KLP
annual report 2012

PHOTO **SVEIN MAGNE FURULUND**

PHOTO **ANDERS EIDSNES**

COVER PHOTO **ANNE WESTAD**

PHOTO **ELI BLEIE MUNKELIEN**

In 2012 KLP hosted an internal photo contest where the staff were to visualize one of KLP's values. Open, Clear, Responsible and Committed. Olav Storm, photographer, was head of the jury.
We present some of the contributions in this annual report.

Contents

Development over the last 5 years

NOK millions

KLP Group	2012	2011	2010	2009	2008
Pre-tax income	1 002	653	515	776	348
Total assets	331 783	291 784	271 736	258 549	205 264
Owners' equity	13 547	12 064	10 749	9 721	8 429
Capital adequacy ratio	10,3 %	10,9 %	11,5 %	12,0 %	13,5 %
Number of employees	808	775	762	741	683

Kommunal Landspensjonskasse	2012	2011	2010	2009	2008
Pre-tax income	775	705	563	738	397
Premium income (without premium reserves transferred in)	27 477	21 641	20 291	18 583	21 993
Net transfers in/out of premium reserves and other funds	1 401	-199	-1 335	-1 784	-2 707
Income to customers	5 455	3 594	4 651	6 636	-1 802
of which supplementary reserves	-	2 143	2 070	4 211	-3 705
of which to premium fund	2 365	1 451	2 581	2 425	1 903
Insurance funds	275 843	243 439	227 533	204 486	180 076
Total assets	299 671	261 746	244 194	223 863	201 896
Owners' equity	13 390	11 941	10 647	9 642	8 437
Solvency capital	44 132	36 190	33 338	25 329	17 882
Solvency capital measured against insurance funds with interest guarantee	17,4 %	16,0 %	15,9 %	13,1 %	9,9 %
Capital adequacy ratio	10,6 %	11,5 %	12,0 %	12,6 %	14,6 %
Solvency margin ratio	233,2 %	243,5 %	230,6 %	221,5 %	195,5 %
Return on the common portfolio:	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
- book return	5,0 %	4,5 %	5,1 %	6,4 %	1,0 %
- value-adjusted return	6,7 %	3,2 %	7,5 %	7,7 %	-3,0 %
- value-adjusted return including VAT on assets recognized at amortized cost	7,5 %	3,9 %	7,4 %	7,6 %	-1,7 %
Return investment options portfolio	7,5 %	2,2 %	8,6 %	9,2 %	n/a
Insurance-related administration costs measured against average customer funds	0,32 %	0,34 %	0,34 %	0,33 %	0,36 %
Number of premium-paying members	316 298	309 333	304 985	304 651	299 408
Number of pensioners	182 562	172 272	163 701	155 306	149 833
Number of employees	477	460	449	427	407

KLP Bedriftspensjon AS	2012	2011	2010	2009	2008
Pre-tax income	-25	-24	-17	-13	-10
Premium income (without premium reserves transferred in)	126	93	52	25	24
Net inward/outward transfer of premium reserves	216	182	89	21	32
Income to customers	15	16	10	12	11
Total assets	1 317	904	614	436	360
Capital adequacy ratio	9,6 %	13,9 %	19,6 %	18,9 %	21,7 %

KLP Skadeforsikring AS	2012	2011	2010	2009	2008
Pre-tax income	106	25	70	217	35
Annual premium	750	650	631	609	574
Combined ratio	107,8 %	118,1 %	121,9 %	95,5 %	97,3 %
Capital adequacy ratio	34,1 %	31,8 %	32,0 %	33,6 %	39,3 %

KLP Banken Konsern	2012	2011	2010	2009	2008
Pre-tax income	83	-62	36	-39	n/a
Deposits	2 946	1 840	1 026	36	n/a
Lending	21 875	28 416	26 320	33 097	n/a
Capital adequacy ratio	20,1 %	14,4 %	26,7 %	113,0 %	n/a

KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS	2012	2011	2010	2009	2008
Pre-tax income	21	26	19	12	63
Assets for management in total	252 037	215 915	196 046	176 609	160 192
Assets for management from external customers	21 153	13 650	14 132	11 343	7 580

GROUP CEO **SVERRE THORNES**

Solid result for the year for KLP

KLP delivers good results for 2012. The Company is demonstrating good returns, low costs and a large inflow of new customers. We are delighted that, for the fourth consecutive year, KLP has the best value-adjusted return of the companies competing in the public sector occupational pensions market.

Notwithstanding sometimes uneasy financial markets and low interest rates, KLP can point to a good return for 2012. Value-adjusted and book returns for 2012 ended at 6.7 per cent and 5.0 per cent respectively. Shares, short-term bonds and property are the most important contributors to the good return.

KLP did extremely well in last autumn's public sector occupational pension competitive tendering rounds. From New Year, KLP has gained 14 new local government customers. In addition the three KLP local government administrations that went out to tender chose to continue their customer relationship with the Company. From the New Year KLP will thus gain a net inflow of customer assets of almost NOK 6 billion and 28,000 new members of the pension scheme. This is KLP's best transfer result for several decades, and a recognition of KLP as a competitive and cost-effective pension provider.

All business areas are showing good growth and good results. It is particularly pleasing to see that so many of our owners' employees have become customers in banking and non-life insurance, and that they are very pleased both with the service and the terms and conditions. We shall continue our work to offer exactly this, as support to our owners in the battle to retain and attract capable employees.

With total assets in excess of NOK 330 billion, KLP is Norway's largest life insurance company, a factor that grants us the economies of scale to the benefit of our customers and owners in the days to come. With an increased number of pensioners and increasing need for information about pensions, there is a great deal of investment in IT systems, processes and customer service to accommodate this growth efficiently and effectively.

KLP continues to have excellent financial strength. At the end of the fourth quarter KLP had total solvency capital of NOK 44.1 billion, corresponding to 17.4 per cent of insurance funds, and in which the securities adjustment fund represented NOK 9.3 billion. The Company's solvency is strong in relation to the requirements of the authorities.

The expected longevity of the population is increasing. This means that pensions will be paid out over longer periods and entails a need to strengthen the premium reserve. From 2012 we will therefore set aside NOK 3.0 billion to strengthen these reserves at the same time as we transfer NOK 2.3 billion to our customers' premium fund.

Taking corporate social responsibility is an important part of KLP's identity. Increased market share and increased pension funds to be managed are also accompanied by increased responsibility. In 2013 it is 10 years since KLP signed the UN Global Compact, as a universal standard for corporate social responsibility. We shall continue to work to protect human rights, employee rights and the environment, as well as against corruption.

We shall be our owners' best partner for the days to come. Therefore our owners' needs will always stand central and our activities will be aimed at strengthening their finances, facilitating their day-to-day life and strengthening them as employers.

KLP has customers and owners who prioritise solvency and a long-term approach to asset management. With good financial strength and with employees who are both competent and committed, we have the best prerequisites to continue achieving good results for our customers and owners into the future.

Sverre Thornes, Group CEO

Important events in 2012

PHOTO **LIV NÆRSTAD**

PHOTO **MARIANN KILLI BJØLVERUD**

JANUARY

Delighted winners of KLP's working environment prize KLP awarded two prizes this year, each of NOK 150,000. Trond Gunnar Skillingstad from Nord-Trøndelag Health Enterprise was acclaimed the winner of KLP's Working Environment Prize "Enthusiast of the year 2011". Rissa Municipality won the prize for "Working environment project of the year."

KLP launches child insurance KLP launched an expanded child insurance policy that provides compensation additionally in the event of serious illness and provides 24-hour cover.

Buys more property KLP has signed a contract with Norwegian Property in regard to conducting a property swap that involves the Norwegian Property-owned C.J. Hambros plass 2 (the Ibsenkvartalet), Oslo and KLP Eiendom's units in Bryggetorget 1 at Aker Brygge (the Fondbygget), Oslo.

FEBRUARY

Good results Despite troubled financial markets KLP can point to good results in 2011. Total financial returns were finalized at NOK 9.9 billion and the Company enters 2012 with strong buffers.

Customer pages at www.klp.no. KLP launched Kundeside (Customer Page), which provides municipalities, county administrations, health enterprises and companies a full overview of their own business with KLP, with a single combined log-in to all services they use at KLP. The aim of Kundeside is to make day-to-day life easier for our customers and increase self-service options.

MARCH

Meeting place for the municipalities For more than 10 years KLP Kommunekreditt has arranged one of the country's leading local government conferences in Trondheim. In 2012 the theme was «Norwegian local authorities in a troubled world».

Credit card launch KLP Banken launched its credit card for members. The card gives you the opportunity to split up payment on larger purchases and gives you up to 45 days' interest-free payment postponement.

APRIL

Lending growth KLP exceeded NOK 10 billion in home-mortgage lending. This represents growth of NOK 4 billion in two years.

More property acquisitions KLP Eiendom has signed a contract to buy Såpsjudaren 15 in Stockholm. The property is situated in Birger Jarlsgatan 43–51, a central location in Stockholm. In addition KLP Eiendom signed a contract to buy the Quality Airport Hotel Stavanger, which is run by Nordic Choice Hotels.

MAY

Strong first quarter The good progress from the end of 2011 continues into 2012. Value-adjusted and book returns ended at 2.7 per cent and 1.2 per cent respectively in the first quarter.

KLP Annual General Meeting KLP held its Annual General Meeting. The Annual General Meeting adopted the Board's proposal to retrocede NOK 1.4 billion to the customers' Premium Fund.

JUNE

Duke Energy back in from the cold KLP has excluded 62 companies from its investment portfolios. Duke Energy has returned to KLP's investment world since the company has installed modern emissions technology in its power stations.

World-class environment-friendly shopping centre Bærum Municipality has given the all clear for the start of construction of a world-class environment-friendly shopping centre. Preparations are now being made for the start of construction for Fornebu S, a trailblazing building in regard to environment, energy consumption and design. The centre will be completed during 2014 and become the Oslo Fjord's new urban core with shopping streets, housing, shops and restaurants.

JULY

Only health is a bigger concern than economy One of three Norwegians fear most that they will suffer from poor health when they become pensioners. After that comes the fear of being financially worse off (18.8 per cent). This is shown in a survey carried out by InFact for KLP.

PHOTO **HANNE-KJERSTI GRINNA**

PHOTO **ELIN ANNE PEDERSEN**

AUGUST

Children walk to school A picture is often created of children being driven to school. This does not accord with the figures that emerge from a survey Perduco has carried out on behalf of KLP. It shows that almost 8 out of 10 parents do not drive their children to school.

Strong half-year results KLP can point to good results after the first half-year. Despite disquiet in the financial markets KLP delivered a return of 3.1 per cent (value-adjusted). Book return ended at 1.9 per cent.

Investment agreement with Norfund KLP and Norfund signed an agreement on joint investment totalling NOK 1 billion in projects in developing countries intended to contribute to sustainable development. This is the first time an institutional investor such as KLP has embarked on this type of cooperation.

SEPTEMBER

Will help local administrations with internal climate In cooperation with the Norwegian Asthma and Allergy Association (NAAF), KLP has carried out projects and developed a tool to help schools work systematically towards a better internal climate, and thereby improve the working environment for pupils and employees.

Paleet completely renovated KLP Eiendom has decided to carry out a complete renovation of the Paleet shopping centre on Karl Johans gate, between the Storting and the Palace. The aim is for the centre to be ready for 17 May 2014, National Day in the year in which Oslo celebrates its 700 year jubilee as the capital.

The "Miljøkunde" («Eco-customer») concept All our insurance customers in the local authority and business segment can be KLP Eco-customers. They can choose to have access to their organisation's insurance agreements only in the logged-in area of www.klp.no and not in a paper format. Simpler and more efficient for the customer, and better for the environment.

OCTOBER

Improvement in Norwegian climate reporting The proportion of Norwegian companies reporting is growing. The increase in the number of companies reporting to the CDP has been weak for a number of years, but it is now the highest since the start. Eight new Norwegian companies are reporting this year.

Ethics prize to Stavanger Municipality Stavanger Municipality won this year's prize for promoting work on ethical aspects of procurement in the public sector. The prize «Not at any cost» is awarded by KLP to a person or an organisation in the public sector that has worked outstandingly to promote ethical aspects in the supply chain.

NOVEMBER

Solid third quarter KLP can point to good results. The Company delivered a return of 5.3 per cent (value-adjusted). Book return ended at 3.2 per cent.

Satisfied non-life insurance customers The EPSI analysis of customer satisfaction in the non-life insurance industry showed that KLP Skadeforsikring AS had the most satisfied and loyal corporate customers for the second consecutive year.

KLP into Tussa Kraft KLP has acquired a stake in Tussa Kraft AS. The agreement will have a value of almost NOK 305 million.

PHOTO **HELGE HOLTER**

PHOTO **KARI JAKOBSEN**

DECEMBER

New customers for KLP KLP won all the 17 local administrations that put their public sector occupational pension schemes out to tender during 2012. So KLP has been able to welcome 14 new local administrations as customers and owners, at the same time as KLP were given a new vote of confidence from the three of KLP's own customers who went out to tender. From the New Year KLP thus receives a net inflow of customer assets of almost NOK 6 billion and 28,000 new members of the pension scheme.

The KLP List has existed for 10 years KLP celebrated 10 years of responsible investment. Twice a year since 1 December 2002 we have published the KLP list of excluded companies. One new company was excluded this December.

Record payment to KLP pensioners KLP set a new payment record in 2012. Gross payment of more than NOK 10.5 billion in pensions has been paid - that is NOK 1 billion more than the previous year.

PHOTO **STINA HAUKNES**

PHOTO **ELI BLEIE MUNKELIEN**

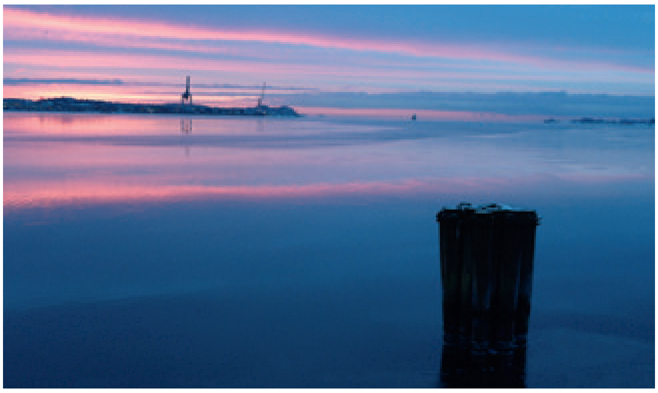


PHOTO **INGRID KLEBA-NÆSS**

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

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

KLP'S CORE VALUES: These values express how each KLP employee must act to realize the vision. All employees are to comply with the values in relation to customers and colleagues: **Open. Clear. Responsible. Committed.**

This is KLP

KLP provides safe and competitive financial and insurance services to the public sector, to enterprises associated with it and to their employees.

The Company's most important task is to be the leader in pensions through having the lowest costs, best returns over time and high customer satisfaction. KLP is Norway's largest life insurance company.

Its customers should perceive KLP to be a predictable partner that strengthens their finances, simplifies their everyday life, helps to make them good and attractive employers and at the same time helps to create a slightly better world. KLP's mutual ownership model, in which the customers are also the owners, means that KLP must always supply products and solutions in consultation with its customers.

The KLP Group

KLP is organised as a financial services group. The parent company, Kommunal Landspensjonkasse gjensidig forsikringsselskap, is a mutual life insurance company with seven wholly-owned subsidiaries organised as limited companies. The Group has a total of 808 employees and total assets of NOK 331.8 billion at the end of 2012.

The Group provides products and services in:

- pensions and pension fund services
- banking
- insurance
- funds and asset management
- property

Market leader - public sector occupational pension

KLP's is market leader on public sector occupational pensions in Norway. The Company has the lowest costs and for several years in a row has had the industry's best returns. KLP is winning market share in public sector occupational pensions and has strengthened the market position of the Group's other business operations. KLP won all the 17 local government administrations that put their public sector occupational pension schemes out to tender during 2012 and will thus gain 14 additional administrations as customers from 2013 onwards.

At the start of 2013, 345 municipalities and county administrations had their pension schemes with the Company, as well as around 2,500 corporate enterprises and organisations. Of the country's 26 health enterprises 25 have at least one pension scheme with KLP. The Company's pension schemes cover more than 316,000 occupationally active individuals and 183,000 pensioners. In addition 130,000 members have a pension entitlement with KLP from previous employment.

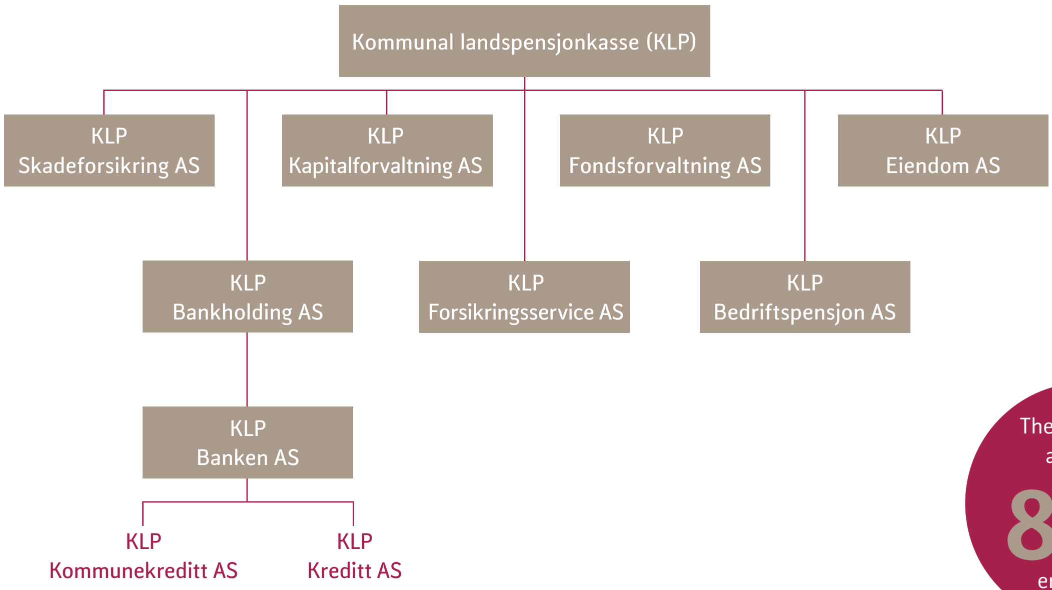
Investment in the retail market initative forges ahead

In recent years KLP has invested actively in offering its members insurance products and financial services that meet their needs. More than 50,000 customer relationships have been established over the last couple of years, showing that KLP is offering competitive and good products in the market.

At the end of 2012, more than

629,000

individuals had pension rights with KLP



The Group has a total of **808** employees

Subsidiaries

KLP Skadeforsikring AS is market leader in non-life insurance in the public sector. At the end of 2012, the Company has a customer relationship with 308 municipalities and county administrations, more than 2,600 corporate enterprises and 16,000 retail customers. The Company also delivers insurance products to the retail market, primarily directed at the employees of the Group's owners.

KLP Eiendom AS is one of the country's largest property managers with more than x,1,350,000 m² of premises and 365,000m² of leasehold sites under management, as well as substantial projects under development. The property stock had a value of NOK 33.5 billion as at 31 December 2012. KLP Eiendom has operations in Norway, Sweden and Denmark. The properties have good locations, a high standard of building and efficient space utilisation.

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

KLP Bedriftspensjon AS offers defined contribution and defined benefit pensions both to private and public sector enterprises.

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

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

KLP Banken AS is an online bank focused on housing mortgage lending and deposits. This provides the basis for efficient operation and low costs.

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

HISTORY:

1949 – The Union of Norwegian Cities and the Norwegian Association of Rural Municipalities (forerunners to the Norwegian Association of Local and Regional Authorities - KS) decided to establish Kommunal Landspensjonkasse. KLP was established as a «managed» pension fund under Norsk Kollektiv Pensjonskasse.

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

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

1972 – KLP passed NOK 1 billion in total assets

It pays to be a KLP owner

KLP's corporate form brings a number of advantages. It is the public sector occupational pension customers that own the Company and subscribe the necessary equity capital. This produces good returns and a great deal of influence.

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

SATISFIED CUSTOMERS. In collaboration with Opinion Perduco KLP carried out a members survey in November/December 2012. 1000 telephone interviews were conducted with KLP's active members that have public sector occupational pensions.

The main results from the members survey show that the members express increasing satisfaction with KLP's customer service.

KLP'S HEAD OFFICE IS IN OSLO. KLP also has an office in Bergen that takes care of life insurance and pension services. The property company has offices in Oslo, Trondheim, Copenhagen and Stockholm. KLP Banken has offices in Trondheim and Oslo.

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

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

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

1994 – Establishment of KLP Skadeforsikring AS

PHOTO **INGRID ERIKSEN**

PHOTO **ROBIN ØSTBY**

Corporate social responsibility

KLP shall contribute to sustainable investments and responsible business operation. Taking corporate social responsibility is about how we respond to society's challenges through the Company's own activity. For KLP, corporate social responsibility is not something the Company does as a supplement to the Company's actual business.

KLP's corporate social responsibility is a natural part of our business embracing for example: responsible investment; reduction of energy consumption in commercial properties; prevention of damage to health, the environment and safety.

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

Reporting of corporate social responsibility

Just as important as setting goals is the reporting of goal achievement. KLP's corporate social responsibility reporting is important in order to ensure and demonstrate continuous improvement. As the first company in Norway to do so, KLP has published non-financial accounts in its interim reports. The Company's different goals, performance indicators and goal achievement comply with the Global Reporting Initiative reporting standard (Level A) and Global Compact's requirements for Communication on Progress through comprehensive reporting on our website.

Global Compact

Since 2003 KLP has been a member of Global Compact, a UN initiative in which companies and other organisations voluntarily commit to supporting international human rights, protecting the environment, respecting workers' rights and working against corruption. KLP is working for sustainable social development.

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

Responsible investment and exercising ownership

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

All the companies in which KLP invests are monitored in regard to discreditable situations and potential breaches of key UN conventions and declarations in the following areas:

- Human and workers' rights
- The environment

1995 – KLP buys Nora Eiendom.

1997 – Nora Eiendom was renamed KLP Eiendom AS.

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

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

2003 – KLP signed the UN Global Compact.

GLOBAL COMPACT is a UN-initiated network that mobilises business and voluntary organisations for a sustainable world. KLP has been a member since 2003 . Membership involves an undertaking to comply with 10 principles associated with human rights, working conditions, the environment and corruption.

In 2012, it was
10 years
since KLP established ethical criteria for all of its investments

THE COMPANY SHALL:

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

- Corruption
- Business ethics

As an investor, KLP engages in dialogue with companies about these subjects and in the most serious cases companies may be excluded from our investments. At the end of 2012, 64 stock exchange listed companies were excluded from KLP's investments (see the list of excluded companies at www.klp.no). Excluding companies is not a goal in itself. KLP has a continuing dialogue with excluded companies and with companies that are in danger of becoming so. This is important both in preventing companies having to be excluded and in getting excluded companies back into the portfolios.

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

KLP is an active and responsible owner of companies, working actively to promote corporate
social responsibility and sustainable value creation through dialogue, a number of measures and projects as well as by voting at companies' general meetings. KLP has owner principles to signalize to stakeholders and the market who we are and what we stand for as owners and investors. The principles are to ensure that we act responsibly in relation to our value base and that we safeguard our financial interests through good governance. KLP's role as investor, owner and manager of future pension assets is rooted in our vision and our values. By being the best partner for the days to come we must put the long-term perspective centre stage. Read more about KLP's ownership ambitions, our performance and achievements at klp.no.

10 years of ethics at KLP

In 2012 it is 10 years since KLP established ethical criteria for all of its investments. Many well-known brand names have been on the KLP list of excluded companies. Many of the companies have also taken remedial action and improved their practices, making it possible to invest in them once more. Over the 10 years this has been the case for 43 companies.

Historic development agreement

In 2012 KLP entered into a historic investment agreement with Norfund by signing an agreement on joint investment totalling NOK 1 billion in projects in developing countries intended to contribute to sustainable development. This is the first time an institutional investor such as KLP has embarked on this type of collaboration.

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

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

2010 – 2010 KLP Banken is launched.

2011 – KLP takes its position as Norway's largest life insurance company.

2012 – KLP passes 300 billion in total assets.

PHOTO **INGRID ERIKSEN**

KLP pensions and life insurance

KLP offers dependable and efficient management of public sector occupational pensions. KLP has the industry's lowest management costs and for the last four years KLP has also had the industry's best returns. This benefits the customers, who are also the owners.

KLP's market position in public sector occupational pensions was significantly strengthened during 2012. The results of the tender competitions during 2012 show that KLP won 17 of the total of 18 tender competitions. This means that KLP gained 14 new local government customers who moved to KLP with effect from 1 January 2013. Total premium reserve out to tender in 2012 amounted to about NOK 7 billion in which almost NOK 6 billion is being transferred to KLP.

Public sector occupational pension

KLP is the market leader in public sector pension schemes for municipalities, county administrations, health enterprises and companies associated with the public sector. The Company also offers good schemes for defined contribution pensions and defined benefit pensions for companies that do not have collectively negotiated requirements for public sector occupational pensions. In addition KLP provides professional insurance services to a range of pension funds in the local government sector through its subsidiary KLP Forsikringsservice AS.

The public sector occupational pension is KLP's main product. Within this, the scheme provides a guarantee of pension benefits at a minimum 66 per cent of the pensioner's final salary up to 12 G (12 times the National Insurance basic sum - G), where there is full accumulation time, which is 30 years. There are continual changes in Norwegian pension regulations, which affect the regulatory framework with which KLP must comply.

It is the employer that has the responsibility to save for a pension for its employees. In public sector schemes the employees contribute with two per cent of salary. In addition the employer must pay for any risk benefits. All occupational pension schemes must include contribution suspension in the event of invalidity. For public sector occupational pensions the risk benefits in addition cover invalidity pension and survivor pension whereas this is optional for the private occupational pensions. For public sector occupational pensions the employer must also cover some non-insurable benefits (contractual early retirement scheme - AFP, premature pension, gross guarantee and annual salary and G adjustment of accumulated and deferred entitlements) which must be paid currently when the actual costs for the year are set.

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

From 1 January 2013, KLP is managing the pension scheme for 330 municipalities and 15 county administrations, as well as 2500 enterprises and organisations. 25 of the country's 26 state health

KLP WAS ESTABLISHED IN 1949 as a special company for the local government sector. KLP was established by the local government administrations to handle the requirement for pension schemes effectively and efficiently. Since 1949 KLP has been in major development, but public sector occupational pensions have remained the Company's main business area throughout.

KLP IS A MUTUAL COMPANY, owned and governed by its KLP public sector occupational pensions customers. This ensures that public sector occupational pension will remain KLP's main business area in the future.

KLP HAS OFFERED and managed pension solutions for the local government sector for more than 60 years.

At the beginning of 2013
345
municipalities and county administrations have pension schemes with KLP

KLP'S WORKING ENVIRONMENT PRIZE. In 2012, KLP awarded two prizes of 150,000 each. Trond Gunnar Skillingstad of Helse Nord-Trøndelag HF was named the winner of KLP's working environment prize "Årets Ildsjel 2011"("Enthusiast of the Year 2011"). Riss Municipality won the prize for "Årets arbeidsmiljøprosjekt" ("Working Environment Project of the Year").

enterprises have at least one pension scheme with KLP. In addition all hospital doctors are covered by the KLP pension scheme for hospital doctors through a special collective pay agreement. The nurses have their pension scheme with KLP through the Norwegian Nurses Pension Scheme Act.

During 2012 a total of 117,000 incomming enquiries were registered in KLP's pension enquiries management system.

Group life

KLP is also a major player in the group life area amongst municipalities, county administrations, health enterprises and public sector companies. Group life, together with other insurance products, enables KLP to be a total provider for customers and owners. KLP caters for the insurance requirements in different collective pay agreement areas and as many heirs 140,000 people were covered by group life insurance with KLP at the end of 2012.

Customer relations

KLP's endeavours to be the best partner for the days to come. Customer monitoring with the major customers is tailored to the individual customer's needs, where KLP endeavours to have efficient procedures, rapid follow-up and high quality service. All customers have identified contact persons in KLP, and customers are offered budgeting help, courses and information associated with their pension schemes. In recent years public sector occupational pensions members have also received offers of KLP's other services in banking, funds and non-life insurance products.

KLP Bedriftspensjon AS

KLP offers private occupational pensions through its subsidiary, KLP Bedriftspensjon AS. Defined contributions pensions are offered through the subsidiary. With this product, KLP is a competitive operator in the private sector occupational pension area as well. As part of the responsibility for private sector occupational pension schemes, KLP Bedriftspensjon also bears the responsibility for defined benefits pensions, paid-up policies and pension capital certificates.

The volume of clients with KLP Bedriftspensjon increased steadily during 2012, with new take-up of almost 300 agreements and 8.800 new members. In total the company has about 10,000 agreements, spread across the defined benefit pension, defined contribution pension, paid-up policies and pension capital certificates products. In recent years KLP Bedriftspensjon has achieved good returns. The company's portfolio of private occupational pensions had accumulated growth in premium volume of NOK 47 million. Growth in premium reserves during 2012 was NOK 300 million.

In 2012 the company decided not to accept new defined benefits based company pension schemes or paid-up policies from these.

KLP Forsikringsservice AS

Since 1967 KLP has provided service to pension funds. Since 1993 the activity directed at the pension funds has been organised through KLP Forsikringsservice AS (KLP FS).

KLP FS is a wholly owned subsidiary of KLP. The company's business is to deliver insurance-related services to pension funds with local government or other public sector links. Delivery areas include for example actuarial services, pension costs calculations, pension calculation and pension payment. In addition KLP FS offers contract and membership administration to pension fund customers.

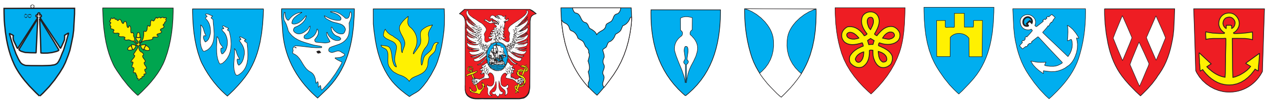
12 out of a total of 21 municipal and county administration pension funds in Norway use KLP FS as the service provider in one or more of the above-mentioned service areas. The provision of theses services is done in close collaboration with KLP's life insurance division and, together, KLP FS and KLP comprise one of the country's leading centres of expertise within public sector occupational pensions.

Corporate social responsibility in life insurance

KLP has an important role in promoting and inspiring its customers' health, environment and safety work (HES). A joint effort in this area ensures a safe and profitable pension community and it is a part of the company's social responsibility.

KLP assists customers of the life insurance company in conducting HES activities. This is a part of our customer services and service offering. KLP have great confidence that competency raising measures and HES projects have a positive effect on the working environment. A number of our customer projects can demonstrate reduced sickness absence, fewer disabled and lower take-up of contractual early retirement (AFP). Read more about the projects KLP supports at www.klp.no/hms (Norwegian language only, but see also www.klp.no/english/corporate-responsibility)

NEW LOCAL GOVERNMENT CUSTOMERS FROM 1 JANUARY 2013



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

HES

KLP helps professionally and financially in selected HES projects conducted by customers with KLP public sector occupational pension schemes. HES funds are allocated twice a year.
KLP's HES team has special expertise in the working environment, management development and life phase policy. The team aims to contribute to raising levels of competence and providing inspiration for customers through courses and presentations. To stimulate HES efforts KLP awards two prizes. Årets ildsjel (Enthusiast of the Year) and Årets arbeidsmiljøpris (Working Environment Project of the Year).

Financial results

KLP can point to good results for 2012 with good returns, low costs and large inward transfers of new customers. The result for the year provides a basis for transferring NOK 2.3 billion to the customers' premium fund and at the same time providing NOK 3.0 billion to increase reserves for longevity. The life insurance company's total assets increased from NOK 261.7 billion in 2011 to NOK 299.6 billion in 2012.

For the days to come

The number of pensioners is increasing and will increase substantially in the coming years. As we move towards 2020, pensioner numbers are expected almost to double. To meet this growth in the most effective way, KLP is working systematically to improve, expand and coordinate its service offering to employer customers and their employees. This should be achieved through more efficient processes and a focus on continuous improvement.

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

In 2012,
14
municipalities
elected to transfer to KLP with effect from 1 January 2013

KEY FIGURES

Number of customers	31.12. **2012**	31.12. **2011**
Municipalities	330	317
County administrations	15	15
Health enterprises	25	25
Companies	2500	2300

At the end of 2012 more than 629,000 individuals had pension entitlements in KLP. The distribution is as follows:

Volume Life insurance	31.12. **2012**	31.12. **2011**
Number of members:		
Active employees (members)	316 000	300 000
Paid-up*	130 000	125 000
Pensioners	183 000	175 000

*Individuals previously employed by employers with public sector occupational pension (paid-up entitlements)

Non-life insurance

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

Since the start in 1994 KLP Skadeforsikring has built up a substantial insurance portfolio. The company has maintained a stable and strong position as one of the leading providers in non-life and retail insurance tailored to municipalities, county administrations, enterprises and business associated with the public sector. Since 2008 the company has also offered insurance solutions to the employees of the same customers.

KLP Skadeforsikring has 97 employees.

Growth in 2012

In its core market, Public Sector and Corporate, the positive trend from 2011 continued with growth in its premium base. Premium growth for the year was NOK 59.1 million. Fierce competition continues in the core market and the company is experiencing great mobility within its customer base.

The company's investment in the retail market continues to show good development. Net premium growth was NOK 40.9 million in 2012.

All in all, during 2012 the company had premium income of NOK 659 million. This is an increase of NOK 60 million or ten per cent over the previous year. The growth has been greatest in the retail market where, as a small operator aiming at the Group's members, the company has demonstrated its attractive solutions. Within the public sector market the competition is steered by tender competition. The general growth within the public sector indicates that this market will continue to enjoy good growth in future. The corporate market largely comprises entities within the public sector sphere, a market the company has good expertise in servicing.

During the 2012 insurance year eight major property claims with claim amounts exceeding NOK 5 million were reported. These claims amounted to a total claim sum of NOK 99 million. The general claims picture was positive with falling claims figures within most sectors.

Customer dialogue

For the second consecutive year KLP Skadeforsikring can point to the best customer satisfaction, and regularly scores higher than its competitors on all parameters in the annual EPSI survey (European Performance Satisfaction Index). Our corporate customers give KLP the highest score on customer satisfaction, loyalty, brands, expectations, quality of customer service experienced, product/services quality and value for money.

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

The customers in the public sector and corporate segment now have electronic access to a comprehensive overview of their business with KLP via KLP's Kundeside (Customer pages). This makes day-to-day life easier for the customers and increases the opportunity for self-service. In this logged-in area non-life insurance customers can find claims statistics and status of claims, insurance policy overviews and document archives, and they can report claims.

At New Year a similar Min Side (My pages) was launched for the retail market. Once this is further developed with claim reporting functionality in the course of the year, the company's customers will have an effective portal to service their insurance needs.

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

A new computer system for comprehensive customer service is now in full operation in KLP Skadeforsikring as well as the rest of KLP and will provide increased efficiency and improved customer processing across the Group.

Loss prevention initiatives

In 2012, KLP Skadeforsikring AS carried out loss prevention measures giving a positive effect on the company's claim result, its customers' finances through claim reduction, and the working environment. From the point of view of the company, major emphasis is also placed on the social responsibility perspective.

The company has participated in several countrywide projects such as:

- Safe school routes
- improved internal environment in the schools
- a safer working environment for the home-based services
- improved safety in rented municipal housing
- systematic safety administration in local administration buildings

KLP SKADEFORSIKRING WILL IN 2013 further increase its investments within the retail market.

- collaboration with the Norwegian Association of Municipal Engineers and the supervisory authorities to increase safety in municipal and county administration buildings.

KLP Skadeforsikring has co-operated closely with a number of external centres of expertise in order that all parties should get the very best out of the projects. The company's partners include Trygg Trafikk - the Norwegian Council for Road Safety, Fagakademiet (previously Kommunal Kompetanse, providing courses and conferences for local government and the public sector) , NAAF (the Norwegian asthma and allergy association), the Norwegian Association of Municipal Engineers and the Norwegian Fire Protection Association.

Competency and information from the projects is disseminated throughout the country through newsletters to customers, articles in the KLP Magasinet, in direct dialogue with customers and collaborative partners and through presentations at conferences.

The initiative on visits by schools for guidance and information concerning fire safety and fire prevention activities was continued during 2012. In addition there have been further measures aimed at customers with unfortunate claims histories. It has been found that generally there is great awareness amongst our customers about fire and claims risk but that the fire risk can still be reduced through simple measures.

Corporate social responsibility

The most important aspect in regard to corporate social responsibility in KLP Skadeforsikring is to prevent claims, safeguard the environment and to have carried out ethical business behaviours.

KLP Skadeforsikring wants to save both the environment and resources by going over to electronic document handling in customer communications. Consequently the company has initiated the "Miljøkunde" («Eco-customer») project. The aim is that 80 per cent of our customers should receive the company's insurance agreements via the logged-in area at www.klp.no, and not by post.

KLP Skadeforsikring has been Eco-Lighthouse accredited since 2008, and together with the rest of the Group was re-accredited in 2012.

Even though the company is generally not directly party to damage repair, environment-related requirements are placed on external partners in claim settlement, procurement and other services.

A Finance Norway (FNO) study shows that ethics are what the respondents believe to be the most important aspect of corporate social responsibility for the insurance industry. KLP Skadeforsikring wants the sale of non-life insurance to be based on customer needs, and appropriate training of customer advisers should make them capable of identifying these. All the company's customer advisers have carried out a comprehensive test of knowledge and a practical test during 2012, and qualified through the approval scheme.

For the days to come

KLP Skadeforsikring aims to strengthen its market position in the Public Sector and Corporate business area through good selection, risk-appropriate pricing and efficient customer solutions.

Public procurement rules dictate that about every fourth local government authority will come up for tender each year. The company sees this as an opportunity for further growth within its core markets.
The premium level within several of the sectors has been found to be too low, which can be explained in part by strong competition. It will therefore be a challenge to achieve the desired growth at the same time as a necessary price increase.

As part of the Group's overall investment in the members of KLP, in 2013 KLP Skadeforsikring will further increase its investment within the retail market. New sales positions have been established, investments are being made in marketing, and customer experiences in digital channels will be developed and optimised.

KLP Skadeforsikring is a solid company with sound finances. Backed by customer surveys that show a very high degree of customer satisfaction, the prerequisites are in place for further growth during 2013.

Annual premium income NOK **659** **billions** an increase of **10 prosent** over the previous year

KEY FIGURES

Number of customers	31.12. **2012**	31.12. **2011**
Municipalities	291	261
County administrations	14	14
Enterprises	2 655	2 630
Retail market customers	16 000	12 400
Pre-tax income (NOK billions)	105,6	25,2

Asset and Fund management

KLP Kapitalforvaltning and KLP Fondsforvaltning represent KLP's asset management operation in securities and institutional equity. The companies offer a broad spectrum of investment and asset management services to the public sector and organisations associated with it.

KLP Fondsforvaltning also offers cost-effective funds to the retail market. At the end of the year the two companies were managing more than NOK 252 billion for the parent company and external customers. This is an increase of NOK 36 billion over 2011. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and subsidiaries in the KLP Group.

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

Asset management

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

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

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

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

PHOTO **ELI BLEIE MUNKELIEN**

PHOTO **TORUN WAHL**

Fund management

At the end of the year KLP Fondsforvaltning was managing 30 funds, comprising two combination funds, nine fixed income funds, two active equity funds, fifteen index-tracking equity funds and two special funds. Total assets were NOK 67 billion at the end of 2012.

Management on behalf of customers outside the KLP Group increased by 52 per cent during the year. Assets managed on behalf of external investors and retail customers amounted to NOK 21 billion at the end of 2012.In total the funds have more than 23,000 customers. The institutional customers are by far the largest group measured in total assets. Our customers are served directly or via partners.

Responsible investments

KLP is a responsible corporate citizen wishing to contribute to long-term value creation and sustainable development. Through its membership of the UN Global Compact, the company has undertaken to take account of human rights, workers' rights, the environment and anti-corruption measures throughout its business.

Since 2002 KLP has had a responsible investment strategy. Openness has been fundamental to this strategy. Each half-year KLP announces which companies are excluded from the Company's investments and why. In addition KLP Kapitalforvaltning conducts a dialogue with companies and excludes companies that breach our ethical guidelines. In total 64 companies were excluded at the end of 2012. One company was reinstated to the portfolios.

KLP exercises ownership over stock market listed companies, for example through voting at general meetings. During 2012 votes were cast at 113 general meetings in Norway and 2099 in foreign markets. This represents about 92 and 75 per cent respectively of the general meetings in which KLP has been entitled to vote in the course of the year. How we have voted and the grounds for this are published on the website.

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

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

Results

The asset management business achieved income of NOK 7.9 million in 2012. This is satisfactory seen in the light of a troubled year in the securities markets.

For the days to come

The market outlook for the Company is assessed as good. In the course of time there will be substantial growth in the KLP Group's total assets, the preponderance of which is expected to be invested in products delivered by KLP Kapitalforvaltning. Good, stable results from the index management service and increased interest on the part of external customers give grounds for further growth in assets under management. Good management results from the Company's added-return strategies make it more likely that actively managed funds will also be in demand by internal as well as external customers.

In total
the funds have
more than
23 000
customers

KEY FIGURES

	31.12. 2012	31.12. 2011
Total assets	NOK 252 billion	NOK 216 billion
Asset management customers external to the Group	NOK 21 billion	NOK 14 billion
Number of customers KLP Fondsforvaltning	23 000	13 900

Property

KLP Eiendom is one of Norway's largest property managers with 1,350,000 m² of premises and 365,000 m² of leasehold sites under management, as well as substantial projects under development.

The property stock had a value of NOK 33.5 billion as at 31 December 2012. KLP Eiendom has operations in Norway, Sweden and Denmark. The properties have good locations, a high standard of building and efficient space utilisation.

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

The returns on KLP's property investments have been satisfactory in recent years. The good pricing of the investment properties in 2011 continued throughout 2012. Parts of the portfolio are located in other countries. This has involved a small write-up of property values measured in NOK and a moderate write-up when changes on exchange rate contracts are taken into account. Value-adjusted return on the business was 6.5 per cent in 2012 (6.5 per cent in the common portfolio). Without taking account of the exchange rate contracts, the property values were written up by NOK 39 million gross in 2012 (of which the write-up in the common portfolio amounted to NOK 14 million).

The property values are set partly on the basis of valuations carried out by independent external valuers who have valued a representative portion of the portfolio and partly on internal models which take account of the outcomes of the external valuation process. In 2012 KLP Eiendom had rental income of NOK 1907 million. The common portfolio's direct property investments at the end of the year represented 11.3 per cent of financial assets in the portfolio. KLP Eiendom carried out a number of property transactions in the course of the year. During the first quarter the Fondbygget building

The property stock had a value of NOK **33.5 billion** as at 31 December 2012

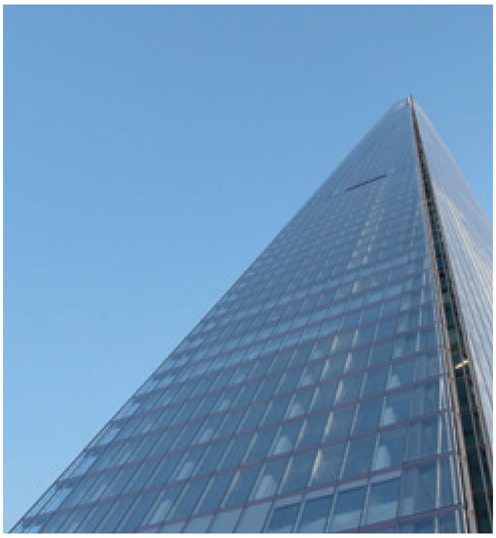
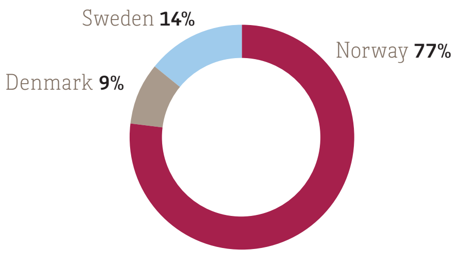


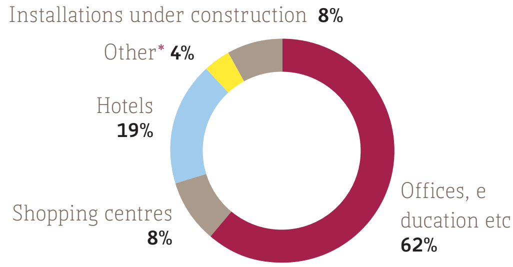
PHOTO **STINA HAUKNES**

PHOTO **ELIN ANNE PEDERSEN**

SECTOR DISTRIBUTION BY VALUE AS AT 31 DECEMBER 2012



GEOGRAPHICALLY BY VALUE VALUE AS AT 31 DECEMBER 2012



(Oslo) was sold, and the Ibsenkvartalet block (Oslo) and Akersgata 64-68 (Oslo) were taken over. During the second quarter Såpsjudaren (Stockholm) and the Stavanger Airport Hotel (Stavanger) were taken over, and during the fourth quarter the company took over the Scandic Aarhus City (Århus) and Klamparen (Stockholm). Net investments amounted to about NOK 3,3 billion in addition to investments in buildings already owned and development projects.

Property funds

In addition to investments in the property operation managed by KLP Eiendom, the common portfolio invested in international property funds managed by well reputed managers. Value-adjusted returns on the investments amounted to about -6.6 per cent. The value of KLP's investments in such funds amounted to NOK 614 million at the end of 2012. The common portfolio's investments in property funds represented 0.2 per cent of financial assets in the portfolio at the end of the year.

Corporate social responsibility

KLP Eiendom takes a close interest in energy and the environment, and all operations in Oslo, Trondheim and Copenhagen are environmentally accredited in accordance with ISO 14001. It is KLP Eiendom's aim to build environmentally friendly office buildings for the future. Using a proactive environmental policy, KLP Eiendom will contribute to reducing the burden on the environment and climate, as well as promoting new patterns of behaviour, products, services and technical solutions that can reduce the environmental burden and CO2 emissions. During 2012 the actual energy consumption was reduced by 3.2 GWh. Current new projects have major environmental focus and are being accredited under BREEAM-NOR.

Results

Property investments and management are carried out only on behalf of the companies within the Group and have thus primarily contributed to returns on invested capital for the life insurance customers. In total, the business rate of return on property managed by KLP in 2012 was 6.5 per cent.

For the days to come

With a large project portfolio, good properties and competent staff, KLP Eiendom is well prepared to meet the challenges both in regard to growth ambitions and good administration of the existing property portfolio. The common portfolio's property investments at the end of the year represented 11.5 per cent of financial assets in the portfolio. The strategy is to increase this proportion to 14 per cent within reasonable time.

KEY FIGURES

	31.12. **2012**	31.12. **2011**
Property value	33.5 mrd.	29.9 mrd.
Value-adjusted operating profit including property funds	6,2%	7,2%
Economic occupancy ratio	96.8%	95.1%

Banking and municipal lending

KLP Banken AS is an online bank with its focus on home mortgages and deposits. Lending to the public sector is carried out under the brand name KLP Kommunekreditt AS, which is the second largest provider of long-term loans to this sector in Norway.

KLP Banken

KLP Banken was launched in February 2010. Since its establishment the KLP banking operation has shown positive development. KLP Banken has had good growth in the number of retail customers and had about 23,000 customers at the end of 2012. In its operation and marketing KLP Banken pays particular attention to the members of the pension schemes administered by KLP. They should find that KLP Banken is particularly advantageous for them. KLP Banken is an online bank with good and simple saving and lending offerings.

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

The overall business of KLP Banken AS and its subsidiaries is divided into the retail market and public sector loans business areas. The business is nationwide and the companies' head offices are in Trondheim. KLP's experience of the lending business has been good. KLP's borrowers are reliable and solvent. Even in home-mortgage lending default is very low.

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

PHOTO **TORUN WAHL**

PHOTO **HANNE-KJERSTI GRINNA**

KLP BANKEN OFFERS THE FOLLOWING SERVICES: Current account, Saving account, Online banking, Debit card, Credit card, Ordinary home mortgages, Housing credit, Loans for second homes, Litt Extra (seniors' loan). There will be a gradual introduction of more products and services.

KLP Kommunekreditt

KLP bought Kommunekreditt Norge AS in 2009 and on takeover Kommunekreditt was brought in as a subsidiary of the bank. KLP Kommunekreditt has long experience of lending to Norwegian local authorities and their organisations. KLP Kommunekreditt's total lending stands at NOK 20 billion.

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

KLP Kommunekreditt has an AAA rating from the two rating agencies, Moody's and Fitch, for its lending programme for covered bonds (obligasjoner med fortrinnsrett - OMF). With this rating KLP Kommunekreditt has issued covered bonds/OMF in the Norwegian and Swedish securities market. Total lending so far is NOK 18.7 billion in the Norwegian market, and corresponding to NOK 1.5 billion in the Swedish market.

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

Lending by regions is distributed as follows: East and South Norway 54 per cent, West Norway 14 per cent, Mid-Norway 12 per cent and North Norway 15 per cent.

Corporate social responsibility

KLP Banken har i år hatt fokus på miljøsertifisering. I 2012 ble hele KLP miljøsertifisert, etter at KLP Banken i Trondheim fikk sin sertifisering.

For the days to come

KLP Banken's investment in members should underpin KLP's strategic accommodation of the retail customer market. This is founded on an objective that the owners of the pension company should be perceived as attractive employers.

The bank is to contribute by offering competitive and standardized products aimed at the employees of the owner entities. New technology is to be exploited in business for increased efficiency and improved customer satisfaction. The bank plans to expand its online services' accessibility by adopting technology oriented towards mobile telephones and tablets during 2013.

Increased demand for loans is expected in the local government sector and for projects with local government guarantees and local government ownership in the years to come, but it is difficult to predict how great this growth will be. The presence of KLP Kommunekreditt in the market should contribute to competition and thus to the public sector having access to long-term financing at low-cost.

KLP Kommunekreditt's total lending stands at NOK **20** billion

KEY FIGURES

	31.12. **2012**	31.12. **2011**
New lending	NOK 6.8 billion	NOK 5.5 billion
Lending on own account	NOK 21.5 billion	NOK 28.4 billion
Lending administered by KLP	NOK 29.8 billion	NOK 24.7 billion
Number of customers	22 665	18 271
Active customers	65% members	63% members

Corporate governance

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

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

The Board of Directors undertakes an annual review of the Company's corporate governance. Furthermore, we aim to contribute to good corporate governance in the companies in which KLP has holdings as well.

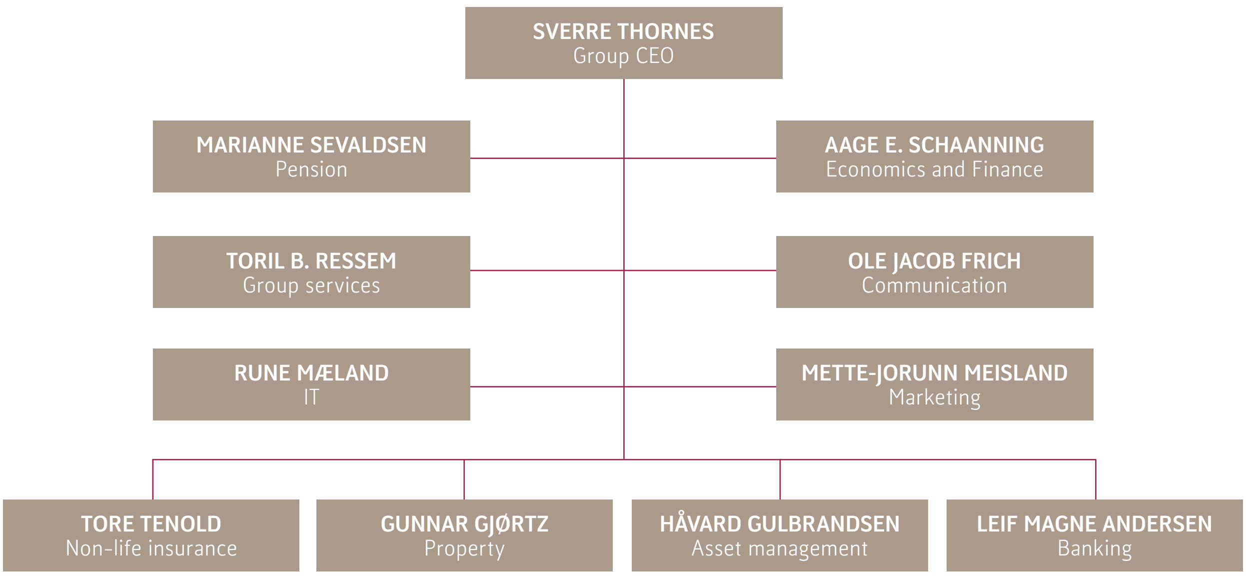
KLP's vision is to be the best partner for the days to come. Its customers should perceive KLP to be a predictable partner who strengthens their finances, simplifies their everyday life, makes them attractive employers and helps to create a world that is a little better. These values express how every single KLP employee must act to realize the vision.

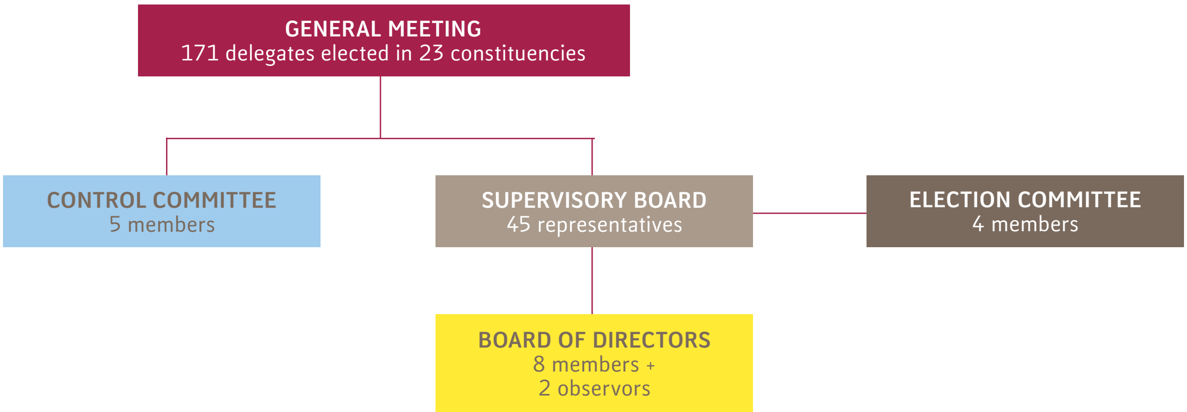
At KLP corporate social responsibility is included in many of the processes associated with corporate governance. For example it forms part of the Group's business plan, balanced scorecard, strategy work, interim reporting and the annual report of the Board of Directors.

KLP's corporate responsibility is firmly rooted in international norms through signature of the UN Global Compact and the UN's principles for responsible investment (UN PRI) which commit us to working for human rights, workers' rights, the environment and against corruption. Comprehensive information about this is to be found at www.klp.no/english/corporate-responsibility (in Norwegian; for English please see www.klp.no/english/corporate-responsibility).

Group senior management

The KLP Group senior management comprises 11 experienced individuals with a broad background from Norwegian business. See presentation on page 32-33.





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

The General Meeting

The General Meeting is the Company's highest authority and comprises elected representatives of the Company's owners. 171 delegates from a total of 23 constituencies were elected to the General Meeting for 2012 and 2013.

18 of the constituencies comprise county administrations and municipalities in each county. The four regional health enterprises and their subsidiaries each comprise a constituency. The enterprises together form one constituency. In each constituency an election meeting is held to elect delegates to the General Meeting.

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

The Supervisory Board

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

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

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

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

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringselskap

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

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

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

Board of Directors

See presentation of the Board of Directors on page 34-35.

Audit Committee and Remuneration Committee

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

Remuneration committee

The Remuneration Committee is a preparatory and advisory working committee for the Board's deliberations on remuneration questions. In 2011 the FSA gave permission for a joint allowances/remuneration committee in the KLP Group. On this basis the committee also functions as allowances/remuneration committees for those boards of directors in the KLP Group that are statutorily required to have allowances/remuneration committees. The committee's responsibilities include responsibility for ensuring the requirements in law and in the regulations on allowances schemes in financial institutions, securities enterprises and mutual funds' asset management companies are complied with in those companies in the KLP Group that are subject to these regulations. Members: Arne Øren (Chair); Marit Torgersen; Liv Kari Eskeland.

Audit Committee

The audit committee is a preparatory and advisory working committee for the Board. The Committee was set up in accordance with the requirements for an audit committee pursuant to the Norwegian Act on Insurance Activity. The committee shall help to quality assure the Board's work associated with financial reporting, audit, risk management and internal audit. Members: Finn Jebsen (Chair); Herlof Nilssen; Freddy Larsen.

The Election Committee

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

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

Members: Nils A. Røhne (Chair), Ingunn Foss, Mette Qvortrup and deputy member Trond Lesjø.

Business and risk management and control

The KLP risk management system is under development in order to conform to the new European solvency regulations, Solvency II. The various functions are divided in accordance with the principle of three lines of defence. The primary responsibility for good risk management lies with the first line, the operational entities. The second line comprises the risk management function, the actuary function and the compliance function. The third line is Internal Audit. In addition a Risk Management Committee has been established that functions as an advisory and reporting body for the Group CEO and the risk management function.

The risk management function is headed by the Risk Director and is responsible for monitoring the risk management system and has oversight of the risks to which the business is or may be exposed. The unit is subordinate to the Economy and Finance Division but has the right to report directly to the Group CEO and the Board of Directors. On behalf of the Board of Directors and the Group Senior Management the Group's Internal Audit assesses, on an independent and objective basis, whether the risk management that is conducted as appropriate and effective.

Internal and external audit bodies

Control Committee

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

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

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

Internal governance and control

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

KLP has ethical guidelines for employees and elected representatives. The Group CEO has laid down special regulations for proprietary trading in securities. These regulations are of particular importance to employees of KLP Kapitalforvaltning and employees of KLP with particular insight into the investment operation.

Balanced scorecard

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

Boards of directors of subsidiaries

KLP Bedriftspensjon AS (As at 8 March 2013)
Marianne Sevaldsen, Chair
Stig Even Jacobsen, Cathrine Hellandsvik, Alexander Vistnes, Alexander Berg-Larsen, Harald Ramon Hagen (employee representative), Marit Clemetsen (deputy for Harald Ramon Hagen).
MD: Torun Wahl

KLP Eiendom AS
Sverre Thornes, Chair
Aage Elmenhorst Schaanning, Ida Louise Skaurum Mo, Svein Sivertsen, Per Victor Nordan (attending deputy), Ingrid Dahl Hovland, Jan Vidar Løvsland (employee representative), Ruth Hege Havdal (deputy employee representative).
MD: Gunnar Gjørtz

KLP Kapitalforvaltning AS
Sverre Thornes, Chair
Kjersti Storm, Torun Wahl, Elizabeth Lee Marinelli, Jørn Gunnar Kleven, Per Rustad Ørvik (employee representative), Heidi Sofia Finskas (employee representative), Marie Elisabeth Mørtvedt Andersen (deputy employee representative), Per Gunnar Bull Karlsen (deputy employee representative).
MD: Håvard Gulbrandsen

KLP Fondsforvaltning AS
Håvard Gulbrandsen, Chair
Per Victor Nordan, Anne Beate Lien, Monica Mæland, Hans Jørgen Gade (elected by unit holders), Wenche Øveraas (elected by unit holders), Kjetil Houg (deputy unit holder representative), Cathrine Hellandsvik (deputy), Elin Evjen Hagen (deputy).
MD: Ståle Øksnes

KLP Forsikringsservice AS
Sverre Thornes, Chair
Roar Engen, Bjørn Eknes, Anne Käte Grøholt, Irene Ormestad.
MD: Roar Engen

KLP Skadeforsikring AS
Sverre Thornes, Chair
Kjell Arvid Svendsen, Toril Bariusdotter Ressem, Reidun W. Ravem, Reidar Mæland, Bengt Kristian Hansen (employee representative), Steinar Haukeland (deputy for Bengt Kristian Hansen), Lene Bjerkan (deputy).
MD: Tore Tenold

KLP Bankholding AS og KLP Banken AS (As at 15 March 2013)
Sverre Thornes, Chair
Aage Elmenhorst Schaanning, Deputy Chair
Eva Salvesen, Jan Otto Langmoen, Mette-Jorunn Meisland, Mette Rinde (staff representative), Christin Kleppe (deputy staff representative).
MD: Leif Magne Andersen

KLP Kreditt AS (As at 15 March 2013)
Sverre Thornes, Chair
Aage Elmenhorst Schaanning, Deputy Chair
Eva Salvesen, Merete Birgit Hessen.
MD: Arnulf Arnøy

KLP Kommunekreditt AS (As at 15 March 2013)
Sverre Thornes, Chair
Aage Elmenhorst Schaanning, Deputy Chair
Eva Salvesen, Toril Lahnstein.
MD: Arnulf Arnøy

KLP-Huset AS
Eskil Rolstad, Chair
Hans Vidar Sund (board member)
Tina Kristine Korsrud (board member)

PHOTO **SIGMUND DOKKEN**

PHOTO **KICKO STIEBER**

SVERRE THORNES
Group Chief Executive Officer and Managing Director of KLP
Sverre Thornes has a BA in Business Administration from the American College in Paris. He has broad experience of insurance and asset management. He came directly from his position as KLP Executive Vice President, Life Insurance. Mr Thornes joined KLP in 1995 and worked in asset management, which he headed during the period 2001-2006.

GUNNAR GJØRTZ
Managing Director KLP Eiendom AS
Gunnar Gjørtz graduated in Business Administration from Handelsakademiet i Oslo (now BI - the Norwegian School of Management). His background includes appointments as Finance Director at NetCom, Løvenskiold Vækerø and at Hafslund. From 1 August 2010 Gjørtz was Deputy Managing Director at KLP Eiendom AS and on 1 January 2011 he took over as Managing Director of KLP Eiendom AS.

METTE-JORUNN MEISLAND
Executive Vice President Marketing
Mette-Jorunn Meisland's background is from the Norwegian School of Marketing (Norges Markedshøyskole - NMH) specialising in information and social contact, a masters programme from NHH in brand management, and a Masters in Management from BI Norwegian Business School. She came to KLP from SpareBank1, where she worked on brand-building right from the start-up of Sparebank1 Alliansen and up to 2006. She has previous experience from customer service and travel. Meisland was appointed at KLP as Marketing Director for the Group on 1 October 2006.

KLP GROUP SENIOR MANAGEMENT
PHOTO: OLAV STORM

OLE JACOB FRICH
Executive Vice President, Communications
Ole Jacob Frich was educated at Sagene Lærerhøgskole (teachers training college). Before he came to KLP in 2000 he worked at Geelmuyden.Kiese and at Finance Norway (FNO). His background includes serving as Kommunalråd (a full-time municipal politician with executive powers) in Oslo municipality (1986-1992) and as State Secretary within the then Ministry of Health and Social Affairs (1992-1996).

AAGE ELMENHORST SCHAANNING
Group Chief Financial Officer Executive Vice-President Finance
Aage Schaanning has a MBA from the University of Colorado and is an Authorised Financial Analyst. He has previously worked in funding, asset/liability management and asset management at BN Bank and Kredittkassen. He started with KLP in 2001 as Investment Director of KLP Kapitalforvaltning. Schaaning headed KLP Kapitalforvaltning from 2006-2008.

TORIL BARIUSDOTTER RESSEM

Executive Vice President Group Services

Toril Bariusdotter Ressem graduated as cand.polit. (a social sciences degree). Her background is as an Executive Vice President at NSB (Norwegian State Railways), Customer Services Director at Telenor, HR and OD Director at Rikshospitalet University Hospital, Project Manager at South-Eastern Norway Regional Health Authority, in addition to extensive consultancy activity. Ressem has been an Executive Vice President at KLP since April 2009. From 1 March 2011 to 31 December 2011 she acted as Deputy Managing Director of KLP Banken.

LEIF MAGNE ANDERSEN

Managing Director KLP Banken AS

Leif Magne Andersen has an Executive MBA in Strategic Management from NHH. Andersen has worked in the Postbanken and DnB NOR system since 1997 where inter alia he was Regional Director for retail market investment. Before that he worked as head of department at Intentia and he also has a background with Norwegian Defence. Since 1 December 2011 Andersen has been Managing Director at KLP Banken.

HÅVARD GULBRANDSEN

Managing Director KLP Kapitalforvaltning AS

Håvard Gulbrandsen has a MSc in Management Sciences from the University of Warwick, Master in Finance & Investments 1989 and is in Authorised Financial Analyst. He has previously worked at Storebrand Kapitalforvaltning and DnB Investor AS and in 2009 came from the position as Head of Asset Strategies Equities/Head of Core Corporate Governance at Norges Bank Investment Management.

RUNE MÆLAND

Executive Vice President IT

Rune Mæland graduated as an IT/EDB engineer from Bergen Ingeniørhøgskole (a university college of engineering). He has worked at KLP since 1981, first in system development, subsequently as Head of Systems and has led IT at KLP since 1993. Mæland has been an Executive Vice President at KLP since April 2008.

TORE TENOLD

Managing Director KLP Skadeforsikring AS

Tore Tenold graduated from the police college, university and the insurance academy. He has been Managing Director of Sparebank 1 Skadeforsikring AS, and has previously worked at Aktiv Forsikring and Vesta Forsikring. He joined KLP on 1 October 2012.

MARIANNE SEVALDSEN

Executive Vice President Life

Marianne Sevaldsen graduated in law from Oslo University. She has broad management experience from banking and finance, most recently from the position as Director Corporate Business at Sandnes Sparebank She took up her position as Executive Vice President at KLP on 1 February 2013.

FINN JEBSEN DEPUTY CHAIR

Finn Jebsen was re-elected as Deputy Chair of KLP's Board in May 2011. He has broad industrial experience from the Orkla Group where he worked during the period 1980-2005. Mr Jebsen was Group CEO of Orkla from 2001 to 2005. He graduated as an economist from NHH (the Norwegian School of Economics and Business Administration) and holds an MBA from the University of California, Los Angeles (UCLA).

HERLOF NILSSEN

WAS RE-ELECTED AS A MEMBER OF THE KLP BOARD IN MAY 2012. Nilssen is Managing Director of the Western Norway Regional Health Enterprise. He was previously Chief Administrative Officer at Sveio Municipality and Randaberg Municipality, as well as Managing Director at Haga Nor. Nilssen graduated from Stavanger Ingeniørhøyskole (Engineering College) and NTH (now the Norwegian University of Science and Technology).

ARNE ØREN CHAIR

Arne Øren was re-elected as Chair of the Board of Directors of KLP in May 2012. His background is as county Mayor of Østfold from 1991 to 2007 and he was Mayor of Rolvsøy Municipality from 1982 to 1991. He graduated cand. mag. (BA) from the University of Oslo.

*Finn Jebsen has resigned from the Board of Directors. At the Supervisory Board's meeting of 17 April 2013, Anita Krohn Traaseth was elected the new member of the Board. She is the Managing Director of Hewlett-Packard Norge AS (HP) and has held several leading positions in the business world. She has worked i.a. for IBM Norge, Computer Associates Norway, Oracle Norway, Det norske Veritas, and Simula Innovation. She Hun has been with HP since 2009 and has been that company's Managing Director since April 2012.

At the same meeting, Liv Kari Eskeland was elected Vice Chair of the Board of Directors.

KLP'S BOARD OF DIRECTORS PHOTO: OLAV STORM

MARIT TORGERSEN

WAS ELECTED A MEMBER OF THE BOARD IN MAY 2011. She has previously worked a total of eighteen years in different positions in Norges Bank and is now Executive Vice President Group Functions at Eidsiva Energi. She graduated inter alia from the Nord-Trøndelag University College and holds a MSc, London School of Economics.

LIV KARI ESKELAND

WAS ELECTED TO THE BOARD OF KLP IN MAY 2012. Since 2007 she has been Mayor of Stord Municipality in Hordaland. Eskeland is also the county leader of Hordaland Conservative Party. Eskeland is an architect by profession and was Chief Executive of the architects company Link Signatur before she became mayor.

INGJERD HOVDENAKK

IS AN OBSERVER OF THE BOARD. She is Head of Secretariat in UNIO (the Confederation of Unions for Professionals, Norway's second-largest confederation of professional employee unions).

ERIK KOLLERUD

IS AN OBSERVER OF THE BOARD. He is Chair of YS Kommune (the Confederation of Vocational Unions) and President of Delta (an umbrella for 19 vocational and industrial organisations).

EGIL JOHANSEN

IS A DEPUTY MEMBER IN ATTENDANCE. He was elected in May 2011. Johansen is County Chief Administrative Officer of Vestfold and was previously Chief Administrative Officer of Re Municipality and Porsgrunn Municipality. He graduated as an economist from NHH and has had a number of board appointments in public sector and private enterprises.

JAN HELGE GULBRANDSEN

WAS NOMINATED A MEMBER OF THE KLP BOARD IN MARCH 2010. He is a member of the Executive Committee of Fagforbundet (the Norwegian Union of Municipal and General Employees - NUMGE) and represents the employee organisation with the most members in KLP.

FREDDY LARSEN

WAS ELECTED AS A KLP EMPLOYEES' REPRESENTATIVE TO THE BOARD IN MAY 2009. He has been employed at KLP since 1986 and works as a special consultant in IT-Life at KLP's Bergen office. Freddy Larsen has previous professional experience from the Alcohol and Drug Addiction Service and Technical Services at Askøy Municipality 1985-1986.

SIV HOLLAND

WAS ELECTED AS A KLP EMPLOYEES' REPRESENTATIVE TO THE BOARD IN MAY 2010. She has been employed at KLP since 1998 and works as head of department for PS Fag in Oslo. She graduated in law from Oslo University.

PHOTO **SIGMUND DOKKEN**

PHOTO **OLE JACOB FRICH**

PHOTO **MARIANNE WRIGHT PEDERSEN**

Annual report of the Board of Directors for 2012

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) achieved good results in 2012 and strengthened its market position in the local government pensions market. Of a total of 18 municipal and county administration pension schemes put out to tender during 2012, 17 selected KLP as their provider.

A value-adjusted return on pension customers' assets of 6.7 per cent and a book return of 5.0 per cent provide the opportunity to build on financial solvency and to strengthen reserves for longevity by NOK 3.1 billion. A profit of NOK 2.4 billion is being retroceded to our pensions customers.

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

KLP's ambition is to be the preferred provider of public sector occupational pensions in Norway through competitive and efficient operation. KLP's most important aim is to have well satisfied customers. This is to be achieved by delivering the best return over time, having the lowest costs and providing good service. Other businesses in the Group shall strengthen relationships with KLP's existing and potential owners by contributing to increased competition in important product areas within finance and insurance, as well as to good financial development for KLP.

As well as being the clear leader in providing occupational pensions to Norwegian municipalities, county administrations, health enterprises and enterprises associated with local government, faithful to its overall ambition the KLP Group is a significant provider of other insurance products, banking and saving services as well as loan products. Over recent years we have developed a broad offering of financial services and products in the retail market, particularly directed at employees of the Company's owners and their pensioners.

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

The Group's income

The income for the year in the Group amounted to NOK 809.6 million, an increase of NOK 83 million over last year. It was improvement in profits in the banking and non-life business areas that was the prinicpal reason for the increased income.

Over the year the owners' equity in the Group increased by NOK 1483 million to NOK 13,547 million. In addition to the income for the year there were net receipts of NOK 673 million in owners' equity contributions during 2012.

The Group's total assets increased by NOK 40 billion to NOK 331.8 billion at the end of the 2012. The increase is mainly the result of the growth in the pension customers' funds as a result of new accumulation and transfer inflow.

The business areas

Life insurance

Public sector occupational pension

Pension schemes within the public sector are offered and managed by the Group's parent company Kommunal Landspensjonskasse (KLP). Of the Group's total assets of NOK 331.8 billion, NOK 275.8 billion represents pension funds belonging to this customer group.

The competitive situation

In total 17 municipalities and one county administration put their pension schemes out to tender during 2012. KLP won all 17 municipalities, whilst the county administration chose to stay with its current provider. This produces a transfer inflow just under NOK 6 billion and 28,000 new insured members. Formally the transfer occurred at the end of the year and the assets are recognised in KLP's financial position statement from 1 January 2013.

Very good solvency, good results over time, high customer satisfaction and competitive premiums have contributed to KLP's strong competitiveness in the market for public sector occupational pensions. Since 1974 KLP has practised premium averaging for its insurance schemes so that the premiums are gender and age neutral and not affected by the make-up of the individual municipality/county. Therefore new customers come in on the same terms as the existing customers, which also applies to the same cover in terms of premium reserve and owners' equity contributions.

During autumn 2012 an important operator decided to withdraw from the market for public sector occupational pensions. Even though this reduces the number of providers, there is still competition in the market for offering public sector occupational pensions as insured schemes. The option of establishing an independent pension fund also provides an alternative that helps to sharpen competition for customers in public sector occupational pensions.

Operation and administration

During 2012 KLP received and processed almost 103,000 individual pension settlements. Continually rising growth in the number of pension cases is expected in the years to come, both because of increase in the numbers reaching pensionable age and because of the inflow of new transfer customers. Being updated and ensuring quality in individual pension processing is one of KLP's most important tasks and a substantial investment is being made, for example through systems development, to make case processing more efficient whilst continuing to safeguard KLP's good delivery quality into the future.

KLP has introduced "Min Side» (My Page), which, with secure and simple logging-in using Bank ID, provides the Group's retail customers with a good, comprehensive overview of all customer interaction with KLP on pensions, insurance and banking.

Our work to support and to be the champion and promoter of our customers' health, environment and safety (HES) activities is important in securing a safe and profitable pension community and it is part of our corporate social responsibility. A number of the projects can demonstrate reduced sickness absence, fewer disabled and lower take-up of contractual early retirement (AFP). During 2012 over 50 projects were supported and the "Ildsjelprisen» («Inspirational Force Prize») for contribution to a good working environment was awarded for the first time.

Most customers have chosen to administer their pension funds in the common portfolio which is set up with a balanced risk profile. The common portfolio achieved a value-adjusted return of 6.7 per cent in 2012. Including changes in added value of financial assets measured at amortized cost not brought to book, the return was 7.5 per cent. The book return for 2012 was 5.0 per cent.

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

NOK billion	Allocation 31.12.2012[1]	Return 2012 per cent	Allocation 31.12.2011
Shares	44.2	13.9	34.2
Short-term bonds	60.4	8.4	52.7
Liquidity/money market	23.1	3.5	20.6
Long-term/HTM bonds	83.3	4.9	79.3
Lending	30.0	3.9	24.9
Property	31.5	6.2	28.1
Total	272.5		239.8

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

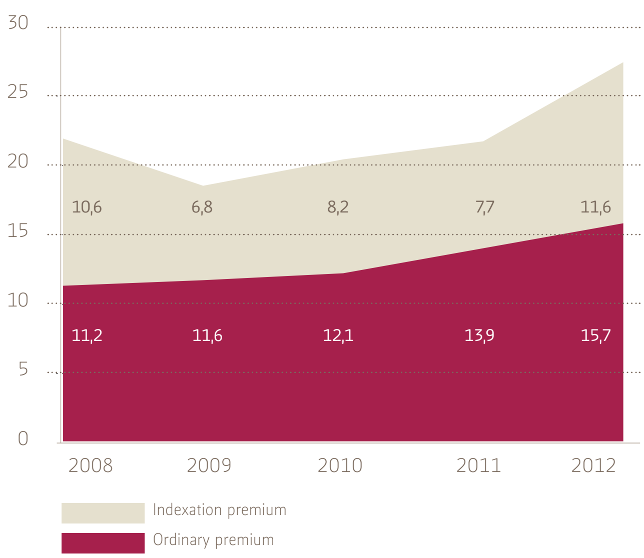
Details concerning the accounting results

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

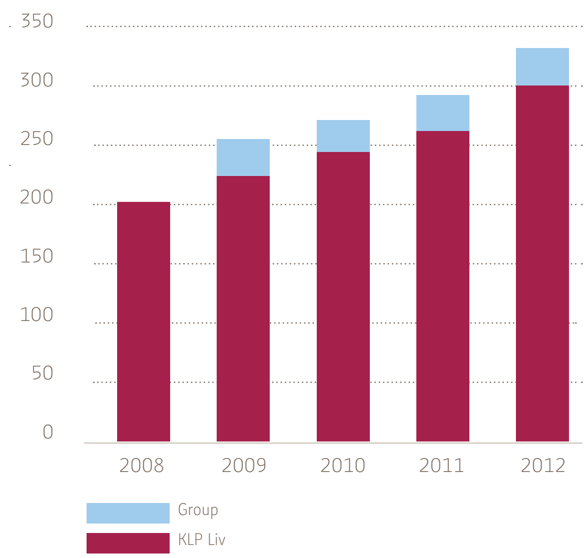
- Good financial returns both on shares and interest instruments
- Continued positive disability development
- Cost effective operation
- Good solvency

The corporate portfolio, primarily comprising KLP's tier 1 and tier 2 capital, produced a return of 4.5 per cent during 2012.

PREMIUM DEVELOPMENT NOK BILLIONS



TOTAL ASSETS NOK BILLIONS



The total recognised net income before allocation between the pension customers and the Company, was NOK 6230 million in 2012 against NOK 4299 million in 2011.

NOK billion	Income customers	Profit/loss company	Total 2012	Total 2011
Total returns	5 030	21	5 051	3 286
Risk result	219	38	258	305
Administration result		292	292	61
Guaranteed interest premium		89	89	212
Net income corporate portfolio		541	541	434
Return on equity contributions attributed to customers	206	-206	-	-
Total book profit/loss	5 455	775	6 310	4 299
Allocation of profit				
To supplementary provisions	-	-	-	2 143
To increase in reserves	3 089	-	3 089	-
Til premium fund	2 266	-	2 366	1 451
Til risk equalization fund	-	60	60	166
Til equttiy fund	-	715	715	539
Total allocated 2012	5 455	775	6 230	4 299
Total allocated 2011	3 594	705	4 299	

Risk result

The risk result is an expression of how mortality and disability have developed in the insurance population in relation to the assumptions used in the annual setting of premiums. The incidence of disability has developed in a positive direction again in 2012, but the trend has been as expected otherwise. The risk result was NOK 258 million. Of this, NOK 219 million has been provisioned to strengthen the longevity reserves while NOK 38 million has been credited to the risk equalization fund.

Administration result

The administration result shows a surplus of NOK 292 million against NOK 61 million in 2011. KLP has economies of scale as a result of its major market share in public sector occupational pensions and can thus maintain good service at a very competitive price. The Company has a clear ambition further to reduce its administrative costs as a proportion of the premium reserves in the years ahead through efficiency measures that have been initiated.

Returns result

2012 was a good year in the financial markets. Dawning signs of economic growth in important markets, a certain clarification in the hardest hit countries in the Eurozone, as well as stimulation of the economy through low interest rates, contributed to good returns. Financial income from the customer portfolios exceeded the guaranteed interest liability of about 3 per cent that is linked to the pension funds. After NOK 4.3 billion was credited to the the securities adjustment fund, book return was 5.0 per cent and the returns result was NOK 5.1 billion.

Allocation of income

The Financial Supervisory Authority (FSA) of Norway has provided guidelines for the allocation of income for the year in 2012. In those schemes in which adequate reserves have not been provided for the new K2013 tariff, the return surplus and risk surplus ought to be allocated to strengthening reserves. On application, KLP has received permission to transfer a sum corresponding to 0.3 per cent of the premium reserve as at 31 December 2012 to the customers' premium fund and to call in owners' equity contribution in line with established practice. That means that the Company's solvency is being built in step with the growth in the premium reserve linked to public sector occupational pension. In some public sector occupational pension schemes there are already adequate reserves in regard to K2013. For these schemes the returns surplus will be allocated to the premium fund, whereas the risk surplus will be allocated equally between the risk equalization fund and the premium fund. Of the customer profit for the year NOK 3.1 billion is allocated to strengthening reserves and NOK 2.4 billion to the customers' premium fund.

The profit for the year for the Company was NOK 775 million. From the profit for the year, NOK 60 million is allocated to the risk equalization fund, while NOK 715 million is transferred to other retained earnings.

Solid buffers provide the basis for achieving good returns in the future as well. They make possible an investment strategy with a long-term perspective and secure stability and predictability. The Board of Directors is satisfied that the profit for the year provides both for a necessary strengthening of longevity reserves and continued solvency-building in step with the increase in the insurance funds.

KLP's Board of Directors considers that the income statement and the statement of financial position for 2012 with notes, statement of cash flows and statement of changes in owners' equity, provide comprehensive information on the operation through the year and the financial position at the end of the year. The financial statements have been prepared in accordance with the going concern assumption and the risk associated with the Company's activities is under satisfactory control. The financial statements for the KLP parent company are presented in accordance with the Norwegian Annual accounts regulations for life insurance companies. The Group financial statements are presented in accordance with the EU-approved international accounting standards (IFRS/IAS).

Private occupational pensions

KLP Bedriftspensjon AS offers private occupational pensions in accordance with the Norwegian Tax Act. The company achieved good results for its pension customers in 2012. The business is in growth and can point to good customer inflow and increased total assets.

KLP Bedriftspensjon has concluded agreements with 17 new defined benefits occupational pension customers during 2012. Eight of these customers transferred to the company from other insurance companies. During 2012 the company decided only to bid on closed defined benefit pension schemes linked to defined contribution occupational pensions. In addition it was decided to withdraw from the transfer market for paid-up policies.

Agreements have been concluded with 288 new defined contribution pension customers during 2012, of which 41 per cent were transfers from other life insurance companies. There were 14 customers who transferred from KLP Bedriftspensjon. The company's total assets amounted to NOK 1316.8 million at the end of 2012 against NOK 904.3 million in 2011.

Income

The company result was negative by NOK 25.5 million. The business investment in private occupational pensions is relatively new. It takes time to establish a business volume that is adequate to achieve cover for costs required in order to operate an insurance stock. The Group supplied NOK 40 million in equity capital during 2012 in line with its established strategy of increasing capital in the company during a growth phase.

Non-life insurance

KLP Skadeforsikring AS offers property and personal injury related insurance products. The company is a leading provider of non-life insurance to health enterprises, municipalities, county administrations and associated enterprises. Since 2008 the company has also offered insurance solutions to the retail market. Growth has been good and at the end of 2012 the company had a customer relationship with 308 municipalities and county administrations, 2655 enterprises and 16,000 retail customers.

During the year the company has improved its customer-focused solutions. During the second half of the year a new «customer page» was launched. This is a web-based portal where customers can obtain a full overview of their business within the Group and where they can also report their claims electronically.

For the second consecutive year KLP Skadeforsikring has been acclaimed the winner of the EPSI Ratings survey, an annual customer satisfaction survey amongst Norwegian businesses.

In its core market, Public Sector and Corporate, the company continued the positive trend from last year with further growth in its premium base. Net premium growth for the year was NOK 59 million. There is fierce competition in this market and the company is experiencing great mobility within the customer base. The positive growth in sales also increased in the retail market and premiums due increased by about NOK 41 million in the course of the year.

Claim prevention measures are part of the company's social responsibility. Following the major claims during 2010, inspections and schools were given priority. During 2012 the effort has been directed towards risk-exposed companies. In addition the company has continued its collaboration with other organisations that have claim prevention on their agenda. The company is also active in fora and conferences attended by key representatives of its customers.

The general claims costs picture is positive and the company's total claims ratio was 81.3. This includes the result from reserve adjustments of claims notified before 2012. Taking account only of the business written during 2012 the claims ratio was 86.7, of which the claims ratio for the Public Sector/Corporate market was 89.8 per cent and the Retail market 74.9 per cent. Despite measures taken, parts of the vehicle insurance portfolio continue to show low profitability and improvement in this risk group will be the aim during 2013.

Income

Net premium income for the year amounted to NOK 659 million, an increase of NOK 60 million compared to 2011. The company's financial income of NOK 210 million, an increase from NOK 139 million in 2011, contributed most to a strong result for the year. The annual operating profit was thus NOK 105.6 million, which is the second best result in the company's history.

Banking

KLP Banken offers a range of loan and deposit products tailored to the target group in the public sector and individuals associated with KLP's insurance schemes. At the end of 2012 the Group's total lending operation covers a total of NOK 51.6 billion. Of this, NOK 21.5 billion was financed by KLP Banken, the remainder by Kommunal Landspensjonskasse. The loans were divided between NOK 10.5 billion in housing mortgages to private individuals, and NOK 41.1 billion in public sector loans.

Lending to the retail market

The Bank manages housing mortgages in a separate portfolio in addition to the parent company Kommunal Landspensjonskasse's housing mortgage portfolio. The housing mortgage portfolio developed well in 2012. At the end of the year the Group had NOK 10.5 billion in total lending to retail customers. In total this represents net growth of NOK 1.0 billion. The portfolio is secured through mortgages based on careful valuations, mainly within 60 per cent of loan value. The borrower's' ability to pay also forms part of the credit assessment.

Other banking products and services to the retail market

KLP Banken is an internet-based bank without a physical branch network. The online bank is a retail bank with good and simple saving and lending offerings. In 2012 a credit card service was launched and the bank became a BankID issuing bank.

Lending to the public sector

The KLP Group's business in lending to the public sector is run by KLP Banken under the brand name "KLP Kommunekreditt". "KLP Kommunekreditt" is an important national operator within its area of activity. Total lending amounted to NOK 41.1 billion at the end of 2012, a reduction of NOK 2.3 billion from 2011. The reduction is mainly associated with loans on own account in KLP Kommunekreditt AS and KLP Kreditt AS, whereas loans financed by KLP have increased by NOK 2.4 billion.

Income

The pre-tax income in the KLP Banken group was NOK 83.4 million, and NOK 50.1 million after tax. Income after tax has thus increased by NOK 85.2 million compared to 2011. The improvement in income is principally associated with the income in KLP Kommunekreditt AS. The company has implemented adjustments, particularly on the borrowing side, to reduce liquidity risk and meet official requirements for liquidity indicators. Net interest income increased compared to 2011. Non-recurring costs of establishing the borrowing programme and rating of the company were substantial during 2011, but impacted less on the financial position in 2012. The value increase in liquidity investments also affects the result positively in the form of unrealized gains. The result from the retail market is also positive and better than expected.

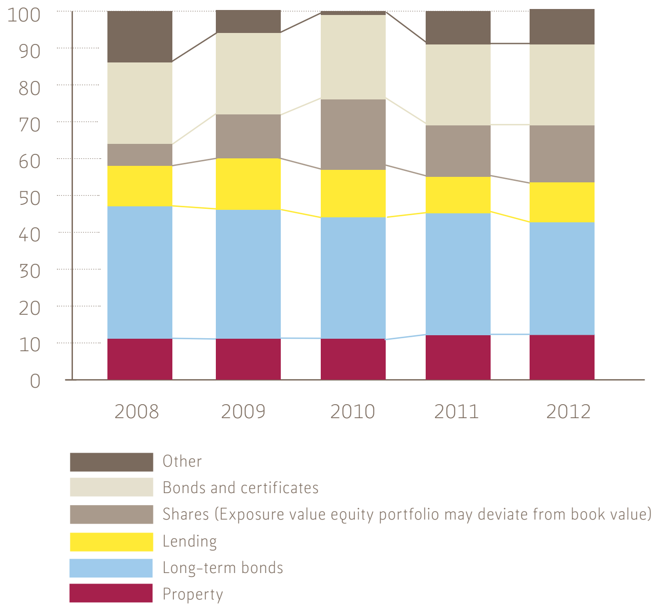
Asset management

Securities

KLP Kapitalforvaltning AS manages securities portfolios for the parent company and the other insurance businesses in the Group, and is the Group's principal provider of such services. The company also

BOOK AND VALUE-ADJUSTED RETURN Common portfolio

ALLOCATION Common portfolio
TOTAL ASSETS (% av financial assets)



provides asset management services to KLP Fondsforvaltning AS, which sells mutual funds based on these services to institutional customers and private individuals. The company manages both active and index tracking products, both in Norwegian and international securities. The company is one of the country's leading asset management operations, particularly in index tracking asset management products. In total, NOK 252 billion was under management at the end of 2012. This is an increase of NOK 36 billion over 2011. Of this, NOK 21 billion is management for external customers.

KLP Kapitalforvaltning's aim is to maximise long-term and sustainable value creation of KLP's and KLP Fondsforvaltning's securities investments.

The KLP Group exercises active ownership through participation and voting at general meetings in Norway and internationally. Companies that do not meet KLP's requirements for responsibility are excluded from KLP's investment world. KLP is one of the few investors abiding by the principle of openness regarding exclusion and voting, and reports on this as part of its non-financial accounts and comprehensively at www.klp.no/samfunnsansvar.

KLP is a Norwegian partner to the Carbon Disclosure Project (CDP). This is a project in which many of the world's largest institutional investors have come together to influence companies to report on their climate emissions and climate strategy. The number of Norwegian stock market listed companies that reported to CDP increased in 2012.

Mutual funds
In 2012 KLP Fondsforvaltning had a very good increase in net receipts both from Group customers and customers outside the Group. This, in addition to positive returns in 29 out of 30 funds, has meant that the total assets in the KLP funds increased by NOK 17 billion to NOK 67 billion by the end of the year.

At the end of 2012, KLP Fondsforvaltning was managing a total of 30 mutual funds, including nine fixed income funds, 17 equity funds, two combination funds and two special funds. During 2012 the special fund KLP Alfa Global Rente started. The company has both institutional customers and retail customers. The funds have a total of 307 institutional customers as well as 23,468 retail customers. The institutional customers have 98 per cent of the funds' total assets.

Income
The asset management business achieved pre-tax income of NOK 21.4 million in 2012, a reduction of NOK 4.9 million compared to 2011. The business is run according to the principle that cost-effective management should benefit internal and external customers through pricing of the management services.

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

During 2012, eight properties were bought for a total price of NOK 3.6 billion, including a property to be taken over in January 2013. The acquisitions contributed to maintaining an unchanged property proportion in the common portfolio of 11.5 per cent. Over the year price development in the property market flattened out somewhat, so the net value increase in the property portfolio was NOK 304.7 million, representing 0.9 per cent. Total value of the property stock is NOK 33.5 billion. KLP Eiendom has solid tenants and long leases in its buildings. For all the properties the combined economic occupancy rate is 97 per cent.

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

Outside the Nordic region KLP has a small property exposure through property funds. At the end of the year the value of investments in such funds was NOK 614 million.

Income

Property management is carried out only on behalf of the companies within the Group and has thus primarily contributed to returns on invested capital for the life insurance customers. In total, the return on property was 6.2 per cent in 2012.

Consultancy and services

The wholly owned subsidiary KLP Forsikringsservice AS provides insurance-related services to the municipal and county administration pension funds. These services are based on the expertise and the systems developed for KLP's pension business. At the end of the year the company had a customer relationship with 80 per cent of the pension funds in this sector. The pre-tax income from this business was NOK 1.1 million in 2012.

Financial strength and capital

KLP's capital situation is satisfactory in relation to the business, size and risk profile. KLP has very satisfactory liquidity, with substantial holdings of liquid securities that can be realized at short notice. In addition, cash flows from operating activities showed net receipts of NOK 676 million. Net cash flows from operating activities comprise premium receipts to cover liabilities falling due several years forward in time.

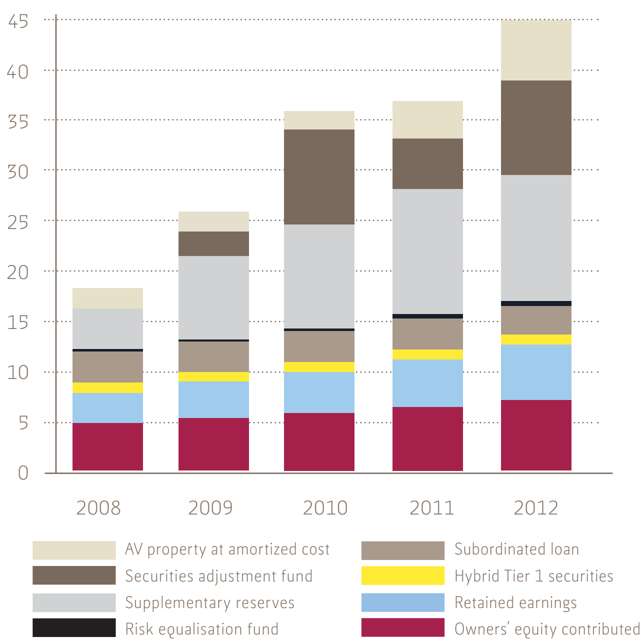
KLP's financial strength is assessed at A+ by Fitch Ratings, A2 by Moody's Investor Service and A- by Standard & Poor's.

KLP's perpetual subordinated notes (tier 1 capital) and subordinated loans are all perpetual and satisfy the transition arrangements to Solvency II to the extent that they have been clarified. The first interest reset date, which also gives KLP the opportunity to redeem the loans, is in 2016. The Company is not therefore subjected to refinancing risk in today's market.

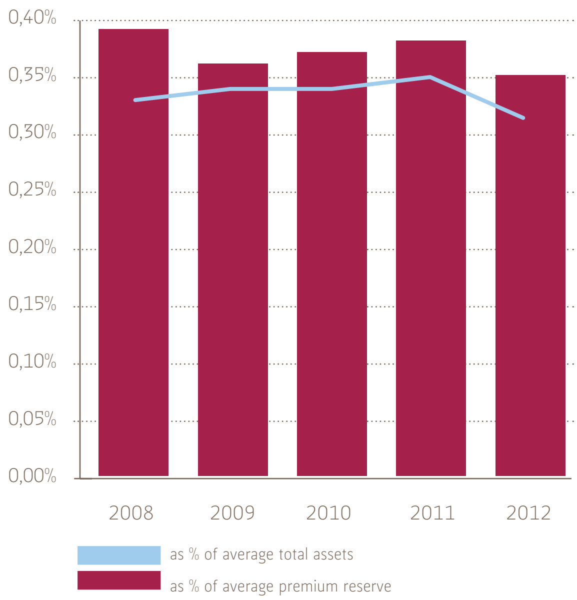
Solvency development

As it enters 2013, KLP has a solid buffer and solvency situation. Within the freedom of action permitted by the Norwegian FSA for allocation of customer income for the year, further building of solvency has been prioritised. With the FSA's recommendations/guidelines for allocations it has not been appropriate to strengthen supplementary reserves in 2012. NOK 3.1 billion has been provisioned for increasing reserves for the new tariff (increased longevity) during 2012. This is in addition to the NOK 1.4 billion that was earmarked for this purpose in previous years, so the combined strengthening for greater longevity had reached NOK 4.5 billion at the end of 2012. The supplementary reserves of NOK 12.4 billion represent 4.5 per

SOLVENCY CAPITAL NOK BILLIONS



ADMINISTRATION COSTS



cent of the technical reserves and cover 174 per cent of one year's guaranteed interest rate. The long-term objective is that the total of valuation reserves and supplementary reserves is to represent three times the annual guaranteed return. At the end of 2012 the degree of cover was 3.1 years.

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

KLP's solvency capital increased from NOK 36.2 billion to NOK 44.1 billion during 2012, and is established at a level that provides the necessary freedom of action to conduct competitive and sound asset management.

Solvency capital

Figures in NOK billions	2012	2011
Tier 1 and 2 capital tied to capital adequacy requirement	12,1	10,4
Tier 1 and 2 capital in excess of capital adequacy requirement	4,0	4,5
Risk equalization fund	0,5	0,4
Supplementary reserves	12,4	12,3
Securities adjustment fund	9,3	5,0
Unrealized value financial assets at amortized cost	5,9	3,6
Total solvency capital	44,1	36,2

Total solvency capital amounts to 17.4 per cent of guaranteed interest rate customer funds at the end of 2012 against 16.0 per cent at the previous year's end.

At year-end the capital adequacy ratio was 10.6 per cent. Core capital adequacy was 8.8 per cent. The solvency margin adequacy was 233.2 per cent at the end of 2012.

Risk

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

During 2012 KLP conducted an in-house assessment of the company's capital requirement, or «trial ORSA» (Own Risk and Solvency Assessment). It was on the whole satisfactory. A special section has been established for independent Risk Analysis and Control. The section is located in the line, but has the right and duty to report deviations or other events directly to the Group CEO or the Group Board of Directors. The section is being provided with both financial and actuarial competences.

Insurance risk

KLP's principal activity is life and pension insurance. The industry is characterised by predictability and to a limited degree by individual events that may affect results significantly. For KLP, developments in disability incidence and longevity could affect the risk picture. Expected increasing longevity brings longer retirement and creates requirements for increased premium reserves. With effect from 1 January 2014 all Norwegian life companies incorporate new assumptions on longevity in line with observed mortality in the insurance base up to and including 2009, as well as the expected increase in longevity in the future in accordance with Statistics Norway's projections. KLP has started the stepping up of the premium reserves accordingly. With an increasing number of occupationally active individuals in the higher age groups there is an increasing flow of new disability pensioners. This is catered for through the premium reserves provided in the accounts.

The Pension Reform means changed regulations also for public sector occupational pension. Longevity adjustment and changed indexing was adopted in 2010, whilst changes in harmonisation of retirement pension for those born in 1954 and later and new rules on disability pension have still not been adopted. The same applies to possible changes for survivor pensioners. New National Insurance invalidity benefit was approved by the Norwegian parliament, the Storting, in December 2011 and comes into effect from 1 January 2015. From the same date new invalidity benefits in public sector occupational pensions must come into effect. The Ministry of Labour is now working on studies of new rules for harmonisation of retirement pension for those born in 1954 or later; possible individual guarantees for those born after 1958; and new invalidity benefits in public sector occupational pensions. In this connection the Ministry has a process that involves public sector employer and employee organisations. At a later stage there is also to be an assessment of the future shape of the benefits to surviving spouses and children - both in National Insurance and in public sector occupational pensions.

Returns risk

Returns risk is principally associated with life insurance and the ability of this business to meet the annual returns guarantee to its customers. The business is therefore exposed to financial risk through the returns guarantee. A strategy is therefore worked out for how the pension assets are to be invested. KLP's investment strategies emphasise stability and a long-term view. In addition the investment sums are to be managed in accordance with KLP's internal guidelines for socially responsible investments and ownership principles. The investment strategy sets the framework for various financial risks such as credit risk, counterparty exposure, foreign exchange risk, use of derivatives and liquidity risk. A credit policy is also laid down for the Group and credit limits for total exposure to individual counterparties are set by the Group's credit committee.

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

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

Operating risk

The Group's operating risks are associated with undesirable events as a result of failure in internal working processes, employee error, dishonest acts and criminality or external events. All processes throughout the value chain are exposed to various types of operating risk.

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

Internal audit
The Company's independent Internal Audit conducts assessment of insurance, financial and operating risks. Following consultation with the Board and senior management, assessment and testing are conducted of areas that are significant and exposed to risk with a view to satisfactory management and control. The result, with possible recommendations on necessary measures, is presented to senior management and the Board and is followed up.

Corporate social responsibility
Corporate social responsibility is of strategic significance to KLP because «for the days to come» is more than a slogan. Everybody has a responsibility to contribute to good and sustainable development. At KLP, to think society, environment and responsible investment is part of the daily operation.

KLP's social responsibility strategy has two objectives: to contribute to a sustainable public sector and to integrate social responsibility into all business processes. Accordingly, KLP reports on non-financial key indicators quarterly. KLP presents a non-financial supplementary account in the annual report, providing important information on the Group's attitude to society and the environment as well as human capital.

Corporate social responsibility is integrated into KLP's overall strategy and included in the Group's balanced scorecard reporting.

KLP has signed the UN Global Compact, and is accordingly committed to working for human rights, workers' rights, the environment and against corruption. Corporate social responsibility is also included in governing documents through guidelines for ethics, the environment and responsible investment. Supplementary reporting in accordance with the Global Reporting Initiative (GRI) is accessible to all on KLP's website, www.klp.no/samfunnsansvar (in Norwegian but for English see also www.klp.no/english/corporate-responsibility).

Employees; and health, environment and safety (HES)
KLP works systematically with health, environment and safety matters (HES). Through systematic HES, work sickness absence at KLP has been reduced from 4.6 per cent in 2011 to 4.2 per cent in 2012. The target is to have sickness absence under 4.0 per cent for KLP as a whole.

As part of the systematic HES work, both the physical and the psychosocial working environment are mapped. For the physical working environment, annual HES rounds are conducted. The results are mapped and followed up. When it comes to the psychosocial working environment, the working environment measurement HCI/VCI is carried out twice a year. HCI/VCI (Human Capital Index and Values Capital Index respectively) measure compliance with the core values: open, clear, responsible and committed. The results of these measurements confirm that the working environment is perceived as good. All staff have employee reviews with their managers at least twice a year, where the emphasis is on personal development plans. During 2012 training has been carried out for managers, safety representatives and employee representatives in sickness absence monitoring both in cooperation with NAV Arbeidslivssenter (the Norwegian Labour and Welfare Administration's inclusive working life resource and competency centre) and HR. In addition HR monitors more closely than previously, partly as a result of new rules for sickness absence monitoring.

Quarterly meetings of cooperation and working environment committees (SAMU) have been conducted in all business units and staffs, as well as a central SAMU meeting for the Group each quarter. Both working environment matters and cooperation matters have been discussed. The Group works for a good and constructive dialogue with employee representatives.

Employees
Remuneration principles
KLP's aim is to offer its employees good, market-matching salary and employment terms and conditions. The subsidiaries KLP Kapitalforvaltning and KLP Fondsforvaltning operate in markets where part of the salary is based on profits achieved and therefore offer performance pay to employees who have direct profits responsibility. In accordance with the regulations, payment of such performance pay is spread over several years and is partly linked to the development of value in selected mutual funds, since KLP as a mutual company does not have its own stock-market listed equity instruments. Performance pay has not been introduced into other parts of the Group.

Equal opportunities and diversity
KLP has adopted a policy for equal opportunities and diversity based on equal value and fairness. This means not only focus on gender equality, but also inclusion of people with reduced functional capability and other groups that have problems fitting into working life. KLP wishes to reflect the diversity in society in general, and the Company's guidelines for recruiting require that at least one person with another ethnic background and at least one person with reduced functional capability are to be shortlisted for interview provided they are qualified for the post. New employees go through an introductory programme where they are familiarised with KLP's basic values, ethical guidelines and policy for equal opportunities and diversity.

In regard to inclusion of individuals with reduced working capability, KLP has good procedures for facilitating this for its own employees. In addition KLP has established collaboration with NAV Arbeidslivssenter and set up an Inclusive Workplace (IW) for people who have the need to try out their employability.

Salary differences between women and men are assessed as part of each salary settlement to avoid unjustified differences.

The target is to have at least 40 per cent of each gender amongst the Group's managers. This target has been achieved at Level 3, but not at Levels 1 and 2.

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

Investments

KLP is a responsible financial investor and owner that is to create returns on the pension funds for more than 550,000 Norwegians and in total manages more than NOK 300 billion. It is very important to have good returns on these funds, but it is not unimportant how returns are created. In addition to its membership of the UN Global Compact, KLP has also committed to complying with the UN's principles for responsible investment. This is reflected in KLP's asset management strategy.

During 2012 a new initiative was taken for sustainable investment, by entering into collaboration with Norfund (the Norwegian Investment Fund for Developing Countries) on contributing to value creation and jobs in some of the poorest countries in the world. In the first instance the investments will be concentrated on renewable energy, which supports both the need for access to energy and the work on the climate challenges.

External environment

KLP impacts on the external environment and climate through its own activities as well as indirectly through our customers and partners/suppliers and investments in companies and property. KLP has ambitious targets on improving its impact on the external environment. During 2012 the whole of KLP, including the subsidiaries with employees, became environmentally accredited.

KLP has its own environment committee. The Environment Committee is to work to reduce KLP's environmental impact through applying the «precautionary approach»; to implement environmental measures; and to promote its own employees' commitment to the environment. The three most important measures during 2012 were to establish "Miljøkunde" (Eco-customer) with electronic processing of insurance agreements for public sector organisations that are customers of KLP Skadeforsikring; to expand the capacity for videoconferencing equipment; and to offer environmental courses for all employees.

The overall goal for 2012 was to reduce CO2 emissions per employee by 5 per cent. By our own calculations this goal was achieved.

More detailed information about results, targets and measures may be found at www.klp.no/samfunnsansvar (in Norwegian but for English see also www.klp.no/english/corporate-responsibility)

Regulatory framework

Increasing reserves for longevity

New mortality tables for group pension insurance (K2013) were promulgated by the Norwegian FSA on 8 March 2013.

The tables incorporate updated assumptions on mortality/longevity and assumptions on projected longevity further into the future. K2013 also incorporates contingency margins so that these calculation tables should be able to continue unchanged long into the future.

In its circular the FSA announces that the increased reserve requirement for public sector schemes will be partially set off by reduction in premium reserves because of longevity adjustment of the retirement pension in the occupational pension scheme.

In KLP's public sector schemes the total requirement for increased reserves as a result of the new calculation tables and longevity adjustment of the retirement pension is estimated at NOK 10.7 billion. Of this, NOK 4.5 billion is financed by provisions during 2012 and previously; that is to say that NOK 6.2 billion remains, corresponding to about 3.7 per cent of the premium reserve in these schemes as at 31 December 2012.

The FSA's circular goes on to say that a minimum of 20 per cent of the reserves increase ought to be covered by the pension schemes. KLP will enter into dialogue with the authorities to clarify how this should be understood.

The Pension Reform

Comprehensive changes in public sector occupational pensions are in progress in accordance with the principles adopted in 2009/2010. The change processes are run by the Ministry of Labour in consultation with the parties to the collective pay agreements.

In January 2013 the Banking Law Commission presented proposals for comprehensive changes in private occupational pension. The proposals have led to increased debate about the public sector schemes as well, even though this is outside the framework of the the Banking Law Commission's mandate and work. The public sector pension schemes are anchored partly in law and partly in collective pay agreements between the social parties.

The situation today is that the pension reform introduced changed regulations for retirement pension in public sector occupational pensions from 2011, but the rules provided cover only those born by the end of 1953 with regard to harmonisation. Proposed harmonisation rules for those born in 1954 and later are expected to be adopted during 2013, but it may also take longer. Proposed new regulations for disability benefits in public sector occupational pensions are planned to be published for consultation after the Ministry of Labour has conducted a process with employer and employee organisations in connection with the report on this. The new disability benefits are expected to come into effect on 1 January 2015.

Competition conditions

In recent years KLP has carried out comprehensive work towards the FSA and the Ministry of Finance in order to ensure that all providers of public sector occupational pension should comply with the applicable regulations on premium setting. Without exception the authorities' clarifications have confirmed KLP's understanding of the regulations. This has led to advisers and competitors changing their practices. A more homogenous application of the regulations has made it easier for tender customers out on tender to carry out a proper comparison of the different bidders, and this has strengthened KLP's competitiveness.

Solvency II

Implementation of the new solvency regulations for insurance, Solvency II, has been further postponed, in the first instance to 1 January 2015. However, there is still uncertainty, both in Norway and internationally, about the final date of implementation.

The new capital requirement, which is calculated on the basis both of insurance risk and market risk in addition to counterparty risk and operating risk, will be the same throughout the EU/EEA area.

The FSA is working on putting in place appropriate and well-adjusted Solvency II regulations in Norway. It is important that the necessary adjustments to the regulations with national interpretations is carried out within the timeframe that makes it possible for the industry to be able to finalise the comprehensive internal work in the individual companies in good time before the regulations finally come into effect.

KLP is well underway with its preparations for Solvency II. Organisational adjustments have been made, including the establishment of a separate section for Risk Analysis and Control under the leadership of a special Risk Director.

KLP's owners' equity model with stable calling in of equity capital, together with other buffer capital, provides an important contribution to the financial strength of the Company.

Asset management

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

Tax

It was decided in connection with the government's budget for 2012 that the exemption method would no longer apply for customer portfolios in life insurance companies and pension schemes. The change was notified through a proposal dated 1 January 2012. KLP has accumulated large tax deficits to be carried forward which will be retained under the new regulations. Even though the new rules represent greater strictness, it is still expected that it will take several years before the company will be in a tax-payable position.

Other matters

Group management changes

Tore Tenold took over as Managing Director of KLP Skadeforsikring on 1 October. Marianne Sevaldsen took over as Group Executive Vice President Liv, (the KLP Life Division), on 1 February 2013.

Changes in KLP's Board of Directors

Liv Kari Eskeland, Mayor of Stord Municipality, has been elected as a new member of the KLP Board of Directors. Gunn Marit Helgesen has stepped down from the Board.

Owner relations

KLP exists for its owners. KLP's most important task is to be the leader in pensions for the public sector in Norway through having the lowest costs, best returns over time and high customer satisfaction. It is the public sector occupational pension customers that own the Company and subscribe the necessary equity capital. To provide the public sector occupational pension customers with a clearer perception of their own role and further to open lines of communication from our owners into the Company, a new department was established in 2012 with responsibility for owner relations.

Corporate governance

KLP's Articles of Association and applicable legislation provide the framework for corporate governance, corporate management and clear division of roles between the governing bodies and executive management.

The KLP Board of Directors conducts an annual review of corporate governance in KLP, including in relation to the Norwegian Code of Practice for Corporate Governance, as applicable to KLP's mutual corporate form. KLP's Articles of Association at www.klp.no provide more comprehensive information.

Within the mutual insurance company, Kommunal Landspensjonskasse, the Company's members undertake to pay owners' equity contributions to the extent necessary to provide KLP with satisfactory solvency. Such owners' equity contribution may only be repaid in connection with movement of a customer's business from KLP and approval in advance from the Financial Supervisory Authority of Norway is a prerequisite.

The way forward

Public sector occupational pension is the core business at KLP. KLP's principal aim is «to be the preferred provider of public sector occupational pensions - insured schemes with ownership in KLP - through the best returns, lowest costs and good service». Over the last two years KLP has strengthened its market position and the main aim is further to strengthen its position within a well functioning competitive market.

The most important prerequisite for attaining this goal is satisfied customers. It is therefore KLP's objective to maintain high customer satisfaction. Emphasis is therefore placed on developing customer service through arranging good online self-service solutions and better system support in operations. KLP is experiencing continual growth in customer enquiries and it is expected that this development will continue. Given its size, KLP has the opportunity to meet this development in a cost-effective way through exploiting economies of scale. By 2015, costs as a percentage of premium reserve are to be reduced from 0.35 per cent to 0.30 per cent.

Good returns are an important prerequisite for achieving the Group's principal aim. This is demanding because low interest rates and great uncertainty persist in the global economy. The importance of good solvency and good risk management is crucial. To ensure financial freedom of action KLP aims to strengthen the most important financial buffers, the securities adjustment fund and supplementary reserves, to maintain a level that covers three years' guaranteed interest rate as the insurance funds grow.

KLP, the customer-owned company, meets the challenges of the future by placing the customers' wishes and needs centre stage. This approach underlies KLP having widened its business breadth in recent years, including through developing advantageous retail market services and offerings for its owners' employees. The marketing aim for the investment in retail market products is a market share of 15 per cent among the active members by 2016, and of these, 45 per cent should be customers of two or more products. This is an ambitious target given that KLP is a new player in this market where there is keen competition.

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

Increasing reserves for these new longevity rerequisites is a challenge for the insurance industry. Even though two large KLP schemes have adequate longevity reserves, important challenges remain. The reserves have been strengthened considerably, but significant increases to the reserves are still required and will be implemented over several years. This build-up may limit the Company's freedom of action in regard to the allocation of surplus returns in the immediate years ahead.

KLP is doing well and its financial strength gives grounds for optimism concerning its ability to develop the business in a way that continues to create good value for its customers and owners and their employees.

Oslo, 19 March 2013
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Arne Øren, Chair

Finn Jebsen
Deputy Chair

Liv Kari Eskeland

Herlof Nilssen

Marit Torgersen

Jan Helge Gulbrandsen

Freddy Larsen
Elected by and from the employees

Siv Holland
Elected by and from the employees

Sverre Thornes
Group CEO

PHOTO **TOVE KRISTIN SKJELBOSTAD**

PHOTO **ANNE KRISTIN KRISTIANSEN**

PHOTO **SIDSEL KRISTIANSEN**

PHOTO **GORDANA GRØTTJORD-FORBERG**

Group Accounts

Statement of comprehensive income KLP Group

Notes	NOK millions	2012	2011
4, 21	Premium income for own account	29 946	22 574
5	Current return on financial assets	9 144	9 343
5	Net interest income banking	166	142
5	Net value changes on financial instruments	5 838	-2 842
15	Net income from investment properties	2 206	1 879
32	Other income	781	748
	TOTAL NET INCOME	48 081	31 845
21	Claims for own account	-11 457	-10 615
21	Change in technical reserves	-27 344	-17 291
	Net costs subordinated loan and hybrid Tier 1 securities	234	-406
31	Operating expenses	-1 150	-1 115
32	Other expenses	-651	-660
	TOTAL EXPENSES	-40 367	-30 087
	OPERATING PROFIT/LOSS	7 714	1 757
21	To/from securities adjustment fund – life insurance	-4 342	2 505
21	To supplementary reserves – life insurance	0	-2 156
21	Assets allocated to insurance customers - life insurance	-2 370	-1 453
	PRE-TAX INCOME	1 002	653
20	Cost of taxes	-7	-24
35	INCOME	995	629
22, 35	Revaluation real property for use in own operation	23	92
35	Currency translation foreign subsidiaries	-208	6
	TOTAL OTHER COMPREHENSIVE INCOME	-185	97
	TOTAL COMPREHENSIVE INCOME	809	726

Statement of financial position KLP Group

Notes	NOK millions	31.12.2012	31.12.2011
	ASSETS		
24	Intangible assets	365	344
22	Tangible fixed assets	1 033	1 041
16	Investments in affiliated companies	6	3
15	Investment property	32 322	28 726
6, 13	Debt instruments held to maturity	37 283	41 438
6, 13	Debt instruments classified as loans and receivables	55 917	46 936
6, 7, 11, 13	Lending local government, enterprises & retail customers at fair value through profit/loss	2 254	2 519
6, 13	Lending local government, enterprises and retail customers	49 874	51 024
6, 7, 11, 13	Debt instruments at fair value through profit or loss	103 375	77 050
6, 7, 11	Equity capital instruments at fair value through profit or loss	42 410	36 168
6, 7, 11, 13	Financial derivatives	1 541	915
	Receivables	1 754	1 603
8	Assets in defined contribution-based life insurance	300	198
	Cash and bank deposits	3 350	3 820
	TOTAL ASSETS	331 783	291 784
	EQUITY		
	Owners' equity contributed	6 891	6 217
35	Retained earnings	6 656	5 847
	TOTAL OWNERS' EQUITY	13 547	12 064

Statement of financial position KLP Group

Notes	NOK millions	31.12.2012	31.12.2011
	LIABILITIES		
6, 10, 17, 18, 19	Hybrid Tier 1 securities	974	1 145
6, 10, 17, 19	Subordinated loan capital	2 891	3 143
27	Pension obligations	569	518
21	Technical provisions - life insurance	276 781	244 086
21	Provisions in life insurance with investment option	300	198
21	Premiums, claims and contingency fund provisions - non-life insurance	2 626	2 567
6, 10, 19	Covered bonds issued	20 370	22 152
6, 10, 11, 19	Debt to credit institutions	4 799	1 398
6, 10, 19	Liabilities to and deposits from customers	2 946	1 840
6, 7	Financial derivatives	721	1 031
20	Deferred tax	50	45
33	Other current liabilities	5 208	1 596
	TOTAL LIABILITIES	318 236	279 720
	TOTAL EQUITY AND LIABILITIES	331 783	291 784
	OFF-BALANCE SHEET ITEMS		
34	Contingent liabilities	4 460	4 753

Statement of changes in owners' equity KLP Group

2012 NOK millions	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2012	6 217	5 847	12 064
Income	0	995	995
Comprehensive income statement			
Revaluation of properties for own use	0	23	23
Currency translation foreign subsidiaries	0	-208	-208
Total other comprehensive income	0	-185	-185
Total comprehensive income	0	809	809
Transactions with owners			
Owners' equity contribution received	677	0	677
Owners' equity contribution repaid	-4	0	-4
Total transactions with the owners	673	0	673
Owners' equity 31 December 2012	6 891	6 656	13 547

2011 NOK millions	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2011	5 628	5 121	10 749
Income	0	629	629
Comprehensive income statement			
Revaluation of properties for own use	0	92	92
Currency translation foreign subsidiaries	0	6	6
Total other comprehensive income	0	97	97
Total comprehensive income	0	726	726
Transactions with owners			
Owners' equity contribution received	596	0	596
Owners' equity contribution repaid	-7	0	-7
Total transactions with the owners	589	0	589
Owners' equity 31 December 2011	6 217	5 847	12 064

Statement of cash flows KLP Group

NOK millions	2012	2011
Cash flow from operating activities		
Direct insurance premiums received	26 730	19 081
Reinsurance premiums paid	-64	-47
Direct insurance claims and benefits paid	-10 755	-9 805
Reinsurance settlement for claims and insurance benefits, received	67	50
Payments received on transfer	1 779	305
Payments made on transfer	-158	-321
Payments to other suppliers for products and services	-976	-786
Payments to staff, pension schemes, employer's social security contribution etc.	-666	-615
Interest paid	-1 024	-1 068
Interest received	8 017	7 608
Dividend received	1 895	2 433
Tax and public charges paid	-161	-101
Receipts to the property business	2 125	2 181
Net receipts/payments of loans to customers etc.	2 833	3 615
Receipts on the sale of shares	19 023	9 290
Payments on the purchase of shares	-20 693	-14 440
Receipts on the sale of bonds	31 509	7 694
Payments on the purchase of bonds	-48 906	-22 841
Receipts on the sale of certificates	9 711	5 879
Payments on the purchase of certificates	-9 637	-8 950
Receipts on the sale of bonds and certificates	41 220	13 572
Payments on the purchase of bonds and certificates	-58 543	-31 791
Receipts on the sale of property	684	801
Payments on the purchase of property	-4 422	-2 898
Payment for investing in assets with investment options	-83	-70
Net cash flows from purchase/sale of other short-term securities	-7 891	438
Net cash flow from operating activities	-1 063	-2 569
Cash flow from investment activities		
Payments on the purchase of tangible fixed assets etc.	-82	-96
Receipts on the sale of tangible fixed assets	1	0
Net cash flow from investment activities	-81	-96
Cash flows from financing activities		
Receipts on take-up of new long-term liabilities/accrued expenses	0	15 901
Payments on repayment of long-term liabilities	0	-12 929
Receipts of owners' equity contributions	677	597
Payments on repayment of owners' equity contributions	-4	-8
Net cash flow from financing activities	673	3 562
Net changes in cash and bank deposits	-471	897
Holdings of cash and bank deposits at start of period	3 820	2 924
Holdings of cash and bank deposits at end of period	3 350	3 820

Notes Group

Note 1 General information

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

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

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

The Group's annual financial statements are available at www.klp.no.

The Company has a subordinated loan listed on the London Stock Exchange.

Note 2 Summary of the most important accounting principles

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

2.1. FUNDAMENTAL PRINCIPLES

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

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

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

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

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

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

2.1.1 Changes in accounting principles and information

a) New and changed standards adopted by the Group
There are no new or changed IFRSs or IFRIC interpretations that have come into force for the 2012 annual financial statements that are considered to have or expected to have a significant effect on the Group.

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

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

- IAS 1 "Presentation of financial statements" has been amended and as a result items in other comprehensive income are to be divided into two groups: those that are later to be reclassified through profit or loss and those that are not. The changes do not affect which items are to be included in other comprehensive income.

- IAS 19 "Employee Benefits" was amended in June 2011. The change means that all estimate deviations are recognised in other comprehensive income as they arise (no corridor); immediate recognition in the profit/loss statement of all costs of previous periods' pensions accumulation; and that interest expenses and expected returns on pension assets are replaced by a net interest sum calculated using discounting interest on net pensions liability (assets). The latest implementation date for the standard is 1 January 2013. The Group will implement the change from that date.

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

- IFRS 10 "Consolidated Financial Statements" is based on current principles on using the control term as the deciding criterion in deciding whether a company is to be included in the group financial statements of the parent company. The standard provides expanded guidance in determining whether control is present in those cases where this is difficult. The Group has not considered all possible consequences resulting from IFRS 10. The Group plans to apply the standard for reporting periods starting on 1 January 2014 and later.

- IFRS 12 "Disclosures of Interest in Other Entities" contains the information requirements for financial interests in subsidiaries, jointly controlled enterprises, associated companies, special-purpose entities (SPE), and other companies not included in the statement of financial position. The Group has not considered all possible consequences of IFRS 12. The Group plans to apply the standard for reporting periods starting on 1 January 2014 and later.

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

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

2.1.2 Changes in financial statements in relation to previous periods

No reclassifications have been carried out in the financial statements in relation to previous periods.

2.2 CONSOLIDATION PRINCIPLES

2.2.1 Subsidiaries

All entities in which the Group has decisive influence/control are considered subsidiaries. Decisive influence is normally achieved through ownership of more than half of the voting equity. The effect of potential voting rights that can be exercised or converted at the end of the reporting period is included in the assessment of control. Subsidiaries are consolidated from the date on which the Group takes over control and they are omitted from consolidation when that control ceases. Securities funds in which the Group has the majority of investments are omitted from the consolidation. This applies regardless of the securities fund's legal form and whether the fund's asset management is carried out by the Group.

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

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

2.2.2 Associated companies

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

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

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

2.3 BUSINESS SEGMENTS

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

2.4 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

2.4.1 Functional currency and presentational currency

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

2.4.2 Transactions and financial position statement items

Transactions in foreign currency have been converted to NOK by using the rate of exchange on the date of the transaction. Rate of exchange gains and losses on transactions in foreign currency are recognised through profit or loss. This also applies to translation of money items (assets and liabilities) at the end of the reporting period.

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

2.4.3 Group companies

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

- the financial position is translated at the exchange-rate at the end of the reporting period
- the statement of income is translated at average exchange-rate (if the average does not in general provide a reasonable estimate for the use of the transaction rate, the transaction rate is used)
- translation differences are taken to other comprehensive income

2.5 TANGIBLE FIXED ASSETS

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

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

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

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

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

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

For some fixed assets, where the impairment is expected to be highest at the start, balance depreciation is used.

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

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

Gains and losses on disposals comprise the price of sale less the book value at the time of sale. Gains and losses on disposals are recognised through profit or loss. On the sale of revalued fixed assets, any sum in the revaluation reserve linked to the fixed asset is transferred to retained earnings.

2.6 INVESTMENT PROPERTY

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

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

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

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

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

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

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

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

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

Properties classified as "facilities under construction" are presented at cost price if fair value cannot be measured reliably. The property is measured at cost up until its fair value can either be measured in a reliable way or until the property is completed.

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

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

2.7 INTANGIBLE ASSETS

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

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

Once an IT system is operational the capitalized costs are depreciated by straight line over the expected life. In the event of subsequent capitalization because of further development this is depreciated over the originally set life unless the expenditure increases the total expected life of the system.

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

2.8 2.8 FINANCIAL INSTRUMENTS

2.8.1 Classification

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

Financial assets

a) Financial assets at fair value through profit or loss
b) Loans and receivables recognised at amortized cost
c) Investments held to maturity recognised at amortized cost

Financial liabilities

a) Financial liabilities opted to be recognised at fair value
d) Other financial instruments recognised at amortized cost

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

The financial assets include shares and holdings, securities-fund units, bonds, certificates and lending whilst the financial liabilities cover debts to credit institutions.

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

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

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

c) Financial assets held to maturity
Financial assets held to maturity comprise financial assets that are not derivatives and that have set or determinable payments and a defined date of maturity and that the Group has the intention and the ability to hold to maturity with the exception of:
- Those the enterprise on first recognition classifies at fair value through income
- Those that meet the definition of loans and receivables.

The category includes bonds recognised at amortized cost.

d) Other financial liabilities recognised at amortized cost
The category covers subordinated loans, covered bonds issued and debt to and deposits from customers.

2.8.2 Recognition and measurement

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

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

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

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

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

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

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

2.8.3 Presentation in the financial position statement and income statement

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

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

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

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

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

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

g) **Covered bonds issued**
Covered bonds issued are recognised in the first instance at

fair value, i.e. nominal adjusted for any premium/discount on issue. On subsequent valuation the bonds are valued at amortized cost by the effective interest method. The costs of interest are included in the line "Net interest income banking" in the statement of income.

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

h) **Liabilities to credit institutions**

Liabilities to credit institutions are capitalized at market value on take-up. On subsequent measurement fair value is used when this eliminates or reduces accounting inconsistency. The interest costs are included in the line "Net interest income banking" whereas other value changes are included in the line "Net value changes on financial instruments" in the income statement.

i) **Derivatives and hedging**

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

For derivatives not included in accounting hedging, gains and losses are recognised through profit or loss as they arise in the line for "Net value changes on financial instruments". These are included in the category "Financial assets at fair value through profit or loss". Interest income and costs are included in the line "Current return on financial assets".

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

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

2.9 NETTING

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

2.10 CASH AND CASH EQUIVALENTS

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

2.11 THE GROUP'S OWNERS' EQUITY

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

2.11.1 Owners' equity contributed

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

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

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

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

The owners' equity contribution may not be traded.

2.11.2 Retained earnings

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

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

2.12 RECOGNITION OF INCOME IN THE FINANCIAL STATEMENTS

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

2.12.1 Premium income

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

2.12.2 Interest income/-expenses

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

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

2.12.3 Rental income and other income

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

2.13 TAX

The Group conducts taxable business. Tax is calculated in accordance with the rules in the Norwegian Tax Act. Differences between accounting and tax valuations of assets and liabilities that will reverse at a later date provide the basis for calculating deferred tax assets or deferred tax liabilities in the financial statements. Deferred tax assets and deferred tax liabilities are netted in a smuch as they are assessed during the same period.

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

In presenting the Group financial statements, capitalization of Norwegian deferred tax is considered at Group level. Deferred tax and tax assets are calculated as differences between the accounting and taxation value of assets and liabilities. Deferred taxes are capitalized to the extent it can be shown probable that the companies in the Group will have sufficient taxable profit to exploit the deferred tax. In assessing the probability, emphasis is placed on historic earnings and expected future taxable income.

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

The cost of taxes is further specified in Note 20.

2.14 INSURANCE CONTRACTS

In accordance with IFRS 4 significant insurance risk must be associated with the contract for it to be able to be defined as an insurance contract. The insurance products the Group offers satisfy the requirement for significant insurance risk and are recognised in accordance with IFRS 4.

In accordance with IFRS 4, the insurance contracts are valued as a whole as an insurance contract even though this contains a financial element.

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

2.14.1 Sectors

The Group offers products to its customers in the following sectors:

a) Group pension (public sector and private)
b) Group life
c) Non-life insurance

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

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

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

In addition to the guaranteed future gross benefits scheme described above, group benefits-based defined benefit pensions (net scheme) and defined contribution pensions are offered.

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

Provisions in life insurance with investment option (unit-linked) comprise the customers' deposited savings capital supplemented by returns made.

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

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

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

Occupational injury, Safety and Accident

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

Fire-Combined

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

Motor Vehicle

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

Third-party liability

Insurance contracts that cover damage incurred or injury sustained by third parties as a result of customers' activities. The cover applies both for property claims and personal injuries.

Travel

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

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

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

2.14.2 Provisions in insurance funds

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

a) **Premium reserve**
   The premium reserve represents the actuarial cash value of pension entitlements accumulated on the date of calculation. The premium reserve also includes administration reserve in accordance with KLP's calculation base, as well as provisions for incurred, not yet settled insurance claims, including waiting period provisions for disability risk. That part of the occurred, not yet settled insurance events that would have been paid out had the claim been finally processed, is separated out in a discrete claims reserve.

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

c) **Premium fund**
   The premium fund contains premiums paid in advance and any surplus assets allocated to the individual customer's pre-

mium fund account. Premium fund assets may be used to cover future premiums.

d) **Claims reserve**

Claims reserves relate to and incorporate provision for unsettled insurance events linked to group life insurance, public sector occupational pensions and non-life insurance. Change in claims reserves is recognised through profit or loss as an element of the claims costs.

e) **Securities adjustment fund**

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

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

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

2.14.3 Guranteed («Base» interest)

The Group's defined benefit insurance contracts in the group pension sector contain a returns guarantee (base rate). The returns guarantee must be met annually. For newly agreed contracts entered into on 1 January 2006 or later the base rate is 2.75 per cent.

For other contracts the following applies:
From 1 January 2012 all new accumulation was carried out at a base rate of 2.5 per cent. Accumulation before this was split between 3.0 per cent and 3.4 per cent for most of the contracts. A small proportion of the contracts have some accumulation at 2.75 per cent and 4.0 per cent.

Previous accumulation at the base rate of 3.0 per cent is primarily associated with the Pension Scheme for Nurses, the Joint Pension Scheme for Hospital Doctors and the Pension Scheme for Publicly Elected Representatives. However a small proportion of customers also has previous accumulation at 3.0 per cent in other risk groups. Some of the defined benefit pension schemes have a base rate of 4 per cent for accumulation before 1 January 2004. All defined benefit pension schemes have base interest rate of 3 per cent for new accumulation after 1 January 2004. From 1 January 2012 all new accumulation will be at 2.5 per cent.

In 2012 the total average interest rate guarantee in the group pensions (public sector) segment amounted to 3.04 per cent and in the group pension (private) segment, 3.39 per cent.

* Company - Life insurance companies in the group

2.15 RESULT ELEMENTS - LIFE INSURANCE

2.15.1 Returns result

To calculate the returns result, separation has been introduced between the customers' accumulated funds and those of the insurance company, i.e. the owners' own funds. A division has been made between the common and the corporate portfolios. The common portfolio may be further divided into sub-portfolios with different investment profiles. The returns result thus comprises the return on the common portfolio less base rate. A positive returns result is credited to the customer, whereas a negative returns result must be covered from the customers' supplementary reserves and/or from owners' equity. The Company invoices a special premium element (interest guarantee premium) to guarantee the promised interest result. This premium element is included in the results.

2.15.2 Risk result

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

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

2.15.3 Administration result

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

2.15.4 Return on the corporate portfolio

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

2.15.5 Paid-up policies

For paid-up policies there is profit sharing so that at least 80 per cent of the return achieved on the assets managed accrues to the customers and a maximum of 20 per cent accrues to the Company*.

2.16 SURPLUS FUNDS SET ASIDE TO CUSTOMERS

Surplus assets credited to the customer contracts are set aside in the customers' premium fund and included as part of the insurance liabilities at the end of the reporting period.

2.17 PENSION OBLIGATIONS - OWN EMPLOYEES

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

Net pension liability is the difference between the pension as-

sets' fair value (i.e. transfer value) and the present value of the calculated pension obligations. These calculations have been carried out according to straight line accruals on the basis of assumptions on mortality, disability, voluntary cessation, take-up of contractual early retirement (AFP), future pay developments (in the local authority sector for the joint pension scheme), future growth in the National Insurance basic sum ('G'), assumptions on future returns etc. The financial assumptions have been set in line with the principles in the Norwegian Accounting Standards Board's (NASB) guidance on pension assumptions of 4 January 2013. Net obligation is classified as provision for obligation in the financial position statement. If the value of the pension assets exceeds the current value of calculated pension obligations, net assets are shown as long-term receivables.
The period's net pension costs comprise the sum of the period's pension accumulation, interest costs on the calculated liability and expected returns on the pension assets.
The joint pension scheme (Fellesordningen) is a multi-enterprise scheme, i.e. the technical insurance risk is spread between all of the local authorities and enterprises participating in the scheme. The financial and actuarial assumptions underlying the calculation of net pension liabilities are thus based on assumptions that are representative of the whole group.

Social security costs/Employer's National Insurance contribution is calculated on net liability. Gross pension liability as the basis for determining the amortization basis for the corridor does not include social security costs.

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

Note 3 Important accounting estimates and valuations

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

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

3.1 INSURANCE CONTRACTS

In calculating technical provisions in the group pension insurance sector, assumptions on disability risk are based on KLP's disability data for the period forward to 2009. For the other risk elements in group pension, including risk of experience, the assumptions from the K2005 calculation base are used with contingency margins in accordance with the minimum standard set by the Financial Supervisory Authority of Norway in 2007. A new calculation base, K2013, with minimum requirements from the Financial Supervisory Authority of Norway will be promulgated early in 2013 and come into effect from 1 January 2014. This replaces K2005. Increasing reserves to meet the new calculation base level is described in more detail in Note 21.

The companies in the Group invoice average premium for the different pension schemes so that the technical net premium is equalised between the customers included in the scheme. Had this not been done the KLP annual net premium for retirement, disability and survivor pension based on a salary of NOK 370,000 would, for the various individual ages and genders, amount to:

Men:			
Age	30 years	45 years	60 years
Amount	NOK 17,064	NOK 28,382	NOK 31,968

Women:			
Age	30 years	45 years	60 years
Amount	NOK 25,959	NOK 37,249	NOK 34,279

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

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

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

The claims reserve is also supplemented with a provision for future indirect claim handling expenses (also referred to as unallocated loss adjustment expenses - ULAE). This is estimated based on the magnitude of RBNS and IBNR.

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

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

The sensitivity overview is specified in detail in Note 9.

3.2 INVESTMENT PROPERTIES

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

As at 31 December 2012, buildings and real estate were valued using the Group's internal value assessment model. The model is based on discounting of estimated 20-year cash flow and the discounting factor used corresponds to the market's return requirement for similar properties. For the Norwegian properties as at 31 December 2012, a discounting factor was used in the interval 7.38 - 9.25 per cent: for the Group's Swedish properties it was 6.78 - 9.00 per cent and for the Danish properties, 7.00 - 7.75 per cent

The following main components are included in future cash flows:

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

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

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

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

	Change in parameter	Change in value
Return requirement	+100 bps*	-11 %
	-100 bps	13 %
Market rent	+10 %	8 %
	- 10 %	-8 %
Exit yield	+ 100 bps	-5 %
	- 100 bps	8 %
Inflation	+ 50 bps	6 %
	-50 bps	-6 %

*(bps = basis points = 0.01 percentage point)

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

3.3 PENSION OBLIGATIONS - OWN EMPLOYEES

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

The Group has followed "The guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB) Updated guidance published on 4 January 2013 has been used as the basis for updated measurement of best-estimate accrued liability and assets as at 31 December 2012.

Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liability are the discounting rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic sum (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement pension(AFP).

Previously the Group has used the discounting rate determined on the basis of the government bond rate to calculate the pension obligation for own employees. In 2012 the Group has made use of the opportunity provided by the "Guidance for determining pension assumptions" to use the interest rate for covered bond). These bonds satisfy the requirements in IFRS for what are known as high-quality bonds with reliable pricing in a well-functioning market. As at 31 December 2012 the Group has used a discounting rate of 3.9%.

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

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

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

3.4 FAIR VALUE OF FINANCIAL ASSETS

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

If it is concluded the observable market price is not representative of the fair value of the asset or the security is not traded on a listed market, the market value is estimated. The estimate is based on the market circumstances prevailing at the end of the reporting period. Unlisted interest-bearing securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models. The pricing methods and the accounts figures are discussed in more detail in Note 6.

3.5 FAIR VALUE OF FINANCIAL LIABILITIES

The method of calculating fair value using a valuation model is to calculate the expected cash flows based on the terms of each individual contract and then to discount these values to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable markets or by modelling the cash flows based on relevant models for market pricing. These models use observable market prices and rates as a basis, including for example yield curves for the majority of the asset's or liability's duration and option volatilities. The pricing methods and the accounts figures are discussed in more detail in Note 6.

3.6 LOSSES ON FINANCIAL ASSETS

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

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

For the Group's portfolio of long-term bonds, including long-term bonds held to maturity, the need for write-down is assessed individually each quarter. The portfolio comprises securities the issuer of which has a high rating from a recognised rating agency. If the issuer's credit rating changes for the worse, write-down is carried out only if the rating level changes for the worse by a substantial degree and/or in addition factors are observed that are considered to be an objective event that influences future cash flows from the investment. The write down requirement is calculated as the difference in value of the originally expected cash flows and newly expected cash flows. There will be uncertainty in calculating the new expected cash flows.

Note 4 Segment information

NOK millions	Group pensions pub. sect./group life 2012	2011	Group pensions private 2012	2011	Non-life insurance 2012	2011	Banking 2012	2011
Premium income f.o.a. from external customers[1]	28 940	21 689	356	295	650	590	0	0
Premium income f.o.a. from other Group companies[1]	85	63	0	0	9	9	0	0
Net financial income from investments	16 662	8 366	84	22	215	144	776	801
Other income from external customers	838	610	0	1	1	1	5	4
Other income from other Group companies	0	0	0	0	0	0	79	59
Total income	46 526	30 728	441	318	875	744	859	865
Claims f.o.a.	-10 882	-10 033	-38	-30	-537	-553	0	0
Insurance provisions f.o.a.	-26 917	-17 012	-371	-276	-55	-3	0	0
Costs borrowing	234	-406	0	0	0	0	-612	-677
Costs borrowing from other Group companies	0	0	0	0	0	0	-26	-110
Operating expenses	-769	-710	-40	-33	-173	-156	-136	-138
Depreciation	-69	-101	0	0	-4	-6	-2	-2
Other expenses	-651	-660	0	0	0	0		
Total expenses	-39 054	-28 920	-450	-341	-770	-718	-776	-927
Operating profit/loss	7 472	1 808	-10	-23	106	25	83	-62
Funds credited to insurance customers[2]	-6 696	-1 103	-16	-1				
Pre-tax income	775	705	-25	-24	106	25	83	-62
Cost of taxes					-17	-29	-23	17
Income after tax	775	705	-25	-24	88	-4	60	-45
Change in other comprehensive income								
Total comprehensive income	775	705	-25	-24	88	-4	60	-45
Assets	299 664	261 746	1 317	904	3 599	3 427	28 273	31 669
Liabilities	286 274	249 805	1 249	852	2 774	4 146	27 050	32 823
Key figures								
Capital adequacy ratio	10,6 %	11,5 %	9,6 %	13,9 %	34,1 %	31,8 %	19,1 %	15,0 %
Solvency margin capital ratio	233,0 %	244,0 %	157,0 %	217,2 %				
Return on capital customer funds w/interest guarantee, book return	5,0 %	4,5 %	5,2 %	6,3 %				
Return on capital customer funds w/interest guarantee, value-adjusted return	6,7 %	3,2 %	6,7 %	3,7 %				
Interest net							0,3 %	0,1 %
Deposits							2 946	1 840
Lending	30 198	25 104					21 875	28 416
Defaulted loans as a percentage of gross loans	0,0 %	0,0 %					0,0 %	0,0 %

NOK millions	Asset management 2012	Asset management 2011	Other 2012	Other 2011	Eliminations 2012	Eliminations 2011	Total 2012	Total 2011
Premium income f.o.a. from external customers[1]	0	0	0	0	0	0	29 946	22 574
Premium income f.o.a. from other Group companies[1]	0	0	0	0	-94	-72	0	0
Net financial income from investments	6	5	0	0	-389	-816	17 354	8 522
Other income from external customers	197	166	8	8	-269	-42	781	748
Other income from other Group companies	91	101	0	0	-170	-160	0	0
Total income	294	272	8	8	-922	-1 090	48 081	31 845
Claims f.o.a.	0	0	0	0	0	0	-11 457	-10 615
Insurance provisions f.o.a.	0	0	0	0	0	0	-27 344	-17 291
Costs borrowing	0	0	0	0	612	677	234	-406
Costs borrowing from other Group companies	0	0	0	0	26	110	0	0
Operating expenses	-270	-241	-7	-7	324	302	-1 072	-982
Depreciation	-2	-5	0	0	0	-18	-78	-133
Other expenses	0	0	0	0	0	1	-651	-660
Total expenses	-273	-246	-7	-7	963	1 071	-40 367	-30 087
Operating profit/loss	21	26	1	2	40	-19	7 714	1 757
Funds credited to insurance customers[2]							-6 712	-1 104
Pre-tax income	21	26	1	2	40	0	1 002	653
Cost of taxes	-6	-7	0	-1	40	-5	-7	-24
Income after tax	15	19	1	1	81	-24	995	629
Change in other comprehensive income					-185	97	-185	97
Total comprehensive income	15	19	1	1	-105	74	809	726
Assets	252	220	12	12	-34 616	-6 194	331 783	291 784
Liabilities	122	111	3	3	-67 525	-8 020	318 236	279 720

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

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

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

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

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

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

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

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

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

Note 5 Net income from financial instruments

NOK millions	2012	2011
Interest income bank deposits	125	101
Interest income derivatives	48	143
Interest income debt instruments fair value	2 928	3 275
Total interest income financial assets at fair value	3 100	3 519
Interest income fixed income securities amortized cost	4 393	4 234
Interest income lending amortized cost	1 084	1 059
Total interest income financial assets at amortized cost	5 476	5 292
Dividend/interest shares and holdings/units	598	567
Oher income and expenses	-31	-35
Total other current costs and income	567	532
Current return on financial assets	9 144	9 343
Interest income lending fair value	-17	547
Total interest income financial assets at fair value	-17	547
Interest income lending amortized cost	854	342
Total interest income financial assets at amortized cost	854	342
Interest costs debt to credit institutions	-60	-167
Interest costs covered bonds	-652	-549
Interest costs debt to and deposits from customers	-80	-50
Oher income and expenses	121	17
Total other income and expenses banking	-670	-748
Net interest income banking [1]	166	142
Value changes shares and holdings/units	1 259	-2 735
Value change derivatives	887	-790
Value change debt instruments at fair value	1 349	860
Value change lending fair value	-62	-139
Value change borrowing fair value	11	2
Total value change financial instruments at fair value	3 443	-2 803
Other unrealised values	145	216
Net unrealised gain on financial instruments	3 588	-2 587
Realised shares and holdings/units	1 488	-81
Realised derivatives	898	-134
Realised debt instruments at fair value	290	-38
Total realised financial instruments at fair value	2 676	-253
Realised bonds at amortized cost [2]	-390	34
Total realised financial instruments at amortized cost	-390	34
Other financial income and costs	-36	-36
Net realised gain on financial instruments	2 250	-255
Net value changes on financial instruments	5 838	-2 842
Total net income from financial instruments	15 147	6 643

The note specifies net income from financial instruments

Value changes resulting from change in credit risk are not included in this table because of system limitations.

[1] Net interest income banking is income and costs linked to banking activity.
[2] Realised values on bonds at amortized cost come from realised gain/loss on foreign exchange. Securities denominated in foreign currency are hedged, resulting in minimal net effect of exchange rate changes (reflected in value change/realised derivatives). See Notes 9 and 12 for more information.

Note 6 Fair value of financial assets and liabilities

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

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

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

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

b) Shares (unlisted)
As far as possible the Group uses the industry recommendations of the Norwegian Mutual Fund Association (NMFA). Broadly this means the following:
The last traded price has the highest priority. If the last traded price lies outside this in the market, price is adjusted accordingly. I.e. if the last traded price is below the offer price, price is adjusted up to the offer price. If it is above the bid price it is adjusted down to bid. If the price picture is considered outdated, the price is adjusted according to a market index. The Company has selected the Oslo Stock Exchange's Small Cap Index (OSESX) as an approach for unlisted shares.

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

c) Foreign fixed income securities
Foreign fixed income securities are generally priced on the basis of prices obtained from an index provider. At the same time prices are compared between several different sources to identify any errors. The following sources are used:
JP Morgan
Barclays Capital Indices
Bloomberg
Reuters

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

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

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

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

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

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

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

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

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

Fair value of fixed interest loans is calculated by discounting contracted cash flows by market interest rates including a relevant risk margin at the end of the reporting period.

Note 6 Fair value of financial assets and liabilities, continued

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

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

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

l) Investments with credit institutions
Investments with credit institutions are short-term deposits. Fair value is calculated by discounting contracted cash flows by market interest rates including a relevant risk margin at the end of the reporting period.

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

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

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

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

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

r) Private equity
The fair value of the funds is to be based on reported market values, according to International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines). These guidelines are set by the European Private Equity and Venture Capital Association (EVCA) and based on the principle of approximate market valuation of the companies.

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

Financial assets NOK millions	2012 Book value	 Fair value	2011 Book value	 Fair value
Debt instruments held to maturity - at amortized cost				
Norwegian hold-to-maturity bonds	17 609	18 686	17 459	18 309
Foreign hold-to-maturity bonds	19 674	20 882	23 979	25 075
Total debt instruments held to maturity	37 283	39 568	41 438	43 383
Debt instruments classified as loans and receivables – at amortized cost				
Norwegian bond loans	24 362	23 891	16 852	17 185
Foreign bond loans	31 555	33 601	30 064	31 205
Other receivables	-1	-1	21	21
Total debt instruments classified as loans and receivables – at amortized cost	55 917	57 491	46 936	48 411
Lending local government, enterprises & retail customers at fair value through profit/loss				
Loans to local government sector or enterprises with local government guarantee	2 254	2 254	2 519	2 519
Total loans to local government, enterprises & retail customers at fair value through profit/loss	2 254	2 254	2 519	2 519
Lending to local government, enterprises & retail customers – at amortized cost				
Loans secured by mortgage	9 750	9 779	9 054	9 074
Loans to local government sector or enterprises with local government guarantee	40 124	40 418	41 971	42 232
Total lending	49 874	50 198	51 024	51 306
Debt instruments at fair value through profit or loss				
Norwegian bonds	57 741	57 741	41 761	41 761
Norwegian certificates	7 195	7 195	3 764	3 764
Foreign bonds	22 320	22 320	22 117	22 117
Foreign certificates	0	0	695	695
Investments with credit institutions	16 119	16 119	8 714	8 714
Total debt instruments at fair value through profit/loss	103 375	103 375	77 050	77 050
Equity capital instruments at fair value through profit or loss				
Shares	19 587	19 587	16 328	16 328
Equity funds	21 315	21 315	17 909	17 909
Property funds	614	614	706	706
Alternative investments	894	894	1 225	1 225
Total equity capital instruments at fair value	42 410	42 410	36 168	36 168
Other loans and receivables including receivables from policyholders - at amortized cost				
Receivables related to direct business	1 555	1 555	1 374	1 374
Receivables related to reinsurance agreements	187	187	218	218
Reinsurance share of gross claims reserve	12	12	11	11
Total other loans and receivables including receivables from policyholders	1 754	1 754	1 603	1 603
Financial liabilities				
Hybrid Tier 1 securities	974	986	1 145	1 017
Subordinated loan capital	2 891	2 906	3 143	2 988
Debt to credit institutions	4 799	4 799	1 398	1 398
Covered bond issued	20 370	20 370	22 152	22 152
Liabilities to and deposits from customers	2 946	2 946	1 840	1 840
Total financial liabilities	31 981	32 007	29 680	29 397
Assets in life insurance with investment option (Unit-linked)	300	300	198	198
Provisions in life insurance with investment option (Unit-linked)	300	300	198	198

Financial derivatives NOK millions	2012 Assets	 Liabilities	2011 Assets	 Liabilities
Forward exchange contracts	737	150	54	423
Interest rate swaps	666	571	706	598
Interest rate options	0	0	0	0
Interest rate and currency swaps	0	0	0	0
Share options	137	0	155	0
Interest rate futures (IRF)	0	0	0	10
Total financial derivatives	1 541	721	915	1 031

Note 7 Fair value hierarchy

31.12.2012 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS				
Lending at fair value.	0	2 254	0	2 254
Total debt instruments at fair value	63 065	40 310	0	103 375
Bonds and other fixed-income securities	51 054	36 145	0	87 198
Certificates	148	6 138	0	6 287
Bonds	13 571	29 097	0	42 669
Fixed-income funds	37 334	909	0	38 243
Loans and receivables	12 012	4 165	0	16 176
Shares and units	38 116	1 123	3 171	42 410
Shares	18 851	229	508	19 587
Equity funds	18 652	0	2 663	21 315
Property funds	614	0	0	614
Special funds	0	894	0	894
Financial derivatives	0	1 541	0	1 541
Total financial assets valued at fair value	101 181	42 973	3 171	147 326
LIABILITIES				
Financial derivatives liabilities	0	721	0	721
Debt to credit institutions [1]	1 461	0	0	1 461
Total financial liabilities at fair value	1 461	721	0	2 182

31.12.2011 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS				
Lending at fair value.	0	2 519	0	2 519
Total debt instruments at fair value	49 219	27 832	0	77 050
Bonds and other fixed-income securities	43 588	24 747	0	68 335
Certificates	0	4 458	0	4 458
Bonds	12 957	20 289	0	33 246
Fixed-income funds	30 631	0	0	30 631
Loans and receivables	5 630	3 084	0	8 715
Shares and units	32 113	1 523	2 531	36 168
Shares	15 618	298	412	16 328
Equity funds	15 789	0	2 119	17 909
Property funds	706	0	0	706
Special funds	0	1 225	0	1 225
Financial derivatives	0	915	0	915
Total financial assets valued at fair value	81 332	32 789	2 531	116 652
LIABILITIES				
Financial derivatives liabilities	0	1 031	0	1 031
Debt to credit institutions [1]	392	0	0	392
Total financial liabilities at fair value	392	1 031	0	1 423

Changes in Level 3:	2012	2011
Opening balance 1 Jan	2 531	1 589
Sold	-422	-360
Bought	874	1 018
Unrealised changes	188	285
Closing balance 31 Dec	3 171	2 531
Realised gains/losses	54	62

The price changes are reflected in the line "Net value changes in financial instruments" in the Group income statement.

The columns "Changes in Level 3" show changes in Level 3 classified securities during the period stated.

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 Group include unlisted shares and Private Equity.

Note 6 provides information on fair value of assets and liabilities measured at amortized cost. The level-based distribution of these items will be as follows: assets classified as hold to maturity will be included in Level 1 , lending, and loans and receivables will be included in Level 2. Liabilities, measured at amortized cost, will be distributed as follows: subordinated loan capital distributed at Levels 1 and 2, the hybrid Tier 1 securities will be distributed at Level 2, debt to credit institutions will be distributed at Levels 1 and 2, and covered bonds will also be included in Level 2.

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 a general basis, a change in the pricing of 5% produces a change in the value of NOK 159 million as at 31 December 2012 and NOK 127 million as at 31 December 2011 at Level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 300 million in financial assets measured at fair value. On 31 December 2012 the NOK 300 million were included with NOK 141 million in shares and units in Level 1 and NOK 159 million in debt instruments at fair value.

[1] The line Debt to credit institutions in the financial position statement includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the financial position and a correction has been made in the figures in the note compared with 2011. The liabilities measured at amortized cost amounted to NOK 3,338 million on 31 December 2012 and NOK 1,006 million on 31 December 2011.

Note 8 Assets in defined contribution-based life insurance

NOK millions	Number of units	Price	Fair value 31.12.2012	Average return per unit (%)	Average return per unit (whole NOK)	Sector distribution by value as at 31.12.2011
Units in equity funds						
KLP AksjeGlobal Indeks II	78 371	1 261,61	99	16,15 %	175	63
KLP Aksjenorge Indeks	30 608	1 383,74	42	15,27 %	183	27
Total units in equity funds	108 979		141			90
Units in fixed-income funds						
KLP Pensjon II	55 967	1 277,78	72	8,27 %	102	50
KLP Obligasjon Global I	71 240	1 030,73	73	9,60 %	96	51
Total units in fixed-income funds	127 207		145			100
Units in money market funds						
KLP Pengemarked	9 215	1 004,63	9	3,21 %	32	6
Total units in money market funds	9 215		9			6
Total units in securities funds			295			196
Bank deposits [1]			5			1
Other financial assets			0			0
Total assets in insurance with investment option			300			198

Per cent	Q1	Q2	Q3	Q4
Returns per quarter	20,07 %	-6,37 %	-9,31 %	9,19 %

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

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

Note 9 Risk management

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

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

9.1 INSURANCE RISK

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

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

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

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

9.1.1 Insurance provisions

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

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

9.1.2 Premium setting

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

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

9.1.3 Reinsurance and reinsurance programmes

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

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

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

b) Non-life insurance

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

9.1.4 Concentration risk in non-life insurance

Continuous assessment of the concentration risk is undertaken. This risk is primarily associated with property risks. The portfolio of insured properties is characterised generally by a good geographic spread, but with greater concentration in the Oslo region. The risks are combined where this is appropriate.

Therefore there is no significant accumulation between these risks. The Group has six property risks with sums insured higher than NOK 1 billion at NOK 1,612 million, 1,584 million, 1,427 million, 1,335 million, 1,143 million and 1,030 million. The Company has 27 property risks with sums insured in the bracket NOK 500 million - NOK 1,000 million.

9.1.5 Sensitivity calculations

9.1.5.1 Sensitivity calculations in group public sector and private pensions

The effect of an immediate 20 per cent increase in the incidence of disability would, with current numbers, be NOK 676 million (of which NOK 2.8 million in group pension, private) on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in the incidence of disability would be NOK 2,632 million (of which NOK 8.6 million in group pension, private).

An immediate 10 per cent reduction in mortality would, with current numbers, mean an effect of NOK 126 million (NOK 0.5 million in group pension, private) on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be NOK 8,993 million (of which NOK 3.5 million in group pension, private).

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

9.1.5.2 Sensitivity calculations in non-life insurance

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

1 per cent change in the costs	NOK 2.0 million
1 per cent change in premium level	NOK 7.2 million
1 per cent change in claim payments	NOK 5.4 million
1 per cent change in claims reserves	NOK 17.5 million

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

9.2 FINANCIAL RISK

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

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

9.2.1 Liquidity risk

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

Residual commitment liability not-called in and amounting to NOK 4,460 million comprises committed, not paid in sums against private equity and approved promised lending that have not been paid out. The total is specified in detail in Note 34 Contingent liabilities. The agreements govern inter alia solvency requirements so that the drawing can be approved for payment.

9.2.2 Market risk

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

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

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

Note 9 Risikostyring, forts.

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

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

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

Sensitivity analysis - market risk

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

In accordance with the Financial Supervisory Authority of Norway's Stress Test I, KLP has a buffer capital utilisation of 71 per cent, broadly the same as at the end of 2011 when the buffer capital utilisation was 72 per cent. The purpose of the stress test is to illustrate how various scenarios can impact on KLP's ability to meet statutory solvency and security requirements. The most significant risk in the stress test is market risk which seen in isolation represented a loss potential of NOK 34 billion. Gross contribution to the loss potential from the various risks classes is divided as follows:

Interest rate risk	NOK 10.5 billion
Equities risk	NOK 15.2 billion
Property risk	NOK 8.2 billion
Exchange rate risk	NOK 0.5 billion
Spread risk	NOK 12.5 billion
Concentration risk	NOK 0.1 billion

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

9.2.3 Credit risk

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

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. 55 per cent of the Group's total credit exposure is invested with issuers with the rating AA or better (this includes Norwegian municipalities and county administrations). The Group has a separate international government bonds portfolio and the element of government bonds is also relatively high in the Norwegian bonds portfolio.

The Group has a lending portfolio of high-quality, with limited credit risk and historically very low losses. In the main the Group provides loans secured on housing with a mortgage level of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to NOK 11.9 billion. The value of the mortgage securities represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.

9.3 TOTAL MAXIMUM EXPOSURE TO CREDIT RISK FOR THE GROUP

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

Note 10 Liquidity risk

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

2012 NOK millions	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	140	3 257	0	0	3 397
Hybrid Tier 1 securities	0	41	162	203	1 425	1 830
Liabilities to and deposits from customers	2 946	0	0	0	0	2 946
Covered bonds issued	0	2 585	18 485	854	0	21 924
Debt to credit institutions	1 822	1 777	1 307	0	0	4 906
Accounts payable	691	0	0	0	0	691
Contingent liabilities	4 460	0	0	0	0	4 460
Total	9 919	4 543	23 211	1 056	1 425	40 154
Financial derivatives						
Financial derivatives gross settlement						
Inflows	-65	-1 499	-8 579	-2 395	0	-12 538
Outflows	93	1 602	8 891	2 500	0	13 086
Financial derivatives net settlement	100	52	210	71	78	511
Total financial derivatives	128	155	522	176	78	1 059

2011 NOK millions	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	151	2 930	766	0	3 848
Hybrid Tier 1 securities	0	43	174	217	1 699	2 134
Liabilities to and deposits from customers	1 840	0	0	0	0	1 840
Covered bonds issued	0	6 564	16 528	855	0	23 948
Debt to credit institutions	0	1 398	0	0	0	1 398
Accounts payable	1 046	0	0	0	0	1 046
Contingent liabilities	4 753	0	0	0	0	4 753
Total	7 640	8 158	19 632	1 839	1 699	38 968
Financial derivatives						
Financial derivatives gross settlement						
Inflows	-21	-404	-4 141	-2 187	-9	-6 762
Outflows	21	468	4 441	2 312	9	7 251
Financial derivatives net settlement	396	143	117	171	-151	676
Total financial derivatives	395	207	417	296	-151	1 165

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

Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise.KLP Kapitalforvaltning has continuous responsibility and reports on 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 for the Group annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

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

Settlement profile insurance liabilities

2012 NOK millions								
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	11 425	47 813	74 830	178 382	187 690	155 659	92 367	60 089	808 254

2011 NOK millions									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	9 166	37 999	57 608	139 366	154 742	138 985	87 350	44 760	669 976

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

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

Note 11 Interest rate risk

31.12.2012 NOK millions	Up to 3 mnths	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	-1	0	0	0	0	4	3
Alternative investments	0	0	0	0	0	3	3
Financial derivatives classified as assets	7	11	-155	-100	-171	-71	-478
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-23	-42	-342	-407	-198	133	-879
Fixed income fund units	-1 923	0	0	0	0	22	-1 901
Special fund units	14	0	0	0	0	5	19
Loans and receivables	-1	-14	0	0	0	81	66
Lending	0	0	-1	0	0	153	152
Contingent liabilities [2]	0	0	0	0	0	11	11
Total assets	-1 926	-45	-498	-507	-369	347	-2 998
Liabilities							
Deposits	0	0	0	0	0	-29	-29
Liabilities created on issuance of securities	0	0	72	57	0	-200	-71
Financial derivatives classified as liabilities	-16	-3	12	136	0	11	141
Hybrid Tier 1 securities and subordinated loan capital	0	0	0	0	82	0	82
Debt to credit institutions	0	0	0	0	0	-9	-9
Total liabilities	-16	-3	84	193	82	-226	115
Total before and after taxes	-1 942	-48	-414	-314	-286	121	-2 883

31.12.2011 NOK millions	Up to 3 mnths	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	0	0	0	0	0	5	4
Alternative investments	0	0	0	0	0	7	6
Financial derivatives classified as assets	4	6	-94	-330	-190	349	-255
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-15	-28	-305	-351	-189	63	-826
Fixed income fund units	-1 486	0	0	0	0	13	-1 473
Special fund units	0	0	0	0	0	1	0
Loans and receivables	-10	-13	0	-6	0	80	52
Lending	0	0	-1	0	0	199	198
Contingent liabilities [2]	0	0	0	0	0	9	9
Total assets	-1 507	-36	-400	-687	-380	731	-2 279
Liabilities							
Deposits	0	0	0	0	0	-18	-18
Liabilities created on issuance of securities	0	0	64	60	0	-256	-132
Liabilities to financial institutions	0	0	0	0	0	-63	-63
Financial derivatives classified as liabilities	0	8	64	133	0	-698	-494
Hybrid Tier 1 securities, subordinated loan capital	0	0	0	50	33	0	83
Lending and receivables - call money	0	0	0	0	0	-6	-6
Total liabilities	0	8	128	243	33	-1 042	-630
Total before and after taxes	-1 507	-28	-272	-444	-347	-311	-2 909

The note shows the effect on income on an increase in market interest rate of 1 per cent, for fair value risk and variable interest rate risk.
Change in fair value (fair value risk) is shown in the five first columns, sorted in accordance with maturity of the securities, and is calculated on the change in fair value of interest-bearing instruments if the interest rate had been 1 per cent higher at the end of the period. The column «Change in cash flows» shows the change in cash flows had the interest rate been 1 per cent higher throughout the year being reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would have had on the Group during the period being reported on.

Fair value risk applies to fixed interest rate securities where the market value of the security fluctuates conversely to the market interest rate. Variable interest rate risk applies to securities at variable interest rates, where the market value remains stable, but where change in the market interest rate is reflected in changed current incomes.

Fixed interest securities with the following characteristics and classifications, are covered by this Note; securities at fair value through profit or loss (variable and fixed interest rate terms), investments held to maturity (only those with variable interest rate terms) and loans and receivables (only those with variable interest rate terms). The Group has no fixed interest securities classified as available for sale.
Seen overall, the interest rate risk is limited for the Group since a high proportion is invested in long-term bonds (securities classified as held to maturity or loans and receivables) and lending with fixed interest rate at amortized cost. For securities with the characteristics described, change in the market interest rate is not therefore reflected in the income statement.

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

[2] Contingent liabilities in this context is accepted, not paid out lending.

Note 12 Currency risk

31.12.2012 NOK millions/ foreign currency[1]	Financial position statement items excl. currency derivatives Assets	 Liabilities	Currency derivatives Assets	 Liabilities	Coversion rate Currency/NOK	Total Currency Assets	 Liabilities	Net position In NOK
Australian dollar	206	0	27	-218	5,778	233	-218	87
Brazilian real	118	0	0	0	2,718	118	0	320
Canadian dollar	260	0	64	-301	5,589	324	-301	130
Swiss franc	135	-12	24	-134	6,080	158	-146	73
Chilean peso	3 863	0	0	0	0,012	3 863	0	45
Colombian peso	10 199	0	0	0	0,003	10 199	0	32
Czech koruna	25	0	0	0	0,292	25	0	7
Danish krone	439	0	212	-4 211	0,983	652	-4 211	-3 500
Egyptian pound	8	0	0	0	0,874	8	0	7
Euro	2 090	-97	30	-1 967	7,337	2 119	-2 064	403
British pound	531	-19	20	-504	9,046	551	-523	252
Hong Kong dollar	982	0	105	-422	0,718	1 087	-422	478
Hungarian forint	279	0	0	0	0,025	279	0	7
Indonesian rupiah	111 010	0	0	0	0,001	111 010	0	64
Israeli shekel	19	0	6	-24	1,492	26	-24	3
Indian rupee	1 536	0	0	0	0,102	1 536	0	156
Islandic krone	262	0	0	0	0,043	262	0	11
Japanese yen	36 061	0	4 674	-37 702	0,064	40 735	-37 702	195
Korean won	72 344	0	0	0	0,005	72 344	0	376
Moroccan dirham	4	0	0	0	0,658	4	0	2
Mexican peso	274	0	0	0	0,429	274	0	117
Malaysian ringgit	47	0	0	0	1,820	47	0	86
New Zealand dollar	2	0	0	-2	4,591	3	-2	1
Peruvian Nuevo Sol	0	0	0	0	2,180	0	0	1
Philippines peso	165	0	0	0	0,136	165	0	22
Polish zloty	21	0	0	0	1,798	21	0	38
Swedish krone	1 702	-8	108	-7 833	0,855	1 810	-7 840	-5 159
Singapore dollar	35	0	6	-38	4,556	41	-38	15
Thai baht	384	0	0	0	0,182	384	0	70
Turkish lira	16	0	0	0	3,118	16	0	49
Taiwan new dollar	1 395	0	0	0	0,192	1 395	0	267
US dollar	5 717	-650	504	-5 246	5,565	6 221	-5 896	1 807
South African rand	296	0	0	0	0,656	296	0	194
Total short-term foreign exchange positions								-3 342
Euro	316	-312	0	0	7,337	316	-312	30
Japanese yen	21 087	-14 169	0	0	0,064	21 087	-14 169	445
US dollar	128	-124	0	0	5,565	128	-124	22
Total long-term foreign exchange positions								497
Total foreign exchange positions before and after tax								-2 845

Note 12 Currency risk, continued

31.12.2011 NOK millions/ foreign currency[1]	Financial position statement items excl. currency derivatives Assets	 Liabilities	Currency derivatives Assets	 Liabilities	Coversion rate Currency/NOK	Total Currency Assets	 Liabilities	Net position In NOK
Australian dollar	135	0	11	-136	6,118	147	-136	65
Brazilian real	95	0	0	0	3,200	95	0	305
Canadian dollar	218	-3	18	-213	5,861	236	-216	118
Swiss franc	111	0	9	-111	6,382	121	-111	64
Chilean peso	2 974	0	0	0	0,011	2 974	0	34
Colombian peso	6 158	0	0	0	0,003	6 158	0	19
Czech koruna	24	0	0	0	0,304	24	0	7
Danish krone	344	-20	0	-286	1,042	345	-305	41
Egyptian pound	5	0	0	0	0,990	5	0	5
Euro	1 671	-139	11	-1 496	7,747	1 682	-1 635	360
British pound	402	-1	0	-380	9,275	403	-381	203
Hong Kong dollar	770	0	25	-303	0,768	796	-303	378
Hungarian forint	235	0	0	0	0,025	235	0	6
Indonesian rupiah	86 813	0	0	0	0,001	86 813	0	57
Israeli shekel	218	0	2	-228	1,561	220	-228	-12
Indian rupee	1 044	0	0	0	0,112	1 044	0	117
Islandic krone	262	0	0	0	0,049	262	0	13
Japanese yen	49 460	0	1 935	-49 328	0,078	51 396	-49 328	160
Korean won	58 292	0	0	0	0,005	58 292	0	302
Moroccan dirham	5	0	0	0	0,696	5	0	3
Mexican peso	196	0	0	0	0,428	196	0	84
Malaysian ringgit	38	0	0	0	1,883	38	0	72
New Zealand dollar	2	0	0	-2	4,656	2	-2	1
Philippines peso	112	0	0	0	0,136	112	0	15
Polish zloty	15	0	0	0	1,738	15	0	26
Swedish krone	2 342	-1 006	0	-1 210	0,871	2 342	-2 216	110
Singapore dollar	29	0	3	-30	4,603	32	-30	9
Thai baht	217	0	0	0	0,189	217	0	41
Turkish lira	8	0	0	0	3,160	8	0	24
Taiwan new dollar	1 110	0	0	0	0,197	1 110	0	219
US dollar	4 909	-836	100	-3 986	5,968	5 009	-4 822	1 115
South African rand	215	0	0	0	0,739	215	0	159
Total short-term foreign exchange positions								4 121
Euro	464	-312	0	-154	7,747	464	-465	-10
Japanese yen	31 969	-25 350	0	0	0,078	31 969	-25 350	513
US dollar	127	-98	0	0	5,968	127	-98	168
Total long-term foreign exchange positions								672
Total foreign exchange positions before and after tax								4 793

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

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the actual currency risk the KLP Group had at the end of the period in NOK. Other sums are in local currency. The table shows a hedging ratio for foreign currency of 97 and 93 per cent, for 2012 and 2011 respectively.

If all currency positions change by 1 per cent at the same time and in the same direction this would affect the result by NOK 28.4 million.

For 2011 the corresponding effect on the result was NOK 47,9 million.

Note 13 Credit risk

31.12.2012 NOK millions	AAA	AA	A	BBB	NR/NIG	Total
Debt instruments held to maturity - at amortized cost						
Banks	0	1 023	786	0	305	2 113
Finance and credit enterprises	0	510	0	0	1 024	1 534
Public sector guarantee	1 356	0	0	0	50	1 406
Government and government guarantee within OECD	19 837	0	0	839	0	20 676
Public sector enterprises and covered bonds	2 699	535	0	0	1 459	4 692
Other	0	475	3 098	0	3 288	6 862
Total	23 892	2 543	3 884	839	6 125	37 283
Debt instruments classified as loans and receivables – at amortized cost						
Banks	0	1 042	4 406	0	61	5 509
Finance and credit enterprises	510	259	520	0	0	1 288
Public sector guarantee	1 111	0	0	0	818	1 929
Government and government guarantee within OECD	14 356	0	0	2 045	0	16 401
Public sector enterprises and covered bonds	6 761	1 610	860	0	2 402	11 633
Other	0	2 003	2 121	836	14 197	19 157
Total	22 738	4 913	7 907	2 881	17 478	55 917
Debt instruments at fair value - bonds and other securities with fixed returns						
Banks	0	443	3 572	57	9 949	14 021
Finance and credit enterprises	11	568	453	0	265	1 297
Public sector guarantee	855	55	0	0	1 750	2 660
Government and government guarantee within OECD	8 394	3 009	0	0	0	11 402
Public sector enterprises and covered bonds	1 881	409	0	0	6 528	8 817
Other	0	287	634	114	9 723	10 758
Total	11 140	4 771	4 658	171	28 215	48 955
Financial derivatives classified as assets						
Denmark	0	0	345	0	0	345
Finland	0	269	0	0	0	269
Norway	0	0	380	0	0	380
UK	0	0	213	0	0	213
Sweden	0	0	333	0	0	333
USA	0	0	0	0	0	0
Total	0	269	1 272	0	0	1 541
Debt instruments at fair value - Fixed income fund units						
Government and government guarantee within OECD	0	0	0	0	121	121
Other	0	0	20 920	0	17 202	38 122
Total	0	0	20 920	0	17 323	38 243
Debt instruments at fair value - Loans and receivables						
Denmark	0	0	597	0	0	597
Finland	0	20	0	0	0	20
Norway	0	0	4 893	0	3 171	8 064
UK	0	0	2 949	0	0	2 949
Sweden	0	3 632	608	0	0	4 240
Germany	0	0	3	0	0	3
USA	0	0	303	0	0	303
Total	0	3 653	9 353	0	3 171	16 176
Total securities	57 769	16 149	47 993	3 891	72 312	198 115

Lending local government, enterprises & retail customers [1]	0 %	20 %	35 %	100 %	Totalt
Public sector	0	38 055	0	1 524	39 579
Enterprises	0	1 046	4	923	1 973
Private individuals	0	0	10 228	348	10 576
Total	0	39 101	10 232	2 795	52 128

Note 13 Credit risk, continued

31.12.2011 NOK millions	AAA	AA	A	BBB	NR/NIG	Total
Debt instruments held to maturity - at amortized cost						
Finance and credit enterprises	0	2 043	1 042	1 032	861	4 977
Public sector guarantee	1 368	0	0	0	50	1 419
Savings banks	0	0	50	0	210	260
Government and government guarantee within OECD	21 087	839	1 581	0	0	23 506
Public sector enterprises and covered bonds	3 246	0	0	0	1 462	4 708
Other	0	989	2 587	0	2 991	6 568
Total	25 701	3 871	5 260	1 032	5 574	41 438
Debt instruments classified as loans and receivables – at amortized cost						
Finance and credit enterprises	510	259	3 889	0	2 302	6 960
Public sector guarantee	1 111	0	0	0	829	1 940
Savings banks	0	0	451	0	681	1 132
Government and government guarantee within OECD	14 355	0	2 045	0	0	16 400
Public sector enterprises and covered bonds	5 973	1 118	1 768	0	2 401	11 260
Other	0	1 268	2 245	389	5 341	9 243
Total	21 949	2 645	10 399	389	11 555	46 936
Debt instruments at fair value - bonds and other securities with fixed returns						
Finance and credit enterprises	45	2 477	4 029	10	1 959	8 520
Public sector guarantee	681	55	0	0	720	1 456
Savings banks	0	0	826	0	7 972	8 797
Government and government guarantee within OECD	5 452	3 832	349	0	0	9 633
Public sector enterprises and covered bonds	1 311	0	0	0	3 077	4 388
Other	0	223	25	391	4 272	4 910
Total	7 490	6 586	5 229	401	17 999	37 704
Financial derivatives classified as assets						
Denmark	0	0	170	0	0	170
Finland	0	42	0	0	0	42
Norway	0	75	136	0	0	211
UK	0	0	2	0	0	2
Switzerland	0	0	43	0	0	43
Sweden	0	0	152	0	0	152
Germany	0	0	84	0	0	84
USA	0	0	211	0	0	211
Total	0	117	798	0	0	915
Debt instruments at fair value - Fixed income fund units						
Public sector, financial and credit enterprises	0	0	0	0	1 240	1 240
Government and government guarantee within OECD	0	0	0	0	117	117
Other	0	0	16 405	0	12 871	29 276
Total	0	0	16 405	0	14 228	30 633
Debt instruments at fair value - Loans and receivables						
Denmark	0	0	130	0	0	130
Finland	0	299	0	0	0	299
France	0	0	0	0	0	0
Norway	0	0	2 743	0	2 661	5 404
Sweden	0	195	444	0	0	639
UK	0	1 763	9	0	0	1 771
USA	0	0	470	0	0	470
Total	0	2 257	3 796	0	2 661	8 713
Total securities	55 140	15 476	41 886	1 822	52 015	166 339

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

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.

There are several instances of what are known as master netting agreements, agreements on net settlement, between KLP and various counterparties on derivatives and call money (margin accounts for derivative trades) If this is taken into account, the actual credit risk for the Group is reduced by NOK 1,647 million as at 31 December 2012. The corresponding figure as at 31 December 2011 was NOK 1,111 million.

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

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

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

[1] The credit risk to which lending is exposed is calculated based on the regulations concerning minimum requirements for capital adequacy, and the rules that apply on determining the calculation base. The lending is placed separately since it is not included with the same rating categories. In regard to weighting in the table, 0% indicates the lowest expected credit risk and 100% the highest.

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

31.12.2012 NOK millions	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Book value 31.12.2012
Spain					
Fixed income securities at amortized cost	813	1	0	814	813
Total Spain	813	1	0	814	813
Italy					
Fixed income securities at amortized cost	2 000	76	0	2 076	2 000
Total Italy	2 000	76	0	2 076	2 000
Total exposure PIIGS	2 813	77	0	2 889	2 813

In Spain, government debt was NOK 0 million and government guaranteed securities NOK 814 million. In Italy, pure government debt was NOK 2,076 million and government guaranteed securities NOK 0 (market value) as at 31 December 2012.

31.12.2012 Rating	Spain	Italy
Moody's	Baa3	Baa2
Standard & Poor's	BBB-	BBB+
Fitch	BBB	A-

Note 13 Credit risk, continued

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

In Spain, pure government debt was NOK 167 million and government guaranteed securities NOK 795 million. In Italy, pure government debt was NOK 3,648 million and government guaranteed securities NOK 0 (market value) as at 31 December 2011.

31.12.2011

Rating	Spania	Italia
Moody´s	A1	A2
Standard & Poor´s	AA-	A
Fitch	AA-	A+

The overview shows government debt the KLP Group holds against selected countries, and the rating. The countries in the table are selected on the basis of the profile they have gained as exposed economies in the Eurozone, and in the continuing unease about debt. The debt unease is primarily based on the fear of default in government debt. The KLP Group has no government securities in Greece, Ireland or Portugal as at 31 December 2012. The securities measured at amortized cost have not been written down.

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

Premium receivables and receivables in connection with reinsurance

NOK millions	2012	2011
Premium receivables	799	887
Write-down of premium receivables	0	-2
Receivables from reinsurers	221	250
Write-down of receivables from reinsurers	0	0
Total	1 020	1 135

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

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

Note 14 Mortgage loans and other lending

NOK millions	Municipalities and county administrations	State and local authority owned enterprises [1]	Private organisations and enterprises [2]	Employees, pensioners and similar	Total 31.12.2012	Total 31.12.2011
Akershus	1 915	373	121	1 944	4 353	4 083
Aust-Agder	365	6	16	143	530	673
Buskerud	4 064	1 580	141	519	6 305	4 967
Finnmark	1 126	198	0	91	1 415	1 191
Hedmark	1 822	61	94	338	2 315	2 861
Hordaland	471	372	275	833	1 951	3 704
Møre og Romsdal	3 092	854	438	557	4 942	5 142
Nordland	2 633	167	46	341	3 188	3 663
Nord-Trøndelag	1 032	21	35	103	1 190	1 585
Oppland	1 242	107	36	218	1 602	1 573
Oslo	0	540	227	1 706	2 473	2 275
Rogaland	2 734	181	22	739	3 676	3 527
Sogn og Fjordane	2 040	145	81	139	2 405	1 709
Svalbard og Jan Mayen	28	33	0	1	61	66
Sør-Trøndelag	3 337	354	66	528	4 284	4 179
Telemark	862	146	89	220	1 317	1 020
Troms	1 859	99	139	370	2 467	2 387
Vest-Agder	534	393	18	222	1 168	1 298
Vestfold	1 814	229	64	695	2 802	3 879
Østfold	1 903	169	52	834	2 958	3 074
Not allocated	270	49	16	90	425	349
Accrued interest					301	339
Total	33 145	6 077	1 976	10 630	52 128	53 543

This table distributes the KLP Group lending by county and sector. Sector is based on the sector codes from Statistics Norway.

The Group has a lending portfolio of high quality, with limited credit risk and historically very low losses. In the main the Group provides loans secured on housing with a mortgage level of less than 80 per cent, loans to local authorities and loans with government (central/local) guarantees. Lending secured through mortgages on housing amounts to about NOK 10.6 billion.The sector diversification of Group lending is very small, since a very high proportion of the loans are provided for the public sector. However the concentration risk this suggests can hardly be perceived as a real risk since the loans are covered by government (central/local) guarantee, representing an extremely low counterparty risk.

NOK millions	2012	2011
Individual write-downs on loans at amortized cost		
Number of loans	11	11
Total principal before write-downs	1,58	1,03
Write-downs	-1,23	-0,83
Total principal after write-downs	0,35	0,20
Individual write-downs		
Write-down on individual loans 01.01	0,83	0,69
Known losses for the period where individual write-down has been carried out previously	0,00	-0,09
Write-down on individual loans for the period	0,42	0,24
Reversal of write-down on individual loans for the period	-0,02	-0,02
Write-down on individual loans 31.12	1,23	0,83

Loans fallen due, not written down

NOK millions	2012 Outstanding debt	2011 Outstanding debt
Overdue		
30-90 days	70	54
over 90 days	30	76
Total overdue loans	100	130

The numbers are absolute figures, the amounts are given in NOK million. Defaulted loans are loans measured at amortized cost.

In addition to the write-downs above, one loan, provided to OSEA AS (Omega SmartBuild East Africa AS), has been written off. The total sum for write-down was NOK 3,894 million, of which NOK 3,596 million represents principal, NOK 0.285 million represents interest and NOK 0.013 millioner represents other charges. The actual loss on the business was lower since the loan, which was in USD, was carried at a higher value in NOK than was the actual exchange-rate on the purchase of USD for the business. In addition, on termination of the business, a foreign exchange forward on the entire original OSEA AS loan limit was terminated, and the KLP Group made a gain. The total loss, if this is taken into account, amounts to about NOK 2.8 million.

[1] This category covers local authority business operations, as well as enterprises owned by central and local government
[2] This category primarily covers private enterprises with limited liability and not-for-profit organisations.

Note 15 Investment properties

NOK millions	2012	2011
Net rental income	1 873	1 365
Unrealised gains/losses swaps	271	51
Net financial income/costs	21	16
Net realized gains/losses	5	49
Change in fair value including revaluation	36	398
Total net income from investment properties	2 206	1 879

NOK millions	2012	2011
Book value 01.01.	28 726	26 105
Additions through purchase	3 945	2 816
Additions as a result of reclassification	-2	-73
Additions through capitalizations	293	211
Change installations under construction moved to investment property	-677	-731
Net write-up/down resulting from change in fair value	36	398
Book value 31.12.	32 322	28 726

Note 16 Shares in associated companies

NOK millions	Office and business address	Ownership interest	Acquisition cost	Book value 31.12.11	Additions/ disposals	Profit/loss share[1]	Book value 31.12.12
Norsk Pensjon AS[1]	Hansteens gate 2 0253 Oslo	25 %	5,0	2,97	0,0	0,4	3,40
Fylkeshuset, Molde AS	Fylkeshuset, Julsundvn. 9, 6400 Molde	48 %	0,0	0,05	0,0	2,2	2,29
Total shares in associated companies			5,0	3,02	0,0	2,7	5,69

All shares have equal voting proportions.

Financial information on associated companies

NOK millions	Assets	Liabilities	Income	Profit/loss
2012				
Norsk Pensjon AS[1]	17,2	1,2	12,4	2,4
Fylkeshuset, Molde AS	174,6	172,5	22,8	2,0
2011				
Norsk Pensjon AS[1]	15,3	1,7	10,4	1,7
Fylkeshuset, Molde AS	179,2	174,5	21,6	4,7

[1] The profit/loss share on Norsk Pensjon and Fylkeshuset, Molde AS from the previous year has been recognised in 2012. The results for 2012 will be recognised in 2013.

Note 17 Subordinated loan capital and hybrid Tier 1 securities

2012 NOK millions	Loan amount currency	Loan amount NOK	Book value 31.12.2012	Due date
Borrowings [1]				
October 1997	JPY 9 500	554	615	Perpetual
April 2006	EUR 300	2 372	2 276	Perpetual
Total subordinated loan capital		2 926	2 891	
April 2004	JPY 15 000	984	974	Perpetual
Total hybrid Tier 1 securities		984	974	
Total subordin. loan capital and hybrid Tier 1 sec's		3 911	3 865	

2011 NOK millions	Loan amount currency	Loan amount NOK	Book value 31.12.2011	Due date
Borrowings [1]				
October 1997	JPY 9 500	554	742	Perpetual
April 2006	EUR 300	2 372	2 401	Perpetual
Total subordinated loan capital		2 926	3 143	
April 2004	JPY 15 000	984	1 145	Perpetual
Total hybrid Tier 1 securities		984	1 145	
Total subordin. loan capital and hybrid Tier 1 sec's		3 911	4 288	

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

EUR 300: The interest on the loan is fixed at 5.25 per cent p.a. until 11 April 2016 after which it changes to a variable rate set at 2.27 per cent above three months' EURIBOR. The loan is perpetual but KLP has the right to redeem it at par on 11 April 2016 The loan is currency hedged by a similar investment in EUR-denominated bonds as shown in the table below. KLP has not invoked hedge accounting for the financial hedging associated with this borrowing. The composition of bonds was changed in 2012.

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

2012 NOK millions	Nominal currency	Acquisition cost NOK	OIF interest	Unrealised currency	Book value 31.12.2012	Due date
Bonds	JPY 9 500	635	2	-24	613	2017
Bonds [2]	EUR 304	2 411	37	-172	2 276	2015/2016
Total hedging transactions		3 080	39	-195	2 889	

2011 Millioner kroner	Nominal currency	Acquisition cost NOK	OIF interest	Unrealised currency	Book value 31.12.2011	Due date
Bonds	JPY 9 500	635	2	102	739	2017
Bonds [2]	EUR 304	2 419	40	-77	2 382	2015/2016
Total hedging transactions		3 055	42	25	3 121	

[1] Interest costs on the two subordinated loans were 143 million (151.3 million) and 42.2 million (41.8 million) for the hybrid Tier 1 securities in 2012. Figures in brackets are 2011 figures.
[2] Changed composition of bonds through 2012 and 2011.

Note 18 Hedge accounting

31.12.2012 NOK millions	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	10	-974
Hedging instrument			
Combined interest and currency swap	984	-10	-10
Hedging effectiveness as at 31.12.2012		100 %	
Hedging effectiveness through the year		100 %	
Hedged object			
Hedged object 1: Lending fixed interest in NOK	5 713	263	5 976
Hedged object 2: Borrowing in NOK	3 250	-129	3 121
Hedging instrument			
Hedging instrument 1: Interest rate swap lending fixed interest in NOK	5 708	-263	5 445
Hedging instrument 2: Interest-rate swap borrowing in NOK	3 250	129	3 379
Hedging 1:			
Hedging effectiveness as at 31.12.2012		-100 %	
Hedging effectiveness through the year		-100 %	
Hedging 2:			
Hedging effectiveness as at 31.12.2012		-100 %	
Hedging effectiveness through the year		-100 %	

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

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

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

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

Covered bonds (CB) with fixed interest
The hedging instrument is an interest rate swap where the Group pays variable interest and receives fixed interest. The hedging is brought to book in accordance with the rules on fair value hedging and the purpose of this hedging is to hedge the interest-rate risk on the borrowing. The hedged object and the hedging instrument are struck on the same terms and conditions. Principal, interest, duration and interest dates are identical. The hedging effectiveness is measured by comparing accumulated value change on the hedging instrument to accumulated value change on the hedged object.

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

Lending with fixed interest

The hedging of lending is done with an interest rate swap in which the Group pays variable and receives fixed. The hedging is brought to book in accordance with the rules on fair value hedging and the purpose of this hedging is to hedge the interest-rate risk on the lending. The hedged object and the hedging instrument are struck on the same terms and conditions. The hedging effectiveness is measured by comparing accumulated value change on the hedging instrument to accumulated value change on the hedged object.

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

General

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

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

Note 19 Borrowing

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2012	Book value 31.12.2011
Perpetual subordinated loan capital						
Kommunal Landspensjonskasse	2 372	EUR	Fixed [1]	Perpetual	2 276	2 402
Kommunal Landspensjonskasse	554	JPY	Fixed [2]	Perpetual	615	742
Total subordinated loan capital	2 926				2 891	3 143
Hybrid Tier 1 securities						
Kommunal Landspensjonskasse	984	JPY	Fixed [3]	2034	974	1 145
Total hybrid Tier 1 securities	984				974	1 145
Liabilities created on issuance of securities						
Covered bonds						
KLP Kommunekreditt AS	0	NOK	Variable	2012	0	5 900
KLP Kommunekreditt AS	1 069	SEK	Variable	2013	1 070	1 095
KLP Kommunekreditt AS	1 103	NOK	Variable	2013	1 104	4 000
KLP Kommunekreditt AS	4 000	NOK	Variable	2014	4 010	4 000
KLP Kommunekreditt AS	428	SEK	Variable	2015	429	0
KLP Kommunekreditt AS	4 300	NOK	Variable	2015	4 304	4 300
KLP Kommunekreditt AS	2 500	NOK	Fixed	2015	2 555	2 000
KLP Kommunekreditt AS	3 000	NOK	Variable	2016	3 011	0
KLP Kommunekreditt AS	3 000	NOK	Variable	2017	3 013	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	752	750
Amortization and value adjustments					122	107
Total covered bonds	20 150				20 370	22 152
Debt to credit institutions						
KLP Banken AS	0	NOK	Fixed	2012	0	1 006
KLP Banken AS	1 820	NOK	Variable	2013	1 826	0
KLP Banken AS	300	NOK	Fixed	2013	302	0
KLP Banken AS	600	NOK	Variable	2015	602	0
KLP Banken AS	300	NOK	Variable	2016	301	0
KLP Banken AS	300	NOK	Fixed	2017	308	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Variable	2012	0	392
Kommunal Landspensjonskasse	1 461	NOK/EUR/USD	Variable	2013	1 461	0
Total liabilities to credit institutions	4 781				4 799	1 398
Liabilities to and deposits from customers [4]						
Retail	2 734	NOK			2 734	1 809
Business	212	NOK			212	31
Total liability to and deposits from customers	2 946				2 946	1 840
Total financial liabilities	31 787				31 981	29 680

The note shows financial liabilities the Group had at the end of the reporting period of which the majority are financing of the KLP Banken Group.

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

[1] The loan has an interest change date in 2017
[2] The loan has an interest change date in 2016
[3] The loan has an interest change date in 2034
[4] There is no contractual maturity date on deposits

Note 20 Tax

NOK millions	2012	2011
Accounting income before taxes	1 002	653
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	2 811	5 322
Reversal of value increase financial assets	-6 293	-4 971
Refunding of value increase properties	-39	-472
Accounting loss on realization of shares and other securities	0	843
Accounting gain on realization of shares and other securities	0	-675
Tax gain on realization of shares and other securities	198	60
Tax loss on realization of shares and other securities	-4	0
Reversal of previous years' depreciation on shares etc. taken to income	0	-5
Refunding of 3% tax-free income i.a.w. the exemption method	0	4
Share of taxable income in partnerships	36	104
Taxable gain on realization of shares in partnerships	0	-34
Other permanent differences	80	-206
Dissolving of admin. reserve 1 January 2011	0	-85
Change in differences affecting relationship between accounting and tax income	1 055	-70
Taxable income	-1 157	469
Surplus/deficit for the year is transferred to carryforward deficit	-1 157	469
Deficit carryforward allowable from previous years	-16 358	-16 827
Change for the year in carryforward deficit	-1 157	469
Total carryforward deficit and allowance as at 31 December 2012	-17 515	-16 358

Unused allowance from previous years may only be used within 10 years. The Company used none in 2012 and it is not very likely the Company will be able to use the remaining allowance before it expires.

Reconciliation of basis for deferred tax	31.12.2012	31.12.2011
Tax-increasing temporary differences:		
Fixed assets	36	33
Buildings and other real estate	7 694	7 655
Long-term receivables	43	286
Risk equalization fund	495	435
Securities	5 215	4 922
Shares in partnerships	28	48
Lending to customers and credit enterprises	68	29
Other differences	0	2
Total tax-increasing temporary differences	13 579	13 411
Tax-reducing temporary differences:		
Gains and losses account	0	-585
Fixed assets	-1	-1
Pension obligations	-560	-533
Other liabilities	-15	-2
Securities	-58	-52
Unused allowance share dividend	-93	-238
Other differences	-1	-3
Total tax-reducing temporary differences	-728	-1 414
Net temporary differences	12 852	11 997
Carryforward deficit	-17 515	-16 358
Basis for deferred tax	-4 663	-4 361
28% deferred tax assets	-1 306	-1 159
Write-down of deferred tax assets	1 256	1 114
Capitalized deferred tax/tax assets	-50	-45
Change in deferred tax taken to profit/loss	-5	-24
Tax payable taken to profit/loss	-2	0

Note 21 Technical matters

Premier, erstatninger og endring i forsikringsmessige avsetninger pr bransje

NOK millions	Premium income for own account 2012	Premium income for own account 2011	Claims for own account 2012	Claims for own account 2011	Change in technical reserves before income allocations 2012	Change in technical reserves before income allocations 2011
Life insurance						
Group pension - public sector	28 807	21 543	10 752	9 890	26 916	17 011
Group pensions - private	356	295	38	30	371	276
Group life	134	146	130	143	1	1
Non-life insurance						
Business-related insurances	473	444	392	379	21	-4
Personal/retail insurances	144	104	103	94	35	7
Natural perils insurances	32	41	41	80		
Total	29 946	22 574	11 457	10 616	27 344	17 291

Insurance liabilities by sector

NOK millions	Total 31.12.2012	Total 31.12.2011	Change in 2012
Group pension - defined benefit	276 781	244 086	32 695
Group pension - defined contribution	300	198	103
Non-life insurance	2 625	2 567	58
Total technical provisions	279 706	246 850	32 856

Insurance liabilities in life insurance by sector

	Group pension - public sector		Group pensions - private					
NOK millions	Defined benefits with annual returns guarantee	Defined benefits with multi-year returns guarantee	Defined benefits with annual returns guarantee	Defined contribution with investment option	Group life	Total 31.12.2012	Total 31.12.2011	Change in 2012
Premium reserve	248 602	1 420	881	293	7	251 203	224 058	27 146
Supplementary reserves	12 293	83	28			12 403	12 344	59
Securities adjustment fund	9 288	0	12			9 300	4 958	4 342
Premium fund, the pensioners' surplus fund and deposit fund	3 894	37	17	7		3 956	2 848	1 108
Claims reserve	152		0		60	212	69	143
Buffer reserves	0	7				7	7	0
Total insurance liabilities in life insurance 31.12.2012	274 229	1 547	938	300	67	277 082	244 283	32 798
Total insurance liabilities in life insurance 31.12.2011	241 969	1 394	646	198	76		244 283	

Technical provisions in non-life insurance by sector

NOK millions	Business-related insurances	Personal/retail insurances	Natural perils and other pool schemes	Total 31.12.2012	Total 31.12.2011	Change in 2012
Premium provision	81	84	8	173	140	33
FSA minimum requirements	81	84	8	173	140	33
Claims reserve	1 806	85	42	1 933	1 963	-30
FSA minimum requirements	1 477	70	42	1 589	1 665	-76
Security reserve	460	58	1	519	464	55
FSA minimum requirements	200	33	1	234	224	10
Total technical provisions non-life insurance 31.12.2012	2 347	227	51	2 625	2 567	58
Total technical provisions non-life insurance 31.12.2011	2 348	158	61		2 567	

FSA - Financial Supervisory of Norway

Note 21 Technical matters, continued

Changes in insurance liabilities - Life insurance

NOK millions	Premium reserve	Supplementry reserves	Securities adjustment fund	Premiums and deposits funds	Buffer reserves	Claim reserves	Total 2012	Total 2011
Opening balance	223 964	12 344	4 958	2 848	7	163	244 283	228 092
Changes in insurance liabilities taken to income								
Net reserves taken to profit/loss	27 216	62	4 342	65	0	49	31 734	16 931
Surplus on returns result	14	0	0	2 122	0	0	2 135	1 146
Risk result assigned to insurance contracts	1	0	0	38	0	0	40	156
Other assignment of surplus	0	0	0	206	0	0	206	164
Total changes taken to income	27 231	62	4 342	2 431	0	49	34 116	18 398
Transfers between funds/allocation to premium payment	10	-3		-1 407			-1 400	-2 242
To/from funds on transfer settlement	0			84			84	36
Total changes not taken to income	10	-3		-1 323	0		-1 316	-2 206
Total changes in insurance liabilities	27 241	59	4 342	1 108	0	49	32 800	16 192
Total insurance liabilities 31.12.2012	251 205	12 403	9 300	3 956	7	212	277 082	244 283
Total insurance liabilities 31.12.2011	224 058	12 344	4 958	2 848	7	69		244 283

Results analysis

NOK millions	Group pension – Public sector	Group pensions – Private	Group life	Total 2012	Total 2011
Result to insurance customers					
Returns result	5 030	15	0	5 045	3 288
Risk result excluding profit element - customer share	220	3		223	156
Other income elements	205			205	165
Total result to insurance customers	5 455	18	0	5 473	3 610
Increased reserves because of greater longevity	3 090	15		3 105	10
Transferred to supplementary reserves	0	0		0	2 147
Allocated to the customers' premium fund	2 365	0		2 365	1 453
Total result allocated to customers	5 455	15	0	5 470	3 610
Result to insurance providers					
Share of returns result	21	1		22	12
Risk result excluding profit element	38	1	-1	38	151
Administration result	86	-34	4	56	33
Consideration for interest rate guarantee and profit element	292	3		294	214
Other income elements	-205			-205	-165
Result to insurance provider (technical result in life insurance)	233	-29	3	205	245

Transfers and new business - life insurance

	Group pension - Public sector		Group pensions - Private			
	Defined benefits		Defined benefits		Defined contribution	
NOK millions	2012	2011	2012	2011	2012	2011
Funds transferred in						
Premium reserve	1 549	112	209	173	18	22
Supplementary reserves	0	16	4	7	0	0
Funds received taken to income	1 549	127	213	180	18	22
Premium fund	84	31	1	7	0	2
Total funds received	1 632	158	213	187	18	24
Number of contracts	9	10	17	18	107	65
Funds transferred out						
Premium reserve	140	282	4	10	6	3
Supplementary reserves	7	13	0	0	0	0
Valuation reserves	0	16	0	0	0	0
Funds paid out taken to income	148	310	4	10	6	3
Premium fund	1	4	0	0	0	0
Total funds paid out	148	314	4	10	6	3
Number of contracts	15	13	18	2	38	11

New business

	Group pension - Public sector		Group pensions - Private					
	Defined benefits		Defined benefits		Defined contribution		Group life	
NOK millions	2012	2011	2012	2011	2012	2011	2012	2011
Premium volume	28	41	12	9	35	14	14	8
Number of contracts	58	80	1	6	259	175	249	97

Note 22 Tangible fixed assets

	2012				2011			
NOK millions	Property for own use	Vehicles	Machines/ inventory	2012	Property for own use	Vehicles	Machines/ inventory	2011
Book value 01.01.	944	3	94	1 041	870	5	84	959
Acquisition cost 01.01.	883	12	223	1 118	883	12	209	1 104
Accum. depreciation previous years	-54	-9	-140	-202	-36	-7	-125	-168
Accumulated value adjustment previous years	23	0	0	23	23	0	0	23
Additions	10	0	8	18	0	1	16	17
Assets held for sale	0	0	-3	-3	0	-1	-2	-3
Value adjustments	23	0	0	23	92	0	0	92
Loss on fall in value	0	0	0	0	0	0	0	0
Depreciation	-19	-1	-16	-36	-18	-1	-15	-34
Reclassified to investment property	-9	0	0	-9	0	0	0	0
Other changes	0	0	0	0	0	0	10	10
Acquisition cost 31.12.	894	12	228	1 133	883	12	223	1 118
Accumulated depreciation 31.12	-73	-10	-156	-238	-54	-9	-140	-202
Accumulated value adjustment 31.12	45	0	0	45	114	0	0	114
Book value 31.12.	949	2	82	1 033	944	3	94	1 041
Economic life	50 years	5 years	3 - 5 years		50 years	5 years	3 - 5 years	
Depreciation method	Straight-line	Balance/ Straight-line	Balance/ Straight-line		Straight-line	Balance/ Straight-line	Balance/ Straight-line	

Note 23 Capital control and capital adequacy

NOK millions	31.12.2012	31.12.2011
Owners' equity contributed	6 891	6 217
Retained earnings	6 656	5 847
Total owners' equity	13 547	12 064
Hybrid Tier 1 securities	965	1 145
Intangible assets	-365	-344
Risk equalization fund	-490	-431
Unrealized price changes in the corporate portfolio	-61	-133
Reinsurance provision	-10	-11
Deductions for investments in other financial institutions	-3	-3
Other owners' equity	-263	-401
Surplus fund	-3	-19
Adjustment of owners' equity at Group level	-102	-117
Core capital	13 216	11 751
Perpetual Tier 1 and 2 capital	2 813	3 032
Deduction Tier 1 and 2 capital in other financial institutions	-3	-3
Supplementary capital	2 809	3 028
Net Tier 1 and 2 capital	16 025	14 780

	31.12.2012			31.12.2011		
Assets and off-financial position statement items by risk weighting [1]	Non-weighted sums		Weighted sums	Non-weighted sums		Weighted sums
Fixed income securities	49 438	0 %	0	50 603	0 %	0
Covered bonds	23 647	10 %	2 365	17 089	10 %	1 709
Fixed income securities, lending, bank deposits and fixed income funds	103 070	20 %	20 614	94 718	20 %	18 944
Housing mortgage lending	10 232	35 %	3 581	9 100	35 %	3 185
Fixed income funds	26 203	50 %	13 101	16 465	50 %	8 233
Shares, equity funds and fixed income securities	113 694	100 %	113 694	99 100	100 %	99 100
Private equity	3 745	150 %	5 617	3 626	150 %	5 439
Proportion investment option [2]	300		32	198		25
Total weighted assets in the financial position statement			159 004			136 634
Derivatives and contingent liabilities	67 689		2 987	48 971		3 113
Deduction Tier 1 and 2 capital in other financial institutions			-6			-6
Deduction unrealized gains on financial investments			-5 897			-4 022
Risk-weighted calculation base			156 088			135 718
Capital adequacy ratio			10,3 %			10,9 %
Core capital adequacy			8,5 %			8,7 %

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

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

Note 23 Capital control and capital adequacy, continued

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

Life insurance companies are subject to special regulations that set requirements for capital management and that provide investment limitations in the management of the pension customers' funds. The Group's strategy for management of its pension customers' funds is formulated within the scope allowed by the regulations. The investment areas (asset classes) in which the capital is to be placed are defined. The different asset classes have different characteristics and risk profiles and the proportion invested in the different asset classes is continuously adjusted on the basis of the business's ability to bear, and appetite for, risk. This is monitored and reported on a daily basis. Besides financial diversification of its customers' assets, the Company has a long-term investment strategy in which risk-taking is continuously matched to the Company's ability to bear risk. That risk-bearing ability is based on the risk being correlated with the Company's financial buffers and its ability to tolerate unexpected negative movements.

For more information concerning capital and risk management attention is drawn to Note 9 Risk management.

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

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

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

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

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

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

Supplementary capital
Subordinated loans in foreign currency are valued at the lower of the exchange rate on the calculation date and the exchange rate on the date taken up, apart from the subordinated loan in Japanese yen (JPY).For this, instead of the date taken up, the exchange rate as at 29 October 2001 is used, the date of the application to the FSA to use a different exchange-rate. The hybrid Tier 1 securities loan is also subject to the lowest value principle.

The deduction of Tier 1 and Tier 2 capital in other financial institutions is divided 50/50 between core capital and supplementary capital in accordance with Section 7 of the Regulations on calculation of subordinated capital.

The authorities' minimum requirement for capital adequacy is set at 8 per cent for insurance companies as for other financial institutions.

Note 24 Intangible assets

NOK millions	IT systems	Other	2012	IT systems	Other	2011
Book value 01.01.	328	16	366	350	16	366
Acquisition cost 01.01.	735	16	751	654	16	669
Total additions	87	0	87	82	0	82
of which internally developed	22	0	22	17	0	17
of which bought	65	0	65	65	0	65
Assets taken to expenses	0	0	0	0	0	0
Acquisition cost 31.12.	822	16	838	735	16	751
Accumulated depreciation and write-downs previous years	-407	0	-407	-304	0	-304
Ordinary depreciation for the year	-66	0	-66	-67	0	-67
Write-down [1]	0	0	0	-37	0	-37
Accumulated depreciation and write-downs 31.12.	-473	0	-473	-407	0	-407
Book value 31.12.	349	16	365	328	16	344
Depreciation period			3 to 10 years			3 to 10 years

[1] At the end of 2012 no IT systems were identified with a book value in excess of the estimated sum recoverable. In 2011 three IT systems were identified with a book value in excess of the estimated sum recoverable. The estimated recoverable sum is calculated by estimating future pay-back. This resulted in the following assessment:

NOK millions	31.12.2012	31.12.2011
Book value before write-down	0	92
Recoverable sum	0	56
Write-down	0	37

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

Note 25 Solvency margin

NOK millions	2012	2011	2010	2009	2008
Solvency margin requirement					
Life insurance	9 682	8 747	8 201	7 610	7 057
Non-life insurance	140	127	127	127	128
Combined solvency margin requirement	9 822	8 874	8 328	7 737	7 185
Solvency capital					
Tier 1 and 2 capital	16 019	14 780	13 556	12 532	11 525
Other solvency margin capital life insurance	6 408	6 390	5 224	4 200	2 089
Other solvency margin capital non-life insurance	441	372	355	339	328
Total solvency capital	22 867	21 541	19 134	17 071	13 942
Solvency margin ratio	232,8 %	242,7 %	229,7 %	220,7 %	194,0 %

The solvency margin requirement for Kommunal Landspensjonskasse and KLP Bedriftspensjon AS is calculated i.a.w. the Regulations of 19 May 1995 No. 481 on calculation of solvency margin requirement and solvency margin capital for Norwegian life insurance companies Chapter 2.
The solvency margin for KLP Skadeforsikring AS is calculated i.a.w. the Regulations of 19 May 1995 No. 482 on calculation of solvency margin requirement and solvency margin capital for Norwegian non-life insurance companies and reinsurance companies Chapter 2.

Note 26 Return on capital for life insurance companies

Kommunal Landspensjonskasse

Per cent	2012	2011	2010	2009	2008
Total of common portfolio					
Return I - Book [1]	5,0	4,5	5,1	6,4	1,0
Return II - Value-adjusted [2]	6,7	3,2	7,5	7,7	-3,0
Sub-portfolios of the common portfolio					
Balanced portfolio 1					
Return I - Book [1]	5,0	4,5	5,1	6,1	0,9
Return II - Value-adjusted [2]	6,7	3,2	7,5	7,4	-3,1
Balanced portfolio [2]					
Return I - Book [1]	5,0	4,5	5,1	7,0	1,1
Return II - Value-adjusted [2]	6,7	3,3	7,5	8,2	-2,8
Proactive portfolio					
Return I - Book [1]	*Not applicable*	*Not applicable*	5,4	6,8	2,7
Return II - Value-adjusted [2]	*Not applicable*	*Not applicable*	7,9	8,0	-2,3
Investment option portfolio	7,5	2,2	8,6	9,2	*Not applicable*
Corporate portfolio	4,5	4,2	5,2	6,7	4,0

Since 2011 no assets have been managed in the Proactive sub-portfolio. The investment option portfolio was established on 1 January 2009 for KLP pension customers with multi-annual interest rate guarantee and separate investment portfolio.

KLP Bedriftspensjon AS

Per cent	2012	2011	2010	2009	2008
Common portfolio					
Return I - Book [1]	5,2	6,3	6,0	7,1	1,1
Return II - Value-adjusted [2]	6,7	3,7	8,3	8,3	-2,3
Investment option portfolio	12,0	0,2	9,3	23,3	-21,3
Corporate portfolio	6,4	4,8	5,0	8,4	-0,8

[1] Return I = Book return.
[2] Return II = Value-adjusted return. This is the book return +/-unrealized value changes charged to the securities adjustment fund.

Note 27 Pensions obligations, own employees

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

The accounting treatment of pension obligations is described in Note 2 and 3.

NOK millions	Joint scheme	Via operation	2012	2011
Pension costs				
Present value of accumulation for the year	103	10	113	88
Interest cost	32	4	36	42
Gross pension cost	135	14	149	130
Expected return	-27	0	-27	-31
Administration costs/Interest guarantee	4	0	4	3
Net pension cost including administration costs	112	14	126	102
Social security costs net pension cost including administration costs	16	2	18	14
Actuarial loss/gain taken to income	6	1	7	0
Plan change taken to income	0	0	0	0
Pension costs including social security costs through income	134	17	150	116

NOK millions	Joint scheme	Via operation	2012	2011
Pension obligations				
Gross accrued obligations	1 009	130	1 139	1 280
Pension assets	721	7	728	629
Net pension liabilities/assets before social security costs	288	123	411	651
Social security costs/Employer's Nat. Insurance contribution	41	17	58	92
Net liability incl. social security costs	329	141	469	743
Actuarial loss/gain excl. social security costs not taken to income	91	-3	88	-197
Actuarial loss/gain social security costs not taken to income	13	0	12	-28
Capitalized net liabilities/assets including social security costs	432	137	569	518

Number	2012	2011
Member status ("Fellesordningen")		
Number active	798	770
Number deferred (previous employees with deferred entitlements)	517	214
Number of pensioners	146	161

NOK millions	Joint scheme	Via operation	2012	2011
Development of actuarial gains/losses not taken to income				
Actuarial gains/(losses) not taken to income 01.01	-201	-24	-225	-8
Actuarial gain/loss funds	10	0	9	1
Actuarial gain/loss obligation	252	17	269	-192
Actuarial loss/gain taken to income	6	1	7	0
SSC on deviation	37	2	39	-27
Actuarial gains/(losses) not taken to income 31.12	103	-4	100	-225

NOK millions	Joint scheme	Via operation	2012	2011
Change in pension assets				
Gross pension assets book value 01.01.	636	7	643	567
Pension agreements converted to KLP Kreditt AS paid-up policies	0	0	0	-14
Expected return	27	0	27	31
Actuarial losses/gains	10	0	9	1
Administration costs/interest guarantee	-4	0	-4	-3
Takeovers/acquisitions	0	0	0	0
Premiums paid in/contribution (including administration costs)	82	5	87	65
Curtailment/settlement	0	0	0	0
Payments	-15	-5	-21	-18
Gross pension assets book value 31.12.	721	7	728	629

NOK millions	Joint scheme	Via operation	2012	2011
Change in pension obligations				
Gross pension liability book value 01.01.	1 159	138	1 298	995
Pension agreements converted to KLP Kreditt AS paid-up policies	0	0	0	-18
Plan change	0	0	0	0
Gross pension liability OB after plan change	1 141	138	1 280	977
Present value of accumulation for the year	103	10	113	88
Interest cost	32	4	36	42
Actuarial losses/gains	-252	-17	-269	192
Payments	-15	-5	-21	-18
Gross pension liability book value 31.12.	1 009	130	1 139	1 280

NOK millions	Joint scheme	Via operation	2012	2011
Pension scheme's over-/under-financing				
Present value of the defined benefits pension obligation	1 009	130	1 139	1 280
Fair value of the pension assets	-721	-7	-728	-629
Net pension liability	288	123	411	651

NOK millions	2012	2011	2010	2009
Pension scheme's over-/under-financing last 4 years				
Present value of the defined benefits pension obligation	1 139	1 280	980	921
Fair value of the pension assets	-728	-629	-555	-492
Net pension liability	411	651	424	429

NOK millions	2011	2010	2009	2008
Net over-/under-financing last 4 years				
Actuarial loss/gain last four years not taken to income	100	-225	-8	25
Net over-/under-financing last 4 years	100	-225	-8	25

NOK millions	Joint scheme	Via operation	2012	2011
Return on pension assets				
Expected returns on pension assets	27	0	27	31
Actuarial loss/gain on pension funds	10	0	9	1
Actual return on pension funds	37	0	36	32

Per cent	2012	2011
Financial assumptions for the income statement (common to all pension schemes)		
Discount rate	2,60 %	4,00 %
Salary growth	3,50 %	4,00 %
National Insurance basic sum (G)	3,25 %	3,75 %
Pension increases	2,48 %	2,97 %
Expected return	4,10 %	5,40 %
Social security contribution rates	14,10 %	14,10 %
Amortization time	15 years	15 years
Corridor magnitude	10,00 %	10,00 %

Per cent	2012	2011
Financial assumptions for the financial position statement (common to all pension schemes)		
Discount rate	3,90 %	2,60 %
Salary growth	3,50 %	3,50 %
National Insurance basic sum (G)	3,25 %	3,25 %
Pension increases	2,48 %	2,48 %
Expected return	3,90 %	4,10 %
Social security contribution rates	14,10 %	14,10 %
Amortization time	15 years	15 years
Corridor magnitude	10,00 %	10,00 %

Note 27 Pensions obligations, own employees, continued

Actuarial assumptions

KLP's joint pension scheme for municipalities and enterprises ("Fellesordningen"):
An important part of the basis of pension costs and pension liabilities is how mortality and disability develop amongst the members of the pension scheme. The 2012 calculation is based on a strengthened K2005 mortality tariff and a disability frequency corresponding with that observed in KLP's total membership.

Take-up of AFP for 2012 (per cent in relation to remaining employees):
The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 45 per cent who retire with an AFP pension.
It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

Voluntary termination for Fellesordning during 2012 (in %)

Age (in years)	< 20	20-23	24-29	30-39	40-50	51-55	>55
Turnover	20 %	15 %	10 %	7,5 %	5 %	2 %	0 %

A strengthened K2005 has been used for mortality assumptions.

Pensions via operation:
Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2005 has been used as for Joint Scheme (Fellesordningen).

Per cent	2012	2011
Composition of the pension assets:		
Property	11,5 %	11,7 %
Lending	11,0 %	10,4 %
Shares	16,2 %	14,3 %
Long-term/HTM bonds	30,6 %	33,1 %
Short-term bonds	22,2 %	22,0 %
Liquidity/money market	8,5 %	8,6 %
Total	100,0 %	100,0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 6.7 per cent in 2012 and 3.3 per cent in 2011.

Expected payment into benefits plans after cessation of employment for the period 1 January 2013 – 31 December 2013 is NOK 84,452,038.

The revised accounting standard IAS 19 comes into effect for the accounting year starting 1 January 2013. Changes in IAS 19 have significance for how the pension obligation and the pension cost are presented in the financial statements. An important change is that the actuarial gains and losses are to be recognized in other income and expenses in the comprehensive income statement and not to be included in the ordinary income for the period. The corridor method in which actuarial gains and losses outside a predetermined level are distributed over the remaining accumulation period will not be allowed. On transition to the new rules, on the date of transition, 1 January 2013, the corridor must be attributed to the owners' equity. As at 31 December 2012 the corridor shows an actuarial gain of NOK 99,966,811.

Note 28 Salary and obligations towards senior management/governing bodies

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines. Further information on remuneration schemes in companies forming the KLP Group is available in the document "Godtgjørelsesordninger i KLP" that may be found at www.klp.no (Norwegian language only).

Senior employees are defined as the senior management team of the Kommunal Landspensjonskasse Group. This comprises the Group Chief Executive Officer, the KLP Group executive vice presidents and managing directors of certain subsidiaries.

All members of the Group Senior Management have a normal pensionable age of 65. Pension costs for the year include accumulation for the year and interest costs less expected returns and plan change.

The Group Chief Executive Officer has termination salary corresponding to a year's salary including supplementary benefits in the event of termination of employment contract. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for its members of the Board of Directors.

One of the members of the Group Senior Management has an agreement on performance pay (bonus). Performance pay has a ceiling of 1.5 times annual salary. Half of the performance pay award is paid in cash after the end of the year. The other half is made conditional on the subsequent financial development of the Company and the Group. The funds are set aside in a non-cash instrument, the value of which is linked to future value development for the KLP Group. Up to one third of the instruments are considered to have been earned on the adoption of the financial statements by the Board of Directors in each of the three subsequent years.

All employees in the Group may take up loans with KLP on lending terms and conditions for staff. No senior employee has terms and conditions that deviate from this. Loans to external members of the Board of Directors, the Control Committee and the Supervisory Board are only made on general lending terms and conditions.

Directors fees are set by the Supervisory Board. KLP shares a joint Supervisory Board with its subsidiary, KLP Skadeforsikring AS.

KLP has a joint Control Committee with subsidiaries in the Group required to have a Control Committee.

All benefits are shown without the addition of social security costs/Employer's Nat. Insurance contribution..

2012 NOK thousands	Salary, fees etc.	Bonus	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2012	Payment plan[2]
Senior management [1]							
Sverre Thornes, Group CEO	3 254	-	122	1 230	7 507	2,70-3,60	A2042
Ole Jacob Frich, Executive Vice President Communications	1 380	-	124	456	7 053	3,15-3,90	A2041
Aage Schaanning, Executive Vice President and CFO	3 180	-	125	1 094	4 017	2,70-3,60	A and S032
Rune Mæland, Executive Vice President IT	1 463	-	136	365	1 638	2,70	A2035
Toril B. Ressem, Executive Vice President Group Services	1 548	-	146	697	7 688	2,95-3,60	A and S033
Mette-Jorunn Meisland, Executive Vice President Marketing	1 203	-	120	487	5 999	2,95-3,45	A038
Hans Martin Hovden, Managing Director KLP Skadeforsikring AS up to 30 September	1 201	-	90	360	489	3,15	A2024
Tore Tenold, Managing Director KLP Skadeforsikring AS from 1 October	803	-	109	244	2 715	3,15	Housing credit
Håvard Gulbrandsen, Managing Director KLP Kapitalforvaltning AS	1 753	821	121	607	3 240	3,15	A2028/ Housing credit
Gunnar Gjørtz, Managing Director KLP Eiendom AS	2 576	-	122	983	4 401	3,15	Housing credit
Leif Magne Andersen, Managing Director KLP Banken AS	1 744	-	122	702	4 264	3,15-3,60	A2030
Board of Directors							
Arne Øren, Chairman	297	-	-	-	-	-	
Finn Jebsen, Deputy Chair	240	-	-	-	-	-	
Herlof Nilssen	208	-	-	-	468	3,55	A2025
Gunn Marit Helgesen	103	-	-	-	-	-	
Jan Helge Gulbrandsen	156	-	-	-	-	-	
Marit Torgersen	175	-	-	-	-	-	
Liv Kari Eskeland	79	-	-	-	-	-	Housing credit
Siv Holland, elected by and from the employees	156	-	-	-	-	-	A2031
Freddy Larsen, elected by and from the employees	208	-	-	-	-	-	
Control Committee							
Ole Hetland, Chair	89	-	-	-	-	-	
Jan Rune Fagermoen, Deputy Chair	75	-	-	-	-	-	
Bengt P. Johansen	75	-	-	-	-	-	
Line Alfarustad	37	-	-	-	-	-	
Dordi E. Flormælen	75	-	-	-	-	-	
Supervisory Board							
Total Supervisory Board, incl. employee representatives	550	-	-	-	40 585	-	
Employees							
Total loans to Group employees	-	-	-	-	871 989	-	

Note 28 Salary and obligations towards senior management/governing bodies, continued

2011 NOK thousands	Salary, fees etc.	Bonus	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2011	Payment plan[2]
Senior management [1]							
Sverre Thornes, Group CEO	3 063	-	165	1 001	7 507	2,70-3,60	A2038
Ida Espolin Johnson, Executive Vice President, Life Insurance	2 234	-	116	803	8 400	3,15-4,60	A2039
Ole Jacob Frich, Executive Vice President Communications	1 334	-	130	395	6 576	3,15-3,90	A2041
Aage Schaanning, Executive Vice President and CFO	2 814	-	120	871	2 977	2,70-2,95	A2031
Rune Mæland, Executive Vice President IT	1 394	-	160	277	1 741	2,70	A2034
Toril B. Ressem, Executive Vice President Group Services (January and February)	378	-	29	90	2 707	2,95-3,60	A2041
Cathrine Hellandsvik, Executive Vice President Group Services (March to December)	990	-	88	260	2 002	2,95-3,45	A2037
Mette-Jorunn Meisland, Executive Vice President Marketing	1 134	-	117	381	6 000	2,95-3,45	A2038
Hans Martin Hovden, Managing Director KLP Skadeforsikring AS	1 527	-	124	416	7 422	2,95-3,60	A2041
Håvard Gulbrandsen, Managing Director KLP Kapitalforvaltning AS	1 638	1 575	121	543	2 794	3,15	A2040
Gunnar Gjørtz, Managing Director KLP Eiendom AS	2 311	-	128	854	4 899	3,15	Housing credit
Leif Magne Andersen, Managing Director KLP Banken AS (from December 2011)	206	-	10	51			
Board of Directors							
Arne Øren, Chairman	283	-	-	-	-	-	-
Finn Jebsen, Deputy Chair	226	-	-	-	-	-	-
Herlof Nilssen	188	-	-	-	497	3,75	A2031
Gunn Marit Helgesen	175	-	-	-	-	-	-
Jan Helge Gulbrandsen	150	-	-	-	-	-	-
Marit Torgersen	89	-	-	-	-	-	-
Siv Holland, elected by and from the employees	150	-	-	-	1 751	3,15	Housing credit
Freddy Larsen, elected by and from the employees	188	-	-	-	1 354	2,70-3,55	A2031
Control Committee							
Ole Hetland, Chair	86	-	-	-	-	-	-
Jan Rune Fagermoen, Deputy Chair	72	-	-	-	-	-	-
Bengt P. Johansen	99	-	-	-	-	-	-
Line Alfarustad	37	-	-	-	-	-	-
Dordi E. Flormælen	37	-	-	-	-	-	-
Supervisory Board							
Total Supervisory Board, incl. employee representatives	530	-	-	-	36 770	-	-
Employees							
Total loans to Group employees	-	-	-	-	1 046 987	-	-

[1] Declared salary/remuneration applies only for the period the senior employee has held the position.
[2] S= Serial loan, A= Annuity loan, last payment.

Note 29 Number of employees

	2012	2011
Total permanent employees in the Group 31.12.	808	775
Average number of employees in the Group	792	769

Note 30 Auditor's fee

NOK millions	2012	2011
Ordinary audit	7,1	5,6
Certification services	0,4	0,7
Tax consultancy	0,2	0,3
Other services excluding audit	0,5	0,3
Total Auditor's fee	8,2	6,9

The sums above include VAT.

Note 31 Operating costs

NOK millions	2012	2011
Personnel costs	720	657
Depreciation and write-down	97	115
Other operating expenses	333	343
Total operating expenses	1 150	1 115

Note 32 Other income and expenses

NOK millions	2012	2011
Other income		
Contribution service pension/AFP	642	655
Fee income asset management	30	21
Income from associated companies	3	0
Other income	106	73
Total other income	781	748
Other expenses		
Other costs related to financial assets and liabilities	7	5
Payments service pension/AFP	641	654
Other costs	3	1
Total other expenses	651	660

Note 33 Other current liabilities

NOK millions	2012	2011
Accounts payable	109	1 046
Current liabilities securities trade	3 696	92
Debt to insurance customers [1]	441	79
Social security costs, VAT and tax deductions owing	278	264
Salary and holiday pay due	91	72
Other current liabilities [2]	593	42
Total other current liabilities	5 208	1 596

[1] Liabilities to insurance customers involves liability the Group has to customers; the sum mainly reflects return of pensions, the supplement scheme and the security scheme.
[2] Includes contribution fund to pay and G adjustment and AFP supplementary fund.

Note 34 Contingent liabilities

NOK millions	31.12.2012	31.12.2011
KLP guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	3 250	3 658
Approved, not paid out KLP Group loan pledge	1 208	1 094
Total contingent liabilities	4 460	4 753

Note 35 Retained earnings

NOK millions	Revaluation fund	Risk equalization fund	Nat. perils pool fund	Other retained earnings	Retained earnings
Capitalized value 01.01.2011	91	265	246	4 519	5 121
Income	0	166	-36	499	629
Other comprehensive income:					
- revaluation of properties for own use	92	0	0	0	92
- currency translation foreign subsidiaries	0	0	0	6	6
Capitalized value 31.12.2011	183	431	211	5 023	5 847
Income		60	-10	944	995
Other comprehensive income:					
- revaluation of properties for own use	23	0	0	0	23
- currency translation foreign subsidiaries	0	0	0	-208	-208
Capitalized value 31.12.2012	205	490	201	5 760	6 656

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PHOTO **JARLE GUSDAL**

PHOTO **ØYVIND GARSJØ**

PHOTO **MARIE-LUISE LEITE**

Non-financial Accounts

Non-financial accounts at year-end 31 December

Environment	Note	2012	2011	2010	2009
energy consumption kWh/m2 in KLP Eiendom's in-house operated buildings in Oslo	2	182	196	207	210
energy consumption kWh/m2 in KLP Eiendom's in-house operated buildings in Trondheim	2	162	157	217	210
energy consumption kwh/m2 in KLP's offices in KLP Huset (the KLP Building)	2	190	174	126	
energy consumption kwh/m2 in KLP's offices in Bergen	2	142	147	172	
energy consumption kwh/m2 in KLP's offices in Trondheim	2	180	134	136	
percentage waste source sorting from in-house operated buildings in Oslo	2	53	53	51	50
percentage waste source sorting from in-house operated buildings in Trondheim	2	43	41	36	31
Employees					
number of employees	3	808	775	762	742
percentage women	3	48,1	49	49	48
percentage men	3	51,9	51	51	52
percentage staff turnover	3	3,1	4,5	3,5	2,5
total temporary employees	3	18	19	13	16
percentage part-time women	3	18,3	16	19	20
percentage part-time men	3	1,7	2	1,8	1,2
women as percentage at Management Level 1	3	18	27	20	20
women as percentage at Management Level 2	3	29,8	31	24	18
women as percentage at Management Level 3	3	47,3	42	49	50
women as percentage on Board of Directors	3	42,9	43	38	50
reported sickness absence short-term	4	1,1	1,9	1,0	1,9
reported sickness absence long-term	4	3,1	2,7	2,7	2,3
reported sickness absence total	4	4,2	4,6	4,4	4,2
reported sickness absence women	4	6			
reported sickness absence men	4	2,2			
reported absence sick children percentage women		63			
reported absence sick children percentage men		37			
number of personal injuries	5	0	0	0	0
Salary and other personnel costs (NOK 1000)					
total salary to employees	6	547 218	521 467	504 122	415 392
average salary women	6	570	550	523	493
average salary men	6	727	711	671	619
women earn as a percentage compared to men	6	78,4	77,3	78,0	80,0
women earn as a percentage compared to men at Management Level 1	6	64,3			
women earn as a percentage compared to men at Management Level 2	6	91,1			
women earn as a percentage compared to men at Management Level 3	6	92,2			
Tax and income per country (NOK millions)					
tax to Norway	7	0,0	0,0		
tax to Sweden	7	10,1	-10,4		
tax to Denmark	7	0,0	35,7		
income in Norway	7	47 728,7	31 605,3		
income in Sweden	7	216,4	154,7		
income in Denmark	7	135,9	84,5		
accounting income before taxes in Norway	7	1 239,9	609,3		
accounting income before taxes in Sweden	7	-174,1	90,2		
accounting income before taxes in Denmark	7	-64,2	-46,2		
net purchases/sales and investments in Norway	7	2 055,9	-193,8		
net purchases/sales and investments in Sweden	7	1 282,7	932,6		
net purchases/sales and investments in Denmark	7	398,9	1 358,3		
Responsible investments					
number of exclusions of companies from the investment portfolio	8	64	64	59	47
number of companies reinstated in the investment portfolio	8	1	1	3	10
number of general meetings in Norwegian companies in which KLP has voted	8	113(92%)	130(92%)	127	123
number of general meetings in foreign companies in which KLP has voted	8	2 099(75%)	1 662(82%)	1 533	1 558

Note 1 Accounting principles

Assessment of significance:

Selection of indicators for the annual report represents the triple bottom line: how KLP impacts on environmental, social and economic aspects.

Environment: KLP impacts on the environment principally through its properties which form part of pension assets management KLP is one of Norway's biggest property managers and owns and runs properties in a number of Nordic cities. Energy consumption and waste are parameters in which KLP has defined reduction targets and where a reduction greatly affects the environment in comparison with other indicators. This is both because KLP can impact directly on energy consumption and because energy consumption is described as inextricably linked to sustainable development. The environmental impact of KLP as an office-based operation in Norway is limited Once again it is energy consumption that particularly stands out as a relevant factor upon which to report, also because it can be converted into a financial value.

Social: KLP is a service supplier in which the employees are the most important resource. Aspects linked to own employees are therefore considered material. This applies to equal opportunities, sickness absence and turnover.

Economics: aspects included in this are salary, tax and revenue per country. This demonstrates direct contribution to society's economy. Responsible investment (SRI) is a key element of our business as a manager of pension assets. Our most important task is to secure returns on future pensions, but it is not a matter of indifference how these returns are created. KLP therefore has guidelines for responsible investment which are approved by the KLP Board of Directors (revised in 2012) that define methods and targets for responsible investment. Reporting on this area is therefore considered essential.

The content of the non-financial accounts is therefore designed to cover Section 3-3 of the Norwegian Accounting Standard No. 16. In selecting the individual indicators an assessment has been made of whether they satisfy the Global Reporting Initiative (GRI) and Communication on Progress (COP) from the UN Global Compact. Comprehensive reporting on our corporate social responsibility is available at www.klp.no/samfunnsansvar (www.klp.no/english/corporate-responsibility).

The assessment of what are material reporting variables is based on what is considered to be of greatest significance for our stakeholders and greatest significance for KLP's business areas. KLP has collected comments from its stakeholders through dialogue on various platforms: webpages, social media, a blog, active participation in various corporate social responsibility fora and as a participant and presenter at relevant seminars and conferences.

Note 2 Energy consumption

Energy consumption kWh/m2 for KLP's in-house operated buildings in Oslo and Trondheim has been temperature-corrected in order to be able to measure the effect of energy-saving measures implemented. Temperature corrected means that energy consumption for heating is adjusted to a normal year (1961-1990s: www.met.no - the Norwegian Meteorological Institute). In-house operated buildings are those owned by KLP Eiendom and in which it is responsible for operation and maintenance. Some of KLP's own electricity meters in Oslo also cover tenants' electricity consumption. In Trondheim the majority of tenants' electricity consumption is included in the KLP's electricity meters.

The energy consumption in KLP's own office premises has not been temperature-corrected but shows actual usage. The energy consumption has been obtained from the «EOS log» (energy monitoring system) and must be considered to be an estimate because of the number of, in some cases uncertain, data sources. Energy consumption in the KLP Building (KLP Huset) applies for the period after occupation on 25 May 2010. Figures for energy consumption in the premises KLP has available in its business in Bergen and Trondheim are not available for 2009.

An important environmental factor is to minimise unsorted waste. Sorted waste can be recycled and therefore has a lesser environmental impact.

Source sorting ratio shows the percentage of waste sorted and thus recycled. The figures are obtained from the environmental monitoring system log, but are based on estimates from waste suppliers and other spot measurements at certain locations.

Note 3 Employees

The number of employees includes those active and inactive, part-time and full-time, as at 31 December 2012. Turnover percentage shows the number of people who have left KLP.

The number of people who have changed employer internally within KLP (different legal entities under KLP as parent company) has been excepted.

The number of women as a percentage is reported at Management Levels 1 to 3, where Management Level 1 is the senior Group management including CEO/Managing Director. Management Level 2 are the managers who report directly to a Group Vice President. Management Level 3 are the managers who report to managers at Level

Note 4 Sickness absence

The figures show self-reported sickness absence. Sickness absence short-term is 1-3 days, long-term is absence of 4 days or more.

Note 5 Personal injury

The figures show self-reported personal injury and injury reported as actual and possible occupational injuries to KLP Skadeforsikring as the insurance company for KLP.

Note 6 Salary and other personell costs

Total salary to employees corresponds to Code 11A of the salary and deductions statement. It therefore refers to total actual salary taken to expenses, less fees to external entities, and does not include benefits in kind.

Salary and allowances for KLP's senior Group management and Board members are described in Note 28 to the KLP Group financial statements. KLP Kapitalforvaltning has bonus schemes for employees: other KLP employees do not have bonus or options agreements..

Average salary by gender is calculated on contractual salary based on full-time employment and is not corrected for the proportion of part-time. Percentage salary for women compared to men by Management Level has not previously been reported and the figures for previous years are therefore not available.

Note 7 Tax and income by country

Tax and income by country is divided between the countries in which KLP carries out business with deciding influence. This means for example that tax and income from investments in foreign securities is reported within the country distribution as Norwegian unless KLP has deciding influence over the investment so that there is a Group relationship.

Cost of taxes comprises recognized cost of taxes in the various countries. This will deviate from tax paid. Tax in the form of duties is not included in the figures given.

Comparison figures from the for 2011 have not been produced.

Note 8 Responsible investment

The figures show the number of companies KLP has excluded from its investment world, and re-instated, based on contravention of KLP's guidelines for responsible investment. An overview of which companies are represented in the figures and how KLP has voted at the companies' respective general meetings is published at www.klp.no/samfunnsansvar.

Board of Directors in Kommunal Landspensjonskasse Gjensidige Forsikringsselskap (KLP)

Independent statement regarding verification of Non-financial Accounts for 2012

Scope of engagement
We have been engaged by the management in KLP to perform verification of the Non-financial Accounts per 31.12.12. Management in KLP is responsible for the selection of information, collection of data and presentation of the Non-financial Accounts.

The auditor's tasks and responsibility
Our task is to issue an independent statement on the Non-financial Accounts based on our work.

We have performed our controls and issue our statement in accordance with ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information. Within the scope of this standard, we have planned and carried out procedures to obtain limited assurance that the Non-financial Accounts are free of material misstatement, and that the Non-financial Accounts are prepared in accordance with the criteria.

Our work includes the following activities:

- Interviews with representatives responsible for the different areas in the Non-financial Accounts and evaluation of processes
- Assessment of routines and internal control related to reporting of Non-financial Accounts
- Collection and review of documentation supporting the data presented in the Non-financial Accounts
- Evaluation of completeness and accuracy of the reported figures

We believe that our work provides us with an appropriate basis to conclude with a limited level of assurance on the Non-financial Accounts.

Conclusion
During our work, nothing has come to our attention that causes us to believe that the information in the Non-financial Accounts includes material misstatements, nor that the Non-financial Accounts does not comply with the above mentioned criteria.

Oslo, March 19th 2013

PricewaterhouseCoopers AS

Eli Moe-Helgesen
State authorised public accountant

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Board of Directors in Kommunal Landspensjonskasse Gjensidige Forsikringsselskap (KLP)

Independent statement regarding verification of Non-financial Accounts for 2012

Scope of engagement
We have been engaged by the management in KLP to perform verification of the Non-financial Accounts per 31.12.12. Management in KLP is responsible for the selection of information, collection of data and presentation of the Non-financial Accounts.

The auditor's tasks and responsibility
Our task is to issue an independent statement on the Non-financial Accounts based on our work.

We have performed our controls and issue our statement in accordance with ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information. Within the scope of this standard, we have planned and carried out procedures to obtain limited assurance that the Non-financial Accounts are free of material misstatement, and that the Non-financial Accounts are prepared in accordance with the criteria.

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- Interviews with representatives responsible for the different areas in the Non-financial Accounts and evaluation of processes
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We believe that our work provides us with an appropriate basis to conclude with a limited level of assurance on the Non-financial Accounts.

Conclusion
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Oslo, March 19th 2013

PricewaterhouseCoopers AS

Eli Moe-Helgesen
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PHOTO **MONA HENJESAND**

PHOTO **KAROLINE BALTERZEN**

PHOTO **KARI JAKOBSEN**

PHOTO **HANNE-KJERSTI GRINNA**

Accounts KLP

Income statement for Kommunal Landspensjonskasse gjensidige forsikringsselskap

Notes	NOK millions	2012	2011
	Premiums due, gross	27 481	21 644
	Reinsurance premiums ceded	-5	-3
	Transfer of premium reserve from other insurance companies/pension funds	1 549	112
17	Total premium income	29 025	21 752
	Income from investments in property subsidiary	1 828	1 696
	Interest income/dividends on financial assets	8 443	8 790
	Value changes on investments	3 716	-2 728
	Gains and losses realized on investments	2 424	-337
4	Total net income from investments in the common portfolio	16 412	7 420
	Income from investments in property subsidiaries	11	10
	Interest income/dividends on financial assets	47	55
	Value changes on investments	43	-37
	Gains and losses realized on investments	4	1
4	Total net income from investment option portfolio	105	30
	Cover received AFP/service - pensions	642	655
	Miscellaneous interest income	10	6
32	Other insurance-related income	651	660
	Claims paid	-10 685	-9 732
	Changes in claims reserve	-49	10
	Transfer of premium reserve, supplementary reserves and securities adjustment fund to other insurance companies/pension funds	-148	-310
17	Total claims	-10 882	-10 033
	Change in premium reserve	-26 720	-16 886
	Change in supplementary reserves	7	-2 140
	Change in securities adjustment fund	-4 330	2 492
	Change in premium and deposits fund	-59	-83
17	Total changes in insurance liabilities taken to profit/loss - contractual liabilities	-31 101	-16 618
	Change in premium reserve	-145	-54
	Change in premium and deposits fund	-1	-1
	Change in other provisions	0	-6
	Transfer of supplementary reserves from other insurance companies/pension funds	0	16
17	Total changes in insurance liabilities taken to profit/loss – individual investment option portfolio	-146	-45
	Surplus on returns result	-2 122	-1 131
	Risk result assigned to insurance contracts	-38	-154
	Other assignment of surplus	-206	-165
17	Total funds assigned to insurance contracts - contractual liabilities	-2 366	-1 451
	Administration costs	-184	-170
24	Sales costs	-103	-99
	Insurance-related administration costs	-527	-519
	Total insurance-related operating expenses	-813	-788
32	Other insurance-related costs	-647	-656
17	Technical result	237	271

Income statement for Kommunal Landspensjonskasse gjensidige forsikringsselskap

Notes	NOK millions	2012	2011
	Income from investments in subsidiaries, associated companies & joint ventures	277	100
	Interest income/dividends on financial assets	482	452
16	Net operating income from property	41	38
	Value changes on investments	71	-43
	Gains and losses realized on investments	-135	93
4	Total net income from investments in the corporate portfolio	735	639
	Other income	15	10
	Administration costs	-12	-12
	Other expenses	-200	-203
	Total administration costs and other costs associated with the corporate portfolio	-212	-215
	Non-technical profit/loss	538	434
	Income before tax	775	705
26	Tax	0	0
	Income before other profit/loss components	775	705
	Other comprehensive income	0	0
	TOTAL COMPREHENSIVE INCOME	775	705
	Allocations and transfers		
	Transfered to other retained earnings	-716	-539
	Transfered to the risk equalization fund	-60	-166
	Total profit/loss allocations and transfers	-775	-705

Statement of financial position

for Kommunal Landspensjonskasse gjensidige forsikringsselskap

Notes	NOK millions	31.12.2012	31.12.2011
	ASSETS		
	ASSETS IN THE CORPORATE PORTFOLIO		
	Intangible assets	303	293
18	Total intangible assets	303	293
	Investments in the corporate portfolio		
	Investment properties	964	941
16	Investment properties	964	941
13	Shares and holdings in subsidiaries and associated companies	2 258	2 037
13	Shares and holdings in property subsidiaries	1 360	1 338
13	Total subsidiaries, associated enterprises and joint ventures	3 619	3 375
11	Investments held to maturity	3 218	3 225
11	Bonds classified as loans and receivables	4 311	3 860
5	Total financial assets at amortized cost	7 530	7 085
	Shares and units	189	968
11	Bonds and other fixed-return securities	4 552	3 114
11	Loans and receivables	599	723
11	Financial derivatives	71	252
	Other financial assets	10	10
5,6,14	Total financial assets valued at fair value	5 420	5 067
5	Total investments in the corporate portfolio	17 533	16 468
	Receivables related to direct business	1 025	795
30	Intra-Group receivables	35	109
	Other receivables	86	60
	Total receivables	1 145	964
	Tangible fixed assets	55	63
	Bank deposits	348	288
	Total other assets	403	351
	Total assets in the corporate portfolio	19 384	18 075
	ASSETS IN THE CUSTOMER PORTFOLIOS		
	Investments in the common portfolio		
13	Shares and holdings in property subsidiaries	30 439	27 816
	Receivables from and securities issued by subsidiaries, associated enterprises and joint ventures	0	4 306
	Total subsidiaries, associated enterprises and joint ventures	30 439	32 122
11	Investments held to maturity	33 033	37 013
11	Bonds classified as loans and receivables	50 243	41 942
11,12	Other loans and receivables	30 198	25 104
5,11	Total financial assets valued at amortized cost	113 474	104 059
14	Shares	19 398	16 064
14	Equity fund units	21 137	17 977
14	Alternative investments	1 803	521
11	Bonds and other fixed-return securities	75 611	62 961
11	Loans and receivables	15 513	7 921
11	Financial derivatives	1 282	571
	Other financial assets	72	70
5,6	Total financial assets valued at fair value	134 817	106 085
5	Total assets in the common portfolio	278 731	242 267
	Investments in the investment option portfolio		
13	Shares and holdings in property subsidiaries	186	170
5,11	Financial assets at amortized cost	568	538
6,14	Financial assets at fair value	802	696
5	Total assets in the investment option portfolio	1 556	1 404
	ASSETS	299 671	261 746

Statement of financial position

for Kommunal Landspensjonskasse gjensidige forsikringsselskap

Notes	NOK millions	31.12.2012	31.12.2011
	OWNERS' EQUITY AND LIABILITIES		
	Other owners' equity contributed	6 891	6 217
	Total paid-up equity	6 891	6 217
	Risk equalization fund	490	431
	Other retained earnings	6 009	5 293
	Total retained earnings	6 499	5 723
20	Perpetual subordinated loan capital	2 891	3 143
20	Hybrid Tier 1 securities	974	1 145
5,20	Total subordinated loan capital etc.	3 865	4 288
	Premium reserve	248 608	221 889
	Supplementary reserves	12 293	12 234
15	Securities adjustment fund	9 288	4 958
	Claims reserve	212	163
	Premium fund, deposits fund and pensioners' surplus fund	3 894	2 801
17	Total insurance liabilities in life insurance - contractual liabilities	274 294	242 045
	Premium reserve	1 421	1 275
	Supplementary reserves	83	85
	Premium fund, deposits fund and pensioners' surplus fund	45	35
17	Total insurance liabilities investment option portfolio	1 548	1 394
25	Pension liabilities	386	362
	Total provision for liabilities	386	362
	Liabilities related to direct insurance	438	74
6	Liabilities to credit institutions	1 461	392
6	Financial derivatives related to the corporate portfolio	10	2
6	Financial derivatives related to the common portfolio	352	836
6	Financial derivatives Investment	1	0
31	Other liabilities	3 874	357
	Total liabilities	6 136	1 662
	Other accrued costs and pre-paid income	52	54
	Total accrued costs and pre-paid income	52	54
	OWNERS' EQUITY AND LIABILITIES	299 671	261 746
	ITEMS OFF FINANCIAL POSITION STATEMENT		
33	Contingent liabilities	4 410	4 510
	Items off financial position statement	4 410	4 510

Oslo 19. mars 2013
Styret i Kommunal Landspensjonskasse gjensidige forsikringsselskap

Arne Øren, leder

Finn Jebsen, nestleder

Liv Kari Eskeland

Marit Torgersen

Jan Helge Gulbrandsen

Herlof Nilssen

Siv Karina Holland
Valgt av og blant de ansatte

Freddy Larsen
Valgt av og blant de ansatte

Sverre Thornes
Konsernsjef

Statement of changes in owners' equity

2012

NOK millions	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2012	6 217	5 723	11 941
Total comprehensive income	0	775	775
Total comprehensive income	0	775	775
Transactions with owners			
Owners' equity contribution received	677	0	677
Owners' equity contribution repaid	-4	0	-4
Total transactions with the owners	673	0	673
Owners' equity 31 December 2012	6 891	6 499	13 390

2011

NOK millions	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2011	5 628	5 019	10 647
Total comprehensive income	0	705	705
Total comprehensive income	0	705	705
Transactions with owners			
Owners' equity contribution received	597	0	597
Owners' equity contribution repaid	-8	0	-8
Total transactions with the owners	590	0	590
Owners' equity 31 December 2011	6 217	5 723	11 941

Statement of cash flows

NOK millions	2012	2011
Cash flow from operational activities		
Direct insurance premiums received	25 868	18 341
Reinsurance premiums paid	-5	-3
Direct insurance claims and benefits paid	-10 153	-9 208
Payments received on transfer	1 549	110
Payments made on transfer	-147	-308
Payments to other suppliers for products and services	-440	-547
Payments to employees, pension schemes, employer's social security contribution etc.	-400	-344
Interest paid	-205	-206
Interest received	6 843	6 599
Dividend received	1 895	2 433
Tax and public charges paid	-4	1
Receipts for the property business	25	40
Net receipts/payments of loans to customers etc.	-4 818	4 843
Receipts on the sale of shares	18 368	6 143
Payments on the purchase of shares	-18 189	-11 893
Receipts on the sale of bonds	31 465	7 829
Payments on the purchase of bonds	-48 655	-22 618
Receipts on the sale of certificates	9 206	5 718
Payments on the purchase of certificates	-9 408	-8 950
Receipts on the sale of bonds and certificates	40 671	13 547
Payments on the purchase of bonds and certificates	-58 062	-31 568
Payments on the purchase of property	-3	9
Net cash flow from purchase/sale of other short-term securities	-3 471	152
Net cash flow from operating activities	**-676**	**-1 857**
Cash flow from investment activities		
Receipts on the purchase of tangible fixed assets etc.	1	0
Payments on the purchase of tangible fixed assets etc.	-71	-88
Net cash flow from investment activities	**-70**	**-88**
Cash flow from financing activities		
Receipts of owners' equity contributions	677	597
Payments on repayment of owners' equity contributions	-4	-8
Group contributions received	150	1 195
Group contributions made	-17	-11
Net cash flow from financing activities	**806**	**1 773**
Net changes in cash and bank deposits	60	-172
Holdings of cash and bank deposits at start of period	288	460
Holdings of cash and bank deposits at end of period	**348**	**288**

Notes KLP

Note 1 General information

Kommunal Landspensjonskasse gjensidige forsikringsselskap (the Company) provides pension and insurance services to municipalities and county administrations, health enterprises and to enterprises both in the public and private sectors.

The largest product area is group pensions insurance. Within pension insurance the Company offers local government occupational pensions.

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

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

The annual financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap are available on the Company's website, www.klp.no.

The Company's annual financial statements for 2012 were adopted by the Company's Board of Directors on 19 March 2013.

Note 2 Summary of the most important accounting principles

Below follows a description of the most important accounting principles that have been used in the Company accounts.

2.1 FUNDAMENTAL PRINCIPLES

The annual financial statements are presented in accordance with Regulation No. 1241 of 16 December 1998: "Regulations for annual accounts etc for insurance companies" (Annual Accounts Regulations). This means that the Company's annual financial statements have been prepared in accordance with international accounting standards (EU-approved IFRS/IAS) with those additions resulting from the Norwegian Annual Accounts Regulations.

The Company has used Regulation No. 57 of 21 January 2008 "Regulations on simplified application of international accounting standards" for presentation of Group contributions. This means that the Group contribution taken to account is presented as a net liability and a receivable (Group contribution received), even though the Group contributions had not been approved at the date of the statement of financial position.

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

- Investment property valued at fair value.
- Financial assets and liabilities (including financial derivatives) valued at fair value through profit or loss.
- Holdings in subsidiaries and associated companies valued in accordance with the owners' equity method
- Assets and liabilities where the hedging accounting rules have been used.

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

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

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

2.1.1 Changes in accounting principles and information

(a) New and changed standards adopted by the Company
There are no new or changed IFRSs or IFRIC interpretations that have come into force for the 2012 annual financial statements that are considered to have had or expected to have a significant effect on the Company.

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

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

- IAS 1 "Presentation of financial statements" has been amended and as a result items in other comprehensive income are to be divided into two groups: those that are later to be reclassified through profit or loss and those that are not. The changes do not affect which items are to be included in other comprehensive income.

- IAS 19 "Employee Benefits" was amended in June 2011. The change means: that all estimate deviations are recognised in other comprehensive income as they arise (no corridor); immediate recognition in the profit/loss statement of all costs of previous periods' pensions accumulation; and that interest costs and expected returns on pension assets are replaced by a net interest sum calculated using discounting interest on net pensions liability (assets). The latest implementation date for the standard is 1 January 2013. The Company will implement the change from that date.

- IFRS 9 "Financial Instruments" governs classification, measurement and accounting for financial assets and financial liabilities. IFRS 9 was published in November 2009 and October 2010, and replaces those parts of IAS 39 that cover accounting, classification and measurement of financial instruments. In accordance with IFRS 9, all financial assets are to be divided into two categories based on method of measurement: those measured at fair value and those measured at amortized cost. The classification assessment is made on first recognition in the accounts. Classification will depend on the company's business model for handling its financial instruments and the characteristics of the contractual cash flows from the instrument. For financial liabilities the requirements are generally the same as in IAS 39. The main change, in those cases in which fair value has been selected for financial liabilities, is that the part of the change in fair value resulting from change in the company's own credit risk is recognized in other comprehensive income instead of in the income statement, provided this does not involve an accrual error in income measurement. The Company has not yet assessed the entire impact of the standard on the financial statements, but plans to apply IFRS 9 when the standard comes into force and is approved by the EU. The standard comes into force for reporting periods starting on 1 January 2015. The Company will also look at the consequences of the remaining part-phases of IFRS 9 when they have been finalized by the IASB.

- IFRS 10 "Consolidated Financial Statements" is based on current principles on using the control term as the deciding criterion in deciding whether a company is to be included in the company financial statements of the parent company. The standard provides expanded guidance in determining whether control is present in those cases where this is difficult. The Company has not considered all possible consequences resulting from IFRS 10. The Company plans to apply the standard for reporting periods starting on 1 January 2014 and subsequently.

- IFRS 12 "Disclosures of Interest in Other Entities" contains the information requirements for financial interests in subsidiaries, jointly controlled enterprises, associated companies, special-purpose entities (SPE), and other companies not included in the statement of financial position. The Company has not considered the full consequences of IFRS 12. The Company plans to apply the standard for reporting periods starting on 1 January 2013, even though the EU does not require it to be applied before 1 January 2014.

- IFRS 13 "Fair Value Measurement" defines what is meant by fair value when the term is used in IFRS, provides a comprehensive description of how fair value is to be determined in IFRS and defines what supplementary information is to be provided when fair value is used. The standard does not expand the scope of accounting at fair value, but provides guidance on the application method where use is already required or permitted in other IFRSs. The Company uses fair value as the measurement criterion for certain assets and liabilities. The Company has not considered the full consequences of IFRS 13, but will apply the standard for the 2013 reporting year.

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

2.1.2 Changes in financial statements in comparison with previous periods

Certain reclassifications have been carried out in the financial statements compared to previous periods and comparison figures have been converted accordingly. This means that certain lines and notes are not directly comparable with the financial statements for 2011. The table shows what changes have been made:

The following changes have been made in the income statement for KLP for 2011-figures compared to the income statement presented for the previous year:

Income statement line (NOK millions)	**Changed figure**
Management costs/Other costs (corporate portfolio)	-10/+10

The following changes have been made in the financial position statement's 2011-figures compared to last year's reported financial position.

Financial position statement line (NOK millions)	**Changed figure**
Other loans and receivables at amortized cost/Loans and receivables at fair value (common portfolio)	+4 306/-4 306
Premium reserve/Claims reserves	-94/+94

2.2 SUBSIDIARIES AND ASSOCIATED COMPANIES

2.2.1 Subsidiaries

All entities in which the Company has deciding influence/control are considered subsidiaries. Deciding influence is normally achieved through ownership of more than half of the voting capital. The effect of potential voting rights that can be exercised or converted at the end of the reporting period are included in the assessment of control. Subsidiaries have been consolidated in accordance with the equity capital method. This means that the Company's share of profit or loss in subsidiaries is taken to profit/loss and is added to the financial position statement value together with owners' equity changes not taken to profit/loss. The Company does not take a share of the loss to profit/loss if this involves the financial position statement value of the investment becoming negative unless the Company has assumed liabilities on behalf of the subsidiary.

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

The Company's financial statements are presented in NOK and those of subsidiaries in foreign currency are converted to NOK at the exchange rate on the final day of the reporting period.

2.2.2 Associated companies

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

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

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

2.3 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

2.3.1 Functional currency and presentational currency

The Company's financial statements are presented in NOK, which is the functional currency of the Company.

2.3.2 Transactions and financial position statement items

Transactions in foreign currency have been translated to NOK by using the conversion rate on the date of the transaction. Currency gains and losses on transactions in foreign currency are taken through profit or loss. This also applies to translation of money items (assets and liabilities) at the end of the reporting period.

The currency effect on non-monetary items (both assets and liabilities) is included as a part of the assessment of fair value. The currency difference on non-monetary items, such as shares at fair value through profit or loss, is taken to income as a part of the total profit or loss.

2.4 TANGIBLE FIXED ASSETS

The Company's tangible fixed assets mainly comprise office machines, inventory and vehicles.

Tangible fixed assets are recognized at cost of acquisition including costs that can be attributed directly to the fixed asset, with deduction for depreciation.

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

Depreciation is calculated by the straight-line method so the acquisition cost of tangible fixed assets is depreciated to residual value over expected usable life.

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

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

Gains and losses on disposals comprise the sale price less the book value at the time of sale. Gains and losses on disposals are recognized through profit or loss.

2.5 INVESTMENT PROPERTY

Real estate not used by the Company is classified as investment property if the properties are directly owned by the Company. The properties owned through a limited company or general partnership are classified as shares and holdings in subsidiaries.

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

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

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

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

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

Changes in fair value are taken to profit/loss.

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

If a property the Company has used is leased externally, the property is reclassified as investment property.

Properties classified as "assets under construction" are presented at cost price if fair value cannot be measured reliably. The property is measured at cost value until its fair value can either be measured in a reliable way or until the property is completed. In setting fair value, the returns requirement in 2012 is corrected as a result of technical model changes (removed obsolescence in final value).

2.6 INTANGIBLE ASSETS

The Company's intangible assets comprise capitalized IT systems. On the purchase of a new IT system, costs capialized include directly attributable costs paid out to the system supplier as well as external consultancy support and internally accrued costs to have the system installed and ready for use.

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

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

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

2.7 FINANCIAL INSTRUMENTS

2.7.1 Classification

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

Financial assets
a) Financial assets at fair value through profit or loss
b) Lending and receivables recognised at amortized cost
c) Hold-to-maturity investments recognized at amortized cost

Financial liabilities
d) Other financial liabilities recognized at amortized cost

a) Financial assets at fair value through profit or loss

Within this category it may be obligatory or optional to recognize attribution at fair value with value changes through profit or loss.

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

The group includes shares and holdings, units in equity funds, alternative investments, bonds, certificates and units in fixed income funds.

b) Loans and receivables recognized at amortized cost

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

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

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

c) Financial assets held to maturity

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

- Those the entity on first recognition classifies at fair value through profit or loss
- Those that meet the definition of loans and receivables.

The category includes bonds recognized at amortized cost.

d) Other financial liabilities recognized at amortized cost

The category includes perpetual subordinated notes (tier 1 capital) and subordinated loan capital.

2.7.2 Recognition and measurement

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

a) Value measurement at fair value

The principles for calculating fair value related to the various instruments are shown in Note 5.

b) Value measurement at amortized cost

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

c) Write-down of financial assets valued at amortized cost

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

If there is objective proof of impairment, write-down is carried out. The write-down is calculated by comparing the new, anticipated cash flows with the original cash flows discounted by the original effective interest rate (assets with fixed interest) or by the effective interest rate at the time of measurement (assets with variable interest). The write-down reduces the asset's financial position statement value and is recognized in the income statement under "Value change on investments".

Loss assessment and loss write-down is carried out quarterly on individual loans. Loans with unpaid repayments older than

90 days or credits with overdrafts older than 90 days are examined at the end of the reporting period. In addition continuous assessment is carried out of other lending engagements where there is objective proof of impairment.

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

2.7.3 Presentation in the financial position statement and income statement

a) **Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss are presented in the financial position statement either as "Shares", "Equity fund units", "Bonds and other securities with fixed returns" or "Loans and receivables". Interest income and share dividend are included in the line "Interest income/dividend on financial assets". Other value changes are included in the line "Value changes on investments".

b) **Loans and receivables at amortized cost**
Loans and receivables at amortized cost are presented in the financial position statement either as "Bonds classified as loans and receivables" or "Other loans and receivables". Interest income is included in the line "Interest income/dividends on financial assets". Value changes that can be linked to objective indications of fall in value as well as foreign exchange changes are included in the line "Value changes on financial instruments".

c) **Financial assets held to maturity**
Financial assets held to maturity comprise bonds and are presented in the financial position statement as "Investments held to maturity". Interest income in accordance with the effective interest rate method is included in the line "Interest income/dividend on financial assets". Value changes that can be linked to objective indications of fall in value as well as unrealized foreign exchange changes are included in the line "Value changes on investments".

d) **Subordinated loan**
Subordinated loan is taken to account at fair value on subscription. On subsequent measurement subordinated loan is recognized at amortized cost using the effective interest rate method. The method is used to apportion the interest costs over a relevant period and is posted through profit or loss in the line "Other costs". Subordinated loan in foreign currency is translated to NOK at the end of the reporting period. Value change resulting from currency change is posted through profit or loss and included in the line "Value change on investments".

e) **Hybrid Tier 1 securities issued**
Hybrid Tier 1 securities are recognized at nominal on date of issue and valued subsequently at amortized cost. For hybrid Tier 1 securities hedged against currency and interest rate changes (fair value hedging), book value is adjusted on value change in hedged risk. The value change is taken through profit or loss in the line "Value change on investments".

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

For derivatives not included in accounting hedging, gains and losses are taken to profit or loss as they arise on the line for "Value change on investments". These are included in the category "Financial assets at fair value through profit or loss". Interest income and costs are included in the line "Interest income/dividend on financial assets".

The Company has in one case used accounting hedging (hedge accounting). Hedge accounting is used on hedging of perpetual hybrid Tier 1 securities issued (the hedging object) against value changes resulting from changes in interest rates and exchange rates (fair value hedging). The hedging instrument is a combined interest rate and currency swap (CIRCUS). The hedging contract is documented and the effectiveness of the hedging is measured continuously.

Change in fair value of the hedging instrument is included in the income statement at the line for "Value change in investments". Value changes on the hedging object that can be attributed to the hedged risk are booked as a correction of the hedging object's capitalized value and included in the income statement at the line for "Value change on investments". In those instances in which a security has embedded derivatives that are not separated out, the value of the derivative will be included in the security's value as a whole. The value change will be reported on the income statement line "Value change on investments".

2.8 NETTING
Financial assets and financial liabilities are only netted to the extent there is a legal entitlement to net liability against receivable and when the maturity date of the asset corresponds with the date the debt is due to be repaid.

2.9 CASH AND CASH EQUIVALENTS
Cash holdings and bank deposits associated with daily operations are shown as cash and bank deposits. These are included in the financial position statement at the line for "Cash, bank". Bank deposits associated with asset management business are defined as financial assets and included in the financial position statement in the line for "Loans and receivables". Bank deposits related to the asset management business are not defined as cash in the statement of cash flows. The statement of cash flows has been prepared in accordance with the direct method.

2.10 OWNERS' EQUITY
Owners' equity in the Company is divided into three main elements:

2.10.1 Owners' equity contributed
Kommunal Landspensjonskasse is a mutual company owned by its customers. This means that customers participating in KLP's "fellesordninger" (Joint Pensions - schemes for public sector occupational pensions) pay an owners' equity contribution on registration. The owners' equity contribution is set in proportion to the relative size of the customer measured in premium reserves. The owners' equity contribution may be used to cover losses or deficits in current operation. It may only be repaid in connection with transfer of a customer's business from the Company after ap-

proval in advance from the Financial Supervisory Authority of Norway. The customer's (the owner's) share of the actual combined owners' equity contribution at the termination date calculated proportionately to the customer's (the owner's) share of the Company's total premium reserves is subject to possible repayment.

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

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

The owners' equity contribution may not be traded.

2.10.2 Retained earnings

The company's retained earnings comprise mainly an equity capital fund. The equity capital fund arose through a transfer from the contingency fund and the special fund in connection with the annual accounts for 1989. Ordinary company law rules apply for any allocation or use of the equity capital fund.

2.10.3 Risk equalization fund

The purpose of the risk equalization fund is to cover any losses through personal risk in the insurance business or to strengthen the insurance technical reserves. In life and pensions insurance it is permissible to set aside up to 50 per cent of risk profit to the risk equalization fund limited upwards to 150 per cent of annual risk premium.

2.11 RECOGNITION OF INCOME IN THE FINANCIAL STATEMENTS

Income on sale of goods is valued at fair value of the consideration, net after deductions for VAT and any discounts.

2.11.1 Premium income

Premium income is taken to income by the amount falling due during the accounting year. Accrual of earned premium is dealt with through provisions against unearned premiums. Reserves transferred in are also recognized as income and included in the premium income.

2.11.2 Interest income/-expenses

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

For interest-bearing financial investments measured at fair value, interest income is classified as "Interest income/dividend on financial assets", whereas other value changes are classified as "Value changes on investments".

2.11.3 Rental income and other income

Income from leasing of real estate is taken to income by straight line accrual over the duration of the lease. The income is included in the line "Net operating income on property".

2.12 TAX

The Company conducts taxable business.

The Company has a large deficit to be carried forward that can be used to set off any taxable profit. On presentation of the Company financial statements capitalization of deferred tax is considered. Deferred tax and tax assets are calculated as differences between the accounting and taxation value of assets and liabilities. The Company is parent company in a tax Group and deferred taxes are capitalized to the extent it can be shown probable that the companies in the Group will have sufficient taxable profit to exploit the deferred tax. In assessing the probability, emphasis is placed on historic earnings and expected future taxable income.

The Company has implemented the changes adopted in Section 2-38 of the Tax Act, which have been made applicable to life insurance companies and pension enterprises. The change means that from the beginning of the 2012 accounting year the exemption method will no longer cover returns on shares et cetera for the Company's customer portfolios.

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

The cost of taxes is specified in Note 26.

2.13 SURPLUS FUNDS SET ASIDE TO CUSTOMERS

Surplus assets credited to the customer contracts are set aside in the customers' premium fund and included as part of the insurance liabilities at the end of the reporting period.

2.14 INSURANCE CONTRACTS

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

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

2.15 INSURANCE SECTORS

The Company offers products to its customers in the following sectors:

2.15.1 Group pension - public sector

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

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

The indexation of current pensions and accumulated pension entitlements is financed entirely by a separate indexation premium. Gross guarantees etc. are financed through single payment premiums at the start of and possibly on later changes to the pension.

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

2.15.2 Group life

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

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

2.16 PROVISIONS IN INSURANCE FUNDS

2.16.1 Premium reserve

The premium reserve represents the actuarial cash value of pension entitlements accumulated on the date of calculation. The premium reserve also includes administration reserve in accordance with KLP's calculation base, as well as provisions for incurred, not yet settled insurance claims, including waiting period provisions for disability risk. That part of the occurred, not yet settled insurance events that would have been paid out had the claim been finally processed, is separated out in a discrete claims reserve.

2.16.2 Supplementary reserves

Supplementary reserves are allocated to the customers conditionally and may be used to cover any shortfall in returns. Any negative return cannot be covered from supplementary reserves.

2.16.3 Premium fund

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

2.16.4 Claims reserve

Claims reserves relate to and incorporate provision for unsettled insurance events linked to group life insurance, public sector occupational pension. Change in claims reserves is recognized through profit or loss as an element of the claims costs.

2.16.5 Securities adjustment fund

The securities adjustment fund is defined in Norwegian insurance legislation.

The securities adjustment fund comprises net unrealized gains associated with short-term financial assets in the common portfolio. If net securities adjustment reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through profit or loss.

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

2.16.6 Guaranteed ("base") interest

The Company's insurance contracts in group pension contain a returns guarantee (base interest). The returns guarantee is to be met annually, but for customers who have chosen a multi-year returns guarantee, this customer's own risk extends to the end of the multi-year period. For newly agreed contracts entered into on 1 January 2006 or later the base interest rate is 2.75 per cent.

For other contracts the following applies:
From 1 January 2012 all new accumulation was carried out at the base interest rate of 2.5 per cent. Accumulation before this was split between 3.0 per cent and 3.4 per cent for most of the contracts. A small proportion of the contracts have some accumulation at 2.75 per cent and 4.0 per cent.

Previous accumulation at the base interest rate of 3.0 per cent is primarily associated with the Pension Scheme for Nurses, the Joint Pension Scheme for Hospital Doctors and the Pension Scheme for Publicly Elected Representatives.However a small proportion of customers also has previous accumulation at 3.0 per cent in other risk groups

The total average interest rate guarantee in the group pensions sector amounted to 3.04 per cent in 2012.

2.16.7 Mortality and disability

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

The margins in the mortality tables have been reduced in recent years and in 2013 the FSA wishes to set a new minimum standard for mortality in the mortality tables.

2.17 RESULT ELEMENTS

2.17.1 Returns result

Administratively a clear division has been introduced between the customers' accumulated funds and the insurance company's, i.e. the owners' funds. This is shown in the reporting, defined respectively as investments in the common and investment option portfolios for customer assets and investments in the corporate portfolio. The common portfolio may be further divided into sub-portfolios with different investment profiles. The returns result thus comprises the return on the customer portfolio less the base interest rate. A positive returns result is credited to the customer, whereas a negative returns result must be covered from the customers' supplementary reserves and/or from owners' equity. The company invoices a special premium element (interest guarantee premium) to guarantee the interest guarantee. This premium element is included in the Company's income.

2.17.2 Risk result

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

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

2.17.3 Administration result

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

2.17.4 Return on the corporate portfolio

Returns on assets in the corporate portfolio accrue to the Company's owners' equity. The Company generally allocates part of the returns on the corporate portfolio to the customers' premium fund.

2.18 TRANSFER

Transfers in/out of KLP's group pension schemes are carried out in accordance with the schemes' rules as at the year's end. Transfer transactions are recognized in the subsequent year. Premium reserves received in connection with transfers are shown on the line "Transfer of premium reserve from others" in the income statement and form part of the premium income. Transferred premium reserves, valuation reserves and supplementary reserves in connection with transfers from the Company are shown as a claim cost in the income statement. The amount is shown in the line "Transfer of premium reserve, supplementary reserves and valuation reserves to others".

2.19 PENSION OBLIGATIONS OWN EMPLOYEES

The Company's pension liabilities are partially insurance-covered through KLP public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises ("Fellesordningen"). Pension liability in excess of the joint pension scheme is covered through operation. Pension costs are treated in accordance with Regulations for Annual Accounts etc for Insurance Companies.

Net pension liability is the difference between the pension assets' fair value (i.e. transfer value) and the present value of the calculated pension obligations. These calculations have been carried out according to straight line accruals on the basis of assumptions on mortality, disability, voluntary cessation, take-up of early retirement (AFP), future pay developments (in the local authority sector for the joint pension scheme), future growth in the National Insurance basic sum ('G'), assumptions on future returns etc. The financial assumptions have been set in line with the principles in the Norwegian Accounting Standards Board's (NASB) guidance on pension assumptions of 4 January 2013. Net liability is classified as provision for obligations in the financial position statement. If the value of the pension assets exceeds the current value of calculated pension obligations, net assets are shown as long-term receivables.

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

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

Employer's social security costs are calculated on net liabilities. Gross pension liability as the basis for determining the amortization base for the corridor does not include social security costs.

2.20 GROUP FINANCIAL STATEMENTS

KLP reports the group financial statements in accordance with the international accounting standards IFRS/IAS. The Group financial statements are shown for themselves in a separate presentation and a full set of notes has been prepared for the Group including description of accounting principles used.

Note 3 Important accounting estimates and valuations

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

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

3.1 INSURANCE CONTRACTS

In calculating technical provisions in the public sector group pension insurance sector, assumptions on disability risk are based on KLP's disability data for the period forward to 2009. For the other risk elements, including experience risk, the assumptions from the K2005 calculation base are used with contingency margins in accordance with the minimum standard set by the Financial Supervisory Authority of Norway (FSA) in 2007. During 2013 the FSA will promulgate new minimum standards for the calculation base for these risk elements. It is expected that these will be in force from 1 January 2014.

KLP invoices average premium for the different pension schemes so that the technical net premium is proportionate between the customers included in the scheme. Had this not been done the annual net premium for retirement, disability and survivor pension based on a salary of NOK 370,000 would, for the various individual ages and genders, amount to:

Men:			
Age	30 years	45 years	60 years
Amount	NOK 17,064	NOK 28,382	NOK 31,968

Women:			
Age	30 years	45 years	60 years
Amount	NOK 25,959	NOK 37,165	NOK 34,279

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

3.2 INVESTMENT PROPERTIES

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

The majority of the Company's property investments are carried out through subsidiaries. These subsidiaries are valued/presented in accordance with the equity capital method based on the property values calculated as described in this section.

As at 31 December 2012 buildings and real estate were valued using KLP Eiendom's value assessment model. The model is based on discounting of estimated 20-year cash flow and the discounting factor used corresponds to the market's return requirement for similar properties. For the Norwegian properties as at 31 December 2012, a discounting factor was used in the interval 7.38 - 9.25 per cent: for Swedish properties 6.78 - 9.00 per cent and for Danish properties 7.00 - 7.75 per cent.

The following main components are included in future cash flows:

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

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

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

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

	Change in parameter	Change in value
Return requirement	+100 bps	-11 %
	-100 bps	13 %
Market rent	+ 10 %	8 %
	- 10 %	-8 %
Exit yield	+ 100 bps	-5 %
	-100 bps	8 %
Inflation	+50 bps	6 %
	-50 bps	-6 %

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

3.3 PENSION OBLIGATIONS - OWN EMPLOYEES

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

The Company has followed "The guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB). Updated guidance published on 4 January 2013 has been used as the basis for updated measurement of best-estimate accrued liability and assets as at 31 December 2012.

Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liabilities are the discounting rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic sum (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

Previously the Company has used the discounting rate determined on the basis of the government bond rate to calculate the pension obligation for own employees. In 2012 the Company has made use of the opportunity provided by the "Guidance for determining pension assumptions" to use the interest rate for covered bonds (OMF). These bonds satisfy the requirements in IFRS for what are known as high-quality bonds with reliable pricing in a well functioning market. As at 31 December 2012 the Company has used a discounting rate of 3.9%.

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

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

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

3.4 FAIR VALUE OF FINANCIAL ASSETS

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

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

The pricing methods and the accounts figures are discussed in more detail in Note 5.

3.5 FAIR VALUE OF FINANCIAL LIABILITIES

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

The pricing methods and the accounts figures are discussed in more detail in Note 5.

3.6 LOSSES ON FINANCIAL ASSETS

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

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

For the Company's portfolio of long-term bonds, including long-term bonds held to maturity, the need for write-down is assessed individually each quarter. The portfolio comprises securities the issuer of which has a high rating from a recognized rating bureau. If the issuer's credit rating changes for the worse, write-down is carried out only if the rating level changes for the worse by a substantial degree and/or in addition factors are observed that are considered to be an objective event that influences future cash flows from the investment. The write down requirement is calculated as difference in value of the originally expected cash flows and newly expected cash flows. There will be uncertainty in calculating the new expected cash flows.

3.7 CAPITALIZED SOFTWARE

If impairment is suspected a write-down test is carried out to check whether the book value of capitalized software is present. In this context the recoverable sum is estimated. There are uncertainties associated with estimating cash flows and discounting factors in connection with calculating a recoverable sum.

Note 4 Net income from financial instruments

2012

NOK millions	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	18	224	1	243
Profit/loss subsidiaries	256	1 604	10	1 870
Profit/loss associated enterprises	3	0	0	3
Total income from investments in subsidiaries, associated companies and joint ventures	277	1 828	11	2 116
Interest bank	12	259	0	272
Interest financial derivatives	8	75	0	84
Interest bonds and other fixes income securities	136	2 572	20	2 729
Total interest financial instruments at fair value	157	2 907	21	3 084
Interest bonds at amotized cost	297	3 995	27	4 319
Interest from lending	0	1 046	0	1 046
Total interest income financial instruments at amortized cost	297	5 040	27	5 364
Dividend/interest shares and units	28	569	0	598
Oher income and expenses	-1	-73	0	-74
Total net interest income/dividend on financial instruments	482	8 443	47	8 972
Rental income property	41	0	0	41
Total net operating income from property	41	0	0	41
Value changes shares and units	-186	3 115	42	2 971
Value change bonds and other fixed-income securities	191	-418	0	-227
Value change financial derivatives	-191	1 019	1	830
Value change loans and receivables	8	-9	0	-1
Total value change financial instruments at fair value	-177	3 707	43	3 573
Value change financial instruments at amortized cost	0	9	0	9
Value change other	248	0	0	248
Total value changes on investments	71	3 716	43	3 830
Realized shares and units	118	1 366	2	1 486
Realized bonds and other fixed-income securities	1	237	0	238
Realized financial derivatives	-1	905	2	906
Realized loans and receivables	-13	66	0	53
Total realized financial instruments at fair value	106	2 574	4	2 683
Realized bonds at amortized cost [1]	-241	-149	0	-390
Total realized gains and losses on investments	-135	2 424	4	2 293
Total net income from investments	735	16 412	105	17 252

2011

NOK millions	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	87	385	2	474
Profit/loss subsidiaries	13	1 310	8	1 331
Total income from investments in subsidiaries, associated companies and joint ventures	100	1 696	10	1 806
Interest bank	11	356	1	367
Interest financial derivatives	8	135	0	143
Interest bonds and other fixed-return securities	92	2 928	29	3 050
Total interest income financial instruments at fair value	111	3 419	30	3 559
Interest bonds amortized cost	303	3 816	25	4 145
Interest lending	0	1 107	0	1 107
Total interest income financial instruments at amortized cost	303	4 923	25	5 252
Dividend/interest shares and units	36	531	0	567
Oher income and expenses	1	-83	0	-82
Total net interest income/dividend on financial instruments	452	8 790	55	9 297
Rental income property	38	0	0	38
Total net operating income from property	38	0	0	38
Value changes shares and units	-26	-2 427	-37	-2 490
Value change bonds and other fixed-income securities	-150	643	0	493
Value change financial derivatives	176	-960	0	-785
Value change loans and receivables	-2	16	0	14
Total value change financial instruments at fair value	-2	-2 728	-37	-2 768
Value change other	-41	0	0	-41
Total value changes on investments	-43	-2 728	-37	-2 809
Realized shares and units	59	-161	3	-99
Realized bonds and other fixed-income securities	-8	-46	1	-54
Realized financial derivatives	1	-150	-1	-150
Realized loans and receivables	0	26	-1	26
Total realized financial instruments at fair value	52	-331	1	-278
Realized bonds at amortized cost [1]	40	-6	0	34
Total realized gains and losses on investments	93	-337	1	-243
Total net income from investments	639	7 420	30	8 088

[1] Realized values on bonds at amortized cost come from realized added/reduced values on foreign exchange.

The purpose of this note is to provide a specification of the lines in the income statement.

Value changes resulting from change in credit risk are not included in this table. This is largely because of system limitations.

Note 5 Fair value of financial assets and liabilities

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

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

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

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

b) **Shares (unlisted)**
As far as possible the Group uses the industry recommendations of the Norwegian Mutual Fund Association (NMFA). Broadly this means the following:
The last traded price has the highest priority. If the last traded price lies outside the offer/bid spread in the market, price is adjusted accordingly. I.e. if the last traded price is below the offer price, price is adjusted up to the offer price. If it is above the bid price it is adjusted down to bid. If the price picture is considered outdated, the price is adjusted according to a market index. The Company has selected the Oslo Børs's Small Cap Index (OSESX) as an approach for unlisted shares.

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

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

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

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

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

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

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

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

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

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

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

Fair value of fixed interest loans is calculated by discounting contracted cash flows by market interest rates including a relevant risk margin at the end of the reporting period.

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

k) **Lending to local authorities and enterprises with local government guarantee**
The receivables are valued using a valuation model that uses relevant credit risk premium adjustments obtained from the market. For lending to municipalities, county authorities and local government supported projects, observable interest-rate curves and credit interest differential curves are used in

a valuation model that discounts future cash flows. The credit risk premiums used in the model calculations are based on quotations from three different price makers. Assessment is made of the quality of the quotations by comparing them with each other and against previously received observations as well as other market information.

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

l) Investments with credit institutions

Investments with credit institutions are short-term deposits. Fair value is calculated by discounting contracted cash flows by market interest rates including a relevant risk margin at the end of the reporting period.

m) Fair value of subordinated loan capital

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

n) Fair value of hybrid Tier 1 securities issued

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

o) Private Equity

The fair (market) value of the funds is to be based on reported market values, according to International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines). These guidelines are set by the European Private Equity and Venture Capital Association (EVCA) and based on the principle of approximate market valuation of the companies.

Note 5 continues on next page

Note 5 Fair value of financial assets and liabilities, continued

2012

NOK millions	Corporate portfolio Book value	Corporate portfolio Fair value	Common portfolio Book value	Common portfolio Fair value	Investment option portfolio Book value	Investment option portfolio Fair value	Total Book value	Total Fair value
Assets at amortized cost								
Investments held to maturity - at amortized cost								
Norwegian hold-to-maturity bonds	727	768	15 634	17 307	74	79	16 435	18 155
Accrued not due interest	24	24	506	506	2	2	531	531
Foreign hold-to-maturity bonds	2 426	2 596	16 570	17 829	84	91	19 080	20 515
Accrued not due interest	42	42	323	323	2	2	367	367
Total investments held to maturity	3 218	3 430	33 033	35 965	161	173	36 413	39 568
Bonds at amortized cost								
Norwegian bond loans	1 188	1 249	21 928	22 032	142	149	23 258	23 429
Accrued not due interest	27	27	431	431	3	3	462	462
Foreign bond loans	3 017	3 224	27 208	29 341	256	275	30 481	32 840
Accrued not due interest	79	79	676	676	6	6	761	761
Total bonds classified as loans and receivables	4 311	4 579	50 243	52 480	407	433	54 961	57 492
Other loans and receivables - at amortized cost								
Secured loans	0	0	9 036	9 048	0	0	9 036	9 048
Lending with public sector guarantee	0	0	20 987	21 337	0	0	20 987	21 337
Accrued not due interest	0	0	174	174	0	0	174	174
Total other loans and receivables	0	0	30 198	30 559	0	0	30 198	30 559
Total financial assets at amortized cost	7 530	8 008	113 474	119 005	568	606	121 572	127 619
Assets measured at fair value								
Equity capital instruments at fair value through profit or loss								
Norwegian shares	189	189	3 020	3 020	0	0	3 208	3 208
Foreign shares	0	0	16 379	16 379	2	2	16 380	16 380
Total shares and units	189	189	19 398	19 398	2	2	19 589	19 589
Property funds	0	0	614	614	0	0	614	614
Norwegian equity funds	0	0	17 403	17 403	318	318	17 720	17 720
Foreign equity funds	0	0	3 121	3 121	0	0	3 121	3 121
Total equity fund units	0	0	21 137	21 137	318	318	21 455	21 455
Norwegian alternative investments	0	0	0	0	0	0	0	0
Foreign alternative investments	0	0	1 803	1 803	0	0	1 803	1 803
Total alternative investments	0	0	1 803	1 803	0	0	1 803	1 803

2012

NOK millions	Corporate portfolio Book value	Corporate portfolio Fair value	Common portfolio Book value	Common portfolio Fair value	Investment option portfolio Book value	Investment option portfolio Fair value	Total Book value	Total Fair value
Debt instruments at fair value through profit or loss								
Norwegian bonds	3 417	3 417	24 138	24 138	0	0	27 555	27 555
Accrued not due interest	39	39	479	479	0	0	518	518
Foreign bonds	165	165	10 256	10 256	0	0	10 420	10 420
Norwegian fixed-income funds	0	0	24 386	24 386	431	431	24 817	24 817
Foreign bond funds	0	0	11 720	11 720	0	0	11 720	11 720
Norwegian certificates	918	918	4 570	4 570	0	0	5 488	5 488
Accrued not due interest	12	12	62	62	0	0	74	74
Total bonds and other fixed-income securities	4 552	4 552	75 611	75 611	431	431	80 593	80 593
Norwegian loans and receivables	475	475	12 321	12 321	20	20	12 817	12 817
Foreign loans and receivables	124	124	3 192	3 192	21	21	3 337	3 337
Total loans and receivables	599	599	15 513	15 513	41	41	16 154	16 154
Derivatives								
Interest rate swaps	71	71	536	536	1	1	608	607
Share options	0	0	278	278	2	2	279	278
Forward exchange contracts	0	0	468	468	1	1	469	469
Total financial derivatives classified as assets	71	71	1 282	1 282	3	3	1 356	1 354
Other financial assets	10	10	72	72	8	8	90	90
Total financial assets valued at fair value	5 420	5 420	134 817	134 817	802	802	141 039	141 039
Total investments	12 950	13 428	248 291	253 822	1 371	1 409	262 612	268 659
Liabilities								
Derivatives								
Interest rate swaps	-10	-10	-212	-212	0	0	-222	-222
Interest rate and currency swaps	0	0	-81	-81	-1	-1	-81	-81
Forward exchange contracts	0	0	-59	-59	0	0	-59	-59
Total financial derivatives classified as liabilities	-10	-10	-352	-352	-1	-1	-363	-363
Subordinated loan capital								
Perpetual subordinated loan capital	-2 891	-2 906	0	0	0	0	-2 891	-2 906
Hybrid Tier 1 securities	-974	-986	0	0	0	0	-974	-986
Total subordinated loan capital etc.	-3 865	-3 892	0	0	0	0	-3 865	-3 892
Debt to credit institutions								
Norwegian call money	0	0	-878	-878	0	0	-879	-879
Foreign call money	-126	-126	-456	-456	0	0	-582	-582
Total debt to credit institutions	-126	-126	-1 334	-1 334	-1	-1	-1 461	-1 461

Note 5 continues on next page

Note 5 Fair value of financial assets and liabilities, continued

2011

NOK millions	Corporate portfolio Book value	Corporate portfolio Fair value	Common portfolio Book value	Common portfolio Fair value	Investment option portfolio Book value	Investment option portfolio Fair value	Total Book value	Total Fair value
Assets at amortized cost								
Investments held to maturity - at amortized cost								
Norwegian hold-to-maturity bonds	627	647	15 504	16 291	74	79	16 205	17 017
Accrued not due interest	24	24	505	505	2	2	530	530
Foreign hold-to-maturity bonds	2 530	2 634	20 609	21 581	111	116	23 250	24 332
Accrued not due interest	44	44	395	395	2	2	442	442
Total investments held to maturity	3 225	3 349	37 013	38 773	189	199	40 427	42 321
Bonds at amortized cost								
Norwegian bond loans	774	789	15 089	15 392	114	117	15 977	16 298
Accrued not due interest	18	18	356	356	3	3	378	378
Foreign bond loans	2 991	3 139	25 870	26 840	226	236	29 087	30 215
Accrued not due interest	76	76	627	627	5	5	709	709
Total bonds classified as loans and receivables	3 860	4 022	41 942	43 216	349	362	46 150	47 599
Other loans and receivables - at amortized cost								
Secured loan	0	0	6 340	6 356	0	0	6 340	6 340
Lending with public sector guarantee	0	0	18 563	18 838	0	0	18 563	18 838
Accrued not due interest	0	0	201	201	0	0	201	201
Total other loans and receivables	0	0	25 104	25 378	0	0	25 103	25 378
Total financial assets at amortized cost	7 085	7 371	104 059	107 367	538	561	111 681	115 299
Assets measured at fair value								
Equity capital instruments at fair value through profit or loss								
Norwegian shares	264	264	2 677	2 677	0	0	2 941	2 941
Foreign shares	0	0	13 387	13 387	0	0	13 387	13 387
Total shares and units	264	264	16 064	16 064	0	0	16 328	16 328
Property funds	0	0	706	706	0	0	706	706
Norwegian equity funds	0	0	15 179	15 179	267	267	15 446	15 446
Foreign equity funds	0	0	2 092	2 092	0	0	2 092	2 092
Total equity fund units	0	0	17 977	17 977	267	267	18 244	18 244
Norwegian alternative investments	704	704	0	0	0	0	704	704
Foreign alternative investments	0	0	521	521	0	0	521	521
Total alternative investments	704	704	521	521	0	0	1 225	1 225

2011

NOK millions	Corporate portfolio Book value	Corporate portfolio Fair value	Common portfolio Book value	Common portfolio Fair value	Investment option portfolio Book value	Investment option portfolio Fair value	Total Book value	Total Fair value
Debt instruments at fair value through profit or loss								
Norwegian bonds	2 057	2 057	17 206	17 206	0	0	19 263	19 263
Accrued not due interest	34	34	307	307	0	0	340	340
Foreign bonds	100	100	11 290	11 290	0	0	11 390	11 390
Norwegian fixed-income funds	0	0	19 052	19 052	409	409	19 461	19 461
Foreign fixed-income funds	0	0	10 583	10 583	0	0	10 583	10 583
Accrued not due interest	2	2	114	114	0	0	116	116
Norwegian certificates	610	610	3 993	3 993	0	0	4 603	4 603
Accrued not due interest	6	6	49	49	0	0	54	54
Foreign certificates	303	303	365	365	0	0	669	669
Accrued not due interest	3	3	3	3	0	0	6	6
Total bonds and other fixed-income securities	3 114	3 114	62 961	62 961	409	409	66 484	66 484
Norwegian loans and receivables	454	454	5 579	5 579	8	8	10 348	10 348
Foreign loans and receivables	269	269	2 341	2 341	9	9	2 619	2 619
Total loans and receivables	723	723	7 921	7 921	16	16	12 967	12 967
Derivatives								
Interest rate swaps	252	252	364	364	0	0	615	615
Share options	0	0	154	154	1	1	155	155
Forward exchange contracts	0	0	54	54	0	0	54	54
Total financial derivatives classified as assets	252	252	571	571	1	1	824	824
Other financial assets	10	10	70	70	2	2	82	82
Total financial assets valued at fair value	5 067	5 067	106 085	106 085	696	696	116 155	116 155
Total investments	12 152	12 438	210 144	213 452	1 234	1 257	227 836	231 453
Liabilities								
Derivatives								
Interest rate swaps	0	0	-405	-405	0	0	-405	-405
Interest rate futures (IRF)	0	0	-8	-8	0	0	-8	-8
Interest rate and currency swaps	-1	-1	-234	-234	0	0	-235	-235
Forward exchange contracts	-1	-1	-188	-188	0	0	-189	-189
Total financial derivatives classified as liabilities	-2	-2	-836	-836	0	0	-838	-838
Subordinated loan capital								
Perpetual subordinated loan capital	-3 143	-3 143	0	0	0	0	-3 143	-3 143
Hybrid Tier 1 securities	-1 145	-1 145	0	0	0	0	-1 145	-1 145
Total subordinated loan capital etc.	-4 288	-4 288	0	0	0	0	-4 288	-4 288
Debt to credit institutions								
Norwegian call money	0	0	-79	-79	0	0	-79	-79
Foreign call money	-90	-90	-222	-222	0	0	-313	-313
Total debt to credit institutions	-90	-90	-301	-301	0	0	-392	-392

Note 6 Fair value hierarchy

31.12.2012

NOK millions	Level 1	Level 2	Level 3	Total
ASSETS				
Corporate portfolio				
Bonds and other fixed-income securities	379	4 173	0	4 552
Certificates	0	930	0	930
Bonds	379	3 243	0	3 621
Loans and receivables	478	122	0	599
Shares and units	0	182	6	189
Shares	0	182	6	189
Financial derivatives	0	71	0	71
Other financial assets	0	10	0	10
Total corporate portfolio	856	4 558	6	5 420
Common portfolio				
Bonds and other fixed-income securities	49 222	26 389	0	75 611
Certificates	0	4 632	0	4 632
Bonds	13 115	21 757	0	34 872
Fixed-income funds	36 106	0	0	36 106
Loans and receivables	11 369	4 145	0	15 513
Shares and units	37 325	1 849	3 165	42 339
Shares	18 851	46	501	19 398
Equity funds	17 860	0	2 663	20 524
Property funds	614	0	0	614
Special funds	0	1 803	0	1 803
Financial derivatives	0	1 282	0	1 282
Other financial assets	0	72	0	72
Total common portfolio	97 915	33 737	3 165	134 817
Investment option portfolio				
Bonds and other fixed-income securities	431	0	0	431
Fixed-income funds	431	0	0	431
Loans and receivables	41	0	0	41
Shares and units	318	0	0	318
Equity funds	318	0	0	318
Financial derivatives	0	4	0	4
Other financial assets	0	8	0	8
Total investment option portfolio	789	12	0	802
Total financial assets valued at fair value	99 561	38 307	3 171	141 039
LIABILITIES				
Corporate portfolio				
Financial derivatives	0	10	0	10
Debt to credit institutions	126	0	0	126
Total corporate portfolio	126	10	0	136
Common portfolio				
Financial derivatives	0	352	0	352
Debt to credit institutions	1 334	0	0	1 334
Total common portfolio	1 334	352	0	1 686
Investment option portfolio				
Financial derivatives	0	1	0	1
Debt to credit institutions	1	0	0	1
Total investment option portfolio	1	1	0	2
Total financial liabilities at fair value	1 461	363	0	1 823

31.12.2011

NOK millions	Level 1	Level 2	Level 3	Total
ASSETS				
Corporate portfolio				
Bonds and other fixed-income securities	295	2 819	0	3 114
Certificates	0	922	0	922
Bonds	295	1 897	0	2 192
Loans and receivables	647	76	0	723
Shares and units	0	957	11	968
Shares	0	253	11	264
Special funds	0	704	0	704
Financial derivatives	0	252	0	252
Other financial assets	0	10	0	10
Total corporate portfolio	942	4 114	11	5 067
Common portfolio				
Bonds and other fixed-income securities	42 226	20 734	0	62 961
Certificates	0	4 410	0	4 410
Bonds	12 591	16 325	0	28 916
Fixed-income funds	29 635	0	0	29 635
Loans and receivables	4 670	3 251	0	7 921
Shares and units	31 476	566	2 521	34 562
Shares	15 618	44	401	16 064
Equity funds	15 152	0	2 119	17 271
Property funds	706	0	0	706
Special funds	0	521	0	521
Financial derivatives	0	571	0	571
Other financial assets	0	70	0	70
Total common portfolio	78 372	25 193	2 521	106 085
Investment option portfolio				
Bonds and other fixed-income securities	409	0	0	409
Fixed-income funds	409	0	0	409
Loans and receivables	16	0	0	16
Shares and units	267	0	0	267
Equity funds	267	0	0	267
Financial derivatives	0	1	0	1
Other financial assets	0	2	0	2
Total investment option portfolio	693	3	0	696
Total financial assets valued at fair value	80 008	29 309	2 531	111 849
LIABILITIES				
Corporate portfolio				
Financial derivatives	0	2	0	2
Debt to credit institutions	90	0	0	90
Total corporate portfolio	90	2	0	92
Common portfolio				
Financial derivatives	0	836	0	836
Debt to credit institutions	301	0	0	301
Total common portfolio	301	836	0	1 138
Investment option portfolio				
Financial derivatives	0	0	0	0
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	0	0	1
Total financial liabilities at fair value	392	838	0	1 230

Note 6 Fair value hierarchy, continued

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 31.12.2012	Book value 31.12.2011
Opening balance 1 January	11	19
Sold	0	0
Bought	0	0
Unrealised changes	-4	-8
Closing balance 31 December	6	11
Realised gains/losses	0	0

Unrealized changes are reflected in the line "Value changes on investments" in the corporate portfolio in the income statement.

Changes in Level 3 shares, unlisted Common portfolio	Book value 31.12.2012	Book value 31.12.2011
Opening balance 1 January	340	14
Sold	-9	-10
Bought	0	334
Unrealised changes	22	2
Closing balance 31 December	353	340
Realised gains/losses	3	0

Unrealized changes are reflected in the line "Value changes on investments" in the common portfolio in the income statement.

Changes in Level 3, Private Equity Common portfolio	Book value 31.12.2012	Book value 31.12.2011
Opening balance 1 January	2 180	1 556
Sold	-413	-350
Bought	874	683
Unrealised changes	171	291
Closing balance 31 December	2 812	2 180
Realised gains/losses	51	58
Total Level 3	3 171	2 531
	159	127

Unrealized changes are reflected in the line "Value changes in investments" in the common portfolio in the income statement.

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 to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

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

Level 2: Instruments at this level are not considered to have an active market. Fair value is obtained from observable market data: this mainly includes prices based on identical instruments, but where the instrument does not have a high enough trading frequency, as well as prices based on corresponding assets and price leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed interest securities priced on the basis of interest rate paths.For more information concerning pricing of Level 2 instruments see Note 5 for the different classes found in this level.

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 by Level 3 in KLP are unlisted shares and private equity investments.For more information concerning pricing of Level 3 instruments see Note 5 for the different classes found in this level.

Note 5 provides information on fair value of assets and liabilities measured at amortized cost. The level-based distribution of these items will be as follows: assets classified as hold to maturity will be included in Level 1 , lending, and loans and receivables will be included in Level 2. Liabilities, measured at amortized cost, will be distributed as follows: subordinated loan capital distributed at Levels 1 and Level 2, the hybrid Tier 1 securities will be distributed at Level 2, debt to credit institutions will be distributed at Levels 1. For information concerning pricing of these interest-bearing securities see Note 5.

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 a general basis, a change in the pricing of 5% produces a change in the value of NOK 159 million as at 31 December 2012 and NOK 127 million as at 31 December 2011 at Level 3.

Securities have not been moved between the levels in the fair value hierarchy. The values at the end of the reporting period provide the basis for any movement between the levels.

Note 7 Risk management

Through its activity, KLP is exposed to both insurance risk and financial risk. For the Company overall risk management aims to handle financial risk in such a way that the Company can at all times meet the liabilities the insurance contracts place on the business. The Board of Directors sets the overall risk strategies that put into execution at the senior management level.

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

7.1 INSURANCE RISK

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

The Company's insurance business is in the group pension and group life sectors. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas mortality risk is somewhat less weighty. Group life covers primarily the risk of death, whereas debt group life covers the risk of death and, for a large proportion of existing customers, disability risk.

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

7.1.1 Insurance provisions

Insurance provisions are set at the level of expectation, with a supplement of contingency margins. In addition provisions are made in a risk equalization fund within group pensions to meet unexpected fluctuations in claim incidence.

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

7.1.2 Premium setting

Development in the Company's insurance risk is continuously monitored. Risk result and future expectations of development in insured risk based on observations and/or theoretic risk models create the basis for pricing of the risk element in the premium. The premiums are set annually. The group insurance sector has a high degree of predictability and stability in its premiums. Normally they will therefore stay the same for several years at a time.

7.1.3 Reinsurance and reinsurance programme

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

KLP has taken out a catastrophe insurance agreement. The agreement covers up to NOK 300 million in excess of the Company's NOK 50 million for own account for events that lead to more than 10 people dying or becoming disabled. The agreement does not cover events resulting from epidemics, war and terrorism.

7.1.4 Sensitivity calculations in group pension

The effect of an immediate 20 per cent increase in the incidence of disability would, with current numbers, be NOK 673 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in the incidence of disability would be NOK 2,623 million.

An immediate 10 per cent reduction in mortality would, with current numbers, mean an effect of NOK 126 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be NOK 8,990 million.

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

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

7.2 FINANCIAL RISK

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

KLP's financial risk comprises liquidity risk, market risk and credit risk.

7.2.1 Liquidity risk

Liquidity risk is the risk that the Company does not have adequate liquidity to cover short-term debt/residual liabilities not called in and current operations without substantial extra costs arising in the form of price falls on assets that have to be realized. The liquidity strategy contains various requirements and limits in order to comply with the desired liquidity risk profile. In addition division of responsibilities and contingency planning are covered. The liquidity strategy is operated at the senior management level and the liquidity is managed internally in accordance with mandates.

The need for liquidity in KLP is first and foremost associated with payments to pensioners and meeting current operating costs. Liquidity is also required in connection with currency and derivative trades, as well as in changes in asset allocation (for example property acquisition). The KLP liquidity need is primarily satisfied by contractual receipts. The Company's liquidity holding is used mainly to meet current costs, including pension payments. In the event of liquidity needs beyond the current liquidity holdings, liquidity can normally be released through the sale of financial assets.

In risk management the objective is to have liquidity buffers corresponding to 3 months' liquidity needs. This is measured through:

Liquidity buffer = Liquid assets/short-term liquidity requirement

Liquid assets are defined as liquidity holdings and expected receipts (to the liquidity portfolio) for the next three months, whilst short-term liquidity requirements are defined as short-term liabilities (liabilities falling due within three months) and other unknown requirements for liquidity within three months.

Asset composition in the Company's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise.

Not-called-in residual obligations of NOK 4,410 million comprise committed, not paid in sums against private equity and approved lending that has not been paid out. The total is specified in detail in Note 33 Contingent liabilities.

7.2.2 Market risk

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

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

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

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

KLP manages equity risk dynamically through the equity holding being continuously adjusted to the Company's financial buffers. This type of hedging measure reduces the probability of low returns.

The strategy helps to ensure that as a minimum KLP achieves a predetermined income target. The income target is set in the light of the target-setting on solvency at the end of the period, so the Company should continue to have risk capacity going forward. The strategy means KLP increases its exposure to equities or other assets with anticipated high risk progressively as solvency is strengthened. When solvency is weakened this means KLP reduces its market risk. This helps to reduce the load on KLP's solvency capital during downturns and thus also to protect owners' equity. In addition KLP has a high proportion of long-term (hold-to-maturity) bonds and fixed-interest lending that contribute to stability in returns and reduce the risk of low returns in low interest rate scenarios.

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

Sensitivity analysis - market risk

KLP's market risk is continuously assessed using stress tests and statistical analysis tools. KLP has developed - and continually works on further development of - models for measurement and monitoring of risk. KLP has made estimates in accordance with an estimating study for effects of the new solvency regulations on insurance (Solvency II).

At the end of 2012 about 16 per cent of KLP's assets were placed in equities (measured by exposure) and 11 per cent placed in property. Other assets were placed in fixed interest current and fixed assets, including lending.

In accordance with the Financial Supervisory Authority of Norway's Stress Test I the Company has a buffer capital utilisation of 71 per cent: in 2011 the buffer capital utilisation was 72 per cent. The purpose of the stress test is to illustrate how various scenarios can impact on KLP's ability to meet statutory solvency and security requirements. An important reason for the reduction from 2011 is the reduced stress levels for shares. The most significant risk in the stress test is market risk which seen in isolation represented a loss potential of NOK 34 billion. Concentration risk does not affect the loss potential significantly as a result of broadly diversified portfolios. Gross contribution to the loss potential from the various risks classes is distributed as follows:

Interest rate risk	NOK 10.5 billion
Equities risk	NOK 15.2 billion
Property risk	NOK 8.2 billion
Exchange rate risk	NOK 0.5 billion
Spread risk	NOK 12.5 billion
Concentration risk	NOK 0.1 billion

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

7.2.3 Credit risk

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

KLP has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. In the portfolio of hold-to-maturity and loans and receivables just under 60 per cent are rated AAA. KLP has a separate international government bond portfolio and about half of the Norwegian short-term bond portfolio is government bonds.

KLP has a lending portfolio of high-quality, with limited credit risk and historically very low losses. In the main KLP provides loans secured on housing with a mortgage level of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to just over NOK 10.5 billion. The value of the mortgage securities represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.

7.3 TOTAL MAXIMUM EXPOSURE TO CREDIT RISK

The Company's total maximum exposure to credit risk comprises book values. The book classes of securities are specified in detail in Note 5 Fair value of financial assets.

Note 8 Liquidity risk

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

2012 NOK millions	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	140	3 257	0	0	3 397
Hybrid Tier 1 securities	0	41	162	203	1 425	1 830
Accounts payable	10	0	0	0	0	10
Liabilities to credit institutions	1 461	0	0	0	0	1 461
Contingent liabilities	4 410	0	0	0	0	4 410
Total	5 882	181	3 419	203	1 425	11 109
Financial derivatives						
Financial derivatives gross settlement						
Inflows	-40	0	0	0	0	-40
Outflows	40	0	0	0	0	40
Financial derivatives net settlement	100	46	194	65	78	483
Total financial derivatives	100	46	194	65	78	483
Total 2012	5 982	226	3 613	268	1 503	11 592

2011 NOK millions	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	151	2 930	766	0	3 848
Hybrid Tier 1 securities	0	43	174	217	1 699	2 134
Accounts payable	18	0	0	0	0	18
Liabilities to credit institutions	0	392	0	0	0	392
Contingent liabilities	4 510	0	0	0	0	4 510
Total	4 528	587	3 104	984	1 699	10 902
Financial derivatives						
Financial derivatives gross settlement						
Inflows	-1	-79	0	0	0	-80
Outflows	1	81	0	0	0	82
Financial derivatives net settlement	396	138	94	162	-151	639
Total financial derivatives	396	140	94	162	-151	641
Total 2011	4 924	727	3 198	1 146	1 548	11 544

The table above shows financial liabilities KLP has grouped by interest payments and repayment of principal, based on the date payment is due.

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

Asset composition in KLP's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning has the routine responsibility and reports on the Company's liquidity. Internal parameters have been established for the size of the liquidity holding. KLP's risk management unit monitors and reports developments in the liquidity holding continuously. The Board determines an asset management and liquidity strategy for KLP annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

Payment profile pension obligations

2012

NOK millions									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	10 934	46 926	74 302	177 755	187 182	155 206	92 082	59 943	804 329

2011

NOK millions									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	8 710	37 211	57 181	138 936	154 436	138 714	87 180	44 673	667 040

The payment profile shows anticipated payment dates for KLP's future pension obligations and is based on non-discounted values.
The insurance liabilities in the accounts are discounted and show the present value at the end of the reporting period.

Note 9 Interest rate risk

2012 NOK millions	Up to 3 months	3 mnths to 12 months	1 yr to 5 years	5 yrs to 10 years	Over 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	-1	0	0	0	0	3	3
Alternative investments	14	0	0	0	0	8	22
Financial derivatives classified as assets	6	8	-84	-45	-171	-53	-340
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-22	-41	-337	-402	-198	129	-871
Fixed income fund units	-1 880	0	0	0	0	21	-1 860
Loans and receivables	-1	-14	0	0	0	80	65
Lending	0	0	0	0	0	93	93
Contingent liabilities [2]	0	0	0	0	0	11	11
Total assets	-1 885	-48	-422	-447	-369	299	-2 871
Liabilities							
Financial derivatives classified as liabilities	-1	-3	58	9	0	11	74
Hybrid Tier 1 securities, subordinated loan capital	0	0	0	0	82	0	82
Lending and receivables	0	0	0	0	0	-9	-9
Total liabilities	-1	-3	58	9	82	2	147
Total before and after taxes	-1 885	-51	-364	-438	-286	301	-2 723

2011 NOK millions	Up to 3 months	3 mnths to 12 months	1 yr to 5 years	5 yrs to 10 years	Over 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	0	0	0	0	0	4	4
Alternative investments	-1	0	0	0	0	7	6
Financial derivatives classified as assets	5	6	6	-164	-190	-56	-394
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-15	-28	-300	-347	-189	61	-818
Fixed income fund units	-1 456	0	0	0	0	12	-1 444
Loans and receivables	-10	-13	0	0	0	49	27
Lending	0	0	0	0	0	91	91
Contingent liabilities [2]	0	0	0	0	0	8	8
Total assets	-1 477	-35	-294	-511	-380	183	-2 514
Liabilities							
Financial derivatives classified as liabilities	0	8	0	73	0	18	98
Hybrid Tier 1 securities, subordinated loan capital	0	0	0	50	33	0	83
Lending and receivables	0	0	0	0	0	-6	-6
Total liabilities	0	8	0	123	33	11	175
Total before and after taxes	-1 477	-27	-294	-388	-347	194	-2 339

The note shows the effect on income of an increase in market interest rate of 1 per cent, for fair value risk and variable interest rate risk.

Change in fair value (fair value risk) is shown in the five first columns and is calculated on the change in fair value of interest-bearing instruments if the interest rate had been 1 per cent higher at the end of the period. The column "Change in cash flows" shows the change in cash flows had the interest rate been 1 per cent higher throughout the year being reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would have had on the Group during the period being reported on.

Fair value risk applies to fixed interest rate securities where the market value of the security fluctuates conversely to the market interest rate. Variable interest rate risk applies to securities at variable interest rates, where the market value remains stable, but where change in the market interest rate is reflected in changed current incomes.

The following fixed interest securities are covered by this Note; securities at fair value through profit or loss (variable and fixed interest rate terms), investments held to maturity (only those with variable interest rate terms) and loans and receivables (only those with variable interest rate terms). The Group has no fixed interest securities classified as available for sale.

Seen overall, the interest rate risk is limited for the Group since a high proportion is invested in long-term bonds (securities classified as held to maturity or loans and receivables) and lending with fixed interest rate at amortized cost. For securities with the characteristics described, change in the market interest rate is not therefore reflected in the income statement.

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

[2] Contingent liabilities in this context are accepted, not paid out lending..

Note 10 Currency risk

31.12.2012

NOK millions/ foreign currency[1]	Financial position statement items excl. currency derivatives		Currency derivatives		Conversion rate	Total		
	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	Net position
Australian dollar	203	0	27	-215	5,78	230	-215	87
Brazilian real	117	0	0	0	2,72	117	0	319
Canadian dollar	256	0	64	-297	5,59	320	-297	130
Swiss franc	132	-12	23	-131	6,08	155	-143	73
Chilean peso	3 852	0	0	0	0,01	3 852	0	45
Colombian peso	10 170	0	0	0	0,00	10 170	0	32
Czech koruna	25	0	0	0	0,29	25	0	7
Danish krone	428	0	212	-4 208	0,98	640	-4 208	-3 510
Egyptian pound	8	0	0	0	0,87	8	0	7
Euro	2 056	-97	28	-1 934	7,34	2 084	-2 032	385
British pound	522	-19	19	-495	9,05	541	-513	252
Hong Kong dollar	972	0	103	-412	0,72	1 076	-412	476
Hungarian forint	278	0	0	0	0,03	278	0	7
Indonesian rupiah	110 703	0	0	0	0,00	110 703	0	64
Israeli shekel	19	0	6	-23	1,49	25	-23	3
Indian rupee	1 532	0	0	0	0,10	1 532	0	156
Islandic krone	255	0	0	0	0,04	255	0	11
Japanese yen	35 473	0	4 583	-37 026	0,06	45 056	-37 026	195
Korean won	72 144	0	0	0	0,01	72 144	0	375
Moroccan dirham	4	0	0	0	0,66	4	0	2
Mexican peso	273	0	0	0	0,43	273	0	117
Malaysian ringgit	47	0	0	0	1,82	47	0	86
New Zealand dollar	2	0	0	-2	4,59	3	-2	1
Peruvian Nuevo Sol	0	0	0	0	2,18	0	0	1
Philippines peso	164	0	0	0	0,14	164	0	22
Polish zloty	21	0	0	0	1,80	21	0	38
Swedish krone	1 671	-8	107	-7 825	0,86	1 777	-7 832	-5 180
Singapore dollar	34	0	6	-37	4,56	40	-37	15
Thai baht	383	0	0	0	0,18	383	0	70
Turkish lira	16	0	0	0	3,12	16	0	49
Taiwan new dollar	1 391	0	0	0	0,19	1 391	0	267
US dollar	5 615	-650	497	-5 137	5,57	6 111	-5 787	1 803
South African rand	295	0	0	0	0,66	295	0	194
Total short-term foreign exchange positions								-3 401
Euro	316	-312	0	0	7,34	316	-312	30
Japanese yen	21 087	-14 169	0	0	0,06	21 087	-14 169	445
US dollar	128	-124	0	0	5,57	128	-124	22
Total long-term foreign exchange positions								497
Total foreign exchange positions before and after tax								-2 904

31.12.2011

NOK millions/ foreign currency[1]	Financial position statement items excl. currency derivatives		Currency derivatives		Conversion rate	Total		
	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	Net position
Australian dollar	134	0	11	-134	6,12	145	-134	64
Brazilian real	95	0	0	0	3,20	95	0	304
Canadian dollar	216	-3	18	-210	5,86	234	-213	117
Swiss franc	109	0	9	-109	6,38	119	-109	64
Chilean peso	2 966	0	0	0	0,01	2 966	0	34
Colombian peso	6 141	0	0	0	0,00	6 141	0	19
Czech koruna	24	0	0	0	0,30	24	0	7
Danish krone	336	-20	0	-284	1,04	336	-304	34
Egyptian pound	5	0	0	0	0,99	5	0	5
Euro	1 645	-139	11	-1 470	7,75	1 655	-1 610	354
British pound	396	-1	0	-373	9,27	396	-374	203
Hong Kong dollar	764	0	25	-298	0,77	789	-298	377
Hungarian forint	234	0	0	0	0,02	234	0	6
Indonesian rupiah	86 575	0	0	0	0,00	86 575	0	57
Israeli shekel	217	0	2	-228	1,56	220	-228	-12
Indian rupee	1 041	0	0	0	0,11	1 041	0	117
Islandic krone	255	0	0	0	0,05	255	0	12
Japanese yen	49 042	0	1 933	-48 913	0,08	50 975	-48 913	160
Korean won	58 133	0	0	0	0,01	58 133	0	301
Moroccan dirham	5	0	0	0	0,70	5	0	3
Mexican peso	196	0	0	0	0,43	196	0	84
Malaysian ringgit	38	0	0	0	1,88	38	0	72
New Zealand dollar	2	0	0	-2	4,66	2	-2	1
Philippines peso	112	0	0	0	0,14	112	0	15
Polish zloty	15	0	0	0	1,74	15	0	26
Swedish krone	2 310	-1 006	0	-1 205	0,87	2 310	-2 211	87
Singapore dollar	29	0	3	-30	4,60	32	-30	9
Thai baht	216	0	0	0	0,19	216	0	41
Turkish lira	7	0	0	0	3,16	7	0	24
Taiwan new dollar	1 107	0	0	0	0,20	1 107	0	218
US dollar	4 835	-836	100	-3 912	5,97	4 935	-4 749	1 114
South African rand	215	0	0	0	0,74	215	0	159
Total short-term foreign exchange positions								4 077
Euro	464	-312	0	-154	7,75	464	-465	-10
Japanese yen	31 969	-25 350	0	0	0,08	31 969	-25 350	513
US dollar	127	-98	0	0	5,97	127	-98	168
Total long-term foreign exchange positions								672
Total foreign exchange positions before and after tax								4 749

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

If all currency positions change by 1 per cent at the same time and in the same direction this would affect the result by NOK 29 million. For 2011 the corresponding effect on income was NOK 47.5 million.

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the actual currency risk KLP had at the end of the period in NOK. Other sums are in local currency. The table shows a hedging ratio for foreign currency in 2012 and 2011 of 105 per cent and 93 per cent respectively.

Note 11 Credit risk

31.12.2012

NOK millions	AAA	AA	A	BBB	Unrated/NIG	Total
Investments held to maturity - at amortized cost						
Banks	0	1 023	684	0	149	1 856
Finance- and credit enterprises	0	510	0	0	1 024	1 534
Public sector guarantee	1 330	0	0	0	50	1 380
Government and government guarantee within OECD	19 645	0	0	806	0	20 451
Public sector enterprises and covered bonds	2 667	509	0	0	1 300	4 476
Other	0	444	3 009	0	3 264	6 717
Total	23 642	2 487	3 693	806	5 786	36 413
Bonds classified as loans and receivables – at amortized cost						
Banks	0	1 042	4 305	0	50	5 398
Finance- and credit enterprises	510	259	520	0	0	1 288
Public sector guarantee	999	0	0	0	789	1 788
Government and government guarantee within OECD	14 193	0	0	2 045	0	16 238
Public sector enterprises and covered bonds	6 679	1 574	860	0	2 393	11 506
Other	0	1 995	2 033	836	13 880	18 743
Total	22 382	4 869	7 718	2 881	17 112	54 961
Bonds and other fixed-return securities						
Banks	0	443	3 528	51	9 549	13 571
Finance- and credit enterprises	0	568	453	0	261	1 282
Public sector guarantee	740	55	0	0	1 310	2 105
Government and government guarantee within OECD	8 168	3 009	0	0	0	11 177
Public sector enterprises and covered bonds	1 115	409	0	0	3 821	5 345
Other	0	285	631	114	9 546	10 576
Total	10 023	4 769	4 612	165	24 487	44 056
Financial derivatives classified as assets						
Denmark	0	0	345	0	0	345
Finland	0	214	0	0	0	214
Norway	0	0	251	0	0	251
UK	0	0	213	0	0	213
Sweden	0	0	333	0	0	333
USA	0	0	0	0	0	0
Total	0	214	1 142	0	0	1 357
Fixed income funds						
Government and government guarantee within OECD	0	0	0	0	121	121
Other	0	0	20 311	0	16 105	36 416
Total	0	0	20 311	0	16 226	36 537
Loans and receivables						
Denmark	0	0	597	0	0	597
Finland	0	0	0	0	0	0
Norway	0	0	4 939	0	3 171	8 110
UK	0	0	2 921	0	0	2 921
Sweden	0	3 612	608	0	0	4 219
Germany	0	0	3	0	0	3
USA	0	0	303	0	0	303
Total	0	3 612	9 371	0	3 171	16 154
Total securities	56 047	15 951	46 846	3 852	66 782	189 478

Lending at amortized cost [1]	0 %	20 %	35 %	100 %	Total
Public sector	0	18 687	4	2 442	21 132
Private individuals	0	0	8 801	265	9 065
Total other lending	0	18 687	8 805	2 706	30 198

31.12.2011

NOK millions	AAA	AA	A	BBB	Unrated/NIG	Total
Investments held to maturity - at amortized cost						
Finance- and credit enterprises	0	2 043	945	1 023	831	4 842
Public sector guarantee	1 331	0	0	0	50	1 382
Savings banks	0	0	45	0	0	45
Government and government guarantee within OECD	20 863	806	1 581	0	0	23 249
Public sector enterprises and covered bonds	3 189	0	0	0	1 303	4 492
Other	0	958	2 498	0	2 962	6 418
Total	25 383	3 806	5 069	1 023	5 147	40 427
Bonds classified as loans and receivables – at amortized cost						
Finance- and credit enterprises	510	259	3 889	0	2 167	6 825
Public sector guarantee	999	0	0	0	818	1 817
Savings banks	0	0	451	0	644	1 095
Government and government guarantee within OECD	14 193	0	2 045	0	0	16 238
Public sector enterprises and covered bonds	5 891	1 118	1 768	0	2 392	11 169
Other	0	1 268	2 156	389	5 193	9 006
Total	21 593	2 645	10 310	389	11 214	46 150
Bonds and other fixed-return securities						
Finance- and credit enterprises	27	2 445	4 010	10	1 909	8 402
Public sector guarantee	673	55	0	0	708	1 436
Savings banks	0	0	810	0	7 638	8 448
Government and government guarantee within OECD	5 382	3 832	349	0	0	9 563
Public sector enterprises and covered bonds	709	0	0	0	2 094	2 802
Other	0	223	25	391	5 150	5 788
Total	6 791	6 554	5 195	401	17 498	36 440
Financial derivatives classified as assets						
Denmark	0	0	170	0	0	170
Finland	0	24	0	0	0	24
Norway	0	75	0	0	0	75
UK	0	0	2	0	0	2
Switzerland	0	0	43	0	0	43
Sweden	0	0	149	0	0	149
Germany	0	0	84	0	0	84
USA	0	0	278	0	0	278
Total	0	99	725	0	0	824
Fixed income funds						
Public sector, financial and credit enterprises	0	0	0	0	1 023	1 023
Government and government guarantee within OECD	0	0	0	0	117	117
Other	0	0	15 953	0	12 952	28 905
Total	0	0	15 953	0	14 092	30 044
Loans and receivables						
Denmark	0	0	130	0	0	130
Finland	0	300	0	0	0	300
France	0	0	0	0	0	0
Norway	0	0	2 740	0	6 984	9 724
Sweden	0	166	445	0	0	611
UK	0	1 730	2	0	0	1 732
USA	0	0	470	0	0	470
Total	0	2 196	3 787	0	6 984	12 967
Total securities	53 768	15 301	41 039	1 812	54 934	166 854

Lending at amortized cost [1]	0 %	20 %	35 %	100 %	Total
Public sector	0	14 429	0	4 302	18 731
Private individuals	0	0	6 338	35	6 373
Total other lending	0	14 429	6 338	4 337	25 104

Note 11 Credit risk, continued

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

There are several instances of master netting agreements, agreements on net settlement, between KLP and various counterparties on derivatives and call money (margin accounts for derivative trades). If this is taken into account, the actual credit risk for the KLP is reduced by NOK 1,647 million as at 31 December 2012. The corresponding figure as at 31 December 2011 was NOK 1,197 million.

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

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

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

31.12.2012 NOK millions	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Book value 31.12.2012
Spain					
Fixed income securities at amortized cost	780	1	0	780	780
Total Spain	780	1	0	780	780
Italy					
Fixed income securities at amortized cost	2 000	76	0	2 076	3 556
Total Italy	2 000	76	0	2 076	3 556
Total	2 780	76	0	2 856	4 336

In Spain, pure government debt was NOK 0 million and government guaranteed securities NOK 780 million. In Italy, pure government debt was NOK 2,076 million and government guaranteed securities NOK 0 (market value) as at 31 December 2012.

Portfolio distribution (market value)

31.12.2012 NOK millions	Spain	Italy	Total
Corporate portfolio	28	0	28
Common portfolio	745	2 065	2 811
Investment option portfolio	7	10	17
Total	780	2 076	2 856

31.12.2012 Rating	Spain	Italy
Moody's	Baa3	Baa2
Standard & Poor's	BBB-	BBB+
Fitch	BBB	A-

31.12.2011 NOK millions	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Book value 31.12.2012
Spain					
Fixed income securities at fair value	176	-9	-3	167	167
Fixed income securities at amortized cost	780	-18	0	762	780
Total Spain	956	-27	-3	929	947
Italy					
Fixed income securities at fair value	422	-72	-22	349	349
Fixed income securities at amortized cost	3 587	-289	-31	3 298	3 556
Total Italy	4 009	-361	-54	3 648	3 905
Total	4 964	-388	-56	4 577	4 852

In Spain and Italy pure government debt represents 167 million and 3,648 million respectively, and government guaranteed securities 762 million and 0 million respectively (market value) as at 31 December 2011.

Portfolio distribution (market value)

31.12.2011 NOK millions	Spain	Italy	Total
Corporate portfolio	27	370	397
Common portfolio	895	3 269	4 164
Investment option portfolio	7	9	16
Total	929	3 648	4 577

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

[1] The credit risk to which lending is exposed is calculated based on the regulations concerning minimum requirements for capital adequacy, and the rules that apply on determining the calculation base.
[2] The acronym PIIGS refers to the countries assumed to be most exposed as a result of the market disquiet concerning government debt in the Eurozone and is used in regard to Portugal, Ireland, Italy, Greece, Spain..

Premium receivables and receivables in connection with reinsurance

NOK millions	2012	2011
Premium receivables	488	603
Write-downs of premium receivables	-1	-2
Total	487	602

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

Note 12 Mortgages and other lendings

NOK millions	Municipalities and county administrations	State and gov.-owned enterprises [1]	Private organisations and enterprises [2]	Employees, social security recipients etc.	Total 31.12.2012	Total 31.12.2011
Akershus	935	342	42	1 706	3 025	2 662
Aust-Agder	165	3	3	125	296	237
Buskerud	2 261	1 435	118	445	4 258	2 642
Finnmark	544	197	0	73	815	568
Hedmark	582	13	16	292	904	896
Hordaland	242	192	249	713	1 396	1 480
Møre og Romsdal	1 517	179	184	496	2 376	2 101
Nordland	1 372	22	0	292	1 686	1 405
Nord-Trøndelag	520	13	35	89	658	860
Oppland	594	102	36	188	919	732
Oslo	0	540	227	1 431	2 199	1 736
Rogaland	1 109	40	14	590	1 753	1 273
Sogn og Fjordane	822	51	3	127	1 004	576
Sør-Trøndelag	1 294	306	66	460	2 126	1 649
Telemark	710	110	88	188	1 097	718
Troms	1 110	70	127	315	1 622	1 419
Vest-Agder	79	246	18	192	535	498
Vestfold	564	166	21	601	1 351	1 630
Østfold	998	99	52	706	1 856	1 620
Svalbard	0	20	0	1	21	23
Non-distributed	129	0	0	0	129	206
Accrued interest					174	172
Total	15 548	4 147	1 297	9 031	30 198	25 104

This table shows the loans to KLP by county and sector. Sectors are based on the sector codes from Statistics Norway (SSB),which were renewed in 2012. KLP has a high-quality lending portfolio with limited credit risk and historically very low losses. KLP mainly provides housing mortgages covering less than 80 per cent of the value, loans to municipalities and loans with public sector guarantees. Housing mortgages make up around NOK 9 billion. There is very little diversification by sector of the loans issued by KLP since a very large proportion of the loans is directed at the public sector. All the same, there is not much of a risk of concentration as this might suggest since the loans are opublic sector guaranteed., which means that there is a particularly low counterparty risk involved.

NOK millions	2012	2011
Individual write-down of lendings at amortized cost		
Number of loans	10	10
Total principal before write-down	1,57	0,99
Write-downs	-1,22	-0,82
Total principal after write-downs	0,35	0,17
Individual write-downs		
Write-down of individual lendings as at 1 January	0,82	0,69
The period's losses established where previously individual write-downs were carried out	0,00	-0,05
The period's write-down of individual lendings	0,42	0,19
The period's reversal of write-down of individual lendings	-0,02	-0,02
Write-down of individual lendings 31. December	1,22	0,82

Lendings fallen due, not written down	Outstanding debt	
NOK millions	2012	2011
Fallen due		
30-90 days	65	41
over 90 days	23	22
Total lendings fallen due	88	63

Numbers are absolute, amounts are in NOK millions. Loans defaulted on are loans at amortized cost. All write-downs relate to housing mortgages.

In addition to the above write-downs there is a loan granted to OSEA AS (Omega SmartBuild East Africa AS), written down in its entirety. The amount written down is NOK 3.894 million in total, of which 3.596 is the principal, 0.285 million is interest and 0.013 million is other charges. The actual loss on the transaction is lower since the loan, which was in USD, had a higher value in NOK than the actual rate of exchange of the USD purchased for the transaction. Moreover, at the end of the transaction a foreign exchange future was concluded for the entire original credit facility for OSEA AS, from which KLP received a gain. The total loss amounts to around 2.8 million.

[1] In addition to state and local government-owned enterprises,this category also comprises local government business operation.
[2] This category mainly comprises private enterprises with limited liability and organisations with no profit targets.

Note 13 Shares and holdings in enterprises in the same group and associated companies

NOK millions	Office and business address	Holding %	OE on first acquisition	Acquisition cost	Book value 31.12.11	Additions/ disposals	Value adjustment	Profit/ loss share	Equity trans-action	Dividend	Book value 31.12.12
Shares and holdings in the corporate portfolio											
Companies in same Group (excl. property)											
KLP Skadeforsikring AS	Dronning Eufemiasgate 10 0103 Oslo	100	58,7	78,7	736,8	0,0	0,0	105,6	0,0	0,0	842,4
KLP Bedriftspensjon AS	Dronning Eufemiasgate 10 0103 Oslo	100	50,0	50,0	52,1	0,0	0,0	-25,5	40,0	0,0	66,6
KLP Fondsforvaltning AS	Dronning Eufemiasgate 10 0103 Oslo	100	6,6	14,0	13,0	0,0	0,0	10,4	-6,0	0,0	17,4
KLP Forsikringsservice AS	Dronning Eufemiasgate 10 0103 Oslo	100	0,1	0,1	8,8	0,0	0,0	1,1	-1,3	0,0	8,6
KLP Bankholding AS	Dronning Eufemiasgate 10 0103 Oslo	100	15,1	15,1	1 141,6	0,0	0,0	83,2	0,0	0,0	1 224,8
KLP Kapitalforvaltning AS	Dronning Eufemiasgate 10 0103 Oslo	100	50,0	50,0	81,9	0,0	0,0	11,0	0,0	0,0	92,9
Sum aksjer og andeler i foretak i samme konsern (ekskl. eiendom)				207,9	2 034,2	0,0	0,0	185,8	32,7	0,0	2 252,7
Shares in common and investment option portfolios											
Companies in same Group, property subsidiaries											
KLP Eiendom AS	Dronning Eufemiasgate 10 0103 Oslo	100	0,1	0,1	27 986,2	0,0	225,3	-150,1	2 564,4	0,0	30 625,7
Total shares in enterprises in same group, property subsidiaries				0,1	27 986,2	0,0	225,3	-150,1	2 564,4	0,0	30 625,7
Shares and holdings in corporate portfolio											
KLP Huset AS	Dronning Eufemiasgate 10 0103 Oslo	100	0,0	0,1	1 337,7	0,0	0,0	17,9	23,5	-18,8	1 360,2
Total shares in enterprises in same Group, property subsidiaries				611,1	1 337,7	0,0	0,0	17,9	23,5	-18,8	1 360,2
Total shares/holdings in enterprises in same Group (incl. property)				819,1	28 578,8	0,0	225,3	53,5	2 620,5	-18,8	34 238,6
Associated companies											
Norsk Pensjon AS	Hansteens gate 2 0253 Oslo	25%	20,00	5,00	2,97	0,00	0,00	0,43	0,00	0,00	3,40
Fylkeshuset, Molde AS	Fylkeshuset, Julsundvn. 9, 6400 Molde	48%	0,10	0,05	0,05	0,00	0,00	2,24	0,00	0,00	2,29
Total shares and holdings in associated companies				5,05	3,02	0,00	0,00	2,66	0,00	0,00	5,69

All shares and other holdings have equal voting proportions.

Note 14 Shares and equity fund units

NOK millions	Number	Market value
NORWAY		
BWG HOMES ASA	778 721	9
KONGSBERG AUTO	7 000 000	10
SCHIBSTED	30 000	7
TOTAL CONSUMABLES		27
AUSTEVOLL SEA	102 639	3
TOTAL CONSUMER GOODS		3
2VK INVEST AS	2 690 000	0
AKER SOLUTIONS	217 336	25
AWILCO LNG AS	365 900	6
BONHEUR ASA	103 007	14
BRIDGE ENERGY	933 473	9
DET NORSKE OLJESELSKAP ASA	764 180	63
DOF	296 384	8
DOLPHIN INT SOL	1 984 047	14
EIDESVIK	352 836	12
ELECTROMAGNETIC GEOSERVICES	685 440	9
FARSTAD SHIPPING	34 988	4
GANGER ROLF ASA	412 134	52
NORTH ENERGY ASA	510 500	2
NORWEGIAN ENERGY CO AS	2 095 687	8
PANORO ENERGY ASA	4 035 000	11
PETRO GEO SVCS	900 000	86
SEVAN DRILLING AS	1 047 041	4
SOLSTAD OFFSHORE	155 645	15
STATOIL	3 846 315	535
TGS NOPEC GEO	156 050	28
TRONDER ENERGI AS	3 000 000	347
TOTAL, ENERGY		1 251
ABG SUNDAL COLLIER HOLDING ASA	500 000	2
AKER	178 141	38
DNB	3 439 265	242
GJENSIDIGE FORSIKRING	11 200	1
NMI AS	7 500	8
NORWEGIAN PROPERTIES ASA	3 703 930	31
OSLO BORS VPS HOLDING ASA	4 300 200	183
SPAREBANK 1 SMN	200 000	7
SPAREBANK 1 SR BANK ASA	315 672	12
SPAREBANKEN VEST	443 388	13
STOREBRAND ASA	1 500 000	40
TOTAL FINANCIAL		576
BIONOR PHARMA ASA	1 600 000	4
CLAVIS PHARMA	454 670	4
PCI BIOTECH HOLDING ASA	300 000	9
PHOTOCURE	855 000	32
PRONOVA BIOPHARMA AS	1 104 909	14
REDCORD AS	7 100	0
TOTAL, HEALTH		63
MASTER MARINE AS	2 596 133	0
NORWEGIAN AIR SHUTTLE ASA	334 415	48
ODFJELL ASA	283 135	7
ORKLA	2 823 365	137
SOLVTRANS HOLDING ASA	800 000	13
VEIDEKKE	169 968	7
WILH. WILHELMSEN HOLDING ASA	197 906	31
WILH. WILHELMSEN HOLDING ASA-B AKSJE	13 570	2
TOTAL, INDUSTRY		245

NOK millions	Number	Market value
ATEA ASA	25 417	2
BOUVET ASA	330 000	21
EDB ERGOGROUP ASA	2 900 000	26
HIGH DENSITY DEVICES AS	671 536	1
HIGH DENSITY DEVICES AS RIGHT	4 715 060	0
NORDIC SEMICOND	3 200 000	46
OPERA SOFTWARE	826 481	26
Q-FREE ASA	301 500	6
RENEWABLE ENERGY CORP	9 721 212	10
TOTAL, IT		138
NORSK HYDRO	4 598 505	128
SCANA INDUSTRIER	159 456	0
YARA INTERNATIONAL	561 970	154
TOTAL, RAW MATERIALS		282
TELENOR	2 088 723	234
TOTAL, TELECOM		234
NORSK TILLITSMANN	11 175	1
NOVESTOR HOLDING 1 AS	5 200 000	31
SILVER PENSJONSFORSIKRING AS	556 444	5
TOTAL, UNSPECIFIED		37
TOTAL, NORWAY		2 856
FOREIGN		
ACCOR	16 217	3
ADIDAS	14 086	7
ADVANCE AUTO PARTS	5 200	2
AISIN SEIKI CO	14 800	3
AMAZON.COM	25 062	35
ASICS CORP	10 100	1
AUTOLIV	7 300	3
AUTOZONE	2 300	5
BED BATH & BEYOND	16 147	5
BENESSE HOLDINGS	4 900	1
BEST BUY CO	19 084	1
BLOCK (H&R)	326 015	34
BMW STAMM	29 613	16
CANADIAN TIRE CORP A	87 672	34
CARMAX	15 900	3
CARNIVAL CORP	30 938	6
CARNIVAL PLC	12 199	3
CBS CORP B	40 677	9
CHARTER COMMUNICATION A	2 700	1
CHIPOTLE MEXICAN GRILL	1 900	3
COACH	19 300	6
COMCAST A SPECIAL (NEW)	38 848	8
COMCAST CORP A (NEW)	147 572	31
COMPASS GROUP	621 668	41
CONTINENTAL	10 051	6
CROWN	26 293	2
D.R. HORTON	15 700	2
DAIHATSU MOTOR CO	48 800	5
DAIMLER	81 464	25
DARDEN RESTAURANTS	139 187	35
DELPHI AUTOMOTIVE PLC	27 300	6
DENSO CORP	42 000	8
DENTSU	10 200	2
DICKS SPORTING GOODS	5 500	1
DIOR (CHRISTIAN)	3 470	3
DIRECTV GROUP	44 114	12

NOK millions	Number	Market value
DISCOVERY HOLDING A	9 800	3
DISCOVERY HOLDING C	6 800	2
DISH NETWORK A	15 000	3
DISNEY (WALT)	236 343	65
DOLLAR GENERAL CORP	17 700	4
DOLLAR TREE	15 900	4
DOLLARAMA	4 500	1
DON QUIJOTE CO	3 900	1
ECHO ENTERTAINMENT GROUP	43 505	1
ELECTROLUX B	29 567	4
EUTELSAT COMMUNICATIONS	18 422	3
EXPEDIA	10 550	4
FAMILY DOLLAR STORES	95 900	34
FAST RETAILING CO	3 200	4
FIAT ORD	80 031	2
FLIGHT CENTRE	3 846	1
FORD MOTOR CO	314 913	23
FOSSIL	3 100	2
FUJI HEAVY INDUSTRIES	41 000	3
GALAXY ENTERTAINMENT GRP	108 000	2
GAMESTOP CORP A	9 200	1
GAP	24 601	4
GARMIN	20 900	5
GENERAL MOTORS	67 600	11
GENTING SINGAPORE PLC	297 000	2
GENUINE PARTS CO	10 875	4
GILDAN ACTIVEWEAR	6 900	1
GKN	134 293	3
GOODYEAR TIRE & RUBBER	18 800	1
HARLEY-DAVIDSON	20 044	5
HASBRO	165 300	33
HENNES & MAURITZ B	63 922	12
HOME DEPOT	105 607	36
HONDA MOTOR CO	140 800	29
HUGO BOSS	1 745	1
HUSQVARNA B	11 199	0
INDITEX	14 688	11
INTERCONTINENTAL HOTELS	16 173	2
INTERPUBLIC GROUP OF COS	35 100	2
INT'L GAME TECHNOLOGY	11 800	1
ISETAN MITSUKOSHI HLDGS	47 500	3
ISUZU MOTORS	105 000	3
ITV	219 879	2
J FRONT RETAILING	32 000	1
JARDINE CYCLE & CARRIAGE	17 000	4
JC DECAUX INTERNATIONAL	18 700	2
JOHNSON CONTROLS	58 800	10
JUPITER TELECOM	140	1
KABEL DEUTSCHLAND HOLD	5 265	2
KINGFISHER	163 202	4
KOHLS CORP	13 794	3
LAGARDERE	4 634	1
LAS VEGAS SANDS CORP	27 700	7
LEGGETT & PLATT	17 200	3
LENNAR CORP A	10 000	2
LI & FUNG	332 920	3
LIBERTY GLOBAL A	9 320	3
LIBERTY GLOBAL C	7 400	2
LIBERTY INTERACTIVE A	33 559	4
LIBERTY VENTURES - SER A	2 237	1
LIMITED BRANDS	17 055	4
LKQ CORP	19 200	2
LOWE'S COS	82 470	16
LULULEMON ATHLETICA	5 800	2
LUXOTTICA GROUP	11 397	3
LVMH	17 103	17
MACY'S	27 856	6
MAGNA INTERNATIONAL	19 844	5

NOK millions	Number	Market value
MARKS & SPENCER GROUP	1 031 228	36
MARRIOTT INT'L A	15 698	3
MATTEL	23 876	5
MAZDA MOTOR CORP	208 000	2
MCDONALD'S CORP	135 171	66
MCDONALD'S HLDGS CO JP	4 500	1
MCGRAW-HILL COS	16 904	5
MGM MIRAGE	21 800	1
MICHELIN	15 549	8
MITSUBISHI MOTORS CORP	507 000	3
MOHAWK INDUSTRIES	3 500	2
NAMCO BANDAI HOLDINGS	10 600	1
NETFLIX	3 000	2
NEWELL RUBBERMAID	19 518	2
NEWS CORP A	342 780	49
NEWS CORP B	30 292	4
NEXT	108 188	36
NGK SPARK PLUG CO	19 000	1
NIKE B	49 600	14
NIKON CORP	24 500	4
NISSAN MOTOR CO	214 800	11
NITORI HOLDINGS CO	2 600	1
NOK CORP	9 000	1
NOKIAN RENKAAT	13 928	3
NORDSTROM	11 200	3
OMNICOM GROUP	135 953	38
ORCHARD SUPPLY HARDWARE STORES CORP	106	0
O'REILLY AUTOMOTIVE	7 600	4
ORIENTAL LAND CO	54 600	37
PANASONIC CORP	131 700	4
PEARSON	54 938	6
PENNEY (J.C) CO	22 000	2
PETSMART	7 700	3
PEUGEOT SA	31 328	1
PIRELLI & CO ORD	20 546	1
POLARIS INDUSTRIES	4 600	2
PORSCHE AUTOMOBIL HLDG V	13 947	6
PPR	5 276	5
PRICELINE.COM	3 400	12
PROSIEBEN SAT1 MEDIA VZ	5 892	1
PUBLICIS GROUPE	11 929	4
PULTEGROUP	22 300	2
PVH CORP	4 100	3
RAKUTEN	41 400	2
RALPH LAUREN CORP A	3 700	3
REED ELSEVIER (GB)	72 587	4
REED ELSEVIER (NL)	45 842	4
RENAULT	17 358	5
RICHEMONT (FIN) A	35 144	15
RINNAI CORP	2 200	1
ROSS STORES	15 300	5
ROYAL CARIB CRUS	280 000	51
ROYAL CARIBBEAN CRUISES	12 000	2
SANDS CHINA	168 000	4
SANKYO CO (6417)	4 300	1
SCRIPPS NETWORKS INTER A	9 400	3
SEARS CANADA	1 012	0
SEARS HOLDINGS CORP	2 365	1
SEGA SAMMY HOLDINGS	11 900	1
SEKISUI CHEMICAL CO	35 900	2
SEKISUI HOUSE	70 500	4
SES A-FDR	26 556	4
SHANGRI-LA ASIA	106 000	1
SHARP CORP	55 800	1
SHAW COMMUNICATIONS B	294 618	38
SHIMAMURA CO	1 500	1
SHIMANO	4 000	1

Note 14 continues on next page

Note 14 Shares and equity fund units

NOK millions	Number	Market value
SINGAPORE PRESS HLDG	173 550	3
SIRIUS XM RADIO	233 300	4
SJM HOLDINGS	131 000	2
SODEXO	12 103	6
SONY CORP	59 900	4
STANLEY ELECTRIC CO	12 400	1
STAPLES	541 768	34
STARBUCKS CORP	51 078	15
STARWOOD HOT.&RES. WORLD	13 599	4
STARZ - LIBERTY CAPITAL	6 600	4
SUMITOMO RUBBER IND	13 200	1
SUZUKI MOTOR CORP	32 400	5
SWATCH GROUP INH	1 764	5
SWATCH GROUP NAM	4 712	2
TABCORP HOLDINGS	38 854	1
TAKASHIMAYA CO	18 000	1
TARGET CORP	138 005	45
TATTS GROUP	91 761	2
THOMSON REUTERS CORP	228 138	37
TIFFANY & CO	8 500	3
TIM HORTONS (CA)	9 300	3
TIME WARNER	64 654	17
TIME WARNER CABLE	20 990	11
TJX COS	49 878	12
TOHO CO	7 600	1
TOLL BROTHERS	8 900	2
TOYOTA INDUSTRIES CORP	24 100	4
TRACTOR SUPPLY CO	5 100	3
TRW AUTOMOTIVE	10 100	3
ULTA SALON COSME & FRAGR	4 500	2
UNDER ARMOUR A	5 400	1
URBAN OUTFITTERS	6 600	1
USS CO	1 480	1
VF CORP	5 900	5
VIACOM B (NEW)	32 077	9
VIRGIN MEDIA	18 400	4
VOLKSWAGEN STAMM	2 651	3
VOLKSWAGEN VORZUG	12 932	16
WHIRLPOOL CORP	7 540	4
WHITBREAD	11 039	2
WOLTERS KLUWER	320 106	36
WPP	87 210	7
WYNDHAM WORLDWIDE	11 000	3
WYNN MACAU	248 200	4
WYNN RESORTS	5 600	4
YAMADA DENKI CO	7 050	2
YAMAHA CORP	12 700	1
YAMAHA MOTOR CO	15 600	1
YUM BRANDS	31 032	11
TOTAL CONSUMABLES		1 737
AEON CO	57 400	4
AHOLD (KON.)	532 347	40
AJINOMOTO CO	58 000	4
ALIMENTATION COUCHE-T. B	133 600	36
ANHEUSER-BUSCH INBEV	73 332	35
ARCHER-DANIELS-MIDLAND	274 263	42
ARYZTA	16 345	5
ASAHI GROUP HOLDINGS	296 000	35
ASSOCIATED BRITISH FOODS	266 835	38
AVON PRODUCTS	25 390	2
BARRY CALLEBAUT	163	1
BEAM	12 739	4
BEIERSDORF	6 868	3
BROWN-FORMAN CORP B	11 037	4
BUNGE	13 500	5
CALBEE	1 200	0

NOK millions	Number	Market value
CAMPBELL SOUP CO (US)	179 920	35
CARLSBERG B	8 230	4
CARREFOUR	55 213	8
CASINO ORD	5 344	3
CHURCH & DWIGHT CO	16 400	5
CLOROX CO	86 405	35
COCA-COLA AMATIL	42 522	3
COCA-COLA CO	373 000	75
COCA-COLA ENTRPRS (NEW)	212 167	37
COCA-COLA HBC	18 151	2
COLGATE-PALMOLIVE	32 100	19
COLRUYT	10 783	3
CONAGRA FOODS	231 345	38
CONSTELLATION BRANDS A	14 900	3
COSTCO WHOLESALE CORP	43 369	24
CVS/CAREMARK	244 990	66
DANONE	142 480	52
DAVIDE CAMPARI-MILANO SPA	29	0
DE MASTER BLENDERS 1753	43 754	3
DELHAIZE GROUPE	152 593	34
DIA	45 616	2
DIAGEO	228 498	37
DR PEPPER SNAPPLE GROUP	19 358	5
EMPIRE CO A	2 900	1
ENERGIZER HOLDINGS	3 900	2
ESTEE LAUDER COS A	16 400	5
FAMILYMART CO	5 600	1
GENERAL MILLS	199 390	45
GOLDEN AGRI RESOURCES	601 000	2
GREEN MOUNT COF ROASTERS	12 300	3
HEINEKEN HOLDING	236 207	72
HEINEKEN NV	17 728	7
HEINZ (H.J) CO	28 830	9
HENKEL STAMM	96 260	36
HENKEL VORZUG	84 120	38
HERBALIFE	6 700	1
HERSHEY CO (THE)	13 900	6
HORMEL FOODS CORP	208 200	36
JERONIMO MARTINS SGPS	13 900	1
JM SMUCKER CO	77 310	37
KAO CORP	252 100	36
KELLOGG CO	22 500	7
KERRY GROUP A	123 882	36
KESKO B	3 550	1
KIKKOMAN CORP	13 000	1
KIMBERLY-CLARK CORP	94 928	45
KIRIN HOLDINGS CO	78 400	5
KRAFT FOODS GROUP	50 596	13
KROGER CO	272 228	39
LAWSON	7 800	3
LINDT & SPRUENGLI NAMEN	8	2
LINDT & SPRUENGLI PART	71	1
LOBLAW	15 839	4
LOREAL	16 239	12
MCCORMICK & CO NV	11 100	4
MEAD JOHNSON NUTRITION	18 331	7
MEIJI HOLDINGS CO	9 200	2
METCASH	1 788 934	34
METRO A	101 051	36
METRO STAMM	12 733	2
MOLSON COORS BREWING B	148 752	35
MONDELEZ INTERNATIONAL	155 789	22
MONSTER BEVERAGE	13 500	4
MORRISON WM SUPERMARKETS	1 585 153	38
NESTLE	297 106	108
NIPPON MEAT PACKERS	14 200	1
NISSHIN SEIFUN GROUP	15 500	1

NOK millions	Number	Market value
NISSIN FOODS HOLDINGS CO	5 700	1
OLAM INTERNATIONAL	181 000	1
PEPSICO	142 931	54
PERNOD RICARD	69 862	45
PROCTER & GAMBLE CO	191 624	72
RALCORP HOLDING	4 400	2
RECKITT BENCKISER GROUP	135 928	48
REMY COINTREAU	1 902	1
SABMILLER	86 028	22
SAFEWAY INC	357 554	36
SAINSBURY (J)	117 091	4
SAPUTO	11 700	3
SCA SV CELLULOSA B	39 988	5
SEVEN & I HOLDINGS CO	278 340	44
SHISEIDO CO	24 200	2
SHOPPERS DRUG MART CORP	20 100	5
SUEDZUCKER	5 967	1
SYSCO CORP	56 052	10
TATE & LYLE	527 682	36
TESCO	1 849 844	56
TOYO SUISAN KAISHA	8 000	1
TREASURY WINE ESTATES	38 643	1
TYSON FOODS A	28 500	3
UNI-CHARM CORP	10 100	3
UNILEVER NV CERT	147 689	31
UNILEVER PLC	115 553	25
WALGREEN CO	246 314	51
WESTON (GEORGE)	7 300	3
WHOLE FOODS MARKET	16 700	8
WILMAR INTERNATIONAL	147 400	2
WOOLWORTHS LTD	117 670	20
YAKULT HONSHA CO	20 800	5
YAMAZAKI BAKING CO	10 000	1
TOTAL CONSUMER GOODS		2 156
AMEC	24 296	2
ANADARKO PETROLEUM CORP	36 730	15
APACHE CORP	28 704	13
ARC RESOURCES	35 993	5
ATHABASCA OIL	20 700	1
AWILCO DRILLING PLC	163 762	11
BAKER HUGHES	32 281	7
BASSDRILL LTD	679 427	5
BAYTEX ENERGY	10 362	2
BG GROUP	254 982	23
BONAVISTA ENERGY	9 654	1
BP	1 449 551	56
BW OFFSHORE LIMITED	6 287 038	32
CABOT OIL & GAS CORP	15 400	4
CALTEX AUSTRALIA	9 931	1
CAMECO CORP	25 100	3
CAMERON INTERNATIONAL	18 100	6
CANADIAN NAT RESOURCES	80 940	13
CANADIAN OIL SANDS	35 900	4
CENOVUS ENERGY	55 536	10
CGG	12 784	2
CHESAPEAKE ENERGY CORP	48 700	5
CIMAREX ENERGY CO	5 400	2
COBALT INTERNATIONAL	19 000	3
CONCHO RESOURCES	7 400	3
CONOCOPHILLIPS	188 756	61
CONSOL ENERGY	16 800	3
CONTINENTAL RESOURCES	2 700	1
CORE LABORATORIES	3 100	2
CRESCENT POINT ENERGY	23 500	5
DENBURY RESOURCES	28 700	3
DEVON ENERGY CORP	28 244	8
DIAMOND OFFSHORE DRILL.	9 900	4
ENBRIDGE	57 410	14

NOK millions	Number	Market value
ENCANA CORP	54 148	6
ENERGEN CORP	4 700	1
ENERGY TRANSFER PARTNERS LP	2 369	1
ENERPLUS	14 662	1
ENI	187 148	25
ENSCO A	17 800	6
EOG RESOURCES	19 800	13
EQT	11 000	4
EXXON MOBIL CORP	412 949	199
FMC TECHNOLOGIES	17 600	4
FUGRO CERT	3 960	1
GALP ENERGIA SGPS SA-B	40 626	4
HALLIBURTON CO	70 600	14
HELMERICH & PAYNE	7 900	2
HESS	22 600	7
HOEGH LNG HOLDINGS LTD	212 500	10
HOLLYFRONTIER	17 600	5
HUSKY ENERGY	25 900	4
IDEMITSU KOSAN CO	1 600	1
IMPERIAL OIL	158 731	38
INDEPENDENT TANKERS CORP LTD	1 539 877	0
INGRAIN INC	1 358 799	45
INPEX CORP	161	5
JAPAN PETROLEUM EXP.	2 100	0
JX HOLDINGS	165 205	5
KINDER MORGAN	47 968	9
KINDER MORGAN MANAGEMENT	7 472	3
KINDER MORGAN MANAGEMENT LLC WARRANT	31 868	1
LUNDIN PETROLEUM	14 433	2
MARATHON OIL CORP	51 900	9
MARATHON PETROLEUM	25 100	9
MEG ENERGY CORP	13 000	2
MURPHY OIL CORP	13 800	5
NABORS INDUSTRIES	33 584	3
NATIONAL OILWELL VARCO	31 363	12
NESTE OIL	7 028	1
NEWFIELD EXPLORATION CO	20 700	3
NEXEN	38 969	6
NOBLE CORP	15 406	3
NOBLE ENERGY	13 100	7
OCCIDENTAL PETROLEUM	59 700	25
OCEANEERING INTL	7 500	2
OMV AG	15 194	3
ORIGIN ENERGY	575 247	39
PACIFIC RUBIALES ENERGY	19 700	3
PEABODY ENERGY CORP	17 200	3
PEMBINA PIPELINE	21 985	3
PENGROWTH ENERGY	32 434	1
PENN WEST PETROLEUM	29 067	2
PETROFAC	19 887	3
PHILLIPS 66	45 450	13
PIONEER NATURAL RES.	8 600	5
PLAINS EXPLORATION&PROD	8 400	2
QEP RESOURCES	13 100	2
RANGE RESOURCES CORP	11 900	4
READ WELL SERVICES HOLDING (A-AKSJE) AS	903 273	33
READ WELL SERVICES HOLDING (B-AKSJE) AS	201 212	7
REPSOL	60 461	7
ROWAN COS	7 200	1
ROYAL DUTCH SHELL A	285 289	55
ROYAL DUTCH SHELL B	197 243	39
SAIPEM ORD	20 119	4
SANTOS	61 812	4
SCHLUMBERGER	101 126	39
SD STANDARD DRILLING PLC	1 158 631	11
SEADRILL LTD	107 487	22
SHOWA SHELL SEKIYU K.K	13 900	0

Note 14 Shares and equity fund units

NOK millions	Number	Market value
SIEM OFFSHORE	994 584	8
SOUTHWESTERN ENERGY CO	25 700	5
SPECTRA ENERGY	260 300	40
SUBSEA 7	1 053 800	139
SUNCOR ENERGY	114 747	21
SUPERIOR ENERGY SERVICES	10 200	1
TALISMAN ENERGY	75 900	5
TECHNIP	7 348	5
TENARIS (IT)	30 085	3
TONENGENERAL SEKIYU	27 000	1
TOTAL	273 717	78
TOURMALINE OIL CORP	9 900	2
TRANSCANADA CORP	51 797	14
TRANSOCEAN	25 785	6
TULLOW OIL	66 690	8
ULTRA PETROLEUM CORP	15 300	2
VALERO ENERGY CORP	40 682	8
VERMILION ENERGY	6 023	2
WEATHERFORD INT'L	47 284	3
WHITEHAVEN COAL	33 542	1
WHITING PETROLEUM	7 100	2
WILLIAMS COS	46 043	8
WOODSIDE PETROLEUM	48 490	9
WORLEYPARSONS	19 842	3
TOTAL, ENERGY		1 509
3I GROUP	133 225	3
ABERDEEN ASSET MGMT	51 166	2
ACE	95 612	42
ACOM CO	2 330	0
ADMIRAL GROUP	12 102	1
AEGON	120 604	4
AFFILIATED MANAGERS GRP	3 100	2
AFLAC	31 515	9
AGEAS	14 796	2
AIA GROUP	741 100	16
ALLEGHANY CORP	800	1
ALLIANZ	31 607	24
ALLSTATE CORP	33 007	7
AMERICAN CAPITAL AGENCY	22 700	4
AMERICAN EXPRESS	69 752	22
AMERICAN INT'L GROUP	77 178	15
AMERICAN INT'L GROUP WARRANT	27 531	2
AMERICAN TOWER CORP	26 600	11
AMERIPRISE FINANCIAL	14 370	5
AMP LTD	180 906	5
ANNALY CAPITAL MGMT	480 526	38
ANZ BANKING GROUP	417 449	60
AON PLC	20 846	6
AOZORA BANK	40 000	1
ARCH CAPITAL GROUP	10 200	2
ASCENDAS REAL ESTATE INV	128 000	1
ASSICURAZIONI GENERALI	78 615	8
ASSURANT	6 700	1
ASX	193 440	35
AVALONBAY COMMUNITIES	7 704	6
AVIVA	196 453	7
AXA	119 032	12
AXIS CAPITAL HOLDINGS	6 900	1
BALOISE HOLDING NAMEN	3 198	2
BANCA MONTE PASCHI ORD	146 059	0
BANCO ESPIRITO SANTO	136 408	1
BANCO POPOLARE	118 746	1
BANCO POPULAR ESPANOL	420 924	2
BANCO SABADELL	319 685	5
BANCO SANTANDER	706 350	31
BANK EAST ASIA	75 779	2

NOK millions	Number	Market value
BANK HAPOALIM	71 126	2
BANK KYOTO	34 000	2
BANK LEUMI LE-ISRAEL	92 727	2
BANK MONTREAL	139 568	47
BANK NEW YORK MELLON	310 460	44
BANK NOVA SCOTIA	80 233	26
BANK OF AMERICA CORP	747 747	48
BANK YOKOHAMA	127 000	3
BARCLAYS	808 238	19
BB&T CORP	248 000	40
BBVA	362 359	18
BENDIGO & ADELAIDE BANK	49 070	2
BERKLEY (W.R.) CORP	7 000	1
BERKSHIRE HATHAWAY B	64 000	32
BLACKROCK A	8 900	10
BNP PARIBAS	69 709	22
BOC HONG KONG HOLDINGS	249 200	4
BOSTON PROPERTIES	10 100	6
BRITISH LAND CO	725 029	37
BROOKFIELD ASSET MAN A	201 148	41
BROOKFIELD OFFICE PRO	30 255	3
CAIXABANK	55 044	1
CAMDEN PROPERTY TRUST	4 800	2
CANADIAN IMPERIAL BANK	98 258	44
CAPITACOMMERCIAL TRUST	119 000	1
CAPITAL ONE FINANCIAL	39 116	13
CAPITAL SHOPPING CENTRES	15 901	1
CAPITALAND	254 000	4
CAPITAMALL TRUST	157 000	2
CBRE GROUP	18 500	2
CFS RETAIL PROP TRST GRP	2 995 847	33
CHEUNG KONG HOLDINGS	95 900	8
CHIBA BANK	128 000	4
CHUBB CORP	18 192	8
CHUGOKU BANK	12 000	1
CI FINANCIAL	12 400	2
CINCINNATI FINL CORP	10 400	2
CIT GROUP	13 300	3
CITIGROUP	197 409	43
CITY DEVELOPMENTS	34 000	2
CME GROUP	21 220	6
CNP ASSURANCES	36 648	3
COMERICA	14 700	2
COMMERZBANK	277 531	3
COMMONWEALTH BANK	110 491	40
CORIO	3 688	1
CREDIT AGRICOLE	56 850	3
CREDIT SAISON CO	10 600	1
CREDIT SUISSE	82 291	11
DAI-ICHI LIFE INSURANCE	537	4
DAITO TRUST CONSTRUCTION	4 900	3
DAIWA HOUSE IND CO	45 300	4
DAIWA SECURITIES GROUP	164 900	5
DANSKE BANK	38 293	4
DBS GROUP HOLDINGS	122 400	8
DELTA LLOYD	9 334	1
DEUTSCHE BANK NAMEN	64 648	16
DEUTSCHE BOERSE	110 711	37
DEXUS PROPERTY GROUP	448 772	3
DIGITAL REALTY TRUST	8 100	3
DISCOVER FINANCIAL	35 700	8
DUKE REALTY CORP	17 900	1
EATON VANCE CORP NV	4 800	1
EQUITY RESIDENTIAL	127 299	40
ERSTE GROUP BANK	17 612	3
EVEREST RE GROUP	3 600	2
FEDERAL REALTY INV TRUST	6 700	4

NOK millions	Number	Market value
FIDELITY NAT'L FINANCIAL	271 400	36
FIFTH THIRD BANCORP	61 905	5
FIRST PACIFIC CO	144 000	1
FIRST REPUBLIC BANK	5 400	1
FONCIERE DES REGIONS	1 841	1
FRANKLIN RESOURCES	10 100	7
FUKUOKA FINANCIAL GROUP	56 000	1
GECINA	1 477	1
GENERAL GROWTH PPTYS	31 198	3
GLOBAL LOGISTIC PROP	139 000	2
GOLDMAN SACHS GROUP	31 467	22
GOODMAN GROUP	104 326	3
GPT GROUP	155 634	3
GREAT WEST LIFECO	269 985	37
GROUPE BRUXELLES LAMBERT	10 359	5
GUNMA BANK	26 000	1
H&R REIT (CA)	6 000	1
HACHIJUNI BANK	28 000	1
HAMMERSON	91 657	4
HANG LUNG PROPERTIES	132 500	3
HANG SENG BANK	53 000	5
HANNOVER RUECKVERSICH.	80 180	35
HARGREAVES LANSDOWN	13 086	1
HARTFORD FINANCIAL SVCS	29 237	4
HCP	164 257	41
HEALTH CARE REIT	17 200	6
HENDERSON LAND DEV.	106 466	4
HIROSHIMA BANK	35 000	1
HONG KONG EXCH.&CLEARING	70 447	7
HOST HOTELS & RESORTS	48 396	4
HSBC HOLDINGS (GB)	1 289 161	75
HUDSON CITY BANCORP	28 300	1
HUNTINGTON BANCSHARES	100	0
HYSAN DEVELOPMENT	44 000	1
ICADE	1 648	1
ICAP	34 031	1
IGM FINANCIAL	159 293	37
IMMOFINANZ	113 624	3
INDUSTRIAL ALLIANCE INS	6 100	1
ING GROEP	257 876	13
INSURANCE AUSTRALIA GRP.	146 555	4
INTACT FINANCIAL	99 800	36
INTERCONTINENTAL	5 000	3
INTESA SANPAOLO ORD	678 372	6
INTESA SANPAOLO RNC	37 534	0
INVESCO LTD	27 358	4
INVESTEC PLC	32 025	1
INVESTOR B	31 476	5
IYO BANK (THE)	19 000	1
JAPAN PRIME REALTY INVT	52	1
JAPAN REAL ESTATE INV	651	35
JAPAN RETAIL FUND INVT	112	1
JOYO BANK	44 000	1
JPMORGAN CHASE & CO	261 886	64
JULIUS BAER GROUP	14 791	3
KBC GROUPE	19 418	4
KERRY PROPERTIES	38 500	1
KEYCORP	66 000	3
KIMCO REALTY CORP	25 300	3
KINNEVIK INVESTMENT B	20 898	2
KLEPIERRE	6 469	1
LAND SECURITIES GROUP	48 003	4
LEGAL & GENERAL GROUP	395 462	5
LEGG MASON	5 800	1
LEND LEASE GROUP	36 636	2
LEUCADIA NATIONAL CORP	22 700	3
LIBERTY PROPERTY TRUST	174 921	35
LINCOLN NATIONAL CORP	19 182	3
LINK REIT	152 080	4

NOK millions	Number	Market value
LLOYDS BANKING GROUP	2 841 565	12
LOEWS CORP	21 400	5
LONDON STOCK EXCHANGE	11 671	1
M & T BANK CORP	7 700	4
MACERICH CO	9 900	3
MACQUARIE GROUP	19 008	4
MANULIFE FINANCIAL CORP	122 870	9
MAPFRE	40 571	1
MARSH & MCLENNAN COS	36 781	7
MEDIOBANCA	38 096	1
METLIFE	57 171	10
MIRVAC GROUP	340 303	3
MITSUBISHI ESTATE CO	84 379	11
MITSUBISHI UFJ FIN GRP	857 698	25
MITSUBISHI UFJ LEASE FIN	3 920	1
MITSUI FUDOSAN CO	56 800	8
MIZUHO FINANCIAL GROUP	1 538 317	15
MOODYS CORP	21 082	6
MORGAN STANLEY	99 818	11
MS&AD INSURANCE GROUP	31 820	3
MUENCHENER RUECKVERSICH.	45 394	45
NASDAQ OMX GROUP	5 900	1
NATIONAL AUSTRALIA BANK	386 204	56
NATIONAL BANK OF CANADA	86 237	37
NATIXIS	40 927	1
NEW WORLD DEVELOPMENT	498 548	4
NEW YORK COMMUN. BANCORP	29 800	2
NIPPON BUILDING FUND	62	4
NKSJ HOLDINGS	19 900	2
NOMURA HOLDINGS	250 200	8
NORDEA BANK	809 420	43
NORTHERN TRUST CORP	14 623	4
NYSE EURONEXT	15 400	3
OCBC BANK	154 010	7
OLD MUTUAL (GB)	338 218	5
ONEX CORP	5 500	1
ORIX CORP	7 220	4
PARGESA HOLDING INH	1 864	1
PARTNERRE	5 100	2
PARTNERS GROUP HOLDING	899	1
PEOPLES UNITED FINANCIAL	28 500	2
PLUM CREEK TIMBER CO	17 000	4
PNC FINL SERVICES GROUP	138 521	45
POHJOLA BANK A	9 587	1
POWER CORP OF CANADA	254 916	36
POWER FINANCIAL CORP	236 861	36
PRICE (T. ROWE) GROUP	17 200	6
PRINCIPAL FINANCIAL GRP	21 300	3
PROGRESSIVE CORP	39 348	5
PROLOGIS	30 996	6
PRUDENTIAL	177 884	14
PRUDENTIAL FINANCIAL	31 405	9
PUBLIC STORAGE	51 100	41
QBE INSURANCE GROUP	81 737	5
RAIFFEISEN BANK INT'L	4 508	1
RATOS B	13 284	1
RAYONIER	126 316	36
REALTY INCOME CORP	7 900	2
REGENCY CENTERS CORP	6 100	2
REGIONS FINANCIAL (NEW)	106 941	4
RENAISSANCERE HOLDINGS	3 100	1
RESOLUTION LTD	96 037	2
RESONA HOLDINGS	112 142	3
RIOCAN REIT	219 476	34
ROYAL & SUN ALLIANCE INS	320 213	4
ROYAL BANK OF CANADA	100 242	34
ROYAL BANK OF SCOTLAND	143 728	4
SAMPO A	28 862	5
SBI HOLDINGS	14 070	1

Note 14 continues on next page

Note 14 Shares and equity fund units

NOK millions	Number	Market value
SCHRODERS	7 609	1
SCHWAB (CHARLES) CORP	72 830	6
SCOR	229 445	34
SEGRO	49 947	1
SEI INVESTMENTS CO	9 500	1
SHINSEI BANK	73 000	1
SHIZUOKA BANK	67 000	4
SHOPPING CENTRES AUSTRALASIA	23 534	0
SIMON PROPERTY GROUP	20 436	18
SINGAPORE EXCHANGE	105 000	3
SINO LAND	206 330	2
SKAND.ENSKILDA BANKEN A	83 471	4
SL GREEN REALTY CORP	6 100	3
SLM CORP	34 000	3
SOCIETE GENERALE	47 026	10
SONY FINANCIAL HOLDINGS	10 300	1
STANDARD CHARTERED	164 781	23
STANDARD LIFE	158 856	5
STATE STREET CORP	159 743	42
STOCKLAND	225 917	5
SUMITOMO MITSUI FINL GRP	90 471	18
SUMITOMO MITSUI TRUST	184 769	4
SUMITOMO REALTY & DEV CO	36 500	7
SUN HUNG KAI PROPERTIES	108 080	9
SUN LIFE FINANCIAL	39 762	6
SUNCORP GROUP	76 761	5
SUNTRUST BANKS	36 248	6
SURUGA BANK	12 000	1
SVENSKA HANDELSBK A	33 238	7
SWEDBANK	55 327	6
SWIRE PACIFIC A	41 600	3
SWIRE PROPERTIES	81 600	2
SWISS LIFE HOLDING	1 448	1
SWISS PRIME SITE	3 201	1
SWISS RE	23 711	10
T&D HOLDINGS	56 700	4
TD AMERITRADE HOLDING CO	13 000	1
TOKIO MARINE HOLDINGS	48 779	7
TOKYU LAND CORP	29 000	1
TORCHMARK CORP	7 100	2
TORONTO-DOMINION BANK	134 494	63
TRAVELERS COS	105 099	42
UBI BANCA	85 393	2
UBS NAMEN	245 164	21
UDR	14 700	2
UNIBAIL-RODAMCO	6 181	8
UNICREDIT ORD	272 739	7
UNITED OVERSEAS BANK	437 437	39
UNUM GROUP	29 366	3
US BANCORP	130 496	23
VENTAS	19 800	7
VORNADO REALTY TRUST	11 680	5
WELLS FARGO & CO	515 213	98
WENDEL	2 000	1
WESTFIELD GROUP	130 870	8
WESTFIELD RETAIL TRUST	195 345	3
WESTPAC BANKING	431 316	65
WEYERHAEUSER CO	36 159	6
WHARF HOLDINGS	90 000	4
WHEELOCK AND CO	60 000	2
WILLIS GROUP HLDGS	183 100	34
WING HANG BANK	12 000	1
XL GROUP	19 900	3
YAMAGUCHI FINANCIAL GP	15 000	1
ZURICH INSURANCE GROUP	9 922	15
TOTAL, FINANCIAL		3 269

NOK millions	Number	Market value
ABBOTT LABORATORIES	199 037	73
ACTAVIS	8 900	4
ACTELION	13 825	4
AETNA	20 956	5
AGILENT TECHNOLOGIES	23 421	5
ALEXION PHARMACEUTICALS	12 900	7
ALFRESA HOLDINGS	2 800	1
ALLERGAN	20 700	11
AMERISOURCEBERGEN	15 600	4
AMGEN	53 465	26
ASTELLAS PHARMA	29 944	7
ASTRAZENECA	207 985	55
BARD (C.R.)	5 400	3
BAXTER INTERNATIONAL	37 460	14
BAYER	55 676	29
BECTON DICKINSON	12 191	5
BIOGEN IDEC	15 369	13
BOSTON SCIENTIFIC CORP	81 776	3
BRISTOL-MYERS SQUIBB CO	113 753	21
CARDINAL HEALTH	162 670	37
CAREFUSION	23 235	4
CATAMARAN	14 600	4
CELGENE CORP	29 700	13
CERNER CORP	8 600	4
CHUGAI PHARMACEUTICAL CO	32 000	3
CIGNA CORP	20 050	6
COCHLEAR	3 231	1
COLOPLAST B	16 970	5
COVENTRY HEALTH CARE	8 500	2
COVIDIEN	134 035	43
CSL	34 362	11
DAIICHI SANKYO CO	39 875	3
DAINIPPON SUMITOMO PHARM	11 200	1
DAVITA HEALTHCARE PARTN.	9 400	6
DENTSPLY INTERNATIONAL	19 300	4
EDWARDS LIFESCIENCES	8 300	4
EISAI CO	17 500	4
ELAN CORP	42 721	2
ELEKTA B	29 868	3
ESSILOR INTERNATIONAL	13 536	8
EXPRESS SCRIPTS	54 217	16
FOREST LABORATORIES	16 800	3
FRESENIUS	58 498	37
FRESENIUS MED. CARE ST	14 771	6
GETINGE B	187 948	35
GILEAD SCIENCES	51 000	21
GLAXOSMITHKLINE	603 824	73
GRIFOLS	8 870	2
GRIFOLS SA - B	443	0
HCA HOLDINGS	15 700	3
HENRY SCHEIN	5 300	2
HISAMITSU PHARMACEUTICAL	3 700	1
HOLOGIC	38 800	4
HOSPIRA	11 400	2
HUMANA	11 000	4
ILLUMINA	14 400	4
INTUITIVE SURGICAL	2 700	7
JOHNSON & JOHNSON	274 901	107
KYOWA HAKKO KIRIN CO	10 000	1
LABORATORY CORP OF AMER	5 800	3
LIFE TECHNOLOGIES	12 115	3
LILLY (ELI) & CO	72 963	20
LONZA GROUP	1 675	1
M3	43	0
MCKESSON CORP	75 769	41
MEDIPAL HOLDINGS CORP	17 000	1
MEDTRONIC	208 872	48

NOK millions	Number	Market value
MERCK & CO	343 828	78
MERCK KGAA STAMM	7 062	5
MIRACA HOLDINGS	3 700	1
MITSUBISHI TANABE PHARMA	14 900	1
MYLAN	25 200	4
NOVARTIS	250 697	88
NOVO NORDISK B	27 420	25
OLYMPUS CORP	25 400	3
OMNICARE	6 700	1
ONO PHARMACEUTICAL CO	9 700	3
ORION-YHTYMAE B	6 501	1
OTSUKA HOLDINGS CO	25 100	4
PATTERSON COS	6 000	1
PERRIGO CO	6 200	4
PFIZER	752 138	105
QIAGEN	16 021	2
QUEST DIAGNOSTICS	107 148	35
RAMSAY HEALTH CARE	8 844	1
REGENERON PHARMACEUTICAL	4 900	5
RESMED	9 700	2
ROCHE HOLDING GENUSS	48 715	54
SANOFI	143 965	75
SANTEN PHARMACEUTICAL CO	4 400	1
SHIONOGI & CO	32 800	3
SHIRE	38 735	7
SMITH & NEPHEW	595 743	37
SONIC HEALTHCARE	487 039	37
SONOVA HOLDING	3 308	2
ST JUDE MEDICAL	18 554	4
STRYKER CORP	20 490	6
SUZUKEN CO	4 700	1
SYSMEX CORP	4 300	1
TAISHO PHARM HOLDINGS CO	1 200	0
TAKEDA PHARMACEUTICAL	181 400	45
TERUMO CORP	9 000	2
TEVA PHARMACEUTICAL IND	63 476	13
THERMO FISHER SCIENTIFIC	24 700	9
TSUMURA & CO	4 100	1
UCB (GROUPE)	6 543	2
UNITEDHEALTH GROUP	176 697	53
VALEANT PHARMACEUTICALS	19 600	6
VARIAN MEDICAL SYSTEMS	7 500	3
VERTEX PHARMACEUTICALS	14 200	3
WARNER CHILCOTT	14 300	1
WATERS CORP	5 253	3
WELLPOINT	22 272	8
WILLIAM DEMANT HOLDING	1 768	1
ZIMMER HOLDINGS	10 159	4
TOTAL, HEALTH		1 652
3M CO	113 811	59
ABB LTD	169 583	19
ABERTIS INFRAESTRUCTURAS	394 346	36
ACS ACTIV. CONST. Y SVCS	16 153	2
ADECCO	12 447	4
ADP	1 692	1
AGCO CORP	16 600	5
AGGREKO	17 107	3
ALFA LAVAL	20 975	2
ALL NIPPON AIRWAYS CO	76 000	1
ALS	23 742	1
AMADA CO	28 000	1
AMETEK	15 750	3
ANDRITZ	6 200	2
AP MOLLER MAERSK A	25	1
AP MOLLER MAERSK B	78	3
ASAHI GLASS CO	80 800	3
ASCIANO	65 669	2
ASSA ABLOY B	26 814	6

NOK millions	Number	Market value
ATLANTIA	350 853	35
ATLAS COPCO A	51 786	8
ATLAS COPCO B	31 175	4
AURIZON HOLDINGS	181 100	4
AVERY DENNISON CORP	4 711	1
BABCOCK INT'L GROUP	389 295	34
BALFOUR BEATTY	54 379	1
BIC	1 967	1
BOMBARDIER B	96 300	2
BOSKALIS WESTMINSTER CT	5 586	1
BOUYGUES ORD	12 405	2
BRAMBLES	94 782	4
BRENNTAG	3 673	3
BUNZL	364 558	33
BUREAU VERITAS SA	2 997	2
CAE	19 900	1
CANADIAN NAT'L RAILWAY	29 506	15
CAPITA	541 951	37
CATERPILLAR	50 328	25
CATHAY PACIFIC AIRWAYS	81 000	1
CENTRAL JAPAN RAILWAY CO	82 200	37
CH ROBINSON WORLDWIDE	11 200	4
CHIYODA CORP	11 000	1
CINTAS CORP	8 000	2
COBHAM	87 627	2
CP RAILWAY	11 846	7
CSX CORP	69 926	8
CUMMINS	14 100	9
DAI NIPPON PRINTING CO	47 000	2
DAIKIN INDUSTRIES	18 100	3
DANAHER CORP	45 396	14
DEERE & CO	29 134	14
DELTA AIR LINES	14 300	1
DEUTSCHE POST	62 873	8
DOVER CORP	12 477	5
DSV DE SAMMENSLUT VOGN	21 618	3
DUN & BRADSTREET CORP	2 900	1
EAST JAPAN RAILWAY CO	113 690	41
EATON CORP PLC	32 916	10
EDENRED	11 646	2
EMERSON ELECTRIC CO	168 754	50
EQUIFAX	8 500	3
EXPEDITORS INTL WASH.	14 600	3
EXPERIAN	70 484	6
FANUC	14 800	15
FASTENAL CO	18 700	5
FEDEX CORP	84 771	43
FERROVIAL	44 452	4
FIAT INDUSTRIAL ORD	67 388	4
FINNING INT'L	11 000	2
FLOWSERVE CORP	4 900	4
FLUOR CORP	12 000	4
FRAPORT	2 540	1
FRASER AND NEAVE	63 000	3
FUJI ELECTRIC CO	44 000	1
FURUKAWA ELECTRIC CO	50 000	1
G4S	1 521 846	35
GEA GROUP	17 398	3
GEBERIT	2 608	3
GENERAL ELECTRIC CO	837 244	98
GRAINGER (WW)	4 600	5
GROUPE EUROTUNNEL	38 273	2
GS YUASA CORP	14 000	0
HANKYU HANSHIN HLDG	1 218 000	35
HERTZ GLOBAL HOLDING	14 800	1
HINO MOTORS	18 000	1
HITACHI CONSTR. MACHINE.	9 200	1
HOCHTIEF	3 218	1
HOPEWELL HOLDINGS	43 500	1

Note 14 continues on next page

Note 14 Shares and equity fund units

NOK millions	Number	Market value
HUNT (J.B.) TRANSPORT	10 900	4
HUTCHISON PORT TRUST	352 000	2
HUTCHISON WHAMPOA	170 400	10
IHI CORP	90 000	1
IHS INC A	6 900	4
ILLINOIS TOOL WORKS	129 832	44
IMI	25 854	3
INGERSOLL-RAND	23 049	6
INTERTEK GROUP	11 437	3
INT'L AIRLINES GROUP	62 458	1
INVENSYS	57 213	2
IRON MOUNTAIN	10 069	2
ITOCHU CORP	116 100	7
JAPAN AIRLINES CO	4 000	1
JAPAN STEEL WORKS	17 000	1
JGC CORP	16 700	3
JOY GLOBAL	7 100	3
JTEKT CORP	15 200	1
KAJIMA CORP	67 000	1
KAMIGUMI CO	16 000	1
KANSAS CITY SOUTHERN	7 700	4
KAWASAKI HEAVY IND	156 000	2
KBR	9 800	2
KEIKYU CORP	27 000	1
KEIO CORP	34 000	1
KEISEI ELECTRIC RAILWAY	19 000	1
KEPPEL CORP	94 160	5
KINDEN CORP	15 000	1
KINTETSU CORP	144 900	3
KOMATSU	72 000	10
KONE B	12 426	5
KUBOTA CORP	86 100	5
KUEHNE & NAGEL INT'L	5 042	3
KURITA WATER INDUSTRIES	6 000	1
LEGRAND	158 981	37
LEIGHTON HOLDINGS	26 474	3
LIXIL GROUP CORP	22 400	3
LUFTHANSA	16 060	2
MABUCHI MOTOR CO	2 100	0
MAKITA CORP	13 400	3
MAN STAMM	2 888	2
MANPOWERGROUP	4 900	1
MARUBENI CORP	127 000	5
MASCO CORP	52 601	5
MEGGITT	53 425	2
MELROSE	82 182	2
METSO CORP	8 726	2
MITSUBISHI CORP	108 400	11
MITSUBISHI ELECTRIC CORP	149 200	7
MITSUBISHI HEAVY IND	234 100	6
MITSUI & CO	134 000	11
MITSUI OSK LINES	65 000	1
MTR CORP	72 758	2
NABTESCO CORP	7 000	1
NGK INSULATORS	34 000	2
NIDEC CORP	8 800	3
NIELSEN HOLDINGS	7 700	1
NIPPON EXPRESS CO	26 000	1
NIPPON YUSEN K.K	142 000	2
NOBLE GROUP	302 617	2
NORFOLK SOUTHERN CORP	116 924	40
NSK	38 000	1
NWS HOLDINGS	115 241	1
OBAYASHI CORP	42 000	1
ODAKYU ELECTRIC RAILWAY	42 000	2
PACCAR	26 086	7
PALL CORP	8 900	3

NOK millions	Number	Market value
PARK24 CO	7 000	1
PARKER HANNIFIN CORP	11 689	6
PENTAIR	16 133	4
PHILIPS ELECTRS (KON.)	80 164	12
PITNEY BOWES	14 300	1
PRECISION CASTPARTS CORP	11 200	12
PRYSMIAN	13 913	2
QANTAS AIRWAYS	70 645	1
QUANTA SERVICES	30 300	5
RANDSTAD HOLDING	7 458	2
REPUBLIC SERVICES	220 975	36
REXEL	8 294	1
RITCHIE BROS. AUCTIONEER	6 500	1
ROBERT HALF INT'L	7 500	1
ROCKWELL AUTOMATION	11 000	5
ROCKWELL COLLINS	113 081	37
ROLLS-ROYCE GROUP	559 731	44
ROPER INDUSTRIES	7 500	5
SAINT-GOBAIN	31 378	7
SANDVIK	79 903	7
SCANIA B	25 361	3
SCHINDLER NAMEN	4 300	3
SCHINDLER PART	4 073	3
SCHNEIDER ELECTRIC	123 078	49
SECOM CO	129 800	36
SECURITAS B	17 072	1
SEMBCORP INDUSTRIES	131 000	3
SEMBCORP MARINE	135 000	3
SENSATA TECH HLDG	6 800	1
SGS	387	5
SHIMIZU CORP	43 000	1
SIEMENS	119 272	72
SINGAPORE AIRLINES	62 800	3
SKANSKA B	398 469	36
SKF B	31 434	4
SMC CORP	4 200	4
SMITHS GROUP	40 444	4
SNC-LAVALIN GROUP	12 100	3
SOJITZ CORP	92 700	1
SOUTHWEST AIRLINES CO	8 200	0
SPX CORP	3 500	1
STANLEY BLACK & DECKER	12 554	5
STERICYCLE	8 100	4
STOLT NIELSEN	188 365	22
SULZER	1 400	1
SUMITOMO CORP	556 200	39
SUMITOMO ELECTRIC IND	58 200	4
SUMITOMO HEAVY IND	46 000	1
TAISEI CORP	70 000	1
THALES	4 809	1
THE ADT CORPORATION	15 075	4
THK CO	8 200	1
TNT EXPRESS	21 592	1
TOBU RAILWAY CO	69 000	2
TOKYU CORP	76 200	2
TOLL HOLDINGS	45 868	1
TOPPAN PRINTING CO	69 700	2
TOTO	19 000	1
TOYOTA TSUSHO	16 300	2
TRANSDIGM GROUP INC	3 300	3
TRANSURBAN GROUP	88 365	3
TYCO INTERNATIONAL	230 785	38
UNION PACIFIC CORP	78 884	55
UNITED CONTINENTAL HLD	5 800	1
UNITED PARCEL SERVICE B	128 824	53
UNITED TECHNOLOGIES CORP	139 989	64
USHIO	8 100	0

NOK millions	Number	Market value
VALLOUREC	7 425	2
VERISK ANALYTICS A	8 600	2
VINCI	159 319	42
VOLVO B	107 325	8
VOPAK (KON.)	4 181	2
WARTSILA B	13 384	3
WASTE MANAGEMENT	30 258	6
WEIR GROUP	16 388	3
WEST JAPAN RAILWAY CO	159 200	35
WOLSELEY	21 054	6
XYLEM	11 110	2
YAMATO HOLDINGS CO	433 400	36
ZARDOYA OTIS	11 128	1
ZODIAC AEROSPACE	3 319	2
TOTAL, INDUSTRY		2 075
ACCENTURE A	126 600	47
ACTIVISION BLIZZARD	26 800	2
ADOBE SYSTEMS	33 804	7
ADVANTEST CORP	5 100	0
AKAMAI TECHNOLOGIES	10 000	2
ALLIANCE DATA SYSTEMS	3 300	3
ALTERA CORP	18 500	4
AMADEUS IT HLDG A	25 300	4
AMPHENOL CORP	11 100	4
ANALOG DEVICES	17 815	4
ANSYS	5 600	2
APPLE	64 360	191
APPLIED MATERIALS	86 285	5
ARM HOLDINGS	92 707	6
ARROW ELECTRONICS	6 600	1
ASML HLDG	21 765	8
ATOS	5 196	2
AUTODESK	22 900	5
AUTOMATIC DATA PROCESS	33 316	11
AVAGO TECHNOLOGIES	15 600	3
AVNET	9 400	2
BMC SOFTWARE	10 822	2
BROADCOM CORP A	33 519	6
BROTHER INDUSTRIES	15 900	1
CA INC	22 624	3
CANON INC	76 350	16
CAP GEMINI SA	9 765	2
CGI GROUP A	24 500	3
CISCO SYSTEMS	368 625	40
CITRIX SYSTEMS	11 300	4
COGNIZANT TECH SOLUTIONS	20 800	9
COMPUTER SCIENCES CORP	16 967	4
COMPUTERSHARE	54 572	3
CORNING	102 172	7
CREE INC	4 100	1
DASSAULT SYSTEMES	3 966	2
DELL	100 098	6
DENA CO	6 400	1
DOLBY LABORATORIES A	3 300	1
EBAY	82 320	23
ELECTRONIC ARTS	34 098	3
EMC CORP	141 400	20
EQUINIX	3 400	4
ERICSSON (LM) B	202 760	11
F5 NETWORKS	4 700	3
FACEBOOK A	71 200	11
FIDELITY NAT'L INFO SVCS	183 667	36
FISERV	9 661	4
FLEXTRONICS INT'L	101 200	3
FLIR SYSTEMS	10 500	1
FUJI FILM HOLDINGS CO	27 400	3
FUJITSU	100 200	2
GEMALTO	6 555	3

NOK millions	Number	Market value
GOOGLE A	18 600	73
HAMAMATSU PHOTONICS K.K	4 800	1
HARRIS CORP	129 500	35
HEWLETT-PACKARD CO	549 023	44
HEXAGON B	20 400	3
HIROSE ELECTRIC CO	1 800	1
HITACHI	312 000	10
HOYA CORP	29 300	3
IBIDEN CO	18 700	2
IBM CORP	105 819	113
INFINEON TECHNOLOGIES	74 892	3
INTEL CORP	630 855	72
INTUIT	19 056	6
JUNIPER NETWORKS	36 300	4
KEYENCE CORP	3 075	5
KLA TENCOR CORP	11 288	3
KONAMI CO	8 300	1
KONICA MINOLTA HOLDINGS	40 500	2
KYOCERA CORP	10 300	5
LAM RESEARCH CORP	13 700	3
LINEAR TECHNOLOGY CORP	195 987	37
LINKEDIN CORP A	5 700	4
LSI LOGIC	33 800	1
MARVELL TECHNOLOGY GROUP	29 800	1
MASTERCARD A	7 400	20
MAXIM INTEGRATED PRDCTS	33 800	6
MELLANOX TECHNOLOGIES	2 127	1
MICROCHIP TECHNOLOGY	197 600	36
MICRON TECHNOLOGY	89 100	3
MICROSOFT CORP	739 062	110
MOTOROLA SOLUTIONS	17 680	5
MURATA MANUFACTURING CO	14 300	5
NEC CORP	244 400	3
NETAPP	25 039	5
NICE SYSTEMS	4 209	1
NINTENDO CO	7 200	4
NIPPON ELECTRIC GLASS CO	56 000	2
NOKIA CORP	223 430	5
NOMURA RESEARCH INST	6 900	1
NTT DATA CORP	172	3
NUANCE COMMUNICATIONS	14 800	2
NVIDIA	42 650	3
OMRON CORP	13 700	2
OPEN TEXT CORP	4 000	1
ORACLE CORP	276 375	51
ORACLE CORP JAPAN	3 900	1
PAYCHEX	22 965	4
QUALCOMM	118 310	41
RACKSPACE HOSTING	7 300	3
RED HAT	13 500	4
RESEARCH IN MOTION	27 400	2
RICOH CO	32 600	2
ROHM CO	7 200	1
SAGE GROUP (THE)	86 384	2
SAIC	36 800	2
SALESFORCE.COM	8 900	8
SANDISK CORP	14 300	3
SAP STAMM	64 646	29
SEAGATE TECHNOLOGY	25 000	4
SHIMADZU CORP	16 000	1
STMICROELECTRONICS	43 533	2
SUMCO	5 400	0
SYMANTEC CORP	49 600	5
SYNOPSYS	8 900	2
TDK CORP	11 300	2
TE CONNECTIVITY	28 750	6
TERADATA	11 500	4
TEXAS INSTRUMENTS	77 085	13
TOKYO ELECTRON	12 200	3

Note 14 continues on next page

Note 14 Shares and equity fund units

NOK millions	Number	Market value
TOTAL SYSTEM SERVICES	13 201	2
TREND MICRO	7 200	1
TRIMBLE NAVIGATION	7 400	2
UNITED INTERNET	6 719	1
VERIFONE SYSTEMS	7 600	1
VERISIGN	8 200	2
VISA A	37 400	32
VIZRT	1 370 000	27
VMWARE A	5 200	3
WESTERN DIGITAL	22 000	5
WESTERN UNION	35 794	3
XEROX CORP	82 063	3
XILINX	18 473	4
YAHOO JAPAN CORP	1 490	3
YASKAWA ELECTRIC CORP	15 000	1
YOKOGAWA ELECTRIC CORP	13 600	1
TOTAL, IT		1 491
AGNICO-EAGLE MINES	13 389	4
AGRIUM	11 000	6
AIR LIQUIDE	24 061	17
AIR PRODUCTS & CHEMICALS	86 629	41
AIR WATER	11 000	1
AIRGAS	4 400	2
AKZO NOBEL	18 226	7
ALBEMARLE CORP	6 100	2
ALCOA	84 350	4
ALLEGHENY TECHNOLOGIES	8 900	2
ALUMINA	198 826	1
AMCOR	791 670	37
ANGLO AMERICAN (GB)	107 101	18
ANTOFAGASTA	31 028	4
ARCELORMITTAL	72 158	7
ARKEMA	4 808	3
ASAHI KASEI CORP	123 200	4
BALL CORP	144 210	36
BASF	72 842	38
BHP BILLITON LTD	255 771	55
BHP BILLITON PLC	165 979	32
BOLIDEN	28 116	3
BORAL	96 685	2
CELANESE CORP	12 100	3
CENTERRA GOLD	12 700	1
CF INDUSTRIES HOLDINGS	4 500	5
CLIFFS NATURAL RESOURCES	9 400	2
CRH	57 408	6
CRODA INTERNATIONAL	9 190	2
CROWN HOLDINGS	21 900	4
DAICEL CORP	22 000	1
DOW CHEMICAL CO	92 056	17
DU PONT (E.I) DE NEMOURS	203 967	51
EASTMAN CHEMICAL CO	11 700	4
ECOLAB	22 500	9
ELDORADO GOLD CORP	46 600	3
EMS-CHEMIE HOLDING	564	1
EURASIAN NATURAL RES	22 349	1
EVRAZ GROUP	26 028	1
FIRST QUANTUM MINERALS	32 900	4
FLETCHER BUILDING	92 280	4
FORTESCUE METALS GROUP	84 297	2
FRANCO-NEVADA CORP	13 100	4
FRESNILLO PLC	22 000	4
GIVAUDAN	661	4
GLENCORE INTERNATIONAL	303 366	10
GOLDCORP	62 409	13
HARDIE (JAMES) IND	29 696	2

NOK millions	Number	Market value
HOLCIM	17 641	7
IAMGOLD CORP	45 300	3
ILUKA RESOURCES	25 800	1
IMERYS	2 598	1
INMET MINING CORP	4 000	2
INT'L FLAVORS FRAGRANCES	93 964	35
INT'L PAPER CO	32 650	7
ISRAEL CHEMICALS	29 819	2
ISRAEL CORP	183	1
JFE HOLDINGS	32 100	3
JOHNSON MATTHEY	16 248	3
JSR CORP	35 500	4
K & S	13 774	4
KANSAI PAINT CO	17 000	1
KAZAKHMYS	14 678	1
KINROSS GOLD CORP	87 700	5
KOBE STEEL	277 000	2
KONINKLIJKE DSM	10 352	3
KURARAY CO	21 600	2
LAFARGE (FRANCE)	13 979	5
LANXESS	7 400	4
LINDE	48 047	46
LYONDELLBASELL INDS A	24 400	8
MARTIN MARIETTA MATRLS	3 500	2
MEADWESTVACO CORP	28 100	5
MITSUBISHI CHEMICAL HLDG	85 250	2
MITSUBISHI GAS CHEMICAL	30 000	1
MITSUBISHI MATERIALS	188 000	4
MITSUI CHEMICALS	48 100	1
MONSANTO CO	41 100	22
MOSAIC CO (THE)	22 900	7
NEW GOLD	31 400	2
NEWCREST MINING	58 941	8
NEWMONT MINING HLDG	169 814	44
NIPPON STEEL & SUMITOMO	585 725	8
NITTO DENKO CORP	11 000	3
NORTHLAND RESOURCES SA	4 900 000	29
NOVOZYMES B	18 809	3
NUCOR CORP	25 164	6
OJI HOLDINGS CORP	141 800	3
ORICA	23 451	3
OSISKO MINING CORP	33 800	2
OWENS-ILLINOIS	22 500	3
OXANE MATERIALS	2 000 000	23
OZ MINERALS	52 968	2
PAN AMERICAN SILVER CORP	11 900	1
PPG INDUSTRIES	56 526	43
PRAXAIR	22 982	14
RANDGOLD RESOURCES	6 340	3
REXAM	938 083	37
ROCK-TENN CO A	4 800	2
SALZGITTER	2 456	1
SEALED AIR CORP	14 200	1
SHERWIN-WILLIAMS CO	6 800	6
SHIN-ETSU CHEMICAL CO	31 600	11
SHOWA DENKO K.K	98 000	1
SIGMA-ALDRICH	9 544	4
SIKA INHABER	209	3
SILVER WHEATON	27 200	5
SIMS METAL MANAGEMENT	9 438	1
SINO-FOREST CORPORATION	24 800	0
SOLVAY	6 012	5
STORA ENSO R	62 575	2
SUMITOMO CHEMICAL CO	160 100	3
SUMITOMO METAL MINING CO	33 700	3
SYNGENTA	7 289	16

NOK millions	Number	Market value
TAIHEIYO CEMENT CORP	76 000	1
TECK RESOURCES B	44 426	9
TEIJIN	69 000	1
THYSSEN KRUPP	26 692	3
TORAY INDUSTRIES	116 100	4
TOYO SEIKAN KAISHA	9 800	1
TURQUOISE HILL RES	28 100	1
UBE INDUSTRIES	77 000	1
UMICORE	7 129	2
UPM-KYMMENE	36 249	2
US STEEL CORP	14 800	2
VOESTALPINE	7 045	1
VULCAN MATERIALS CO	16 085	5
XSTRATA	161 943	15
YAMANA GOLD	58 800	6
TOTAL, RAW MATERIALS		1 031
AT&T	573 589	108
BCE INC	152 937	36
BELGACOM	15 903	3
BELL ALIANT	5 100	1
BEZEQ ISRAEL TELECOM.	173 888	1
BT GROUP	525 536	11
CENTURYLINK	41 818	9
CROWN CASTLE INT'L CORP	19 700	8
DEUTSCHE TELEKOM	189 111	12
ELISA A	9 543	1
FRANCE TELECOM	657 832	40
FRONTIER COMMUNICATIONS	72 965	2
HKT TRUST AND HKT	166 000	1
ILIAD	1 536	1
INMARSAT	26 655	1
KDDI	101 800	40
KPN (KON.)	1 273 377	35
LEVEL 3 COMMUNICATIONS	24 100	3
METROPCS COMMUNICATIONS	22 400	1
MILLICOM INT'L CELLULAR	3 200	2
NTT CORP	166 498	39
NTT DOCOMO	5 096	41
PORTUGAL TELECOM SGPS	55 307	2
ROGERS COMMUNICATIONS B	155 781	39
SBA COMMUNICATIONS A	9 500	4
SINGAPORE TELECOM	475 680	7
SOFTBANK CORP	59 700	12
SPRINT NEXTEL SERIES 1	201 879	6
SWISSCOM	1 610	4
TDC	55 000	2
TELE2 B	17 116	2
TELECOM CORP NEW ZEALAND	319 007	3
TELECOM ITALIA ORD	555 418	3
TELECOM ITALIA RNC	680 689	3
TELEFONICA	710 616	53
TELEKOM AUSTRIA	40 830	2
TELENET	3 821	1
TELIASONERA	145 765	5
TELSTRA CORP	300 964	8
TELUS CORP NV	10 137	4
VERIZON COMMUNICATIONS	197 534	48
VIVENDI	352 713	44
VODAFONE GROUP	5 727 246	80
WINDSTREAM CORP	32 500	1
ZIGGO	5 268	1
TOTAL, TELECOM		728
ACCIONA	1 437	1
AGL ENERGY	50 755	4
ALLIANT ENERGY CORP	138 444	34
AMEREN CORP	217 120	37
AMERICAN ELECTRIC POWER	167 282	40

NOK millions	Number	Market value
AMERICAN WATER WORKS CO	12 000	2
APA GROUP	43 737	1
CALPINE CORP	21 300	2
CANADIAN UTILITIES A	3 400	1
CENTERPOINT ENERGY	27 500	3
CENTRICA	1 420 550	43
CHEUNG KONG INFRASTRUCT.	113 000	4
CHUBU ELECTRIC POWER CO	43 200	3
CHUGOKU ELECTRIC POWER	17 800	2
CLP HOLDINGS	126 600	6
CMS ENERGY CORP	17 800	2
CONSOLIDATED EDISON	123 218	38
DOMINION RESOURCES	38 802	11
DTE ENERGY	107 962	36
DUKE ENERGY CORP	140 304	50
E. ON	122 216	13
EDF	333 224	34
EDISON INTERNATIONAL	21 000	5
EDP ENERGIAS DE PORTUGAL	2 127 246	36
ELECTRIC POWER DEV	6 140	1
ENAGAS	283 520	33
ENEL	446 705	10
ENEL GREEN POWER	118 762	1
ENTERGY CORP	103 122	37
EXELON CORP	253 385	42
FIRSTENERGY CORP	171 412	40
FORTIS	15 173	3
FORTUM CORP	336 673	35
GAS NATURAL SDG	23 555	2
GDF-SUEZ	89 650	10
HOKKAIDO ELECTRIC POWER	6 000	0
HOKURIKU ELECTRIC POWER	8 400	1
HONGKONG CHINA GAS	301 250	5
IBERDROLA	276 576	8
INTEGRYS ENERGY GROUP	4 700	1
KANSAI ELECTRIC POWER CO	46 000	3
KYUSHU ELECTRIC POWER CO	48 900	3
MDU RESOURCES GROUP	12 600	1
NATIONAL GRID	253 074	16
NEXTERA ENERGY	26 850	10
NISOURCE	26 800	4
NORTHEAST UTILITIES	22 222	5
NRG ENERGY	29 700	4
OGE ENERGY CORP	7 000	2
ONEOK	19 000	5
OSAKA GAS CO	1 668 800	34
PEPCO HOLDINGS	15 500	2
PG&E CORP	171 779	38
PINNACLE WEST CAPITAL	120 700	34
POWER ASSETS HOLDINGS	771 300	37
PPL CORP	239 454	38
PUBLIC SV ENTERPRISE CO	225 721	38
RED ELECTRICA CORP	10 336	3
RWE STAMM	33 212	8
RWE VORZUG	2 126	0
SCANA CORP	134 472	34
SEMPRA ENERGY	15 493	6
SEVERN TRENT	18 565	3
SHIKOKU ELECTRIC POWER	5 300	0
SNAM	147 178	4
SOUTHERN CO	61 307	15
SSE	313 606	40
SUEZ ENVIRONNEMENT	34 801	2
TERNA	88 384	2
TOHO GAS CO	55 000	2
TOHOKU ELECTRIC POWER CO	21 600	1
TOKYO ELECTRIC POWER CO	82 600	1
TOKYO GAS CO	167 100	4
TRANSALTA CORP	17 342	1

Note 14 continues on next page

Note 14 Shares and equity fund units

NOK millions	Number	Market value
UNITED UTILITIES GROUP	46 270	3
VEOLIA ENVIRONNEMENT	19 414	1
VERBUND	3 460	0
WISCONSIN ENERGY CORP	22 000	5
XCEL ENERGY	246 660	37
TOTAL, DISTRIBUTION		1 084
TOTAL FOREIGN		16 732
TOTAL SHARES		19 587
TOTAL, ENERGY		2 760
TOTAL, FINANCIAL		3 845
TOTAL, CONSUMABLES		1 763
TOTAL. DISTRIBUTION		1 084
TOTAL, HEALTH		1 714
TOTAL, INDUSTRY		2 320
TOTAL, IT		1 629
TOTAL, CONSUMER GOODS		2 159
TOTAL, RAW MATERIALS		1 312
TOTAL, TELECOM		962
TOTAL, UNSPECIFIED		37
TOTAL SHARES		19 587

EQUITY FUNDS

NOK millions	Number	Market value
21 CENTRALE PARTNERS IV, FCPR	35 000 000	178
ABERDEEN INDIRECT PARTNERS EUROPA	357 978	167
ABERDEEN INDIRECT PROPERTY PARTNERS ASIA	611 445	216
ABINGWORTH BIOVENTURES V CO-INVEST GROWTH EQ. FUND	8 000 000	39
ALLIANCE VENTURE INTERNAL PARTNERSHIP	17 175 000	6
ALTOR 2003 FUND	2 000 000	7
ASTORG V FCPR	50 000 000	50
CAPMAN BUYOUT FUND VIII	10 000 000	49
CEVIAN CAPITAL II LP EUR CLASS C	250 000	234
CUBERA SECONDARY (GP) KS	7 231 661	4
CUBERA SECONDARY KS	72 316 606	40
CUBILITY AS	14 994	53
DANSKE PRIVATE EQUITY PARTNERS IV K/S	20 000 000	49
DANSKE PRIVATE EQUITY PARTNERS V	15 000 000	4
ENERGY VENTURES II B IS	31 213 670	37
ENERGY VENTURES II KS	54 076 386	32
ENERGY VENTURES III LP	75 000 000	52
ENERGY VENTURES IV LP	30 000 000	34
EUROPRISE SUB-FUND A	1 995	107
FORBION CAPITAL FUND I CO-INVESTMENT FUND I	7 000 000	41
FORBION CAPITAL FUND I CO-INVESTMENT FUND II	5 300 000	20
FORBION CAPITAL FUND II C.V.	15 000 000	59
FSN CAPITAL II L.P.	13 000 000	45
GERMAN EQUITY PARTNERS IV	15 000 000	2
HERKULES PRIVATE EQUITY III	120 000 000	82
HGCAPITAL 6	45 000 000	275
HGCAPITAL MERCURY A	20 000 000	11
HITECVISION ASSET SOLUTIONS	35 000 000	131
HITECVISION PRIVATE EQUITY III	30 000 000	0
HITECVISION PRIVATE EQUITY IV	13 000 000	85
HITECVISION PRIVATE EQUITY V LP	35 000 000	160
HITECVISION VI LP	70 000 000	33
INCITIA VENTURES II IS/AS	27 950 000	12
INDEX VENTURES GROWTH II, L.P.	20 000 000	44
INDEX VENTURES VI (JERSEY) LP	10 000 000	18
INNKAP 4 PARTNERS L.P.	5 000 000	19
JPMORGAN EUROPEAN PROPERTY FUND	1 990	66
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS I	2 193 988	2 456
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS II	25 000	28
KLP AKSJE VERDEN INDEKS	25 000	29
KLP AKSJEASIA INDEKS I	56 869	46
KLP AKSJEASIA INDEKS II	726 942	490
KLP AKSJEEUROPA INDEKS I	993 393	838
KLP AKSJEEUROPA INDEKS II	433 184	427
KLP AKSJEGLOBAL INDEKS I	1 546 650	1 900
KLP AKSJEGLOBAL INDEKS II	482 935	609
KLP AKSJENORDEN	935 373	1 829
KLP AKSJENORGE	1 005 485	3 439
KLP AKSJENORGE INDEKS	2 139 213	2 960
KLP AKSJEUSA INDEKS II	2 115 071	2 243
KLP AKSJEUSA INDEKS USD	1 634	13
KLP KOMBINASJONFOND M	25 000	27
KLP KOMBINASJONSFOND	25 000	27
MORGAN STANLEY EUROZONE OFFICE FUND CLASS C2	1 824 497	57
NAZCA CAPITAL III, FCR	22 500 000	45
NEOMED INNOVATION IV L.P.	5 000 000	21
NMI FRONTIER FUND KS	17 975 000	18
NMI GLOBAL FUND KS	29 160 000	29
NORTHZONE V K/S		5 000 000
NORTHZONE VI L.P.	5 000 000	25
NORVESTOR IV L.P.	10 000 000	22
NORVESTOR V	17 000 000	61
NORVESTOR VI	156 000 000	42
PARTNERS GROUP SECONDARY 2008	40 000 000	268
PERUSA PARTNERS FUND 2, L.P.	18 000 000	13
PRIVEQ INVESTMENT FUND IV L.P.	225 000 000	75
QUADRIGA CAPITAL PRIVATE EQUITY FUND IV	25 000 000	30
SOFINNOVA CAPITAL VII	10 000 000	3
SPECIAL SITUATIONS VENTURE PARTNERS III LP	14 500 000	11
SSGA EMERGING MARKETS SRI ENHANCED EQUITY FUND	9 988 680	583
TRITON FUND III	30 000 000	157
VERDANE CAPITAL V B K/S	34 697 497	14
VERDANE CAPITAL VI K/S	50 000 000	17
VERDANE CAPITAL VII K/S	140 000 000	79
TOTAL EQUITY FUNDS		21 455

ALTERNATIVE INVESTMENTS IN SHARES

NOK millions	Number	Market value
KLP ALFA GLOBAL ENERGI	906 091	892
KLP ALFA GLOBAL RENTE	907 435	907
SECTOR SPESIT 1 A USD	14 166	3
TOTAL ALTERNATIVE INVESTMENTS		1 803
TOTAL INVESTMENTS		42 846

Note 14 Shares and equity fund units

SHARES AND UNITS DISTRIBUTION BY PORTFOLIO	Common portfolio	Investment option portfolio	Corporate portfolio	Total
SHARES	19 051	0	0	19 051
LONG TERM SHARES	347	0	189	536
EQUITY FUND UNITS	21 137	318	0	21 455
ALTERNATIVE INVESTMENTS	1 803	0	0	1 803
TOTAL	42 339	318	189	42 846

PERCENTAGE UNITS STOCK MARKET LISTED	
SHARES NORWAY	86 %
SHARES FOREIGN	99 %
EQUITY FUND UNITS	0 %
ALTERNATIVE INVESTMENTS	0 %

Note 15 Securities adjustment fund short-term financial assets

NOK millions	Acquisition cost 31.12.2012	Fair value 31.12.2012	Valuation reserves 31.12.2012	Valuation reserves 31.12.2011
Valuation reserves shares shares	37 289	40 471	3 181	833
Valuation reserves share derivatives	0	-142	-142	-66
Valuation reserves fixed interest investments	78 733	84 858	6 125	4 101
Valuation reserves interest rate derivatives	0	124	124	82
Variation margin daily settlement futures	0	0	0	7
Base for allocation to the securities adjustment fund			9 288	4 958
Securities adjustment fund			9 288	4 958

The securities adjustment fund comprises positive unrealized gains on the the short-term financial assets linked to the common portfolio.

If net securities valuation reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through profit or loss. Unrealized securities valuation reserves associated with short-term financial assets in foreign currency that can be ascribed to foreign exchange rate changes are not allocated to the securities adjustment fund if the investment is hedged against exchange rate changes. Foreign exchange rate changes linked to the hedging instrument are thus not allocated to the securities adjustment fund either but are taken directly to profit or loss.

Note 16 Investment properties

NOK millions	2012	2011
Rental income	40	38
Operating expenses	0	0
Net financial income	1	1
Net income from investment properties	41	38

NOK millions	2012	2011
Book value 1. January	941	949
Profit for the year	41	38
Transfers to KLP	-20	-46
Additions	3	0
Net write-up/down resulting from change in fair value	0	0
Book value 31.December	964	941

Note 17 Technical matters

Insurance liabilities distributed by sector

NOK millions	Group pension – public sector	Group life	31.12. 2012	31.12. 2011	Change 2012	Change 2011
Premium reserve	250 022	7	250 029	223 164	26 865	16 847
Supplementary reserves	12 375		12 375	12 319	56	2 156
Securities adjustment fund	9 288		9 288	4 958	4 330	-2 492
Premium fund	3 931		3 931	2 829	1 103	-688
Claims reserve	152	60	212	163	49	84
Buffer reserves	7		7	7	0	0
Total insurance liabilities	275 776	67	275 843	243 439	32 403	15 906

Changes in life insurance technical liabilities

NOK millions	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium fund	Buffer reserves	Claim reserves	Total 2012	Total 2011
Insurance liabilities 01.01	223 164	12 319	4 958	2 828	7	163	243 439	227 533
Net reserves taken to income	26 865	-7	4 330	60	0	49	31 296	16 653
Surplus on returns result				2 122			2 122	1 133
Risk result assigned to insurance contracts				38			38	154
Other assignment of surplus				206			206	165
Total changes taken to income	26 865	-7	4 330	2 426	0	49	33 663	18 104
Transfers between funds/allocated to premium payment		-2		-1 406			-1 408	-2 241
Receipts/payments on transfer		66		83			149	43
Transferred to/from the Company							0	0
Total changes not taken to income	0	64	0	-1 323	0	0	-1 259	-2 198
Total changes in insurance liabilities	26 865	56	4 330	1 103	0	49	32 403	15 906
Insurance liabilities 31.12	250 029	12 375	9 288	3 931	7	212	275 843	243 439

Group pension, public sector, with annual return guarantee and group life

NOK millions	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium fund	Buffer reserves	Claim reserves	Total 2012	Total 2011
Insurance liabilities 01.01	221 889	12 234	4 958	2 801	0	163	242 045	227 260
Net reserves taken to income	26 720	-7	4 330	59		49	31 151	16 608
Surplus on returns result				2 118			2 118	1 133
Risk result assigned to insurance contracts				38			38	153
Other assignment of surplus				205			205	166
Total changes taken to income	26 720	-7	4 330	2 420	0	49	33 512	18 061
Transferred to obligations with multi-year returns guarantee	0	0		0			0	-1 028
Transfers between funds/allocated to premium payment				-1 410			-1 410	-2 272
Receipts/payments on transfer		66		83			149	27
Transferred to/from the Company							0	0
Total changes not taken to income	0	66	0	-1 327	0	0	-1 261	-3 273
Total changes in insurance liabilities	26 720	58	4 330	1 093	0	49	32 251	14 786
Insurance liabilities 31.12	248 610	12 293	9 288	3 894	0	212	274 296	242 045

Group pension, public sector, with multi-year return guarantee

NOK millions	Premium reserve	Supple-mentary reserves	Premium fund	Buffer reserves	Total 2012	Total 2011
Insurance liabilities 01.01	1 275	85	28	7	1 394	273
Net reserves taken to income	145	0	1		146	45
Surplus on returns result			4		4	0
Risk result assigned to insurance contracts			0		0	1
Other assignment of surplus			1		1	-1
Total changes taken to income	145	0	6	0	151	45
Transferred from obligations with annual returns guarantee	0	0			0	1 028
Transfers between funds/allocated to premium payment		-2	4		2	32
Receipts/payments on transfer		0			0	16
Total changes not taken to income	0	-2	4	0	2	1 075
Total changes in insurance liabilities	145	-2	10	0	152	1 121
Insurance liabilities 31.12	1 420	83	37	7	1 547	1 394

Life insurance income statement

Technical accounts

NOK million	Group pension insurance Public 2012	2011	Group life insurance 2012	2011	Total 2012	2011
Premium income	28 891	21 606	134	146	29 025	21 752
Net income Common Portfolio	16 407	7 415	4	5	16 412	7 420
Net income Investment Option Portfolio	105	30			105	30
Other insurance-related income	651	660			651	660
Life insurance claims	-10 752	-9 890	-130	-143	-10 882	-10 033
Change insurance liabilities - contractual	-31 101	-16 617	-1	-1	-31 101	-16 618
Change insurance liabilities - investment option	-146	-45			-146	-45
Funds assigned to insurance contracts - contractual	-2 366	-1 451			-2 366	-1 451
Insurance-related operating expenses	-809	-784	-5	-4	-813	-788
Other insurance-related costs	-647	-656			-647	-656
Technical result	233	268	3	3	236	271

Result analysis

	Group pension - public							
	Defined benefit scheme w/yearly return guarantee		Defined benefit scheme w/ multi-year return guarantee		Group life		Total	
NOK million	2012	2011	2012	2011	2012	2011	2012	2011
Net financial income (incl. items from other income and costs	16 411	7 419	105	30	4	5	16 521	7 453
Change securities adjustment fund	-4 330	2 492					-4 330	2 492
Share of securities adjustment fund paid out on transfer	0	-16					0	-16
Guaranteed interest assigned to contracts	-7 092	-6 596	-42	-41	-4	-5	-7 138	-6 642
Returns result	4 989	3 299	63	-11	0	0	5 052	3 286
To/from supplementary and buffer reserves	0	-2 153	0	9			0	-2 143
Return result after supplementary provisions	4 989	1 146	63	-2	0	0	5 052	1 143
Risk result	257	307	1	2	-1	-3	258	305
Administration premiums and contribution from administration reserve	894	839	0	0	8	10	903	849
Insurance-related operating expenses	-809	-784	0	0	-5	-4	-813	-788
Administration result	86	55	0	0	4	7	89	61
Consideration for interest guarantee	290	211	1	1			292	212
Ttotal result elements before allocation to customers	5 622	1 719	66	1	3	3	5 691	1 722
Return result and risk result for increasing reserves	-3 030	0	-60				-3 090	0
Return result and risk result allocated to the customers' premium fund	-2 155	-1 286	-5	0			-2 160	-1 286
Return Corporate Portfolio assigned to customers' premium fund	-204	-165	-1	-1			-205	-165
Technical result	233	268	0	0	3	3	236	271
Non-technical result							538	434
Result to corporate equity							775	705

Note 18 Intangible assets

NOK millions	2012	2011
Book value 01.01.	293	306
Acquisition cost 01.01.	652	576
Total additions	68	76
of which internally developed	20	17
of which bought	47	59
Disposals	0	0
Acquisition cost 31.12 [1]	720	652
Accumulated depreciation and write-downs previous years	-359	-269
Ordinary depreciation for the year	-57	-55
Write-downs [2]	0	-35
Accumulated depreciation and write-downs 31.12.	-416	-359
Book value 31.12.	303	293
Depreciation period	3 to 10 years	3 to 10 years

[1] KLP's intangible assets comprise purchased or in-house developed software.

[2] At the end of 2012 no IT systems were identified with a book value in excess of the estimated sum recoverable. In 2011 three IT systems were identified with a book value in excess of the estimated sum recoverable. The estimated recoverable sum is calculated by estimating future pay-back. This resulted in the following assessment:

NOK millions	31.12.2012	31.12.2011
Book value before write-down	0	89
Recoverable sum	0	54
Write-down	0	35

The write-down is included as part of insurance-related administration costs in the statement of income.

Note 19 Hedge accounting

31.12.2012 NOK millions	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	10	-974
Hedging instrument			
Combined interest and currency swap	984	0	-10
Hedging effectiveness as at 31.12.2012		100 %	
Hedging effectiveness through the year		100 %	

31.12.2011 NOK millions	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	-161	-1 145
Hedging instrument			
Combined interest and currency swap	984	161	161
Hedging effectiveness as at 31.12.2011		100 %	
Hedging effectiveness through the year		100 %	

The hybrid Tier 1 securities loans are hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is recognized in accordance with the rules on fair value hedging, which inter alia mean that the hedging is carried out by an external party, that a formal earmarking and documentation of the hedging arrangement is entered into, as well is that it is expected to be very effective and that this is continuously reviewed, as well as that the recognition is carried out as described below. In practice the hedging involves a swap of currency terms (JPY billion 15 against NOK billion 0.984) and interest terms (fixed interest at 5.07% against NIBOR +2.6475%) on the borrowing and the combined interest and currency swap respectively. The hedging effectiveness is measured by looking at the change in fair value of the hedged object and the hedging instrument. The hedging effectiveness equals 100%.

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

Fair value hedging means that the hedged value development of the hedged object is recognized through profit or loss. Correspondingly the value change on the hedged instrument is taken through profit or loss . The aim of the hedging arrangement above is to hedge the hedged object with a hedging instrument in which the hedging instrument's terms give negative correlation in relation to the hedged object: this significantly reduces or eliminates the effect on income. If the hedging ratio is 100% the net effect on income of the hedged object and the hedging instrument will be 0.

KLP uses hedging widely but the majority of instances are ordinary financial hedging. The above item is the only one in which hedge accounting is used. The aim of financial hedging is the same, i.e. to reduce or eliminate the effect on income the hedged part of the hedging arrangement represents.

Since the value change on the hedged object and the hedging instrument are approximately 100% negatively correlated, the profit/loss effect will be approximately nil. See also Note 2 for a detailed description of the hedge accounting in the accounts.

Note 20 Subordinated loan capital and hybrid Tier 1 securities

2012

NOK millions	Loan amount currency	Loan amount NOK	Book value 31.12.2012	Due date
Borrowings [1]				
October 1997	JPY 9 500	554	615	Perpetual
April 2006	EUR 300	2 372	2 276	Perpetual
Total subordinated loan capital		2 926	2 891	
April 2004	JPY 15 000	984	974	Perpetual
Total hybrid Tier 1 securities		984	974	
Total subordinated loan capital and hybrid Tier 1 securities		3 911	3 865	

2011

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

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

EUR 300 : The interest on the loan is fixed at 5.25% p.a. until 11 April 2016 after which it changes to a variable rate set at 2.27% above three months' EURIBOR. The loan is perpetual but KLP has the right to redeem it at par on 11 April 2016 The loan is currency hedged by a similar investment in EUR-denominated bonds as shown in the table below. KLP has not invoked hedge accounting for the financial hedging associated with this borrowing. The composition of bonds was changed in 2012.

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

2012

NOK millions	Nominal currency	Acquisition cost NOK	OIF interest	Unrealized currency	Book value 31.12.2012	Due date
Bonds	JPY 9 500	635	2	-24	613	2017
Bonds [2]	EUR 304	2 411	37	-172	2 276	2015/2016
Total hedging transactions		3 080	39	-195	2 889	

2011

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

[1] Interest costs on the two subordinated loans were NOK 143 million (NOK 151.3 million) and NOK 42.2 million (NOK 41.8 million) for the hybrid Tier 1 securities in 2012. Figures in brackets are 2011 figures.
[2] Changed composition of bonds through 2012 and 2011.

Note 21 Capital control and capital adequacy

NOK millions	31.12.2012	31.12.2011
Owners' equity contributed	6 891	6 217
Retained earnings	6 499	5 723
Total owners' equity	13 390	11 941
Hybrid Tier 1 securities	965	984
Intangible assets	-303	-293
Risk equalization fund	-490	-431
Unrealized price changes in the corporate portfolio	-61	-133
Deductions for investments in other financial institutions	-3	-3
Other owners' equity	-217	-217
Surplus fund	-3	-19
Core capital	13 277	11 828
Perpetual subordinated loan capital	2 813	3 032
Deduction Tier 1 and 2 capital in other financial institutions	-3	-3
Supplementary capital	2 809	3 028
Net Tier 1 and 2 capital	16 087	14 857

Assets and off-financial position statement items by risk weighting [1]	Non-weighted sums		Weighted sums	Non-weighted sums		Weighted sums
Fixed interest securities	48 626	0 %	0	49 884	0 %	0
Covered bonds	19 759	10 %	1 976	21 079	10 %	2 108
Fixed income securities, lending, bank deposits and fixed income funds	76 562	20 %	15 312	64 271	20 %	12 854
Housing mortgage lending	8 805	35 %	3 082	6 338	35 %	2 218
Fixed income funds	25 606	50 %	12 803	15 954	50 %	7 977
Shares, equity funds and fixed income securities	114 005	100 %	114 005	99 779	100 %	99 779
Private equity	4 654	150 %	6 980	3 626	150 %	5 439
Total weighted assets in the financial position statement			154 158			130 375
Derivatives and contingent liabilities	56 401		2 928	37 895		3 031
Deduction Tier 1 and 2 capital in other financial institutions			-6			-6
Deduction unrealized gains on financial investments			-5 885			-4 022
Risk-weighted calculation base			151 195			129 378
Capital adequacy ratio			10,6 %			11,5 %
Core capital adequacy			8,8 %			9,1 %

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

Life insurance companies are subject to special regulations that set requirements for capital management and that provide investment limitations in the management of the pension customers' funds. The Company's strategy for management of its pension customers' funds is formulated within the scope allowed by the regulations. The investment areas (asset classes) in which the capital is to be placed are defined. The different asset classes have different characteristics and risk profiles and the proportion invested in the different asset classes is continuously adjusted on the basis of the business's ability to bear, and appetite for, risk. This is monitored and reported on a daily basis. Besides financial diversification of its customers' assets, the Company has a long-term investment strategy in which risk-taking is continuously matched to the Company's ability to bear risk. That risk-bearing ability is based on the risk being correlated with the Company's financial buffers and its ability to tolerate unexpected negative movements.

For more information concerning capital and risk management attention is drawn to Note 7 Risk management.

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

The capital adequacy is reported quarterly at company level and half-yearly at the consolidated level.

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

Supplementary capital
Subordinated loans in foreign currency are valued at the lower of the exchange rate on the calculation date and the exchange rate on the date taken up, apart from the subordinated loan in Japanese yen (JPY).For this, instead of the date taken up, the exchange rate as at 29 October 2001 is used, the date of the application to the FSA to use a different exchange-rate.The hybrid Tier 1 securities loan is also subject to the lower value principle.

The deduction of Tier 1 and Tier 2 capital in other financial institutions is divided 50/50 between core capital and supplementary capital in accordance with Section 7 of the Regulations on calculation of subordinated capital.

The authorities' minimum requirement for capital adequacy is set at 8 per cent for insurance companies as for other financial institutions.

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

Note 22 Solvency margin

NOK millions	2012	2011	2010	2009	2008
Solvency margin requirement	9 641	8 718	8 172	7 580	7 030
Tier 1 and 2 capital	16 087	14 857	13 632	12 606	11 652
Proportion of risk equalization fund [1]	245	215	132	117	117
50 per cent of supplementary reserves	6 146	6 160	5 081	4 076	1 970
Total solvency capital	22 478	21 232	18 845	16 798	13 740
Solvency margin ratio	233,2 %	243,5 %	230,6 %	221,6 %	195,5 %

[1] Proportion of contingency fund up to and including 2007

The solvency margin requirement is calculated i.a.w. Regulations of 19 May 1995 No. 481 on calculation of solvency margin requirements and solvency margin capital for Norwegian life-insurance companies Chapter 2.

Note 23 Return on capital

Customer portfolios

Per cent	2012	2011	2010	2009	2008
Total of common portfolio					
Return I	5,0	4,5	5,1	6,4	1,0
Return II	6,7	3,2	7,5	7,7	-3,0
Return III	7,5	3,9	7,4	7,6	-1,7
Total - investment option portfolio	7,5	2,2	8,6	9,2	Not applicable

Return I = Book return

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

Return III = Value adjusted returns including value changes on assets recognised at amortised cost. These value changes are not included in the accounting income for the year

The common portfolio's sub-portfolios have had the following returns:

	2012		2011		2010		2009		2008	
Per cent	Return I	Return II	Return I	Return II	Return I	Return II	Return I	Return II	Return I	Return II
Balanced portfolio 1	5,0	6,7	4,5	3,2	5,1	7,5	6,1	7,4	0,9	-3,1
Balanced portfolio 2	5,0	6,7	4,5	3,3	5,1	7,5	7,0	8,2	1,1	-2,8
Proactive portfolio	Not applicable		Not applicable		5,4	7,9	6,8	8,0	2,7	-2,3

Corporate portfolio

Per cent	2012	2011	2010	2009	2008
Return on financial investments in the corporate portfolio	4,5	4,2	5,2	6,7	4,0

For the corporate portfolio there is no difference in return I and II since no special provisions are made for any unrealized added value.

Note 24 Sales costs

NOK millions	2012	2011
Personnel costs	62,4	54,6
Commission	0,2	0,2
Other costs	40,0	44,5
Total sales costs	102,6	99,3

Note 25 Pensions obligations, own employees

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

The accounting treatment of pension obligations is described in more detail in Note 2 and 3.

NOK millions	Joint scheme	Via operation	2012	2011
Pension costs				
Present value of accumulation for the year	60	5	66	50
Interest cost	22	3	25	30
Gross pension cost	83	8	91	80
Expected return	-19	0	-19	-22
Administration costs/Interest guarantee	2	0	2	2
Net pension cost including administration costs	66	8	74	60
Social security costs net pension cost including administration costs	9	1	10	8
Plan change taken to income	0	0	0	0
Pension costs including social security costs through income	79	10	89	68

NOK millions	Joint scheme	Via operation	2012	2011
Pension obligations				
Gross accrued obligations	696	90	786	905
Pension assets	496	7	503	445
Net pension liabilities/assets before social security costs	200	83	283	460
Social security costs	28	12	40	65
Net liability incl. social security costs	228	95	323	525
Actuarial loss/gain excl. social security costs not taken to income	64	-8	55	-143
Actuarial loss/gain social security costs not taken to income	9	-1	8	-20
Capitalized net liabilities/assets including social security costs	301	85	386	362

Number	2012	2011
Member status ("Fellesordningen")		
Number active	476	474
Number deferred (previous employees with deferred entitlements)	317	132
Number of pensioners	118	140

NOK millions	Joint scheme	Via operation	2012	2011
Development of actuarial gains/losses not taken to income				
Actuarial gains/(losses) not taken to income 01.01	-139	-24	-163	-9
Actuarial gain/loss funds	1	0	1	-3
Actuarial gain/loss obligation	181	12	193	-132
SSC on deviation	26	2	27	-19
Actuarial gains/(losses) not taken to income 31.12	73	-10	63	-163

NOK millions	Joint scheme	Via operation	2012	2011
Change in pension assets				
Gross pension assets book value 01.01.	438	7	445	402
Expected return	19	0	19	22
Actuarial losses/gains	1	0	1	-3
Administration costs/interest guarantee	-2	0	-2	-2
Premiums paid in/contribution (including administration costs)	53	4	57	41
Curtailment/settlement	0	0	0	0
Payments	-13	-4	-17	-15
Gross pension assets book value 31.12.	496	7	503	445

Note 25 Pensions obligations, own employees, continued

NOK millions	Joint scheme	Via operation	2012	2011
Change in pension obligations				
Gross pension obligations book value 01.01.	807	98	905	708
Gross pension obligations OB after plan change	807	98	905	708
Present value of accumulation for the year	60	5	66	50
Interest cost	22	3	25	30
Actuarial losses/gains	-181	-12	-193	132
Payments	-13	-4	-17	-15
Gross pension obligations book value 31.12.	696	90	786	905

NOK millions	Joint scheme	Via operation	2012	2011
Pension scheme's over-/under-financing				
Present value of the defined benefits pension obligation	696	90	786	905
Fair value of the pension assets	496	7	503	445
Net pension liability	200	83	283	460

NOK millions	2012	2011	2010	2009
Pension scheme's over-/under-financing last 4 years				
Present value of the defined benefits pension obligation	905	708	664	617
Fair value of the pension assets	445	402	351	301
Net pension liability	460	306	312	316

NOK millions	Joint scheme	Via operation	2012	2011
Return on pension assets				
Expected returns on pension assets	19	0	19	22
Actuarial loss/gain on pension funds	1	0	1	-3
Actual return on pension funds	20	0	20	19

	2012	2011
Financial assumptions for the income statement (common to all pension schemes)		
Discount rate	2,60 %	4,00 %
Salary growth	3,50 %	4,00 %
National Insurance basic sum (G)	3,25 %	3,75 %
Pension increases	2,48 %	2,97 %
Expected return	4,10 %	5,40 %
Social security contribution rates	14,10 %	14,10 %
Amortization time	15 years	15 years
Corridor magnitude	10,00 %	10,00 %

	2012	2011
Financial assumptions for the financial position statement (common to all pension schemes)		
Discount rate	3,90 %	2,60 %
Salary growth	3,50 %	3,50 %
National Insurance basic sum (G)	3,25 %	3,25 %
Pension increases	2,48 %	2,48 %
Expected return	3,90 %	4,10 %
Social security contribution rates	14,10 %	14,10 %
Amortization time	15 years	15 years
Corridor magnitude	10,00 %	10,00 %

Actuarial assumptions

KLP's joint pension scheme for municipalities and enterprises ("Fellesordningen"):
An important part of the basis of pension costs and pension liabilities is how mortality and disability develop amongst the members of the pension scheme. The 2012 calculation is based on a strengthened K2005 mortality tariff and a disability frequency corresponding with that observed in KLP's total membership.

Take-up of AFP for 2012 (per cent in relation to remaining employees):
The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 45 per cent who retire with an AFP pension. It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

Voluntary termination for Fellesordning during 2012 (in %)

Years	Turnover
< 20	20 %
20-23	15 %
24-29	10 %
30-39	7,5 %
40-50	5 %
51-55	2 %
>55	0 %

Longevity: A strengthened K2005 has been used for mortality assumptions.

Pensions via operation:
Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2005 has been used as for Fellesordningen

	2012	2011
Composition of the pension assets:		
Property	11,5 %	11,7 %
Lending	11,0 %	10,4 %
Shares	16,2 %	14,3 %
Long-term/HTM bonds	30,6 %	33,1 %
Short-term bonds	22,2 %	22,0 %
Liquidity/money market	8,5 %	8,6 %
Total	100,0 %	100,0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 6.7 per cent in 2012 and 3.3 per cent in 2011.

Expected payment into benefits plans after cessation of employment for the period 1 January 2012 – 31 December 2013 is NOK 51,659,337.

The revised accounting standard IAS 19 comes into effect for the accounting year starting 1 January 2013. Changes in IAS 19 have significance for how the pension obligation and the pension cost are presented in the financial statements. An important change is that the actuarial gains and losses are to be recognized in other income and expenses in the comprehensive income statement and not to be included in the ordinary income for the period. The corridor method in which actuarial gains and losses outside a predetermined level are distributed over the remaining accumulation period will not be allowed. On transition to the new rules, on the date of transition, 1 January 2013, the corridor must be attributed to the owners' equity. As at 31 December 2012 the corridor shows an actuarial gain of NOK 63,068,746.

Note 26 Tax

NOK millions	2012	2011
Accounting income before taxes	775	705
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	2 808	5 210
Reversal of value increase financial assets	-8 251	-6 617
Book loss on realization of shares and other securities	0	840
Accounting gain on realization of shares and other securities	0	-663
Tax gain on realization of shares and other securities	198	54
Refunding of 3% tax-free income i.a.w. the exemption method	0	4
Share of taxable income in partnerships	0	72
Share of book income in partnerships	0	-34
Other permanent differences	-90	-203
Change in differences affecting relationship between book and tax income	205	-344
Taxable income	-4 355	-977
Group contribution received with tax effect	2 964	1 677
Surplus/deficit for the year is transferred to carryforward deficit	-1 391	701
Deficit carryforward allowable from previous years	-16 003	-16 703
Change for the year in carryforward deficit	-1 391	701
Total carryforward deficit and allowance as at 31 December 2012	-17 393	-16 003

Unused allowance from previous years may only be used within 10 years. The Company used none in 2012 and it is not very likely the Company will be able to use the remaining allowance before it expires.

Reconciliation of basis for deferred tax		
Tax-increasing temporary differences:	31.12.2012	31.12.2011
Fixed assets	36	33
Long-term receivables	43	286
Risk equalization fund	490	431
Securities	12 860	4 914
Total tax-increasing temporary differences	13 429	5 663
Tax-reducing temporary differences:		
Pension obligations	-386	-362
Unused allowance share dividend	-93	-238
Total tax-reducing temporary differences	-479	-600
Net temporary differences	12 950	5 063
Carryforward deficit	-17 393	-16 003
Basis for deferred tax assets	-4 444	-10 939
28% deferred tax assets	-1 244	-3 063
Write-down of deferred tax assets	-1 244	3 063
Capitalised deferred tax assets	0	0
Change in deferred tax taken to income	0	0
Summary of tax expense for the year		
Change in deferred tax taken to income	0	0
Tax payable taken to income	0	0
Total taxes	0	0
Wealth tax		
Taxable value assets	271 822	234 054
Taxable value liabilities	-282 455	-249 003
Net taxable wealth	-10 633	-14 949

Note 27 Salary and obligations towards senior management etc.

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines. Further information on remuneration schemes in companies forming the KLP Group is available in the document "Godtgjørelsesordninger i KLP" that may be found at www.klp.no (Norwegian language only).

Senior employees are defined as the Group CEO and Executive Vice Presidents employed in the parent company KLP and forming part of the senior management team.

All those included in the senior employee group referred to in this Note are pensionable at age 65. Pension costs for the year include accumulation for the year and interest costs less expected returns and plan change.

The Group Chief Executive Officer has termination salary corresponding to a year's salary including supplementary benefits in the event of termination of the employment contract. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for its members of the Board of Directors.

All employees in the Group may take up loans with KLP on lending terms and conditions for staff. No senior employee has terms and conditions that deviate from this. Loans to external members of the Board of Directors, the Control Committee and the Supervisory Board are only made on general lending terms and conditions.

Directors fees are set by the Supervisory Board. KLP shares a joint Supervisory Board with its subsidiary, KLP Skadeforsikring AS.

KLP has a joint Control Committee with subsidiaries in the Group required to have a Control Committee.

All benefits are shown without the addition of social security costs.

2012
Paid from the Company

NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2012	Payments plan[1]
Senior employees						
Sverre Thornes, Group CEO	3 254	122	1 230	7 507	2,70-3,60	A2042
Ole Jacob Frich, Executive Vice President Communications	1 380	124	456	7 053	3,15-3,90	A2041
Aage Schaanning, Executive Vice President and CFO	3 180	125	1 094	4 017	2,70-3,60	A and S2032
Rune Mæland, Executive Vice President IT	1 463	136	365	1 638	2,70	A2035
Toril B. Ressem, Executive Vice President Group Services	1 548	146	697	7 688	2,95-3,60	A and S2033
Mette-Jorunn Meisland, Executive Vice President Marketing	1 203	120	487	5 999	2,95-3,45	A2038
Board of Directors						
Arne Øren, Chairman	297	-	-	-	-	-
Finn Jebsen, Deputy Chair	240	-	-	-	-	-
Herlof Nilssen	208	-	-	468	3,55	A2025
Gunn Marit Helgesen	103	-	-	-	-	-
Jan Helge Gulbrandsen	156	-	-	-	-	-
Marit Torgersen	175	-	-	-	-	-
Siv Holland, elected by and from the employees	156	-	-	-	-	-
Freddy Larsen, elected by and from the employees	208	-	-	-	-	-
Control Committee						
Ole Hetland, Chair	70	-	-	-	-	-
Jan Rune Fagermoen, Deputy Chair	58	-	-	-	-	-
Bengt P. Johansen	58	-	-	-	-	-
Line Alfarustad	29	-	-	-	-	-
Dordi E. Flormælen	58	-	-	-	-	-
Thorvald Hillestad	44	-	-	-	-	-
Supervisory Board						
Total Supervisory Board, incl. employee representatives	550	-	-	36 012	-	-
Employees						
Total loans to employees of KLP	-	-	-	478 162	-	-

Note 27 Salary and obligations towards senior management etc., continued

2012
Paid from another company in the same Group

NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan
Senior employees				
Sverre Thornes, Group CEO	-	-	-	-
Ole Jacob Frich, Executive Vice President Communications	-	-	-	-
Aage Schaanning, Executive Vice President and CFO	-	-	-	-
Rune Mæland, Executive Vice President IT	-	-	-	-
Toril B. Ressem, Executive Vice President Group Services	-	-	-	-
Mette-Jorunn Meisland, Executive Vice President Marketing	-	-	-	-
Board of Directors				
Arne Øren, Chairman	-	-	-	-
Finn Jebsen, Deputy Chair	-	-	-	-
Herlof Nilssen	-	-	-	-
Gunn Marit Helgesen	-	-	-	-
Jan Helge Gulbrandsen	-	-	-	-
Marit Torgersen	-	-	-	-
Siv Holland, elected by and from the employees	-	-	-	-
Freddy Larsen, elected by and from the employees	-	-	-	-
Control Committee				
Ole Hetland, Chair	19	-	-	-
Jan Rune Fagermoen, Deputy Chair	16	-	-	-
Bengt P. Johansen	16	-	-	-
Line Alfarustad	8	-	-	-
Dordi E. Flormælen	16	-	-	-
Thorvald Hillestad	12	-	-	-
Supervisory Board				
Total Supervisory Board, incl. employee representatives	-	-	-	4 573
Employees				
Total loans to employees of KLP	-	-	-	42 942

2011
Utbetalt fra selskapet

NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2011	Payments plan[1]
Senior employees						
Sverre Thornes, Group CEO	3 063	165	1 001	7 507	2,70-3,60	A2038
Ida Espolin Johnson, Executive Vice President, Life Insurance	2 234	116	803	8 400	3,15-4,60	A2039
Ole Jacob Frich, Executive Vice President Communications	1 334	130	395	6 576	3,15-3,90	A2041
Aage Schaanning, Executive Vice President and CFO	2 814	120	871	2 977	2,70-2,95	A2031
Rune Mæland, Executive Vice President IT	1 394	160	277	1 741	2,70	A2034
Toril B. Ressem, Executive Vice President Group Services (January and February)	378	29	90	2 707	2,95-3,60	A2041
Cathrine Hellandsvik, Executive Vice President Group Services (March to December)	990	88	260	2 002	2,95-3,45	A2037
Mette-Jorunn Meisland, Executive Vice President Marketing	1 134	117	381	6 000	2,95-3,45	A2038
Board of Directors						
Arne Øren, Chair	283	-	-	-	-	-
Finn Jebsen, Deputy Chair	226	-	-	-	-	-
Herlof Nilssen	188	-	-	497	3,75	A2031
Gunn Marit Helgesen	175	-	-	-	-	-
Jan Helge Gulbrandsen	150	-	-	-	-	-
Marit Torgersen	89	-	-	-	-	-
Siv Holland, elected by and from the employees	150	-	-	-	-	-
Freddy Larsen, elected by and from the employees	188	-	-	-	-	-
Control Committee						
Ole Hetland, Chair	67	-	-	-	-	-
Jan Rune Fagermoen, Deputy Chair	56	-	-	-	-	-
Beng P. Johansen	84	-	-	-	-	-
Line Alfarustad	29	-	-	-	-	-
Dordi E. Flormælen	29	-	-	-	-	-
Supervisory Board						
Total Supervisory Board, incl. employee representatives	530	-	-	36 770	-	-
Employees						
Total loans to Group employees	-	-	-	621 400	-	-

[1]

[2] S= Serial loan, A= Annuity loan, last payment.

Note 27 Salary and obligations towards senior management etc., continued

2011
Paid from another company in the same Group

NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan
Senior employees				
Sverre Thornes, Group CEO	-	-	-	-
Ida Espolin Johnson, Executive Vice President, Life Insurance	-	-	-	-
Ole Jacob Frich, Executive Vice President Communications	-	-	-	-
Aage Schaanning, Executive Vice President and CFO	-	-	-	-
Rune Mæland, Executive Vice President IT	-	-	-	-
Toril B. Ressem, Executive Vice President Group Services (January and February)	-	-	-	-
Cathrine Hellandsvik, Executive Vice President Group Services (March to December)	-	-	-	-
Mette-Jorunn Meisland, Executive Vice President Marketing	-	-	-	-
Board of Directors				
Arne Øren, Chair	-	-	-	-
Finn Jebsen, Deputy Chair	-	-	-	-
Herlof Nilssen	-	-	-	-
Gunn Marit Helgesen	-	-	-	-
Jan Helge Gulbrandsen	-	-	-	-
Marit Torgersen	-	-	-	-
Siv Holland, elected by and from the employees	-	-	-	-
Freddy Larsen, elected by and from the employees	-	-	-	-
Control Committee				
Ole Hetland, Chair	19	-	-	-
Jan Rune Fagermoen, Deputy Chair	16	-	-	-
Beng P. Johansen	16	-	-	-
Line Alfarustad	8	-	-	-
Dordi E. Flormælen	8	-	-	-
Supervisory Board				
Total Supervisory Board, incl. employee representatives	-	-	-	-
Employees				
Total loans to Group employees	-	-	-	-

[1] S= Serial loan, A= Annuity loan, last payment.

Note 28 Number of employees

	2012	2011
Number of permanent employees 31.12.	477	460
Average number of employees	469	455

Note 29 Auditor's fee

NOK millions	2012	2011
Ordinary audit	2,2	2,1
Certification services	0,0	0,0
Tax consultancy	0,0	0,0
Other services excluding audit	0,1	0,0
Total Auditor's fee	2,3	2,1

The sums above include VAT.

Note 30 Transactions with related parties

All transactions with related parties are carried out on market terms and conditions. The exception is administrative services used across the Group. Costs for administrative services are allocated at actual cost in accordance with actual usage.

All accounts between companies in the same Group are settled on a current basis.

NOK millions	2012	2011
Income statement items		
Purchase of administrative services from KLP Kapitalforvaltning AS	-91	-101
Purchase of administrative services from KLP Banken AS	-79	-59
Release of office premises from KLP Huset AS	-46	-45
Sale of pension insurance/group life to subsidiaries	85	63
Interest income from loans to subsidiaries	44	110
Net repayment administrative services	187	165
Total	100	132

NOK millions	31.12.2012	31.12.2011
Financial position statement items		
Net outstanding accounts to:		
KLP Skadeforsikring AS	7	57
KLP Bedriftspensjon AS	4	3
KLP Forsikringsservice AS	0	2
KLP Kapitalforvaltning AS	-2	21
KLP Fondsforvaltning AS	1	9
KLP Eiendom AS [1]	1 819	1 503
KLP Banken AS [2]	8	5 307
Group contribution [3]	7	0
Total	1 846	6 902

[1] Receivables from KLP Eiendom apply to intra-Group receivables and non-settled Group contribution as at 31 December 2012 and 31 December 2011.
[2] Receivables for 2011 from KLP Banken AS are a loan of NOK 4.3 billion excluding accrued market interest rates at fixed interest falling due on 15 March 2012 and a certificate loan of NOK 1.0 billion excluding accrued market interest at fixed interest rate falling due on 1 February 2012.
[3] Group contribution in regard to KLP Forsikringsservice (NOK 1.3 million) and KLP Fondsforvaltning AS (NOK 6.0 million)

Note 31 Other liabilities

NOK millions	2012	2011
Accounts payable	10	18
Debt to insurance customers	0	3
SSC, VAT and tax deductions due	236	225
Outstanding accounts Group companies	-17	19
Non-settled securities trade	3 644	92
Total other liabilities	3 874	357

Note 32 Other insurance-related income and expenses

NOK millions	2012	2011
Other income		
Contribution service pension/AFP	642	655
Miscellaneous interest income	10	6
Total other income	651	660
Other expenses		
Payments service pension/AFP	642	655
Other interest costs	6	2
Total other expenses	647	656

Note 33 Contingent liabilities

NOK millions	31.12.2012	31.12.2011
Guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	3 250	3 658
Approved, not paid out KLP loan pledge	1 159	850
Items not included in the statement of financial position	4 410	4 510

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PHOTO **ELI BLEIE MUNKELIEN**

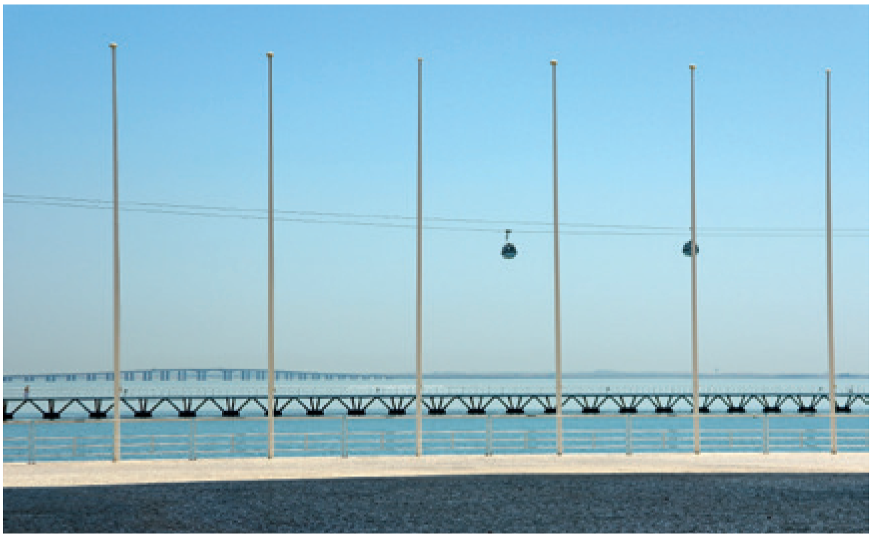

PHOTO **ANDERS EIDSNES**

PHOTO **LILLAN NORA BERGLUND**

To the Annual General Meeting of Kommunal Landspensjonskasse Gjensidig Forsikringsselskap

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Kommunal Landspensjonskasse Gjensidig Forsikringsselskap, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2012, and the income statement, statement of changes in equity and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2012, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Kommunal Landspensjonskasse Gjensidig Forsikringselskap as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Kommunal Landspensjonskasse Gjensidig Forsikringselskap as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19 March 2013
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

PHOTO **ØYVIND GARSJØ**

PHOTO **KRISTIAN KAARØD**

PHOTO **CHRISTIN OLDERBRÅTEN**

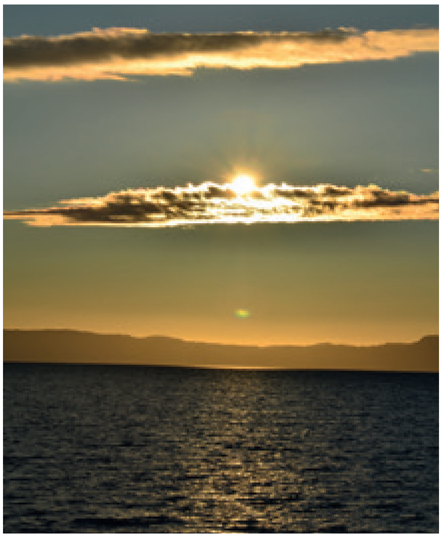

PHOTO **KAROLINE BALTERZEN**

ACTUARY'S STATEMENT – KOMMUNAL LANDSPENSJONSKASSE

With reference to the financial statements presented for 2012 it is confirmed that the technical provisions have been made in accordance with the applicable calculation assumptions and the parameters applicable to increasing reserves for increased longevity, and thus in accordance with the regulatory requirements.

In addition the allocations to the risk equalization fund proposed are in accordance with the Norwegian Act on Insurance Activity.

In the Joint Pension Scheme for Municipalities and Enterprises (Fellesordningen for kommuner og bedrifter), the Joint Pension Scheme for County Administrations (Fellesordningen for fylkeskommuner), the Joint Pension Scheme for State Health Enterprises (Fellesordningen for statlige helseforetak) and the Pension Scheme for Democratically Elected Representatives (Pensjonsordningen for folkevalgte). KLP has so far used the technical calculation base K2005 with safety margins in accordance with the minimum requirements of the Financial Supervisory Authority of Norway (FSA Norway). This calculation base is no longer adequate in light of the observed and expected development in longevity and from 1 January 2014 will be replaced by K2013, a new and stronger base set out by the FSA based on a report by Finance Norway. Escalation of the premium reserves to the new calculation base's level has begun within the limits accepted by the FSA.

For disability the applicable calculation base has been in use since 2010. The trend in disability in the local government sector has over the years been generally positive so the margins in the disability assumptions have been increasing.

Oslo, 19 March 2013

Roar Engen
Chief Actuary

To the Supervisory Board and General Meeting of
Kommunal Landspensjonskasse gjensidig forsikringsselskap

THE CONTROL COMMITTEE'S COMMENTS ON THE ACCOUNTS FOR 2012

In accordance with Section 9 of its instructions the Control Committee has reviewed the annual financial statements for Kommunal Landspensjonskasse, Company and Group, presented by the Board of Directors. The financial statements comprise the report of the Board of Directors, the statement of income, the statement of financial position, the statement of change in owners' equity, the statement of cash flows and the notes. In addition the actuary's declaration and the auditor's report have been presented.

The Control Committee recommends to the Supervisory Board and the General Meeting that the Company's and Group's annual financial statements and Board of Directors' report for 2012 be adopted in accordance with the recommendation of the Board of Directors, in which the profit for the year of NOK 775.5 million is allocated with NOK 59.6 million to the risk equalization fund and NOK 715.9 million transferred to the equity capital fund under other retained earnings.

Oslo, 5 April 2013

PHOTO **ANNE WESTAD**

PHOTO **MARIE-LUISE LEITE**

To the General Meeting of
Kommunal Landspensjonskasse

The Kommunal Landspensjonskasse Supervisory Board has examined the annual report for Kommunal Landspensjonskasse gjensidig forsikringsselskap, Company and Group, presented by the Board of Directors and comprising the Directors' report, the income statement, the financial position statement, the statement of changes in the owners' equity, the statement of cash flows, notes, the statement of the actuary, the auditor's report and the Control Committee's statement.

The Supervisory Board recommends to the General Meeting that the Company's and Group's annual financial statements and annual report for 2012 be adopted in accordance with the recommendation of the Board of Directors, in which the profit for the year of NOK 775.5 million is allocated with NOK 59.6 million to the risk equalization fund and NOK 715.9 million transferred to the equity capital fund under other retained earnings.

Oslo, 17 April 2013

(signature)
Ingunn Foss
Chair of the Supervisory Board

Elected representatives

KLP'S SUPERVISORY BOARD 2012 – 2014
ELECTED BY THE GENERAL MEETING

Bente Krauss	Vestfold Hospital Health Enterprise
Erik Arne Hansen	N Norway Regional Health Enterprise
Gerd Lisbeth Nauf	Sandefjord lufthavn AS (Torp Sandefjord Airport)
Hilde Christiansen	W Norway Regional Health Enterprise
Inger Østensjø	Stavanger Municipality
Ingunn Foss	Lyngdal Municipality
Kjell Fosse	Stjørdal Municipality
Mette Qvortrup	Østfold Energi AS
Mildrid Søbstad	Vefsn Municipality
Nils A Røhne	Stange Municipality
Ole Haabeth	Østfold County Administration
Ole John Østenstad	Førde Municipality
Per Karlsen	W Norway Regional Health Enterprise
Siri Hovde	Aurskog-Høland Municipality
Solfrid Borge	Ullensvang Municipality
Sveinung Aune	Mid-Norway Regional Health Authority
Terje Olsen	Troms County Administration
Tor Egil Bakken	Larvik Joint Council of Churches
Torgeir Strøm	Innlandet Hospital Health Enterprise
Torhild Bransdal	Vennesla Municipality
Trond Lesjø	Gjøvik Municipality
Unni Skaar	Sarpsborg Municipality
Vibeke Stjern	Åfjord Municipality
Hanne Gaaserød	E Norway Regional Health Authority

DEPUTY MEMBERS

Iselin Marstrander	Valnesfjord specialist health & rehabilitation centre
Trond Søreide	Bergen Hospital Trust
Oddmar Blekkerud	Nes Municipality
Kerstin Thoresen	Nordlands Hospital Trust
Mari Botterud	Øyer Municipality
Kari Ask	Sigdal Municipality
Rune Hovde	Ørsta Municipality
Bersvend Salbu	Tynset Municipality
Heidi Magnussen	St. Olav Hospital Trust
Dag Sandvik	ASVL (employers' association for Vekstbedriftene)
Anna Welle	Saltdal Municipality
Inga Manndal	Gamvik Municipality

NOMINATED BY THE EMPLOYEE ORGANISATIONS

Kjellfrid Blakstad	Norwegian Union of Municipal and General Employees (NUMGE)
Stein Guldbrandsen	NUMGE
Geir Mosti	NUMGE
Erik Orskaug	Confederation of Unions for Professionals, Norway (UNIO)
Erik Kollerud	Delta (public/private sector labour union)
Ole Jakob Knudsen	Naturviterne – the Norwegian Association of Natural Scientists

DEPUTY MEMBERS

Svein Kristiansen	NUMGE
Anne Bondevik	NUMGE

STAFF-ELECTED REPRESENTATIVES

Ann Sundal	KLP Eiendom Trondheim
Anne Beate Lien	KLP Bergen
Erik Falk	KLP Oslo
Gry Løvlund	KLP Oslo
Helge Mæland Nielsen	KLP Bergen
Jøran Østom	KLP Oslo
Kari Bakken	KLP Oslo
Lisbeth Arnesen	KLP Bergen
Magnus Haldorsen	KLP Skadeforsikring
Morten Eidsnes	KLP Bergen
Nina Høgdahl	KLP Skadeforsikring
Torkell Dobbe	KLP Skadeforsikring
Trine Bjelland Ottosen	KLP Oslo
Vidar Stenseth	KLP Oslo
Wenche Westby	KLP Oslo

DEPUTY MEMBERS

Alexander Vistnes	KLP Skade
Susanne Torp-Hansen	KLP Oslo
Steinar Haugland	KLP Skade
Arne Henriksen	KLP Oslo
Eskil Kjeldsen	KLP Oslo

THE ELECTION COMMITTEE

Nils A. Røhne, Ingunn Foss, Mette Qvortrup, Trond Lesjø (deputy)

SUPERVISORY BOARD KLP BANKEN, KLP BANKHOLDING, KLP KREDITT AND KLP KOMMUNEKREDITT (As at 19 March 2013)

Arne Sandbu	Nord-Fron Municipality
Arne Sigurd Mossige	Stavanger Church Council
Arve Varden	Høyanger Municipality
Berit Bore	W Norway Regional Health Enterprise
Egon Bjune	Tønsberg parkering
Eva Lian	Norwegian Association of Local and Regional Authorities (KS)
Hege Sørlie	Namsos Municipality
Heidi Nilsen	Helse Møre og Romsdal Health Trust
Jan Davidsen	NUMGE
Lillian Nærem	Hurdal Municipality
Rita Ottervik	Trondheim Municipality

DEPUTY MEMBERS

Anne Rudi	Rollag Municipality
Aud Norunn Strand	Modum Municipality
Rune Arnøy	Narvik Havn KF
Solveig Abrahamsen	Seljord Municipality
Ørjan Sandvik	Vestre Viken HF
Øystein Sivertsen	KS Troms

EMPLOYEE-ELECTED REPRESENTATIVES

Gordana Grøttjord-Forberg
Grethe R. Nikolaisen
Oddvar Engelsåstrø
Terje Granvold

DEPUTY MEMBERS

Monika Wiktorsdatter
Ragnar Norstad

CONTROL COMMITTEE

Ole Hetland (Chair), Jan Rune Fagermoen (Deputy Chair), Bengt P. Johansen
Dordi Flormælen, Thorvald Hillestad (deputy)

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