KLP
annual report 2013

Development over the last 5 years

NOK millions

KLP Group	2013	2012	2011	2010	2009
Pre-tax income	-107	997	653	515	776
Total assets	369 757	331 783	291 784	271 736	258 549
Owners' equity	15 268	13 630	12 064	10 749	9 721
Capital adequacy ratio	10.0 %	10.3 %	10.9 %	11.5 %	12.0 %
Number of employees	856	808	775	762	741

Kommunal Landspensjonskasse	2013	2012	2011	2010	2009
Pre-tax income	950	772	705	563	738
Premium income (without premium reserves transferred in)	24 928	27 477	21 641	20 291	18 583
Net transfers in/out of premium reserves and other funds	5 753	1 401	-199	-1 335	-1 784
Income to customers	10 421	5 455	3 594	4 651	6 636
of which supplementary reserves	-	-	2 143	2 070	4 211
of which to premium fund	5 891	2 365	1 451	2 581	2 425
Insurance funds	312 127	275 860	243 439	227 533	204 486
Total assets	339 592	299 708	261 746	244 194	223 863
Owners' equity	15 089	13 472	11 941	10 647	9 642
Solvency capital	46 897	44 132	36 190	33 338	25 329
Solvency capital measured against insurance funds with interest guarantee	16.3 %	17.4 %	16.0 %	15.9 %	13.1 %
Capital adequacy ratio	10.3 %	10.6 %	11.5 %	12.0 %	12.6 %
Solvency margin ratio	228.8 %	233.2 %	243.5 %	230.6 %	221.5 %
Return on the common portfolio:					
- book return	6.4 %	5.0 %	4.5 %	5.1 %	6.4 %
- value-adjusted return	8.8 %	6.7 %	3.2 %	7.5 %	7.7 %
- value-adjusted return including VAT on assets recognized at amortized cost	6.4 %	7.5 %	3.9 %	7.4 %	7.6 %
Return investment options portfolio	2.2 %	7.5 %	2.2 %	8.6 %	9.2 %
Insurance-related administration costs measured against average customer funds	0.28 %	0.32 %	0.34 %	0.34 %	0.33 %
Number of premium-paying members	367 967	316 298	309 333	304 985	304 651
Number of pensioners	197 837	182 562	172 272	163 701	155 306
Number of employees	502	477	460	449	427

KLP Bedriftspensjon AS	2013	2012	2011	2010	2009
Pre-tax income	-23	-25	-24	-17	-13
Premium income (without premium reserves transferred in)	188	126	93	52	25
Net inward/outward transfer of premium reserves	189	216	182	89	21
Income to customers	8	15	16	10	12
Total assets	1 792	1 317	904	614	436
Capital adequacy ratio	14.7 %	9.6 %	13.9 %	19.6 %	18.9 %

KLP Skadeforsikring AS	2013	2012	2011	2010	2009
Pre-tax income	190	105	25	70	217
Annual premium	832	750	650	631	609
Combined ratio	103.7 %	107.8 %	118.1 %	121.9 %	95.5 %
Capital adequacy ratio	40.0 %	34.1 %	31.8 %	32.0 %	33.6 %

KLP Banken Konsern	2013	2012	2011	2010	2009
Pre-tax income	87	83	-62	36	-39
Deposits	4 407	2 946	1 840	1 026	36
Lending	21 317	21 875	28 416	26 320	33097
Capital adequacy ratio	19.6 %	20.1 %	14.4 %	26.7 %	113.0 %

KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS	2013	2012	2011	2010	2009
Pre-tax income	33	21	26	19	12
Assets for management in total	287 077	252 037	215 915	196 046	176 609
Assets for management from external customers	28 171	21 153	13 650	14 132	11 343

Responsible
Gordana Grøttjord-Forberg

In 2013 KLP hosted an internal photo contest where the staff were to visualize one of KLP's values: Open, Clear, Responsible and Committed, or a dialog between people.
Olav Storm, photographer, was head of the jury.

We present some of the contributions in this annual report.

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Open

Anders Eidsnes

SVERRE THORNES

Good results and additional customers

KLP can point to good results for 2013. The Company has a large inflow of new customers, good returns and low costs. For the fifth consecutive year KLP has the best value-adjusted return of the companies competing in the public sector pensions market.

Good returns in the equities market, in property and hold-to-maturity bonds were the most important contributors to the good result. KLP's subsidiaries are also making a positive contribution. Value-adjusted and book returns for 2013 ended at 6.7 per cent and 6.4 per cent respectively.

Good solvency and growth

KLP has good financial strength. At the end of 2013 KLP had total solvency capital of NOK 46.5 billion, corresponding to 16.1 per cent. Solvency capital increased during the year by NOK 2.4 billion. At the end of 2013 the KLP Group had total assets of NOK 369.8 billion, whilst the life company had total assets of NOK 339.6 billion. The life company's assets are almost entirely assets accumulated in the current and future pensions of KLP's owners' employees.

Larger reserves for the future

The longevity of the population is increasing. This means that pensions will be paid out over longer periods. All insurance companies are therefore required to use a large proportion of their surplus to strengthen reserves. KLP is using its good results to strengthen the pension funds by NOK 4.5 billion. Therefore KLP has completed the increase in reserves for longevity already this year. In addition, the good result in 2013 provides the capacity to return NOK 5.9 million to the customers' premium fund. With the strengthening of the longevity reserves behind us, and with the good solvency we have built up since 2008, we will again be in a position to be able to share coming surpluses with our customers.

At KLP we are very pleased that we managed to complete the increase in reserves in regard to the new mortality table for collective pension insurance (K2013) by the end of last year. After the end of the reporting period, the Financial Supervisory Authority of Norway has sent a letter to all life companies and pension funds headed: Guidelines for increasing reserves and allocation of surpluses to cover increased reserves in group pension insurance.

This letter provides clarification, inter alia that within a period of seven years KLP must transfer assets from the Company to its public sector occupational pension customers to meet the requirement that the Company covers 20 per cent of the increased reserve requirement.

Transfers to KLP

During 2013 fourteen local authorities and five enterprises with a total of over NOK 6 billion in premium reserves transferred to KLP. Storebrand and DNB Livsforsikring have decided to withdraw from the market for public sector occupational pensions. This means that 78 local authorities and 440 enterprises with a total of NOK 60 billion in premium reserves must change pension provider. This is leading to large-scale transfer activity and during 2014 KLP will welcome 48 local authorities as new customers. In addition agreements have been reached so far with 48 enterprises with public sector occupational pension schemes. This produces combined growth of more than NOK 20 billion in premium reserves and 100,000 new members with pension entitlements.

We can also take pleasure in more and more of our owners' employees choosing to take advantage of the good members' offers we have developed. Those employed by our owners are being offered advantageous products in banking, nonlife insurance and funds. In just a few years KLP has gained more than 50,000 retail customers.

Accepting corporate responsibility

Accepting corporate responsibility is important for KLP. Increased market share and increased pension assets to be managed are also accompanied by increased responsibility. In 2013 it was 10 years since KLP signed the UN Global Compact, a universal standard for corporate social responsibility. We have committed ourselves to working to protect the environment, to secure workers' and human rights and to oppose corruption.

.... for the days to come

We shall be our owners' best partner for the days to come. That is why our owners' needs will always be at the centre of our attention. Our business aims to strengthen their finances, to ease their day-to-day life and to strengthen them as employers. KLP has customers and owners that prioritize solvency and a long-term approach to asset management. With good financial strength and with employees who are both competent and committed, we are in the best position to continue achieving good results for our customers and owners into the future.

We aim to be a stable and predictable partner, regardless of changes in regulatory frameworks and short-term market changes. KLP's customers and owners should feel confident that, going forward, KLP will continue to deliver good returns, have low costs and provide good service.

SVERRE THORNES
Group CEO

Important events in 2013

Delighted winners of KLP's working environment prize

KLP awarded two prizes this year, each of NOK 150,000. Kristine Borvik from Søbakken Sykehjem (nursing home) in Larvik was acclaimed the winner of KLP's Working Environment Prize "Enthusiast of the year". Lunner Municipality, with the culture and quality initiative "Lea'n" won the prize for "Working environment project of the year."

Good results

KLP can point to good results for 2012 with good returns, low costs and large inward transfers of new customers. The Company entered 2013 with strong buffers.

KLP Annual General Meeting

KLP held its Annual General Meeting in Oslo on Tuesday 7 May. The General Meeting adopted the Board's proposal to retrocede NOK 2.4 billion to the customers' Premium Fund, as well as to the provision of NOK 3.1 billion for increased life expectancy reserves.

KLP invests in solar energy in South Africa

KLP invests NOK 35 million in Scatec Solar's two new solar park projects in South Africa. This comes through an agreement on joint investment with the government development fund, the Norwegian Investment Fund for Developing Countries (Norfund), which has negotiated the agreement with Scatec Solar and is investing the same amount.

KLP Magasinet to members

KLP Magasinet No 4 was a dedicated members' edition which was distributed to 450,000 KLP members and pensioners. The aim was that more should become aware of their pension scheme with KLP and that their curiosity should be aroused about our other products and service areas.

Verdict on pension scheme inclusion

Employment situations with several different employers are aggregated and reported if you have worked a total of 168 hours in the course of one quarter. Once the minimum requirement is met each individual employer must include you in the pension scheme, regardless of how many hours you have worked there.This ensures membership of the pension scheme for those who have so far fallen outside the pension scheme.

Major customer selects KLP Skadeforsikring

Vestfold Offentlige Innkjøpssamarbeid (VOIS – Vestfold public sector procurement partnership) went out to tender in 2013 and all the local authorities chose to become a total insurance customer with KLP. The four-year contract will have a value of about NOK 100 million.

Satisfied non-life insurance customers

This year's 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 third consecutive year.

New customers for KLP

KLP's competitors in public sector occupational pensions are on the way out of the market for insured schemes. This resulted in major transfer activity from the end of the year. As at 1 January 2014 KLP received 42 new local-authority customers. A further six local authorities will transfer on 1 July.

2013 January February March April May June July August September October November December 2014

Increasing life expectancy requires increased pension provisions

The Financial Supervisory Authority of Norway has decided on the introduction of a new mortality table, K2013, for group pension insurance in life insurance companies and pension schemes with effect from 2014. For KLP the subsequent total requirement for increase in reserves amounts to NOK 9.0 billion.

Prize for the KLP funds

KLP Pension II was awarded the Morningstar Fund Award for the best Norwegian bond fund for the second year running. Each year Morningstar picks funds and fund managers that have provided particularly good returns the previous year. The winners are selected from those who have delivered good results over three periods: the previous year, the last three years and the last five years.

Winners of the micro-concert

The winner of KLP's "Every time we meet" competition was selected. The prize was a micro-concert with the entertainers Ole Paus, Kurt Nilsen, Magnus Grønneberg and Marion Ravn.

Trondheim looks after schools best

KLP Skadeforsikring is on the jury when Trondheim Municipality is voted Norway's best municipality in the maintenance of school buildings. The award is under the aegis of Norsk Kommunalteknisk forening (NKF) - the Norwegian Association of Municipal Engineers. The winner receives the prize for having high, long-term goals for property management, and for working systematically towards them.

KLP excludes Total

KLP excludes Total from its investments. The company is involved in search operations for potential oil and gas deposits on the continental shelf off West Sahara. Three new companies have been readmitted to KLP's investment universe.

DnB withdraws from public sector occupational pensions

DnB Livsforsikring is withdrawing from the public sector occupational pension market. The withdrawal will be carried out over three years. KLP's most important market challenge in the future will be the option open to its customers to establish their own pension funds. In this market there are multiple providers of administrative services.

KLP Banken launched BSU, young people's housing saving scheme

KLP Banken launched Boligsparing for ungdom (BSU – housing saving for young people), which is the best form of saving for you if you are less than 34 years old. You receive the best saving interest rate and up to NOK 5000 in tax relief. You can save up to NOK 25,000 each year, to a maximum of NOK 200,000.

KLP challenges the Norwegian Government Pension Fund Global

KLP makes a clear call on the new government: The Norwegian Government Pension Fund Global (GPFG) should be permitted to make infrastructure investments, allowing it to invest directly in facilities for the production and distribution of renewable energy.

Improvement in Norwegian climate reporting

84% of the total market capitalization on the Nordic indexes report to investors on climate gas emissions and the work in tackling climate changes through CDP, the only global environmental information system.

Another seven companies excluded

Another seven companies will be excluded from KLP's investments from the start of December. KLP has decided to rescind the exclusion of the Toyota Motor Group. The company has been excluded since 2006 because of associations with contravention of international workers' rights.

Increases in reserves for longevity

KLP's good results in 2013 allow completion of the increase in longevity reserves before the new tariff comes into effect in 2014.

Record payment to KLP pensioners

KLP set a new payment record in 2013. NOK 11.6 billion gross has been paid in pensions. This is NOK 1.1 billion more than last year.

Open

Torun Wahl

KLP's values: Open. Clear.
Responsible. Committed.

KLP'S HEAD OFFICE IS IN OSLO KLP also has an office in Bergen which takes care of life and pensions matters services and customer service. The property company has offices in Oslo, Trondheim, Copenhagen and Stockholm. The bank has offices in Trondheim and Oslo.

This is KLP

KLP's key task is to deliver safe and competitive financial and insurance services to the public sector, to enterprises associated with it and to their employees.

It's customers should perceive KLP to be a predictable partner that strengthens their finances, simplifies their everyday life and helps to make them good and attractive employers. KLP's mutual ownership model, in which the customers are also the owners, means that KLP must always supply products and solutions in consultation with its customers. KLP is to contribute to a more sustainable public sector through exercising corporate social responsibility in its business.

KLP's ambition is to be Norway's leading provider of public sector occupational pensions through competitive and efficient operation. This means delivering and administering public sector occupational pensions with competitive returns over time, lowest costs, and a high level of service.

KLP is the generic term for the parent company, Kommunal Landspensjonskasse gjensidig forsikringsselskap. The Company has seven wholly-owned subsidiaries organized as limited companies. As a mutual insurance company, KLP is owned by its customers with public sector occupational pensions with the Company.

This model was selected because it is financially efficient and because it gives customers and owners influence over an important procurement. The subsidiaries were established to support KLP's core business and enable offerings of responsible and competitive services to KLP's owners and their employees.

KLP 1949 - 1967

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

1962
The Pension Scheme for Nurses is established at KLP by special statute.

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

Business model

KLP is organized as a financial services group in which the parent company is a mutual life insurance company with seven wholly-owned subsidiaries organized as limited companies. The name of the parent company is Kommunal Landspensjonskasse Gjensidig forsikringsselskap (KLP). The Group has a total of 856 employees and total assets of NOK 369.8 billion at the close of 2013.

KLP delivers products and services in:

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

Subsidiaries

KLP Skadeforsikring AS is the market leader in non-life insurance within the public sector. At the end of 2013 the company had a customer relationship with 287 municipalities and 14 county administrations, 2682 enterprises and 44 customers associated with health enterprises.

The company also delivers insurance products to the retail market and has a total of 22,000 retail customers, primarily aimed at the employees of the Group's owners.

KLP Eiendom AS is one of the country's largest property managers with 1,465,000 m² of premises and 372,000 m² of leasehold sites under management, as well as substantial projects under development. On 31 December 2013 the property stock had a value of NOK 40.8 billion. KLP Eiendom has operations in Norway, Sweden, Denmark, Luxembourg and London. The properties have good locations, a high standard of building and efficient space utilization.

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

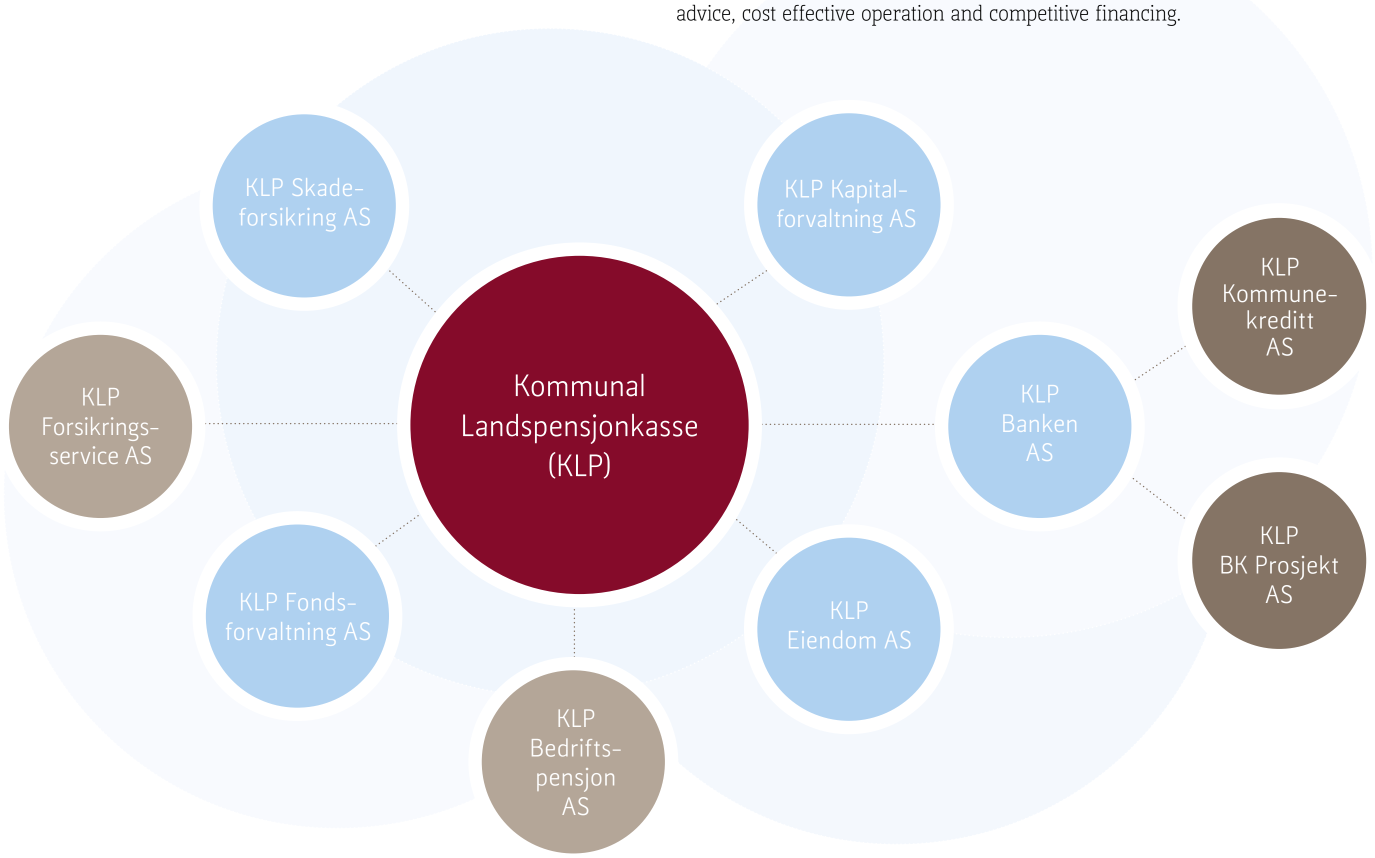
KLP Bedriftspensjon AS offers defined contribution pensions, with risk profiles according to the customer's wishes, both to private and to public sector organisations. The company's total assets amount to NOK 1792.2 million.

KLP Kapitalforvaltning AS is one of Norway's largest asset management operations and offers a broad spectrum of investment and asset management services to the public sector and organisations associated with it. In total NOK 287 billion was under management at the end of 2013. 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. Total assets were about NOK 96 billion at the end of 2013. The KLP funds have 31,000 unitholders. The KLP funds had the third-largest net subscription of retail customers in Norway in 2013.

The company has funds in active and index-tracking management suitable for investment for institutions, companies and private clients. All the funds are managed in line with KLP's ethical criteria.

KLP Banken AS was launched in 2010, and is an online bank focused on mortgage lending and deposits. This provides the basis for efficient operation and low costs. There were over 27,000 active retail banking customers at the start of the year. KLP Kommunekreditt AS is a subsidiary of KLP Banken. The company's aim is to be a key financial partner for the public sector. KLP Kommunekreditt emphasizes a high level of competency in local authority financing and advice, cost effective operation and competitive financing.



STRATEGIC PRIORITIES AND PROGRESS

	RESULTS 2013	PRIORITIES 2014
Maintain the Company's leading position in public sector occupational pension	• 48 new local authority customers (transferring to KLP during 2014) • No local authorities moved their pension scheme from KLP • South-Eastern Norway Regional Health Authority moved their pension scheme to their own fund	• Recieve customers from competitors who no longer wish to provide insured schemes • Deliver competetive tenders for pension fund solutions
Competetive returns over time	• Value-adjusted return in the common portfolio in 2013: 6,7 • Value-adjusted return in the common portfolio last 5 years: 6,3	• Return at higher than 3,9% • Better return than our competitors
The lowest costs	• 0,31% of premium reserve	• Less than 0.25 of the premium reserve by 2016
High level of service	• CSI of over 75% on all	• CSI of over 75% on all

KLP's strategic priorities

KLP's most important task is to maintain the company's leading position in public sector occupational pensions through having competitive returns over time, the lowest costs and a high level of service.

Significant deviation from target achievement involves a requirement to report a deviation analysis with a description of what measures have been initiated to improve target achievement. Reporting is carried out quarterly.

Balanced scorecard

KLP uses the "balanced scorecard" to measure performance in the four dimensions: Finance, Customer, Internal processes and Learning and growth. The balanced scorecard should ensure that the KLP Group's strategy is implemented, and is used by the organization from departmental level and upwards. The Group business plan for 2013-2015 forms the basis for the central business targets for the Group and 14 value-drivers were defined for the Group during 2013.

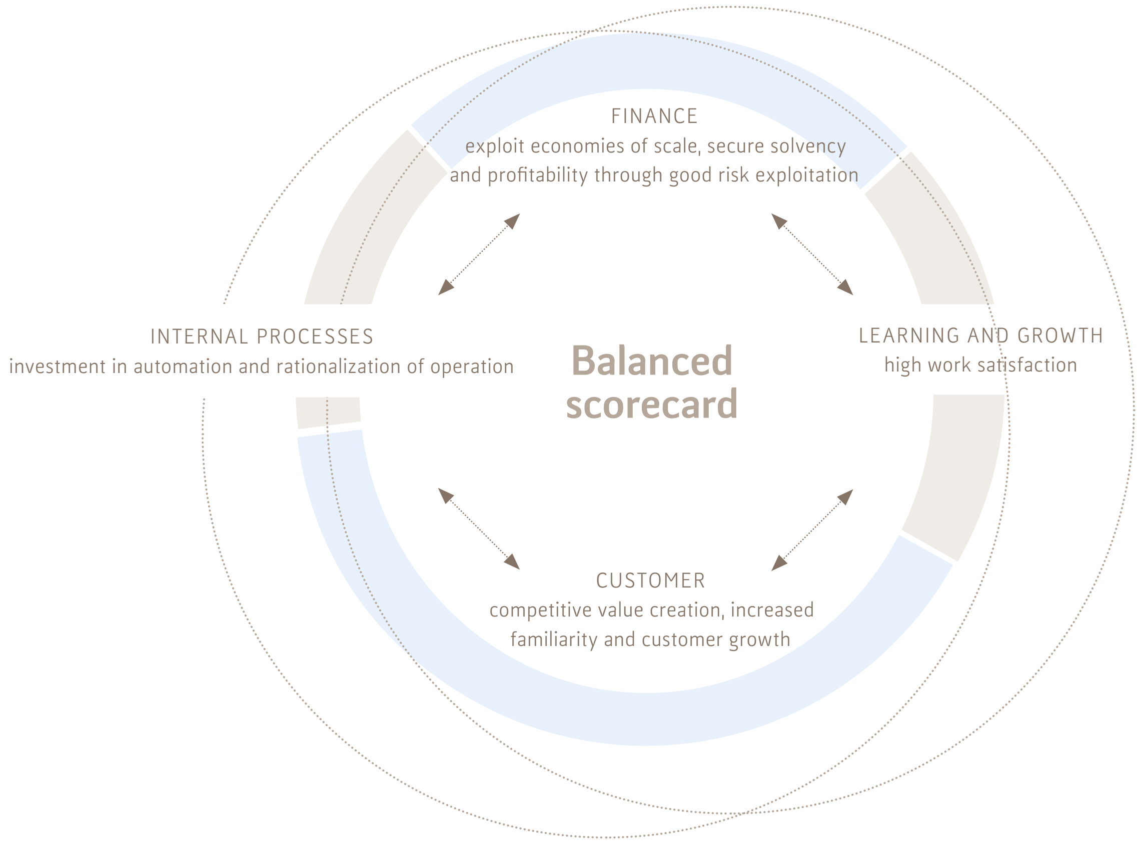
KLP 1972 - 1993

1972
KLP exceeds NOK 1 billion in total assets.

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

1984
KLP expands its product range with group life and accident insurance for local government employees..

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



The financial perspective (weight 25 per cent)
KLP achieved a good result from the financial perspective in 2013. This resulted from good financial returns and lower costs than budgeted. KLP's business growth during 2013 was handled without corresponding growth in costs.

The customer perspective (weight 40 per cent)
The public sector occupational pension (OfTP) insured scheme is now a market without providers other than KLP. This has contributed to good growth in the number of KLP members. Growth in other product investments has been good, but nevertheless somewhat lower than target.

KLP achieved market return on its customer assets (OfTP) above target level.

Internal processes (weight 15 per cent)
Internal processes are Internal processes are important to success in good and cost-effective operation. Realization of the gains on IT investments associated with the OfTP core activity was somewhat delayed, but otherwise the development of internal processes was in line with the targets.

Learning and growth (weight 20 per cent)
Sickness absence, employee monitoring and employee investigations all show results above target level.

Market leader - public sector occupational pension

KLP's is the preferred provider of public sector occupational pensions in Norway. KLP is steadily gaining market share in public sector occupational pensions and has strengthened the market position of the Group's other business operations. KLP won all the local authorities that went out to tender during 2012 and thus gained 14 additional local authorities as customers from 2013.

At the start of 2014, 393 municipalities and county administrations had their pension schemes with the Company. The same applies to 25 of the country's 26 health enterprises, as well as about 2500 other enterprises. The Company's pension schemes cover more than 368,000 occupationally active individuals and 192,000 pensioners. In addition 148,000 members have a pension entitlement with KLP from previous employment.

Good returns, low costs and long life

Over a number of years KLP has had the industry's best returns and lowest costs. This has given KLP a strong position in the market for public sector occupational pension. The trust and credibility this position provides make it easier to succeed with the Group's other efforts. KLP's results during 2013 enable the Company to strengthen its premium reserves to meet the positive development represented by people living ever longer. Investments in shares and property were the most important contributors to the Company's good financial results.

New market situation

KLP's public sector occupational pension market situation has changed markedly during 2013, particularly because the other operators in the market have chosen to withdraw from the market for insured schemes. This means that the market for public sector occupational pension comprises two alternatives for the customers: KLP's insured scheme or setting up their own pension funds. This means continued competition in the market for public sector occupational pensions, inasmuch as the customers can choose to establish an in-house pension fund or intramunicipal pension funds.

Our competitors' decision to withdraw from this market led to extraordinary growth for KLP. NOK 60 billion in pension assets is on the move and all the indications now are that the majority of customers moving are choosing an insured scheme and thus becoming customers of KLP. This can produce volume growth of almost 20 per cent over a two-year period.

During 2013, 47 municipalities and county administrations decided to transfer to KLP. This means that 393 of a total of 447 municipalities and county administrations had their entire pension scheme with KLP from 1 January 2014. The same decision was reached by 48 companies and municipal enterprises. The new KLP customers represent a premium reserve of about NOK 20 billion and almost 100,000 pension scheme members for KLP. This involves extensive and demanding work, both for the ceding provider and for KLP.

The work of South-Eastern Norway Regional Health Authority (Helse Sør-Øst)to establish a separate pension fund for the hospitals in the capital region was concluded in 2013. This means that KLP is to transfer members to the new fund. This will have a limited financial effect for KLP, because the nurses who until now have been with the Akershus Municipal pension fund are at the same time to be transferred to KLP.

The corporate market

KLP will reinforce its work on coordinating investment in the corporate market. In addition to ambitions to increase market share in the market for enterprises associated with the public sector, analyses of KLP's existing corporate customer base have revealed major potential for further growth and profitability through determined, joint efforts across the Group's business areas.

KLP delivers products and services in:

- **Pension and pension fund services**
- **Banking**
- **Insurance**
- **Funds and asset management**
- **Property**

KLP **1994 - 2008**

1994
Establishment of KLP Skadeforsikring AS.

1995
KLP buys Nora Eiendom.

1997
Nora Eiendom changes name to KLP Eiendom AS.

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

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

2003
KLP signs the UN Global Compact.

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

Will offer pension scheme solution

KLP will contribute to competition in the pensions market by offering a competitive alternative to customers wanting a pension scheme. KLP has developed and can offer a full value pension scheme solution to local authorities that have decided to establish such a solution for their employees.

Members campaign forges ahead

KLP is conducting a members campaign directed at KLP's owners' employees and pensioners. The objective is to offer attractive products and services so that it strengthens the owners' ability to retain and attract the desired workforce. At the same time the initiative should contribute to profitability and growth in KLP's various businesses. In recent years KLP has invested actively in offering its members insurance products and financial services that meet their needs. 50,000 customer relationships have been established in the course of recent years. The banking, non-life insurance and funds products offered to members are competitive both in price and content. Ranking on Finansportalen (the Norwegian Consumer Council's finance portal) and in other comparisons shows that the member products are positioned well up amongst the best.

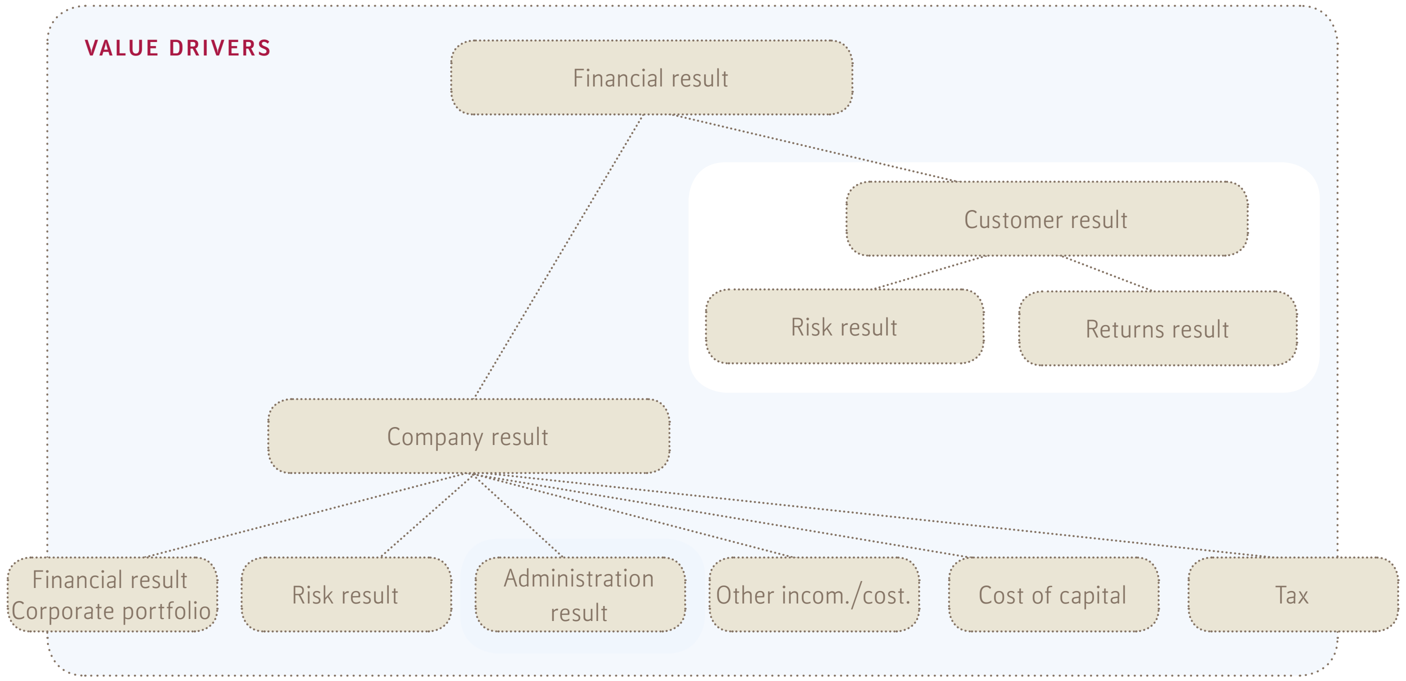
Customer inflow also shows that awareness of the membership offering is increasing, which can be ascribed largely to the marketing activities that have been carried out.

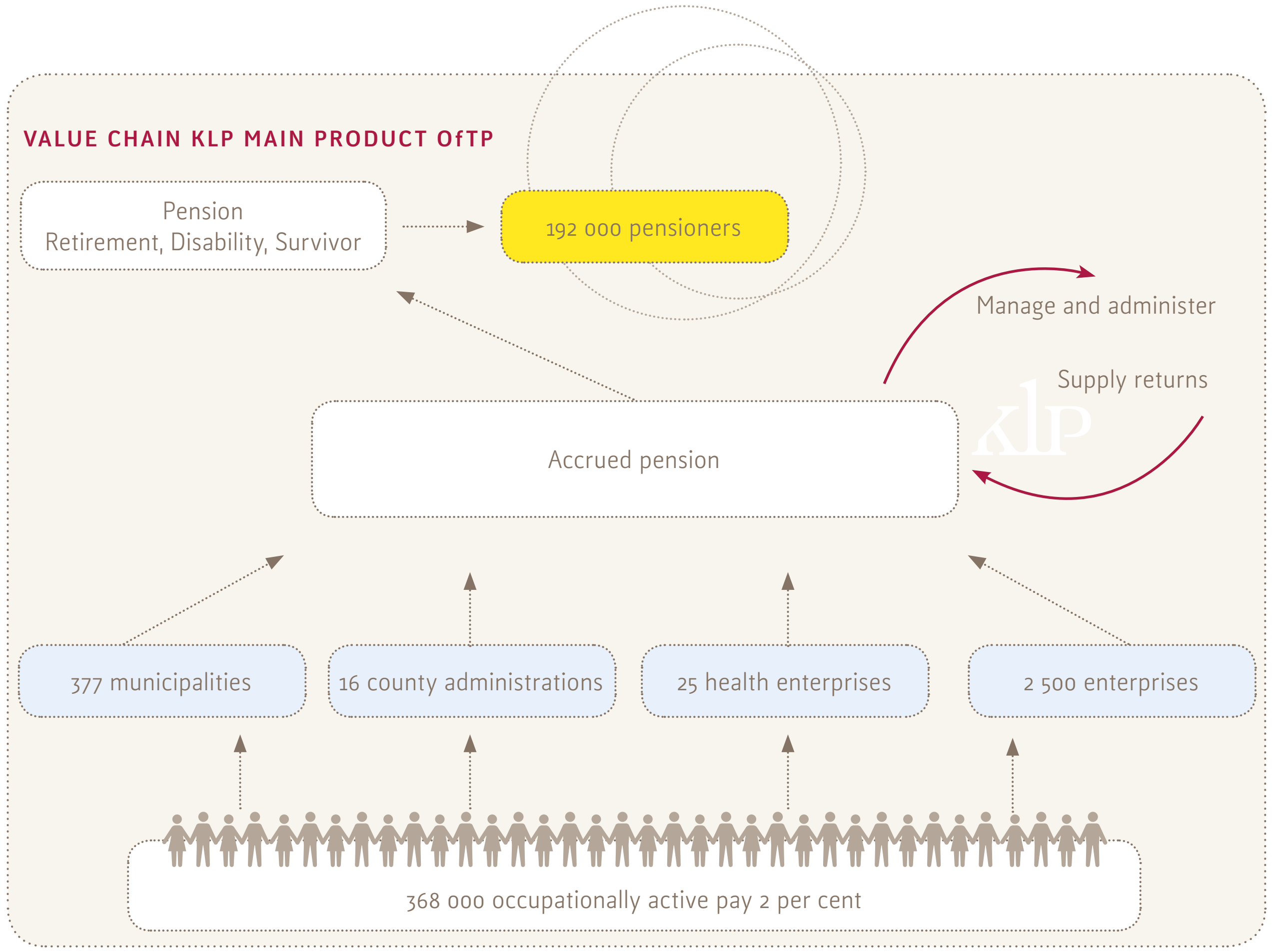
Good personal treatment and service are characteristic of KLP's customer work across all the business areas. This was confirmed through measurement of customer satisfaction amongst KLP's retail customers in November 2013. The results are very positive and all business areas have a score of 75 or higher. That is high, including in comparison with other financial institutions in Norway. The customers are particularly pleased with the service, responsiveness and personal treatment.

It pays to be a KLP owner

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

As owners of the mutual KLP, customers may benefit from the surplus earnings being retroceded to the owners/customers. Were KLP an ordinary 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.





Figures at 1 January 2014

Pensions are savings: The KLP value chain

The value chain in KLP's business model starts with the customers paying premium to the Company. KLP ensures that correct savings amounts are set aside and conducts secure and appropriate management of the savings capital up until this is paid out.

The premium is largely covered by the employer. Occupationally active members have two per cent of salary deducted by their employer as a contribution to the pension scheme.

The premium is in effect a saving for future pensions. After the annual salary and national insurance settlements an adjustment premium is paid in to adjust pension entitlements upwards for the occupationally active and pensioners.

- **The premium reserve grows over the year with an amount which is sufficient for monthly pensions to KLP's current and future pensioners for the remainder of their lives.**
- **KLP takes responsibility for the payment of the right pension at the right time.**

The savings assets (accumulated pension) are principally invested in shares, property, bonds and lending.

Returns: KLP guarantees to add an average return of 3 per cent to the pension savings (interest guarantee or base interest). Returns in excess of this are retroceded to the customers, either as valuation reserves, as supplementary reserves, or to the premium fund which the customers can use to pay part of future premiums.

If the return is lower than 3 per cent, valuation gains on securities holdings can be realized first. At year-end, assets from supplementary reserves may also be added. If this is inadequate the Company remains liable from its owners' equity.

KLP 2009 - 2013

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

2010
KLP Banken is launched.

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

2012
KLP exceeds NOK 300 billion in total assets.

2013
The competitors withdraw from the market for public sector occupational pensions.

Future challenges and goals

Growth and profitability

The immediate years to come represent major opportunities for growth and profitability in all KLP's businesses. There will be strong growth in core business because KLP has become the only provider in the market for insured schemes for public sector occupational pensions.

KLP has growth ambitions in all markets and business units. KLP's future position depends on the Company handling growth in its core business in the best way possible. It is here KLP will prioritize the provision of resources both on the systems and on the staff side.

Growth in all business areas requires discipline on the costs side. To secure KLP's position as the provider with the lowest costs, KLP is concentrating closely on costs development, with the aim of increased productivity requirements and reduced costs as a percentage of the premium reserve. These are future-oriented goals and actions that all KLP employees will contribute to realizing.

Growth must benefit customers

The economies of scale resulting from KLP's growth must benefit both the current and the new customers of the Company. The objective is that growth in management costs should be significantly lower than the volume growth in the Company's insurance funds. By ensuring that KLP's customers are offered good quality in all deliverables, at the same time as the Company emphasises cost-effective operation, the KLP insured scheme will be the best option for the customers.

Possible structural changes in the public sector

Whilst the local government structure has been stable for several decades, with a new government there is focus on merging municipalities into larger entities. When this happens the question of the organization of pensions saving may arise to a greater degree. With larger municipalities, in-house pension funds could be a real option for more of them.

The Government has warned that in the course of the four-year period it will investigate phasing out the regional health enterprises and establishing stronger political direction. It is possible that management of the health enterprises' pension assets may also be affected by organizational changes. That will require awareness and adaptability for the Company.

New pension models

After the 2009 pay settlement, retirement pension in public sector occupational pensions (OfTP) was continued as a gross scheme, securing at least 66 per cent of final salary including national insurance after 30 year's accumulation. However the regulations went far towards being matched to National Insurance since public sector occupational pension is to be adjusted for greater longevity.

In future public sector employees must work longer than previously to compensate for the longevity adjustment. It is possible that the parties to the collective salary negotiations will consider different models for public sector occupational pension in future.

Disability pension in public sector occupational pension was revised to a net scheme from 2015. The regulations were decided in the Storting (the Norwegian parliament). KLP will accommodate new disability pension, the new retirement pension scheme and all the transitional rules in the best way possible.

Private sector pensions

New regulations for private sector occupational pensions were dealt with in the Storting during 2013. At the same time the Government has wanted to increase the limits for defined contribution pensions to harmonize the contribution rates with the other occupational pension legislation in the private sector.

It is expected that higher limits for defined contribution pensions will also increase transition to this type of pension scheme in public sector organisations not tied to public sector occupational pensions. KLP Bedriftspensjon will prioritize defined contribution pensions - and will at present not offer the new hybrid products.

Owners' equity model and capital requirements

In recent years KLP has had good and stable generation of owners' equity. This has been matched to KLP's underlying growth and asset and risk management strategy. The objective has been to have sufficient financial strength for the Company to be able to opt to redeem subordinated loan if desirable.

There are three circumstances that will affect the capital requirement going forward:

- A desire to change the investment risk and thus expected returns
- Expected growth
- Changes in the authorities' set capital requirements

New European solvency regulations (Solvency II)

Solvency II is a directive for insurance companies operating in the EU and will also apply to Norwegian companies. Calculation of solvency capital will be changed so that future capital flows will also have significance for valuation of the insurance liabilities and thus the requirement for solvency capital will be higher.

Corporate responsibility

Corporate responsibility is often described with many and large words. For KLP it is a matter of how the Company runs its business. The Company wants to contribute to sustainable development for its owners and customers. KLP prioritizes four areas: responsibility in investments and products; sharing of knowledge; responsible environmental solutions; and engagement locally.

KLP has won recognition and a positive reputation both for social responsible investments and for non-financial reporting. The guidelines specify the UN Global Compact and Principles for Responsible Investments as their foundation, as well as the OECD's Guidelines for Multinational Enterprises.

Sustainable investments

There are three tools used to ensure KLP's responsible investments: exclusion; active ownership (dialogue); and investment for sustainable development.

KLP has established new collaboration with the Norwegian Investment Fund for Developing Countries (Norfund) on joint investment in renewable energy and finance in developing countries. Access to energy and financial services are important components for development. KLP has also increased its engagement in the Norwegian Micro Finance Initiative and has now committed a total of NOK 97 million of which about NOK 20 million to a third fund.

Exclusion and dialogue

All the companies in which KLP invests are monitored in regard to discreditable situations and potential breaches of key UN conventions. 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 2013, 69 stock-exchange-listed companies were excluded from KLP's investments.

GLOBAL COMPACT

Since 2003 KLP has been a member of Global Compact, a UN initiative in which companies and other organizations voluntarily commit to working for sustainable social development.

Global Compact's 10 principles are associated with human rights, working conditions, the environment and corruption.

KLP 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.**

- Human rights breaches, 7 companies
- Worker's rights breaches, 1 company
- Involvement in corruption, no companies
- Causing gross environmental damage, 15 companies
- Committing serious violation of individuals' rights in war or conflict situations, 3 companies
- Committing other particularly gross breaches of fundamental ethical norms, or
- Committing other particularly gross breaches of ethical business norms, 6 companies.

In addition tobacco producers are excluded (20 companies) and companies that produce weapons that in normal use violate fundamental humanitarian principles (19 companies).

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 because through such dialogue KLP can influence the companies to operate in line with the UN conventions.

Active as owner and investor

KLP is an active and responsible owner and works to promote social responsibility and sustainable value creation. This is done for example through dialogue and active participation in general meetings. KLP has ownership principles in order to signal to our stakeholders and the market who KLP is and what the Company stands for as an owner and investor. KLP wishes to perform responsibly in regard to the Company's fundamental values at the same time as the Company's financial interests are safeguarded through good exercise of ownership. KLP and the KLP funds voted at 95 per cent of the general meetings in the Norwegian market. At about 52 per cent of the general meetings the vote was against the proposals of the boards of directors. Most of these were about senior management remuneration or capital expansion. Overall in all markets KLP and the KLP funds voted in a total of 2259 general meetings.

Sharing expertise
KLP has a great deal of expertise associated with HES, claim prevention, responsible investments and environmental solutions in buildings. Expertise that may be useful for our stakeholders, whether it is our owners or civil society generally. We endeavour to share this expertise and make it accessible through arranging professional seminars, participating in debates and contributing to various projects.

KLP Skadeforsikring works actively to reduce the risk of damage to people, the environment and property. The company shares accumulated expertise in claim prevention subjects by arranging professional days on themes such as internal climate and prevention of fungus, rot and water damage.

Local engagement
All the projects KLP supports with expertise and money have local roots, but local engagement has also been expressed through an initiative for the health of immigrant women. KLP's head office is in Bjørvika in Gamle Oslo (old Oslo). A part of town with considerable social contrasts. Collaboration with Kirkens Bymisjons Primærmedisinsk Verksted (PMV - the Church City Mission in Norway Primary Medical Workshop - is a multicultural centre working on social and intercultural bridge building) gives immigrant women from the local area access to training facilities on our premises and professional help with health challenges.

Responsible environmental solutions
KLP has guidelines, long-term and short-term targets and a range of measures to achieve the targets to reduce the Company's environmental footprint. However what is most important is to be able to show the actual results. KLP perceives the climate changes, and the climate emissions, as risks and challenges to KLP's business in a number of ways. KLP is therefore working through active ownership and as a property manager to promote new technology and increased investment in infrastructure associated with renewable energy.

KLP Eiendom shall reduce energy consumption in its buildings by 12 GWh.

NOK 9.6 million to be invested over 4 years.

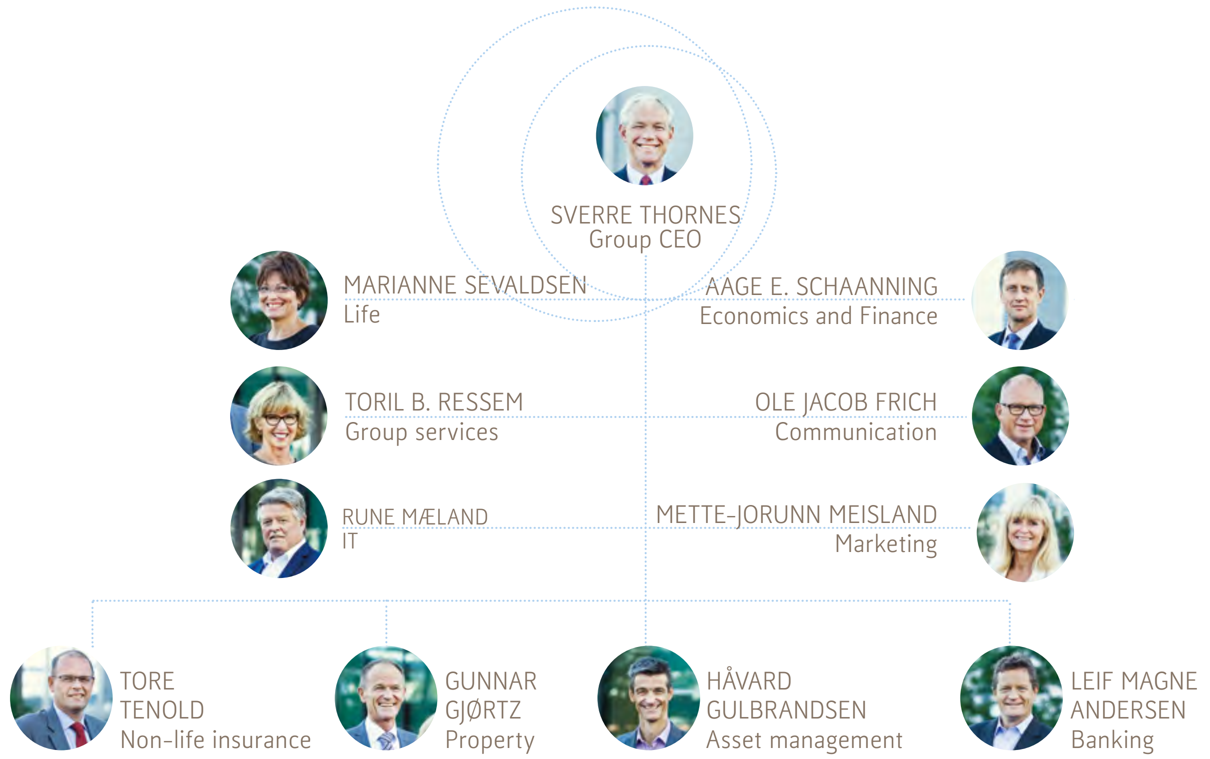
KLP Skadeforsikring has been Eco-Lighthouse accredited since 2008 and has the target of minimizing paper usage. During 2013 all corporate customers have had the option to become a "Miljøkunde" ("Eco-customer") which means they only see the business's insurance contracts via log-in areas at www.klp.no. This has considerably reduced the company's total paper consumption.

Although the non-life insurance company is generally not directly involved in damage repair, environment-related requirements are placed on external partners in claim settlement. In its procurement policy the company has adopted a range of criteria, several of which are concerned with the supplier's attitude to the environment, social responsibility and ethics.

Target and target achievement
Just as important as setting targets is the reporting of target 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 targets, performance indicators and target achievement comply with the Global Reporting Initiative (GRI) and Global Compact's requirements for reporting (Communication on Progress) through comprehensive reporting on our website.

The description of KLP's corporate social responsibility is integrated into the discussion of the different business areas, but comprehensive information and full reporting in regard to GRI can be read at klp.no/samfunnsansvar (in Norwegian, but see also www.klp.no/english/corporate-responsibility).



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 Børs (the Norwegian 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.

Group senior management
The KLP Group senior management comprises 11 experienced individuals with a broad background from Norwegian business and the public sector. See presentation on page 24-25.

The Group management is organized 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; Marketing; and Group Services.

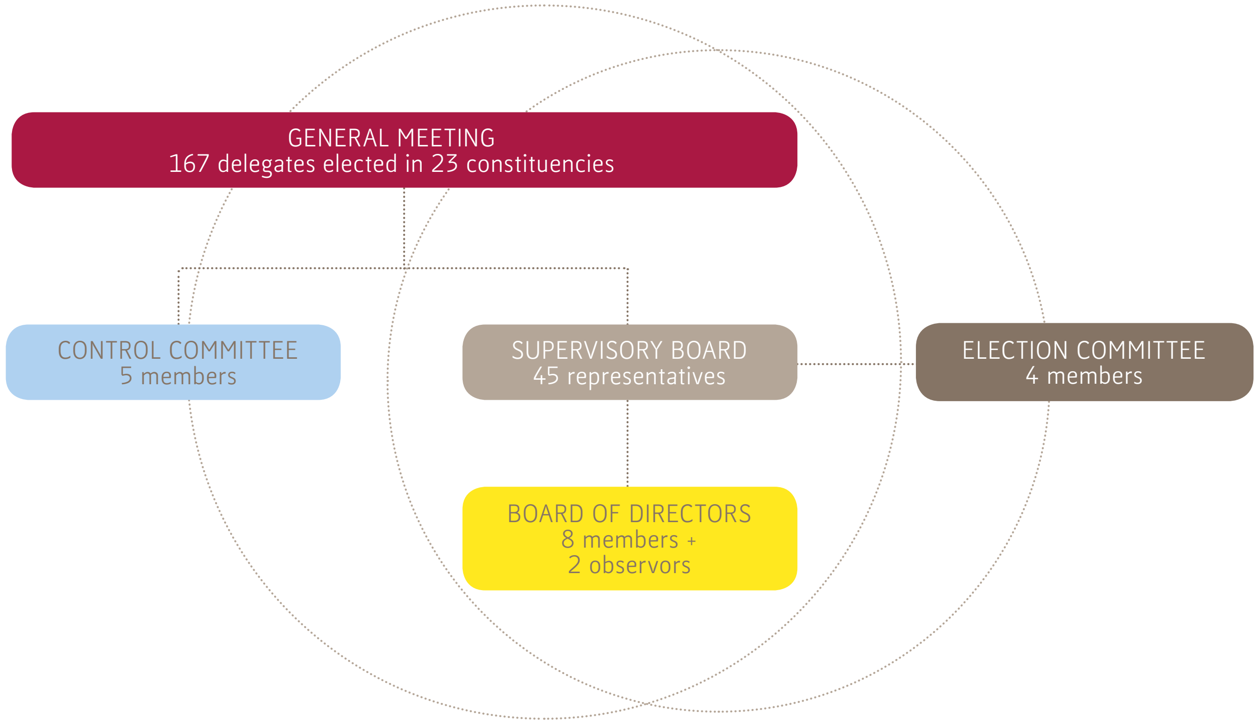
The General Meeting
The General Meeting is the Company's highest authority and comprises elected representatives of the Company's owners. 167 delegates from a total of 23 constituencies were elected to the General Meeting for 2014.

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 organizations 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 an election committee with four members and a deputy member.

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

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

The Board is to ensure appropriate organization 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 organization or negotiating alliance with most members in the pension schemes. In addition two observers are nominated from those organizations 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 members on Pages 58-59.

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 of N 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: Herlof Nilssen (Chair), Anita Krohn Traaseth, 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, Peder Olsen, Trond Lesjø (Deputy Member)

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), Dordi Flormælen (Deputy Chair), Bengt Petter Johansen, Irene Skiri, Thorvald Hillestad, Evy-Anni Evensen (Deputy Member).

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 is 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 FSA of N. The FSA of N 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 employees' trading in securities for own account. 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 organization that is market and business oriented. The Group's scorecard also contains goals associated with our corporate social responsibility.

TORE TENOLD
Managing Director KLP Skadeforsikring AS
re Tenold graduated from the police college, university and the insurance academy. He has been Managing Director of Sparebank1 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.

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. Sverre Thornes joined KLP in 1995 and worked in asset management, which he headed during the period 2001-2006.

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 an Authorised Financial Analyst. He has previously worked at Storebrand Kapitalforvaltning and DnB Investor AS and as Head of Asset Strategies Equities/Head of Core Corporate Governance at Norges Bank Investment Management. Håvard Gulbrandsen came to KLP in September 2009.

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 background with Norwegian Defence. Since December 2011 Andersen has been Managing Director at KLP Banken.

TORIL BARIUSDOTTER RESSEM
Executive Vice President Group Services
Toril Bariusdotter Ressem graduated as cand.polit. (a social sciences degree). She majored in education. She has background as an Executive Vice President at NSB (Norwegian State Railways), HR and OD Director at Rikshospitalet University Hospital, Project Manager at Southern and Eastern Norway Regional Health Authority, in addition to extensive consultancy activity in private and public sector organizations. Toril Ressem has been an Executive Vice President at KLP since April 2009.

GROUP SENIOR MANAGEMENT
FOTO: NICOLAS TOURRENC

OLE JACOB FRICH
Executive Vice President Communications
Ole Jacob Frich was educated at Sagene Lærerhøgskole (teachers training college). He has broad business and social policy background including as Business Policy Director at Finance Norway (FNO), as State Secretary within the then Ministry of Health and Social Affairs and as Kommunalråd (a full-time municipal politician with executive powers) at Oslo Municipality. He has also worked as Communications Consultant at Geelmuyden.Kiese. Ole Jacob Frich has been an Executive Vice President at KLP since November 2000.

METTE-JORUNN MEISLAND
Executive Vice President Marketing
Mette-Jorunn Meisland's background is from the Norwegian School of Marketing (Norges Markedshøyskole - NMH) specializing 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. Mette-Jorunn Meisland was appointed at KLP as Marketing Director for the Group in October 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 Gunnar Gjørtz was Deputy Managing Director of KLP Eiendom AS, and in January 2011 he took over as Managing Director of KLP Eiendom AS.

RUNE MÆLAND
Executive Vice President IT
Rune Mæland graduated as an IT/EDP 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.

AAGE E. 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 CBK. He started working at KLP in 2001 as Investment Director of KLP Kapitalforvaltning. Aage Schaaning headed KLP Kapitalforvaltning from 2006-2008.

For the days to come ...

Kari Jakobsen

What KLP offers

Public sector occupational pension

The Joint Scheme for
- Municipalities and enterprises
- County administrations
- Health enterprises

The Nurses' Scheme
The Doctors' Scheme
The Scheme for Publicly Elected Representatives

Services for pension funds

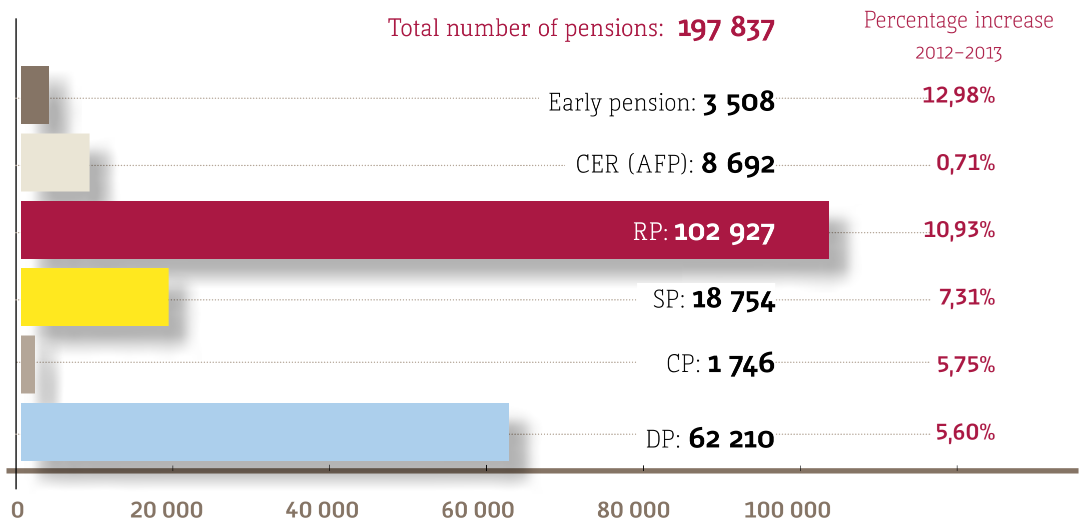
KLP provides professional insurance services to a range of pension funds in the local government sector through its subsidiary KLP Forsikringsservice AS.

Company pensions

Private-sector defined contribution pensions

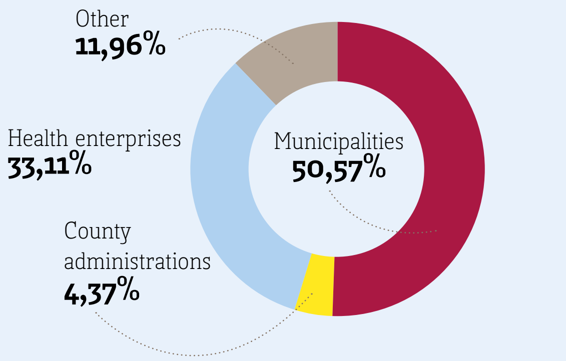
LP Defined Contribution Pension is an occupational pension set up by employers for their employees in accordance with the Norwegian Mandatory Occupational Pension Act. (KLP) also offers good schemes for defined contribution pensions for companies that do not have collectively negotiated requirements for public sector occupational pensions.

Number of pensions with percentage increase



Some receive multiple pensions. The figures show the number of pensions, not the number of pensioners.
«Percentage increase» shows change based on corresponding figures as at 31 December 2012.

Distribution of total 2013 premium by segment:



In 2013 KLP's premium income from public sector occupational pensions totalled NOK **24.8** billion.

Customers with KLP pension schemes as at 1 January 2014:

393 of 447 municipalities and county administrations

25 of 26 health enterprises

2 500 companies

214 different HES activities conducted during 2013

Provision of advice, analyses and courses

KLP offers courses on relevant pension-related subjects both to employers and to their employees.

The course offering includes for example pensions and pension finance, HES and provision of advice.

Dialogue meetings

- KLP had about 9500 individual conversations with employees on their own pension entitlements.
- 900 payroll and personnel staff participated in our courses during 2013.
- about 250 participants from Norwegian local government in 2013 on courses for finance and accounting staff.
- about 50 local government chief executives who meet KLP's senior management each year to discuss courses and the direction of cooperation between the local authorities and KLP.

Information for politicians

Information on relevant subjects for politicians in for example local authority executive committees or councils
- User support meetings for payroll and personnel

Information meetings for staff:

- Seniors' days
- Pension information
- Information for new staff
- Information for managers
- Information for staff representatives

HES

During 2013 KLP's HES team conducted 214 different HES activities. They met a total of 6987 individuals.

KLP public sector occupational pensions provide many advantageous member benefits

Non-life insurance: Motor vehicle, home, travel etc.
- Competitive and stable prices
- Norway's quickest bonus accumulation to 75%
- Rapid claim settlement

Banking services
- Amongst the market's best interest rates, both on savings and current accounts
- Good terms on loans secured in housing mortgage

Funds saving
- The market's most reasonable combination funds

Insurance

KLP provides tailored property and personal insurance cover designed to meet the needs of municipalities and county administrations, and the individual enterprise and health institution.

KLP also offers a broad portfolio of non-life insurance within the retail market: motor vehicle, house and contents cover etc.

During 2013 KLP paid out about NOK 720 million in claims settlement.

Number of insurance customers as at 31 December 2013:
287 municipalities **14** county administrations
2700 enterprises **21 800** retail market customers

Banking

Competitive terms for home loans and deposit accounts

Online, mobile telephone, tablet and SMS Bank

Deposit interest rate as at 9 April 2014:
Members with public sector occupational pensions receive from the first krone. **3,0%**

Interest rate on loans as at 9 April 2014:
Home loans to members from variable **3,45%**

KLP Kommunekreditt

KLP Banken manages NOK 43.3 billion in public-sector lending by KLP Kommunekreditt AS and KLP under the "KLP Kommunekreditt" brand. KLP Kommunekreditt AS is the banking group's credit enterprise for the issuance of covered bonds with security in public sector loans.

Funds and asset management

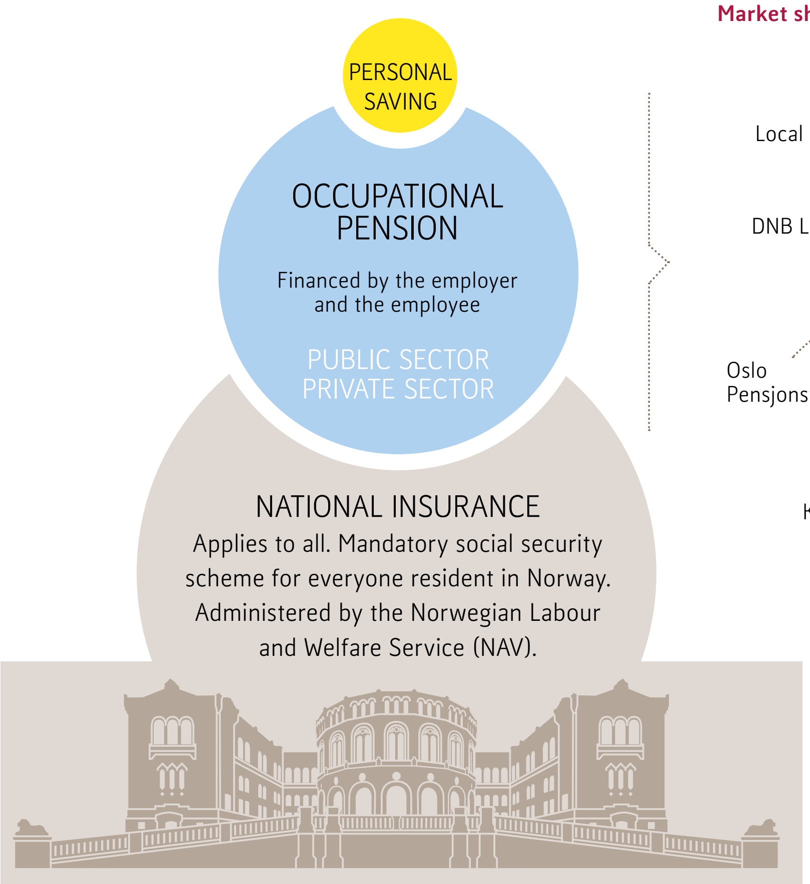
At the end of the year KLP Kapitalforvaltning and KLP Fondsforvaltning were managing more than NOK 287 billion for the parent company and external customers. KLP Fondsforvaltning manages NOK 28 billion for external customers.

The KLP funds are amongst the cheapest in the market.

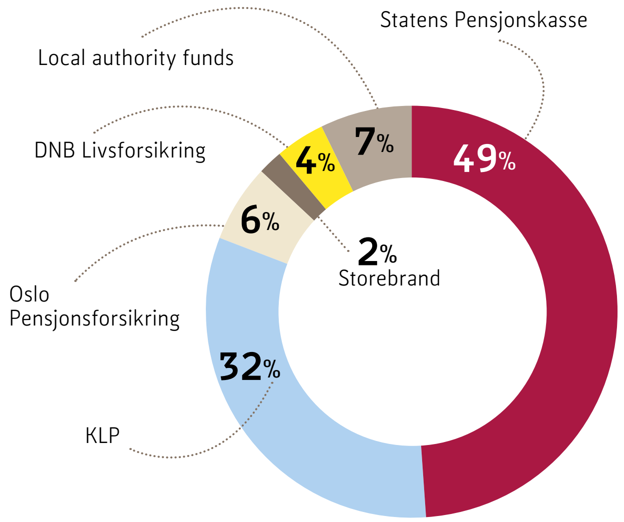
KLP offers equity funds, fixed-income funds and combination funds to the public sector, institutional and retail customers.

The pension system

All Norwegians are entitled to retirement pension from the National Insurance Scheme. Occupational pensions are pension schemes established in association with employment. Collective bargaining agreements or statutes govern the pension benefits in the public sector. In the private sector there are major variations between occupational pension schemes. In addition to National Insurance and occupational pension schemes there may also be savings.



Market shares in the public sector as at 31 December 2013



KLP's business concept: KLP is to deliver safe and competitive financial and insurance services to the public sector, to enterprises associated with it and to their employees.

KLP's vision: The best partner for the days to come.

KLP pensions and life insurance

KLP is the largest and leading provider of public sector pension schemes to municipalities, county administrations, health enterprises and companies associated with the public sector.

The Company also offers good schemes for defined contribution 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.

Through collective 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, either as an insured scheme with a life company or managed in its own pension fund. At the end of 2013 a total of 345 municipalities and county administrations had KLP pension schemes, as did 2500 enterprises and organizations. 25 of the 26 health enterprises and the four regional health enterprises have one or more pension agreements with KLP. Most of the health enterprises have all their employees registered with KLP. In addition hospital doctors are covered by the KLP pension scheme for hospital doctors through a special collective agreement. The nurses have their pension scheme with KLP through the Norwegian Nurses Pension Scheme Act.

The market situation in public sector occupational pensions was significantly changed over the last two years because both Storebrand and DNB decided to withdraw from the market for insured schemes. KLP is now the only provider in the market for insured schemes for public sector occupational pensions. This resulted in as many as 47 municipalities and a county administration deciding in autumn 2013 to move their pension schemes to KLP. In addition there were 48 enterprises.

There will still be competition in the market in as much as the customer can choose to establish an in-house pension fund. There are several providers competing on offering pension fund services. So far there are very few local authorities that have chosen to invest in their own pension fund. During 2013 there were no local authorities that chose to establish their own pension funds, but the decision was taken to establish a pension fund for the health enterprises in the area of the capital Oslo.

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) efficiently with a high level of service. This means keeping employers' costs as low as possible through producing good returns on the pension assets as well as keeping the administration and asset management costs down. Over a number of years KLP has had the industry's best returns and lowest costs. This benefits the customers, who are also the owners.

"KLP is a mutual company, owned and governed by our public sector occupational pensions customers. KLP will contribute to increased growth and profitability and, through long-term cooperation, always seek to fulfil the vision of being the best partner for the days to come."

MARIANNE SEVALDSEN EXECUTIVE VICE PRESIDENT LIFE

Surveys show that KLP has maintained a high level of customer satisfaction in public sector occupational pensions. Personal treatment and customer service is a particularly strong area, with a score of 79. KLP's ability securely to manage the pension assets also scores highly.

Public sector occupational pension

The public sector occupational pension is a gross scheme. This means the scheme provides a guarantee of pension disbursements at a minimum 66 per cent of the pensioner's final salary up to 12 G (12 times the National Insurance basic amount - G) where there is full accumulation time, which is 30 years. The Pension Reform, which covers the entire national insurance and pension system in Norway, has also led to important changes in public sector occupational pensions, like the introduction of longevity adjustment and changed adjustment of retirement pension in payment.

It is the employer that has the responsibility to save for a pension for its employees. In public sector schemes the employee makes a personal contribution of 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 disability. For public sector occupational pensions the risk benefits in addition cover disability pension and survivor pension. For public sector occupational pensions the employer must also cover some non-insurable benefits (contractual early retirement scheme - AFP; gross guarantee; and annual pay and G adjustment of accumulated and deferred entitlements) which must be paid currently when the actual costs for the year are set.

Customer relations

KLP 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 at KLP, and customers are offered budgeting assistance, courses and information associated with their pension schemes.

Members and pensioners

The Pension Reform has led to greater flexibility and options for drawing pension. KLP offers help and information, including through provision of personal advice. In recent years public sector occupational pension members have also received offers in regard to KLP's other services in banking, funds and non-life insurance products.

KLP was established in 1949 as a specialized company for the local government sector. KLP was established by the local authorities 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 pension 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 65 years.

HES:
KLP supported 37 projects with NOK 3,955,000 and 50 different initiatives with a total of NOK 754,255 in 2013.

Number of telephone enquiries : 140,000

Personal advisories conducted: 9,500

Number of customer meetings and events: 1,600

The growth in the number of active members and not least the number of pensioners leads to an ever increasing quantity of enquiries and pension cases. CSI surveys show that the pensioners are extremely pleased with the pension processing, with a score of 80 for the second year running.

Corporate responsibility - HES

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

KLP assists customers of the life insurance company in conducting HES activities. This is part of our customer services and service offering. We have strong belief that competency-raising measures and HES projects have a positive effect on the working environment.

KLP's HES team has special expertise in the working environment, management development and life-phase policy. To stimulate HES efforts two prizes are awarded: Årets ildsjel (Enthusiast of the Year) and Årets arbeidsmiljøpris (Working Environment Project of the Year). KLP also 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. 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)

Financial results

KLP can point to good results for 2013 with good returns, low costs and a major inflow of new customers. For the fifth consecutive year KLP has the best value-adjusted return of the companies competing in the public sector pensions market. Value-adjusted and book returns for 2013 ended at 6.7 per cent and 6.4 per cent respectively. Shares, property and hold-to-maturity bonds were the most important contributors to the good return.

KLP is using the good results within public sector occupational pensions to strengthen premium reserves by NOK 4.5 billion because people live longer, whilst NOK 5.9 billion is being allocated to the customers' premium fund.

The life insurance company's total assets increased from NOK 299.6 billion in 2012 to NOK 339.6 billion in 2013.

393
municipalities and county administrations have their pension schemes with KLP.

Group life

KLP is also a major player in the group life area amongst municipalities, county administrations, health enterprises and public sector enterprises. KLP caters for the insurance requirements in different collective agreement areas and about 146,000 insured distributed amongst about 1450 agreements had group life insurance with the Company at the end of 2013. Group life, together with other insurance products, contributes to KLP's capability as a total provider for customers and owners.

KLP Bedriftspensjon AS

KLP offers defined-contribution-based occupational pensions and pension capital certificates through its subsidiary, KLP Bedriftspensjon AS. With this product, KLP is a competitive operator in the private sector occupational pension area as well. A large part of the operation associated with the private occupational pension product is bought in from the parent Company, KLP.

The volume of clients with KLP Bedriftspensjon increased steadily during 2013, with new take-up of almost 300 agreements and 2800 new members. In total the company has about 10,000 agreements, spread across the products: defined benefit pension; defined contribution pension; paid-up policies; and pension capital certificates. The company's portfolio of private occupational pensions had accumulated growth in premium volume of NOK 61.3 million. Growth in premium reserves during 2013 was NOK 475 million.

KLP Forsikringsservice AS

Since 1967 KLP has provided services 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 cost calculations, pension calculation and pension payment. In addition KLP FS offers pension fund customers contract and membership administration.

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. These services are provided 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.

For the days to come …

The historic inflow of customers decided in autumn 2013 provides KLP with almost 100,000 new members of whom 15,000 are pensioners. And it is expected that even more customers will come over the next couple of years. Moreover, demographic trends indicate that there will be particular growth in the number of pensioners, almost a doubling towards 2020. To meet this growth in the most effective way, KLP is working systematically to improve, expand and coordinate its service offering to employer-customers and their employees. This should be achieved through more efficient processes and a focus on continuous improvement.

KLP will contribute to increased growth and profitability and, through long-term cooperation, always seek to fulfil the vision of being the best partner for the days to come.

Key figures

	31.12.2013	31.12.2012	31.12. 2011	31.12. 2010	31.12. 2009
Number of customers					
municipalities	**330**	317	314	315	316
county administrations	**15**	15	15	15	15
health enterprises	**25**	25	25	25	25
enterprises	**2 500**	2 500	2 500	2 500	2 500
At the end of 2013 more than 707,782 individuals had pension entitlements in KLP. The distribution is as follows:					
Volume Life insurance					
Number of members:					
Active employees (members)	**368.000**	316 000	309 000	305 000	305 000
Deferred entitlements *	**148 000**	130 000	125 000	119 000	115 000
Pensioners	**192 000**	183 000	172 000	164 000	155 000

* Individuals previously employed for more than 3 years 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 and enterprises associated with the public 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 personal 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 had 111 employees at the end of 2013.

Growth in 2013

In its core market, Public Sector and Corporate, the positive trend continued with growth in its premium base. Premium growth for the year was NOK 19.0 million. Since the main weight of the year's new sales occurs with effect from 1 January 2014, new sales produce significantly higher growth. Fierce competition continues in the core market and the company is experiencing great mobility in its customer base.

Through a range of marketing measures, both of its own and by the Group, the company has achieved satisfactory growth within the retail market. Net premium growth was NOK 50.2 million in 2013.

In total in 2013 the company had net earned premium of NOK 728 million. This is an increase of NOK 69 million or 10.5 per cent over the previous year. The growth has been greatest in the retail market where the Company focuses on the Group's members. 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. Competition is however much tougher in this segment than in the pure public sector market.

Net premium income NOK 728.2 million - an increase of NOK 69.3 million/ 10.5 per cent over the previous year

During the 2013 insurance year seven major property claims with claim amounts exceeding NOK 5 million were reported. These claims amounted to a total claim sum of NOK 57.6 million. The general claims picture was positive with falling claims figures within most sectors.

Customer dialogue

For the third consecutive year KLP Skadeforsikring can point to the best customer satisfaction among Norwegian corporate customers 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.

Non-life insurance customers in the public sector/corporate segment had a CSI score of 74 in December 2013, with minimal changes from 2011. Public sector customers are even more pleased than corporate customers and personal customer service continues to be the company's strongest hand.

The individual local government and corporate customer is provided with their own contact person in the company. The customers also have electronic access to a complete overview of their KLP business via Kundeside (customer page) at www.klp.no.

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.

Non-life insurance customers in the retail market had a CSI score of 75.4 in December 2013, with satisfaction in almost all questions increased from 2012.

"We can look back at 2013 as a year of strong premium growth and relatively low claim figures, and with the best total comprehensive income ever"

TORE TENOLD MANAGING DIRECTOR IN KLP SKADEFORSIKRING AS

Loss prevention initiatives

KLP Skadeforsikring has major focus on loss prevention work in dialogue and interaction with customers and external centres of expertise. The work is intended to:

- Reduce the risk of damage to people, the environment and property
- Be a positive element in the dialogue with customers
- Be a positive element for the company's approval rate as perceived by customers and the community

For many years the company has collaborated with the Norwegian Directorate for Civil Protection (DSB) and the Norwegian Fire Protection Association on the project Systematic Safety Management in Municipal Buildings. Over a year ago Direktoratet for byggkvalitet (the Norwegian directorate for construction quality) also joined this project. The work is being continued as Systematic HES-management in construction. New guidance will be made available during 2014.

The Company wants to share knowledge about claim prevention and arranges specialist days for municipalities, county administrations and enterprises on subjects such as:

- What can the individual school itself do to improve the internal climate?
- Prevention and rectification of fungus, rot and water damage

During 2013 KLP Skadeforsikring carried out 230 activities in which a total of 1800 individuals participated in one or more activities.

Corporate responsibility

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

During the year all corporate customers have had the option to view the business's insurance agreements via log-in areas at www.klp.no. This has considerably reduced the company's total paper consumption.

KLP Skadeforsikring has been Eco-Lighthouse accredited since 2008.

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.

As part of the Group's overall investment in the members of KLP, in 2014 KLP Skadeforsikring will further increase its investment in the retail market. The customer-oriented capacity will be expanded, investments will be made in marketing, and customer experiences in digital channels will be developed and optimized.

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 again for further growth in 2014.

Key figures

	31.12.2013	31.12.2012	31.12. 2011	31.12. 2010	31.12. 2009
Number of customers					
municipalities	**287**	292	281	294	325
county administrations	**14**	15	15	15	14
health enterprises	**44**	44	30	23	17
enterprises	**2 682**	2 610	2 660	2 587	2 302
retail market customers	**21 808**	15 664	12 103	8 486	4 258

NOK million	2013	2012	2011	2010	2009
Pre-tax income	**189,9**	112,7	25,2	77,9	216,9

Asset and Fund management

KLP Kapitalforvaltning and KLP Fondsforvaltning represent KLP's asset management operation in securities and private 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 287 billion for the parent company and external customers. This is an increase of NOK 35 billion over 2012. The majority of the assets managed 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 funds management company is responsible for marketing. Cooperation between the companies is governed through service-level 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, each with different approaches in its investment operations: 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 objective 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.

21.2

NOK million. Result in 2013.

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

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

Fund Management

At the end of the year KLP Fondsforvaltning was managing 31 funds, comprising two combination funds, nine fixed-income funds, two active equity funds, sixteen index-tracking equity funds and two special funds. Total assets were about NOK 96 billion at the end of 2013.

Management on behalf of customers outside the KLP Group increased by 34 per cent during the year.

NOK 28 billion was being managed on behalf of external investors and retail customers at the end of 2013.In total the funds have about 30,900 customers. The institutional customers are by far the largest group measured in total assets. Our customers are served directly or via collaborative partners.

"KLP Kapitalforvaltning is one of Norway's largest asset management companies. Stable good results from the index-tracking management service and increased interest from external customers are providing the basis for further growth in assets under management."

HÅVARD GULBRANDSEN MANAGING DIRECTOR KLP KAPITALFORVALTNING AS

Responsible investment

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, labour 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 69 companies were excluded at the end of 2013.

KLP exercises ownership over stock-market-listed companies, for example through voting at general meetings. During 2013 votes were cast at 95 general meetings in Norway and 2164 in foreign markets. This represents about 95 and 76 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 21.2 million in 2013.

For the days to come ...

The market outlook for the company (translator: companies??) is assessed as good. In the course of time there will be substantial growth in the KLP Group's total assets, the main weight of which is expected to be invested in products delivered by KLP Kapitalforvaltning.

Stable good results from the index-tracking management service and increased interest from external customers are providing the basis for further growth in assets under management. Good asset management results from the company's added returns strategies are increasing the probability that actively managed funds will also be in demand both by internal and by external customers.

It is difficult to judge the development of the financial markets, but continued focus on the debt situation in Europe and uncertainty associated with global growth will characterize development in the capital markets ahead.

Key figures

NOK billion	2013	2012	2011	2010	2009
Total assets	287	252	216	196	176
Asset management customers external to the Group	28	21	14	14	11
Number of customers KLP Fondsforvaltning AS	31 000	23 000	13 900	5 700	2 500

"It is a privilege to work with so many knowledgeable and dedicated colleagues in KLP Eiendom and KLP. It is very satisfying to be part of so large and robust a system as KLP, with values with which we can readily identify"

GUNNAR GJØRTZ MANAGING DIRECTOR KLP EIENDOM AS

Property

KLP Eiendom is one of Norway's largest property managers with 1,465,000 m² of premises and 372,000 m² of leasehold sites under management, as well as substantial projects under development.

The property stock had a value of NOK 40.8 billion as at 31 December 2013. KLP Eiendom has operations in Norway, Sweden, Denmark, Luxembourg and London. The properties have good locations, a high standard of building and efficient space utilization.

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 investment properties in 2011 and 2012 continued throughout 2013. Parts of the portfolio are located in other countries. This has involved a considerable write-up of property values as 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 6.9 per cent in 2013 (7.1 per cent in the common portfolio). Without taking account of the foreign exchangehedging, the property values were written up by NOK 1414 million in 2013 (of which the write-up in the common portfolio amounted to NOK 1401 million).

40.8

NOK billion was the value of the property stock 31.12.2013.

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 2013 KLP Eiendom had rental income of NOK 2100 million. The common portfolio's direct property investments at the end of the year represented 12.1 per cent of financial assets in the portfolio.

KLP Eiendom carried out a number of property transactions in the course of the year. During 2013 the company took over the following properties: Hvaltorvet (Sandefjord), 50 per cent of Nordbyen shopping centre (Larvik), Torsplan (Stockholm), Quality Airport Hotel Gardermoen, Handelshøyskolen i Sør Trøndelag (Trondheim) and Intercontinental Westminster (London). Net investments amounted to about NOK 5.5 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 11.7 per cent. The value of KLP's investments in such funds amounted to NOK 658 million at the end of 2013. 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 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. Actual energy reduction for the operation in Norway and Denmark during 2013 was 7 GWh. Similar measurements of the operation in Sweden will be conducted from 2014 onwards. 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 return on the business was 7.0 per cent in 2013.

For the days to come ...

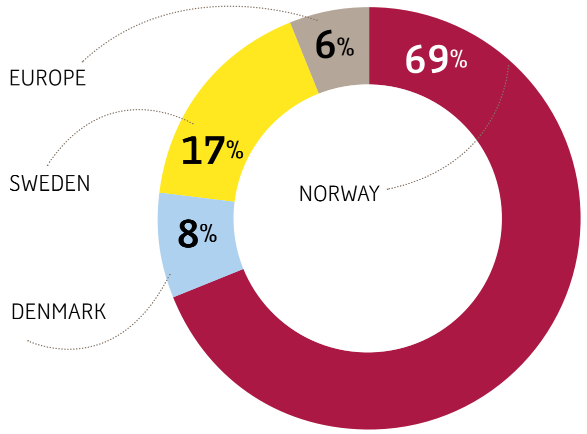
With a large project portfolio, good properties and competent staff, KLP Eiendom is well prepared to meet the challenges both in regard to growth ambitions and good administration of the existing property portfolio. The common portfolio's property investments at the end of the year represented 12.3 per cent of financial assets in the portfolio. The strategy is to increase this proportion to 14 per cent within reasonable time.

Key figures

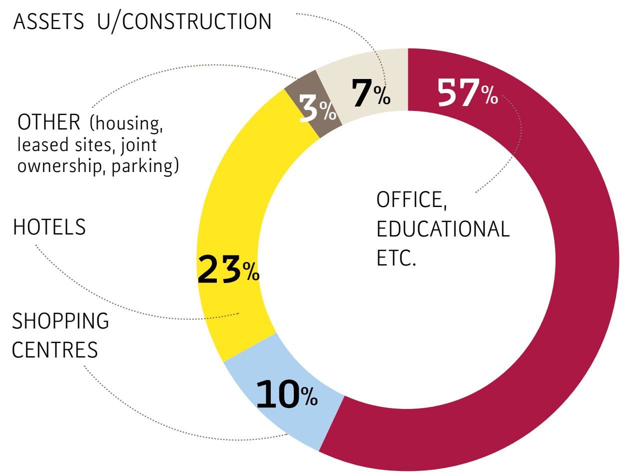
	31.12.2013	31.12.2012	31.12. 2011	31.12. 2010	31.12. 2009
Property value (NOK billion)	40,8	33,4	29,8	27,1	23,6
Economic occupancy ratio (per cent)	97.0	96.8	95.1	93.6	94.9

	2013	2012	2011	2010	2009
Value-adjusted operating profit including property funds (per cent)	7.0	6.2	7.2	11.8	3.1

Property value - distribution by country per 31.12.2013



Property value - distribution by property category per 31.12.2013



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 was launched in the retail market in February 2010. The operations and marketing of KLP Banken is geared towards serving the members of the pension schemes provided by KLP. They should experience that KLP Banken offers the members advantageous terms on all products. KLP Banken is an online bank with good and uncomplicated saving and lending products.

KLP Bankholding AS is wholly owned by KLP. KLP Banken AS is a wholly owned subsidiary and itself has one wholly owned subsidiary, KLP Kommunekreditt AS.

The overall business of KLP Banken AS and its subsidiary KLP Kommunekreditt AS is divided into the retail market and public sector business areas. The business is nationwide and the companies' head office is in Trondheim.

Retail market

A price adjustment on deposits and housing mortgage loans in 2013 produced increased margins without the Bank's competitive position being significantly undermined. Most banks implemented such adjustments in adapting to the authorities' decisions on increased capital requirements. Our customer inflow has nevertheless been maintained and the volume growth has overall been satisfactory both in lending and deposits. The number of customers is still increasing steadily and the proportion of members was 67 per cent at the end of 2013. The number of customers increased during 2013 by 4575, of which 3500 were members. The bank had 28,000 active retail customers at the end of 2013. Deposits from retail customers reached NOK 3.7 billion.

KLP Banken offers the following products:

- **Current account**
- **Saving account**
- **Online banking**
- **Debit card**
- **Credit card**
- **Regular home loans**
- **Housing credit**
- **Loans for second homes**
- **Litt Extra (seniors' loan)**
- **BSU (housing savings scheme for young people)**

New services in 2013:

- **Mobile and tablet banking**
- **Bank-ID on mobile telephone**

There is fierce competition for bank customers and this is not expected to reduce in future. The bank will meet this with a continued high level of service, good terms, good self-service channels and efficient enquiry processing. These processes will be supported by well proven IT solutions. Last year a LEAN project was carried out which reduced enquiry-processing time on housing mortgage applications from one week to one day on average. A recently completed customer satisfaction survey (CSI) shows that the customers are very pleased with KLP Banken. It produced a score of 75, which places the Bank very high up compared with other banks in Norway. At the end of 2013, housing mortgage lending for own account was NOK 4.5 billion. Managed loans were NOK 7.0 billion. Net growth over the year was NOK 1.0 billion

KLP's experience of the lending business has been good. KLP's borrowers are reliable and solvent. Default in housing mortgage is very low and no losses were recorded in 2013. The portfolio is secured through mortgages based on careful valuations, mainly within 60 per cent of loan value, and the borrowers' ability to pay also forms part of the credit assessment.

"The bank is to contribute by offering competitive and standardized products aimed at the employees of the owner companies. In particular, good terms and conditions for banking services for KLP's members are therefore an important contribution to underpinning KLP as a pensions company."

LEIF MAGNE ANDERSEN MANAGING DIRECTOR, KLP BANKEN AS

Public sector market

The principal task for the public sector market (PSM) is to offer long-term financing of the public sector premium terms through KLP Kommunekreditt AS and KLP Life. New public sector loans were disbursed for NOK 8.5 billion during 2013, divided into NOK 1.1 billion from KLP Kommunekreditt AS and NOK 7.4 billion financed by KLP Life. Lending for own account by KLP Kommunekreditt AS has been reduced from NOK 18.9 billion to NOK 16.6 billion. This is more or less as expected. The volume of loans managed on behalf of KLP increased from NOK 22.0 to NOK 26.7 billion. Public sector lending in total thus increased by NOK 2.4 billion over the year.

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. The brand name "KLP Kommunekreditt" has a good position in the market for public sector lending. Its presence in the market contributes to competition and thus to the public sector having access to long-term financing at low cost.

KLP Kommunekreditt's aim is to be a key financial partner for the public sector. The future will continue to see major development undertakings and investment needs in the public sector. Ever stronger focus on tasks associated with the climate and the environment will further increase the need for this. 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 AS has an AAA rating from the two rating agencies, Moody's and Fitch, for its lending programme for covered bonds (obligasjoner med fortrinnsrett - OMF). Based on this rating, KLP has issued covered bonds in the Norwegian and Swedish securities market. At year-end outstanding under the bond programme amounted to NOK 16.6 billion in the Norwegian market and the equivalent of NOK 0.5 billion in the Swedish market.

Lending by regions is distributed as follows: East and South Norway 48 per cent, West Norway 24 per cent, Trøndelag (mid-Norway) 12 per cent and North Norway 16 per cent.

Deposit for corporate customers was established as a product in 2012. This has been well received and the volume exceeded NOK 0.7 billion during 2013. Deposit is marketed by KLP Kommunekreditt and is used for financing the banking group's business.

KLP Kommunekreditt had a significant improvement in customer satisfaction measured amongst its local government customers during 2013. In particular the customers are giving good feedback on responsiveness, personal follow-up and service. They also give a 100 per cent positive agreement on a question of whether from a competition standpoint there is a need for KLP Kommunekreditt in the market for local government loans.

Corporate responsibility

The KLP Group, including KLP Banken AS, takes its environmental impact seriously. As an office-based company it is primarily energy consumption, transport, waste and procurement that can be influenced. In its corporate social responsibility policy KLP has committed to developing good procedures for measurement and reduction of its companies' environmental impact. KLP Banken AS is environmentally accredited.

Results

In 2013 the banking business achieved pre-tax profit of NOK 87.0 million, against NOK 88.2 million in 2012. Profit after taxes was NOK 75.0 million against NOK 56.8 million the year before.

For the days to come ...

KLP Banken's activities in the retail customer market are to underpin KLP's orientation towards members of its pension schemes. This is based 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 companies. In particular, good terms and conditions for banking services for KLP's members are therefore an important contribution to underpinning KLP as a pensions company. The need for banking services amongst KLP's members is a good base for the Board's desire for further growth in the retail market.

Technological solutions and digitalization should generally make the organization more efficient and accessible to its customers. New technology is to be commercially exploited for improved customer satisfaction externally and increased efficiency internally.

Increased demand for loans is expected to continue in the local government sector and for projects with local government guarantees and local government ownership in the years to come. KLP Kommunekreditt AS will contribute to credit being accessible for public sector investment purposes. KLP Kommunekreditt AS will maintain its low risk profile and establish new loans for own account so far as this can be achieved profitably.

Key figures

Milliarder kroner	2013	2012	2011	2010	2009
New lending	**10.3**	6.8	5.5	5.4	7.8
Lending for own account	**21.1**	21.5	28.4	26.3	33.1
Lending managed for KLP	**33.7**	29.8	24.7	29.4	28.3
Number of active customers	**27 287 (67 % members)**	22 665 (65 % members)	18 271 (63 % members)	12 965 (67 % members)	KLP Banken not established

Responsible
Ole Jørgen Gangsøy

Annual report of the Board of Directors for 2013

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) achieved results in 2013 that ensure that the pension reserves are sufficient to fully meet increased longevity assumptions, while at the same time a surplus is allocated to the pension customers' premium fund. The competition in the market for public sector occupational pensions was substantially changed over the year in as much as two major operators are withdrawing from this market. KLP is prepared for substantial growth as a result of the changed market circumstances.

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. Its head office is in Oslo.

A strong financial result of 6.7 per cent value-adjusted return and a book return of 6.4 per cent have made it possible to meet the Company's primary goal for 2013: fully to implement the increase in longevity reserves. In order to reach this goal, the Company realized, over the fourth quarter, a larger proportion than usual of the annual value rise in the securities portfolio.

The result for our insurance customers amounts to NOK 10.4 billion, of which NOK 4.5 billion is being used to complete increased longevity reserves, whilst NOK 5.9 million is being transferred to the customers' premium fund. The result for the Company amounts to NOK 0.8 billion, which is being used to strengthen the Company's owners' equity.

Taking account of the longevity adjustment in public sector occupational pensions, KLP had a gross reserves increase requirement to the tune of NOK 9.0 billion. Of this, the reserves had already been strengthened by NOK 4.5 billion at the start of 2013. KLP prioritised completing the increase in reserves during 2013. The new customers moving to KLP will also have full reserves in accordance with the requirements of the new mortality table for collective pension insurance (K2013).

Within the applicable regulations, the Company does not have capacity to strengthen the supplementary reserves in the financial statements for 2013. It is a clear goal to resume the build-up of supplementary reserves during 2014.

KLP is now alone in offering insurance solutions for public sector occupational pensions, so potential customers are limited to the choice between KLP's offer or establishing their own pension schemes. During 2013, 48 local authorities signed contracts to move their pension schemes to KLP in 2014. KLP is well prepared to meet the administrative challenges posed by an influx of this order of magnitude.

The Group's income

The Group's total comprehensive income was NOK 869 million, against NOK 1101 million in 2012. The reduction is due to the Group having used assets from the Company's risk equalization fund to finance the increase in reserves during 2013, as well as increased costs associated with actuarial gains and losses for pensions for our own employees.

Over the year the owners' equity in the Group increased by NOK 1638 million to NOK 15,268 million. In addition to the income for the year of NOK 869 million there were net receipts of NOK 768 million in owners' equity contributions during 2013.

The Group's total assets increased by NOK 38 billion to NOK 369.8 billion at the end of the 2013. The increase is mainly the result of the growth in the pension customers' funds as a result of new earnings and transfer inflow.

THE BUSINESS AREAS

Pensions

Public sector occupational pension

Ps competitors are withdrawing from the market for public sector occupational pensions. This has resulted in 48 local authorities deciding to move their schemes to KLP in the course of 2014. The same decision has been reached by 48 enterprises, including 10 local government enterprises. The new KLP customers represent a premium reserve of about NOK 20 billion and almost 100,000 members. 15,000 are pensioners. This involves extensive work, both for the ceding supplier and for KLP. A further 30 local authorities are expected to choose a new provider in the course of 2014/2015.

Very good solvency, good results over time, high customer satisfaction and competitive premiums have contributed to KLP's strong position 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 gender and age make-up of the individual local authority. Therefore customers wishing to move to the Company receive the same offer with the same premium level as the existing customers in the schemes. The interest rate guarantee premium is however not covered by premium equalization, but is calculated individually on the basis of the individual policyholders' financial buffers – this applies both to existing and to new customers. Furthermore new customers are required to have full reserves as at 1 January 2014 in accordance with the new mortality table for collective pension insurance (K2013).

The alternative for customers who do not want an insured scheme with KLP is to establish their own pension fund. Through its subsidiary, KLP Forsikringsservice AS, KLP offers pension fund management.

Operation and administration

On 1 January 2013, 14 local authorities and five enterprises moved to KLP with a total of NOK 5.9 billion in premium reserves. In total 38,500 new members were received. An influx of such proportions is challenging. Depending on the quality of the data received, the span of these challenges as a result of such an influx, is very broad. Therefore in 2014 the Board has, in accordance with the wishes of the bargaining parties, made extraordinary allowance for transfer in on both 1 January and 1 July. It was a demanding task to gather in all relevant data correctly and rapidly. Through that prosess KLP has gained valuable experience and adjusted its systems and procedures. This contributes to the Company being well prepared to handle the major influx in 2014.

In addition to the extraordinary growth as a result of transfers in, continued growth is expected in the number of individual pensions in the years to come, due to the increase in the annual population going to pension as a result of the growth in the local government sector over recent decades. Precision and quality in individual pension processing is one of KLP's most important tasks and a considerable effort is being made, for example through systems development, to make individual processing more efficient in a way that maintains and continues KLP's good quality of delivery into the future.

In order to achieve a better basis for evaluating our efforts it is important to assess key operating figures in comparison with those of competitors. The changed market conditions mean that KLP must also think anew when it comes to selecting peer group comparators.

When it comes to financial returns, KLPs goal of long-term, competitive returns stands firm. This is measured in relation to returns achieved by other market operators with similar regulatory frameworks for their asset management.

There is wide diversity amongst local government pension schemes in size, capitalization by the owners, risk profile and investment options. This produces a relatively wide spectrum of results from the schemes, depending on solvency and investment strategies in relation to market development.

At the end of 2013 KLP had a cost ratio of 0.28, a positive development from 2012 when it was 0.32 per cent. The long-term goal is to reduce the cost ratio to 0.25 by 2016. This level is considered competitive when compared with the level in the most cost-effective local government pension schemes.

Good service and customer service is the bedrock of KLP's market position. During 2013, KLP received 145,120 customer enquiries by telephone; 39,515 by email; and 6643 by letter. 9108 customers received personal advice, a service that is included in KLP's comprehensive provision of service, not priced separately.

Customer satisfaction surveys are conducted with the major customers: local authorities, health enterprises and organisations, in which the target groups for our principal insurance products demonstrated a customer satisfaction index (CSI) of between 74 and 77. KLP Banken showed a positive development from 59 to 66, but the result is still significantly below the Group's goal of 75. A score above 75 is considered to be very good.

Through its subsidiaries the KLP Group offers banking, saving and insurance services to its members in the public sector pension schemes. During the fourth quarter a customer satisfaction survey was carried out amongst these retail market customers. KLP Fondsforvaltning was able to record a CSI of 76, whilst KLP Banken and KLP Skadeforsikring both had a CSI of 75.

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

NOK billion	Allocation 31.12.2013 [1]	Return 2013 (per cent)	Allocation 31.12.2012
Shares	52.4	25.3	44.2
Short-term bonds	64.7	0.9	60.4
Liquidity/money market	31.3	2.5	23.1
Long-term/HTM bonds	89.0	4.8	83.3
Lending	33.8	3.5	30.0
Property	38.7	7.1	31.5
Total	309.9		272.5

[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.

More on 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 characterized by:

- Good financial returns both from shares and property
- Increasing interest rates are positive in the longer perspective, but put a damper on the year's returns on fixed-income securities
- Continued positive disability development
- Cost effective operation, where total management costs show reduction from 2012
- Good solvency.

The corporate portfolio, primarily comprising KLP's own funds (Tier 1 and Tier 2 capital), produced a return of 5.7 per cent during 2013.

The total recognized income ascribed to other comprehensive income, before allocation between the pension customers and the Company, was NOK 11,260 million in 2013 against NOK 6523 million in 2012.

NOK million	Income to customers	Income to the Company	Total 2013
Returns result	9 845	32	9 876
Risk result	184	51	235
Interest rate guarantee premium		336	336
Administration result		156	156
Net income from corporate portfolio		759	759
Return from the Company/ allocation from RUF (Risk Equalisation Fund) credited to customers	385	-385	-
Other income elements		-102	-102
TOTAL INCOME	10 413	847	11 260
Allocation of income			
To supplementary reserves	-	-	-
To increases in reserves	4 529	-	4 529
To premium fund	5 884	-	5 884
To the risk equalization fund	-	-320	-320
To owners' equity fund	-	1 167	1 167
Total allocations 2013	10 413	847	11 260
Total allocations 2012	5 455	1 068	6 523

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 modest inflow of new disability pensioners once again produced a solidly positive disability-risk result in 2013. Otherwise the risk result has continued as expected. The risk result was NOK 235 million. Of this, NOK 151 million has been provisioned to strengthening longevity reserves.

Administration result

The administration result shows a surplus of NOK 156 million against NOK 104 million in 2012. KLP has economies of scale as a result of its high market share in public sector occupational pensions and can thus maintain good service at a very competitive price. The Company has a clear ambition to further streamline its operation by automating and simplifying pension case handling over the next five years. This is an investment programme estimated at about NOK 200 million and that is expected to produce savings of 100 FTEs towards 2020.

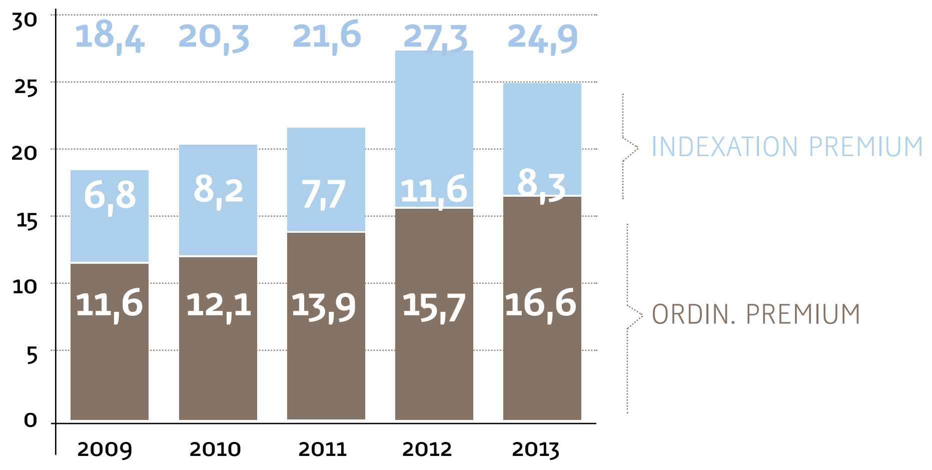
Returns result

2013 was a good year in the financial markets. KLP can therefore point to strong returns results. Financial income from the customer portfolios exceeded by a good margin the guaranteed interest liability of about 3 per cent that is linked to the pension funds. After NOK 1.1 billion was allocated to the securities adjustment fund, book return was 6.4 per cent and the returns result was NOK 9.9 billion.

Allocation of income

It has been a clear objective for KLP to complete the increase in longevity reserves in accordance with the K2013 tariff within the 2013 reporting year. This was so that customers and owners should be secure in the knowledge that this has been financed, and that future interest surpluses will be available to continue strength-

PREMIUM FIGURES IN NOK BILLION



ening the supplementary reserves and otherwise be allocated to the premium fund. To achieve this goal significant surplus values were realized during the fourth quarter, but not more than that allowing the securities adjustment fund to show growth of NOK 1 124 million over the year. The returns results to customers amounted to NOK 9845 million. After crediting NOK 184 million from the risk result and an allocation of NOK 385 million from the risk equalization fund, customer profit was NOK 10 413 million. Of this, NOK 4 529 million has been applied to completing the increase in longevity reserves in accordance with the K2013 tariff at the start of 2014. The remainder of the results achieved in the customer portfolios during 2013, totalling NOK 5 884 million, is transferred to the premium fund.

Profit for the year supplemented by the Company's other income elements amounted to NOK 847 million which in its entirety goes to strengthening retained earnings.

Solid buffers and freedom of action to build the desired buffers provide the basis for achieving good returns in the future as well. They enable an investment strategy with a long-term perspective aimed at stability and predictability. The Board is satisfied that the profit for the year allows both for completion of the strengthening of longevity reserves and at the same time distribution of profits to the customers through the premium fund.

KLP's Board considers that the income statement and the statement of financial position for 2013 with notes, statements of cash flows and 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 Company financial statements for KLP are presented in accordance with the Norwegian Annual accounts regulations for life insurance companies. The Group accounts are presented in accordance with the EU-approved international accounting standards (IFRS/IAS).

In 2013, the KLP Group and the companies in the KLP Group have changed the principle for accounting for pension obligations to their own employees. The principal effect of this change in principle is that estimate deviation, which is actuarial gains and losses, is recognized in other comprehensive income currently in the period in which it arises. Total profit for the year and owners' equity will thus be subject to greater fluctuations than previously. This is described in more detail in Note 2.

Group life

The group life product is rooted in the collective agreements between the employees and employers of KLP's main customers. At the end of the year 146,000 individuals were insured in the scheme. The group life product achieved a result of NOK 17.1 million in 2013, an increase of NOK 17.6 million over 2012.

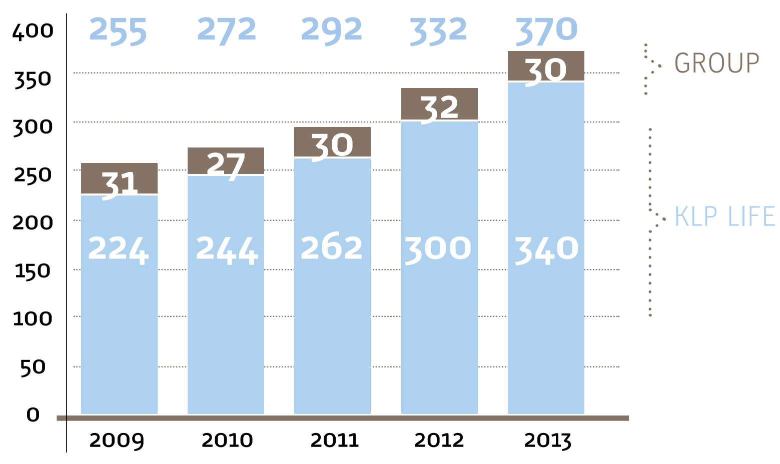
Private occupational pensions

KLP offers private occupational pensions, including management of pension capital certificates, through KLP Bedriftspensjon AS. The company achieved good results for its pension customers in 2013. The business is in growth and can point to good customer inflow and increased total assets. KLP Bedriftspensjon AS concluded agreements with 297 new defined-contribution pension customers during 2013, of which 48 per cent were transfers from other life insurance companies. There were 19 customers who transferred from KLP Bedriftspensjon AS.

Furthermore KLP Bedriftspensjon AS has decided not to offer of defined-benefits based occupational pensions (company pensions) until further notice. Before this decision was taken agreements were signed with five new customers.

The market for private occupational pensions is characterized by stiff competition, particularly in the segment for large enterprises/

TOTAL ASSETS IN NOK BILLION



undertakings. The Company's products are competitive and growth in customer numbers is satisfactory.

Income

The company achieved a pre-tax result of NOK -22.3 million (-25.5). 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 60 million in equity capital during 2013 in line with its established strategy of increasing capital in the company during a growth phase.

Non-life insurance

KLP Skadeforsikring AS offers non-life insurance services to the local government sector and associated enterprises. The Company also offers insurance solutions in the retail market with special advantages for members of KLP. Growth in recent years has been in this market in particular.

In its core market, Public Sector and Corporate, the positive trend continued with growth in the premium base. Premium growth for the year was NOK 19.0 million. Since the main bulk of the year's new sales occurs with effect from 1 January 2014, new sales show a significantly higher growth. Net new sales within this market were NOK 77.7 million for 2013. Fierce competition continues in the core market and the company is experiencing great mobility in its customer base.

Through a range of marketing measures, both of its own and by the Group, the company has achieved satisfactory growth within the retail market. Net premium growth was NOK 50.2 million in 2013. Correspondingly, net new sales for the year were NOK 60.9 million.

In total in 2013 the company had net earned premium of NOK 728 million. This is an increase of NOK 69 million or 10.5 per cent over the previous year.

During the 2013 insurance year seven major property claims with claim amounts exceeding NOK 5 million were reported. These claims amounted to a total claim sum of NOK 57.6 million. The general claims picture was positive with falling claims figures within most sectors.

Income

KLP Skadeforsikring AS had a pre-tax result of NOK 189.9 million for the year (105.2). The financial return was satisfactory at 6.5 per cent for the year. The general claims costs picture is positive and the company's total claims ratio was 77.5 per cent for the year.

Banking

KLP Banken offers 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 2013 the Group's total lending operation covers a total of NOK 54.7 billion. Of this, NOK 21.1 billion was financed by KLP Banken, the remainder by Kommunal Landspensjonskasse. The loans were divided between NOK 11.4 billion in housing mortgages to private individuals and NOK 43.3 billion in public sector loans.

Lending to the retail market

The bank manages housing mortgages for own account in addition to managed housing mortgages for the parent company, Kommunal Landspensjonskasse's. The housing mortgage portfolio developed well again in 2013. At the end of the year the Group had NOK 11.4 billion in total lending to retail customers. This represents net growth of NOK 0.9 billion during the year. The portfolio is secured by lien and within careful valuations, mainly within 60 per cent of loan value. The mortgagees' ability to pay also forms part of the credit assessment.

In order to achieve better and more effective financing of the housing mortgage stock a decision in principle has been taken to establish KLP Boligkreditt AS, which will base its borrowing on covered bonds. The new company will be under formation and will be operational in the course of 2014.

Lending to the public sector
The KLP Group's business in lending to the public sector is run by KLP Banken AS, with its subsidiary KLP Kommunekreditt AS, under the brand name "KLP Kommunekreditt". KLP Kommunekreditt AS is an important national operator within its area of activity. Total lending amounted to NOK 43.3 billion at the end of 2013, an increase of NOK 2.2 billion from 2012. The increase is mainly associated with loans financed by KLP, whereas loans for own account have been reduced by NOK 3.4 billion. New loans totalling NOK 8.5 billion were paid out during 2013. The corresponding figure for 2012 was NOK 5.8 billion.

Income
The pre-tax income of the KLP Banken Group was NOK 87.0 million. The corresponding figure for 2012 was NOK 83.7 million. Again in 2013, the positive result is principally associated with KLP Kommunekreditt AS. Net interest income has increased compared to 2012. Value increase in liquidity investments produced large unrealized gains during 2012. During 2013 such gains have been partially realized and affect the financial statements much less. The retail market, which is still in a build-up phase, can also point to increased net interest income in 2013.

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 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 tracker asset management products, both in Norwegian and international securities. The company represents one of the country's leading asset management operations, particularly in tracker management. In total NOK 287 billion was under management at the end of 2013, an increase of NOK 35 billion from 2012. Of this, NOK 28 billion is management for external clients.

Mutual funds
In 2013 KLP Fondsforvaltning had a good increase in net receipts both from Group customers and customers outside the Group. This, in addition to positive returns in 29 of 31 funds, has meant that the total assets in the KLP funds have increased by NOK 28 billion, to NOK 95 billion at the end of the year.

At the end of 2013 KLP Fondsforvaltning was managing a total of 31 mutual funds, including nine fixed-income funds, 18 equity funds, two combination funds and two special funds. During 2013 the KLP AksjeGlobal LavBeta equity fund was started, a fund that invests in shares with lower expected risk than the market. The company has both institutional customers and retail customers. The funds have a total of 415 institutional customer accounts and about 23,468 retail customer accounts. The institutional customers have 98 per cent of the funds' total assets.

Income
The asset management business achieved a pre-tax profit of NOK 32.6 million in 2013, a reduction of NOK 11.6 million compared to 2012. The business is run according to the principle that cost-effective management should benefit internal and external customers through pricing of the investment management services.

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

During 2013 six properties were taken over for a total price of NOK 5.4 billion. The acquisitions contributed to increasing the property proportion in the common portfolio from 11.5 per cent to 12.3 per cent. Over the year price development in the property market was modest, so the net value increase in the property portfolio, taking into account of exchange rate hedging, was NOK 524 million, representing 1.3 per cent. Total value of the property stock is NOK 40.1 billion, taking into account exchange-rate hedging. 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-builds, 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.

In addition to its own properties, KLP has a small property exposure through property funds. At the end of the year the value of investments in these fund units was NOK 658 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 operations from property was 7.0 per cent in 2013.

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 was supplier of actuarial services to 12 local government pension schemes and is thus the clearly largest supplier of actuarial services to local government pension schemes. The pre-tax profit from this business was NOK 0.9 million in 2013.

KLP Kapitalforvaltning offers consultancy and management services, which are also based on the expertise and the systems developed for KLP's own use.

During 2012/2013 KLP has developed a new concept for delivery of a broad spectrum of services to local government pension schemes. With this as the starting point, proposals are produced for pension schemes that put their scheme servicing out to tender, in such a way that they fit into KLP's concept. So far there are no customers for this new solution, but early in 2014 two such proposals have been submitted.

FINANCIAL STRENGTH AND CAPITAL-RELATED MATTERS

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 operational activities showed net receipts of NOK 676 million. Net cash flows from operational activities contain 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 hybrid Tier 1 securities and subordinated loan are all perpetual and satisfy the grandfathering requirements to Solvency II to the extent that they have been clarified. The interest reset date, which also gives KLP the opportunity to redeem the loans, is in 2016. Up to the interest reset date on the two subordinated loans, in 2016 and 2017 respectively, the Company will continuously assess market conditions and future needs for capital.

Solvency development
As it enters 2014, KLP has maintained a solid buffer and solvency situation. Within the freedom of action permitted by the Financial Supervisory Authority of Norway (FSA of N) for allocation of customer income for the year, further building of solvency has been prioritized. With the FSA of N's recommendations/guidelines for allocations it has not been appropriate to strengthen supplementary reserves in 2013. At the start of 2013, NOK 4.5 billion was provisioned for increasing reserves for the new tariff resulting from greater longevity in the population. During 2013, the remaining NOK 4.5 billion was provisioned to increasing longevity reserves, so that KLP has full reserves in accordance with the new mortality table for collective pension insurance (K2013) which came into effect on 1 January 2014. The supplementary reserves of NOK 12.5 billion represent 4.5 per cent of the technical reserves and cover 149 per cent of one year's guaranteed interest. The long-term objective is that the total of valuation reserves and supplementary reserves are to represent three times the annual guaranteed return. At the end of 2013 the degree of cover was 2.7 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. Provisional estimates show however that KLP fulfils the new requirements in a satisfactory manner.

KLP's solvency capital has increased from NOK 44.1 billion to NOK 46.9 billion during 2013, and is established at a level that provides the necessary freedom of action to conduct competitive and sound asset management.

Solvency capital

NOK billion	2013	2012
Own funds (Tier 1 and 2 capital) tied to capital adequacy requirement	14.0	12.1
Own funds (Tier 1 and 2 capital) in excess of capital adequacy requirement	4.1	4
Risk equalization fund	0.2	0.5
Supplementary reserves	12.5	12.4
Securities adjustment fund	10.4	9.3
Unrealized value financial assets at amortized cost	5.8	5.9
Total solvency capital	46.9	44.1

Total solvency capital amounts to 16.1 per cent of guaranteed interest customer funds at the end of 2013 against 17.4 per cent at the previous year's end.

At year-end the capital adequacy ratio was 10.3 per cent. Core capital adequacy was 8.7 per cent. The solvency margin adequacy was 228.8 per cent at the end of 2013.

The solvency measurements lie generally within the objectives KLP has and underline KLP's strong solvency. However, it is our ambition over time to strengthen the core capital adequacy ratio. The marginal reduction in some key figures is associated with the prioritization of increasing longevity reserves during 2013.

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 operational units.

During 2013 KLP conducted for the second time an in-house assessment of the company's capital requirement such as is expected when the Solvency II regulations are introduced (Own Risk and Solvency Assessment - ORSA). The assessment is considered overall satisfactory.

In addition to the section for independent Risk Analysis and Control which has both financial and actuarial competences, a compliance function has now also been established for the Group. The sections are located in the line, but have the right and duty to report deviations or other events directly to the Group CEO or the Group Board of Directors.

Insurance risk

KLP's principal activity is life and pension insurance. The industry is characterized by predictability and to a limited degree by individual events that may affect results significantly. For KLP the development within 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 insurance 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. From the same date, KLP has increased the premium reserves to cover this entirely. With an increasing number of occupationally active individuals in the higher age groups there is an increasing incidence 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 modifications to indexing was adopted in 2010, whilst changes in harmonization of retirement pension for those born in 1954 and later and new rules on disability pension have still not been laid down. The same applies to possible changes for survivor pensioners. New National Insurance disability benefit was approved by the Storting (the Norwegian parliament) in December 2011 and comes into force with effect from 1 January 2015. From the same date new disability benefits in public sector occupational pensions will come into effect. In 2014 the Norwegian Ministry of Labour and Social Affairs is expected to resume work on new rules for harmonization of retirement pension for those born in 1954 and later as possible individual guarantees for those born after 1958. New rules on disability benefits in public sector occupational pensions were adopted by the Storting in March 2014. 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.

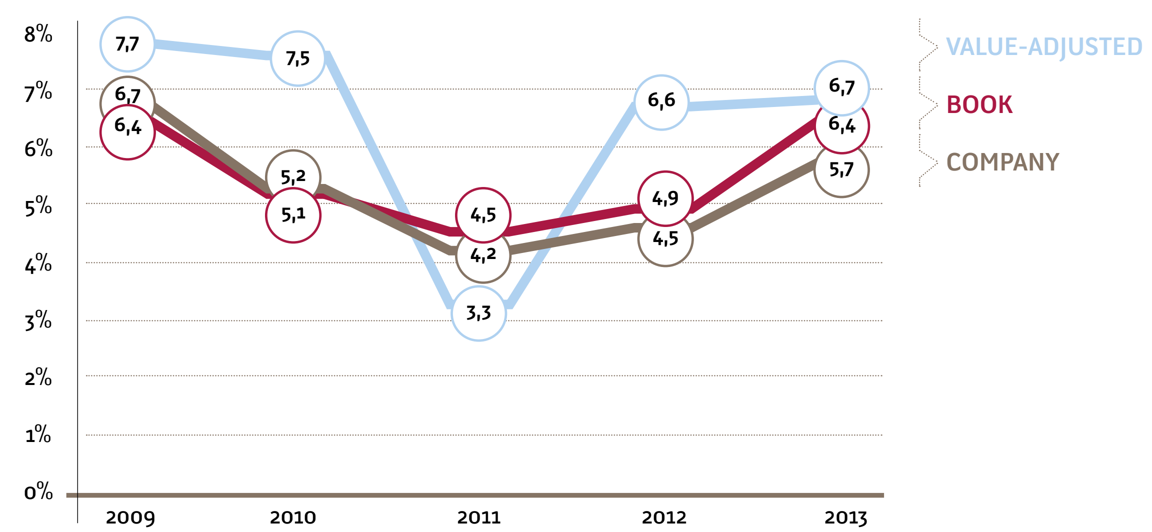
Returns risk

KLP guarantees an annual minimum return on management of its customers' pension assets linked to defined benefit schemes. For this guarantee, the customers must pay an annual interest guarantee premium. The interest guarantee premium is determined by KLP's solvency, the investment risk taken on by KLP and the development in the general level of interest rates. The interest guarantee premium is priced anew each year, which helps to mitigate the risk associated with the returns guarantee.

Financial risk

Each year KLP works out a strategy for how the pension assets are to be invested. The investment strategy emphasises exploitation of the Company's risk-bearing ability within a framework that dictates stability and the long-term view in asset management. Limits are defined 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.

PREMIUM DEVELOPMENT COMMON PORTFOLIO



The financial risk is continuously monitored to ensure the risk is matched with the risk capability within the limits set in the investment strategy.

The responsibility for operational 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, applicable mandates and guidelines provided by the Board.

Operational risk

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

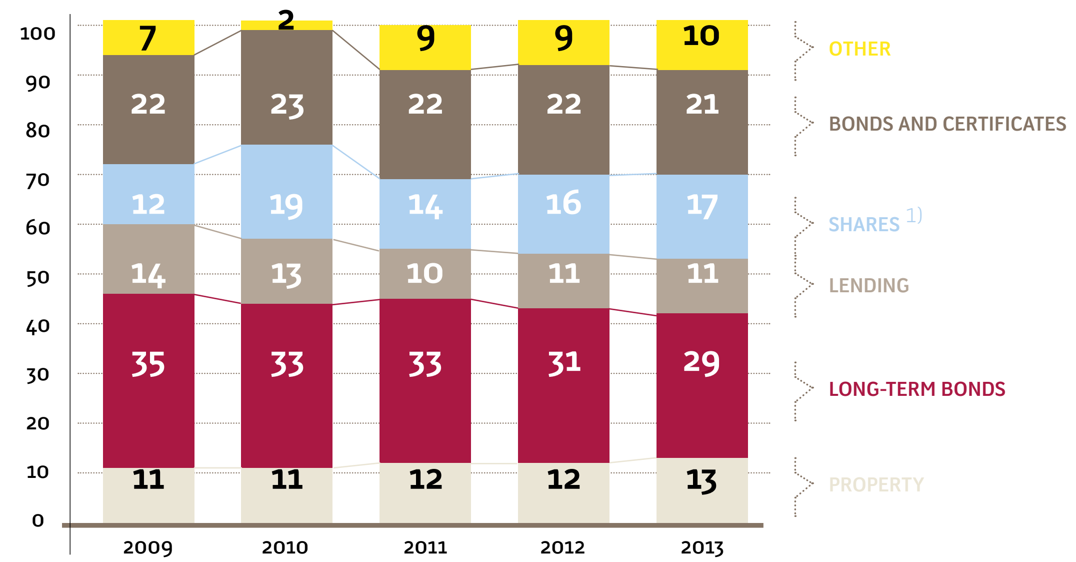
The Company's independent Internal Audit conducts assessment of insurance, financial and operational risks. Following consultation with the Board and senior management, assessment and testing are conducted of areas that are significant and exposed to risk with a view to satisfactory management and control.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

CORPORATE RESPONSIBILITY

Corporate responsibility is of strategic significance to KLP. This is implemented through actions related to the Group's business. KLP's most important stakeholders are in the public sector, and the vision is to be the best partner for the days to come. Therefore KLP's corporate responsibility policy is to contribute to a sustainable public sector and to integrate corporate responsibility into all business processes. An important element in achieving this vision is to deliver on the triple bottom line. Accordingly, KLP reports on non-financial key indicators quarterly. KLP presents a supplementary non-financial statement in the annual report, providing important information on the Group's goals and results within society, the environment, human capital and responsible investments.

KLP has signed the UN Global Compact, and is accordingly committed to working for human rights, for workers' rights, for the environment and against corruption. Corporate 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 on KLP's website, www.klp.no/english/corporate-

ALLOCATION COMMON PORTFOLIO ASSETS (% av financial assets)



responsibility. Through integrating corporate responsibility in the KLP Group's overarching strategy, the Group's balanced scorecard reporting and other business processes, implementation of the Global Compact and other internal guidelines and principles associated with corporate responsibility is assured.

KLP's work on corporate responsibility focuses on four areas: responsibility in investments and products, responsible environmental solutions, sharing of knowledge and engagement locally. These are areas pointed out by our own employees, senior management and certain external stakeholders as areas of high significance for KLP, in which KLP has strength today, or in which increased endeavour is desired.

In the area of corporate responsibility, KLP is particularly known for its work on responsible investment. Securing the value of pensions today and for the days to come is an important task, but KLP's owners and customers are not indifferent to how the returns are created. There is also an expectation and an engagement in society generally, for the subject of responsible investment. This is not least an area in which KLP has opportunity to influence and which is of significance for sustainable development.

KLPs guidelines are anchored in international norms such as the UN Global Compact, the UN's principles for responsible investment (UN PRI) and the OECD's Guidelines for Multinational Enterprises. The guidelines set out three tools that are used actively by KLP. These are: withdrawal/sale of shares; dialogue/voting and active ownership; and investments for sustainable development. As at 31 December 2013 KLP has excluded 69 companies from its portfolio because of serious and/or systematic breach of international ethical norms: ten of these were excluded during 2013; in seven of these KLP followed withdrawal undertaken by the Norwegian Government Pension Fund Global (GPFG). Four companies were readmitted to the portfolios and two followed the GPFG decision. In addition KLP has used its voting rights in general meetings extensively.

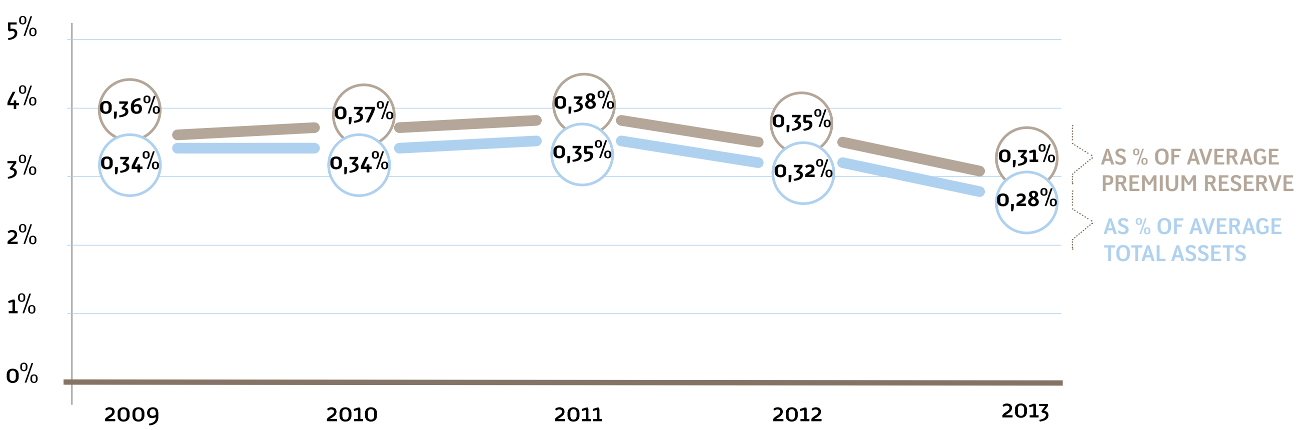
To strengthen investments for sustainable development, KLP has entered into collaboration with Norfund (the Norwegian Investment Fund for Developing Countries) on contributing to value creation and jobs in some of the poorest countries in the world. A total of NOK 500 million has been earmarked primarily for investment in environmentally friendly production of renewable energy. This supports both the need for energy supplies and the work on climate challenges, and through channelling capital to the finance industry where this strengthening may be able to provide important growth promotion within local communities. Three projects have been financed during 2013 and the work on expanding solar and wind power generation in two different African countries has been started.

EMPLOYEES; AND HEALTH, ENVIRONMENT AND SAFETY (HES)

In an organization like KLP good working environment is essential for delivering good results and achieving our goals. It is therefore important both to measure co-worker satisfaction and initiate measures where there is scope for improvement. In addition, important indicators for the working environment are sickness absence and the number of employees who leave.

As part of the systematic HES work undertaken in KLP, both the physical and the psychosocial working environment are mapped.

ADMINISTRATION COSTS



For the physical working environment, annual HES rounds are conducted (safety rounds) and there was one work-related injury in 2013. The results are mapped and followed up.

In regard to the psychosocial working environment, working environment measurements are carried out. The results of these measurements confirm that the working environment is perceived as good. In addition KLP has reduced sickness absence from 4.2 per cent in 2012 to 3.9 per cent in 2013. The target is to have sickness absence under 4.0 per cent for KLP as a whole.

During 2013, measures included training 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 with 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

Equal opportunities and diversity

KLP's guidelines for equal opportunities and diversity were revised in 2013 and are based on equality and fairness. This means not only focus on gender equality, but also inclusion of people with reduced functional capability and other groups that have problems fitting into working life. 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 induction programme where they are familiarized 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 established 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 ability to work. During 2013 KLP has three individuals who worked under this scheme.

Pay differences between women and men are assessed as part of each pay 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 Management Level 3, but not at Levels 1 and 2. Management Levels 2 and 3 show increased proportions of women. Correspondingly KLP wishes the 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.

Remuneration principles

KLP's aim is to offer its co-workers 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 salary that is in part dependent on performance to employees who have direct profits responsibility. In accordance with the regulations, payment of such 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. Otherwise performance pay has not been introduced into the Group.

External environment

Impact on the external environment and climate results from our own activities as well as, indirectly, through our customers and collaborative partners/suppliers and our investments in companies and property. KLP has ambitious targets on reducing its footprint, but also on contributing to development of new environmental solutions. During 2013, KLP Eiendom AS had major opportunities through its activity to set high environmental requirements and contribute to the development of new and responsible environmental solutions. The construction of Fornebu S started in 2013: it is the first shopping centre in the world to have received the BREEAM certificate for the Design and Planning Phase with the highest environmental classification "Outstanding". The building's CO2 imprint will be 40 per cent lower than a new reference building. The energy usage will be about 60 per cent lower than the requirements of the regulations and on the roof of Fornebu S a solar panel array of about 2000 m² will contribute to environmentally friendly energy. KLP, including the subsidiaries with employees, is environmentally accredited.

KLP has both long-term and short-term environmental and climatic targets. Various measures to achieve the targets are being prepared and implemented by the Environment Committee. The Committee's mandate is to work to reduce KLP's environmental impact through applying the "precautionary principle"; implementing environmental measures; and promoting its own employees' commitment to the environment.

The three most important measures in 2013 were: to reduce paper usage through electronic transmission of contract papers and board papers; to reduce CO2 emissions by reducing energy consumption in KLP-Huset through various energy-saving measures; and to increase the level of source sorting for in-house waste through improved waste-disposal procedures. This has resulted in reduced energy consumption/m2 and an increased level of source sorting.

REGULATORY FRAMEWORK

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 being directed by the Norwegian Ministry of Labour and Social Affairs.

The public sector occupational pension schemes are anchored partly in law and partly in collective employment agreements between the employer and employee organisations.

Currently the situation 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 harmonization. In 2014 the Norwegian Ministry of Labour and Social Affairs is expected to resume work on harmonization rules for those born in 1954 and later. New rules on disability benefits were adopted by the Storting in March 2014 and will come into effect on 1 January 2015.

Solvency II

The solvency regulations for insurance, Solvency II, are now partially being introduced inasmuch as requirements have been set for organisation and reporting applicable during 2014 and 2015. Full introduction including the capital requirements will now probably occur with effect from 1 January 2016. However, the formal decisions that must be made in this context, both in Norway and internationally, have not yet been made.

The new capital requirement, which is calculated on the basis both of insurance risk and market risk in addition to counterparty risk and operational risk, will be common throughout the EU/EEA area. It is however uncertain to what extent national authorities will allow use of schemes that reduce the capital requirement during a transition period.

The FSA of N 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 finalize the comprehensive internal work in the individual companies well before the regulations finally come into effect.

KLP is well underway with its preparations for Solvency II and organizational adjustments have been made. Already a section for Risk Analysis and Control under the leadership of a special Risk Director has been established, and now a separate compliance function has also been established for the Group.

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 of N has inter alia proposed basing the companies' asset management on "the prudent man principle" in which risk management, diversification 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.

OTHER MATTERS

Changes in KLP's Board of Directors

Anita Krohn Traaseth, Managing Director of Hewlett-Packard Norway joined the Board of Directors in place of Finn Jebsen.

Owner relations

To strengthen dialogue with KLP's owners, in 2013 resource groups were established in which 40 local government chief administrative officers participated with advice and views. This initiative will be continued during 2014. Key individuals from the health enterprises have been brought together annually for several years, including in 2013.

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 and the fact that the Company has not issued equity instruments and is therefore not listed on the stock exchange. Election procedures for the Supervisory Board and the Board of Directors are, through the Company's Articles of Association, tailored to the direct form of ownership through important stakeholder groups having assured representation on the Supervisory Board.

The Board of Directors has established an Audit Committee and Remuneration Committee, and undertakes an assessment of its own business and competency annually.

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 reimbursed in connection with movement of a customer's business from KLP and occurs after an assessment of inter alia the Company's solvency. Reimbursement requires the prior agreement of the FSA of N and the Company.

The way forward

At the start of 2014 KLP has a strong position, even though there are also challenges associated with the strong growth the Company is expected to face and the regulatory framework the business will meet.

Throughout its history KLP has won, and lost, customers through demanding tender competitions in which customers have been able to weigh up several providers against each other. At the start of 2014 for the first time in its history the Company is in the situation where new customers are in many cases coming because their current provider no longer wishes to provide them with the product they need. It is therefore up to KLP, through good solutions and good product delivery, a high degree of service, stable and predictable terms and good asset management to show its customers that KLP really is "the best partner for the days to come".

If the life company, KLP, can point to a measured customer satisfaction index (CSI) of 75 or better we can say that this target has been achieved, which is the case at the start of 2014. It is of course the objective that the new customers will also rank KLP as highly.

To achieve this, emphasis is placed on continuously developing customer service through arranging good online self-service solutions and better system support in enquiry-handling. 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 manner through exploiting economies of scale.

Good returns are an important prerequisite for achieving the Group's principal aims. 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 rates as the insurance funds grow.

KLP, the customer-owned company, is addressing the future's challenges by keeping its customers' wishes and needs central. 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 for two or more products. This is an ambitious target given that KLP is a new player in this market where there is considerable competition.

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

Increasing reserves for the new longevity assumptions is a challenge for the insurance industry, particularly in private sector occupational pensions. KLP enters 2014 with full longevity reserves in accordance with the new mortality table for collective pension insurance (K2013). It was not possible to strengthen the supplementary reserves beyond that stemming from new customers through 2013, but the result in the corporate portfolio 2013 supplements the owners' equity by NOK 845 million.

The most important achievement in 2013 was that KLP, in the years to come, can continue with its deliberate strengthening of financial buffer capital, through building up supplementary reserves and the securities adjustment fund, and of owners' equity, through its own earnings and annual owners' equity contributions.

Notwithstanding low interest levels, KLP's financial strength gives grounds for optimism about its ability further to develop the business in a way that continues to create good value for customers, owners and their employees.

Oslo, 21 March 2014
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Arne Øren, Chair — Liv Kari Eskeland, Deputy Chair — Marit Torgersen

Herlof Nilssen — Anita Krohn Traaseth — Jan Helge Gulbrandsen

Freddy Larsen
Elected by and from the employees

Susanne Torp-Hansen
Elected by and from the employees

Sverre Thornes
Group CEO

SUSANNE TORP-HANSEN
was elected as a KLP employees' representative to the Board in May 2013. She has been employed at KLP since 1999 and works in the Training Department of the Life Division on training in pensions. She is also the senior employee representative at KLP. Her education includes law studies from Oslo University and Information and Organization specialization from BI.

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.

MARIT TORGERSEN
was elected a member of the Board in May 2011. She has previously worked a total of nineteen 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.

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

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.

THE BOARD OF DIRECTORS IN KLP
PHOTO: NICOLAS TOURRENC

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 Authority. 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).

ANITA KROHN TRAASETH
was elected in May 2013 Krohn Traaseth is Managing Director of Hewlett-Packard Norge AS, and has 16 years experience from various management positions in the ICT industry in Norway, including IBM Norge, Oracle Norge and Det norske Veritas. She is a Master of Management from BI Norwegian Business School and management studies in the USA, including at Harvard.

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.

EGIL JOHANSEN
is and attending deputy member. 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 the Norwegian School of Economics, NHH, and has had a number of board appointments in public sector and private enterprises.

ERIK KOLLERUD
is an observer on the Board. He is Chair of YS Kommune (the Confederation of Vocational Unions) and President of Delta (an umbrella for 19 vocational and industrial organizations).

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 of KLP.

Open and clear

Anders Eidsnes

Employee accounting

3.87
per cent sickness absence
Down from 4.17 % in 2012

Low sickness absence continues

Determined work focusing on attendance, close monitoring and workplace facilitation is resulting in continued low absence throughout the Group. Absence is analysed continuously and measures implemented in the event of changes in both short-term absence and longer absence. The measures are prepared in consultation with the managers, each employee and HR, and are monitored systematically. In this way we can be at the leading edge and prevent undesirable developments. Our target was to come under 4% in total sickness absence and we reached this target in 2013 when sickness absence ended at 3.87% (down from 4.17% in 2012). Of this, short-term absence of less than 16 days represents 1.61% and long-term absence 3.87%. This is a good reduction from 2012 when total absence was 4.17%. Sickness absence in KLP is below both national and industry levels. KLP's occupational health services partner offers medical and psychological services, physiotherapy, ergotherapy as well as certain special areas for the prevention of back complaints and to keep expectant mothers in work for as long as possible.

High work satisfaction produces good results

In 2013 KLP adopted a new working environment survey that measures a range of key parameters that are drivers for work satisfaction and loyalty. High work satisfaction contributes to productivity and profitability and creates a culture in which co-workers thrive and want to continue to contribute to value creation in the Group. KLP's results are very good and are at a higher level than in many comparable businesses. We embrace a perspective that improvements occur through continuous work and inclusive processes. All departments in the companies are holding monitoring meetings/workshops to identify those areas where changes and adjustments will produce the greatest effect and to prepare concrete plans with harmonized measures that are to be followed closely through 2014 up to the next survey.

Strategic leadership provides full effect

Throughout 2012 and 2013 leading individuals in KLP have participated in a management development programme in which the key strand has extended from KLP's strategic platform and business plan out towards the individual co-worker's responsibilities and tasks. The managers have closely studied the Group's strategic map, worked on attitudes and actions to strengthen KLP's business and market position within the Group's business areas and worked with the tool Full Effect to ensure that everyday prioritization underpins the strategy in the best possible way. This is one of several specially developed tools in the toolbox to facilitate working continuously and deliberately with the correct strategic focus.

Customer-centred continuous improvement

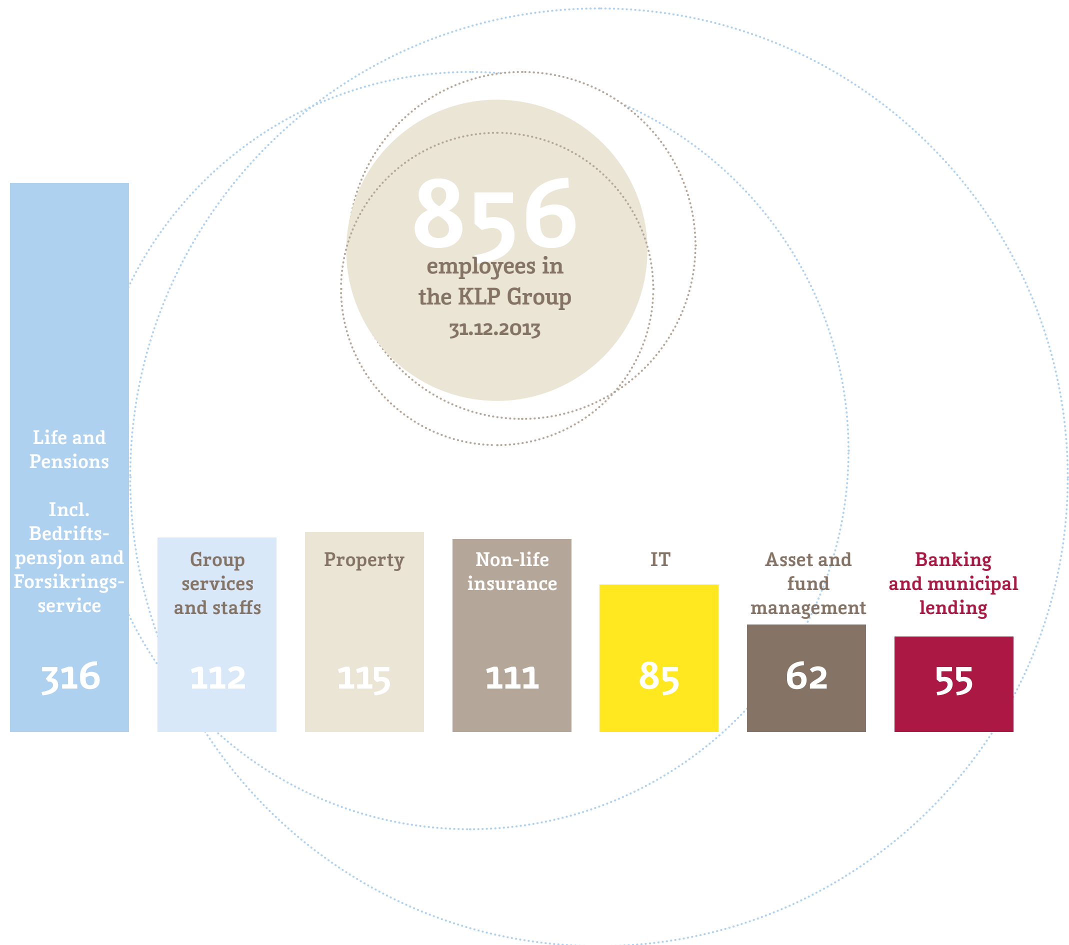
At all times KLP shall deliver products and services with which its customers are satisfied. Delivery is to be characterized by efficiency and customer focus so that our administrative costs remain low and so that as much as possible of the value creation benefits our customers. This is a task that requires awareness throughout the organization and in which co-workers close to the customers must be involved. During 2013 we have initiated several pilot projects with the Lean methodology, which will be continued and expanded during 2014.

Ethical climate and everyday ethical reflection

At KLP, ethics and corporate social responsibility are an integrated and natural part of the business and thus of the co-workers' everyday life. During 2013 in the Ethical Barometer survey we put a range of questions on values and ethical considerations to all our co-workers. The results show the significance of having Group senior management as clear role models, decision processes characterized by high integrity and deep-rooted values, and a culture with a low threshold for raising ethical questions. We have used the results of this work to revise the Group's ethical guidelines. These were approved by the Board of Directors in December 2013 and launched in the organization from January 2014 with offers of a range of learning tools such as dilemma training, quizzes and group facilitation to ensure good implementation in the form of familiarity, reflection and compliance.

Revisiting values anchors KLP's values

KLP's behavioural values – open, clear, responsible, committed – and reflection about what these involve for the individual, are introduced to co-workers as early as their job interviews and on into the introductory programmes for new co-workers. During 2013 the organization took a deep dive into the values through a number of workshops throughout the organization. The aim was to investigate whether these values were still representative and contributed with sufficient power and thrust for a Group in strong growth and progress. This work showed that the values are deeply rooted in the organization and that they definitely contribute in an appropriate way through providing direction in work and relationships. The process helped us, through joint discussion, to sharpen the significance of the values, so that actions and attitudes emitting from them are even clearer.



Open

Elin Anne Pedersen

Group Accounts

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Income statement KLP Group

Notes	NOK million	2013	2012
4,21	Premium income for own account	31 883	29 946
5	Current return on financial assets	9 886	9 121
5	Net interest income banking	122	166
5	Net income from financial instruments	6 916	5 956
16	Net income from investment properties	2 490	2 206
33	Other income	696	663
	TOTAL NET INCOME	51 992	48 058
21	Claims for own account	-12 503	-11 457
21	Change in technical reserves	-30 324	-27 344
	Interest cost and value change subordinated loan and hybrid Tier 1 securities	-390	234
32	Operating expenses	-1 191	-1 131
33	Other expenses	-660	-651
	TOTAL EXPENSES	-45 068	-40 349
	OPERATING PROFIT/LOSS	6 924	7 709
21	To/from securities adjustment fund – life insurance	-1 148	-4 342
21	To supplementary reserves – life insurance	1	0
21	Assets allocated to insurance customers - life insurance	-5 884	-2 370
	PRE-TAX INCOME	-107	997
23	Cost of taxes	-47	-7
	INCOME	-154	990
	Actuarial gains and losses on defined benefits pension schemes		
	– employee benefits	-112	329
	Adjustment of the insurance liabilities	10	-33
28,36	ITEMS THAT WILL NOT BE LATER RECLASSIFIED TO INCOME	-102	296
	Revaluation real property for use in own operation	24	23
	Currency translation foreign subsidiaries	1 101	-208
16,36	ITEMS THAT WILL BE RECLASSIFIED TO INCOME LATER WHEN PARTICULAR CONDITIONS ARE MET	1 125	-185
	TOTAL OTHER COMPREHENSIVE INCOME	1 023	111
	TOTAL COMPREHENSIVE INCOME	869	1 101

Statement of financial position KLP Group

Notes	NOK million	31.12.2013	31.12.2012
	ASSETS		
25	Intangible assets	377	365
22	Tangible fixed assets	1 040	1 033
17	Investments in associated companies	4	6
16	Investment property	39 744	32 322
6,13	Debt instruments held to maturity	31 758	37 283
6,13	Debt instruments classified as loans and receivables	67 272	55 917
6,7,11,13	Lending to local government, enterprises & retail customers at fair value through profit/loss	2 121	2 254
6,13	Lending to local government, enterprises & retail customers at amortized cost	53 260	49 874
6,7,11,13	Debt instruments at fair value through profit or loss	112 215	103 375
6,7	Equity capital instruments at fair value through profit or loss	54 298	42 410
6,7,11,13	Financial derivatives	1 368	1 541
6	Receivables	2 826	1 754
8	Assets in defined contribution-based life insurance	578	300
	Cash and bank deposits	2 896	3 350
	TOTAL ASSETS	369 757	331 783

Statement of financial position KLP Group

Notes	NOK million	31.12.2013	31.12.2012
	OWNERS' EQUITY		
	Owners' equity contributed	7 659	6 891
36	Retained earnings	7 609	6 739
	TOTAL OWNERS' EQUITY	15 268	13 630
	LIABILITIES		
6,10,18,19,20	Hybrid Tier 1 securities	919	974
6,10,18,20	Subordinated loan	3 151	2 891
28	Pension obligations	623	469
21	Technical provisions - life insurance	313 227	276 798
21	Provisions in defined contribution-based life insurance	578	300
21	Premiums, claims and contingency fund provisions - non-life insurance	2 623	2 626
6,10,11,20	Covered bonds issued	17 217	20 370
6,10,11,20	Debt to credit institutions	3 248	4 799
6,10,11,20	Liabilities to and deposits from customers	4 407	2 946
6,7,10	Financial derivatives	1 666	721
23	Deferred tax	93	50
34	Other current liabilities	6 737	5 208
	TOTAL LIABILITIES	354 489	318 153
	TOTAL EQUITY AND LIABILITIES	369 757	331 783
	OFF-BALANCE-SHEET ITEMS		
35	Contingent liabilities	8 539	4 460

Oslo, 21 March 2014
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Arne Øren
Chair

Liv Kari Eskeland
Deputy Chair

Herlof Nilssen

Marit Torgersen

Jan Helge Gulbrandsen

Anita Krohn Traaseth

Susanne Torp- Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Sverre Thornes
Group CEO

Statement of owner's equity

2013 NOK million	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2013	6 891	6 739	13 630
Income	0	-154	-154
Items that will not be later reclassified to income	0	-102	-102
Items that will be reclassified to income later when particular conditions are met	0	1 125	1 125
Total other comprehensive income	0	1 023	1 023
Total comprehensive income	0	869	869
Owners' equity contribution received	773	0	773
Owners' equity contribution repaid	-5	0	-5
Total transactions with the owners	768	0	768
Owners' equity 31 December 2013	7 659	7 609	15 268

2012 NOK million	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 31 December 2011	6 217	5 847	12 064
Change in principles, pension corridor	0	-209	-209
Owners' equity 1 January 2012	6 217	5 638	11 855
Income	0	990	990
Items that will not be later reclassified to income	0	296	296
Items that will be reclassified to income later when particular conditions are met	0	-185	-185
Total other comprehensive income	0	111	111
Total comprehensive income	0	1 101	1 101
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	6 739	13 630

Statement of cash flows

NOK million	2013	2012
Cash flow from operational activities		
Direct insurance premiums received	24 427	26 730
Reinsurance premiums paid	-61	-64
Direct insurance claims and benefits paid	-11 725	-10 755
Reinsurance settlement for claims and insurance benefits, received	63	67
Payments received on transfer	7 316	1 779
Payments made on transfer	-187	-158
Payments to other suppliers for products and services	-702	-976
Payments to employees, pension schemes, employer's social security contribution etc.	-699	-666
Interest paid	-857	-1 024
Interest received	8 116	8 017
Dividend received	2 938	1 895
Tax and public charges paid	-167	-161
Receipts to the property business	1 488	2 125
Net receipts/payments of loans to customers etc.	-1 614	2 833
Receipts on the sale of shares	40 097	19 023
Payments on the purchase of shares	-43 390	-20 693
Receipts on the sale of bonds and certificates	35 659	41 220
Payments on the purchase of bonds and certificates	-57 010	-58 543
Receipts on the sale of property	0	684
Payments on the purchase of property	-5 400	-4 422
Payments to investments in assets with investment option	-215	-83
Net cash flow from purchase/sale of other short-term securities	4 520	-7 891
Net cash flow from operating activities	2 595	-1 063
Cash flow from investment activities		
Receipts on the sale of tangible fixed assets	1	1
Payments on the purchase of tangible fixed assets etc.	-89	-82
Net cash flow from investment activities	-88	-81
Cash flow from financing activities		
Receipts on take-up of long-term liabilities	0	0
Payments on repayment of long-term liabilities	-3 730	0
Receipts of owners' equity contributions	773	677
Payments on repayment of owners' equity contributions	-5	-4
Net cash flow from financing activities	-2 961	673
Net changes in cash and bank deposits	-454	-471
Holdings of cash and bank deposits at start of period	3 350	3 820
Holdings of cash and bank deposits at end of period	2 896	3 350

Notes Group

Note 1 General information

Kommunal Landspensjonskasse gjensidig forsikringsselskap (the Company) and its subsidiaries (together the Group) provide 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, funds and asset management.

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

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

The Company has subordinated loans 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 historic 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 recognized 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 financial statements have been prepared in accordance with the going concern assumption.

2.1.1 Changes in accounting principles and disclosures

(a) New and changed standards adopted by the Group

The following new or changed IFRSs or IFRIC interpretations that have come into force for the 2013 annual financial statements have a significant effect on the financial statements:

- 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.

- IFRS 7 "Financial instruments - Disclosures" has been amended. The change requires new note information concerning net presentation of assets and liabilities to enable comparison between the IFRS-reporting enterprise and enterprises reporting in accordance with US GAAP.

- IAS 19 "Employee Benefits" has been amended. The changes in this standard require that all estimate deviations that are actuarial gains and losses are to be recognized in other comprehensive income in the period in which they arise. There is therefore an immediate recognition against income of all costs of previous periods' accumulation on change in the scheme. Removal of the "corridor" solution may produce significantly more volatility in other comprehensive income and owners' equity since the estimate changes are taken directly to other comprehensive income. Other plan changes with retroactive effect and that are not conditional on future employment are recognized immediately in income, which may produce larger effects in certain periods.

  Another change in the standard is that there is a move from interest costs on the liability and expected returns on pension assets to a net interest sum in which a discount rate is used on net pensions liability. In accordance with previous rules the discount rate was used to calculate the cost of interest based on gross pensions obligation, and an expected returns interest rate was used to calculate interest income based on gross assets. The concept of expected return on assets has thus been removed. Expected return will generally be higher than the discount rate and the change thus means that the company will take a lower return to income on its pension assets than previously and thus have lower profit. The difference between actual return on the assets and the return calculated using the discounted interest rate will be treated as estimate deviation to be recognized in other comprehensive income.

- 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 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.

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

- IFRS 9 "Financial Instruments" governs classification, measurement and recognition of financial assets and financial liabilities as well as hedge accounting. IFRS 9 was published in November 2009, October 2010 and November 2013. It replaces those parts of IAS 39 governing corresponding questions. In accordance with IFRS 9, all financial assets are to be divided into two categories: those to be measured at fair value and those to be measured at amortized cost. The measurement category is decided on first recognition of the asset. The classification depends on the entity's business model for managing its financial instruments and the characteristics of the individual instrument's cash flows. For financial liabilities the standard generally continues the requirements in IAS 39. The greatest change is that in instances in which the fair value option is adopted for a financial asset, changes in fair value resulting from change in the entity's own credit risk are recognized in other comprehensive income and not in the traditional profit or loss, unless this results in a situation in which comparison cannot be achieved ("accounting mismatch"). IFRS 9 involves a range of changes and simplifications that will result in increasing opportunities to use hedge accounting. The Group has yet to fully assess the effect of IFRS 9. The Group will also assess the consequences of the remaining parts of IFRS 9 when these are completed The date for IFRS 9 to come into effect has not yet been decided, but will be no earlier than 1 January 2017.

- 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. Based on the new control term many of the Group's securities funds will have to be consolidated, as well as some other corporate investments. The extent is not yet clear. 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 disclosure 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 assessed the full effect of IFRS 12. The Group plans to apply the standard for reporting periods starting on 1 January 2014 and later.

Otherwise there are no other IFRSs or IFRIC interpretations not yet in force that 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 in regard 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 2012. The schedule below shows total changes that have been made:

Financial statement line: (Figures in MNOK)	Changed amount:
Income statement:	
Current return on financial assets	-23
Net value changes on financial assets	117
Other income	-117
Operating expenses	18
Items that in future will not be reclassified to income	296
Total effect on comprehensive income	292
Financial position statement:	
Retained earnings	83
Pension obligations	-100
Technical provisions - life insurance	17
Total effect on the assets side/equity and liabilities	83/-83

The changes in IAS 19 "Employee Benefits", as described in subparagraph 2.1.1 a) have mandatory application from the fiscal year starting 1 January 2013, with retrospective application on the 31 December 2012 figures. The table below provides a specification of the magnitude of the effects the standard has had on the financial statements compared to previous periods:

NOK thousands	Original 31.12.2012	Effect 2012 IAS 19	Adjusted 31.12.2012
Comprehensive income statement			
Operating expenses	-150	19	-132
Current return on financial assets	0	-23	-23
Cost of taxes [2]	0	0	0
Profit/loss for the period	-150	-4	-155
Other income elements for the period			
Actuarial gains and losses on			
defined benefits pension schemes			
- employee benefits	0	329	329
Tax on other income elements [2]	0	0	0
Other comprehensive income	0	329	329
Total comprehensive income	-150	325	175

NOK thousands	Original 31.12.2012	Effect 2012 IAS 19	Adjusted 31.12.2012
Financial position statement			
Owners' equity	13 547		13 547
Zeroing corridor, 1 January 2012		-209	-209
Total comprehensive income		292	292
Owners' equity 31 December 2012	13 547	83	13 630
Pension obligation	569		569
Zeroing corridor, 1 January 2012		225	225
Total comprehensive income		-292	-292
Pension obligation 31.12.2012 [1]	569	-67	502
Insurance provisions			
in life insurance	276 781	17	276 798
Deferred tax/-tax assets [2]	0	0	0

[1] Includes pension obligation for employees of KLP Eiendom AS, which is included in the common portfolio.

[2] Tax is not affected

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 are 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 recognized 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 harmonization 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 translated to NOK by using the conversion rate on the date of the transaction. Exchange-rate gains and losses on transactions in foreign currency are recognized 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 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 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 against 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 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 Group 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.

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

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

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

For some fixed assets, where the 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 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. On the sale of revalued fixed assets, any sum in the revaluation reserve linked to the fixed asset is transferred to retained earnings.

On the sale of properties that are recognized at revalued value, the revaluation reserve is transferred from owners' equity not taken to profit/loss 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 subdivided 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 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 estimated 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 Group property stock, the pilot portfolio, 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 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 "assets 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.

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 readied for use.

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

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 FINANCIAL INSTRUMENTS

2.8.1 Classification

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

Financial assets

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

Financial liabilities

a) Financial liabilities at fair value through profit/loss.
d) Other financial liabilities recognized at amortized cost

a) Financial assets and liabilities at fair value through profit or loss

Within this category it may be obligatory or optional to recognize 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 instruments and liabilities opted to be recognised at fair value with value changes through profit or loss are classified in this category if the financial instruments are either managed as a group, and where their earnings are assessed and reported to management on the basis of fair value, or if the classification eliminates or reduces accounting inconsistencies in measurement.

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

b) Lending and receivables recognized 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 i.e. bonds that are not priced in an active market as well as lending to local authorities, enterprises and retail customers.

c) Financial assets held to maturity

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

- Those the enterprise classifies on first recognition 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 covers subordinated loans, covered bonds issued and debt to as well as deposits from customers.

2.8.2 Recognition and measurement

Purchases and sales of financial instruments are recognized 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, been 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 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 capitalized value and is included in the statement of income under "Current returns from financial assets".

Loss assessment and loss write-down is carried out quarterly on individual loans. Loans with unpaid repayments older than 90 days or credits with overdrafts older than 90 days are examined at the end of the reporting period. In addition continuous assessment is carried out of other lending engagements where there is objective proof of 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 recognized in the financial position statement either as "Lending to local authorities, enterprises and retail customers at fair value through profit or loss", "Debt instruments at fair value through profit or loss" or "Equity instruments at fair value through profit or loss". Interest income and share dividend are included in the line "Current returns from 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 income from 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 from financial assets". For the banking business, interest income is included in the line "Net interest income banking". Value changes that can be linked to objective indications of fall in value as well as foreign exchange changes are included in the line "Net income from financial instruments ".

c) Financial assets held to maturity

Financial assets held to maturity comprise bonds noted in an active market and are presented in the financial position statement as "Debt instruments held to maturity". Interest income in accordance with the effective interest rate method is included in the line "Current returns from financial assets". Value changes that can be linked to objective indications of impairment as well as unrealized foreign exchange changes are included in the line "Net income from financial instruments".

d) Liabilities to and deposits from customers

Liabilities to and deposits from customers are recognized at fair value in the financial position statement 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 recognized 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 "Interest costs and value change 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 "Interest costs and value change subordinated loan and hybrid Tier 1 securities".

f) 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 exchange 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
In the first instance covered bonds issued are recognized 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 income statement.

Bonds issued with fixed interest are recognized in accordance with the rules on fair value hedging inasmuch as they 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 gain from financial instruments" in the income statement.

i) Derivatives and hedging
Financial derivatives are capitalized at fair value at the time they are contracted. On subsequent measurement the derivatives are 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 recognized through profit or loss as they arise on the line for "Net income from financial instruments". These are included in the category "Financial assets at fair value through profit or loss".

In three cases the Group has 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 income from financial instruments". 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 the KLP Group will be reported on the income statement line "Net income from 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, and that it is the intention to carry out netting, as well as the maturity date of the asset corresponding with the date the liability is due payment.

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

2.11 THE GROUP'S OWNERS' EQUITY
The Group owners' equity is divided into two main elements:

2.11.1 Owners' equity contributed
The Group's parent company is a mutual company owned by its customers. This means that 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 equalization fund, the natural perils fund, the revaluation fund and the owners' equity fund.

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

2.12 RECOGNITION OF INCOME
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 is and 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 from 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 income from financial instruments".

2.12.3 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 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 inasmuch 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 accounts, capitalization and 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 23.

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 recognized in accordance with IFRS 4. Tn 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 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 special 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 13 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 comprise the customers' deposited savings capital supplemented by returns made.

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

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

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

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

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

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

Third-party liability
Insurance contracts that cover damage incurred by third parties as a result of the customer's 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 from decisions and rules laid down pursuant to the "Regulations concerning technical provisions and risk statistics in non-life insurance" of 10 May 1991, No. 301, and "Supplementary regulations concerning technical provisions and risk statistics in non-life insurance" of 18 November 1992, No. 1242

2.14.2 Provisions in insurance funds

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

a) Premium reserve
The premium reserve represents the actuarial cash value of pension entitlements accumulated on the date of calculation. The premium reserve also includes administration reserve in accordance with KLP's calculation base, as well as provisions for incurred, not yet settled insurance claims, including waiting period provisions for disability risk. 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 are allocated to the customers conditionally and may be used to cover any shortfall in returns. Any negative return cannot be covered from supplementary reserves.

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

d) Claims reserve
Claims reserves relate to and incorporate provision for non-settled insurance events linked to group life insurance, public sector occupational pensions and non-life insurance. Change in claims reserves is recognized 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 unrealized 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.

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.

2.14.3 Base rate

The Group's defined benefit insurance contracts in the group pension sector contain a returns guarantee (base interest rate). The returns guarantee must be met annually.

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.

In the defined benefit pension schemes, some schemes have base interest 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 2.99 per cent and in the group pension (private) segment, 3.34 per cent.

2.14.4 Mortality and disability

Different assumptions are used for public sector and private group pension for disability risk. Both sets of assumptions have been developed at KLP based on its own population.For the other risk elements 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. For the Pension Scheme for Nurses and the Joint Pension Scheme for Hospital Doctors a somewhat stronger basis is used.

Staffing 2014, the new K2013 mortality tables are used with the Financial Supervisory Authority of Norway's safety margin requirements.

2.15 RESULT ELEMENTS - LIFE INSURANCE

2.15.1 Returns result

To calculate the returns result, separation has been introduced between the customers' accumulated funds and the insurance companies, i.e. the owners' own funds. A division has been carried out in the common and the corporate portfolios respectively. The common portfolio may be further divided into subportfolios with different investment profiles. The returns result thus comprises the return on the common portfolio less 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 Group's/Company's results.

2.15.2 Risk result

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

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

2.15.3 Administration result

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

2.15.4 Return on the corporate portfolio

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

2.15.5 Free-standing policies

For free-standing policies (paid-up policies) there is profit 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.

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 beyond these schemes is covered through operation. Pension costs are treated in accordance with IAS 19. The Company has a defined benefits based pension scheme for its employees. The accounting liability for defined benefit schemes is the present value of the obligation on the reporting date, with deduction for fair value of the pension assets. The gross obligation is calculated using the straight-line method. The gross obligation is discounted to present value using the interest rates on Norwegian high-quality bonds. Gains and losses arising on recalculation of the obligation as a result of known deviation and changes in actuarial assumptions are charged to owners' equity via other comprehensive income during the period in which they arise. The effect of changes in the scheme's benefits is taken to profit/loss immediately.

Presentation of the pension costs in the income statement is in accordance with IAS 1. This standard allows the option of classifying the net interest element either as an operating cost or as a financial cost. The option the company adopts must be followed consistently for later periods. The Company has presented the pension cost and interest element under the accounting line "Operating expenses". The estimate deviation has been classified under "Items that will not be reclassified to income" in the accounting line "Actuarial gains and losses on defined benefits pension schemes".

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.

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 up to 2009. For the other risk elements in group pension, including longevity 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 of N) in 2007. From 1 January 2014 the new estimating table K2013 will be used with the contingency margins set by FSA of N.

In public sector occupational pensions average premium is invoiced for the different pension schemes so that the technical net premium is equalized between the customers included in the scheme. Had this not been done the annual net premium for KLP retirement, disability and survivor pension based on a salary of NOK 390,000 would, for the various individual ages and genders, amount to:

Men:			
Age	30 years	45 years	60 years
Amount	NOK 17,524	NOK 31,534	NOK 35,841

Women:			
Age	30 years	45 years	60 years
Amount	NOK 26,824	NOK 42,635	NOK 39,295

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. 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 FSA of N. 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 2013, a discounting factor was used in the interval 7.38 - 9.25 per cent: for the Group's Swedish properties it was 6.55 - 8.30 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

Note 3 Important accounting estimates and valuations (continued)

- Upgrading costs per square metre on new lease
- Any further upgrading costs (year and amount)
- Number of months vacancy on each contract expiry
- Estimated final value Year 20
- Nominal return requirement

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

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

The sensitivity analysis below shows how the value of one of the Group's centrally located office properties in Oslo changes with certain changes in key parameters in the Group's valuation model. The analysis shows change in value (given as percentage change) for a given change in a parameter on the assumption that all other parameters stay unchanged. In reality it may well be that there are 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 Company's net pension liability in regard to its employees depends on a range of economic and demographic assumptions. The Group complies with the "Guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB). Updated guidance published on 6 January 2014 has been used as the basis for updated measurement of best-estimate accrued obligations and assets as at 31 December 2013.

In accounting for pension schemes in accordance with IAS 19, a range of actuarial assumptions must be specified. This specification involves significant elements of judgement and practical approaches. 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 interest rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic amount (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The Group uses the interest rate for covered bonds (OMF) as the discount rate based on the assumption that a liquid market exists for covered bonds of long duration. In this evaluation, account is taken of market volume; bid/ask spread; price reliability; trading volume and frequency; and issuance volume. As at 31 December 2013 a discount rate of 4.0 per cent has been used in accordance with the Norwegian Accounting Standards Board (NASB) "Guidance for determining pension assumptions as at 31 December 2013".

The assumptions on future salary growth and future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 3.75 per cent (salary growth) and 3.5 per cent (G and pensions adjustment) respectively. The pension adjustment for the local government pension scheme should be the same as the G-adjustment.

New mortality assumptions have been used in measuring accrued pension obligations (best estimate) as at 31 December 2013. The Company has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

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

3.4 FAIR VALUE ON FINANCIAL ASSETS

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

If it is concluded the observable market price is not representative of the fair value of the asset or the security is not traded on a listed market, the market value is estimated. The estimate is based on the market circumstances prevailing at the end of the reporting period. Unlisted fixed interest 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 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 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 the difference 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 million	Group pensions pub. sect. & group life The year 2013	Group pensions pub. sect. & group life The year 2012	Group pensions private The year 2013	Group pensions private The year 2012	Non-life insurance The year 2013	Non-life insurance The year 2012	Banking The year 2013	Banking The year 2012
Premium income f.o.a. from external customers[1]	30 788	28 940	385	356	709	650	0	0
Premium income f.o.a. from other Group companies[1]	72	85	0	0	19	9	0	0
Net financial income from investments	19 764	16 646	119	84	226	213	166	775
Other income from external customers	992	838	0	0	2	1	8	5
Other income from other Group companies	0	0	0	0	0	0	58	79
Total income	51 616	46 510	505	440	955	873	232	859
Claims f.o.a.	-11 886	-10 882	-49	-38	-567	-537	0	0
Insurance provisions f.o.a.	-29 907	-26 917	-412	-371	-4	-55	0	0
Costs borrowing	-390	234	0	0	0	0	0	-612
Costs borrowing from other Group companies	0	0	0	0	0	0	0	-26
Operating costs excluding depreciation	-754	-756	-39	-40	-190	-172	-143	-135
Depreciation	-74	-69	-1	0	-4	-4	-2	-2
Other expenses	-660	-651	0	0	0	0	0	0
Total expenses	-43 671	-39 041	-502	-450	-765	-768	-145	-775
Operating profit/loss	7 945	7 469	3	-10	190	105	87	83
Funds credited to insurance customers[2]	-7 006	-6 696	-25	-16	0	0	0	0
Pre-tax income	939	772	-22	-25	190	105	87	83
Cost of taxes	0	0	0	0	-38	-17	-11	-23
Income after tax	939	772	-22	-25	152	88	75	60
Change in other comprehensive income	-92	296	-1	0	-11	27	-2	6
Total comprehensive income	847	1 068	-23	-25	141	115	73	66
Assets	339 592	299 708	1 792	1 317	3 753	3 599	26 011	28 273
Liabilities	324 504	286 235	1 689	1 249	2 779	2 774	24 717	27 050

NOK million	Asset management The year 2013	Asset management The year 2012	Other The year 2013	Other The year 2012	Eliminations The year 2013	Eliminations The year 2012	Total The year 2013	Total The year 2012
Premium income f.o.a. from external customers[1]	0	0	0	0	0	0	31 883	29 946
Premium income f.o.a. from other Group companies[1]	0	0	0	0	-91	-94	0	0
Net financial income from investments	4	4	0	0	-864	-274	19 414	17 448
Other income from external customers	0	0	9	8	-703	-557	308	296
Other income from other Group companies	330	288	0	0	0	0	388	367
Total income	333	292	9	8	-1 658	-925	51 992	48 058
Claims f.o.a.	0	0	0	0	0	0	-12 503	-11 457
Insurance provisions f.o.a.	0	0	0	0	0	0	-30 324	-27 344
Costs borrowing	0	0	0	0	0	612	-390	234
Costs borrowing from other Group companies, check out for Banken	0	0	0	0	0	26	0	0
Operating costs excluding depreciation	-299	-269	-7	-7	324	326	-1 107	-1 052
Depreciation	-2	-2	0	0	0	0	-84	-78
Other expenses	0	0	0	0	1	0	-660	-651
Total expenses	-301	-271	-7	-7	325	965	-45 068	-40 348
Operating profit/loss	33	21	1	1	-1 334	40	6 924	7 709
Funds credited to insurance customers[2]	0	0	0	0	0	0	-7 031	-6 712
Pre-tax income	33	21	1	1	-1 334	40	-107	997
Cost of taxes	-5	-6	0	0	8	40	-47	-7
Income after tax	27	15	1	1	-1 326	80	-154	990
Change in other comprehensive income	0	32	0	0	1 129	-252	1 023	111
Total comprehensive income	27	47	1	1	-197	-172	869	1 101
Assets	297	252	12	12	-1 700	-1 378	369 757	331 783
Liabilities	133	122	3	3	664	720	354 489	318 153

[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 provision 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 AS offers products to enterprises within both the public and private sectors.

Non-life insurance
KLP Skadeforsikring AS offers property and personal injury products to employers within the public and private sectors. In addition a broad spectrum of standard insurance products is offered to the 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 BK 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 by the companies KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS. The companies offer a broad selection of securities funds both to retail customers and to institutional customers. The securities management has a socially responsible profile.

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

Note 5 Net income from financial instruments

NOK million	2013	2012
Interest income bank deposits	141	125
Interest income derivatives	67	48
Interest income debt instruments fair value	3 421	2 928
Total interest income financial assets at fair value	3 629	3 100
Interest income fixed-income securities amortized cost	4 529	4 393
Interest income lending amortized cost	1 104	1 084
Total interest income financial assets at amortized cost	5 634	5 476
Dividend/interest shares and holdings/units	692	598
Oher income and expenses	-70	-54
Total other current expenses and income	623	544
Current return on financial assets	9 886	9 121
Interest income lending fair value	3	-17
Total interest income financial assets at fair value	3	-17
Interest income lending amortized cost	738	854
Total interest income financial assets at amortized cost	738	854
Interest costs debt to credit institutions	-20	-60
Interest costs covered bonds	-518	-652
Interest costs debt to and deposits from customers	-122	-80
Oher income and expenses	42	121
Total other income and expenses banking	-618	-670
Net interest income banking [1]	122	166
Value changes shares and holdings/units	5 220	1 377
Value change derivatives	-1 009	887
Value change debt instruments at fair value	-1 770	1 349
Value change lending fair value	27	-62
Value change borrowing fair value	-1	11
Total value change financial instruments at fair value	2 467	3 561
Value change lending at amortized cost	13	0
Other unrealized values	-133	144
Total other unrealized values	-120	144
Net unrealized gain on financial instruments	2 347	3 706
Realized shares and holdings/units	6 329	1 488
Realized derivatives	-2 744	898
Realized debt instruments at fair value	624	290
Total realized financial instruments at fair value	4 209	2 676
Realized bonds at amortized cost [2]	228	-390
Realized loans at amortized cost	1	0
Total realized financial instruments at amortized cost	229	-390
Other financial income and costs	131	-36
Total other financial income	131	-36
Net realized gain on financial instruments	4 568	2 250
Net value changes on financial instruments	6 916	5 956
Total net income from financial instruments	16 923	15 242

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] Realized values on bonds at amortized cost come from realized 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/realized 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 market or similar, the Group uses valuation techniques to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected yield curves and yield 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 (the 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 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 Indicies
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.

d) Norwegian fixed income securities - government
Reuters is used as the 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 spread 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 spread curves are received from the Norwegian Mutual Fund Association NMFA. These are based on yield spread 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 spread 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.

Fixed interest loans valued by discounting contractual cash flows by market interest rates including a relevant risk margin at the end of the reporting period.

Variable interest rate loans areconsidered virtually the same as book value since the contract terms are continuously changed in step with change in market interest rates.

Note 6 Fair value of financial assets and liabilities

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 yield curves and credit interest spread 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 yield 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 contractual cash flows by market interest rates including a relevant risk margin at the end of the reporting period.

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

n) 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 are continuously changed in step with change in market interest rates.

o) 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) 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) 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	31.12.2013		31.12.2012	
NOK million	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds [1]	12 359	13 144	17 609	18 686
Foreign hold-to-maturity bonds [1]	19 400	20 484	19 674	20 882
Total debt instruments held to maturity	31 758	33 628	37 283	39 568
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES – AT AMORTIZED COST				
Norwegian bond loans [1]	25 007	26 389	24 362	23 891
Foreign bonds [1]	42 237	44 485	31 555	33 601
Other receivables	29	29	-1	-1
Total debt instruments classified as loans and receivables	67 272	70 903	55 917	57 491
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	2 121	2 121	2 254	2 254
Total lending local government, enterprises and retail customers	2 121	2 121	2 254	2 254

Financial assets	31.12.2013		31.12.2012	
NOK million	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT AMORTIZED COST				
Loans secured by mortgage	11 286	11 505	9 750	9 779
Loans to local government sector or enterprises with local government guarantee	41 975	42 519	40 124	40 418
Total lending local government, enterprises and retail customers	53 260	54 024	49 874	50 198
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	66 015	66 015	57 741	57 741
Norwegian certificates	10 019	10 019	7 195	7 195
Foreign bonds	24 293	24 293	22 320	22 320
Investments with credit institutions	11 888	11 888	16 119	16 119
Total debt instruments	112 215	112 215	103 375	103 375
OWNERS' EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	17 104	17 104	19 587	19 587
Equity funds	36 600	36 600	21 315	21 315
Property funds	658	658	614	614
Alternative investments	-65	-65	894	894
Total owners' equity instruments	54 298	54 298	42 410	42 410
RECEIVABLES				
Receivables related to direct business	2 366	2 366	1 555	1 555
Receivables related to reinsurance agreements	100	100	187	187
Reinsurance share of unearned gross premium	17	17	0	0
Reinsurance share of gross claims reserve	11	11	12	12
Other receivables	332	332	0	0
Total other loans and receivables including receivables from policyholders	2 826	2 826	1 754	1 754
FINANCIAL LIABILITIES RECOGNIZED AT AMORTIZED COST				
Hybrid Tier 1 securities	919	919	974	986
Subordinated loan capital	3 151	3 234	2 891	2 906
Total financial liabilities	4 070	4 153	3 865	3 892
FINANCIAL LIABILITIES RECOGNIZED AT FAIR VALUE				
Debt to credit institutions	3 248	3 248	4 799	4 799
Covered bonds issued	17 217	17 217	20 370	20 370
Liabilities to and deposits from customers	4 407	4 407	2 946	2 946
Total financial liabilities	24 872	24 872	28 115	28 115
Assets in defined contribution-based life insurance	578	578	300	300
Provisions in defined contribution-based life insurance	578	578	300	300

FINANCIAL DERIVATIVES RECOGNIZED AT FAIR VALUE	31.12.2013		31.12.2012	
NOK million	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts	575	1 011	737	150
Interest rate swaps	622	589	666	571
Interest rate and currency swaps	52	65	0	0
Share options	120	0	137	0
Total financial derivatives	1 368	1 666	1 541	721

Note 7 Fair value hierarchy

31.12.2013 NOK million	Level 1	Level 2	Level 3	Total
ASSETS RECOGNIZED AT FAIR VALUE				
Investment property	0	0	39 744	39 744
Sites	0	0	932	932
Property companies	0	0	38 276	38 276
Investment property general partnerships (ANS) holdings	0	0	537	537
Lending at fair value	0	2 121	0	2 121
Bonds and other fixed income securities	61 185	38 770	0	99 955
Certificates	3 877	5 216	0	9 092
Bonds	12 217	33 555	0	45 772
Bond funds	45 090	0	0	45 090
Lending and receivables	6 946	5 315	0	12 261
Shares and units	47 492	2 451	4 355	54 298
Shares	15 191	945	689	16 825
Equity funds	32 301	0	0	32 301
Property funds	0	658	0	658
Special funds	0	848	0	848
Private equity	0	0	3 666	3 666
Financial derivatives	0	1 368	0	1 368
Total financial assets recognized at fair value	115 622	50 025	44 099	209 745
LIABILITIES RECOGNIZED AT FAIR VALUE				
Financial derivatives liabilities	0	1 666	0	1 666
Debt to other credit institutions and other debt	483	0	0	483
Total financial liabilities recognized at fair value	483	1 666	0	2 149

31.12.2012 NOK million	Level 1	Level 2	Level 3	Total
ASSETS RECOGNIZED AT FAIR VALUE				
Investment property	0	0	32 322	32 322
Sites	0	0	956	956
Property companies	0	0	30 975	30 975
Investment property general partnerships (ANS) holdings	0	0	391	391
Lending at fair value	0	2 254	0	2 254
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
Bond funds	37 334	909	0	38 243
Lending and receivables	12 012	4 165	0	16 176
Shares and units	38 116	1 123	3 171	42 410
Shares	18 851	229	359	19 438
Equity funds	18 652	0	0	18 652
Property funds	614	0	0	614
Special funds	0	894	0	894
Private equity	0	0	2 812	2 812
Financial derivatives	0	1 541	0	1 541
Total financial assets recognized at fair value	101 181	45 227	35 493	181 901
LIABILITIES RECOGNIZED AT FAIR VALUE				
Financial derivatives liabilities	0	721	0	721
Debt to credit institutions [1]	1 461	0	0	1 461
Total financial liabilities recognized at fair value	1 461	721	0	2 182

Changes in Level 3, Investment property	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	32 322	28 726
Sold	-18	-677
Acquired	6 078	4 239
Unrealized changes	1 361	34
Closing balance 31 Dec	39 744	32 322
Realized gains/losses	-18	0

Changes in Level 3 shares, unlisted	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	359	351
Sold	0	-9
Acquired	342	0
Unrealized changes	-12	17
Closing balance 31 Dec	689	359
Realized gains/losses	0	3

Changes in Level 3, Private Equity	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	2 812	2 180
Sold	-598	-413
Acquired	888	874
Unrealized changes	563	171
Closing balance 31 Dec	3 666	2 812
Realized gains/losses	13	51
Total Level 3 on 31 Dec	44 099	35 493

Unrealized changes and Realized gains/losses are reflected in the line "Net value changes on financial instruments" in the Group income statement.

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

Level 2: Instruments in this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is therefore not considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market information. Examples of 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 in Level 3 in the Group include unlisted shares and Private Equity.

Valuation regarding items in the various levels are described in Note 6 with the exception of investment property, which is described in Note 3. 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 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 6.

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% will produce a change in the value of NOK 2 205 million as at 31 December 2013 and NOK 1 775 million as at 31 December 2012 at Level 3. In addition, investment property has been added into this Note, since there are expanded requirements for disclosure concerning fair value which must now also include investment property measured at fair value. All investment property is included in Level 3. Attention is drawn to Note 3 in regards to sensitivity analysis of investment property.

As at 31 December 2013 securities have been moved between the levels in the fair value hierarchy. NOK 690 million in shares in the Group have been moved from Level 1 to Level 2 because of new criteria differentiating between the two levels. More specifically limitations have been set on the number of trading days and sharetrading quantities to differentiate between Level 1 and Level 2. The general principles concerning level allocation depend largely on whether the asset or liability is listed or not, and whether the listing can be stated to be in an active market. For shares there is a further differentiation regarding trading days and trading quantities that differentiates listed securities that are not included in an active market. The values at the end of the reporting period provide the startpoint for any movement between the levels.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 578 million in financial assets measured at fair value. On 31 December 2013 the NOK 578 million were included with NOK 277 million in shares and units in Level 1 and NOK 300 million in debt instruments at fair value in Level 1.

[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 statement. The liabilities measured at amortized cost amounted to NOK 2765 million on 31 December 2013.

Note 8 Assets in defined contribution-based life insurance

NOK million	Number units	Price	Fair value 31.12.2013	Average return per unit %	Average return per unit whole NOK	Fair value 31.12.2012
Units in equity funds						
KLP AKSJEGLOBAL INDEKS II	119 521	1 635,08	195	29,60 %	373	99
KLP AKSJENORGE INDEKS	47 945	1 709,89	82	23,57 %	326	42
Total units in equity funds	167 467		277			141
Units in fixed income funds						
KLP PENSJON II	107 194	1 267,03	136	3,64 %	47	72
KLP OBLIGASJON GLOBAL I	129 507	1 031,71	134	0,10 %	1	73
Total units in fixed income funds	236 701		269			145
Units in money market funds						
KLP PENGEMARKED	19 692	1 003,20	20	2,17 %	22	9
Total units in money market funds	19 692		20			9
Total units in securities funds			567			295
Bank deposits			11			5
Total assets in insurance with investment option			578			300

Per cent	Q1	Q2	Q3	Q4
Returns per quarter	3.91 %	0.00 %	3.46 %	4.94 %

The return on the holdings is the value change of the sum deposited and takes account of transactions during the period. This is termed money-weighted return. The return on the fund is the total return for the fund, also known as 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. The aim of the overarching risk management for the Group is that the financial risk is managed in such a way that the Group is able at all times to meet the liabilities the insurance contracts impose on the business. The Board of Directors sets the overarching risk strategies that are put into practice 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 sectors: group pension public sector; group pension private; and non-life insurance. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas mortality/whole of life risk is somewhat less weighty. Group life covers primarily the risk of death, whereas debt group life covers the risk of death and, for a large proportion of existing customers, disability risk. Guidelines have been prepared for non-life insurance for the types of risks the company accepts in its portfolio. In the first instance risks are

accepted from customers from within the Group's primary target groups on non-life insurance provided the scope of the insurance lies within the standard products the Group offers.

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

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

9.1.1 Insurance provisions

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

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 (FSA of N) in 2007. The reserves have been strengthened in anticipation of the new mortality table for collective pension insurance (K2013) .

KLP has an excess of longevity risk. In relation to longevity risk there is a contingency margin of 15 per cent for men in regard to estimated mortality in 2020 based on K2005, and 10 per cent for women in both the group pension public and group pension private sectors.

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 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 characterized 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 seven property risks with sums insured higher than NOK 1 billion at NOK 2 440, 1 802, 1 499, 1 403, 1 213, 1 083 and 1 006 million. The Group has 33 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 482 million (of which NOK 3.0 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 7 352 million (of which NOK 7.3 million in group pension, private).

An immediate 10 per cent reduction in mortality would, with current numbers, mean an negative effect of NOK 291 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 6 195 million (of which NOK 20.0 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.

Note 9 Risk management (continued)

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 2.2 million
1 per cent change in premium level	NOK 7.9 million
1 per cent change in claim payments	NOK 5.3 million
1 per cent change in claims reserves	NOK 17.8 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 of NOK 8 539 million comprises committed, not paid in sums against private equity and approved loans that have not been paid out. The total is specified in detail in Note 34 Conditional obligations. 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, the 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.

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. For equity investments in foreign currency the general objective is a 90 per cent hedging ratio with permitted fluctuations between 80 and 100 per cent. The exception are the incidents where certain currencies do not have a large enough market and/ or liquidity to commence effective hedging.

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 set correlation with the index for each portfolio.

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

In accordance with the FSA of N's Stress Test I, KLP has a buffer capital utilisation of 71 per cent, broadly the same as at the end of 2012 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 risk classes is distributed as follows:

Interest rate risk	NOK 12.6 billion
Equities risk	NOK 21.8 billion
Property risk	NOK 10.2 billion
Exchange rate risk	NOK 1.8 billion
Spread risk	NOK 14.8 billion
Concentration risk	NOK 0 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.

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. 42 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 11.4 billion. The value of the mortgage securities represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.

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.

2013 NOK million	Within 1 mnth	1-12 months	1-5 yrs	5-10 yrs	Over 10 years	Total
Subordinated loan [1]	0	154	3 385	0	0	3 539
Hybrid Tier 1 securities [1]	0	44	177	221	1 322	1 764
Liabilities to and deposits from customers	4 407	0	0	0	0	4 407
Covered bonds issued	33	1 355	15 867	818	0	18 074
Debt to credit institutions	490	1 110	1 797	0	0	3 396
Accounts payable	692	0	0	0	0	692
Contingent liabilities	8 539	0	0	0	0	8 539
Total	14 162	2 662	21 226	1 039	1 322	40 411
Financial derivatives						
Financial derivatives gross settlement						
Inflows	-18	-1 039	-8 100	-1 980	-1 339	-12 475
Outflows	52	1 115	8 376	2 065	1 466	13 075
Financial derivatives net settlement	310	324	602	94	0	1 330
Total financial derivatives	345	401	878	178	128	1 930

2012 NOK million	Within 1 mnth	1-12 months	1-5 yrs	5-10 yrs	Over 10 years	Total
Subordinated loan [1]	0	140	3 257	0	0	3 397
Hybrid Tier 1 securities [1]	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

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

Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise.KLP Kapitalforvaltning has the day-to-day 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

2013 NOK million									
Year	1 year	2-5 years	6-10 yrs	11-20 yrs	21-30 yrs	31-40 years	41-50 years	51-80 years	Total
Amount	12 726	53 078	82 382	193 471	201 170	165 316	97 177	50 076	855 395

2012 NOK million									
Year	1 year	2-5 years	6-10 yrs	11-20 yrs	21-30 yrs	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

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.

[1] The loans are perpetual. The cash streams are estimated up to expected maturity by interest adjustment date.

Note 11 Interest rate risk

31.12.2013 NOK million	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	3	3
Alternative investments	0	0	0	0	0	0	0
Financial derivatives classified as assets	0	11	-147	-134	-97	-80	-447
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	6	6
Bonds and other fixed-return securities	-30	-65	-308	-311	-266	205	-776
Fixed income fund units	-2 166	0	0	0	0	21	-2 146
Special fund units	-6	0	0	0	0	5	-1
Loans and receivables	-1	-8	-4	0	0	92	79
Lending	0	-1	-46	-10	0	268	211
Contingent liabilities [2]	0	0	0	0	0	29	29
Total assets	-2 204	-63	-506	-456	-363	550	-3 042
Liabilities							
Deposits	0	0	0	0	0	-44	-44
Liabilities created on issuance of securities	0	0	86	50	0	-154	-19
Financial derivatives classified as liabilities	-16	8	176	86	-15	10	249
Hybrid Tier 1 securities and subordinated loan capital	0	0	0	55	16	0	72
Debt to credit institutions	0	0	0	0	0	-6	-6
Total liabilities	-16	8	262	191	1	-194	251
Total before and after taxes	-2 220	-55	-244	-265	-362	356	-2 791

31.12.2012 NOK million	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

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, sorted in accordance with maturity of the securities, and is calculated on the change in fair value of fixed-income instruments if the interest rate had been 1 per cent higher at the end of the period. The column "Change in cash flows" (variable interest rate risk) 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 income 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-income 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-income 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 12 Currency risk

31.12.2013 NOK million/foreign currency[1]	Financial position statement items excl. currency derivates Assets	 Liabilities	Currency derivates Assets	 Liabilities	Translation rate Currency/NOK	Total Currency Assets	 Liabilities	Net position in NOK
Australian dollar	366	0	166	-487	5.428	533	-487	249
Brazilian real	110	0	0	0	2.572	110	0	282
Canadian dollar	1 244	-726	253	-696	5.710	1 497	-1 422	426
Swiss franc	208	0	66	-237	6.822	274	-237	250
Chilean peso	3 734	0	0	0	0.012	3 734	0	43
Colombian peso	8 639	0	0	0	0.003	8 639	0	27
Czech koruna	21	0	0	0	0.305	21	0	6
Danish krone	593	-53	44	-3 995	1.121	637	-4 048	-3 822
Egyptian pound	8	0	0	0	0.873	8	0	7
Euro	3 839	-32	122	-3 826	8.360	3 962	-3 858	864
British pound	1 020	-5	128	-1 351	10.048	1 147	-1 355	-2 089
Hong Kong dollar	1 243	0	182	-660	0.782	1 425	-660	599
Hungarian forint	235	0	0	0	0.028	235	0	7
Indonesian rupiah	111 571	0	0	0	0.000	111 571	0	56
Israeli shekel	67	0	51	-108	1.748	118	-108	18
Indian rupee	1 696	0	0	0	0.098	1 696	0	166
Icelandic krona	258	0	0	0	0.053	258	0	14
Japanese yen	75 055	0	18 291	-83 462	0.058	93 346	-83 462	571
Korean won	73 648	0	0	0	0.006	73 648	0	423
Moroccan dirham	0	0	0	0	0.743	0	0	0
Mexican peso	286	0	0	0	0.463	286	0	132
Malaysian ringgit	53	0	0	0	1.852	53	0	99
New Zealand dollar	3	0	1	-3	4.993	4	-3	3
Peruvian nuevo sol	0	0	0	0	2.169	0	0	1
Philippines peso	172	0	0	0	0.137	172	0	23
Polish zloty	22	0	0	0	2.011	22	0	44
Russian rubles	0	0	0	0	0.185	0	0	0
Swedish krone	2 069	-60	172	-9 360	0.945	2 241	-9 420	-6 781
Singapore dollar	63	0	48	-101	4.805	111	-101	48
Thai baht	351	0	0	0	0.185	351	0	65
Turkish lira	14	0	0	0	2.824	14	0	40
Taiwan new dollar	1 512	0	0	0	0.204	1 512	0	308
US dollar	13 848	-1 305	865	-12 020	6.067	14 713	-13 325	8 421
South African rand	400	0	0	0	0.579	400	0	232
Total short-term foreign exchange positions								732
Euro	315	-312	0	0	8.360	315	-312	29
Japanese yen	32 611	-24 236	0	0	0.058	32 611	-24 236	483
US dollar	110	-107	0	0	6.067	110	-107	19
Total long-term foreign exchange positions								532
Total foreign exchange positions before and after tax								1 264

31.12.2012 NOK million/foreign currency[1]	Financial position statement items excl. currency derivates Assets	 Liabilities	Currency derivates Assets	 Liabilities	Translation 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 sterling	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
Icelandic krona	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 krona	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

The Group currency hedges the majority of investments done in foreign currency. 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 general objective is a 90 per cent hedging ratio with permitted fluctuations between 80 and 100 per cent. The exception are the incidents where certain currencies do not have a large enough market and/ or liquidity to commence effective hedging.

[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 101 and 96 per cent, for 2013 and 2012 respectively.

Were all currency positions to change by 1 per cent at the same time and in the same direction this would affect the result by NOK 12.6 million.
For 2012 the corresponding effect on income was NOK 28.4 million.

Note 13 Credit risk

31.12.2013 NOK million	AAA	AA	A	BBB	NR/NIG	Total
Debt instruments held to maturity - at amortized cost						
Banks	0	510	1 703	0	50	2 263
Finance and credit enterprises	0	542	0	0	0	542
Public sector guarantee	3 320	0	0	0	81	3 402
Government and government guarantee within OECD	12 964	220	0	806	0	13 989
Public sector enterprises and covered bonds	2 730	535	0	0	1 455	4 719
Other	0	449	3 106	0	3 289	6 843
Total	19 014	2 255	4 809	806	4 875	31 758
Debt instruments classified as loans and receivables – at amortized cost						
Banks	0	1 042	7 238	0	642	8 921
Finance and credit enterprises	0	1 243	0	0	260	1 503
Public sector guarantee	508	0	0	0	219	727
Government and government guarantee within OECD	11 029	3 860	1 521	2 045	0	18 455
Public sector enterprises and covered bonds	6 241	1 609	1 373	0	2 402	11 626
Other	0	4 196	5 505	1 003	15 336	26 040
Total	17 779	11 950	15 637	3 048	18 859	67 272
Debt instruments at fair value - bonds and other fixed income securities						
Banks	0	445	1 908	51	10 820	13 224
Finance and credit enterprises	11	625	474	0	398	1 507
Public sector guarantee	854	56	0	0	1 914	2 823
Government and government guarantee within OECD	8 435	4 953	0	0	0	13 387
Public sector enterprises and covered bonds	1 993	738	0	0	7 520	10 252
Other	0	537	1 108	122	11 903	13 670
Total	11 293	7 353	3 490	173	32 555	54 864
Financial derivatives classified as assets						
Denmark	0	0	493	0	0	493
Finland	0	48	0	0	0	48
France	0	0	40	0	0	40
Norway	0	0	179	0	0	179
UK	0	0	134	0	0	134
Sweden	0	0	481	0	0	481
Germany	0	0	0	0	0	0
USA	0	0	-7	0	0	-7
Total	0	48	1 320	0	0	1 368
Debt instruments at fair value - Fixed income funds units						
Public sector, financial and credit enterprises	0	0	0	0	1 699	1 699
Government and government guarantee within OECD	0	0	0	0	4 295	4 295
Other	0	0	23 807	0	15 290	39 097
Total	0	0	23 807	0	21 284	45 090
Debt instruments at fair value - Loans and receivables						
Denmark	0	0	1 400	0	0	1 400
Finland	0	59	0	0	0	59
Norway	0	974	4 289	0	2 882	8 145
UK	0	0	1 936	0	0	1 936
Sweden	0	61	213	0	0	273
USA	0	0	448	0	0	448
Total	0	1 093	8 285	0	2 882	12 260
Total securities	48 086	22 700	57 347	4 027	80 455	212 614

Lending local government, enterprises & retail customers [1]	0 %	20 %	35 %	100 %	Total
Public sector	0	38 169	0	2 008	40 177
Enterprises	844	811	4	2 063	3 722
Private individuals	0	0	9 189	2 294	11 483
Total	844	38 980	9 193	6 365	55 381

31.12.2012 NOK million	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 fixed-income securities						
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 funds 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 %	Total
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)

Credit risk means the risk that a counterparty may not be of to meet its obligations to the KLP Group. In this table the credit risk is measured using rating bureaus' estimates of the level of credit worthiness of the various issuers of fixed income securities. The exception is loans to customers, where sector-distributed weighting based on the capital adequacy regulations is used.

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

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. The Group has a high concentration of debt instruments directed at the Norwegian public sector, although this does not entail concentration risk in the ordinary sense 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, public sector enterprises and investments within Norwegian finance. Overall Non-rated/non-investment-grade represents securities of NOK 80 billion as at 31 December 2013: the corresponding figure as at 31 December 2012 was NOK 72 billion. That which is classified as «Other» under Non-rated/non-investment-grade is mainly fixed-income fund units, securities issued by power companies and other corporate bonds. The remaining sum in the Note, that is not fixed-income fund units, distributed by country or sector, is NOK 30 billion. This is mainly non-rated corporate bonds. KLP Group has strict guidelines for investments in fixed income securities, which also apply to investments falling into the category non-rated/non-investment-grade.

If master netting agreements are taken into account the credit risk is reduced by NOK 1.7 billion for the Group The approach is different from that in the Note «Presentation of assets and liabilities subject to net settlement» in order to show actual reduction in the credit risk for the assets presented in the Note.

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).

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

31.12.2013 NOK million	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Recognized value 31.12.2013
Spain					
Fixed-income securities at amortized cost	780	51	0	831	780
Total Spain	780	51	0	831	780
Italy					
Fixed-income securities at amortized cost	2 000	102	0	2 102	2 000
Total Italy	2 000	102	0	2 102	2 000
Total exposure PIIGS	2 780	153	0	2 933	2 780

In Spain, pure government debt was NOK 0 million and government guaranteed securities NOK 831 million. In Italy, pure government debt was NOK 2 102 million and government guaranteed securities NOK 0 (market value) as at 31 December 2013.

31.12.2013 Rating	Spain	Italy
Moody's	Baa3	Baa2
Standard & Poor's	BBB-	BBB
Fitch	BBB	BBB+

31.12.2012 NOK million	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Recognized 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, pure 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-

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 2013. The securities measured at amortized cost have not been written down.

[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.

[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 million	2013	2012
Premium receivables	1 920	799
Write-downs of premium receivables	3	0
Receivables from reinsurers	107	221
Write-down of receivables from reinsurers	0	0
Total	2 030	1 020

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 Presentation of assets and liabilities subject to net settlement

31.12.2013		Gross assets		Related sums that are not presented net		
NOK million	Gross financial assets/liabilities	/liabilities pre-sented net	Book value	Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 368	0	1 368	-671	-477	220
Total	1 368	0	1 368	-671	-477	220
LIABILITIES						
Financial derivatives	1 666	0	1 666	-671	-800	195
Total	1 666	0	1 666	-671	-800	195

31.12.2012		Gross assets		Related sums that are not presented net		
NOK million	Gross financial assets/liabilities	/liabilities pre-sented net	Book value	Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 541	0	1 541	-489	-918	134
Total	1 541	0	1 541	-489	-918	134
LIABILITIES						
Financial derivatives	721	0	721	-489	-104	129
Total	721	0	721	-489	-104	129

The purpose of this Note is to show the potential effect of netting agreements in KLP; the options KLP has to set off bilateral agreements with other counterparties if the latter should be bankrupted; and the sum remaining if all such netting agreements are materialized.The note shows the derivative positions in the financial position statement.

Note 15 Mortgage loans and other lending

NOK million	Municipalities and county administrations	State and local authority owned enterprises [1]	Private organisations and enterprises [2]	Employees, pensioners and similar	Total 31.12.2013	Total 31.12.2012
Akershus	2 438	360	174	2 061	5 033	4 353
Aust-Agder	284	5	15	157	461	530
Buskerud	4 183	1 525	250	618	6 576	6 305
Finnmark	1 248	216	0	126	1 591	1 415
Hedmark	2 236	89	91	368	2 784	2 315
Hordaland	362	673	337	902	2 274	1 951
Møre og Romsdal	2 683	757	335	540	4 314	4 942
Nordland	2 423	269	154	382	3 228	3 188
Nord-Trøndelag	946	20	33	105	1 103	1 190
Oppland	1 273	178	33	257	1 741	1 602
Oslo	0	524	367	1 806	2 697	2 473
Rogaland	2 995	177	29	852	4 053	3 676
Sogn og Fjordane	1 938	139	77	128	2 282	2 405
Sør-Trøndelag	3 741	149	70	595	4 554	61
Telemark	564	179	564	230	1 537	4 284
Troms	1 924	92	195	410	2 621	1 317
Vest-Agder	556	172	17	221	966	2 467
Vestfold	2 250	260	62	720	3 291	1 168
Østfold	1 663	220	58	958	2 899	2 802
Svalbard og Jan Mayen	31	29	0	0	60	2 958
International	0	0	844	0	844	0
Not allocated	0	0	0	3	3	301
Accrued interest	193	37	18	38	287	425
Value adjustment					181	0
Total	33 931	6 068	3 721	11 480	55 381	52 128

This table distributes the KLP Group lending by county and sector. Sector is based on the sector codes from Statistics Norway, which are in fact new for the year.

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 11.5 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.

In this Note the lines Lending and Lending at fair value in the financial position statement must be combined to find the corresponding amount in the Note.

NOK million	2013	2012
Individual write-downs on loans at amortized cost		
Number of loans	11	11
Total principal before write-downs	1,67	1,58
Write-downs	-1,45	-1,23
Total principal after write-downs	0,22	0,35
Individual write-downs		
Write-down on individual loans 01.01.	1,23	0,83
Known losses for the period where individual write-down has been carried out previously	-0,02	0,00
Write-down on individual loans for the period	0,29	0,42
Reversal of write-down on individual loans for the period	-0,03	-0,02
Write-down on individual loans	1,46	1,23

Loans fallen due, not written down

NOK million	2013 Outstanding debt	2012 Outstanding debt
Overdue		
30-90 days	86	70
over 90 days	30	30
Total overdue loans	116	100

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

[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 16 Investment properties

NOK million	2013	2012
Net rental income	1 862	1 873
Adjustment of previous years' income [1]	320	0
Unrealized gains/losses swaps	0	271
Net financial income/costs	19	21
Net realized gains/losses	-18	5
Change in fair value	307	36
Net income from investment properties	2 490	2 206
Currency translation foreign subsidiaries, taken to other comprehensive income	1 101	-208
Net income from investment properties currency translation	3 592	1 998

NOK million	2013	2012
Book value 01.01.	32 322	28 726
Additions through acquisition	5 426	3 945
Additions as a result of reclassification	0	-2
Additions through capitalizations	587	293
Reductions through sales	0	-677
Net write-up/down resulting from change in fair value including currency translation	1 409	36
Book value 31.12.	39 744	32 322

[1] In 2013 it was discovered that parts of the deferred tax liability in the property group have been carried forward as liability items, whereas KLP and the KLP Group value deferred tax at nil. Thus the financial position statement has contained a liability item that should have been reclassified. This was corrected during the fourth quarter. The effect on comprehensive income in total is nil (increased income from property ascribed to the insurance customers), whereas in the financial position statement it has been reclassified from a liability to life insurance technical reserves.

Note 17 Shares in associated companies

NOK million	Office and business address	Ownership interest	Acquisition cost	Book value 31.12.12	Additions/ disposals	Correction of prev. recog. p/l	Profit/loss share [1]	Book value 31.12.13
Norsk Pensjon AS [1]	Hansteens gate 2 0253 Oslo	25 %	5.00	3.40	0.0	0.0	0.6	4.00
Fylkeshuset, Molde AS [2]	Fylkeshuset, Julsundvn. 9, 6400 Molde	48 %	0.05	2.29	0.0	-2.2	0.0	0.05
Total shares in associated companies			5.05	5.69	0.0	-2.2	0.6	4.05

All shares have equal voting proportions.

Financial information on associated companies

NOK million	Assets	Liabilities	Income	Profit/loss
2013				
Norsk Pensjon AS	17.1	0.7	10.3	0.3
Fylkeshuset, Molde AS	168.8	168.8	22.1	0.0
2012				
Norsk Pensjon AS	17.2	1.2	12.4	2.4
Fylkeshuset, Molde AS	174.2	174.1	21.5	0.0

[1] The profit/loss share on Norsk Pensjon from the previous year has been recognized in 2013. The profit/loss for 2013 will be recognized in 2014.
[2] Last year's upward revaluation has been reversed.

Note 18 Subordinated loan capital and hybrid Tier 1 securities

2013 NOK million	Loan amount currency	Loan amount NOK	Book value 31.12.2013	Due date
Borrowings [1]				
October 1997	JPY 9 500	554	552	Perpetual
April 2006	EUR 300	2 372	2 599	Perpetual
Total subordinated loan capital		2 926	3 151	
April 2004	JPY 15 000	984	919	Perpetual
Total hybrid Tier 1 securities		984	919	
Total subordinated loan capital and hybrid Tier 1 securities		3 911	4 070	

2012 NOK million	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	

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. The financial hedging comprises 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 linked to this loan. 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 Group Note 19.

2013 NOK million	Nominal currency	Acquisition cost NOK	Earned not due interest	Unrealized currency	Book value 31.12.2013	Due date
Bonds	JPY 9 500	635	1	-87	550	2017
Bonds [2]	EUR 304	2 411	42	136	2 589	2015/2016
Total hedging transactions		3 046	44	49	3 139	

2012 NOK million	Nominal currency	Acquisition cost NOK	Earned not due interest	Unrealized currency	Book value 31.12.2012	Due date
Bonds	JPY 9 500	635	2	-24	613	2017
Bonds	EUR 304	2 411	37	-172	2 276	2015/2016
Total hedging transactions		3 046	39	-195	2 889	

[1] Interest costs on the two subordinated loans were 156 million (143 million) and 45 million (42 million) for the hybrid Tier 1 securities in 2013 (2012).

Note 19 Hedge accounting

31.12.2013 NOK million	Nominal value	Changed value in hedged risk	Book value 31.12.2013
Hedged object			
Hybrid Tier 1 securities	-984	65	-919
Hedging instrument			
Combined interest and currency swap	984	-65	-65
Hedging effectiveness as at 31.12.2013		100 %	
Hedging effectiveness through the year		100 %	
Hedged object			
Hedged object 1: Lending public sector market fixed interest in NOK	5 922	225	6 147
Hedged object 2: Lending to retail customers fixed interest in NOK	438	15	453
Hedged object 3: Bond loans fixed interest in NOK	4 750	-124	4 626
Hedging instrument			
Hedging instrument 1: Interest rate swap lending public sector market fixed interest in NOK	5 907	-204	5 702
Hedging instrument 2: Interest-rate swap lending retail customers fixed interest in NOK	510	-15	495
Hedging instrument 3: Interest rate swap bond loans in NOK	4 750	104	4 854
Hedging 1:			
Hedging effectiveness as at 31.12.2013		91 %	
Hedging effectiveness through the year		91 %	
Hedging 2:			
Hedging effectiveness as at 31.12.2013		100 %	
Hedging effectiveness through the year		100 %	
Hedging 3:			
Hedging effectiveness as at 31.12.2013		84 %	
Hedging effectiveness through the year		84 %	

31.12.2012 NOK million	Nominal value	Changed value in hedged risk	Book value 31.12.2012
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 %	

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 loan is hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is 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 +2.65%) 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 hedging object and hedging instrument lies within the bracket 80% to 125%.

Lending with fixed interest [1]
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 hedging object and hedging instrument lies within the bracket 80% to 125%.

General
Fair value hedging means that the hedged value development of the hedged object is recognized through profit or loss. Correspondingly the value change on the hedging instrument is recognized in profit/loss.

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 relatively high hedging effect, the effect on profit/loss will be very small on these four instances of hedge accounting. See also Note 2 for a detailed description of the hedge accounting in the accounts.

[1] Hedging Numbers 1 and 2 as at 31 December 2013 are included in this description.

Note 20 Borrowing

NOK million	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2013	Book value 31.12.2012
Perpetual subordinated loan capital						
Kommunal Landspensjonskasse	2 372	EUR	Fixed [1]	Perpetual	2 599	2 276
Kommunal Landspensjonskasse	554	JPY	Fixed [2]	Perpetual	552	615
Total subordinated loan capital	2 926				3 151	2 891
Hybrid Tier 1 securities						
Kommunal Landspensjonskasse	984	JPY	Fixed [3]	Perpetual	919	974
Total hybrid Tier 1 securities	984				919	974
Liabilities created on issuance of securities						
Covered bonds						
KLP Kommunekreditt AS	0	SEK	Variable	2013	0	1 070
KLP Kommunekreditt AS	0	NOK	Variable	2013	0	1 104
KLP Kommunekreditt AS	999	NOK	Variable	2014	1 001	4 010
KLP Kommunekreditt AS	473	SEK	Variable	2015	474	429
KLP Kommunekreditt AS	4 300	NOK	Variable	2015	4 304	4 304
KLP Kommunekreditt AS	2 500	NOK	Fixed	2015	2 555	2 555
KLP Kommunekreditt AS	3 000	NOK	Variable	2016	3 009	3 011
KLP Kommunekreditt AS	1 000	NOK	Fixed	2017	1 015	3 013
KLP Kommunekreditt AS	3 000	NOK	Variable	2017	3 009	0
KLP Kommunekreditt AS	1 000	NOK	Variable	2018	1 003	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	752	752
Amortization and value adjustments					95	122
Total covered bonds	17 022				17 217	20 370
Debt to credit institutions						
KLP Banken AS	0	NOK	Variable	2013	0	1 826
KLP Banken AS	0	NOK	Fixed	2013	0	302
KLP Banken AS	1 050	NOK	Variable	2014	1 052	0
KLP Banken AS	600	NOK	Variable	2015	609	602
KLP Banken AS	600	NOK	Variable	2016	602	301
KLP Banken AS	300	NOK	Fixed	2017	301	308
KLP Banken AS	200	NOK	Fixed	2018	202	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Variable	2013	0	1 461
Kommunal Landspensjonskasse	472	NOK/EUR/USD	Variable	2014	483	0
Premium / discount					-1	0
Total liabilities to credit institutions	3 222				3 248	4 799
Liabilities to and deposits from customers [4]						
Retail	3 700	NOK			3 700	2 734
Business	707	NOK			707	212
Total liability to and deposits from customers	4 407				4 407	2 946
Total financial liabilities	28 561				28 942	31 981

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 21 Technical matters

Premiums, claims and change in technical reserves by sector

NOK million	Premium income for own account 2013	Premium income for own account 2012	Claims for own account 2013	Claims for own account 2012	Change in technical reserves before income allocations 2013	Change in technical reserves before income allocations 2012
Life insurance						
Group pension - public sector	30 653	28 806	11 785	10 752	29 912	26 916
Group pensions - private	385	356	49	38	412	371
Group life	135	134	101	130	-4	1
Non-life insurance						
Business-related insurance	483	473	357	392	-4	21
Personal/retail insurance	193	144	129	103	8	35
Natural perils insurance	33	33	79	41		
Total	31 883	29 946	12 503	11 457	30 324	27 344

Insurance liabilities by sector

NOK million	Total 31.12.2013	Total 31.12.2012	Change in 2013
Group pension - defined benefit	313 227	276 798	36 429
Group pension - defined contribution	578	300	277
Non-life insurance	2 623	2 626	-2
Total technical provisions	316 427	279 723	36 704

Insurance liabilities in life insurance by sector

	Group pension - public sector		Group pensions - private					
NOK million	Defined benefits with annual returns guarantee	Defined benefits with multi-year returns guarantee	Defined benefits with annual returns guarantee	Defined contribution with investment option	Group life	Total 31.12.2013	Total 31.12.2012	Change in 2013
Premium reserve	278 236	1 601	1 014	571	3	281 426	251 220	30 206
Supplementary reserves	12 412	83	29			12 524	12 403	121
Securities adjustment fund	10 412		35			10 447	9 300	1 148
Premium fund, the pensioners' surplus fund and deposit fund	9 031	122	19	6		9 178	3 956	5 222
Claims reserve	164		3		55	222	212	10
Buffer reserves	0	7				7	7	0
Total insurance liabilities in life insurance 31.12.2013	310 255	1 813	1 100	578	58	313 804	277 098	36 706
Total insurance liabilities in life insurance 31.12.2012	274 246	1 547	938	300	67	277 098		

Technical provisions in non-life insurance by sector

NOK million	Business-related insurances	Personal/retail insurances	Natural perils and other pool schemes	Total 31.12.2013	Total 31.12.2012	Change in 2013
Premium provision	90	120	9	219	173	46
FSA of N minimum requirements	90	120	9	219	173	46
Claims reserve	1 691	103	82	1 877	1 933	-56
FSA of N minimum requirements	1 349	88	82	1 520	1 589	-69
Security reserve	460	66	1	527	519	8
FSA of N minimum requirements	200	41	1	242	234	8
Total technical provisions non-life insurance 31.12.2013	2 241	290	92	2 623	2 626	-2
Total technical provisions non-life insurance 31.12.2012	2 347	227	51	2 626		

Note 21 Technical matters (continued)

Changes in insurance liabilities

NOK million	Premium reserve	Supplementary reserves	Securities adjustment fund	Premiums and deposits funds	Buffer reserves	Claim reserves	Total 2013	Total 2012
Opening balance	251 203	12 403	9 300	3 972	7	212	277 098	244 298
Changes in insurance liabilities taken to income								
Net reserves taken to profit/loss	30 213	120	1 148	104	0	10	31 594	31 668
Surplus on returns result	7	0	0	5 858	0	0	5 866	2 135
Risk result assigned to insurance contracts	0	0	0	33	0	0	33	40
Other assignment of surplus	0	0	0	0	0	0	0	206
Total changes taken to income	30 220	120	1 148	5 995	0	10	37 492	34 050
Transfers between funds/ allocation to premium payment	3	1		-792			-788	-1 400
To/from funds on transfer settlement	0			4			4	150
Total changes not taken to income	3	1		-788	0		-785	-1 250
Total changes in insurance liabilities	30 223	121	1 148	5 206	0	10	36 707	32 800
Total insurance liabilities 31.12.2013	281 426	12 524	10 447	9 178	7	222	313 805	277 098
Total insurance liabilities 31.12.2012	251 220	12 403	9 300	3 956	7	212	277 098	

Results analysis

NOK million	Group pension -public sector	Group pension -private	Group life	Total 2013	Total 2012
Returns result	9 852	7	0	9 859	5 045
Risk result excluding profit element - customer share	184	0		184	220
Other income elements	385	0		385	205
Total result to insurance customers	10 420	7	0	10 427	5 470
Increased reserves because of greater longevity	4 529	7		4 536	3 105
Transferred to supplementary reserves	0	0		0	0
Allocated to the customers' premium fund	5 891	0		5 891	2 365
Total result allocated to customers	10 420	7	0	10 427	5 470
Result to insurance providers					
Share of returns result	32	1		32	22
Risk result excluding profit element	33	2	18	53	38
Administration result	155	-32	1	123	69
Consideration for interest rate guarantee and profit element	336	4		341	294
Other income elements	0			0	-205
Result to insurance provider (technical result in life insurance)	-385			-385	
Result to insurance provider (technical result in life insurance)	172	-25	19	165	218

Transfers and new business - life insurance

	Group pension - public sector		Group pensions - private			
	Defined benefits		Defined benefits		Defined contribution	
NOK million	2013	2012	2013	2012	2013	2012
Funds transferred in						
Premium reserve	5 932	1 549	65	209	132	18
Supplementary reserves	0	0	1	4	0	0
Funds received taken to income	5 932	1 549	67	213	132	18
Premium fund	0	84	0	1	4	0
Total funds received	5 932	1 632	67	213	136	18
Number of contracts	20	9	3	8	142	150
Funds transferred out						
Premium reserve	167	140	1	4	8	6
Supplementary reserves	8	7	0	0	0	0
Valuation reserves	3	0	0	0	0	0
Funds paid out taken to income	178	148	1	4	8	6
Premium fund	0	1	0	0	0	0
Total funds paid out	178	148	2	4	8	6
Number of contracts	9	15	0	18	19	38

New business

	Group pension - public sector		Group pensions - private					
	Defined benefits		Defined benefits		Defined contribution		Group life	
NOK million	2013	2012	2013	2012	2013	2012	2013	2012
Premium volume	27	28	0	12	16	35	9	14
Number of contracts	24	58	2	9	297	216	107	249

Note 22 Tangible fixed assets

	2013				2012			
NOK million	Property for own use	Vehicles	Machines/ inventory	2013	Property for own use	Vehicles	Machines/ inventory	2012
Book value 01.01.	949	2	82	1 033	944	3	94	1 041
At cost 01.01	894	12	241	1 147	883	12	223	1 118
Accumulated depreciation previous years	-82	-10	-159	-251	-54	-9	-140	-202
Accumulated value adjustment previous years	137	0	0	137	23	0	0	23
Additions	7	0	12	19	10	0	8	18
Assets held for sale	0	-1	-3	-3	0	0	-3	-3
Purchase re business transfer	0	0	0	0	0	0	0	0
Value adjustment	24	0	0	24	23	0	0	23
Loss on impairment	0	0	0	0	0	0	0	0
Depreciation	-19	-1	-14	-33	-19	-1	-16	-36
Reclassified to investment property	0	0	0	0	-9	0	0	-9
Other changes	0	0	0	0	0	0	0	0
Acquisition cost 31.12.	900	12	251	1 163	894	12	228	1 133
Accumulated depreciation31.12.	-101	-10	-173	-284	-73	-10	-156	-238
Accumulated value adjustment 31.12	161	0	0	161	45	0	0	45
Book value 31.12.	960	1	78	1 040	949	2	82	1 033
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 Tax

NOK million	2013	2012
Accounting income before taxes	-154	990
Other comprehensive income	1 023	111
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	4 050	5 359
Reversal of value increase financial assets	-6 413	-6 454
Zeroing of corridor, IB effect 01.01.12	0	-162
Refunding of value increase properties	-1 414	-39
Accounting gain on realization of shares and other securities	-4 387	-2 294
Tax gain on realization of shares and other securities	5 019	2 491
Tax loss on realization of shares and other securities	0	-4
Taxable gain on realization of shares in partnerships	0	8
Share of taxable income in partnerships	25	110
Share of accounting income in partnerships	0	-59
Other permanent differences	26	262
Change in differences affecting relationship between accounting and tax income	1 291	775
Taxable income	-935	1 093
Surplus/deficit for the year is transferred to carryforward deficit	-935	1 093
Deficit carryforward allowable from previous years	-15 266	-16 358
Change for the year in carryforward deficit	-935	1 093
Total carryforward deficit and allowance as at 31.12	-16 200	-15 266

Reconciliation of basis for deferred tax		
Tax-increasing temporary differences:		
Fixed assets	26	36
Buildings and other real estate	9 366	7 985
Securities	7 071	5 198
Shares in partnerships	36	28
Lending to customers and credit enterprises	52	68
Other differences	192	258
Total tax-increasing temporary differences	16 742	13 574
Tax-reducing temporary differences:		
Gains and losses account	0	0
Long-term receivables	-160	-131
Fixed assets	0	-1
Pension obligation	-623	-469
Borrowing	-42	-32
Other liabilities	-39	-15
Unused allowance share dividend	0	-93
Other differences	0	-1
Total tax-reducing temporary differences	-865	-743
Net temporary differences	15 877	12 832
Carryforward deficit	-16 200	-15 266
Basis for deferred tax assets	-323	-2 434
27% deferred tax assets in 2013	-87	
28% deferred tax assets in 2012		-681
Write-down of deferred tax assets	87	681
Capitalized deferred tax/tax assets	-93	-50
Change in deferred tax taken to profit/loss	-43	-5
Tax payable taken to profit/loss	-4	-2

Tax relates to property investments abroad.

Note 24 Capital control and capital adequacy

NOK million	31.12.2013	31.12.2012
Owners' equity contributed	7 659	6 891
Retained earnings	7 609	6 656
Total owners' equity	15 268	13 547
Hybrid Tier 1 securities	866	965
Intangible assets	-377	-365
Risk equalization fund	-170	-490
Unrealized price changes in the corporate portfolio	-65	-61
Reinsurance provision	0	-10
Deductions for investments in other financial institutions	0	-3
Other owners' equity	-256	-263
Surplus fund	0	-3
Adjustment of owners' equity and own funds at Group level	-203	-102
Core capital	15 062	13 216
Own funds (Perpetual Tier 1 and 2 capital)	2 920	2 813
Deduction own funds (Tier 1 and 2 capital) in other financial institutions	0	-3
Supplementary capital	2 920	2 809
Basic own funds (Net Tier 1 and 2 capital)	17 982	16 025

Assets and off-financial position statement items by risk weighting [1]	31.12.2013			31.12.2012		
NOK million	Non-weighted sums		Weighted sums	Non-weighted sums		Weighted sums
Fixed-income securities	51 998	0 %	0	49 438	0 %	0
Covered bonds	27 407	10 %	2 741	23 647	10 %	2 365
Fixed-income securities, lending, bank deposits and fixed-income funds	107 529	20 %	21 506	103 070	20 %	20 614
Housing mortgage lending	9 189	35 %	3 216	10 232	35 %	3 581
Fixed-income funds	31 984	50 %	15 992	26 203	50 %	13 101
Shares, equity funds and fixed-income securities	134 862	100 %	134 862	113 694	100 %	113 694
Private equity	5 055	150 %	7 582	3 745	150 %	5 617
Proportion investment option [2]	578		76	300		32
Total weighted assets in the financial position statement			185 974			159 004
Derivatives and contingent liabilities	90 682		4 307	67 689		2 987
Deduction own funds (Tier 1 and 2 capital) in other financial institutions			0			-6
Deduction unrealized gains on financial investments			-10 553			-5 897
Risk-weighted calculation base			179 728			156 088
Capital adequacy ratio			10.0 %			10.3 %
Core capital adequacy			8.4 %			8.5 %

[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 AS that are included in the investment option portfolio and are weighted 1/5 of ordinary weighting.

Note 24 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 with 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 basic own funds (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 of N to use a different exchange rate. The hybrid Tier 1 securities loan is also subject to the lower value principle.

The deduction of own funds (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 25 Intangible assets

NOK million	IT-systems	Other	2013	IT-systems	Other	2013
Book value 01.01.	349	16	365	350	16	366
Acquisition cost 01.01.	822	16	838	735	16	751
Total additions	86	0	86	87	0	87
of which internally developed	23	0	23	22	0	22
of which bought	63	0	63	65	0	65
Assets taken to expenses	0	0	0	0	0	0
Acquisition cost 31.12.	909	16	924	822	16	838
Accumulated depreciation and write-downs previous years	-473	0	-473	-407	0	-407
Ordinary depreciation for the year	-74	0	-74	-66	0	-66
Accumulated depreciation and write-downs 31.12.	-547	0	-547	-473	0	-473
Book value 31.12.	361	16	377	349	16	365
Depreciation period			3 to 10 years			3 to 10 years

Note 26 Solvency margin

NOK million	2013	2012	2011	2010	2009
Solvency margin requirement					
Life insurance	10 700	9 682	8 747	8 201	7 610
Non-life insurance	159	140	127	127	127
Combined solvency margin requirement	10 859	9 822	8 874	8 328	7 737
Solvency capital					
Own funds (Tier 1 and 2 capital)	17 982	16 019	14 780	13 556	12 532
Other solvency margin capital life insurance	9 349	6 408	6 390	5 224	4 200
Other solvency margin capital non-life insurance	433	441	372	355	339
Combined solvency capital	24 764	22 867	21 541	19 134	17 071
Solvency margin ratio	228,0 %	232,8 %	242,7 %	229,7 %	220,7 %

The solvency margin requirement for life insurance companies 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 requirement for KLP Skadeforsikring AS is calculated i.a.w. the Regulations of 19 May 1995 No. 482 on calculation of solvency margin requirement and solvency margin capital for Norwegian non-life insurance companies and reinsurance companies Chapter 2.

Note 27 Return on capital for life insurance companies

Kommunal Landspensjonskasse

Per cent	2013	2012	2011	2010	2009
Total of common portfolio					
Return I - Book [1]	6.4	5.0	4.5	5.1	6.4
Return II - Value-adjusted [2]	6.7	6.7	3.2	7.5	7.7
Sub-portfolios of the common portfolio					
Balanced portfolio 1					
Return I - Book [1]	6.0	5.0	4.5	5.1	6.1
Return II - Value-adjusted [2]	6.3	6.7	3.2	7.5	7.4
Balanced portfolio 2					
Return I - Book [1]	7.3	5.0	4.5	5.1	7.0
Return II - Value-adjusted [2]	7.5	6.7	3.3	7.5	8.2
Moderate portfolio					
Return I - Book [1]	5.2	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*
Return II - Value-adjusted [2]	5.4	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*
Proactive portfolio					
Return I - Book [1]	*Not applicable*	*Not applicable*	*Not applicable*	5.4	6.8
Return II - Value-adjusted [2]	*Not applicable*	*Not applicable*	*Not applicable*	7.9	8.0
Investment option portfolio	8.8	7.5	2.2	8.6	9.2
Corporate portfolio	5.7	4.5	4.2	5.2	6.7

Since 2010 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	2013	2012	2011	2010	2009
Total of common portfolio					
Return I - Book [1]	4.0	5.2	6.3	6.0	7.1
Return II - Value-adjusted [2]	6.2	6.7	3.7	8.3	8.3
Sub-portfolios of the common portfolio					
Balanced portfolio					
Return I - Book [1]	3.9	5.3	6.3	6.0	6.8
Return II - Value-adjusted [2]	6.1	6.8	3.8	8.3	8.3
Moderate portfolio					
Return I - Book [1]	4.1	4.8	5.5	5.6	6.5
Return II - Value-adjusted [2]	6.4	6.3	2.8	7.6	6.5
Investment option portfolio	13.5	12.0	0.2	9.3	23.3
Sub-portfolios of the investment option portfolio					
Return II - Value-adjusted [2]					
Profile 90[3]	24.8	15.2	-6.0	12.1	36.9
Profile 70[3]	19.4	13.8	-3.0	11.1	30.7
Profile 60[3]	16.9	13.1	-1.4	10.5	27.2
Profile 50[3]	14.4	12.4	0.3	9.9	23.7
Profile 40[3]	11.9	11.7	2.0	9.2	20.2
Profile 30[3]	9.3	10.4	2.8	8.5	17.7
Profile 20[3]	7.3	9.2	4.3	7.0	12.1
Profile 10[3]	4.8	7.9	5.2	6.2	9.6
Corporate portfolio	3.1	6.4	4.8	5.0	8.4

[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
[3] The sub-portfolio's proportion of equities in per cent

Note 28 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 more detail in Notes 2 and 3.

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Pension costs						
Present value of accumulation for the year	84.0	8.4	92.4	103.2	10.1	113.3
Administration cost	2.2	0.0	2.2	2.1	0.0	2.1
Social security contributions - Pension costs	12.2	1.2	14.0	14.8	1.4	16.3
Pension costs incl. social security and administration costs through profit/loss	98.4	9.6	108.0	120.1	11.6	131.7
Net financial costs						
Interest cost	42.3	5.0	47.3	32.2	3.8	36.0
Interest income	-29.1	0.0	-29.1	-17.0	-0.2	-17.2
Management costs	1.6	0.0	1.6	1.4	0.0	1.4
Net interest cost	14.8	5.0	19.8	16.6	3.6	20.2
Social security contributions - Net interest cost	2.1	0.7	2.8	2.3	0.5	2.8
Net interest cost including social security contributions	16.9	5.7	22.6	18.9	4.1	23.0
Estimate deviation pensions						
Actuarial gains (losses)	81.2	16.9	98.1	-271.8	-16.8	-288.6
Social security contributions	11.4	2.4	13.8	-38.3	-2.4	-40.7
Actuarial gains (losses) including social security contributions	92.6	19.3	111.9	-310.2	-19.2	-329.3
Total pension costs including interest costs and estimate deviation	207.9	34.5	242.4	-171.2	-3.5	-174.7

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Pension obligations						
Gross accrued pension obligations	1 232.9	145.7	1 378.6	1 009.2	123.2	1 132.4
Pension assets	832.6	0.0	832.6	721.2	0.0	721.2
Net liability before SSC	400.3	145.7	546.0	287.9	123.2	411.1
Social security contributions	56.4	20.5	77.0	40.6	17.4	58.0
Gross accrued obligations incl. social security costs	1 289.3	166.2	1 455.5	1 049.8	140.6	1 190.3
Net liability incl. social security costs	456.7	166.2	623.0	328.5	140.6	469.1

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Reconciliation pension obligation						
Capitalized net liability/(asset) 31.12 last year	328.5	140.6	469.1	391.7	126.3	518.0
Zeroing of corridor 01.01.12	0.0	0.0	0.0	176.5	20.7	197.1
Zeroing of corridor social security contribution 01.01.12	0.0	0.0	0.0	24.9	2.9	27.8
Pension costs taken to profit/loss	98.4	9.6	108.0	120.1	11.6	131.7
Financial costs taken to profit/loss	16.9	5.7	22.6	18.9	4.1	23.0
Actuarial gains and losses incl. social security contributions	92.6	19.3	111.9	-310.2	-19.2	-329.3
Social security contributions paid in premiums/supplement	-9.8	-1.1	-10.9	-11.5	-0.7	-12.3
Premium/supplement paid-in including admin	-69.8	-7.8	-77.6	-81.8	-5.1	-87.0
Capitalized net liability/(asset) 31.12 this year	456.7	166.2	623.0	328.5	140.6	469.1

Dissolving of corridor

The revised accounting standard IAS 19 came into effect for the reporting year starting 1 January 2013. The Group applied the revised standard from 1 January 2013 but the implementation has been undertaken with retrospective effect from 1 January 2012 for comparison purposes. The 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 actuarial gains and losses are recognized in other income and expenses in the other comprehensive income statement and are not included in the ordinary income for the period. The corridor method in which actuarial gains and losses beyond a certain level are distributed over the remaining accumulation period is no longer allowed.

As at 1 January 2012 the corridor showed an actuarial loss of NOK 225 million including social security contributions. Zeroing of corridor is seen in the table above.

Number	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Membership status						
Number active	816	78	894	798	80	878
Number deferred (previous employees with deferred entitlements)	552	25	577	517	21	538
Number of pensioners	159	32	191	146	30	176

Note 28 Pensions obligations, own employees (continued)

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Change in pension obligations						
Gross pension assets 1 January before plan change	1 049.8	140.6	1 190.3	1 214.7	156.9	1 371.6
Gross pension obligations after plan change	1 049.8	140.6	1 190.3	1 214.7	156.9	1 371.6
Present value of accumulation for the year	84.0	8.4	92.4	103.2	10.1	113.3
Interest cost	42.3	5.0	47.3	32.2	3.8	36.0
Actuarial losses (gains) gross pension obligation	125.9	19.3	145.1	-290.5	-26.4	-316.8
Social security contributions - pension costs	12.2	1.2	13.3	14.8	1.4	16.3
Social security contributions - net interest cost	2.1	0.7	2.8	2.3	0.5	2.8
Social security contributions paid in premiums/supplement	-9.8	-1.1	-10.9	-11.5	-0.7	-12.3
Payments	-17.1	-7.8	-24.8	-15.5	-5.1	-20.6
Gross pension obligation 31.12.	1 289.3	166.2	1 455.5	1 049.8	140.6	1 190.3

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Change in pension assets						
Pension assets 01.01	721.2	0.0	721.2	621.7	7.0	628.7
Interest income	29.1	0.0	29.1	17.0	0.2	17.2
Actuarial (loss) gain on pension assets	33.3	0.0	33.3	19.7	-7.2	12.5
Administration cost	-2.2	0.0	-2.2	-2.1	0.0	-2.1
Financing cost	-1.6	0.0	-1.6	-1.4	0.0	-1.4
Premium/supplement paid-in including admin	69.8	7.8	77.6	81.8	5.1	87.0
Payments	-17.1	-7.8	-24.8	-15.5	-5.1	-20.6
Pension assets 31.12	832.6	0.0	832.6	721.2	0.0	721.2

NOK million						
Pension scheme's over-/under-funding						
Present value of the defined benefits pension obligation	1 289.3	166.2	1 455.5	1 049.8	140.6	1 190.3
Fair value of the pension assets	832.6	0.0	832.6	721.2	0.0	721.2
Net pension liability	456.7	166.2	623.0	328.5	140.6	469.1

	2013	2012
Financial assumptions for the income statement (common to all pension schemes)		
Discount rate	4.00 %	3.90 %
Salary growth	3.75 %	3.50 %
National Insurance basic sum (G)	3.50 %	3.25 %
Pension increases	2.72 %	2.48 %
Social security contribution rates	14.10 %	14.10 %

Actuarial assumptions
KLP's joint pension scheme for local authorities 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.

New mortality assumptions
New mortality assumptions have been used in measuring accrued obligation (best estimate) as at 31 December 2013.
KLP has used the new K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations. Seen in isolation the new assumptions produce an increase in the obligation of just under 10%.

Take-up of contractual early retirement (AFP) for 2013 (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 2013 (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 %

Pensions via operations
Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for Fellesordningen

Per cent	2013	2012
Composition of the pension assets:		
Property	12.3 %	11.5 %
Lending	10.9 %	11.0 %
Shares	16.9 %	16.2 %
Long-term/HTM bonds	28.8 %	30.6 %
Short-term bonds	20.9 %	22.2 %
Liquidity/money market	10.1 %	8.5 %
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 2013 and 6.7 per cent in 2012.

Expected payment into benefits plans after cessation of employment for the period 1 January 2014 – 31 December 2014 is NOK 114.4 million.

Sensitivity analysis as at 31 December 2013

The discounting interest rate is reduced by 0.5%	Increase
Gross pension obligation	10.8 %
Accumulation for the year	14.8 %

Salary growth increases by 0.25%	Increase
Gross pension obligation	1.3 %
Accumulation for the year	3.2 %

Mortality is strengthened by 10%	Increase
Gross pension obligation	2.5 %
Accumulation for the year	1.9 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial position statement.

The duration in the Joint scheme is estimated at 16.2

Note 29 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.

Senior employees are defined as the senior management team of the Kommunal Landspensjonskasse Group. This comprises the Group Chief Executive Officer, the KLP Group executive vice presidents and managing directors of certain subsidiaries.

All members of the Group Senior Management are pensionable at the age of 65, but may choose to change this to aged 70. Pension costs for the year include accumulation for the year and interest costs less expected returns and plan change.

The Group CEO has severance pay corresponding to one year's salary including supplementary benefits in the event of termination of employment. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for members of its Board of Directors.

One of the senior employees had an agreement on performance pay (bonus) in addition to salary. The scheme was terminated with effect from 1 July 2013 and none of the senior employees have such an arrangement any more. Bonus earned up until the date of termination is preserved and has a payment period stretching over three years. Bonus payments reported are in regard to bonus paid during 2013 that was earned in previous years and was due for payment during 2013.

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. For loans having an interest rate of 2.70, obligatory debt insurance (life and disability cover) is paid in addition, corresponding to 0.76 per cent. For loans having an interest rate of 2.95, obligatory debt insurance (life cover) is paid in addition, corresponding to 0.21 per cent.Loans to external members of the Board of Directors, the Control Committee and the Supervisory Board are only made on ordinary 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 contributions.

2013 NOK thousands	Salary, fees etc.	Bonus	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2013	Payments plan[1]
Senior employees							
Sverre Thornes, Group CEO	3 433	-	162	1 055	7 410	2,70-3,80	A2041
Ole Jacob Frich	1 419	-	150	370	8 330	3,15-4,10	A2043
Marianne Sevaldsen	2 154	-	135	741	4 470	3,15	A2043
Aage E. Schaanning	3 072	-	149	915	3 723	2,70-3,80	A2031/S22
Rune Mæland	1 526	-	134	299	2 150	2,70-3,15	A2034/A2043
Toril B. Ressem	1 649	-	151	568	7 374	2,95-3,80	S/A2039/A2042
Mette-Jorunn Meisland	1 275	-	146	381	6 041	2,95-3,65	A2038
Tore Tenold	2 594	-	141	784	2 794	3,15	Housing credit
Håvard Gulbrandsen	2 334	1 161	146	499	3 203	3,15-3,80	A2040/ Housing credit
Gunnar Gjørtz	2 720	-	146	823	3 299	3,15	Housing credit
Leif Magne Andersen	1 874	-	146	590	4 667	3,15-3,80	A2024/A2042
Board of Directors							
Arne Øren, Chair	283	-	-	-	-	-	-
Finn Jebsen[2]	99	-	-	-	-	-	-
Herlof Nilssen	161	-	-	-	438	3,75	A2025
Anita Krohn Traaseth	82	-	-	-	-	-	-
Jan Helge Gulbrandsen	161	-	-	-	-	-	-
Marit Torgersen	161	-	-	-	-	-	-
Liv Kari Eskeland	161	-	-	-	-	-	-
Siv Holland, elected by and from the employees [2]	79	-	-	-	-	-	-
Susanne Tor-Hansen, elected by and from the employees	82	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees	161	-	-	-	-	-	-
Control Committee							
Ole Hetland, Chair	93	-	-	-	-	-	-
Jan Rune Fagermoen[2]	38	-	-	-	-	-	-
Bengt P. Johansen	77	-	-	-	-	-	-
Mathilde Irene Skiri	39	-	-	-	-	-	-
Dordi E. Flormælen	77	-	-	-	-	-	-
Thorvald Hillestad	68						
Supervisory Board							
Total Supervisory Board, incl. staff representatives	459	-	-	-	25 155	-	-
Employees							
Total loans to Group employees	-	-	-	-	1 218 702	-	-

2012 NOK thousands	Salary, fees etc.	Bonus	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	1 380	-	124	456	7 053	3,15-3,90	A2041
Aage E. Schaanning[3]	3 180	-	125	1 094	4 017	2,70-3,60	A and S2032
Rune Mæland	1 463	-	136	365	1 638	2,70	A2035
Toril B. Ressem	1 548	-	146	697	7 688	2,95-3,60	A and S2033
Mette-Jorunn Meisland	1 203	-	120	487	5 999	2,95-3,45	A2038
Hans Martin Hovden[2]	1 201	-	90	360	489	3,15	A2037
Tore Tenold	803	-	109	244	2 715	3,15	Housing credit
Håvard Gulbrandsen	1 753	821	121	607	3 240	3,15	A2041/ Housing credit
Gunnar Gjørtz	2 576	-	122	983	4 401	3,15	Housing credit
Leif Magne Andersen	1 744	-	122	702	4 264	3,15-3,60	A2043
Board of Directors							
Arne Øren, Chair	297	-	-	-	-	-	-
Finn Jebsen, Deputy Chair	240	-	-	-	-	-	-
Herlof Nilssen	208	-	-	-	468	3,55	A2025
Gunn Marit Helgesen [2]	103	-	-	-	-	-	-
Jan Helge Gulbrandsen	156	-	-	-	-	-	-
Marit Torgersen	175	-	-	-	-	-	-
Liv Kari Eskeland	79	-	-	-	-	-	-
Siv Holland, valgt av og blant de ansatte	156	-	-	-	-	-	-
Freddy Larsen, valgt av og blant de ansatte	208	-	-	-	-	-	-
Control Committee							
Ole Hetland, Chair	89	-	-	-	-	-	-
Jan Rune Fagermoen, Deputy Chair	75	-	-	-	-	-	-
Bengt P. Johansen	75	-	-	-	-	-	-
Line Alfarustad [2]	37	-	-	-	-	-	-
Dordi E. Flormælen	75	-	-	-	-	-	-
Supervisory Board						-	-
Total Supervisory Board, incl. staff representatives	550	-	-	-	40 585		
Employees							
Total loans to Group employees	-	-	-	-	871 989	-	-

1) S=Serial loan, A=Annuity loan, last payment.
2) The individual has stepped down from the appointment during the year.
3) The amount stated as «Salary, fees, etc.» includes a discrete payment of NOK 228,000.

Note 30 Number of employees

	2013	2012
Total permanent employees in the Group 31.12.	856	808
Average number of employees in the Group	832	792

Note 31 Auditor's fee

NOK million	2013	2012
Ordinary audit	7.0	7.1
Certification services	0.7	0.4
Tax consultancy	0.5	0.2
Other services excluding audit	2.2	0.5
Total Auditor's fee	10.4	8.2

The sums above include VAT.

Note 32 Operating expenses

NOK million	2013	2012
Staff costs	726	701 [1]
Depreciation	103	97
Other operating expenses	362	333
Total operating expenses	1 191	1 131

[1] Change in the standard for employee benefits has involved changes in the comparison figures since the standard has been introduced with retrospective effect for the 2012 figures.

Note 33 Other income and expenses

NOK million	2013	2012
Other income		
Contribution service pension/AFP	651	642
Other income	45	21
Total other income	696	663
Other expenses		
Other costs related to financial assets and liabilities	8	7
Payments service pension/AFP	650	641
Other costs	2	3
Total other expenses	660	651

Note 34 Other current liabilities

NOK million	2013	2012
Accounts payable	692	691
Current liabilities securities trade	3 960	3 696
Liabilities to insurance customers [1]	171	440
Social security contributions, VAT and tax deductions owing	310	278
Salary and holiday pay due	99	91
Other current liabilities [2]	1 505	11
Total other current liabilities	6 737	5 208

[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 transfer assets of NOK 1.5 million received for 2014.

Note 35 Contingent liabilities

NOK million	31.12.2013	31.12.2012
KLP guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	4 610	3 250
Approved, not paid out KLP Group loan pledge	3 928	1 208
Total contingent liabilities	8 539	4 460

Note 36 Retained earnings

NOK million	Revaluation fund	Risk equalization fund	Nat. per. pool fund	Other retained earnings	Retained earnings
Capitalized value 31.12.2011	183	431	211	5 023	5 847
Change in principles, pension corridor				-209	-209
Owners' equity 1 January 2012	183	431	211	4 814	5 638
Profit/loss	0	60	-10	941	990
Other comprehensive income:					
Items that will not be later reclassified to income	0	0	0	296	296
Items that will be reclassified to income later when particular conditions are met	23	0	0	-208	-185
Capitalized value 31.12.2012	205	490	201	5 843	6 739
Profit/loss		-320	-46	213	-154
Other comprehensive income:					
Items that will not be later reclassified to income				-102	-102
Items that will be reclassified to income later when particular conditions are met	24			1 101	1 125
Capitalized value 31.12.2013	229	170	154	7 055	7 609

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Non-financial accounts at year-end 31 December

	Note	2013	2012	2011	2010	2009
Responsible investments						
Number of exclusions of companies from the investment universe	2	69	64	64	59	47
Number of companies reinstated in the investment universe	2	4	1	1	3	10
Number of general meetings in Norwegian companies in which KLP has voted	2	95(95%)	113(92%)	130(92%)	127	123
Number of general meetings in foreign companies in which KLP has voted	2	2 198(76%)	2 099(75%)	1 662(82%)	1 533	1 558
Investments for sustainable development (NOK millions)	3					
Market value for Investments in renewable energy in Africa		35,7				
Market value for Investments in microfinance		8,1	0	8,6	11,2	13,8
Tax and income per country (NOK millions)						
Tax to Norway	4	0	0	0		
Tax to Sweden	4	8	-10	-10		
Tax to Denmark	4	-55	3	36		
Tax - in Europe (outside Nordic Region)	4	0	0	0		
Income in Norway	4	51 531	47 729	31 605		
Income in Sweden	4	274	216	155		
Income in Denmark	4	173	136	85		
Income in Europe (outside Nordic Region)	4	14				
Accounting income before taxes in Norway	4	-228	1 131	609		
Accounting income before taxes in Sweden	4	255	-166	90		
Accounting income before taxes in Denmark	4	-8	36	-46		
Accounting income before taxes in Europe (outside Nordic region)	4	-126				
Net purchases/sales and investments in Norway for the year	4	2 059	2 056	-194		
Net purchases/sales and investments in Sweden for the year	4	1 576	1 283	933		
Net purchases/sales and investments in Denmark for the year	4	3	399	1 358		
Net purchases/sales and investments in Europe (outside Nordic region) for the year	4	2 336				
Employees						
Number of employees in Norway	5	841	799	770	754	732
Number of employees in Sweden	5	8	1	1	0	9
Number of employees in Denmark	5	7	8	4	8	1
Percentage women	5	48	48	49	49	48
Percentage men	5	52	52	51	51	52
Percentage staff turnover	5	3,9	3,1	4,5	3,5	2,5
Total temporary employees	5	27	18	19	13	16
Percentage part-time women	5	16	18	16	19	20
Percentage part-time men	5	1,8	1,7	2,0	1,8	1,2
Women as percentage at Management Level 1	5	27	18	27	20	20
Women as percentage at Management Level 2	5	35	30	31	24	18
Women as percentage at Management Level 3	5	45	47	42	49	50
Women as percentage on board of directors	5	50	43	43	38	50
Reported sickness absence short-term	6	1,0	1,1	1,9	1,0	1,9
Reported sickness absence long-term	6	2,9	3,1	2,7	2,7	2,3
Reported sickness absence total	6	3,9	4,2	4,6	3,7	4,2
Reported sickness absence women	6	5,8	6,0			
Reported sickness absence men	6	2,2	2,2			
Reported absence sick children percentage women		63	63			
Reported absence sick children percentage men		37	37			
Number of personal injuries	7	1	0	0	0	0

	Note	2013	2012	2011	2010	2009
Salary and other personnel costs (NOK 1000)						
Total salary to employees	8	594 874	547 218	521 467	504 122	415 392
Average salary women	8	593	570	550	523	493
Average salary men	8	743	727	711	671	619
Women earn as a percentage compared to men	8	79,8	78,4	77,3	78,0	80,0
Women earn as a percentage compared to men at Management Level 1	8	72,4	64,3			
Women earn as a percentage compared to men at Management Level 2	8	87,7	91,1			
Women earn as a percentage compared to men at Management Level 3	8	92,3	92,2			
Environment						
Energy consumption kWh/m² in KLP Eiendom's in-house operated buildings in Oslo	9	158	182	196	207	210
Energy consumption kWh/m² in KLP Eiendom's in-house operated buildings in Trondheim	9	154	162	157	217	230
Energy consumption kWh/m² in KLP Eiendom's in-house operated buildings in Copenhagen	9	140	153	154	167	186
Energy consumption kwh/m² in KLP's offices in KLP Huset (the KLP Building)	9	174	190	174	126	
Energy consumption kwh/m² in KLP's offices in Bergen	9	161	142	147	172	
Energy consumption kwh/m² in KLP's offices in Trondheim	9	207	206			
Percentage waste source sorting from in-house operated buildings in Oslo	9	56	53	53	51	50
Percentage waste source sorting from in-house operated buildings in Trondheim	9	42	43	41	36	31
Percentage waste source sorting from in-house operated buildings in Copenhagen	9	36				

Notes Non-financial accounts

Note 1 Accounting principles

Materiality assessment:

Selection of indicators for the annual report represents the triple bottom line: how KLP impacts on environmental, social and economic aspects.

Finance: KLP regards responsible investments (SRI) as a key element for managing pension assets. One of KLP's most important tasks is to secure returns on future pensions, but it is not a matter of indifference how these returns are created. KLP wants to be a responsible financial investor and therefore actively uses a number of methods to influence companies towards long-term and sustainable value creation. KLP's guidelines for responsible investment are approved by the Board of Directors and define methods and targets for responsible investment. The tools are exclusion, active ownership and investments for sustainable development. Reporting on this area is therefore significant.

In addition tax and turnover per country are included in the report.

Social: KLP reports on equality, sickness absence, and staff turnover.

Environment: KLP impacts on the environment mainly through its property business. Energy consumption and waste are parameters in which KLP has defined reduction targets, and where reduction has greater effect on the environment compared to other indicators. This is because KLP can affect energy consumption directly and because energy consumption is described as closely linked to sustainable development. The environmental impact of KLP as an office-based operation in Norway is limited. Energy consumption stands out as a relevant factor upon which to report because it can be converted to a financial value.

The content of the non-financial accounts is therefore designed to cover Section 3-3 of the Norwegian Accounting Act and 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 corporate social responsibility is available in Norwegian at www.klp.no/samfunnsansvar (but see also 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 KLP's stakeholders and business activity.

Note 2 Responsible investments

The figures show the number of companies KLP has excluded from its investment universe, and re-instated, based on breach of KLP's guidelines for responsible investment. In addition the number of general meetings at which KLP has voted is shown. The indicator shows percentage of total number of general meetings and actual number. The major change from 2011 to 2012 results from expansion of the investment universe to include emerging markets. An overview of which companies are represented in the figures and how KLP has voted at the companies' respective general meetings is published in Norwegian at www.klp.no/samfunnsansvar (but see also www.klp.no/english/corporate-responsibility).

Note 3 Investments for sustainable development

Active investment for sustainable development is one of the tools in KLP's Guidelines for Responsible Investments (see Note 1). Given KLP's investment model, which emphasises index tracking management, KLP seeks partners to put this mandate into operation. KLP has an ongoing partnership with the Norwegian Micro-Finance Initiative and the Norwegian Investment Fund for Developing Countries (Norfund). Together with the government development fund, Norfund, KLP has established a joint investment company named KLP Norfund Investments AS. In total, KLP and Norfund, have committed NOK 1 billion over a five-year period to renewable energy projects (solar, wind and water). The investments will be based on commercial risk and return assessments. At the same time strict requirements will be specified concerning environmental and social conditions. NMI is investing directly and indirectly in micro-finance institutions through equity, loans or the provision of guarantees. NMI is to operate on a commercial basis, and to provide an attractive return in the form of both development effects and traditional financial returns. NMI was started in 2008 and is a unique partnership between government and private operators that, through micro-financing will help to strengthen poor peoples' economic position in developing countries.

Note 4 Tax and income per country

Tax and income by country is divided between the countries in which KLP carries out business with controlling influence. This means that tax and income from investments in foreign securities are reported within the country distribution as Norwegian, unless KLP has controlling 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 earlier than 2009 have not been produced.

Note 5 Employees

The number of employees includes active and inactive, part-time and full-tim employees, as at 31 December 2013. KLP has employees in Norway, Sweden and Denmark. Percentage staff turnover shows the number of employees who have left KLP.

The number of people who have changed employer internally within KLP (different legal entities under KLP as parent company) is not included in the definition of staff turnover.

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 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 2.

Note 6 Sickness absence

The figures show self-reported sickness absence. Short-term sickness absence is of 1-3 days, long-term absence is of 4 days or more.

Note 7 Personal injuries

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 8 Salary and other personnel costs

Total salary to employees corresponds to Code 111A 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. Information concerning salary relates only to Norway.

Salary and allowances for KLP's senior Group management and Directors 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 was not reported before 2012, and the figures for previous years are not available.

Management Level 1 is the senior Group management including 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 2.

Note 9 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 were not collected for KLP's own offices in Trondheim before 2012.

An important environmental factor is to minimise unsorted waste. Sorted waste can be recycled and therefore reduces the environmental impact. The source sorting ratio shows how large a proportion of the waste is sorted and therefore recycled. "In-house-operated buildings" means the property for which KLP as owner is also responsible for operation and maintenance. The figures are obtained from the environmental monitoring system log, but are based on estimates from waste suppliers. Data from in-house-operated buildings in Copenhagen is not available. Source sorting ratio for KLP's own office in Bergen and for KLP Banken in Trondheim is not included since this does not represent a significant part of KLP's impact on the environment.

pwc

Board of Directors in Kommunal Landspensjonskasse Gjensidige Forsikringsselskap (KLP)

Independent statement regarding verification of Non-financial Accounts for 2013

Scope of engagement
We have been engaged by the management in KLP to perform verification of the Non-financial Accounts per 31.12.13. 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 21th 2014

PricewaterhouseCoopers AS

Eli Moe-Helgesen (sign)
State authorised public accountant

(This translation from Norwegian has been made for information purposes only)

PricewaterhouseCoopers AS,
org.no.: NO 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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Income statement for Kommunal Landspensjonskasse gjensidig forsikringsselskap

Notes	NOK million	2013	2012
	Premiums due, gross	24 931	27 481
	Reinsurance premiums ceded	-3	-5
	Transfer of premium reserve from other insurance companies/pension funds	5 932	1 549
19	Total premium income	30 860	29 025
	Income from investments in subsidiaries, associated enterprises and joint ventures	3 395	1 828
	Interest income/dividends on financial assets	9 116	8 443
	Value changes on investments	2 187	3 716
	Gains and losses realized on investments	4 077	2 424
4	Total net income from investments in the common portfolio	18 775	16 412
	Income from investments in subsidiaries, associated enterprises and joint ventures	22	11
	Interest income/dividends on financial assets	37	47
	Value changes on investments	82	43
	Gains and losses realized on investments	-2	4
4	Total net income from investment option portfolio	138	105
33	Total other insurance-related income	682	651
	Claims paid	-11 701	-10 685
	Changes in claims reserves	-7	-49
	Transfer of premium reserve, supplementary reserves and securities adjustment fund to other insurance companies/pension funds	-178	-148
19	Total claims	-11 886	-10 882
	Change in premium reserve	-29 631	-26 720
	Change in supplementary reserves	11	7
	Change in securities adjustment fund	-1 124	-4 330
	Change in premium and deposits fund	-101	-59
	Transfer of supplementary reserves and securities adjustment fund from other insurance companies/pension funds	-2	0
19	Total changes in insurance liabilities taken to profit/loss - contractual liabilities	-30 848	-31 101
	Change in premium reserve	-180	-145
	Change in premium and deposits fund	-1	-1
19	Total changes in insurance liabilities taken to profit/loss – individual investment option portfolio	-181	-146
	Surplus on returns result	-5 851	-2 122
	Risk result assigned to insurance contracts	-33	-38
	Other assignment of surplus	0	-206
19	Total funds assigned to insurance contracts - contractual liabilities	-5 884	-2 366
	Administration costs	-165	-184
25	Sales costs	-108	-103
	Insurance-related administration costs	-534	-514
	Total insurance-related operating expenses	-807	-801
33	Other insurance-related costs	-656	-647
19	Technical result	191	250

Income statement for Kommunal Landspensjonskasse gjensidig forsikringsselskap

Notes	NOK million	2013	2012
	Income from investments in subsidiaries, associated companies & joint ventures	366	277
	Interest income/dividends on financial assets	535	482
17	Net income from investment properties	19	41
	Value changes on investments	-232	71
	Gains and losses realized on investments	291	-135
4	Total net income from investments in the corporate portfolio	979	735
	Other income	17	15
	Administration costs	-10	-12
	Other expenses	-228	-215
	Total administration costs and other costs associated with the corporate portfolio	-238	-228
	Non-technical profit/loss	759	523
	Income before tax	950	772
27	Tax	0	0
	Income (before other profit/loss components)	950	772
	Actuarial gains and losses on defined benefits pension schemes - employee benefits	-79	229
	Items that will not be later reclassified to income	-79	229
	Share of profit/loss components using the equity method	-33	100
	Adjustment of the insurance liabilities	10	-33
	Items that will be reclassified to income later when particular conditions are met	-23	67
	TOTAL COMPREHENSIVE INCOME	847	1 068
	Allocations and transfers		
	Transferred to other retained earnings.	-1 167	-1 009
	Transferred to the risk equalization fund	320	-60
	Total profit/loss allocation and transfer	-847	-1 068

Statement of financial position for Kommunal Landspensjonskasse gjensidig forsikringsselskap

Notes	NOK million	31.12.2013	31.12.2012
	ASSETS		
	ASSETS IN THE CORPORATE PORTFOLIO		
	Intangible assets	321	303
18	Total intangible assets	321	303
	Investments in the corporate portfolio		
17	Investment properties	947	965
14	Shares and holdings in subsidiaries and associated companies	2 517	2 279
14	Shares and holdings in property subsidiaries	1 393	1 360
14	Total subsidiaries, associated enterprises and joint ventures	3 910	3 639
5,11	Investments held to maturity	3 738	3 218
5,11	Bonds classified as loans and receivables	5 204	4 311
5,11	Total financial assets at amortized cost	8 942	7 530
5,6,15	Shares and units	262	189
11	Bonds and other fixed-return securities	4 721	4 552
11	Loans and receivables	368	599
11	Financial derivatives	50	71
	Other financial assets	16	10
5,6,15	Total financial assets valued at fair value	5 416	5 420
	Total investments in the corporate portfolio	19 215	17 553
	Receivables related to direct business	1 443	1 025
31	Intra-Group receivables	142	35
	Other receivables	127	86
	Total receivables	1 712	1 145
	Plant and equipment	48	55
	Bank deposits	358	348
	Total other assets	406	403
	Total assets in the corporate portfolio	21 654	19 405
	ASSETS IN THE CUSTOMER PORTFOLIOS		
	Investments in the common portfolio		
14	Shares and holdings in property subsidiaries	38 383	30 456
	Total subsidiaries, associated enterprises and joint ventures	38 383	30 456
5,11	Investments held to maturity	27 212	33 033
5,11	Bonds classified as loans and receivables	60 358	50 243
5,11	Other loans and receivables	33 988	30 198
5,11	Total financial assets valued at amortized cost	121 557	113 474
5,6,15	Shares	16 843	19 398
5,6,15	Equity fund units	35 346	21 137
5,6,15	Alternative investments	1 761	1 803
5,6,11	Bonds and other fixed-return securities	89 088	75 611
5,6,11	Loans and receivables	11 811	15 513
5,6,11	Financial derivatives	1 105	1 282
	Other financial assets	301	72
5,6	Total financial assets valued at fair value	156 254	134 817
	Total assets in the common portfolio	316 194	278 747
	Investments in the investment option portfolio		
14	Shares and holdings in property subsidiaries	236	186
5,11	Financial assets at amortized cost	597	568
5,6	Financial assets at fair value	912	802
	Total assets in the investment option portfolio	1 745	1 556
	ASSETS	339 592	299 708

Statement of financial position for Kommunal Landspensjonskasse gjensidig forsikringsselskap

Notes	NOK million	31.12.2013	31.12.2012
	OWNERS' EQUITY AND LIABILITIES		
	Other owners' equity contributed	7 659	6 891
	Total paid-up equity	7 659	6 891
	Risk equalization fund	170	490
	Other retained earnings	7 260	6 092
	Total retained earnings	7 429	6 582
21	Perpetual subordinated loan capital	3 151	2 891
20,21	Hybrid Tier 1 securities	919	974
5,21	Total subordinated loan capital etc.	4 070	3 865
	Premium reserve	278 240	248 608
	Supplementary reserves	12 412	12 293
16	Securities adjustment fund	10 412	9 288
	Claims reserve	219	212
	Premium fund, deposits fund and pensioners' surplus fund	9 031	3 911
19	Total insurance liabilities in life insurance - contractual liabilities	310 314	274 311
	Premium reserve	1 600	1 421
	Supplementary reserves	83	83
	Premium fund, deposits fund and pensioners' surplus fund	130	45
19	Total insurance liabilities investment option portfolio	1 813	1 548
26	Pension obligations	425	323
	Total provision for liabilities	425	323
	Liabilities related to direct insurance	1 703	438
6	Liabilities to credit institutions	483	1 461
5,6,12	Financial derivatives related to the corporate portfolio	65	10
5,6,12	Financial derivatives related to the common portfolio	1 330	352
5,6,12	Financial derivatives related to the investment option portfolio	5	1
32	Other liabilities	4 235	3 874
	Total liabilities	7 822	6 136
	Other accrued costs and pre-paid income	59	52
	Total accrued costs and pre-paid income	59	52
	OWNERS' EQUITY AND LIABILITIES	339 592	299 708
	OFF-BALANCE-SHEET ITEMS		
34	Contingent liabilities	8 086	4 410

Oslo, 21 March 2014
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Arne Øren, Chair

Liv Kari Eskeland, Deputy Chair

Marit Torgersen

Herolf Nilssen

Jan Helge Gulbrandsen

Anita Krohn Traaseth

Susanne Torp-Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Sverre Thornes
Group CEO

Statement of owners' equity

2013 NOK million	Owners' equity contributed	Risk equalization fund	Other retained earnings	Total owners' equity
Owners' equity 1 January 2013	6 891	490	6 092	13 473
Income	0	-320	1 270	950
Items that will not later be reclassified to income	0	0	-79	-79
Items that will be reclassified to income later when particular conditions are met	0	0	-23	-23
Total income	0	-320	1 168	847
Owners' equity contribution received	773	0	0	773
Owners' equity contribution repaid	-5	0	0	-5
Total transactions with the owners	768	0	0	768
Owners' equity 31 December 2013	7 659	170	7 260	15 089

2012 NOK million	Owners' equity contributed	Risk equalization fund	Other retained earnings	Total owners' equity
Owners' equity 31 December 2011	6 217	431	5 293	11 941
Change in principles KLP	0	0	-163	-163
Change in principles subsidiaries	0	0	-46	-46
Owners' equity 1 January 2012	6 217	431	5 084	11 732
Income	0	60	713	772
Items that will not later be reclassified to income	0	0	229	229
Items that will be reclassified to income later when particular conditions are met	0	0	67	67
Total income	0	60	1 009	1 068
Owners' equity contribution received	677	0	0	677
Owners' equity contribution repaid	-4	0	0	-4
Total transactions with the owners	673	0	0	673
Owners' equity 31 December 2012	6 891	490	6 092	13 473

Statement of cash flows

NOK million	2013	2012
Cash flow from operational activities		
Direct insurance premiums received	23 422	25 868
Reinsurance premiums paid	-3	-5
Direct insurance claims and benefits paid	-11 105	-10 153
Payments received on transfer	7 118	1 549
Payments made on transfer	-177	-147
Payments to other suppliers for products and services	-536	-440
Payments to employees, pension schemes, employer's social security contribution etc.	-400	-400
Interest paid	-183	-203
Interest received	7 088	6 848
Dividend received	2 938	2 028
Tax and public charges paid	-5	-4
Receipts to the property business	16	21
Net receipts/payments of loans to customers etc.	-3 460	-4 818
Receipts on the sale of shares	36 701	18 368
Payments on the purchase of shares	-45 514	-18 189
Receipts on the sale of bonds and certificates	35 429	31 466
Payments on the purchase of bonds and certificates	-56 524	-48 859
Payments on the purchase of property	20	-3
Net cash flow from purchase/sale of other short-term securities	4 500	-3 471
Net cash flow from operating activities	-674	-543
Cash flow from investment activities		
Receipts on the sale of tangible fixed assets	0	1
Payments on the purchase of tangible fixed assets etc.	-85	-71
Net cash flow from investment activities	-85	-70
Cash flow from financing activities		
Receipts of subordinated loan capital	0	0
Receipts of owners' equity contributions	773	677
Payments on repayment of owners' equity contributions	-5	-4
Net cash flow from financing activities	768	673
Net changes in cash and bank deposits	10	60
Holdings of cash and bank deposits at start of period	348	288
Holdings of cash and bank deposits at end of period	358	348

Notes KLP

Note 1 General information

Kommunal Landspensjonskasse gjensidig forsikringsselskap (the Company) provides pension and insurance services to municipalities and county administrations, health enterprises and to enterprises both in the public and private sector.

The 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 subordinated loans listed on the London Stock Exchange.

The annual financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap (Kommunal Landspensjonskasse Mutual Insurance Company) are available on the Company's website, www.klp.no.

The Company's annual financial statements for 2013 were adopted by the Company's Board of Directors on 21 March 2014.

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 receivable/liability 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.
- Ownership interest in subsidiaries and associated companies valued in accordance with the owners' equity method
- Assets and liabilities where the hedge 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 recognized in the financial statements. Actual figures may deviate from estimates used. Areas in which discretionary 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 disclosures

(a) New and changed standards adopted by the Group

The following new or changed IFRSs or IFRIC interpretations that have come into force for the 2013 annual financial statements have a significant effect on the financial statements:

- 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.

- IFRS 7 "Financial instruments - Disclosures" has been amended. The change requires new note information concerning net presentation of assets and liabilities to enable comparison between the IFRS-reporting enterprise and enterprises reporting in accordance with US GAAP.

- IAS 19 "Employee Benefits" has been amended. The changes in this standard require that all estimate deviations that are actuarial gains and losses are to be recognized in other comprehensive income in the period in which they arise. There is therefore an immediate recognition against income of all costs of previous periods' accumulation on change in the scheme. Removal of the "corridor" solution may produce significantly more volatility in other comprehensive income and equity since the estimate changes are taken directly to other comprehensive income. Other plan changes with retroactive effect and that are not conditional on future employment are recognized immediately in income, which may produce larger effects in certain periods.

  Another change in the standard is that there is a move from interest costs on the liability and expected returns on pension assets to a net interest sum in which a discount rate is used on net pensions liability. In accordance with previous rules the discount rate was used to calculate the cost of interest based on gross pensions obligation, and an expected returns interest rate was used to calculate interest income based on gross assets. The concept of expected return on assets has thus been removed. Expected return will generally be higher than the discount rate and the change thus means that the Company will take a lower return to income on its pension assets than previously and thus have lower profit. The difference between actual return on the assets and the return calculated using the discounted rate will be treated as estimate deviation to be recognized in other comprehensive income.

- 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 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

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

- IFRS 9 "Financial Instruments" governs classification, measurement and recognition of financial assets and financial liabilities as well as hedge accounting. IFRS 9 was published in November 2009, October 2010 and November 2013. It replaces those parts of IAS 39 governing corresponding questions. In accordance with IFRS 9, all financial assets are to be divided into two categories: those to be measured at fair value and those to be measured at amortized cost. The measurement category is decided on first recognition of the asset. The classification depends on the entity's business model for managing its financial instruments and the characteristics of the the individual instrument's cash flows. For financial liabilities the standard generally continues the requirements in IAS 39. The greatest change is that in instances in which the fair value option is adopted for a financial asset, changes in fair value resulting from change in the entity's own credit risk are recognized in other comprehensive income and not in the traditional profit or loss, unless this results in a situation in which comparison cannot be achieved ("accounting mismatch"). IFRS 9 involves a range of changes and simplifications that will result in increasing opportunities to use hedge accounting. The Group has yet to fully assess the effect of IFRS 9. The Group will also assess the consequences of the remaining parts of IFRS 9 when these are completed The date for IFRS 9 to come into effect has not yet been decided, but will be no earlier than 1 January 2017.

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

Otherwise there are no other IFRSs or IFRIC interpretations not yet in force that 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 in regard 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 2012. The schedule below shows total changes that have been made:

Financial statement line: (Figures in MNOK)	Changed amount:
Income statement:	
Insurance-related operating expenses	12
Administration costs associated with the corporate portfolio	-16
Other income components	296
Total effect on comprehensive income	293
Financial position statement:	
Shares in subsidiaries and associated companies	20
Shares and holdings in property subsidiaries	17
Total changes in assets	37
Retained earnings	83
Insurance liabilities in life insurance - contracts struck	17
Provision for obligations	-63
Total changes in owners' equity/liabilities	37

The changes in IAS 19 "Employee Benefits", as described in subparagraph 2.1.1 a) have mandatory application from the fiscal year starting 1 January 2013, with retrospective application on the 31 December 2012 figures. The table below provides a specification of the magnitude of the effects the standard has had on the financial statements compared to previous periods:

NOK thousands	Original 31.12.2012	Effect 2012 IAS 19	Amended 31.12.2012
Income statement			
Operating expenses	-89	13	-76
Current return on financial assets	0	-16	-16
Cost of taxes [1]	0	0	0
Profit/loss for the period	-89	-3	-92
Other profit/loss elements for the period			
Actuarial gains and losses on			
defined benefits pension schemes			
- staff benefits	0	229	229
Tax on other profit/loss elements [1]	0	0	0
Other comprehensive income	0	229	229
Total comprehensive income	-89	226	137
Financial position statement			
Owners' equity	13 390		13 390
Zeroing corridor, 1 January 2012		-163	-163
Total comprehensive income		226	226
Owners' equity 31 December 2012	13 390	63	13 453
Pension obligation	386		386
Zeroing corridor, 1 January 2012		163	163
Total comprehensive income		-226	-226
Pensions liability 31 December 2012	386	-63	323
Deferred tax/tax asset [1]	0	0	0

[1] Tax is not affected.

Note 2 Summary of the most important accounting principles (continued)

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 is 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 is recognized 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 at the end 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 harmonization 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 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, balance depreciation is used.

The utilizable 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

Note 2 Summary of the most important accounting principles (continued)

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 up until its fair value can either be measured in a reliable way or until the property is completed. In setting fair value, the returns requirement in 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, directly attributable costs paid out to the system supplier are capitalized, as well as external consultancy support and internally accrued costs to have the system installed and readied for use.

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

When an IT system is operational the capitalized costs are depreciated by straight line over the expected life (3 – 10 years). In the event of subsequent 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 of 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) Loans and receivables recognized at amortized cost
c) Hold-to-maturity investments recognized at amortized cost

Financial liabilities
d) Other financial liabilities at fair value through profit or loss

a) Financial assets at fair value through profit or loss

Within this category it may be mandatory or chosen 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 taken to book at fair value with value changes through income. Financial instruments are classified in this category if either they are managed as a group, and where their earnings are assessed and reported to management on the basis of fair value or if the classification eliminates or reduces accounting 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 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 i.e. bonds that are not priced in an active market as well as lending to local authorities, enterprises and retail customers.

c) Financial assets held to maturity

Financial assets held to maturity comprise financial assets listed in an active market, 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 enterprise classifies on first recognition at fair value through profit or loss
- Those that meet the definition of loans and receivables.

The category includes bonds recognized at amortized cost.

Note 2 Summary of the most important accounting principles (continued)

d) Other financial liabilities recognized at amortized cost
The category includes hybrid Tier 1 securities 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 impairment 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 impairment 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

Note 2 Summary of the most important accounting principles (continued)

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 inbuilt 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 in KLP 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 obligation against liability. As well as 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 the 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 approval in advance from the Financial Supervisory Authority of Norway (FSA of N). 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 through profit or loss and included in the premium income.

2.11.2 Interest income/expenses
Interest income and interest expenses associated with all interest-bearing financial instruments valued at amortized cost are taken to income using the effective interest rate method. Setting-up fees for lending are included in the 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".

Note 2 Summary of the most important accounting principles (continued)

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.

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 27.

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 discrete 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 FSA of N 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.

Note 2 Summary of the most important accounting principles (continued)

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

2.16.4 Claims reserve
Claims reserves 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 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.

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 five-year returns guarantee, this customer's own risk extends to the end of the five-year period.

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.

Gross premium reserve distributed by base interest rate

The total average base interest in the group pensions sector amounted to 2.99 per cent in 2013.

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 the assumptions from the K2005 calculation base are used with contingency margins in accordance with the minimum standard set by the FSA of N in 2007.

Starting in 2014, the new K2013 mortality tables are used with the FSA of N's safety margin requirements.

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's owners' equity.

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".

Note 2 Summary of the most important accounting principles (continued)

2.19 PENSION OBLIGATIONS OWN EMPLOYEES

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

The Company's pension obligations are partially insurance-covered through KLP public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises ("Fellesordningen"). Pension liability beyond these schemes is covered through operation. Pension costs are treated in accordance with IAS 19. The Company has a defined benefits based pension scheme for its employees The accounting liability for defined benefit schemes is the present value of the obligation on the reporting date, with deduction for fair value of the pension assets. The gross obligation is calculated using the straight-line method. The gross obligation is discounted to present value using the interest rates on Norwegian high-quality bonds. Gains and losses arising on recalculation of the obligation as a result of known deviation and changes in actuarial assumptions are charged to owners' equity via other comprehensive income during the period in which they arise. The effect of changes in the scheme's benefits is taken to profit/loss immediately.

Presentation of the pension costs in the income statement is in accordance with IAS 1. This standard allows the option of classifying the net interest element either as an operating cost or as a financial cost. The option the company adopts must be followed consistently for later periods. The Company has presented the pension costs under the accounting line "Insurance-related operating expenses", whilst the net interest element is presented in the accounting line "Administration expenses and other costs associated with the corporate portfolio". The estimate deviation has been classified under "Items that will not be reclassified to profit/loss" in the accounting line "Actuarial gains and losses on defined benefits pension schemes - employee benefits".

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.

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 sector, assumptions on disability risk are based on KLP's disability data for the period up to 2009. For the other risk elements, including longevity risk, the assumptions from the K2005 calculation base are used with contingency margins in accordance with the minimum standard set by the FSA of N in 2007. From 1 January 2014 the new mortality table for collective pension insurance (K2013) will be used with the contingency margins set by FSA of N.

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 KLP retirement, disability and survivor pension based on a salary of NOK 390,000 would, for the various individual ages and genders, amount to:

Men:			
Age	30 years	45 years	60 years
Amount	NOK 17,524	NOK 31,534	NOK 35,841
Women:			
Age	30 years	45 years	60 years
Amount	NOK 26,824	NOK 42,635	NOK 39,295

3.2 INVESTMENT PROPERTY

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 6.55 - 8.3 per cent; and for Danish properties 7.00 -7.75 per cent.

Note 3 Important accounting estimates and valuations (continued)

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 Company's net pensions liabilities in regard to its employees depends on a range of economic and demographic assumptions. The Company complies with the "Guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB). Updated guidance published on 6 January 2014 has been used as the basis for updated measurement of best-estimate accrued obligations and assets as at 31 December 2013.

In accounting for pension schemes in accordance with IAS 19, a range of actuarial assumptions must be specified. This specification involves significant elements of judgement and practical approaches. Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liabilities are the discount rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic amount (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The Company uses the interest rate for covered bonds (OMF) as the discount rate based on the assumption that a liquid market exists for covered bonds of long duration. In this evaluation, account is taken of market volume; bid/ask spread; price reliability; trading volume and frequency; and issuance volume. As at 31 December 2013 a discount rate of 4.0 per cent has been used in accordance with the Norwegian Accounting Standards Board (NASB) "Guidance for determining pension assumptions as at 31 December 2013".

The assumptions on future salary growth and future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 3.75 per cent (salary growth) and 3.5 per cent (G and pensions adjustment) respectively. The pension adjustment for the local government pension scheme should be the same as the G-adjustment.

New mortality assumptions have been used in measuring accrued pension obligations (best estimate) as at 31 December 2013. The Company has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

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

3.4 FAIR VALUE ON FINANCIAL ASSETS

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

Note 3 Important accounting estimates and valuations (continued)

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 at the end of the reporting period 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 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.

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

2013 NOK million	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	6	1 426	9	1 441
Profit/loss subsidiaries	362	1 969	13	2 344
Profit/loss associated enterprises	-2	0	0	-2
Total income from investments in subsidiaries, associated enterprises and joint ventures	366	3 395	22	3 783
Interest banking	8	219	0	227
Interest financial derivatives	15	52	0	67
Interest bonds and other fixed-income securities	136	3 151	8	3 295
Total interest income financial instruments at fair value	158	3 422	9	3 589
Interest bonds amortized cost	345	4 048	28	4 421
Interest lending	0	1 087	0	1 087
Total interest income financial instruments at amortized cost	345	5 135	28	5 508
Dividend/interest shares and units	33	660	0	692
Oher income and expenses	-1	-101	0	-102
Total net interest income/dividend on financial instruments	535	9 116	37	9 687
Value adjustment property	0	0	0	0
Rental income property	19	0	0	19
Total net operating income from property	19	0	0	19
Value changes shares and units	71	3 103	84	3 258
Value change bonds and other fixed-income securities	25	69	0	93
Value change financial derivatives	-77	-997	-2	-1 077
Value change loans and receivables	-6	-2	0	-8
Total value change financial instruments at fair value	12	2 173	82	2 267
Value change bonds	0	0	0	0
Value change lending	0	13	0	13
Total value change financial instruments at amortized cost	0	13	0	13
Value change other	-244	0	0	-244
Total value changes on investments	-232	2 187	82	2 037
Realized property				
Realized shares and units	0	6 299	4	6 303
Realized bonds and other fixed-income securities	9	577	0	586
Realized financial derivatives	-6	-2 757	-7	-2 770
Realized loans and receivables	14	3	1	18
Total realized financial instruments at fair value	18	4 121	-2	4 137
Realized bonds at amortized cost [1]	273	-45	0	228
Realized lending at amortized cost [1]	0	1	0	1
Total realized financial instruments at amortized cost	273	-45	0	229
Other financial costs and income	0	0	0	0
Total realized gains and losses on investments	291	4 077	-2	4 366
Total net income from investments	979	18 775	138	19 892

Note 4 Net income from financial instruments (continued)

2012 NOK million	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 enterprises and joint ventures	277	1 828	11	2 116
Interest banking	12	259	0	272
Interest financial derivatives	8	75	0	84
Interest bonds and other fixed-income securities	136	2 572	20	2 729
Total interest income financial instruments at fair value	157	2 907	21	3 084
Interest bonds amortized cost	297	3 995	27	4 319
Interest 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	-74	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	-409	0	-218
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	3 716	43	3 582
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 financial instruments at amortized cost	-241	-149	0	-390
Total realized gains and losses on investments	-135	2 424	4	2 293
Sum netto inntekter fra investeringer	735	16 412	105	17 252

[1] Realized values on investments 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 bid 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, KLP uses valuation techniques to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected yield curves and yield 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 (the 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 KLP 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-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 the 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 - non-government
All Norwegian fixed-income securities except government are priced theoretically. A zero-coupon curve is used as well as yield spread 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 spread curves are received from the Norwegian Mutual Fund Association NMFA. These are based on yield spread 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 spread 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 KLP 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 lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with 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 lo-

Note 5 Fair value of financial assets and liabilities (continued)

cal government supported projects, observable yield curves and credit interest spread 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 pricemakers. 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 yield 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 loans

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 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.

31.12.2013	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
NOK million	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS RECOGNIZED AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	731	787	10 822	11 520	69	73	11 622	12 381
Accrued not due interest	23	23	253	253	1	1	277	277
Foreign hold-to-maturity bonds	2 933	3 054	15 828	16 772	84	90	18 845	19 915
Accrued not due interest	51	51	308	308	2	2	360	360
Total investments held to maturity	3 738	3 915	27 212	28 853	156	166	31 105	32 934
BONDS								
Norwegian bond loans	1 323	1 322	22 183	23 826	129	137	23 635	25 284
Accrued not due interest	36	36	602	602	3	3	641	641
Foreign bond loans	3 762	3 904	36 772	37 640	302	318	40 836	41 862
Accrued not due interest	83	83	801	801	7	7	891	891
Total bonds classified as loans and receivables	5 204	5 345	60 358	62 869	441	464	66 002	68 678
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	7 830	7 838	0	0	7 830	7 838
Lending with public sector guarantee	0	0	25 986	26 285	0	0	25 986	26 285
Accrued not due interest	0	0	172	172	0	0	172	172
Total other loans and receivables	0	0	33 988	34 294	0	0	33 988	34 294
Total financial assets at amortized cost	8 942	9 260	121 557	126 016	597	630	131 095	135 906

Note 5 Fair value of financial assets and liabilities (continued)

31.12.2013	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
NOK million	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY INSTRUMENTS								
Norwegian shares	262	262	3 814	3 814	0	0	4 076	4 076
Foreign shares	0	0	13 029	13 029	0	0	13 029	13 029
Total shares and units	262	262	16 843	16 843	0	0	17 105	17 105
Property funds	0	0	658	658	0	0	658	658
Norwegian equity funds	0	0	30 756	30 756	444	444	31 200	31 200
Foreign equity funds	0	0	3 932	3 932	0	0	3 932	3 932
Total equity fund units	0	0	35 346	35 346	444	444	35 790	35 790
Norwegian alternative investments	0	0	1 757	1 757	13	13	1 770	1 770
Foreign alternative investments	0	0	4	4	0	0	4	4
Total alternative investments	0	0	1 761	1 761	13	13	1 774	1 774
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	3 137	3 137	25 775	25 775	0	0	28 912	28 912
Foreign bonds	163	163	12 616	12 616	0	0	12 779	12 779
Accrued not due interest	33	33	434	434	0	0	467	467
Norwegian fixed-income funds	732	732	30 880	30 880	433	433	32 045	32 045
Foreign fixed-income funds	0	0	11 307	11 307	0	0	11 307	11 307
Accrued not due interest	0	0	0	0	0	0	0	0
Norwegian certificates	650	650	8 031	8 031	0	0	8 681	8 681
Accrued not due interest	6	6	46	46	0	0	51	51
Foreign certificates	0	0	0	0	0	0	0	0
Accrued not due interest	0	0	0	0	0	0	0	0
Total bonds and other fixed-income securities	4 721	4 721	89 088	89 088	433	433	94 242	94 242
Norwegian lending and receivables	247	247	9 344	9 344	11	11	9 602	9 602
Foreign lending and receivables	121	121	2 467	2 467	8	8	2 595	2 595
Total loans and receivables	368	368	11 811	11 811	19	19	12 198	12 198
DERIVATIVES								
Interest rate swaps	49	49	475	475	0	0	524	524
Share options	0	0	119	119	1	1	120	120
Forward exchange contracts	0	0	511	511	2	2	514	514
Total financial derivatives classified as assets	50	50	1 105	1 105	3	3	1 158	1 158
Other financial assets	16	16	301	301	0	0	317	317
Total financial assets recognized at fair value	5 416	5 416	156 254	156 254	912	912	162 582	162 582
Total financial assets	14 357	14 676	277 811	282 271	1 509	1 542	293 678	298 488
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	323	323	0	0	323	323
Interest rate futures (IRF)	0	0	0	0	0	0	0	0
Interest rate and currency swaps	65	65	309	309	1	1	375	375
Forward exchange contracts	0	0	697	697	4	4	701	701
Total financial derivatives classified as liabilities	65	65	1 330	1 330	5	5	1 400	1 400
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	3 151	3 234	0	0	0	0	3 151	3 234
Hybrid Tier 1 securities	919	919	0	0	0	0	919	919
Total subordinated loan capital etc.	4 070	4 153	0	0	0	0	4 070	4 153
DEBT TO CREDIT INSTITUTIONS								
Foreign call money	6	6	477	477	0	0	483	483
Total liabilities to credit institutions	6	6	477	477	0	0	483	483

Note 5 Fair value of financial assets and liabilities (continued)

31.12.2012	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
NOK million	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS RECOGNIZED AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
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								
Norwegian bond loans	1 188	1 249	21 928	22 032	142	149	23 258	23 430
Accrued not due interest	27	27	431	431	3	3	461	461
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								
Secured loan	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 recognized at amortized cost	7 529	8 008	113 474	119 005	568	606	121 572	127 619
ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY INSTRUMENTS								
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

Note 5 Fair value of financial assets and liabilities (continued)

31.12.2012	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
NOK million	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS								
Norwegian bonds	3 417	3 417	24 138	24 138	0	0	27 555	27 555
Foreign bonds	165	165	10 256	10 256	0	0	10 420	10 420
Accrued not due interest	39	39	479	479	0	0	518	518
Norwegian fixed-income funds	0	0	24 386	24 386	431	431	24 817	24 817
Foreign fixed-income funds	0	0	11 720	11 720	0	0	11 720	11 720
Accrued not due interest	0	0	0	0	0	0	0	0
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
Foreign certificates	0	0	0	0	0	0	0	0
Accrued not due interest	0	0	0	0	0	0	0	0
Total bonds and other fixed-income securities	4 552	4 552	75 611	75 611	431	431	80 593	80 593
Norwegian lending and receivables	476	476	12 321	12 321	20	20	12 818	12 818
Foreign lending and receivables	123	123	3 192	3 192	21	21	3 336	3 336
Total loans and receivables	599	599	15 513	15 513	41	41	16 153	16 153
DERIVATIVES								
Interest rate swaps	71	71	536	536	1	1	608	608
Share options	0	0	278	278	2	2	279	279
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	1 356
Other financial assets	10	10	72	72	8	8	90	90
Total financial assets recognized at fair value	5 420	5 420	134 817	134 817	802	802	141 039	141 039
Total financial assets	12 949	13 428	248 291	253 822	1 370	1 408	262 611	268 658
LIABILITIES								
DERIVATIVES								
Interest rate swaps	10	10	212	212	0	0	222	222
Interest rate futures (IRF)	0	0	0	0	0	0	0	0
Interest rate and currency swaps	0	0	81	81	1	1	82	82
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	878	878
Foreign call money	126	126	456	456	0	0	582	582
Total liabilities to credit institutions	126	126	1 334	1 334	1	1	1 461	1 461

Note 6 Fair value hierarchy

31.12.2013 NOK million	Level 1	Level 2	Level 3	Total
ASSETS				
Corporate portfolio				
Bonds and other fixed-income securities	766	3 954	0	4 721
Certificates	0	656	0	656
Bonds	35	3 298	0	3 333
Fixed-income funds	732	0	0	732
Loans and receivables	292	76	0	368
Shares and units	0	254	8	262
Shares	0	254	8	262
Financial derivatives	0	50	0	50
Other financial assets	0	16	0	16
Total corporate portfolio	1 058	4 350	8	5 416
Common portfolio				
Bonds and other fixed-income securities	58 004	31 083	0	89 088
Certificates	3 715	4 361	0	8 076
Bonds	12 102	26 722	0	38 825
Fixed-income funds	42 187	0	0	42 187
Loans and receivables	6 572	5 239	0	11 811
Shares and units	46 493	3 110	4 347	53 950
Shares	15 191	691	681	16 563
Equity funds	31 302	0	0	31 302
Property funds	0	658	0	658
Special funds	0	1 761	0	1 761
Private equity	0	0	3 666	3 666
Financial derivatives	0	1 105	0	1 105
Other financial assets	0	301	0	301
Total common portfolio	111 070	40 838	4 347	156 254
Investment option portfolio				
Bonds and other fixed-income securities	433	0	0	433
Fixed-income funds	433	0	0	433
Loans and receivables	19	0	0	19
Shares and units	444	13	0	457
Equity funds	444	0	0	444
Special funds	0	13	0	13
Financial derivatives	0	3	0	3
Other financial assets	0	0	0	0
Total investment option portfolio	896	16	0	912
Total financial assets valued at fair value	113 024	45 204	4 355	162 582
Investment property				
Corporate portfolio	0	0	2 340	2 340
Common portfolio	0	0	38 383	38 383
Investment option portfolio	0	0	236	236
Total investment property	0	0	40 958	40 958
LIABILITIES				
Corporate portfolio				
Financial derivatives	0	65	0	65
Debt to credit institutions	6	0	0	6
Total corporate portfolio	6	65	0	71
Common portfolio				
Financial derivatives	0	1 330	0	1 330
Debt to credit institutions	477	0	0	477
Total common portfolio	477	1 330	0	1 807
Investment option portfolio				
Financial derivatives	0	5	0	5
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	5	0	5
Total financial liabilities at fair value	483	1 400	0	1 883

Note 6 Fair value hierarchy (continued)

31.12.2012 NOK million	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
Investment property				
Corporate portfolio	0	0	2 325	2 325
Common portfolio	0	0	30 439	30 439
Investment option portfolio	0	0	186	186
Total investment property	0	0	32 950	32 950
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

Note 6 Fair value hierarchy (continued)

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	6	11
Sold	0	0
Acquired	0	0
Unrealized changes	2	-4
Closing balance 31 Dec	8	6
Realized gains/losses	0	0

Changes in Level 3 shares, unlisted Common portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	353	340
Sold	0	-9
Acquired	342	0
Unrealized changes	-13	22
Closing balance 31 Dec	681	353
Realized gains/losses	0	3

Changes in Level 3, Private Equity Common portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	2 812	2 180
Sold	-598	-413
Acquired	888	874
Unrealized changes	563	171
Closing balance 31 Dec	3 666	2 812
Realized gains/losses	13	51

Changes in Level 3, Investment property Corporate portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	2 325	2 279
Sold	-61	3
Acquired	7	0
Unrealized changes	69	42
Closing balance 31 Dec	2 340	2 325
Realized gains/losses	-18	0

Changes in Level 3, Investment property Common portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	30 439	27 816
Sold	0	795
Acquired	5 019	0
Unrealized changes	2 924	1 828
Closing balance 31 Dec	38 383	30 439
Realized gains/losses	0	0

Changes in Level 3, Investment property Investment option portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 Jan	186	170
Sold	0	5
Acquired	31	0
Unrealized changes	19	11
Closing balance 31 Dec	236	186
Realized gains/losses	0	0
Total Level 3	45 313	36 121

Unrealized changes are reflected in the line "Value changes in investments" in the common portfolio result.

Note 6 Fair value hierarchy (continued)

The amounts in the level distribution can in turn be found in the financial position statement under the various portfolios' allocation of financial instruments at fair value, investment property and shares and units in property subsidiaries (here referred to generically as investment property). Unrealized changes are reflected in the line "Value changes in investments" in the common portfolio result. The substantial change in Level 3 results from the investment property being included in the Note.

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-income 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.

Valuation regarding items in the various levels are described in Note 5 with the exception of investment property, which is described in Note 3.

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% will produce a change in the value of NOK 2 218 million as at 31 December 2013 and NOK 1 758 million as at 31 December 2012 at Level 3. In addition, investment property has been added into this Note, since there are expanded requirements for disclosure concerning fair value which must now also include KLP investment property measured at fair value. All investment property is included in Level 3. Attention is drawn to Note 3 in regard to sensitivity analysis of investment property.

As at 31 December 2013 securities have been moved between the levels in the fair value hierarchy. NOK 690 million in shares in the Group have been moved from Level 1 to Level 2 because of new criteria differentiating between the two levels. More specifically limitations have been set on the number of trading days and sharetrading quantities to differentiate between Level 1 and Level 2. The general principles concerning level allocation depend largely on whether the asset or liability is listed or not, and whether the listing can be stated to be in an active market. For shares there is a further differentiation regarding trading days and trading quantities that differentiates listed securities that are not included in an active market. The values at the end of the reporting period provide the startpoint 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 overarching risk strategies that are put into practice 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 authorizations 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.

Note 7 Risk management (continued)

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 FSA of N in 2007. The reserves have been strengthened in anticipation of the new mortality table for collective pension insurance (K2013) . 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 478 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 7 345 million.

An immediate 10 per cent reduction in mortality would, with current numbers, mean an effect of NOK 290 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be NOK 6 175 million.

The Company'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.

The Company'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.

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 8 086 million comprise committed, not paid in sums destined for private equity, property funds and approved loan commitments that have not been paid out. The total is specified in detail in Note 34 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.

Note 7 Risk management (continued)

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 future transition to market value for these liabilities, annual pricing of the return 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 return guarantee right up until the insured dies, which means the return guarantee (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 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.

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 set correlation 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 2013 about 17 per cent of KLP's assets were placed in equities (measured by exposure) and 12 per cent placed in property. Other assets were placed in fixed-income current and fixed assets, including lending.

In accordance with the FSA of N 's Stress Test I the Company has a buffer capital utilization of 88 per cent: in 2012 the buffer capital utilisation was 71 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. A significant reason for the increase from 2012 is increased 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 45 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 12.6 billion
Equities risk	NOK 21.8 billion
Property risk	NOK 10.2 billion
Currency risk	NOK 1.8 billion
Spread risk	NOK 14.8 billion
Concentration risk	NOK 0 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 44 per cent are rated AAA. KLP has a separate international government bond portfolio and about half of the Norwegian short-term bond portfolio is government bonds.

KLP has a lending portfolio of high-quality, with limited credit risk and historically very low losses. In the main KLP provides loans secured on housing with a mortgage level of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to about NOK 7.0 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.

2013 NOK million	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan [1]	0	154	3 385	0	0	3 539
Hybrid Tier 1 securities [1]	0	44	177	221	1 322	1 764
Accounts payable	10	0	0	0	0	10
Liabilities to credit institutions	483	0	0	0	0	483
Contingent liabilities	8 086	0	0	0	0	8 086
Total	8 578	198	3 562	221	1 322	13 882
Financial derivatives						
Financial derivatives gross settlement						
Inflows	0	-44	-177	-221	-1 322	-1 764
Outflows	11	33	177	221	1 448	1 891
Financial derivatives net settlement	309	317	585	87	0	1 299
Total financial derivatives	320	306	586	88	126	1 426
Total 2013	8 899	504	4 148	309	1 448	15 307

2012 NOK million	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan [1]	0	140	3 257	0	0	3 397
Hybrid Tier 1 securities [1]	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	41
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

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.

The table above shows financial liabilities KLP has grouped by interest payments and repayment of principal, based on the date payment is due.

Expected payment profile pension obligations

2013 NOK million									
Year	1 year	2-5 years	6-10 yrs	11-20 yrs	21-30 yrs	31-40 years	41-50 years	51-80 years	Total
Amount	12 210	52 156	81 803	192 710	200 519	164 738	96 814	49 890	850 840

2012 NOK million									
Year	1 year	2-5 years	6-10 yrs	11-20 yrs	21-30 yrs	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

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.

[1] The loans are perpetual. The cash streams are estimated up to expected maturity by interest adjustment date.

Note 9 Interest rate risk

2013 NOK million	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	3	3
Alternative investments	-6	0	0	0	0	5	-1
Financial derivatives classified as assets	-3	7	-64	-91	-97	-42	-289
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	6	6
Bonds and other securities with fixed returns	-29	-63	-302	-307	-266	173	-795
Fixed-income fund units	-2 119	0	0	0	0	21	-2 099
Loans and receivables	-1	-8	-4	0	0	91	79
Lending	0	0	0	0	0	194	194
Contingent liabilities [2]	0	0	0	0	0	29	29
Total assets	-2 159	-64	-370	-398	-363	481	-2 873
Liabilities							
Financial derivatives classified as liabilities	-1	0	59	-15	0	10	54
Hybrid Tier 1 securities, subordinated loan	0	0	0	55	16	0	72
Loans and receivables - call money	0	0	0	0	0	-6	-6
Total liabilities	-1	0	59	40	16	4	119
Total before and after taxes	-2 159	-64	-311	-358	-347	485	-2 754

2012 NOK million	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	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 securities with fixed returns	-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	0	0	0	0	82	0	82
Loans and receivables - call money	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

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" (variable interest rate risk) 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-income 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

31.12.2013 NOK million/ foreign currency[1]	Financial position statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		
	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	Net position
Australian dollar	360	0	166	-480	5.43	526	-480	249
Brazilian real	109	0	0	0	2.57	109	0	281
Canadian dollar	1 234	-726	253	-686	5.71	1 487	-1 412	427
Swiss franc	201	0	66	-230	6.82	267	-230	251
Chilean peso	3 722	0	0	0	0.01	3 722	0	43
Colombian peso	8 612	0	0	0	0.00	8 612	0	27
Czech koruna	21	0	0	0	0.31	21	0	6
Danish krone	580	-53	44	-3 990	1.12	624	-4 043	-3 832
Egyptian pound	8	0	0	0	0.87	8	0	7
Euro	3 751	-32	122	-3 738	8.36	3 873	-3 770	860
British pound	995	-5	128	-1 325	10.05	1 122	-1 330	-2 087
Hong Kong dollar	1 223	0	182	-641	0.78	1 405	-641	598
Hungarian forint	234	0	0	0	0.03	234	0	7
Indonesian rupiah	111 221	0	0	0	0.00	111 221	0	55
Israeli shekel	66	0	51	-107	1.75	117	-107	18
Indian rupee	1 690	0	0	0	0.10	1 690	0	166
Icelandic krona	252	0	0	0	0.05	252	0	13
Japanese yen	73 124	0	18 289	-81 502	0.06	91 413	-81 502	572
Korean won	73 417	0	0	0	0.01	73 417	0	422
Moroccan dirham	0	0	0	0	0.74	0	0	0
Mexican peso	285	0	0	0	0.46	285	0	132
Malaysian ringgit	53	0	0	0	1.85	53	0	98
New Zealand dollar	3	0	1	-3	4.99	4	-3	3
Peruvian nuevo sol	0	0	0	0	2.17	0	0	1
Philippines peso	171	0	0	0	0.14	171	0	23
Polish zloty	22	0	0	0	2.01	22	0	44
Russian rubles	0	0	0	0	0.18	0	0	0
Swedish krone	2 027	-60	172	-9 343	0.94	2 198	-9 403	-6 805
Singapore dollar	61	0	48	-99	4.81	109	-99	48
Thai baht	350	0	0	0	0.18	350	0	65
Turkish lira	14	0	0	0	2.82	14	0	40
Taiwan new dollar	1 508	0	0	0	0.20	1 508	0	307
US dollar	13 514	-1 305	865	-11 689	6.07	14 379	-12 993	8 407
South African rand	399	0	0	0	0.58	399	0	231
Total short-term foreign exchange positions								678
Euro	315	-312	0	0	8.36	315	-312	29
Japanese yen	32 611	-24 236	0	0	0.06	32 611	-24 236	483
US dollar	110	-107	0	0	6.07	110	-107	19
Total long-term foreign exchange positions								532
Total foreign exchange positions before and after tax								1 210

31.12.2012 NOK million/ foreign currency[1]	Financial position statement items excl. currency derivatives		Currency derivatives		Translation 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
Icelandic krona	255	0	0	0	0.04	255	0	11
Japanese yen	35 473	0	4 583	-37 026	0.06	40 056	-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

KLP currency hedges the majority of investments done in foreign currency. Financial hedging of currency exposure is done through derivatives. In principle, all of KLP'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 general objective is a 90 per cent hedging ratio with permitted fluctuations between 80 and 100 per cent. The exception are the incidents where certain currencies do not have a large enough market and/ or liquidity to commence effective hedging.

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 12 million. For 2012 the corresponding effect on income was NOK 29 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 2013 and 2012 of 99 per cent and 105 per cent respectively.

Note 11 Credit risk

31.12.2013 NOK million	AAA	AA	A	BBB	Unratet/NIG	Total
Investments held to maturity - at amortized cost						
Banks	0	510	1 657	0	0	2 167
Finance and credit enterprises	0	510	0	0	0	510
Public sector guarantee	3 284	0	0	0	50	3 334
Government and government guarantee within OECD	12 836	220	0	806	0	13 861
Public sector enterprises and covered bonds	2 699	509	0	0	1 296	4 504
Other	0	449	3 016	0	3 264	6 729
Total	18 818	2 198	4 673	806	4 610	31 105
Bonds classified as loans and receivables - at amortized cost						
Banks	0	1 042	7 063	0	642	8 747
Finance and credit enterprises	0	1 235	0	0	260	1 494
Public sector guarantee	397	0	0	0	164	561
Government and government guarantee within OECD	10 867	3 829	1 465	2 045	0	18 206
Public sector enterprises and covered bonds	6 159	1 573	1 373	0	2 393	11 499
Other	0	4 196	5 377	1 003	14 920	25 496
Total	17 423	11 875	15 278	3 048	18 378	66 002
Bonds and other fixed-return securities						
Banks	0	445	1 879	51	10 289	12 664
Finance and credit enterprises	0	625	474	0	395	1 493
Public sector guarantee	739	56	0	0	1 896	2 691
Government and government guarantee within OECD	8 193	4 953	0	0	0	13 146
Public sector enterprises and covered bonds	1 526	731	0	0	5 197	7 453
Other	0	513	1 096	122	11 712	13 443
Total	10 458	7 321	3 448	173	29 489	50 890
Financial derivatives classified as assets						
Denmark	0	0	493	0	0	493
Finland	0	1	0	0	0	1
France	0	0	40	0	0	40
Norway	0	0	16	0	0	16
UK	0	0	134	0	0	134
Sweden	0	0	481	0	0	481
Germany	0	0	0	0	0	0
USA	0	0	-7	0	0	-7
Total	0	1	1 157	0	0	1 158
Fixed-income funds						
Public sector, financial and credit enterprises	0	0	0	0	1 302	1 302
Government and government guarantee within OECD	0	0	0	0	4 280	4 280
Other	0	0	23 274	0	15 421	38 695
Total	0	0	23 274	0	21 004	44 278
Loans and receivables						
Denmark	0	0	1 400	0	0	1 400
Finland	0	57	0	0	0	57
Norway	0	974	4 227	0	2 892	8 094
UK	0	0	1 926	0	0	1 926
Sweden	0	60	213	0	0	273
USA	0	0	448	0	0	448
Total	0	1 091	8 214	0	2 892	12 198
Total securities	46 699	22 487	56 045	4 027	76 374	205 631

Lending at amortized cost [1]	0 %	20 %	35 %	100 %	Total
Public sector	0	21 535	0	2 028	23 563
Enterprises	844	499	4	2 064	3 411
Private individuals	0	0	5 614	1 400	7 014
Total other lending	844	22 033	5 618	5 492	33 988

Note 11 Credit risk (continued)

31.12.2012 NOK million	AAA	AA	A	BBB	Unratet/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

Note 11 Credit risk (continued)

Credit risk means the risk that a counterparty may not be able to meet its obligations to KLP. In this table the credit risk is measured using rating bureaus' estimates of the level of credit worthiness of the various issuers of fixed-income securities. The exception is loans to customers, where sector-distributed weighting based on the capital adequacy regulations is used.

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.

KLP has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. KLP has a high concentration of debt instruments directed at the Norwegian public sector, although this does not entail concentration risk in the ordinary sense since the counterparty risk is minimal in the sector. Only ratings from Standard and Poor's have been used in the note grouping. KLP 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, public sector enterprises and investments within Norwegian finance. Overall Non-rated/non-investment-grade represents securities of NOK 76 billion as at 31 December 2013: the corresponding figure as at 31 December 2012 was NOK 67 billion. That which is classified as "Other" under Non-rated/non-investment-grade is mainly fixed-income fund units, securities issued by power companies and other corporate bonds. The remaining sum in the Note, that is not fixed-income fund units, distributed by country or sector, is NOK 30 billion. This is mainly corporate bonds. KLP has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the category non-rated/non-investment-grade..

If master netting agreements are taken into account the credit risk is reduced by NOK 1.7 billion for the Group The approach is different from that in the Note "Presentation of assets and liabilities subject to net settlement" in order to show actual reduction in the credit risk for the assets presented in the Note.

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).

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

31.12.2013 NOK million	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Recognized value 31.12.2012
Spain					
Fixed-income securities at amortized cost	780	51	0	831	780
Total Spain	780	51	0	831	780
Italy					
Fixed-income securities at amortized cost	2 000	102	0	2 102	2 000
Total Italy	2 000	102	0	2 102	2 000
Total	2 780	153	0	2 933	2 780

In Spain, pure government debt was NOK 0 million and government guaranteed securities NOK 831 million. In Italy, pure government debt was NOK 2 102 million and government guaranteed securities NOK 0 (market value) as at 31 December 2013.

Portfolio distribution (market value)

31.12.2013 NOK million	Spain	Italy	Total
Corporate portfolio	31	0	31
Common portfolio	792	2 091	2 883
Investment option portfolio	7	11	18
Total	831	2 102	2 933

31.12.2013 Rating	Spain	Italy
Moody´s	Baa3	Baa2
Standard & Poor´s	BBB-	BBB
Fitch	BBB	BBB+

Note 11 Credit risk (continued)

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

31.12.2012 NOK million	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Recognized 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 million	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	BBB+

The overview shows government debt KLP holds against selected countries, and the rating. The countries in the table are selected on the basis of the profile they have gained as exposed economies in the Eurozone, and in the continuing unease about debt. The debt unease is primarily based on the fear of default in government debt. In Greece, the country where the probability of default is highest, the KLP Group has no fixed-income securities. KLP has no government securities in Ireland or Portugal as at 31 December 2013. The securities measured at amortized cost have not been written down.

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

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

Premium receivables and receivables in connection with reinsurance

NOK million	2013	2012
Premium receivables	1 298	488
Write-downs of premium receivables	-3	-1
Total	1 295	487

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. The Group may thus apply for cover for unpaid demands in this industry from the security arrangement if the demand falls within the security arrangement´ s regulations.

Note 12 Presentation of assets and liabilities subject to net settlement

31.12.2013				Related sums that are not presented net		
NOK million	Gross financial assets/liabilities	Gross assets/liabilities presented net	Capitalized value	Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 158	0	1 158	-460	-475	223
Total	1 158	0	1 158	-460	-475	223
PORTFOLIO-DISTRIBUTED ASSETS						
Total assets common portfolio	1 105	0	1 105	-466	-475	164
Total assets corporate portfolio	50	0	50	7	0	57
Total assets investment option	3	0	3	-1	0	2
Total	1 158	0	1 158	-460	-475	223
LIABILITIES						
Financial derivatives	1 400	0	1 400	-533	-861	7
Total	1 400	0	1 400	-533	-861	7
PORTFOLIO-DISTRIBUTED LIABILITIES						
Total liabilities common portfolio	1 330	0	1 330	-466	-857	7
Total liabilities corporate portfolio	65	0	65	-65	0	0
Total liabilities investment option portfolio	5	0	5	-1	-3	0
Total	1 400	0	1 400	-533	-861	7

31.12.2012				Related sums that are not presented net		
NOK million	Gross financial assets/liabilities	Gross assets/liabilities presented net	Capitalized value	Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 357	0	1 357	-140	-1 091	126
Total	1 357	0	1 357	-140	-1 091	126
PORTFOLIO-DISTRIBUTED ASSETS						
Total assets common portfolio	1 282	0	1 282	-146	-1 088	48
Total assets corporate portfolio	71	0	71	7	-2	76
Total assets investment option	4	0	4	-1	0	3
Total	1 357	0	1 357	-140	-1 091	126
LIABILITIES						
Financial derivatives	363	0	363	-130	-44	189
Total	363	0	363	-130	-44	189
PORTFOLIO-DISTRIBUTED LIABILITIES						
Total liabilities common portfolio	362	0	362	-129	-44	189
Total liabilities corporate portfolio	0	0	0	0	0	0
Total liabilities investment option portfolio	1	0	1	-1	0	0
Total	363	0	363	-130	-44	189

The purpose of this Note is to show the potential effect of netting agreements in KLP; the options KLP has to set off bilateral agreements with other counterparties if the latter should be bankrupted; and the sum remaining if all such netting agreements are materialized. The note shows the derivative positions in the financial position statement as well as an additional table with corresponding information sorted by the Company's different portfolios.

Note 13 Mortgage loans and other lending

NOK million	Municipalities and county administrations	State and local authority owned enterprises[1]	Private organizations and enterprises[2]	Employees, pensioners and similar	Total 31.12.2013	Total 31.12.2012
Akershus	1 559	360	174	1 297	3 390	3 025
Aust-Agder	188	5	3	109	304	296
Buskerud	2 675	1 404	218	347	4 643	4 258
Finnmark	534	205	0	75	814	815
Hedmark	1 029	89	91	230	1 439	904
Hordaland	226	673	337	565	1 801	1 396
Møre og Romsdal	1 616	181	236	401	2 434	2 376
Nordland	1 221	40	47	245	1 553	1 686
Nord-Trøndelag	568	20	33	75	694	658
Oppland	674	131	33	145	984	919
Oslo	0	524	367	999	1 890	2 199
Rogaland	1 606	54	29	466	2 155	1 753
Sogn og Fjordane	813	115	77	90	1 095	1 004
Sør-Trøndelag	2 192	86	62	372	2 711	2 126
Telemark	518	169	564	144	1 394	1 097
Troms	1 272	92	135	267	1 766	1 622
Vest-Agder	156	43	17	137	354	535
Vestfold	1 203	201	62	476	1 941	1 351
Østfold	837	156	58	539	1 589	1 856
Svalbard	0	18	0	0	18	21
International	0	0	844	0	845	21
Not allocated	0	0	0	2	2	129
Accrued interest	99	30	16	25	171	174
Total	18 983	4 597	3 402	7 006	33 988	30 198

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

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 loan-to-value ratio 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 7 billion. The sector diversification of KLP lending is very small, since a very high proportion of the loans are to the public sector. The concentration risk this suggests is however hardly realistic since the loans are covered by public sector guarantee, which involves an extremely low counterparty risk.

NOK million	2013	2012
Individual write-downs on loans at amortized cost		
Number of loans	11	10
Total principal before write-downs	1.66	1.57
Write-downs	1.45	-1.22
Total principal after write-downs	0.21	0.35
Individual write-downs		
Write-down on individual loans 01.01.	1.22	0.82
Known losses for the period where individual write-down has been carried out previously	-0.02	0.00
Write-down on individual loans for the period	0.29	0.42
Reversal of write-down on individual loans for the period	-0.03	-0.02
Write-down on individual loans	1.45	1.22

Loans fallen due, not written down	2013	2012
NOK million	Outstanding debt	Outstanding debt
Overdue		
30-90 days	60.61	65.25
over 90 days	20.63	23.00
Total overdue loans	81.23	88.25

The numbers are absolute figures, the amounts are given in NOK million. Defaulted loans are loans measured at amortized cost. All right-downs are in regard to housing mortgage lending.

[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 organizations.

Note 14 Shares and holdings in enterprises in the same Group and associated companies

NOK million	Office and business address	Holding %	OE on first acquisition	Acquisition cost	Book value 31.12.12[1]	Additions/ disposals	Value adjustment	Profit/ loss share	Equity transaction	Dividend	Book value 31.12.13
Shares in the corporate portfolio											
Enterprises in same Group (excl. property)											
KLP Skadeforsikring AS	Dronning Eufemiasgate 10 0103 Oslo	100	58.7	78.7	850.9	0.0	0.0	179.2	-39.8	0.0	990.3
KLP Bedriftspensjon AS	Dronning Eufemiasgate 10 0103 Oslo	100	50.0	50.0	65.7	0.0	0.0	-22.9	60.0	0.0	102.9
KLP Fondsforvaltning AS	Dronning Eufemiasgate 10 0103 Oslo	100	6.6	14.0	18.0	0.0	0.0	12.9	-5.9	0.0	25.0
KLP Forsikringsservice AS	Dronning Eufemiasgate 10 0103 Oslo	100	0.1	0.1	8.6	0.0	0.0	1.3	-1.8	0.0	8.1
KLP Bankholding AS	Dronning Eufemiasgate 10 0103 Oslo	100	15.1	15.1	1 222.4	0.0	0.0	84.6	-33.3	0.0	1 273.7
KLP Kapitalforvaltning AS	Dronning Eufemiasgate 10 0103 Oslo	100	50.0	50.0	107.1	0.0	0.0	19.7	-13.5	0.0	113.3
Total shares/holdings in enterprises in same Group (excl. property)				207.9	2 272.7	0.0	0.0	274.9	-34.3	0.0	2 513.3
Enterprises in same Group, property subsidiaries											
Shares in common & investment option portfolios											
KLP Eiendom AS	Dronning Eufemiasgate 10 0103 Oslo	100	0.1	0.1	30 642.6	0.0	1 434.9	1 972.2	4 569.0	0.0	38 618.6
Total shares in enterprises in same Group, property subsidiaries				0.1	30 642.6	0.0	1 434.9	1 972.2	4 569.0	0.0	38 618.6
Shares and holdings in corporate portfolio											
KLP Huset AS	Dronning Eufemiasgate 10 0103 Oslo	100	0.0	0.1	1 360.3	0.0	6.1	73.6	-46.9	0.0	1 393.0
Total shares in enterprises in same Group, property subsidiaries				0.1	1 360.3	0.0	6.1	73.6	-46.9	0.0	1 393.0
Total shares/holdings in enterprises in same Group (incl. property)				208.1	34 275.6	0.0	1 441.0	2 320.6	4 487.8	0	42 525.0
Associated companies in corporate portfolio											
Norsk Pensjon AS	Hansteens gate 2 0253 Oslo	25 %	20.00	5.00	3.40	0.00	0.00	0.60	0.00	0.00	4.00
Fylkeshuset, Molde AS	Fylkeshuset, Julsundvn. 9, 6400 Molde	48 %	0.10	0.05	2.29	0.00	0.00	-2.24	0.00	0.00	0.05
Total shares and holdings in associated companies				5.05	5.69	0.00	0.00	-1.64	0.00	0.00	4.05

All shares and other holdings have equal voting proportions.

[1] Book value 31.12.12 has been changed as a result of IAS19, for more information about this see Note 2.

Note 15 Shares and equity fund units

NOK million	Number	Market value
NORWAY		
KLP NORFUND INVESTMENTS AS	100 000	0
KLP NORFUND INVESTMENTS IS - ZAR	1	31
NORDIC TRUSTEE AS	11 175	2
SILVER PENSJONSFORSIKRING AS	556 444	6
TOTAL, UNSPECIFIED		39
BWG HOMES ASA	644 819	7
KONGSBERG AUTOMOTIVE HOLDING ASA	7 043 126	41
SCHIBSTED ASA	30 000	12
TOTAL, CONSUMABLES		60
AUSTEVOLL SEAFOOD ASA	262 639	9
CERMAQ ASA	140 000	15
MARINE HARVEST ASA	4 500 000	33
ORKLA ASA	1 875 962	89
SALMAR ASA	200 000	15
TOTAL, CONSUMER GOODS		161
2VK INVEST AS	2 690 000	0
AKER SOLUTIONS ASA	562 095	61
AWILCO LNG ASA	304 500	5
BONHEUR ASA	79 717	10
DET NORSKE OLJESELSKAP ASA	880 000	59
DOF ASA	296 384	9
DOLPHIN GROUP ASA	1 701 197	8
EIDESVIK OFFSHORE ASA	382 836	13
FARSTAD SHIPPING ASA	64 988	9
GANGER ROLF ASA	406 774	52
ODFJELL DRILLING LTD	300 000	11
PANORO ENERGY ASA	7 300 000	22
PETROLEUM GEO-SERVICES ASA	1 025 716	73
SOLSTAD OFFSHORE ASA	155 645	18
STATOIL ASA	3 753 843	551
TGS NOPEC GEOPHYSICAL CO ASA	141 050	23
TRONDER ENERGI AS	3 300 000	371
TUSSA KRAFT AS	454	304
TOTAL, ENERGY		1 600
AKER ASA	198 141	44
DNB ASA	2 963 717	321
GJENSIDIGE FORSIKRING ASA	11 200	1
NMI AS	9 780	10
OLAV THON EIENDOMSSELSKAP ASA	12 949	14
OSLO BORS VPS HOLDING ASA	4 300 200	254
STOREBRAND ASA	1 110 000	42
TOTAL FINANCIAL		685
BIONOR PHARMA ASA	1 404 946	4
PCI BIOTECH HOLDING ASA	305 000	6
PHOTOCURE ASA	890 000	23
REDCORD AS	7 100	0
TOTAL, HEALTH		33
MASTER MARINE AS	2 596 133	0
NORWEGIAN AIR SHUTTLE ASA	250 768	47
ODFJELL SE	283 135	11
SOLVTRANS HOLDING ASA	800 000	19
VEIDEKKE ASA	300 000	15
WILH WILHELMSEN HOLDING ASA	197 906	40
WILH WILHELMSEN HOLDING ASA	13 570	3
TOTAL, INDUSTRY		135
BOUVET ASA	246 049	22
EVRY ASA	3 400 000	34
HIGH DENSITY DEVICES AS	671 525	0
HIGH DENSITY DEVICES AS RIGHT	4 715 250	0
NORDIC SEMICONDUCTOR ASA	2 800 000	78
OPERA SOFTWARE ASA	650 000	54
Q FREE ASA	591 649	8
REC SOLAR ASA	112 068	9
RENEWABLE ENERGY CORP ASA	7 000 000	17
TOTAL IT		222
NORSK HYDRO ASA	6 699 130	181
YARA INTERNATIONAL ASA	499 406	130
TOTAL, RAW MATERIALS		312
TELENOR ASA	2 088 723	302
TOTAL, TELECOM		302
TOTAL, NORWAY		3 549
FOREIGN		
NORVESTOR HOLDING AS	5 200 000	93
TOTAL, UNSPECIFIED		93
21ST CENTURY FOX B	30 292	6
ACCOR SA	11 193	3
ADIDAS AG	13 736	11
ADVANCE AUTO PARTS INC	5 200	3
AISIN SEIKI CO LTD	12 600	3
AMAZON.COM INC	24 462	59
ASICS CORP	10 100	1
AUTOLIV INC	6 400	4
AUTOZONE INC	2 300	7
AXEL SPRINGER AG	2 859	1
BAYERISCHE MOTOREN WERKE AG	22 048	16
BAYERISCHE MOTOREN WERKE AG	3 558	2
BED BATH & BEYOND INC	14 447	7
BENESSE HOLDINGS INC	4 900	1
BEST BUY CO INC	19 084	5
BORGWARNER INC	15 400	5
BRIDGESTONE CORP	43 100	10
BRITISH SKY BROADCASTING GROUP PLC	68 054	6
BURBERRY GROUP PLC	29 037	4
CABLEVISION SYSTEMS CORP	15 100	2
CANADIAN TIRE CORPORATION LTD	4 600	3
CHARTER COMMUNICATIONS INC	4 100	3
CHIPOTLE MEXICAN GRILL INC	2 000	6
CHRISTIAN DIOR SA	3 470	4
COACH INC	18 400	6
COMCAST CORP	142 872	45
COMCAST CORP	32 448	10
COMPAGNIE FINANCIERE RICHEMONT SA	34 271	21
COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN SCA	12 582	8
COMPASS GROUP PLC	119 494	12
CONTINENTAL AG	7 279	10
CROWN LTD	26 293	2
CST BRANDS INC	4 864	1
D.R. HORTON, INC.	20 800	3
DAIHATSU MOTOR CO LTD	12 700	1
DAIMLER AG	64 883	34
DARDEN RESTAURANTS INC	9 200	3
DELPHI AUTOMOTIVE PLC	19 700	7
DENSO CORP	31 700	10
DENTSU INC	10 200	3
DICK'S SPORTING GOODS INC	7 500	3
DIRECTV	34 814	15
DISCOVERY COMMUNICATIONS INC	9 800	5
DISCOVERY COMMUNICATIONS INC	6 800	3

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
DISH NETWORK CORP	15 000	5
DOLLAR GENERAL CORP	19 900	7
DOLLAR TREE INC	14 400	5
DOLLARAMA INC.	4 500	2
DON QUIJOTE CO LTD	3 900	1
ECHO ENTERTAINMENT GROUP LTD	43 505	1
ELECTROLUX AB	17 288	3
EUTELSAT COMMUNICATIONS SA	9 491	2
EXPEDIA INC	7 050	3
FAMILY DOLLAR STORES INC	6 700	3
FAST RETAILING CO LTD	3 800	9
FIAT SPA	59 066	3
FLIGHT CENTRE LTD	3 846	1
FORD MOTOR CO	246 013	23
FOSSIL INC	3 100	2
FUJI HEAVY INDUSTRIES LTD	38 600	7
GALAXY ENTERTAINMENT GROUP LTD	152 000	8
GAMESTOP CORP	7 500	2
GAP INC	21 201	5
GARMIN LTD	8 400	2
GENERAL MOTORS CO	64 900	16
GENTING SINGAPORE PLC	297 000	2
GENUINE PARTS CO	10 875	5
GILDAN ACTIVEWEAR INC	6 900	2
GKN PLC	108 684	4
H & M HENNES & MAURITZ AB	62 334	17
H & R BLOCK INC	19 794	3
HARLEY-DAVIDSON INC	14 944	6
HASBRO INC	8 600	3
HOME DEPOT INC	95 907	48
HONDA MOTOR CO LTD	106 000	26
HUGO BOSS AG	1 745	2
HUSQVARNA AB	11 199	0
INDITEX S.A.	14 323	14
INTERCONTINENTAL HOTELS GROUP PLC	16 173	3
INTERNATIONAL GAME TECHNOLOGY	19 700	2
INTERPUBLIC GROUP OF COMPANIES INC	28 100	3
ISETAN MITSUKOSHI HOLDINGS LTD	23 300	2
ISUZU MOTORS LTD	78 000	3
ITV PLC	219 879	4
J.FRONT RETAILING CO LTD	32 000	1
JARDINE CYCLE & CARRIAGE LTD	8 000	1
JCDECAUX SA	4 789	1
JOHNSON CONTROLS INC	45 800	14
KINGFISHER PLC	163 202	6
KOHL'S CORP	13 894	5
KOITO MANUFACTURING CO LTD	9 000	1
L BRANDS INC	17 055	6
LAGARDERE SCA	4 634	1
LAS VEGAS SANDS CORP	27 100	13
LEGGETT & PLATT INC	10 200	2
LENNAR CORP	10 000	2
LI & FUNG LTD	422 920	3
LIBERTY GLOBAL INC	12 970	7
LIBERTY GLOBAL INC	10 947	6
LIBERTY INTERACTIVE CORP	32 859	6
LIBERTY INTERACTIVE CORP	2 237	2
LIBERTY MEDIA CORP	6 200	6
LKQ CORP	19 200	4
LOWE'S COMPANIES INC	71 470	21
LULULEMON ATHLETICA INC	6 100	2
LUXOTTICA GROUP SPA	11 397	4
LVMH MOET HENNESSY LOUIS VUITTON SA	16 670	18
MACY'S INC	25 056	8
MAGNA INTERNATIONAL INC	15 144	8
MARKS AND SPENCER GROUP PLC	111 406	5
MARRIOTT INTERNATIONAL INC	16 098	5

NOK million	Number	Market value
MATTEL INC	23 876	7
MAZDA MOTOR CORP	172 000	5
MCDONALD'S CORP	66 971	39
MCDONALD'S HOLDINGS CO(JAPAN) LTD	4 500	1
MGM RESORTS INTERNATIONAL	26 200	4
MICHAEL KORS HOLDINGS LTD	9 100	4
MITSUBISHI MOTORS CORP	28 500	2
MOHAWK INDUSTRIES INC	3 900	4
MURPHY USA INC	3 450	1
NAMCO BANDAI HOLDINGS INC	10 600	1
NETFLIX INC	3 600	8
NEWELL RUBBERMAID INC	19 518	4
NEWS CORP - CLASS A	28 345	3
NEWS CORP - CLASS B	7 573	1
NEXT PLC	10 971	6
NGK SPARK PLUG CO LTD	12 000	2
NHK SPRING CO LTD	10 300	1
NIKE INC	47 000	22
NIKON CORP	24 500	3
NISSAN MOTOR CO LTD	163 900	8
NITORI HOLDINGS CO LTD	2 600	1
NOK CORP	9 000	1
NOKIAN RENKAAT OYJ	7 607	2
NORDSTROM INC	11 200	4
OMNICOM GROUP INC	17 053	8
O'REILLY AUTOMOTIVE INC	7 300	6
ORIENTAL LAND CO LTD	3 300	3
OSH 1 LIQUIDATING CORP	106	0
PANASONIC CORP	159 500	11
PEARSON PLC	53 671	7
PERSIMMON PLC	21 820	3
PETSMART INC	6 400	3
PIRELLI & C SPA	15 665	2
POLARIS INDUSTRIES INC	4 600	4
PORSCHE AUTOMOBIL HOLDING SE	10 234	6
PPR SA	4 912	6
PRICELINE COM INC	3 400	24
PROSIEBENSAT 1 MEDIA AG	12 511	4
PUBLICIS GROUPE SA	12 135	7
PULTEGROUP INC	22 300	3
PVH CORP	5 100	4
RAKUTEN INC	41 400	4
RALPH LAUREN CORP	3 900	4
REA GROUP LTD	3 440	1
REED ELSEVIER NV	45 842	6
REED ELSEVIER PLC	77 969	7
RENAULT SA	12 759	6
RINNAI CORP	2 200	1
ROSS STORES INC	14 400	7
ROYAL CARIBBEAN CRUISES LTD	9 900	3
ROYAL CARIBBEAN CRUISES LTD	356 826	103
RTL GROUP	2 503	2
SANDS CHINA LTD	168 000	8
SANKYO CO LTD	4 300	1
SCRIPPS NETWORKS INTERACTIVE INC	6 200	3
SEARS CANADA INC	1 012	0
SEARS HOLDINGS CORP	2 365	1
SEGA SAMMY HOLDINGS INC	11 900	2
SEKISUI CHEMICAL CO LTD	35 900	3
SEKISUI HOUSE LTD	38 500	3
SES SA	21 365	4
SHANGRI-LA ASIA LTD	106 000	1
SHARP CORP	55 800	1
SHAW COMMUNICATIONS INC	23 937	4
SHIMAMURA CO LTD	1 500	1
SHIMANO INC	4 000	2
SINGAPORE PRESS HOLDINGS LTD	104 550	2

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
SIRIUS XM RADIO INC	202 500	4
SJM HOLDINGS LTD	131 000	3
SKY DEUTSCHLAND AG	29 983	2
SODEXO SA	6 775	4
SONY CORP	72 600	8
STANLEY ELECTRIC CO LTD	12 400	2
STAPLES INC	43 635	4
STARBUCKS CORP	50 278	24
STARWOOD HOTELS & RESORTS WORLD-WIDE INC	13 599	7
STARZ	7 500	1
SUMITOMO RUBBER INDUSTRIES LTD	13 200	1
SUZUKI MOTOR CORP	23 800	4
TABCORP HOLDINGS LTD	39 837	1
TAKASHIMAYA CO LTD	18 000	1
TARGET CORP	40 000	15
TATTS GROUP LTD	96 467	2
TELENET GROUP HOLDING NV	3 821	1
TESLA MOTORS INC	6 100	6
THE SWATCH GROUP SA	2 025	8
THE SWATCH GROUP SA	3 053	2
THOMSON REUTERS CORP	25 920	6
TIFFANY & CO	8 500	5
TIM HORTONS INC	10 000	4
TIME WARNER CABLE INC	19 090	16
TIME WARNER INC	61 154	26
TJX COMPANIES INC	47 278	18
TOHO CO LTD	7 600	1
TOLL BROTHERS INC	10 800	2
TOYODA GOSEI CO LTD	6 200	1
TOYOTA INDUSTRIES CORP	10 600	3
TOYOTA MOTOR CORP	179 700	66
TRACTOR SUPPLY CO	8 800	4
TRIPADVISOR INC	8 000	4
TRW AUTOMOTIVE HOLDINGS CORP	7 800	4
TUI TRAVEL PLC	32 305	1
TWENTY-FIRST CENTURY FOX	101 580	22
ULTA SALON COSMETICS AND FRAGRANCE INC	3 800	2
UNDER ARMOUR INC	5 400	3
URBAN OUTFITTERS INC	9 000	2
USS CO LTD	14 800	1
VALEO SA	4 280	3
VF CORP	23 200	9
VIACOM INC	28 477	15
VOLKSWAGEN AG	9 713	17
VOLKSWAGEN AG	1 982	3
WALT DISNEY CO	113 643	53
WHIRLPOOL CORP	5 040	5
WHITBREAD PLC	12 444	5
WILLIAM HILL PLC	65 789	3
WOLTERS KLUWER NV	21 696	4
WPP PLC	87 210	12
WYNDHAM WORLDWIDE CORP	8 900	4
WYNN MACAU LTD	102 200	3
WYNN RESORTS LTD	5 600	7
YAMADA DENKI CO LTD	70 500	1
YAMAHA CORP	12 700	1
YAMAHA MOTOR CO LTD	17 900	2
YOKOHAMA RUBBER CO LTD	16 000	1
YUE YUEN INDUSTRIAL (HOLDINGS) LTD	53 500	1
YUM! BRANDS INC	29 532	14
TOTAL CONSUMABLES		1 690
AEON CO LTD	57 400	5
AJINOMOTO CO INC	58 000	5
ALIMENTATION COUCHE-TARD INC	12 600	6

NOK million	Number	Market value
ANHEUSER BUSCH INBEV SA	70 289	45
ARCHER DANIELS MIDLAND CO	56 315	15
ARYZTA AG	8 192	4
ASAHI GROUP HOLDINGS LTD	37 200	6
ASSOCIATED BRITISH FOODS PLC	30 424	7
AVON PRODUCTS INC	28 290	3
BAKKAFROST P/F	102 446	10
BARRY CALLEBAUT AG	163	1
BEAM INC	12 339	5
BEIERSDORF AG	6 868	4
BROWN-FORMAN CORP	11 237	5
BUNGE LTD	13 200	7
CALBEE INC	4 800	1
CAMPBELL SOUP CO	17 048	4
CARLSBERG A/S	9 135	6
CARREFOUR SA	52 557	13
CASINO GUICHARD PERRACHON SA	4 915	3
CHOCOLADEFABRIKEN LINDT & SPRUENGLI AG	8	3
CHOCOLADEFABRIKEN LINDT & SPRUENGLI AG	71	2
CHURCH & DWIGHT CO INC	8 600	3
COCA-COLA AMATIL LTD	54 854	4
COCA-COLA ENTERPRISES INC	21 800	6
COCA-COLA HBC-AG	17 871	3
COLGATE-PALMOLIVE CO	61 400	24
CONAGRA FOODS INC	35 639	7
CONSTELLATION BRANDS INC	14 400	6
COSTCO WHOLESALE CORP	38 769	28
CRIMSON WINE GROUP LTD	2 270	0
CVS CAREMARK CORP	109 090	47
DANONE SA	48 828	21
DAVIDE CAMPARI MILANO SPA	29	0
DIAGEO PLC	214 379	43
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACION SA	53 305	3
DR PEPPER SNAPPLE GROUP INC	17 458	5
EMPIRE COMPANY LTD	4 800	2
ENERGIZER HOLDINGS INC	3 900	3
ESTEE LAUDER COMPANIES INC	16 400	7
ETABLISSEMENTEN FR. COLRUYT NV	7 135	2
ETABLISSEMENTS DELHAIZE FRERES ET CIE LE LION SA	7 492	3
FAMILYMART CO LTD	5 600	2
GENERAL MILLS INC	55 060	17
GEORGE WESTON LTD	4 800	2
GOLDEN AGRI-RESOURCES LTD	601 000	2
GREEN MOUNTAIN COFFEE ROASTERS INC	10 800	5
HEINEKEN HOLDING NV	9 302	4
HEINEKEN NV	20 030	8
HENKEL AG & CO KGAA	11 500	8
HENKEL AG & CO KGAA	8 528	5
HERBALIFE LTD	5 500	3
HERSHEY CO	13 200	8
HORMEL FOODS CORP	13 600	4
J SAINSBURY PLC	114 483	4
J. M. SMUCKER CO	9 200	6
JERONIMO MARTINS SGPS SA	24 400	3
KAO CORP	35 400	7
KELLOGG CO	22 000	8
KERRY GROUP PLC	13 440	6
KIKKOMAN CORP	13 000	1
KIMBERLY-CLARK CORP	25 263	16
KIRIN HOLDINGS CO LTD	78 400	7
KONINKLIJKE AHOLD NV	87 876	10
KRAFT FOODS GROUP INC	50 796	17
KROGER CO	43 031	10

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
LAWSON INC	5 700	3
LOBLAW COMPANIES LTD	10 639	3
L'OREAL SA	15 876	17
MCCORMICK & COMPANY INC	9 900	4
MEAD JOHNSON NUTRITION CO	17 331	9
MEIJI HOLDINGS CO LTD	5 200	2
METCASH LIMITED	92 121	2
METRO AG	12 733	4
METRO INC	8 300	3
MOLSON COORS BREWING CO	13 900	5
MONDELEZ INTERNATIONAL INC	147 289	32
MONSTER BEVERAGE CORP	12 000	5
NESTLE SA	280 493	125
NIPPON MEAT PACKERS INC	14 200	1
NISSHIN SEIFUN GROUP INC	17 050	1
NISSIN FOODS HOLDINGS CO LTD	5 700	1
PEPSICO INC	134 331	68
PERNOD RICARD SA	18 126	13
PROCTER & GAMBLE CO	183 324	91
RECKITT BENCKISER GROUP PLC	42 468	20
REMY COINTREAU SA	1 902	1
SABMILLER PLC	82 113	26
SAFEWAY INC	22 654	4
SAPUTO INC	11 700	3
SEVEN & I HOLDINGS CO LTD	65 740	16
SHISEIDO CO LTD	24 200	2
SHOPPERS DRUG MART CORP	17 600	6
SUEDZUCKER MANNHEIM OCHSENFURT AG	8 292	1
SVENSKA CELLULOSA AB SCA	39 988	7
SYSCO CORP	51 752	11
TATE & LYLE PLC	41 926	3
TESCO PLC	704 403	24
THE CLOROX CO	8 605	5
THE COCA-COLA CO	347 400	87
TOYO SUISAN KAISHA LTD	8 000	1
TREASURY WINE ESTATES LTD	63 366	2
TYSON FOODS INC	24 300	5
UNICHARM CORP	10 100	3
UNILEVER NV	139 118	34
UNILEVER PLC	109 609	27
WALGREEN CO	79 723	28
WHOLE FOODS MARKET INC	30 700	11
WILMAR INTERNATIONAL LTD	147 400	2
WM MORRISON SUPERMARKETS P L C	189 332	5
WOOLWORTHS LTD	108 600	20
YAKULT HONSHA CO LTD	7 500	2
YAMAZAKI BAKING CO LTD	10 000	1
TOTAL, CONSUMER GOODS		1 285
ALTAGAS LTD	8 860	2
AMEC PLC	24 296	3
ANADARKO PETROLEUM CORP	38 430	18
APACHE CORP	30 704	16
ARC RESOURCES LTD	23 625	4
ATHABASCA OIL CORP	20 700	1
ATLANTICA TENDER DRILLING LT	679 427	6
BAKER HUGHES INC	33 081	11
BAYTEX ENERGY CORP	8 866	2
BG GROUP PLC	255 787	33
BONAVISTA ENERGY CORP	62	0
BP PLC	1 465 676	72
BW LPG LTD	137 212	8
BW OFFSHORE LTD	4 898 813	35
CABOT OIL & GAS CORP	31 700	7
CALTEX AUSTRALIA LTD	9 931	1
CAMECO CORP	31 000	4
CAMERON INTERNATIONAL CORP	18 300	7

NOK million	Number	Market value
CANADIAN NATURAL RESOURCES LTD	81 980	17
CANADIAN OIL SANDS LTD	35 900	4
CENOVUS ENERGY INC	56 336	10
CHENIERE ENERGY INC	14 800	4
CHESAPEAKE ENERGY CORP	40 100	7
CIMAREX ENERGY CO	6 900	4
COBALT INTERNATIONAL ENERGY INC	22 000	2
COMPAGNIE GENERALE DE GEOPHYSIQUE VERITAS SA	12 784	1
CONCHO RESOURCES INC	8 000	5
CONOCOPHILLIPS	88 800	38
CONSOL ENERGY INC	16 800	4
CONTINENTAL RESOURCES INC	3 900	3
CORE LABORATORIES NV	3 400	4
CRESCENT POINT ENERGY CORP	29 104	7
DENBURY RESOURCES INC	28 700	3
DEVON ENERGY CORP	28 844	11
DIAMOND OFFSHORE DRILLING INC	5 500	2
ENBRIDGE INC	59 154	16
ENCANA CORP	55 337	6
ENERGEN CORP	5 600	2
ENERGY TRANSFER PARTNERS LP	2 369	1
ENERPLUS CORP	15 091	2
ENI SPA	191 175	28
ENSCO PLC	17 800	6
EOG RESOURCES INC	21 200	22
EQT CORP	11 000	6
EXXON MOBIL CORP	336 346	207
FMC TECHNOLOGIES INC	17 600	6
FUGRO NV	6 136	2
GALP ENERGIA SGPS SA	21 179	2
HALLIBURTON CO	64 700	20
HELMERICH & PAYNE INC	7 900	4
HESS CORP	23 200	12
HOEGH LNG HOLDINGS LTD	249 500	12
HOLLYFRONTIER CORP	14 500	4
HUSKY ENERGY INC	25 900	5
IDEMITSU KOSAN CO LTD	6 400	1
IMPERIAL OIL LTD	22 194	6
INDEPENDENT TANKERS CORPORATION LTD	1 539 877	1
INGRAIN INC	1 358 799	54
INPEX CORP	64 400	5
JAPAN PETROLEUM EXPLORATION CO LTD	2 100	0
JX HOLDINGS INC	182 305	6
KEYERA CORP	5 831	2
KINDER MORGAN INC	50 868	11
KINDER MORGAN INC	31 868	1
KINDER MORGAN MANAGEMENT LLC	7 964	4
KONINKLIJKE VOPAK NV	5 630	2
LUNDIN PETROLEUM AB	14 433	2
MARATHON OIL CORP	52 900	11
MARATHON PETROLEUM CORP	24 400	14
MEG ENERGY CORP	10 500	2
MURPHY OIL CORP	13 800	5
NABORS INDUSTRIES LTD	22 184	2
NATIONAL OILWELL VARCO INC	33 463	16
NESTE OIL OYJ	7 028	1
NOBLE CORP	19 806	5
NOBLE ENERGY INC	26 900	11
OCCIDENTAL PETROLEUM CORP	61 600	36
OCEANEERING INTERNATIONAL INC	8 300	4
OMV AG	11 067	3
ORIGIN ENERGY LTD	80 152	6
PACIFIC RUBIALES ENERGY CORP	24 300	3
PEABODY ENERGY CORP	21 300	3
PEMBINA PIPELINE CORP	23 095	5

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
PENGROWTH ENERGY CORP	34 728	1
PENN WEST PETROLEUM LTD	39 366	2
PETROFAC LTD	19 887	2
PEYTO EXPLORATION & DEV CORP	10 600	2
PHILLIPS 66	44 250	21
PIONEER NATURAL RESOURCES CO	10 600	12
PROSAFE SE	484 700	23
QEP RESOURCES INC	13 100	2
RANGE RESOURCES CORP	13 300	7
READ WELL SERVICES HOLDING (A-AKSJE) AS	903 273	55
READ WELL SERVICES HOLDING (B-AKSJE) AS	201 212	12
REPSOL SA	63 932	10
ROWAN COMPANIES PLC	10 400	2
ROYAL DUTCH SHELL PLC	192 320	44
ROYAL DUTCH SHELL PLC	311 009	68
SAIPEM SPA	20 119	3
SANTOS LTD	76 624	6
SCHLUMBERGER NV	101 126	55
SEADRILL LTD	235 094	58
SHOWA SHELL SEKIYU KK	13 900	1
SIEM OFFSHORE INC	994 584	10
SOUTHWESTERN ENERGY CO	25 700	6
SPECTRA ENERGY CORP	51 900	11
SUBSEA 7 SA	1 024 768	119
SUNCOR ENERGY INC	113 747	24
SUPERIOR ENERGY SERVICES INC	10 200	2
TALISMAN ENERGY INC	76 400	5
TECHNIP	7 348	4
TENARIS SA	37 043	5
TESORO CORP	9 800	3
TONENGENERAL SEKIYU KK	27 000	2
TOURMALINE OIL CORP	11 900	3
TRANSCANADA CORP	53 097	15
TRANSOCEAN LTD	28 192	8
TULLOW OIL PLC	67 115	6
ULTRA PETROLEUM CORP	15 300	2
VALERO ENERGY CORP	40 982	13
VERMILION ENERGY INC	6 069	2
WEATHERFORD INTERNATIONAL LTD	59 484	6
WHITING PETROLEUM CORP	9 400	4
WILLIAMS COMPANIES INC	52 843	12
WOODSIDE PETROLEUM LTD	51 705	11
WORLEYPARSONS LTD	19 842	2
TOTAL, ENERGY		1 597
3I GROUP PLC	69 805	3
ABERDEEN ASSET MANAGEMENT PLC	67 076	3
ACE LTD	22 300	14
ACOM CO LTD	23 300	0
ADMIRAL GROUP PLC	12 102	2
AEGON NV	116 786	7
AEON FINANCIAL SERVICE CO LTD	4 500	1
AEON MALL CO LTD	5 720	1
AFFILIATED MANAGERS GROUP INC	3 300	4
AFLAC INC	30 615	12
AGEAS SA	14 796	4
AIA GROUP LTD	790 660	24
ALLEGHANY CORP	1 100	3
ALLIANZ SE	29 935	33
ALLSTATE CORP	30 807	10
AMERICAN CAPITAL AGENCY CORP	26 500	3
AMERICAN EXPRESS CO	64 952	36
AMERICAN INTERNATIONAL GROUP INC	93 878	29
AMERICAN INTERNATIONAL GROUP INC	8 477	1
AMERICAN TOWER CORP	26 000	13

NOK million	Number	Market value
AMERIPRISE FINANCIAL INC	13 270	9
AMP LTD	209 120	5
ANNALY CAPITAL MANAGEMENT INC	62 200	4
AON PLC	19 246	10
AOZORA BANK LTD	40 000	1
ARCH CAPITAL GROUP LTD	8 600	3
ASCENDAS REAL ESTATE INVESTMENT TRUST	128 000	1
ASSICURAZIONI GENERALI SPA	76 661	11
ASSURANT INC	5 100	2
ASX LTD	12 395	2
AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	185 298	32
AVALONBAY COMMUNITIES INC	8 304	6
AVIVA PLC	193 470	9
AXA SA	117 757	20
AXIS CAPITAL HOLDINGS LTD	7 000	2
BALOISE HOLDING AG	3 198	2
BANCO BILBAO VIZCAYA ARGENTARIA S.A.	387 649	29
BANCO DE SABADELL SA	243 123	4
BANCO ESPIRITO SANTO SA	136 408	1
BANCO POPULAR ESPANOL SA	84 184	3
BANCO SANTANDER SA	764 146	42
BANK HAPOALIM BM	71 126	2
BANK IRELAND	899 558	2
BANK LEUMI LE ISRAEL BM	92 727	2
BANK OF AMERICA CORP	719 247	68
BANK OF EAST ASIA LTD	76 898	2
BANK OF IRELAND	583 600	1
BANK OF KYOTO LTD	34 000	2
BANK OF MONTREAL	42 518	17
BANK OF NEW YORK MELLON CORP	76 213	16
BANK OF NOVA SCOTIA	79 513	30
BANK OF QUEENSLAND LTD	20 761	1
BANK OF YOKOHAMA LTD	77 000	3
BANKIA SA	290 400	3
BARCLAYS PLC	1 015 993	28
BB&T CORP	46 100	10
BENDIGO AND ADELAIDE BANK LTD	33 060	2
BERKSHIRE HATHAWAY INC	73 960	53
BLACKROCK INC	8 900	17
BNP PARIBAS SA	66 953	32
BOC HONG KONG (HOLDINGS) LTD	249 200	5
BOSTON PROPERTIES INC	10 000	6
BRITISH LAND COMPANY PLC THE	66 884	4
BROOKFIELD ASSET MANAGEMENT INC	36 386	9
BROOKFIELD OFFICE PROPERTIES INC	19 955	2
BROOKFIELD PROPERTY PARTNERS	2 352	0
CAIXABANK SA	116 074	4
CAMDEN PROPERTY TRUST	6 400	2
CANADIAN IMPERIAL BANK OF COMMERCE	26 208	14
CAPITACOMMERCIAL TRUST	119 000	1
CAPITAL ONE FINANCIAL CORP	39 216	18
CAPITALAND LIMITED	168 000	2
CAPITAMALL TRUST	157 000	1
CAPITAMALLS ASIA LTD	91 000	1
CBRE GROUP INC	18 500	3
CFS RETAIL PROPERTY TRUST	134 453	1
CHARLES SCHWAB CORP	75 630	12
CHEUNG KONG (HOLDINGS) LTD	95 900	9
CHIBA BANK LTD	53 000	2
CHUBB CORP	16 992	10
CHUGOKU BANK LTD	12 000	1
CI FINANCIAL CORP	9 700	2
CINCINNATI FINANCIAL CORP	10 400	3
CIT GROUP INC	13 300	4
CITIGROUP INC	203 619	64

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
CITY DEVELOPMENTS LTD	34 000	2
CME GROUP INC	20 820	10
CNP ASSURANCES SA	11 561	1
COLE REAL ESTATE INVESTMENT	30 195	3
COMERICA INC	12 300	4
COMMERZBANK AG	63 087	6
COMMONWEALTH BANK OF AUSTRALIA	105 828	45
CORIO NV	3 971	1
CREDIT AGRICOLE SA	64 570	5
CREDIT SAISON CO LTD	10 600	2
CREDIT SUISSE GROUP AG	98 369	18
DAI-ICHI LIFE INSURANCE CO LTD	53 700	5
DAITO TRUST CONSTRUCTION CO LTD	4 900	3
DAIWA HOUSE INDUSTRY CO LTD	45 300	5
DAIWA SECURITIES GROUP INC	108 900	7
DANSKE BANK A/S	45 441	6
DBS GROUP HOLDINGS LTD	122 400	10
DELTA LLOYD NV	10 009	2
DEUTSCHE BANK AG	66 933	19
DEUTSCHE BOERSE AG	13 246	7
DEUTSCHE WOHNEN AG-BR	20 130	2
DEXUS PROPERTY GROUP	300 715	2
DIGITAL REALTY TRUST INC	8 100	2
DIRECT LINE INSURANCE GROUP	54 164	1
DISCOVER FINANCIAL SERVICES	32 200	11
DUKE REALTY CORP	24 200	2
EATON VANCE CORP	8 300	2
EQUITY RESIDENTIAL	22 499	7
ERSTE GROUP BANK AG	16 547	3
EURAZEO SA	2 296	1
EVEREST RE GROUP LTD	3 600	3
EXOR SPA	4 631	1
FAIRFAX FINANCIAL HLDGS	1 332	3
FEDERAL REALTY INVESTMENT TRUST	4 600	3
FEDERATION CENTRES LTD	53 435	1
FIDELITY NATIONAL FINANCIAL INC	15 600	3
FIFTH THIRD BANCORP	56 905	7
FIRST CAPITAL REALTY INC	7 000	1
FIRST PACIFIC CO LTD	162 000	1
FIRST REPUBLIC BANK	5 400	2
FONCIERE DES REGIONS SA	1 841	1
FRANKLIN RESOURCES INC	27 200	10
FRASERS CENTREPOINT LTD	126 000	1
FUKUOKA FINANCIAL GROUP INC	56 000	1
GECINA SA	1 477	1
GENERAL GROWTH PROPERTIES INC	31 198	4
GLOBAL LOGISTIC PROPERTIES LTD	208 000	3
GOLDMAN SACHS GROUP INC	28 567	31
GOODMAN GROUP PTY LTD	104 326	3
GREAT-WEST LIFECO INC	20 048	4
GROUPE BRUXELLES LAMBERT SA	5 798	3
GUNMA BANK LTD	26 000	1
H&R REAL ESTATE INVESTMENT TRUST	6 000	1
HACHIJUNI BANK LTD	28 000	1
HAMMERSON PLC	51 227	3
HANG LUNG GROUP	65 000	2
HANG LUNG PROPERTIES LTD	132 500	3
HANG SENG BANK LTD	53 000	5
HANNOVER RUECK SE	3 823	2
HARGREAVES LANSDOWN PLC	13 086	2
HCP INC	29 800	7
HEALTH CARE REIT INC	18 800	6
HENDERSON LAND DEVELOPMENT CO LTD	70 112	2
HIROSHIMA BANK LTD	35 000	1
HOKUHOKU FINANCIAL GROUP	92 000	1
HONG KONG EXCHANGES AND CLEARING LTD	71 514	7
HOST HOTELS & RESORTS INC	48 896	6
HSBC HOLDINGS PLC	1 261 499	84

NOK million	Number	Market value
HUDSON CITY BANCORP INC	30 500	2
HULIC CO LTD	19 100	2
HUNTINGTON BANCSHARES INC	100	0
HYSAN DEVELOPMENT CO LTD	44 000	1
ICADE SA	1 648	1
ICAP PLC	34 031	2
IGM FINANCIAL INC	7 300	2
IMMOFINANZ AG	67 476	2
INDUSTRIAL ALLIANCE INS	6 141	2
INDUSTRIVARDEN AB	8 505	1
ING GROEP NV	251 517	21
INSURANCE AUSTRALIA GROUP LTD	146 555	5
INTACT FINANCIAL CORP	9 000	4
INTERCONTINENTALEXCHANGE GROUP	7 739	11
INTESA SANPAOLO SPA	763 294	11
INTU PROPERTIES PLC	45 418	1
INVESCO LTD	29 158	6
INVESTEC PLC	32 025	1
INVESTMENT KINNEVIK AB	15 632	4
INVESTOR AB	31 476	7
IYO BANK LTD	19 000	1
JAPAN EXCHANGE GROUP	16 500	3
JAPAN PRIME REALTY INVESTMENT CORP	52	1
JAPAN REAL ESTATE INVESTMENT CORP	84	3
JAPAN RETAIL FUND INVESTMENT CORP	112	1
JPMORGAN CHASE & CO	251 986	89
JULIUS BAER GRUPPE AG	14 791	4
KBC GROUPE SA	16 126	6
KEPPEL LAND LTD	35 000	1
KEPPEL REIT	30 004	0
KERRY LOGISTICS NETWORK LTD	19 250	0
KERRY PROPERTIES LTD	38 500	1
KEYCORP	58 600	5
KIMCO REALTY CORP	25 900	3
KLEPIERRE SA	6 469	2
LAND SECURITIES GROUP PLC	48 859	5
LEGAL & GENERAL GROUP PLC	388 313	9
LEGG MASON INC	7 500	2
LEND LEASE CORPORATION LTD	36 636	2
LEUCADIA NATIONAL CORP	19 600	3
LIBERTY PROPERTY TRUST	9 600	2
LINCOLN NATIONAL CORP	17 182	5
LINK REAL ESTATE INVESTMENT TRUST	152 080	4
LLOYDS BANKING GROUP PLC	3 312 392	26
LOEWS CORP	21 700	6
LONDON STOCK EXCHANGE GROUP PLC	11 671	2
M&T BANK CORP	7 600	5
MACERICH CO	9 900	4
MACQUARIE GROUP LTD	18 946	6
MANULIFE FINANCIAL CORP	120 370	14
MAPFRE SA	40 571	1
MARSH & MCLENNAN COMPANIES INC	36 181	11
MCGRAW-HILL COMPANIES INC	16 904	8
MEDIOBANCA BANCA DI CREDITO FINANZIARIO SPA	38 096	2
METLIFE INC	61 371	20
MIRVAC GROUP	240 469	2
MITSUBISHI ESTATE CO LTD	82 379	15
MITSUBISHI UFJ FINANCIAL GROUP INC	836 598	33
MITSUBISHI UFJ LEASE & FINANCE CO LTD	39 200	1
MITSUI FUDOSAN CO LTD	56 800	12
MIZUHO FINANCIAL GROUP INC	1 507 717	20
MOODYS CORP	13 182	6
MORGAN STANLEY	96 518	18
MS&AD INSURANCE GROUP HOLDINGS INC	31 820	5
MUENCHENER RUECKVERSICH.	11 774	16
NASDAQ OMX GROUP INC	9 200	2
NATIONAL AUSTRALIA BANK LTD	173 171	33
NATIONAL BANK OF CANADA	10 696	5

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
NATIXIS SA	68 210	2
NEW WORLD DEVELOPMENT CO LTD	248 466	2
NEW YORK COMMUNITY BANCORP INC	29 800	3
NIPPON BUILDING FUND INC	90	3
NKSJ HOLDINGS INC	27 000	5
NOMURA HOLDINGS INC	250 200	12
NOMURA REAL ESTATE HOLDINGS INC	6 900	1
NORDEA BANK AB	203 476	17
NORTHERN TRUST CORP	14 623	5
OCWEN FINANCIAL CORP	7 605	3
OLD MUTUAL PLC	321 376	6
ONEX CORP	5 500	2
ORIX CORP	84 700	9
OVERSEA-CHINESE BANKING CORPORATION LTD	173 010	8
PARGESA HOLDING SA	1 864	1
PARTNERRE LTD	4 000	3
PARTNERS GROUP HOLDING AG	899	1
PEOPLE'S UNITED FINANCIAL INC	21 700	2
PLUM CREEK TIMBER COMPANY INC	11 600	3
PNC FINANCIAL SERVICES GROUP INC	35 630	17
POHJOLA PANKKI OYJ	9 587	1
POWER CORPORATION OF CANADA	22 198	4
POWER FINANCIAL CORP	17 500	4
PRINCIPAL FINANCIAL GROUP INC	19 300	6
PROGRESSIVE CORP	37 548	6
PROLOGIS INC	33 796	8
PRUDENTIAL FINANCIAL INC	30 505	17
PRUDENTIAL PLC	168 023	23
PUBLIC STORAGE	9 600	9
QBE INSURANCE GROUP LTD	80 548	5
RAIFFEISEN BANK INTERNATIONAL AG	4 508	1
RAYMOND JAMES FINANCIAL INC	9 040	3
RAYONIER INC	8 600	2
REALOGY HOLDINGS CORP	8 700	3
REALTY INCOME CORP	13 200	3
REGENCY CENTERS CORP	6 100	2
REGIONS FINANCIAL CORP	92 841	6
RENAISSANCERE HOLDINGS LTD	3 100	2
RESOLUTION LTD	96 037	3
RESONA HOLDINGS INC	112 142	3
RIOCAN REAL ESTATE INVESTMENT TRUST	8 684	1
ROYAL BANK OF CANADA	94 842	39
ROYAL BANK OF SCOTLAND GROUP PLC	140 629	5
RSA INSURANCE GROUP PLC	256 834	2
SAMPO OYJ	28 862	9
SBI HOLDINGS INC	14 070	1
SCHRODERS PLC	7 609	2
SCOR SE	11 313	3
SEGRO PLC	49 947	2
SEI INVESTMENTS CO	9 500	2
SHINSEI BANK LTD	73 000	1
SHIZUOKA BANK LTD	40 000	3
SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP RE LTD	23 534	0
SIMON PROPERTY GROUP INC	20 736	19
SINGAPORE EXCHANGE LTD	56 000	2
SINO LAND CO LTD	206 330	2
SKANDINAVISKA ENSKILDA BANKEN AB	101 891	8
SL GREEN REALTY CORP	6 100	3
SLM CORP	29 200	5
SOCIETE GENERALE	46 105	16
SONY FINANCIAL HOLDINGS INC	10 300	1
STANDARD CHARTERED PLC	161 040	22
STANDARD LIFE PLC	154 820	6
STATE STREET CORP	29 943	13
STOCKLAND CORP LTD	175 986	3

NOK million	Number	Market value
SUMITOMO MITSUI FINANCIAL GROUP INC	83 571	26
SUMITOMO MITSUI TRUST HOLDINGS INC	184 769	6
SUMITOMO REALTY & DEVELOPMENT CO LTD	23 500	7
SUN HUNG KAI PROPERTIES LTD	109 035	8
SUN LIFE FINANCIAL INC	39 544	8
SUNCORP GROUP LTD	92 940	7
SUNTRUST BANKS INC	35 448	8
SURUGA BANK LTD	12 000	1
SVENSKA HANDELSBANKEN AB	32 751	10
SWEDBANK AB	59 456	10
SWIRE PACIFIC LTD	41 600	3
SWIRE PROPERTIES LTD	81 600	1
SWISS LIFE HOLDING AG	2 202	3
SWISS PRIME SITE AG	3 201	2
SWISS RE AG	23 121	13
T&D HOLDINGS INC	38 000	3
T. ROWE PRICE GROUP INC	17 000	9
TD AMERITRADE HOLDING CORP	13 000	2
THE GPT GROUP	110 342	2
THE HARTFORD FINANCIAL SERVICES GROUP INC	29 237	6
THE JOYO BANK LTD	44 000	1
THE WHARF (HOLDINGS) LTD	90 000	4
TOKIO MARINE HOLDINGS INC	48 779	10
TOKYO TATEMONO CO	30 000	2
TOKYU FUDOSAN HOLDINGS CORP	29 000	2
TORCHMARK CORP	5 900	3
TORONTO-DOMINION BANK	61 203	35
TRAVELERS COMPANIES INC	24 699	14
TRYG A/S	1 633	1
U.S. BANCORP	123 096	30
UBS AG	239 312	28
UDR INC	15 600	2
UNIBAIL-RODAMCO SE	6 343	10
UNICREDIT SPA	292 630	13
UNIONE DI BANCHE ITALIANE SCPA	56 243	2
UNITED OVERSEAS BANK LTD	85 437	9
UNITED URBAN INVESTMENT CORP	178	2
UNUM GROUP	16 966	4
UOL GROUP LTD	31 000	1
VENTAS INC	19 200	7
VIENNA INSURANCE GROUP	2 515	1
VORNADO REALTY TRUST	11 680	6
W. R. BERKLEY CORP	7 400	2
WELLS FARGO & CO	337 671	93
WENDEL SA	2 000	2
WESTFIELD GROUP	134 582	7
WESTFIELD RETAIL TRUST	195 345	3
WESTPAC BANKING CORP	203 770	36
WEYERHAEUSER CO	39 559	8
WHEELOCK AND CO LTD	60 000	2
WILLIS GROUP HOLDINGS PLC	11 700	3
XL GROUP PLC	19 000	4
YAMAGUCHI FINANCIAL GROUP INC	15 000	1
ZURICH INSURANCE GROUP AG	9 737	17
TOTAL, FINANCIAL		2 684
ABBOTT LABORATORIES	104 094	24
ABBVIE INC	106 094	34
ACTAVIS PLC	11 588	12
ACTELION LTD	7 744	4
AETNA INC	24 858	10
AGILENT TECHNOLOGIES INC	22 621	8
ALEXION PHARMACEUTICALS INC	12 800	10
ALFRESA HOLDINGS CORP	2 800	1
ALLERGAN INC	19 500	13

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
AMERISOURCEBERGEN CORP	15 200	6
AMGEN INC	50 465	35
ASTELLAS PHARMA INC	29 944	11
ASTRAZENECA PLC	82 204	30
BAXTER INTERNATIONAL INC	35 660	15
BAYER AG	55 636	47
BECTON DICKINSON AND CO	12 791	9
BIOGEN IDEC INC	16 269	28
BIOMARIN PHARMACEUTICAL INC	9 800	4
BOSTON SCIENTIFIC CORP	88 376	6
BRISTOL-MYERS SQUIBB CO	110 253	36
C R BARD INC	5 400	4
CARDINAL HEALTH INC	23 270	9
CAREFUSION CORP	15 935	4
CATAMARAN CORP	14 600	4
CELESIO AG	6 261	1
CELGENE CORP	27 400	28
CERNER CORP	21 000	7
CHUGAI PHARMACEUTICAL CO LTD	14 700	2
CIGNA CORP	18 750	10
COCHLEAR LTD	3 231	1
COLOPLAST A/S	8 182	3
COVIDIEN PLC	30 850	13
CSL LTD	31 529	12
DAIICHI SANKYO CO LTD	48 275	5
DAINIPPON SUMITOMO PHARMA CO LTD	11 200	1
DAVITA HEALTHCARE PARTNERS INC	11 800	5
DENTSPLY INTERNATIONAL INC	10 200	3
EDWARDS LIFESCIENCES CORP	7 100	3
EISAI CO LTD	17 500	4
ELEKTA AB	24 198	2
ELI LILLY AND CO	66 763	21
ESSILOR INTERNATIONAL SA	13 536	9
EXPRESS SCRIPTS HOLDING CO	53 817	23
FOREST LABORATORIES INC	15 400	6
FRESENIUS MEDICAL CARE AG & CO KGAA	14 771	6
FRESENIUS SE & CO KGAA	8 344	8
GETINGE AB	14 458	3
GILEAD SCIENCES INC	102 500	47
GLAXOSMITHKLINE PLC	328 294	53
GRIFOLS SA	9 941	3
GRIFOLS SA	10 271	2
HCA HOLDINGS INC	20 500	6
HENRY SCHEIN INC	5 300	4
HISAMITSU PHARMACEUTICAL CO INC	3 700	1
HOLOGIC INC	19 200	3
HOSPIRA INC	11 400	3
HUMANA INC	10 100	6
ILLUMINA INC	7 800	5
INTUITIVE SURGICAL INC	2 600	6
JOHNSON & JOHNSON	188 701	105
KYOWA HAKKO KIRIN CO LTD	10 000	1
LABORATORY CORPORATION OF AMERICA HOLDINGS	5 800	3
LIFE TECHNOLOGIES CORP	11 015	5
LONZA GROUP AG	3 896	2
M3 INC	43	1
MALLINCKRODT PLC	4 419	1
MCKESSON CORP	15 269	15
MEDIPAL HOLDINGS CORP	17 000	1
MEDTRONIC INC	66 687	23
MERCK & CO INC	195 929	59
MERCK KGAA	4 644	5
METTLER-TOLEDO INTERNATIONAL	1 953	3
MIRACA HOLDINGS INC	3 700	1
MITSUBISHI TANABE PHARMA CORP	14 900	1
MYLAN INC	25 000	7

NOK million	Number	Market value
NOVARTIS AG	154 869	75
NOVO NORDISK A/S	26 147	29
NOVOZYMES A/S	14 842	4
OLYMPUS CORP	15 700	3
OMNICARE INC	6 700	2
ONO PHARMACEUTICAL CO LTD	7 000	4
ORION OYJ	6 501	1
OTSUKA HOLDINGS CO LTD	25 100	4
PATTERSON COMPANIES INC	6 000	1
PERRIGO CO PLC	8 864	8
PFIZER INC	443 228	82
PHARMACYCLICS INC	4 466	3
PROTHENA CORPORATION PLC	1 041	0
QIAGEN NV	16 021	2
QUEST DIAGNOSTICS INC	10 248	3
RAMSAY HEALTH CARE LTD	8 844	2
REGENERON PHARMACEUTICALS INC	5 000	8
RESMED INC	9 700	3
ROCHE HOLDING AG	47 301	80
RYMAN HEALTHCARE LTD	24 262	1
SANOFI SA	80 303	52
SANTEN PHARMACEUTICAL CO LTD	4 400	1
SHIONOGI & CO LTD	19 600	3
SHIRE PLC	36 374	10
SMITH & NEPHEW PLC	61 968	5
SONIC HEALTHCARE LTD	27 006	2
SONOVA HOLDING AG	3 308	3
ST. JUDE MEDICAL INC	18 354	7
STRYKER CORP	20 490	9
SUZUKEN CO LTD	4 700	1
SYSMEX CORP	4 300	2
TAISHO PHARMACEUTICAL HOLDINGS CO LTD	1 200	1
TAKEDA PHARMACEUTICAL CO LTD	51 800	14
TERUMO CORP	9 000	3
TEVA PHARMACEUTICAL INDUSTRIES LTD	55 779	14
THERMO FISHER SCIENTIFIC INC	23 600	16
TSUMURA & CO	4 100	1
UCB S.A.	6 543	3
UNITEDHEALTH GROUP INC	68 108	31
UNIVERSAL HEALTH SERVICES-B	6 083	3
VALEANT PHARMACEUTICALS INTERNATIONAL INC	21 000	15
VARIAN MEDICAL SYSTEMS INC	7 500	4
VERTEX PHARMACEUTICALS INC	15 600	7
WATERS CORP	6 453	4
WELLPOINT INC	19 672	11
WILLIAM DEMANT HOLDING A/S	1 768	1
ZIMMER HOLDINGS INC	11 059	6
ZOETIS INC	33 500	7
TOTAL, HEALTH		1 465
3M CO	50 956	43
AB VOLVO	115 698	9
ABB LTD	173 094	28
ABERTIS INFRAESTRUCTURAS SA	27 071	4
ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS SA	11 425	2
ADECCO SA	9 480	5
ADT CORP	14 975	4
AEROPORTS DE PARIS SA	1 692	1
AGCO CORP	8 000	3
AGGREKO PLC	17 107	3
ALFA LAVAL AB	24 047	4
ALLEGION PLC	7 616	2
ALS LTD	27 072	1
AMADA CO LTD	28 000	1

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
AMETEK INC	18 150	6
ANA HOLDINGS INC	76 000	1
ANDRITZ AG	6 200	2
AP MOELLER - MAERSK A/S	130	8
ASAHI GLASS CO LTD	80 800	3
ASCIANO LTD	65 669	2
ASSA ABLOY AB	26 814	9
ATLANTIA SPA	20 500	3
ATLAS COPCO AB	51 786	9
ATLAS COPCO AB	31 175	5
AURIZON HOLDINGS LTD	133 304	4
B/E AEROSPACE INC	8 060	4
BABCOCK INTERNATIONAL GROUP PLC	23 562	3
BAE SYSTEMS	247 530	11
BOMBARDIER INC	103 300	3
BOUYGUES SA	15 996	4
BRAMBLES LTD	116 637	6
BRENNTAG AG	3 937	4
BUNZL PLC	25 252	4
BUREAU VERITAS SA	16 580	3
C.H. ROBINSON WORLDWIDE INC	11 200	4
CAE INC	19 900	2
CANADIAN NATIONAL RAILWAY CO	55 612	19
CANADIAN PACIFIC RAILWAY LTD	11 446	10
CAPITA PLC	47 831	5
CATERPILLAR INC	50 228	28
CATHAY PACIFIC AIRWAYS LTD	81 000	1
CENTRAL JAPAN RAILWAY CO	9 500	7
CHICAGO BRIDGE & IRON CO NV	7 238	4
CHIYODA CORP	11 000	1
CIE DE SAINT-GOBAIN SA	30 449	10
CINTAS CORP	8 000	3
CNH INDUSTRIAL NV	67 539	5
COBHAM PLC	87 627	2
COMFORTDELGRO CORPORATION LTD	77 000	1
CSX CORP	67 126	12
CUMMINS INC	13 800	12
DAI NIPPON PRINTING CO LTD	47 000	3
DAIKIN INDUSTRIES LTD	18 100	7
DANAHER CORP	46 396	22
DEERE & CO	28 134	16
DELTA AIR LINES INC	14 300	2
DEUTSCHE LUFTHANSA AG	16 060	2
DEUTSCHE POST AG	59 532	13
DOVER CORP	13 177	8
DSV A/S	13 511	3
DUN & BRADSTREET CORP	2 900	2
EAST JAPAN RAILWAY CO	22 902	11
EASYJET PLC	12 644	2
EATON CORPORATION PLC	36 116	17
EDENRED SA	11 646	2
EMERSON ELECTRIC CO	56 098	24
EQUIFAX INC	8 500	4
EXPEDITORS INTERNATIONAL OF WASHINGTON INC	14 600	4
EXPERIAN PLC	70 484	8
FANUC CORP	14 600	16
FASTENAL CO	21 500	6
FEDEX CORP	19 771	17
FERROVIAL SA	32 958	4
FINNING INTERNATIONAL INC	14 900	2
FLOWSERVE CORP	11 700	6
FLUOR CORP	12 400	6
FRAPORT FRANKFURT AIRPORT SERVICES WORLDWIDE AG	2 540	1
FRASER AND NEAVE, LTD	63 000	1
FUJI ELECTRIC CO LTD	44 000	1

NOK million	Number	Market value
G4S PLC	110 351	3
GEA GROUP AKTIENGESELLSCHAFT	13 978	4
GEBERIT AG	3 112	6
GENERAL ELECTRIC CO	799 844	136
GROUPE EUROTUNNEL SA	38 273	2
HANKYU HANSHIN HOLDINGS INC	75 000	2
HERTZ GLOBAL HOLDINGS INC	26 900	5
HINO MOTORS LTD	18 000	2
HITACHI CONSTRUCTION MACHINERY CO LTD	9 200	1
HOCHTIEF AG	2 208	1
HUTCHISON PORT HOLDINGS TRUST	352 000	1
HUTCHISON WHAMPOA LTD	170 400	14
IHI CORP	90 000	2
IHS INC	4 100	3
ILLINOIS TOOL WORKS INC	32 750	17
IMI PLC	25 854	4
INGERSOLL-RAND PLC	22 849	9
INTERNATIONAL CONSOLIDATED AIRLINES GROUP SA	62 458	3
INTERTEK GROUP PLC	11 437	4
INVENSYS PLC	45 770	2
IRON MOUNTAIN INC	10 069	2
ITOCHU CORP	126 000	9
J B HUNT TRANSPORT SERVICES INC	6 800	3
JAPAN AIRLINES CO LTD	4 000	1
JAPAN STEEL WORKS LTD	17 000	1
JGC CORP	16 700	4
JOY GLOBAL INC	8 800	3
JTEKT CORP	15 200	2
KAJIMA CORP	67 000	2
KAMIGUMI CO LTD	16 000	1
KANSAS CITY SOUTHERN	7 700	6
KAWASAKI HEAVY INDUSTRIES LTD	109 000	3
KBR INC	11 700	2
KEIKYU CORP	27 000	1
KEIO CORP	34 000	1
KEISEI ELECTRIC RAILWAY CO LTD	19 000	1
KEPPEL CORPORATION LTD	107 160	6
KINDEN CORP	15 000	1
KINTETSU CORP	144 900	3
KOMATSU LTD	71 400	9
KONE OYJ	24 852	7
KONINKLIJKE BOSKALIS WESTMINSTER NV	5 809	2
KONINKLIJKE PHILIPS ELECTRONICS NV	73 162	16
KUBOTA CORP	86 100	9
KUEHNE UND NAGEL INTERNATIONAL AG	3 797	3
KURITA WATER INDUSTRIES LTD	11 200	1
LEGRAND SA	20 518	7
LEIGHTON HOLDINGS LTD	15 739	1
LIXIL GROUP CORP	22 400	4
MABUCHI MOTOR CO LTD	2 100	1
MAKITA CORP	8 600	3
MAN SE	2 888	2
MANPOWERGROUP INC	4 900	3
MARUBENI CORP	142 000	6
MASCO CORP	29 601	4
MEGGITT PLC	58 260	3
MELROSE INDUSTRIES PLC	82 182	3
METSO OYJ	10 974	3
MITSUBISHI CORP	107 400	12
MITSUBISHI ELECTRIC CORP	148 200	11
MITSUBISHI HEAVY INDUSTRIES LTD	255 100	10
MITSUBISHI LOGISTICS CORP	9 000	1
MITSUI & CO LTD	132 800	11
MITSUI O.S.K. LINES LTD	65 000	2
MTR CORP LTD	104 258	2

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
NABTESCO CORP	7 000	1
NGK INSULATORS LTD	21 000	2
NIDEC CORP	8 800	5
NIELSEN HOLDINGS NV	15 300	4
NIPPON EXPRESS CO LTD	61 000	2
NIPPON YUSEN KK	107 000	2
NOBLE GROUP LTD	302 617	2
NORFOLK SOUTHERN CORP	20 646	12
NSK LTD	38 000	3
NWS HOLDINGS LTD	117 841	1
OBAYASHI CORP	42 000	1
OCI NV	7 188	2
ODAKYU ELECTRIC RAILWAY CO LTD	42 000	2
OSRAM LICHT AG	6 943	2
PACCAR INC	26 886	10
PALL CORP	8 900	5
PARK24 CO LTD	7 000	1
PARKER HANNIFIN CORP	11 689	9
PENTAIR LTD	16 133	8
PRECISION CASTPARTS CORP	11 200	18
PRYSMIAN SPA	13 913	2
QANTAS AIRWAYS LTD	70 645	0
QUANTA SERVICES INC	15 100	3
RANDSTAD HOLDING NV	7 780	3
REPUBLIC SERVICES INC	18 700	4
REXEL SA	16 759	3
ROBERT HALF INTERNATIONAL INC	9 400	2
ROCKWELL AUTOMATION INC	11 000	8
ROCKWELL COLLINS INC	9 985	4
ROLLS-ROYCE HOLDINGS PLC	143 722	18
ROPER INDUSTRIES INC	7 500	6
RYANAIR HOLDINGS PLC	12 351	1
SANDVIK AB	79 903	7
SCANIA AB	25 361	3
SCHINDLER HOLDING LTD	4 073	4
SCHINDLER HOLDING LTD	1 774	2
SCHNEIDER ELECTRIC SA	40 332	21
SECOM CO LTD	15 500	6
SECURITAS AB	17 072	1
SEEK LTD	23 540	2
SEMBCORP INDUSTRIES LTD	75 000	2
SEMBCORP MARINE LTD	86 000	2
SENSATA TECHNOLOGIES HOLDING NV	10 300	2
SGS SA	387	5
SHIMIZU CORP	43 000	1
SIEMENS AG	62 417	52
SINGAPORE AIRLINES LTD	35 800	2
SKANSKA AB	31 299	4
SKF INC	31 434	5
SMC CORP	4 200	6
SMITHS GROUP PLC	32 377	5
SNC LAVALIN GROUP INC	12 100	3
SOCIETE B I C SA	1 967	1
SOJITZ CORP	92 700	1
SOUTHWEST AIRLINES CO	11 800	1
SPX CORP	3 500	2
STANLEY BLACK & DECKER INC	11 654	6
STERICYCLE INC	5 600	4
STOLT NIELSEN LTD	235 365	39
SULZER AG	2 024	2
SUMITOMO CORP	95 100	7
SUMITOMO ELECTRIC INDUSTRIES LTD	58 200	6
SUMITOMO HEAVY INDUSTRIES LTD	46 000	1
SYDNEY AIRPORT	20 075	0
TAISEI CORP	70 000	2
THALES SA	7 684	3
THK CO LTD	8 200	1

NOK million	Number	Market value
TNT EXPRESS NV	21 779	1
TOBU RAILWAY CO LTD	69 000	2
TOKYU CORP	76 200	3
TOLL HOLDINGS LTD	45 868	1
TOPPAN PRINTING CO LTD	37 700	2
TOSHIBA CORP	275 700	7
TOTO LTD	19 000	2
TOWERS WATSON & CO-CL A	4 280	3
TOYOTA TSUSHO CORP	16 300	2
TRANSDIGM GROUP INC	4 100	4
TRANSURBAN GROUP	88 365	3
TRAVIS PERKINS PLC	20 446	4
TYCO INTERNATIONAL LTD	30 950	8
UNION PACIFIC CORP	31 022	32
UNITED CONTINENTAL HOLDINGS INC	5 800	1
UNITED PARCEL SERVICE INC	48 324	31
UNITED TECHNOLOGIES CORP	68 500	47
VALLOUREC SA	7 543	2
VERISK ANALYTICS INC	10 600	4
VINCI SA	35 448	14
W.W. GRAINGER INC	4 600	7
WARTSILA OYJ ABP	13 384	4
WASTE MANAGEMENT INC	29 658	8
WEIR GROUP PLC	16 388	4
WEST JAPAN RAILWAY CO	11 400	3
WOLSELEY PLC	20 374	7
XYLEM INC	15 410	3
YAMATO HOLDINGS CO LTD	24 200	3
ZARDOYA OTIS SA	11 573	1
ZODIAC AEROSPACE SA	2 608	3
TOTAL, INDUSTRY		1 522
ACCENTURE PLC	43 400	22
ACTIVISION BLIZZARD INC	29 100	3
ADOBE SYSTEMS INC	31 804	12
ADVANTEST CORP	5 100	0
AKAMAI TECHNOLOGIES INC	11 400	3
ALCATEL LUCENT	196 798	5
ALLIANCE DATA SYSTEMS CORP	3 300	5
ALTERA CORP	20 800	4
AMADEUS IT HOLDING SA	25 300	7
AMPHENOL CORP	11 100	6
ANALOG DEVICES INC	19 815	6
ANSYS INC	5 900	3
APPLE INC	60 860	207
APPLIED MATERIALS INC	78 885	8
ARM HOLDINGS PLC	91 755	10
ARROW ELECTRONICS INC	6 600	2
ASETEK A/S	125 120	5
ASM PACIFIC TECHNOLOGY LTD	14 400	1
ASML HOLDING NV	23 181	13
ATOS SE	3 715	2
AUTODESK INC	14 500	4
AUTOMATIC DATA PROCESSING INC	32 316	16
AVAGO TECHNOLOGIES LTD	15 600	5
AVNET INC	9 400	3
BROADCOM CORP	34 219	6
BROTHER INDUSTRIES LTD	15 900	1
CA INC	22 624	5
CANON INC	74 450	14
CAP GEMINI SA	9 765	4
CGI GROUP INC	15 000	3
CISCO SYSTEMS INC	357 825	49
CITRIX SYSTEMS INC	12 500	5
COGNIZANT TECHNOLOGY SOLUTIONS CORP	20 100	12
COMPUTER SCIENCES CORP	9 767	3
COMPUTERSHARE LTD	35 912	2

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
CORNING INC	96 872	10
CREE INC	8 100	3
DASSAULT SYSTEMES SA	4 000	3
DENA CO LTD	6 400	1
EBAY INC	79 520	26
ELECTRONIC ARTS INC	22 298	3
EMC CORP	137 900	21
EQUINIX INC	3 400	4
ERICSSON	199 802	15
F5 NETWORKS INC	4 900	3
FACEBOOK INC	117 750	39
FIDELITY NATIONAL INFORMATION SERVICES INC	19 900	6
FISERV INC	17 722	6
FLEETCOR TECHNOLOGIES INC	4 320	3
FLEXTRONICS INTERNATIONAL LTD	41 100	2
FLIR SYSTEMS INC	10 500	2
FUJIFILM HOLDINGS CORP	27 400	5
FUJITSU LTD	134 200	4
GEMALTO	5 201	3
GOOGLE INC	18 700	127
GUNGHO ONLINE ENTERTAINMENT	20 000	1
HAMAMATSU PHOTONICS KK	4 800	1
HARRIS CORP	7 200	3
HEWLETT-PACKARD CO	127 665	22
HEXAGON AB	17 112	3
HIROSE ELECTRIC CO LTD	1 800	2
HITACHI LTD	335 000	15
HOYA CORP	29 300	5
IBIDEN CO LTD	7 400	1
INFINEON TECHNOLOGIES AG	74 892	5
INTEL CORP	333 514	53
INTERNATIONAL BUSINESS MACHINES CORP	71 002	81
INTUIT INC	18 856	9
JUNIPER NETWORKS INC	32 300	4
KAKAKU.COM INC	9 839	1
KEYENCE CORP	3 075	8
KLA-TENCOR CORP	11 288	4
KONAMI CORP	8 300	1
KONICA MINOLTA INC	40 500	2
KYOCERA CORP	20 600	6
LAM RESEARCH CORP	11 700	4
LEIDOS HOLDINGS INC	5 000	1
LINEAR TECHNOLOGY CORP	16 587	5
LINKEDIN CORP	6 700	9
LSI CORP	33 800	2
MARVELL TECHNOLOGY GROUP LTD	29 800	3
MASTERCARD INC	7 100	36
MAXIM INTEGRATED PRODUCTS INC	21 000	4
MELLANOX TECHNOLOGIES LTD	2 127	1
MICROCHIP TECHNOLOGY INC	13 000	4
MICRON TECHNOLOGY INC	67 400	9
MICROSOFT CORP	539 836	123
MOTOROLA SOLUTIONS INC	16 080	7
MURATA MANUFACTURING CO LTD	14 300	8
NEC CORP	162 400	2
NETAPP INC	23 139	6
NETSUITE INC	2 361	1
NICE SYSTEMS LTD	4 209	1
NINTENDO CO LTD	7 200	6
NIPPON ELECTRIC GLASS CO LTD	25 000	1
NOKIA OYJ	245 871	12
NOMURA RESEARCH INSTITUTE LTD	6 900	1
NTT DATA CORP	8 400	2
NUANCE COMMUNICATIONS INC	14 800	1
NVIDIA CORP	37 250	4

NOK million	Number	Market value
OMRON CORP	13 700	4
OPENTEXT CORP	4 000	2
ORACLE CORP	236 875	55
ORACLE CORP JAPAN	3 900	1
PAYCHEX INC	22 965	6
QUALCOMM INC	114 810	52
RACKSPACE HOSTING INC	7 300	2
RECALL HOLDINGS LTD	23 327	1
RED HAT INC	13 500	5
RESEARCH IN MOTION LTD	34 700	2
RICOH CO LTD	45 600	3
ROHM CO LTD	7 200	2
SALESFORCE.COM INC	38 600	13
SANDISK CORP	16 000	7
SAP AG	61 445	32
SCIENCE APPLICATIONS INTE	2 857	1
SEAGATE TECHNOLOGY PLC	21 200	7
SERVICENOW	8 246	3
SHIMADZU CORP	16 000	1
STMICROELECTRONICS NV	43 533	2
SUMCO CORP	5 400	0
SYMANTEC CORP	46 200	7
SYNOPSYS INC	8 900	2
TDK CORP	11 300	3
TE CONNECTIVITY LTD	27 250	9
TERADATA CORP	11 500	3
TEXAS INSTRUMENTS INC	72 785	19
THE SAGE GROUP PLC	82 118	3
TOKYO ELECTRON LTD	12 200	4
TOTAL SYSTEM SERVICES INC	10 301	2
TREND MICRO INC	7 200	2
TRIMBLE NAVIGATION LTD	18 200	4
UNITED INTERNET AG	6 719	2
VANTIV A	7 095	1
VERISIGN INC	9 800	4
VISA INC	35 100	47
VIZRT LTD	1 500 000	38
VMWARE INC	5 200	3
WESTERN DIGITAL CORP	14 000	7
WESTERN UNION CO	37 194	4
WORKDAY INC-CLASS A	4 389	2
XEROX CORP	81 963	6
XILINX INC	18 473	5
YAHOO JAPAN CORP	95 900	3
YASKAWA ELECTRIC CORP	15 000	1
YOKOGAWA ELECTRIC CORP	13 600	1
TOTAL, IT		1 606
AGNICO EAGLE MINES LTD	13 731	2
AGRIUM INC	10 900	6
AIR LIQUIDE SA	22 705	20
AIR PRODUCTS AND CHEMICALS INC	15 200	10
AIR WATER INC	11 000	1
AIRGAS INC	4 700	3
AKZO NOBEL NV	17 571	8
ALBEMARLE CORP	6 100	2
ALCOA INC	84 350	5
ALUMINA LTD	198 826	1
AMCOR LTD	85 377	5
ANGLO AMERICAN PLC	101 521	13
ANTOFAGASTA PLC	31 028	3
ARCELORMITTAL SA	72 787	8
ARKEMA SA	4 808	3
ASAHI KASEI CORP	92 200	4
ASHLAND INC	5 900	3
AVERY DENNISON CORP	7 711	2
BALL CORP	10 800	3

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
BASF SE	68 150	44
BHP BILLITON LTD	233 949	48
BHP BILLITON PLC	157 614	30
BOLIDEN AB	19 923	2
BORAL LTD	57 664	1
CELANESE CORP	12 100	4
CF INDUSTRIES HOLDINGS INC	4 300	6
CRH PLC	53 130	8
CRODA INTERNATIONAL PLC	9 774	2
CROWN HOLDINGS INC	9 800	3
DAICEL CORP	22 000	1
DAIDO STEEL CO LTD	21 000	1
DOW CHEMICAL CO	90 156	24
E. I. DU PONT DE NEMOURS AND CO	68 800	27
EASTMAN CHEMICAL CO	11 700	6
ECOLAB INC	20 200	13
ELDORADO GOLD CORP	55 900	2
EMS CHEMIE HOLDING AG	564	1
FIRST QUANTUM MINERALS LTD	40 546	4
FLETCHER BUILDING LTD	68 206	3
FMC CORP	9 870	5
FORTESCUE METALS GROUP LTD	117 781	4
FRANCO-NEVADA CORP	10 700	3
FRESNILLO PLC	14 353	1
FUCHS PETROLUB AG -PREF	2 206	1
GIVAUDAN SA	602	5
GLENCORE INTERNATIONAL PLC	772 915	24
GOLDCORP INC	59 109	8
HEIDELBERGCEMENT AG	10 244	5
HITACHI CHEMICAL CO LTD	8 600	1
HITACHI METALS LTD	14 000	1
HOLCIM LTD	16 678	8
ICL ISRAEL CHEMICALS LTD	29 819	2
ILUKA RESOURCES LTD	25 800	1
IMERYS SA	2 598	1
INTERNATIONAL FLAVORS & FRAGRANCES INC	5 500	3
INTERNATIONAL PAPER CO	30 750	9
ISRAEL CORPORATION LTD	183	1
JAMES HARDIE INDUSTRIES PLC	32 171	2
JFE HOLDINGS INC	36 600	5
JOHNSON MATTHEY PLC	16 248	5
JSR CORP	14 000	2
K+S AG	13 774	3
KANEKA CORP	20 000	1
KANSAI PAINT CO LTD	17 000	2
KINROSS GOLD CORP	87 700	2
KOBE STEEL LTD	182 000	2
KONINKLIJKE DSM NV	11 233	5
KURARAY CO LTD	21 600	2
LAFARGE SA	13 601	6
LANXESS AG	6 061	2
LINDE AG	13 492	17
LYONDELLBASELL INDUSTRIES NV	31 400	15
MARTIN MARIETTA MATERIALS INC	3 500	2
MARUICHI STEEL TUBE LTD	3 400	1
MEADWESTVACO CORP	14 300	3
METHANEX CORP	7 018	3
MITSUBISHI CHEMICAL HOLDINGS CORP	111 750	3
MITSUBISHI GAS CHEMICAL CO INC	30 000	1
MITSUBISHI MATERIALS CORP	87 000	2
MITSUI CHEMICALS INC	48 100	1
MONSANTO CO	39 700	28
MOSAIC CO	21 200	6
NEW GOLD INC	31 400	1
NEWCREST MINING LTD	58 941	2
NEWMONT MINING CORP	36 257	5

NOK million	Number	Market value
NIPPON PAINT CO LTD	11 254	1
NIPPON STEEL & SUMITOMO METAL CORP	553 725	11
NITTO DENKO CORP	13 600	3
NUCOR CORP	23 164	8
OJI HOLDINGS CORP	62 800	2
ORICA LTD	30 158	4
ORORA LTD	85 377	1
OWENS-ILLINOIS INC	12 800	3
OXANE MATERIALS	2 000 000	24
PPG INDUSTRIES INC	10 426	12
PRAXAIR INC	21 582	17
RANDGOLD RESOURCES LTD	6 376	2
REXAM PLC	64 513	3
ROCK-TENN CO	5 200	3
SEALED AIR CORP	14 200	3
SHERWIN-WILLIAMS CO	6 300	7
SHIN-ETSU CHEMICAL CO LTD	29 900	11
SHOWA DENKO KK	98 000	1
SIGMA-ALDRICH CORP	8 544	5
SIKA AG	174	4
SILVER WHEATON CORP	25 800	3
SOLVAY SA	4 641	4
STORA ENSO OYJ	43 068	3
SUMITOMO CHEMICAL CO LTD	108 100	3
SUMITOMO METAL MINING CO LTD	42 700	3
SYNGENTA AG	6 784	16
TAIHEIYO CEMENT CORP	76 000	2
TAIYO NIPPON SANSO CORP	17 000	1
TECK RESOURCES LTD	41 526	7
TEIJIN LTD	69 000	1
THYSSENKRUPP AG	28 108	4
TORAY INDUSTRIES INC	116 100	5
TOYO SEIKAN GROUP HOLDINGS LTD	9 800	1
TURQUOISE HILL RESOURCES LTD	28 100	1
TURQUOISE HILL RESOURC-RIGHT	28 100	0
UBE INDUSTRIES LTD	77 000	1
UMICORE SA	7 129	2
UPM-KYMMENE CORPORATION	36 249	4
VOESTALPINE AG	7 045	2
VULCAN MATERIALS CO	8 985	3
YAMANA GOLD INC	58 800	3
YAMATO KOGYO CO LTD	3 100	1
TOTAL, RAW MATERIALS		741
AT&T INC	355 533	76
BCE INC	17 517	5
BELGACOM SA	9 987	2
BELL ALIANT INC	5 100	1
BEZEQ THE ISRAELI TELECOMUNICATION CORP LTD	124 120	1
BT GROUP PLC	517 386	20
CENTURYLINK INC	40 018	8
CROWN CASTLE INTERNATIONAL CORP	22 000	10
DEUTSCHE TELEKOM AG	193 801	20
ELISA OYJ	9 543	2
FRANCE TELECOM SA	121 736	9
FRONTIER COMMUNICATIONS CORP	72 965	2
HKT TRUST	166 000	1
ILIAD SA	1 536	2
INMARSAT PLC	26 655	2
KDDI CORP	36 200	13
KONINKLIJKE KPN NV	210 267	4
LEVEL 3 COMMUNICATIONS INC	11 000	2
MILLICOM INTERNATIONAL CELLULAR SA	4 566	3
NIPPON TELEGRAPH AND TELEPHONE CORP	24 858	8
NTT DOCOMO INC	102 900	10

NOK million	Number	Market value
PCCW LTD	289 000	1
PORTUGAL TELECOM SGPS SA	55 307	1
ROGERS COMMUNICATIONS INC	23 778	7
SBA COMMUNICATIONS CORP	8 400	5
SINGAPORE TELECOMMUNICATIONS LTD	535 680	9
SOFTBANK CORP	63 100	33
SPRINT CORP	66 213	4
SWISSCOM AG	1 610	5
TDC A/S	55 000	3
TELE2 AB	17 116	1
TELECOM CORPORATION OF NEW ZEALAND LTD	132 599	2
TELECOM ITALIA SPA	1 232 635	6
TELECOM ITALIA SPA	34	0
TELEFONICA DEUTSCHLAND HOLDI	23 493	1
TELEFONICA SA	268 911	27
TELIASONERA AB	156 356	8
TELSTRA CORP LTD	300 964	9
TELUS CORP	15 474	3
T-MOBILE US INC	16 000	3
VERIZON COMMUNICATIONS INC	191 634	57
VIVENDI SA	78 290	12
VODAFONE GROUP PLC	3 246 934	77
WINDSTREAM CORP	43 400	2
ZIGGO NV	8 834	2
TOTAL, TELECOM		480
AGL ENERGY LTD	37 831	3
ALLIANT ENERGY CORP	7 500	2
AMEREN CORP	17 220	4
AMERICAN ELECTRIC POWER COMPANY INC	32 227	9
AMERICAN WATER WORKS COMPANY INC	12 000	3
APA GROUP	44 995	1
ATCO LTD -CLASS I	5 800	2
CALPINE CORP	21 300	3
CANADIAN UTILITIES LTD	6 895	1
CENTERPOINT ENERGY INC	27 500	4
CENTRICA PLC	342 766	12
CHEUNG KONG INFRASTRUCTURE HOLDINGS LTD	36 000	1
CHUBU ELECTRIC POWER CO INC	43 200	3
CHUGOKU ELECTRIC POWER CO INC	17 800	2
CLP HOLDINGS LTD	126 600	6
CMS ENERGY CORP	17 800	3
CONSOLIDATED EDISON INC	19 018	6
DOMINION RESOURCES INC	39 402	15
DTE ENERGY CO	12 063	5
DUKE ENERGY CORP	48 104	20
E.ON SE	119 264	13
EDISON INTERNATIONAL	20 500	6
EDP ENERGIAS DE PORTUGAL SA	142 333	3
ELECTRIC POWER DEVELOPMENT CO LTD	6 140	1
ELECTRICITE DE FRANCE SA	14 539	3
ENAGAS SA	12 151	2
ENEL GREEN POWER SPA	118 762	2
ENEL SPA	435 915	12
ENTERGY CORP	12 414	5
EXELON CORP	56 708	9
FIRSTENERGY CORP	27 719	6
FORTIS INC	12 950	2
FORTUM OYJ	29 158	4
GAS NATURAL SDG SA	23 555	4
GDF SUEZ SA	89 650	13
HOKKAIDO ELECTRIC POWER CO INC	6 000	0
HOKURIKU ELECTRIC POWER CO	8 400	1
IBERDROLA SA	314 640	12
INTEGRYS ENERGY GROUP INC	4 700	2

NOK million	Number	Market value
KANSAI ELECTRIC POWER CO INC	46 000	3
KYUSHU ELECTRIC POWER CO INC	28 300	2
MDU RESOURCES GROUP INC	12 600	2
NATIONAL GRID PLC	253 778	20
NEXTERA ENERGY INC	28 950	15
NISOURCE INC	22 100	4
NORTHEAST UTILITIES	22 222	6
NRG ENERGY INC	23 400	4
OGE ENERGY CORP	14 000	3
ONEOK INC	14 100	5
OSAKA GAS CO LTD	124 000	3
PEPCO HOLDINGS INC	15 500	2
PG&E CORP	29 273	7
PINNACLE WEST CAPITAL CORP	7 400	2
POWER ASSETS HOLDINGS LTD	101 000	5
PPL CORP	43 006	8
PUBLIC SERVICE ENTERPRISE GROUP INC	33 502	7
RED ELECTRICA CORPORACION SA	7 167	3
RWE AG	32 409	7
SCANA CORP	8 400	2
SEMPRA ENERGY	15 293	8
SEVERN TRENT PLC	15 598	3
SHIKOKU ELECTRIC POWER CO INC	12 200	1
SNAM SPA	130 008	4
SOUTHERN CO	59 507	15
SSE PLC	63 863	9
SUEZ ENVIRONNEMENT COMPANY SA	20 332	2
TERNA RETE ELETTRICA NAZIONALE SPA	88 384	3
THE HONG KONG AND CHINA GAS CO LTD	374 275	5
TOHO GAS CO LTD	55 000	2
TOHOKU ELECTRIC POWER CO INC	21 600	1
TOKYO GAS CO LTD	167 100	5
TRANSALTA CORP	18 657	1
UNITED UTILITIES GROUP PLC	45 158	3
VEOLIA ENVIRONNEMENT SA	21 010	2
WISCONSIN ENERGY CORP	14 600	4
XCEL ENERGY INC	32 900	6
TOTAL, DISTRIBUTION		391
TOTAL FOREIGN		13 555
TOTAL SHARES		17 105
TOTAL, ENERGY		3 197
TOTAL, FINANCIAL		3 369
TOTAL, CONSUMABLES		1 750
TOTAL, DISTRIBUTION		391
TOTAL, HEALTH		1 498
TOTAL, INDUSTRY		1 658
TOTAL, IT		1 828
TOTAL, CONSUMER GOODS		1 446
TOTAL, RAW MATERIALS		1 053
TOTAL, TELECOM		782
TOTAL, UNSPECIFIED		133
TOTAL SHARES		17 105
21 CENTRALE PARTNERS IV, FCPR	35 000 000	225
ABERDEEN INDIRECT PARTNERS EUROPA	363 699	178
ABERDEEN INDIRECT PROPERTY PARTNERS ASIA	623 405	240
ABINGWORTH BIOVENTURES V CO-INVEST GROWTH EQ. FUND	8 000 000	47
ALLIANCE VENTURE INTERNAL PARTNERSHIP	17 175 000	1
ALTOR 2003 FUND	2 000 000	9
ASTORG V FCPR	50 000 000	71
CAPMAN BUYOUT FUND VIII	10 000 000	46

Note 15 Shares and equity fund units (continued)

NOK million	Number	Market value
CEVIAN CAPITAL II LP EUR CLASS C	250 000	305
CUBERA SECONDARY (GP) KS	7 231 661	5
CUBERA SECONDARY KS	72 316 606	51
CUBILITY AS	14 994	53
DANSKE PRIVATE EQUITY PARTNERS IV K/S	20 000 000	82
DANSKE PRIVATE EQUITY PARTNERS V	15 000 000	18
EGERIA PRIVATE EQUITY FUND IV	30 000 000	0
ENERGY VENTURES II B IS	31 213 670	37
ENERGY VENTURES II KS	50 000 000	26
ENERGY VENTURES III LP	75 000 000	51
ENERGY VENTURES IV LP	30 000 000	66
EUROPRISE SUB-FUND A	1 995	116
FORBION CAPITAL FUND I CO-INVESTMENT FUND I	7 000 000	62
FORBION CAPITAL FUND I CO-INVESTMENT FUND II	5 300 000	44
FORBION CAPITAL FUND II CV	15 000 000	78
FSN CAPITAL II L.P.	13 000 000	53
FSN CAPITAL IV L.P.	232 000 000	17
GERMAN EQUITY PARTNERS IV	15 000 000	21
HERKULES PRIVATE EQUITY III	120 000 000	77
HGCAPITAL 6	45 000 000	283
HGCAPITAL MERCURY A	16 000 000	17
HITECVISION ASSET SOLUTIONS	35 000 000	182
HITECVISION PRIVATE EQUITY IV	13 000 000	55
HITECVISION PRIVATE EQUITY V LP	35 000 000	196
HITECVISION VI LP	70 000 000	108
INCITIA VENTURES II IS/AS	27 950 000	14
INDEX VENTURES GROWTH II, L.P.	20 000 000	61
INDEX VENTURES VI (JERSEY) LP	10 000 000	43
INNKAP 4 PARTNERS L.P.	5 000 000	21
JPMORGAN EUROPEAN PROPERTY FUND	1 990	67
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS I	2 197 227	2 603
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS II	25 000	29
KLP AKSJE VERDEN INDEKS	25 000	39
KLP AKSJEASIA INDEKS I	50 400	52
KLP AKSJEASIA INDEKS II	733 116	676
KLP AKSJEEUROPA INDEKS I	1 011 627	1 163
KLP AKSJEEUROPA INDEKS II	413 774	500
KLP AKSJEGLOBAL INDEKS I	1 839 253	3 116
KLP AKSJEGLOBAL INDEKS II	177 331	290
KLP AKSJEGLOBAL LAVBETA I	9 444 049	9 599
KLP AKSJENORDEN	829 208	2 169
KLP AKSJENORGE	961 447	3 993
KLP AKSJENORGE INDEKS	1 254 777	2 146
KLP AKSJENORGE INDEKS II	942 603	1 398
KLP AKSJEUSA INDEKS II	512 061	722
KLP AKSJEUSA INDEKS USD	200 606	2 266
KLP KOMBINASJONFOND M	25 000	31
KLP KOMBINASJONSFOND	25 000	31
MORGAN STANLEY EUROZONE OFFICE FUND CLASS C2	1 824 497	57
NAUTA TECH INVEST 2	500 000	4
NAUTA TECH INVEST 3	1 980 000	8
NAZCA CAPITAL III, FCR	22 500 000	87
NEOMED INNOVATION IV L.P.	5 000 000	32
NMI FRONTIER FUND KS	17 975 000	17
NMI GLOBAL FUND KS	33 160 000	35
NORTHZONE V K/S	5 000 000	69
NORTHZONE VI L.P.	5 000 000	35
NORTHZONE VII LP	12 000 000	4
NORVESTOR IV L.P.	10 000 000	24
NORVESTOR V	17 000 000	78
NORVESTOR VI	156 000 000	69
NORWEGIAN MICROFINANCE INITIATIVE FUND III KS	20 520 000	4
PARTNERS GROUP SECONDARY 2008	40 000 000	262
PERUSA PARTNERS FUND 2, L.P.	18 000 000	29
PRIVEQ INVESTMENT FUND IV L.P.	225 000 000	103
QUADRIGA CAPITAL PRIVATE EQUITY FUND IV	25 000 000	50
SOFINNOVA CAPITAL VII	10 000 000	18
SPECIAL SITUATIONS VENTURE PARTNERS III LP	14 500 000	49
SSGA EMERGING MARKETS SRI ENHANCED EQUITY FUND	9 999 001	617
TDR CAPITAL III 'B' L.P	30 000 000	0
TRITON FUND III	30 000 000	123
VERDANE CAPITAL V B K/S	34 697 497	16
VERDANE CAPITAL VI K/S	50 000 000	19
VERDANE CAPITAL VII K/S	140 000 000	130
TOTAL EQUITY FUNDS		35 790
ALTERNATIVE INVESTMENTS IN SHARES		
KLP ALFA GLOBAL ENERGI	912 867	844
KLP ALFA GLOBAL RENTE	939 384	926
SECTOR SPESIT 1 A USD	14 166	4
TOTAL ALTERNATIVE INVESTMENTS		1 774
TOTAL INVESTMENTS		54 669

SHARES AND UNITS DISTRIBUTION BY PORTFOLIO	Common portfolio	Investment option portfolio	Corporate portfolio	Total
SHARES	16 168	0	0	16 168
LONG TERM SHARES	675	0	262	937
EQUITY FUND UNITS	35 346	444	0	35 790
ALTERNATIVE INVESTMENTS	1 761	13	0	1 774
TOTAL	53 950	457	262	54 669

PERCENTAGE UNITS STOCK MARKET LISTED	
SHARES NORWAY	77 %
SHARES FOREIGN	99 %
EQUITY FUND UNITS	0 %
ALTERNATIVE INVESTMENTS	0 %

Note 16 Securities adjustment fund short-term financial assets

NOK million	Acquisition cost 31.12.2013	Fair value 31.12.2013	Valuation reserves 31.12.2013	Valuation reserves 31.12.2012
Valuation reserves shares	44 748	51 698	6 950	3 181
Valuation reserves share derivatives	0	55	55	-142
Valuation reserves fixed interest investments	91 631	95 050	3 419	6 125
Valuation reserves interest rate derivatives	0	126	126	124
Variation margin daily settlement futures	0	0	-138	0
Total valuation reserves on short term financial assets			10 412	9 288
Base for allocation to the securities adjustment fund			10 412	9 288
Securities adjustment fund			10 412	9 288

The securities adjustment fund comprises positive unrealized gains on the the short-term financial assets linked to the common portfolio.

If net 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 17 Investment properties

NOK million	2013	2012
Rental income	38	40
Operating expenses	-2	0
Loss on disposals	-18	0
Net financial income	1	1
Net income from investment properties	19	41

NOK million	2013	2012
Book value 01.01	965	941
Profit for the year	19	41
Transfers to KLP	-16	-20
Disposals/Acquisitions	-20	3
Book value 31.12	947	965

Note 18 Intangible assets

NOK million	2013	2012	2011	2010	2009
Book value 01.01.	303	293	306	303	220
Acquisition cost 01.01.	720	652	576	463	349
Total additions	82	68	76	112	120
of which internally developed	23	20	17	18	18
of which bought	59	47	59	94	102
Disposals	0	0	0	0	-6
Acquisition cost 31.12. [1]	802	720	652	576	463
Accumulated depreciation and write-downs previous years	-416	-359	-269	-161	-130
Ordinary depreciation for the year	-64	-57	-55	-49	-31
Write-downs [2]	0	0	-35	-60	0
Accumulated depreciation and write-downs 31.12.	-480	-416	-359	-269	-161
Book value 31.12.	321	303	293	306	303
Depreciation period	3 to 10 years	3 to 10 years	3 to 10 years	3 to 10 years	3 to 8 years

[1] KLP's intangible assets comprise purchased or in-house developed software.

[2] At the end of 2013 no IT systems were identified with a book value in excess of the estimated sum recoverable.

Note 19 Technical matters

Insurance liabilities distributed by sector

NOK million	Group pension - public sector	Group life	31.12. 2013	31.12. 2012	Change 2013	Change 2012
Premium reserve	279 837	3	279 840	250 029	29 811	26 865
Supplementary reserves	12 495		12 495	12 375	120	56
Securities adjustment fund	10 412		10 412	9 288	1 124	4 330
Premium fund	9 153		9 153	3 948	5 205	1 103
Claims reserves	164	55	219	212	7	49
Buffer reserves	7		7	7	0	0
Total insurance liabilities	312 069	58	312 127	275 860	36 267	32 403

Changes in life insurance technical liabilities

NOK million	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium fund	Buffer reserves	Claims reserves	Total 2013	Total 2012
Insurance liabilities 01.01	250 029	12 375	9 288	3 948	7	212	275 860	243 456
Net reserves taken to profit/loss	29 811	-8	1 124	102	0	7	31 036	31 296
Surplus on returns result				5 858			5 858	2 122
Risk result assigned to insurance contracts				33			33	38
Other assignment of surplus				0			0	206
Total changes taken to profit/loss	29 811	-8	1 124	5 993	0	7	36 927	33 663
Transfers between funds/allocated to premium payment		0		-788			-788	-1 408
Receipts/payments on transfer		128		0			128	149
Total changes not taken to profit/loss	0	128	0	-788	0	0	-660	-1 259
Total changes in insurance liabilities	29 811	120	1 124	5 205	0	7	36 267	32 403
Insurance liabilities 31.12	279 840	12 495	10 412	9 153	7	219	312 127	275 860

Group pension, public sector, with annual return guarantee and group life

NOK million	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium fund	Buffer reserves	Claims reserves	Total 2013	Total 2012
Insurance liabilities 01.01	248 608	12 293	9 288	3 911	0	212	274 311	242 062
Net reserves taken to profit/loss	29 631	-8	1 124	101		7	30 855	31 151
Surplus on returns result				5 776			5 776	2 118
Risk result assigned to insurance contracts				33			33	38
Other assignment of surplus				0			0	205
Total changes taken to profit/loss	29 631	-8	1 124	5 909	0	7	36 663	33 512
Transferred to obligations with multi-year returns guarantee	0	0		0			0	0
Transfers between funds/allocated to premium payment				-789			-789	-1 410
Receipts/payments on transfer		128					128	149
Total changes not taken to profit/loss	0	128	0	-789	0	0	-661	-1 261
Total changes in insurance liabilities	29 631	120	1 124	5 120	0	7	36 002	32 251
Insurance liabilities 31.12	278 239	12 412	10 412	9 031	0	219	310 313	274 311

Group pension, public sector, with multi-year return guarantee

NOK million	Premium reserve	Supple-mentary reserves	Premium fund	Buffer reserves	Total 2013	Total 2012
Insurance liabilities 01.01	1 421	83	37	7	1 548	1 394
Net reserves taken to profit/loss	180		1		181	146
Surplus on returns result			83		83	4
Risk result assigned to insurance contracts			0		0	0
Other assignment of surplus			0		0	1
Total changes taken to profit/loss	180	0	84	0	264	151
Transferred from obligations with annual returns guarantee	0	0			0	0
Transfers between funds/allocated to premium payment		0	1		1	2
Receipts/payments on transfer					0	0
Total changes not taken to profit/loss	0	0	1	0	1	2
Total changes in insurance liabilities	180	0	85	0	265	152
Insurance liabilities 31.12	1 601	83	122	7	1 813	1 548

Life insurance income statement
Technical accounts

NOK million	Group pension - public sector 2013	2012	Group life 2013	2012	Total 2013	2012
Premium income	30 725	28 891	135	134	30 860	29 025
Net income common portfolio	18 769	16 407	5	4	18 775	16 412
Net income investment option portfolio	138	105			138	105
Other insurance-related income	682	651			682	651
Life insurance claims	-11 766	-10 752	-120	-130	-11 886	-10 882
Change insurance liabilities - contractual	-30 853	-31 101	4	-1	-30 848	-31 101
Change insurance liabilities - investment option	-181	-146			-181	-146
Funds assigned to insurance contracts	-5 884	-2 366			-5 884	-2 366
Insurance-related operating expenses	-803	-796	-5	-5	-807	-801
Other insurance-related costs	-656	-647			-656	-647
Technical result	172	247	19	3	191	250

Results analysis

	Group pension - public sector							
	Def. benefit pension w/ann. return guarantee		Def. benefit pension w/ multi-ann. return guarantee		Group life		Total	
NOK million	2013	2012	2013	2012	2013	2012	2013	2012
Net financial income (incl. items from other income and costs)	18 769	16 407	138	105	5	4	18 912	16 517
Change securities adjustment fund	26	4					26	4
Share of securities adjustment fund paid out on transfer	-1 124	-4 330					-1 124	-4 330
Guaranteed interest assigned to contracts	-3	0					-3	0
Returns result	-7 875	-7 092	-46	-42	-5	-4	-7 926	-7 138
Returns result	9 794	4 989	91	63	0	0	9 885	5 052
To / from supplementary and buffer reserves	0	0	0	0			0	0
Returns result after supplementary provisions	9 794	4 989	91	63	0	0	9 885	5 052
Risk result	215	257	1	1	18	-1	235	258
Administration premiums; contribution from administration reserve	952	889	6	6	6	8	963	903
Insurance-related operating expenses	-798	-791	-5	-5	-5	-5	-807	-801
Administration result	154	98	1	1	1	4	156	102
Consideration for interest guarantee	335	290	2	1			336	292
Total result elements before allocation to customers	10 498	5 634	95	67	19	3	10 612	5 704
Returns result & risk result alloc. to strengthening reserves	-4 135	-3 030	-10	-60			-4 145	-3 090
Returns result & risk result alloc. to premium fund	-5 808	-2 160	-83	0			-5 891	-2 160
Return on owners' equity contr. assigned prem. fund	0	-205	0	-1			0	-206
Allocation from risk equalization fund to strengthening reserves	-385	0	0	0			-385	0
Technical result	170	240	2	6	19	3	191	250
Non-technical result							759	523
Other income components							-102	296
Result to corporate equity							847	1 068

Transfer and new subscription **Group pension - Public sector**

NOK million	2013	2012
Funds transferred in		
Premium reserve	5 599	1 549
Strengthening reserves	333	0
Supplementary reserves	0	0
Funds received taken through profit or loss	5 932	1 549
Premium fund	0	84
Total funds received	5 932	1 632
Number of contracts	20	9
Funds transferred out		
Premium reserve	163	140
Strengthening reserves	4	0
Supplementary reserves	8	7
Valuation reserves	3	0
Funds paid out taken through profit or loss	178	148
Premium fund	0	1
Total funds paid out	178	148
Number of contracts	9	15

New business

NOK million	Premium volume 2013	2012
Group pension - public sector	27	28
Group life	9	14
	Number of contracts	
Group pension - public sector	24	58
Group life	107	249

Note 20 Hedge accounting

31.12.2013 NOK million	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	65	-919
Hedging instrument			
Combined interest rate and currency swap (CIRCUS)	984	0	-65
Hedging effectiveness as at 31.12.2013		100 %	
Hedging effectiveness through the year		100 %	

31.12.2012 NOK million	Nominal value	Changed value in hedged risk	Book value
Hedged object			
Hybrid Tier 1 securities	-984	10	974
Hedging instrument			
Combined interest rate and currency swap (CIRCUS)	984	0	-10
Hedging effectiveness as at 31.12.2012		100 %	
Hedging effectiveness through the year		100 %	

The hybrid Tier 1 securities loan is hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is recognized in accordance with the rules on fair value hedging. This means 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 decided is carried out as described below. In practice the hedging involves a swap of currency terms (JPY 15 b against NOK 0.984 b) and interest terms (fixed interest at 5.07% against NIBOR + 2.65%) 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 recognized 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 is approximately 100 per cent negatively correlated to the hybrid Tier 1 securities, the profit/loss effect will be approximately nil. See also Note 2 for a detailed description of the hedge accounting in the accounts.

Note 21 Subordinated loan capital and hybrid Tier 1 securities

2013 NOK million	Loan amount currency	Loan amount NOK	Book value 31.12.2013	Due date
Borrowings [1]				
October 1997	JPY 9 500	554	552	Perpetual
April 2006	EUR 300	2 372	2 599	Perpetual
Total subordinated loan capital		2 926	3 151	
April 2004	JPY 15 000	984	919	Perpetual
Total hybrid Tier 1 securities		984	919	
Total subordinated loan capital and hybrid Tier 1 securities		3 911	4 070	

2012 NOK million	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	

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 UnitedUtilities respectively. This balancing 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 accounting hedging 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 (CIRCUS) 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 20.

2013 NOK million	Nominal currency	Acquisition cost NOK	Earned not due interest	Unrealized currency	Book value 31.12.2013	Due date
Bonds	JPY 9 500	635	1	-87	550	2017
Bonds	EUR 304	2 411	42	136	2 589	2015/2016
Total hedging transactions		3 046	44	49	3 139	

2012 NOK million	Nominal currency	Acquisition cost NOK	Earned not due 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		3 046	39	-195	2 889	

[1] Interest costs on the two subordinated loans were 156 million (143 million) and 45 million (42 million) for the hybrid Tier 1 securities in 2013. Figures in brackets are 2012 figures.
[2] Changed composition of bonds through 2012.

Note 22 Capital control and capital adequacy

NOK million	31.12.2013	31.12.2012
Owners' equity contributed	7 659	6 891
Retained earnings	7 429	6 499
Total owners' equity	15 089	13 390
Hybrid Tier 1 securities	866	965
Intangible assets	-321	-303
Risk equalization fund	-170	-490
Unrealized price changes in the corporate portfolio	-65	-61
Deductions for investments in other financial institutions	0	-3
Retained earnings	-280	-217
Surplus fund	0	-3
Core capital	15 118	13 277
Perpetual subordinated loan capital	2 920	2 813
Deduction own funds (Tier 1 and Tier 2 capital) in other financial institutions	0	-3
Supplementary capital	2 920	2 809
Basic own funds (Net Tier 1 and 2 capital)	18 038	16 087

Assets and off-financial position statement items by risk weighting [1]

NOK million	Non-weighted sums		Weighted sums	Non-weighted sums		Weighted sums
Fixed-income securities	51 253	0 %	0	48 626	0 %	0
Covered bonds	24 266	10 %	2 427	19 759	10 %	1 976
Fixed-income securities, lending, bank deposits and fixed-income funds	84 453	20 %	16 891	76 562	20 %	15 312
Housing mortgage lending	5 614	35 %	1 965	8 805	35 %	3 082
Fixed-income funds	31 304	50 %	15 652	25 606	50 %	12 803
Shares, equity funds and fixed-income securities	136 236	100 %	136 236	114 005	100 %	114 005
Private equity	5 055	150 %	7 582	4 654	150 %	6 980
Total weighted assets in the financial position statement			180 752			154 158
Derivatives and contingent liabilities	70 464		4 171	56 401		2 928
Deduction own funds (Tier 1 and Tier 2 capital) in other financial institutions			0			-6
Deduction unrealized gains on financial investments			-10 506			-5 885
Risk-weighted calculation base			174 416			151 195
Capital adequacy ratio			10.3 %			10.6 %
Core capital adequacy			8.7 %			8.8 %

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.

KLP's financial goal is to achieve a competitive and stable return, at the same time as solvency satisfies external and internal requirements.
Besides fundamental 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.

Note 22 Capital control and capital adequacy (continued)

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 own funds (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 of N to use a different exchange-rate.The hybrid Tier 1 securities loan is also subject to the lower value principle.

The deduction of own funds (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 own funds.

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 23 Solvency margin

NOK million	2013	2012	2011	2010	2009
Solvency margin requirement	10 649	9 641	8 718	8 172	7 580
Own funds (Tier 1 and 2 capital)	18 038	16 087	14 857	13 632	12 606
Proportion of risk equalization fund [1]	85	245	215	132	117
50 per cent of supplementary reserves	6 248	6 146	6 160	5 081	4 076
Total solvency capital	24 371	22 478	21 232	18 845	16 798
Solvency margin ratio	228.8 %	233.2 %	243.5 %	230.6 %	221.6 %

The solvency margin requirements is calculated i.a.w. regulations of 19 May 1995 No. 481 calculation of solvency margin requirements and solvency margin capital for Norwegian life insurance companies Chapter 2.

Note 24 Return on capital

Customer portfolios

Per cent	2013	2012	2011	2010	2009
Total of common portfolio					
Return I	6.4	5.0	4.5	5.1	6.4
Return II	6.7	6.7	3.2	7.5	7.7
Return III	6.4	7.5	3.9	7.4	7.6
Total - investment option portfolio	8.8	7.5	2.2	8.6	9.2

Return I = Book return

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

Return III = Value-adjusted returns including value changes on assets are recognized at amortized 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:

	2013		2012		2011		2010		2009	
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	6.0	6.3	5.0	6.7	4.5	3.2	5.1	7.5	6.1	7.4
Balanced portfolio 2	7.3	7.5	5.0	6.7	4.5	3.3	5.1	7.5	7.0	8.2
Moderate portfolio	5.2	5.4	Not applicable		Not applicable		Not applicable		Not applicable	
Proactive portfolio	Not applicable		Not applicable		Not applicable		5.4	7.9	6.8	8.0

Corporate portfolio

Per cent	2013	2012	2011	2010	2009
Return on financial investments in the corporate portfolio	5.7	4.5	4.2	5.2	6.7

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 25 Sales costs

NOK million	2013	2012
Personnel costs	63.8	62.4
Commission	0.3	0.2
Other costs	44.2	40.0
Total sales costs	108.3	102.6

Note 26 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 Notes 2 and 3.

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Pension costs						
Present value of accumulation for the year	48.9	4.6	53.5	60.2	5.4	65.6
Administration cost	1.3	0.0	1.3	1.2	0.0	1.2
Social security contributions - Pension costs	7.1	0.6	7.7	8.7	0.8	9.4
Pension costs incl. social security and administration costs through profit/loss	57.3	5.2	62.5	70.1	6.2	76.2
Net financial costs						
Interest cost	28.8	3.3	32.1	22.4	2.6	25.0
Interest income	-19.9	0.0	-19.9	-11.9	-0.2	-12.1
Management costs	1.0	0.0	1.0	0.9	0.0	0.9
Net interest cost	9.9	3.3	13.2	11.4	2.4	13.9
Social security contributions - Net interest cost	1.4	0.5	1.9	1.6	0.3	2.0
Net interest cost including social security contributions	11.3	3.8	15.1	13.0	2.8	15.8
Estimate deviation pensions						
Actuarial gains (losses)	57.5	11.5	69.1	-189.1	-11.7	-200.9
Social security contributions	8.1	1.6	9.7	-26.7	-1.7	-28.3
Actuarial gains (losses) including social security contributions	65.7	13.1	78.8	-215.8	-13.4	-229.2
Total pension costs including interest costs and estimate deviation	134.3	22.2	156.4	-132.7	-4.4	-137.1

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Pension obligations						
Gross accrued pension obligations	843.5	97.8	941.3	696.2	83.0	779.2
Pension assets	568.3	0.0	568.3	496.1	0.0	496.1
Net liability before social security costs	275.2	97.8	372.9	200.1	83.0	283.1
Social security contributions	38.8	13.8	52.6	28.2	11.7	39.9
Gross accrued obligations incl. social security costs	882.3	111.5	993.8	724.4	94.7	819.1
Net liability incl. social security costs	314.0	111.5	425.5	228.3	94.7	323.0

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Reconciliation pension obligation						
Capitalized net liability/(asset) 31.12 last year	228.3	94.7	323.0	281.9	79.7	361.6
Zeroing of corridor 01.01	0.0	0.0	0.0	122.0	20.9	142.8
Zeroing of corridor social security contribution 01.01	0.0	0.0	0.0	17.2	2.9	20.1
Capitalized net liability/(asset) 01.01 last year	228.3	94.7	323.0	421.1	103.5	524.6
Pension costs taken to profit/loss	57.3	5.2	62.5	70.1	6.2	76.2
Financial costs taken to profit/loss	11.3	3.8	15.1	13.0	2.8	15.8
Actuarial gains and losses incl. social security contributions	65.7	13.1	78.8	-215.8	-13.4	-229.2
Social security contributions paid in premiums/supplement	-6.0	-0.7	-6.7	-7.4	-0.5	-8.0
Premium/supplement paid-in including admin	-42.6	-4.6	-47.3	-52.7	-3.9	-56.5
Capitalized net liability/(asset) 31.12 this year	314.0	111.5	425.5	228.3	94.7	323.0

Dissolving of corridor

The revised accounting standard IAS 19 came into effect for the reporting year starting 1 January 2013. The Group applied the revised standard from 1 January 2013 but the implementation has been undertaken with retrospective effect from 1 January 2012 for comparison purposes. The 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 actuarial gains and losses are recognized in other income and expenses in the other comprehensive income statement and are not included in the ordinary income for the period. The corridor method in which actuarial gains and losses beyond a certain level are distributed over the remaining accumulation period is no longer allowed.

As at 1 January 2012 the corridor showed an actuarial loss of NOK 163 million including social security contributions. Zeroing of corridor is seen in the table above.

Number	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Membership status						
Number active	485	36	521	476	37	878
Number deferred (previous employees with deferred entitlements)	335	22	357	317	21	538
Number of pensioners	124	29	153	118	28	146

Note 26 Pensions obligations, own employees (continued)

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Change in pension obligations						
Gross pension assets 1 January before plan change	724.4	94.7	819.1	859.5	110.5	970.0
Gross pension liabilities after plan change	724.4	94.7	819.1	859.5	110.5	970.0
Present value of accumulation for the year	48.9	4.6	53.5	60.2	5.4	65.6
Interest cost	28.8	3.3	32.1	22.4	2.6	25.0
Actuarial losses (gains) gross pension liability	91.7	13.1	104.8	-207.6	-20.6	-228.1
Social security contributions - pension costs	7.1	0.6	7.7	8.7	0.8	9.4
Social security contributions - net interest cost	1.4	0.5	1.9	1.6	0.3	2.0
Social security contributions paid in premiums/supplement	-6.0	-0.7	-6.7	-7.4	-0.5	-8.0
Payments	-14.0	-4.6	-18.6	-12.9	-3.9	-16.8
Gross pension liability 31.12.	882.3	111.5	993.8	724.4	94.7	819.1

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Change in pension assets						
Pension assets 01.01	496.1	0.0	496.1	438.4	7.0	445.4
Interest income	19.9	0.0	19.9	11.9	0.2	12.1
Actuarial (loss) gain on pension assets	26.0	0.0	26.0	8.2	-7.2	1.1
Administration cost	-1.3	0.0	-1.3	-1.2	0.0	-1.2
Financing cost	-1.0	0.0	-1.0	-0.9	0.0	-0.9
Premium/supplement paid-in including admin	42.6	4.6	47.3	52.7	3.9	56.5
Payments	-14.0	-4.6	-18.6	-12.9	-3.9	-16.8
Pension assets 31.12	568.3	0.0	568.3	496.1	0.0	496.1

NOK million	Joint scheme	Via operation	2013	Joint scheme	Via operation	2012
Pension scheme's over-/under-funding						
Present value of the defined benefits pension obligation	882.3	111.5	993.8	724.4	94.7	819.1
Fair value of the pension assets	568.3	0.0	568.3	496.1	0.0	496.1
Net pension liability	314.0	111.5	425.5	228.3	94.7	323.0

NOK million	2013	2012
Financial assumptions (common to all pension schemes)		
Discount rate	4.00 %	3.90 %
Salary growth	3.75 %	3.50 %
The National Insurance basic amount (G)	3.50 %	3.25 %
Pension increases	2.72 %	2.48 %
Social security contribution rates	14.10 %	14.10 %

Actuarial assumptions
KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"):
An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme.

New mortality assumptions
New mortality assumptions have been used in measuring accrued obligation (best estimate) as at 31 December 2013. KLP has used the new K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations. Seen in isolation the new assumptions produce an increase in the obligation of just under 10%.

Take-up of contractual early retirement (AFP) for 2013 (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 2013 (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 %

Pensions via operations
Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for Fellesordningen.

Note 26 Pensions obligations, own employees (continued)

Per cent	2013	2012
Composition of the pension assets:		
Property	12.3 %	11.5 %
Lending	10.9 %	11.0 %
Shares	16.9 %	16.2 %
Long-term/HTM bonds	28.8 %	30.6 %
Short-term bonds	20.9 %	22.2 %
Liquidity/money market	10.1 %	8.5 %
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 2013 and 6.7 per cent in 2012.

Expected payment into benefits plans after cessation of employment for the period 1 January 2014 – 31 December 2014 is NOK 72 million.

Sensitivity analysis as at 31 December 2013

The discounting interest rate is reduced by 0.5%	Increase
Gross pension obligation	10.8 %
Accumulation for the year	14.8 %

Salary growth increases by 0.25%	Increase
Gross pension obligation	1.3 %
Accumulation for the year	3.2 %

Mortality is strengthened by 10%	Increase
Gross pension obligation	2.5 %
Accumulation for the year	1.9 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial position statement.

The duration in the Joint scheme is estimated at 16.2

Note 27 Tax

NOK million	2013	2012
Book profit/loss before taxes	950	772
Other comprehensive income	-102	296
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	4 045	5 357
Reversal of value increase financial assets	-10 007	-8 386
Zeroing of corridor, IB effect 01.01.12		-163
Book loss on realization of shares and other securities	0	0
Book gain on realization of shares and other securities	-4 365	-2 293
Tax gain on realization of shares and other securities	5 017	2 491
Share of taxable income in partnerships	0	74
Share of accounting income in partnerships	0	-59
Other permanent differences	94	92
Change in differences affecting relationship between book and taxable income	399	316
Taxable income	-3 971	-1 504
Group contribution received with tax effect	2 681	2 964
Surplus/deficit for the year is transferred to carryforward deficit	-1 290	1 460
Deficit carryforward allowable from previous years	-14 544	-16 003
Change for the year in carryforward deficit	-1 290	1 460
Total carryforward deficit and allowance as at 31.12	-15 834	-14 543
Reconciliation of basis for deferred tax		
Tax-increasing temporary differences:		
Fixed assets	26	36
Securities	16 133	12 860
Total tax-increasing temporary differences	16 159	12 896
Tax-reducing temporary differences:		
Long-term receivables	-160	-131
Gains and losses account	0	0
Pension obligations	-425	-386
Unused allowance share dividend	0	-93
Total tax-reducing temporary differences	-586	-610
Net temporary differences	15 573	12 286
Carryforward deficit	-15 834	-14 543
Basis for deferred tax assets	-261	-2 257
27% deferred tax assets in 2013	-70	
28% deferred tax assets in 2012		-632
Write-down of deferred tax assets	70	632
Capitalized deferred tax assets	0	0
Change in deferred tax taken to profit/loss	0	0
Summary of tax expense for the year		
Change in deferred tax taken to profit/loss	0	0
Tax payable taken to profit/loss	0	0
Total taxes	0	0
Reconciliation of cost of taxes against ordinary profit before tax		
Book profit/loss before taxes	847	1 068
Expected tax rate in accordance with nominal rate (28 %)	-237	-299
Tax effect of:		
Realized/unrealized shares and other securities	1 487	793
Other permanent differences	-26	-30
Write-down of deferred tax assets	-1 223	-464
Cost of taxes	0	0
Effective tax rate	0 %	0 %
Wealth tax		
Taxable value assets	292 305	273 695
Taxable value liabilities	-322 361	-285 757
Net taxable wealth	-30 056	-12 063
Calculation basis of wealth tax	0	0

Note 28 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.

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 members of the senior employees group are pensionable at the age of 65, but may choose to change this to aged 70. Pension costs for the year include accumulation for the year and interest costs less expected returns and plan change.

The Group CEO has severance pay corresponding to one year's salary including supplementary benefits in the event of termination of employment. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for members of its 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. For loans having an interest rate of 2.70, obligatory debt insurance (life and disability cover) is paid in addition, corresponding to 0.76 per cent. For loans having an interest rate of 2.95, obligatory debt insurance (life cover) is paid in addition, corresponding to 0.21 per cent.Loans to external members of the Board of Directors, the Control Committee and the Supervisory Board are only made on ordinary 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 contributions.

Paid from the Company

2013 NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2013	Payments plan[1]
Senior employees						
Sverre Thornes, Group CEO	3 433	162	1 055	7 410	2.70-3.80	A2041
Ole Jacob Frich	1 419	150	370	8 330	3.15-4.10	A2043
Marianne Sevaldsen	2 154	135	741	-	-	-
Aage E. Schaanning	3 072	149	915	2 650	2.70-2.95	A2031
Rune Mæland	1 526	134	299	1 583	2.70	A2034
Toril B. Ressem	1 649	151	568	5 459	2.95-3.80	S/A2039
Mette-Jorunn Meisland	1 275	146	381	6 041	2.95-3.65	A2038
Board of Directors						
Arne Øren, Chair	283	-	-	-	-	-
Finn Jebsen [2]	99	-	-	-	-	-
Herlof Nilssen	161	-	-	438	3.75	A2025
Anita Krohn Traaseth	82	-	-	-	-	-
Jan Helge Gulbrandsen	161	-	-	-	-	-
Marit Torgersen	161	-	-	-	-	-
Liv Kari Eskeland	161	-	-	-	-	-
Siv Holland, elected by and from the employees [2]	79	-	-	-	-	-
Susanne Tor-Hansen, elected by and from the employees	82	-	-	-	-	-
Freddy Larsen, elected by and from the employees	161					
Control Committee						
Ole Hetland, Chair	73	-	-	-	-	-
Jan Rune Fagermoen [2]	30	-	-	-	-	-
Bengt P. Johansen	60	-	-	-	-	-
Mathilde Irene Skiri	31	-	-	-	-	-
Dordi E. Flormælen	60	-	-	-	-	-
Thorvald Hillestad	53	-	-	-	-	-
Supervisory Board						
Total Supervisory Board, incl. staff representatives	410	-	-	25 155	-	-
Employees						
Total loans to employees of KLP	-	-	-	485 759	-	-

Note 28 Salary and obligations towards senior management (continued)

Paid from another company in the same Group

2013 NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan
Senior employees				
Sverre Thornes, Group CEO	-	-	-	-
Ole Jacob Frich	-	-	-	-
Marianne Sevaldsen	-	-	-	4 470
Aage E. Schaanning	-	-	-	1 072
Rune Mæland	-	-	-	567
Toril B. Ressem	-	-	-	1 915
Mette-Jorunn Meisland	-	-	-	-
Board of Directors				
Arne Øren, Chair	-	-	-	-
Finn Jebsen [2]	-	-	-	-
Herlof Nilssen	-	-	-	-
Anita Krohn Traaseth	-	-	-	-
Jan Helge Gulbrandsen	-	-	-	-
Marit Torgersen				
Liv Kari Eskeland				
Siv Holland, elected by and from the employees [2]				
Susanne Tor-Hansen, elected by and from the employees	-	-	-	-
Freddy Larsen, elected by and from the employees	-	-	-	-
Control Committee				
Ole Hetland, Chair	20	-	-	-
Jan Rune Fagermoen [2]	8	-	-	-
Bengt P. Johansen	17	-	-	-
Mathilde Irene Skiri	9	-	-	-
Dordi E. Flormælen	17	-	-	-
Thorvald Hillestad	14	-	-	-
Supervisory Board				
Total Supervisory Board, incl. staff representatives	49	-	-	-
Employees				
Total loans to employees of KLP	-	-	-	257 200

Note 28 Salary and obligations towards senior management (continued)

Paid from the Company

2012 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	1 380	124	456	7 053	3.15-3.90	A2041
Aage E. Schaanning [3]	3 180	125	1 094	4 017	2.70-3.60	A and S2032
Rune Mæland	1 463	136	365	1 638	2.70	A2035
Toril B. Ressem	1 548	146	697	7 688	2.95-3.60	A and S2033
Mette-Jorunn Meisland	1 203	120	487	5 999	2.95-3.45	A2038
Board of Directors						
Arne Øren, Chair	297	-	-	-	-	-
Finn Jebsen	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	58	-	-	-	-	-
Bengt P. Johansen	58	-	-	-	-	-
Line Alfarustad	29	-	-	-	-	-
Dordi E. Flormælen	58	-	-	-	-	-
Thorvald Hillestad	44	-	-	-	-	-
Supervisory Board						
Total Supervisory Board, incl. staff representatives	550	-	-	36 012	-	-
Employees						
Total loans to employees of KLP	-	-	-	474 162	-	-

[1] S=Serial loan, A= Annuity loan, last payment.
[2] The individual has stepped down from the appointment during the year.
[3] The amount stated as "Salary, fees, etc." includes a discrete payment of NOK 228,000.

Note 28 Salary and obligations towards senior management (continued)

Paid from another company in the same Group

2012 NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan
Senior employees				
Sverre Thornes, Group CEO	-	-	-	-
Ole Jacob Frich	-	-	-	-
Aage E. Schaanning [3]	-	-	-	-
Rune Mæland	-	-	-	-
Toril B. Ressem	-	-	-	-
Mette-Jorunn Meisland	-	-	-	-
Board of Directors				
Arne Øren, Chair	-	-	-	-
Finn Jebsen	-	-	-	-
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	16	-	-	-
Bengt P. Johansen	16	-	-	-
Line Alfarustad	8	-	-	-
Dordi E. Flormælen	16	-	-	-
Thorvald Hillestad	12	-	-	-
Supervisory Board				
Total Supervisory Board, incl. staff representatives	-	-	-	4 573
Employees				
Total loans to employees of KLP	-	-	-	42 942

[1] S=Serial loan, A= Annuity loan, last payment.

Note 29 Number of employees

	2013	2012
Number of permanent employees 31.12.	502	477
Average number of employees	490	469

Note 30 Auditor's fee

NOK million	2013	2012
Ordinary audit	2.2	2.2
Certification services	0.0	0.0
Tax consultancy	0.0	0.0
Other services excluding audit	0.3	0.1
Total Auditor's fee	2.5	2.3

The sums above include VAT.

Note 31 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.

NOK million	2013	2012
Income statement items		
Purchase of asset management services from KLP Kapitalforvaltning AS	-83	-91
Purchase of asset management services from KLP Banken AS	-58	-79
Lease of office premises from KLP Huset AS	-46	-46
Sale of pension insurance/group life to subsidiaries	72	85
Interest income from loans to subsidiaries	0	44
Net repayment administrative services	212	187
Total	97	100

NOK million	31.12.2013	31.12.2012
Financial position statement items [1]		
Net intra-Group receivables to:		
KLP Skadeforsikring AS	51	7
KLP Bedriftspensjon AS	3	4
KLP Forsikringsservice AS	0	1
KLP Kapitalforvaltning AS	11	-2
KLP Fondsforvaltning AS	1	7
KLP Eiendom AS [1]	2 591	1 819
KLP Banken AS	50	8
Total	2 709	1 846

[1] All accounts between companies in the same Group are settled on a current basis.

Note 32 Other liabilities

NOK million	2013	2012
Accounts payable	10	10
Liabilities to insurance customers	0	0
VAT and tax deductions due	266	236
Intra-Group receivables Group companies	0	-17
Non-settled securities trade	3 960	3 644
Total other liabilities	4 235	3 874

Note 33 Other insurance-related income and expenses

NOK million	2013	2012
Other income		
Contribution service pension/AFP	651	642
Miscellaneous interest income	31	10
Total other income	682	651
Other expenses		
Payments service pension/AFP	651	642
Other interest costs	5	6
Total other expenses	656	647

Note 34 Contingent liabilities

NOK million	31.12.2013	31.12.2012
Guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	4 610	3 250
Approved, not paid out KLP loan pledge	3 474	1 159
Total items not included in the statement of financial position	8 086	4 410

Dialog

Anders Eidsnes

To the Annual Shareholders' Meeting of Kommunal Landspensjonskasse Gjensidig Forsikringselskap

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Kommunal Landspensjonskasse Gjensidig Forsikringselskap, 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 2013, 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 2013, 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 2013, 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 2013, 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 and the statement on Corporate Social Responsibility

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 and in the statement on Corporate Social Responsibility concerning the financial statements, 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, 21 March 2014
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

ACTUARY'S STATEMENT – KOMMUNAL LANDSPENSJONSKASSE

With reference to the financial statements presented for 2013 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 proposed allocations to the premium fund are in accordance with the Norwegian Act on Insurance Activity.

In the Joint Pension Scheme for Municipalities and Enterprises, the Joint Pension Scheme for County Administrations, the Joint Pension Scheme for State Health Enterprises and the Pension Scheme for Publicly Elected Representatives, the premium reserve as at 31 December 2013 is formally provisioned in accordance with the technical calculation base K2005 with contingency margins in accordance with the minimum requirements of the Financial Supervisory Authority of Norway (FSA of N). In addition assets have been set aside for the increase in reserves to cover the entire difference up to the level for the new mortality table for collective pension insurance (K2013), which came into effect formally from 1 January 2014.

In addition, in the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors, formal provision has been made for premium reserves in accordance with the same tariff as previously. This is stronger than the FSA of N's minimum requirements. A new tariff has been introduced for these schemes as well and it is somewhat stronger than K2013. In these schemes the premium reserves have also been fully financed in accordance with the new tariff as at 31 December 2013.

From 1 January 2014, K2013, i.e. the formulae and associated parameters explicitly communicated in the FSA of N's letter to all life insurance companies and pension schemes dated 8 March 2013, is used for all schemes with exception of the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors: K2013 involves a margin in opening mortality of 12 per cent.

Because of the greater longevity of the insured in the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors, the same formulae and the same parameters are used otherwise, but with a margin in opening mortality of 17 per cent.

The marital status elements in the premium tariff were also changed from 1 January 2014, as mentioned in the FSA of N's above-mentioned letter of 8 March 2013.

Simultaneous to the implementation of K2013, longevity adjustment of the retirement pension benefits is being implemented in accordance with statute and collective agreement, which, seen in isolation, contributes to lower reserves requirements.

For disability the applicable calculation base has been in use since 2010. There are special tariffs for disability as well as for the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors.

Oslo, 21 March 2014

Roar Engen
Chief Actuary

To the Supervisory Board and the General Meeting of
Kommunal Landspensjonskasse gjensidig forsikringsselskap

THE CONTROL COMMITTEE'S STATEMENT FOR 2013

In accordance with Section 9 of the Instructions, the Control Committee has reviewed the Board of Directors' Draft annual report and financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap: the Company and the Group. The financial statements comprise the income statement, the financial position statement, the statement of changes in equity, the statement of cash flows, and the notes. In addition the actuary's statement and the auditor's report have been submitted and reviewed.

The Control Committee recommends that the Supervisory Board and the General Meeting adopt the Company's and the Group's annual report and financial statements for 2013 in accordance with the Board's recommendation.

Oslo (Norway), 4 April 2014

Ole Hetland
(chair)

Bengt P. Johansen
(deputy chair)

Dordi Flormælen

Irene Skiri

Evy-Anni Evensen

To the General Meeting of
Kommunale landspensjonskasse

The Supervisory Board of Kommunal Landspensjonskasse has reviewed the Board of Directors' Draft annual report and financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap: the Company and the Group. The financial statements comprise the income statement, the financial position statement, the statement of changes in equity capital, the statement of cash flows, the notes, the actuary's statement, the auditor's report, and the Control Committee's statement.

The Supervisory Board recommends that the General Meeting establish the Company's and the Group's financial statements and directors' reports for 2013 in accordance with the Board of Directors'recommendation.

Oslo, 10 April 2014

Nils A. Røhne
Vice chair of the Supervisory Board

Boards of Directors in KLP

KLP Boards of Directors

Arne Øren (Chair)
Liv Kari Eskeland, Marit Torgersen, Anita Krohn Traaseth, Jan Helge Gulbrandsen, Herlof Nilssen, Freddy Larsen (employees' representative), Susanne Torp-Hansen (employees' representative), Egil Johansen (attending deputy), Erik Kollerud (observer), Ingjerd Hovdenakk (observer)

Boards of Directors of subsidiaries

KLP BEDRIFTSPENSJON AS

Marianne Sevaldsen (Chair)
Alexander Berg Larsen, Stig Even Jacobsen, Cathrine Hellandsvik, Alexander Vistnes, Harald Ramon Hagen (employees' representative)
Managing Director: Torun Wahl

KLP EIENDOM AS

Sverre Thornes (Chair)
Aage E. Schaanning, Ida Louise Skaurum Mo, Svein Sivertsen, Per Victor Nordan (attending deputy), Ingrid Dahl Hovland, Jan Vidar Løvsland (employees' representative), Ruth Hege Havdal (deputy employees' representative)
Managing Director: Gunnar Gjørtz

KLP KAPITALFORVALTNING AS

Sverre Thornes (Chair)
Torun Wahl, Elizabeth Lee Marinelli, Jørn Gunnar Kleven, Benedicte Bakke Agerup, Per Rustad Ørvik (employees' representative), Anette Hjertø (employees' representative), Marie E.M. Andersen (deputy employees' representative), Erik Syrstad (deputy employees' representative).
Managing Director: Håvard Gulbrandsen

KLP FONDSFORVALTNING AS

Håvard Gulbrandsen (Chair)
Cathrine Hellandsvik, Elin Evjen, Hilde Seem, Hans Jørgen Gade (elected by unit holders), Kjetil Houg (elected by unit holders), Per Christian Standerholen (deputy), Anne Kristine Garpestad (deputy), Ingvild Dingstad (deputy, elected by unit holders).
Managing Director: Ståle Øksnes

KLP FORSIKRINGSSERVICE AS

Sverre Thornes (Chair)
Roar Engen, Bjørn Eknes, Anne Käte Grøholt, Helge Rudi.
Managing Director: Roar Engen

KLP SKADEFORSIKRING AS

Sverre Thornes (Chair)
Inger Østensjø, Toril Bariusdotter Ressem, Reidun W. Ravem, Reidar Mæland, Bengt Kristian Hansen (employees' representative), Steinar Haukeland (deputy for Bengt Kristian Hansen), Lene Bjerkan (deputy).
Managing Director: Tore Tenold

KLP BANKHOLDING AS and KLP BANKEN AS:

Sverre Thornes (Chair)
Aage E. Schaanning, Jan Otto Langmoen, Mette-Jorunn Meisland, Eva Margrethe Salvesen, Christin Elisabeth Kleppe (employees' representative), Anita Irene Engenes (deputy employees' representative),
Managing Director: Leif Magne Andersen

KLP KOMMUNEKREDITT AS

Sverre Thornes (Chair)
Aage E. Schaanning (Deputy Chair), Eva Margrethe Salvesen, Toril Lahnstein
Managing Director: Arnulf Arnøy

KLP BOLIGKREDITT AS (formerly KLP BK Prosjekt AS)

Sverre Thornes (Chair)
Aage E. Schaanning (Deputy Chair)
Eva Margrethe Salvesen
Marit Barosen

KLP-HUSET AS

Eskil Rolstad, Chair
Hans Vidar Sund (board member)
Tina Kristine Korsrud (board member)

Elected representatives

KLPs Supervisory board 2012 - 2014 members Elected by the General meeting

Bente Krauss	Sykehuset i Vestfold HF
Erik Arne Hansen	Helse Nord RHF
Gerd Lisbeth Nauf	Sandefjord lufthavn Torp AS
Hanne Gaaserød	Helse Sør-Øst
Ingunn Foss	Lyngdal kommune
Kjell Fosse	Stjørdal kommune
Mette Qvortrup	Østfold Energi AS
Mildrid Søbstad	Vefsn kommune
Nils A Røhne	Stange kommune
Ole Haabeth	Østfold flykeskommune
Ole John Østenstad	Førde kommune
Per Karlsen	Helse Vest RHF
Siri Hovde	Aurskog-Høland kommune
Solfrid Borge	Ullensvang kommune
Sveinung Aune	Helse Midt-Norge RHF
Terje Olsen	Troms fylkeskommune
Tor Egil Bakken	Larvik kirkelige fellesråd
Torgeir Strøm	Sykehuset Innlandet HF
Torhild Bransdal	Vennesla kommune
Trond Lesjø	Gjøvik kommune
Unni Skaar	Sarpsborg kommune
Vibeke Stjern	Åfjord kommune

Deputy members:

Iselin Marstrander	Valnesfjord helsesportssenter
Trond Søreide	Helse Bergen HF
Oddmar Blekkerud	Nes kommune
Kerstin Thoresen	Nordlandssykehuset HF
Mari Botterud	Øyer kommune
Kari Ask	Sigdal kommune
Rune Hovde	Ørsta kommune
Bersvend Salbu	Tynset kommune
Heidi Magnussen	St. Olav Hospital HF
Dag Sandvik	ASVL
Anna Welle	Saltdal kommune
Inga Manndal	Gamvik kommune

Nominated by the employee organisations

Kjellfrid Blakstad	Fagforbundet
Stein Guldbrandsen	Fagforbundet
Geir Mosti	Fagforbundet
Erik Orskaug	UNIO
Lizzi Thorkildsen	Delta
Ole Jakob Knudsen	Naturviterne

Deputy members:

Svein Kristiansen	Fagforbundet
Anne Bondevik	Fagforbundet

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
Arne Henriksen	KLP Oslo
Eskil Kjeldsen	KLP Oslo

The Election committee

Nils A. Røhne
Ingunn Foss
Mette Qvortrup
Peder Olsen
Trond Lesjø (vara)

Supervisory board KLP Banken/KLP Bankholding 2014 members

Arne Sigurd Mossige	Stavanger kirkelige fellesråd
Arne Sandbu	Nord-Fron kommune
Arve Varden	Høyanger kommune
Berit Bore	Helse Vest RHF
Egon Bjune	Tønsberg Parkering AS
Eva Lian	KS
Hege Sørlie	Namsos kommune
Jan Davidsen	Fagforbundet
Rita Ottervik	Trondheim kommune
Lillian Nærem	Hurdal kommune
Heidi Nilsen	Helse Møre og Romsdal HF

Deputy members:

Solveig Abrahamsen	Seljord kommune
Anne Rudi,	Rollag kommune
Ørjan Sandvik,	Vestre Viken HF
Rune Andøy	Narvik Havn KF
Øystein Sivertsen,	KS Troms
Aud Norunn Strand	Modum kommune

Employee-elected representatives

Gordana Grøtjord Forberg
Grethe R. Nicolaisen
Terje Granvold
Oddvar Engelåstrø

Deputy members:

Ragnar Norstad
Monica Wiktorsdatter

Control committee

Ole Hetland (Chair)
Dordi Flormælen (Deputy Chair)
Irene Skiri
Bengt P. Johansen
Thorvald Hillestad
Evy Anni Evensen (deputy)