

# Consolidated Statement 2011

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The Pension Fund for State Employees (LSR)  
The Pension Fund for Nurses (LH)

## Statement of changes in net assets available for benefits 2011

|  | LSR<br>2011        | LH<br>2011        | Total LSR & LH     |                    |
|--|--------------------|-------------------|--------------------|--------------------|
|  |                    |                   | 2011               | 2010               |
| <b>Premiums</b>  |                    |                   |                    |                    |
| Members  | 5,266,179          | 67,894            | 5,334,073          | 5,117,815          |
| Employers  | 13,804,873         | 175,668           | 13,980,541         | 13,286,598         |
| Transfer of rights and repayments                        | (62,196)           | (425)             | (62,621)           | 23,450             |
| State contribution to equalize disability pension burden | 182,278            | 20,318            | 202,596            | 195,583            |
| Increase in pension payments                             | 7,781,620          | 728,915           | 8,510,535          | 8,163,683          |
| Liquidated pension commitments                           | 528,194            | 3,200             | 531,394            | 604,282            |
| Employers commitment deposits                            | 1,081,563          | 110,058           | 1,191,621          | 1,240,431          |
| <b>Premiums</b>  | <b>28,582,511</b>  | <b>1,105,628</b>  | <b>29,688,139</b>  | <b>28,631,842</b>  |
| <b>Benefits</b>  |                    |                   |                    |                    |
| Benefits   | 23,941,562         | 1,911,245         | 25,852,807         | 23,748,538         |
| Cost of disability assessments                           | 695                | 29                | 724                | 1,017              |
| <b>Benefits</b>  | <b>23,942,257</b>  | <b>1,911,274</b>  | <b>25,853,530</b>  | <b>23,749,555</b>  |
| <b>Investment income</b>                                 |                    |                   |                    |                    |
| Dividends and revenue on shares                          | 3,685,583          | 352,626           | 4,038,209          | 2,890,454          |
| Interest income and exchange-rate difference             | 22,268,405         | 1,239,486         | 23,507,890         | 17,264,856         |
| Provision for securities                                 | (373,810)          | (50,598)          | (424,408)          | (1,672,229)        |
| Provision for forward agreements                         | 44,976             | (11,806)          | 33,169             | (903,839)          |
| <b>Investment income</b>                                 | <b>25,625,153</b>  | <b>1,529,707</b>  | <b>27,154,860</b>  | <b>17,579,243</b>  |
| <b>Investment expenses</b>                               |                    |                   |                    |                    |
| Office and management expenses                           | 317,984            | 25,278            | 343,262            | 309,867            |
| <b>Operating expenses</b>                                |                    |                   |                    |                    |
| Office and management expenses                           | 304,182            | 28,315            | 332,497            | 272,846            |
| <b>Other expenses</b>                                    |                    |                   |                    |                    |
| Tax on net assets of the fund                            | 277,973            | 17,627            | 295,599            | 0                  |
| <b>Other income</b>                                      |                    |                   |                    |                    |
| Other income   | 33,969             | 1,777             | 35,746             | 42,964             |
| <b>Increase in net assets over the year</b>              | <b>29,399,238</b>  | <b>654,619</b>    | <b>30,053,856</b>  | <b>21,921,781</b>  |
| <b>Net assets from previous year</b>                     | <b>350,106,289</b> | <b>21,654,349</b> | <b>371,760,638</b> | <b>349,838,857</b> |
| <b>Net assets available for benefits</b>                 | <b>379,505,527</b> | <b>22,308,968</b> | <b>401,814,494</b> | <b>371,760,638</b> |

## Balance sheet 31.12.2011

| Assets                                      | LSR                | LH                | Total LSR & LH     |                    |
|---|--------------------|-------------------|--------------------|--------------------|
|   | 2011               | 2011              | 2011               | 2010               |
| <b>Investments</b>                          |                    |                   |                    |                    |
| Real estate                                 | 315,042            | 13,251            | 328,293            | 135,024            |
| Variable-income securities                  | 130,810,904        | 9,129,249         | 139,940,153        | 138,225,108        |
| Fixed-income securities                     | 186,480,621        | 11,294,603        | 197,775,224        | 173,568,870        |
| Mortgage loans                              | 59,619,477         | 2,672,065         | 62,291,542         | 60,440,177         |
| Other investments                           | 4,335,048          | 0                 | 4,335,048          | 3,509,896          |
| <b>Investments</b>                          | <b>381,561,092</b> | <b>23,109,168</b> | <b>404,670,260</b> | <b>375,879,074</b> |
| <b>Claims</b>                               |                    |                   |                    |                    |
| Claims on employers                         | 2,200,996          | 24,712            | 2,225,708          | 2,250,631          |
| Other claims                                | 153,793            | 4,578             | 158,371            | 132,722            |
| <b>Claims</b>                               | <b>2,354,789</b>   | <b>29,290</b>     | <b>2,384,079</b>   | <b>2,383,353</b>   |
| <b>Other assets</b>                         |                    |                   |                    |                    |
| Operating assets and other tangible assets  | 4,051              | 450               | 4,501              | 7,887              |
| Cash and deposits                           | 13,107,263         | 667,478           | 13,774,742         | 14,581,240         |
| <b>Other assets</b>                         | <b>13,111,314</b>  | <b>667,929</b>    | <b>13,779,243</b>  | <b>14,589,127</b>  |
| <b>Assets</b>                               | <b>397,027,196</b> | <b>23,806,386</b> | <b>420,833,582</b> | <b>392,851,554</b> |
| <b>Liabilities</b>                          |                    |                   |                    |                    |
| <b>Commitments</b>                          |                    |                   |                    |                    |
| Accrued pension commitments                 | 112,674            | 9,966             | 122,640            | 101,772            |
| <b>Commitments</b>                          | <b>112,674</b>     | <b>9,966</b>      | <b>122,640</b>     | <b>101,772</b>     |
| <b>Liabilities</b>                          |                    |                   |                    |                    |
| Other liabilities                           | 1,290,373          | 90,394            | 1,380,767          | 830,740            |
| Provision for forward agreements            | 16,118,622         | 1,397,059         | 17,515,681         | 20,158,403         |
| <b>Liabilities</b>                          | <b>17,408,995</b>  | <b>1,487,453</b>  | <b>18,896,448</b>  | <b>20,989,143</b>  |
| <b>Liabilities</b>                          | <b>17,521,669</b>  | <b>1,497,419</b>  | <b>19,019,088</b>  | <b>21,090,916</b>  |
| <b>Net assets available for benefits</b>    | <b>379,505,526</b> | <b>22,308,968</b> | <b>401,814,494</b> | <b>371,760,638</b> |
| <b>Assets excluded in the Balance sheet</b> |                    |                   |                    |                    |
| Claim on employers, art. 33/20              | 230,742,745        | 32,236,854        | 262,979,599        | 247,579,937        |

## Statement of cash flow 2011

|  | LSR<br>2011        | LH<br>2011       | Total LSR & LH<br>2011 | 2010              |
|--|--------------------|------------------|------------------------|-------------------|
| <b>Inflow</b>  |                    |                  |                        |                   |
| Premium payments   | 28,564,596         | 1,130,633        | 29,695,229             | 29,814,067        |
| Investment income  | 31,756,039         | 1,929,289        | 33,685,328             | 4,234,287         |
| Bond payments  | 16,741,425         | 1,082,701        | 17,824,126             | 17,680,316        |
| Sale of variable-income securities                                       | 19,566,230         | 2,136,537        | 21,702,767             | 19,485,946        |
| Sale of fixed-income securities  | 28,072,518         | 1,298,014        | 29,370,532             | 20,569,158        |
| <b>Inflow</b>  | <b>124,700,808</b> | <b>7,577,174</b> | <b>132,277,981</b>     | <b>91,783,774</b> |
| <b>Outflow</b>   |                    |                  |                        |                   |
| Benefits   | 23,848,754         | 1,895,868        | 25,744,622             | 23,649,098        |
| Investment expenses  | 298,046            | 24,181           | 322,227                | 304,251           |
| Operating costs excluding depreciation                                   | 287,662            | 25,206           | 312,868                | 224,650           |
| <b>Outflow</b>   | <b>24,434,462</b>  | <b>1,945,255</b> | <b>26,379,717</b>      | <b>24,177,999</b> |
| Disposable resources for purchase<br>of securities and other investments | 100,266,346        | 5,631,919        | 105,898,264            | 67,605,775        |
| <b>Purchase of securities and other investments</b>                      |                    |                  |                        |                   |
| Purchase of variable-income securities                                   | 17,293,339         | 1,091,505        | 18,384,843             | 8,500,133         |
| Purchase of fixed-income securities                                      | 79,729,122         | 4,639,576        | 84,368,699             | 59,707,478        |
| New mortgage loans   | 3,640,178          | 43,900           | 3,684,078              | 3,444,953         |
| Other investments  | 267,078            | 64               | 267,142                | 111,932           |
| <b>Total investment</b>  | <b>100,929,716</b> | <b>5,775,046</b> | <b>106,704,762</b>     | <b>71,764,494</b> |
| Increase (decrease) in cash and bank deposits                            | (663,371)          | (143,127)        | (806,498)              | (4,158,720)       |
| Cash and bank deposits at beginning of year                              | 13,770,634         | 810,605          | 14,581,240             | 18,739,959        |
| <b>Cash and bank deposits at year-end</b>                                | <b>13,107,263</b>  | <b>667,478</b>   | <b>13,774,742</b>      | <b>14,581,240</b> |

## Financial indicators – LSR

|   | 2011   | 2010   | 2009   | 2008    | 2007   |
|---|--------|--------|--------|---------|--------|
| <b>Yield</b>                                  |        |        |        |         |        |
| Nominal yield                                 | 7.19%  | 4.92%  | 11.83% | -13.03% | 5.05%  |
| Real yield                                    | 1.86%  | 2.25%  | 2.95%  | -25.25% | -0.76% |
| Net real yield                                | 1.79%  | 2.19%  | 2.87%  | -25.31% | -0.84% |
| Average net real yield over the last 5 years  | -4.55% | -2.90% | -0.74% | 0.47%   | 8.69%  |
| Average net real yield over the last 10 years | 1.80%  | 1.62%  | 1.55%  | 2.08%   | 5.71%  |
| <b>Investment securities</b>                  |        |        |        |         |        |
| Listed variable yield securities              | 29.2%  | 32.2%  | 38.0%  | 34.6%   | 44.8%  |
| Listed fixed rate securities                  | 43.8%  | 42.4%  | 36.2%  | 38.2%   | 35.1%  |
| Unlisted variable yield securities            | 5.2%   | 4.1%   | 3.3%   | 3.2%    | 1.1%   |
| Unlisted fixed rate securities                | 5.1%   | 4.0%   | 4.2%   | 4.9%    | 4.6%   |
| Mortgage loans                                | 15.7%  | 16.4%  | 17.6%  | 18.6%   | 14.2%  |
| Other investments                             | 1.1%   | 1.0%   | 0.8%   | 0.4%    | 0.2%   |
| <b>Investment securities by currencies</b>    |        |        |        |         |        |
| Securities in Icelandic krona                 | 70.5%  | 66.0%  | 60.2%  | 62.6%   | 69.2%  |
| Securities in foreign currencies              | 29.5%  | 34.0%  | 39.8%  | 37.4%   | 30.8%  |
| <b>Expenses as percentage of assets</b>       |        |        |        |         |        |
| Operating expenses net of other income        | 0.07%  | 0.06%  | 0.09%  | 0.09%   | 0.09%  |
| Investment expenses                           | 0.09%  | 0.08%  | 0.09%  | 0.07%   | 0.06%  |
| <b>Members and pensioners</b>                 |        |        |        |         |        |
| Average number of active members              | 27,527 | 27,921 | 28,417 | 28,099  | 27,655 |
| Average number of pensioners                  | 14,162 | 13,436 | 12,719 | 11,603  | 10,980 |
| <b>Breakdown of pension payments by type</b>  |        |        |        |         |        |
| Old-age pensions                              | 74.4%  | 74.3%  | 74.5%  | 74.4%   | 74.3%  |
| Disability allowance                          | 6.3%   | 6.4%   | 6.1%   | 6.5%    | 5.7%   |
| Spouse's pension                              | 16.8%  | 17.4%  | 17.5%  | 18.7%   | 19.6%  |
| Children's allowance                          | 0.4%   | 0.4%   | 0.4%   | 0.4%    | 0.4%   |
| Other payments                                | 2.0%   | 1.4%   | 1.5%   | 0.0%    | 0.0%   |

## Financial indicators – LH

|   | 2011   | 2010   | 2009   | 2008    | 2007   |
|---|--------|--------|--------|---------|--------|
| <b>Yield</b>                                  |        |        |        |         |        |
| Nominal yield                                 | 7.09%  | 4.60%  | 11.50% | -14.65% | 4.40%  |
| Real yield                                    | 1.77%  | 1.94%  | 2.64%  | -26.65% | -1.38% |
| Net real yield                                | 1.56%  | 1.84%  | 2.53%  | -26.73% | -1.47% |
| Average net real yield over the last 5 years  | -5.20% | -3.49% | -1.34% | -0.06%  | 8.76%  |
| Average net real yield over the last 10 years | 1.43%  | 1.20%  | 1.09%  | 1.71%   | 5.59%  |
| <b>Investment securities</b>                  |        |        |        |         |        |
| Listed variable yield securities              | 34.4%  | 39.2%  | 43.4%  | 37.8%   | 45.7%  |
| Listed fixed rate securities                  | 44.1%  | 41.4%  | 37.6%  | 42.0%   | 39.0%  |
| Unlisted variable yield securities            | 5.1%   | 4.4%   | 3.6%   | 3.5%    | 1.2%   |
| Unlisted fixed rate securities                | 4.8%   | 3.0%   | 2.7%   | 3.7%    | 3.9%   |
| Mortgage loans                                | 11.6%  | 12.0%  | 12.7%  | 13.0%   | 10.2%  |
| <b>Investment securities by currencies</b>    |        |        |        |         |        |
| Securities in Icelandic krona                 | 64.2%  | 58.3%  | 53.9%  | 57.9%   | 66.5%  |
| Securities in foreign currencies              | 35.8%  | 41.7%  | 46.1%  | 42.1%   | 33.5%  |
| <b>Expenses as percentage of assets</b>       |        |        |        |         |        |
| Operating expenses net of other income        | 0.12%  | 0.10%  | 0.11%  | 0.11%   | 0.09%  |
| Investment expenses                           | 0.11%  | 0.11%  | 0.11%  | 0.08%   | 0.07%  |
| <b>Members and pensioners</b>                 |        |        |        |         |        |
| Average number of active members              | 479    | 522    | 581    | 628     | 689    |
| Average number of pensioners                  | 792    | 748    | 700    | 644     | 589    |
| <b>Breakdown of pension payments by type</b>  |        |        |        |         |        |
| Old-age pensions                              | 88.3%  | 88.2%  | 88.9%  | 86.8%   | 86.9%  |
| Disability allowance                          | 8.8%   | 9.1%   | 8.3%   | 10.2%   | 10.1%  |
| Spouse's pension                              | 2.8%   | 2.7%   | 2.7%   | 2.9%    | 2.8%   |
| Children's allowance                          | 0.0%   | 0.1%   | 0.1%   | 0.2%    | 0.2%   |

## Appendix – LSR & LH

### Role of the funds

The principal role of the Pension Fund for State Employees (LSR) and the Pension Fund for Nurses (LH) is to pay pensions to its members upon retirement and throughout their lives and ensure their families with a pension following a loss of income due to an impaired ability to work or due to death. The Fund receives contributions and invests them in a common fund in order to meet its liability regarding old-age pensions, disability benefits, spouse's and children's benefits. Furthermore, the Fund grants loans to Fund members and accepts and invests voluntary pension savings. LSR & LH had a total of 30,831 active members in 2011 and 17,703 members received pensions and other benefits. The Fund pays over one-third of all pensions and benefits paid by Icelandic pension funds. The Fund operates in three divisions, divisions A and B, and a division for individual retirement accounts. All divisions have the same Board but are financially separated from each other. The Pension Fund for State Employees operates in close cooperation with the Pension Fund for Nurses. The two funds share facilities and staff members.

### Investment policy for LSR & LH

The investment policy is as shown below. It is reviewed at least once a year considering changes in market situations, laws and regulations. LSR & LH follow a strategic asset allocation policy that targets the percentage to be invested in each asset class.

|                           | Division A |            |            | Division B & LH |            |            |
|---------------------------|------------|------------|------------|-----------------|------------|------------|
|                           | Policy     | Variation  |            | Policy          | Variation  |            |
| <b>Cash</b>               | 1%         | 0%         | 20%        | 1%              | 0%         | 10%        |
| <b>Bonds</b>              | <b>54%</b> | <b>40%</b> | <b>80%</b> | <b>62%</b>      | <b>40%</b> | <b>70%</b> |
| Government bonds          | 25%        | 20%        | 55%        | 31%             | 20%        | 50%        |
| Fin. Institution bonds    | 4%         | 0%         | 15%        | 5%              | 0%         | 15%        |
| Municipal bonds           | 4%         | 0%         | 15%        | 5%              | 0%         | 15%        |
| Corporate bonds           | 5%         | 0%         | 10%        | 5%              | 0%         | 10%        |
| Member loans              | 15%        | 5%         | 30%        | 15%             | 5%         | 25%        |
| Foreign bonds             | 1%         | 0%         | 5%         | 1%              | 0%         | 5%         |
| <b>Equities</b>           | <b>33%</b> | <b>10%</b> | <b>60%</b> | <b>30%</b>      | <b>10%</b> | <b>50%</b> |
| Domestic equities         | 8%         | 3%         | 15%        | 5%              | 0%         | 10%        |
| Foreign equities          | 25%        | 10%        | 50%        | 25%             | 10%        | 50%        |
| <b>Other investments</b>  | <b>12%</b> | <b>0%</b>  | <b>30%</b> | <b>7%</b>       | <b>0%</b>  | <b>15%</b> |
| Private equity - domestic | 2%         | 0%         | 5%         | 1%              | 0%         | 5%         |
| Private equity - foreign  | 7%         | 0%         | 15%        | 4%              | 0%         | 10%        |
| Real estate - domestic    | 0.5%       | 0%         | 5%         | 0.5%            | 0%         | 5%         |
| Real estate - foreign     | 0.5%       | 0%         | 5%         | 0.5%            | 0%         | 5%         |
| Commodities               | 1%         | 0%         | 5%         | 1%              | 0%         | 5%         |
| Hedge funds               | 1%         | 0%         | 5%         |                 |            |            |

### Investments

Total net investments in the year 2011 were 24.4 billion ISK. The funds invested 29.6 billion ISK in domestic bonds. No investments in foreign bonds were made in 2011. Net investments allocated to domestic equities were 4.9 billion ISK and 11.2 billion ISK of foreign equities were sold in 2011. LSR & LH invested 1.0 billion ISK in private equity last year and 0.2 billion ISK in real estate.

### Net investments 2011

(m. ISK)

|                           | LSR total     | LH            | Total         |
|---------------------------|---------------|---------------|---------------|
| Government bonds          | 26,256        | 1,786         | 28,042        |
| Municipal bonds           | -94           | 0             | -94           |
| Fin, Institution bonds    | -1,768        | -157          | -1,924        |
| Corporate bonds           | -75           | -16           | -90           |
| Mortgage bonds            | 191           | 9             | 200           |
| Member loans              | 1,581         | -42           | 1,538         |
| Domestic bond funds       | 1,914         | 0             | 1,914         |
| Foreign bonds             | 0             | 0             | 0             |
| <b>Bonds</b>              | <b>28,005</b> | <b>1,580</b>  | <b>29,585</b> |
| Domestic equities         | 4,675         | 209           | 4,883         |
| Foreign equities          | -9,909        | -1,301        | -11,210       |
| <b>Equities</b>           | <b>-5,235</b> | <b>-1,092</b> | <b>-6,327</b> |
| Private equity - domestic | 275           | 14            | 289           |
| Private equity - foreign  | 635           | 30            | 664           |
| Real estate - domestic    | 0             | 0             | 0             |
| Real estate - foreign     | 170           | 15            | 184           |
| <b>Other investments</b>  | <b>1,079</b>  | <b>59</b>     | <b>1,138</b>  |
| <b>Total</b>              | <b>23,849</b> | <b>547</b>    | <b>24,396</b> |



### Total assets

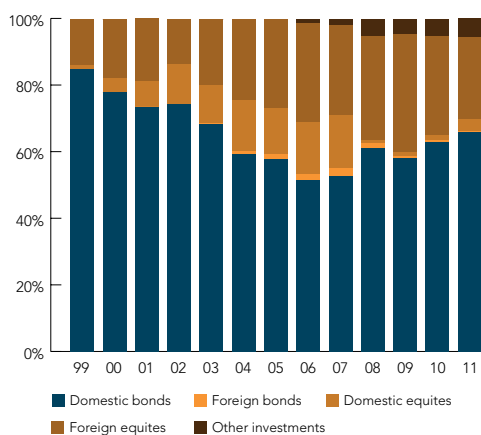
In the year-end 2011 total assets in securities amounted to 417.8 billion ISK. Assets in domestic bonds amounted to 263.9 billion ISK or 63.2% compared to 60.1% in the year-end 2010. Assets in foreign bonds were 1.1 billion ISK or 0.3% compared to 0.4% the year before. Assets in domestic equities were 13.9 billion ISK or 3.3% of total assets compared to 1.6% in 2010. Total assets in foreign equities were 99.1 billion ISK or 23.7% compared to 28.3% in 2010 and total assets in private equity and real estate funds were 21.9 billion ISK or 5.2% compared to 4.9% last year. Cash and deposits amounted to 17.8 billion ISK in the year-end or 4.3% of total assets.

### Total assets 2011

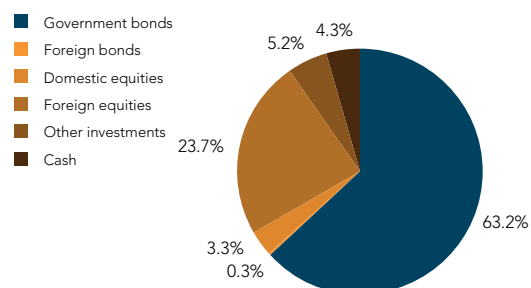
(m. ISK)

|                           | LSR            | LH            | Total          | Proportion   |              |              |
|---------------------------|----------------|---------------|----------------|--------------|--------------|--------------|
|                           |                |               |                | LSR          | LH           | Total        |
| Government bonds          | 140,793        | 7,918         | 148,710        | 35.7%        | 33.3%        | 35.6%        |
| Municipal bonds           | 14,949         | 1,026         | 15,975         | 3.8%         | 4.3%         | 3.8%         |
| Fin, Institution bonds    | 14,814         | 1,017         | 15,831         | 3.8%         | 4.3%         | 3.8%         |
| Corporate bonds           | 17,911         | 1,262         | 19,173         | 4.5%         | 5.3%         | 4.6%         |
| Mortgage bonds            | 2,867          | 143           | 3,010          | 0.7%         | 0.6%         | 0.7%         |
| Member loans              | 58,579         | 2,611         | 61,190         | 14.9%        | 11.0%        | 14.6%        |
| Foreign bonds             | 1,067          | 72            | 1,140          | 0.3%         | 0.3%         | 0.3%         |
| <b>Bonds</b>              | <b>250,980</b> | <b>14,049</b> | <b>265,029</b> | <b>63.7%</b> | <b>59.1%</b> | <b>63.4%</b> |
| Domestic equities         | 13,185         | 734           | 13,919         | 3.3%         | 3.1%         | 3.3%         |
| Foreign equities          | 92,354         | 6,778         | 99,132         | 23.4%        | 28.5%        | 23.7%        |
| <b>Equities</b>           | <b>105,539</b> | <b>7,512</b>  | <b>113,051</b> | <b>26.8%</b> | <b>31.6%</b> | <b>27.1%</b> |
| Private equity - domestic | 430            | 22            | 452            | 0.1%         | 0.1%         | 0.1%         |
| Private equity - foreign  | 18,744         | 1,419         | 20,164         | 4.8%         | 6.0%         | 4.8%         |
| Real estate - domestic    | 0              | 0             | 0              | 0.0%         | 0.0%         | 0.0%         |
| Real estate - foreign     | 1,218          | 94            | 1,312          | 0.3%         | 0.4%         | 0.3%         |
| <b>Other investments</b>  | <b>20,392</b>  | <b>1,535</b>  | <b>21,927</b>  | <b>5.2%</b>  | <b>6.5%</b>  | <b>5.2%</b>  |
| <b>Cash</b>               | <b>17,110</b>  | <b>667</b>    | <b>17,777</b>  | <b>4.3%</b>  | <b>2.8%</b>  | <b>4.3%</b>  |
| <b>Total</b>              | <b>394,021</b> | <b>23,763</b> | <b>417,784</b> | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  |

### Changes in Asset Allocation 1999–2011



### Total Assets 2011



## Return

The table below shows nominal and net real return for LSR and LH in 2011 and 2010 along with nominal and real return in each asset class.

### Return and asset allocation 2011

|                                | LSR   |       | LH    |       |
|--------------------------------|-------|-------|-------|-------|
|                                | 2011  | 2010  | 2011  | 2010  |
| <b>Return</b>                  |       |       |       |       |
| Nominal return                 | 7.2%  | 4.9%  | 7.1%  | 4.6%  |
| Net real return                | 1.8%  | 2.2%  | 1.6%  | 1.8%  |
| Average 5 year net real return | -4.5% | -2.9% | -5.2% | -3.5% |
| <b>Asset Allocation</b>        |       |       |       |       |
| Cash                           | 4.3%  | 4.7%  | 2.8%  | 3.5%  |
| Domestic bonds                 | 63.4% | 60.5% | 58.8% | 54.2% |
| Domestic equities              | 3.3%  | 1.6%  | 3.1%  | 1.8%  |
| Foreign equities               | 23.4% | 27.9% | 28.5% | 34.4% |
| Foreign bonds                  | 0.3%  | 0.5%  | 0.3%  | 0.5%  |
| Other investments              | 5.2%  | 4.8%  | 6.5%  | 5.6%  |



### Foreign equities

LSR & LH cooperate with external managers for investments and custody of foreign equities. For risk diversification purposes, investments are diversified between several managers with different investment styles and strategies. The external managers are listed in a table on this page.

### Funds / segregated portfolios (LSR & LH) 2011

| Segregated portfolios      | m. ISK        | %            |
|----------------------------|---------------|--------------|
| MFS Institutional Advisors | 15,883        | 13.2%        |
| Morgan Stanley             | 10,108        | 8.4%         |
| ETF Credit Suisse          | 4,121         | 3.4%         |
| EFG Global Equity          | 3,866         | 3.2%         |
| <b>Total</b>               | <b>33,979</b> | <b>28.2%</b> |

### Foreign equities

|                 |     |      |
|-----------------|-----|------|
| Sampo OYJ-A SHS | 336 | 0.3% |
|-----------------|-----|------|

### Foreign equities – Funds

|                                 |               |              |
|---------------------------------|---------------|--------------|
| Vanguard Global Stock Index     | 13,081        | 10.8%        |
| J.P. Morgan Global Dynamic Fund | 9,477         | 7.9%         |
| Schroder Global Core            | 9,172         | 7.6%         |
| ACM Global Growth Trends        | 7,520         | 6.2%         |
| Schroder Global Value           | 5,053         | 4.2%         |
| Other funds                     | 20,514        | 17.0%        |
| <b>Total</b>                    | <b>64,817</b> | <b>53.7%</b> |

### Private equity

|   |               |              |
|---|---------------|--------------|
| Schroder Private Equity III               | 2,715         | 2.3%         |
| Morgan Stanley Private Equity III         | 2,595         | 2.2%         |
| Schroder Private Equity II                | 1,519         | 1.3%         |
| Black Rock Diversified Private Equity III | 1,307         | 1.1%         |
| Landsbanki Private Equity II              | 1,236         | 1.0%         |
| Morgan Stanley Emerging Market            | 1,144         | 0.9%         |
| Other funds                               | 9,649         | 8.0%         |
| <b>Total</b>                              | <b>20,164</b> | <b>16.7%</b> |

### Real estate funds

|                                |              |             |
|--------------------------------|--------------|-------------|
| Templeton Real Estate Fund     | 672          | 0.6%        |
| International Real Estate Fund | 640          | 0.5%        |
| <b>Total</b>                   | <b>1,312</b> | <b>1.1%</b> |

|              |                |               |
|--------------|----------------|---------------|
| <b>Total</b> | <b>120,608</b> | <b>100.0%</b> |
|--------------|----------------|---------------|



