloomberg to reveal any errors.

e) Norwegian fixed income securities - other than government
All Norwegian fixed income securities except government are priced theoretically. A zero coupon curve is used as well as interest rate differential curves for the pricing. Reuters is used as the source for the zero coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years.

The interest rate differential curves are received from the Norwegian Mutual Fund Association NMFA. These are based on interest rate differential curves collected from five different market operators and converted to an average curve.

f) Fixed income securities issued by foreign enterprises, but denominated in NOK
Fair value is calculated in accordance with the same principle as for Norwegian fixed income securities described above. Interest rate differential curves provided by SE Banken and Swedbank are converted to an average curve used as the basis for calculation of fair value.

g) Futures/FRA/IRF
All Group futures contracts are traded on stock exchanges. Reuters is used as a price source. Prices are also obtained from another source to check the Reuters prices are correct.

h) Options
Bloomberg is used as the source for pricing stock market traded options.

i) Interest rate swaps
Interest rate swaps are valued on a model taking account of observable market data such as interest rate curves and relevant credit risk premiums.

j) Loans secured by mortgage
The principles for calculating fair value depend on whether the loans have fixed interest rates or not.

Fair value of fixed interest loans is calculated by discounting contracted cash flows by market interest rates including a relevant risk margin at the end of the reporting period.

Fair value of variable interest rate loans is considered virtually the same as book value since the contract terms and conditions can be continually changed in step with change in market interest rates.

k) Lending to local authorities and enterprises with local government guarantee
The receivables are valued using a valuation model that uses relevant credit risk premium adjustments obtained from the market. For lending to municipalities, county authorities and local government supported projects, observable interest rate curves and credit rate differential curves are used in a valuation model that discounts future cash flows. The credit risk premiums the model calculations use are based on quotations from three different price makers. Assessment is made of the quality of the quotations by comparing them with each other and against previously received observations as well as other market information.

For guaranteed lending, fair value is calculated as a discounted cash flow based on the same interest rate curves as the direct loans, but the credit margin is initially based on the initial margin. Guarantees are traded bilaterally and not through open marketplaces such as for example a stock market (OTC) and are therefore not priced in the market. Initial margin agreed on the commencement date is the best estimate for market premiums on the same date. Creditworthiness does not change equally for the loan as for the guarantor or the borrower as seen individually. The borrower is generally not credit rated by credit rating agencies or banks. The guarantor is either a local administration or bank (or both - triple default loan). Statistical analyses indicate that the credit margin on guaranteed loans fluctuates less than on non-guaranteed loans and bonds. Guaranteed loans are therefore not adjusted for credit risk premium before the guarantor has experienced a significant rating change since the initial margin was set. The Group's lending with both local government and bank guarantee is credit premium adjusted in relation to the initial margin only if both the guarantors have had their credit rating significantly changed since the date of payment.

l) Investments with credit institutions
Investments with credit institutions are short term deposits. Fair value is calculated by discounting contracted cash flows by market interest rates including a relevant risk margin on the date of the statement of financial position.

m) Fair value of subordinated loan capital
For stock market listed loans where there is considered to be an active market the observable price is used as fair value. For other loans that are not part of an active market fair value is set based on an internal valuation model based on observable data.

n) Fair value of hybrid Tier 1 securities issued
Fair value in this category is determined on the basis of internal valuation models based on external observable data.

31.12.2011	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
NOK million	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
Assets at amortised cost								
Investments held to maturity - at amortised cost								
Norwegian hold-to-maturity bonds	627	647	15 504	16 291	74	79	16 205	17 017
Accrued not due interest	24	24	505	505	2	2	530	530
Foreign hold-to-maturity bonds	2 530	2 634	20 609	21 581	111	116	23 250	24 332
Accrued not due interest	44	44	395	395	2	2	442	442
Total investments held to maturity	3 225	3 349	37 013	38 773	189	199	40 427	42 321
Bonds at amortised cost								
Norwegian secured bonds	774	789	15 089	15 392	114	117	15 977	16 298
Accrued not due interest	18	18	356	356	3	3	378	378
Foreign secured bonds	2 991	3 139	25 870	26 840	226	236	29 087	30 215
Accrued not due interest	76	76	627	627	5	5	709	709
Total bonds classified as lending and receivables	3 860	4 022	41 942	43 216	349	362	46 150	47 599
Other loans and receivables - at amortised cost								
Subordinated loan	0	0	0	0	0	0		
Mortgage loans	0	0	6 340	6 340	0	0	6 340	6 340
Lending with public sector guarantee	0	0	18 563	18 838	0	0	18 563	18 838
Accrued not due interest	0	0	201	201	0	0	201	201
Total other lending and receivables	0	0	25 103	25 378	0	0	25 103	25 378
Total financial assets at amortised cost	7 085	7 371	104 059	107 367	538	561	111 681	115 299
Assets measured at fair value								
Equity capital instruments at fair value through profit or loss								
Norwegian shares	264	264	2 677	2 677	0	0	2 941	2 941
Foreign shares	0	0	13 387	13 387	0	0	13 387	13 387
Total shares and units	264	264	16 064	16 064	0	0	16 328	16 328
Property funds	0	0	706	706	0	0	706	706
Norwegian equity funds	0	0	15 179	15 179	267	267	15 446	15 446
Foreign equity funds	0	0	2 092	2 092	0	0	2 092	2 092
Total equity fund units	0	0	17 977	17 977	267	267	18 244	18 244
Alternative investments Norwegian	704	704	0	0	0	0	704	704
Alternative investments foreign	0	0	521	521	0	0	521	521
Total alternative investments	704	704	521	521	0	0	1 225	1 225

Note 5 Fair value of financial assets and liabilities, contd.

NOK million	Corporate portfolio Capitalized value	Corporate portfolio Fair value	Common portfolio Capitalized value	Common portfolio Fair value	Investment option portfolio Capitalized value	Investment option portfolio Fair value	Total Capitalized value	Total Fair value
Debt instruments at fair value through profit or loss								
Norwegian bonds	2 057	2 057	17 206	17 206	0	0	19 263	19 263
Accrued not due interest	34	34	307	307	0	0	340	340
Foreign bonds	100	100	11 290	11 290	0	0	11 390	11 390
Norwegian bond funds	0	0	19 052	19 052	409	409	19 461	19 461
Foreign bond funds	0	0	10 583	10 583	0	0	10 583	10 583
Accrued not due interest	2	2	114	114	0	0	116	116
Norwegian certificates	610	610	3 993	3 993	0	0	4 603	4 603
Accrued not due interest	6	6	49	49	0	0	54	54
Foreign certificates	303	303	365	365	0	0	669	669
Accrued not due interest	3	3	3	3	0	0	6	6
Total bonds and other fixed-return securities	3 114	3 114	62 961	62 961	409	409	66 484	66 484
Norwegian lending and receivables	454	454	9 886	9 886	8	8	10 348	10 348
Foreign lending and receivables	269	269	2 341	2 341	9	9	2 619	2 619
Total lending and receivables	723	723	12 228	12 228	16	16	12 967	12 967
Derivatives								
Interest rate swaps	252	252	364	364	0	0	615	615
Share options	0	0	154	154	1	1	155	155
Forward exchange contracts	0	0	54	54	0	0	54	54
Total financial derivatives classified as assets	252	252	571	571	1	1	824	824
Other financial assets	10	10	70	70	2	2	82	82
Total financial assets valued at fair value	5 067	5 067	110 392	110 392	696	696	116 155	116 155
Total investments	12 152	12 438	214 451	217 759	1 234	1 257	227 836	231 453
Liabilities								
Derivatives								
Interest rate swaps	0	0	-405	-405	0	0	-405	-405
Interest rate futures (IRF)	0	0	-8	-8	0	0	-8	-8
Interest rate and currency swaps	-1	-1	-234	-234	0	0	-235	-235
Forward exchange contracts	-1	-1	-188	-188	0	0	-189	-189
Total financial derivatives classified as liabilities	-2	-2	-836	-836	0	0	-838	-838
Subordinated loan capital								
Perpetual subordinated loan capital	3 143	3 143	0	0	0	0	3 143	3 143
Hybrid Tier 1 securities	1 145	1 145	0	0	0	0	1 145	1 145
Total subordinated loan capital etc.	4 288	4 288	0	0	0	0	4 288	4 288

31.12.2010 NOK million	Corporate portfolio Capitalized value	Corporate portfolio Fair value	Common portfolio Capitalized value	Common portfolio Fair value	Investment option portfolio Capitalized value	Investment option portfolio Fair value	Total Capitalized value	Total Fair value
Assets at amortized cost								
Investments held to maturity - at amortised cost								
Norwegian hold-to-maturity bonds	664	661	16 782	17 412	23	24	17 469	18 097
Accrued not due interest	25	25	539	539	0	0	564	564
Foreign hold-to-maturity bonds	2 510	2 580	20 259	20 870	24	25	22 793	23 474
Accrued not due interest	39	39	402	402	1	1	441	441
Total investments held to maturity	3 238	3 304	37 982	39 223	48	50	41 268	42 576
Bonds at amortized cost								
Norwegian secured bonds	584	564	10 715	10 515	14	14	11 313	11 092
Accrued not due interest	11	11	267	267	0	0	278	278
Foreign secured bonds	2 678	2 800	24 235	24 635	39	40	26 952	27 476
Accrued not due interest	68	68	571	571	1	1	640	640
Total bonds classified as lending and receivables	3 341	3 443	35 788	35 988	55	56	39 184	39 487
Other loans and receivables - at amortised cost								
Mortgage loans	0	0	7 163	7 175	0	0	7 163	7 175
Lending with public sector guarantee	0	0	22 308	22 591	0	0	22 308	22 591
Accrued not due interest	0	0	183	183	0	0	183	183
Total other lending and receivables	0	0	29 653	29 948	0	0	29 653	29 948
Total financial assets at amortised cost	6 579	6 747	103 423	105 159	103	105	110 104	112 011
Assets measured at fair value								
Equity capital instruments at fair value through profit or loss								
Norwegian shares	307	307	3 139	3 139	0	0	3 445	3 445
Foreign shares	0	0	13 215	13 215	0	0	13 215	13 215
Total shares and units	307	307	16 353	16 353	0	0	16 660	16 660
Property funds	0	0	653	653	0	0	653	653
Norwegian equity funds	0	0	15 560	15 560	64	64	15 624	15 624
Foreign equity funds	0	0	1 559	1 559	0	0	1 559	1 559
Total equity fund units	0	0	17 772	17 772	64	64	17 836	17 836
Alternative investments Norwegian	915	915	0	0	0	0	915	915
Alternative investments foreign	0	0	110	110	0	0	110	110
Total alternative investments	915	915	110	110	0	0	1 025	1 025

Note 5 Fair value of financial assets and liabilities, contd.

	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
NOK million	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
Debt instruments at fair value through profit or loss								
Norwegian bonds	1 419	1 419	13 469	13 469	0	0	14 889	14 889
Accrued not due interest	35	35	322	322	0	0	357	357
Foreign bonds	94	94	9 905	9 905	0	0	9 999	9 999
Norwegian bond funds	0	0	16 237	16 237	73	73	16 311	16 311
Foreign bond funds	0	0	9 823	9 823	0	0	9 823	9 823
Accrued not due interest	3	3	110	110	0	0	113	113
Norwegian certificates	410	410	1 494	1 494	0	0	1 904	1 904
Accrued not due interest	4	4	20	20	0	0	24	24
Foreign certificates	55	55	75	75	0	0	130	130
Accrued not due interest	1	1	1	1	0	0	1	1
Total bonds and other fixed-return securities	2 021	2 021	51 456	51 456	73	73	53 550	53 550
Norwegian lending and receivables	341	341	8 927	8 927	0	0	9 269	9 269
Foreign lending and receivables	163	163	3 338	3 338	0	0	3 502	3 502
Total lending and receivables	504	504	12 266	12 266	1	1	12 770	12 770
Derivatives								
Interest rate swaps	86	86	308	308	0	0	394	394
Share options	0	0	287	287	0	0	288	288
Forward exchange contracts	0	0	522	522	0	0	522	522
Total financial derivatives classified as assets	86	86	1 117	1 117	0	0	1 203	1 203
Other financial assets	0	0	18	18	0	0	18	18
Total financial assets valued at fair value	3 832	3 832	99 092	99 092	139	139	103 063	103 063
Total investments	10 411	10 580	202 515	204 250	241	244	213 167	215 074
Liabilities								
Derivatives								
Interest rate swaps	0	0	342	342	0	0	342	342
Share options	0	0	0	0	0	0	0	0
Interest rate and currency swaps	11	11	29	29	0	0	39	39
Forward exchange contracts	0	0	3	3	0	0	3	3
Total financial derivatives classified as liabilities	11	11	373	373	0	0	383	383
Subordinated loan capital								
Perpetual subordinated loan capital	3 100	3 019	0	0	0	0	3 100	3 019
Hybrid Tier 1 securities	973	887	0	0	0	0	973	887
Total subordinated loan capital etc.	4 074	3 905	0	0	0	0	4 074	3 905

Note 6 Fair value hierarchy

The following table presents financial instruments measured at fair value.

31.12.2011 NOK million	Corporate portfolio	Common portfolio	Investment option	Total
Assets				
Bonds and other fixed-return securities				
Level 1: Value based on prices in an active market	328	42 360	409	43 098
Level 2: Value based on observable market data	2 786	20 600	0	23 386
Level 3: Value based on other than observable market data	0	0	0	0
Bonds and other fixed-return securities	3 114	62 961	409	66 484
Lending and receivables				
Level 1: Value based on prices in an active market	648	4 681	16	5 345
Level 2: Value based on observable market data	75	7 547	0	7 622
Level 3: Value based on other than observable market data	0	0	0	0
Lending and receivables	723	12 228	16	12 967
Owners' equity instruments (shares, equity funds and alternative investments)				
Level 1: Value based on prices in an active market	0	30 740	267	31 007
Level 2: Value based on observable market data	957	1 301	0	2 259
Level 3: Value based on other than observable market data	11	2 521	0	2 531
Equity instruments (shares, equity funds and alternative investments)	968	34 562	267	35 797
Financial derivatives and other financial assets				
Level 1: Value based on prices in an active market	0	0	0	0
Level 2: Value based on observable market data	262	642	3	906
Level 3: Value based on other than observable market data	0	0	0	0
Financial derivatives and other financial assets	262	642	3	906
Total financial assets valued at fair value	5 067	110 392	696	116 155
Liabilities				
Financial derivatives				
Level 1: Value based on prices in an active market	0	0	0	0
Level 2: Value based on observable market data	2	836	0	838
Level 3: Value based on other than observable market data	0	0	0	0
Financial derivatives	2	836	0	838
Debt to credit institutions and other debt				
Level 1: Value based on prices in an active market	90	301	0	392
Level 2: Value based on observable market data	0	0	0	0
Level 3: Value based on other than observable market data	0	0	0	0
Debt to credit institutions and other debt	90	301	0	392
Total financial liabilities at fair value	92	1 138	1	1 230

Note 6 Fair value hierarchy, contd.

31.12.2010 NOK million	Corporate portfolio	Common portfolio	Investment option	Total
Assets				
Bonds and other fixed-return securities				
Level 1: Value based on prices in an active market	332	38 543	73	38 948
Level 2: Value based on observable market data	1 690	12 912	0	14 602
Level 3: Value based on other than observable market data	0	0	0	0
Bonds and other fixed-return securities	2 021	51 456	73	53 550
Lending and receivables				
Level 1: Value based on prices in an active market	202	4 622	1	4 825
Level 2: Value based on observable market data	302	7 644	0	7 945
Level 3: Value based on other than observable market data	0	0	0	0
Lending and receivables	504	12 266	1	12 770
Owners' equity instruments (shares, equity funds and alternative investments)				
Level 1: Value based on prices in an active market	0	31 860	64	32 577
Level 2: Value based on observable market data	1 203	805	0	1 355
Level 3: Value based on other than observable market data	19	1 570	0	1 589
Equity instruments (shares, equity fund units and alternative investments)	1 222	34 235	64	35 520
Financial derivatives and other financial assets				
Level 1: Value based on prices in an active market	0	0	0	0
Level 2: Value based on observable market data	86	1 136	0	1 222
Level 3: Value based on other than observable market data	0	0	0	0
Financial derivatives and other financial assets	86	1 136	0	1 222
Total financial assets valued at fair value	3 832	99 092	139	103 063
Liabilities				
Financial derivatives				
Level 1: Value based on prices in an active market	0	0	0	0
Level 2: Value based on observable market data	11	373	0	384
Level 3: Value based on other than observable market data	0	0	0	0
Financial derivatives	11	373	0	384
Debt to credit institutions and other debt				
Level 1: Value based on prices in an active market	0	330	0	330
Level 2: Value based on observable market data	0	0	0	0
Level 3: Value based on other than observable market data	0	0	0	0
Debt to credit institutions and other debt	0	330	0	330
Total financial liabilities at fair value	11	703	0	714

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 2011	Book value 2010
Opening balance 01.01	19	64
Sold	0	-227
Bought	0	203
Unrealised changes	-8	-21
Closing balance 31.12.	11	19
Realised gains/losses	0	25

Changes in Level 3 shares, unlisted Common portfolio	Book value 2011	Book value 2010
Opening balance 01.01	14	5
Sold	-10	0
Bought	334	7
Unrealised changes	2	3
Closing balance 31.12.	340	14
Realised gains/losses	3	-5

Changes in Level 3, Private Equity Common portfolio	Book value 2011	Book value 2010
Opening balance 01.01	1 556	821
Sold	-350	-163
Bought	683	765
Unrealised changes	291	133
Closing balance 31.12.	2 180	1 556
Realised gains/losses	58	46
Total Level 3	2 531	1 589

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

Level 1: IInstruments at this level obtain fair value from listed prices in an active market for identical assets or liabilities to which the unit has access on the date of reporting. Examples of instruments at Level 1 are stock market listed securities.

Level 2: Instruments at this level obtain fair value from observable market data, but where the instrument is not considered to have an active market. This includes primarily prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and prices based on similar assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed income securities priced on interest rate trajectories.

Level 3: Instruments at Level 3 contain no observable market data or are traded in markets considered to be inactive. The price is primarily based on in-house calculations where the actual fair value may deviate if the instrument were to be traded. The instruments covered by Level 3 in KLP are unlisted shares and private equity.

Note 7 Risk management

Through its activity, KLP is exposed to both insurance risk and financial risk. For the Company overall risk management aims to handle financial risk in such a way that the Company can at all times meet the liabilities the insurance contracts place on the business. The Board of Directors sets the overall risk strategies that are made operational at the senior management level.

Risk strategy is implemented and monitored by the line organisation, with periodic reporting. Any breaches in risk lines and limits are reported as they occur, with a description of measures taken to regularise the situation. Units outside the line organisation monitor that the risk-taking is carried out within the authorisations the line has.

7.1 INSURANCE RISK

Insurance risk comprises the risk that a future, defined event occurs for which the Company has undertaken to pay out financial consideration. The larger the portfolio, the more stable and predictable the insurance result will be.

The Company's insurance business is in the group pension and group life sectors. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas mortality risk is somewhat less weighty. Group life covers primarily the risk of death, whereas debt group life covers the risk of death and, for a large proportion of existing customers, disability risk.

Insurance risk in the group pension and group life sectors is generally managed through close monitoring of the risk incidence and if appropriate subsequent change in the tariffs. The Company is safeguarded against extreme events through catastrophe reinsurance.

7.1.1 Insurance provisions

Insurance provisions are set at the level of expectation, with a supplement of contingency margins. In addition provisions are made in a risk equalization fund within group pensions to meet unexpected fluctuations in claim incidence.

Assumptions based on the Company's disability data up to 2009 are used for disability risk in the group pensions sector. For the other risk elements in group pensions the assumptions from calculation basis K2005 are used with contingency margins in accordance with the minimum standard set by the Financial Supervisory Authority of Norway in 2007. KLP has an excess of longevity risk. In relation to longevity risk there is a contingency margin of 15 per cent for men in regard to estimated mortality in 2020 based on K2005, and 10 per cent for women.

7.1.2 Premium setting

Development in the Company's insurance risk is continuously monitored. Risk result and future expectations of development in insured risk based on observations and/or theoretic risk models create the basis for pricing of the risk element in the premium. The premiums are set annually. The group insurance sector has a high degree of predictability and stability in its premiums. Normally they will therefore stay the same for several years at a time.

7.1.3 Reinsurance and reinsurance programme

The way the insurance contracts are set, current risk is generally within the limits of the company's risk-bearing ability. The need for reinsurance is therefore limited.

KLP has taken out a catastrophe insurance agreement. The agreement covers up to NOK 300 million in excess of the Company's NOK 50 million on own account for events that lead to more than 10 people dying or becoming disabled. The agreement does not cover events resulting from epidemics, war and terrorism.

7.1.4 Sensitivity calculations in group pension

The effect of an immediate 20 per cent increase in the incidence of disability would, with current numbers, be NOK 903 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in the incidence of disability would be NOK 1336 million.

An immediate 10 per cent reduction in mortality would, with current numbers, mean an effect of NOK 326 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be NOK 5,480 million.

The Company's large numbers within group public sector pensions helps to stabilise the insurance risk and the claim estimates. Deviations are related primarily to non-insurable magnitudes that do not affect the result.

7.2 FINANCIAL RISK

The Company's financial goal is to achieve a competitive and stable return, at the same time as the Company's solvency satisfies external and internal requirements. The Company has a long-term investment strategy in which risk-taking is at all times matched to the Company's ability to bear risk. The focus in asset management is cost effectiveness, a long-term perspective and broadly diversified portfolios with the goal of achieving competitive and stable returns for our customers and owners over time.

KLP's financial risk comprises liquidity risk, market risk and credit risk.

7.2.1 Liquidity risk

Liquidity risk is the risk that the Company does not have adequate liquidity to cover short-term debt/residual liabilities not called in and current operations without substantial extra costs arising in the form of price falls on assets that have to be realised. The liquidity strategy contains various requirements and limits in order to comply with the desired liquidity risk profile. In addition division of responsibilities and contingency planning are covered. The liquidity strategy is operated at the senior management level and the liquidity is managed internally in accordance with mandates.

The need for liquidity in KLP is first and foremost associated with payments to pensioners and meeting current operating costs. Liquidity is also required in connection with currency and derivative trades, as well as in changes in asset allocation (for example property acquisition). The KLP liquidity need is primarily satisfied by contractual receipts. The Company's liquidity holding is used mainly to meet current costs, including pension payments. In the event of liquidity needs beyond the current liquidity holdings, liquidity can normally be released through the sale of financial assets.

In risk management the objective is to have liquidity buffers corresponding to 3 months' liquidity needs. This is measured through:

Liquidity buffer = Liquid assets/short-term liquidity requirement

Liquid assets are defined as liquidity holdings and expected receipts (to the liquidity portfolio) for the next three months, whilst short-term liquidity requirements are defined as short-term liabilities (liabilities falling due within three months) and other unknown requirements for liquidity within three months.

Asset composition in the Company's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise.

Not-called-in residual obligations of NOK 4510 million comprise committed, not paid in sums against private equity and approved lending that has not been paid out. The total is specified in detail in Note 33 Contingent liabilities. The agreements govern inter alia solvency requirements so that the drawing can be approved for payment. As at 31 December 2011 there were no unpaid claims fallen due associated with bonds.

7.2.2 Market risk

Market risk is the risk of losses as a result of changes in market prices of various assets such as shares, bonds, property and other securities, and currency. The market risk depends on how large an exposure there is to the various assets and on the volatility in the market prices. Developments in the Norwegian and international securities markets generally have major significance for KLP's results.

Risk of a fall in the value of various assets is the biggest financial risk in the short term. Of the risk in regard to assets, equity exposure is the largest financial risk factor. KLP's interest rate risk associated with a prolonged low interest rate level is however limited. Technical provisions are not directly affected, with the current formulation of the rules, by changes in market interest rates. On the future transition to market value for liabilities, annual pricing of the interest rate guarantee will mean that the risk of the interest rate level being lower than the base interest rate is not borne by the insurance company. Since KLP provides pension schemes exclusively to the public sector, KLP will price the interest rate guarantee right up until the insured dies, which means the interest rate risk arising from the insurance liabilities is limited.

KLP exchange-rate hedges the majority of international exposure. Financial hedging of currency exposure is done through derivatives. In principle all of KLP's interest-bearing investments and property investments in foreign currency are hedged back to NOK. For equity investments in foreign currency the objective is a 90 per cent hedging ratio with permitted fluctuations between 80 and 100 per cent.

All equity and interest rate exposures are included in a risk measurement system that enables simulation and monitoring of equity and interest rate risk across the portfolios. Active risk is managed through specifying a reference index and a maximum tracking error relative to the index for each portfolio.

KLP manages equity risk dynamically through the equity holding being continuously adjusted to the Company's financial buffers. This type of hedging measure reduces the probability of low returns. The strategy helps to ensure that as a minimum KLP achieves a predetermined income target. The income target is set in the light of the target-setting on solvency at the end of the period, so the Company should continue to have risk capacity going forward. The strategy means KLP increases its exposure to equities or other assets with anticipated high risk progressively as solvency is strengthened. When solvency is weakened this means KLP reduces its market risk. This helps to reduce the load on KLP's solvency capital during downturns and thus also to protect owners' equity. In addition KLP has a high proportion of long-term (hold-to-maturity) bonds and fixed-interest lending that contribute to stability in returns and reduce the risk of low returns in low interest rate scenarios.

In KLP's asset management, derivatives are principally used for risk reduction as well as for cost- and time-effective implementation of value-hedging or adjustments in the investment portfolio.

Sensitivity analysis - market risk

KLP's market risk is continuously assessed using stress tests and statistical analysis tools. KLP has developed - and continually works on further development of - models for measurement and monitoring of risk. During 2011 KLP made estimates in accordance with a new estimating study for effects of the new solvency regulations (Solvency II).

At the end of 2011 about 14 per cent of KLP's assets were placed in equities (measured by exposure) and 11 per cent placed in property. Other assets were placed in fixed interest current and fixed assets, including lending. Given no change in the exposure and the existing solvency capital (measured as valuation reserves and available supplementary reserves) returns on the portfolio will, with 98 per cent probability, be high enough to cover the Company's liabilities in 2012 without drawing on owners' equity.

In accordance with the Financial Supervisory Authority of Norway's Stress Test I the Company has a buffer capital utilisation of 72 per cent: in 2010 the buffer capital utilisation was 88 per cent. The purpose of the stress test is to illustrate how various scenarios can impact on KLP's ability to meet statutory solvency and security requirements. An important reason for the reduction from 2010 is the reduced stress levels for shares. The most significant risk in the stress test is market risk which seen in isolation represented a loss potential of NOK 30.9 billion. In the stress test for Q4 2011 the loss potential for concentration risk was included. This does not affect the loss potential significantly as a result of broadly diversified portfolios. Gross contribution to the loss potential from the various risks classes is divided as follows:

Interest rate risk	11,8 billion NOK
Equities risk	12,9 billion NOK
Property risk	7,5 billion NOK
Exchange rate risk	1,3 billion NOK
Spread risk	10,9 billion NOK
Concentration risk	0,1 billion NOK

The total of the risk potential linked in isolation to each risk type does not add up to the total loss potential for market risk. This is because in calculating total loss potential the correlation between the different types of risk is taken into account. The figures are before and after tax.

7.2.3 Credit risk

Emphasis is placed on diversification of credit exposure to avoid concentration of credit risk against individual debtors. To monitor credit risk in lending and investments a special credit committee has been established, meeting regularly. The limits for credit risk against the individual debtor are set by the committee. Changes in debtors' credit assessments are monitored and followed up.

Note 7 Risk management, contd.

KLP has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. In the portfolio of held-to-maturity and loans and receivables about 60 per cent are rated AAA. KLP has a separate international government bond portfolio and about half of the Norwegian short-term bond portfolio is government bonds.

KLP has a lending portfolio of high-quality, with limited credit risk and historically very low losses. In the main KLP provides loans secured on housing with a mortgage level of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to about NOK 6.4 billion. The value of the mortgage securities represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.

7.3 TOTAL MAXIMUM EXPOSURE TO CREDIT RISK

The Company's total maximum exposure to credit risk comprises book values. The book classes of securities are specified in detail in Note 5 Fair value of financial assets.

For lending with public sector guarantee the credit risk comprises mainly whether the loans will be repaid in accordance with the original repayment plan or whether payment postponement is granted.

Note 8 Liquidity risk

The table below specifies the Company's financial liabilities classified according to maturity structure. The sums in the table are non-discounted contractual cash flows.

31.12.2011 NOK million	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	151	2 930	766	0	3 848
Hybrid Tier 1 securities	0	43	174	217	1 699	2 134
Financial derivatives	393	115	41	152	-125	576
Accounts payable	18	0	0	0	0	18
Liabilities to credit institutions	0	392	0	0	0	392
Conditional liabilities	4 510	0	0	0	0	4 510
Total	4 921	702	3 145	1 135	1 574	11 478

31.12.2010 NOK million	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	150	600	3 197	0	3 948
Hybrid Tier 1 securities	0	42	169	212	1 639	2 063
Financial derivatives	49	64	163	158	-18	418
Accounts payable	17	0	0	0	0	17
Liabilities to credit institutions	0	330	0	0	0	330
Conditional liabilities	2 978	0	0	0	0	2 978
Total	3 044	586	933	3 567	1 622	9 752

The table above shows financial liabilities which KLP has grouped by interest payments and repayment of principal, based on the date payment is due.

The risk that KLP would not have adequate liquidity to cover current liabilities and current operations is very small since a major part of the Company's assets is liquid. KLP has significant funds invested in the money market, bonds and shares that can be sold in the event of a liquidity requirement. KLP's liquidity strategy involves the Company always having adequate liquid assets to meet KLP's liabilities as they fall due without accruing significant costs associated with freeing up assets.

Asset composition in KLP's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning has the routine responsibility and reports on the Company's liquidity. Internal parameters have been established for the size of the liquidity holding. KLP's risk management unit monitors and reports developments in the liquidity holding continuously. The Board determines an asset management and liquidity strategy for KLP annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

Payment profile pension liabilities

31.12.2011 NOK million									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	8 710	37 211	57 181	138 936	154 436	138 714	87 180	44 673	667 040

31.12.2010 NOK million									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	7 849	33 732	51 642	124 101	128 422	101 662	55 982	25 568	528 958

The payment profile shows anticipated payment dates for KLP's future pension obligations and is based on non-discounted values.

The insurance liabilities in the accounts are discounted and show the present value at the end of the reporting period.

Note 9 Interest rate risk

31.12.2011 NOK million	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	Over 10 years old	Change in cash flows	Total
Assets							
Equity fund units[1]	0	0	0	0	0	4	4
Alternative investments[2]	0	0	0	0	0	7	6
Financial derivatives classified as assets	5	6	6	-164	-190	-56	-394
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-15	-28	-300	-347	-189	61	-818
Fixed income fund units	-1 456	0	0	0	0	12	-1 444
Special fund units[2]	0	0	0	0	0	1	0
Lending and receivables	-10	-13	0	0	0	49	27
Lending	0	0	0	0	0	91	91
Total assets	-1 477	-35	-294	-511	-380	175	-2 522
Liabilities							
Financial derivatives classified as liabilities	0	8	0	73	0	18	98
Hybrid Tier 1 securities, subordinated loan capital	0	0	0	50	33	0	83
Lending and receivables - call money	0	0	0	0	0	-6	-6
Total liabilities	0	8	0	123	33	11	175
Total before and after taxes	-1 477	-27	-294	-388	-347	186	-2 347

31.12.2010 NOK million	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	Over 10 years old	Change in cash flows	Total
Assets							
Equity fund units[1]	1	0	0	0	0	4	4
Alternative investments[2]	-13	0	0	0	0	5	-8
Financial derivatives classified as assets	-29	7	3	-149	-158	-55	-382
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-19	-19	-278	-379	-130	49	-777
Fixed income fund units	-1 270	0	0	0	0	5	-1 265
Lending and receivables	-7	-13	0	0	0	39	19
Call money	0	0	0	0	0	0	0
Lending	0	0	0	0	0	201	201
Total assets	-1 338	-26	-275	-528	-289	254	-2 203
Liabilities							
Financial derivatives classified as liabilities	-1	-5	7	99	0	18	117
Hybrid Tier 1 securities, subordinated loan capital	0	0	0	43	28	0	71
Lending and receivables - call money	0	0	0	0	0	0	0
Total liabilities	-1	-5	7	141	28	18	188
Total before and after taxes	-1 339	-31	-268	-387	-261	271	-2 015

[1] Equity fund holdings covers that part of the fund that is not shares, but that comprises assets covered by interest rate risk; surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.
[2] Alternative investments in KLP's financial position statement describes funds with special characteristics (hedge funds) establishied in reland, special funds are similar funds established in Norway after this was allowed.

The note shows the effect on income on the change in market interest rate of 1 per cent, for fair value risk and variable interest rate risk. Fair value risk is calculated on the change in fair value of related instruments if the interest rate had been 1 per cent higher at the end of the period. Variable interest rate risk indicates the change in cash flows if the interest rate had been one per cent higher over the year being reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would mean.

Seen overall, the interest rate risk is limited for KLP since a high proportion is invested in long-term bonds (hold-to-maturity bonds) and lending with fixed interest rate at amortized cost, which do not have an impact on income when there is change in the market interest rate.

Note 10 Currency risk

31.12.2011	Statement of financial position items excl. currency derivatives		Currency derivatives					
NOK million/ foreign currency[1]	Assets	Liabilities	Assets	Liabilities	Translation rate valuta/NOK	Assets	Liabilities	Net-position
Australian dollar	134	0	11	-134	6.12	145	-134	64
Brazilian real	95	0	0	0	3.20	95	0	304
Canadian dollar	216	-3	18	-210	5.86	234	-213	117
Swiss franc	109	0	9	-109	6.38	119	-109	64
Chilean peso	2 966	0	0	0	0.01	2 966	0	34
Colombian peso	6 141	0	0	0	0.00	6 141	0	19
Czech koruna	24	0	0	0	0.30	24	0	7
Danish krone	336	-20	0	-284	1.04	336	-304	34
Egyptian pound	5	0	0	0	0.99	5	0	5
Euro	1 645	-139	11	-1 470	7.75	1 655	-1 610	354
British pound	396	-1	0	-373	9.27	396	-374	203
Hong Kong dollar	764	0	25	-298	0.77	789	-298	377
Hungarian forint	234	0	0	0	0.02	234	0	6
Indonesian rupiah	86 575	0	0	0	0.00	86 575	0	57
Israeli shekel	217	0	2	-228	1.56	220	-228	-12
Indian rupee	1 041	0	0	0	0.11	1 041	0	117
Islandic krone	255	0	0	0	0.05	255	0	12
Japanese yen	49 042	0	1 933	-48 913	0.08	50 975	-48 913	160
Korean won	58 133	0	0	0	0.01	58 133	0	301
Moroccan dirham	5	0	0	0	0.70	5	0	3
Mexican peso	196	0	0	0	0.43	196	0	84
Malaysian ringgit	38	0	0	0	1.88	38	0	72
New Zealand dollar	2	0	0	-2	4.66	2	-2	1
Philippines peso	112	0	0	0	0.14	112	0	15
Polish zloty	15	0	0	0	1.74	15	0	26
Swedish krone	2 310	-1 006	0	-1 205	0.87	2 310	-2 211	87
Singapore dollar	29	0	3	-30	4.60	32	-30	9
Thai baht	216	0	0	0	0.19	216	0	41
Turkish lira	7	0	0	0	3.16	7	0	24
Taiwan new dollar	1 107	0	0	0	0.20	1 107	0	218
US dollar	4 835	-836	100	-3 912	5.97	4 935	-4 749	1 114
South African rand	215	0	0	0	0.74	215	0	159
Total short-term foreign exchange positions								4 077
Euro	464	-312	0	-154	7.75	464	-465	-10
Japanese yen	31 969	-25 350	0	0	0.08	31 969	-25 350	513
US dollar	127	-98	0	0	5.97	127	-98	168
Total long-term foreign exchange positions								672
Total foreign exchange positions before and after tax								4 749

Note 10 Currency risk, contd.

31.12.2010 NOK million/ foreign currency[1]	Statement of financial position items excl. currency derivatives		Currency derivatives					
	Assets	Liabilities	Assets	Liabilities	Translation rate valuta/NOK	Assets	Liabilities	Net-position
Australian dollar	133	0	11	-133	5.96	133	-122	64
Canadian dollar	167	-2	7	-165	5.85	165	-158	42
Swiss franc	110	0	9	-114	6.24	110	-106	30
Danish krone	363	-64	37	-291	1.05	299	-254	47
Euro	1 641	-299	27	-1 348	7.80	1 342	-1 321	163
British pound	350	-82	2	-260	9.10	269	-258	98
Hong Kong dollar	334	0	47	-369	0.75	334	-322	9
Israeli shekel	25	0	2	-25	1.64	25	-22	4
Islandic krone	255	0	0	0	0.05	255	0	13
Japanese yen	51 198	-2 281	1 376	-48 751	0.07	48 917	-47 375	111
Korean won	7 521	0	730	-7 300	0.01	7 521	-6 570	5
New Zealand dollar	2	0	0	-2	4.54	2	-2	1
Swedish krone	1 956	-225	0	-1 643	0.87	1 731	-1 643	76
Singapore dollar	34	0	6	-39	4.54	34	-33	6
US dollar	4 163	-860	70	-3 351	5.81	3 303	-3 281	129
Total short-term positions								798
Euro	309	-312	0	0	7.80	309	-312	-17
Japanese yen	31 365	-25 112	0	0	0.07	31 365	-25 112	448
US dollar	122	-98	0	0	5.81	122	-98	139
Total long-term positions								570
Total foreign exchange positions before and after tax								1 368

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the actual currency risk KLP had at the end of the period in NOK. Other sums are in local currency. The table shows a hedging ratio for currency for 2011 and 2010 of 93 and 97 per cent respectively.

If all currency positions change by 1 per cent at the same time and in the same direction this would affect the result by NOK 47.5 million. For 2010 the corresponding effect on the result was NOK 13.7 million.

KLP has a method that involves exchange rate hedging of the major part of international exposure. Financial hedging of currency exposure is done through derivatives. As a general rule all of KLP's interest-bearing investments and property investments in foreign currency are hedged back to Norwegian kroner, whilst for equity investments in foreign currency the degree of hedging is between 80 and 100 per cent.

Note 11 Credit risk

31.12.2011 NOK million	AAA	AA	A	BBB	Non-rated/ NIG	Total
Investments held to maturity - at amortized cost						
Finance and credit enterprises	0	2 043	945	1 023	831	4 842
Public sector guarantee	1 331	0	0	0	50	1 382
Savings banks	0	0	45	0	0	45
Government and government guarantee within OECD	20 863	806	1 581	0	0	23 249
Public sector enterprises and covered bonds	3 189	0	0	0	1 303	4 492
Other	0	958	2 498	0	2 962	6 418
Total	25 383	3 806	5 069	1 023	5 147	40 427
Bonds at amortised cost						
Finance and credit enterprises	510	259	3 889	0	2 167	6 825
Public sector guarantee	999	0	0	0	818	1 817
Savings banks	0	0	451	0	644	1 095
Government and government guarantee within OECD	14 193	0	2 045	0	0	16 238
Public sector enterprises and covered bonds	5 891	1 118	1 768	0	2 392	11 169
Other	0	1 268	2 156	389	5 193	9 006
Total	21 593	2 645	10 310	389	11 214	46 150
Bonds and other fixed-return securities						
Finance and credit enterprises	27	2 445	4 010	10	1 909	8 402
Public sector guarantee	673	55	0	0	708	1 436
Savings banks	0	0	810	0	7 638	8 448
Government and government guarantee within OECD	5 382	3 832	349	0	0	9 563
Public sector enterprises and covered bonds	709	0	0	0	2 094	2 802
Other	0	223	25	391	5 150	5 788
Total	6 791	6 554	5 195	401	17 498	36 440
Financial derivatives classified as assets						
Denmark	0	0	170	0	0	170
Finland	0	24	0	0	0	24
Norway	0	75	0	0	0	75
UK	0	0	2	0	0	2
Switzerland	0	0	43	0	0	43
Sweden	0	0	149	0	0	149
Germany	0	0	84	0	0	84
USA	0	0	278	0	0	278
Total	0	99	725	0	0	824
Fixed income funds						
Public sector, financial and credit enterprises	0	0	0	0	1 023	1 023
Government and government guarantee within OECD	0	0	0	0	117	117
Other	0	0	15 953	0	12 952	28 905
Total	0	0	15 953	0	14 092	30 044
Lending and receivables						
Denmark	0	0	130	0	0	130
Finland	0	300	0	0	0	300
France	0	0	0	0	0	0
Norway	0	0	2 740	0	6 984	9 724
Sweden	0	166	445	0	0	611
UK	0	1 730	2	0	0	1 732
USA	0	0	470	0	0	470
Total	0	2 196	3 787	0	6 984	12 967
Total securities	53 768	15 301	41 039	1 812	54 934	166 854

Note 11 Credit risk, contd.

31.12.2011 NOK million	AAA	AA	A	BBB	Non-rated/ NIG	Total
Public sector		0	14 429	0	4 302	18 731
Private individuals		0	0	6 338	35	6 373
Total other lending		0	14 429	6 338	4 337	25 104

31.12.2010 NOK million	AAA	AA	A	BBB	Non-rated/ NIG	Total
Investments held to maturity - at amortized cost						
Finance and credit enterprises	0	3 067	1 459	0	878	5 403
Public sector guarantee	1 014	0	0	0	50	1 064
Savings banks	0	0	44	0	45	89
Government and government guarantee within OECD	21 195	806	1 587	0	0	23 587
Public sector enterprises and covered bonds	2 950	0	0	0	1 307	4 257
Other	0	510	2 895	0	3 462	6 867
Total	25 158	4 383	5 985	0	5 742	41 268
Bonds classified as lending and receivables - at amortized cost						
Finance and credit enterprises	510	1 717	2 694	0	1 270	6 192
Public sector guarantee	1 000	0	0	0	668	1 668
Savings banks	0	0	649	0	721	1 370
Government and government guarantee within OECD	13 782	0	2 045	0	0	15 827
Public sector enterprises and covered bonds	4 655	1 118	201	0	1 853	7 826
Other	0	259	2 561	359	3 121	6 300
Total	19 946	3 094	8 151	359	7 633	39 184
Bonds and other fixed-return securities						
Finance and credit enterprises	0	2 857	2 741	20	787	6 405
Public sector guarantee	636	0	0	0	744	1 380
Savings banks	0	0	657	0	5 763	6 419
Government and government guarantee within OECD	6 978	1 554	379	0	0	8 910
Public sector enterprises and covered bonds	509	0	11	0	960	1 480
Other	0	0	118	106	2 598	2 822
Total	8 122	4 411	3 905	126	10 853	27 417
Financial derivatives classified as assets						
Denmark	0	0	138	0	0	138
Finland	0	459	0	0	0	459
Norway	0	106	22	0	0	127
UK	0	8	4	0	0	12
Switzerland	0	0	260	0	0	260
Sweden	0	0	106	0	0	106
USA	0	0	101	0	0	101
Total	0	573	630	0	0	1 203
Fixed income funds						
Public sector, financial and credit enterprises	0	0	0	0	935	935
Government and government guarantee within OECD	0	0	0	0	106	106
Other	0	0	13 030	0	12 062	25 092
Total	0	0	13 030	0	13 103	26 134

NOK million	AAA	AA	A	BBB	Non-rated/ NIG	Total
Lending and receivables						
France	0	854	0	0	0	854
Norway	0	500	1 686	0	5 656	7 842
UK	0	2 872	0	0	0	2 872
Sweden	0	0	651	0	0	651
USA	0	105	446	0	0	552
Total	0	4 332	2 783	0	5 656	12 770
Total securities	53 227	16 792	34 484	485	42 986	147 975
Lending at amortized cost[1]		0 %	20 %	35 %	100 %	Totalt
Public sector		3	19 197	0	2 797	21 997
Private individuals		0	0	7 650	6	7 656
Total lending		3	19 197	7 650	2 803	29 653

[1] The credit risk to which lending is exposed is calculated based on the regulations concerning minimum requirements for capital adequacy, and the rules that apply on determining the calculation base. The lending is placed separately since it is not included with the same rating categories.

Emphasis is placed on diversification of credit exposure to avoid concentration of credit risk against individual debtors. To monitor credit risk in lending and investments a special credit committee has been established, meeting regularly. The limits for credit risk against the individual debtor are set by the committee. Changes in debtors' credit assessments are monitored and reported by KLP Kapitalforvaltning.

KLP has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. KLP can be said to have a high concentration of debt instruments directed at the Norwegian public sector. However this does not imply concentration risk in the ordinary meaning since the counterparty risk is minimal.

Only ratings from Standard and Poor's have been used in the note grouping. KLP Group also uses ratings from Moody's Investor Services and Fitch Ratings and all three are considered equal as a basis for investments in fixed income securities. The table shows exposure against the rating categories that S & P uses, where AAA is linked to securities with the highest creditworthiness. Non-rated/non-investment-grade applies in the main to individual Norwegian financial institutions, municipalities/county authorities and other investments within Norwegian finance. KLP has strict guidelines for investments in fixed income securities which also apply to investments falling into this category.

The lines in the note coincide with the financial position statement layout. The exceptions are debt instruments at fair value, which are divided into three categories in the note and lending which is shown combined in the note, but is shown in two lines in the financial position statement (fair value and amortised cost).

Geographic extract of debt instruments - Exposure against profiled countries in the Eurozone (PIIGS[2])

31.12.2011 NOK million	Acquisition cost	Unrealised gain/loss	Of which due to currency	Market value	Book value 31.12.2011
Spain					
Fixed income securities at fair value	176	-9	-3	167	167
Fixed income securities at amortized cost	780	-18	0	762	780
Total Spain	956	-27	-3	929	947
Italy					
Fixed income securities at fair value	422	-72	-22	349	349
Fixed income securities at amortized cost	3 587	-289	-31	3 298	3 556
Total Italy	4 009	-361	-54	3 648	3 905
Total	4 964	-388	-56	4 577	4 852

In Spain and Italy pure government debt represents 167 million and 3647.7 million, and government guaranteed securities 794.6 million and 0 million (market value) as at 31 December 2011.

Portfolio distribution (market value)

31.12.2011 NOK million	Spain	Italy	Total
Corporate portfolio	27	370	397
Common portfolio	895	3 269	4 164
Investment option portfolio	7	9	16
Total	929	3 648	4 577

Note 11 Credit risk, contd.

31.12.2011 Rating	Spain	Italy
Moody´s	A1	A2
Standard & Poor´s	AA-	A
Fitch	AA-	A+

31.12.2010 NOK million	Acquisition cost	Unrealised gain/loss	Of which due to currency	Market value	Book value 31.12. 2010
Spain					
Fixed income securities at fair value	95	-15	-2	80	80
Fixed income securities at amortized cost	780	5	0	785	780
Total Spain	875	-10	-2	865	860
Italy					
Fixed income securities at fair value	367	-33	-23	334	334
Fixed income securities at amortized cost	3 645	-60	-83	3 584	3 562
Total Italy	4 012	-93	-106	3 919	3 897
Portugal					
Fixed income securities at fair value	48	-4	-2	45	45
Total Portugal	48	-4	-2	45	45
Total	4 934	-107	-110	4 828	4 801

In Spain and Italy pure government debt represents 79.7 million and 3918.7 million respectively, and government guaranteed securities 817.6 million and 0 million (market value) as at 31 December 2010.

Portfolio distribution (market value)

31.12.2010 NOK million	Portugal	Spain	Italy	Total
Corporate portfolio	0	29	1 605	1 633
Common portfolio	45	835	2 312	3 192
Investment option portfolio	0	1	2	3
Total	45	865	3 919	4 828

31.12.2010 Rating	Portugal	Spain	Italy
Moody´s	A1	Aa1	Aa2
Standard & Poor´s	A-	AA	A+
Fitch	A+	AA+	AA-

[1] The credit risk to which lending is exposed is calculated based on the regulations concerning minimum requirements for capital adequacy, and the rules that apply on determining the calculation base. The lending is placed separately since it is not included with the same rating categories.

[2] The acronym PIIGS refers to the countries assumed to be most exposed as a result of the market disquiet concerning government debt in the Eurozone and is used in regard to Portugal, Ireland, Italy, Greece and Spain.

The overview shows government debt KLP holds against selected countries, and the rating. The countries in the table are selected on the basis of the profile they have gained as exposed economies in the Eurozone, and in the continuing unease about debt. The debt unease is primarily based on the fear of default in government debt. In Greece, the country where the probability of default is highest, the KLP Group has no fixed income securities. KLP has no government securities in Ireland and Portugal as at 31 December 2011. The securities measured iat amortised have not been written down.

NOK million	2011	2010
Premium receivables	603	273
Write-downs of premium receivables	-2	-1
Total	602	272

The Group's premium receivables are primarily in regard to the public sector and the credit risk is considered low. In addition the main group pension/public sector industry is linked to the "Transfer agreement for the public sector". This transfer agreement has a security scheme intended to help to secure pension rights accrued with employers who cease to exist or do not pay premiums when due in accordance with detailed rules. The Group may thus apply for cover for unpaid demands in this industry from the security arrangement if the demand falls within the security arrangement's regulations.

Note 12 Mortgages and other lending

NOK million	Municipalities and county administrations	State and local government owned enterprises [1]	Private organisations and companies [2]	Employees, pensioners and similar	Total 31.12. 2011	Total 31.12. 2010
Akershus	1 049	341	38	1 235	2 662	2 984
Aust-Agder	116	3	11	107	237	376
Buskerud	1 350	1 016	47	230	2 642	3 181
Finnmark	380	142	0	46	568	505
Hedmark	674	32	9	180	896	1 720
Hordaland	464	207	248	560	1 480	2 160
Møre og Romsdal	1 330	183	192	395	2 101	2 138
Nordland	1 103	82	0	220	1 405	1 499
Nord-Trøndelag	680	56	33	91	860	650
Oppland	497	56	39	140	732	833
Oslo	0	556	158	1 022	1 736	1 843
Rogaland	847	20	14	392	1 273	2 255
Sogn og Fjordane	500	39	0	38	576	724
Svalbard og Jan Mayen	0	23	0	1	23	31
Sør-Trøndelag	1 257	37	73	282	1 649	2 708
Telemark	428	47	116	127	718	680
Troms	815	247	132	224	1 419	1 251
Vest-Agder	106	250	11	131	498	644
Vestfold	971	167	24	468	1 630	1 714
Østfold	1 065	96	50	408	1 620	1 507
Not distributed	163	1		42	206	70
Accrued interest					172	181
Total	13 794	3 601	1 197	6 340	25 104	29 653

This table shows KLP's lendings by county and sector. Sectors are based on the sector codes from Statistics Norway (SSB).

NOK million	2011	2010
Individual write-down of loans granted at amortized cost		
Number of loans	10	8
Total principal before write-downs	0.99	0,72
Write-downs	-0.82	-0,69
Total principal after write-downs	0.17	0,03
Individual write-downs		
Write-down of individual lendings 01.01.	0.69	0,62
The period's established losses where previously individual write-downs were carried out	-0.05	0,16
The period's write-down of individual lendings	0.19	0,00
The period's reversal of write-down of individual lendings	-0.02	-0,09
Write-down of individual lendings	0.82	0,69

Lendings fallen due, not written down NOK million	2011 Unpaid debts	2010 Unpaid debts
Fallen due		
30-90 days	41	35
More than 90 days	22	33
Total lendings fallen due	63	70

The numbers are absolute, amounts are stated in NOK millions. Loans defaulted on are loans at amortised cost. All write-downs relate to housing mortgages.

[1] This category comprises municipal business management in addition to state and local government owned enterises.
[2] This category mainly comprises private enterprises with limited liability and non-profit organisations.

KLP has a high quality lending portfolio with limited credit risk and historically low losses. KLP mainly provides housing mortgages covering less than 80 per cent of the value, loans to municipalities and loans with public sector guarantees. Loans secured b y housing mortgages make up NOK 6.4 billion (including accrued interest). There is very little sector diversification on loans granted by KLP since a very high proportion of the loans are aimed at the public sector. The concentration risk this indicates is nevetheless not very realistic since the loans are covered by public sector guarantee, which implies a particularly low counterparty risk.

Note 13 Shares and holdings in enterprises in the same group and associated companies

NOK million	Office and business address	Holding	OE on first acquisition	Acquisition cost	Book value 31.12. 2010	Additions/ disposals	Value adjustment	Profit/ loss share	Equity trans- action	Dividend	Book value 31.12. 2011
Enterprises in same Group (excl. property)											
KLP Skadeforsikring AS	Dronning Eufemiasgate 10 0103 Oslo	100	58.7	78.7	843.7	0.0	0.0	25.2	-132.1	0.0	736.8
KLP Bedriftspensjon AS	Dronning Eufemiasgate 10 0103 Oslo	100	50.0	50.0	50.9	0.0	0.0	-23.8	25.0	0.0	52.1
KLP Fondsforvaltning AS	Dronning Eufemiasgate 10 0103 Oslo	100	6.6	14.0	11.5	0.0	0.0	7.8	-6.3	0.0	13.0
KLP Forsikringsservice AS	Dronning Eufemiasgate 10 0103 Oslo	100	0.1	0.1	8.8	0.0	0.0	1.9	-2.0	0.0	8.8
KLP Bankholding AS	Dronning Eufemiasgate 10 0103 Oslo	100	15.1	15.1	1 222.3	0.0	0.0	-80.8	0.0	0.0	1 141.6
KLP Kapitalforvaltning AS	Dronning Eufemiasgate 10 0103 Oslo	100	50.0	50.0	77.7	0.0	0.0	18.5	-14.4	0.0	81.9
Total shares/holdings in enterprises in same Group (excl. property)				207.9	2 215.3	0.0	0.0	-51.2	-129.7	0.0	2 034.2
Enterprises in same group, property subsidiaries											
Shares in common & investment option portfolios											
KLP Eiendom AS	Dronning Eufemiasgate 10 0103 Oslo	100	0.1	0.1	25 155.0	0.0	387.6	-176.7	2 620.3	0.0	27 986.2
Total shares in enterprises in same group, property subsidiaries				0.1	25 155.0	0.0	387.6	-176.7	2 620.3	0.0	27 986.2
Shares and holdings in corporate portfolio											
KLP Huset AS	Dronning Eufemiasgate 10 0103 Oslo	100	0.0	0.1	1 208.5	0.0	86.6	-1.6	44.2	0.0	1 337.7
Total shares in enterprises in same Group, property subsidiaries				611.1	1 208.5	0.0	86.6	-1.6	44.2	0.0	1 337.7
Total shares/holdings in enterprises in same Group (incl. property)				819.1	28 578.8	0.0	474.2	-229.5	2 534.8	0	31 358.1
Associated companies											
Norsk Pensjon AS	Hansteens gate 2 0253 Oslo	25	20.0	5.0	2.8	0.0	0.0	0.2	0.0	0.0	3.0
Fylkeshuset, Molde AS	Fylkeshuset, Julsundvn. 9, 6400 Molde	48	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total shares and holdings in associated companies				5.0	2.9	0.0	0.0	0.2	0.0	0.0	3.02

All shares and other holdings have equal voting proportions.

Note 14 Shares and equity fund units 31.12.2011

NOK million	Number	Market value
NORWAY		
KONGSBERG AUTO	4 404 756	6
ROYAL CARIB CRUS	290 000	43
SCHIBSTED	120 000	18
TOTAL, CONSUMABLES		67
AUSTEVOLL SEA	308 950	6
LEROY SEAFOOD	100 000	8
MORPOL ASA	1 350 000	11
TOTAL, CONSUMER GOODS		26
ELECTROMAGNETIC GEOSERVICES	548 832	7
FAIRSTAR HEAVY	506 000	4
FARSTAD SHIPPING	18 245	3
FRED OLSEN PRODUCTION ASA	395 700	3
GANGER ROLF ASA	362 134	38
KVAERNER ASA	535 000	5
NORTH ENERGY ASA	113 000	1
NORWEGIAN ENERGY CO AS	2 096 341	10
PANORO ENERGY ASA	1 590 000	7
PETRO GEO SVCS	675 555	44
QUESTERRE ENERGY	1 094 800	4
SAGA TANKERS ASA	1 757 000	3
SD STANDARD DRILLING PLC	1 159 500	8
SEADRILL LTD	19 600	4
SEVAN DRILLING AS	2 640 157	13
SIEM OFFSHORE	1 244 584	10
SOLSTAD OFFSHORE	195 918	16
SONGA OFFSHORE	1 073 319	20
STATOILHYDRO ASA	3 420 902	524
SUBSEA 7 SA	1 083 202	120
TGS NOPEC GEO	171 050	23
TRONDER ENERGI AS	3 000 000	328
TOTAL, ENERGY		1 386
ABG SUNDAL COLLIER HOLDING ASA	1 950 000	7
AKER	205 000	32
AKTIV KAPITAL	300 000	8
DNB ASA	3 057 833	179
FORNEBU UTVIKLING ASA	3 900 000	6
GJENSIDIGE FORSIKRING ASA	11 200	1
NMI AS	7 500	8
NORWEGIAN PROPERTIES ASA	1 581 000	11
OSLO BORS VPS HOLDING ASA	4 300 200	254
SPAREBANKEN VEST	444 988	14
STOREBRAND ASA	830 000	26
TOTAL, FINANCIAL		545
CLAVIS PHARMA	370 000	18
PCI BIOTECH HOLDING ASA	286 960	10
PHOTOCURE	885 977	31
PRONOVA BIOPHARMA AS	685 000	5
REDCORD AS	7 100	0
TOTAL, HEALTH		64
EITZEN CHEMICAL	9 200 000	1
MASTER MARINE AS	2 596 133	1
NORWEGIAN AIR SHUTTLE ASA	300 000	16
ODFJELL ASA	283 135	10
ORKLA	2 832 740	126
SOLVTRANS HOLDING ASA	790 000	10
STOLT NIELSEN	144 298	17
VEIDEKKE	442 018	17
WILH. WILHELMSEN HOLDING ASA	197 906	27
WILH. WILHELMSEN HOLDING ASA - B AKSJE	13 570	2
TOTAL, INDUSTRY		228
ATEA ASA	254 279	15
BOUVET ASA	380 400	26
EDB ERGOGROUP ASA	1 999 082	19
HIGH DENSITY DEVICES AS	435 768	2
HIGH DENSITY DEVICES AS RIGHT	2 357 380	0
NORDIC SEMICOND	3 283 123	47
OPERA SOFTWARE	632 482	18
Q-FREE ASA	226 500	4
RENEWABLE ENERGY CORP	3 417 963	11
VIZRT	1 317 417	25
TOTAL, IT		167
TELENOR	2 826 240	268
TOTAL, TELECOM		268
HAFSLUND ASA	39 228	3
TOTAL, SUPPLY		3
NORSK HYDRO ASA	4 071 541	112
NORTHLAND RESOURCES SA	1 716 795	15
SCANA INDUSTRIER	1 020 112	2
YARA INTERNATIONAL	472 088	113
TOTAL, COMMODITIES		243
TELENOR	2 089 672	205
TOTAL, TELECOM		205
OMEGA SMARTBUILD EAST AFRICA	175	0
NORSK TILLITSMANN	11 175	1
SILVER PENSJONSFORSIKRING AS	556 444	10
TOTAL, TELECOM		11
TOTAL, NORWAY		2 941
FOREIGN		
ABERCROMBIE & FITCH CO A	5 400	2
ACCOR	16 217	2
ADIDAS	12 381	5
ADVANCE AUTO PARTS	74 000	31
AISIN SEIKI CO	8 300	1
AMAZON.COM	20 362	21
APOLLO GROUP A	12 900	4
AUTOLIV INC	2 600	1
AUTOZONE	1 000	2
BED BATH & BEYOND	14 247	5
BENESSE HOLDINGS INC	4 900	1
BEST BUY CO	19 084	3
BLOCK (H&R)	334 494	33
BMW STAMM	23 618	9
BORGWARNER INC	8 000	3
BRITISH SKY BROADCASTING	67 424	5
BURBERRY GROUP	27 359	3
CABLEVISION SYSTEMS A	8 400	1
CANADIAN TIRE CORP A	74 400	29
CARMAX	15 900	3
CARNIVAL CORP	26 938	5
CARNIVAL PLC (P AND O PRINCES)	6 945	1
CBS CORP B	35 177	6
CHIPOTLE MEXICAN GRILL INC	1 900	4
COACH	16 200	6
COMCAST A SPECIAL (NEW)	36 548	5
COMCAST CORP A (NEW)	117 372	17
COMPASS GROUP	639 826	36
CONTINENTAL	2 855	1
CROWN LTD	26 293	1
D.R. HORTON	15 700	1

Note 14 Shares and equity fund units 31.12.2011, contd.

NOK million	Number	Market value
DAIHATSU MOTOR CO	48 800	5
DAIMLERCHRYSLER	64 616	17
DARDEN RESTAURANTS	127 600	35
DENSO CORP	36 300	6
DENTSU	10 200	2
DIOR (CHRISTIAN)	3 470	2
DIRECTV GROUP (THE)	41 514	11
DISCOVERY COMMUNICATIONS-A	200	0
DISCOVERY COMMUNICATIONS-C	6 800	2
DISH NETWORK CORP	15 000	3
DISNEY (WALT)	229 943	51
DOLLAR GENERAL CORP	500	0
DOLLAR TREE INC	6 850	3
ECHO ENTERTAINMENT GROUP LTD	36 255	1
ELECTROLUX B	29 567	3
EUTELSAT COMMUNICATIONS	18 422	4
EXPEDIA	10 550	2
FAIRFAX MEDIA	330 239	1
FAMILY DOLLAR STORES	4 600	2
FAST RETAILING CO	4 400	5
FIAT ORD	51 716	1
FORD MOTOR CO	252 713	16
FUJI HEAVY INDUSTRIES	41 000	1
GALAXY ENTERTAINMENT GRP	62 000	1
GAMESTOP CORP A	5 800	1
GAP	24 601	3
GARMIN	20 900	5
GENERAL MOTORS CO	57 600	7
GENTING SINGAPORE PLC	297 000	2
GENUINE PARTS CO	8 775	3
GOODYEAR TIRE & RUBBER	31 600	3
HARLEY-DAVIDSON	16 544	4
HASBRO	6 100	1
HENNES & MAURITZ B	57 458	11
HOME DEPOT	87 907	22
HONDA MOTOR CO	116 300	21
HUSQVARNA B	11 199	0
INDITEX	69 072	34
INTERCONTINENTAL HOTELS	667	0
INTERPUBLIC GROUP OF COS	35 100	2
INT'L GAME TECHNOLOGY	11 800	1
ISETAN CO	17 600	1
ISUZU MOTORS	79 000	2
JARDINE CYCLE & CARRIAGE	17 000	4
JC DECAUX INTERNATIONAL	18 700	3
JOHNSON CONTROLS	48 500	9
KINGFISHER	132 823	3
KOHLS CORP	14 994	4
LAGARDERE	4 634	1
LAS VEGAS SANDS CORP	20 300	5
LEGGETT & PLATT	17 200	2
LG ELECTRONICS INC	385	0
LI & FUNG LTD	332 920	4
LIBERTY GLOBAL A	7 020	2
LIBERTY GLOBAL C	7 400	2
LIBERTY INTERACTIVE A	33 559	3
LIMITED BRANDS	14 955	4
LOWE'S COS	269 570	41
LULULEMON ATHLETICA INC	5 800	2
LVMH	14 497	12
MACY'S	22 756	4
MAGNA INTERNATIONAL A	16 244	3
MARKS & SPENCER GROUP	93 116	3
MARRIOTT INT'L A	15 698	3
MARRIOTT VACATIONS WORLD	1	0
MATTEL	185 376	31
MAZDA MOTOR CORP	53 000	1
MCDONALD'S CORP	57 971	35
MCGRAW-HILL COS	17 304	5

NOK million	Number	Market value
MEDIASET	78 926	1
MICHELIN	13 180	5
MITSUBISHI MOTORS CORP	507 000	4
NETFLIX INC	3 000	1
NEWELL RUBBERMAID	12 018	1
NEWS CORP A	374 880	40
NEWS CORP B	17 292	2
NEXT	8 190	2
NGK SPARK PLUG CO	19 000	1
NIKE B	20 100	12
NIKON CORP	37 000	5
NISSAN MOTOR CO	177 400	9
NITORI CO	55 000	31
NOKIAN RENKAAT	13 928	3
NORDSTROM	7 600	2
OMNICOM GROUP	15 653	4
OPAP	6 469	0
O'REILLY AUTOMOTIVE INC	7 600	4
ORIENTAL LAND CO	6 900	4
PANASONIC CORP	123 600	6
PEARSON	45 764	5
PENNEY (J.C) CO	22 000	5
PERSIMMON	156	0
PEUGEOT SA	20 672	2
PORSCHE AUTOMOBIL HOLDING SE	11 352	4
PPR	4 494	4
PRICELINE.COM	2 900	8
PUBLICIS GROUPE	6 963	2
RAKUTEN	414	3
RALPH LAUREN CORP	3 200	3
REED ELSEVIER (GB)	664 422	32
REED ELSEVIER (NL)	439 222	30
RENAULT	14 350	3
RICHEMONT (FIN) UNIT A	29 291	9
ROSS STORES	13 200	4
ROYAL CARIBBEAN CRUISES	12 000	2
SANDS CHINA LTD	168 000	3
SANKYO CO (6417)	4 300	1
SCRIPPS NETWORKS INTER-CL A	9 400	2
SEARS HOLDINGS CORP	2 365	0
SEKISUI CHEMICAL CO	35 900	2
SEKISUI HOUSE	70 500	4
SES A-FDR	225 237	32
SHARP CORP	55 800	3
SHAW COMMUNICATIONS B	280 762	33
SHIMANO	4 000	1
SINGAPORE PRESS HLDG	75 550	1
SIRIUS XM RADIO INC	233 300	3
SODEXHO ALLIANCE	12 103	5
SONY CORP	56 400	6
STANLEY ELECTRIC CO	1 900	0
STAPLES	366 235	30
STARBUCKS CORP	41 878	11
STARWOOD HOT.&RES. WORLD	10 299	3
SUZUKI MOTOR CORP	20 900	3
SWATCH GROUP INH	1 825	4
SWATCH GROUP NAM	3 892	2
TABCORP HOLDINGS	38 854	1
TAKASHIMAYA CO	18 000	1
TARGET CORP	126 400	39
THOMSON REUTERS CORP	22 206	4
TIFFANY & CO	6 800	3
TIM HORTONS INC	12 000	3
TIME WARNER	198 554	43
TIME WARNER CABLE-A	18 290	7
TJX COS	21 389	8
TOYOTA INDUSTRIES CORP	24 100	4
TRIPADVISOR INC	10 550	2
TRW AUTOMOTIVE HOLDINGS CORP	10 100	2

NOK million	Number	Market value
URBAN OUTFITTERS INC	6 600	1
VF CORP	4 900	4
VIACOM B (NEW)	29 377	8
VIRGIN MEDIA	18 400	2
VOLKSWAGEN STAMM	2 043	2
VOLKSWAGEN VORZUG	10 317	9
WHIRLPOOL CORP	7 540	2
WHITBREAD	11 039	2
WOLTERS KLUWER	304 923	32
WPP PLC	74 657	5
WYNN MACAU LTD	248 200	4
WYNN RESORTS	4 500	3
YAMADA DENKI CO	7 050	3
YAMAHA CORP	12 700	1
YAMAHA MOTOR CO	15 600	1
YUM BRANDS	26 132	9
TOTAL, CONSUMABLES		1 331
AEON CO	44 400	4
AHOLD (KON.)	467 421	38
AJINOMOTO CO	50 000	4
ALIMENTATION COUCHE-T. B	175 900	33
ARCHER-DANIELS-MIDLAND	211 415	36
ARYZTA AG	4 460	1
ASAHI GROUP HOLDINGS LTD	248 700	33
ASSOCIATED BRITISH FOODS	303 475	31
AVON PRODUCTS	25 390	3
BEAM INC	10 439	3
BEIERSDORF	6 868	2
BROWN-FORMAN CORP B	11 325	5
BUNGE	10 600	4
CAMPBELL SOUP CO (US)	160 248	32
CARLSBERG B	8 230	3
CARREFOUR	45 616	6
CASINO ORD	5 238	3
CHURCH & DWIGHT CO INC	16 400	4
CLOROX CO	6 905	3
COCA-COLA AMATIL	451 981	32
COCA-COLA CO	154 500	65
COCA-COLA ENTERPRISES	207 600	32
COCA-COLA HBC	9 651	1
COLGATE-PALMOLIVE	27 300	15
COLRUYT	10 783	2
CONAGRA FOODS	219 439	35
CONSTELLATION BRANDS A	9 700	1
COSTCO WHOLESALE CORP	33 569	17
CVS/CAREMARK	103 290	25
DANONE	43 663	16
DELHAIZE GROUPE	90 179	30
DIAGEO	414 258	54
DISTRIBUIDORA INTERNACIONAL	45 616	1
DR PEPPER SNAPPLE GROUP-W/I	17 158	4
ESTEE LAUDER COS A	7 100	5
FAMILYMART CO	2 600	1
GENERAL MILLS	168 960	41
GREEN MOUNTAIN COFFEE ROASTE	9 800	3
HEINEKEN HOLDING	136 833	33
HEINEKEN NV	122 565	34
HEINZ (H.J) CO	24 630	8
HENKEL AG & CO KGAA	9 610	3
HENKEL AG & CO KGAA	110 503	32
HERSHEY CO (THE)	12 200	4
INBEV	60 026	22
J.M.SMUCKER	72 800	34
JERONIMO MARTINS SGPS	13 900	1
KAO CORP	218 100	35
KELLOGG CO	116 600	35

NOK million	Number	Market value
KERRY GROUP A	142 046	31
KESKO B	3 550	1
KIMBERLY-CLARK CORP	90 463	40
KIRIN HOLDINGS CO	65 400	5
KRAFT FOODS A	125 489	28
KROGER CO	247 731	36
LAWSON	2 800	1
LOBLAW	139 039	31
LOREAL	13 506	8
MCCORMICK & CO NV	18 100	5
MEAD JOHNSON NUTRITION CO-A	15 731	6
MEIJI HOLDINGS CO LTD	9 200	2
METCASH LTD	1 186 750	29
METRO A	99 700	32
METRO STAMM	9 578	2
MOLSON COORS BREWING B	129 500	34
MONSTER BEVERAGE CORP	5 600	3
MORRISON WM SUPERMARKETS	168 113	5
NESTLE	246 738	85
NIPPON MEAT PACKERS	14 200	1
NISSHIN SEIFUN GROUP	15 500	1
NISSIN FOODS HOLDINGS CO LTD	5 700	1
OLAM INTERNATIONAL	181 000	2
PEPSICO	193 131	76
PERNOD RICARD	15 247	8
PROCTER & GAMBLE CO	229 024	91
RALCORP HOLDINGS INC	2 100	1
RECKITT BENCKISER GROUP PLC	131 136	39
SABMILLER	71 268	15
SAFEWAY INC	263 554	33
SAINSBURY (J)	1 143 396	32
SAPUTO	8 600	2
SARA LEE CORP	43 754	5
SEVEN AND I HOLDINGS CO	57 840	10
SHISEIDO CO	10 800	1
SHOPPERS DRUG MART CORP	16 100	4
SYSCO CORP	46 552	8
TATE & LYLE PLC	461 328	30
TESCO	1 391 842	52
TOYO SUISAN KAISHA	3 000	0
TYSON FOODS A	28 500	4
UNI-CHARM CORP	10 100	3
UNILEVER NV CERT	123 416	25
UNILEVER PLC	95 947	19
WALGREEN CO	211 523	42
WESTON (GEORGE)	7 300	3
WHOLE FOODS MARKET	10 800	4
WILMAR INTERNATIONAL	147 400	3
WOOLWORTHS LTD	281 254	43
YAKULT HONSHA CO	20 800	4
TOTAL, CONSUMER GOODS		1 818
ALPHA NATURAL RESOURCES INC	6 000	1
AMEC	19 017	2
ANADARKO PETROLEUM CORP	30 330	14
APACHE CORP	23 304	13
ARC RESOURCES LTD	11 496	2
ARCH COAL	6 800	1
ARCHER LTD	275 000	4
BAKER HUGHES	27 481	8
BASSDRILL LTD	647 074	5
BG GROUP	206 202	26
BP	1 152 291	49
CABOT OIL & GAS CORP	6 200	3
CAIRN ENERGY	89 160	2
CAMECO CORP	25 100	3
CAMERON INTERNATIONAL	15 500	5
CANADIAN NAT RESOURCES	66 740	15
CANADIAN OIL SANDS LTD	30 900	4

Note 14 continues on next page

Note 14 Shares and equity fund units 31.12.2011, contd.

NOK million	Number	Market value
CENOVUS ENERGY INC	45 836	9
CGG VERITAS	6 966	1
CHESAPEAKE ENERGY CORP	41 700	6
CIMAREX ENERGY CO	5 400	2
CONCHO RESOURCES INC	6 100	3
CONOCOPHILLIPS	145 700	63
CONSOL ENERGY	13 600	3
CONTINENTAL RESOURCES INC/OK	2 700	1
CRESCENT POINT ENERGY TRUST	15 239	4
DENBURY RESOURCES	13 900	1
DEVON ENERGY CORP	24 044	9
DIAMOND OFFSHORE DRILL.	9 900	3
DOCKWISE LTD	61 765	6
EL PASO CORP	44 895	7
ENBRIDGE	44 793	10
ENCANA CORP	47 048	5
ENERPLUS CORP	6 238	1
ENI	368 556	45
EOC LTD	980 000	5
EOG RESOURCES	16 200	10
EQT CORPORATION	8 600	3
EXXON MOBIL CORP	355 726	180
FMC TECHNOLOGIES	14 400	4
FUGRO CERT	3 833	1
GALP ENERGIA SGPS SA-B SHRS	40 626	4
HALLIBURTON CO	55 900	12
HELMERICH AND PAYNE	5 000	2
HESS	19 300	7
HUSKY ENERGY	25 900	4
IMPERIAL OIL	132 241	35
INDEPENDENT TANKERS CORP LTD	2 092 461	1
INGRAIN INC	1 240 493	30
INPEX CORPORATION	140	5
JX HOLDINGS INC	143 105	5
KINDER MORGAN INC	10 700	2
KINDER MORGAN MANAGEMENT LLC	5 305	2
MARATHON OIL CORP	45 200	8
MARATHON PETROLEUM CORP-W/I	22 600	4
MEG ENERGY CORP	13 000	3
MURPHY OIL CORP	11 600	4
NABORS INDUSTRIES	33 584	3
NATIONAL OILWELL VARCO	25 763	10
NESTE OIL	7 028	0
NEWFIELD EXPLORATION CO	7 700	2
NEXEN	33 472	3
NOBLE DRILLING CORP	15 406	3
NOBLE ENERGY	11 200	6
OCCIDENTAL PETROLEUM	49 400	28
ORIGIN ENERGY	67 629	5
PACIFIC RUBIALES ENERGY CORP	200	0
PEABODY ENERGY CORP	17 200	3
PENN WEST PETROLEUM LTD	29 067	3
PETROFAC LTD	19 887	3
PIONEER NATURAL RES.	6 600	4
PLAINS EXPLORATION AND PROD	6 200	1
PROGRESS ENERGY RESOURCES CO	8 300	1
PROSPECTOR OFFSHORE DRILLING	570 000	6
QEP RESOURCES INC	19 500	3
RANGE RESOURCES CORP	9 800	4
READ WELL SERVICES HOLDING (A-AKSJE) AS	903 273	18
READ WELL SERVICES HOLDING (B-AKSJE) AS	201 212	4
REPSOL YPF	48 269	9
ROWAN COS	7 200	1
ROYAL DUTCH SHELL A	366 222	80
ROYAL DUTCH SHELL B	296 040	67
SAIPEM ORD	16 868	4
SANTOS	53 911	4

NOK million	Number	Market value
SBM OFFSHORE	11 333	1
SCHLUMBERGER	82 126	33
SOUTHWESTERN ENERGY CO	22 100	4
SPECTRA ENERGY	39 600	7
SUNCOR ENERGY	95 711	16
SUNOCO	4 800	1
TALISMAN ENERGY	65 000	5
TECHNIP	5 927	3
TENARIS SA	30 085	3
TONENGENERAL SEKIYU	27 000	2
TOTAL	222 368	68
TOURMALINE OIL CORP	6 600	1
TRANSCANADA CORP	42 697	11
TRANSOCEAN LTD	20 325	5
TULLOW OIL	56 577	7
ULTRA PETROLEUM CORP	15 300	3
VALERO ENERGY CORP	36 082	5
WEATHERFORD INT'L	47 284	4
WHITING PETROLEUM CORP	7 100	2
WILLIAMS COS	37 243	7
WOODSIDE PETROLEUM	38 601	7
WORLEYPARSONS	19 842	3
TOTAL, ENERGY		1 143
3I GROUP PLC	133 225	2
ACE	88 400	37
ADMIRAL GROUP PLC	15 693	1
AEGON	101 708	2
AFLAC	26 215	7
AGEAS	147 968	1
AIA GROUP LTD	463 300	9
ALLIANZ	25 534	15
ALLSTATE CORP	30 207	5
AMERICAN EXPRESS	60 352	17
AMERICAN INT'L GROUP	27 878	4
AMERICAN INT'L GROUP WARRANT	27 531	1
AMERICAN TOWER CORP A	22 200	8
AMERIPRISE FINANCIAL	14 070	4
AMP LTD	169 819	4
ANNALY CAPITAL MANAGEMENT IN	352 700	34
ANZ BANKING GROUP	387 149	49
AON CORP	17 546	5
ARCH CAPITAL GROUP	10 200	2
ASSICURAZIONI GENERALI	65 601	6
ASSURANT	125 800	31
ASX	11 215	2
AVALONBAY COMMUNITIES	5 304	4
AVIVA	160 849	4
AXA	97 774	8
AXIS CAPITAL HOLDINGS	156 800	30
BALOISE-HOLDING AG	1 593	1
BANCA MONTE PASCHI ORD	146 059	0
BANCO BILBAO VIZCAYA ARGENTA	255 213	13
BANCO POPOLARE SPA	43 559	0
BANCO POPULAR ESPANOL	99 162	3
BANCO SABADELL	87 120	2
BANK EAST ASIA	74 470	2
BANK KYOTO	34 000	2
BANK LEUMI LE-ISRAEL	92 727	2
BANK MONTREAL	35 727	12
BANK NEW YORK MELLON	314 113	37
BANK NOVA SCOTIA	163 644	49
BANK OF AMERICA CORP	569 347	19
BANK YOKOHAMA	127 000	4
BARCLAYS	650 696	11
BB&T CORP	41 100	6
BENDIGO AND ADELAIDE BANK LTD	45 310	2
BERKSHIRE HATHAWAY B	51 000	23
BLACKROCK INC	5 200	6

NOK million	Number	Market value
BNP PARIBAS	54 282	13
BOC HONG KONG HOLDINGS	219 200	3
BOSTON PROPERTIES	8 300	5
BRITISH LAND CO	83 031	4
BROOKFIELD ASSET MAN A	207 086	34
BROOKFIELD OFFICE PROPERTIES	346 300	32
BSCH BCO SANTANDER CENTR	1 079 504	49
CANADIAN IMPERIAL BANK	90 608	39
CAPITAL ONE FINANCIAL	27 016	7
CAPITAL SHOPPING CENTRES GROUP	15 710	0
CAPITALAND	254 000	3
CAPITAMALL TRUST	157 000	1
CFS RETAIL PROP TRUST	2 681 465	28
CHEUNG KONG HOLDINGS	81 900	6
CHIBA BANK	128 000	5
CHICAGO MERCANTILE EXCH	3 544	5
CHUBB CORP	87 892	36
CI FINANCIAL INCOME FUND	12 400	2
CINCINNATI FINL CORP	7 000	1
CIT GROUP INC	10 900	2
CITIGROUP	163 909	26
CITY DEVELOPMENTS	34 000	1
CNP ASSURANCES	36 645	3
COMERICA	5 900	1
COMMERZBANK	277 531	3
COMMONWEALTH BANK	87 571	26
CORIO	3 402	1
CREDIT AGRICOLE	56 850	2
CREDIT SAISON CO	3 000	0
CREDIT SUISSE	64 102	9
DAI-ICHI LIFE INSURANCE	473	3
DAITO TRUST CONSTRUCTION	3 600	2
DAIWA HOUSE IND CO	22 300	2
DAIWA SECURITIES GROUP	164 900	3
DANSKE BANK	38 293	3
DBS GROUP HOLDINGS	600 900	32
DEUTSCHE BANK NAMEN	52 221	12
DEUTSCHE BOERSE AG	11 540	4
DEXUS PROPERTY GROUP	448 772	2
DISCOVER FINANCIAL SERVICES	32 200	5
DUKE REALTY CORP	8 700	1
EATON VANCE CORP	4 800	1
EQUITY RESIDENTIAL	16 799	6
ERSTE GROUP BANK AG	17 612	2
EVEREST RE GROUP	2 500	1
FAIRFAX FINANCIAL HLDGS	2 000	5
FEDERAL REALTY INV TRUST	6 700	4
FIDELITY NAT'L FINANCIAL	12 000	1
FIFTH THIRD BANCORP	51 505	4
FRANKLIN RESOURCES	8 700	5
FUKUOKA FINANCIAL GROUP	56 000	1
GENERAL GROWTH PROPERTIES	31 198	3
GENWORTH FINANCIAL A	50 200	2
GOLDMAN SACHS GROUP	26 967	15
GPT GROUP	155 634	3
GREAT WEST LIFECO	269 248	32
GROUPE BRUXELLES LAMBERT	71 445	29
HAMMERSON	45 358	2
HANG LUNG GROUP	91 000	3
HANG LUNG PROPERTIES	132 500	2
HANG SENG BANK	45 300	3
HARTFORD FINANCIAL SVCS	25 037	2
HEALTH CARE PPTY INVEST	151 700	38
HEALTH CARE REIT	10 700	3
HENDERSON LAND DEV.	104 000	3
HOKUHOKU FINANCIAL GROUP	93 000	1
HONG KONG EXCH.&CLEARING	60 600	6
HOST HOTELS AND RESORTS	39 396	3
HSBC HOLDINGS (GB)	1 612 278	73

NOK million	Number	Market value
HUDSON CITY BANCORP	13 200	0
ICAP	34 031	1
IGM FINANCIAL	128 800	33
IMMOFINANZ AG	113 624	2
ING GROEP	215 188	9
INSURANCE AUSTRALIA GRP.	146 555	3
INTERCONTINENTAL	4 100	3
INTESA SANPAOLO ORD	566 075	6
INTESA SANPAOLO RNC	37 534	0
INVESCO LTD	27 358	3
INVESTOR B	25 521	3
IYO BANK LTD/THE	19 000	1
JAPAN REAL ESTATE INV	616	29
JOYO BANK	19 000	0
JPMORGAN CHASE & CO	365 486	73
JULIUS BAER GROUP LTD	13 405	3
KBC GROUPE	19 418	1
KERRY PROPERTIES	38 500	1
KEYCORP	66 000	3
KIMCO REALTY CORP	25 300	2
KINNEVIK B	20 898	2
KLEPIERRE	6 129	1
LAND SECURITIES GROUP	46 191	3
LEGAL & GENERAL GROUP	329 035	3
LEGG MASON	5 800	1
LEUCADIA NATIONAL CORP	22 700	3
LIBERTY PROPERTY TRUST	161 800	30
LINCOLN NATIONAL CORP	9 682	1
LINK REIT	103 704	2
LLOYDS BANKING GROUP PLC	2 417 082	6
LOEWS CORP	141 900	32
LONDON STOCK EXCHANGE	11 671	1
M & T BANK CORP	7 900	4
MACERICH CO	9 900	3
MACQUARIE BANK	19 008	3
MAN GROUP	177 959	2
MANULIFE FINANCIAL CORP	104 860	7
MAPFRE	40 571	1
MARSH AND MCLENNAN COS	30 481	6
MEDIOBANCA	38 096	1
METLIFE	59 371	11
MIRVAC GROUP	340 303	2
MITSUBISHI ESTATE CO	73 379	7
MITSUBISHI UFJ FIN GRP	715 698	18
MITSUI FUDOSAN CO	49 800	4
MIZUHO FINANCIAL GROUP	1 281 417	10
MOODYS CORP	6 082	1
MORGAN STANLEY	80 618	7
MS&AD INSURANCE GROUP HOLDINGS	31 820	4
MUENCHENER RUECKVERSICH.	10 076	7
NASDAQ OMX GROUP/THE	5 900	1
NATIONAL AUSTRALIA BANK	330 835	47
NATIONAL BANK OF CANADA	83 396	35
NATIONAL BANK OF GREECE	46 643	1
NATIXIS	40 927	1
NEW WORLD DEVELOPMENT	481 792	2
NEW YORK COMMUN. BANCORP	29 800	2
NIPPON BUILDING FUND	62	3
NKSJ HOLDINGS INC	19 900	2
NOMURA HOLDINGS	209 100	4
NORDEA BANK	147 999	7
NORTHERN TRUST CORP	11 723	3
NYSE EURONEXT	15 400	2
OCBC BANK	143 010	5
OLD MUTUAL (GB)	329 928	4
ORIX CORP	5 830	3
PARTNERRE	80 200	31
PEOPLES UNITED FINANCIAL	9 800	1
PLUM CREEK TIMBER CO	150 900	33

Note 14 continues on next page

Note 14 Shares and equity fund units 31.12.2011, contd.

NOK million	Number	Market value
PNC FINL SERVICES GROUP	117 730	41
POWER CORP OF CANADA	234 198	33
POWER FINANCIAL CORP	215 700	32
PRICE (T. ROWE) GROUP	15 200	5
PRINCIPAL FINANCIAL GRP	18 000	3
PROGRESSIVE CORP	34 048	4
PROLOGIS INC	25 796	4
PRUDENTIAL	143 139	8
PRUDENTIAL FINANCIAL	27 205	8
PUBLIC STORAGE	8 100	6
QBE INSURANCE GROUP	399 465	32
RAIFFEISEN BANK INTERNATIONAL	4 508	1
RAYONIER INC	122 850	33
REGENCY CENTERS CORP	3 200	1
REGIONS FINANCIAL (NEW)	106 941	3
RENAISSANCERE HOLDINGS	70 600	31
RESOLUTION	68 811	2
RESONA HOLDINGS	69 342	2
ROYAL BANK OF CANADA	180 742	55
ROYAL BANK OF SCOTLAND	1 029 174	2
RSA INSURANCE GROUP PLC	3 191 367	31
SAMPO A	210 110	31
SBI HOLDINGS	1 407	1
SCHWAB (CHARLES) CORP	60 130	4
SCOR	11 313	2
SEGRO	2 791	0
SHINSEI BANK	73 000	0
SHIZUOKA BANK	67 000	4
SIMON PROPERTY GROUP	16 536	13
SINGAPORE EXCHANGE	49 000	1
SINO LAND	96 330	1
SKAND.ENSKILDA BANKEN A	83 471	3
SLM CORP	34 000	3
SOCIETE GENERALE	39 048	5
STANDARD CHARTERED	133 676	17
STANDARD LIFE	73 830	1
STATE STREET CORP	149 843	36
STOCKLAND	225 917	4
SUMITOMO MITSUI FINL GRP	75 471	13
SUMITOMO MITSUI TRUST HOLDINGS	184 769	3
SUMITOMO REALTY & DEV CO	10 500	1
SUN HUNG KAI PROPERTIES	83 700	6
SUN LIFE FINANCIAL	33 862	4
SUNCORP GROUP LTD	69 115	4
SUNTRUST BANKS	31 748	3
SVENSKA HANDELSBK A	28 960	5
SWEDBANK	47 544	4
SWIRE PACIFIC A	41 600	3
SWISS LIFE HOLDING	1 448	1
SWISS RE LTD	19 397	6
T&D HOLDINGS	56 700	3
TOKIO MARINE HOLDINGS INC	40 679	5
TORCHMARK CORP	5 400	1
TORONTO-DOMINION BANK	117 096	52
TRAVELERS COS	23 499	8
UBI BANCA	85 393	2
UBS NAMEN	204 466	15
UNIBAIL-RODAMCO	31 598	34
UNICREDIT SPA	79 839	4
UNITED OVERSEAS BANK	70 437	5
UNUM GROUP	29 366	4
US BANCORP	107 896	17
VENTAS	15 700	5
VORNADO REALTY TRUST	9 680	4
WELLS FARGO & CO	463 171	76
WESTFIELD GROUP	123 236	6
WESTFIELD RETAIL TRUST	118 253	2
WESTPAC BANKING	390 998	48
WEYERHAEUSER CO	30 059	3

NOK million	Number	Market value
WHARF HOLDINGS	90 000	2
WHEELOCK AND CO. LTD.	60 000	1
WILLIS GROUP HOLDINGS PLC	6 500	2
XL GROUP PLC	19 900	2
ZURICH FINL SERVICES	8 182	11
TOTAL FINANCIAL		2 525
ABBOTT LABORATORIES	176 694	59
ACTELION LTD-REG	13 825	3
AETNA	20 956	5
AGILENT TECHNOLOGIES	20 521	4
ALEXION PHARMACEUTICALS INC	10 400	4
ALLERGAN	17 300	9
AMERISOURCEBERGEN	15 600	3
AMGEN	51 965	20
ASTELLAS PHARMA	151 544	37
ASTRAZENECA	180 937	50
BARD (C.R.)	2 900	1
BAXTER INTERNATIONAL	125 360	37
BAYER	123 306	47
BECTON DICKINSON	77 691	35
BIOGEN IDEC	12 969	9
BOSTON SCIENTIFIC CORP	81 776	3
BRISTOL-MYERS SQUIBB CO	95 853	20
CARDINAL HEALTH	19 670	5
CAREFUSION CORP	23 235	4
CELGENE CORP	25 800	10
CIGNA CORP	14 950	4
COCHLEAR	3 231	1
COLOPLAST B	3 394	3
COVANCE	4 100	1
COVIDIEN PLC	135 050	36
CSL LIMITED	29 487	6
DAIICHI SANKYO CO	39 875	5
DAVITA	9 400	4
DENTSPLY INTERNATIONAL	19 300	4
EDWARDS LIFESCIENCES CORP	5 000	2
EISAI CO	138 800	34
ELAN CORP	19 172	2
ESSILOR INTERNATIONAL	11 966	5
EXPRESS SCRIPTS	26 100	7
FOREST LABORATORIES	16 800	3
FRESENIUS MED. CARE ST	11 462	5
FRESENIUS SE & CO KGAA	57 801	32
GETINGE B	198 506	30
GILEAD SCIENCES	43 300	11
GLAXOSMITHKLINE	285 082	39
HCA HOLDINGS INC	15 700	2
HENRY SCHEIN INC	4 400	2
HOLOGIC INC	38 800	4
HOSPIRA	8 100	1
HUMANA	9 100	5
ILLUMINA INC	5 100	1
INTUITIVE SURGICAL	2 200	6
JOHNSON & JOHNSON	153 946	60
KYOWA HAKKO KIRIN CO LTD	10 000	1
LABORATORY CORP OF AMER	9 700	5
LIFE TECHNOLOGIES CORP	9 915	2
LILLY (ELI) AND CO	183 163	45
LONZA GROUP	1 675	1
MCKESSON CORP	73 369	34
MEDCO HEALTH SOLUTIONS	21 708	7
MEDIPAL HOLDINGS CORP	17 000	1
MEDTRONIC	193 787	44
MERCK AND CO	309 529	70
MERCK KGAA STAMM	7 062	4
MITSUBISHI TANABE PHARMA CORP	14 900	1
MYLAN INC	25 200	3
NOVARTIS	220 442	76

NOK million	Number	Market value
NOVO NORDISK B	23 874	16
OLYMPUS CORP	25 400	2
ONO PHARMACEUTICAL CO	9 700	3
OTSUKA HOLDINGS CO LTD	12 400	2
PERRIGO CO	6 700	4
PFIZER	678 726	88
QIAGEN N.V.	8 860	1
QUEST DIAGNOSTICS	8 848	3
ROCHE HOLDING GENUSS	69 516	71
SANOFI	134 020	59
SANOFI	17 012	0
SHIONOGI & CO	32 800	3
SHIRE PLC	31 570	7
SMITH & NEPHEW	568 659	33
SONIC HEALTHCARE	463 625	32
SONOVA HOLDING	1 808	1
ST JUDE MEDICAL	18 554	4
STRAUMANN HOLDING	454	0
STRYKER CORP	16 390	5
SYNTHES	3 876	4
TAISHO PHARMACEUTICAL CO	1 200	1
TAKEDA PHARMACEUTICAL	163 500	43
TERUMO CORP	5 500	2
TEVA PHARMACEUTICAL IND LTD	52 794	13
THERMO FISHER SCIENTIFIC	21 500	6
UNITEDHEALTH GROUP	160 208	48
VALEANT PHARMACEUTICALS INTERN	16 900	5
VARIAN MEDICAL SYSTEMS	3 600	1
VERTEX PHARMACEUTICALS	12 000	2
WATERS CORP	3 653	2
WATSON PHARMACEUTICALS INC	7 500	3
WELLPOINT	20 272	8
ZIMMER HOLDINGS	11 259	4
TOTAL, HEALTH		1 447
3M CO	101 956	50
ABB LTD	140 662	16
ABERTIS INFRAESTRUCTURAS	328 923	31
ACS ACTIV. CONST. Y SVCS	16 153	3
ADECCO	12 447	3
ADP	1 692	1
AGCO CORP	16 600	4
AGGREKO	17 107	3
ALFA LAVAL	20 975	2
AMETEK INC	7 500	2
AP MOLLER MAERSK A	25	1
AP MOLLER MAERSK B	78	3
ASAHI GLASS CO	67 800	3
ASSA ABLOY B	19 089	3
ATLANTIA	324 068	31
ATLAS COPCO A	45 032	6
ATLAS COPCO B	25 387	3
AVERY DENNISON CORP	4 711	1
BALFOUR BEATTY	54 379	1
BOMBARDIER B	96 300	2
BOUYGUES ORD	12 405	2
BRAMBLES	80 100	3
BRISA AUTO-ESTRADAS PORT	1	0
BUNZL	373 787	31
BUREAU VERITAS SA	2 997	1
CANADIAN NAT'L RAILWAY	87 806	41
CAPITA PLC	559 929	33
CATERPILLAR	41 428	22
CENTRAL JAPAN RAILWAY CO	684	34
CH ROBINSON WORLDWIDE	9 800	4
CINTAS CORP	4 600	1
COBHAM	61 141	1
COOPER INDUSTRIES PLC	10 600	3
CP RAILWAY	9 146	4

NOK million	Number	Market value
CSX CORP	61 526	8
CUMMINS	11 900	6
DAI NIPPON PRINTING CO	18 000	1
DAIKIN INDUSTRIES	13 100	2
DANAHER CORP	37 296	10
DEERE & CO	26 534	12
DEUTSCHE POST	50 083	5
DONNELLEY (RR) AND SONS	8 400	1
DOVER CORP	12 477	4
DSV DE SAMMENSLUT VOGN	7 100	1
DUN AND BRADSTREET CORP	67 800	30
EAST JAPAN RAILWAY CO	99 490	38
EATON CORP	21 404	6
EDENRED	4 330	1
EMERSON ELECTRIC CO	141 098	39
EQUIFAX	6 300	1
EXPEDITORS INTL WASH.	11 400	3
EXPERIAN PLC	56 249	5
FANUC CORP	12 300	11
FASTENAL CO	18 700	5
FEDEX CORP	16 971	8
FERROVIAL SA	44 452	3
FIAT INDUSTRIAL	51 716	3
FINNING INT'L	11 000	1
FLOWSERVE CORP	2 400	1
FLUOR CORP	12 000	4
FRASER AND NEAVE	178 000	5
FURUKAWA ELECTRIC CO LTD	50 000	1
G4S	1 328 424	33
GEA GROUP	17 398	3
GEBERIT	2 608	3
GENERAL ELECTRIC CO	680 244	73
GOODRICH CORP	7 700	6
GRAINGER (WW)	3 800	4
GROUPE EUROTUNNEL SA - REGR	38 273	2
GS YUASA CORP	14 000	0
HERTZ GLOBAL HOLDINGS INC	14 800	1
HITACHI CONSTR. MACHINE.	9 200	1
HOCHTIEF	3 218	1
HUNT (J.B.) TRANSPORT	10 900	3
HUTCHISON WHAMPOA	136 400	7
IHS INC-CLASS A	6 900	4
ILLINOIS TOOL WORKS	131 750	37
INGERSOLL-RAND PLC	21 749	4
INTERTEK GROUP	9 006	2
INVENSYS	57 213	1
IRON MOUNTAIN	5 850	1
ITOCHU CORP	101 000	6
JAPAN STEEL WORKS	17 000	1
JGC CORP	13 700	2
JOY GLOBAL	6 300	3
JS GROUP CORP	29 800	3
KAJIMA CORP	67 000	1
KAWASAKI HEAVY IND	156 000	2
KAWASAKI KISEN KAISHA	37 000	0
KBR	9 800	2
KEIKYU CORP	27 000	1
KEIO CORP	34 000	1
KEPPEL CORP	94 160	4
KINTETSU CORP	144 900	3
KOMATSU	60 600	8
KONE B	10 441	3
KUBOTA CORP	71 100	4
KUEHNE & NAGEL INT'L	5 042	3
KURITA WATER INDUSTRIES	6 000	1
LEGRAND	12 833	2
LEIGHTON HOLDINGS	26 474	3
LUFTHANSA	10 828	1
MAKITA CORP	13 400	3

Note 14 continues on next page

Note 14 Shares and equity fund units 31.12.2011, contd.

NOK million	Number	Market value
MAN STAMM	7 090	4
MANPOWERGROUP	4 900	1
MARUBENI CORP	111 000	4
MASCO CORP	52 601	3
METSO CORP	8 726	2
MITSUBISHI CORP	91 000	11
MITSUBISHI ELECTRIC CORP	129 200	7
MITSUBISHI HEAVY IND	204 100	5
MITSUI & CO	111 500	10
MTR CORP	1 577 630	30
NGK INSULATORS	34 000	2
NIDEC CORP	6 700	3
NIPPON EXPRESS CO	1 000	0
NIPPON SHEET GLASS CO	42 000	0
NIPPON YUSEN K.K	142 000	2
NOBLE GROUP	297 000	2
NORFOLK SOUTHERN CORP	84 446	37
NSK	38 000	1
NWS HOLDINGS	2 749	0
OBAYASHI CORP	42 000	1
ODAKYU ELECTRIC RAILWAY	67 000	4
PACCAR	21 986	5
PALL CORP	6 300	2
PARKER HANNIFIN CORP	9 989	5
PENTAIR	3 000	1
PHILIPS ELECTRS (KON.)	65 834	8
PITNEY BOWES	282 193	31
PRECISION CASTPARTS CORP	9 200	9
QANTAS AIRWAYS	70 645	1
QR NATIONAL LTD	181 100	4
QUANTA SERVICES INC	30 300	4
REPUBLIC SERVICES	199 400	33
ROBERT HALF INT'L	7 500	1
ROCKWELL AUTOMATION	9 000	4
ROCKWELL COLLINS	98 285	32
ROLLS-ROYCE GROUP	120 136	8
ROPER INDUSTRIES	6 200	3
SAINT-GOBAIN	26 697	6
SANDVIK	67 619	5
SCANIA B	17 500	2
SCHINDLER NAMEN	4 300	3
SCHINDLER PART	4 073	3
SCHNEIDER ELECTRIC	117 647	37
SECOM CO	118 500	33
SECURITAS B	17 072	1
SEMBCORP INDUSTRIES	62 000	1
SEMBCORP MARINE	135 000	2
SGS	314	3
SHIMIZU CORP	43 000	1
SIEMENS	52 796	30
SINGAPORE AIRLINES	62 800	3
SKANSKA B	14 644	1
SKF B	26 148	3
SMC CORP	3 300	3
SMITHS GROUP	40 444	3
SNC-LAVALIN GROUP	9 300	3
SOJITZ CORP	92 700	1
SOUTHWEST AIRLINES CO	8 200	0
STANLEY BLACK & DECKER INC	10 254	4
STERICYCLE INC	8 100	4
SULZER AG-REG	1 400	1
SUMITOMO CORP	444 900	36
SUMITOMO ELECTRIC IND	48 100	3
SUMITOMO HEAVY IND	46 000	2
THALES	4 809	1
TNT EXPRESS NV	21 583	1
TOBU RAILWAY CO	34 000	1
TOKYU CORP	34 200	1
TOPPAN PRINTING CO	69 700	3

NOK million	Number	Market value
TOYOTA TSUSHO	16 300	2
TRANSURBAN GROUP	155 245	5
TYCO INTERNATIONAL LTD	132 250	37
UNION PACIFIC CORP	74 722	47
UNITED PARCEL SERVICE B	41 424	18
UNITED TECHNOLOGIES CORP	118 600	52
URS CORP	3 200	1
VALLOUREC	7 425	3
VESTAS WIND SYSTEMS	563	0
VINCI	137 245	36
VOLVO B	92 427	6
WARTSILA B	10 008	2
WASTE MANAGEMENT	27 358	5
WEIR GROUP PLC/THE	10 609	2
WENDEL	2 000	1
WEST JAPAN RAILWAY CO	135 100	35
WOLSELEY LTD	18 109	4
XYLEM INC	11 110	2
YAMATO HOLDINGS CO	347 700	35
ZARDOYA OTIS	10 599	1
TOTAL, INDUSTRY		1 587
ACCENTURE PLC	36 800	12
ACTIVISION BLIZZARD INC	5 200	0
ADOBE SYSTEMS	28 804	5
ADVANTEST CORP	5 100	0
AKAMAI TECHNOLOGIES	10 000	2
ALCATEL LUCENT	130 027	1
ALLIANCE DATA SYSTEMS	3 300	2
ALTERA CORP	18 500	4
AMADEUS IT HOLDING SA-A SHS	25 300	2
ANALOG DEVICES	16 115	3
APPLE	52 060	126
APPLIED MATERIALS	73 985	5
ARM HOLDINGS	78 229	4
ASML HLDG	25 522	6
AUTODESK	7 400	1
AUTOMATIC DATA PROCESS	27 916	9
AVNET	9 400	2
BMC SOFTWARE	5 722	1
BROADCOM CORP A	27 019	5
CA INC	22 624	3
CANON INC	63 650	17
CAP GEMINI SA	9 765	2
CGI GROUP A	24 500	3
CISCO SYSTEMS	309 025	33
CITRIX SYSTEMS	11 300	4
COGNIZANT TECH SOLUTIONS	17 300	7
COMPUTER SCIENCES CORP	16 967	2
COMPUTERSHARE	54 572	3
CORNING	88 272	7
CREE INC	4 100	1
DASSAULT SYSTEMES	3 966	2
DELL	92 298	8
EBAY	66 120	12
ELECTRONIC ARTS	34 098	4
ELPIDA MEMORY	11 600	0
EMC CORP	116 000	15
ERICSSON (LM) B	169 220	10
F5 NETWORKS	4 000	3
FIDELITY NAT'L INFO SVCS	201 200	32
FIRST SOLAR INC	5 600	1
FISERV	13 961	5
FLEXTRONICS INT'L	101 200	3
FLIR SYSTEMS INC	5 800	1
FOXCONN INTERNATIONAL	724 500	3
FUJI FILM HOLDINGS CO	27 400	4
FUJITSU	100 200	3
GOOGLE A	14 500	56

NOK million	Number	Market value
HARRIS CORP	8 800	2
HEWLETT-PACKARD CO	288 665	44
HEXAGON AB SER. B	20 400	2
HITACHI	254 000	8
HOYA CORP	23 500	3
IBIDEN CO	18 700	2
INDRA SISTEMAS A	4 673	0
INFINEON TECHNOLOGIES	61 318	3
INTEL CORP	486 014	70
INTL BUSINESS MACHINES CORP	93 402	102
INTUIT	16 456	5
JUNIPER NETWORKS	31 000	4
KEYENCE CORP	2 341	3
KLA TENCOR CORP	6 788	2
KONAMI 100 YEN1K	8 300	1
KONICA MINOLTA HOLDINGS	40 500	2
KYOCERA CORP	8 600	4
LAM RESEARCH CORP	6 800	2
LINEAR TECHNOLOGY CORP	23 287	4
MARVELL TECHNOLOGY GROUP	29 800	2
MASTERCARD A	6 200	14
MAXIM INTEGRATED PRODUCTS	33 800	5
MICROCHIP TECHNOLOGY	7 200	2
MICRON TECHNOLOGY	89 100	3
MICROSOFT CORP	618 266	96
MOTOROLA MOBILITY HOLDINGS-W	14 945	3
MOTOROLA SOLUTIONS INC	17 380	5
MURATA MANUFACTURING CO	12 000	4
NEC CORP	244 400	3
NETWORK APPLIANCE	21 139	5
NINTENDO CO	5 700	5
NIPPON ELECTRIC GLASS CO	24 000	1
NOKIA CORP	210 418	6
NTT DATA CORP	52	1
NVIDIA	32 150	3
OMRON CORP	13 700	2
ORACLE CORP	230 875	35
ORACLE CORP JAPAN	3 900	1
PAYCHEX	18 565	3
QUALCOMM	94 210	31
RED HAT INC	11 000	3
RESEARCH IN MOTION	27 400	2
RICOH CO	32 600	2
ROHM CO	7 200	2
SAGE GROUP (THE)	60 143	2
SAIC INC	36 800	3
SALESFORCE.COM	7 100	4
SANDISK CORP	12 600	4
SAP STAMM	52 484	17
SEAGATE TECHNOLOGY	53 100	5
SEIKO EPSON CORPORATION	100	0
STMICROELECTRONICS NV	43 533	2
SUMCO	5 400	0
SYMANTEC CORP	42 300	4
TDK CORP	11 300	3
TE CONNECTIVITY LTD	24 350	4
TERADATA CORP-W/I	9 600	3
TEXAS INSTRUMENTS	64 885	11
TOKYO ELECTRON	9 300	3
TOSHIBA CORP	225 700	5
TOTAL SYSTEM SERVICES	13 201	2
TREND MICRO	2 500	0
VERISIGN	8 200	2
VISA INC-CLASS A SHARES	29 900	18
VMWARE INC-CLASS A	5 200	3
WESTERN DIGITAL	22 000	4
WESTERN UNION	35 794	4
XEROX CORP	82 063	4
XILINX	18 473	4

NOK million	Number	Market value
YAHOO JAPAN CORP	1 490	3
TOTAL, IT		1 049
ACERINOX	5 644	0
AGNICO-EAGLE MINES	10 822	2
AGRIUM	11 000	4
AIR LIQUIDE	18 598	14
AIR PRODUCTS & CHEMICALS	72 200	37
AKZO NOBEL	15 186	4
ALCOA	71 250	4
ALLEGHENY TECHNOLOGIES	8 900	3
AMCOR	729 927	32
ANGLO AMERICAN (GB)	86 736	19
ANTOFAGASTA	25 154	3
ARCELOR-MITTAL A	56 319	6
ARKEMA	3 300	1
ASAHI KASEI CORP	123 200	4
BALL CORP	147 400	31
BASF	60 231	25
BHP BILLITON LTD	210 524	44
BHP BILLITON PLC	138 490	24
BOLIDEN	28 116	2
BORAL	93 956	2
CELANESE CORP	7 900	2
CF INDUSTRIES HOLDINGS INC	4 500	4
CLIFFS NATURAL RESOURCES INC	9 400	3
CRH	49 434	6
CROWN HOLDINGS INC	21 900	4
DOW CHEMICAL CO	77 456	13
DU PONT (E.I) DE NEMOURS	162 300	44
EASTMAN CHEMICAL CO	7 600	2
ECOLAB	15 200	5
ELDORADO GOLD CORP	34 900	3
EURASIAN NATURAL RESOURCES	22 349	1
FIRST QUANTUM MINERALS	30 000	4
FLETCHER BUILDING	92 280	3
FORTESCUE METALS GROUP	84 297	2
FRESNILLO PLC	22 000	3
GIVAUDAN	530	3
GOLDCORP	52 909	14
HEIDELBERGCEMENT	8 967	2
HOLCIM	16 081	5
IAMGOLD CORP	45 300	4
ILUKA RESOURCES LTD	25 800	2
INT'L FLAVORS FRAGRANCES	89 600	28
INT'L PAPER CO	28 950	5
ISRAEL CHEMICALS LTD	29 819	2
IVANHOE MINES	20 815	2
JFE HOLDINGS	32 100	3
JOHNSON MATTHEY	9 212	2
JSR CORP	35 500	4
K AND S	11 807	3
KAZAKHMYS	14 678	1
KINROSS GOLD CORP	74 500	5
KOBE STEEL	277 000	3
KONINKLIJKE DSM	9 968	3
KURARAY CO	21 600	2
LAFARGE (FRANCE)	13 979	3
LANXESS AG	7 400	2
LINDE	11 193	10
LONMIN	8 765	1
LYNAS CORP LTD	111 400	1
LYONDELLBASELL INDU-CL A	19 700	4
MARTIN MARIETTA MATRLS	2 000	1
MEADWESTVACO CORP	8 800	2
MITSUBISHI CHEMICAL HLDG	85 250	3
MITSUBISHI MATERIALS	2 000	0
MITSUI CHEMICALS	48 100	1
MONSANTO CO	35 100	15

Note 14 continues on next page

Note 14 Shares and equity fund units 31.12.2011, contd.

NOK million	Number	Market value
MOSAIC CO (THE)	20 100	6
NEWCREST MINING	50 147	9
NEWMONT MINING HLDG	106 457	38
NIPPON STEEL CORP	355 700	5
NITTO DENKO CORP	11 000	2
NOVOZYMES B	11 875	2
NUCOR CORP	21 964	5
OJI PAPER CO	141 800	4
ONESTEEL	79 576	0
ORICA	23 089	3
OSISKO MINING CORP	33 800	2
OWENS-ILLINOIS	22 500	3
OZ MINERALS LTD	52 968	3
PPG INDUSTRIES	10 326	5
PRAXAIR	19 782	13
RANDGOLD RESOURCES LTD	5 789	4
REXAM	995 694	32
SALZGITTER	2 456	1
SCA SV CELLULOSA B	364 744	32
SEALED AIR CORP	4 900	1
SHERWIN-WILLIAMS CO	5 900	3
SHIN-ETSU CHEMICAL CO	26 900	8
SHOWA DENKO K.K	98 000	1
SIGMA-ALDRICH	7 744	3
SIKA INHABER	209	2
SILVER WHEATON CORP	22 900	4
SIMS METAL MANAGEMENT LTD	9 438	1
SINO-FOREST CORPORATION	24 800	0
SOLVAY	6 012	3
SSAB AB	13 700	1
STORA ENSO R	62 575	2
SUMITOMO CHEMICAL CO	160 100	3
SUMITOMO METAL IND	215 000	2
SUMITOMO METAL MINING CO	33 700	3
SYNGENTA	6 201	11
TECK RESOURCES LTD	38 126	8
TEIJIN	69 000	1
THYSSEN KRUPP	23 314	3
TORAY INDUSTRIES	94 100	4
TOYO SEIKAN KAISHA	9 800	1
UBE INDUSTRIES	77 000	1
UMICORE	7 129	2
UPM-KYMMENE	36 249	2
US STEEL CORP	14 800	2
VOESTALPINE	7 045	1
VULCAN MATERIALS CO	16 085	4
WACKER CHEMIE AG	2 800	1
WALTER ENERGY INC	3 700	1
XSTRATA	136 076	12
YAMANA GOLD	47 300	4
TOTAL, COMMODITIES		766
AT&T	499 233	90
BCE INC	136 959	34
BELGACOM	15 903	3
BEZEQ ISRAELI TELECOM CORP	173 888	2
BT GROUP	436 728	8
CENTURYLINK INC	169 318	38
CROWN CASTLE INT'L CORP	17 200	5
DEUTSCHE TELEKOM	157 806	11
FRANCE TELECOM	389 277	37
FRONTIER COMMUNICATIONS CORP	72 965	2
KDDI	912	35
KPN (KON.)	483 805	35
METROPCS COMMUNICATIONS	11 600	1
MILLICOM INTERNATIONAL CELLULAR SA	3 200	2
NII HOLDINGS B	8 500	1
NTT CORP	125 398	38
NTT DOCOMO INC	3 566	39

NOK million	Number	Market value
PORTUGAL TELECOM SGPS	55 307	2
ROGERS COMMUNICATIONS B	155 400	36
SBA COMMUNICATIONS CORP-CL A	9 500	2
SINGAPORE TELECOM	447 680	6
SOFTBANK CORP	50 900	9
SPRINT NEXTEL CORPORATION	174 679	2
SWISSCOM	14 386	33
TELE2 B	17 116	2
TELECOM CORP NEW ZEALAND	302 897	3
TELECOM ITALIA ORD	4 733 222	30
TELECOM ITALIA RNC	680 689	4
TELEFONICA	230 771	24
TELEKOM AUSTRIA	40 830	3
TELIASONERA	121 868	5
TELSTRA CORP	257 724	5
TELUS CORP NV	5 737	2
VERIZON COMMUNICATIONS	159 034	38
VIVENDI	282 257	37
VODAFONE GROUP	2 855 749	47
WINDSTREAM CORPORATION	32 500	2
TOTAL, TELECOM		671
ACCIONA	1 437	1
AGL ENERGY	41 714	4
ALLIANT ENERGY CORP	114 200	30
AMEREN CORP	172 220	34
AMERICAN ELECTRIC POWER	151 527	37
CALPINE CORP	13 100	1
CENTERPOINT ENERGY	40 900	5
CENTRICA PLC	315 730	8
CHEUNG KONG INFRASTRUCT.	113 000	4
CHUBU ELECTRIC POWER CO	39 700	4
CLP HOLDINGS	118 100	6
CONSOLIDATED EDISON	17 818	7
CONSTELLATION ENERGY GRP	19 800	5
DOMINION RESOURCES	34 202	11
DTE ENERGY	102 263	33
E. ON	107 341	14
EDF	195 992	29
EDISON INTERNATIONAL	139 500	34
EDP ENERGIAS DE PORTUGAL	1 651 816	31
ELECTRIC POWER DEV	6 140	1
ENAGAS	261 008	29
ENEL	1 526 144	37
ENTERGY CORP	77 814	34
EXELON CORP	151 494	39
FIRSTENERGY CORP	133 212	35
FORTIS	14 621	3
FORTUM OYJ	238 295	30
GAS NATURAL SDG	5 111	1
GDF SUEZ	73 800	12
HOKKAIDO ELECTRIC POWER	6 000	1
HOKURIKU ELECTRIC POWER	8 400	1
HONGKONG CHINA GAS	263 864	4
HONGKONG ELECTRIC HLDGS	750 800	33
IBERDROLA	758 765	28
INT'L POWER	84 971	3
KANSAI ELECTRIC POWER CO	46 000	4
KYUSHU ELECTRIC POWER CO	11 800	1
MDU RESOURCES GROUP INC	7 200	1
NATIONAL GRID	214 164	12
NEXTERA ENERGY INC	109 450	40
NISOURCE	4 700	1
NORTHEAST UTILITIES	165 300	36
NRG ENERGY	29 700	3
NSTAR	5 200	1
ONEOK INC	9 500	5
OSAKA GAS CO	1 395 800	33
PEPCO HOLDINGS	8 900	1

NOK million	Number	Market value
PG&E CORP	148 973	37
PINNACLE WEST CAPITAL	4 600	1
PPL CORP	196 706	35
PUBLIC SV ENTERPRISE CO	179 302	35
RED ELECTRICA CORPORACION SA	10 336	3
RWE STAMM	154 635	32
RWE VORZUG	2 126	0
SCANA CORP	116 200	31
SEMPRA ENERGY	103 693	34
SEVERN TRENT	6 817	1
SHIKOKU ELECTRIC POWER	5 300	1
SNAM SPA	147 178	4
SOUTHERN CO	50 907	14
SSE PLC	303 688	36
SUEZ ENVIRONNEMENT SA	34 801	2
TERNA	88 384	2
TOHO GAS CO	55 000	2
TOHOKU ELECTRIC POWER CO	21 600	1
TOKYO ELECTRIC POWER CO	82 600	1
TOKYO GAS CO	156 100	4
TRANSALTA CORP	7 725	1
UNITED UTILITIES GROUP PLC	67 266	4
VEOLIA ENVIRONNEMENT	19 414	1
VERBUND OESTERR ELEK A	3 460	1
WISCONSIN ENERGY CORP	22 000	5
XCEL ENERGY	213 800	35
TOTAL, DISTRIBUTION		1 049
TOTAL, FOREIGN		13 387
TOTAL SHARES		16 328
TOTAL, ENERGY		2 529
TOTAL, FINANCIAL		3 070
TOTAL, CONSUMABLES		1 398
TOTAL DISTRIBUTION		1 049
TOTAL, HEALTH		1 511
TOTAL, INDUSTRY		1 815
TOTAL, IT		1 216
TOTAL, CONSUMER GOODS		1 844
TOTAL, COMMODITIES		1 009
TOTAL, TELECOM		887
TOTAL, UNSPECIFIED		0
TOTAL SHARES		16 328
EQUITY FUNDS		
21 CENTRALE PARTNERS IV	13 759 321	95
ABERDEEN INDIRECT PARTNERS EUROPA	346 256	179
ABERDEEN INDIRECT PROPERTY PARTNERS ASIA	514 338	223
ABINGWORTH BIOVENTURES V (CO-INV GROWTH)	1 295 991	21
ALLIANCE VENTURE IP COMM.	12 245	0
ALLIANCE VENTURE IP PREF.	112 052	4
ALTOR 2003 FUND	716 929	9
ASTORG V	8 000 000	62
CAPMAN BUYOUT VIII FUND A LP	5 023 191	44
CEVIAN CAPITAL II LP EUR CLASS C	250 000	202
CUBERA SECONDARY (GP) KS	6 095 448	5
CUBERA SECONDARY KS	58 750 184	45
CUBILITY AS	11 507	17
DANSKE PRIVATE EQUITY IV	4 821 667	36
ENERGY VENTURES II KS	43 552 021	29
ENERGY VENTURES IIB KS	14 739 789	27
ENERGY VENTURES III KS	45 278 164	43
ENERGY VENTURES IV KS	2 091 337	10
EUROPRISE SUB-FUND A	1 995	124

NOK million	Number	Market value
FORBION CAPITAL FUND I CO-INVESTMENT FUND C.V.	2 979 082	47
FORBION CAPITAL FUND II FUND C.V.	6 327 563	40
FORBION CF 1 CO-INVESTMENT FUND II C.V	500 000	3
FSN CAPITAL L.P. II	8 664 986	164
HERKULES PRIVATE EQUITY III (JERSEY-I) L.P.	64 292 270	63
HGCAPITAL LLP	30 445 670	275
HITEC VISION PRIVATE EQUITY IV L.P.	9 333 631	74
HITEC VISION PRIVATE EQUITY V L.P.	23 500 697	202
HITEC VISION PRIVATE EQUITY VI L.P.	633 733	4
HITECVISION ASSET SOLUTIONS	11 720 100	78
INCITIA VENTURES II AS	28 487	0
INCITIA VENTURES II IS	13 649	9
INDEX VENTURES GROWTH II	2 668 138	20
INNKAP 4 PARTNERS L.P.	3 451 876	22
JPMORGAN EUROPEAN PROPERTY FUND	1 990	80
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS I	1 952 147	1 998
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS II	25 000	25
KLP AKSJE VERDEN INDEKS	25 000	27
KLP AKSJEASIA INDEKS I	56 869	44
KLP AKSJEASIA INDEKS II	726 942	415
KLP AKSJEEUROPA INDEKS I	993 393	750
KLP AKSJEEUROPA INDEKS II	433 184	368
KLP AKSJEGLOBAL INDEKS I	1 550 462	1 764
KLP AKSJEGLOBAL INDEKS II	470 208	511
KLP AKSJENORDEN	940 107	1 641
KLP AKSJENORGE	1 006 061	3 040
KLP AKSJENORGE INDEKS	2 123 070	2 549
KLP AKSJEUSA INDEKS II	963 767	887
KLP AKSJEUSA INDEKS USD	157 444	1 150
KLP KOMBINASJONFOND M	25 000	24
KLP KOMBINASJONSFOND	25 000	24
MORGAN STANLEY EUROZONE OFFICE FUND CLASS C2	1 824 497	101
NAZCA CAPTIAL III	2 207 938	10
NEOMED INNOVATION IV LP	3 100 000	36
NMI FRONTIER FUND KS	17 975 000	18
NMI GLOBAL FUND KS	29 160 000	29
NORTHZONE V K/S (DANMARK)	4 015 757	34
NORTHZONE VI	1 689 191	139
NORVESTOR IV L.P.	1 944 160	17
NORVESTOR V L.P.	7 325 250	35
PARTNERS GROUP SECONDARY 2008 L.P.	29 171 663	268
PRIVEQ IV L.P.	3 906 674	3
SPECIAL SITUATION VENTURE PARTNERS III LP	84 933	1
TRITON FUND III GENERAL PARTNER LP	16 051 190	140
VERDANE CAPITAL VI K/S	18 948 944	16
VERDANE CAPITAL VII K/S	43 510 968	37
VERDANE V B K/S	29 720 071	14
TOTAL EQUITY FUNDS		18 371
ALTERNATIVE INVESTMENTS IN SHARES		
KLP ALFA GLOBAL ENERGI	511 881	515
SECTOR SPESIT 1 A USD	14 166	7
KLP ALTERNATIV INVESTMENTS - RELATIVE VALUE	1 777 630	174
KLP ALTERNATIV INVESTMENTS-FIXED INCOME	2 013 638	313
KLP ALTERNATIVE INVESTMENTS	1 710 869	217
TOTAL ALTERNATIVE INVESTMENTS		1 225
TOTAL INVESTMENTS		35 924

Note 14 continues on next page

Note 14 Shares and equity fund units 31.12.2011, contd.

SHARES AND UNITS DISTRIBUTION BY PORTFOLIO	Common portfolio	Investment option portfolio	Corporate portfolio	Total
SHARES	16 064	0	264	16 328
EQUITY FUND UNITS	18 103	267	0	18 371
ALTERNATIVE INVESTMENTS	521	0	704	1 225
TOTAL	34 688	267	968	35 924

PERCENTAGE UNITS STOCK MARKET LISTED	
SHARES NORWAY	79 %
SHARES FOREIGN	100 %
EQUITY FUND UNITS	83 %
ALTERNATIVE INVESTMENTS	0 %

Note 15 Securities adjustment fund short term financial assets

NOK million	Acquisition cost 31.12.2011	Fair value 31.12.2011	Valuation reserves 31.12.2011	Valuation reserves 31.12.2010
Securities reserve shares	33 023	33 856	833	3 829
Securities reserve share derivatives	0	-66	-66	-31
Securities reserve fixed income investments	58 388	62 489	4 101	3 564
Securities reserve interest rate derivatives	0	82	82	27
Variation margin daily settlement futures	0	7	7	60
Base for allocation to the securities adjustment fund			4 958	7 450
Securities adjustment fund			4 958	7 450

The securities adjustment fund comprises positive unrealised gains on the short-term financial assets linked to the common portfolio.

If net securities reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through profit or loss. Unrealised securities reserves associated with short-term financial assets in foreign currency that can be ascribed to foreign exchange rate changes are not allocated to the securities adjustment fund if the investment is hedged against exchange rate changes. Foreign exchange rate changes linked to the hedging instrument are thus not allocated to the securities adjustment fund either but are taken directly to profit or loss.

Note 16 Investment properties

NOK million	2011	2010
Rental income	38	41
Operating expenses	0	-3
Net financial income	1	1
Total income from investment properties	38	39

NOK million	2011	2010
Book value 01.01.	949	911
Profit for the year	38	39
Transfers to KLP	-46	-45
Net write-up/down resulting from change in fair value	0	43
book value 31.12.	941	949

Note 17 Technical matters

Insurance liabilities distributed by sector

NOK million	Group pension – Public sector	Group life	31.12. 2011	31.12. 2010	Change 2011	Change 2010
Premium reserve						
Supplementary reserves	12 319		12 319	10 163	2 156	2 011
Securities adjustment fund	4 958		4 958	7 450	-2 492	5 067
Premium Fund	2 829		2 829	3 517	-688	705
Claims reserve	0	69	69	79	-10	-1
Buffer reserves	7		7	7	0	0
Total insurance liabilities	243 364	76	243 439	227 533	15 906	23 047

Changes in life insurance technical liabilities

NOK million	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium Fund	Buffer reserves	Claim reserves	Total 2011	Total 2010
Insurance liabilities 01.01	206 318	10 163	7 450	3 517	7	79	227 533	204 486
Net reserves taken to income	16 940	2 131	-2 492	84	0	-10	16 653	22 359
Surplus on returns result				1 133			1 133	2 197
Risk result assigned to insurance contracts				154			154	189
Other assignment of surplus				164			164	195
Total changes taken to profit or loss	16 940	2 131	-2 492	1 535	0	-10	18 104	24 939
Transfers between funds/allocated to premium payment	0	10		-2 251			-2 241	-1 889
Paid in/out on transfer		16		27			0	-4
Transferred to/from the Company		0					0	
Total changes not taken to income	0	26	0	-2 223	0	0	-2 198	-1 892
Total changes in insurance liabilities	16 940	2 156	-2 492	-688	0	-10	15 906	23 047
Insurance liabilities 31.12	223 258	12 319	4 958	2 829	7	69	243 439	227 533

Group pension, public sector, with annual return guarantee and group life

NOK million	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium Fund	Buffer reserves	Claim reserves	Total 2011	Total 2010
Insurance liabilities 01.01	206 075	10 144	7 450	3 512	0	79	227 260	204 246
Net reserves taken to income	16 886	2 140	-2 492	83	0	-10	16 608	22 330
Surplus on returns result				1 133			1 133	2 193
Risk result assigned to insurance contracts				153			153	189
Other assignment of surplus				165			165	195
Total changes taken to income	16 886	2 140	-2 492	1 534	0	-10	18 059	24 906
Transferred to obligations with multi-year returns guarantee	-978	-49		0			-1 028	0
Transfers between funds/allocated to premium payment	0			-2 272			-2 272	-1 889
Paid in/out on transfer				27			27	-4
Transferred to/from the Company		0					0	
Total changes not taken to income	-978	-50	0	-2 245	0	0	-3 273	-1 892
Total changes in insurance liabilities	15 908	2 090	-2 492	-711	0	-10	14 786	23 014
Insurance liabilities 31.12	221 983	12 234	4 958	2 801	0	69	242 045	227 260

Group pension, public sector, with multi-year return guarantee

NOK million	Premium reserve	Supplemen-tary reserves	Premium Fund	Buffer reserves	Total 2011	Total 2010
Insurance liabilities 01.01					273	240
Net reserves taken to income	54	-9	1		45	29
Surplus on returns result					0	5
Risk result assigned to insurance contracts			1		1	0
Other assignment of surplus			-1		-1	0
Total changes taken to profit or loss	54	-9	1	0	45	34
Transferred from obligations with annual returns guarantee	978	49			1 028	0
Transfers between funds/allocated to premium payment		10	22		32	0
Paid in/out on transfer		16			16	0
Total changes not taken to income	978	75	22	0	1 075	0
Total changes in insurance liabilities	1 032	66	23	0	1 121	33
Insurance liabilities 31.12	1 275	85	28	7	1 394	273

Note 17 Technical matters, contd.

Life insurance income statement

Technical accounts

	Group pension insurance - Public		Group life insurance		Total	
NOK million	2011	2010	2011	2010	2011	2010
Premium income	21 606	20 177	146	168	21 752	20 345
Net income Common Portfolio	7 415	15 423	5	5	7 420	15 427
Net income Investment Option Portfolio	30	21			30	21
Other insurance-related income	660	650			660	650
Life insurance claims	-9 890	-9 896	-143	-184	-10 033	-10 080
Change insurance liabilities - contractual	-16 617	-22 325	-1	-6	-16 618	-22 331
Change insurance liabilities - investment option	-44	-29			-44	-29
Funds assigned to insurance contracts - contractual	-1 451	-2 581			-1 451	-2 581
Insurance-related operating expenses	-784	-703	-4	-12	-788	-714
Other insurance-related costs	-656	-651			-656	-651
Technical result	269	88	3	-29	272	59

Result analysis

	Group pension - public							
	Defined benefit scheme w/ yearly return guarantee		Defined benefit scheme w/ multi-year return guarantee		Group life		Total	
NOK million	2011	2010	2011	2010	2011	2010	2011	2010
Net financial income (incl. items from other income and costs	7 419	15 423	30	21	5	5	7 453	15 449
Change securities adjustment fund	2 492	-5 067					2 492	-5 067
Share of securities adjustment fund paid out on transfer	-16	0					-16	0
Guaranteed interest assigned to contracts	-6 597	-6 085	-41	-7	-5	-5	-6 643	-6 097
Returns result	3 298	4 270	-11	14	0	0	3 286	4 284
To/from supplementary and buffer reserves	-2 153	-2 060	9	-10			-2 143	-2 070
Return result after supplementary provisions	1 145	2 210	-2	4	0	0	1 143	2 214
Risk result	307	189	2	0	-3	-29	305	160
Administration premiums and contribution from administration reserve	839	785	0	0	10	12	849	796
Insurance-related operating expenses	-784	-703	0	0	-4	-12	-788	-714
Administration result	55	82	0	0	7	0	61	82
Consideration for interest guarantee	211	184	1	0			212	184
Ttotal result elements before allocation to customers	1 717	2 664	1	5	3	-29	1 722	2 640
Return result and risk result allocated to the customers' premium fund	-1 286	-2 382	0	-5			-1 286	-2 386
Return Corporate Portfolio assigned to customers' premium fund	-165	-195	-1	0			-165	-195
Technical result	267	88	0	0	3	-29	271	59
Non-technical result							434	504
Result to corporate equity							705	563

Transferred

Group pension insurance - Public

Transferred in

NOK million	2011	2010
Premium reserves	112	54
Supplementary reserves	16	0
Funds received booked over profit	127	54
Premium fund	31	11
Funds received booked over profit	158	65
Number of contracts	10	9

Funds transferred

NOK million	2011	2010
Premium reserves	282	1 289
Supplementary reserves	13	100
Securities reserves	16	0
Funds transferred over P/L	310	1 389
Premium fund	4	14
Total funds transferred	314	1 403
Number of contracts	13	35

New business

Premium volume - NOK million	2011	2010
Group pension insurance - Public	41	26
Group life insurance	8	10
Number of contracts		
Group pension insurance - Public	80	81
Group life insurance	97	144

Note 18 Intangible assets

NOK million	2011	2010
Book value 01.01.	306	303
Acquisition cost 01.01.	576	463
Total additions	76	112
of which internally developed	17	18
of which bought	59	94
Disposals	0	0
[1] Acquisition cost 31.12.	652	576
Accumulated depreciation and write downs previous years	-269	-161
Ordinary depreciation for the year	-55	-49
[2] Write-downs	-35	-60
Accumulated depreciation and write-downs 31.12.	-359	-269
Book value 31.12.	293	306
Depreciation period	3 to 10 years	3 to 10 years

[1] KLP's intangible assets comprise purchased or in-house developed software.

[2] At the end of 2011 three capitalized IT systems were identified with a book value that exceeded the estimated recoverable sum. The estimated recoverable sum is calculated by estimating future earnings with book value. This resulted in the following assessment:

NOK million	31.12.2011	31.12.2010
Book value before write-down	89	132
Recoverable sum	54	72
Write-down	35	60

The write-down is included as part of insurance-related administration costs in the income statement.

Note 19 Hedge accounting

31.12.2011 NOK million	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	-161	-1 145
Hedging instrument			
Combined interest and currency swap	984	161	161
Hedging effectiveness as at 31.12.2011		100 %	
Hedging effectiveness through the year		100 %	

31.12.2010 NOK million	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	11	-973
Hedging instrument			
Combined interest and currency swap	984	-11	-11
Hedging effectiveness as at 31.12.2010		100 %	
Hedging effectiveness through the year		100 %	

The hybrid Tier 1 securities loan is hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is recognised in accordance with the rules on fair value hedging, which inter alia mean that the hedging is carried out by an external party, that a formal earmarking and documentation of the hedging arrangement is entered into, and that it is expected to be very effective and that this is continuously reviewed, and that the recognition is carried out as described below. In practice the hedging involves a swap of currency terms (JPY 15 b against NOK 0.984 b) and interest terms (fixed interest at 5.07 % against NIBOR +2.6475 %) on the borrowing and the combined interest and currency swap respectively. The hedging effectiveness is measured by looking at the change in fair value of the hedged object and the hedging instrument. The hedging effectiveness equals 100 %.

The hedging effect is valued retrospectively each month and is then considered effective if the change in fair value between hegded object and hedging instrument lies within the bracket 80 % to 125 %.

Fair value hedging means that the hedged value development of the hedged object is taken to income. Correspondingly the value change on the hedged instrument is taken to income. The aim of the hedging arrangement above is to hedge the hedged object with a hedging instrument in which the hedging instrument's terms give negative correlation in relation to the hedged object: this significantly reduces or eliminates the effect on income.
If the hedging ratio is 100 % the net effect on income of the hedged object and the hedging instrument will be 0.

KLP uses hedging widely but the majority of instances are ordinary financial hedging. The above item is the only one in which hedge accounting is used. The aim of financial hedging is the same, i.e. to reduce or eliminate the effect on income the hedged part of the hedging arrangement represents

Since the value change of the hedged object and the hedging instrument is approximately 100 per cent negatively correlated, the profit/loss effect on the hybrid Tier 1 securities loan will be approximately nil. See also Note 2 for a detailed description of the hedge accounting in the accounts.

Note 20 Subordinated loan capital and hybrid Tier 1 securities

31.12.2011 NOK million	Loan amount currency	Loan amount NOK	Book value 31.12.2011	Due date
Borrowings[1]				
October 1997	JPY 9 500	554	742	Perpetual
April 2006	EUR 300	2 372	2 401	Perpetual
Total subordinated loan capital		2 926	3 143	
April 2004	JPY 15 000	984	1 145	Perpetual
Total hybrid Tier 1 securities loan		984	1 145	
Total subordinated loan capital and hybrid Tier 1 securities Loan		3 911	4 288	

31.12.2010 NOK million	Loan amount currency	Loan amount NOK	Book value 31.12.2010	Due date
Borrowings [1]				
October 1997	JPY 9 500	554	685	Evigvarende
April 2006	EUR 300	2 372	2 415	Evigvarende
Total subordinated loan capital		2 926	3 100	
April 2004	JPY 15 000	984	973	Evigvarende
Tot. hybrid Tier 1 securities loan		984	973	
Total subordinated loan capital and hybrid Tier 1 securities Loan		3 911	4 074	

JPY 9 500: The interest on the loan is fixed at 4.0 per cent p.a. The loan is perpetual but KLP has the right to redeem the loan after 20 years. After 30 October 2017 the interest will be the higher of fixed 4.75 per cent p.a. and 6 mnth JPY-interest plus 2.05 per cent p.a. In 2009 the existing financial hedging, comprising a loan with a corresponding interest rate swap, was replaced by a new balancing transaction comprising two bonds of JPY 4.5 b and JPY 5 b from Telia FRN and United Utilities respectively. This transaction is shown combined in the table below. KLP has not invoked accounting hedging for the financial hedging associated with this borrowing.

EUR 300: The interest on the loan is fixed at 5.25 per cent p.a. until 11 April 2016 after which it changes to a variable rate set at 2.27 per cent above three months' EURIBOR. The loan is perpetual but KLP has the right to redeem it at par on 11 April 2016. The loan is currency hedged by a similar investment in EUR-denominated bonds as shown in the table below. KLP has not invoked hedge accounting for the financial hedging associated with this borrowing. The composition of bonds has been changed in the last year.

JPY 15 000: The interest on the loan is fixed USD-interest of 5.07 per cent p.a. The loan is perpetual but KLP has the right to redeem the loan on 28 April 2034. If KLP does not exercise its redemption right in 2034, the loan will switch to variable interest. The credit margin then increases by 1 percentage point to 6-month JPY LIBOR-interest + a margin of 3.30 per cent p.a. To hedge the interest and exchange risk associated with the loan a combined interest rate and currency swap has been agreed in which KLP pays 3-month NIBOR-interest + a margin of 2.65 per cent p.a. and receives USD-interest of 5.07 per cent p.a. This hedging arrangement is shown in Note 19.

31.12.2011 NOK million	Nominal currency	Acquisition cost NOK	OIF interest	Unrealised currency	Book value 31.12.2011	Due date
Bonds	JPY 9 500	635	2	102	739	2017
Bonds[2]	EUR 304	2 419	40	-77	2 382	2015/2016
Total hedging transactions		3 055	42	25	3 121	

31.12.2010 NOK million	Nominal currency	Acquisition cost NOK	OIF interest	Unrealised currency	Book value 31.12.2011	Due date
Bonds	JPY 9 500	635	2	46	683	2017
Bonds[2]	EUR 304	2 445	34	-123	2 356	2015/2016
Total hedging transactions		3 080	36	-77	3 039	

[1] Interest costs on the two subordinated loans were 151.3 million (147.9 million) and 41.8 million (45.3 million) for 2011. Figures in brackets are 2010 figures.
[2] New composition of bonds through 2011.

Note 21 Capital control and capital adequacy

NOK million	31.12.2011	31.12.2010
Owners' equity contributed	6 217	5 628
Retained earnings	5 723	5 107
Total owners' equity	11 941	10 734
Hybrid Tier 1 securities loan	984	984
Intangible assets	-293	-306
Risk equalization fund	-431	-265
Unrealised price changes in the corporate portfolio	-133	-174
Deductions for investments in other financial institutions	-3	-3
Other owners' equity	-217	-305
Surplus fund	-19	-49
Core capital	11 828	10 615
Perpetual subordinated loan capital	3 032	3 020
Deduction Tier 1 and 2 capital in other financial institutions	-3	-3
Supplementary capital	3 028	3 017
Net Tier 1 and 2 capital	14 857	13 632

	31.12.2011			31.12.2010		
Assets and off-balance sheet items by risk weighting [1]	Non-weighted sums		Weighted sums	Non-weighted sums		Weighted sums
Fixed income securities	49 884	0 %	0	48 852	0 %	0
Covered bonds	21 079	10 %	2 108	3 401	10 %	340
Fixed income securities, lending, bank deposits and fixed income funds	64 271	20 %	12 854	77 676	20 %	15 535
Housing mortgage lending	6 338	35 %	2 218	7 650	35 %	2 677
Fixed income funds	15 954	50 %	7 977	15 829	50 %	7 915
Shares, equity funds and fixed income securities	99 779	100 %	99 779	86 770	100 %	86 770
Private Equity	3 626	150 %	5 439	2 719	150 %	4 078
Total weighted assets in the financial position statement			130 375			117 315
Derivatives and contingent liabilities	37 895		3 031	44 687		2 315
Deduction Tier 1 and 2 capital in other financial institutions			-6			-7
Deduction unrealised gains on financial investments			-4 022			-5 744
Risk-weighted calculation basis			129 378			113 879
Capital adequacy ratio			11.5 %			12.0 %
Core capital adequacy			9.1 %			9.3 %

[1] The description given of each of the rates is given based on those assets that form the majority of the basis for weighting.

Kommunal Landspensjonskasse is a mutually owned life insurance company whose principal aim is to administer the capital the members have placed in the Company, either as owners (owners' equity) or as pension customers (pension funds), as well as possible within the business's ability to bear risk.

Life insurance companies are subject to special regulations that set requirements for asset management and that provide investment limitations in the management of the pension customers' funds. The Company's strategy for management of its pension customers' funds is formulated within the scope allowed by the regulations. Investment areas (asset classes) in which the capital is placed are defined. The different asset classes have different characteristics and risk profiles and the proportion invested in the different asset classes is continuously adjusted on the basis of the business's ability to bear, and its appetitite for risk. This is monitored and reported on a daily basis.

Besides financial diversification of its customers' assets, the Company has a long-term investment strategy in which risk-taking is continuously matched to the Company's ability to bear risk.

That risk-bearing ability is based on the risk being correlated with the Company's financial buffers and its ability to tolerate unexpected negative movements. For more information concerning asset and risk management, attention is drawn to Note 7 Risk management.

Note 21 Capital control and capital adequacy, contd.

The Company must at all times meet the capital adequacy and core capital adequacy requirements set by the authorities. The capital adequacy rules are based on the probability of a financial institution or a securities enterprise not being able to meet its payment liabilities increasing with its proportion of debt. The main components comprise net Tier 1 and Tier 2 capital seen in relation to a financial position statement adjusted for estimated counterparty risk.

The capital adequacy is reported quarterly at company level and half-yearly at the consolidated level.

Core capital
Contributed owners' equity and retained earnings form the most significant element of the core capital. Generally it may be said that other items that for accounting purposes are included as owners' equity but that have limited loss absorption are deducted from core capital (see over for details). Hybrid Tier 1 securities are included as core capital to maximum 15 per cent of other core capital. Any surplus counts as supplementary capital. Intangible assets are deducted from core capital. Unrealised price changes in the corporate portfolio are deducted when the income from the Company is included.

Supplementary capital
Subordinated loans in foreign currency are valued at the lower of the exchange rate on the calculation date and the exchange rate on the date taken up, apart from the subordinated loan in Japanese yen (JPY). For this, instead of the date taken up, the exchange rate used is as at 29 October 2001, the date of the application to the FSA of Norway to base the calculation on an amended exchange-rate. The hybrid Tier 1 securities loan also falls subject to the lowest value principle.

The deduction of Tier 1 and Tier 2 capital in other financial institutions is divided 50/50 between core capital and supplementary capital in accordance with Section 7 of the Regulations on calculation of subordinated capital.

The authorities' minimum requirement for capital adequacy is set at 8 per cent for insurance companies as for other financial institutions.

Note 22 Solvency margin 31.12.

NOK million	2011	2010	2009	2008	2007
Solvency margin requirement i.a.w. Norwegian	8 718	8 172	7 580	7 030	6 453
Tier 1 and 2 capital	14 857	13 632	12 606	11 652	10 008
Proportion of risk equalization fund[1]	215	132	117	117	166
50 per cent of supplementary reserves	6 160	5 081	4 076	1 970	3 892
Solvency capital 31.12.	21 232	18 845	16 798	13 740	14 066
Solvency margin ratio	243.5 %	230.6 %	221.6 %	195.5 %	218.0 %

[1] Proportion of contingency fund up to and including 2007

The solvency margin requirement is calculated i.a.w. Regulations of 19 May 1995 No. 481 on calculation of solvency margin requirements and solvency margin capital for Norwegian life-insurance companies Chapter 2.

Note 23 Return on capital

Customer portfolios

Per cent	2011	2010	2009	2008	2007
Total of common portfolio					
Return I	4.5	5.1	6.4	1.0	7.5
Return II	3.2	7.5	7.7	-3.0	6.7
Return III	3.9	7.4	7.6	-1.7	5.4
Average interest[1]					7.5
Total - investment option portfolio	2.2	8.6	9.2	Not applicable	

Return I = Book return

Return II = Value-adjusted return. This is the book return +/-unrealised value changes charged to the securities adjustment fund

Return III = Value adjusted returns including value changes on assets recognised at amortized cost. These value changes are not included in the accounting income for the year

[1] The term "Average interest" is not relevant from the beginning of 2008

The Common Portfolio's sub-portfolios have had the following returns:

	2011		2010		2009		2008	
Per cent	Return I	Return II	Return I	Return II	Return I	Return II	Return I	Return II
Balanced portfolio 1	4.5	3.2	5.1	7.5	6.1	7.4	0.9	-3.1
Balanced portfolio 2	4.5	3.3	5.1	7.5	7.0	8.2	1.1	-2.8
Proactive portfolio	Not applicable		5.4	7.9	6.8	8.0	2.7	-2.3

Corporate portfolio

Per cent	2011	2010	2009	2008
Return on financial investments in the corporate portfolio.	4.2	5.2	6.7	4.0

For the corporate portfolio there is no difference in return I and II since no special provisions are made for any unrealised added value.
Until the end of 2007, customer assets and Company assets were managed in the same portfolio.

Note 24 Sales costs

NOK million	2011	2010
Personnel costs	54.6	43.4
Commission	0.2	0.2
Other costs	44.5	40.5
Total sales costs	99.3	84.0

Note 25 Pensions obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen")
The company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ('obligatorisk tjenestepensjon', or OTP). The company has a contract pension (AFP) scheme.

The accounting treatment of pension obligations is described in more detail in Note 2.

NOK million	Joint scheme	Via operation	2011	2010
Pension costs				
Present value of accumulation for the year	46	4	50	51
Cost of interest	27	3	30	30
Gross pension cost	73	8	80	80
Expected return	-22	0	-22	-21
Administration costs/Interest guarantee	2	0	2	2
Net pension cost including administration costs	53	7	60	61
Social security costs net pension cost including administration costs	7	1	8	9
Actuarial loss/gain taken to income	0	0	0	0
Plan change through profit/loss	0	0	0	-54
Proportion of actuarial loss/gain taken to income on curtailment	0	0	0	0
Proportion of net obligation taken to income on curtailment	0	0	0	0
Extraordinary costs	0	0	0	0
Pension costs including social security costs through profit/loss	60	8	68	16

NOK million	Joint scheme	Via operation	2011	2010
Pension obligations				
Gross accrued obligations	807	98	905	708
Pension assets	438	7	445	402
Net pension obligations/assets before social security costs	369	91	460	306
Social security costs	52	13	65	43
Net obligations incl. social security costs	421	104	525	349
Actuarial loss/gain excl social security costs not taken to profit/loss	-122	-21	-143	-8
Actuarial loss/gain social security costs not taken to profit/loss	-17	-3	-20	-1
Capitalized net liabilities/assets including social security costs	282	80	362	340

Number	2011	2010
Member status ("Fellesordningen")		
Number active	474	452
Number deferred (previous employees with deferred entitlements)	132	125
Number of pensioners	140	137

NOK million	Joint scheme	Via operation	2011	2010
Development of actuarial gains/losses not taken to profit/loss				
Actuarial gains/losses not taken to profit/loss OB	0	-9	-9	17
Actuarial gain/loss funds	-3	0	-3	2
Actuarial gain/loss obligation	-119	-13	-132	-25
SSC on deviation	-17	-2	-19	-3
Actuarial gains/losses not taken to profit/loss CB	-139	-24	-163	-9

NOK million	Joint scheme	Via operation	2011	2010
Change in pension assets				
Gross pension assets book value 01.01.	395	7	402	351
Expected return	22	0	22	21
Actuarial losses/gains	-3	0	-3	2
Administration costs/Interest guarantee	-2	0	-2	-2
Premiums paid in/contribution (including administration costs)	37	4	41	43
Payments	-12	-4	-15	-14
Gross pension assets book value 31.12.	438	7	445	402

NOK million	Joint scheme	Via operation	2011	2010
Change in pension obligations				
Gross pension obligations book value 01.01.	627	81	708	664
Plan change	0	0	0	-47
Gross pension obligations OB after plan change	627	81	708	616
Present value of accumulation for the year	46	4	50	51
Cost of interest	27	3	30	30
Actuarial losses/gains	119	13	132	25
Payments	-12	-4	-15	-14
Gross pension obligations book value 31.12.	807	98	905	708

NOK million	Joint scheme	Via operation	2011	2010
Pension scheme's over-/under-financing				
Present value of the defined benefits pension obligation	807	98	905	708
Fair value of the pension assets	438	7	445	402
Net pension obligations	369	91	460	306

NOK million	2010	2009	2008	2007
Pension scheme's over-/under-financing last 4 years				
Present value of the defined benefits pension obligation	708	664	617	521
Fair value of the pension assets	402	351	301	279
Net pension obligations	306	312	316	243

NOK million	Joint scheme	Via operation	2011	2010
Return on pension assets				
Expected returns on pension assets	22	0	22	21
Actuarial loss/gain on pension funds	-3	0	-3	2
Actual return on pension funds	19	0	19	23

NOK million	Joint scheme	Via operation	2011	2010
Plan changes during the period				
Plan changes during the period	0	0	0	-47
SSC on plan changes	0	0	0	-7
Plan changes during the period taken to profit/loss	0	0	0	54
Plan change not taken to profit/loss CB	0	0	0	0

	2011	2010
Financial assumptions for the result (common to all pension schemes)		
Discount rate	4.00 %	4.50 %
Salary growth	4.00 %	4.50 %
National Insurance basic sum (G)	3.75 %	4.25 %
Pension increases	2.97 %	4.25 %
Expected return	5.40 %	5.70 %
Social security contribution rates	14.10 %	14.10 %
Amortization time	15	15
Corridor magnitude	10.00 %	10.00 %

	2011	2010
Financial assumptions for the financial position statement (common to all pension schemes)		
Discount rate	2.60 %	4.00 %
Salary growth	3.50 %	4.00 %
National Insurance basic sum (G)	3.25 %	3.75 %
Pension increases	2.48 %	2.97 %
Expected return	4.10 %	5.40 %
Social security contribution rates	14.10 %	14.10 %
Amortization time	15	15
Corridor magnitude	10.00 %	10.00 %

Note 25 Pensions obligations, own employees, contd.

Actuarial assumptions
KLP's joint pension scheme for municipalities and enterprises ("Fellesordningen"):
An important part of the basis of pension costs and pension obligations is how mortality and invalidity develop amongst the members of the pension scheme. The 2011 calculation is based on a strengthened K2005 mortality tariff and an invalidity frequency corresponding with that observed in KLP's total membership.

Take-up of AFP for 2011 (per cent in relation to remaining employees):
On reaching 62 years there are 45 per cent who retire with an AFP pension. The remainder retire on reaching pensionable age.

Voluntary termination for Fellesordning during 2011 (in %)

Age (in years)	< 20	20-23	24-29	30-39	40-50	51-55	< 55
Turnover	20 %	15 %	10 %	7.5 %	5 %	2 %	0 %

Longevity: K2005 without a safety margin has been used for mortality assumptions in 2011.

Pensions via operation:
Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2005 has been used as for Fellesordningen.

	31.12.2011	31.12.2010
Composition of the pension assets:		
Property	11.7 %	11.3 %
Lending	10.4 %	13.1 %
Shares	14.3 %	18.5 %
Long-term/HTM bonds	33.1 %	32.9 %
Short-term bonds	22.0 %	22.5 %
Liquidity/money market	8.6 %	1.6 %
Total	100.0 %	100.0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds managed at the end of the year by KLP. Value-adjusted return on the assets was 3.3 per cent in 2011 and 7.5 per cent in 2010.

Expected payment into benefits plans after cessation of employment for the period 1 January 2011 – 31 December 2011 is NOK 52,675,856.

Note 26 Tax

NOK million	2011	2010
Accounting income before taxes	705	572
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	5 186	508
Reversal of value increase financial assets	-6 617	-9 118
Accounting loss on realisation of shares and other securities	1 814	1 301
Accounting gain on realisation of shares and other securities	-1 227	-1 310
Tax gain on realisation of shares and other securities	54	25
Refunding of 3% tax-free income i.a.w. the exemption method	2	11
Share of taxable income in partnerships	0	61
Share of accounting income in partnerships	0	-21
Other permanent differences	-203	-141
Change in differences affecting relationship between accounting and tax income	-355	-367
Taxable income	-643	-8 480
Group contribution received with tax effect	1 680	1 221
Surplus/deficit for the year is transferred to carryforward deficit	1 037	-7 259
Deficit carryforward allowable from previous years	-16 703	-9 444
Change for the year in carryforward deficit	1 037	-7 259
Total carryforward deficit and allowance as at 31 December 2011	-15 666	-16 703

Unused allowance from previous years may only be used within 10 years. The Company used none in 2011 and it is not very likely the Company will be able to use the remaining allowance before it expires.

Reconciliation of basis for deferred tax

NOK million	31.12.2011	31.12.2010
Tax-increasing temporary differences:		
Fixed assets	33	25
Long term receivables	286	83
Risk equalization fund	431	265
Securities	4 914	4 469
Total tax-increasing temporary differences	5 663	4 842
Tax-reducing temporary differences:		
Profit and loss account	0	0
Pension obligations	-362	-340
Unused allowance share dividend	-238	-513
Total tax-reducing temporary differences	-600	-854
Net temporary differences	5 063	3 988
Carryforward deficit	-15 666	-16 703
Basis for deferred tax	-10 603	-12 715
28% deferred tax assets	-2 969	-3 560
Devaluation of deferred tax assets	2 969	3 560
Capitalized deferred tax assets	0	0
Change in deferred tax taken to income	0	0

Summary of tax expense for the year

NOK million	2011	2010
Change in deferred tax taken to income	0	0
Tax payable taken to income	0	0
Total taxes	0	0

Wealth tax

NOK million	31.12.2011	31.12.2010
Taxable value assets	234 054	226 230
Taxable value liabilities	-249 003	-233 126
Net taxable wealth	-14 949	-6 896

Note 27 Salary and obligations towards senior management/governing

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and has set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines. For further information on remuneration schemes in companies forming the KLP Group, see www.klp.no. The Group CEO and the Group executive vice presidents are pensionable at aged 65. Pension costs for the year include accumulation for the year and interest costs less expected returns and plan change.

The Group CEO has termination salary corresponding to a year's salary including supplementary benefits in the event of termination of employment. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. The Company pays directors' liability insurance for its members of the Board of Directors.

No employees of Kommunal Landspensjonskasse have bonus agreements.

All employees in the Group may take up loans with KLP on lending terms and conditions for staff. No senior management have terms and conditions that deviate from this. Loans to external members of the Board of Directors, the Control Committee and the Supervisory Board are only made on ordinary lending terms.

2011 NOK thousands	Salary, fees, etc.	Other benefits	Annual pension accumulation	Loan with the Group	Interest rate as at 31.12.2011	Payments plan[2]
Senior management[1]						
Sverre Thornes, Group CEO	3 063	165	1 001	7 507	2.70-3.60	A2038
Ida Espolin Johnson, Executive Vice President, Life insurance	2 234	116	803	8 400	3.15-4.60	A2039
Ole Jacob Frich, Executive Vice President Communicatons	1 334	130	395	6 576	3.15-3.90	A2041
Aage E. Schaanning, Executive Vice President and CFO	2 814	120	871	2 977	2.70-2.95	A2031
Rune Mæland, Executive Vice President IT	1 394	160	277	1 741	2.70	A2034
Toril B. Ressem, Executive Vice President, Group Services (January and February)	378	29	90	2 707	2.95-3.60	A2041
Cathrine Hellandsvik, Executive Vice President, Group Services (March to December)	990	88	260	2 002	2.95-3.45	A2037
Mette-Jorunn Meisland, Executive Vice President Marketing	1 134	117	381	6 000	2.95-3.45	A2038
Board of Directors						
Arne Øren, Chair	283					
Finn Jebsen, Deputy Chair	226					
Herlof Nilssen	188			497	3.75	A2031
Gunn Marit Helgesen	175					
Jan Helge Gulbrandsen	150					
Marit Torgersen	89					
Siv Holland, elected by and from the employees	150			1 751	3.15	housing credit
Freddy Larsen, elected by and from the employees	188			1 354	2.70-3.55	A2031
Control Committee						
Ole Hetland, Chair	67					
Jan Rune Fagermoen, Deputy Chair	56					
Bengt Johansen	84					
Line Alfarustad	29					
Dordi E. Flormælen	29					
Supervisory Board						
Total for the Supervisory Board, incl. staff representatives [3]	677			36 770		
Employees						
Total loans to Group staff				1 046 987		

Note 27 Salary and obligations towards senior management/governing, contd.

2010 NOK thousands	Salary, fees, etc.	Other benefits	Annual pension accumulation	Loan with the Group	Interest rate as at 31.12.2011	Payments plan[2]
Senior management[1]						
Sverre Thornes, Group CEO	2 862	182	938	6 907	3.15-3.34	A2038
Ida Espolin Johnson, Executive Vice President, Life insurance	2 146	130	752	8 400	3.15-3.35	A2040
Ole Jacob Frich, Executive Vice President Communicatons	1 280	126	371	6 363	3.15-3.50	A2041
Aage E. Schaanning, Executive Vice President and CFO	2 577	124	816	3 127	3.15-3.40	S2033
Rune Mæland, Executive Vice President IT	1 262	151	256	1 741	3.40	A2036
Toril B. Ressem, Executive Vice President, Group Services (January and February)	1 330	146	511	2 707	3.15	S2040
Board of Directors						
Arne Øren, Chair	273					
Finn Jebsen, Deputy Chair	201					
Ann Inger S. Døhl	169					
Herlof Nilssen	163			525	4.30	A2026
Gunn Marit Helgesen	169					
Jan Helge Gulbrandsen	111					
Siv Holland, elected by and from the employees	74			1 737	3.15	housing credit
Freddy Larsen, elected by and from the employees	145			1 523	3.15-4.10	A2033
Control Committee						
Ole Hetland, Chair	80					
Anne-Marie Barane, Deputy Chair	67					
Aud Mork	67					
Jan Rune Fagermoen	67					
Bengt Johansen	8					
Supervisory Board						
Total for the Supervisory Board, incl. staff representatives	702			25 569		
Total loans to Group staff				1 098 488		

[1] Declared salary/remuneration applies only for the period the senior staff have held their position.
[2] S= Serial loan, A= Annuity loan, last payment.
[3] Remuneration for the Supervisory Board includes remuneration for members elected from the employees of the subsidiaries even though it is paid from the subsidiary.

Note 28 Number of employees

	2011	2010
Number of permanent employees 31.12.	460	449
Average number of employees	455	438

Note 29 Auditor's fee

NOK million	2011	2010
Ordinary audit	2.1	1.3
Certification services	0.0	0.2
Other services excluding audit	0.0	0.0
Total Auditor's fee	2.1	1.5

The sums above include VAT.

Note 30 Transactions with related parties

All transactions with close partners are done on market terms and conditions, except for administrative services carried out across the Group. Expenses related to administrative services are allocated at cost as they are carried out.

All otstanding accounts between companies in the same Group are settled as they occur.

NOK million	2011	2010
Income statement items		
Purchase of administrative services from KLP Kapitalforvaltning AS	101	96
Purchase of administrative services from KLP Banken AS	59	49
Lease of office premises from Paléet ANS	0	17
Release of office premises from KLP Huset AS	45	31
Purchase of non-life insurance from KLP Skadeforsikring AS	0	1
Sale of pension insurance/group life to subsidiaries	-63	-65
Interest income from loans to subsidiaries	-110	-56
Interest income loans associated companies	0	0
Net repayment administrative services	-165	-144
Total	-132	-70

NOK million	31.12.2011	31.12.2010
Statement of financial position items		
Net outstanding accounts to:		
KLP Skadeforsikring AS	57	12
KLP Bedriftspensjon AS	3	0
KLP Forsikringsservice AS	2	0
KLP Kapitalforvaltning AS	21	12
KLP Fondsforvaltning AS	9	1
KLP Eiendom AS[1]	1 503	1 182
KLP Banken AS[2]	5 307	3 283
Total	6 902	4 491

[1] Receivables from KLP Eiendom apply to non-settled Group contribution from 2011.
[2] Receivables from KLP Banken AS are a loan of NOK 4.3 billion excluding accrued market interest at fixed interest falling due on 15 March 2012 and a certificate loan of NOK 1.0 billion excluding accrued market interest at fixed interest rate falling due on 1 February 2012.

Note 31 Other liabilities

NOK million	31.12.2011	31.12.2010
Accounts payable	18	17
Debt to insurance customers	3	4
SSC, VAT and tax deductions due	225	206
Outstanding accounts Group companies	19	-17
Non-settled securities trade	92	0
Total other liabilities	357	210

Note 32 Other insurance-related income and expenses

NOK million	2011	2010
Other income		
Contribution service pension/AFP	655	646
Miscellaneous interest income	6	4
Total other income	660	650
Other expenses		
Payments service pension/AFP	655	646
Other interest costs	2	5
Total other expenses	656	651

Note 33 Contingent liabilities

NOK million	31.12.2011	31.12.2010
Guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	3 658	2 630
Approved, not paid out KLP loan pledge	850	347
Off-balance-sheet items	4 510	2 978

To the Annual General Meeting of Kommunal Landspensjonskasse

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Kommunal Landspensjonskasse, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2011, and the income statement, statement of changes in equity and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2011, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Kommunal Landspensjonskasse as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Kommunal Landspensjonskasse as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 22 March 2012
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

ACTUARY'S STATEMENT

With reference to the financial statements presented for 2011 it is confirmed that the technical provisions have been made in accordance with the applicable calculation assumptions and thus in accordance with the regulatory requirements.

The proposed allocation in regard to supplementary reserves is in accordance with the applicable rules. The other allocations are also in accordance with the Norwegian Act on Insurance Activity.

Oslo, 22 March 2012

[signed]
Roar Engen
Chief Actuary

To the Supervisory Board and the General Meeting of
Kommunal Landspensjonskasse

THE CONTROL COMMITTEE'S STATEMENT ON THE FINANCIAL STATEMENT FOR 2011

In accordance with Section 9 of its instructions, the Control Committee has reviewed the annual report for Kommunal Landspensjonskasse – for the Company and the Group – consisting of the report of the Board of Directors, the income statement and financial position statement, the statement of changes in the owners' equity, the statement of cash flows, and the notes. The actuary's statement and the auditor's report have also been submitted.

The Control Committee advises the Supervisory Board and the General Meeting to approve the financial statement and the directors' report for 2011 for the Company's and the Group, as recommended by the Board, to allocate the profits for the year, NOK 705 million, with NOK 166 million to the Risk equalization fund and NOK 539 million to Other retained earnings.

Oslo, 23 March 2012

Ole Hetland

Bengt P Johansen

Line Alfarustad

Thorvald Hillestad

Jan Rune Fagermoen

To the General Meeting of
Kommunal Landspensjonskasse

The Kommunal Landspensjonskasse Supervisory Board has examined the annual report submitted by the Board of Directors for Kommunal Landspensjonskasse, Company and Group, comprising the report of the Board of Directors, the income statement, the statement of financial position, the schedule of changes in owners' equity, the statement of cash flows, notes, the actuary's statement, the audit report and the control committee's statement.

The Supervisory Board recommends to the General Meeting that the Company's and Group's annual financial statements and annual report for 2011 be determined in accordance with the recommendation of the Board of Directors, in which the profit for the year of NOK 705 million is allocated with NOK 166 million to the risk equalization fund, and NOK 559 million is transferred to Other retained earnings.

Oslo, 11 April 2012
[signed]

Ingunn Foss
Chair of the Supervisory Board

For the days to come Photographed by Christin Oldebråten

For the days to come Photographed by Anne-Therese Sande

Non-financial Accounts at year-end 31 December

Environment	Note	2011	2010	2009
Energy consumption kWh/m² in KLP Eiendom's in-house operated buildings in Oslo	2	196	207	210
Energy consumption kWh/m² in KLP Eiendom's in-house operated buildings in Trondheim	2	157	217	210
Energy consumption kWh/m² in KLP's offices in KLP Huset (the KLP Building)	2	174	126	
Energy consumption kWh/m² in KLP's offices in Bergen	2	147	172	
Energy consumption kWh/m² in KLP's offices in Trondheim	2	129	136	
Waterconsumption kWh/m² in in-house operated buildings in Oslo		0,5	0,6	0,6
Waterconsumption kWh/m² in in-house operated buildings in Trondheim		0,3	0,3	0,3
Percentage waste source sorting from in-house operated buildings in Oslo		53	51	50
Percentage waste source sorting from in-house operated buildings in Trondheim		41	36	31
Employees				
Number of employees		775	762	742
Percentage women		49	49	48
Percentage men		51	51	52
Percentage staff turnover		4,5	3,5	2,5
Total temporary employees		19	13	16
Percentage part-time women		16,0	19,1	20,3
Percentage part-time men		2,0	1,8	1,2
Women as percentage at Management Level 1		27,0	20,0	20,0
Women as percentage at Management Level 2		31,0	23,8	17,8
Women as percentage at Management Level 3		42,0	49,0	50,0
Women as percentage on Board of Directors		43,0	37,5	50,0
Recorded sickness absence short-term	3	1,9	1,0	1,9
Recorded sickness absence long-term	3	2,7	2,7	2,3
Recorded sickness absence total	3	4,6	4,4	4,2
Antall personskader		0	0	0
Salary and allowances (NOK 1 000)				
Total salary to employees		521 467	498 267	411 675
Average salary women		550	523	493
Average salary men		711	671	619
Women earn as a percentage in relation to men		77,3	78,0	80,0
Tax (NOK million)				
Total tax/VAT paid in Norway		103	123	147
Total tax paid in Sweden		44	11	10
Total tax paid in Denmark		14	39	8
Responsible investments				
Number of exclusions of companies from the investment portfolio (investeringsporteføljen)		64	59	47
Number of companies were reinstated in the investment portfolio		1	3	10
Number of general meetings in Norwegian companies in which KLP has voted		130	127	123
Number of general meetings in foreign companies in which KLP has voted		1 662	1 533	1 558

Note 1 Accounting principles

The accounts are primarily set up in accordance with the Norwegian principlesAct Section 3-3, the Norwegian Accounting Standard No. 16 and the Norwegian Code of Practice for Corporate Governance (NUES). Voluntary extension of the non-financial accounts is based on the Global Reporting Initiative (GRI) and Communication on Progress (COP) from the UN's Global Compact and is available at www.klp.no/samfunnsansvar (in Norwegian - see also articles in English at www.klp.no/web/klpno.nsf/pages/EnglishCorporateResponsibilty.html). Companies that have signed the UN's Global Compact must report annually and provide a Communication on Progress (COP) to the UN's Global Compact. KLP's COP is available at www.unglobalcompact.org/cop (in English). The assessment of what are material reporting variables is based on what is considered to be of greatest significance for our stakeholders and greatest significance for KLP's business areas. KLP has undertaken a mapping of stakeholders and expanded qualitative stakeholder dialogue as an aid and foundation for assessing materiality. More information is available at www.klp.no/samfunnsansvar› (in Norwegian - see also articles in English at www.klp.no/web/klpno.nsf/pages/EnglishCorporateResponsibilty.html).

Changes in the accounting principles for the non-financial accounts for 2010 related to NUES Clause 1 are included.

Note 2 Energy consumption KhW/m²

Energy consumption kWh/m² for KLP's in-house operated buildings in Oslo and Trondheim has been temperature-corrected. The energy consumption in KLP's own office premises has not been temperaturecorrected. Energy consumption in the KLP Building (KLP Huset) applies for the period after occupation on 25 May 2010. Figures for energy consumption in the premises KLP uses in its business in Bergen and Trondheim are not available for 2009

Note 3 Sickness absence

The figures show self-reported sickness absence.

Elected representatives

SUPERVISORY BOARD ELECTED BY THE GENERAL MEETING

Atle Brynestad	SE Norway Regional Health Authority
Berit Baklid	Modum Bad
Elfin Lea	Klepp Municipality
Erik Arne Hansen	N Norway Regional Health Authority
Hilde Christiansen	W Norway Regional Health Authority
Inger Østensjø	Stavanger Municipality
Ingunn Foss	Lyngdal Municipality
Jan O. Engsmyr	Sarpsborg Municipality
Kjell Fosse	Stjørdal Municipality
Mette Qvortrup	Østfold Energi AS
MildridSøbstad	Vefsn Municipality
MortenReymert	SE Norway Regional Health Authority Oslo University Hospital
NinaHolte	Vegårshei Municipality
Ottar BrageGuttelvik	Møre og Romsdal County Administration
Paul Dahlø	Troms County Administration
Per Karlsen	W Norway Regional Health Authority
Sigmund Engdal	Oslo Church Council
SiriHovde	Aurskog-Høland Municipality
Solfrid Borge	Ullensvang Municipality
Sveinung Aune	Mid-Norway Regional Health Authority
Torhild Bransdal	Vennesla Municipality
Trond Lesjø	Gjøvik Municipality
Vibeke Stjern	Åfjord Municipality
Vidar Lødrup	SE Norway Regional Health Authority

NOMINATED BY THE EMPLOYEE ORGANISATIONS

Kjellfrid Blakstad	Norwegian Union of Municipal and General Employees (NUMGE)
Stein Guldbrandsen	NUMGE
Geir Mosti	NUMGE
Erik Orskaug	Confederation of Unions for Professionals, Norway (UNIO)
Erik Kollerud	Delta (public/private sector labour union)
Ole Jakob Knudsen	Naturviterne – the Norwegian Association of Natural Scientists

EMPLOYEE-ELECTED REPRESENTATIVES

Ann Sundal	KLP Eiendom Trondheim
Arne Henriksen	KLP Oslo
Erik Falk	KLP Oslo
Gry Løvlund	KLP Oslo
Hans Ove Ljosåk	KLP Skadeforsikring
Helge Mæland Nielsen	KLP Bergen
Kari Bakken	KLP Oslo
Lisbeth Arnesen	KLP Bergen
Morten Eidsnes	KLP Bergen
Nina Høgdahl	KLP Skadeforsikring
Anders Ledang	KLP Oslo
Susanne Torp-Hansen	KLP Oslo
Torkel Dobbe	KLP Skadeforsikring
Trine Bjelland Ottosen	KLP Oslo
Vidar Stenseth	KLP Oslo

ELECTION COMMITTEE

Paul Dahlø, Chair	County politician, Troms County Administration
Mette Qvortrup	Head of Personnel Østfold Energi AS
Bente Mikkelsen	CEO, SE Norway Regional Health Authority
Ingunn Foss	Mayor Lyngdal Municipality
Trond Lesjø	Chief Administrative Officer, Gjøvik Municipality attending Deputy Member

CONTROL COMMITTEE

Ole Hetland, Chair	Director, New concert house in Stavanger IKS (Inter-municipal enterprise)
Line Alfarrustad	Finance Director SE Norway Regional Health Authority
Jan Rune Fagermoen	Chief Administrative Officer, Skjåk Municipality
Dordi Flormælen	Legal Counsel, Mid-Norway Regional Health Authority
Bengt P. Johansen	CFO Østfold Energi AS
Thorvald Hillestad	Mayor, Re Municipality, attending Deputy Member

KLP

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