

KLP



# Interim report

KLP GROUP  
Q1 2019



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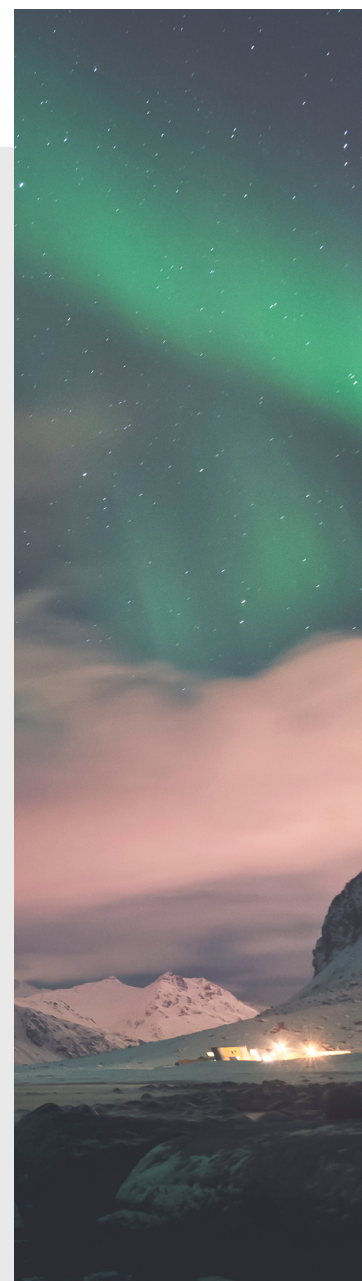
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# Report for the first quarter of 2019

## SOLID RESULTS IN THE FIRST QUARTER OF 2019

- KLP delivered a returns result of NOK 2.1 billion after the first quarter of 2019
- The book return was 1.0 per cent, while value-adjusted profit came to 3.1 per cent
- A good equity market contributed most to the results in the quarter

## KLP – A CUSTOMER-OWNED GROUP

The KLP Group is made up of the following companies: Kommunal Landspensjonskasse (KLP) and its subsidiaries KLP Banken, KLP Skadeforsikring, KLP Kapitalforvaltning, KLP Bedriftspensjon, KLP Forsikringservice and KLP Eiendom.

At the end of the first quarter of 2019, the Group had total assets of NOK 699.0 billion, an increase of NOK 23.5 billion since the beginning of the year.

The Group's total comprehensive income was NOK 609 (608)1 million at 31 March 2019.

## Kommunal Landspensjonskasse gjensidig forsikringselskap

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse (KLP). Out of KLP's total assets of NOK 573.9 billion, NOK 524.1 billion is linked to insurance obligations for public-sector occupational pensions.

## RESULTS FOR THE FIRST QUARTER OF 2019

### Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 2.1 (2.9) billion in the first quarter. The value-adjusted return on the common portfolio was 3.1 per cent and the book return was 1.0 per cent in the first quarter of 2019.

### Risk result

The risk result was good in the first quarter. The risk events in the stock are altogether within expectations for the quarter, with profits totalling NOK 207 (193) million. It is planned to allocate half of the risk result to the risk equalisation fund, the rest being returned to the customers' premium fund.

## Administration result

The Company's administration result shows a surplus of NOK 48 (29) million in the first quarter. Insurance-related operating costs came to NOK 267 (256) million in the first quarter.

## Total income

Total profit to the company is NOK 617 (654) million for the first quarter. The customer result was NOK 2.2 (3.0) billion.

NOK MILLIONS	Customers	Company	Total
Returns result	2 109	48	2 157
Risk result	104	103	207
Interest guarantee premium		207	207
Administration result		48	48
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		402	402
Tax		-146	-146
Other profit/loss elements		-45	-45
Income after Q1/2019	2 213	617	2 829
Income after Q1/2018	2 976	654	3 630

## Financial strength and capital-related matters

KLP's total assets grew by NOK 15.1 billion in the first quarter of 2019 and now amount to NOK 573.9 billion. The premium reserve increased by NOK 3.6 billion to NOK 436.7 billion in the same period.

The securities adjustment fund increased by NOK 10.9 billion to NOK 44.3 billion in the first quarter.

Without applying transitional rules, the company's solvency capital coverage (SCR) is 270 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 342 per cent. KLP's target is capital adequacy of at least 150 per cent without applying transitional rules. Capital adequacy is well over this target and reflects the Company's good financial strength.

<sup>1</sup> Tall i parentes angir verdi for tilsvarende periode i 2018

## Key figures

PER CENT	At 31.03.2019	At 31.03.2018
Book returns *	1,0	1,2
Value-adjusted returns *	3,1	-0,4
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	3,5	-1,0
Capital adequacy, Solvency II	270	255
Capital adequacy, Solvency II, with transitional measures	342	319

\* The returns figures apply to the common portfolio

### Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 6.7 (6.3) billion at the end of the quarter.

### Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, have increased by 12.0 per cent in the last 12 months and amounted to NOK 4.8 (4.4) billion at 31 March.

## MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 529.9 (495.1) billion and were invested as shown below:

ASSETS	At 31.03.2019		At 31.03.2018	
	Proportion	Return	Proportion	Return
All figures in per cent				
Shares	23,6 %	8,9 %	22,0 %	-3,5 %
Short-term bonds	18,1 %	3,0 %	19,0 %	-1,2 %
Long-term/HTM bonds	28,6 %	0,9 %	27,9 %	0,9 %
Lending	12,1 %	0,6 %	11,5 %	0,5 %
Property	12,1 %	1,3 %	12,3 %	1,0 %
Other financial assets	5,6 %	0,5 %	7,3 %	0,3 %

### Shares

Total exposure in shares and alternative investments, including equity derivatives, was 23.6 per cent at the end of the first quarter. The total return on shares and alternative investments was 8.9 per cent in the quarter. KLP's global shares produced a return of 11.3 per cent, while the Norwegian equity portfolio gave a return of 8.5 per cent.

### Short-term bonds and the money market

Short-term bonds accounted for 18.1 per cent and money-market instruments 5.6 per cent of the assets in the common portfolio as at 31 March. Norwegian, European and US ten-year government rates all fell slightly through the first quarter. KLP's global government bond index achieved a currency-hedged return of 2.4 per cent in the first quarter, while the return on the Norwegian government bond index was 0.9 per cent. Global credit margins fell during the quarter, and were one of the reasons why KLP's global credit bond index had a currency-hedged return of 3.8 per cent for the first quarter.

In total, short-term bonds achieved returns of 3.0 per cent in the first quarter, while money market returns were 0.5 per cent.

### Long-term bonds

Investment in long-term bonds made up around 28.6 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 5.5 billion as at 31 March. The portfolio is well diversified and consists of securities issued by creditworthy borrowers. The return measured at amortised cost in the first quarter was 0.9 per cent.

### Property

Property investments, including Norwegian and international property funds, made up 12.1 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 176 million in the first quarter after the effects of currency hedging on foreign properties is included. Property investments in the common portfolio achieved a return of 1.3 per cent in the first quarter.

### Lending

Lending in the common portfolio totals NOK 63.7 billion. This is split between NOK 50.3 billion in loans to municipalities and their enterprises, NOK 9.4 billion in foreign currency loans and NOK 2.9 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 425 million as at 31 March. The return for the first quarter was 0.6 per cent.

### Returns on the corporate portfolio

The corporate portfolio covers the placement of owners' equity and subordinated loans/hybrid Tier 1 and Tier 2 securities.

The corporate portfolio is managed with a moderate-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 1.3 per cent in the first quarter.

### Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The ongoing municipal and regional reform is expected to have only a moderate effect on KLP's customer base. Of the relevant municipal mergers taking place on 1 January 2020, 14 municipal/county authorities are affected by the fact that one of the parties has its own pension fund. Today, most of the country's municipalities and county councils have their pension schemes with KLP.

In March 2018, an agreement was reached between the Ministry of Labour and Social Affairs, LO, Unio, YS, Akademikerne, KS and Spekter on occupational pensions for public sector employees. It is agreed that old age pensions should be defined as a mark-up scheme. On 10 April 2019, Bill 87 introduced amendments to the Act on the Government Pension Fund, the Coordination Act and some other laws (new occupational pension provision for public-sector employees). The Bill is based on the agreement between the Ministry and the parties mentioned above, as well as later agreements and consultations. The Bill will be debated in the Storting before the summer. The changes in the pension scheme for public-sector employees will be introduced from 1 January 2020.

### BUSINESS AREAS OF THE SUBSIDIARIES

#### Private occupational pensions

The Group's sales and management of private occupational pensions are handled through its subsidiary KLP Bedriftspensjon.

This company had total assets of NOK 6.2 billion as at 31 March 2019. This is an increase of NOK 616 million in the quarter. The increase is mainly linked to an increase in pension capital certificates and growth in the company's defined contribution pension portfolio, which now totals NOK 4.0 billion. In the quarter, we have seen a positive development in the equity markets. This has also affected the development of the defined-contribution pension portfolio. 102 new business customers entered into pension agreements with the company in the first quarter, and we have received 1,496 pension capital certificates from other life insurance companies.

KLP Bedriftspensjon achieved a book return on the common portfolio of 0.8 per cent and a value-adjusted return of 1.1 per cent for the first quarter. Customers with defined-contribution pensions achieved an average 7.4 per cent return in the same period.

The returns result was NOK 3,3 million at 31 March, and the securities adjustment fund stood at NOK 13 million. KLP Bedriftspensjon had total comprehensive income of NOK -1.4 billion after the first quarter of 2019, an improvement of NOK 7 million on the first quarter of 2018.

### Return on customer assets

COMMON PORTFOLIO	At 31.03.2019	At 31.03.2018
Book returns	0,8 %	1,4 %
Value-adjusted returns	1,1 %	0,4 %
Defined-contribution pensions with investment options	7,4 %	-2,6 %
Profile KLP90	9,6 %	-2,7 %
Profile KLP70	7,8 %	-2,3 %
Profile KLP50	6,0 %	-2,1 %
Profile KLP30	4,2 %	-1,7 %
KLP Optimal Livsfase <sup>1</sup>	10,6 %	-4,2 %
KLP Nåtid	1,5 %	-0,4 %
KLP Kort Horisont	3,0 %	-1,1 %
KLP Lang Horisont	6,8 %	-2,8 %
KLP Framtid	10,5 %	-4,3 %
Profile KLPPM	0,4 %	0,3 %

<sup>1</sup> Return for profile with 100% equities

### Non-life insurance

The first quarter of produced a pre-tax operating profit of NOK 109.5 (-12.5) million. The main reasons for the good result are good financial returns, lower than expected operating costs and reversals of previous years' reserves.

As a result of tendering procedures in the fourth quarter of 2018, the Company saw growth at the beginning of the year. Premium volume was NOK 1,503 million at the end of the first quarter. In some areas, profitability is weak and the company notes in tendering procedures that the premiums are now increasing. Nevertheless, the Company managed to win more contracts than the year before. Premiums due have thus increased by 15.4 percent, or NOK 111 million, compared with the same time in 2018. There is continued growth in the retail market and a high proportion of members among the retail customers.

So far this year no claims over NOK 10 million have been reported, but there have been nine claims in the range from NOK 2 to 10 million. These claims total NOK 44 million.

Reversal of previous years' claims is still positive, and this year NOK 48 million has so far been taken to income, equivalent to 2.7 per cent of the reserves at the beginning of the year.

**Key figures for the Company:**

AS OF FOURTH QUARTER	At 31.03.2019	At 31.03.2018
Claims ratio*	80,7	80,6
Cost ratio*	18,7	21,1
<b>Total cost ratio*</b>	<b>99,4</b>	<b>101,7</b>

\*for egen regning

Net financial income in the first quarter was NOK 106.8 (-8.0) million, equivalent to 2.5 (-0.2) per cent. Both interest-bearing and equity investments have had good returns so far this year. The equity portfolio has had a negative return of 12.6 per cent, while the Company's investments in interest-bearing funds had a return of 2.0 per cent. The Company's long-term bonds had a yield of 0.9 per cent. The return on property investments was 1.3 per cent.

Because of this positive result, the Company's financial position has improved, and the solvency margin (SCR) increased from 243 per cent at the end of 2018 to 246 per cent at the end of the first quarter.

**Asset and fund management**

KLP Kapitalforvaltning provides securities management in the KLP Group. It had a total of NOK 521 billion under management at the end of the first quarter, of which NOK 71 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP funds in the first quarter came to NOK 2.6 billion. External customers had net new subscriptions of NOK 650 million.

The Company achieved a result before tax of NOK -2 million in the first quarter.

**Bank**

The objective of KLP Banken is to finance mortgage loans and other banking products for members of KLP's pension schemes (the retail market), and loans to municipalities, county administrations and companies providing public services (the public-sector market). The lending business is financed by way of deposits from private customers and companies, loans from the securities market and owners' equity. The Bank also manages lending financed through pension assets held by KLP.

As of 31 March, the KLP Banken Group had outstanding loans to customers totalling NOK 33.7 (31.2) billion. Mortgage loans in the retail market and public-sector loans totalled NOK 17.0 billion and 16.7 billion respectively.

KLP Banken manages NOK 2.9 billion in mortgage loans and NOK 60.7 billion in loans to public-sector borrowers and other businesses. Total mortgage loans in the retail market

have increased by NOK 325 (706) million so far in 2019. Managed mortgages for KLP decreased by NOK 66 million in the same period.

Credit cards are included in the banking business. Outstanding loans to retail customers amounted to NOK 64 (61) million at the end of the first quarter. 7,800 members are credit card customers of the bank.

Lending volume to the public-sector market on KLP Banken's balance sheet has decreased by NOK 0.1 billion so far this year, after good growth in the previous quarter. Loans to public-sector borrowers managed on behalf of KLP increased by NOK 0.7 billion in the quarter. Managed loans to foreign debtors increased by NOK 0.8 billion in the same period.

Overdue payments and defaulted mortgage loans are at a stable low level but have increased slightly compared to last year. Loans in default over 90 days now account for 0.23 (0.20) per cent of total mortgage lending. Impairment losses on mortgages, credit cards and debit cards of NOK 1.9 (2.1) million were recognised in the Bank's accounts at the end of the quarter. There were no losses related to public-sector loans.

External financing of the KLP Banken Group consists of deposits and bonds. Deposit growth so far this year totals NOK 0.4 billion and deposits totalled NOK 11.0 billion at 31 March. Of this amount, NOK 9.0 billion is deposits from retail customers, and NOK 2.0 billion is deposits from municipalities and enterprises. Liabilities created on issuance of securities totalled NOK 24.7 (23.3) billion at the end of the quarter.

At the end of the first quarter, the KLP Banken Group had a pre-tax operating profit of NOK 24.0 (23.7) million. Broken down by area, the pre-tax profit was NOK 18.4 (14.1) million from the retail market and NOK 5.6 (9.6) million from the public-sector market.

**CORPORATE SOCIAL RESPONSIBILITY**

KLP's investments in renewable energy are increasing. The target is to add NOK 6 billion each year. A huge solar power plant, called the Benban complex, is now being built in the desert outside Aswan. Norske Scatec Solar ASA is the biggest developer and has KLP and Norfund on the investor team. The solar farm is part of the Egyptian authorities' plan to increase energy production and raise the proportion of renewable energy in the country. When the Benban complex is completed during 2019, it will be able to deliver a full 2 gigawatts of electricity and will be bigger than today's largest solar energy plant in China.

Up to 75-80 per cent of the electricity in the world must be renewable by 2050 if we are to keep global warming below 1.5 degrees. KLP's commitment to renewables means directing capital at good energy solutions. The cooperation between

KLP and Norfund is part of the KLPs portfolio for development investments, with the aim of contributing to the UN's Sustainable Development goals as well as achieving a good return on pension assets.

KLP and the KLP funds have excluded four company from its investments. One has been guilty of systematic violations of human rights. The three others are excluded because of their revenues from coal mining and tobacco respectively. In all, 192 companies have been excluded for breaches of KLP's guidelines for responsible investments.

Oslo has been rewarded as the environmental capital of Europe for 2019. On back of this, KLP is organising the Municipal Climate Conference on 12 June. Several well-known presenters have been confirmed, and we have received many registrations.

KLP Eiendom in Trondheim completed the Lyngården building, the first in Trondheim to be built according to the TEK17 regulations which lay down the authorities' requirements for construction works. The building is environmentally certified under Europe's leading environmental certification system

(BREEAM), and satisfies energy class A and the passive building standard. The construction project has achieved a source sorting rate of over 90 per cent.

KLP Banken has been offering green mortgages since 2018. Now it has also been decided to launch green loans within public-sector lending.

KLP's HSE team has held a series of talks and courses with items on ageing and quality of life in the late career stage for municipal employees. Courses have also been run on topics such as preventing violence and threats in the workplace.

#### FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

There were no significant market events after the quarter-end.

KLP is financially robust and has good solvency. Supplementary reserves and the securities adjustment fund are both buffers that can be used to cover fluctuations in returns. Building solid buffers in good times is an important part of the company's long-term strategy for stable management of customer funds.

Oslo, 6 May 2019

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

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Deputy Chair

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**Øivind Brevik**

**Susanne Torp-Hansen**  
Elected by and from among  
the employees

**Freddy Larsen**  
Elected by and from among  
the employees



# Income statement

## KLP GROUP

NOTE	NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
3	Premium income for own account	7 378	6 851	40 921
	Current return on financial assets	3 631	3 223	14 989
	Net interest income banking	66	65	249
	Net value changes on financial instruments	19 037	-7 277	- 14 500
8	Net income from investment properties	839	1 031	4 993
4	Other income	302	273	1 107
	<b>Total net income</b>	<b>31 255</b>	<b>4 166</b>	<b>47 760</b>
	Claims for own account	-5 297	-5 122	- 20 015
	Change in technical provisions	-4 245	-3 509	- 28 096
5	Net costs subordinated loan and hybrid Tier 1 securities	55	47	- 483
6	Operating expenses	-454	-467	- 1 872
7	Other expenses	-279	-258	- 1 075
	Unit holder's value change in consolidated securities funds	-6 339	2 249	4 022
	<b>Total expenses</b>	<b>-16 558</b>	<b>-7 059</b>	<b>- 47 520</b>
	<b>Operating profit/loss</b>	<b>14 696</b>	<b>-2 893</b>	<b>240</b>
	To/from securities adjustment fund – life insurance	-10 880	7 637	8 862
	To supplementary reserves – life insurance	0	0	- 2 792
	Assets allocated to insurance customers - life insurance	-2 864	-3 864	- 3 469
	<b>Pre-tax income</b>	<b>953</b>	<b>880</b>	<b>2 840</b>
	Cost of taxes <sup>1</sup>	-309	-277	- 125
	<b>Income</b>	<b>644</b>	<b>604</b>	<b>2 715</b>
19	Actuarial loss and profit on post employment benefit obligations	-60	0	- 22
	Adjustments of the insurance obligations	5	0	1
	Tax on items that will not be reclassified to profit or loss	14	0	5
	<b>Items that will not be reclassified to profit or loss</b>	<b>-41</b>	<b>0</b>	<b>- 16</b>
	Revaluation real property for use in own operation	8	6	222
8	Currency translation foreign subsidiaries	- 627	-800	- 238
	Adjustments of the insurance obligations	627	800	238
	Tax on items that will be reclassified to profit or loss	-2	-1	- 56
	<b>Items that will be reclassified to income when particular specific conditions are met</b>	<b>6</b>	<b>4</b>	<b>167</b>
	<b>Total other comprehensive income</b>	<b>-35</b>	<b>4</b>	<b>150</b>
	<b>Total comprehensive income</b>	<b>609</b>	<b>608</b>	<b>2 866</b>
	<sup>1</sup> Unit holders share of taxes in consolidated securities fund	56	-37	- 229

# Financial position statement

## KLP GROUP

NOTE	NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
	Deferred tax assets	63	64	65
	Other intangible assets	302	305	274
	Tangible fixed assets	1 898	1 709	1 900
	Investments in associated companies and joint venture	1 527	810	1 508
8,11	Investment property	67 257	62 819	67 570
9,14	Debt instruments held to maturity	29 976	31 740	31 053
9,14	Debt instruments classified as loans and receivables	143 727	123 301	141 549
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	833	970	855
9,14	Lending local government, enterprises and retail customers	97 266	86 728	94 909
9,11,14	Debt instruments at fair value through profit or loss	163 610	172 591	166 344
9,11	Equity capital instruments at fair value through profit/loss	179 439	156 131	159 968
9,11,14	Financial derivatives	1 648	2 643	944
9	Receivables	4 124	3 577	2 213
9	Assets in defined contribution-based life insurance	3 951	2 816	3 396
14	Cash and bank deposits	3 396	3 343	3 009
	<b>TOTAL ASSETS</b>	<b>699 017</b>	<b>649 547</b>	<b>675 558</b>
	Owners' equity contributed	14 545	13 111	14 554
	Retained earnings	19 912	17 047	19 303
	<b>TOTAL OWNERS' EQUITY</b>	<b>34 457</b>	<b>30 158</b>	<b>33 857</b>
9,10	Hybrid Tier 1 securities	1 685	1 527	1 662
9,10	Subordinated loan capital	5 950	5 936	6 029
19	Pension obligations	963	815	880
15	Technical provisions - life insurance	525 828	489 407	509 284
9,15	Provisions in life insurance with investment option	3 951	2 816	3 396
	Premiums, claims and contingency fund provisions - non-life insurance	2 741	2 712	2 325
9,10	Covered bonds issued	23 796	21 905	23 025
9,10	Debt to credit institutions	2 975	7 086	2 794
9,10	Liabilities to and deposits from customers	11 031	9 733	10 662
9,11	Financial derivatives	1 536	1 523	6 809
	Deferred tax	1 216	2 042	1 083
16	Other current liabilities	7 723	6 683	6 053
	Unit holders `s interest in consolidated securites funds	75 164	67 203	67 701
	<b>TOTAL LIABILITIES</b>	<b>664 561</b>	<b>619 388</b>	<b>641 701</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>699 017</b>	<b>649 547</b>	<b>675 558</b>
	Contingent liabilities	20 001	15 280	20 532

# Changes in Owners' equity

## KLP GROUP

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 1 January 2019</b>	<b>14 554</b>	<b>19 303</b>	<b>33 857</b>
<b>Income</b>		<b>644</b>	<b>644</b>
Items that will not be reclassified to income		-41	-41
Items that will be reclassified to income later when particular conditions are met		6	6
<b>Total other comprehensive income</b>		<b>-35</b>	<b>-35</b>
<b>Total comprehensive income</b>		<b>609</b>	<b>609</b>
Owners' equity contribution received (net)	-9		-9
<b>Total transactions with the owners</b>	<b>-9</b>		<b>-9</b>
<b>Owners' equity 31 March 2019</b>	<b>14 545</b>	<b>19 912</b>	<b>34 457</b>

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 1 January 2018</b>	<b>13 125</b>	<b>16 439</b>	<b>29 564</b>
<b>Income</b>		<b>604</b>	<b>604</b>
Items that will not be reclassified to income		0	0
Items that will be reclassified to income later when particular conditions are met		4	4
<b>Total other comprehensive income</b>		<b>4</b>	<b>4</b>
<b>Total comprehensive income</b>		<b>608</b>	<b>608</b>
Owners' equity contribution received (net)	- 14		- 14
<b>Total transactions with the owners</b>	<b>- 14</b>		<b>- 14</b>
<b>Owners' equity 31 March 2018</b>	<b>13 111</b>	<b>17 047</b>	<b>30 158</b>

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 1 January 2018</b>	<b>13 125</b>	<b>16 439</b>	<b>29 564</b>
<b>Income</b>		<b>2 715</b>	<b>2 715</b>
Items that will not be reclassified to income		- 16	- 16
Items that will be reclassified to income later when particular conditions are met		167	167
<b>Total other comprehensive income</b>		<b>150</b>	<b>150</b>
<b>Total comprehensive income</b>		<b>2 866</b>	<b>2 866</b>
Owners' equity contribution received (net)	1 429		1 429
<b>Total transactions with the owners</b>	<b>1 429</b>		<b>1 429</b>
<b>Owners' equity 31 December 2018</b>	<b>14 554</b>	<b>19 303</b>	<b>33 857</b>

# Statement of cash flows

## KLP GROUP

NOK MILLIONS	01.01.2019 -31.03.2019	01.01.2018 -31.12.2018	01.01.2018 -30.09.2018	01.01.2018 -30.06.2018	01.01.2018 -31.03.2018
Net cash flow from operational activities	-5 649	-25 067	-14 692	-9 378	-8 888
Net cash flow from investment activities <sup>1</sup>	-50	-39	-27	-23	-14
Net cash flow from financing activities <sup>2</sup>	6 087	25 295	15 125	10 552	9 425
<b>Net changes in cash and bank deposits</b>	<b>387</b>	<b>189</b>	<b>405</b>	<b>1 152</b>	<b>523</b>
Holdings of cash and bank deposits at start of period	3 009	2 820	2 820	2 820	2 820
<b>Holdings of cash and bank deposits at end of period</b>	<b>3 396</b>	<b>3 009</b>	<b>3 225</b>	<b>3 972</b>	<b>3 343</b>

<sup>1</sup> Payments on the purchase of tangible fixed assets.

<sup>2</sup> Net receipts of owners' equity contribution, rising of new loans and repayment of debt. And also payments from unit holders in consolidated securities funds.

# Notes

## KLP GROUP

### NOTE 1 Accounting principles –and estimates

#### ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2019 – 31.03.2019. The accounts have not been audited.

That part of the interim report that relates to the Group financial statements has been prepared in accordance with IAS 34 Interim financial Reporting.

As of 1 January 2019 the group have implemented the accounting standard IFRS 16 Leases. The changeover to IFRS has not had a material impact on the Group's accounts. For more information see the Group's annual report for 2018.

Other accounting principles and calculations are the same in the interim financial statement as in the last annual report.

The interim financial statements do not contain all the information required of complete financial statements, and this interim financial report should be read in the context of the annual financial statements for 2018. The annual financial statements are available at [klp.no](http://klp.no).

#### ACCOUNTING ESTIMATES

In preparing the interim financial statement, management must make accounting estimates and discretionary evaluations. Actual figures may deviate from estimates used.

## NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life				Group pensions private	
	01.01.2019-31.03.2019	01.01.2018-31.03.2018	01.01.2018-31.12.2018	01.01.2019-31.03.2019	01.01.2018-31.03.2018	01.01.2018-31.12.2018
Premium income for own account from external customers <sup>1</sup>	6 680	6 296	38 633	361	248	1 041
Premium income for own account from other Group companies	25	37	94	0	0	0
Net financial income from investments	15 955	-1 673	8 583	280	-66	-85
Other income from external customers	295	269	1 074	2	0	3
Other income from other Group companies	102	1	61	0	0	0
<b>Total income</b>	<b>23 057</b>	<b>4 930</b>	<b>48 446</b>	<b>643</b>	<b>182</b>	<b>959</b>
Claims for own account	-5 022	-4 844	-18 847	-50	-40	-155
Insurance provisions for own account	-3 621	-3 372	-27 343	-567	-138	-753
Costs borrowing	55	47	-483	0	0	0
Operating costs excluding depreciation	-234	-242	-1 049	-16	-17	-64
Depreciation	-16	-19	-73	-1	-1	-3
Other expenses	-305	-256	-1 068	0	0	0
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-9 142</b>	<b>-8 687</b>	<b>-48 864</b>	<b>-634</b>	<b>-196</b>	<b>-975</b>
<b>Operating profit/loss</b>	<b>13 915</b>	<b>-3 756</b>	<b>-419</b>	<b>8</b>	<b>-14</b>	<b>-16</b>
Funds credited to insurance customers <sup>2</sup>	-13 107	4 568	2 843	-9	5	-5
<b>Pre-tax income</b>	<b>808</b>	<b>812</b>	<b>2 425</b>	<b>-1</b>	<b>-8</b>	<b>-21</b>
Cost of taxes	-136	-157	415	0	0	0
<b>Income</b>	<b>671</b>	<b>654</b>	<b>2 840</b>	<b>-1</b>	<b>-8</b>	<b>-21</b>
Change in other comprehensive income (excluded cost of taxes)	-55	0	-21	-1	0	0
<b>Total comprehensive income</b>	<b>617</b>	<b>654</b>	<b>2 818</b>	<b>-1</b>	<b>-8</b>	<b>-21</b>
Assets	573 857	535 695	558 719	6 217	5 036	5 601
Liabilities	539 415	504 428	524 884	5 716	4 522	5 099

<sup>1</sup> Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies.

<sup>2</sup> 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.

**NOTE 2** Segment information – cont.

NOK MILLIONS	Non-life insurance			Banking		
	01.01.2019- 31.03.2019	01.01.2018- 31.03.2018	01.01.2018 -31.12.2018	01.01.2019- 31.03.2019	01.01.2018- 31.03.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers <sup>1</sup>	338	295	1 246	0	0	0
Premium income for own account from other Group companies	12	12	22	0	0	0
Net financial income from investments	105	-7	74	61	63	236
Other income from external customers	0	0	1	4	4	17
Other income from other Group companies	0	0	0	15	14	58
<b>Total income</b>	<b>455</b>	<b>300</b>	<b>1 343</b>	<b>80</b>	<b>82</b>	<b>311</b>
Claims for own account	-225	-238	-1 014	0	0	0
Insurance provisions for own account	-57	1	1	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-62	-76	-311	-54	-55	-211
Depreciation	-1	0	-2	-1	-1	-8
Other expenses	0	0	0	-3	-2	-8
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-346</b>	<b>-313</b>	<b>-1 326</b>	<b>-58</b>	<b>-58</b>	<b>-228</b>
<b>Operating profit/loss</b>	<b>110</b>	<b>-13</b>	<b>18</b>	<b>22</b>	<b>24</b>	<b>83</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0	0	0
<b>Pre-tax income</b>	<b>110</b>	<b>-13</b>	<b>18</b>	<b>22</b>	<b>24</b>	<b>83</b>
Cost of taxes	-25	8	40	-5	-6	-19
<b>Income</b>	<b>85</b>	<b>-4</b>	<b>58</b>	<b>17</b>	<b>18</b>	<b>64</b>
Change in other comprehensive income (excluded cost of taxes)	-6	0	-1	-1	0	-2
<b>Total comprehensive income</b>	<b>79</b>	<b>-4</b>	<b>56</b>	<b>16</b>	<b>18</b>	<b>62</b>
Assets	4 985	4 869	4 495	38 590	35 408	37 093
Liabilities	3 131	3 101	2 721	36 431	33 310	34 951

<sup>1</sup> Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies.

<sup>2</sup> 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.

## NOTE 2 Segment information – cont.

NOK MILLIONS	Asset management			Other		
	01.01.2019- 31.03.2019	01.01.2018- 31.03.2018	01.01.2018 -31.12.2018	01.01.2019- 31.03.2019	01.01.2018- 31.03.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers <sup>1</sup>	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	3	2	5	0	0	0
Other income from external customers	0	0	0	2	2	10
Other income from other Group companies	123	123	478	0	0	0
<b>Total income</b>	<b>126</b>	<b>125</b>	<b>482</b>	<b>2</b>	<b>2</b>	<b>10</b>
Claims for own account	0	0	0	0	0	0
Insurance provisions for own account	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-127	-126	-462	-3	-3	-12
Depreciation	-1	-1	-3	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-128</b>	<b>-127</b>	<b>-466</b>	<b>-3</b>	<b>-3</b>	<b>-12</b>
<b>Operating profit/loss</b>	<b>-2</b>	<b>-2</b>	<b>17</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0	0	0
<b>Pre-tax income</b>	<b>-2</b>	<b>-2</b>	<b>17</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>
Cost of taxes	-3	0	-3	0	0	1
<b>Income</b>	<b>-5</b>	<b>-2</b>	<b>14</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>
Change in other comprehensive income (excluded cost of taxes)	-2	0	-2	0	0	0
<b>Total comprehensive income</b>	<b>-7</b>	<b>-2</b>	<b>12</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>
Assets	462	450	465	8	10	9
Liabilities	203	198	200	3	3	4

<sup>1</sup> Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies.

<sup>2</sup> 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.



**NOTE 2** Segment information – cont.

NOK MILLIONS	Eliminations			Total		
	01.01.2019-31.03.2019	01.01.2018-31.03.2018	01.01.2018-31.12.2018	01.01.2019-31.03.2019	01.01.2018-31.03.2018	01.01.2018-31.12.2018
Premium income for own account from external customers <sup>1</sup>	0	12	0	7 378	6 851	40 921
Premium income for own account from other Group companies	-38	-49	-117	0	0	0
Net financial income from investments	7 170	-1 277	-3 081	23 574	-2 957	5 732
Other income from external customers	0	-2	2	302	273	1 107
Other income from other Group companies	-240	-138	-596	0	0	0
<b>Total income</b>	<b>6 892</b>	<b>-1 455</b>	<b>-3 792</b>	<b>31 255</b>	<b>4 166</b>	<b>47 760</b>
Claims for own account	0	0	0	-5 297	-5 122	-20 015
Insurance provisions for own account	0	0	0	-4 245	-3 509	-28 096
Costs borrowing	0	0	0	55	47	-483
Operating costs excluding depreciation	63	101	360	-433	-419	-1 750
Depreciation	-1	-26	-33	-21	-48	-122
Other expenses	28	0	2	-279	-258	-1 075
Return to financial instruments attributable to minority interests	-6 339	2 249	4 022	-6 339	2 249	4 022
<b>Total expenses</b>	<b>-6 248</b>	<b>2 324</b>	<b>4 352</b>	<b>-16 558</b>	<b>-7 059</b>	<b>-47 520</b>
<b>Operating profit/loss</b>	<b>644</b>	<b>869</b>	<b>559</b>	<b>14 696</b>	<b>-2 893</b>	<b>240</b>
Funds credited to insurance customers <sup>2</sup>	-627	-800	-238	-13 744	3 773	2 600
<b>Pre-tax income</b>	<b>17</b>	<b>69</b>	<b>321</b>	<b>953</b>	<b>880</b>	<b>2 840</b>
Cost of taxes	-128	-124	-609	-297	-278	-175
<b>Income</b>	<b>-111</b>	<b>-54</b>	<b>-288</b>	<b>656</b>	<b>603</b>	<b>2 665</b>
Change in other comprehensive income (excluded cost of taxes)	18	6	228	-47	6	201
<b>Total comprehensive income</b>	<b>-94</b>	<b>-49</b>	<b>-60</b>	<b>609</b>	<b>608</b>	<b>2 866</b>
Assets	74 898	68 078	69 175	699 017	649 547	675 558
Liabilities	79 661	73 826	73 843	664 561	619 388	641 701

<sup>1</sup> Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies.

<sup>2</sup> 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.

The KLP Group's business is divided into the six areas: public sector occupational pension/group life; enterprise (defined benefit) and defined contribution pension; non-life insurance; banking, asset management and other. 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 AS offers products to enterprises within both the public and private sectors.

**NON-LIFE INSURANCE**  
KLP Skadeforsikring AS offers property and personal injury products to employers within the public and private sectors. In addition a broad specter of standard insurance products is offered to the retail market.

**BANKING**

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

**ASSET MANAGEMENT**

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

**OTHER**

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

**NOTE 3** Premium income for own account

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018- 31.12.2018
Contribution service pension	7 190	6 686	40 468
Reinsurance premiums ceded	-13	41	-72
Transfer of premium reserves from others	202	124	524
<b>Total premium income</b>	<b>7 378</b>	<b>6 851</b>	<b>40 921</b>

**NOTE 4** Other income

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018- 31.12.2018
Supplement contractual early retirement scheme (ERS)	279	256	1 053
Other income	23	17	55
<b>Total other income</b>	<b>302</b>	<b>273</b>	<b>1 107</b>

**NOTE 5** Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018- 31.12.2018
<b>SUBORDINATED LOANS</b>			
Interest costs <sup>1</sup>	-58	-59	-249
Value changes	138	100	-46
<b>Net costs subordinated loans</b>	<b>79</b>	<b>40</b>	<b>-295</b>
<b>PERPETUAL HYBRID TIER 1 SECURITIES</b>			
Interest costs	-16	-14	-61
Value changes	-8	21	-127
<b>Net costs perpetual hybrid tier 1 securities</b>	<b>-24</b>	<b>7</b>	<b>-188</b>
<b>Net costs subordinated loan and hybrid Tier 1 securities</b>	<b>55</b>	<b>47</b>	<b>-483</b>

<sup>1</sup> Besides pure interest costs, this includes recognition through profit / loss of a discount on one subordinated loan.

This note gives a specification of the line "Net costs subordinated loan and hybrid Tier 1 securities" in the income statement.

The fluctuations in value change are predominantly due to the loans being denominated in foreign currency. The subordinated loan is issued in euros and the perpetual hybrid Tier 1 security are issued in Japanese yen.

**NOTE 6** Operating expenses

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018- 31.12.2018
Personnel costs	275	266	1 049
Depreciation and writedowns	30	31	122
Other operating expenses	148	170	701
<b>Other operating expenses</b>	<b>454</b>	<b>467</b>	<b>1 872</b>

**NOTE 7** Other expenses

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018- 31.12.2018
Supplement contractual early retirement scheme (ERS)	279	256	1 053
Other expenses	-1	3	22
<b>Total other expenses</b>	<b>279</b>	<b>258</b>	<b>1 075</b>

**NOTE 8** Investment property

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018- 31.12.2018
Net rental income	723	677	3 081
Net value adjustment	116	-8	1 911
Realised gains	0	362	0
<b>Net income from investment properties</b>	<b>839</b>	<b>1 031</b>	<b>4 993</b>
Currency translate foreign subsidiaries (taken to other comprehensive income)	- 627	-800	-238
<b>Net income from investment properties included currency translate</b>	<b>212</b>	<b>232</b>	<b>4 754</b>

NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
Investment property 01.01.	67 570	63 519	63 519
Value adjustment, including currency translation	-511	-807	1 673
Net additions	199	110	2 360
Other changes	0	-2	19
<b>Investment property 31.03./31.12.</b>	<b>67 257</b>	<b>62 819</b>	<b>67 570</b>

**NOTE 9** Fair value of financial assets and liabilities

Fair value is to be a representative price based on what the equivalent asset or liabilities would be sold for under normal market terms and conditions. A financial instrument is considered as being listed in an active market if listed prices are easily and regularly accessible from a stock exchange, dealer, broker, commercial group, pricing service or regulatory authority, and such prices represent actual transactions that occur regularly at arm's length. If the market for the security is not active, or the security is not listed on a stock exchange or similar, the Group uses valuation techniques to determine fair value. These are based on information on transactions recently carried out on business conditions, reference to the purchase and sale of similar instruments and pricing by means of externally obtained interest-rate curves and interest-rate differential curves. Estimates are based to the greatest possible extent on external observable market data, and to a small degree on company-specific information.

In the case of this note, there are three different categories of financial instruments: balance sheet classification, accounts classification, and type of instrument. It is for this last category that information is provided about how fair value is derived.

**FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST**

This category includes:

- Investments held to maturity
- Bonds classified as loans and receivables
- Other loans and receivables
- Subordinated loan capital (liabilities)
- Other debt issued (liabilities)

Financial instruments not measured at fair value are measured at amortised cost by using the effective interest rate method. The internal rate of exchange is determined by discounting contractual cash flows over their expected term. The cash flows include arrangement/up-front fees and direct transaction costs as well as any residual value on the expiry of the expected term. Amortised cost is the present value of these cash flows discounted by the internal rate of interest. This note contains information about the fair value of the financial instruments that are measured at amortised cost.

**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

This category includes:

- Equity instruments
- Debt instruments at fair value
- Derivatives (assets and liabilities)
- Debt to credit institutions (liabilities)

Below is a list of which types of financial instrument come under the various accounts categories, and how fair value is calculated.

**INVESTMENTS HELD TO MATURITY****BONDS CLASSIFIED AS LOANS AND RECEIVABLES****DEBT INSTRUMENTS MEASURED AT FAIR VALUE****a) Foreign fixed-income securities**

Foreign fixed-income securities are generally priced based on prices obtained from an index provider. At the same time, prices are compared between several different sources to spot any errors.

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

Barclays Capital Indices have first priority (they cover foreign government and foreign credit respectively). Then comes Bloomberg based on Bloomberg's pricing service Business Valuator Accredited in Litigation (BVAL). BVAL has verified prices from Bloomberg. Reuters has last priority.

**b) Norwegian fixed-income securities – government**

Bloomberg is used as the source for pricing Norwegian Government Bonds. It is Oslo Børs, the Oslo Stock Exchange, that provides the price (via Bloomberg). Prices are compared with prices from Reuters in order to uncover any errors.

**c) Norwegian fixed-income securities – other than government ones**

Norwegian fixed-income securities except government are mainly priced directly on prices from Nordic Bond Pricing. Securities that are not covered by Nordic Bond Pricing are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves and curves for Norwegian savings banks, municipalities and energy. Savings banks have various spread curves based on total assets.

For companies where Nordic Bond Pricing do not deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used.

**NOTE 9** Fair value of financial assets and liabilities – cont.**d) Fixed-income securities issued by foreign enterprises but denominated in NOK**

Fair value is calculated on the same general principles as those applying for Norwegian fixed-income securities described above.

**e) Receivables on credit institutions**

The fair value of these is considered as being approximately the same as the book value since the terms and conditions of the contract are continually revised in accordance with changes in the market rates.

**f) Loans to municipalities and enterprises with municipal guarantee**

Receivables are valued by means of a valuation model using relevant credit premium adjustments obtained in the market. For guaranteed loans fair value is calculated as discounted cash flow based on the same interest-rate curves as direct loans, but the credit margin is adjusted to market values for the appropriate combination of guarantee category and type of guarantee. The guarantor is either a state, municipality or a bank.

**g) Loans secured by mortgage**

The principles for calculating fair value are subject to the loans having fixed-interest rates or not. Fair value of fixed-rate loans is calculated by discounting contractual cash flows by the market rate including a relevant risk margin on the reporting date. The fair value of loans with no fixed rate is approximately equal to book value since the terms and conditions of the contract are continually revised in accordance with changes in the market rates.

**EQUITY INSTRUMENTS****h) Shares (listed)**

Liquid shares are generally valued on the basis of prices from an index provider. At the same time, prices are compared between different sources in order to spot any errors.

**The following sources are used for Norwegian shares:**

- Oslo Børs/Oslo Stock Exchange (primary source)
- Morgan Stanley Capital International (MSCI)/Reuters
- Bloomberg

**The following sources are used for foreign shares:**

- Morgan Stanley Capital International (MSCI) (primary source)
- Reuters
- Bloomberg

**i) Shares (unlisted)**

As far as possible, The Group uses the Norwegian Mutual Funds Association's industry recommendations. This basically means the following:

The last price traded has key priority. If the last price traded is outside of the bid/offer price in the market, the price is adjusted accordingly. This means that if the last price traded is below the offer price, the price is adjusted upward to the offer price. If it is above the bid price, it is adjusted downward to the bid price. If the price picture is considered to be outdated, the price is adjusted in accordance with a market index. The Group has chosen the Oslo Stock Exchange as its small cap index (OSESX) as an approach for unlisted shares.

In cases where there is very little information about the shares, a discretionary assessment is carried out, such as a fundamental analysis of the company, or a broker assessment.

**j) Private Equity**

Investment in Private Equity goes through funds. The funds' fair value is to be based on reported market values that follow from the International Private Equity and Venture Capital Valuation Guidelines ('IPEV Guidelines'). These guidelines are established by the European Venture Capital Association (EVCA) and are based on the principle of approximate market assessment of the companies. Fair value is calculated on the basis of the funds' reported market value adjusted for payments in and out during the period between the fund's last reported market value and the period being reported on for the Group.

**DERIVATIVES****k) Futures/FRA/IRF**

All futures contracts for KLP are traded on the stock exchange. Bloomberg is used as a prices source. Prices are also obtained from another source in order to check that Bloomberg's prices are correct. Reuters acts as a secondary source.

**l) Options**

Bloomberg is used as a source for pricing options traded on the stockmarket. Reuters is a secondary source.

**m) Interest-rate swaps**

Interest-rate swaps are valued in a model that takes observable market data such as interest-rate curves and relevant credit premiums into account.

**n) FX-swaps**

FX-swaps with a one-year maturity or less are priced on curves that are built up from FX swap-points obtained from Reuters. The market is not considered particularly liquid for FX-swaps with a maturity of more than one year and basis-adjusted swap curves are used for pricing purposes.

**NOTE 9** Fair value of financial assets and liabilities – cont.**DEBT TO CREDIT INSTITUTIONS****o) Placements with credit institutions and deposits**

Placements with credit institutions are made as short-term deposits. Fair value is calculated by discounting contractual cash flows by market rate including a relevant risk margin on the reporting date. Deposits are prices on swap curves.

**SUBORDINATED LOAN CAPITAL, OTHER DEBT ISSUED, AND DEPOSITS FROM CUSTOMERS****p) Fair value of subordinated loans**

The observable price is used as the fair value of loans listed on an active stock exchange. In the case of other loans that are not part of an active market the fair value is based on an internal valuation model based on observable data.

**q) Fair value of subordinated bond/perpetual bond issued**

Fair value in this category is determined on the basis of internal valuation models based on external observable data.

**r) Covered bonds issued**

Fair value in this category is determined on the basis of internal valuation models based on observable data.

**s) Deposits from customers**

All deposits are without fixed-rate interest. The fair value of these is considered as approximately equal to Book value since the contractual terms are continually revised in accordance with the market rate.

The tables below give a more detailed specification of the content of the different classes of assets and financial liabilities.

NOK MILLIONS	31.03.2019		31.03.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>						
Norwegian hold-to-maturity bonds	6 301	6 856	7 384	7 998	7 258	7 747
Foreign hold-to-maturity bonds	23 675	24 796	24 355	25 170	23 795	24 380
<b>Total debt instruments held to maturity</b>	<b>29 976</b>	<b>31 652</b>	<b>31 740</b>	<b>33 168</b>	<b>31 053</b>	<b>32 127</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST</b>						
Norwegian bonds	44 586	46 805	38 401	40 477	45 414	47 228
Foreign bonds	99 108	103 428	84 080	87 524	96 106	98 645
Norwegian certificates	0	0	789	789	0	0
Other receivables	33	33	31	31	29	29
<b>Total debt instruments classified as loans and receivables</b>	<b>143 727</b>	<b>150 266</b>	<b>123 301</b>	<b>128 822</b>	<b>141 549</b>	<b>145 902</b>
<b>LENDING LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS</b>						
Loans to local government sector or enterprises with local government guarantee	833	833	970	970	855	855
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>833</b>	<b>833</b>	<b>970</b>	<b>970</b>	<b>855</b>	<b>855</b>

**NOTE 9** Fair value of financial assets and liabilities – cont.

NOK MILLIONS	31.03.2019		31.03.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LENDING TO LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS – AT AMORTIZED COST</b>						
Loans secured by mortgage	19 930	19 939	18 316	18 322	19 674	19 680
Loans to local government sector or enterprises with local government guarantee	67 861	68 354	60 817	61 272	67 150	67 495
Loans abroad secured by mortgage and local government guarantee	9 408	9 436	7 531	7 576	8 016	8 049
Loans creditcard	66	66	64	64	69	69
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>97 266</b>	<b>97 796</b>	<b>86 728</b>	<b>87 234</b>	<b>94 909</b>	<b>95 293</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Norwegian bonds	58 868	58 868	58 477	58 477	58 737	58 737
Norwegian certificates	7 778	7 778	10 074	10 074	7 521	7 521
Foreign bonds	86 156	86 156	83 832	83 832	85 580	85 580
Foreign certificates	10 809	10 809	20 208	20 208	14 507	14 507
<b>Total debt instruments</b>	<b>163 610</b>	<b>163 610</b>	<b>172 591</b>	<b>172 591</b>	<b>166 344</b>	<b>166 344</b>
<b>EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Shares	165 958	165 958	144 281	144 281	146 865	146 865
Equity funds	12 485	12 485	10 854	10 854	12 199	12 199
Property funds	44	44	116	116	45	45
Alternative investments	952	952	879	879	858	858
<b>Total equity capital instruments</b>	<b>179 439</b>	<b>179 440</b>	<b>156 131</b>	<b>156 131</b>	<b>159 968</b>	<b>159 968</b>
<b>RECEIVABLES</b>						
Receivables related to direct business	1 543	1 543	1 204	1 204	1 123	1 123
Receivables related to reinsurance agreements	38	38	109	109	63	63
Reinsurance share of gross claims reserve	40	40	52	52	0	0
Receivables related to securites	1 967	1 967	1 464	1 464	603	603
Prepaid rent related to real estate activities	166	166	234	234	166	166
Other receivables	369	369	513	513	258	258
<b>Total other loans and receivables including receivables from policyholders</b>	<b>4 124</b>	<b>4 124</b>	<b>3 577</b>	<b>3 577</b>	<b>2 213</b>	<b>2 213</b>

**NOTE 9** Fair value of financial assets and liabilities – cont.

NOK MILLIONS	31.03.2019		31.03.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>FINANCIAL LIABILITIES - AT AMORTIZED COST</b>						
Hybrid Tier 1 securities	1 685	1 685	1 527	1 397	1 662	1 332
Subordinated loan capital	5 950	6 433	5 936	6 607	6 029	6 302
Debt to credit institutions	859	859	1 436	1 436	1 015	1 015
Covered bonds issued	23 796	24 097	21 905	21 910	23 025	23 179
Liabilities and deposits from customers	11 031	11 031	9 733	9 733	10 662	10 662
<b>Total financial liabilities</b>	<b>43 322</b>	<b>44 106</b>	<b>40 538</b>	<b>41 084</b>	<b>42 392</b>	<b>42 489</b>
<b>FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Debt to credit institutions	2 116	2 116	5 649	5 649	1 779	1 779
<b>Total financial liabilities</b>	<b>2 116</b>	<b>2 116</b>	<b>5 649</b>	<b>5 649</b>	<b>1 779</b>	<b>1 779</b>
<b>Assets in life insurance with investment option</b>	<b>3 951</b>	<b>3 951</b>	<b>2 816</b>	<b>2 816</b>	<b>3 396</b>	<b>3 396</b>
<b>Provisions in life insurance with investment option</b>	<b>3 951</b>	<b>3 951</b>	<b>2 816</b>	<b>2 816</b>	<b>3 396</b>	<b>3 396</b>

NOK MILLIONS	31.03.2019		31.03.2018		31.12.2018	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Forward exchange contracts	787	1 125	1 854	1 030	133	6 107
Interest rate swaps	181	411	269	489	155	702
Interest rate and currency swaps	680	0	520	0	657	0
Share option	0	0	0	3	0	0
<b>Total financial derivatives</b>	<b>1 648</b>	<b>1 536</b>	<b>2 643</b>	<b>1 523</b>	<b>944</b>	<b>6 809</b>



**NOTE 10** Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
<b>FIXED - TERM SUBORDINATED LOAN</b>							
Kommunal Landspensjonskasse	5 163	EUR	Fixed <sup>1</sup>	2045	5 950	5 936	6 029
<b>Total subordinated loan capital</b>	<b>5 163</b>				<b>5 950</b>	<b>5 936</b>	<b>6 029</b>
<b>HYBRID TIER 1 SECURITIES</b>							
Kommunal Landspensjonskasse	984	JPY	Fixed <sup>2</sup>	2034	1 685	1 527	1 662
<b>Total hybrid Tier 1 securities</b>	<b>984</b>				<b>1 685</b>	<b>1 527</b>	<b>1 662</b>
<b>COVERED BONDS</b>							
KLP Kommunekreditt AS	0	NOK	Floating	2018	0	884	0
KLP Kommunekreditt AS	1 021	NOK	Floating	2019	1 022	3 634	1 172
KLP Kommunekreditt AS	2 301	NOK	Floating	2020	2 311	2 508	3 314
KLP Kommunekreditt AS	750	NOK	Fixed	2020	760	760	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 015	4 011	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	605	605	602
KLP Kommunekreditt AS	4 000	NOK	Floating	2022	4 006	3 856	4 007
KLP Kommunekreditt AS	4 000	NOK	Floating	2023	4 009	0	2 506
KLP Kommunekreditt AS	500	NOK	Fixed	2027	511	511	508
KLP Boligkreditt AS	408	NOK	Floating	2019	408	600	408
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 008	2 006	2 007
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 506	2 505	2 506
KLP Boligkreditt AS	1 600	NOK	Floating	2023	1 601	0	1 201
Other					34	25	30
<b>Total covered bonds</b>	<b>23 680</b>				<b>23 796</b>	<b>21 905</b>	<b>23 025</b>

Deposits belongs to KLP Banken AS.

<sup>1</sup> The loan has an interest change date in 2025.

<sup>2</sup> The loan has an interest change date in 2034.

<sup>3</sup> There is no contractual maturity date on deposits.

The note shows financial liabilities the Group had at the end of the reporting period; where the majority is funding for KLP Bank Group. The companies above are the issuers of the financial debt.

**NOTE 10** Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
<b>DEBT TO CREDIT INSTITUTIONS</b>							
KLP Banken AS	0	NOK	Fixed	2018	0	204	0
KLP Banken AS	0	NOK	Floating	2018	0	418	0
KLP Banken AS	408	NOK	Floating	2019	408	814	614
KLP Banken AS	200	NOK	Floating	2020	201	0	201
KLP Banken AS	200	NOK	Floating	2022	200	0	200
KLP Banken AS	50	NOK	Floating	2024	50	0	0
KLP Fond	0	NOK	Fixed	2018	0	1 049	0
KLP Fond	510	NOK	Fixed	2019	510	0	509
KLP Fond	0	NOK/EUR/USD	Floating	2018	0	1 937	0
KLP Fond	861	NOK/EUR/USD	Floating	2019	861	0	621
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2018	0	2 660	0
Kommunal Landspensjonskasse	745	NOK/EUR/USD	Floating	2019	745	0	650
KLP Banken AS	0	NOK/EUR/USD	Floating	2018	0	4	0
Other					0	0	0
<b>Total liabilities to credit institutions</b>	<b>2 974</b>				<b>2 975</b>	<b>7 086</b>	<b>2 794</b>
<b>LIABILITIES AND DEPOSITS FROM CUSTOMERS <sup>3</sup></b>							
Retail	8 993	NOK			8 993	7 746	8 716
Business	2 007	NOK			2 007	1 961	1 914
Foreign	31	NOK			31	26	32
<b>Liabilities to and deposits from customers</b>	<b>11 031</b>				<b>11 031</b>	<b>9 733</b>	<b>10 662</b>
<b>Total financial liabilities</b>	<b>43 832</b>				<b>45 438</b>	<b>46 187</b>	<b>44 172</b>

Deposits belongs to KLP Banken AS.

<sup>1</sup> The loan has an interest change date in 2025.

<sup>2</sup> The loan has an interest change date in 2034.

<sup>3</sup> There is no contractual maturity date on deposits.

The note shows financial liabilities the Group had at the end of the reporting period; where the majority is funding for KLP Bank Group. The companies above are the issuers of the financial debt.

**NOTE 11** Fair value hierarchy

31.03.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	67 257	67 257
Land/plots	0	0	935	935
Real estate fund	0	0	2 919	2 919
Buildings	0	0	63 403	63 403
Lending at fair value	0	833	0	833
Bonds and other fixed-income securities	44 807	108 012	0	152 820
Certificates	5 230	2 548	0	7 778
Bonds	25 703	105 464	0	131 168
Fixed-income funds	13 874	0	0	13 874
Loans and receivables	8 996	1 795	0	10 791
Shares and units	160 977	5 372	13 091	179 439
Shares	159 063	4 375	2 519	165 958
Equity funds	1 914	0	66	1 979
Property funds	0	44	0	44
Special funds	0	952	0	952
Private Equity	0	0	10 506	10 506
Financial derivatives	0	1 648	0	1 648
<b>Total assets at fair value</b>	<b>214 780</b>	<b>117 660</b>	<b>80 348</b>	<b>412 788</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives	0	1 536	0	1 536
Debt to credit institutions <sup>1</sup>	1 606	510	0	2 116
<b>Total financial liabilities at fair value</b>	<b>1 606</b>	<b>2 047</b>	<b>0</b>	<b>3 652</b>

<sup>1</sup> The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 859 million per 31.03.2019.

**NOTE 11** Fair value hierarchy – cont.

31.03.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	62 819	62 819
Land/plots	0	0	833	833
Real estate fund	0	0	2 600	2 600
Buildings	0	0	59 385	59 385
Lending at fair value	0	970	0	970
Bonds and other fixed-income securities	44 700	107 726	0	152 426
Certificates	7 731	2 343	0	10 074
Bonds	23 689	105 384	0	129 073
Fixed-income funds	13 279	0	0	13 279
Loans and receivables	17 247	2 918	0	20 165
Shares and units	140 699	4 733	10 699	156 131
Shares	138 875	3 737	1 669	144 281
Equity funds	1 824	0	66	1 890
Property funds	0	116	0	116
Special funds	0	879	0	879
Private Equity	0	0	8 965	8 965
Financial derivatives	0	2 643	0	2 643
<b>Total assets at fair value</b>	<b>202 646</b>	<b>118 990</b>	<b>73 518</b>	<b>395 155</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives	0	1 523	0	1 523
Debt to credit institutions <sup>1</sup>	4 601	1 049	0	5 649
<b>Total financial liabilities at fair value</b>	<b>4 601</b>	<b>2 572</b>	<b>0</b>	<b>7 172</b>

**NOTE 11** Fair value hierarchy – cont.

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	67 570	67 570
Land/plots	0	0	903	903
Real estate fund	0	0	2 887	2 887
Buildings	0	0	63 780	63 780
Lending at fair value	0	855	0	855
Bonds and other fixed-income securities	44 655	107 176	0	151 830
Certificates	5 222	2 298	0	7 521
Bonds	26 193	104 877	0	131 070
Fixed-income funds	13 240	0	0	13 240
Loans and receivables	12 747	1 766	0	14 514
Shares and units	143 025	3 957	12 986	159 968
Shares	141 269	3 054	2 542	146 865
Equity funds	1 756	0	61	1 816
Property funds	0	45	0	45
Special funds	0	858	0	858
Private Equity	0	0	10 383	10 383
Financial derivatives	0	944	0	944
<b>Total assets at fair value</b>	<b>200 427</b>	<b>114 699</b>	<b>80 556</b>	<b>395 681</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives	0	6 809	0	6 809
Debt to credit institutions <sup>1</sup>	1 270	509	0	1 779
<b>Total financial liabilities at fair value</b>	<b>1 270</b>	<b>7 317</b>	<b>0</b>	<b>8 588</b>

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
Opening balance 1 January	67 570	63 519	63 519
Sold	-51	0	-452
Bought	250	110	2 831
Unrealised changes	-511	-807	1 673
Other changes	0	-2	0
<b>Closing balance 31.03.</b>	<b>67 257</b>	<b>62 819</b>	<b>67 570</b>
<b>Realised gains/losses</b>	<b>0</b>	<b>362</b>	<b>363</b>

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
Opening balance 1 January	12 986	10 438	10 438
Sold	-539	-439	-2 414
Bought	570	358	2 607
Unrealised changes	74	343	2 356
<b>Closing balance 31.03.</b>	<b>13 091</b>	<b>10 699</b>	<b>12 986</b>
Realised gains/losses	0	230	1 279
<b>Sum nivå 3 per 31.03.</b>	<b>80 348</b>	<b>73 518</b>	<b>80 556</b>

**NOTE 11** Fair value hierarchy – cont.

Unrealised changes and realized gains / losses are reflected on the line "Net value changes on financial instruments" in the consolidated income statement.

The tables "Changes in level 3" shows changes in level 3 classified instruments in the period indicated.

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 at 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 at 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 corresponding therefore not considered to be traded in an active market, as well as prices based on assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed income 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 at Level 3 in the Group include unlisted shares and Private Equity.

Valuations related to items in the various levels are described in Note 9. For description of the pricing of investment property please see the annual financial statements.

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 4 017 million as of 31.03.2019.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 3 951 million in financial assets valued at fair value at Level 1. Per 31.03.2019 the NOK 3 951 million consist of NOK 2 668 million in shares and units in Level 1, NOK 1 278 million in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

With regard to transferring securities between the levels, a limit is set for the number of trading days and the amount of trading for shares by separating Level 1 and Level 2. The general principles related to the distribution between levels basically concern whether the asset or liability is listed or not and whether the listing can be stated to be in an active market. As regards shares, there is a further distinction between trading days and amount of trading which separates out listed securities that do not form part of an active market. The values at the end of the reporting period provide the basis for any movement between the levels.

In the first quarter NOK 184 million in stocks moved from Level 2 to Level 1 and NOK 1 078 millions moved from Level 1 to Level 2. This is due to changes in liquidity. NOK 48 million was also moved from level 3 to level 2 when previously unlisted shares became classified as "OTC" (over the counter)-shares and NOK 10 million was moved from level 2 to level 3 when previously listed shares became unlisted.

**NOTE 12** Liquidity risk

The table below specify the company's financial obligations ranked by maturity. The amounts given are non-discounted contractual flows of cash.

31.03.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	493	986	6 048	0	7 528
Perpetual hybrid Tier 1 securities <sup>1</sup>	0	125	251	314	1 439	2 129
Debt to and deposits from customers (without defined maturity)	11 031	0	0	0	0	11 031
Covered bonds issued	0	1 387	22 819	612	0	24 818
Payables to credit institutions	765	419	466	0	0	1 649
Financial derivatives	1 112	768	30	-93	-257	1 560
Accounts payable	94	0	0	0	0	94
Contingent liabilities (without defined maturity)	20 123	0	0	0	0	20 123
<b>Total</b>	<b>33 125</b>	<b>3 192</b>	<b>24 551</b>	<b>6 881</b>	<b>1 182</b>	<b>68 931</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 100 million, payables to credit institutions maturing within one month are reduced with NOK 194 million, derivatives maturing between 1 to 12 months are reduced with NOK 109 million, while derivatives maturing between 1 to 5 years increase by NOK 0.3 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 68 528 million.

31.03.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	492	985	6 286	0	7 763
Perpetual hybrid Tier 1 securities <sup>1</sup>	0	114	229	286	1 412	2 041
Debt to and deposits from customers (without defined maturity)	9 733	0	0	0	0	9 733
Covered bonds issued	0	779	21 375	626	0	22 780
Payables to credit institutions	1 516	497	536	0	0	2 549
Financial derivatives	1 061	1 264	236	-60	-186	2 314
Accounts payable	70	0	0	0	0	70
Contingent liabilities (without defined maturity)	15 280	0	0	0	0	15 280
<b>Total</b>	<b>27 661</b>	<b>3 147</b>	<b>23 360</b>	<b>7 137</b>	<b>1 226</b>	<b>62 530</b>

<sup>1</sup> Some of the hybrid capital are perpetual. Estimated cash flows are based on expected maturity at the interest adjustment date.

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 103 million, payables to credit institutions within one month are reduced with NOK 6 million, derivatives maturing between 1 to 12 months are reduced with NOK 61 millions and derivatives maturing between 1-5 years increase by NOK 0.4 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 63 026 million.

**NOTE 12** Liquidity risk – cont.

31.12.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	252	1 010	6 444	0	7 706
Perpetual hybrid Tier 1 securities <sup>1</sup>	0	63	252	315	1 520	2 151
Debt to and deposits from customers (without defined maturity)	10 662	0	0	0	0	10 662
Covered bonds issued	0	1 547	21 844	616	0	24 006
Payables to credit institutions	1 930	540	412	0	0	2 882
Financial derivatives	5 291	4 231	313	-96	-295	9 445
Accounts payable	50	0	0	0	0	50
Contingent liabilities (without defined maturity)	20 532	0	0	0	0	20 532
<b>Total</b>	<b>38 465</b>	<b>6 634</b>	<b>23 832</b>	<b>7 279</b>	<b>1 226</b>	<b>77 435</b>

<sup>1</sup> Some of the hybrid capital are perpetual. Estimated cash flows are based on expected maturity at the interest adjustment date.

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 330 million, payables to credit institutions maturing within one month are reduced with NOK 1 176 million, derivatives maturing between 1 to 12 months are reduced with NOK 860 million, while derivatives maturing between 1 to 5 years increase by NOK 0.3 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 75 070 million.

The table above shows financial liabilities the Group has grouped by interest payments and repayment of principal, based on the date payment is due. Banking contains the largest proportion of the financial liabilities in the Group.

Liquidity risk is the risk that the Group will not be able to meet the financial obligations that it has. 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 AS manages 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 major liabilities in the Group are insurance related and are mostly linked to pension obligations. These liabilities are fully funded and liquidity management are handled in the same manner as other liabilities.



**NOTE 13** Interest rate risk

31.03.2019 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2019 - 31.03.2019	Total	Adjusted for the unit holders' interests in consolidated securities funds
<b>ASSETS</b>								
Financial derivatives classified as assets	1	-1	14	45	-276	-2	-219	-218
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	0	0	0
Bonds and other fixed-return securities	-52	-45	-1 427	-1 972	-1 902	80	-5 318	-4 715
Fixed income fund holdings	-918	0	0	0	0	0	-918	-918
Lending and receivables	-1	-1	0	0	0	31	29	24
Lending	0	0	0	0	0	165	165	165
Cash and bank deposits	0	0	0	0	0	8	8	8
Contingent liabilities <sup>1</sup>	0	0	0	0	0	22	22	22
<b>Total assets</b>	<b>-970</b>	<b>-48</b>	<b>-1 413</b>	<b>-1 927</b>	<b>-2 177</b>	<b>306</b>	<b>-6 230</b>	<b>-5 631</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-27	-27	-27
Liabilities created on issue of securities	0	0	0	0	0	-62	-62	-62
Financial derivatives classified as liabilities	1	-1	62	3	0	3	69	67
Hybrid capital, subordinated loans	0	0	0	54	90	0	144	144
Debt to credit institutions	0	0	0	0	0	-5	-5	-5
<b>Total liabilities</b>	<b>1</b>	<b>-1</b>	<b>62</b>	<b>57</b>	<b>90</b>	<b>-91</b>	<b>118</b>	<b>117</b>
<b>Total before tax</b>	<b>-968</b>	<b>-48</b>	<b>-1 351</b>	<b>-1 870</b>	<b>-2 088</b>	<b>214</b>	<b>-6 112</b>	<b>-5 514</b>
<b>Total after tax</b>	<b>-726</b>	<b>-36</b>	<b>-1 013</b>	<b>-1 403</b>	<b>-1 566</b>	<b>161</b>	<b>-4 584</b>	<b>-4 135</b>

<sup>1</sup> Contingent liabilities are lending agreements that are not yet materialized.

**NOTE 13** Interest rate risk – cont.

31.03.2018 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2018 - 31.03.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds
<b>ASSETS</b>								
Financial derivatives classified as assets	2	-5	21	169	-329	-1	-143	-138
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-52	-66	-1 293	-2 027	-1 730	91	-5 077	-4 464
Fixed income fund holdings	-774	0	0	0	0	0	-774	-774
Lending and receivables	-1	-1	0	0	0	41	39	32
Lending	0	0	0	0	0	350	350	350
Cash and bank deposits	0	0	0	0	0	8	8	8
Contingent liabilities <sup>1</sup>	0	0	0	0	0	10	10	10
<b>Total assets</b>	<b>-825</b>	<b>-72</b>	<b>-1 272</b>	<b>-1 858</b>	<b>-2 059</b>	<b>501</b>	<b>-5 585</b>	<b>-4 975</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-24	-24	-24
Liabilities created on issue of securities	0	1	0	0	0	-58	-58	-58
Financial derivatives classified as liabilities	-2	3	53	9	2	6	70	71
Hybrid capital, subordinated loans	0	0	0	53	78	0	131	131
Debt to credit institutions	0	0	0	0	0	-12	-12	-12
<b>Total liabilities</b>	<b>-2</b>	<b>3</b>	<b>53</b>	<b>62</b>	<b>80</b>	<b>-89</b>	<b>108</b>	<b>108</b>
<b>Total before tax</b>	<b>-827</b>	<b>-69</b>	<b>-1 219</b>	<b>-1 796</b>	<b>-1 979</b>	<b>412</b>	<b>-5 478</b>	<b>-4 867</b>
<b>Total after tax</b>	<b>-620</b>	<b>-52</b>	<b>-915</b>	<b>-1 347</b>	<b>-1 484</b>	<b>309</b>	<b>-4 108</b>	<b>-3 650</b>

<sup>1</sup> Contingent liabilities are lending agreements that are not yet materialized.

**NOTE 13** Interest rate risk – cont.

31.12.2018 NOK MILLIONS									
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2018 -31.12.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds	
<b>ASSETS</b>									
Financial derivatives classified as assets	3	6	-1	84	-290	-4	-202	-207	
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1	
Bonds and other fixed-return securities	-50	-55	-1 439	-1 904	-1 718	346	-4 819	-4 276	
Fixed income fund holdings	-831	0	0	0	0	0	-831	-831	
Lending and receivables	-1	-1	0	0	0	145	143	117	
Lending	0	0	0	0	0	630	630	630	
Cash and bank deposits	0	0	0	0	0	30	30	30	
Contingent liabilities <sup>1</sup>	0	0	0	0	0	101	101	101	
<b>Total assets</b>	<b>-880</b>	<b>-50</b>	<b>-1 440</b>	<b>-1 820</b>	<b>-2 007</b>	<b>1 249</b>	<b>-4 947</b>	<b>-4 435</b>	
<b>LIABILITIES</b>									
Deposit	0	0	0	0	0	-107	-107	-107	
Liabilities created on issue of securities	0	0	0	0	0	-240	-240	-240	
Financial derivatives classified as liabilities	-1	3	69	29	0	19	119	119	
Hybrid capital, subordinated loans	0	0	0	54	89	0	143	143	
Debt to credit institutions	0	0	0	0	0	-38	-38	-38	
<b>Total liabilities</b>	<b>-1</b>	<b>3</b>	<b>69</b>	<b>84</b>	<b>89</b>	<b>-366</b>	<b>-122</b>	<b>-122</b>	
<b>Total before tax</b>	<b>-881</b>	<b>-47</b>	<b>-1 371</b>	<b>-1 736</b>	<b>-1 918</b>	<b>883</b>	<b>-5 069</b>	<b>-4 557</b>	
<b>Total after tax</b>	<b>-661</b>	<b>-35</b>	<b>-1 028</b>	<b>-1 302</b>	<b>-1 439</b>	<b>662</b>	<b>-3 802</b>	<b>-3 418</b>	

<sup>1</sup> Contingent liabilities are lending agreements that are not yet materialized.

The note shows the effect on profits if market interest rates were to increase by one percent, for fair value risk and variable interest risk.

Change in fair value (fair value risk) is shown in the first five columns and is calculated by the change in fair value of interest bearing instruments if interest rates had been one percent higher at the end of the period. The column change in cash flow shows the change in cash flows if the interest had been one percent higher over the year being reported on. The sum of these results reflects the overall effect that the scenario had given the group during the period being reported on.

The fair value risk applies to fixed interest securities where the market value of the securities is affected by market interest rates. Floating rate risk applies to securities with floating interest rates, where a change in market interest rates affects the cash-flow from the interest bearing securities.

The following securities are included in the note; securities measured at fair value through profit or loss (floating and

fixed interest rates), investments held to maturity (only those with floating interest rates) and loans and receivables (only those with floating interest rates). The group has no securities classified as available for sale.

The Groups total interest rate risk is limited as a significant portion of the investments are bonds with fixed interest rates that are classified as held to maturity and loans and receivables, or fixed rate lending, measured at amortized cost. A change in market interest rate does not affect profit or loss for these assets.

Insurance contracts with guaranteed return does not change the accounting value even if interest rates change. Changes in interest rates also has no impact on the guaranteed return, but will have an impact on the achieved return to cover the guaranteed return. This is because that insurance funds partly invested in debt instruments whose cash flows should help to meet the guaranteed return.

## NOTE 14 Credit risk

31.03.2019 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	28 099	0	30	0	0	0	1 847	29 976	29 976
Debt instruments classified as loans and receivables at amortized cost	120 273	0	1 151	325	0	0	21 978	143 727	143 727
Debt instruments at fair value - fixed-return securities	107 307	979	3 433	15 654	0	0	12 935	140 307	127 240
Fixed-income funds	0	0	0	0	0	0	13 874	13 874	13 240
Loans and receivables	9 585	0	0	1 205	0	0	0	10 790	8 722
Financial derivatives classified as assets	1 648	0	0	0	0	0	0	1 648	1 545
Cash and bank deposits	3 336	0	0	60	0	0	0	3 396	3 396
Lending	0	0	68 421	0	17 860	2 088	9 730	98 099	98 099
<b>Total</b>	<b>270 247</b>	<b>979</b>	<b>73 036</b>	<b>17 245</b>	<b>17 860</b>	<b>2 088</b>	<b>60 364</b>	<b>441 818</b>	<b>425 946</b>

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Sum Investment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	12 702	3 733	8 608	3 056	28 099
Debt instruments classified as loans and receivables at amortized cost	20 913	19 902	58 858	20 599	120 273
Debt instruments at fair value - fixed-return securities	40 436	9 471	26 408	30 991	107 307
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	3 843	5 742	0	9 585
Financial derivatives classified as assets	0	473	1 175	0	1 648
Cash and bank deposits	0	199	3 137	0	3 336
Lending	0	0	0	0	0
<b>Total</b>	<b>74 050</b>	<b>37 622</b>	<b>103 928</b>	<b>54 647</b>	<b>270 247</b>

<sup>1</sup> These two columns provide information on the proportion of loans with mortgage security within 80% of base value and loans that exceed 80% mortgage of base value.

## NOTE 14 Credit risk – cont.

31.03.2018 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	29 499	0	30	0	0	0	2 210	31 740	31 740
Debt instruments classified as loans and receivables at amortized cost	99 787	0	862	0	0	0	22 651	123 301	123 301
Debt instruments at fair value - fixed-return securities	112 728	1 100	5 081	7 445	0	0	14 219	140 573	126 939
Fixed-income funds	0	0	0	0	0	0	13 279	13 279	13 279
Loans and receivables	19 988	0	0	0	0	0	177	20 165	17 454
Financial derivatives classified as assets	2 643	0	0	0	0	0	0	2 643	2 269
Cash and bank deposits	3 298	0	0	45	0	0	0	3 343	3 343
Lending	0	0	61 310	0	16 378	1 889	8 057	87 698	87 698
<b>Total</b>	<b>267 944</b>	<b>1 100</b>	<b>67 284</b>	<b>7 490</b>	<b>16 378</b>	<b>1 889</b>	<b>60 594</b>	<b>422 743</b>	<b>406 021</b>

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Sum Investment grade
Debt instruments held to maturity at amortized cost	13 446	4 053	8 429	3 571	29 499
Debt instruments classified as loans and receivables at amortized cost	21 641	18 576	45 599	13 972	99 787
Debt instruments at fair value - fixed-return securities	42 964	9 314	32 643	27 808	112 728
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	4 695	15 293	0	19 988
Financial derivatives classified as assets	0	193	2 450	0	2 643
Cash and bank deposits	25	645	2 628	0	3 298
Lending	0	0	0	0	0
<b>Total</b>	<b>78 077</b>	<b>37 475</b>	<b>107 042</b>	<b>45 350</b>	<b>267 944</b>

<sup>1</sup> These two columns provide information on the proportion of loans with mortgage security within 80% of base value and loans that exceed 80% mortgage of base value.

## NOTE 14 Credit risk – cont.

31.12.2018 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	28 743	0	31	0	0	0	2 279	31 053	31 053
Debt instruments classified as loans and receivables at amortized cost	116 292	0	664	0	0	0	24 593	141 549	141 549
Debt instruments at fair value - fixed-return securities	113 232	884	3 764	7 845	0	0	14 207	139 932	127 481
Fixed-income funds	0	0	0	0	0	0	13 240	13 240	13 240
Loans and receivables	14 235	0	0	279	0	0	0	14 514	11 406
Financial derivatives classified as assets	944	0	0	0	0	0	0	944	904
Cash and bank deposits	2 949	0	0	60	0	0	0	3 009	3 009
Lending	0	0	67 665	0	17 619	2 072	8 408	95 764	95 764
<b>Total</b>	<b>276 394</b>	<b>884</b>	<b>72 125</b>	<b>8 185</b>	<b>17 619</b>	<b>2 072</b>	<b>62 728</b>	<b>440 005</b>	<b>424 405</b>

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Sum Investment grade
Debt instruments held to maturity at amortized cost	12 745	3 957	8 432	3 608	28 743
Debt instruments classified as loans and receivables at amortized cost	21 830	18 988	55 903	19 570	116 292
Debt instruments at fair value - fixed-return securities	40 206	9 156	34 665	29 205	113 232
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 331	11 903	0	14 234
Financial derivatives classified as assets	0	112	832	0	944
Cash and bank deposits	0	263	2 686	0	2 949
Lending	0	0	0	0	0
<b>Total</b>	<b>74 782</b>	<b>34 808</b>	<b>114 421</b>	<b>52 383</b>	<b>276 394</b>

<sup>1</sup> These two columns provide information on the proportion of loans with mortgage security within 80% of base value and loans that exceed 80% mortgage of base value.

**NOTE 14** Credit risk – cont.

Credit risk means the risk of the counterparty not being able to meet its own obligations toward the KLP Group. In this table the credit risk is measured through the rating agencies' estimates of how high the creditworthiness of the various issuers of securities is. Not rated assets that are placed in other categories that describe the credit risk, such as sector and guarantees.

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 AS.

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 considered to be minimal.

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. Other is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 60 billion per 31.03.2019. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other 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 amortized cost).

The consolidated accounts includes all the units that KLP Group is considered to have control over. This gives an impression of a higher risk than the actual one, since the risk that the Group does not actually carry appears in the accounts. The outer column includes actual ownership and credit risk of the Group companies and investment funds held by KLP Group at the end of the period.

NOK MILLIONS	31.03.2019		31.03.2018		31.12.2018	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
<b>10 LARGEST COUNTERPARTIES</b>						
Counterparty 1	13 563	13 383	15 996	15 822	13 491	13 322
Counterparty 2	10 783	9 975	11 289	11 028	8 766	8 475
Counterparty 3	8 445	8 445	8 861	7 950	8 475	8 475
Counterparty 4	6 488	6 189	7 950	6 841	6 860	5 896
Counterparty 5	5 741	5 651	5 659	5 602	5 966	5 785
Counterparty 6	5 045	4 752	5 090	4 848	5 285	4 962
Counterparty 7	4 752	4 624	4 752	4 752	4 766	4 699
Counterparty 8	4 689	4 595	4 605	3 958	4 750	4 698
Counterparty 9	4 682	3 689	3 870	3 837	4 698	4 696
Counterparty 10	3 751	3 525	3 278	3 149	3 686	3 577
<b>Total</b>	<b>67 939</b>	<b>64 829</b>	<b>71 349</b>	<b>67 785</b>	<b>66 743</b>	<b>64 584</b>

The table above shows the 10 largest counterparties to which the KLP Group has exposure. The amounts stated are book value. "Adjusted for the minority" holding includes only that which is in the Group's ownership and where the Group retains

actual credit risk. The majority of the 10 largest counterparties are either finance institutions or counterparties covered by a public sector guarantee (central or local government guarantee).

**NOTE 15** Technical provisions in life insurance

NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
Premium reserves - ordinary tariff	439 548	411 143	435 267
Premium funds, buffer funds and pensioners' surplus funds	11 865	15 462	12 098
Supplementary reserves	28 418	25 648	28 418
Securities adjustment fund	44 327	34 671	33 447
Other provisions	61	56	54
Profit/loss allocated to insurance contracts	1 608	2 427	0
<b>Technical provisions in life insurance</b>	<b>525 828</b>	<b>489 407</b>	<b>509 284</b>

NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
Premium reserves	3 934	2 804	3 377
Deposit funds	17	12	20
<b>Provisions in life insurance with investment options</b>	<b>3 951</b>	<b>2 816</b>	<b>3 396</b>

**NOTE 16** Other current liabilities

NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
Short-term payables trade in securities	3 662	3 302	2 292
Incurred not assessed taxes	611	178	655
Advance tax-deduction pension scheme	360	341	420
Accounts payable	310	184	373
Pre-called contribution to insurance	1 427	419	1 434
Other current liabilities	1 354	2 259	878
<b>Total other current liabilities</b>	<b>7 723</b>	<b>6 683</b>	<b>6 053</b>



**NOTE 17** SCR ratio

The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can

be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 245 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 299 per cent.

	31.03.2019	31.03.2018	31.12.2018
Solvency II - SCR ratio	245 %	233 %	243 %

NOK BILLIONS	31.03.2019	31.03.2018	31.12.2018	31.03.2019	31.03.2018	31.12.2018	
<b>SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT</b>							
Assets, book value	582	543	566	Best estimate	527	489	507
Added values - hold-to-maturity portfolio/loans and receivables	8	7	5	Risk margin	14	13	13
Added values - other lending	0	0	0	Hybrid Tier 1 securities/ Subordinated loan capital	8	8	8
Other added/lesser values	0	0	0	Other liabilities	7	9	9
Deferred tax asset	0	0	0	Deferred tax liabilities	2	2	2
<b>Total assets - solvency II</b>	<b>591</b>	<b>550</b>	<b>572</b>	<b>Total liabilities - solvency II</b>	<b>558</b>	<b>520</b>	<b>539</b>
				Excess of assets over liabilities	33	30	33
				- Deferred tax asset	0	0	0
				- Risk equalisation fund	-5	-4	-5
				+ Hybrid Tier 1 securities	2	2	2
				<b>Tier 1 basic own funds</b>	<b>29</b>	<b>27</b>	<b>29</b>
				<b>Total eligible tier 1 own funds</b>	<b>29</b>	<b>27</b>	<b>29</b>
				Subordinated loans	6	6	6
				Risk equalisation fund	5	4	-5
				<b>Tier 2 basic own funds</b>	<b>12</b>	<b>10</b>	<b>2</b>
				Ancillary own funds	11	10	11
				<b>Tier 2 ancillary own funds</b>	<b>11</b>	<b>10</b>	<b>11</b>
				Deduction for max. eligible tier 2 own funds	-16	-14	-5
				<b>Total eligible tier 2 own funds</b>	<b>7</b>	<b>7</b>	<b>7</b>
				Deferred tax asset	0	0	0
				<b>Total eligible tier 3 own funds</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<b>Solvency II total eligible own funds</b>	<b>36</b>	<b>34</b>	<b>36</b>
				Solvency capital requirement (SCR)	15	14	15
				<b>Solvency II- SCR ratio</b>	<b>245 %</b>	<b>233 %</b>	<b>243 %</b>

**NOTE 18** Presentation of assets and liabilities that are subject to net settlement

31.03.2019 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
<b>ASSETS</b>								
Financial derivatives	1 648	0	1 648	-929	-808	0	0	0
Repos	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1 648</b>	<b>0</b>	<b>1 648</b>	<b>-929</b>	<b>-808</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES</b>								
Financial derivatives	1 536	0	1 536	-929	-210	-1 318	0	0
Repos	510	0	510	0	0	0	510	510
<b>Total</b>	<b>2 047</b>	<b>0</b>	<b>2 047</b>	<b>-929</b>	<b>-210</b>	<b>-1 318</b>	<b>510</b>	<b>510</b>
31.03.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
<b>ASSETS</b>								
Financial derivatives	2 643	0	2 643	-1 068	-3 892	-202	0	0
Repos	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2 643</b>	<b>0</b>	<b>2 643</b>	<b>-1 068</b>	<b>-3 892</b>	<b>-202</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES</b>								
Financial derivatives	1 523	0	1 523	-1 068	-43	-98	334	324
Repos	1 048	0	1 048	0	0	0	1 048	1 048
<b>Total</b>	<b>2 571</b>	<b>0</b>	<b>2 571</b>	<b>-1 068</b>	<b>-43</b>	<b>-98</b>	<b>1 381</b>	<b>1 372</b>

**NOTE 18** Presentation of assets and liabilities that are subject to net settlement – continue

31.12.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
<b>ASSETS</b>								
Financial derivatives	944	0	944	-293	-632	0	23	23
Repos	0	0	0	0	0	0	0	0
<b>Total</b>	<b>944</b>	<b>0</b>	<b>944</b>	<b>-293</b>	<b>-632</b>	<b>0</b>	<b>23</b>	<b>23</b>
<b>LIABILITIES</b>								
Financial derivatives	6 809	0	6 809	-293	-1 313	-8 083	0	0
Repos	509	0	509	0	0	0	509	509
<b>Total</b>	<b>7 318</b>	<b>0</b>	<b>7 318</b>	<b>-293</b>	<b>-1 313</b>	<b>-8 083</b>	<b>509</b>	<b>509</b>

The purpose of the note is to show the potential effect of netting agreements at the KLP Group; what possibilities the KLP Group has to net bilateral agreements against other counterparties should the latter go bankrupt and the remaining amount if all such netting agreements are materialized. The note shows derivative positions and repo agreements in the financial position statement. Repos are a part of the line "Debt to credit institutions" in the balance sheet.

The consolidated figures includes all units the KLP Group is considered to have control over. In addition, the outer line shows which de facto net amount remains if all the groups netting agreements are set off; which only includes subsidiaries and units, where the group carries the risk.

**NOTE 19** Pension obligations

NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
Capitalized net liability 01.01.	880	797	797
Capitalized pension costs	44	41	164
Capitalized financial costs	7	6	25
Actuarial gains and losses	60	0	22
Premiums / contributions received	-28	-28	-128
<b>Capitalized net liability 31.03.</b>	<b>963</b>	<b>815</b>	<b>880</b>

ASSUMPTIONS	31.03.2019	31.03.2018	31.12.2018
Discount rate	2.40 %	2.40 %	2.60 %
Salary growth	2.75 %	2.50 %	2.75 %
The National Insurance basic amount (G)	2.50 %	2.25 %	2.50 %
Pension increases	1.73 %	1.48 %	1.73 %
Social security contribution rate	14.10 %	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %	5.00 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 60 million as of 31.03.2019. The change is recognized in "other comprehensive income in the income statement".

## Key figures - Accumulated

NOK MILLIONS	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
<b>KLP GROUP</b>								
Profit before tax	953	2 840	2 255	1 516	880	2 474	2 799	1 946
Total assets	699 017	675 558	691 571	668 577	649 547	652 167	641 486	627 805
Owners' equity	34 457	33 857	32 307	30 386	30 158	29 564	29 363	27 646
Solvency SCR ratio	245 %	243 %	249 %	231 %	233 %	224 %	210 %	204 %
Number of employees in the Group	993	990	990	980	966	961	956	955
<b>KOMMUNAL LANDSPENSJONSKASSE</b>								
Profit before tax	808	2 425	1 438	1 287	812	1 985	1 295	1 084
Premium income for own account	6 705	38 727	31 259	21 989	6 334	32 417	23 989	15 158
- of which inflow of premium reserve	0	5	5	5	5	298	208	208
Insurance customers' funds incl. acc. profit	5 022	18 847	14 110	9 473	4 844	17 386	13 044	8 751
- of which funds with guaranteed returns	248	497	497	497	424	212	211	211
Net investment common portfolio	529 900	515 905	509 046	502 991	495 146	495 607	480 375	476 229
Net investment choice portfolio	2 491	2 423	2 478	2 487	2 351	2 375	2 329	2 293
Insurance funds incl. earnings for the year	524 095	507 600	514 393	506 479	487 732	489 159	477 463	469 952
- of which funds with guaranteed interest	449 226	445 799	439 939	437 311	424 503	421 286	411 325	408 413
Solvency capital requirement (SCR)	36 510	36 106	36 854	34 417	34 131	33 511	34 597	32 610
Solvency SCR ratio	270 %	263 %	274 %	253 %	255 %	242 %	223 %	216 %
Riskprofit	207	958	578	393	193	897	426	272
Return profits	2 157	5 207	6 086	5 046	2 931	6 769	5 487	1567
Administration profit	48	137	115	22	29	141	143	51
Solvency capital	123 125	108 825	120 680	115 445	109 209	116 656	115 446	108 843
Book return on common portfolio	1.0 %	3.5 %	3.1 %	2.3 %	1.2 %	3.9 %	3.1 %	1.5 %
Value-adjusted return on common portfolio	3.1 %	1.5 %	2.9 %	1.3 %	-0.4 %	6.7 %	4.6 %	3.0 %
Return on unit-linked portfolio	3.7 %	0.6 %	3.1 %	1.3 %	-0.9 %	7.4 %	5.0 %	3.2 %
Return on corporate portfolio	1.3 %	4.2 %	3.1 %	2.3 %	1.6 %	4.0 %	3.0 %	2.2 %

## Key figures - Accumulated – cont.

NOK MILLIONS	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
<b>KLP SKADEFORSIKRING AS</b>								
Profit before tax	109,5	17,5	105,6	36,5	-12,5	164,2	152,6	114,9
Gross premium due	363,4	1 338,2	994,5	655,7	324,1	1 344,3	997,7	652,6
Premium income for own account	350,0	1 268,4	942,3	620,9	306,7	1 286,8	954,7	623,9
Owners' equity	1 852,6	1 775,0	1 860,0	1 807,1	1 767,9	1 771,9	1 828,5	1 806
Claims ratio	80,7 %	83,5 %	80,5 %	81,7 %	80,6 %	87,1 %	83,4 %	80,0 %
Combined-ratio	99,4 %	104,5 %	100,1 %	103,2 %	101,7 %	106,0 %	101,0 %	98,9 %
Return on assets under management	2,5 %	1,8 %	2,4 %	1,3 %	-0,2 %	5,6 %	3,8 %	2,5 %
Solvency capital requirement (SCR)	1 823	1 759	1 840	1 795	1 771	1 764	1 873	1 877
Solvency SCR ratio	246 %	243 %	251 %	240 %	237 %	233 %	257 %	264 %
Annual premium in force – retail market	609,6	587,9	564,1	547,8	539,6	526,4	510,5	488,2
Annual premium in force – public sector market	892,8	809,0	797,8	797,7	791,5	889,6	873,6	865,2
Net new subscriptions (accumulated within the year)	44,7	119,8	43,8	27,3	10,0	50,3	103,6	72,8
<b>KLP BEDRIFTSPENSJON AS</b>								
Profit before tax	-0,7	-20,8	-24,1	-16,7	-8,5	-24,5	-23,4	-17,4
Premium income for own account	361,4	1 041,3	731,8	474,4	247,5	996,7	770,4	569,9
- of which premium reserve added	202,1	519,6	350,4	217,2	118,4	543,1	447	351,6
Insurance customers' funds including accumulated profit	5 684	5 080	5 100	4 764	4 491	4 328	4 048	3 796
- of which funds with guaranteed returns	1 535	1 492	1 498	1 498	1 483	1 442	1 425	1 425
Returns profit	3,3	28,1	25,3	19,9	11,5	77,8	16,1	4,5
Risk result	1,7	3,4	-7,9	-2,5	0,3	-0,6	-3,1	-2,4
Administration losses	-9,6	-38,9	-28,6	-21,8	-11,2	-38,8	-28	-20
Solvency capital requirement (SCR)	234	234	211	217	209	197	268	285
Solvency SCR ratio	150 %	150 %	133 %	128 %	126 %	111 %	147 %	185 %
Solvency capital	672,4	646,3	642	665,8	674,4	721,3	708,7	716,6
Book capital return on common portfolio	0,8 %	4,5 %	3,6 %	2,6 %	1,4 %	8,3 %	3,3 %	1,8 %
Value-adjusted capital return on common portfolio	1,1 %	3,0 %	2,4 %	1,4 %	0,4 %	5,6 %	3,7 %	2,4 %
Return on defined unit-linked contribution pensions	7,4 %	-3,8 %	4,5 %	1,1 %	-2,6 %	11,9 %	8,3 %	4,4 %
Return on corporate portfolio	1,0 %	1,1 %	1,0 %	0,5 %	0,0 %	2,3 %	1,8 %	1,3 %

## Key figures - Accumulated – cont.

NOK MILLIONS	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
<b>KLP BANKEN GROUP</b>								
Profit/loss before tax	24,03	83,4	71,1	43,0	23,7	103,1	81,7	47,9
Net interest income	66,03	248,5	183,2	122,6	64,6	241,6	173,9	108,5
Other operating income	18,9	75,4	56,0	37,4	18,3	68,2	50,7	33,6
Operating expenses and depreciation	-57,5	-226,9	-160,7	-114,4	-58,1	-203,4	-143,2	-97,8
Net realized/unrealized changes in financial instruments to fair value	-3,4	-13,5	-7,4	-2,7	-1,1	-3,4	0,3	3,5
Contributions	11 031	10 662	10 531	10 218	9 733	9 669	9 401	9 138
Housing mortgages granted	17 038	16 716	16 243	15 764	15 147	14 441	14 003	13 730
Loan(s) with public guarantee(s)	16 660	16 759	16 206	16 282	16 091	16 322	17 015	17 166
Defaulted loans	62	56	32	21	27	22	17	26
Borrowing on the issuance of securities	24 655	24 040	23 496	23 084	23 341	22 924	23 223	23 762
Total assets	38 586	37 089	36 468	35 817	35 404	34 981	34 855	35 140
Average total assets	37 837	36 035	35 725	35 399	35 192	34 682	34 619	34 761
Owners' equity	2 154	2 138	2 130	2 108	2 094	2 078	1 910	1 887
Net interest rate	0,17 %	0,69 %	0,51 %	0,35 %	0,18 %	0,70 %	0,50 %	0,31 %
Profit/loss from general operations before tax	0,06 %	0,23 %	0,20 %	0,12 %	0,07 %	0,30 %	0,24 %	0,14 %
Return on owners' equity before tax	4,50 %	3,83 %	4,56 %	4,14 %	4,57 %	5,57 %	5,89 %	5,18 %
Capital adequacy	19,0 %	20,1 %	19,9 %	20,2 %	20,6 %	21,1 %	19,5 %	19,3 %
Number of private customers	64 729	62 502	60 697	59 204	57 568	54 568	52 510	50 885
Of this members of KLP	46 453	44 693	43 267	41 698	40 317	38 382	37 044	35 983
<b>KLP KAPITALFORVALTNING AS</b>								
Profit/loss before tax	-2,1	16,7	26,6	-0,9	-2,1	46,7	50,7	26,6
Total assets under management	520 816	494 542	498 246	483 636	483 074	488 947	473 995	463 558
Assets managed for external customers	70 628	63 696	68 975	58 980	63 989	70 878	64 883	62 128



# Sustainability Report

Q1 2019

# Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS	31.03.2019	31.03.2018	31.03.2017	Contributes towards UN Sustainable Development Goal:
<b>EMPLOYEE STATISTICS</b>				
Employees of KLP	993	966	941	n/a
Total sickness absence	4.7	5.3 %	5.2 %	3.
<b>ENVIRONMENT</b>				
Number of flights	964	851	943	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO2e)	188	146	150	13. 12.
Energy consumption in KLP's own offices (KWh/m2)	163	158	179	9. 13.
Energy consumption in KLP's property portfolio (KWh/m2)	198	193	n/a	9. 13.
<b>ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION</b>				
Companies excluded from investments	192	180	166	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	8 (89%)	6 (86%)	6 (100%)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	841 (96%)	444 (94%)	401 (91%)	n/a
Companies KLP has had direct dialogue with	31	23	66	All SDGs



# Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in first quarter					Contributes towards UN Sustainable Development Goal:
	2019	2018	31.03.2019	31.03.2018	31.03.2017	
<b>CLIMATE-FRIENDLY INVESTMENTS</b>						
Renewable energy in Norway (MNOK)	-343	113	22 671	22 395	22 151	7.
Renewable energy in Europe and the USA (MNOK)	109	-13	1 753	1 075	772	7.
Renewable energy in developing countries (MNOK)	31	25	514	406	313	7, 9, 17.
Renewable energy in listed companies (MNOK)	75	1	377	515	543	7.
Lending for power, water, drainage and renovation (MNOK)	43	4	2 631	3 177	3089	7.
International power companies (mNOK)	88	n/a	2 493	n/a	n/a	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	-80	-149	11 905	9 966	8051	7.
Green bonds (MNOK)	35	36	827	771	663	9.
Other Climate-Friendly investments (mNOK)	13	n/a	137	n/a	n/a	n/a
<b>Totalt (mNOK)</b>	<b>-28</b>	<b>-498</b>	<b>43 308</b>	<b>37 790</b>	<b>35 582</b>	n/a
<b>As a proportion of KLP's investments</b>	<b>0 %</b>	<b>0 %</b>	<b>8 %</b>	<b>7 %</b>	<b>7 %</b>	n/a
Fossil energy (market value in MNOK)	945	-351	11 159	10 864	9 576	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	2 %	2 %	2 %	n/a
Renewable energy (market value in MNOK)	-84	644	27 946	27 568	26 868	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	5 %	5 %	5 %	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	-80	-149	11 905	9 966	8051	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	0 %	0 %	18 %	16 %	14 %	9.
<b>FINANCE IN DEVELOPING COUNTRIES</b>						
Banking and finance in developing countries	35	24	605	554	435	1, 5, 8, 17.
<b>SEED INVESTMENTS</b>						
Seed investments in Norway (mNOK)	1	n/a	5	n/a	n/a	8
<b>DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY</b>						
<b>LENDING BUSINESS</b>						
Loans for roads and transport (MNOK)	98	-1311	8 641	8099	7165	9
Loans for public property (MNOK)	-27	346	4 771	4406	3318	9
Loans to public sector and businesses (MNOK)	515	-1 106	51 940	45369	43982	n/a

# Notes to the Sustainability Report

## EMPLOYEE STATISTICS

*It is important that our employees have a good working environment. KLP's employees and their collective skills are a key resource for KLP. KLP is continually working to reduce employees' sickness absence.*

### UN SUSTAINABLE DEVELOPMENT GOALS:

The figures show how KLP contributes towards United Nations Sustainable Development Goal (SDG) 3, good health and well-being.

Sickness absence is self-certified and doctor-certified sickness absence. Short-term sickness absence is defined as 1-3 days. Long-term absence is 4 days or more.

### TARGET:

KLP's goal is to have less than 4 per cent sickness absence.

### DEFINITION:

Number of employees including employees on leave of absence and employees who work part-time.

## ENVIRONMENT

*KLP works to reduce the environmental impact of its own operations.*

### UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes towards the following UN Sustainable development Goals:

- Target 9, *Industry, Innovation and Infrastructure*. More specifically indicator 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 12, *Responsible Consumption and Production*.
- Target 13, *Climate Action*

### TARGET:

- Halve greenhouse gas emissions from own operations by 2030, based on emissions in 2010.
- Reduce energy consumption in the property portfolio to 180 kWh per square metre.

### DEFINITION:

#### Corporate air travel:

Number of flights is based on data provided by our travel agent. The number of flights are return flights. Greenhouse gas emissions from KLP's corporate air travel is calculated based on number of kilometres flown, and our travel agent provides the data.

#### Energy consumption in KLP's own offices:

Energy consumption is a major source of KLP's greenhouse gas emissions. The energy consumption in KLP's own office premises are not temperature-corrected, but shows actual consumption. 'Own office premises' are the offices where

employees of the KLP Group work. The energy data is obtained from our energy monitoring system.

#### Energy consumption in KLP's property portfolio:

The data reported is average 12-month temperature-corrected specified energy consumptions for properties operated by KLP.

"In-house operated buildings" means those properties KLP owns and for which KLP has the responsibility for operation and maintenance, and where KLP has the opportunity to implement environmental measures and measure their effects. These are buildings in Oslo, Trondheim, Copenhagen and Stockholm. All these buildings have energy monitoring systems in which energy and water consumption is recorded and monitored. The figures only include buildings where the tenant's energy consumption is also measured, providing us with an overview of the total energy consumption of the buildings. Energy consumption in kWh/m<sup>2</sup> per year for KLP's in-house operated buildings is temperature-corrected.

The company has a large portfolio of buildings, which also changes over time. The individual buildings can also change their consumption patterns over shorter or longer periods, e.g. in connection with changes of tenant. There are various reasons why it may sometimes be impossible to obtain correct energy data, such as meter faults or figures reported too late by our sub-contractors. Hence, the reporting will only include buildings operated by KLP itself, where operating conditions are consistent for the last 12 months before the reporting date. In effect, the buildings included in the reporting might vary slightly from year to year. Nevertheless, we believe that this will portray the correct trends in the energy consumption of the company's property portfolio.

## ENGAGING COMPANIES AND INDUSTRIES FOR MORE SUSTAINABLE OPERATION

*KLP is a committed investor and owner. We vote at general assemblies, and have direct dialogue with companies on ESG matters in our efforts to influence individual companies, industries and markets.*

### UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes to several UN Sustainable Development Goals:

- Target 3.a: Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries.
- Target 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour.
- Target 12.6: Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
- Target 16.2: End abuse, exploitation, trafficking and all forms of violence against and torture of children, 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.5: Substantially reduce corruption and bribery in all their forms.

### TARGET:

- KLP aims to vote at 75 per cent of general meetings internationally, and 90 per cent of general meetings in Norway.
- KLP aimed to monitor 240 companies in 2017.

## INCREASE CLIMATE-FRIENDLY INVESTMENTS

*KLP's investments promote many different dimensions of sustainable development, but KLP intends to focus particularly on climate in the future. KLP aims to manage its capital in a climate-friendly direction by setting specific targets for selected investments.*

### UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes to several UN Sustainable Development Goals:

- Goal 7, Affordable and Clean Energy, including target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services, and 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- Goal 9, Industry, Innovation and Infrastructure, particularly target 9.a: Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support, and 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 17.3: Mobilise additional financial resources for developing countries from multiple sources.

### DEFINITION:

Companies excluded from investments shows the total number of companies KLP has excluded from its investments as of the end of the year, based on breaches of KLP's guidelines for responsible investment.

The number of companies KLP has had direct dialogue with refers to companies that KLP has been in direct contact with during the year on social, environmental, or governance matters. The dialogue varies in scope, subject-matter and time frame. This is a form of exercising ownership in which KLP engages in dialogue with companies to discuss their handling of social responsibility issues, and communicate our expectations as an investor and owner. In 2018, KLPs strategy has been to engage deeper and more thoroughly with the companies we are in dialogue with. As such, even though the number of engagements has gone down, we still believe this kind of engagement strategy will be more beneficial over time. Both for KLP as an investor and for the companies.

### TARGET:

- Increase KLP's climate-friendly investments by NOK 6 billion per year.

### DEFINITION:

Market value of the investments in NOK millions is stated.

### Renewable energy:

Renewable energy in Norway covers equity and bond investments in Norwegian energy and grid companies. Energy companies are classified as electricity producers, with power generation stemming from hydroelectric power, wind power or bio-fuels.

Renewable energy in Europe and North America covers investments in new renewable energy projects. Investments are done through a fund manager specialising in energy (Copenhagen Infrastructure Partners).

Renewable energy in developing countries covers investments in new renewable energy projects. Investments are made partly as direct investments in cooperation with Norfund, and partly as fund investments through the fund manager Climate Investor One. The investments are part of KLP's portfolio for development investments, which is one of the measures in the *Guidelines for KLP as a responsible investor*. The purpose is to achieve both financial returns and benefits to society. The investments are based on commercial risk- and return assessments, but also emphasise positive returns on social and environmental parameters.

**Lending for energy, water, drainage and renovation:**

These are loans to public-sector enterprises, companies and projects in Norway within the energy sector, and in water, drainage and sanitation.

**International power companies**

Investments in international power companies entail power companies who mainly generate power from renewable energy sources. However, we have not included these companies in the indicators for renewable energy as they do generate a minor part of the electricity from other sources.

**Green bonds:**

The market value includes bonds that are classified as green and are not already included in KLP's investments in renewable energy in Norway above. Including these, KLP's total investment in green bonds is NOK 1.6 billion.

**Other climate-friendly investments:**

Climate-friendly investments that are not covered by the aforementioned main categories are combined in this

indicator. For instance, KLP has invested in a Swedish forest fund, investing in forest-properties in Sweden, Finland and the Baltics.

**Fossil energy:**

The figure is the market value of KLP's investments in companies classified as oil and gas companies, including exploration, production and refining. Transport and oil servicing companies are not included.

**Buildings with environmental qualities:**

Market value of buildings with environmental qualities in KLP's property portfolio. There are a multitude of ways define a building with environmental qualities. For KLP, the specific qualities used in this definition are; that the building is BREEAM-certified with a minimum rating of 'very good', that it has energy class B or better, that it produces its own energy through solar panels, or that the building has won a Norwegian property prize where environmental performance is a key evaluation parameter. An overall assessment has been made, and the buildings classified as buildings with environmental qualities have meet one or more of these criteria.

**Proportion of total portfolio:**

The proportion represents the investment as a percentage of KLP's assets under management.

Investments in publicly traded companies that KLP invests in through our index-tracking or global bond portfolios are kept outside this definition of climate-friendly investments (except for green bonds).

**FINANCE IN DEVELOPING COUNTRIES:**

*Underdeveloped financial institutions and lack of access to capital impede efforts to reduce poverty in developing countries. KLP wants its investment in finance in developing countries to contribute to economic growth and better living conditions.*

**UN SUSTAINABLE DEVELOPMENT GOALS:**

The indicators show how KLP contributes to several UN Sustainable Development Goals:

- Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, appropriate technology and financial services, including microfinance.
- Target 5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources.
- Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
- Target 17.3: Mobilise additional financial resources for developing countries from multiple sources.

**TARGET:**

Not defined.

**DEFINITION:**

Investments in banking and finance in developing countries are KLP's investments in the Norwegian Microfinance Initiative (NMI) and NorFinance. NorFinance is an investment company owned by KLP together with others, including Norfund. The investments are part of the KLP's portfolio for development investments, which is one of the measures in the *Guidelines for KLP as a responsible investor*. The purpose is to achieve both financial returns and benefits to society.

**SEED INVESTMENTS:**

*KLP aims to contribute to local innovation and new employment opportunities in Norway. By investing in innovation, we hope KLP can stimulate the development of new businesses and new jobs in Norway.*

**UN SUSTAINABLE DEVELOPMENT GOALS:**

The indicator supports many SDGs. The most central is SDG 8 Decent work and economic growth, and target 8.3; Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

**TARGET:**

Not defined.

**DEFINITION:**

Seed investments. In the 2nd quarter 2018 KLP committed to invest 75 mNOK in SINTEF's Venture V, a seed investment fund that will invest in startups coming out of the research and development community in Trondheim, Norway. Here we are reporting on the transferred sum.

**DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY:**

*KLP aims to develop products and services related to our core business which respond to some of the sustainability challenges our customers and owners have, and which benefit society as a whole..*

**LENDING BUSINESS:**

KLP's lending is to a large degree lending to Norwegian municipalities and other public companies. The loans are important for local development, and create benefits to society as a whole.

**UN SUSTAINABLE DEVELOPMENT GOALS:**

The indicators support the UN Sustainable Development Goal 9, *Industry, Innovation and infrastructure*, particularly target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure.

**TARGET:**

Increase lending for this type of purpose.

**DEFINISJON:**

Loans for public-sector property are loans for e.g. school buildings, town halls and other municipal buildings. Lending to the public sector and businesses covers the financing of various types of investment by municipal and county authorities such as kindergartens, nursing homes, schools etc.



# Interim report

KOMMUNAL LANDSPENSJONSKASSE  
Q1 2019

# Income statement

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
3	Premium income	6 705	6 334	38 727
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	72	-222	3 884
	Interest income and dividends etc. on financial assets	2 159	3 234	9 963
	Value changes on investments	14 672	-6 059	-10 421
	Gains and losses realized on investments	-1 277	1 003	3 595
	<b>Net income from investments in the common portfolio</b>	<b>15 626</b>	<b>-2 044</b>	<b>7 021</b>
	Net income from investments in the investment option portfolio	89	-21	14
	Other insurance-related income	280	256	1 055
4	Claims	-5 022	-4 844	-18 847
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-14 556	4 178	-21 503
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-4	-6	-58
	Funds assigned to insurance contracts - contractual liabilities	0	0	-2 939
	Unallocated profit to insurance contracts	-2 169	-2 976	0
5	Insurance-related operating expenses	-267	-256	-1 097
	Other insurance-related costs	-276	-256	-1 059
	<b>Technical profit/loss</b>	<b>406</b>	<b>364</b>	<b>1 315</b>
	Net income from investments in the corporate portfolio	488	526	1 456
	Other income	3	1	6
	Administration costs and other costs associated with the corporate portfolio	-88	-79	-353
	<b>Non-technical profit/loss</b>	<b>402</b>	<b>448</b>	<b>1 109</b>
	<b>Profit/loss pre-tax</b>	<b>808</b>	<b>812</b>	<b>2 425</b>
	Tax	-146	-157	-627
	<b>Income before other income and expenses</b>	<b>662</b>	<b>654</b>	<b>1 797</b>
12	Actuarial gains and losses on defined benefits pension schemes	-40	0	-15
	Proportion of other comprehensive income on application of the equity method	-21	0	-7
	Adjustment of the insurance liabilities	5	0	1
	Tax on other income and expenses that will not be reclassified to profit or loss	10	0	4
	<b>Total other income and expenses that will not be reclassified to profit or loss</b>	<b>-45</b>	<b>0</b>	<b>-18</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>617</b>	<b>654</b>	<b>1 780</b>



# Statement of financial position

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
<b>ASSETS</b>				
<b>ASSETS IN THE CORPORATE PORTFOLIO</b>				
	Intangible assets	195	219	173
7	Investment properties	956	854	924
	Shares and holdings in property subsidiaries	2 777	1 827	1 985
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 781	4 642	4 694
6	Financial assets valued at amortized cost	18 145	16 675	18 175
6,7	Financial assets valued at fair value	12 429	12 071	12 705
	Receivables	1 007	1 057	742
11	Right-of-use assets	280	0	0
	Other assets	896	852	992
<b>Total assets in the corporate portfolio</b>		<b>41 466</b>	<b>38 198</b>	<b>40 392</b>
<b>ASSETS IN THE CUSTOMER PORTFOLIOS</b>				
	Shares and holdings in property subsidiaries	46 557	58 368	47 296
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	1 541	818	1 521
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	14 597	0	14 782
6	Financial assets valued at amortized cost	215 757	191 162	212 596
6,7	Financial assets valued at fair value	251 448	244 799	239 711
<b>Total investment in the common portfolio</b>		<b>529 900</b>	<b>495 146</b>	<b>515 905</b>
	Shares and holdings in property subsidiaries	230	288	234
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	72	0	73
6	Financial assets at amortized costs	885	810	876
6,7	Financial assets at fair value	1 304	1 253	1 240
<b>Total investments in the investment option portfolio</b>		<b>2 491</b>	<b>2 351</b>	<b>2 423</b>
<b>Total assets in the customer portfolios</b>		<b>532 392</b>	<b>497 497</b>	<b>518 327</b>
<b>TOTAL ASSETS</b>		<b>573 857</b>	<b>535 695</b>	<b>558 719</b>

# Statement of financial position

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Owners' equity contributed	14 545	13 111	14 554
	Retained earnings	19 898	18 156	19 281
	<b>Total owners' equity</b>	<b>34 443</b>	<b>31 267</b>	<b>33 835</b>
6	Subordinated loan capital etc.	7 635	7 464	7 691
	Premium reserve etc.	434 773	407 270	431 153
	Supplementary reserves	28 206	25 401	28 206
	Securities adjustment fund	44 314	34 656	33 439
	Premium funds, defined contribution funds, pension regulation funds etc.	12 216	15 049	12 383
	Unallocated profit to customers	2 088	3 011	0
	<b>Total insurance liabilities - contractual liabilities</b>	<b>521 598</b>	<b>485 387</b>	<b>505 182</b>
	Pension capital etc.	1 943	1 853	1 941
	Supplementary reserves	100	140	100
	Premium funds, defined contribution funds, pension regulation funds etc.	379	387	378
	Unallocated profit to customers	75	-35	0
	<b>Total insurance liabilities - special investment portfolio</b>	<b>2 497</b>	<b>2 345</b>	<b>2 419</b>
12	Pension obligations	619	531	565
	Current tax liabilities	423	2	426
	Deferred tax liabilities	618	382	481
11	Lease liabilities	282	0	0
9	Liabilities	5 534	8 048	7 895
	Accrued costs and prepaid income	208	270	225
	<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>573 857</b>	<b>535 695</b>	<b>558 719</b>
<b>OFF-BALANCE SHEET ITEMS</b>				
	Contingent liabilities	18 872	14 268	19 142

# Changes in Owners' equity

## KOMMUNAL LANDSPENSJONSKASSE

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<b>Own funds 1 January 2019</b>	<b>14 554</b>	<b>4 793</b>	<b>14 488</b>	<b>33 835</b>
Income before other income and expenses		151	510	662
Actuarial gains and losses on defined benefits pension schemes			-40	-40
Proportion of other comprehensive income on application of the equity method			-21	-21
Adjustment of the insurance liabilities			5	5
Tax on other income and expenses that will not be reclassified to profit or loss			10	10
<b>Total other income and expenses that will not be reclassified to profit or loss</b>			<b>-45</b>	<b>-45</b>
<b>Total comprehensive income (unallocated)</b>		<b>151</b>	<b>465</b>	<b>617</b>
Owners equity contribution received	-9			-9
<b>Total transactions with owners</b>	<b>-9</b>			<b>-9</b>
<b>Own funds 31 March 2019</b>	<b>14 545</b>	<b>4 945</b>	<b>14 953</b>	<b>34 443</b>

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<b>Own funds 1 January 2018</b>	<b>13 125</b>	<b>4 154</b>	<b>13 347</b>	<b>30 626</b>
Income before other income and expenses		148	506	654
Actuarial gains and losses on defined benefits pension schemes			0	0
Proportion of other comprehensive income on application of the equity method			0	0
Adjustment of the insurance liabilities			0	0
Tax on other income and expenses that will not be reclassified to profit or loss			0	0
<b>Total other income and expenses that will not be reclassified to profit or loss</b>			<b>0</b>	<b>0</b>
<b>Total comprehensive income (unallocated)</b>		<b>148</b>	<b>506</b>	<b>654</b>
Owners equity contribution received	-14			-14
<b>Total transactions with owners</b>	<b>-14</b>			<b>-14</b>
<b>Own funds 31 March 2018</b>	<b>13 111</b>	<b>4 302</b>	<b>13 853</b>	<b>31 267</b>

# Changes in Owners' equity

## KOMMUNAL LANDSPENSJONSKASSE

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<b>Own funds 1 January 2018</b>	<b>13 125</b>	<b>4 154</b>	<b>13 347</b>	<b>30 626</b>
Income before other income and expenses		639	1 158	1 797
Actuarial gains and losses on defined benefits pension schemes			-15	-15
Proportion of other comprehensive income on application of the equity method			-7	-7
Adjustment of the insurance liabilities			1	1
Tax on other income and expenses that will not be reclassified to profit or loss			4	4
<b>Total other income and expenses that will not be reclassified to profit or loss</b>			<b>-18</b>	<b>-18</b>
<b>Total comprehensive income</b>		<b>639</b>	<b>1 141</b>	<b>1 780</b>
Owners equity contribution received	1 429			1 429
<b>Total transactions with owners</b>	<b>1 429</b>			<b>1 429</b>
<b>Own funds 31 December 2018</b>	<b>14 554</b>	<b>4 793</b>	<b>14 488</b>	<b>33 835</b>

# Statement of cash flows

## KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2019 -31.03.2019	01.01.2018 -31.12.2018	01.01.2018 -30.09.2018	01.01.2018 -30.06.2018	01.01.2018 -31.03.2018
Net cashflow from operational activities	-24	-1 304	-1 461	287	-12
Net cashflow from investment activities <sup>1</sup>	-39	-12	-12	-12	-10
Net cashflow from financing activities <sup>2</sup>	-35	1 429	1 428	-13	-14
<b>Net changes in cash and bank deposits</b>	<b>-98</b>	<b>112</b>	<b>-45</b>	<b>262</b>	<b>-35</b>
Holdings of cash and bank deposits at start of period	954	842	842	842	842
<b>Holdings of cash and bank deposits at end of period</b>	<b>856</b>	<b>954</b>	<b>796</b>	<b>1 104</b>	<b>807</b>

<sup>1</sup> Payments on the purchase of tangible fixed assets.

<sup>2</sup> Net receipts of owners' equity contribution, rising of new loans and repayment of debt.

# Notes to the financial statements

## KOMMUNAL LANDSPENSJONSKASSE

### NOTE 1 Accounting principles- and estimates

#### ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 31 March 2019. The accounts have not been audited.

The interim financial statements are presented in accordance with Regulations no. 1824 of 18 December 2015: The Regulations governing the annual financial statements for life insurance companies (the Financial Reporting Regulations) and IAS 34 Interim Financial Reporting. The interim financial statements have been prepared in accordance with the same principles as the annual financial statements for 2018, unless stated otherwise.

As of 1 January 2019 the Company has implemented the accounting standard IFRS 16 Leases. The company has also chosen a modified retrospective approach and is taking the whole effect of the transition against the opening balance at 1 January 2019. It is permitted not to show comparative figures. For further information, see note 11 Leases in this interim report.

The interim financial statements do not contain all the information required of complete annual financial statements, and the interim financial statement should be read in the context of the annual financial statements for 2018, which is available at [klp.no](http://klp.no)

#### ACCOUNTING ESTIMATES

In preparing the interim financial statement, management must make accounting estimates and discretionary evaluations. Actual figures may deviate from estimates used.

**NOTE 2** Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 31. March 2019.

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
Value adjustment incl. foreign exchange	-595	-846	1 704
Foreign exchange effect on hedging	716	795	377
<b>Net value adjustment incl. exchange hedging</b>	<b>120</b>	<b>-52</b>	<b>2 081</b>

**NOTE 3** Premium income

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
Gross premiums due	6 705	6 328	38 724
Reinsurance premiums ceded	0	0	-2
Transfer of premium reserves from others	0	5	5
<b>Total premium income</b>	<b>6 705</b>	<b>6 334</b>	<b>38 727</b>

**NOTE 4** Claims

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
Claims paid	4 774	4 421	18 350
Transfers of premium reserves to others	248	424	497
<b>Total claims</b>	<b>5 022</b>	<b>4 844</b>	<b>18 847</b>

**NOTE 5** Insurance-related operating expenses

NOK MILLIONS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
Personnel costs	175	160	639
Depreciation <sup>1</sup>	41	19	73
Other operating expenses <sup>1</sup>	52	77	384
<b>Total insurance-related operating expenses</b>	<b>267</b>	<b>256</b>	<b>1 097</b>

<sup>1</sup> As a result of the implementation of IFRS 16 Leases, the rental cost is classified as depreciation as of 01.01.2019.

**NOTE 6** Fair value of financial assets and liabilities

For information regarding pricing of financial assets and liabilities see note 9 Fair value of financial assets and liabilities in the consolidated financial statement.

31.03.2019 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS – AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	683	762	5 386	5 855	23	24	6 092	6 641
Accrued not due interest	8	8	80	80	0	0	88	88
Foreign hold-to-maturity bonds	6 199	6 450	17 032	17 896	57	63	23 288	24 408
Accrued not due interest	50	50	292	292	2	2	343	343
<b>Total investments held to maturity</b>	<b>6 940</b>	<b>7 270</b>	<b>22 790</b>	<b>24 122</b>	<b>82</b>	<b>89</b>	<b>29 811</b>	<b>31 481</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
Norwegian bonds	3 601	3 693	38 819	40 876	191	204	42 611	44 773
Accrued not due interest	72	72	745	745	5	5	822	822
Foreign bonds	7 393	7 608	87 500	91 515	597	622	95 490	99 745
Accrued not due interest	140	140	1 504	1 504	11	11	1 654	1 654
<b>Total bonds classified as loans and receivables</b>	<b>11 205</b>	<b>11 512</b>	<b>128 568</b>	<b>134 640</b>	<b>803</b>	<b>841</b>	<b>140 576</b>	<b>146 993</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loans	0	0	2 910	2 916	0	0	2 910	2 916
Lending with public sector guarantee	0	0	51 813	52 215	0	0	51 813	52 215
Loans abroad secured by mortgage and local government guarantee	0	0	9 358	9 386	0	0	9 358	9 386
Accrued not due interest	0	0	320	320	0	0	320	320
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>64 400</b>	<b>64 836</b>	<b>0</b>	<b>0</b>	<b>64 400</b>	<b>64 836</b>
<b>Total financial assets at amortized cost</b>	<b>18 145</b>	<b>18 782</b>	<b>215 757</b>	<b>223 598</b>	<b>885</b>	<b>930</b>	<b>234 787</b>	<b>243 309</b>
<b>ASSETS – AT FAIR VALUE</b>								
<b>EQUITY CAPITAL INSTRUMENTS</b>								
Norwegian shares	683	683	7 218	7 218	0	0	7 901	7 901
Foreign shares	0	0	25 616	25 616	0	0	25 616	25 616
<b>Total shares</b>	<b>683</b>	<b>683</b>	<b>32 834</b>	<b>32 834</b>	<b>0</b>	<b>0</b>	<b>33 517</b>	<b>33 517</b>
Property funds	0	0	2 350	2 350	0	0	2 350	2 350
Norwegian equity funds	0	0	73 113	73 113	654	654	73 767	73 767
Foreign equity funds	0	0	11 747	11 747	0	0	11 747	11 747
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>87 211</b>	<b>87 211</b>	<b>654</b>	<b>654</b>	<b>87 865</b>	<b>87 865</b>
Norwegian alternative investments	0	0	2 606	2 606	16	16	2 621	2 621
Foreign alternative investments	0	0	952	952	0	0	952	952
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>3 558</b>	<b>3 558</b>	<b>16</b>	<b>16</b>	<b>3 574</b>	<b>3 574</b>
<b>Total shares and units</b>	<b>683</b>	<b>683</b>	<b>123 603</b>	<b>123 603</b>	<b>670</b>	<b>670</b>	<b>124 956</b>	<b>124 956</b>



**NOTE 6** Fair value of financial assets and liabilities – continues

31.03.2019 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
Norwegian bonds	6 485	6 485	32 155	32 155	0	0	38 639	38 639
Foreign bonds	171	171	19 002	19 002	0	0	19 173	19 173
Accrued not due interest	30	30	333	333	0	0	363	363
Norwegian fixed-income funds	2 267	2 267	50 779	50 779	580	580	53 627	53 627
Foreign fixed-income funds	0	0	13 871	13 871	0	0	13 871	13 871
Accrued not due interest	5	5	53	53	2	2	60	60
Norwegian certificates	619	619	5 339	5 339	0	0	5 958	5 958
Accrued not due interest	2	2	3	3	0	0	5	5
<b>Fixed income securities</b>	<b>9 579</b>	<b>9 579</b>	<b>121 535</b>	<b>121 535</b>	<b>582</b>	<b>582</b>	<b>131 696</b>	<b>131 696</b>
Norwegian loans and receivables	1 238	1 238	2 731	2 731	13	13	3 983	3 983
Foreign loans and receivables	195	195	2 272	2 272	38	38	2 505	2 505
<b>Total loans and receivables</b>	<b>1 434</b>	<b>1 434</b>	<b>5 003</b>	<b>5 003</b>	<b>51</b>	<b>51</b>	<b>6 487</b>	<b>6 487</b>
<b>DERIVATIVES</b>								
Interest rate swaps	690	690	80	80	0	0	770	770
Forward exchange contracts	1	1	541	541	2	2	544	544
<b>Total financial derivatives classified as assets</b>	<b>691</b>	<b>691</b>	<b>621</b>	<b>621</b>	<b>2</b>	<b>2</b>	<b>1 313</b>	<b>1 313</b>
<b>Other financial assets</b>	<b>42</b>	<b>42</b>	<b>686</b>	<b>686</b>	<b>0</b>	<b>0</b>	<b>728</b>	<b>728</b>
<b>Total financial assets valued at fair value</b>	<b>12 429</b>	<b>12 429</b>	<b>251 448</b>	<b>251 448</b>	<b>1 304</b>	<b>1 304</b>	<b>265 181</b>	<b>265 181</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	255	255	0	0	255	255
Forward exchange contracts	0	0	626	626	3	3	629	629
<b>Total financial derivatives classified as liabilities</b>	<b>0</b>	<b>0</b>	<b>881</b>	<b>881</b>	<b>3</b>	<b>3</b>	<b>883</b>	<b>883</b>
<b>SUBORDINATED LOAN CAPITAL</b>								
Subordinated loan capital	5 950	6 433	0	0	0	0	5 950	6 433
Hybrid Tier 1 securities	1 685	1 685	0	0	0	0	1 685	1 685
<b>Total subordinated loan capital etc.</b>	<b>7 635</b>	<b>8 118</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7 635</b>	<b>8 118</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS</b>								
Norwegian call money <sup>1</sup>	0	0	4	4	2	2	6	6
Foreign call money <sup>1</sup>	696	696	37	37	7	7	739	739
<b>Total liabilities to credit institutions</b>	<b>696</b>	<b>696</b>	<b>40</b>	<b>40</b>	<b>9</b>	<b>9</b>	<b>745</b>	<b>745</b>

<sup>1</sup> Call money is collateral for paid/received margin related to derivatives

## NOTE 6 Fair value of financial assets and liabilities – continues

31.03.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS – AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	683	760	6 448	6 979	23	24	7 154	7 763
Accrued not due interest	8	8	96	96	0	0	104	104
Foreign hold-to-maturity bonds	6 187	6 331	17 607	18 268	65	71	23 859	24 671
Accrued not due interest	50	50	318	318	2	2	370	370
<b>Total investments held to maturity</b>	<b>6 927</b>	<b>7 149</b>	<b>24 469</b>	<b>25 661</b>	<b>90</b>	<b>97</b>	<b>31 486</b>	<b>32 907</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
Norwegian bonds	3 248	3 337	33 172	35 096	180	194	36 600	38 626
Accrued not due interest	64	64	698	698	5	5	767	767
Foreign bonds	6 298	6 447	74 245	77 476	525	548	81 067	84 471
Accrued not due interest	138	138	1 342	1 342	10	10	1 490	1 490
Norwegian certificates	0	0	788	788	0	0	788	788
Accrued not due interest	0	0	2	2	0	0	2	2
<b>Total bonds classified as loans and receivables</b>	<b>9 748</b>	<b>9 986</b>	<b>110 246</b>	<b>115 401</b>	<b>720</b>	<b>756</b>	<b>120 714</b>	<b>126 144</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loan	0	0	3 187	3 189	0	0	3 187	3 189
Lending with public sector guarantee	0	0	45 472	45 804	0	0	45 472	45 804
Loans abroad secured by mortgage and local government guarantee	0	0	7 494	7 539	0	0	7 494	7 539
Accrued not due interest	0	0	293	293	0	0	293	293
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>56 446</b>	<b>56 826</b>	<b>0</b>	<b>0</b>	<b>56 446</b>	<b>56 826</b>
<b>Total financial assets at amortized cost</b>	<b>16 675</b>	<b>17 135</b>	<b>191 162</b>	<b>197 888</b>	<b>810</b>	<b>854</b>	<b>208 647</b>	<b>215 877</b>
<b>ASSETS – AT FAIR VALUE</b>								
<b>EQUITY CAPITAL INSTRUMENTS</b>								
Norwegian shares	538	538	6 228	6 228	0	0	6 766	6 766
Foreign shares	0	0	22 885	22 885	0	0	22 885	22 885
<b>Total shares</b>	<b>538</b>	<b>538</b>	<b>29 113</b>	<b>29 113</b>	<b>0</b>	<b>0</b>	<b>29 651</b>	<b>29 651</b>
Property funds	0	0	2 304	2 304	0	0	2 304	2 304
Norwegian equity funds	0	0	62 205	62 205	589	589	62 794	62 794
Foreign equity funds	0	0	10 318	10 318	0	0	10 318	10 318
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>74 827</b>	<b>74 827</b>	<b>589</b>	<b>589</b>	<b>75 416</b>	<b>75 416</b>
Norwegian alternative investments	0	0	2 699	2 699	16	16	2 716	2 716
Foreign alternative investments	0	0	879	879	0	0	879	879
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>3 579</b>	<b>3 579</b>	<b>16</b>	<b>16</b>	<b>3 595</b>	<b>3 595</b>
<b>Total shares and units</b>	<b>538</b>	<b>538</b>	<b>107 519</b>	<b>107 519</b>	<b>606</b>	<b>606</b>	<b>108 662</b>	<b>108 662</b>

## NOTE 6 Fair value of financial assets and liabilities – continues

31.03.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
Norwegian bonds	5 864	5 864	33 489	33 489	0	0	39 353	39 353
Foreign bonds	161	161	18 319	18 319	0	0	18 480	18 480
Accrued not due interest	28	28	305	305	0	0	334	334
Norwegian fixed-income funds	2 187	2 187	49 473	49 473	585	585	52 245	52 245
Foreign fixed-income funds	0	0	13 279	13 279	0	0	13 279	13 279
Accrued not due interest	31	31	1 180	1 180	9	9	1 220	1 220
Norwegian certificates	596	596	7 324	7 324	0	0	7 920	7 920
Accrued not due interest	5	5	9	9	0	0	14	14
<b>Fixed income securities</b>	<b>8 873</b>	<b>8 873</b>	<b>123 378</b>	<b>123 378</b>	<b>594</b>	<b>594</b>	<b>132 846</b>	<b>132 846</b>
Norwegian loans and receivables	1 354	1 354	7 631	7 631	6	6	8 991	8 991
Foreign loans and receivables	275	275	4 263	4 263	40	40	4 578	4 578
<b>Total loans and receivables</b>	<b>1 629</b>	<b>1 629</b>	<b>11 894</b>	<b>11 894</b>	<b>45</b>	<b>45</b>	<b>13 569</b>	<b>13 569</b>
<b>DERIVATIVES</b>								
Interest rate swaps	531	531	122	122	0	0	653	653
Forward exchange contracts	0	0	1 223	1 223	4	4	1 226	1 226
<b>Total financial derivatives classified as assets</b>	<b>531</b>	<b>531</b>	<b>1 345</b>	<b>1 345</b>	<b>4</b>	<b>4</b>	<b>1 880</b>	<b>1 880</b>
<b>Other financial assets</b>	<b>500</b>	<b>500</b>	<b>662</b>	<b>662</b>	<b>4</b>	<b>4</b>	<b>1 166</b>	<b>1 166</b>
<b>Total financial assets valued at fair value</b>	<b>12 071</b>	<b>12 071</b>	<b>244 799</b>	<b>244 799</b>	<b>1 253</b>	<b>1 253</b>	<b>258 123</b>	<b>258 123</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	249	249	0	0	249	249
Forward exchange contracts	0	0	653	653	2	2	655	655
<b>Total financial derivatives classified as liabilities</b>	<b>0</b>	<b>0</b>	<b>902</b>	<b>902</b>	<b>2</b>	<b>2</b>	<b>904</b>	<b>904</b>
<b>SUBORDINATED LOAN CAPITAL</b>								
Subordinated loan capital	5 936	6 607	0	0	0	0	5 936	6 607
Hybrid Tier 1 securities	1 527	1 397	0	0	0	0	1 527	1 397
<b>Total subordinated loan capital etc.</b>	<b>7 464</b>	<b>8 005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7 464</b>	<b>8 005</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS</b>								
Norwegian call money <sup>1</sup>	0	0	814	814	2	2	817	817
Foreign call money <sup>1</sup>	546	546	1 288	1 288	9	9	1 843	1 843
<b>Total liabilities to credit institutions</b>	<b>546</b>	<b>546</b>	<b>2 102</b>	<b>2 102</b>	<b>11</b>	<b>11</b>	<b>2 660</b>	<b>2 660</b>

<sup>1</sup> Call money is collateral for paid/received margin related to derivatives

## NOTE 6 Fair value of financial assets and liabilities – continues

31.12.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS – AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	686	751	6 247	6 666	23	24	6 955	7 440
Accrued not due interest	20	20	155	155	0	0	175	175
Foreign hold-to-maturity bonds	6 331	6 493	17 086	17 502	57	63	23 474	24 058
Accrued not due interest	42	42	235	235	1	1	278	278
<b>Total investments held to maturity</b>	<b>7 078</b>	<b>7 305</b>	<b>23 722</b>	<b>24 558</b>	<b>81</b>	<b>88</b>	<b>30 882</b>	<b>31 950</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
Norwegian bonds	3 580	3 634	39 654	41 357	190	202	43 425	45 192
Accrued not due interest	59	59	777	777	4	4	840	840
Foreign bonds	7 358	7 411	84 691	87 139	590	605	92 640	95 154
Accrued not due interest	99	99	1 472	1 472	11	11	1 582	1 582
<b>Total bonds classified as loans and receivables</b>	<b>11 097</b>	<b>11 203</b>	<b>126 594</b>	<b>130 745</b>	<b>795</b>	<b>821</b>	<b>138 487</b>	<b>142 769</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loans	0	0	2 976	2 979	0	0	2 976	2 979
Lending with public sector guarantee	0	0	51 074	51 330	0	0	51 074	51 330
Loans abroad secured by mortgage and local government guarantee	0	0	7 971	8 005	0	0	7 971	8 005
Accrued not due interest	0	0	257	257	0	0	257	257
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>62 279</b>	<b>62 572</b>	<b>0</b>	<b>0</b>	<b>62 279</b>	<b>62 572</b>
<b>Total financial assets at amortized cost</b>	<b>18 175</b>	<b>18 508</b>	<b>212 596</b>	<b>217 874</b>	<b>876</b>	<b>908</b>	<b>231 647</b>	<b>237 291</b>
<b>ASSETS – AT FAIR VALUE</b>								
<b>EQUITY CAPITAL INSTRUMENTS</b>								
Norwegian shares	601	601	6 843	6 843	0	0	7 445	7 445
Foreign shares	0	0	23 108	23 108	0	0	23 108	23 108
<b>Total shares</b>	<b>601</b>	<b>601</b>	<b>29 951</b>	<b>29 951</b>	<b>0</b>	<b>0</b>	<b>30 552</b>	<b>30 552</b>
Property funds	0	0	2 326	2 326	0	0	2 326	2 326
Norwegian equity funds	0	0	63 747	63 747	599	599	64 346	64 346
Foreign equity funds	0	0	11 533	11 533	0	0	11 533	11 533
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>77 605</b>	<b>77 605</b>	<b>599</b>	<b>599</b>	<b>78 204</b>	<b>78 204</b>
Norwegian alternative investments	0	0	2 592	2 592	16	16	2 608	2 608
Foreign alternative investments	0	0	858	858	0	0	858	858
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>3 451</b>	<b>3 451</b>	<b>16</b>	<b>16</b>	<b>3 466</b>	<b>3 466</b>
<b>Total shares and units</b>	<b>601</b>	<b>601</b>	<b>111 007</b>	<b>111 007</b>	<b>615</b>	<b>615</b>	<b>112 223</b>	<b>112 223</b>

## NOTE 6 Fair value of financial assets and liabilities – continues

31.12.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
Norwegian bonds	7 155	7 155	32 582	32 582	0	0	39 737	39 737
Foreign bonds	156	156	19 373	19 373	0	0	19 529	19 529
Accrued not due interest	40	40	360	360	0	0	400	400
Norwegian fixed-income funds	2 229	2 229	50 749	50 749	576	576	53 554	53 554
Foreign fixed-income funds	0	0	13 237	13 237	0	0	13 237	13 237
Norwegian certificates	358	358	5 758	5 758	0	0	6 116	6 116
Accrued not due interest	1	1	5	5	0	0	6	6
<b>Fixed income securities</b>	<b>9 939</b>	<b>9 939</b>	<b>122 064</b>	<b>122 064</b>	<b>576</b>	<b>576</b>	<b>132 579</b>	<b>132 579</b>
Norwegian loans and receivables	1 374	1 374	2 844	2 844	10	10	4 228	4 228
Foreign loans and receivables	140	140	3 440	3 440	39	39	3 619	3 619
<b>Total loans and receivables</b>	<b>1 514</b>	<b>1 514</b>	<b>6 284</b>	<b>6 284</b>	<b>49</b>	<b>49</b>	<b>7 847</b>	<b>7 847</b>
<b>DERIVATIVES</b>								
Interest rate swaps	651	651	55	55	0	0	706	706
Forward exchange contracts	0	0	70	70	0	0	70	70
<b>Total financial derivatives classified as assets</b>	<b>651</b>	<b>651</b>	<b>126</b>	<b>126</b>	<b>0</b>	<b>0</b>	<b>777</b>	<b>777</b>
<b>Other financial assets</b>	<b>0</b>	<b>0</b>	<b>229</b>	<b>229</b>	<b>0</b>	<b>0</b>	<b>229</b>	<b>229</b>
<b>Total financial assets valued at fair value</b>	<b>12 705</b>	<b>12 705</b>	<b>239 711</b>	<b>239 711</b>	<b>1 240</b>	<b>1 240</b>	<b>253 656</b>	<b>253 656</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	490	490	0	0	490	490
Forward exchange contracts	1	1	3 384	3 384	16	16	3 401	3 401
<b>Total financial derivatives classified as liabilities</b>	<b>1</b>	<b>1</b>	<b>3 874</b>	<b>3 874</b>	<b>16</b>	<b>16</b>	<b>3 891</b>	<b>3 891</b>
<b>SUBORDINATED LOAN CAPITAL</b>								
Subordinated loan capital	6 029	6 302	0	0	0	0	6 029	6 302
Hybrid Tier 1 securities	1 662	1 332	0	0	0	0	1 662	1 332
<b>Total subordinated loan capital etc.</b>	<b>7 691</b>	<b>7 634</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7 691</b>	<b>7 634</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS</b>								
Norwegian call money <sup>1</sup>	0	0	1	1	0	0	1	1
Foreign call money <sup>1</sup>	628	628	12	12	9	9	648	648
<b>Total liabilities to credit institutions</b>	<b>628</b>	<b>628</b>	<b>13</b>	<b>13</b>	<b>9</b>	<b>9</b>	<b>650</b>	<b>650</b>

<sup>1</sup> Call money is collateral for paid/received margin related to derivatives

## NOTE 7 Fair value hierarchy

31.03.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Fixed-income securities	2 318	7 261	0	9 579
Certificates	0	621	0	621
Bonds	45	6 640	0	6 686
Fixed-income funds	2 273	0	0	2 273
Loans and receivables	641	793	0	1 434
Shares and units	0	679	4	683
Shares	0	679	4	683
Financial derivatives	0	691	0	691
Other financial assets	0	42	0	42
<b>Total corporate portfolio</b>	<b>2 959</b>	<b>9 466</b>	<b>4</b>	<b>12 429</b>
<b>COMMON PORTFOLIO</b>				
Fixed-income securities	86 432	35 103	0	121 535
Certificates	3 889	1 453	0	5 342
Bonds	17 840	33 650	0	51 490
Fixed-income funds	64 703	0	0	64 703
Loans and receivables	4 151	852	0	5 003
Shares and units	104 019	4 226	15 359	123 603
Shares	29 730	624	2 481	32 834
Equity funds	74 289	0	66	74 355
Property funds	0	44	2 306	2 350
Special funds	0	3 558	0	3 558
Private Equity	0	0	10 506	10 506
Financial derivatives	0	621	0	621
Other financial assets	0	686	0	686
<b>Total common portfolio</b>	<b>194 602</b>	<b>41 488</b>	<b>15 359</b>	<b>251 448</b>

## NOTE 7 Fair value hierarchy – continues

31.03.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
Fixed-income securities	582	0	0	582
Fixed-income funds	582	0	0	582
Loans and receivables	51	0	0	51
Shares and units	654	16	0	670
Equity funds	654	0	0	654
Special funds	0	16	0	16
Financial derivatives	0	2	0	2
Other financial assets	0	0	0	0
<b>Total investment option portfolio</b>	<b>1 287</b>	<b>17</b>	<b>0</b>	<b>1 304</b>
<b>Total financial assets valued at fair value</b>	<b>198 847</b>	<b>50 971</b>	<b>15 362</b>	<b>265 180</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	956	956
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>956</b>	<b>956</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	0	0	0
Debt to credit institutions	696	0	0	696
<b>Total corporate portfolio</b>	<b>696</b>	<b>0</b>	<b>0</b>	<b>696</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	881	0	881
Debt to credit institutions	40	0	0	40
<b>Total common portfolio</b>	<b>40</b>	<b>881</b>	<b>0</b>	<b>921</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	3	0	3
Debt to credit institutions	9	0	0	9
<b>Total investment option portfolio</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>12</b>
<b>Total financial liabilities at fair value</b>	<b>745</b>	<b>883</b>	<b>0</b>	<b>1 628</b>

## NOTE 7 Fair value hierarchy – continues

31.03.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Fixed-income securities	2 264	6 609	0	8 873
Certificates	0	601	0	601
Bonds	46	6 008	0	6 054
Fixed-income funds	2 218	0	0	2 218
Loans and receivables	965	664	0	1 629
Shares and units	0	535	3	538
Shares	0	535	3	538
Financial derivatives	0	531	0	531
Other financial assets	0	500	0	500
<b>Total corporate portfolio</b>	<b>3 229</b>	<b>8 840</b>	<b>3</b>	<b>12 071</b>
<b>COMMON PORTFOLIO</b>				
Fixed-income securities	85 583	37 795	0	123 378
Certificates	6 133	1 200	0	7 333
Bonds	15 518	36 595	0	52 113
Fixed-income funds	63 932	0	0	63 932
Loans and receivables	9 788	2 106	0	11 894
Shares and units	90 278	4 387	12 854	107 519
Shares	26 786	691	1 636	29 113
Equity funds	63 492	0	66	63 558
Property funds	0	116	2 188	2 304
Special funds	0	3 579	0	3 579
Private Equity	0	0	8 965	8 965
Financial derivatives	0	1 345	0	1 345
Other financial assets	0	662	0	662
<b>Total common portfolio</b>	<b>185 649</b>	<b>46 296</b>	<b>12 854</b>	<b>244 799</b>



## NOTE 7 Fair value hierarchy – continues

31.03.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
Fixed-income securities	594	0	0	594
Fixed-income funds	594	0	0	594
Loans and receivables	45	0	0	45
Shares and units	589	16	0	606
Equity funds	589	0	0	589
Special funds	0	16	0	16
Financial derivatives	0	4	0	4
Other financial assets	0	4	0	4
<b>Total investment option portfolio</b>	<b>1 229</b>	<b>23</b>	<b>0</b>	<b>1 253</b>
<b>Total financial assets valued at fair value</b>	<b>190 108</b>	<b>55 159</b>	<b>12 856</b>	<b>258 123</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	854	854
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>854</b>	<b>854</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	0	0	0
Debt to credit institutions	546	0	0	546
<b>Total corporate portfolio</b>	<b>546</b>	<b>0</b>	<b>0</b>	<b>546</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	902	0	902
Debt to credit institutions	2 102	0	0	2 102
<b>Total common portfolio</b>	<b>2 102</b>	<b>902</b>	<b>0</b>	<b>3 004</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	2	0	2
Debt to credit institutions	11	0	0	11
<b>Total investment option portfolio</b>	<b>11</b>	<b>2</b>	<b>0</b>	<b>14</b>
<b>Total financial liabilities at fair value</b>	<b>2 660</b>	<b>904</b>	<b>0</b>	<b>3 564</b>

**NOTE 7** Fair value hierarchy – continues

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Fixed-income securities	2 276	7 663	0	9 939
Certificates	0	359	0	359
Bonds	47	7 304	0	7 351
Fixed-income funds	2 229	0	0	2 229
Loans and receivables	746	768	0	1 514
Shares and units	0	598	4	601
Shares	0	598	4	601
Financial derivatives	0	651	0	651
Other financial assets	0	0	0	0
<b>Total corporate portfolio</b>	<b>3 022</b>	<b>9 680</b>	<b>4</b>	<b>12 705</b>
<b>COMMON PORTFOLIO</b>				
Fixed-income securities	86 443	35 621	0	122 064
Certificates	3 969	1 794	0	5 763
Bonds	18 487	33 828	0	52 315
Fixed-income funds	63 987	0	0	63 987
Loans and receivables	5 435	849	0	6 284
Shares and units	91 686	4 116	15 205	111 007
Shares	26 850	620	2 481	29 951
Equity funds	64 836	0	61	64 897
Property funds	0	45	2 281	2 326
Special funds	0	3 451	0	3 451
Private Equity	0	0	10 383	10 383
Financial derivatives	0	126	0	126
Other financial assets	0	229	0	229
<b>Total common portfolio</b>	<b>183 565</b>	<b>40 941</b>	<b>15 205</b>	<b>239 711</b>

**NOTE 7** Fair value hierarchy – continues

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
Fixed-income securities	576	0	0	576
Fixed-income funds	576	0	0	576
Loans and receivables	49	0	0	49
Shares and units	599	16	0	615
Shares	0	0	0	0
Equity funds	599	0	0	599
Property funds	0	0	0	0
Special funds	0	16	0	16
Private Equity	0	0	0	0
Financial derivatives	0	0	0	0
Other financial assets	0	0	0	0
<b>Total investment option portfolio</b>	<b>1 224</b>	<b>16</b>	<b>0</b>	<b>1 240</b>
<b>Total financial assets valued at fair value</b>	<b>187 810</b>	<b>50 637</b>	<b>15 209</b>	<b>253 656</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	924	924
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>924</b>	<b>924</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	1	0	1
Debt to credit institutions	628	0	0	628
<b>Total corporate portfolio</b>	<b>628</b>	<b>1</b>	<b>0</b>	<b>629</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	3 874	0	3 874
Debt to credit institutions	13	0	0	13
<b>Total common portfolio</b>	<b>13</b>	<b>3 874</b>	<b>0</b>	<b>3 887</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	16	0	16
Debt to credit institutions	9	0	0	9
<b>Total investment option portfolio</b>	<b>9</b>	<b>16</b>	<b>0</b>	<b>25</b>
<b>Total financial liabilities at fair value</b>	<b>650</b>	<b>3 891</b>	<b>0</b>	<b>4 541</b>

## NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
Opening balance 01.01.	4	3	3
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	0	1
<b>Closing balance 31.03./31.12.</b>	<b>4</b>	<b>3</b>	<b>4</b>
Realised gains/losses	0	-48	-48

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
Opening balance 01.01.	2 481	1 640	1 640
Sold	-20	0	0
Bought	12	0	339
Unrealised changes	9	-4	503
<b>Closing balance 31.03./31.12.</b>	<b>2 481</b>	<b>1 636</b>	<b>2 481</b>
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
Opening balance 01.01.	61	75	75
Sold	0	0	-15
Bought	0	0	0
Unrealised changes	5	-9	1
<b>Closing balance 31.03./31.12.</b>	<b>66</b>	<b>66</b>	<b>61</b>
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
Opening balance 01.01.	12 664	10 837	10 837
Sold	-528	-441	-2 403
Bought	548	368	2 261
Unrealised changes	128	389	1 969
<b>Closing balance 31.03./31.12.</b>	<b>12 812</b>	<b>11 153</b>	<b>12 664</b>
Realised gains/losses	110	277	1 326

**NOTE 7** Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.03.2019	Book value 31.03.2018	Book value 31.12.2018
Opening balance 01.01.	924	1 003	1 003
Sold	0	-499	-499
Bought	0	0	0
Unrealised changes	42	10	70
Other	-10	341	350
<b>Closing balance 31.03./31.12.</b>	<b>956</b>	<b>854</b>	<b>924</b>
Realised gains/losses	0	362	362
<b>Total Level 3</b>	<b>16 318</b>	<b>13 711</b>	<b>16 133</b>

Unrealized changes are reflected in the line «Value changes on investments» in the different portfolios in the income statement. The amounts in the level distribution can in turn be found in the financial position statement under various portfolios' allocation of financial instruments at fair value and investment property.

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 at 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 at 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 income 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 at Level 3 in the company include unlisted shares and Private Equity.

Valuations related to items in the various levels are described in note 9 for the Group. For description of the pricing of investment property please see the annual financial statements.

The fair value of assets and liabilities measured at amortized cost are stated in note 6. Level based classification of these items will be as follows; assets classified as held to maturity are included in level 1, lending and loans and receivables are included in level 2. Liabilities, measured at amortized cost, will be categorized as follows: subordinated loans are included in both level 1 and 2, hybrid tier 1 securities are included in level 2 and debt to credit institutions are included in level 1.

Information regarding pricing of these interest bearing instruments are available in note 9 for the Group.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 816 million as of 31.03.2019 on the assets in level 3.

With regard to transferring securities between the levels, a limit is set for the number of trading days and the amount of trading for shares by separating Level 1 and Level 2.

**NOTE 7** Fair value hierarchy – continues

The general principles related to the distribution between levels basically concern whether the asset or liability is listed or not and whether the listing can be stated to be in an active market. As regards shares, there is a further distinction between trading days and amount of trading which separates out listed securities that do not form part of an active market. The values at the end of the reporting period provide the basis for any movement between the levels.

In this quarter NOK 39 million have been moved from Level 2 to Level 1 and NOK 3 million from level 1 to level 2. The amounts are related to equity instruments and are due to change in liquidity. NOK 19 million was also moved from level 3 to level 2 when previously unlisted shares became classified as "OTC" (over the counter) shares. There has been no other movements between the different levels in KLP.

**NOTE 8** Presentation of assets and liabilities that are subject to net settlement

31.03.2019 NOK MILLIONS					Related amounts not presented net		Net amount
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	
<b>ASSETS</b>							
Financial derivatives	1313	0	1313	-600	-725	0	2
<b>Total</b>	<b>1313</b>	<b>0</b>	<b>1313</b>	<b>-600</b>	<b>-725</b>	<b>0</b>	<b>2</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
Total assets – common portfolio	621	0	621	-599	-29	0	0
Total assets – corporate portfolio	691	0	691	0	-696	0	1
Total assets – investment option portfolio	2	0	2	-1	0	0	1
<b>Total</b>	<b>1313</b>	<b>0</b>	<b>1313</b>	<b>-600</b>	<b>-725</b>	<b>0</b>	<b>2</b>
<b>LIABILITIES</b>							
Financial derivatives	883	0	883	-600	-1	-870	1
<b>Total</b>	<b>883</b>	<b>0</b>	<b>883</b>	<b>-600</b>	<b>-1</b>	<b>-870</b>	<b>1</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
Total liabilities – common portfolio	881	0	881	-599	0	-870	0
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	3	0	3	-1	-1	0	1
<b>Total</b>	<b>883</b>	<b>0</b>	<b>883</b>	<b>-600</b>	<b>-1</b>	<b>-870</b>	<b>1</b>

**NOTE 8** Presentation of assets and liabilities that are subject to net settlement – continues

31.03.2018 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount
					Security in cash	Security in securities	
<b>ASSETS</b>							
Financial derivatives	1 880	0	1 880	-582	-2 653	0	2
<b>Total</b>	<b>1 880</b>	<b>0</b>	<b>1 880</b>	<b>-582</b>	<b>-2 653</b>	<b>0</b>	<b>2</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
Total assets – common portfolio	1 345	0	1 345	-581	-2 101	0	0
Total assets – corporate portfolio	531	0	531	0	-546	0	2
Total assets – investment option portfolio	4	0	4	-1	-6	0	0
<b>Total</b>	<b>1 880</b>	<b>0</b>	<b>1 880</b>	<b>-582</b>	<b>-2 653</b>	<b>0</b>	<b>2</b>
<b>LIABILITIES</b>							
Financial derivatives	904	0	904	-582	-1	-88	233
<b>Total</b>	<b>904</b>	<b>0</b>	<b>904</b>	<b>-582</b>	<b>-1</b>	<b>-88</b>	<b>233</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
Total liabilities – common portfolio	902	0	902	-581	0	-88	233
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	2	0	2	-1	-1	0	0
<b>Total</b>	<b>904</b>	<b>0</b>	<b>904</b>	<b>-582</b>	<b>-1</b>	<b>-88</b>	<b>233</b>

**NOTE 8** Presentation of assets and liabilities that are subject to net settlement – continues

31.12.2018 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount
					Security in cash	Security in securities	
<b>ASSETS</b>							
Financial derivatives	777	0	777	-126	-633	0	23
<b>Total</b>	<b>777</b>	<b>0</b>	<b>777</b>	<b>-126</b>	<b>-633</b>	<b>0</b>	<b>23</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
Total assets – common portfolio	126	0	126	-126	-4	0	0
Total assets – corporate portfolio	651	0	651	0	-628	0	23
Total assets – investment option portfolio	0	0	0	0	-1	0	0
<b>Total</b>	<b>777</b>	<b>0</b>	<b>777</b>	<b>-126</b>	<b>-633</b>	<b>0</b>	<b>23</b>
<b>LIABILITIES</b>							
Financial derivatives	3 891	0	3 891	-126	-5	-5 247	13
<b>Total</b>	<b>3 891</b>	<b>0</b>	<b>3 891</b>	<b>-126</b>	<b>-5</b>	<b>-5 247</b>	<b>13</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
Total liabilities – common portfolio	3 874	0	3 874	-126	-1	-5 247	0
Total liabilities – corporate portfolio	1	0	1	0	0	0	1
Total liabilities – investment option portfolio	16	0	16	0	-4	0	12
<b>Total</b>	<b>3 891</b>	<b>0</b>	<b>3 891</b>	<b>-126</b>	<b>-5</b>	<b>-5 247</b>	<b>13</b>

The purpose of this note is to show the potential effect of netting agreements at KLP; what possibilities KLP has to net bilateral agreements against other counterparties should the latter go bankrupt and the remaining amount if all such netting agreements are materialized. The note shows derivative positions in the financial position statement, and one additional table with information on the different portfolios in the company.

**NOTE 9** Liabilities

NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
Short-term liabilities securities	1 673	2 490	1 442
Advance tax-deduction pension scheme	358	339	418
Accounts payable	13	14	21
Derivatives	883	904	3 891
Debt to credit institutions	745	2 660	650
Liabilities related to direct insurance	1 732	1 525	1 442
Other liabilities	131	116	31
<b>Total liabilities</b>	<b>5 534</b>	<b>8 048</b>	<b>7 895</b>



## NOTE 10 SCR ratio

NOK BILLIONS	31.03.2019	31.03.2018	31.12.2018		31.03.2019	31.03.2018	31.12.2018
<b>SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT</b>							
Assets, book value	574	536	559	Best estimate	519	482	500
Added values - hold-to-maturity portfolio/loans and receivables	9	7	6	Risk margin	13	13	13
Added values - other lending	0	0	0	Hybrid Tier 1 securities/Subordinated loan capital	8	8	8
Other added/lesser values	0	0	0	Other liabilities	7	9	9
Deferred tax asset	0	0	0	Deferred tax liabilities	2	1	2
<b>Total assets - solvency II</b>	<b>582</b>	<b>543</b>	<b>564</b>	<b>Total liabilities - solvency II</b>	<b>549</b>	<b>513</b>	<b>532</b>
				Excess of assets over liabilities	33	30	32
				- Deferred tax asset	0	0	0
				- Risk equalisation fund	-5	-4	-5
				+ Hybrid Tier 1 securities	2	2	2
				<b>Tier 1 basic own funds</b>	<b>30</b>	<b>27</b>	<b>29</b>
				<b>Total eligible tier 1 own funds</b>	<b>30</b>	<b>27</b>	<b>29</b>
				Subordinated loans	6	6	7
				Risk equalisation fund	5	4	5
				<b>Tier 2 basic own funds</b>	<b>11</b>	<b>10</b>	<b>12</b>
				Ancillary own funds	11	10	11
				<b>Tier 2 ancillary own funds</b>	<b>11</b>	<b>10</b>	<b>11</b>
				Deduction for max. eligible tier 2 own funds	-15	-14	-16
				<b>Total eligible tier 2 own funds</b>	<b>7</b>	<b>7</b>	<b>7</b>
				Deferred tax asset	0	0	0
				<b>Total eligible tier 3 own funds</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<b>Solvency II total eligible own funds</b>	<b>37</b>	<b>34</b>	<b>36</b>
				Market risk	6	6	6
				Diversification market risk	-2	-2	-2
				Counterparty risk	0	0	0
				Life risk	15	14	15
				Diversification life risk	-3	-3	-4
				Diversification general	-3	-3	-3
				Operational risk	2	2	2
				Loss absorbing ability deferred tax	-2	-1	-2
				<b>Solvency capital requirement (SCR)</b>	<b>14</b>	<b>13</b>	<b>14</b>
				Linear minimum capital requirement (MCR_linear)	8	6	6
				Minimum	3	3	3
				Maximum	6	6	6
				<b>Minimum capital requirement (MCR)</b>	<b>6</b>	<b>6</b>	<b>6</b>
				<b>Solvency II- SCR ratio</b>	<b>270 %</b>	<b>255 %</b>	<b>263 %</b>

The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 270 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 342 per cent.

	31.03.2019	31.03.2018	31.12.2018
Solvency II - SCR ratio	270 %	255 %	263 %

**NOTE 11** Leases

IFRS 16 Leases was implemented 01.01.2019 using the modified retrospective approach, without requiring comparative figures. The entire effect of the transition has been taken against the opening balance of 01.01.2019 and comparative figures for 2018 have therefore not been restated.

NOK MILLIONS	31.03.2019
<b>RIGHT-OF-USE ASSETS</b>	<b>Property</b>
Opening balance 01.01.	305
Depreciation	-25
<b>Closing balance 31.03.</b>	<b>280</b>

NOK MILLIONS	31.03.2019
<b>LEASE LIABILITIES</b>	<b>Property</b>
Opening balance 01.01.	305
Repayments	-24
<b>Closing balance 31.03.</b>	<b>282</b>

NOK MILLIONS	Q1 2019
	<b>Property</b>
<b>Interest expense lease liabilities</b>	<b>2</b>

**NOTE 12** Pension obligations

NOK MILLIONS	31.03.2019	31.03.2018	31.12.2018
Capitalized net liability 01.01.	565	520	520
Capitalized pension costs	25	24	91
Capitalized financial costs	5	4	16
Actuarial gains and losses	40	0	15
Premiums / contributions received	-15	-17	-78
<b>Capitalized net liability 31.03. / 31.12.</b>	<b>619</b>	<b>531</b>	<b>565</b>

ASSUMPTIONS	31.03.2019	31.03.2018	31.12.2018
Discount rate	2.40 %	2.40 %	2.60 %
Salary growth	2.75 %	2.50 %	2.75 %
The National Insurance basic amount (G)	2.50 %	2.25 %	2.50 %
Pension increases	1.73 %	1.48 %	1.73 %
Social security contribution rate	14.10 %	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %	5.00 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 40 million as of 31.03.2019. The change is recognized in "Total other income and expenses that will not be reclassified to profit or loss".

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