KLP

Annual Report 2017

KLP

KLP – Norway's largest pension company

Kommunal Landspensjonskasse (KLP) KLP is Norway's largest life insurance company with approximately 450.000 members, 280.000 pensioners and 215.000 members who have pension entitlements with KLP deriving from previous employment. We started out in 1949 as an partnership of small municipalities across the country. KLP are now Norway's largest pension company. We are an unusual finance company because our customers own us. All of our wealth creation benefits our customers. KLP's main job is to ensure that our owners' employees get the pension that they are entitled to.

KLP IS A PROFITABLE COMMUNITY

As KLP are owned by employers in the municipal and healthcare sector, all of our wealth creation falls to them. When KLP make a profit, we either use this to boost our financial strength, or we give it to our owners. In both cases, the result is that they have to pay less. We take as little as possible so they get as much as possible for schools and nursing homes or other priority tasks that our owners are responsible for. The way in which KLP runs its business therefore has a direct impact on how the owners discharge their social obligations.

BENEFITS FOR THE PRESENT AND FUTURE GENERATIONS

KLP's social responsibility is to provide secure and competitive pensions in a responsible and sustainable manner. Our work is based on international standards such as UN Conventions, and we are open about how we work and invest. Responsible business practice is the key to sustainable development. The aim is to make a difference.

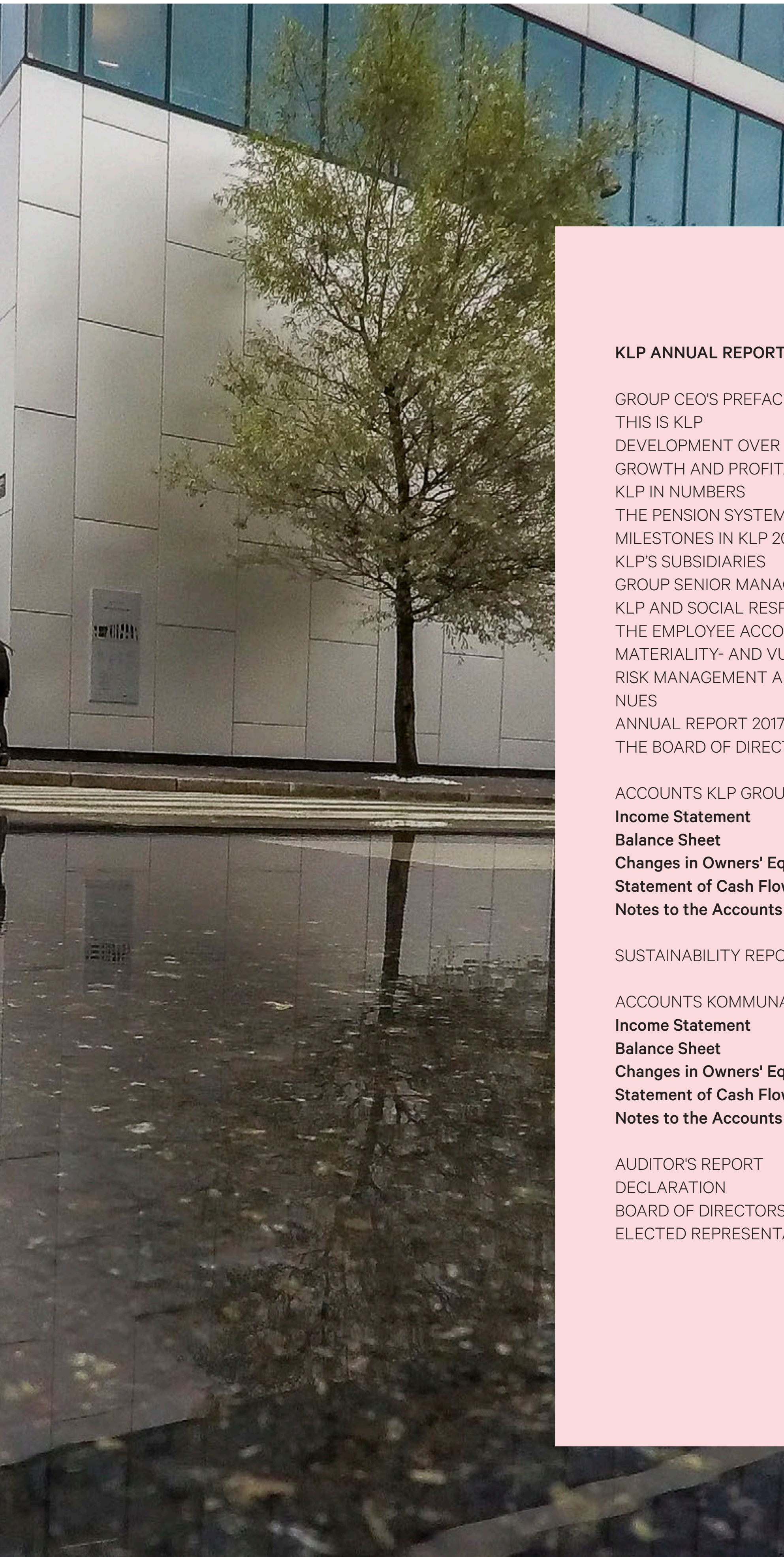

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Photo: Vidar Stenseth, employed in IT

PREFACE

Optimism and momentum in the economy

2017 was a year marked by good momentum in the economy, both globally and nationally. More people are in work and unemployment is falling both at home and abroad. When people are in work, there is prosperity in the country, – and that is good for the municipalities, good for society and good for returns from KLP.

After a difficult adjustment for many people after the fall in oil prices in 2014, we were pleased to see a broad upturn in the Norwegian economy last year. The optimism is back. Companies are making money, and the unemployment rate is falling once more. The same picture can be seen both in the U.S. and in Europe. This is very gratifying. Higher employment provides for growth and greater political stability. It is good for society and essential to long-term value creation. It is this value creation which brings KLP the returns on the pension funds that we manage.

Good returns on investments in equities and property contributed most to the good results in 2017. The return on customer funds was 6.7 percent. With such good returns, we were able to pass on more than five billion kroner to the companies, municipalities, counties and health companies that own us. The results also allowed us to strengthen our own solvency.

CHANGES IN THE PENSION SYSTEM

Public-sector occupational pensions are changing, and we followed developments with great interest in 2017. We also provided estimates for the parties to the negotiations. The pension reform in the National Insurance Fund in 2011 changed the Norwegian pension system radically, but some major changes remained outstanding. How to stimulate public-sector employees to stay in work longer, how to enable people to combine working with drawing a pension, and how to help people avoid any loss of pension when changing jobs between the public and private sectors?

For KLP and our members, there is an urgent need to get new pension rules into place, so everyone can find good answers when planning their retirement. A milestone was reached on 3 March 2018 , when the parties came to an agreement on a new public-sector occupational pension. The outcome of the negotiations is a pension scheme that addresses these challenges. However, the proposal for a new public sector occupational pension first has to be bedded down in the individual organisations, before the Government can refer it to the Storting. The plan is to adopt it in 2018, with effect from 1 January 2020. KLP is preparing for these changes. When the old and new pension schemes exist side by side, with complicated transitional arrangements, it is important for us to establish good solutions that give customers the best overview of their own situation, whether they are employers or employees.

TECHNOLOGY PROVIDES OPPORTUNITIES

It is likely that a new pension scheme will lead to fresh competition. To be successful, we need to have the best returns and the lowest costs, and create the very best customer experiences. This makes demands on our technology platform and the digital solutions we offer. In 2017, we therefore intensified the work of establishing a forward-looking pension platform for KLP. We also started using robots in case-handling, with good results. Increased awareness of pensions and changes in the product also increase the need for individual guidance. We therefore started work in 2017 on improving our pension guide, which will give our members even better answers

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The desire to be a leader in the industry, and to make a difference when it comes to social responsibility and sustainability, is important to us.

when they plan their pensions. In the autumn of 2017, we also launched new web pages, making it easier for members to find other information that they need.

USING OUR INFLUENCE

The world is facing great challenges in sustainability, both locally and globally. KLP aims to contribute by using the influence that we have as Norway's largest pension company. The desire to be a leader in the industry, and to make a difference when it comes to social responsibility and sustainability, is important to us.

KLP aims to manage capital in a sustainable way and increase investments that we believe can make a difference: direct investments in renewable energy, municipal lending or the many 'green buildings' in our property portfolio. In 2017, KLP took a stake in Lofotkraft, we completed Abels Hus, a new green building in Trondheim, and we withdrew from investments in companies that extract oil from oil sands. We also made new investments in renewable energy projects, many of them in developing countries, which will have an impact on both the environment and the economy.

KLP is an index-tracking manager, and in 2017 we increased our range of investments from around 2,500 companies to more than 6,000. We want broad exposure in many industries and many countries, to get a return from the greatest possible share of the value creation taking place. As we become co-owners in so many companies, it increases the likelihood that we will also invest in companies that may be criticised for what they do or how they conduct their business. We believe it is better to try to influence the companies by being demanding and active owners. If we are not owners, we lose the opportunity to influence. In our efforts to influence, we prioritise areas where we can have an impact, as well as the areas where we are at the greatest risk. For example, in recent years we have pursued issues such as coal, scrapping of ships and corruption through ownership and exclusion. Through active ownership, transparency in what we vote for at general meetings, and exclusion of companies that do not follow international norms, we send out a clear signal. We are constantly working to improve in our work with responsible investments. This has a high priority in KLP and with our owners.

Photo: Nadia Frantsen

Managing several hundred billion kroner on behalf of the community places on obligation on us, and we signed the UN Global Compact way back in 2003. How well we manage public funds is of great importance to our owners, and indirectly to most people. We are lucky to have socially engaged owners. They expect us both to provide a good and predictable return, and to be leaders in social responsibility. This is a challenge we have taken up. We are delivering good returns for 2017, and have achieved fresh goals in corporate social responsibility. We look forward to continuing this work in collaboration with committed customers and owners.

I hope you will enjoy reading more about what we achieved through 2017 in this annual report.

SVERRE THORNES
Group CEO

PHOTOGRAPHIC COMPETITION

KLP in pictures

KLP's annual reports are illustrated with pictures from our annual internal photographic competition. Our staff submitted 118 great entries to the competition. You can see some of the photos in this report.

Marianne Wright Pedersen
Employed in non-life insurance

This is KLP

KLP is Norway's largest pension company and is owned by municipalities, businesses and health enterprises with public-sector occupational pensions.

The Company provides services within pensions, banking, fund management and insurance. KLP has total assets of NOK 652 billion.

KLP CREATES PEACE OF MIND

The customers own KLP, and they enjoy the benefits of any and all profits. The Company's mission is to deliver the best possible services at the lowest possible price. The most important thing KLP does is to ensure that the owners receive the best return on their pension funds.

Pensions are KLP's core product and largest activity. We have extensive experience in understanding what is important to our customers and providing good customer experiences.

We know that pensions can seem complicated, so we make a conscious effort to simplify the difficult things and to be a helpful guide when it comes to pensions.

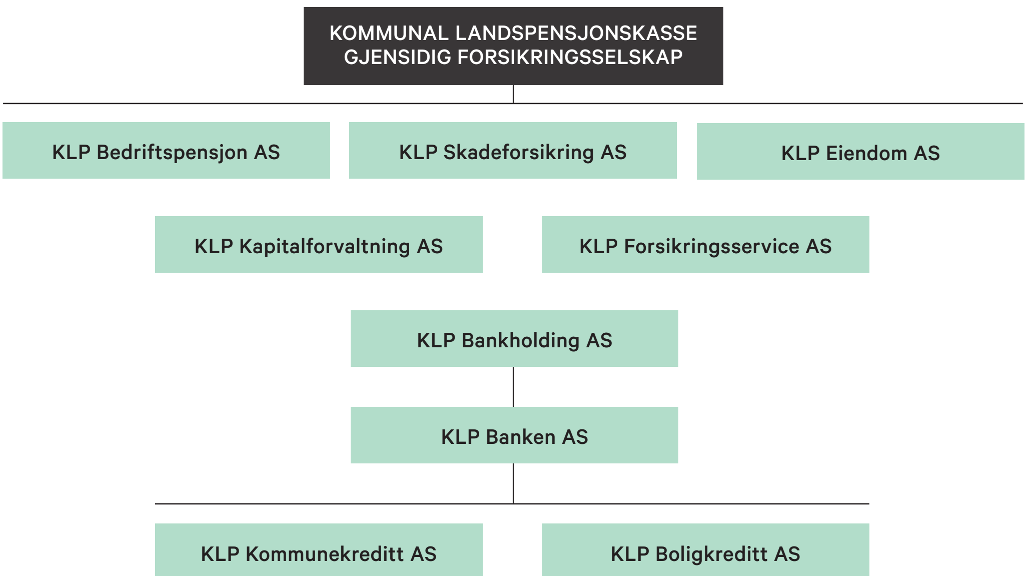
OUR OVERALL GOAL

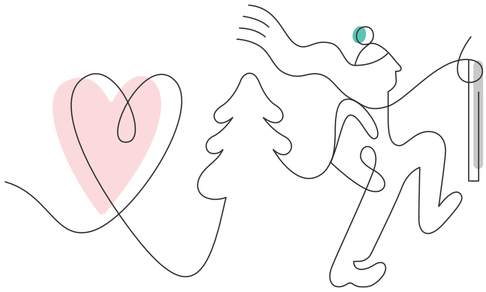
KLP aims to be the preferred provider of pensions to the public sector. To achieve this goal, we have to provide competitive returns on the pension funds that we manage, and we need to run an efficient operation with the lowest administrative costs on the market. At the same time, the need for information on pensions, both for employers and employees, is very great and must be met effectively with access to good personal service and excellent online solutions. KLP's customers for public-sector occupational pensions are also the company's owners. This should be clear from the way in which solutions, products and communication build on this close relationship in a way that lifts KLP above other competitors. KLP aims to be a leader in corporate social responsibility and sustainability.

CORPORATE FORM

KLP is the collective name for the parent company, Kommunal Landspensjonskasse, a mutual insurance company with six wholly-owned subsidiaries organised as limited companies:
- KLP Banken AS
- KLP Bedriftspensjon AS
- KLP Eiendom AS
- KLP Forsikringsservice AS
- KLP Kapitalforvaltning AS
- KLP Skadeforsikring AS.

The mutual company model helps to ensure that customers' interests come first. The Company has no external investors who have to be paid for providing equity to the business.





MEMBERSHIP ADVANCING

KLP offers retail products and services within banking, fund saving and insurance. The products are aimed to people who are employed in businesses that have KLP as a pension provider, as well as retirees drawing pensions from KLP. 68,000 members are now customers of one or more of the KLP Group subsidiaries – which is the equivalent of a net customer growth of 18 per cent from 2016. This growth and the interest in KLP's products in the market can be largely attributed to the right pricing and effective marketing activities.

Excellent personal treatment and service are characteristic of KLP's customer relations. This was confirmed once more through a customer satisfaction survey undertaken among retail customers in the autumn of 2017. The results were extremely positive, with both Banking and Insurance achieving a score of 77 or more (scale 0 - 100). All in all, the results represent a stable and high level of customer satisfaction, and customers are particularly happy with response times and personal service.

STRONG BRAND

KLP has the strongest brand in the population of Nordic Brands' annual brand survey of the Norwegian financial markets. KLP is an industry winner with a score of 71 on a scale of 0-100, together with Skandiabanken. We are particularly pleased that we have the strongest brand in the youngest age group.

Our own survey of decision-makers and influencers in Norwegian municipalities and health enterprises shows that KLP has a unique position in this market. In this survey KLP had a score of 84. A score of 84 is considered to be unusually good for this kind of survey.

At the same time, Nordic Brands' annual Sustainability Barometer shows that KLP is the Norwegian finance company with the best reputation for sustainability, ahead of Sparebank1 and Skandiabanken. The survey shows that KLP is rated particularly highly for social responsibility, long-term planning and honesty.

OUR BUSINESS CONCEPT

KLP aims to deliver secure and competitive pension, financial and insurance services to the public sector, enterprises associated with the public sector and their employees.

CUSTOMERS

399
Municipalities

15
County authorities

25
Health enterprises including regional health firms

2500
Businesses

Vidar Stenseth
Employed in IT

Development over the last five years

NOK MILLIONS	2017	2016	2015	2014	2013
KLP GROUP					
Pre-tax income	2 474	2 449	5 138	1 189	1 157
Total assets	652 167	596 113	543 262	490 894	399 257
Owners' equity	29 564	27 823	23 665	17 558	15 268
Solvency II SCR ratio	224 %	198 %	-	-	-
Capital adequacy ratio	-	-	11.5 %	9.2 %	10.0 %
Number of employees	961	950	939	899	856
KOMMUNAL LANDSPENSJONSKASSE					
Pre-tax income	1 985	2 125	4 876	959	950
Premium income (without premium reserves transferred in)	32 119	33 605	29 541	32 280	24 928
Net transfers in/out of premium reserves and other funds	130	3 587	10 354	28 677	6 178
Income to customers	7 124	8 339	20 650	6 959	10 420
of which supplementary reserves	1 137	4 011	3 122	3 568	0
of which to Premium Fund	5 202	4 324	5 138	3 391	5 891
Insurance funds	489 159	452 375	412 363	378 602	312 127
Total assets	534 784	496 663	457 858	415 030	339 592
Owners' equity	30 626	27 785	23 609	17 454	15 089
Solvency capital	116 648	98 856	84 577	73 909	46 897
Solvency capital measured against insurance funds with interest guarantee	27.7 %	24.7 %	22.8 %	21.6 %	16.2 %
Solvency II SCR ratio	242 %	209 %	-	-	-
Capital adequacy ratio	-	-	12.0 %	9.5 %	10.3 %
Return on the common portfolio:					
- book return	3.9 %	4.4 %	3.6 %	4.3 %	6.4 %
- value-adjusted return	6.7 %	5.8 %	4.0 %	6.9 %	6.7 %
- value-adjusted return including surplus value on assets recognize at amortized cost	6.7 %	5.4 %	2.8 %	9.5 %	6.4 %
Return investment options portfolio	7.5 %	6.2 %	4.0 %	6.7 %	8.8 %
Insurance-related administration costs measured against average customer funds	0.23 %	0.28 %	0.25 %	0.23 %	0.28 %
Number of premium-paying members	451 443	446 895	435 363	418 133	367 967
Number of pensioners	278 459	262 877	247 300	230 241	197 837
Number of employees	534	528	533	524	502

Development over the last five years - cont.

NOK MILLIONS	2017	2016	2015	2014	2013
KLP BEDRIFTSPENSJON AS					
Pre-tax income	-24	-27	-24	-23	-22
Premium income (without premium reserves transferred in)	454	389	336	261	188
Net inward/outward transfer of premium reserves	418	137	129	140	189
Income to customers	17	33	18	24	7
Total assets	4 869	3 571	2 943	2 270	1792
Solvency II SCR ratio	107.0 %	22.0 %	-	-	-
Capital adequacy ratio	-	-	35.4 %	12.7 %	14.7 %
KLP SKADEFORSIKRING AS					
Pre-tax income	164	255	183	304	190
Annual premium (Gross premiums)	1 370	1 268	1 113	921	832
Combined ratio	106.0 %	98.7 %	98.8 %	98.1 %	103.7 %
Solvency II SCR ratio	232.8 %	261.0 %	-	-	-
Capital adequacy ratio	-	-	48,9 %	44.0 %	40.0 %
KLP BANKEN GROUP					
Pre-tax income	103	91	50	29	87
Deposits	9 669	8 688	7 426	6 251	4 407
Lending*)	30 763	29 962	26 359	24 946	21 317
Capital adequacy ratio	21.3 %	19.0 %	17.6 %	16.9 %	19.6 %

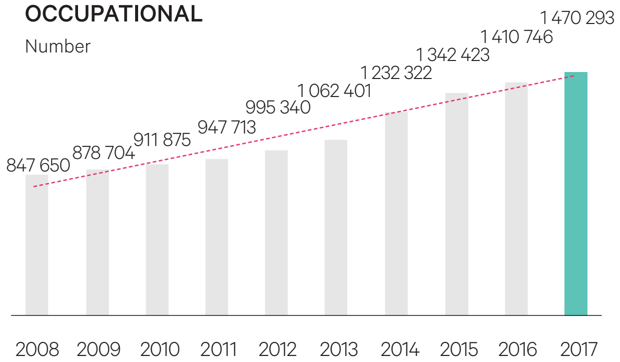
* Incl. interest accrued but not due

NOK MILLIONS	2017	2016	2015	2014	2013
KLP KAPITALFORVALTNING AS					
Pre-tax income	47	18	46	56	33
Assets for management in totalt	488 176	441 943	398 471	370 840	287 077
Of which assets for management from external customers	67 351	54 003	44 797	36 130	28 171

Growth and profitability

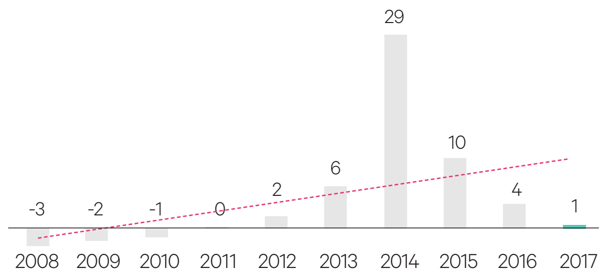
ACCRUING PUBLIC SECTOR OCCUPATIONAL

Number



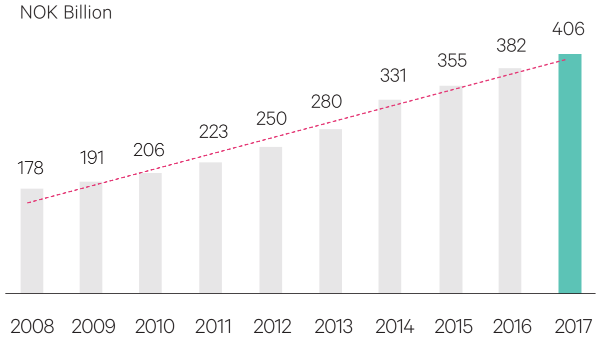
NET TRANSFERS IN TO LIFE INSURANCE

NOK Billion



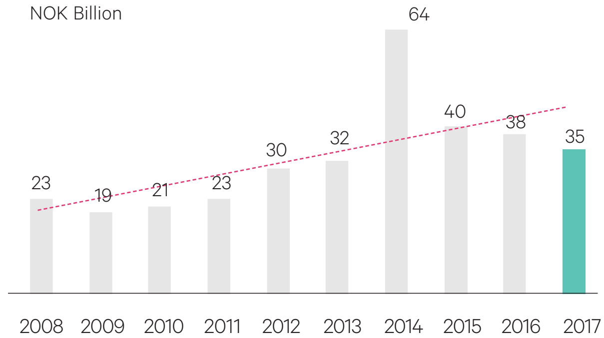
ACCRUED PENSION (PREMIUM RESERVE)

NOK Billion



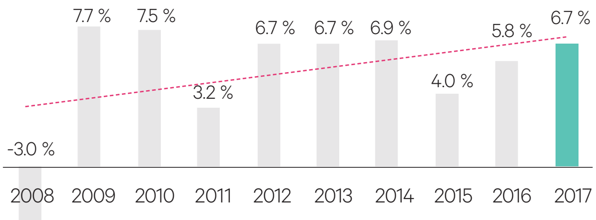
NET TRANSFERS IN TO LIFE INSURANCE

NOK Billion



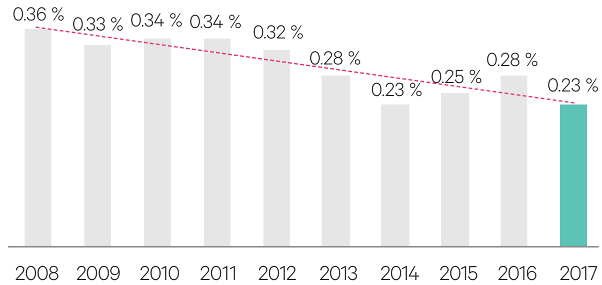
VALUE-ADJUSTED RETURNS ON PENSION FUNDS

Percent



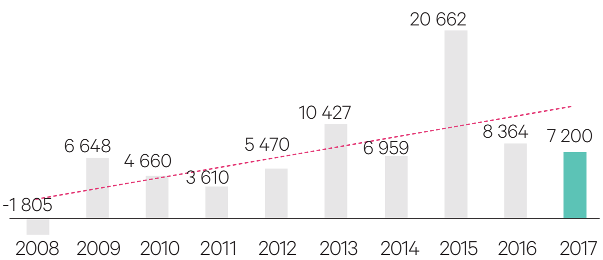
COST RATIO PUBLIC SECTOR OCCUPATIONAL PENSION

Percent



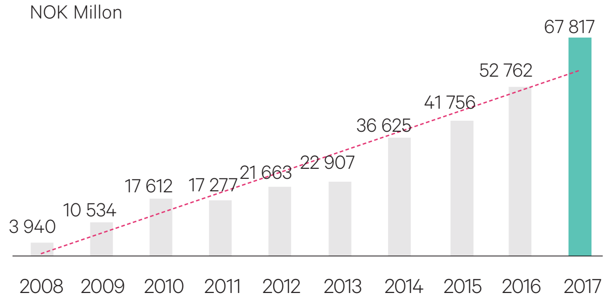
PROFIT/LOSS ALLOCATED TO INSURANCE CUSTOMERS

NOK Millon



CUSTOMER BUFFERS (SUPPLEMENTARY RESERVE AND SECURITIES ADJUSTMENT FUND)

NOK Millon



KLP in figures

NUMBER OF CUSTOMERS (PUBLIC SECTOR OCCUPATIONAL PENSION)

	2017	2016	2015	2014	2013
Municipalities	399	403	402	387	330
County administrations	15	16	16	16	15
Health enterprises	25	24*	29	25	25
Enterprises (OfTP)	2 500	2 500	2 500	2 500	2 500
Active employees (members)	451 000	447 000	435 000	418 000	368 000
Deferred entitlements**	220 000	210 000	200 000	167 000	148 000
Pensions	278 000	263 000	241 000	231 000	198 000

* Inkl. regional health enterprises
** Individuals previously employed for more than 3 years by employers with public sector occupational pension

PUBLIC SECTOR OCCUPATIONAL PENSION

	2017	2016	2015	2014	2013
Accrued pension rights (NOK billion)	406	382	355	331	280
Premium invoiced (NOK billion)	31.9	32.6	26.5	33.2	22.9
Pensions paid (NOK billion)	16.2	15.4	14.1	12.5	10.8
Operating expenses (NOK million)	1 001	1 140*	922	752	807
Number of employees with the life company	445	451	453	444	427

* IT impairment makes up NOK 165 million.

PRIVATE-SECTOR OCCUPATIONAL PENSIONS

	2017	2016	2015	2014
Agreements/contracts	2 572	2 249	2 033	1 815
Pension capital certificate	21 913	14 728	10 602	7 518

BANKING

NOK BILLION	2017	2016	2015	2014	2013
New lending	16.8	16.3	14.3	11.8	10.3
Lending for own account	30.8	29.7	25.9	24.5	21.1
Lending managed for KLP	57.0	52.7	51.0	41.7	33.7
Number of active customers	54 568 (70 % members)	46 801 (71 % members)	39 759 (69 % members)	33 104 (69 % members)	27 287 (67 % members)

PROPERTY

	2017	2016	2015	2014	2013
Property value (NOK billion)	62.7	59.2	56.9	45.7	40.8
Value-adjusted operating profit including property funds (per cent)	8.8 %	12.7 %	11.2 %	7.3 %	7.0 %
Economic occupancy ratio (per cent)	96.6 %	96.0 %	95.4 %	95.4 %	97 %

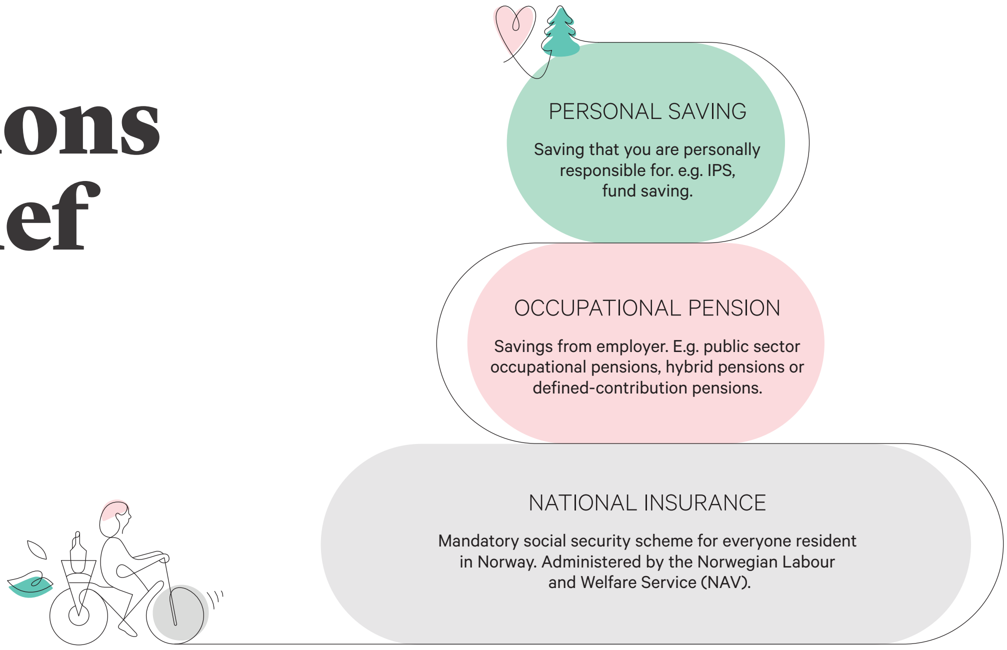
ASSET MANAGEMENT

NOK BILLION	2017	2016	2015	2014	2013
Total asset under management	490	440	399	371	287
Asset management customersexternal to the Group	68	54	45	36	28
Number of customersKLP Kapitalforvaltning	70 000	57 000	48 000	38 000	31 000

NON-LIFE INSURANCE

	2017	2016	2015	2014	2013
Number of customers in the public sector/corporate market					
Municipalities	337	337	318	315	287
County administrations	13	14	14	14	14
Health enterprises	15	29	29	31	44
Enterprises	2 625	3 168	2 885	2 864	2 610
Numbers of customers in the retail market	48 767	45 249	33 250	28 000	21 808

Pensions in brief



In Norway there are three main types of pension:

1. Retirement pensions from the National Insurance Fund (NAV), which you earn when you work
2. Occupational pensions from the employer, which everyone is entitled to through their job
3. Personal saving

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1. RETIREMENT PENSIONS FROM THE NATIONAL INSURANCE FUND
Everyone who lives or works in Norway is entitled to an old-age pension from the National Insurance Fund. Those born after 1962 accrue 18.1 percent in pension per year on the first NOK 657,000 of salary. This applies from 13 to 75 years of age.

2. PENSIONS FROM THE EMPLOYER
All employees are entitled to what is called an occupational pension. In the private sector, this is called the mandatory occupational pension (OTP), while the pension scheme for employees within state and local government is called the public-sector occupational pension (OFTP).

Occupational pensions in the public sector are a pension scheme where the level of your pension is agreed in advance.

What you get from National Insurance Fund and public sector occupational pensions should add up to around 66 percent of your salary, if you have full entitlement (30 years).
But this may change in the future. This year, the parties have agreed on a proposal for a new public sector occupational pension. The new scheme will be better aligned with the National Insurance Fund and AFP in the private sector. Among other things, this means that all years in work up to the age of 75 will count towards your pension.

The vast majority of municipalities, county authorities and health enterprises have public-sector occupational pensions with KLP, and they are also our owners.

The same is true of a number of public companies. Some municipalities have their own pension funds. Teachers and government employees receive occupational pensions from the Government Pension Fund (SPK). The scheme covers old age pensions, disability pensions and survivors' benefits.

Occupational pensions in the private sector are pensions that supplement the National Insurance Fund

Defined-contribution pension is the most type of common pension scheme in the private sector. The employer pays in a fixed contribution. The pension will be the result of the payments made and the returns on these. Employees themselves are responsible for managing their own pensions and determine the return risk. KLP Bedriftspensjon offers defined-contribution pensions to businesses.

Pension capital certificates are pensions saved from previous jobs with defined-contribution schemes. KLP manages pension capital certificates and comes out top in a fee comparison on Finansportalen.

3. PERSONAL SAVING
Personal saving comes on top of what you get from National Insurance and your employer. In 2017, there were two changes which make it easier to save for a pension. One is individual pension savings (IPS) which is a pure pension product with tax advantages. The other is the share savings account (ASK) which provides tax advantages by collecting all mutual funds and shares into one account. KLP offers both products.

Incapacity and part-time working among members

Many people work part-time. In a new population survey conducted by Opinion for KLP, 65 per cent said they were working part-time of their own choice.

Only 35 per cent of those working part-time replied that they wanted a full-time position. A survey carried out by KLP exclusively among its members confirms these findings. The new survey also shows that people under 30 are much less aware of what part-time working means for their pension than those aged 30 and older. The new public-sector occupational pension makes it more profitable to work full time for as many years as possible. Once it is in place, younger age-groups will get more and more of their pension from the new model. The negative effects of working part-time are greater because all years in work are considered.

KLP has an important role in making its members aware of the consequences of working part-time, and this will become even more important when the new rules take effect.

- Among all KLP's members, 51 per cent are in part-time positions.
- In the municipalities: 59 per cent
- In the health enterprises: 36 per cent
- In companies with public-sector occupational pensions: 43 per cent
- In county authorities: 38 per cent

WORK ON SICKNESS ABSENCE IMPORTANT FOR THE TREND IN INCAPACITY

Ten per cent of KLP's members receive a disability pension. The proportion of those unable to work rises with age up to 64 years, and women have a higher disability rate than men. Municipalities with many disabled people have high and unpredictable pension costs. By working actively on health and safety, they can bring down incapacity. This will contribute to lower pension premiums for the municipality, and make the entire pension community more stable. It is the customer who pays the unpredictable adjustment premium for each employee who receives a disability pension, in addition to the regular pension premium. This provides a good financial incentive to prevent disability by working on health and safety measures. Lower sickness absence and incapacity increase profitability in the municipalities.

CLEAR MANAGEMENT WORKS

Research has shown that the quality of the dialogue in the first six weeks of sickness absence is crucial to whether the employee returns to work. It is also rare for people who have once received a disability pension to return to work. These findings are part of the reason why KLP contributes resources and financial support to health and safety projects out in the municipalities, and to further research into what makes employees thrive and stay in work for longer.

Disability pensioners in KLP:

- In the municipalities: 11 per cent
- In the health enterprises: 9 per cent
- In companies with public-sector occupational pensions: 9 per cent
- In county authorities: 11 per cent

KLP MEMBERS

2017	Antall
Special old-age pension	5 346
AFP 62-64	5 248
AFP 65-66	6 525
Retirement pension	164 960
Spouse's pension	25 207
Child's pension	2 273
Disability pension	68 900
In work	451 443

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KLP has an important role in making its members aware of the consequences of working part-time

Key developments in 2017

Pension is the core business of KLP. In 2017, we prepared ourselves for changes, both to our product and to the way we work.

AUTOMATION

Public sector occupational pensions are based on extensive regulation. This is a good starting point for robot technology. KLP has automated several processes in the pensions area in the last year .

Robots cover a wide area. Some are cognitive (learning) robots and some are all about automation. What KLP is working on is automation using robot technology. This is because we have complex systems which take time to replace. As long as everything is rule-driven, robots can handle case management faster and more accurately than a human being. That means that the robots can take over more of the routine work, while the casehandlers can spend time on tasks that require judgment, and provide better service to our customers.

GIVES GOOD RESULTS

In 2017, we automated 16 processes within the pensions area. The experience so far shows that we are getting good support from these robots. The technology has great practical potential. The quality of deliveries is very good and the delivery time for putting new processes into operation is considerably shorter than traditional IT development. However, automation must not stand in the way of long term development work. We are also working to establish the technology platform that we want in the future. KLP's pension platform should give us a competitive advantage.

(consider whether these points should be included - if space is limited, they can be left out)

Key focus areas for digital development:

- Modernise the pension platform
- Establish routines and prepare systems for the new General Data Protection Regulation (GDPR)
- Customer-facing solutions for end-to-end customer experiences (digital goals) and development of pension guides
- Modify and improve payroll reporting procedures (from employers)
- System solution for new public sector occupational pensions

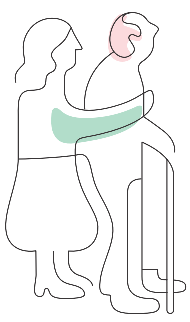
DIGITAL PENSION GUIDANCE

The demand for pension guidance is increasing, and we are noticing increased interest in and knowledge of pensions. This requires us to have good digital self-service solutions, which can take the load off our customer centre and meet our members' needs.

Last autumn, KLP launched new web pages and started working on a brand new digital pension guide. The solution will provide members with simple guidance and the ability to see the consequences of different choices. The guide should eventually replace the current calculator on 'My page' and the Customer page, but there will initially be a soft launch aimed at the target group of those 'about to retire'. We will then have frequent launches – both to get out early into the market, and to test how the solution is received.

SHOULD PROVIDE MANY ANSWERS

The pension guide should give members answers to far more questions than we do in today's calculator, while also reducing the number of unnecessary queries. The guide is an important part of KLP's ambition to be, and to be perceived as, best for pensions.



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When the robots take over more routine work, the casehandlers can spend time on tasks that require judgment, and provide better service to our customers.

New public sector occupational pensions

The pension reform in the National Insurance Fund in 2011 changed the Norwegian pension system radically, but many changes to public-sector occupational pensions are still outstanding. KLP has followed developments closely and now the parties have reached an agreement.

In the private sector, new occupational pensions have been established, and the pension reform in the National Insurance Fund took effect in 2011. The pension reform is a truly unique story in an international perspective. Although the major cost-saving measures, such as longevity adjustment and changed pension regulation, were also introduced in the public sector, a new public sector occupational pension did not come about.

AGREEMENT ON THE TABLE

3 March 2018 was a milestone date. The parties came to an agreement on a new public sector occupational pension. The new scheme will be better aligned with the National Insurance Fund and the pension reform in general. That means that all years in work will count towards your pension, and the pension can be drawn flexibly from age 62 and can be combined with income. AFP will also be turned into a lifetime benefit along the lines of AFP in the private sector.

The new occupational pension scheme will apply from the 1963 year-group onwards. Accrual in the new scheme will probably start in 2020. People born in 1962 or earlier will continue to accrue old age pension rights in today's scheme and keep the current AFP scheme. The proposal has to be implemented in the individual organisations before the Government can submit it to the Storting.

KLP IS READY

KLP is ready to provide the new product and we are preparing the system solution. Now the big job is to calculate the impact these changes will have on all our customers and members. When the old and new pension schemes exist side by side, with complicated transitional arrangements, it is important for us to establish good solutions that give customers the best overview of their own situation.

POSSIBLE CHANGES IN THE COMPETITIVE SITUATION

Both new public sector occupational pensions and the local government reform could affect the competitive situation for KLP.

Larger municipalities with their own pension funds are merging with smaller municipalities which have insured schemes with KLP. The choice of pension solution after a municipal merger is one of the topics under discussion in municipalities that have agreed to merge. In 2017, no municipalities left KLP as a result of mergers with larger municipalities with their own pension funds, but this is something we are monitoring closely. The development of processes relating to the local government reform is an important part of the strategic customer work.

New public sector occupational pensions are likely to cause changes in the competitive situation, but it is still unclear when other players will enter the market.

KLP has also observed a trend whereby several enterprises that have public sector occupational pensions are closing the public-sector scheme and choosing an alternative pension scheme for their employees.

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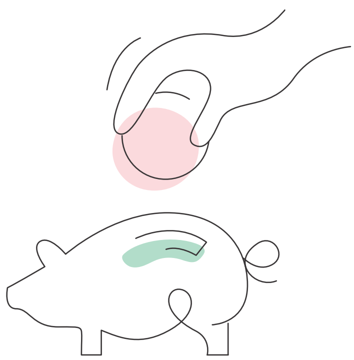
Both new public sector occupational pensions and the local government reform could affect the competitive situation for KLP.



Milestones in KLP 2017

JANUARY

Opening of the green building Abels Hus in Trondheim

MARCH

KLP Municipal Conference

KLP names the winners of the Job Satisfaction Prize

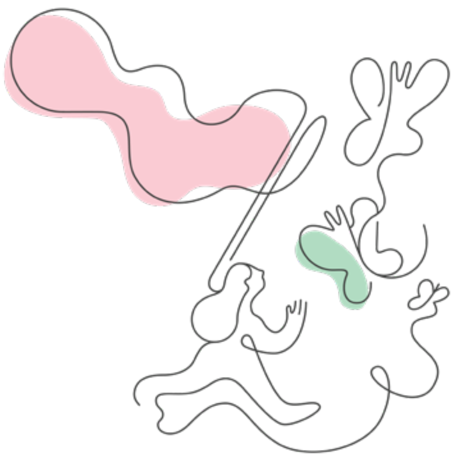
The KLP list - excludes ten new companies, includes one

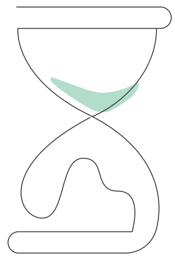
Asker Kommunale Pensjonskasse chooses KLP

JUNE

KLP invests in Climate Investor One, renewable energy in emerging markets

Acquires Eufemia in Bjørvika





AUGUST

Share savings account (ASK) in KLP

New coordination rules sent out for consultation and the parties in the public sector agreed to begin negotiating the new public sector occupational pension

Glasmagasinet shopping centre reopened

OCTOBER

KLP invests in solar cells in Egypt

Individual pension savings (IPS) in KLP

Radisson Blu Atlantic in Stavanger reopened

Norwegian business customers name KLP as the insurance company they are most satisfied with in the EPSI Survey

New web pages at klp.no

Procedural agreement to negotiate new OFTP

KLP pulls out of oil sands

The KLP list includes four companies and excludes three

DECEMBER

KLP's subsidiaries

KLP's other business areas and subsidiaries underpin KLP's main product, pensions, and they are developed on the basis of the owners' needs. The subsidiaries contribute to increased growth and profitability by providing competitive retail market products and services to members. This will ensure that KLP's owners are seen as attractive employers by offering members simple and relevant services at low prices.

KLP BEDRIFTSPENSJON AS

KLP Bedriftspensjon AS is a wholly owned subsidiary of KLP. The company offers defined-contribution and occupational pensions, including management of pension capital certificates, for public and private sector enterprises. The company was established in 2006. KLP Bedriftspensjon AS leverages the Group's competitive advantage in the form of high pension and fund management expertise, low costs, and a clear ethical profile in its management. The company offers a complete product package for customers who do not have a municipal pension scheme.

This year's results

The company had total assets of NOK 4.9 billion as at 31 December 2017. This is an increase of NOK 1.3 billion since the start of the year. The increase is mainly related to the influx of pension capital certificates and growth in the defined-contribution pension portfolio, which now totals NOK 2.7 billion. 414 new business customers entered into pension agreements with KLP Bedriftspensjon AS this year, and we have received transfers on over 6200 pension capital certificates. From 2017, the company started offering a new savings profile for defined-contribution pension customers – KLP Optimal Livsfase. This is a savings profile that gives a combination of equities and interest-bearing instruments based on age.

Future challenges and goals

As of 31.12.2017, the company was managing private occupational pensions for 2,660 businesses with a total of 49,700 occupationally active individuals and pensioners.

The market for private occupational pensions is characterised by stiff competition, particularly in the segment for large enterprises/undertakings. KLP has an ambition to be the preferred supplier of defined-contribution pensions to businesses connected to the public sector.

KLP FORSIKRINGSSERVICE AS

KLP Forsikringsservice AS (KLP FS) offers a wide range of pension fund services through its own and the Group's specialist expertise in public sector pension schemes.

This year's results

KLP FS is a leading supplier of actuarial services to municipal pension funds, and is the principal actuary for 10 out of the 23 pension funds established by municipalities/county councils. Throughout the year, KLP FS has maintained its position as one of Norway's leading providers of actuarial services to municipal pension funds.

Future challenges and goals

The choice of pension solution after a municipal merger is one of the topics under negotiation in municipalities that have agreed to merge. KLP is a pension fund provider for those customers who wish to do this.

KLP Forsikringsservice aims to remain a leading supplier of actuarial services to pension funds and to take a strong position as a provider of total solutions for the operation of new and existing funds that are put out to tender. During 2017, KLP FS acquired its first customer within the total solution concept.

THE KLP BANKEN GROUP

KLP Banken AS is a wholly owned subsidiary of KLP and is an online bank for retail customers which offers particularly good terms to KLP's members and pensioners. KLP Banken AS also finances loans to municipalities, county authorities and companies working for the public sector. The bank and its subsidiaries KLP Kommunekreditt AS and KLP Boligkreditt AS have their head office in Trondheim as well as offices in Oslo. The Group has about 70 employees. The bank manages loans totalling NOK 87.5 billion – NOK 57.0 billion financed by KLP and NOK 30.5 billion on its own balance sheet. KLP Banken has 54,600 retail customers, of whom about 70 per cent are members of KLP. Lending to public borrowers encompasses almost 700 businesses and municipalities, of which 77 percent are owners of KLP.

This year's results

In 2017 the banking business achieved a pre-tax profit of NOK 103.1 million, against NOK 91.2 million in 2016. Profit after taxes was NOK 77.2 million, against NOK 68.3 million the year before.

Future challenges and goals

KLP Banken's primary target group in the retail market are members of KLP's pension schemes. A large proportion of the population are included in this group and the potential for enhancing KLP Banken's position in this segment is considered to be good. Demand for loans from municipalities and projects with municipal guarantees and ownership is expected to remain high in the years ahead.

In the retail market, KLP Banken has a business goal of 62,000 members by 2020, an average growth of 8,000 over the next three years. The business goal is to achieve total lending to the public sector market of NOK 74 billion by 2020, a growth of NOK 4 billion in the next three years.

KLP EIENDOM AS

KLP Eiendom AS is a wholly owned subsidiary of KLP and manages properties with a market value of NOK 62.7 billion. The company is one of Scandinavia's biggest players in the management, development and operation of property. The property portfolio of 2.1 million square metres consists of shopping centres, hotels and office buildings as well as vacant plots and projects. KLP Eiendom AS is KLP's channel for investment in the property market. KLP Eiendom AS has offices in Oslo, Trondheim, Luxembourg, Stockholm and Copenhagen. KLP Eiendom has operations in Norway, Sweden, Denmark, Luxembourg and London. Its properties have excellent locations, a high standard of construction and effective utilisation of space.

This year's results

Direct property investments

In 2017 KLP Eiendom had income of NOK 3.1 billion from directly owned property. Direct investments in property by the common portfolio at the end of the year represented 11.9 per cent of financial assets in the portfolio. 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 life insurance customers. The value-adjusted time-weighted return was 8.9 per cent in 2017 (9.0 per cent in the common portfolio). Without taking account of the foreign exchange contracts, the property values were written up by NOK 3.2 billion gross in 2017 (of which the write-up in the common portfolio amounted to NOK 3,023 million).

Indirect Investments in property – property funds

The value of KLP's investments in Norwegian and international property funds amounted to NOK 2.3 billion at the end of 2017. Investments in property funds by the common portfolio represented 0.5 per cent of financial assets in the portfolio at the end of the year.

Future challenges and goals

With a large project portfolio, good properties and competent staff, KLP Eiendom is well prepared to meet the challenges in regard to ambitions for the proportion of property in the common portfolio and to good administration of the existing property portfolio. Direct and indirect property investments by the common portfolio at the end of the year represented 12.4 per cent of financial assets in the portfolio.

KLP KAPITALFORVALTNING AS

KLP Kapitalforvaltning AS is a wholly owned subsidiary of KLP which manages approx. NOK 490 billion for businesses in KLP and external customers. The company is one of Norway's largest asset management companies and Norway's leading index manager. Since 2002, the company has had a responsible investment strategy to contribute to long-term value creation and sustainable development. Among

KLP'S SUBSIDIARIES

KLP Banken AS
KLP Bedriftspensjon AS
KLP Eiendom AS
KLP Forsikringsservice AS
KLP Kapitalforvaltning AS
KLP Skadeforsikring AS

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See results and read more about KLP's subsidiaries at klp.no.

other things, this means that 174 companies have been excluded from KLP's investments under guidelines for responsible investment. KLP Kapitalforvaltning AS has 70 employees.

The asset management operation in KLP Kapitalforvaltning is organised into three areas, each with a different approach to its investment operations: index-tracking management, active management and private equity.

At the end of the year KLP Kapitalforvaltning was managing 44 funds, broken down into four combination funds, ten fixed-income funds, one active equity fund, two factor funds, 25 index-tracking equity funds and two special funds.

This year's results

The asset management business generated income before tax of NOK 47 million in 2017. Management on behalf of customers outside the KLP Group increased by 25 per cent during the year. NOK 68 billion was being managed on behalf of external investors and retail customers at the end of 2017. In total the funds have about 70,000 unit-holders. The institutional customers are by far the largest group measured by total assets. Our customers are served directly or via collaborative partners.

Future challenges and goals

The market outlook for the Company is assessed as good. Over time there will be growth in the KLP Group's total assets, the bulk of which is expected to be invested in products provided by KLP Kapitalforvaltning. Stable good results from the index-tracking service and increased interest from external customers are providing the basis for further growth in the assets under management. Good asset management results from the company's added return strategies are making it likely that actively managed funds will also be in demand among both internal and external customers. KLP Kapitalforvaltning has a business goal of increasing its total assets. Another goal is to increase the number of retail customers in the KLP funds. We aim to reduce operating costs in relation to capital under management.

KLP SKADEFORSIKRING AS

KLP Skadeforsikring AS provides insurance to municipalities, county authorities, companies affiliated to the public sector and other selected groups. The company also offers insurance to the retail (personal insurance) market with special advantages for members of the Group's pension schemes.

This year's results

KLP Skadeforsikring had a good insurance year and a good financial year, with a pre-tax profit of NOK 164.2 (255.4) million in 2017. The company grew in all customer segments in 2017, and premium income increased by 11.3 per cent to NOK 1.4 billion. In 2017, the proportion of retail customers who are KLP members increased to 86.4 percent.

The year 2017 was marked by a lot of flooding and high winds, and over half of all nature-related claims arose from flooding. During the year, the company received five property claims with an expected payments of over NOK 10 million. Together, these major claims amount to NOK 95 million.

Future challenges and goals

The Company is still a major player in the public-sector market, and will be working in 2018 to defend its market share of over 35 per cent. The Company also retains its ambition to strengthen its position in the corporate market, particularly focusing on segments such as hotels, wholesale and other service industries.

In the retail market there is also strong competition, with 18 per cent annual mobility in the market. This makes great demands to be the best on price, service, competence and digital solutions. The Company wants a large proportion of its members to choose KLP as their insurance Company, and is directing all of its marketing activities at this target group.

KLP Skadeforsikring has good solvency and stable earnings. Several customer surveys in 2017 show that the Company's customers in all market segments are very satisfied. The Company has put substantial resources into developing good digital self-service solutions for all customer groups, and is focused on streamlining work processes. The Company is therefore well equipped to face the harsh competition in the market.

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For the seventh year in a row, KLP Skadeforsikring had the highest customer satisfaction among Norwegian corporate customers in the EPSI survey. Eight out of ten corporate customers would recommend KLP Skadeforsikring.

Anne Westad
Employed in HR

The senior Group management of KLP

Photo: Nicolas Tourrenc

SVERRE THORNES
KLP Group CEO

Sverre Thornes has been CEO of KLP since January 2008. Prior to that, he was Executive Vice President responsible for life insurance, and from 2001 to 2006, Thornes headed KLP Kapitalforvaltning. He joined KLP as a fixed income manager in 1995, and has broad experience of insurance and asset management. Thornes has a BA in Business Administration from the American College in Paris.

LEIF MAGNE ANDERSEN
Managing Director, KLP Banken

Leif Magne Andersen joined KLP as Managing Director of KLP Banken on 1 December 2011. He has worked in Postbanken and theDnB NOR system since 1997 where one of his roles was Regional Director for retail market investment. Before that he worked as head of department at Intentia and he also has a background with Norwegian Defence. Andersen has an Executive MBA in Strategic Management from the Norwegian School of Economics (NHH).

GUNNAR GJØRTZ
Managing Director, KLP Eiendom

Gunnar Gjørtz has been Managing Director of KLP Eiendom since 1 January 2011. Before that, he was deputy managing director of the same company. Gjørtz's background includes appointments as Finance Director at NetCom, Løvenskiold Vækerø and at Hafslund. Gjørtz also spent four years in the UK and France with the Franco-Belgian group Suez Lyonnaise des Eaux, and was also finance director of the then listed company Nora Eiendom which was acquired by KLP in 1995. He graduated in Business Administration from Handelsakademiet i Oslo (now BI - the Norwegian School of Management).

HÅVARD GULBRANDSEN
Managing Director of KLP Kapitalforvaltning

Håvard Gulbrandsen has been Managing Director of KLP Kapitalforvaltning since 1 September 2009. He came from a position as Head of Asset Strategies Equities / Head of Core Corporate Governance in Norges Bank Investment Management, and previously worked as a fixed income manager at Storebrand Kapitalforvaltning and investment director at DnB Investor AS. Gulbrandsen has an MSc in Management Sciences from the University of Warwick (1988), and a Master in Finance & Investments (1989) and is an Authorised Financial Analyst (1992).

KIRSTEN GRUTLE
Executive Vice President HR and Internal Services

Kirsten Grutle started as Executive Vice President for HR and internal services in KLP on 1 September 2011, coming from a position as HR director at Accenture Norway. She previously worked for Telenor, EDB Business Partner and Accenture. Grutle graduated from the University of Bergen.

From the left: Gunnar Gjørtz, Tore Tenold, Aage E. Schaanning, Marianne Sevaldsen, Sverre Thornes, Gro Myking, Leif Magne Andersen, Kirsten Grutle, Rune Hørnes, Håvard Gulbrandsen.

RUNE HØRNES

Executive Vice President IT

Rune Hørnes joined KLP as Executive Vice President for IT on 1 October 2016. He came from a position as head of IT (CIO) at Storebrand, where he held various positions since 2005. In the time before Storebrand, Hørnes was senior manager at Accenture, in banking and insurance. He has long and broad experience from working at the intersection of business strategy, IT, organisation and work processes. Hørnes has a degree in Economics from the Norwegian School of Economics in Bergen.

GRO MYKING

Executive Vice President Communication and Markets

Gro Myking joined KLP as Executive Vice President Communication and Markets on 1 February 2016. She was marketing director at Posten Norge AS from 2007-2016. Myking was previously executive vice president, markets, in the Hakon Group/ICA Norge, and ran her own consultancy company. She has Board experience from several major Norwegian companies. Myking has a degree in Economics from the Norwegian School of Economics.

AAGE ELMENHORST SCHAANNING

Group Chief Financial Officer/Executive Vice President, Finance

Aage Schaanning has been CFO of KLP since 2008. Schaaning headed KLP Kapitalforvaltning from 2006-2008. He previously worked with borrowing, finance management and administration in BNbank and Kredittkassen before joining KLP in 2001 as investment director in KLP Kapitalforvaltning. Schaanning has a MBA from the University of Colorado and is an Authorised Financial Analyst.

MARIANNE SEVALDSEN

Executive Vice President, Life

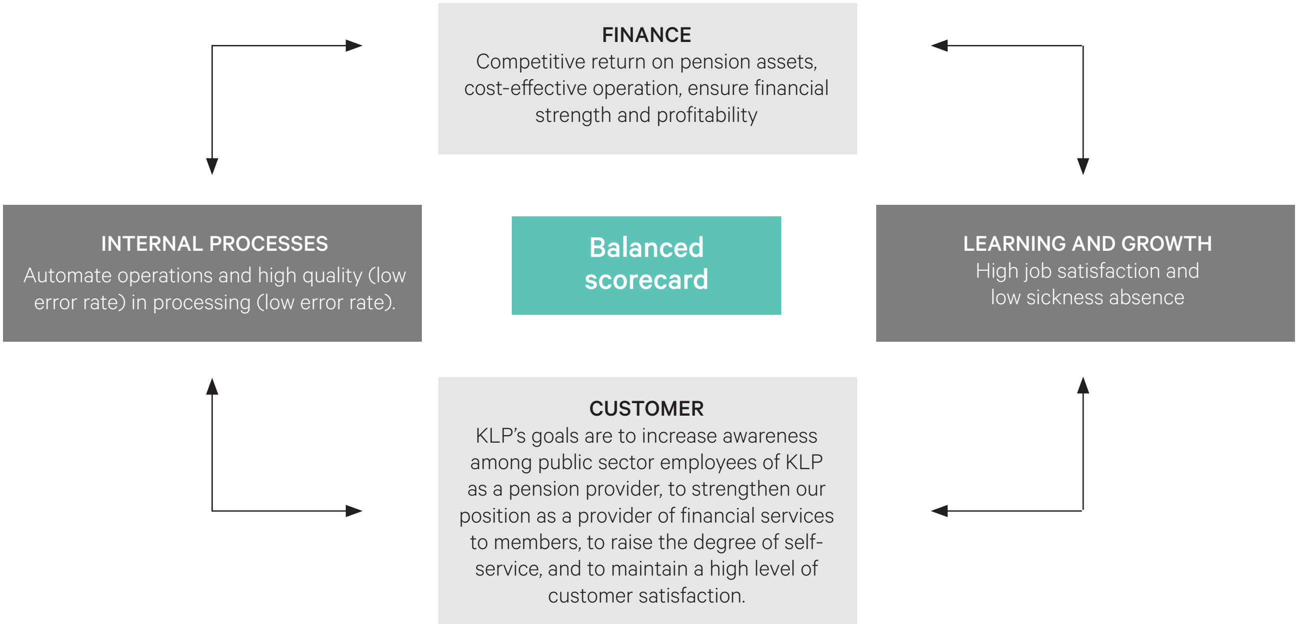
Marianne Sevaldsen has been Executive Vice President for the Life Division of KLP since 2013. She came from a position as business director in Sandnes Sparebank. Sevaldsen is a lawyer specialising in insurance and company law.

TORE TENOLD

Managing Director of KLP Skadeforsikring

Tore Tenold joined KLP as Managing Director on 1 October 2012. He was Managing Director of Sparebank1 Skadeforsikring AS, and previously worked at Aktiv Forsikring and Vesta Forsikring. Tenold graduated from the Police Academy, university and the Insurance College.

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 is intended to ensure that the Group's strategy is implemented, and is used by the organisation from departmental level and upwards. The Group's business plan defines the central business goals which are operationalised and followed up via score cards. Significant negative variances from the targets raise a requirement to submit a deviation analysis with a description of the measures that have been initiated to improve target achievement. Reporting is carried out quarterly.

THE FINANCIAL PERSPECTIVE (weight 35 per cent)

Good development in the financial markets contributed to achieving the Group's goals for returns, profitability and solvency. The costs were also within the target range.

THE CUSTOMER PERSPECTIVE (weight 25 per cent)

The Group also achieved its targets within the customer dimension. Awareness of KLP as a pension provider among the target group of public-sector employees increased throughout the year, and customer growth has been on target in the corporate market, while membership efforts show customer growth well below the target level. The customer centres have met their service targets.

INTERNAL PROCESSES (weight 30 per cent)

The Group has failed to meet the targets set for improvement of internal processes. Development projects in IT together delivered below the target level in 2017. The challenges experienced in individual projects relate to technical shortcomings, complex architecture and insufficient implementation capacity. Work is ongoing to strengthen implementation capacity with further internal improvement activities, specific targets for renewal, and more effective collaboration with external partners. The Group's progress in developing a digital vision for the business went according to plan throughout the year. The ambition to implement measures to achieve more targeted and effective customer communication was not achieved. This is because some of the goals turned out to be too ambitious, some ran into problems with the technical solution, and some failed for lack of follow-up over time. More actions have been initiated that will improve the results in the future.

LEARNING AND GROWTH (weight 10 per cent)

As a indicator of whether the working environment is good, we track the trend in sickness absence. Sickness absence remains above the target level, and surveys show that while the vast majority have very low sickness absence, the minority with high sickness absence have high rates of sickness absence over time. We have worked on this over time, so far without producing the desired result. More measures are therefore being taken to bring sickness absence down to a lower level.

KLP is a knowledge business which is affected by technological developments as well as changing products. Throughout the year, KLP has had the ambition to implement a strategic approach to documenting the skills within the organisation, to identify skills that will be important in the future, and to develop a plan to develop skills that need to be enhanced. This work is somewhat behind the projected timetable, and is continuing.

Value chain for KLP's principal product, public-sector occupational pensions

PENSIONS ARE SAVINGS
The value chain in KLP's business model starts with the customers paying premiums to the Company. KLP ensures that correct savings are set aside and ensures secure and responsible management of the savings capital up until it is time to pay it out.

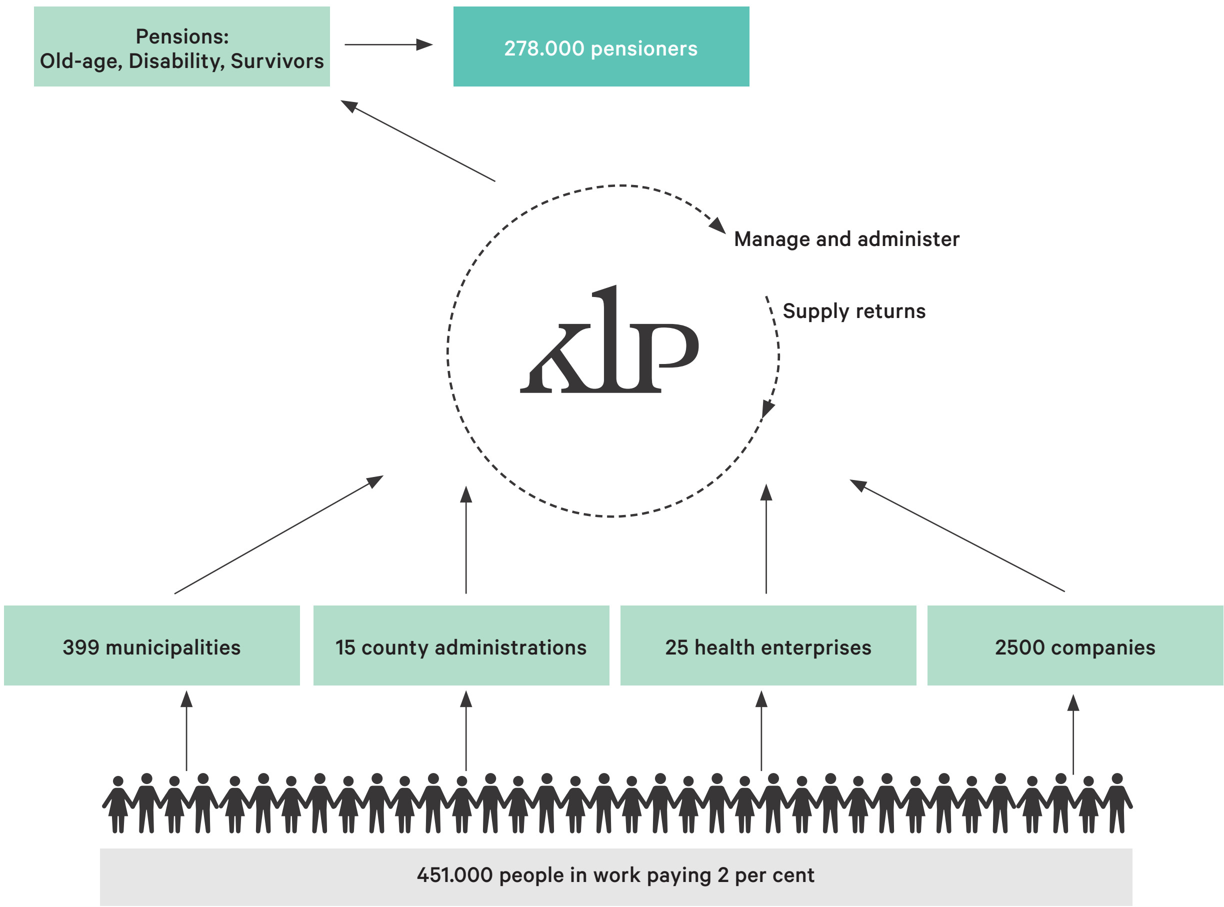
The premium is largely covered by the employer. Occupationally active members have two per cent of salary deducted by their employer as a contribution to the pension scheme.

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

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

KLP guarantees to give a minimum return on pension savings each year. For 2017, this guarantee averaged 2.6 per cent. Returns in excess of this belong to the insurance customers and are allocated either to supplementary reserves or to the premium fund. The premium fund assets may be used to pay future pension premiums.

If the return is lower than the guaranteed return, at the end of the year funds from supplementary reserves can be added. If this is insufficient, the Company is liable from its owners' equity.



Management, Board of Directors and committees in KLP

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, and 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 any negotiable equity instruments, so KLP is not listed on the Oslo Børs (the Norwegian stock exchange) or any other marketplace. KLP has listed bonds on the London Stock Exchange (KLP Banken has bonds listed on the Oslo Stock Exchange).

KLP has a broad ownership structure. Delegates to the General Meeting are appointed through election meetings in the relevant constituencies, to which all owners are invited. Voting rights are calculated on the basis of the individual member's share of the previous year's ordinary premium. The largest owner represents about 3 per cent of the votes. At the General Meeting each individual delegate has one vote.

The Company's Board of Directors includes owner representatives, representatives of employees' trade unions, one member without links to these, and representatives of KLP's employees.

KLP complies with the Norwegian Code of Practice for Corporate Governance (NUES) to the extent this is compatible with the mutual form of the Company. The Norwegian Code of Practice for Corporate Governance gives expression to generally accepted principles for corporate governance. Check page 46 for KLP's report relating to NUES recommendations.

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

GROUP SENIOR MANAGEMENT

Group senior management is made up of the CEO, the Executive Vice President Life, the Group Chief Financial Officer/Executive Vice President Finance, the Executive Vice President Communication and Markets, the Executive Vice President IT, the Executive Vice President HR, and the Managing Directors of KLP's subsidiaries KLP Banken AS, KLP Eiendom AS and KLP Kapitalforvaltning AS. KLP Bedriftspensjon AS and KLP Forsikringsservice AS are represented by the Executive Vice President Life. See presentation on page 26.

KLP is likely to face great changes in the way in which we work. New technology will enable us to work more efficiently. We will need expertise to make use of new technologies and to be open to new ways of working.

THE GENERAL MEETING

The General Meeting is the Company's highest authority and comprises elected representatives of the Company's owners. 173 delegates from a total of 22 constituencies were registered for the General Meeting for 2018. 17 of the constituencies comprise county administrations and municipalities in each county. The four regional health enterprises and their subsidiaries each form one constituency. The companies together form one constituency. In each constituency an election meeting is held to elect delegates to the General Meeting.

The General Meeting approves the annual report and accounts for the Company and the Group, including the allocation of profits or provision for loss. The tasks of the General Meeting also include electing 24 of the 45 members of the Corporate Assembly and approving the remuneration of the Corporate Assembly.

THE CORPORATE ASSEMBLY

The Corporate Assembly has 15 members elected by and from the employees of KLP. 24 members are elected by the General Assembly and 6 by the employee organisations or their negotiating associations. The role of the Corporate Assembly is to supervise the management of the Company by the Board and the CEO. Another task of the Corporate Assembly is to select five directors and the chair and deputy chair of the Board.

THE BOARD OF DIRECTORS OF KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

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

The Board provides for appropriate organisation of the business, determines plans and budgets, keeps abreast of the Company's financial position and obligations and ensures that the business, accounts and asset management are subject to satisfactory control. The Board is required 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 the same number of deputies are elected by the members of the Corporate Assembly who are elected by the General Meeting. Two members with deputies are elected by and from KLP's employees. One member and a deputy are nominated by the employee organisation or negotiating alliance with most members in the pension schemes. Two observers are also nominated from those organisations that are second and third in terms of 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 page 68.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

The Board of Directors has three sub-committees: a remuneration committee, an audit committee and a risk committee. The committees do not make decisions on behalf of the Board, but present their assessments and recommendations to the Board.

REMUNERATION COMMITTEE

The remuneration committee is a preparatory and advisory working committee for the Board's deliberations on remuneration questions. In 2011 the Financial Supervisory Authority of Norway gave permission for a joint remuneration committee in the KLP Group. On this basis the committee also functions as the remuneration committee for the boards of directors in the KLP Group that are required by law to have remuneration committees. The committee's responsibilities include ensuring the requirements laid down in law and in the regulations on remuneration schemes in financial institutions, investment firms and asset management companies are complied with in those companies in the KLP Group that are subject to these regulations. Members: Liv Kari Eskeland (chair), Lars Vorland, Jan Helge Gulbrandsen and Susanne Torp-Hansen.

AUDIT COMMITTEE

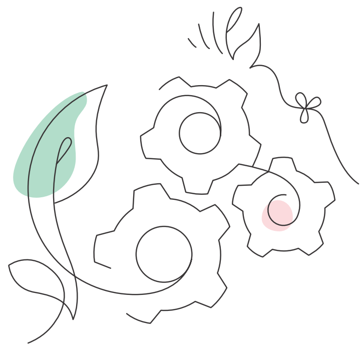
The audit committee is a preparatory and advisory working committee for the Board. The committee was set up in accordance with the requirements for an audit committee pursuant to the Norwegian Financial Institutions Act. The committee helps to quality-assure the Board's work associated with financial reporting, audit, risk management and internal audit. Members: Egil Johansen (chair), Freddy Larsen, Marit Torgersen and Ingjerd Blekeli Spiten*. **Stepped down on 1 January 2018 when she joined the management of the DNB Group.*

RISK COMMITTEE

The committee acts as a risk committee for the Board of Directors of KLP and its Group-level responsibilities.

The principal tasks of the risk committee are to assist the Board in monitoring and managing the Company's overall risk and assessing whether the Company's management and control systems are appropriate to the level of risk and the scope of the overall business of the Group.

KLP is owned by customers with public sector occupational pensions with the Company.



The committee also ensures that the Company has good systems for internal control and risk management (compliance), and that the second-line functions (risk, compliance and actuarial) work properly.

The committee also ensures that there is a satisfactory organisation with a clear organisation structure, and an appropriate division of responsibilities and tasks between executing and monitoring functions.

The risk committee assists the Board in preparing Board actions in other matters to do with risk management. Members: Egil Johansen (chair), Freddy Larsen, Cathrine Klouman, Marit Torgersen and Ingjerd Blekeli Spiten*. **Stepped down on 1 January 2018 when she joined the management of the DNB Group.*

THE ELECTION COMMITTEE
The Election Committee is laid down in the Articles of Association and recommends candidates for election to the following offices:
- The members of the Corporate Assembly elected by the General Meeting, as well as the chair and deputy chair of the Corporate Assembly.
- The members of the Board of Directors elected by the Supervisory Board members elected by the General Meeting as well as its chair and deputy chair.
- The corporate assembly has adopted instructions for the work of the nomination committee.

Members: Nils A. Røhne (chair), Steinar Marthinsen, Anita Eidsvold Grønli and Ole John Østenstad.

BUSINESS AND RISK MANAGEMENT AND CONTROL
The risk management system in KLP is aligned with the European capital adequacy 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 actuarial function and the compliance function. The third line is Internal Audit. A risk management committee has also been established, as an advisory body to the CEO.

The risk management and actuarial function is part of a department that head by the Risk Director. The department is responsible for monitoring the risk management system and oversees the risks to which the business is or may be exposed. Both this department and Compliance report directly to the CEO to ensure sufficient independence. The heads of the second-line control functions also have the right and the duty to report to the Board on matters which are their responsibilities.

This year, in accordance with Solvency II, KLP will report in detail on risk management and control in a separate public report, the solvency and financial position report (SFCR).

INTERNAL AND EXTERNAL AUDIT BODIES
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. Internal Audit operates in accordance with instructions laid down by the Board of Directors and reports to the Board. In addition to the Company's internal control bodies, the Company is subject to the professional supervision of the Financial Supervisory Authority of Norway (FSA of N). The FSA of N checks that financial institutions are run responsibly and in accordance with legislation.

The KLP Group's external auditor is elected by the general meeting. 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 AS and employees of KLP with particular insight into the investment operation.

Gisle Hunvik
Employed in KLP Kapitalforvaltning

KLP AND SOCIAL RESPONSIBILITY

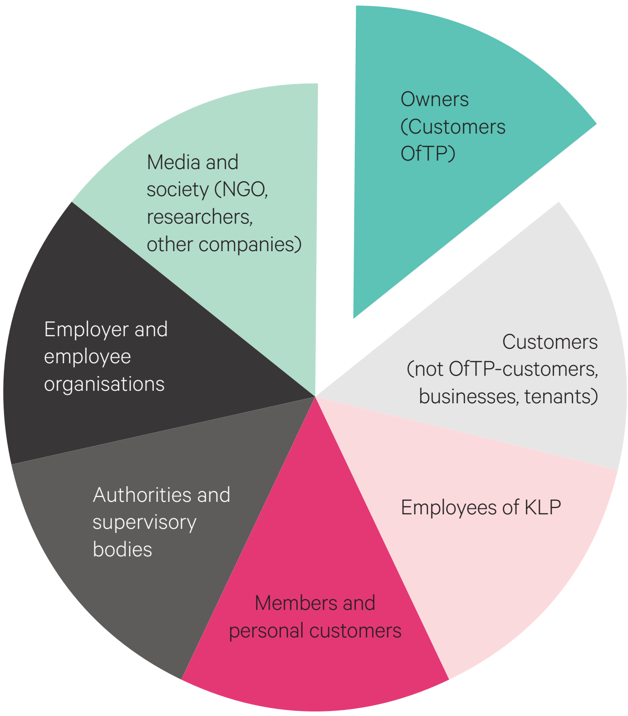
Managing assets for present and future generations

What KLP are affected by and what we affect

SURROUNDINGS AND MEGATRENDS
The world is facing major sustainability issues at the local and global level. KLP is part of this picture. We both influence and are influenced by these developments. As with all industry actors, KLP faces both risks and opportunities as a result of this.

These are things that we can help to change through the way in which we invest, or how we act as shareholder and owner. These are things we can do something about, including setting clear requirements when we make purchases, or when we choose partners. As employees of KLP, we take daily decisions that affect our customers and society around us; this is our greatest opportunity to influence things.

INTERNATIONAL GOALS AND STANDARDS
At KLP, we use the UN Sustainability Goals as a framework for our work on social responsibility. The Sustainability Goals provide a common direction for countries, businesses and civil society, to which we all have a responsibility to contribute.



OUR STAKEHOLDERS
KLP is the private pension fund for the Norwegian local government and healthcare sector. As a mutual company, our customers are also our owners. This means that they are our main stakeholder group. Whatever concerns them in the area of corporate social responsibility, and is relevant to our business, also concerns KLP.

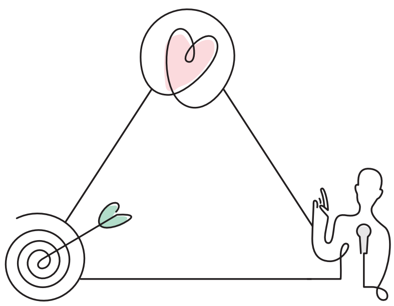
KLP welcomes open and continuous dialogue with all of our stakeholders who are affected by our operations, to pick up what concerns them, get their input on KLP's work and explain our values and priorities.

WE ARE COMMITTED TO ALL OF THE UN'S SUSTAINABILITY GOALS. WE WANT TO DELIVER SPECIFICALLY ON THESE:

Our mission

KLP's social responsibility consists in providing secure and competitive pensions to public-sector enterprises and their employees in a responsible and sustainable manner. We provide public enterprises and their employees with secure pension savings. Both today and for the days to come.

KLP's ambition within corporate social responsibility and sustainability is to be a leader in our industry.



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

KLP'S VALUES
Open
Clear
Responsible
Committed

Our goals

GOAL 1
Integrating social responsibility into all our operations

GOAL 2
Increasing investments that promote sustainable development and support our financial goals

GOAL 3
Pushing companies and industries towards more sustainable operations

GOAL 4
Developing products and services that contribute to positive development in society

Our goals

GOAL 1
Integrating social responsibility into all our operations

GOAL 2
Increasing investments that promote sustainable development and support our financial goals

Examples of how we have influenced things in 2017

We reduced the number of flights by 6 per cent in 2017. Over a two-year period, the number of flights has been reduced by 14 per cent. This is important for our mission to halve greenhouse gas emissions in the period 2010-2030. By the end of 2017, we had reduced our emissions by 30 per cent.

The Norwegian real estate prize for 2017 went to KLP for the Abels Hus development project in Trondheim, stating that the building is modern and innovative, and has the most modern solutions for lighting, heating and ventilation.

KLP has had several communication initiatives to increase awareness of diversity and equality in our organisation.

In 2017, we started a pilot scheme to take on apprentices in our organisation. We will produce a plan to take this further in 2018.

In 2017 we decided to exclude companies that derive large parts of their revenues from oil sands. At the same time, we decided to increase our investments in renewable energy.

Our investments in new renewable energy projects have thus far resulted in five new wind farms that are operational. These have a total production capacity of 574 megawatts and produce electricity equivalent to 643,000 people's consumption in the countries where the wind farms are installed. Several new projects are under construction.

We increased investments in banking and finance in developing countries, in cooperation with Norfund. The new investment company Arise, of which we are co-owner, started business in 2017. Its purpose is to contribute to economic and social development in Africa through investments in African banks.

How we can influence things in the future

We are setting new energy targets for the next four-year period and will be preparing separate environmental action plans for all buildings in our property portfolio. This will help us implement even more effective measures to reduce the environmental impact of the buildings.

We will be running a minimum of one innovation project per year in the property portfolio to test environmentally friendly technologies and methodologies.

Plans and budgets have now been drawn up to follow up on the Property Roadmap to 2050 which will materialise from 2018.

At KLP we have a relatively good gender distribution among managers, but the gender distribution is skewed in the highly paid positions. We therefore intend to prepare an action plan to increase the number of women in just this type of position.

We will be increasing our climate-friendly investments by NOK 6 billion per year.

INCREASING OF CLIMATE-FRIENDLY INVESTMENTS

6

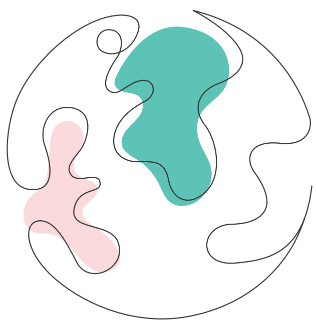
NOK billion per year

GOAL 3

Pushing companies and industries towards more sustainable operations

For a long time, we have taken care to use our ownership as an investor to influence individual companies, industries and markets. In 2017, KLP voted at more than 2,700 general meetings of exchange-listed companies. One example of a shareholder proposal which KLP supported and which received approval was at Exxon. Exxon will now have to account to its shareholders on how the company is affected by climate-related risks and policies.

Climate is one of the priority areas for KLP's exercise of ownership. One activity in 2017 was where we worked with other investors through the RE100 initiative to persuade several listed companies to commit to targets for their use of renewable energy. In 2017, nine new companies have set themselves targets for this, including AXA, Telefonica, Tesco, AkzoNobel and Carlsberg Group.



It is not just as an investor and owner that KLP is able to influence things. KLP is also a major purchaser and we intend to be even more aware of our options and our responsibility in our choice of products and services to buy and our ability to induce our suppliers to operate responsibly. In 2017, KLP became a member of the Ethical Trade Initiative (IEH) as part of its efforts to further develop how we work with social responsibility in procurement.

GOAL 4

Developing products and services that contribute to positive development in society

The municipalities also come to us to learn about fire prevention, and we work closely with them to reduce the risk of fire. We have therefore organised a number of different courses on claim-prevention work, with a focus on risk-based thinking – on the principle of 'better safe than sorry'.

Together with our customers, KLP has a lot of good knowledge of working environment projects and how sickness absence can be prevented. We have therefore established a working environment network which brings together people dedicated to the working environment in the municipalities, county councils and healthcare enterprises.

We know the value of preventive action to stop claims from occurring. We will continue our efforts to help our owners reduce the number of claims. One of our main focal areas in the future will be to bring down the number of claims on and in municipal rental housing. As part of this work we have prepared a booklet with actions the municipalities can take to prevent such claims from occurring. We have given particular attention to fire.

KLP is considering new products and services in the fields of banking, fund management and insurance which will benefit our customers and society as a whole.

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Do you want to know more about how we work and invest? See klp.no/samfunnsansvar

The Employee Account

KLP is working on sickness absence, and focusing on competence management and continuous improvement.

WORKING TO LOWER SICKNESS ABSENCE

KLP's aim is to have less than 4 per cent sickness absence. Sickness absence for 2017 totalled 4.5 per cent, compared to 4.6 per cent in 2016. Long-term absence over 16 days accounted for 2.9 per cent and short-term absence under 16 days for 1.6 per cent. Long-term absence has risen while short-term absence has fallen. KLP is at roughly the same level as the industry as a whole.

There is a considerable focus on systematic and targeted efforts to address and follow up on employees reporting sick. Analyses have been conducted to look into measures to reduce sickness absence. Additional management training has been given where there is a particularly high level of sick leave.

STRATEGIC SKILLS MANAGEMENT

In 2017, KLP continued to focus on strategic skills management, where the various business areas have defined their primary skills development needs to achieve their goals and deliver in line with the strategy. In 2018, the Group is focusing on identifying, planning and implementing skills development measures to cover common skills needs across the organisation.

ETHICAL GUIDELINES AND COMPLIANCE MONITORING

Following the Ethics Barometer, a survey related to ethics and compliance run for the entire group in the fourth quarter of 2016, presentations of the results were given to all the different business areas and departments of KLP during 2017. This was combined with a review of ethics as a reflection tool, and the results in the different units were discussed and reflected on together. Information on important content in both the ethical guidelines and the whistleblower scheme was also provided. The ethical guidelines will be revised during 2018.

MANAGEMENT DEVELOPMENT - FROM WORDS TO DEEDS

An important goal for management development at KLP is to produce managers with the attitudes, behaviour and skills to implement changes and to develop colleagues, themselves and KLP's business. Values and principles of good leadership at KLP have been drawn up and are reinforced in the management model, and during 2017 we have been ably assisted by AFF/NHH as we have addressed these issues at management gatherings, in management groups and individually. This collaboration will continue into 2018.

In 2018, we will continue a leadership programme for 24 managers as well as management conferences and tailored programmes for various management groups.

CONTINUOUS CUSTOMER-FOCUSED IMPROVEMENT

KLP aims always to deliver products and services that customers are happy with. Provision should be simple and

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In KLP all employees are given equal opportunities, regardless of age, sex, disability, political convictions, sexual orientation, gender identity, gender expression and ethnic background.

efficient and give value to the customer. In 2017, we continued to run several improvement projects based on the Lean philosophy/methodology, built around customer focus and customer value. Staff involvement and systematic problem-solving are also important. Through round-table meetings and good improvement structures, we are experiencing very good results and will continue this work in 2018.

DIVERSITY AND EQUALITY

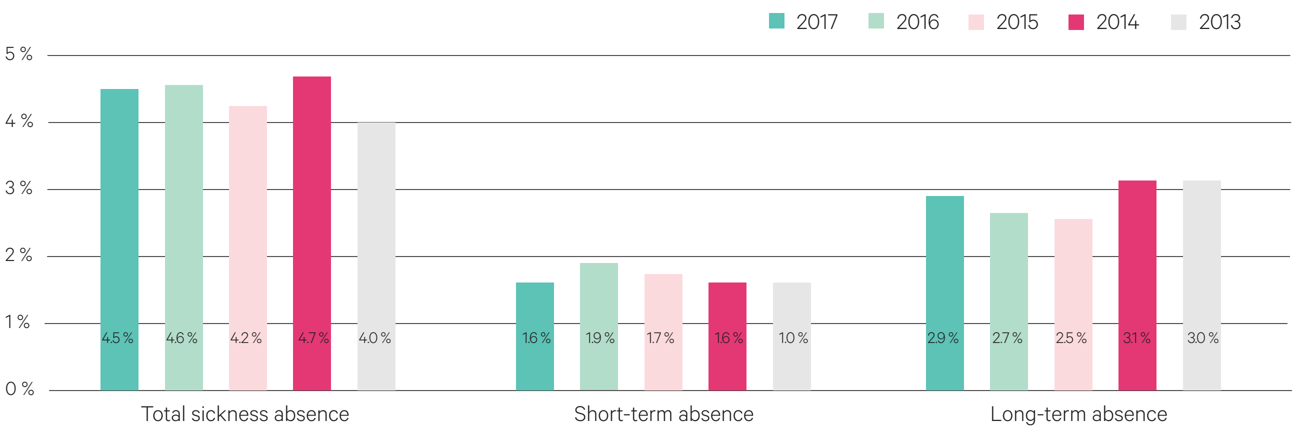
KLP aims to be an attractive workplace where all employees are given equal opportunities, regardless of age, sex, disability, political convictions, sexual orientation, gender identity, gender expression and ethnic background.

In 2017, KLP ran a course in 'Pink Competence' under the auspices of FRI (the National Association for Lesbians, Gays, Bisexuals and Transgender People). The aim of the course is to give staff and managers good advice and ideas on how to talk confidently about sexual orientation and gender expression in the workplace. KLP was also well represented in Gay Pride, and staff were invited to go to the parade together with colleagues.

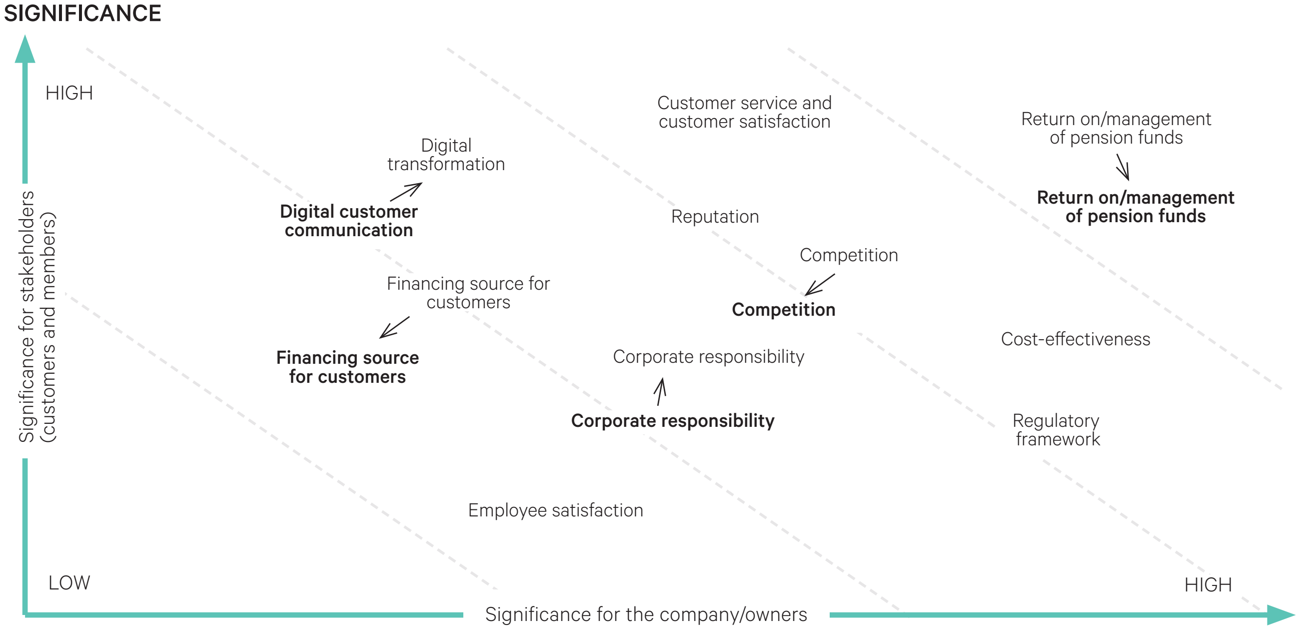
In 2017, there were several meetings of the company's equality and diversity committee, which did further work on the measures adopted in 2017 by Group senior management. Specific actions, such as lunchtime courses for employees focusing on equality, are scheduled in 2018.

Read more about employees, equality and actual remuneration to men and women in the sustainability report on page 155.

TREND IN SICKNESS ABSENCE IN KLP OVER THE PAST 3 YEARS



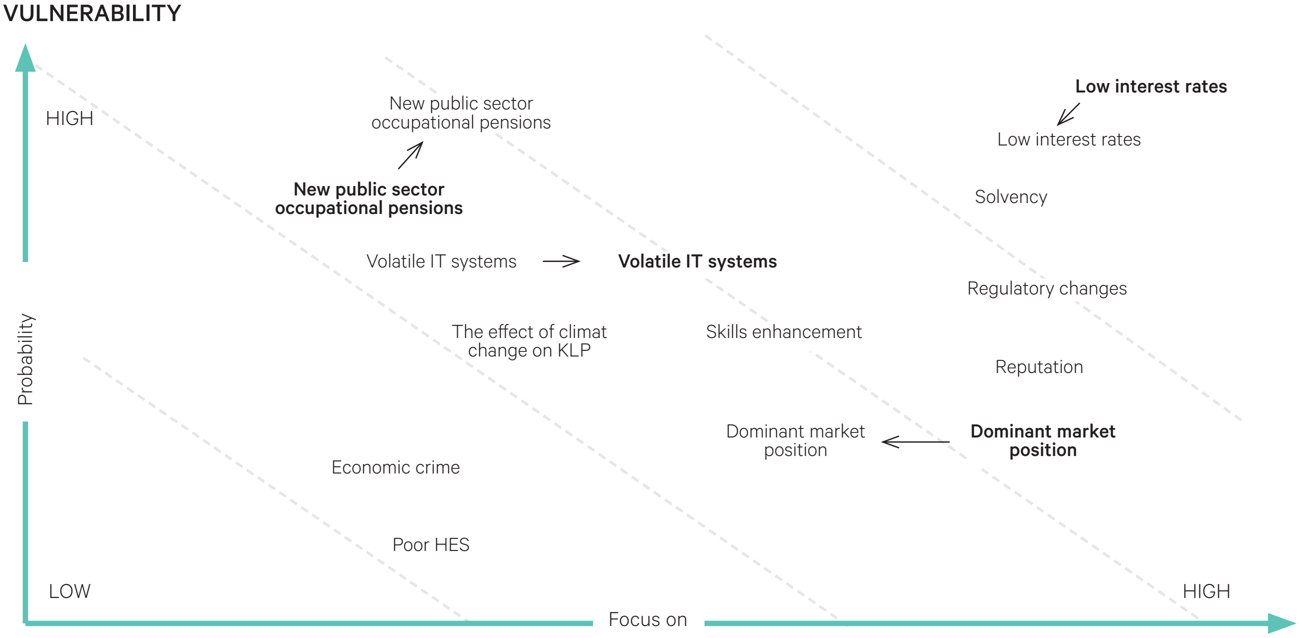
Materiality analysis



KLP does a review every year of topics that have a significant impact on the Company's customers and owners in a Materiality Analysis. These are important strategic topics that both the board of directors and the senior management work on through the year.

SUBJECT	Description
Return on and management of pension funds	KLP manages large assets in pension funds. It is important that these are managed safely and securely so that our customers' future pensions are safeguarded. At the same time KLP endeavours to achieve good returns on the assets to reduce an increase in equity contributions.
Cost-effectiveness	KLP operates effectively and efficiently so that its costs are kept low. KLP's cost-effectiveness benefits its customers since the charges elements in the premiums can be kept at a low level.
Customer service and customer satisfaction	Good service and satisfied customers are important if KLP is to be the public sector's preferred pension provider. How satisfied our pension, insurance and banking customers are is measured regularly.
Reputation	KLP's product range comprises pensions and other financial services of importance for its customers' and members' finances. As a provider of such products, the confidence of our customers and of the market is essential. Good reputation is therefore crucial
Regulatory framework	KLP's business is subject to comprehensive regulations that are constantly developing. KLP must at all times stay up-to-date and contribute to the development of the regulations in order best to safeguard customers and owners.
Corporate responsibility	KLP as an institution and the member groups addressed by the Company place much weight on corporate responsibility and sustainable development. KLP's operating and asset management are therefore designed so the business contributes to such development.
Digital transformation	Digital developments are creating space for new services and business models and are changing both our behaviour patterns and our expectations in terms of digital experience. New technology also gives us new ways to improve the efficiency of our operations.
Financing source for customers	KLP is a significant provider of loans to its public sector customers. In addition, members are offered home loans on advantageous terms. This is a good way for KLP to support its customers and their business.
Employee satisfaction	Motivated and satisfied employees are essential for good customer service, reputation and productivity. It is therefore important for the staff to enjoy their work
Competition	KLP operates in an open market exposed to competition. Changes in the local government sector and the system of public-sector occupational pensions may change the competitive situation in the future.

Vulnerability analysis



The vulnerability map shows how certain risk topics impact on the Company. The arrows illustrate changes from the year before.

RISK	DESCRIPTION	MANAGEMENT
Low interest rates	KLP has provided a returns guarantee on its customers' pension funds. With a low interest-rate level it is demanding to fulfil this guarantee.	KLP aims to achieve stable good returns by maintaining an investment portfolio with moderate levels of risk. Solid buffers provide a good foundation for delivering guaranteed returns in the future, even at low interest rates.
Solvency	Solvency is essential to risk-taking, expected returns and stability in the contributions to KLP's pension schemes.	Planning of capital needs and tailoring risk-taking. The Company strengthens its solvency through for example building financial buffers when times are good.
Dominant market posisiton	Currently KLP is alone in offering public sector occupational pensions with insured schemes.	Exploit economies of scale by offering comprehensive service at a low price. Among other things, KLP has competition from pension funds.
Climate changes	KLP's business could be impacted by changes in climate and the targets and measures global society sets for sustainable development.	KLP is engaged in various national and international initiatives as a driver for solutions to the 2°C target. A range of measures, on the investment side for instance, has been initiated. KLP's measures are described in detail in the section entitled "Corporate responsibility".
IT systems	KLP's business is largely based on IT, both in customer communication and in internal processing. The IT systems contain sensitive and business-critical data.	There are emergency plans for operational interruption, catastrophe exercises, dialogue between business and IT on developmental matters, and updated security solutions.
Regulatory changes	The regulations are in constant change and generally there are high levels of formal requirements of the industry. Additionally, pensions are an area under development where adjustments are expected in public sector occupational pensions in the future.	Good dialogue with the parties to public sector occupational pensions, in which KLP is also a contributor in consultation matters. KLP has a broad network for capturing new changes and processes concerning regulations that affect the pension scheme.
Reputation	KLP delivers important services in pensions and other financial services. The confidence of its customers and the market is essential to the Company.	Strict ethical guidelines with procedures for audit, training and dilemma training, in addition to predictability and good business culture, all help to safeguard KLP's reputation.
Economic crime	As a manager of substantial financial investments, KLP will be vulnerable to economic crime.	Strict security measures have been implemented within all business areas and IT platforms. Continuous monitoring of systems and activities is an important measure for avoiding economic crime.
New public sector occupational pensions	KLP's main product is public sector occupational pension. Changes in pension schemes for public sector employees will have an impact on the Company.	New public sector occupational pensions are being negotiated between employers and employee organisations. KLP is following developments closely.
HES	Among other things, KLP's insurance risk covers disability. If KLP helps to reduce the risk of disability, this will mean lower costs for KLP's customers.	KLP's HES team assists customers with targeted preventive measures to reduce sickness absence and disability etc.
Skills enhancement	Technological developments and the changing needs of customers and markets will result in a reduced need for staff in some parts of our business and an increased need in others.	Through its skills strategy, KLP will develop its organisation in accordance with this and with the main objectives of KLP. The skills strategy shall give us control over what kind of skills KLP has, in both the short and the long term, and shall include a plan for how to fill the gap between the skills we have and the skills we need.

Risk Management and Internal Control in KLP

To ensure that KLP delivers secure and competitive financial and insurance services to its customers, and to safeguard the interests of the owners and the company's holdings, a system of risk management and internal control has been established.

The Board of Directors of KLP has adopted a policy for risk management and internal control. Good risk management and internal control are intended to ensure that KLP can achieve its objectives by identifying and analysing relevant risks that could prevent it from reaching its goals, and by implementing effective measures to handle, control and report on the risks. Relevant risks and internal control measures should be assessed in all decisions on significant changes to the business.

ROLES AND RESPONSIBILITIES

The Board of Directors bears the overall responsibility for ensuring that KLP has established appropriate and effective processes for risk management and internal control. This includes determining the overall risk appetite, as well as ensuring that the management of significant risks is appropriately organised, in terms of operational follow-up responsibilities and of independent checking that the risks are being handled in accordance with the overall risk appetite.

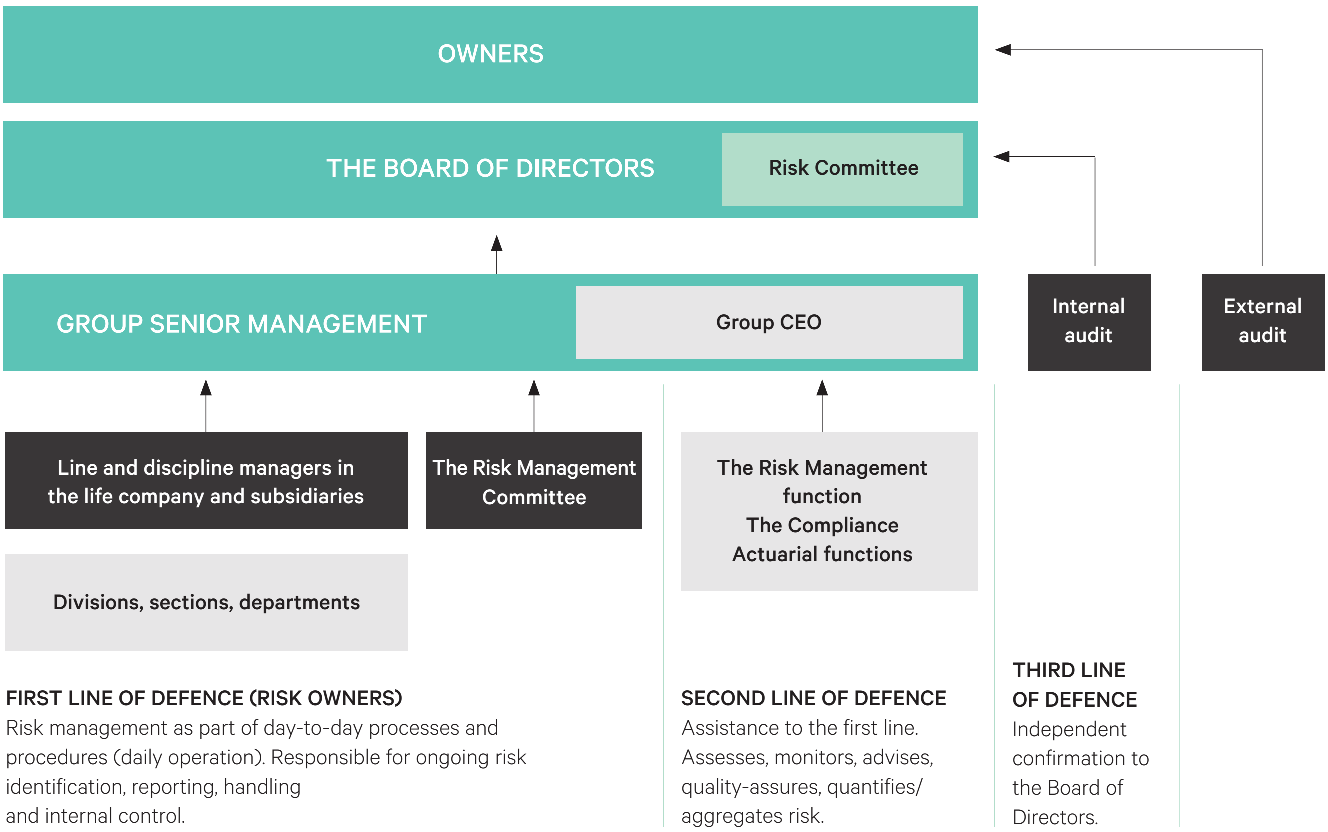
It is the responsibility of the Group CEO to ensure that the Board's policies for management and control are operationalised and implemented in the business. KLP has a risk management committee which acts as an advisory body to the CEO on all matters relating to KLP's total risk exposure. The committee addresses the general willingness to take risks, the overall risk strategy and risk exposure, broken down into all the major risk factors in the parent company's business, including owner risk associated with the subsidiaries.

CONTROL FUNCTIONS

KLP's risk management function monitors the company's total risk and risk handling, and ensures that the risk management committee and the Board of Directors of KLP are always sufficiently informed of the Group's overall risk profile. The risk management function assesses whether the assumptions used in the company's risk calculations are reasonable, and assists the management in enhancing and implementing an overall framework for KLP's risk management, ensuring that this complies with external and internal requirements.

KLP's compliance function assists the management by ensuring that KLP does not incur any sanctions, financial losses or loss of reputation because laws, regulations and standards have not been followed ("compliance risk"). The compliance function assists the management in identifying, assessing and reporting on compliance risks and gives advice to management, the Board and the staff on compliance with the relevant framework for the business.

The actuarial function is responsible for coordinating the calculations of the technical provisions, and ensuring that methods, models and assumptions used in calculating technical provisions are appropriate. Best estimates should also be compared with KLP's past experience. The data used in the calculations should be assessed in terms of adequacy and quality. The actuarial function should also comment on KLP's reinsurance programme and contribute to



the effective implementation of the risk management system.

The risk management, compliance and actuarial functions make their own independent assessments of the risk level in the company and the adequacy of established risk-reduction measures.

The company's internal audit group carries out independent assessments of actuarial, financial and operational risks. After discussion with the Board of Directors and management, key risk areas are evaluated and tested with a view to satisfactory management and control. The internal auditors' reports and recommendations are presented to, and followed up by, the management and the Board. Internal audit helps to give the Board and management confidence that the company has appropriate and effective processes in place for risk management, internal control and corporate governance. Internal audit submits an annual report to the Board on KLP's system for risk management and internal control.

ROLES AND RESPONSIBILITIES

Roles and responsibilities related to risk management and internal control in KLP can be illustrated with a simple model of corporate governance providing three lines of defence. The primary responsibility for risk management lies in the first line, which is made up of managers and staff in the business areas. The compliance, risk management and actuarial functions are defined as second-line functions in KLP. The second line monitors, assesses, advises on, aggregates and reports on the risk situation. The third line of defence includes independent confirmation from internal audit that the first and second lines of defence are working properly, and assures the Board that the model is robust.

The three lines of defence are supplemented by feedback from the external auditors to the company's owners on the quality of the company's risk management system, as part of KLP's organisation of risk management and internal control.

PROCESS

Based on the defined objectives for the business, material risks are analysed, assessed and documented. The identified risks are assessed in terms of the impact of possible events and the likelihood of these events occurring. Based on this assessment, the risks are prioritised in terms of materiality, and measures are established for ongoing handling and control of the risks (internal control). Measures for handling and controlling risks are carried out all the time through process organisation, guidelines and procedures, authorisations, job and work instructions, training and appropriate control mechanisms.

In the event of changes in external and internal conditions, products, processes and organisation, the risk profile is reviewed to assess whether it has been materially changed as a result.

There is a systematic annual review of all material risks in all business areas within KLP. The report from this annual review is discussed by the Board, which ensures that internal controls are applied affectively and that identified risks are adequately addressed. Where the review indicates that existing internal controls are not sufficient to assure an acceptable level of risk, plans are drawn up to establish new measures. The status of these new measures, and ongoing identification of new risks, are reported each quarter to the management in connection with their review of the balanced scorecard.

MONITORING

KLP's managers, at all levels, should always have a proper overview of the specified goals, risks, key controls and possible unwanted events in their area, so they can adequately handle risks associated with the business on an ongoing basis. The second-line functions should have an overview of the risk level for KLP's key risk areas, and follow up on risk areas that are not being handled in line with the Board's risk appetite. The risk management function should have an overview of the risk level for all of the key risk areas in the company, and follow up on risk areas that are not being handled in line with the Board's risk appetite.

ORGANISATION AND IMPLEMENTATION OF FINANCIAL REPORTING

KLP publishes four quarterly reports in addition to the annual report. KLP's quarterly and annual reports are drawn up by the group accounts department, which reports to the CFO. The work is divided in such a way that valuations of assets and liabilities are made outside the group accounts department. Before each set of accounts is presented, meetings are held between the group accounts department and central technical functions to identify risk factors, market issues etc. that could have a bearing on the accounts. Reconciliation and control procedures have been established to assure the quality of financial reporting.

KLP's business is required by law to be audited, and external auditors carry out a full audit of the annual accounts. The Board of Directors of KLP has appointed its own audit committee to prepare for the Board's discussion of the accounts, with the emphasis on monitoring the financial reporting process and the key principles and valuations underlying the accounts. The company's external auditors take part in the audit committee's discussion of the accounts. The audit committee assesses and monitors the independence of the auditors.

In addition to quarterly and annual accounts, monthly operational reports are produced with comparisons against budgets and analyses of developments.

Vidar Stenseth
Employed in IT

Norwegian Code of Practice for Corporate Governance (NUES)

KLP's articles of association and the applicable legislation provide guidelines for the company's corporate governance, and define a clear division of roles between governing bodies and the managing director. The board of directors carries out an annual review of corporate governance in KLP.

KLP´s basic values are described by way of the company's vision of being "the best partner for the days to come" and the core values Open, Clear, Responsible and Committed. These provide shared goals and direction for KLP's progress and strategic priorities. The vision expresses the goals and ambitions of the business. The vision is discussed in more detail in the annual report and on the company's website.

KLP aims to deliver secure and competitive financial and insurance services to the public sector, enterprises associated with the public sector and their employees.

The business idea defines which customers KLP exists to serve, and who its products and services are developed for. KLP aims to maintain a good balance between competitive prices for its customers and a satisfactory return for its owners. These are qualities which help to ensure that KLP is perceived as the company's vision suggests.

1. REPORTING ON CORPORATE GOVERNANCE

No deviation from the code of practice.

In most areas, KLP follows the Code of Practice for Corporate Governance as described in the principles set out by the Norwegian Corporate Governance Board (NUES). Differences from NUES generally arise where individual provisions do not fit KLP's mutual status.

Corporate social responsibility is an important part of KLP's activities and basic values. KLP aims to contribute to a sustainable public sector and to integrate CSR into all of its business processes. One example of this is the way in which KLP integrates CSR into its capital management and strives to be one of the leading players in this area. KLP's work on CSR is based on the Group's affiliation to the UN Global Compact and the UN's Principles for Responsible Investment.

KLP reports every quarter on non-financial key indicators under the headings of society, environment, human capital and responsible investments.

It has also drawn up ethical guidelines which cover things like confidentiality, impartiality and benefits, and a procedure for warning of possible breaches of these. KLP also has guidelines for equality and diversity.

2. BUSINESS

No deviation from the code of practice.

KLP's objective, as set out in its articles of association, is to safeguard the interests of its owners in compliance with the applicable legislation. KLP's principal objective is to address the needs of its members within public-sector occupational pensions, and this is assessed by the board of directors in their annual review of the strategy process. The articles of association are reproduced in full on the Group's website. The market is updated on KLP's goals and strategies through the quarterly results presentations and reports published on the company's web pages.

3. EQUITY AND DIVIDENDS

Deviation from the code of practice.

KLP is a mutual insurance company whose principal objective is to contribute to prudent management of its members' pension resources at the lowest possible cost. Dividend policy is not relevant in this context because the customers own the mutual company. The articles of association state that the members are obliged to pay equity contributions in so far as this is necessary to provide KLP with satisfactory financial strength. KLP's financial strength, capital position and solvency are discussed in more detail in the annual report from the board of directors.

The provision in the Companies Act on mandates to the board of directors is not relevant to KLP. In KLP, it is the board which invites and sets the rates for equity contributions which are "necessary to provide KLP with satisfactory financial strength". For the Nurses' Pension Scheme, it is the board of the pension scheme which decides on the equity contributions and the Ministry of Labour and Social Affairs which approves them.

The board evaluates KLP's capital requirements on an ongoing basis, in the light of the company's objectives, strategy and risk profile. The board adopts an annual appropriation of profits which is designed to ensure that the company has sufficient financial strength. The company is a mutual company and, as such, does not deal in dividends but in appropriation of profits.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Deviation from the code of practice.

Individual elements of the Code are not directly transferable to KLP as a mutual company, but we follow the general intent of the Code. The difference is mainly due to the fact that the company has no negotiable equity instruments.

5. FREELY NEGOTIABLE SHARES

Deviation from the code of practice.

This point is not relevant as KLP has no negotiable equity instruments.

6. GENERAL MEETINGS

Deviation from the code of practice.

KLP has chosen a solution where the general meeting consists of elected delegates and deputies. The company is divided into constituencies (election districts). The county administration together with the municipalities in that county each make up one constituency, apart from the municipality of Oslo which is part of the Akershus constituency. The four regional health enterprises and their subsidiaries each make up a constituency. The other members of the company (corporate members) make up a constituency. The number of delegates elected from the individual constituencies is related to the premium volume paid in from each constituency. The recommendation in the Code to arrange for voting by proxy is therefore irrelevant to KLP.

The notice calling the meeting and the support information on the resolutions to be considered, including the recommendations of the nomination committee, are sent to the elected delegates no later than 14 days before the meeting is to be held. This period is longer than the minimum requirement under the Companies Act, which is one week, but shorter than the recommendation that the notice calling the meeting and the support information should be made available on the company's website no later than 21 days prior to the date of the general meeting. The practice within KLP, however, is that an early reminder of the scheduled date of the general meeting is sent out to the delegates at the beginning of the year, and it is also mentioned at electoral and owners' meetings.

The point in the Code about making appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies is addressed by the meeting chairman first asking whether there are any proposals for other candidates and, if so, whether they can be dealt with together.

The chair of the board of directors, the group CEO, the chair of foretaksforsamlingenboard, the nomination committee and the auditors are entitled and required to be present at the ordinary general meeting.

KLP's general meeting is opened and chaired by the chair of the foretaksforsamlingen board.

7. NOMINATION COMMITTEE

Deviation from the code of practice.

The rules for the nomination committee are set out in the company's articles of association. The foretaksforsamlingen board chooses the members of the nomination committee, including the chair, and determines the fees to be paid to the members of the committee. This differs from the Code, which recommends that the general meeting should elect a nomination committee.
The composition of the nomination committee is in line with the Code. All the members are independent of the board of directors and executive personnel. The different groups of owners are represented on the committee. Appointments to all of the company's corporate bodies should be calculated to achieve a reasonable balance between the sexes.

Details of the nomination committee, its composition and tasks are given in the annual report and on the company's website.

The nomination committee proposes candidates for membership of foretaksforsamlingen board, to be elected by the general meeting, and the chair and vice-chair of the foretaksforsamlingen board. It also proposes the members of the board of directors to be elected by the members of of the foretaksforsamlingen board who are elected by the general meeting. The nomination committee is also required to make recommendations on the remuneration of the members of the foretaksforsamlingen oard, the board of directors and the nomination committee. In this process, the nomination committee actively consults with the company's various owner groupings.

The members of the nomination committee are elected for a term of two years. They may be re-elected twice.

The nomination committee provides written justifications for its recommendations The chair of the nomination committee also reports orally on these justifications to the bodies to which elections are being held.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

No deviation from the code of practice

The recommendation concerning a broad cross-section of the company's members on the s foretaksforsamlingen board is addressed by the articles of association, which provide that the members of the foretaksforsamlingen board elected by the general meeting must be such that the foretaksforsamlingen board as a whole reflects the company's interest groups, customer structure and social function.

Five members of the board of directors are elected by the members of the foretaksforsamlingen board, who are in turn elected by the general meeting. The composition of the board of directors is such that the board as a whole can address the interests of the members and the company, and the company's need for expertise, capacity and diversity. It is felt that the provision adequately addresses the provisions in the Code on independence of executive personnel, material business contacts and members of the company with equivalent influence to principal shareholders. Please refer to more detailed discussion in section 9 below.

The chair and vice-chair of the board of directors are elected by the Corporate Assembly.

The members of the board of directors are appointed for two years. There is no provision stating how long a board member may remain in office, but in recent years, the nomination committee has suggested that board members should not normally stay longer than eight years.

The board of directors is considered to be independent in terms of the Code. The external members of the board of directors are independent of executive personnel. No board members have any relationship to members of KLP who represent more than 10 per cent of the votes at the general meeting. All board members are independent of material business contacts.

9. THE WORK OF THE BOARD OF DIRECTORS

No deviation from the code of practice.

The board of directors produces an annual plan for its work, including objectives, strategy and action plan.

The board has issued instructions for the board itself and the managing director. These were last revised in December 2016.

The board of directors has three subcommittees: the remuneration committee, the risk committee and the audit committee. Each year, the board appoints at least three members and possibly a deputy to the sub-committees from among the members of the board, and appoints the chairs of the committees.

The board of directors evaluates its own work at least once a year. In this connection, the board is required to evaluate its own work and competence related to the company's risk management and internal control. The results of this evaluation are presented to the nomination committee, which uses them in its work.

Each year, the board is required to evaluate the work of the working committees as part of its self-assessment. The subcommittees also conduct an annual self-assessment.

The board of directors held ten meetings in 2017.

The recommendation concerning independent consideration of matters of a material character in which the chairman of the board has been personally involved is considered to be covered by the provision on impartiality in the instructions to the board of directors.

10. RISK MANAGEMENT AND INTERNAL CONTROL

No deviation from the code of practice. KLP has a well-established system of risk management and internal control adapted to the scope and nature of the Company's activities. The system for risk management and internal control is described in page 42. Internal control also includes the Company's basic values and guidelines on ethics and social responsibility. As of 2016, internal control related to the Company's ethical guidelines is included as a separate reporting item to the Board of Directors in connection with the Board's annual review of major risk areas and internal control.

11. REMUNERATION OF THE BOARD OF DIRECTORS

No deviation from the code of practice.

The remuneration of the board of directors reflects the board's responsibility, expertise and time commitment and the complexity of the company's activities.

12. REMUNERATION OF EXECUTIVE PERSONNEL

No deviation from the code of practice.

KLP is not covered by the rules on the remuneration of executive personnel in exchange-listed companies. As a finance company, the board of KLP adopts guidelines for the remuneration of all employees in the company, including special rules on salaries payable to executive personnel.

KLP has no exchange-listed equity instruments and does not grant share options or bonuses to its staff.

The Company's guidelines on the remuneration of senior employees are presented to and adopted by the General Meeting.

More information on the remuneration of senior employees can be found in Note 30 to the annual report and on the Company's website (klp.no).

13. INFORMATION AND COMMUNICATIONS

No deviation from the code of practice.

The board of directors has established guidelines for the company's reporting of financial and other information, and the company's contact with member-owners other than through general meetings. KLP's financial calendar is published on the company's website. Financial information is published in quarterly and annual reports. The published documentation is accessible from the company's web pages. KLP also has contact with members outside the general meeting, including electoral meetings, owners' meetings, resource group meetings etc. All reporting is based on openness and consideration of the requirement for equal treatment of the players in the securities market and the rules on good exchange practice.

14. TAKE-OVERS

Deviation from the code of practice.

We differ here because this is not relevant to KLP as a mutual company.

15. AUDITOR
No deviation from the code of practice.

The external auditor is appointed by the Corporate Assembly and performs a financial audit. KLP has appointed PwC as its auditor.

Revisor submits an audit report in connection with the annual accounts, and a statement on simplified audit checks on the quarterly accounts where these have been subjected to such a control. Revisor also gives an independent opinion of non-financial accounts drawn up by KLP and included in KLP's annual report.

The auditor attends all meetings of the audit committee, as well as the board meeting at which the annual accounts are discussed. The audit committee assesses the independence of the auditor each year.

KLP's Board of Directors has established guidelines on the purchase of additional services etc. from the auditor. The guidelines help to ensure that the independence of the auditor is maintained.

The auditor participates in the meeting of the Company Assembly at which the financial statements are discussed and in other meetings as required.

In 2017, the board of directors had one meeting with the external auditor without the administration present. The Board's Audit Committee held three meetings with the auditor without the participation of the management.
The remuneration of the auditor is determined by the General meeting.

Statement in accordance with Section 3-3b, second paragraph of the Norwegian Accounting Act

A summary of the matters that KLP is to report on in accordance with Section 3-3b, second paragraph of the Norwegian Accounting Act follow here. The points follow the numbering used in the provision.

The second paragraph number 1,2,3,5 and 6 is not valid for companies that doesn't issue equities(shares) or equity sertificates listed on a public stock exchange or a multilateral trade facility. For further information regarding see "verdipapirhandelloven 2 § 2-3". KLP presents reference to Norwegian Code of Practice for Corporate Governance (NUES) for all points, although only point number 4,7 and 8 is required for the company:

1. The principles for KLP's corporate governance have been prepared in accordance with Norwegian law, and they are based on the Norwegian Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board (NUES).

2. The Norwegian Corporate Governance Board's Code of Practice is available at www.nues.no.

3. Any deviations from the Code of Practice are commented on under each section in the statement above.

4. A description of the main elements of KLP's systems for internal control and risk management related to the financial reporting process is discussed in section 10 above.

5. Provisions in the Articles of Association that refer to the provisions in chapter 5 of the Norwegian Public Limited Companies Act with regard to the general meeting are discussed in section 6 above.

6. The composition of the governing bodies and a description of the main elements in the current rules of procedure and guidelines can be found in sections 6, 7, 8 and 9 above.

7. The provisions in the Articles of Association that regulate the appointment and replacement of board members are discussed in section 8 above.

8. Provisions in the Articles of Association and authorisations granting the board the authority to buy back or issue the Group's own shares are discussed in section 3 above.

KLP

Annual Report 2017

Photo: vidar Stenseth, employed in IT

Torun Wahl
Employed in KLP Bedriftspensjon

KLP

Annual Report 2017

In 2017, Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) achieved good results, making a profit for its customers while improving its financial strength. The value-adjusted return was 6.7 per cent. Book returns were 3.9 per cent. This is well over the 2.6 per cent which is the return that the company has promised to its customers. KLP's commitment to its customers' employees has yielded good results and contributed to growth in the subsidiaries. The company's financial strength is good and solvency capital coverage was 242 per cent at year-end.

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) is the parent company of 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 good financial result of 6.7 (5.8) [1] per cent value-adjusted returns and book returns of 3.9 (4.4) per cent in the common portfolio allows KLP to transfer surplus assets to the customers' premium funds and to strengthen buffer capital. A return of 4.0 per cent (4.7) in the corporate portfolio strengthens the company's solvency.

The profit for our insurance customers amounts to NOK 7.1 (8.3) billion, of which NOK 1.1 billion is being used to strengthen the supplementary reserves, whilst NOK 5.2 billion is allocated to the customers' premium fund. The net profit for the company is NOK 1.5 (2.9) billion.
In total, buffer capital in the form of supplementary reserves and valuation reserves increased by NOK 15.1 billion during 2017, to total NOK 67.7 billion.

THE GROUP'S INCOME

The Group's total comprehensive income gives a profit of NOK 1.4 (2.9) billion.

In the course of 2017, the owners' equity in the Group increased by NOK 1.7 billion to NOK 29.6 billion. Of this, NOK 1.4 billion came from owners' equity contributions.

The Group's total assets under management increased by NOK 56.1 billion to NOK 652.2 billion at the end of 2017. The increase is mainly the result of growth in the pension customers' funds as a result of new pension accumulation and good results.

THE PARENT COMPANY'S RESULTS

KLP is both the operational company within the Group's main business of public sector occupational pensions, and the Group lead and owner of the operational subsidiaries within the Group's other activities. The public sector occupational pension customers are the owners of the mutual company. This means that the company's value creation benefits customers. This happens both directly, by posting of surplus, and indirectly by strengthening the company's owners' equity and solvency.

The results for the year were characterised by:
- Good returns on the equity and property investments
- Stable low interest rates
- Satisfactory margins in insurance risk for the joint schemes
- Continued increase in valuation reserves
- Good solvency
- Planned growth in subsidiaries

The corporate portfolio, mainly comprising KLP's eligible Tier 1 and Tier 2

[1] Figures in brackets give values for the corresponding period in 2016.

PROFIT CONTRIBUTIONS FROM SUBSIDIARIES

NOK MILLIONS	2017	2016
KLP Banken Group	103	91
KLP Skadeforsikring	164	255
KLP Bedriftspensjon	-24	-27
KLP Kapitalforvaltning	47	18
KLP Forsikringsservice	-1	0

»

KLP had a value-adjusted return of 6.7 percent in 2017.

capital invested in bonds and holdings in subsidiaries, produced a return of 4.0 per cent during 2017.

The total recognised income attributed to other comprehensive income, before allocation between the pension customers and the company, was NOK 8.6 (11.2) billion in 2017.

Risk result

The risk result is an expression of how mortality and disability have developed in the insured population in relation to the assumptions used in the annual setting of premiums.

The risk result in KLP's joint schemes, i.e. employees and former employees with accrued pension rights in municipalities, businesses, county authorities and health enterprises, amounts to NOK 752 million. There is a trend in mortality which explains the good result and confirms that current tariffs and life expectancy assumptions have satisfactory margins.

The group life schemes in KLP show a risk result of NOK -2 million.

In the occupational schemes – the pension scheme for hospital doctors and the scheme for nurses – the risk result for the year is good, with a profit of NOK 147 million. In these pension schemes the life expectancy is higher than in the joint schemes. Although KLP has allowed for this in its tariffs, the trend shows that KLP has needed to further increase the provisions in the occupational schemes. KLP therefore increased the reserves to these schemes by NOK 1,360 million in 2017 so they had full reserves at the end of the year. Of this, NOK 279 million were covered by reallocating reserves internally within the schemes while the remaining NOK 1,081 million were funded via profit for the year and the risk equalisation fund.

The total risk result for 2017 without increasing the reserves in the occupational schemes was thus NOK 896 million.

Administration result

The administration result shows a surplus of NOK 141 million, against a loss of NOK 51 million in 2016. The changes are primarily due to write-downs in 2016 related to IT Investments.

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 few years.

Returns result

The financial income from customer funds amounts to NOK 31.0 (24.7) billion, corresponding to a return of 6.7 per cent. Of this, NOK 13.9 billion was linked to unrealised gains on financial assets allocated to the securities adjustment fund. Residual financial income of NOK 17.1 billion (3.9 per cent) exceeds by a good margin the guaranteed return of NOK 10.3 billion or 2.6 per cent. The returns result is thus NOK 6.8 (8.1) billion.

Allocation of income

The customer result for the year was NOK 7.1 billion. This was used to strengthen customers' supplementary reserves by NOK 1.1 billion, while NOK 5.2 billion is being allocated to the customers' premium fund and NOK 0.8 billion has been rebooked from the customer result.

Solid buffers provide the basis for achieving good returns in the future as well, despite low interest rates. They make possible an investment strategy with a long-term perspective aimed at stability and predictability. The Board is satisfied that the income for the year allows for prioritisation of further strengthening of the financial buffer capital through building up supplementary reserves and valuation reserves, while large parts of the surplus are transferred to customers via the premium fund.

THE PARENT COMPANY'S RESULT

NOK MILLIONS	Result to customers	Result to the company	Total for 2017
Returns result	6 601	168	6 769
Risk result	523	373	897
Interest guarantee premium		711	711
Administration result		141	141
Net income from corporate portfolio		887	887
Tax		-496	-496
Other profit/loss elements		-322	-322
Total income	**7 124**	**1 465**	**8 588**

ALLOCATION OF INCOME

NOK MILLIONS	Result to customers	Result to the company	Total for 2017
To supplementary reserves	1 137		1 137
To premium fund	5 201		5 201
To buffer reserve	2		2
Rebooked from customer result	783		783
Rebooked from risk equalisation fund		-298	-298
To risk equalisation fund		545	545
To other retained earnings		1 218	1 218
Total allocations 2017	**7 124**	**1 465**	**8 588**
Total allocations 2016	8 339	2 874	11 213

The Board of KLP considers that the income statement and the statement of financial position for 2017 with notes, statements of cash flows and of changes in owners' equity, provide good information on the operation through the year and the financial position at the end of the year. The accounts have been drawn up on the assumption of a going concern and the Board confirms that the conditions for this are in place. The Board considers the risk to the company's business to be reasonable. The company financial statements for KLP are presented in accordance with the Norwegian Annual Accounts Regulation for life insurance companies. The consolidated financial statements have been presented in accordance with international accounting standards (IFRS/IAS), as approved for use within the EU/EEA.

THE BUSINESS AREAS

Pensions

Public-sector occupational pensions

Pension schemes within the public sector are offered and managed by the Group's parent company, KLP. Of the Group's total assets of NOK 652.2 billion, NOK 498.0 billion represent pension assets belonging to this customer group.

The competitive situation

KLP is the biggest in the market for insurance-based public-sector occupational pensions. Other providers have withdrawn from this market in recent years and the competition now arises from the fact that customers can opt to establish their own pension fund or to join an intermunicipal pension fund outside KLP. KLP offers management of pension funds through its subsidiary, KLP Forsikringsservice AS.

A municipal and regional reform is in progress with the aim of merging into fewer and larger entities. This may place the management of pension schemes on the agenda, especially in municipalities and regions where one of the parties has its own pension fund. This could cause some to wind up their pension funds in order to join KLP's insured scheme, while others might leave the insured scheme with KLP to enter a pension fund. It is still too early to say what the outcome will be, but for the moment the effect on KLP's balance-sheet appears to be limited.

Good solvency, strong results over time and high customer satisfaction have provided a basis for strengthening KLP's position in the market for public-sector occupational pensions.

Operation and administration

We can expect to see continuing organic growth in KLPs premium volume as a result of increased employment among our customers. This will in turn lead to an increase in the year-groups taking out pensions in the future.

Precision and quality in individual pension processing is one of KLP's most important tasks. Substantial efforts have been made, through systems development and continuous improvement of work processes, to maintain and improve KLP's good delivery quality in the future. It is therefore pleasing to see customer satisfaction surveys confirming that KLP's customers are happy.

KLP has a goal of delivering long-term, competitive returns in customer portfolios, and stable returns in the corporate portfolio. This is to be achieved by spreading the investments across different asset classes and geographical areas.

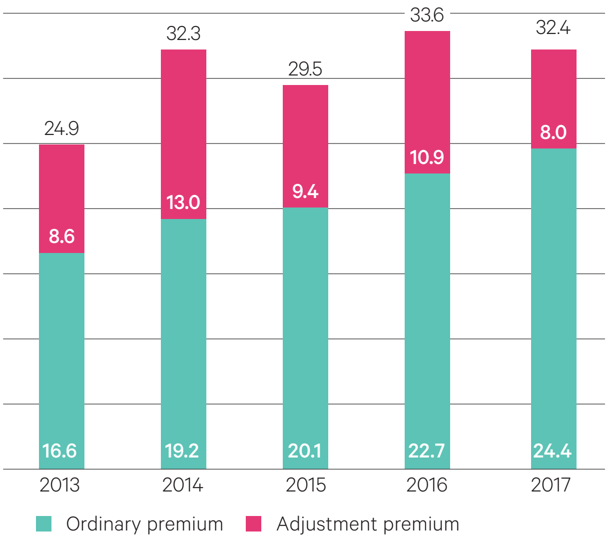
The investments in the common portfolio are distributed between the various categories of financial assets as shown in the table below.

Private occupational pensions

KLP offers private occupational pensions, including the management of pension capital certificates, through its subsidiary KLP Bedriftspensjon AS. The primary market for KLP Bedriftspensjon AS is made up of enterprises operating in the public sector. The company also has customers in the private sector. The customer inflow is good, and the company can point to good volume growth. Total investments increased by NOK 1,3 million through 2017, to NOK 4.9 billion.

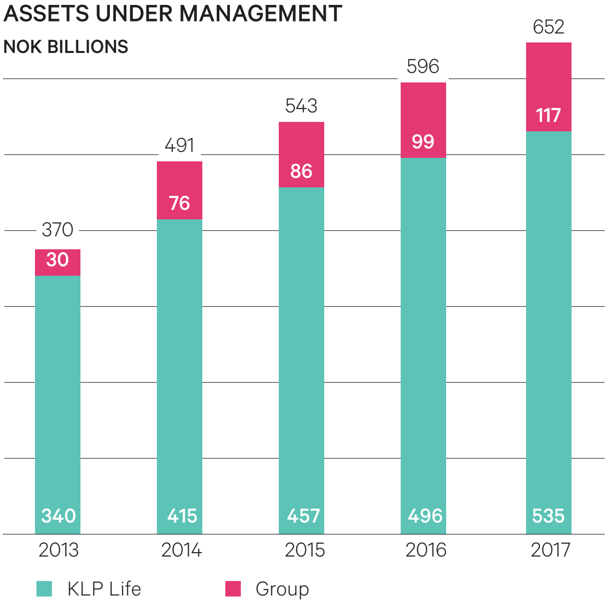
PREMIUM FIGURES FOR PENSIONS

NOK BILLIONS



ASSETS UNDER MANAGEMENT

NOK BILLIONS



KLP Bedriftspensjon AS concluded agreements with 414 new defined-contribution pension customers during 2017, of which 29 per cent were transfers from other life insurance companies. There were 42 customers who transferred from KLP Bedriftspensjon AS. The company also saw a 500 per cent increase in the inflow of pension capital certificates in 2017. In all, NOK 543 million was transferred from other companies, and the volume of new premiums was NOK 72 million.

As of 31.12.2017, the company was managing private occupational pensions for 2,660 businesses with a total of 49,700 occupationally active individuals and pensioners. The market for private occupational pensions is characterised by stiff competition, particularly in the segment for large enterprises/undertakings.

NOK 240 million in new equity was injected into the company in 2017. This is in line with the KLP's strategy of boosting the company's capital in a growth phase, as well as improving its financial strength. At year-end, solvency capital coverage was 107 per cent without applying transitional rules; with the transitional rules for technical provisions, solvency capital coverage was 299 per cent.

The company made a net loss of NOK 25.3 (-27.6) million.

Non-life insurance

KLP Skadeforsikring AS is a significant provider of non-life insurance to municipalities and county administrations. The company also has a large number of businesses affiliated to the public sector and other selected groups, as well as a growing portfolio of retail market customers.

KLP Skadeforsikring AS achieves a profit before tax of NOK 164.2 (255.4) million in 2017. Released reserves associated with previous insurance years had a positive impact on the result to the tune of NOK 76.2 million. The financial return was 5.6 per cent. The return on shares was particularly high, but market value adjustments to the company's property assets also had a positive effect on this return.

Five individual claims over NOK 10 million were filed, with total claim costs of NOK 94.9 million. There were also costs arising from the floods in southern Norway in October 2017 , with estimated claims costs of NOK 26 million.

The general picture of claims costs is positive, but the trend in property insurance in the public-sector market and group life related contracts was not as expected. The company's total claim ratio therefore increased in 2017 to 84.2 per cent overall. If we disregard reserve adjustments to claims occurring before 2017, the claims ratio was 90.1 per cent, of which the claims ratio for the Public Sector/ Corporate market was 96.3 per cent and for the Retail market 79.8 per cent.

The company's financial position is considered to be good, with a solvency capital coverage (SCR) of 233 per cent at the end of the year.

Bank

KLP's banking business is carried out by the subsidiary group KLP Bankholding through the following companies: KLP Banken AS, KLP Kommunekreditt AS and KLP Boligkreditt AS. The purpose of KLP's banking business is to finance and manage mortgages and loans to municipal and county authorities and companies working for the public sector, as well as banking services for the private segment. The bank aims to provide good and user-friendly financial services at a low cost for the benefit of customers and their employees.

The banking business also manages loan portfolios for KLPs common portfolio.

The banking business offers loan and deposit products tailored to the target group in the public sector and aimed at individuals affiliated to KLP's pension schemes. The Group's total lending management at the end of 2017 was NOK 87.5 billion. Of this, NOK 30.5 billion was financed by the banking group and the remainder by KLP. The loans were divided between NOK 17.6 billion in mortgages to private individuals and NOK 69.9 billion in loans to public-sector enterprises. Net lending, including managed loans for KLP, increased by NOK 5.1 billion in 2017.

INVESTMENTS IN THE COMMON PORTFOLIO

NOK BILLIONS	Allocation 31.12.2017 [1]	Return 2017	Allocation 31.12.2016	Return 2016
Shares	110,3	16,5 %	91,3	7,3 %
Short-term bonds	93,9	3,2 %	90,9	3,5 %
Liquidity/money markets	35,8	1,5 %	40,2	1,7 %
Long-term/HTM bonds	132,6	4,0 %	121,9	4,3 %
Lending	57,0	2,2 %	52,7	2,4 %
Property	60,4	8,9 %	56,9	12,5 %
Total	**490,1**		**453,9**	

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

KLP Banken AS manages mortgages on its own account and through KLP Boligkreditt AS. It also manages mortgages for the parent company KLP. The housing mortgage portfolio developed well again in 2017, with growth of NOK 1.7 (1.8) billion.

KLP Banken AS has offered a credit card product through an external manager since 2010. In May 2017 this portfolio had an outstanding volume of drawn credit of NOK 55.6 million, spread across 5,200 cards issued, and KLP Banken AS exercised an option to purchase the portfolio from the manager. By the end of the 2017 the volume had increased to NOK 60.5 million and the number of cards issued was 6,500.
The KLP Group's lending to the public sector is managed by KLP Banken AS. On the banking business's own balance sheet, loans to public borrowers are registered in the subsidiary KLP Kommunekreditt AS. The banking business also manages lending to the public sector on behalf of KLP. The total lending volume to the public sector increased by NOK 4.6 billion in 2017. Public loans on the company's own account were reduced by NOK 0.9 billion and managed public loans increased by NOK 5.5 billion.

KLP Banken AS made a share issue worth NOK 150 million in December 2017. The current capital requirement, including capital buffers, is 14,1 per cent core capital adequacy and 17.6 per cent capital adequacy. KLP Banken will also have a buffer of at least 0.5 per cent of the actual capital requirement for Pillar I and Pillar II risks, so the bank's capital target is 18.1 per cent. By the end of 2017, capital adequacy was 20.5 per cent. The KLP Banken Group's result before tax and other comprehensive income was NOK 103.1 (91.2) million. The return on KLP Banken's equity was 5.6 per cent before tax.

Capital management

KLP Kapitalforvaltning AS represents the Group's asset management operation in securities and funds management. It had a total of NOK 489 billion under management at the end of 2017. The majority of the assets are managed on behalf of KLP and its subsidiaries in the KLP Group. KLP Kapitalforvaltning also offers fund products to members and other external investors.

Asset management increased by NOK 47 billion over 2016. Net new subscription in KLP's securities funds from investors external to the Group and retail customers amounted to NOK 5.3 billion in 2017. During the year, the share savings scheme (ASK) started, and a new and improved arrangement for individual retirement savings (IPS) entered into force. KLP Kapitalforvaltning offers both these products.
KLP Kapitalforvaltning manages a total of NOK 71 billion for customers outside KLP. The management mandates are won in competition with both Norwegian and foreign management operations.

KLP Kapitalforvaltning AS made a profit before tax of NOK 46.7 million in 2017.

Property

All management and development of the KLP Group's own 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 utilisation. The property company attaches weight to energy-saving and the environment, and is environmentally accredited in accordance with ISO 14001 in Norway, Sweden and Denmark.

The property portfolio has grown substantially in recent years, and accounts for 12.3 per cent of the collective assets. Investments in property have contributed good returns.

The property market maintained a strong price level through 2017. Rents also remained still have to remain at a high level, and sometimes even increased – especially in Stockholm.

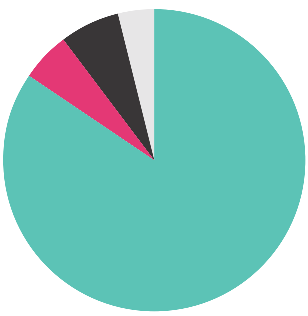
Property management is carried out only on behalf of the companies within the Group and has thus primarily contributed to returns on invested capital for the life insurance customers. Business return from property, including real estate funds, for the common portfolio was 8.9 per cent.

Consultancy and services

KLP Forsikringsservice AS provides insurance-related services to the municipal and county council pension funds. These services are based on the expertise and the systems developed for KLP's pension business.

KLP Forsikringsservice AS has developed a new concept for the provision of a

INSURANCE OBLIGATIONS
Contractual



- Premium reserve NOK 406 billions
- Supplementary reserves NOK 20 billions
- Securities adjustment fund NOK 21 billions
- Other provisions to insurance funds NOK 15 billions

Excl. special Investment portfolio and NOK 2.0 billions.
Special investment portfolio to be added.

broad spectrum of services to local government pension funds. Based on this, KLP submits tenders to pension funds outsourcing their pension fund services. In 2017, the first municipal pension fund was incorporated into the company's new concept.

KLP Forsikringsservice AS is now the principal actuary for ten pension funds established by municipalities and one established by an energy company.

Financial strength and capital-related matters

Under the Norwegian Financial Enterprises Act, KLP is subject to the Solvency II regulations. Under these rules, a capital requirement is calculated from the total risk exposure the company has within insurance risk, market risk, operational risk, transfer risk etc. Buffer capital in the form of the securities adjustment fund, additional provisions and the risk equalisation fund, reduces the capital requirement. Any remaining capital requirements must be covered by the solvency capital.

The Solvency II balance includes assets and liabilities at fair value. For assets that are recognised at a different value in the accounts, the value is adjusted to represent true value in the Solvency II balance. For KLP's insurance obligations, there are no observable market values. These are therefore calculated using a best estimate based on actuarial assumptions. There is also a risk margin to reflect the capital costs that would be incurred by a third party in assuming these obligations.

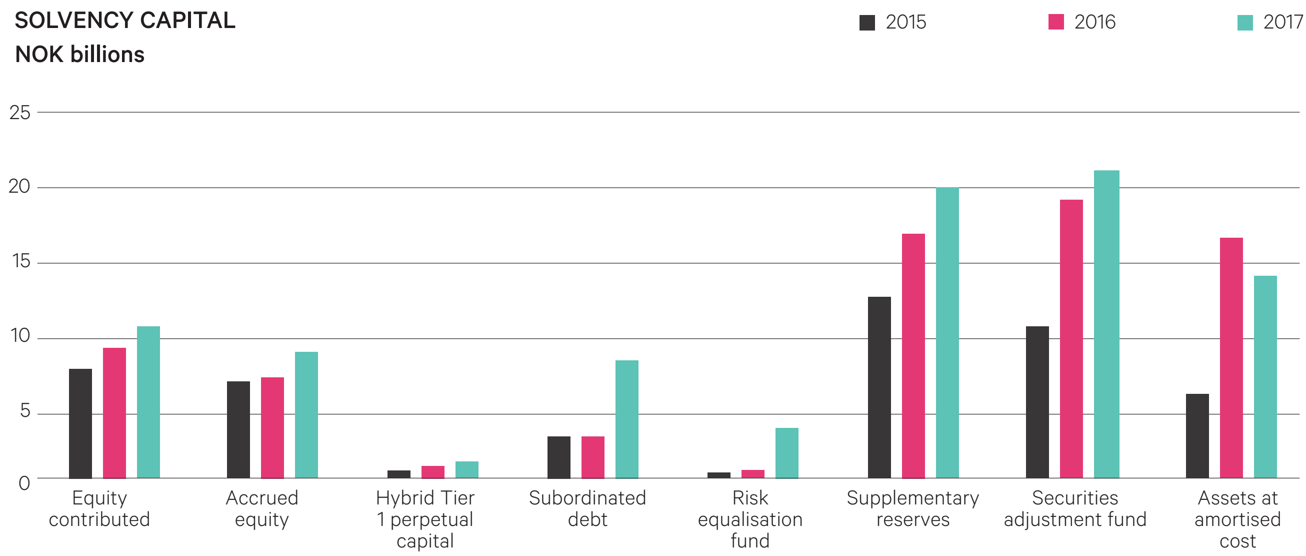
By 2017, KLP strengthened both the buffer capital and the solvency capital. The buffer capital was strengthened through an increase in the securities adjustment fund of NOK 13.9 billion to NOK 42.3 billion, while the additional provisions were increased by NOK 1.1 billion to NOK 25.4 billion. Together, these buffers now amount to over six times the annual interest guarantee, against five times the guarantee at the beginning of the year. Today's low interest rates compared with the annual guaranteed return on the pension funds make it necessary to have buffers of this size. The capacity for risk is thus maintained so the expected return can be kept above the annual interest guarantee even if interest rates remain low over time. The risk equalisation fund was increased by NOK 247 million to NOK 4,154 million.

The solvency capital was increased by owners' equity contributions of NOK 1.4 billion, and the result for the year added NOK 1.5 billion to the equity. Of the owners' equity contributions, NOK 1.3 billion are attributable to the planned and notified annual call for owners' equity contributions. This ensures effective equity generation in KLP, and enables premium elements accruing to the company to be kept lower than they would otherwise be. The rest of the change is due to the net effect of owners' equity contributions received and paid in connection with transfers to and from KLP for settlement in 2017.

KLP's mutual status and credit-worthy owners provide assurance that the company can fulfil its obligations. This is reflected well under the Solvency II regulations, where this can be counted as solvency capital under more detailed rules. The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital in an amount equal to 2.5 per cent of the company's premium reserve. Today's approval applies up to 31.12.2019.

As the capital is not paid-up, it ranks as Group 2 or supplementary capital. Solvency II divides the solvency capital into three levels according to loss-absorption capacity, where Group 1 is the best and typically consists of paid-up capital that is free from restrictions in terms of covering any loss in the enterprise. As KLP's premium reserve grew throughout the year, the supplementary capital increased by NOK 0.5 billion to NOK 10.1 billion. This gives the company more capital than can be used in the calculation so the redemption of subordinated loans worth JPY 9.5 billion in October 2017 did not cause any reduc-

SOLVENCY CAPITAL
NOK billions



tion in solvency capital coverage. The remaining capital in capital group 2 consists of subordinated loans, hybrid Tier 1 perpetual capital and the risk equalisation fund. KLP's hybrid Tier 1 perpetual capital and subordinated loans satisfy the regulatory requirements for capital under Solvency II.

The solvency requirement for KLP was reduced in 2017 from NOK 15.0 billion to NOK 13.8 billion. The eligible solvency capital increased by NOK 2.2 billion to NOK 33.5 billion. KLP's financial strength thus improved throughout the year. Without applying transitional rules, the company's capital adequacy is 242 (209) per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 352 (304) per cent. Capital adequacy is thus well above the internal target of 150 per cent and the regulatory requirement of 100 per cent.

KLP's financial strength is rated at A2 by Moody's Investor Service and A- by Standard & Poor's, both with supplementary information on expected stable development of KLP's solvency.

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 key aspects of KLP's business. The risk profile is monitored within the individual operational entities and is assessed both by company and combined at Group level.

KLP carries out an annual 'Own Risk and Solvency Assessment' (ORSA). The review of the company's risk and solvency is judged generally good in all areas. The control functions for risk management and actuarial functions are part of the Risk Management and Control section.

Insurance risk

KLP's principal activity is public-sector occupational pension provision. This industry is characterised by predictability and, to a limited degree, by individual events that may affect results significantly. Developments in the incidence of disability and life expectancy affect the risk profile.

All Norwegian life insurance companies and pension funds have incorporated new assumptions on longevity: the K2013 tariff. The changes were in line with observed mortality rates in the insured population up to and including 2009, as well as the expected future increase in longevity based on Statistics Norway's projections. KLP uses a higher tariff than K2013 for the pension scheme for nurses and the pension scheme for hospital doctors because the people insured in these schemes have greater observed longevity than other groups. The margins in the life expectancy assumptions are still considered to be satisfactory in the joint schemes.

KLP introduced new disability tariffs from 01.01.2015 in line with actual risk experience from recent years. From the same date, disability payments in public-sector occupational pension schemes were aligned with new National Insurance disability benefits. This last change reduces disability payments from the occupational pension scheme, while National Insurance benefits increase considerably. New disability tariffs reflect a lower incidence of disability than before, bringing premiums and premium reserves down for a given benefit. KLP is able to price risks related to trends in life expectancy and disability through the annual setting of premiums.

Return risk

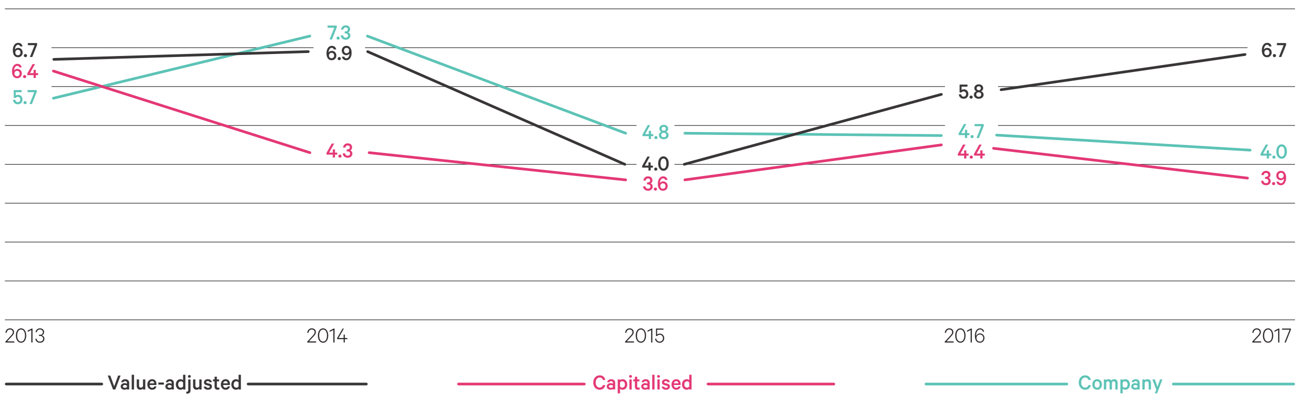
KLP guarantees an annual minimum return on the management of its customers' pension assets linked to defined-benefit schemes. For this guarantee, KLP may charge an annual interest guarantee premium. The interest guarantee premium is determined by KLP's solvency, the investment risk taken on by KLP and changes in the general level of interest rates. The interest guarantee premium is priced anew each year, which helps to limit the risk associated with the return guarantee. With the good solvency that has been built up, the interest guarantee premium could still be kept low.

Financial risk

Each year KLP works out a strategy for how the pension assets are to be invested. The investment strategy

COMMON PORTFOLIO

Percent



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.

The financial risk is continuously monitored to ensure the risk is matched to the risk capability within the limits set in the investment strategy. With today's low interest rates, there is no risk that would render the company unable to withstand several years of weak returns without losing the ability to take financial risks.

The responsibility for operational risk management and asset allocation lies with a special organisational unit, Strategic Asset Allocation. This unit 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 headed by the CRO (Chief Risk Officer) 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.

Liquidity risk
KLP has good liquidity, with substantial holdings of liquid securities that can be realised at short notice. Net cash flows from operating activities include premium payments to cover obligations that mature several years into the future.

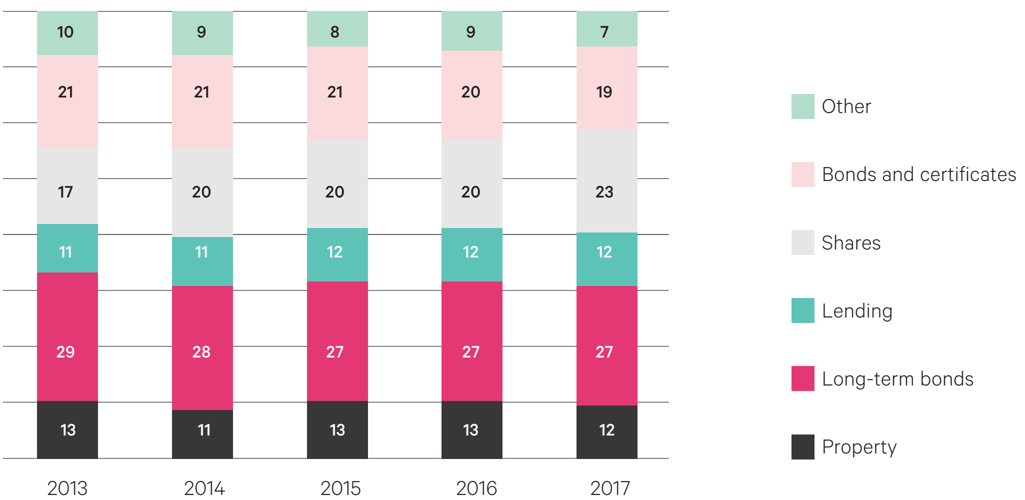
Operational risk
KLP's operational risks are associated with undesirable events as a result of failure in internal working processes, employee error, dishonest acts and criminality or external events. All processes throughout the value chain are exposed to various types of operational risk. KLP has developed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

Group senior management carries out an annual examination of significant operational risks in the business and these are delegated with ownership to an operational manager in the Group senior 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 function carries out assessments of actuarial, financial and operational risks. Following consultation with the Board and Group 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 to be taken, is presented to Group senior management and the Board and is followed up. You can read more about this on page 42 on risk management and internal control.

Compliance with statutes and regulations
KLP's Compliance section supports management, the Board of Directors and the employees by ensuring compliance with relevant statutes, regulations, industry standards, internal guidelines and ethical standards. The head of the section reports to the Group CEO and the Board of Directors, and the section has both an advisory and monitoring function to ensure that substantial risks of inadequate compliance are managed effectively in KLP. A more detailed description of the company's adherence to good corporate governance is given in the annual report, on page 46 (Norwegian Code of Practice for Corporate

COMMON PORTFOLIO IN KLP
Assets (% of financial assets)



Governance – NUES), and in the description of risk management and internal control on page 42.

Data protection and information security in KLP

New data protection legislation is being introduced in Norway and in Europe on 25 May 2018 (the General Data Protection Regulation, or GDPR). This means that new rules on data protection are being introduced in Norway. The new rules give businesses new obligations, and individuals (customers, members and staff) new rights. As part of the adaptation to the GDPR, KLP is running a Group-wide project.

KLP has a lot in place, but there are many new requirements that particularly affect IT systems. In the work of adapting to the new law, the company has conducted a comprehensive survey of the current status of the Group's IT management and IT systems. There is a need to implement a number of changes to ensure compliance. Data protection requirements have to be implemented more widely in IT development and operations.

The aim is to create a good platform for further development, planned digitisation and compliance in the company's processing of personal data for KLP's members and customers.

Communication and Markets

The main contribution from Communication and Markets to realising the company's strategy is to increase knowledge of KLP as a provider of pension, insurance, and banking services. The company aims to strengthen relationships with its owners and their employees, contribute to simple and straightforward communication and improve the customer experience in the digital customer front.

The fact that the customers are also owners helps to create a good and close relationship. KLP wants market communication to safeguard and strengthen the interests of both the owners and their employees. An important part of the company's communication strategy is therefore to highlight the work of local government and healthcare workers, with the aim of fostering professional pride and creating general awareness of the important job they do for the community. Such market activities created a lot of interest and attention for KLP in 2017.

A key objective is to be clearer and raise awareness of the pension expert that KLP is. Among other things, this has resulted in KLP being asked to comment on almost twice the number of pension-related media stories in 2017 compared with the previous year.

KLP continued its plain language initiative. During 2017, KLP carried out several internal activities and measures with good results. One of the larger projects was to work on simplifying and improving the content of klp.no.

The total investment in of both paid and unpaid market communication has paid off. In October, the survey of awareness of KLP produced a record score.

Digital media are an increasingly important channel for customer communication, sales of products, self-service and the customer experience in general. The company is therefore putting in a lot of effort both to enhance the existing solutions and to provide new services. The main delivery in 2017 was a complete relaunch of the login pages with simpler and more user-friendly web pages.

Focus on technology and digitisation

The opportunities inherent in technological development create high expectations for digital experiences while creating space for new services and business models. KLP has ambitions to develop solutions that enable better user experiences for the company's customers and members. In 2017, a new version of klp.no was relaunched to provide good user solutions. There is an ongoing need to streamline business processes to keep up with growing membership and future pensioner numbers. Robotics have been used in several processes that previously required manual handling. KLP is seeing positive results from this effort. Regulatory and market changes set

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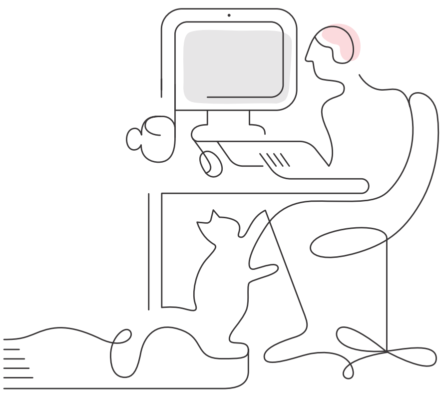
KLP is becoming an increasingly well-known brand name, and in October 2017 the awereness produced a record score.



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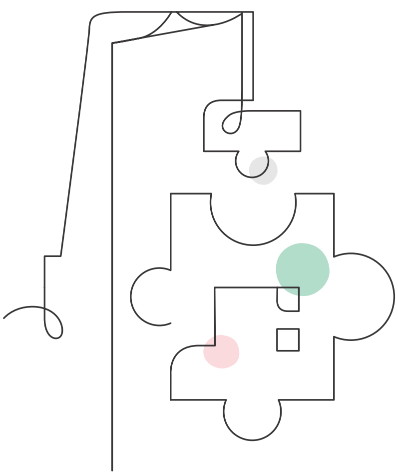
KLP aims to contribute to sustainable development and to integrate corporate social responsibility in all its business processes.



stringent requirements for technology support for KLP's core business. During the year KLP launched solutions relating to Individual Pension Savings (IPS) and Share Savings Account (ASK) products. A system solution for pension funds was also established in KLP Forsikringsservice AS.

KLP's pension platform is intended to offer a competitive advantage, and the company is working to develop it further so it is adapted to future market conditions. Development of services based on customer insights and the creation of simple self-service and guidance solutions is a priority.

To improve security and functionality in today's systems, the company is now strengthening its resources within IT. In order for KLP to succeed with the digital transformation, there is a need to improve the company's capability for systematic change. The work of developing internal competence is in progress, establishing agile and interdisciplinary ways of working.

A major success factor are good external partners who can inspire innovation and improve the company's implementation capacity for with new IT projects. Throughout the year extensive processes have been conducted with the company's suppliers. KLP wants fewer and more strategic partners who can share skills and reduce delivery risk. This should contribute to effective business operations, digital transformation and innovation for a more forward-looking systems portfolio. The company's operations are also being enhanced with improved quality, increased delivery speed, better risk management and cost effectiveness.

CORPORATE SOCIAL RESPONSIBILITY

KLP's social responsibility is to provide secure and competitive pensions in a responsible and sustainable manner. KLP aims to contribute to sustainable development and to integrate CSR into all of its business processes. The company exists to manage and develop assets for current and future generations. In 2017, the company adopted a new strategy for corporate social responsibility. Corporate social responsibility is one of five focal areas in the corporate strategy.

There are four pillars that underpin KLP's social responsibility; international standards, openness, cooperation and a systematic approach. With this approach, KLP believes that the company can make a difference. More information about KLP's corporate social responsibility can be found at klp.no.

International standards

KLP has undertaken to contribute to sustainable development by signing the UN Global Compact and the UN Principles for Responsible Investment.

With the UN Sustainability Goals, the global community has defined what has to be done for sustainable development. The Goals provide a common global direction for countries, businesses and civil society. The Government has made it clear that industry is part of the solution, and the financial sector is singled out as key to achieving the sustainability goals. It was therefore natural for KLP to use the Sustainability Goals as a framework for its strategy.

The KLP Group delivers on many of the 17 Sustainability Goals. Based on KLP's priorities for what is important to owners and customers and where KLP can create the greatest change, the company has chosen to highlight five Sustainability Goals as being especially relevant. These are good health, clean energy, decent work, sustainable societies and stopping climate change.

Transparency

Transparency is one of KLP's core values, and the company's owners and investors are concerned about how the pension money is invested and managed. As far as possible, KLP seeks to communicate openly and actively with those affected by the company's operations and investments.

In 2014, KLP excluded companies that derive their main income from coal from the investment universe. In 2017, it was decided to do the same with companies that work with oil sands. By also excluding companies in these sectors, KLP continues to direct its investments toward a low emission society.

KLP's greatest environmental impact is through investments that increase the world's access to renewable energy. KLP has allocated its own funding for development investments which the company supports under the UN Sustainability Goals. Investments should have a development effect while generating competitive financial returns. KLP is often asked whether it can withdraw all investments in oil and gas companies, and only invest in renewable energy. Fossil energy forms too large a part of the investment universe for that. If a large investor like KLP withdrew completely from companies that derive part of their income from fossil energy, the investment universe would be considerably smaller, and many of the same companies are making big investments in renewable energy that contribute to the green transformation. For KLP, it is about managing and developing assets for future generations, and for the pensioners of the future.

In 2017, several of the owners were concerned about KLP's investment in the Dakota Access Pipeline, an oil pipeline under construction in the USA. This was a challenging issue which KLP followed up actively. KLP was in discussions with the companies involved, the native Americans in the contested area and their lawyers, environmental and human rights organisations, pipeline experts and demonstrators in the area where the pipeline was to be built. When the UN Special Rapporteur on the rights of indigenous peoples stated that there really was an unacceptable risk of human rights violations in parts of the area where the pipeline is to be laid, KLP decided to dispose of the investments. In all, KLP had investments totalling around NOK 580 million in both equities and bonds issued by four of the companies associated with this project.

Collaboration

Together with our customers, KLP has much good knowledge of working environment projects. KLP has therefore established a working environment network with the aim of getting better together. The network works to provide professional input and create processes that contribute to innovation, improvements and health promoting workplaces. KLP's working environment network includes people dedicated to working environment efforts in municipalities, county councils and health enterprises. Systematic and long-term efforts to achieve a good working environment are beneficial to both employers and employees.

A healthy workplace makes for happy employees, which in turn reduces sick leave, facilitates recruitment and contributes to increased productivity. Each year, KLP helps several of its customers with projects related to this. KLP wants to cooperate with its customers so they can create a good, safe and health-promoting working environment.

Systematic approach

KLP wants to be a good partner and driver for claim-prevention activities among its customers. Cooperation between various municipal service providers is an essential prerequisite to systematic fire prevention. Municipal rental housing has a higher fire risk than homes in general. This is particularly attributable to groups of residents with special needs and challenges. Experience also shows that there is an abnormal number of claims related to water leaks and vandalism for these resident groups.

Good management and ongoing efforts to reduce the risk of fire and damage in municipal rental housing yield financial gains. It is difficult to give exact figures for the annual costs of repairing damage caused by vandalism and rough or improper use of municipal rental housing. Given that there are 105,000 municipal homes, and the municipalities spend an average of NOK 40,000 per property to repair the damage done, this amounts to NOK 1.76 billion per year. As a result, the Group's non-life business gave particular attention in 2017 to working systematically to help municipalities reduce the risk in buildings.

KLP is one of the largest property owners in the country and in the Nordic region. The company aims to build environmentally friendly buildings for the future and to be a driving force for sustainable property development. As a responsible owner and real estate operator, the company is well positioned to work smartly and actively for the environment. The aim is to reduce the energy consumption of the company's in-house operated buildings by 3-5 per cent per year.

EMPLOYEES AND HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Employees

The company's employees are the most important input factor for KLP to achieve its targets, so the health, safety and well-being of the employees is important if injuries and undesirable effects are to be avoided. The aim is to facilitate a good physical and psychosocial working environment characterised by job satisfaction. These are important prerequisites for good quality work, better results for the business, greater competitiveness, customer confidence and individual enthusiasm for work. No serious occupational accidents were reported in 2017.

KLP has a target to keep sickness absence below 4.0 per cent. Sickness absence increased from 4.5 per cent in 2016 to 4.9 per cent in 2017. The company focuses on systematic and targeted efforts to address and follow up on employees reporting sick. Analyses have been conducted to look into measures to reduce sickness absence.

The number leaving KLP is considered to be low, and turnover was 6 per cent in 2017.

Equal opportunities and diversity

KLP aims to be an attractive workplace where all employees and qualified candidates are given equal opportunities, regardless of age, gender, disability, political convictions, sexual orientation, gender identity, gender expression and ethnic background.

KLP has chosen to enter into partnership with FRI (the National Association for Lesbians, Gays, Bisexuals and Transgender People) to run the course on 'Pink Competence'. The aim is to give staff and managers good advice and ideas on how to talk confidently about sexual orientation and gender expression in the workplace. KLP aims to be an inclusive workplace where people can be themselves.

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

KLP focuses on arrangements for its own employees with reduced capacity for work. KLP also offers internships, in cooperation with NAV, for persons outside KLP who need to test their capacity for work.

In 2016 and 2017, KLP participated in the Red Cross internship programme for immigrant women, and offered trainee positions to help provide important experience of Norwegian working life and make it easier to get a permanent job.

KLP has conducted analyses and proposed measures to increase women's pay relative to men's. These efforts are designed to get a better gender balance in all types of job, and particularly to get more women managers and specialists. Specific targets have been set for the proportion of each gender at the various management levels, in specialist positions and on the leadership development programmes. The target is to have at least 40 per cent of each gender amongst the Group's managers. Today, only two of the top management categories in KLP are falling below this target. The objective here is to raise women's pay to 95 per cent of men's by 2020. Other measures are related to recruitment, attitude work among all employees and identifying and developing talents.

Remuneration principles

KLP's aim is to offer its employees good, market-matching salary and employment terms and conditions. The subsidiary KLP Kapitalforvaltning AS operates in markets where part of the salary is based on profits achieved and therefore offers salaries that are partly performance-based to employees who have direct profit responsibility. In accordance with the regulations, payment of this remuneration is spread over several years and is partly linked to the growth in value in selected mutual funds, because KLP as a mutual company does not have its own exchange-listed equity instruments. Performance-related pay has not been introduced elsewhere in the Group.

External environment

The world is facing major sustainability issues. Climate change has had a visible impact in many parts of the world and the temperature increase needs to be limited to 1.5-2 degrees to prevent devastating climate change. KLP's impact on the external environment and climate results from our own activities as well as indirectly through our collaborative partners and suppliers and via investments in companies and property. KLP has ambitious aims to reduce this footprint. That is why the company has adopted environmental and climate targets for its own operations. One of KLP's overall environmental goals is to halve greenhouse gas emissions by 2030, based on emissions in 2010. The main focus in 2017 has been on flights, which were reduced by 6 per cent compared with the previous year. Greenhouse gas emissions from the Group's flights were reduced by 3 per cent in the same period. In all, the number of flights has been reduced by 15 per cent, or in excess of 500 flights, since the work began two years ago. This is a good contribution towards the overall environmental target, and UN Sustainability Goal number 13, Stop climate change.

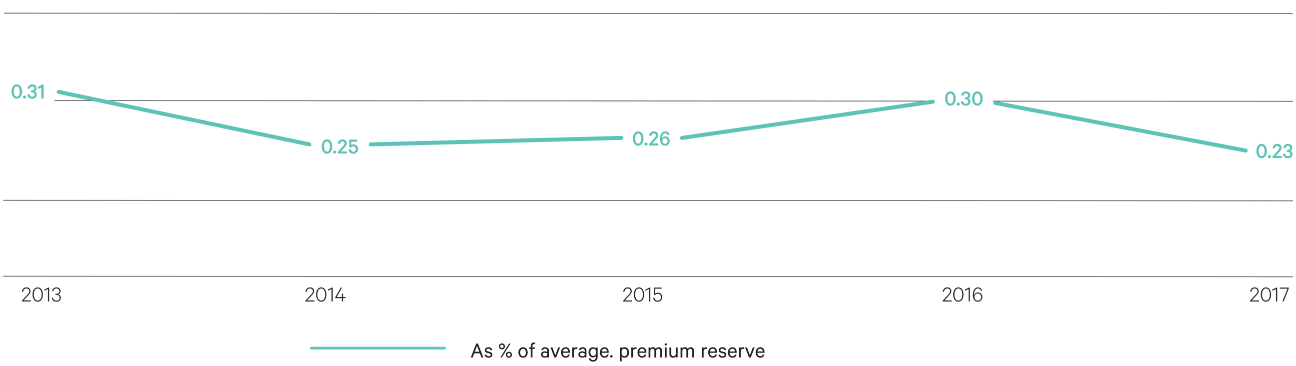
REGULATORY FRAMEWORK

Changes in the pension market change – public-sector occupational pensions

For several years, the Ministry of Labour and Social Affairs, together with the social partners, has had a process aimed at initiating negotiations on a new long-term model for retirement pensions in public-sector occupational pension schemes. The Ministry set out the following requirements for a future model: total years' accumulation, lifetime pension, guaranteed adjustment of accrued rights and pensions at payout time, as well as gender and age-neutral premiums. Transitional rules and constitutional protection of accrued rights are other core issues. The Government and the social partners agreed on a new

ADMINISTRATION COSTS

Percent



pension scheme on 3 March 2018. A bill will be produced on the basis of this agreement to be sent for ordinary consultation before being submitted to the Storting for final debate.

The aim of a new age-pension model is that it should give better support during working life and provide for greater mobility between the public and private sectors. KLP is contributing into this effort with assessments and calculations of the consequences of the different options and preparing solutions for the changes that may come. KLP is also taking steps to be organisationally ready to implement a new model when this is in place. The process is expected to be completed in the spring of 2018.

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

Local government reform

In June 2017, the Storting adopted a new local government structure and regional reform. This decision means that from 2020, there will be 354 municipalities and 11 regions in Norway. Some municipalities and regions have already merged from January 2018. Before the local government reform, Norway had 428 municipalities and 19 counties. Population growth, centralisation, and increased competence and capacity requirements are the main reasons for changed municipal and regional structures.

The new Government states in its manifesto that the regional reform will be implemented and the municipal reform will continue. It has been announced that there will be new proposals in the local government bill in May 2018 which will provide for more municipal mergers. Among other things, the aim is to provide a revenue system that allows for good, equal services throughout the country, contributing to the necessary changes in the local government structure.

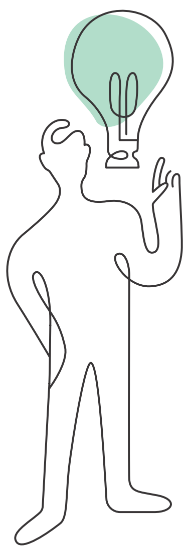
Today, most of the country's municipalities and county councils have their pension schemes with KLP. Several of these municipalities have now decided to merge with municipalities that have their own pension fund. Such mergers can also make new municipalities big enough to allow some of them to consider establishing their own pension funds. These factors may affect the market in for public-sector occupational pensions.

Solvency II

The European capital adequacy rules for insurance, Solvency II, are applicable in Norway through the Financial Enterprises Act and associated Solvency II regulations. New parts of the regulations are being introduced all the time. In 2017, KLP prepared its first Solvency and Financial Condition Report (SFCR). The report provides details of the company's operations, risk management and solvency beyond those found in the annual report. As the regulations lay down detailed requirements for the content and structure of the report, it is also suitable for comparing companies. The report is public and is available at klp.no.

In addition to the SFCR report, KLP delivered its first Regular Supervisory Report (RSR). This report follows the same structure as the SFCR, but expands on the assumptions and estimates that the company makes in this area. The report is not public but has to be sent to the Financial Supervisory Authority of Norway. The report provides the regulatory authority with regular insight into the company's risk management and the calculation of solvency capital coverage. It is therefore part of comprehensive reporting to the Financial Supervisory Authority along with the annual Own Risk and Solvency Assessment (ORSA) and quantitative reporting (quarterly and yearly).
The capital requirement under Solvency II is calculated on the basis of both insurance risk and market risk in addition to counterparty and operational risk. The Financial Supervisory Authority allows certain transitional schemes and permanent arrangements to reduce the capital requirement. KLP makes use of some of these, but has such good solvency capital coverage that it meets the requirements without using the transitional arrangements.

KLP is taking steps to be organisationally ready to implement a new model for public-sector occupational pensions.



OTHER MATTERS

Changes in KLP's Board of Directors

The Chair of the Board, Liv Kari Eskeland, has been elected to the Storting, and has informed the nomination committee in KLP that her position is up for election at the next general meeting in 2018. Board member Ingjerd Blekeli Spiten has taken up a new post in another financial group and has stepped down from her position at KLP.

OWNER RELATIONS

KLP prizes good dialogue with its owners. This provides the company with important input to strategic questions and useful feedback on day-to-day operations. In 2017 KLP ran owners' meetings around the country. The company also attended directors' meetings in the health enterprises. Resource group meetings for local authority chief executives were also held.

Corporate governance

KLP's Articles of Association and applicable legislation provide the framework for corporate governance and clear division of roles between the governing bodies and executive management. The Board of KLP conducts an annual review of corporate governance in the company to the extent appropriate to KLP's mutual status. As KLP has not issued any equity instruments and so is not exchange-traded, there will be no differences from the Norwegian Code of Practice for Corporate Governance (NUES) as set out on page 46 of the annual report. Election procedures for the corporate assembly are tailored to the direct form of ownership through important stakeholder groups having assured representation on the corporate assembly, in accordance with the company's Articles of Association.

The Board of Directors has established an Audit Committee, a Remuneration Committee and a Risk Committee. The Board undertakes an annual assessment of its own business and competence.

The way forward

The company's vision is for KLP to be the best partner for the days to come. This is a picture of how the company wants owners and customers to perceive KLP. We aim to strengthen their finances, simplify their everyday life, help to make them attractive employers and contribute to a more sustainable public sector. The key to this work are the values: Open, Clear, Responsible and Committed, which all staff should reflect in their dealings with the company's customers and colleagues.

KLP's main goal is to be Norway's leading provider of pensions to the public sector. KLP aims to deliver secure and competitive pension, financial and insurance services to the public sector, enterprises associated with it, and their employees. KLP's most important task is therefore to provide pensions with a competitive rate of return over time, the lowest costs and a high level of service.

Along with structural changes in the local government sector, the main public-sector occupational pension product is changing. These changes each place demands on KLP's strategic readiness and ability to continually improve and change. Risk assessments and monitoring are carried out in order to identify the impact that this could have on KLP's operations, and measures to address this development.

Delivering good returns over time is demanding in today's markets. Low interest rates and unstable financial markets reduce predictability when it comes to maintaining a good and stable return. To ensure financial freedom of action KLP strengthened the securities adjustment fund and supplementary reserves in 2017. The company is now better equipped to withstand a weak market. KLP is in a good position to maintain investments in risk classes that are expected to produce returns above the guaranteed interest rate over time. The asset management is set up so the company can survive a poor year without greatly reducing its ability to take risks in the next year. The financial buffers have been increased by NOK 15.1 billion, while the profits in the corporate portfolio of NOK 1.5 billion were allocated to owners' equity.

The fact that customers own KLP means that the value-added goes to the owners. When the company runs at a profit, this is either used to boost its financial strength or given to customers in the form of lower costs. In both cases, the result is that customers do not have to pay as much to KLP from their own pocket. This leaves more for schools and hospitals, or other priority tasks that the owners are responsible for. The way in which KLP runs its business therefore has a direct impact on how the owners discharge their social obligations.

KLP's strong position in the market for public-sector occupational pensions is a great responsibility, but also provides the company with an opportunity to develop its core business and strengthen the other business activities of the KLP Group. KLP can best safeguard the future by targeting the public sector, businesses affiliated to it, and their employees.

Today's position provides KLP with a unique opportunity to be a good provider of a new public-sector occupational pension scheme when this is adopted. This is subject to the ability to deliver well in multiple areas. KLP aims to develop new and more effective technological solutions, tailor its skills to stay competitive, and make targeted efforts to reduce costs further. A good overall customer experience is being developed on the basis of what provides the best customer value. Customers expect self-service solutions and simple processes with user-friendly interfaces and short response times.

Communication is an essential tool to strengthen relationships between KLP and its customers and their employees. The whole organisation has received training to arrive at a common understanding of what KLP considers to be good communication in style and tone. Customers should feel that communication from KLP is simple, understandable, precise, relevant and interesting. The aim is for customers and their employees to gain the impression that: "KLP speaks clearly and simply in a language that I understand. I feel looked after".

Managing hundreds of billions of kroner on behalf of the community imposes an obligation. How well the community's funds are managed has a great impact on KLP's owners and thus indirectly on most people. KLP has socially engaged owners who want the company to both ensure a good predictable return and also to lead the industry in social responsibility. In particular, the owners want KLP to help ensure that global warming is limited.

The world is facing major sustainability issues at the local and global level. KLP is part of this picture, and these challenges involve both risks and opportunities. KLP will actively use the powers of influence that the company has, as Norway's largest life insurance company, for a more sustainable environment. The desire to be a leader in the industry, and make a difference in social responsibility and sustainability is central to KLP's daily operations. An active engagement with society, the environment and responsible investments should contribute to a good development in a long-term perspective. Social responsibility is integrated into all business processes through e.g. responsible management of pension assets, work on ethics and anti-corruption in dealings with customers and suppliers, and high environmental standards in buildings that KLP owns.
KLP has undertaken to invest in new production capacity for renewable energy in developing countries, but will increase this amount in 2018. KLP has also made significant investments in new renewable projects in Europe and the USA, as well as in existing energy production and distribution in Norway. Here, too, the company has an ambition to increase investment further.

With a good returns result in 2017 and strengthened solvency, KLP is well-placed to further develop the business in a way that will continue to generate good long-term value for customers, owners and their employees.

Oslo, 21 March 2018
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

LIV KARI ESKELAND
Chair

EGIL JOHANSEN
Deputy Chair

MARIT TORGERSEN

JAN HELGE GULBRANDSEN

LARS VORLAND

TOM TVEDT

SUSANNE TORP-HANSEN
Elected by and from the employees

FREDDY LARSEN
Elected by and from the employees

SVERRE THORNES
Group CEO

LIV KARI ESKELAND
Chair of the Board of Directors

Liv Kari Eskeland was elected as Deputy Chair of the Board of KLP in May 2012 and has been Chair since 2014. Background: Eskeland was the leader of Hordaland Høyre (Conservative Party) from 2009-2016, and was also a member of the Conservative Party's central council and Mayor of Stord from 2007-2015. She is a qualified architect and works for Statoil and Unitech Research and Design Centre, among others. Other key offices: Eskeland was elected to the Norwegian Parliament from Hordaland in the autumn of 2017. Liv Kari Eskeland has notified the Nomination Committee that she will not seek re-election in the spring of 2018.

EGIL JOHANSEN
Deputy Chair of the Board

Egil Johansen was elected to the Board of KLP in 2011, and has been Deputy Chair since 2014. Background: Egil Johansen has been a county chief executive in Vestfold county, and has previous experience as councillor in the municipalities of Porsgrunn and Re. He has also worked for the Ministry of Petroleum and Energy and the Aker group. From 1 January 2018 Egil Johansen has been employed as a project manager to head the merger of Re and Tønsberg municipalities, and he will be chief executive in the new merged municipality from 1 January 2020. Johansen has a degree in economics from the Norwegian School of Economics.

JAN HELGE GULBRANDSEN
Member of the Board of KLP since March 2010

Background: Gulbrandsen is a member of the Executive Committee of Fagforbundet (the Norwegian Union of Municipal and General Employees) and represents the employee organisation with the most members of KLP.

FREDDY LARSEN
KLP employee representative on the Board since May 2009

Background: He has been an employee of KLP since 1986 and works as a business architect in the Business Analysis group at the Bergen office. Freddy Larsen has previous professional experience from the Alcohol and Drug Addiction Service and Technical Services in Askøy municipality from 1985-1986. Other key offices: Senior employee representative in Bergen.

HILDE ROLANDEN
2nd deputy Board member from 2013

Background: Rolandsen is owner-director of Helse Nord RHF.

The Board of Directors of KLP

MARIT TORGERSEN
Member of the Board of KLP since 2011

Background: Marit Torgersen is director of corporate staff in Eidsiva Energi AS. In March 2018 she starts work as director of digitisation and infrastructure at Inland Norway University of Applied Sciences. Previously, Torgersen worked as assistant IT director at Norges Bank. She holds a master's degree from the London School of Economics and Political Science in information systems and organisational change. Other key offices: Member of the Board of Energi Norge.

SUSANNE TORP-HANSEN
KLP employee representative on the Board since May 2013

Background: Torp-Hansen has been an employee of KLP since 1999 and works in the Training department in the Life division. Her education includes law studies at Oslo University and Information and Organisation studies at BI Norwegian Business School. Other key offices: Susanne Torp-Hansen is a senior employee representative at KLP.

TOM TVEDT
1st permanent deputy to the Board of KLP since 2014

Background: Tom Tvedt is president of the Norwegian Confederation of Sports and Olympic and Paralympic Committee. He was mayor of Randaberg from 1999 to 2007 and county mayor of Rogaland from 2007 to 2011. Tvedt has extensive experience within the private, municipal and county administration sector. He was elected to the county council in Rogaland for the period 2015-2019. Other key offices: Tom Tvedt is chairman pf the Board of Sparebankstiftelsen Sr-Bank.

LARS VORLAND
Member of the Board of KLP since April 2015

Background: Lars Vorland is CEO of Helse Nord RHF. Vorland is a Bachelor of Medicine, Bachelor of Sciences, Master of Public Health and MD. Vorland has long experience as a doctor, and has been a departmental consultant at the University Hospital of Northern Norway for almost 25 years. Before this he was a divisional director at the National Institute of Public Health. Other key offices: Head of Decision Forum for New Methods.

ERIK ORSKAUG
Unio
Observer to the board

DAG BJØRNAR JONSRUD
Delta/YS
Deputy observer to the board

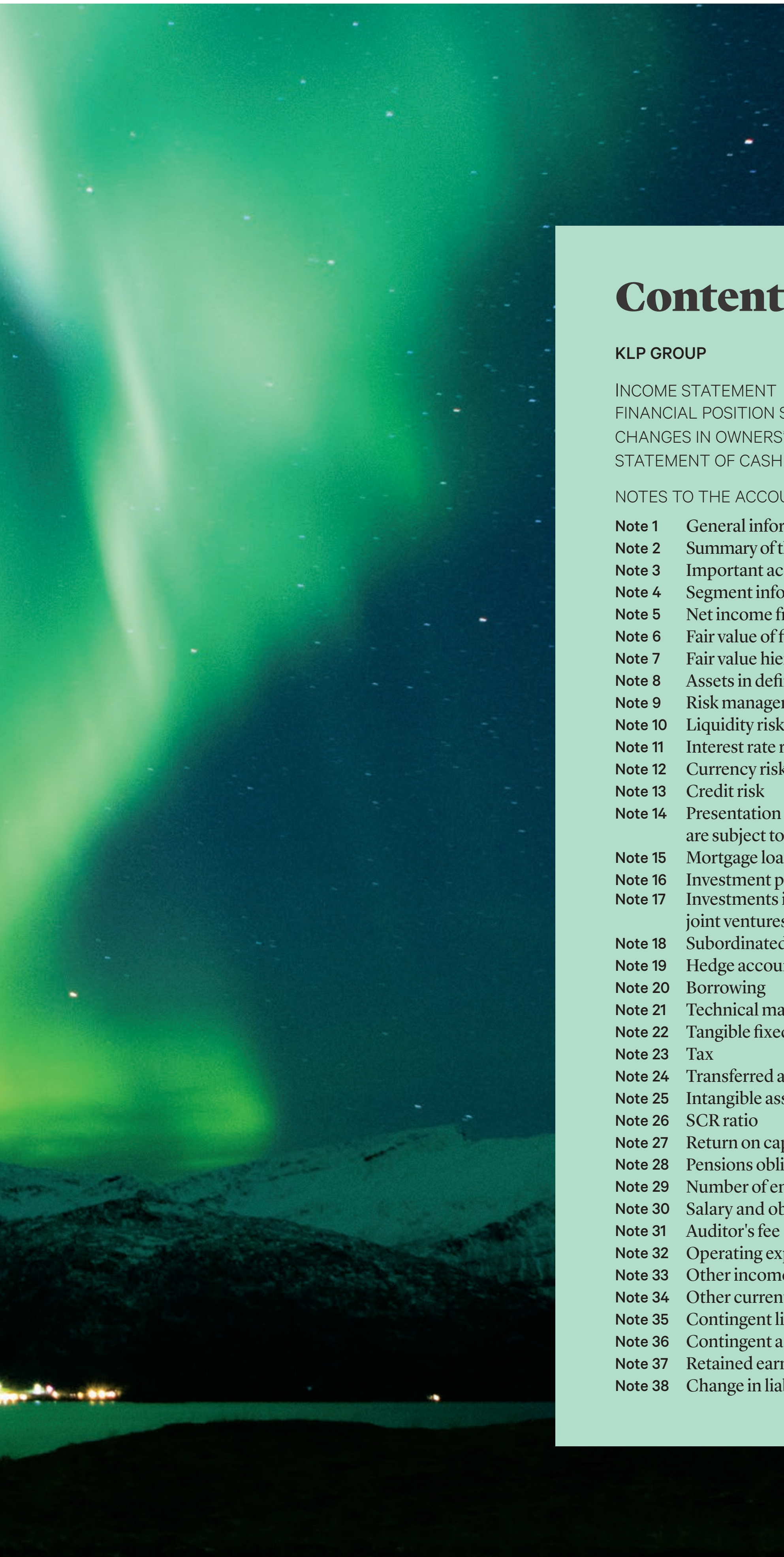
From the left: Freddy Larsen, Lars Vorland, Susanne Torp-Hansen, Dag Bjørnar Jonsrud, Liv Kari Eskeland, Tom Tvedt, Jan Helge Gulbrandsen, Egil Johansen, Marit Torgersen, Erik Orskaug. Absent: Hilde Rolanden.

Photo: Nicolas Tourrenc

Photo: Vidar Stenseth, employed in IT

KLP GROUP

Accounts



Contents

Photo: Anne Therese Sande, Employed in Economy and Finance

Vidar Stenseth
Employed in IT

Income Statement

KLP GROUP

NOTE	NOK MILLIONS	2017	2016
21	Premium income for own account	34 590	38 497
5	Current return on financial assets	14 184	13 489
5	Net interest income banking	244	196
5	Net value changes on financial instruments	22 050	10 476
16	Net income from investment properties	4 953	6 726
33	Other income	1 040	945
	Total net income	**77 061**	**70 330**
21	Claims for own account	-18 665	-17 370
21	Change in technical provisions	-24 425	-27 973
	Net costs subordinated loan and hybrid Tier 1 securities	-527	382
32	Operating expenses	-1 673	-1 756
33	Other expenses	-992	-957
	Unit holder's value change in consolidated securites fund	-8 648	-3 061
	Total expenses	**-54 931**	**-50 736**
	Operating profit/loss	**22 130**	**19 594**
21	To/from securities adjustment fund – life insurance	-13 904	-6 876
21	To supplementary reserves – life insurance	-1 188	-4 026
21	Assets allocated to insurance customers - life insurance	-4 564	-6 244
	Pre-tax income	**2 474**	**2 449**
23	Cost of taxes [1]	1 143	359
	Income	**1 332**	**2 808**
28	Actuarial loss and profit on post employment benefit obligations	-30	-32
21	Adjustments of the insurance obligations	2	0
23	Tax on items that will not be reclassified to profit or loss	7	8
	Items that will not be reclassified to profit or loss	***-21***	***-24***
	Revaluation real property for use in own operation	110	95
16	Currency translation foreign subsidiaries	937	-1 625
21	Adjustments of the insurance obligations	-937	1 625
23	Tax on items that will be reclassified to profit or loss	-27	-24
	Items that will be reclassified to income when particular specific conditions are met	***82***	***72***
	Total other comprehensive income	**61**	**47**
	Total comprehensive income	**1 393**	**2 855**
	[1] Unit holders share of taxes in consolidated securities fund	-181	-172

Financial Position Statement

KLP GROUP

NOTE	NOK MILLIONS	31.12.2017	31.12.2016
23	Deferred tax assets	68	372
25	Other intangible assets	313	324
22	Tangible fixed assets	1 715	1 604
17	Investments in associated companies and joint venture	773	532
7,16	Investment property	63 519	59 497
6,13	Debt instruments held to maturity	31 131	32 791
6,13	Debt instruments classified as loans and receivables	121 377	106 720
6,7,13,15	Lending local government, enterprises & retail customers at fair value through profit / loss	1 016	1 381
6,13,15	Lending local government, enterprises and retail customers	86 943	81 541
6,7,13	Debt instruments at fair value through profit or loss	172 427	171 021
6,7	Equity capital instruments at fair value through profit/loss	161 736	130 700
6,7,13,14	Financial derivatives	1 529	1 815
6	Receivables	4 118	3 173
6,8	Assets in defined contribution-based life insurance	2 684	1 674
13	Cash and bank deposits	2 820	2 968
	TOTAL ASSETS	**652 167**	**596 113**

Financial Position Statement

KLP GROUP

NOTE	NOK MILLIONS	31.12.2017	31.12.2016
	Owners’ equity contributed	13 125	11 726
37	Retained earnings	16 439	16 097
	TOTAL OWNERS’ EQUITY	**29 564**	**27 823**
6,18,19,20	Hybrid Tier 1 securities	1 534	1 650
6,18,20	Subordinated loan capital	5 977	6 220
28	Pension obligations	797	712
21	Technical provisions - life insurance	490 803	453 943
6,21	Provisions in life insurance with investment option	2 684	1 674
21	Premiums, claims and contingency fund provisions - non-life insurance	2 364	2 245
6,20	Covered bonds issued	21 451	21 095
6,20	Debt to credit institutions	4 587	5 050
6,20	Liabilities to and deposits from customers	9 669	8 688
6,7,14	Financial derivatives	4 760	5 871
23	Deferred tax	1 733	403
34	Other current liabilities	5 919	4 823
	Unit holders`s interest in consolidated securites funds	70 325	55 916
	TOTAL LIABILITIES	**621 512**	**568 290**
	TOTAL EQUITY AND LIABILITIES	**652 167**	**596 113**
35	Contingent liabilities	15 483	14 196

Oslo, 21 March 2018
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

LIV KARI ESKELAND
Chair

EGIL JOHANSEN
Deputy Chair

MARIT TORGERSEN

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LARS VORLAND

TOM TVEDT

SUSANNE TORP-HANSEN
Elected by and from
the employees

FREDDY LARSEN
Elected by and from
the employees

SVERRE THORNES
Group CEO

Changes in Owners' Equity

KLP GROUP

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2016	11 726	16 097	27 823
Deffered tax on the risk equilization fund, the natural perils pool fund and the guarantee scheme [1]		-1 028	-1 028
Principle change [2]		-24	-24
Owners' equity 1 January 2017	**11 726**	**15 046**	**26 772**
Income		1 332	1 332
Items that will not be reclassified to income		-21	-21
Items that will be reclassified to income later when particular conditions are met		82	82
Total other comprehensive income		**61**	**61**
Total comprehensive income		**1 393**	**1 393**
Owners' equity contribution received (net)	1 399		1 399
Total transactions with the owners	**1 399**		**1 399**
Owners' equity 31 December 2017	**13 125**	**16 439**	**29 564**

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2015	10 422	13 242	23 665
Income		**2 808**	**2 808**
Items that will not be reclassified to income		-24	-24
Items that will be reclassified to income later when particular conditions are met		72	72
Total other comprehensive income		**47**	**47**
Total comprehensive income		**2 855**	**2 855**
Owners' equity contribution received (net)	1 303		1 303
Total transactions with the owners	**1 303**		**1 303**
Owners' equity 31 December 2016	**11 726**	**16 097**	**27 823**

[1] Under Section 3-2 of the Norwegian Regulations on annual accounts for life insurance companies, the parent company of the KLP Group is not subject to deferred tax on the risk equalisation fund. The same is true under Section 3-4 of the Norwegian Regulations on annual accounts for non-life insurance companies concerning deferred tax on provisions to the natural perils pool fund and the guarantee scheme. KLP has previously applied the same principle to its consolidated financial statements. After a renewed assessment, KLP has concluded that it is correct to raise provisions for deferred taxes on the risk equalisation fund, the natural perils pool fund and the guarantee scheme in the consolidated financial statements. Deferred taxes on the risk equalisation fund, the natural perils pool fund and the guarantee scheme amount to NOK 977 million, NOK 40 million and NOK 11 million respectively as at 31 December 2016. This correction has been made to the opening balance, so the change in deferred taxes through the year is reflected in tax expenses for 2017 for the KLP Group.

[2] For further information, see note 2.1.1.c)

Statement of Cash Flows

KLP GROUP

NOK MILLIONS	2017	2016
CASHFLOW FROM OPERATING ACTIVITES		
Direct insurance premiums received	27 233	32 052
Reinsurance premiums paid	-61	-49
Direct insurance claims and benefits paid	-17 405	-16 468
Reinsurance settlement received for claims and insurance benefits	-192	-36
Payments received on transfer	711	1 774
Payments made on transfer	-336	-171
Payments to other suppliers for products and services	-1 555	-1 350
Payments to staff, pension schemes, employer's social security contribution etc.	-942	-825
Interest paid	-832	-949
Interest received	10 775	10 534
Dividend received	6 663	6 824
Tax and public charges paid	-467	-721
Net receipts/payments of loans to customers etc.	3 095	3 345
Net receipts on customer deposits banking	-4 655	-6 294
Receipts on the sale of shares	980	1 263
Payments on the purchase of shares	20 251	25 521
Receipts on the sale of bonds and certificates	-42 516	-43 808
Payments on the purchase of bonds and certificates	91 918	103 780
Receipts on the sale of property	-104 476	-133 790
Payments on the purchase of property	529	2 052
Payments to investments in assets with investment option	-1 401	-2 983
Net cash flow from property business	311	-316
Net cash flow from purchase/sale of other short-term securities	283	2 650
Net cash flows from operating activities	**-12 405**	**-17 964**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Payments on the purchase of tangible fixed assets etc.	-79	-94
Net cash flows from investment activities	**-79**	**-94**

Statement of Cash Flows

KLP GROUP

NOK MILLIONS	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
The minority's share of operational activities	12 052	18 564
Payments on subordinated loan capital	-668	-2 860
Receipts on loans from credit institutions	4 074	8 588
Disbursements on loans from credit institutions	- 4 537	- 6 970
Receipts of owners' equity contributions	1 405	1 306
Payments on repayment of owners' equity contributions	-6	-3
Net cash flows from financing activities	**12 320**	**18 625**
Net changes in cash and bank deposits	**-164**	**567**
Effect of exchange rate changes on cash and cash equivalents	16	-23
Holdings of cash and bank deposits at start of period	2 968	2 424
Holdings of cash and bank deposits at end of period	**2 820**	**2 968**

Notes to Accounts

KLP GROUP

NOTE 1 General information

Kommunal Landspensjonskasse gjensidige forsikringsselskap (*the Company*) and its subsidiaries (together the Group) provide pension, financial, banking and insurance services to private individuals, municipalities and county administrations, health enterprises and to enterprises both in the public and private sectors.

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

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

The Group's annual financial statements may be accessed at www.klp.no.

The Group has subordinated loans listed on the London Stock Exchange and part of the Groups' issued covered bonds are listed on Oslo Stock Exchange.

NOTE 2 Summary of the most important accounting principles

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

2.1 FUNDAMENTAL PRINCIPLES

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

- Investment properties valued at fair value through profit and loss
- Investment property for own use is revalued to fair value
- Financial assets and liabilities(including derviatives) are value at fair value through profit and 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 Group has implemented changes in IAS 7 *Statement of cashflows*. There are no other changes in accounting principles in 2017 that have been of significance for the Groups' annual report.

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, which covers the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting, with a new impairment model for financial assets. Financial assets are classified into three categories:

- Amortised cost
- Fair value with value changes through profit or loss
- Fair value with value changes through other comprehensive income

The measurement category is decided on initial recognition. Classification depends on the company's/group's business model for managing its financial instruments and the characteristics of the individual instrument's cash flows. The standard will be effective from 2018. The provisions in IFRS 4 Insurance Contracts give companies/groups with insurance-dominated operations two alternative temporary exceptions from the new requirements in IFRS 9. The exceptions arise out of concerns that IFRS 9 comes into force before the new standard on insurance Contracts, IFRS 17.

NOTE 2 Summary of the most important accounting principles - cont.

1) Companies/groups with insurance-dominated operations are allowed, but not obliged, to apply the current rules for financial instruments (IAS 39) when drawing up IFRS accounts for the financial years 2018, 2019 and 2020. To be regarded as an insurance-dominated undertaking, the requirement is that the insurance liability must constitute at least 90% of the total liabilities, or at least 80% on condition that the undertaking is not involved in significant activities that are not related to insurance. To calculate whether the condition is met, figures for 31.12.2016 should be used.

For the KLP Group, 93.9% of the business is considered to be related to insurance, so the criterion for applying temporary exceptions is fulfilled. This is shown in the table below:

The KLP Group will make use of this temporary exception and will therefore not implement IFRS 9 before 01.01.2021.

2) Groups with insurance activities which wish to implement IFRS 9 may elect to reclassify items between profit and loss and other income and expenses (other comprehensive income) in accordance with the rules under IFRS 4 for the financial years 2018, 2019 and 2020. The method allows differences in valuation between IAS 39 and IFRS 9 to be eliminated on selected financial assets.

The Group has not chosen to make use of this temporary exception.

- IFRS 16 Leases will result in almost all leases being reported on the financial position statement, as the difference between operating and financial leases has been removed. Under the new standard, the right to use a leased item is an asset and the obligation to pay rent is a liability that must be reported on the financial position statement. The exceptions are short-term leases of low value. The accounting treatment for lessors will not be significantly changed. The Group will begin applying the standard as of 2019. The changeover to IFRS 16 is not expected to have a significant impact on the Group's accounts, as the Group does not have any significant leases, owing to the fact that only small assets are leased.

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.

c) Change in accounting principles/ adjustments from previous years

The parent Company in the Group has changed the principle for recognising the share of the profits from subsidiaries reported by the equity method. The profit share used to be reported as profit before tax; this has now been changed to reporting as profit after tax. This is because the Company has started to capitalise deferred taxes. The change has an effect on equity of NOK 24 million per 01.01.2017.

2.1.2 Changes in financial statements in comparison with previous periods

No changes have been made to the financial statements compared to previous periods.

INSURANCERELATED LIABILITIES

NOK MILLIONS	
Hybrid Tier 1 securities	1 650
Subordinated loan capital	6 220
Pension obligations	712
Technical provisions - life insurance	453 943
Provisions in life insurance with investment option	1 674
Premiums, claims and contigency fund provisions - non-life insurance	2 245
Financial derivates	5 871
Deferred tax	403
Other current liabilities	4 823
Unit holders' interest in consolidated securities funds	55 916
Total Insurancerelated liabilities	**533 456**
Total liabilities	**568 290**
Share of insurancerelated liabilities	**93.9 %**

NOTE 2 Summary of the most important accounting principles - cont.

2.2 CONSOLIDATION PRINCIPLES

2.2.1 Subsidiaries

All entities in which the Group has decisive influence/control are considered subsidiaries. Control 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 are consolidated from the date on which the Group takes over control and they are omitted from consolidation when that control ceases.

In accordance with the changed definition of control in IFRS 10, a large portion of KLP's investments in securities fund are consolidated in the Groups financial statements. KLP/Group has laid wait upon the following factors in assessing whether there is an obligation to consolidate:

- The Group takes the initiative for the securities fund and defines investment strategy, management fees etc. for the securities fund's byelaws
- The Group undertakes the management within the operating scope of the securities fund's byelaws
- The Group receives all management fees in the fund
- The Group exploits synergies is by undertaking management itself (except for certain "funds of funds")
- The Group has substantial ownership interest in the fund (usually more than 20 per cent)

Applying definition in IFRS 10 makes discretionary evaluations necessary. In the Group's financial statements, such funds are 100 per cent consolidated in the balance-sheet where non-controlling ownership interests (minority shares in the Securities Fund) are included in the accounting item 'Unit holders' interest in consolidated securities funds'.The minority's share of the mutual funds are in the financial statement classified as liabilities.

Purchase of subsidiaries is recognized in accordance with the purchase 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 translated 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

NOTE 2 Summary of the most important accounting principles - cont.

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.

2.2.3 Joint arrangements

Joint arrangements are investments in which the Group has joint control with another company. "Joint control" is the contractually agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require unanimity between the parties sharing control.

According to IFRS 11, investments in joint arrangements are to be classified either as joint operating arrangements or joint ventures, depending on the contractual rights and obligations of each individual investor. The Group has considered its joint arrangements and reached the conclusion that they are joint ventures.

On the date of acquisition investments in joint arrangements are recognized 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 joint arrangements 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 joint arrangement.

Where necessary accounting principles in associated companies and joint ventures are changed to achieve harmonization with the Group's accounting principles.

2.2.4 Structured units

Some funds have been consolidated in the Group's financial statement because they are consider to meet the definition of IFRS 10. These funds are in total owned by parent company KLP.

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 (defined benefit) and defined contribution 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 consolidated financial statements 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 exchange 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, art 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 write-downs.

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.

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 year
Inventory:	3 - 5 years

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

NOTE 2 Summary of the most important accounting principles - cont.

lower than the residual value, write-down is carried out to the recoverable sum.

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.

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.

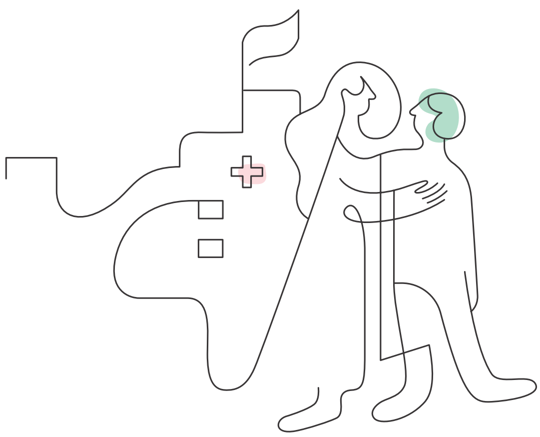
Once an IT system is operational the capitalized costs are depreciated by straight line over the expected life. In the event of subsequent capitalization because of further development this is depreciated over the originally set life unless the expenditure increases the total expected life of the system.

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:



NOTE 2 Summary of the most important accounting principles - cont.

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 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 Group's derivatives are included in this category unless they are included as an element of accounting hedging in accordance with the rules on hedge accounting.

- Financial instruments and liabilities opted to be recognized 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, bonds, certificates and lending whilst the financial liabilities cover debt 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, with the exception of:
- Those which it is the Group's intention to sell on a short-term basis or which it has earmarked at fair value via the income statement (profit/loss)
- Those which the Group has earmarked as available for sale
- Those from which the holder will probably not be able to recover its whole original investment, other than weakened creditworthiness, and which are to be classified as available for sale.

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 at amortized cost
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 the enterprise has earmarked as being available for sale
- 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.

NOTE 2 Summary of the most important accounting principles - cont.

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 local government, enterprises & retail customers at fair value through profit/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 “Net return on financial assets". For the banking business, interest income is included in the line "Net interest income banking". Other value changes are included in the line "Net return on financial assets"

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

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 "Net return 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 "Net return on financial assets".

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 issued
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 value change on financial instruments" in the income statement.

i) Unit holders' interest in consolidated securites funds
Minority unit holders in the consolidated securities fund may ask to redeem their holdings, and as a result, the minority share of the funds is classified as a debt on the accounting line ‘Unit holders’ interest in consolidated securities funds’. The minority portion of value changes in securities funds is posted through profit and loss and included in the line ‘Change of value for

NOTE 2 Summary of the most important accounting principles - cont.

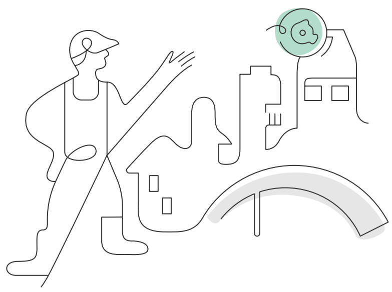
unit holders in consolidated securities funds'.

j) 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 hedge relationships, gains and losses are recognized through profit or loss as they arise in the line for "Net value change on financial instruments". These are included in the category "Financial assets at fair value through profit or loss".

In two 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 hedge relationship is documented and the effectiveness of the hedging is measured continuously. In the second instance is fair value hedging of fixed interest lending. The hedge relationship is documented and its effectiveness is measured continuously.

Change in fair value of the hedging instrument is included in the income statement at the line for "Net value change on financial instruments". Value changes 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.



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 and bank deposits are defined as receivables from credit institutions without termination date. The amount does not include receivables from credit institutions that are linked to purchase and sale of securities in the management of the securities portfolios.

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 by the board of directors and 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.

NOTE 2 Summary of the most important accounting principles - cont.

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 other retained earnings.

Ordinary company law rules apply for any distribution or use of retained earnings. Use of the risk equalization fund must be according the rules of The insurace act.

2.12 RECOGNITION OF INCOME

2.12.1 Premium income

Premium income is taken to income by the amount falling due during the accounting year. Accrual of premiums earned is dealt with through provisions against unearned premiums. Reserves transferred in for the year are recognized through the income statement 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 fixed-income financial investments measured at fair value is classified as "Net return on financial assets". For the banking business the interest income is included in the line "Net interest income banking", whereas other value changes are classified as "Net value change on 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. 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 consolidated financial statements, capitalization and of Norwegian deferred tax is considered at Group level. Deferred tax and deferred tax assets are calculated as differences between the accounting and taxation value of assets and liabilities. Deferred tax asset are capitalized to the extent it can be shown probable that the companies in the Group will have sufficient taxable profit to exploit the tax asset. 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 consolidated financial statements' financial position statement this tax is shown at the line for "Deferred tax and Deffered tax assets". In the income statement the tax cost is shown as "Cost of taxes".

The Group includes some companies covered and some not covered by financial tax. In reporting deferred tax/tax assets in the consolidated financial statements, we therefore use the corporation tax rate applicable to the individual company within the Group.

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. 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 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

NOTE 2 Summary of the most important accounting principles - cont.

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. Adjustment of current pensions in line with adjustment in Norwegian National Insurance as well as adjustment of deferred entitlements in line with the National Insurance basic sum ("grunnbeløpet" or "G") is part of the pension scheme's defined benefits. The schemes' benefits are stipulated according to the applicable rules for public-sector occupational pension, which, inter alia, include coordination with National Insurance benefits for retirement pension in order to ensure a defined gross level of pension.

The indexation of current pensions and accumulated pension entitlements is financed entirely by a special indexation premium. Some public sector peculiarities are not prefunded and are financed through single premiums at start-up and possibly through subsequent changes to the pension (guaranteed gross premium).

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, an administration reserve has been set aside based on the Group's actual costs involved in the payment of pensions.

The premium reserve also comprises allocations to insured events that have occurred but are not yet settled, including a qualifying-period provision for disability risks.

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 scheme where the customer pays a contribution in accordance with an agreed contribution plan for the members' future retirement pensions. The defined contribution pension scheme has a related risk benefit which as at 31 December 2017 consisted of contribution exemption and disability pension without open policy earnings, both with a qualifying period of 12 months. For the risk benefits, there is a qualifying period provision (IBNR/RBNS) with a 12-month risk premium.

Provision for life insurance with investment options is made up of the customers' savings paid-in and added returns.

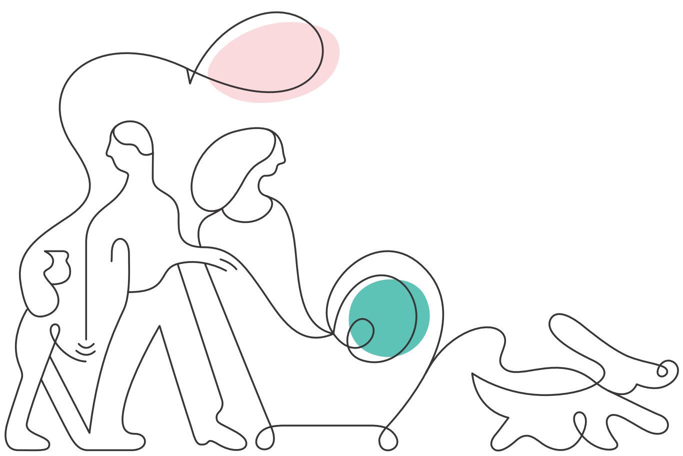
b) Group life is mainly concentrated on local government group life and teacher group life covering only mortality/whole of life risk. Other cover exists for a small number of customers. In addition there is debt group life that covers whole life risk and for a large number of existing customers also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

Occupational Injury, Personal Accident 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 accidents in spare time and for school pupils during school time.

Fire-Combined
Insurance contracts covering damage to customers' property and any loss incurred by the customer in the event



NOTE 2 Summary of the most important accounting principles - cont.

of damage to or loss of the property. The product also includes mandatory natural disaster cover. 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 customers' activities. The cover applies both for property claims and personal injuries.

Travel
Insurance contracts that cover customers for injury and loss arising during travel.

Child insurance
Insurance contracts that cover expenses related to accidents or serious illness and loss of income (disability pension).

Group life
Insurance contracts that cover the customer in the event of death and disability.

The risk for the Group is reduced by taking out reinsurance contracts covering payments in excess of a set amount per claim in all of the sectors mentioned above except for group life.The Group is at all times to have technical reserves fully covering the technical liability and other risk emanating from the insurance business. In all cases and at all times, the Group's reserves are to meet the minimum requirement for reserves under regulation or law.

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 the Group's calculation base, as well as provisions for incurred, not yet settled insurance claims, including waiting period provisions for disability risk.

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

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

d) 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 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.

2.14.3 Base interest 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 2015 all new accumulation was carried out at the base interest rate of 2.0 per cent. In the period 1 January 2012 to 31 December 2014, the accumulations were 2.5 percent. Accumulation before this was between 3.0 per cent for most of the contracts. A small proportion of the contracts have some accumulation at 2.75 per cent , 3.4 per cent and 4.0 per cent.

In 2017, the total average interest guarantee in the group pensions (public sector) segment amounted to 2, 53 per cent and in the group pension (private) segment, 2.95 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 the Group based on its own population. The price tariffs for mortality are equal to the calculation base K2013 with safety margins in accordance with the minimum standard laid down by the Financial Supervisory Authority of Norway. When it comes to the Pension Scheme for Nurses and the Joint Scheme for hospital doctors, a somewhat stronger basis is used.

2.15 RESULT ELEMENTS – LIFE INSURANCE

2.15.1 Returns result
Returns result of varieties on insurance contracts with returns guarantee. Returns result comprises actual return achieved less guaranteed return (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.

NOTE 2 Summary of the most important accounting principles - cont.

No returns guarantee is given in defined-contribution-based life insurance and the financial return is ascribed to the customer regardless of return achieved.

2.15.2 Risk result

The risk result is an expression of the difference between mortality and disability in the insured population during the period in question relative to what is assumed in the Company's price tariff. A positive risk result is returned to the customers, but it is possible to withhold up to half of a positive risk result in risk equalization funds. The risk equalization fund may only be used to cover subsequent risk result losses 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.

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.

2.16 PAID-UP 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.

2.17 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.

2.18 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 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 Group adopts must be followed consistently for later periods. The Group has presented the pension cost under the accounting line "Operating expenses" and interest element under the accounting line "Current return on financial assets".

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 pensions 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

The biggest insurance risk in the Group is the risk of incorrect estimation of life expectancy. In determining the premium tariffs, the Group uses its own analyses of its policy-holders and analyses of the entire Norwegian population. Uncertainty over future life expectancy, which is based on estimates far ahead in time, provides a similar risk of a charge against equity capital because of the need for higher provisions, to cover payment over a longer period of time.

There will also be insurance risk linked to disability, but this risk is considerably lower. Uncertainty in calculating probabilities of disability may, as with increased longevity, result in decreased profit for owners, but here there is more scope for adjusting premiums, given that disability pensions have a shorter time horizon for the payments.

Insurance risks linked to mortality are considerably lower and must be seen in relation to insurance risks related to longevity. Increased mortality will result in a negative risk result for the risk of death, but will be counterbalanced by a positive risk result for longevity. The insurance benefits for spouse and child pensions, which make up the risk result for death, are also considerably lower than the benefits for old-age pensions (longevity risk).

Calculations of insurance provisions in the collective pension insurance sector are based on assumptions of disability risk based on KLP's experience from its own insured population. For the other risk elements, including longevity risk, the assumptions from the K2013 calculation base are used with the contingency margins set by the Financial Supervisory Authority of Norway (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. The annual net premium for KLP retirement, disability and survivor pension based on a salary of NOK 430,000 would, for the various individual ages and genders, amount to:

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 contingency margins. Claim provision is not discounted.

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

The provision for unearned premiums is the pro rata portion of premiums payable accrued after the accounting close.

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 defined in IFRS 13. 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. There is not considered to be an active market for trading the Group's investment properties.

As at 31 December 2017 buildings and real estate were valued using the Group's internal valuation model. The model is based on discounting of an estimated 20-year cash flow and the discounting rate used corresponds to the normal market's return requirement for similar properties. For the Norwegian properties as at 31 December 2017, a discounting factor was used in the interval 6.15 – 9.10 per cent: for the Group's Swedish properties it was 5,75 – 7.05 per cent; and for the Danish properties, 6.75 -7.69 per cent

The following main components are included in future cash flows:

- Currently applicable terms and conditions, contract expiry and assumed market rent
- Vacant areas with assumed 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

ANNUAL NET PREMIUM

MEN

AGE	30 years	45 years	60 years
Amount	NOK 18.522	NOK 31.664	NOK 39.577

WOMEN

AGE	30 years	45 years	60 years
Amount	NOK 23.759	NOK 37.694	NOK 42.953

NOTE 3 Important accounting estimates and valuations - cont.

- 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
- Assumed final value Year 20
- Nominal return requirement

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

Minor changes in the return requirement will have relatively heavy impact on property values and it is also assumed that major changes in the "Assumed market rent" will also affect the accounting figures the 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 there are interdependencies between several variables, so that a change in one 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.

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 FAIR VALUE OF FINANCIAL ASSETS

The majority of the Group's assets recognised at fair value through profit and loss are assets traded on an active market, so the market value can be determined with a high degree of confidence.

In the case of the Group's pricing of unlisted securities, there will be uncertainty in this regard. This is especially true of securities which are priced on the basis of non-observable assumptions. Different valuation techniques are used to determine the fair value of these investments. 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 6.

3.4 LOSSES ON FINANCIAL ASSETS

Financial assets not measured at fair value are assessed for impairment 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.

When it comes to 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 write-down requirements are calculated as the difference in value of the original expected cash flows and the new expected cash flows. There will be uncertainty in calculating the new expected cash flows.

SENSITIVITY ANALYSIS

	Change in parameter	Change in value
Return requirement	+100 bps -100 bps	-12 % 15 %
Market rent	+10 % -10 %	8 % -8 %
Exit yield	+100 bps -100 bps	-10 % 17 %
Inflation	+50 bps -50 bps	7 % -6 %

NOTE 4 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life		Group pensions private		Non-life insurance		Banking	
	2017	2016	2017	2016	2017	2016	2017	2016
Premium income for own account from external customers [1]	32 328	36 773	997	574	1 266	1 135	0	0
Premium income for own account from other Group companies	89	81	0	0	21	15	0	0
Net financial income from investments	32 157	24 994	343	192	243	253	237	205
Other income from external customers	1 016	938	2	3	1	1	12	10
Other income from other Group companies	235	338	0	0	0	0	57	57
Total income	**65 825**	**63 124**	**1 343**	**769**	**1 531**	**1 404**	**306**	**272**
Claims for own account	-17 386	-16 387	-199	-112	-1 080	-871	0	0
Insurance provisions for own account	-23 358	-27 373	-1 064	-599	-4	-2	0	0
Costs borrowing	-527	382	0	0	0	0	0	0
Operating costs excluding depreciation	-951	-911	-59	-52	-281	-269	-197	-176
Depreciation	-74	-261	-3	-2	-2	-6	-4	-4
Other expenses	-992	-960	0	0	0	0	-3	-1
Return to financial intruments attributable to minority interests								
Total expenses	**-43 289**	**-45 510**	**-1 325**	**-764**	**-1 366**	**-1 148**	**-203**	**-181**
Operating profit/loss	**22 536**	**17 613**	**18**	**5**	**164**	**255**	**103**	**91**
Funds credited to insurance customers [2]	-20 551	-15 488	-42	-33	0	0	0	0
Pre-tax income	**1 985**	**2 125**	**-24**	**-28**	**164**	**255**	**103**	**91**
Cost of taxes	-492	781	0	0	-19	-48	-25	-22
Income	**1 493**	**2 906**	**-24**	**-28**	**145**	**207**	**78**	**69**
Change in other comprehensive income (excluded cost of taxes)	-28	-33	-1	0	-3	-2	-1	-1
Total comprehensive income	**1 465**	**2 874**	**-25**	**-28**	**141**	**205**	**77**	**68**
Assets	534 784	496 663	4 869	3 571	4 594	4 489	34 986	34 388
Liabilities	504 158	468 878	4 346	3 263	2 822	2 777	32 904	32 533

[1] Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies.
[2] Funds transferred to the insurance customers include transfers to the premium fund, provisions to the securities adjustment fund, provisions to supplementary reserves and other provisions of surplus funds to the insurance customers.

NOTE 4 Segment information - cont.

NOK MILLIONS	Asset management		Other		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Premium income for own account from external customers [1]	0	0	0	0	0	15	34 590	38 497
Premium income for own account from other Group companies	0	0	0	0	-110	-96	0	0
Net financial income from investments	3	4	0	0	8 446	5 240	41 430	30 888
Other income from external customers	0	0	9	8	0	-14	1 040	945
Other income from other Group companies	456	299	0	0	-748	-694	0	0
Total income	**459**	**303**	**9**	**8**	**7 589**	**4 450**	**77 061**	**70 330**
Claims for own account	0	0	0	0	0	0	-18 665	-17 370
Insurance provisions for own account	0	0	0	0	0	0	-24 425	-27 973
Costs borrowing	0	0	0	0	0	0	-527	382
Operating costs excluding depreciation	-402	-280	-9	-7	346	244	-1 554	-1 451
Depreciation	-10	-6	0	0	-26	-26	-119	-305
Other expenses	0	0	0	0	3	5	-992	-957
Return to financial intruments attributable to minority interests					-8 648	-3 061	-8 648	-3 061
Total expenses	**-413**	**-285**	**-9**	**-7**	**-8 326**	**-2 839**	**-54 931**	**-50 736**
Operating profit/loss	**47**	**18**	**-1**	**0**	**-737**	**1 612**	**22 130**	**19 594**
Funds credited to insurance customers [2]	0	0	0	0	937	-1 625	-19 656	-17 146
Pre-tax income	**47**	**18**	**-1**	**0**	**200**	**-13**	**2 474**	**2 449**
Cost of taxes	-10	-4	0	0	-617	-360	-1163	344
Income	**37**	**15**	**-1**	**0**	**-417**	**-373**	**1 311**	**2 792**
Change in other comprehensive income (excluded cost of taxes)	-4	-2	0	0	119	101	81	63
Total comprehensive income	**33**	**12**	**-1**	**0**	**-298**	**-272**	**1 393**	**2 855**
Assets	468	414	12	12	72 445	56 576	652 167	596 113
Liabilities	214	192	5	3	78 155	60 648	622 603	568 290

[1] Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies.
[2] Funds transferred to the insurance customers include transfers to the premium fund, provisions to the securities adjustment fund, provisions to supplementary reserves and other provisions of surplus funds to the insurance customers.

The KLP Group's business is divided into the six areas: public sector occupational pension/group life; enterprise (defined benefit) and defined contribution pension; non-life insurance; banking 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 specter 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 Boligkreditt AS. The banking business covers services such as deposits and lending to the retail market, credit cards as well as lending with public sector guarantee.

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

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

NOTE 5 Net income from financial instruments

NOK MILLIONS	2017	2016
Interest income bank deposits	49	55
Interest income derivatives	34	63
Interest income debt instruments fair value	3 451	3 400
Total interest income financial assets at fair value	**3 534**	**3 519**
Interest income fixed-income securities amortized cost	5 515	5 299
Interest income lending amortized cost	1 221	1 186
Total interest income financial assets at amortized cost	**6 735**	**6 485**
Dividend/interest shares and holdings/units	3 913	3 506
Oher income and expenses	2	-21
Total other current expenses and income	**3 915**	**3 486**
Net return on financial assets	**14 184**	**13 489**
Interest income lending fair value	226	225
Total interest income financial assets at fair value	**226**	**225**
Interest income lending amortized cost	510	474
Total interest income financial assets at amortized cost	**510**	**474**
Interest costs debt to credit institutions	-94	-120
Interest costs covered bonds	-271	-272
Interest costs debt to and deposits from customers	-128	-118
Oher income and expenses	0	7
Total other income and expenses banking	**-493**	**-503**
Net interest income banking [1]	**244**	**196**
Value changes shares and units	15 791	1 992
Value change derivatives	950	2 644
Value a debt instruments at fair value	-3 174	-3 313
Value change lending fair value	17	52
Value change borrowing fair value	0	0
Total value change financial instruments at fair value	**13 584**	**1 375**
Value change loans at amortized cost	124	-1 110
Other unrealized values	-51	-135
Total other unrealized values	**73**	**-1 245**
Net unrealized gain on financial instruments	**13 657**	**130**

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

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.

NOTE 5 Net income from financial instruments - cont.

NOK MILLIONS	2017	2016
Realized shares and holdings/units	4 889	2 746
Realized derivatives	165	6 861
Realized debt instruments at fair value	3 545	1 047
Total realized financial instruments at fair value	**8 600**	**10 654**
Realized bonds at amortized cost [2]	-172	-370
Realized loans at amortized cost	0	118
Total realized financial instruments at amortized cost	**-172**	**-251**
Other financial income and costs	-34	-57
Total other financial income	**-34**	**-57**
Net realized gain on financial instruments	**8 394**	**10 346**
Net value changes on financial instruments	**22 050**	**10 476**
Total net income from financial instruments	**36 478**	**24 161**

[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 liabilites

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

This category includes:

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This category includes:

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

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

- INVESTMENTS HELD TO MATURITY
- BONDS CLASSIFIED AS LOANS AND RECEIVABLES
- DEBT INSTRUMENTS MEASURED AT FAIR VALUE

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

- Barclays Capital Indices
- Bloomberg
- Reuters

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

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

c) Norwegian fixed-income securities – other than government ones
Norwegian fixed-income securities except government are mainly priced directly on prices from Nordic Bond Pricing. Securities that are not covered by Nordic Bond Pricing are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves and curves for Norwegian savings banks, municipalities and energy. Savings banks have various spread curves based on total assets. For companies where Nordic Bond Pricing do not deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used.

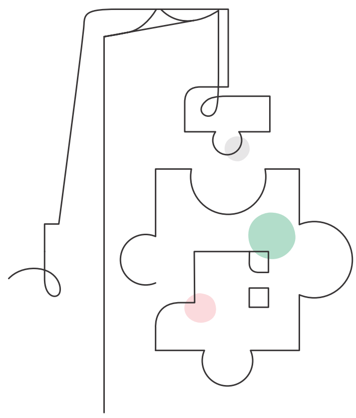
d) Fixed-income securities issued by foreign enterprises but denominated in NOK
Fair value is calculated on the same general principles as those applying for Norwegian fixed-income securities described above.

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

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

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

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



NOTE 6 Fair value of financial assets and liabilites - cont.

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

j) Private Equity

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

DERIVATIVES

k) Futures/FRA/IRF

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

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

DEBT TO CREDIT INSTITUTIONS

o) Placements with credit institutions and deposits

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

SUBORDINATED LOAN CAPITAL, OTHER DEBT ISSUED, AND DEPOSITS FROM CUSTOMERS

p) Fair value of subordinated loans

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

NOTE 6 Fair value of financial assets and liabilites - cont.

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

NOK MILLIONS	31.12.2017		31.12.2016	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	6 380	7 093	8 339	9 248
Foreign hold-to-maturity bonds	24 752	26 205	24 452	25 771
Total debt instruments held to maturity	**31 131**	**33 298**	**32 791**	**35 019**
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST				
Norwegian bonds	39 092	41 777	33 018	35 785
Foreign bonds	81 825	87 465	72 879	77 806
Norwegian certificates	200	200	790	787
Foreign certificates	200	200	0	0
Other receivables	59	59	33	33
Total debt instruments classified as loans and receivables	**121 377**	**129 700**	**106 720**	**114 411**
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	1 016	1 016	1 381	1 381
Total loans to local government, enterprises & retail customers	**1 016**	**1 016**	**1 381**	**1 381**
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS - AT AMORTIZED COST				
Loans secured by mortgage	17 673	17 685	15 953	15 969
Loans to local government sector or enterprises with local government guarantee	61 441	62 083	56 484	57 135
Loans abroad secured by mortage and local government guarantee	7 829	7 872	9 105	9 143
Total loans to local government, enterprises & retail customers	**86 943**	**87 640**	**81 541**	**82 247**
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	59 289	59 289	58 661	58 661
Norwegian certificates	11 154	11 154	12 519	12 519
Foreign bonds	85 144	85 144	82 933	82 933
Foreign certificates	0	0	161	161
Investments with credit institutions	16 839	16 839	16 747	16 747
Total debt instruments	**172 427**	**172 427**	**171 021**	**171 021**
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	150 221	150 221	121 236	121 236
Equity funds	10 641	10 641	8 688	8 688
Property funds	119	119	287	287
Alternative investments	756	756	489	489
Total equity capital instruments	**161 736**	**161 736**	**130 700**	**130 700**

NOTE 6 Fair value of financial assets and liabilites - cont.

NOK MILLIONS	31.12.2017		31.12.2016	
	Book value	Fair value	Book value	Fair value
RECEIVABLES				
Receivables related to direct business	1 026	1 026	753	753
Receivables related to reinsurance agreements	118	118	119	119
Reinsurance share of gross claims reserve	0	0	1	1
Receivables related to securites	2 161	2 161	1 763	1 763
Prepaid rent related to real estate activites	116	116	106	106
Other receivables	697	697	431	431
Total other loans and receivables including receivables from policyholders	**4 118**	**4 118**	**3 173**	**3 173**
FINANCIAL LIABILITIES				
Hybrid Tier 1 securities	1 534	1 463	1 650	1 292
Subordinated loan capital	5 977	6 849	6 220	6 554
Debt to credit institutions	1 603	1 603	2 356	2 356
Covered bonds issued	21 451	21 451	21 095	21 095
Liabilities and deposits from customers	9 669	9 669	8 688	8 688
Total financial liabilities	**40 235**	**41 036**	**40 010**	**39 986**
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions	2 983	2 983	2 694	2 694
Total financial liabilities	**2 983**	**2 983**	**2 694**	**2 694**
Assets in life insurance with investment option	**2 684**	**2 684**	**1 674**	**1 674**
Provisions in life insurance with investment option	**2 684**	**2 684**	**1 674**	**1 674**

NOK MILLIONS	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Forward exchange contracts	631	3 849	795	4 534
Interest rate swaps	368	903	375	1 338
Interest rate and currency swaps	530	0	645	0
Stock option	0	7	0	0
Total financial derivatives	**1 529**	**4 760**	**1 815**	**5 871**

NOTE 7 Fair value hierarchy

31.12.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	63 519	63 519
Land/plots	0	0	982	982
Real estate fund	0	0	2 454	2 454
Buildings	0	0	60 083	60 083
Lending at fair value	0	1 016	0	1 016
Bonds and other fixed-income securities	45 303	110 287	0	155 590
Certificates	7 834	3 320	0	11 154
Bonds	23 984	106 967	0	130 952
Fixed-income funds	13 485	0	0	13 485
Loans and receivables	15 418	1 419	0	16 837
Shares and units	145 905	5 393	10 438	161 736
Shares	144 045	4 518	1 658	150 221
Equity funds	1 861	0	75	1 935
Property funds	0	119	0	119
Special funds	0	756	0	756
Private Equity	0	0	8 705	8 705
Financial derivatives	0	1 529	0	1 529
Total assets at fair value	**206 627**	**119 643**	**73 956**	**400 226**
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	4 760	0	4 760
Debt to credit institutions [1]	2 025	1 089	0	3 113
Total financial liabilities at fair value	**2 025**	**5 848**	**0**	**7 873**

[1] The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 1 473 million per 31.12.2017 and NOK 2 338 million per 31.12.2016.

31.12.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	59 497	59 497
Land/plots	0	0	982	982
Real estate fund	0	0	1 831	1 831
Buildings	0	0	56 684	56 684
Lending at fair value	0	1 381	0	1 381
Bonds and other fixed-income securities	45 368	108 901	0	154 269
Certificates	7 377	5 303	0	12 680
Bonds	25 058	103 598	0	128 656
Fixed-income funds	12 933	0	0	12 933

NOTE 7 Fair value hierarchy - cont.

31.12.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
Loans and receivables	15 071	1 681	0	16 752
Shares and units	117 815	4 312	8 573	130 700
Shares	116 264	3 536	1 436	121 236
Equity funds	1 552	0	84	1 636
Property funds	0	287	0	287
Special funds	0	489	0	489
Private Equity	0	0	7 052	7 052
Financial derivatives	0	1 815	0	1 815
Total assets at fair value	**178 254**	**118 090**	**68 069**	**364 414**
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	5 871	0	5 871
Debt to credit institutions [1]	1 648	1 064	0	2 712
Total financial liabilities at fair value	**1 648**	**6 936**	**0**	**8 584**

[1] The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 1 473 million per 31.12.2017 and NOK 2 338 million per 31.12.2016.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 2017	Book value 2016
Opening balance 1 January	59 497	56 436
Net aquisition cost	816	724
Unrealised changes	3 206	2 364
Other changes	236	-28
Closing balance 31.12.	**63 519**	**59 497**
Realised gains/losses	129	82

CHANGES IN LEVEL 3, SHARES	Book value 2017	Book value 2016
Opening balance 1 January	1 436	1 439
Sold	-116	-181
Bought	147	201
Unrealised changes	190	-23
Closing balance 31.12.	**1 658**	**1 436**
Realised gains/losses	56	50

CHANGES IN LEVEL 3, EQUITY FUNDS	Book value 2017	Book value 2016
Opening balance 1 January	84	76
Sold	-6	0
Bought	0	0
Unrealised changes	-3	9
Closing balance 31.12.	**75**	**84**
Realised gains/losses	0	0

NOTE 7 Fair value hierarchy - cont.

CHANGES IN LEVEL 3, PRIVATE EQUITY	Book value 2017	Book value 2016
Opening balance 1 January	7 052	6 494
Sold	-1 593	-1 107
Bought	1 552	1 833
Unrealised changes	1 694	-168
Closing balance 31.12.	**8 705**	**7 052**
Realised gains/losses	389	326
Closing balance 31.12.	**73 949**	**68 069**

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

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

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

LEVEL 1

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

LEVEL 2

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

LEVEL 3

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property can be found in note 3. A change in the variables of the pricing of securities is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 3 697 million as of 31.12.2017 and NOK 3 403 million as of 31.12.2016. Everything related to investment property is included in Level 3.

In 2017 NOK 932 millions in stocks has been moved from Level 1 to Level 2 and NOK 69 millions from Level 2 to Level 1. This is due to changes in liquidity, based on the guidelines above. In 2017, NOK 26 million has been moved from level 3 to level 2. This is due to a security becoming listed in the period. The level placement of debt instruments remain unchanged in 2017.

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

Valuations related to items in the various levels are described in Note 6, investment property is described in note 3.

Fair value of assets and liabilities measured at amortized cost are given in note 6. The level placements for these debt instruments are as follows: assets classified as held to maturity would be level 1 and loan and receivables would be level 2. Liabilities measured at amortized cost, subordinated loan would be level 1 and hybrid tier 1 capital would be level 2 and debt to credit institutions would be level 1. Information on pricing of these liabilities can be found in note 6.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 2 684 millions in financial assets valued at fair value at Level 1. Per 31.12.2017 the NOK 2 684 millions are included with NOK 1 679 millions in shares and units in Level 1, NOK 995 millions in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

NOTE 8 Assets in defined-contribution-based life insurance

NOK MILLIONS	Organi-sation number	Number units	Rate	Fair value 31.12.2017	Average return per unit %	Average return per unit whole NOK	Fair value 31.12.2016
UNITS IN EQUITY FUNDS							
KLP Aksjeglobal Indeks II	987570199	340 061	2 385.63	811	18.10 %	366	605
KLP Aksjenorge Indeks	988425958	148 898	2 517.10	375	19.08 %	403	275
KLP Framtid	918126767	417 577	1 179.49	493	17.24 %	173	13
Total units in equity funds		**488 959**		**1 679**			**893**
UNITS IN FIXED-INCOME FUNDS							
KLP Obligasjon 5 år	979518315	339 269	1 292.23	438	2.99 %	38	348
KLP Obligasjon Global I	989753746	404 562	1 165.31	471	4.14 %	49	372
KLP Nåtid	918126740	17 093	1 000.75	17	2.55 %	26	0
Total units in fixed-income funds		**743 832**		**927**			**720**
UNITS IN MONEY MARKET FUNDS							
KLP Pengemarked	979518218	67 668	1 000.37	68	1.37 %	14	49
Total units in money market funds		**67 668**		**68**			**49**
Total units in securities funds				**2 673**			**1 662**
Bank deposits				7			9
Other assets				3			2
Total assets in defined-contribution-based life insurance				**2 684**			**1 674**

PER CENT	Q1	Q2	Q3	Q4
Returns per quarter	2.47 %	1.67 %	3.79 %	3.34 %

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 to both 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

An insurance contract ia according to IFRS 4 defined as "A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". The uncertainty at the portfolio level is additionally affected by factors such as changes in law and court decisions. Insurance results will be more stable and predictable the more contracts there are in the portfolio

The Group's insurance business is divided into the following sectors: group pension public sector; group pension private; and non-life insurance. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas risk of death/whole life is somewhat less weighty. Group life primarily covers whole life, whereas debt group life covers the whole life and, for a large proportion of existing customers, disability risk. Guidelines have been prepared for non-life insurance for regarding the kind of risks the Company accepts in its portfolio. Basically it accepts risks from customers who are within the Group's primary target groups in non-life insurance provided the scope of the insurance lies within the standard products the Group offers. The total insurance risk will also be less where the portfolio has geographical dispersion and is spread over different insurance products.

In non-life insurance, insurance risk is generally managed through provisions for future expected claims under 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 risk equalization fund in group pension in order to meet unexpected fluctuations in claims incidence.

For disability risk in the group pension sector, assumptions used are based on KLP's disability data. For the other risk elements in group pension the assumptions from the K2013 calculation base are used with contingency margins in accordance with the minimum standard set by the FSA of N in 2013. 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 strengthened contingency margin because of significantly longer lifetimes in these schemes.

9.1.2 Setting the premium

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

In the sector for group pension, public sector the Group has a large population, 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.

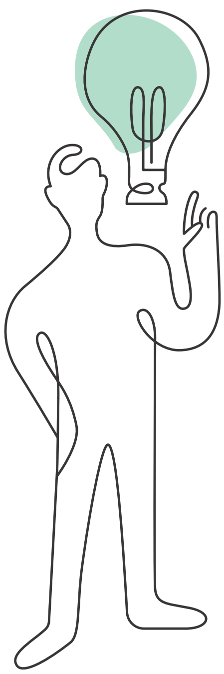
In the non-life insurance business, guidelines have been drawn up for the types of risk that the Company accepts in its portfolio. Risks are generally accepted from customers from within the Company's primary target groups, provided that the scope of the cover falls within the standard products the Company offers. Premiums are differentiated based on the individual customer's risk. In borderline cases, special decision procedures are followed before the risk can be taken on.

9.1.3 Reinsurance and reinsurance programmes

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

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

The Group has taken out a catastrophe reinsurance contract for group pension public sector. The agreement covers up to NOK 300 million in excess of the Company's NOK 50 million for own account for events that lead to more than 10 people dying or becoming disabled. When it comes to 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 three 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. 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

There is a continuous assessment of the concentration risk. The Group reduces including concentration risk through reinsurance cover that limits the Group's own account per claim. To reduce credit risk against reinsurers, only reinsurance companies with satisfactory credit ratings are used. Each individual reinsurance contract is also divided between several independent reinsurers.

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 189 million (of which NOK 7 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 an increase of NOK 1,272 million (of which NOK 16 million in group pension, private).

An immediate 10 per cent reduction in mortality would, with current numbers, mean a negative effect of NOK 179 million (NOK 1 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 an increase of NOK 8,734 million (of which NOK 31 million in group pension, private).

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

9.1.5.2 Sensitivity calculations in non-life insurance

The table below shows the profit/loss effect of a 1 per cent change in costs, premium levels, claim payments and claims reserve:

1 per cent change in the costs	2,8 NOK millions
1 per cent change in premium level	13,4 NOK millions
1 per cent change in claim payments	9,9 NOK millions
1 per cent change in claims reserves	18,8 NOK millions

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 sufficient liquidity to cover short-term debt, uncalled 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. 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.

Uncalled residual liability of NOK 15,483 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 35 Conditional obligations. The agreements govern solvency requirements among other things, so that the drawing can be approved for payment.

9.2.2 Market risk

Market risk is the risk of losses resulting from changes in market prices of various assets such as shares, bonds, property and other securities. 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 concerning assets, equity exposure is the largest financial risk factor, but also the market risk associated with interest, credit (spread) and property has a significant loss potential. The Group's interest rate risk associated with a prolonged low interest rate level is however limited. With the current formulation of the rules, technical provisions are not affected by changes in market interest rates. On the liabilities' future transition to market value, annual pricing of the interest rate guarantee will mean that the customers will bear the risk of the interest rate level being lower than the base interest rate. Since the Group mainly provides pension schemes to the public sector, the Group will price the interest rate guarantee right up until the insured dies, which means the interest rate risk arising from the insurance obligations is limited.

The Group exchange rate hedges the majority of international exposure. Financial hedging of currency exposure is done through derivatives. As a rule, all of the Group's fixed-income investments and property investments in foreign currency are hedged back to NOK. For equity investments in foreign currencies, the hedging rate in 2017 was between 70 and 90 per cent, with permissible fluctuations between 60 and 105 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 benchmark with the index for each portfolio.

To reduce the risk of negative results from asset management, the Group uses CPPI rules for customer portfolios for daily monitoring the market risk. This strategy helps to ensure that the risk is adjusted to the Group's risk capacity. The CPPI rules gives a return profile, which fits the overall target to protect owners' equity and preserve the risk capacity over time. In addition, the Group has a high proportion of long-term (hold-to-maturity) bonds and fixed-interest lending that contributes to stability in returns.

Derivatives are principally used for risk reduction for cost and time-effective implementation of changes in risk and for currency hedging.

Through the life company, the equity risk is by far the largest market risk in the Group. As measured by stress tests, this is in excess of 50 per cent. The rest of the market risk is spread equally between property risk, interest rate and credit risk. The fact that large parts of the interest rate and credit exposure are posted at amortised cost changes the relative picture of market risk. Equity and property risk then make up more than 80 per cent of the total market risk

Sensitivity analysis - market risk

In connection with KLP's own risk and solvency assessment (ORSA), several scenario analyses have also been carried out this year. The scenario analyses focus on the situation after several successive years of very negative market development. Given KLP's good capital adequacy, internal targets for risk-taking have a limiting effect before the Company comes into conflict with regulatory minimum requirements. Capital in Group 2, which does not currently count, contributes particularly to this. The analyses also show how the owners are affected in such a prolonged negative scenario. Expected transfers to the premium fund fall as the interest guarantee premiums increase.

Calculation of solvency margin (SCR ratio)

The new European rules for calculation of solvency margin, SCR ratio, main target is to protect and ensure the interest of the insurance customers. Solvency II was introduced from 1 January 2016, and the Group performs quarterly calculations of the SCR ratio.

According to the standard method of calculation in Solvency II, the Group has a solvency capital coverage of 224 per cent, which is slightly higher than at the end of 2016 when it stood at 198 per cent. The solvency capital coverage is well above the Group's target of 150 per cent. The regulatory minimum requirement is 100 per cent.

Several sensitivity analyses linked to solvency capital coverage have been carried out. Interest rate sensitivity is calculated at 9 percentage points in capital coverage per 50 basis points rate change. This may be considered low, at least compared to private occupational pensions, and is mainly due to the fact that public-sector occupation pensions avoid the problem of paid-up policies. A 25 per cent fall in the stock market reduces capital adequacy by something over 50 percentage points when the rules are taken into account. This is a significant drop, but the level of capital adequacy will still be above the level at which action has to be considered. Previous estimates have shown that, with the safety margins in the Company's tariffs and with the current level in the risk equalisation fund, solvency capital coverage is not very sensitive to changes in longevity and disability risk.

9.2.3 Credit- and concentration 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. 31 per cent of the Group's total credit exposure is invested with issuers with an AA- rating or better. Taken into account, the exposure to local municipals and assume AA- rating or better, the credit exposure increases to 48 per cent. The Group has a separate international government bonds portfolio and the element of government bonds is also substantial 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 loan-to-value ratio 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 17.6 billion. The value of the mortgages 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.

The Group has limited concentration risk. Because no exposures exceed the threshold values defined in the Solvency II regulations, the Group has no capital requirements for concentration risk under the standard method. The way in which the fixed interest and equity portfolios are managed will generally help to limit concentration risk through extensive use of index management. The Group sets explicit limits for lending which restrict concentration on specific individuals and groups. Sector concentration is monitored via monthly and quarterly reporting.

Although the Group's investments are well diversified, there is a clear preponderance of investments in Norway. This is a deliberate and a natural consequence of dealing mainly with public-sector occupational pensions.

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 (see note 13 for more information regarding the Group's credit risk). The book classes of securities are specified in detail in Note 6 Fair value of financial assets and liabilities.

NOTE 10 Liquidity risk

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

2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Hybrid tier 1 securities [1]	0	60	238	298	1 466	2 062
Subordinated loans	0	250	1 002	6 644	0	7 897
Covered bonds issued	0	999	20 641	630	0	22 269
Debt to credit institutions	2 225	677	817	0	0	3 719
Liabilities to and deposits from customers	9 669	0	0	0	0	9 669
Accounts payable	162	0	0	0	0	162
Contingent liabilities	15 483	0	0	0	0	15 483
Total	**27 538**	**1 985**	**22 698**	**7 572**	**1 466**	**61 260**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	3 987	2 716	431	-7	-196	6 931
Total financial derivatives	**3 987**	**2 716**	**431**	**-7**	**-196**	**6 931**

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 197 million, payables to credit institutions maturing within one month are reduced with NOK 288 million and derivatives maturing between 1 to 12 months are reduced with NOK 169 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 67 537 million.

2016 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Hybrid tier 1 securities [1]	0	63	251	313	1 567	2 194
Subordinated loans	0	961	926	6 373	0	8 260
Covered bonds issued	0	1 263	20 819	0	0	22 082
Debt to credit institutions	4 823	783	1 631	0	0	7 237
Liabilities to and deposits from customers	8 688	0	0	0	0	8 688
Accounts payable	676	0	0	0	0	676
Contingent liabilities	14 196	0	0	0	0	14 196
Total	**28 383**	**3 070**	**23 627**	**6 687**	**1 567**	**63 334**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	4 518	1 939	1 105	10	-252	7 320
Total financial derivatives	**4 518**	**1 939**	**1 105**	**10**	**-252**	**7 320**

[1] In regards to the loans that are perpetual, estimated cash flows are up to expected maturity at the interest adjustment date.

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 296 million, payables to credit institutions maturing within one month are reduced with NOK 231 million and derivatives maturing between 1-12 months are reduced by NOK 180 million. Total amount of the financial liabilities for the Group are after these adjustments 69 946 million.

NOTE 10 Liquidity risk - cont.

The table in this note 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.

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 biggest obligations in the Group are those related to insurance, essentially applying to pension obligations. These obligations are fully funded and the liquidity management is handled in the same way as other obligations. Please see the table below, which shows the expected payment profile based on the assumptions for the period.

EXPECTED PAYMENT PROFILE PENSION OBLIGATIONS

The table below shows expected disbursment profile based on expectations for the period.

2017 NOK MILLIONS									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	17 099	70 508	112 221	281 135	321 069	295 129	202 424	147 903	1 447 488

2016 NOK MILLIONS									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	16 184	66 684	106 985	268 794	309 977	284 108	196 594	143 099	1 392 425

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 claims reserves are not discounted in the non-life insurance financial statements.

NOTE 11 Interest rate risk

31.12.2017 NOK MILLIONS	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Change in cash flows 01.01.2017 -31.12.2017	Total	Adjusted for the unit holders' in consolidated securites funds
ASSETS								
Financial derivatives classified as assets	0	51	5	-36	-240	-27	-248	-237
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7	7
Bonds and other fixed-income securities	-55	-60	-1 275	-2 099	-1 732	371	-4 851	-4 221
Fixed-income fund units	-813	0	0	0	0	0	-813	-813
Loans and receivables	0	-3	0	0	0	130	126	102
Lending	0	0	0	0	0	611	611	611
Cash and deposits	0	0	0	0	0	28	28	28
Contingent liabilitie [1]	0	0	0	0	0	44	44	44
Total assets	**-869**	**-12**	**-1 271**	**-2 135**	**-1 972**	**1 163**	**-5 096**	**-4 479**
LIABILITIES								
Deposits	0	0	0	0	0	-97	-97	-97
Liabilities created on issuance of securities	0	1	0	0	0	-229	-228	-228
Financial derivatives classified as liabilities	-1	8	70	149	-35	41	232	225
Hybrid Tier 1 securities and subordinated loan capital	0	0	0	59	73	0	132	132
Debt to credit institutions	0	0	0	0	0	-26	-26	-26
Total liabilities	**-1**	**9**	**70**	**208**	**38**	**-310**	**14**	**6**
Total before tax	**-870**	**-3**	**-1 201**	**-1 927**	**-1 934**	**853**	**-5 083**	**-4 472**
Total after tax	**-653**	**-2**	**-901**	**-1 445**	**-1 451**	**640**	**-3 812**	**-3 354**

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

NOTE 11 Interest rate risk - cont.

31.12.2016 NOK MILLIONS	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Change in cash flows 01.01.2016 -31.12.2016	Total	Adjusted for the unit holders' in consolidated securites funds
ASSETS								
Financial derivatives classified as assets	6	5	7	-48	-237	-45	-313	-302
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7	7
Bonds and other fixed-income securities	-53	-89	-1 269	-1 942	-1 592	307	-4 639	-4 030
Fixed-income fund units	-811	0	0	0	0	0	-811	-811
Loans and receivables	0	-3	0	0	0	158	155	135
Lending	0	0	0	0	0	474	474	474
Cash and deposits	0	0	0	0	0	17	17	17
Contingent liabilities [1]	0	0	0	0	0	69	69	69
Total assets	**-859**	**-87**	**-1 263**	**-1 990**	**-1 829**	**987**	**-5 041**	**-4 441**
LIABILITIES								
Deposits	0	0	0	0	0	-87	-87	-87
Liabilities created on issuance of securities	0	3	63	0	0	-235	-169	-169
Financial derivatives classified as liabilities	-5	4	92	105	2	55	253	253
Hybrid Tier 1 securities and subordinated loan capital	0	0	0	69	81	0	150	150
Debt to credit institutions	0	0	0	0	0	-30	-30	-30
Total liabilities	**-5**	**6**	**155**	**174**	**83**	**-297**	**116**	**117**
Total before tax	**-864**	**-80**	**-1 108**	**-1 816**	**-1 746**	**690**	**-4 925**	**-4 324**
Total after tax	**-648**	**-60**	**-831**	**-1 362**	**-1 310**	**517**	**-3 694**	**-3 243**

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

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 had the interest rate 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 reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would have had on the Group during the period being reported on. Fair value risk applies to fixed interest rate securities where the market value of the security fluctuates conversely to the market interest rate. Variable interest rate risk applies to securities at variable interest rates, where the market value remains stable, but where change in the market interest rate is reflected in changed current incomes.

Fixed-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.

Fixed rate assets, recognized at amortized cost, do not cause any effects in the income statement when the market rate changes. The same goes for issued debt with a fixed rate, measured at amortized cost.

Insurance contracts with a guaranteed return does not change the accounting value when interest rates change. Changes in interest rate has no impact on the guaranteed return, but will have an impact on the achieved returns to cover the return guarantee. This is because insurance funds partly invests in debt instruments whose cash flows contribute to cover the customers return guarantee.

NOTE 12 Currency risk

31.12.2017	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position	Net position in NOK adjusted for the unit holders' in consolidated securites funds
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	NOK	
US dollar	13 889	-1 454	6 920	-16 744	8.179	21 210	-18 198	24 638	13 186
Euro	4 013	-352	1 762	-5 037	9.822	5 949	-5 389	5 503	3 278
Japanese yen	141 139	-194	64 018	-164 795	0.073	205 157	-164 989	2 917	1 462
Swedish krone	4 273	0	10 533	-23 313	0.999	25 797	-23 314	2 481	524
Hong Kong dollar	3 713	0	945	-2 539	1.046	4 657	-2 539	2 217	1 305
British Pound	1 217	-1	1 113	-2 582	11.065	2 783	-2 583	2 213	1 199
Korean won	222 321	0	0	0	0.008	222 321	0	1 699	1 208
Canadian dollar	1 048	0	548	-1 355	6.528	1 596	-1 355	1 574	1 069
Australian dollar	746	0	402	-927	6.397	1 148	-927	1 415	960
Taiwan new dollar	4 768	0	0	0	0.275	4 768	0	1 311	932
Swiss franc	433	0	221	-526	8.393	654	-526	1 076	561
Danish kroner	1 464	-229	3 885	-8 039	1.319	9 071	-8 267	1 060	171
Indian rupi	7 492	0	0	0	0.128	7 492	0	960	683
South African rand	1 318	0	0	0	0.661	1 318	0	871	619
Brazilian real	291	0	0	0	2.466	291	0	717	510
Other currencies								2 427	1 782
Total short-term foreign currency positions								**53 078**	**29 450**
Danish kroner	895	-70	0	0	1.319	895	-70	1 088	1 088
Japanese yen	16 113	-10 096	0	0	0.073	16 113	-10 096	437	437
Swedish krone	450	0	0	-450	0.999	450	-450	0	0
Canadian dollar	0	0	0	0	6.528	0	0	-2	-2
US dollar	1 888	-98	0	-1 798	8.179	1 888	-1 896	-64	-64
British Pound	27	0	0	-61	11.065	27	-61	-379	-379
Euro	612	-615	0	-58	9.822	612	-673	-598	-598
Total long-term foreign currency positions								**482**	**482**
Total pre-tax currency positions								**53 561**	**29 933**
Total currency positions after tax								**40 171**	**22 450**

[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. The net position exclued the minority share shows the real currency risk the Group has at the end of the period, because the column is directly related to actual ownership and risk in the Group. Other sums are in local currency. The table shows a hedging ratio for foreign currency at 86 and 91 per cent for 2017 and 2016 respectively.

NOTE 12 Currency risk - cont.

31.12.2016	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position	Net position in NOK adjusted for the unit holders' in consolidated securites funds
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	NOK	
US dollar	12 575	-665	9 287	-19 443	8.608	21 862	-20 108	15 101	5 185
Euro	3 857	-224	2 641	-5 958	9.079	6 498	-6 183	2 865	993
Swedish krone	14 302	0	6 254	-18 125	0.948	20 557	-18 125	2 304	1 232
Hong Kong dollar	2 310	-27	924	-1 562	1.110	3 234	-1 590	1 825	1 295
Japanese yen	107 453	-300	106 649	-190 814	0.074	214 101	-191 114	1 696	445
British Pound	1 573	0	1 186	-2 604	10.636	2 759	-2 604	1 639	798
Korean won	157 493	0	0	0	0.007	157 493	0	1 122	865
Taiwan new dollar	3 728	0	0	0	0.267	3 728	0	996	767
Canadian dollar	957	0	687	-1 510	6.419	1 644	-1 510	857	381
Australian dollar	654	0	691	-1 214	6.233	1 345	-1 214	817	405
Swiss franc	380	0	376	-672	8.469	755	-672	708	245
Danish kroner	4 781	-61	3 113	-7 266	1.221	7 894	-7 327	692	133
Indian rupi	4 981	0	0	0	0.127	4 981	0	632	487
South African rand	927	0	0	0	0.629	927	0	583	450
Brazilian real	211	0	0	0	2.645	211	0	558	430
Other currencies								1 614	1 190
Total short-term foreign currency positions								**34 010**	**15 300**
Danish krone	534	0	1	-1	1.221	535	-1	652	652
Japanese yen	41 608	-29 499	0	-6 505	0.074	41 608	-36 005	414	414
US dollar	1 669	-103	0	-1 550	8.608	1 670	-1 654	139	139
British pound	26	0	0	-50	10.636	26	-50	-254	-254
Euro	601	-615	120	-154	9.079	721	-769	-437	-437
Total long-term foreign currency positions								**514**	**514**
Total pre-tax currency positions								**34 524**	**15 814**
Total currency positions after tax								**25 893**	**11 860**

[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. The net position exclued the minority share shows the real currency risk the Group has at the end of the period, because the column is directly related to actual ownership and risk in the Group. Other sums are in local currency. The table shows a hedging ratio for foreign currency at 86 and 91 per cent for 2017 and 2016 respectively.

The Group currency-hedges the majority of investments made 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 global markets, a somewhat lower hedging ratio is set in 2018. At 31 December 2017, the hedging ratio for equities in developed markets and the most liquid currencies in emerging markets was 70 per cent. This will decrease gradually through 2018 to 60%, with possible fluctuations between 80-50 percent. Other currencies, ie, less liquid currencies in developed markets and currencies in emerging markets with the exception of the most liquid currencies, are not currency hedged. The reason for this is that these currencies do not have a large enough market and / or liquidity that it is appropriate to hedge currency. This reduction in the hedging of shares, as well as unsecured foreign equity funds, increases the net positions in foreign currencies.

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 536 million. For 2016 the effect on the result of a 1 per cent change in the foreign exchange rates would have been NOK 345 million.

NOTE 13 Credit risk

31.12.2017 NOK MILLIONS	Investment grade AAA til BBB	Lower rating	Public sector guarantee	Bank and finance	[1] Mortgage < 80%	[1] Mortgage > 80%	Other	Total	Adjusted for the unit holders' in consolidated securites funds
Debt instruments held to maturity at amortized cost	28 893	0	31	0	0	0	2 207	31 131	31 131
Debt instruments classified as loans and receivables at amortized cost	92 315	0	6 281	100	0	0	22 680	121 377	121 318
Debt instruments at fair value - fixed-return securities	115 270	1 003	5 539	7 266	0	0	13 018	142 095	128 012
Fixed-income funds	0	0	0	0	0	0	13 485	13 485	13 485
Loans and receivables	16 847	0	0	0	0	0	0	16 847	13 755
Financial derivatives classified as assets	1 525	0	0	4	0	0	0	1 529	1 407
Cash and bank deposits	2 775	0	0	45	0	0	0	2 820	1 996
Lending	0	0	62 329	0	14 928	2 694	8 007	87 959	87 959
Total	**257 625**	**1 003**	**74 180**	**7 415**	**14 928**	**2 694**	**59 397**	**417 242**	**399 062**

[1] These two columns provide information on the proportion of loans with mortgage security within 80% of base value and loans that exceed 80% mortgage of base value.

NOK MILLIONS	AAA	AA	A	BBB	Total Investment grade
SPECIFICATION OF INVESTMENT GRADE					
Debt instruments held to maturity at amortized cost	12 438	4 027	8 717	3 711	28 893
Debt instruments classified as loans and receivables at amortized cost	16 127	18 885	44 380	12 924	92 315
Debt instruments at fair value - fixed-return securities	43 799	9 320	35 591	26 560	115 270
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	10 959	5 887	0	16 847
Financial derivatives classified as assets	0	71	1 450	4	1 525
Cash and bank deposits	0	315	2 460	0	2 775
Lending	0	0	0	0	0
Total	**72 363**	**43 577**	**98 485**	**43 199**	**257 625**

NOTE 13 Credit risk - cont.

31.12.2016 NOK MILLIONS	Invest-ment grade AAA til BBB	Lower rating	Public sector guaran-tee	Bank and finance	[1] Mort-gage < 80%	[1] Mort-gage > 80%	Other	Total	Adjusted for the unit holders' in consolidated securites funds
Debt instruments held to maturity at amortized cost	29 599	0	31	0	0	0	3 161	32 791	32 791
Debt instruments classified as loans and receivables at amortized cost	85 774	0	1 346	0	0	0	19 600	106 720	106 689
Debt instruments at fair value - fixed-return securities	113 346	83	8 379	7 805	0	0	11 722	141 335	128 293
Fixed-income funds	0	0	0	0	0	0	12 933	12 933	12 933
Loans and receivables	16 529	0	0	223	0	0	0	16 752	14 814
Financial derivatives classified as assets	1 815	0	0	0	0	0	0	1 815	1 759
Cash and bank deposits	2 968	0	0	0	0	0	0	2 968	2 146
Lending	0	0	58 384	0	14 637	1 266	8 636	82 922	82 922
Total	**250 032**	**83**	**68 140**	**8 028**	**14 637**	**1 266**	**56 052**	**398 237**	**382 347**

[1] These two columns provide information on the proportion of loans with mortgage security within 80% of base value and loans that exceed 80% mortgage of base value.

	AAA	AA	A	BBB	Total Investment grade
SPECIFICATION OF INVESTMENT GRADE					
Debt instruments held to maturity at amortized cost	13 620	4 095	7 650	4 234	29 599
Debt instruments classified as loans and receivables at amortized cost	22 029	20 310	38 717	4 718	85 774
Debt instruments at fair value - fixed-return securities	45 355	14 559	35 458	17 975	113 346
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 350	13 970	210	16 529
Financial derivatives classified as assets	0	236	1 579	0	1 815
Cash and bank deposits	0	440	2 528	0	2 968
Lending	0	0	0	0	0
Total	**81 003**	**41 989**	**99 902**	**27 137**	**250 032**

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

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

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. The Group can be said to have a high concentration of debt instruments directed at the Norwegian public sector.

The rating above are gathered from Standard & Poor's , Moody's and Fitch . The rating is converted to S & P 's rating table , where AAA is linked to securities with the highest creditworthiness . Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. Other is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 59 billion per 31.12.2017. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the "Other" category.

NOTE 13 Credit risk - cont.

The lines in the note coincide with the financial position statement layout. The exceptions are debt instruments at fair value, which are divided into three categories in the note and lending which is shown combined in the note, but is shown in two lines in the financial position statement (fair value and amortized cost). The consolidated accounts includes all the units that KLP Group is considered to have control over. This gives an impression of a higher risk than the actual one, since the risk that the Group does not actually carry appears in the accounts. The outer column includes actual ownership and credit risk of the Group companies and investment funds held by KLP Group at the end of the period.

NOK MILLIONS	31.12.2017		31.12.2016	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
10 LARGEST COUNTERPARTIES				
Counterparty 1	15 988	15 820	16 787	16 359
Counterparty 2	8 274	8 137	10 871	10 189
Counterparty 3	8 137	8 067	8 551	8 551
Counterparty 4	7 427	5 579	6 865	6 343
Counterparty 5	5 746	5 577	6 678	5 454
Counterparty 6	5 642	5 511	5 428	5 334
Counterparty 7	4 698	4 698	5 010	4 951
Counterparty 8	4 361	3 959	4 698	4 698
Counterparty 9	3 999	3 360	3 601	3 235
Counterparty 10	3 131	3 122	3 566	3 205
Total	**67 404**	**63 830**	**72 056**	**68 319**

The table above shows the 10 largest counterparties to which the KLP Group has exposure. The amounts stated are book value. Adjusted for the minority holding includes only that which is in the Group's ownership and where the Group retains actual credit risk. The majority of the 10 largest counterparties are either finance institutions or counterparties covered by a public sector guarantee (central or local government guarantee).

PREMIUM RECEIVABLES AND RECEIVABLES IN CONNECTION WITH REINSURANCE

NOK MILLIONS	2017	2016
Premium receivables	947	486
Write-downs of premium receivables	0	0
Total	**947**	**486**

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

NOTE 14 Presentation of assets and liabilities that are subject to net settlement

31.12.2017 NOK MILLIONS				Related amounts not presented net				Adjusted for the unit holders' in consolidated securities funds
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	
ASSETS								
Financial derivatives	1 529	0	1 529	-941	-729	0	8	15
Repos	0	0	0	0	0	0	0	0
Total	**1 529**	**0**	**1 529**	**-941**	**-729**	**0**	**8**	**15**
LIABILITIES								
Financial derivatives	4 760	0	4 760	-941	-1 080	-4 362	457	467
Repos	1 089	0	1 089	0	0	0	1 089	1 090
Total	**5 849**	**0**	**5 849**	**-941**	**-1 080**	**-4 362**	**1 547**	**1 557**

31.12.2016 NOK MILLIONS				Related amounts not presented net				Adjusted for the unit holders' in consolidated securities funds
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	
ASSETS								
Financial derivatives	1 815	0	1 815	-1 125	-836	0	23	23
Repos	0	0	0	0	0	0	0	0
Total	**1 815**	**0**	**1 815**	**-1 125**	**-836**	**0**	**23**	**23**
LIABILITIES								
Financial derivatives	5 871	0	5 871	-1 125	-3 611	-1 565	62	72
Repos	1 065	0	1 065	0	0	0	1 065	1 065
Total	**6 936**	**0**	**6 936**	**-1 125**	**-3 611**	**-1 565**	**1 127**	**1 137**

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

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

NOTE 15 Mortgage loans and other lending

NOK MILLIONS	Local government administration	State and local authority owned enterprises [1]	Private organizations and enterprises	Employees, pensioners and similar	Total 31.12.2017	Total 31.12.2016
Akershus	2 244	226	517	2 963	5 950	5 255
Aust-Agder	1 796	16	3	206	2 021	1 489
Buskerud	4 793	4 596	1 362	1 066	11 817	10 034
Finnmark	1 143	222	0	309	1 675	1 623
Hedmark	2 932	448	77	660	4 117	4 083
Hordaland	2 595	2 875	408	1 389	7 268	6 599
Møre og Romsdal	4 263	537	188	645	5 634	5 787
Nordland	3 130	523	384	730	4 766	4 347
Nord-Trøndelag	1 785	154	25	197	2 161	2 045
Oppland	2 151	118	7	458	2 733	2 435
Oslo	33	0	1 340	2 044	3 417	3 002
Rogaland	2 542	130	89	1 557	4 319	3 952
Sogn og Fjordane	2 175	8	125	246	2 554	2 326
Sør-Trøndelag	4 475	13	67	822	5 376	5 232
Telemark	870	112	620	303	1 906	1 993
Troms	2 100	65	235	742	3 143	2 932
Vest-Agder	1 436	50	8	339	1 833	1 864
Vestfold	3 274	150	87	1 033	4 544	4 560
Østfold	2 297	182	17	1 891	4 388	3 735
Svalbard og Jan Mayen	109	0	0	0	109	60
Foreign	0	0	7 794	0	7 794	9 105
Not allocated	0	0	0	0	0	0
Accrued interests	185	42	66	19	312	288
Value adjustment					123	177
Total	**46 327**	**10 467**	**13 422**	**17 619**	**87 959**	**82 922**

[1] This category covers local authority business operations, as well as enterprises owned by central and local government.

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 loan-to-value ratio 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 17.6 billion. The sector diversification of Group lending is very small, since a very high proportion of the loans are provided for the public sector. However the concentration risk this suggests can hardly be perceived as a real risk since the loans are covered by government (central/local) guarantee, representing an extremely low counterparty risk.

In the financial position statement the two lending-related lines must be taken into account to find amounts corresponding to those in the note.

NOTE 15 Mortgage loans and other lending -cont.

NOK MILLIONS	2017	2016
INDIVIDUAL WRITE-DOWNS ON LOANS AT AMORTIZED COST		
Number of loans [1]	10	10
Total principal before write-downs	7.4	4.2
Write-downs	3.0	2.0
Total principal after write-downs	**4.4**	**2.1**
INDIVIDUAL WRITE-DOWNS		
Write-down on individual loans 01.01.	2.0	2.5
Known losses for the period where individual write-down has been carried out previously	0.0	-0.5
Write-down on individual loans for the period	1.3	0.8
Reversal of write-down on individual loans for the period	-0.2	-0.7
Write-down on individual loans 31.12.	**3.1**	**2.0**
GROUP WRITE-DOWNS		
Write-down on group of loans 01.01.	0.8	0.0
Write-down on group of loans for the period	-0.1	0.8
Write-down on group of loans 31.12.	**0.7**	**0.8**

NOK MILLIONS	2017 Remaining debt	2016 Remaining debt
LOANS OVERDUE, NOT WRITTEN DOWN		
Overdue		
30-90 days	61	44
over 90 days	16	25
Total overdue loans	**77**	**69**

[1] The numbers are absolute figures, the amounts are given in NOK million. Defaulted loans are loans measured at amortized cost. All write-downs are in regard to housing mortgage lending.

NOTE 16 Investment properties

NOK MILLIONS	2017	2016
Net rental income	2 550	2 638
Net financial income/costs	5	17
Net realized gains/losses	129	82
Change in fair value	2 269	3 989
Net income from investment properties	**4 953**	**6 726**
Currency translation foreign subsidiaries, taken to other comprehensive income	937	-1 625
Net income from investment properties currency translation	**5 889**	**5 101**

NOK MILLIONS	2017	2016
Book value 01.01.	59 497	56 436
Addition through purchase	463	2 279
Additions through capitalization	748	499
Reductions through sale	-396	-2 081
Net write-up/down resulting from change in fair value including currency translation	3 206	2 364
Book value 31.12.	**63 519**	**59 497**

NOTE 17 Investments in associated companies and joint ventures

NOK MILLIONS	Organization number	Holding %	Owners equity on first aquisition	Aquisition cost	Book value 31.12.2016	Additions/ disposals	Value adjustment	Profit / loss share	Equity transactions	Dividend	Book value 31.12.2017
Norfinance AS Fridtjof Nansens plass 4 0160 OSLO	912764729	46.5 %	92.3	319.0	269.9	89.4	31.4	0.0	0.0	0.0	390.7
Norsk Pensjon AS Hansteens gate 2 0253 Oslo	890050212	25.0 %	20.0	2.5	4.0	0.0	0.0	0.2	-2.5	0.0	1.6
Fylkeshuset AS Fylkeshuset 6404 Molde	930591114	48.0%	0.10	0.05	0.05	0.0	0.0	0.0	0.0	0.0	0.05
KLP Norfund Investments IS Støperigata 2 0250 OSLO	999548636	49.0 %	0.1	288.1	257.7	80.7	56.9	0.0	0.0	-14.8	380.5
Copenhagen Infrastructure III GP APS Nørregade 21 1165 København K., Danmark		33.3 %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total in associated companies and joint ventures				**609.7**	**531.6**	**170.2**	**88.3**	**0.2**	**-2.5**	**-14.8**	**772.9**

All shares have equal voting proportions.
KLP Norfund Investment IS is a joint venture, while the remaining companies are associated companies.

NOTE 18 Subordinated loan capital and hybrid Tier 1 securities

2017 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2017	Due date
BORROWINGS [1]				
June 2015	EUR 600	5 163	5 977	2045
Total subordinated loan capital		**5 163**	**5 977**	
April 2004	JPY 15 000	984	1 534	Perpetual
Total hybrid tier 1 securities		984	1 534	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 511**	

2016 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2016	Due date
BORROWINGS [1]				
October 1997	JPY 9 500	554	706	Perpetual
June 2015	EUR 600	5 163	5 514	2045
Total subordinated loan capital		**5 717**	**6 220**	
April 2004	JPY 15 000	984	1 650	Perpetual
Total hybrid tier 1 securities		984	1 650	
Total subordinated loan capital and hybrid Tier 1 securities		**6 700**	**7 870**	

[1] Interest costs on the two subordinated loans were NOK 283 million (NOK 303 million) and NOK 61 million (NOK 61 million) for the hybrid Tier 1 securities in 2017. Figures in brackets are 2016 figures.
[2] Amount in local currency (millions)

EUR 600
The interest on the loan is fixed at 4.25 per cent p.a. The loans was issued the 10th of June 2015 and is due in 2045. The loan can be redeemed by the group after 10 years, and at every interest payment date that follows. The loan is currency hedged with EUR denominated bonds as shown in the table below. This arrangement is not subject to hedge accounting.

JPY 15 000
The interest on the loan is fixed USD-interest of 5.07 per cent p.a. The loan is perpetual, but the group has the right to redeem the loan on 28 April 2034. If the Group 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 the group pays 3-month NIBOR-interest + a margin of 2.65 per cent p.a. and receives USD-interest of 5.07 per cent p.a. This hedging arrangement is shown in Note 19.

NOTE 18 Subordinated loan capital and hybrid Tier 1 securities – cont.

2017 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2017	Due date
Bonds	EUR 596	5 152	31	665	5 849	2025
Total hedging transactions		**5 152**	**31**	**665**	**5 849**	

2016 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2016	Due date
Bonds	JPY 9 500	635	2	66	703	2017
Bonds	EUR 596	5 152	29	221	5 402	2025
Total hedging transactions		**5 787**	**31**	**287**	**6 105**	

[1] Interest costs on the two subordinated loans were NOK 283 million (NOK 303 million) and NOK 61 million (NOK 61 million) for the hybrid Tier 1 securities in 2017. Figures in brackets are 2016 figures.
[2] Amount in local currency (millions)

One subordinated loan was redeemed in October 2017 (JPY 9.5 billion).

NOTE 19 Hedge accounting

31.12.2017 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value 31.12.2017
KOMMUNAL LANDSPENSJONSKASSE			
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-551	-1 534
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	530	530
Hedge effectiveness as at 31.12.2017		**98 %**	
Hedge effectiveness through the year		**98 %**	
KLP BANKHOLDING GROUP			
HEDGED OBJECT			
Loans to retail customers fixed interest in NOK	159	10	169
HEDGING INSTRUMENTS			
Interest rate swap loans to retail customers fixed int. rate NOK	161	-10	151
Hedge effectiveness as at 31.12.2017		**105 %**	
Hedge effectiveness through the year		**105 %**	

NOTE 19 Hedge accounting - cont.

31.12.2016 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value 31.12.2017
KOMMUNAL LANDSPENSJONSKASSE			
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-667	-1 650
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	629	629
Hedge effectiveness as at 31.12.2016		**96 %**	
Hedge effectiveness through the year		**96 %**	
KLP BANKHOLDING GROUP			
HEDGED OBJECT			
Loans to retail customers fixed interest in NOK	213	12	225
HEDGING INSTRUMENTS			
Interest rate swap loans to retail customers fixed int. rate NOK	179	-12	166
Hedge effectiveness as at 31.12.2016		**101 %**	
Hedge effectiveness through the year		**101 %**	

The note shows the financial instruments in the Group subject to hedge accounting, with associated hedging instruments. As at 31 December 2017 the Group has two hedge relationships: one in Kommunal Landspensjonskasse and one in KLP Bankholding Group. The hedge effectiveness stands at 98 and 105 per cent on the hedge relationships as at 31 December 2017, which means relatively small net effects on everything subject to hedge accounting in the Group.

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 billion against NOK 0.984 billion) and interest terms (fixed interest at 5.07 per cent against NIBOR +2.6475 per cent) on the borrowing and the combined interest and currency swap respectively. The hedge effectiveness is measured by looking at the change in fair value of the hedged object and the hedging instrument. The hedge effectiveness 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 per cent to 125 per cent.

LENDING WITH FIXED INTEREST

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

The hedge effectiveness is assessed 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 per cent to 125 per cent.

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.

See also Note 2 for a detailed description of the hedge accounting in the accounts.

NOTE 20 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2017	Book value 31.12.2016
PERPETUAL SUBORDINATED LOAN CAPITAL						
Kommunal Landspensjonskasse	0	JPY	Fixed [1]	Perpetual	0	706
FIXED - TERM SUBORDINATED LOAN						
Kommunal Landspensjonskasse	5 163	EUR	Fixed [2]	2045	5 977	5 514
Total subordinated loan capital	**5 163**				**5 977**	**6 220**
HYBRID TIER 1 SECURITIES						
Kommunal Landspensjonskasse	984	JPY	Fixed [3]	2034	1 534	1 650
Total hybrid Tier 1 securities	**984**				**1 534**	**1 650**
COVERED BONDS						
KLP Kommunekreditt AS	0	NOK	Fixed	2017	0	319
KLP Kommunekreditt AS	0	NOK	Floating	2017	0	596
KLP Kommunekreditt AS	1 096	NOK	Floating	2018	1 097	3 975
KLP Kommunekreditt AS	4 500	NOK	Floating	2019	4 505	4 506
KLP Kommunekreditt AS	2 500	NOK	Floating	2020	2 509	2 510
KLP Kommunekreditt AS	750	NOK	Fixed	2020	752	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 012	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	602	602
KLP Kommunekreditt AS	3 100	NOK	Floating	2022	3 104	0
KLP Kommunekreditt AS	500	NOK	Fixed	2027	508	0
KLP Boligkreditt AS	0	NOK	Floating	2017	0	43
KLP Boligkreditt AS	600	NOK	Floating	2019	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 006	2 007
KLP Boligkreditt AS	1 700	NOK	Floating	2021	1 703	1 103
Other					55	67
Total covered bonds	**21 346**				**21 451**	**21 095**

[1] The loan was redeemed in the fourth quarter of 2017.
[2] The loan has an interest change date in 2025.
[3] The loan has an interest change date in 2034.

NOTE 20 Borrowing - cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2017	Book value 31.12.2016
DEBT TO CREDIT INSTITUTIONS						
KLP Banken AS	0	NOK	Fixed	2017	0	308
KLP Banken AS	0	NOK	Floating	2017	0	443
KLP Banken AS	200	NOK	Fixed	2018	202	202
KLP Banken AS	457	NOK	Floating	2018	458	502
KLP Banken AS	813	NOK	Floating	2019	814	902
KLP Funds	0	NOK	Fixed	2017	0	1 064
KLP Funds	1 089	NOK	Fixed	2018	1 089	0
KLP Funds	0	NOK/EUR/USD	Floating	2017	0	744
KLP Funds	1 346	NOK/EUR/USD	Floating	2018	1 346	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2017	0	885
Kommunal Landspensjonskasse	679	NOK/EUR/USD	Floating	2018	679	0
KLP Banken AS	0	NOK/EUR/USD	Floating	2017	0	1
Other					-2	-1
Total liabilities to credit institutions	**4 584**				**4 587**	**5 050**
LIABILITIES AND DEPOSITS FROM CUSTOMERS [4]						
Retail	7 691	NOK			7 691	6 938
Business	1 956	NOK			1 956	1 729
Foreign	22	NOK			22	21
Liabilities to and deposits from customers	**9 669**				**9 669**	**8 688**
Total financial liabilities	**41 745**				**43 218**	**42 704**

[1] The loan was redeemed in the fourth quarter of 2017.
[2] The loan has an interest change date in 2025.
[3] The loan has an interest change date in 2034.
[4] There is no contractual maturity date on deposits.

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

NOTE 21 Technical matters

The table in this note specifies technical matters by sector. As a concequence some of the numbers in the note are not directly reconcilable to the lines in the financial statment

Insurance liabilities distributed by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans	Group annuity and pension insurance, including group annuity and pension insurance for association members	Accident insurance and other non-life sectors	Group life	Total 31.12.2017	Total 31.12.2016	Change 2017
Premium reserve and pension capital	405 737	4 152			409 889	385 506	24 383
Supplementary reserves	25 540	106			25 646	24 472	1 174
Securities adjustment fund	42 277	31			42 309	28 404	13 904
Premium fund	15 592	39			15 631	17 224	-1 593
Other technical provisions for the non-life insurance operation			2 298	80	2 378	2 255	123
Total insurance liabilities 31.12.2017	**489 146**	**4 328**	**2 298**	**80**	**495 852**	**457 861**	**37 992**
Total insurance liabilities 31.12.2016	452 364	3 241	2 191	64		457 861	

Insurance liabilities per subsegment

Subsegment of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options	Occupational pensions schemes with investment options	Total 31.12.2017	Total 31.12.2016	Change 2017
Premium reserve and pension capital	403 888	1 849	405 737	382 414	23 324
Supplementary reserves	25 399	140	25 540	24 424	1 115
Securities adjustment fund	42 277		42 277	28 337	13 940
Premium fund	15 206	386	15 592	17 189	-1 598
Total insurance liabilities 31.12.2017	**486 771**	**2 375**	**489 146**	**452 365**	**36 781**
Total insurance liabilities 31.12.2016	450 183	2 181		452 365	

Sub-sectors in group annuity and pension insurance, including group annuity and pension insurance for association members

NOK MILLIONS	Company pension schemes without investment options	Paid-up policies without investment options	Defined contribution pension schemes with investment options	Pension capital certificates with investment options	Total 31.12.2017	Total 31.12.2016	Change 2017
Premium reserve and pension capital	566	910	1 586	1 089	4 152	3 092	1 060
Supplementary reserves	38	68	0	0	106	48	59
Securities adjustment fund	11	20	0	0	31	67	-36
Premium fund	23	7	9	0	39	35	4
Total insurance liabilities 31.12.2017	**639**	**1 005**	**1 595**	**1 089**	**4 328**	**3 241**	**1 087**
Total insurance liabilities 31.12.2016	768	799	1 187	487		3 241	

NOTE 21 Technical matters - cont.

Insurancre liabilities in main sector accident insurance and other non-life sectors, and group life - main sectors without subsegments

NOK MILLIONS	Accident insurance and other non-life sectors	Group life	Total 31.12.2017	Total 31.12.2016	Change 2017
Premium reserve	358	25	383	343	40
Claims reserve	1 940	55	1 994	1 912	82
Total technical provisions for non-life insurance operation as at 31.12.2017	**2 298**	**80**	**2 378**	**2 255**	**123**
Total technical provisions for the non-life insurance operation as at 31.12.2016	2 191	64		2 255	

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities under contracts with contractual obligations

NOK MILLIONS	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium fund	Technical provisions for the non-life insurance operation	Total 2017	Total 2016
Insurance liabilities 01.01	382 085	24 339	28 404	16 933	2 244	454 005	413 906
Changes in insurance liabilities taken to income							
Net reserves taken to profit/loss	23 328	-12	13 904	280	120	37 620	34 629
Surplus on returns result	0	1 132	0	5 506	0	6 638	6 254
Risk result assigned to insurance contracts	0	0	0	519	0	519	404
Other assignment of surplus	0	61	0	15	0	76	31
Total changes taken to profit/loss	**23 328**	**1 180**	**13 904**	**6 320**	**120**	**44 852**	**44 268**
Adjustment of the insurance liabilities	0	0	0	-930	0	-930	1 617
Changes in insurance liabilities not taken to profit/loss							
Transfer between funds/allocated to premium payment	1	-3	0	-7 093	0	-7 096	-3 218
Receipts/payments on transfer	-35	-11	0	7	0	-38	381
Total changes not taken to profit/loss	**-34**	**-14**	**0**	**-7 086**	**0**	**-7 134**	**-2 836**
Total changes in insurance liabilities	**23 294**	**1 166**	**13 904**	**-1 697**	**-3**	**36 665**	**40 099**
Insurance liabilities 31.12	**405 375**	**25 506**	**42 309**	**15 236**	**2 367**	**490 793**	**454 005**

NOTE 21 Technical matters - cont.

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options

NOK MILLIONS	Premium reserve	Supple-mentary reserves	Premium fund	Total 2017	Total 2016
Insurance liabilities 01.01	3 431	133	291	3 855	3 218
Changes in insurance liabilities taken to income					
Net reserves taken to profit/loss	1 097	0	7	1 104	585
Surplus on returns result	0	6	107	112	63
Risk result assigned to insurance contracts	0	0	2	2	2
Other assignment of surplus	0	0	1	1	0
Total changes taken to profit/loss	**1 097**	**5**	**117**	**1 219**	**649**
Adjustment of the insurance liabilities	0	0	-5	-5	8
Changes in insurance liabilities not taken to profit/loss					
Transfer between funds/allocated to premium payment	-4	0	-11	-15	-39
Receipts/payments on transfers	1	2	2	4	19
Total changes not taken to profit/loss	**-4**	**2**	**-9**	**-11**	**-20**
Total changes in insurance liabilities	**1 093**	**7**	**103**	**1 204**	**637**
Insurance liabilities 31.12	**4 524**	**140**	**395**	**5 059**	**3 855**

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options

NOK MILLIONS	Technical provisions for the non-life insurance operation			
	Accident insurance and other non-life sectors	Group life	Total 2017	Total 2016
Insurance liabilities 01.01	2 191	64	2 255	2 150
Changes in insurance liabilities taken to income				
Net reserves taken to profit/loss	107	16	123	105
Surplus on returns result				
Risk result assigned to insurance contracts				
Other assignment of surplus				
Total changes taken to profit/loss	**107**	**16**	**123**	**105**
Adjustment of the insurance liabilities				
Changes in insurance liabilities not taken to profit/loss	0	0	0	0
Transfer between funds/allocated to premium payment				0
Receipts/payments on transfers	**0**	**0**	**0**	**0**
Total changes not taken to profit/loss	**0**	**0**	**0**	**0**
Total changes in insurance liabilities	**107**	**16**	**123**	**105**
Insurance liabilities 31.12	**2 298**	**80**	**2 378**	**2 255**

NOTE 21 Technical matters - cont.

Technical accounts by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Accident insurance and other non-life sectors	
	2017	2016	2017	2016	2017	2016
Premium income	32 413	36 851	997	574	1 140	1 020
Net income from investments	30 973	24 715	334	184	0	0
Other insurance-related income	984	933	3	3	2	2
Claims	-17 384	-16 381	-199	-112	-926	-734
Change insurance liabilities	-38 707	-38 539	-1 089	-622	0	0
Funds assigned to insurance contracts	-5 199	-4 319	-17	-9	0	0
Insurance-related operating expenses	-1 001	-1 138	-62	-53	-255	-241
Other insurance-related costs	-980	-934	-1	-1	0	-11
Technical result	**1 100**	**1 188**	**-34**	**-35**	**-38**	**37**

Technical accounts by main sectors continued

NOK MILLIONS	Group life		Total	
	2017	2016	2017	2016
Premium income	150	134	34 700	38 579
Net income from investments	0	0	31 308	24 900
Other insurance-related income	0	0	990	938
Claims	-163	-149	-16 672	-17 375
Change insurance liabilities	0	0	-39 796	-39 161
Funds assigned to insurance contracts	0	0	-5 216	-4 328
Insurance-related operating expenses	-26	-24	-1 343	-1 455
Other insurance-related costs	0	0	-981	-945
Technical result	**-38**	**-38**	**989**	**1 152**

NOTE 21 Technical matters - cont.

Technical accounts by sub-sectors - main sector accident insurance and other non-life sectors and main sector group llife and has no sub-sectors

Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2017	2016	2017	2016	2017	2016
Premium income	32 281	36 717	132	134	32 413	36 851
Net income from investments	30 809	24 588	164	127	30 973	24 715
Other insurance-related income	980	929	5	4	984	933
Claims	-17 302	-16 297	-82	-84	-17 384	-16 381
Change insurance liabilities	-38 612	-38 431	-95	-108	-38 707	-38 539
Funds assigned to insurance contracts	-5 095	-4 265	-104	-54	-5 199	-4 319
Insurance-related operating expenses	-996	-1 133	-5	-5	-1 001	-1 138
Other insurance-related costs	-976	-930	-4	-4	-980	-934
Technical result	**1 088**	**1 178**	**11**	**9**	**1 100**	**1 188**

Sub-sectors in group annuity and pension insurance including group annuity and pension insurance for assosiation members

NOK MILLIONS	Company pension schemes without investment options		Risk coverage		Paid-up policies without investment options	
	2017	2016	2017	2016	2017	2016
Premium income	63	123	35	0	0	0
Net income from investments	29	47	6	0	53	37
Other insurance-related income	3	3	0	0	0	0
Claims	-37	-43	-8	0	-35	-21
Change insurance liabilities	-56	-108	-32	0	13	-19
Funds assigned to insurance contracts	-8	-7	-1	0	-7	-2
Insurance-related operating expenses	-6	-11	0	0	-11	-8
Other insurance-related costs	-1	-1	0	0	0	0
Technical result	**-13**	**5**	**0**	**0**	**13**	**-14**

Sub-sectors in group annuity and pension insurance including group annuity and pension insurance for assosiation members continued

NOK MILLIONS	Defined contribution pension schemes with investment options		Pension capital certificates with investment options		Total	
	2017	2016	2017	2016	2017	2016
Premium income	898	352	99	99	1 096	574
Net income from investments	247	73	27	27	361	184
Other insurance-related income	0	0	0	0	3	3
Claims	-120	0	-48	-48	-247	-112
Change insurance liabilities	-1 014	-417	-78	-78	-1 167	-622
Funds assigned to insurance contracts	0	0	0	0	-17	-9
Insurance-related operating expenses	-45	-24	-10	-10	-72	-53
Other insurance-related costs	0	0	0	0	-1	-1
Technical result	**-34**	**-16**	**-10**	**-10**	**-44**	**-35**

NOTE 21 Technical matters - cont.

Result analysis by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans	Group annuity and pension insurance, including group annuity and pension insurance for association members	Accident insurance and other non-life sectors	Group life	Total 2017	Total 2016
RETURNS RESULT TO CUSTOMERS						
Returns result	6 602	76			6 678	8 117
Risk result excluding profit element - customer share	521	2			523	247
Total result to insurance customers	**7 124**	**78**			**7 201**	**8 364**
Increased reserves because of greater longevity	784				784	7
Transferred to supplementary reserves	1 137	61			1 198	4 033
Allocated to the customers' premium fund	5 202	17			5 218	4 324
Total result allocated to customers	**7 124**	**78**			**7 201**	**8 364**
RESULT TO INSURANCE PROVIDERS						
Share of returns result	168	2			170	151
Risk result excluding profit element	378	-2			376	394
Administration result	141	-39			102	-81
Consideration for interest guarantee and profit element	711	6			716	698
Other	0	-1	-38	-38	-78	-1
Rebooking from equity	-298	0			-298	-12
Result to insurance provider	**1 100**	**-34**	**-38**	**-38**	**989**	**1 152**

NOTE 21 Technical matters - cont.

Result analysis by sub segments - main sectors accident insurance and other non-life sectors and main sector group life and no sub-sectors

Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Defined contribution pension schemes with investment options	Pension capital certificates with investment options	Total 2017	Total 2016
RETURNS RESULT TO CUSTOMERS				
Returns result	6 492	110	6 602	7 950
Risk result excluding profit element - customer share	519	2	521	394
Total result to insurance customers	**7 011**	**112**	**7 124**	**8 343**
Increased reserves because of greater longevity	784	0	784	0
Transferred to supplementary reserves	1 132	6	1 137	4 019
Allocated to the customers' premium fund	5 095	107	5 202	4 324
Total result allocated to customers	**7 011**	**112**	**7 124**	**8 343**
RESULT TO INSURANCE PROVIDERS				
Share of returns result	166	2	168	151
Risk result excluding profit element	376	2	378	394
Administration result	140	1	141	-49
Consideration for interest guarantee and profit element	703	7	711	690
Other	0	0	0	0
Rebooking from equity	-297	-1	-298	0
Result to insurance provider	**1 088**	**11**	**1 100**	**1 188**

Claims by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Accident insurance and other non-life sectors	
	2017	2016	2017	2016	2017	2016
Claims paid in accordance with insurance agreements	-17 168	-16 254	-71	-64	-926	-734
Claims paid iunder repurchase	0	0	0	0	-9	-45
Total	**-17 168**	**-16 254**	**-71**	**-64**	**-934**	**-779**

Claims by main sectors continued

NOK MILLIONS	Group life		Total	
	2017	2016	2017	2016
Claims paid in accordance with insurance agreements	-163	-149	-18 328	-17 200
Claims paid iunder repurchase	0	0	-9	-45
Total	**-163**	**-149**	**-18 337**	**-17 246**

NOTE 21 Technical matters - cont.

Transfer by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Group life	
	2017	2016	2017	2016	2017	2016
FUNDS TRANSFERRED IN						
Premium reserve	**298**	**3 250**	**543**	**185**		
Funds received taken through profit or loss	298	3 250	543	185	0	0
Premium fund	24	287	3	0		
Supplementary reserves to fund	22	176	0	0		
Total funds received	**344**	**3 713**	**546**	**185**	**0**	**0**
Number of contracts	1	50	120	70	0	0
FUNDS TRANSFERRED OUT						
Premium reserve	**190**	**113**	**125**	**48**		
Strengthening reserves	13	7	0	0		
Supplementary reserves	9	4	0	0		
Funds paid out taken through profit or loss	**212**	**124**	**125**	**48**	**0**	**0**
Premium fund	2	2	2	2		
Total funds paid out	**214**	**126**	**127**	**50**	**0**	**0**
Number of contracts	4	3	42	31	0	0

New subscription

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Group life	
	2017	2016	2017	2016	2017	2016
New subscription	7	32	72	80	8	5
Number of contracts	38	6	414	314	753	70

NOTE 22 Tangible fixed assets

NOK MILLIONS	2017				2016			
	Property for own use	Vehicles	Machines/ inventory	2017	Property for own use	Vehicles	Machines/ inventory	2016
Book value 01.01.	1 525	1	79	1 604	1 271	1	74	1 346
Acquisition cost 01.01.	1 082	12	291	1 385	914	12	273	1 198
Accum. Depreciation prev. years	-171	-11	-212	-394	-144	-11	-199	-354
Accum. Value adjustm. prev. years	614	0	0	614	501	0	0	501
Acquisition	22	0	26	49	168	1	24	192
Assets held for disposal	-5	0	-5	-9	0	0	-6	-6
Value adjustements	110	0	0	110	112	0	0	112
Depreciation	-31	0	-15	-46	-26	0	-14	-40
Currency impact	7	0	1	8				
Acquisition cost 31.12.	1 099	12	312	1 424	1 082	12	291	1 385
Accumulated depriciation 31.12.	-201	-11	-227	-440	-171	-11	-212	-394
Accumulated value adjustment 31.12.	730	0	1	731	614	0	0	614
Book value 31.12.	**1 628**	**1**	**86**	**1 715**	**1 525**	**1**	**79**	**1 604**
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 MILLIONS	2017	2016
Pre-tax income	2 474	2 449
Other comprehensive income excl. tax	81	63
DIFFERENCES BETWEEN ACCOUNTING AND TAX INCOME:		
Unit holder's value change in consolidated securites funds	8 648	0
Reversal of value reduction, financial assets	3 624	5 510
Reversal of value increase financial assets	-15 957	-6 423
Refunding of value increase properties	-3 206	-2 364
Accounting loss on realization of shares and other securities	1 312	2 040
Book gain on realization of shares and other securities	-6 383	-7 978
Tax gain on realization of shares and other securities	1 426	5 086
Tax loss on realization of shares and other securities	0	-14
Refunding of 3% tax-free income i.a.w. the exemption method	37	21
Share of taxable income in partnerships	0	28
Share of accounting income in partnerships	-3 405	-27
Other permanent differences	-2 483	-28
Change in differences affecting relationship between book and taxable income	-677	-4 038
Taxable income	**-14 508**	**-5 675**
Surplus/deficit for the year is transferred to carryforward deficit	**-14 508**	**-5 675**

NOTE 23 Tax – forts.

NOK MILLIONS	2017	2016
Deficit carryforward allowable from previous years	-54 005	-47 225
The difference between the calculated and the undisclosed tax base	2 694	-1 104
Change for the year in carryforward deficit	-14 508	-5 675
Total carryforward deficit and allowance as at 31.12.	**-65 820**	**-54 005**
RECONCILIATION OF BASIS FOR DEFERRED TAX		
TAX-INCREASING TEMPORARY DIFFERENCES:		
Fixed assets	2	1
Gains and losses account	3	0
Buildings and other real estate	22 176	18 550
Financial instruments	107	0
Risk equilization fund	4 156	3 907
Natural perils pool fund	164	160
Guarantee scheme	49	44
Securities	43 330	30 901
Shares in partnerships	220	191
Security reserve	540	540
Lending to customers and credit enterprises	34	46
Other differences	0	208
Total tax-increasing temporary differences	**70 781**	**54 548**
Difference not included in the basis for deferred taxes	0	-4 111
Total tax-increasing temporary differences	**70 781**	**50 437**
TAX-REDUCING TEMPORARY DIFFERENCES		
Gains and losses account	-55	4
Long-term receivables	-1 152	-964
Financial instruments	0	0
Accounts receivable	0	-1
Pension obligation	-797	-712
Borrowing	-16	-21
Other liabilities	-66	-63
Securities	-26	0
Other differences	-1	-1
Total tax -reducing temporary differences	**-2 112**	**-1 757**
Net temporary differences	68 669	48 680
Carryforward deficit	-65 820	-54 005
Basis for deferred tax/-assets	**2 849**	**-5 325**
23% / 25% deferred tax assets	712	-1 331
Write-down of deferred tax assets	953	1 300
Deferred tax/-assets	**1 665**	**-31**

NOTE 23 Tax – cont.

NOK MILLIONS	2017	2016
BOOK DEFERRED TAX/-ASSETS		
- Of which deferred capitalized tax assets	68	372
- Of which capitalized referred tax assets extempt from equalisation	1 733	403
Deffered tax direct to Owners equity	1 051	0
Change in deferred tax assets taken to profit/loss	-304	339
Change in deferred tax taken to profit/loss	-279	432
Tax payable taken to profit/loss	-378	-225
Withholding tax taken to profit/loss	-202	-196
Corrected tax amounts which stems from previous periods	0	-7
Cost of taxes	**-1 163**	**344**
Tax taken to profit/loss		
Cost of taxes	-1 143	359
Tax on items that will not be reclassified against the comprehensive income statement	7	8
Tax on items that will be reclassified to income later	-27	-24
Total tax taken to profit/loss	**-1 163**	**344**

NOTE 24 Transferred assets with restrictions

TRANSFERRED ASSETS THAT ARE STILL CAPITALISED

All assets transferred are recognised in the financial position statement if the Group is still exposed to changes in the fair value of the asset. This applies to repurchase agreements and agreements concerning securities lending.

Repurchase agreements are a form of borrowing with collateral, whereby the Group sells securities with an agreement to repurchase those securities at a predetermined price. Cash received is recognised as a deposit (debt). Securities transferred in connection with the repurchase agreement are not deducted in the financial position statement.

Agreements regarding securities lending are transactions whereby the group lends securities to a counterparty and receives a commission for it.

Since both repurchase agreements and securities lending result in the securities being returned to the Group, the risk of value changes rests with the Group. However, the securities are not available to the Group while being transferred.

The securities still reported in the financial position statement, and related debt, are assessed at fair value.

NOK MILLIONS	31.12.2017	31.12.2016
REPURCHASE AGREEMENTS		
Certificates and bonds	1 092	1 088
SECURITIES LENDING		
Shares	6 846	3 576
Total assets transferred that are still capitalised	**7 938**	**4 664**

NOTE 24 Transferred assets with restrictions - cont.

LIABILITIES RELATED TO THE ASSETS

NOK MILLIONS	31.12.2017	31.12.2016
REPURCHASE AGREEMENTS		
Paid in by credit institutions	1 089	1 064
SECURITIES LENDING		
Paid in by credit institutions	1 232	637
Certificates and bonds	5 950	3 113
Total liabilities	**8 270**	**4 814**

All the assets in the table above are subject to resale or collateral with the counterparty.

ASSETS TRANSFERRED THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES

The Group receives collateral under reverse repurchase agreements and agreements related to securities borrowing, which it is permitted to sell or pledge under the agreement. Transactions are carried out in accordance with standard agreements employed by the parties in the financial market. The agreements normally require additional collateral if the values fall below a predetermined level. According the agreements, the recipient of the collateral has the unlimited right to sell or pledge the collateral in return for providing corresponding collateral on the date of settlement.

SECURITIES RECEIVED THAT ARE PERMITTED TO BE SOLD OR PLEDGED

NOK MILLIONS	31.12.2017	31.12.2016
SECURITIES BORROWING		
Shares	603	483
Of which sold or pledged	603	483
Total assets transferred and still capitalised	**603**	**483**

Adjusted for the unit holders' interests in consolidated securites funds, meaning that only the KLP Group de facto ownership and risks are taken into account; assets are reduced by NOK 2 577 million and liabilities associated to the assets are reduced by NOK 2 694 million as of 31.12.2017.

NOTE 25 Intangible assets

NOK MILLIONS	IT-systems	Other	2017	IT-systems	Other	2016
Book value 01.01.	309	16	324	510	16	526
Acquisition cost 01.01.	1 302	16	1 318	1 225	16	1 241
Total additions	64	10	73	77	0	77
of which internally developed	10	0	10	14	0	14
of which bought	53	10	63	63	0	63
Disposals	0	0	0	0	0	0
Acquisition cost 31.12.	1 366	25	1 391	1 302	16	1 318
Accumulated depreciation and write-dows prev.years	-993	0	-993	-715	0	-715
Ordinary depreciation for the year	-77	-3	-80	-92	0	-92
Impairment [1]	-4	0	-4	-186	0	-186
Accumulated depreciation and write-downs 31.12.	-1 075	-3	-1 078	-993	0	-993
Book value 31.12.	**290**	**23**	**313**	**309**	**16**	**324**
Depreciation period			3 to 10 years			3 to 10 years

[1] At the end of 2016 there were identified several IT-systems where the book value exceeded the estimated recoverable amount. Estimated recoverable amount is calculated by estimating future earnings with book value. Essentially, some of the investments have no longer value. There are several reasons for this. Among other things, linking it to the outdated functionality due to rule changes and/or technological developments. In addition, parts of the system development have not achieved the desired streamlining degree. This resulted in the following assessment:

NOK MILLIONS	31.12.2017	31.12.2016
Book value before impairment	4	313
Recoverable amount	0	127
Impairment	**4**	**186**

The impairment is included in "Operating costs" in the financial statement.

NOTE 26 SCR ratio

Solvency II is being introduced from 1 January 2016 and the calcuation of the solvency margin is being changed completely whilst the previous requirement for capital adequacy and core capital adequacy no longer applies. The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR. Subordinated loans with first interest rate changes in 2017 may therefore be redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 224 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 322 per cent.

	31.12.2017	31.12.2016
SOLVENCY II - SCR RATIO	224 %	198 %

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2017	31.12.2016
Assets, book value	542	502
Added values - hold-to-maturity portfolio/loans and receivables	10	10
Added values - other lending	1	1
Other added/lesser values	0	0
Deferred tax asset	0	1
Total assets - solvency II	**552**	**513**

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2017	31.12.2016
Best estimate	493	456
Risk margin	13	13
Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other liabilities	8	9
Deferred tax liabilities	1	0
Total liabilities - solvency II	**524**	**486**
Excess of assets over liabilities	29	27
- Deferred tax asset	0	-1
- Risk equalisation fund	-4	-4
+ Hybrid Tier 1 securities	2	2
Tier 1 basic own funds	**26**	**24**
Total eligible tier 1 own funds	**26**	**24**

NOTE 26 SCR ratio - cont.

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2017	31.12.2016
Subordinated loans	6	7
Risk equalisation fund	4	4
Tier 2 basic own funds	**11**	**11**
Ancillary own funds	10	10
Tier 2 ancillary own funds	**10**	**10**
Deduction for max. eligible tier 2 own funds	-13	-12
Total eligible tier 2 own funds	**7**	**8**
Deferred tax asset	0	0
Total eligible tier 3 own funds	**0**	**0**
Solvency II total eligible own funds	**33**	**31**
Solvency capital requirement (SCR)	**15**	**16**
Solvency II- SCR ratio	**224 %**	**198 %**

NOTE 27 Return on capital for life insurance companies

KOMMUNAL LANDSPENSJONSKASSE PER CENT	2017	2016	2015	2014	2013
TOTAL OF COMMON PORTFOLIO					
Return I - Book [1]	3.9	4.4	3.6	4.3	6.4
Return II - Value-adjusted [2]	6.7	5.8	4.0	6.9	6.7
SUB PORTFOLIO OF THE COMMON PORTFOLIO					
Balanced portfolio I	4.0	4.7	4.7	7.3	5.7
Return I- Book [1]	3.9	4.5	3.6	4.2	6.0
Return II- Value adjusted [2]	6.7	5.8	4.0	7.0	6.3
Balanced portfolio II					
Return I- Book[1]	4.0	4.4	3.7	4.7	7.3
Return II- Value adjusted [2]	6.8	5.8	3.9	6.9	7.5
Moderat portfolio					
Return I- Book [1]	3.1	4.2	3.6	4.5	5.2
Return II- Value adjusted [2]	6.0	5.5	3.7	6.5	5.4
INVESTMENT OPTION PORTFOLIO	7.5	6.2	4.0	6.7	8.8
CORPORATE PORTFOLIO	4.0	4.7	4.7	7.3	5.7

[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 27 Return on capital for life insurance companies – cont.

KLP BEDRIFTSPENSJON AS PER CENT	2017	2016	2015	2014	2013
TOTAL OF COMMON PORTFOLIO					
Return I - Book [1]	8.3	5.3	4.8	4.6	4.0
Return II - Value-adjusted [2]	5.6	5.7	4.7	6.1	6.2
INVESTMENT OPTION PORTFOLIO	11.9	7.0	2.1	8.8	13.5
SUB-PORTFOLIOS OF THE INVESTMENT OPTION PORTFOLIO					
Return II - Value-adjusted [2]					
Profil 90 [3]	17.1	9.8	3.4	8.9	24.8
Profil 70 [3]	14.0	8.5	3.0	8.9	19.4
Profil 60 [3]	12.5	7.8	2.7	9.1	16.9
Profil 50 [3]	11.0	7.1	2.4	9.2	14.4
Profil 40 [3]	9.5	6.4	2.1	9.3	11.9
Profil 30 [3]	7.8	5.6	2.0	8.4	9.3
Profil 20 [3]	6.1	4.6	1.6	8.2	7.3
Profil 10 [3]	4.4	3.8	1.4	7.3	4.8
CORPORATE PORTFOLIO	2.3	2.4	0.9	3.6	3.1

[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 Group 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 Group has a contractual early retirement (AFP) scheme.

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

NOK MILLIONS	Joint scheme	Via operation	2017	Joint scheme	Via operation	2016
PENSION COSTS						
Present value of accumulation for the year	116.6	9.9	126.6	105.4	10.1	115.5
Administration cost	3.0	0.0	3.0	2.9	0.0	2.9
Social security contributions - Pension costs	16.9	1.4	18.3	15.3	1.4	16.7
Corporate activity tax- Pension costs	5.2	0.4	5.6	0.0	0.0	0.0
Pension costs incl. social security, Corporate activity tax and administration cost taken to income	**141.7**	**11.7**	**153.5**	**123.6**	**11.5**	**135.1**
NET FINANCIAL COSTS						
Interest cost	43.6	4.9	48.6	40.0	4.5	44.5
Interest income	-30.9	0.0	-30.9	-28.2	0.0	-28.2
Management costs	2.6	0.0	2.6	2.5	0.0	2.5
Net interest cost	15.3	4.9	20.3	14.9	4.5	19.4
Social security contributions - net interest cost	2.2	0.7	2.9	2.1	0.6	2.7
Corporate activity tax - net interest cost	0.7	0.2	0.9	0.0	0.0	0.0
Net interest cost including social security contributions and Corporate activity tax	**18.2**	**5.9**	**24.0**	**17.0**	**5.2**	**22.1**
ESTIMATE DEVIATION PENSIONS						
Actuarial gains (losses)	13.6	11.9	25.5	-9.0	14.0	4.9
Social security contributions	1.9	1.7	3.6	-1.3	2.0	0.7
Corporate activity tax	0.6	0.6	1.2	18.7	8.2	26.8
Actuarial gains (losses) including social security contributions and Corporate activity tax	**16.2**	**14.1**	**30.3**	**8.4**	**24.1**	**32.5**
Total pension costs including interest costs and estimate deviation	**176.1**	**31.7**	**207.8**	**148.9**	**40.8**	**189.7**
PENSION OBLIGATIONS						
Gross accrued pension obligations	1 786.7	204.0	1 990.7	1 573.7	183.0	1 756.7
Pension assets	1 318.2	0.0	1 318.2	1 156.4	0.0	1 156.4
Net liability before social security costs	468.4	204.0	672.5	417.3	183.0	600.3
Social security contributions	61.4	26.6	88.0	54.9	24.0	78.9
Corporate activity tax	25.5	11.3	36.8	22.6	10.0	12.7
Gross accrued obligations incl. social security costs and financial tax	1 873.6	241.9	2 115.5	1 651.2	217.0	1 868.2
Net liability incl. social security costs and Corporate activity tax	**555.4**	**241.9**	**797.3**	**494.8**	**217.0**	**711.8**
RECONCILIATION PENSION OBLIGATION						
Capitalized net liability/(assets) 01.01.	494.8	217.0	711.8	450.9	182.7	633.6
Pension costs taken to profit/loss	141.7	11.7	153.5	123.6	11.5	135.1
Financial costs taken to profit/loss	18.2	5.9	24.0	17.0	5.2	22.1
Actuarial gains and losses included social security contributions and Corporate activity tax	16.2	14.1	30.3	8.4	24.1	32.5
Social security contributions paid in premiums/supplement	-13.7	-0.8	-14.6	-13.0	-0.8	-13.8
Capital activity tax contribution paid in premiums/supplement	-4.3	-0.3	-4.6	0.0	0.0	0.0
Premium/supplement paid-in including admin	-97.5	-5.7	-103.2	-92.0	-5.7	-97.7
Capitalized net liability/(assets) 31.12. this year	**555.4**	**241.9**	**797.3**	**494.8**	**217.0**	**711.8**

NOTE 28 Pensions obligations, own employees - cont.

NOK MILLIONS	Joint scheme	Via operation	2017	Joint scheme	Via operation	2016
CHANGE IN PENSION OBLIGATIONS						
Gross pension assets 01.01.	1 651.2	217.0	1 868.2	1 463.1	182.7	1 645.8
Present value of accumulation for the year	116.6	9.9	126.6	105.4	10.1	115.5
Interest cost	43.6	4.9	48.6	40.6	4.5	45.1
Actuarial losses (gains) gross pension obligation	79.3	14.1	93.5	59.5	24.1	83.6
Social security contributions - pension costs	16.9	1.4	18.3	15.3	1.4	16.7
Social security contributions - net interest cost	2.2	0.7	2.9	2.1	0.6	2.7
Social security contributions paid in premiums/supplement	-13.7	-0.8	-14.6	-13.0	-0.8	-13.8
Corporate activity tax - pension costs	5.2	0.4	5.6	0.0	0.0	0.0
Corporate activity tax - net interest cost	0.7	0.2	0.9	0.0	0.0	0.0
Corporate activity tax paid in premiums/supplement	-4.3	-0.3	-4.6	0.0	0.0	0.0
Payments	-22.5	-5.7	-28.2	-21.8	-5.7	-27.4
Gross pension obligation 31.12.	**1 875.2**	**241.9**	**2 117.1**	**1 651.2**	**217.0**	**1 868.2**
CHANGE IN PENSION ASSETS						
Pension assets 01.01	1 156.4	0.0	1 156.4	1 012.2	0.0	1 012.2
Interest income	30.9	0.0	30.9	28.2	0.0	28.2
Actuarial (loss) gain on pension assets	63.1	0.0	63.1	51.2	0.0	51.2
Administration cost	-3.0	0.0	-3.0	-2.9	0.0	-2.9
Financing cost	-2.6	0.0	-2.6	-2.5	0.0	-2.5
Premium/supplement paid-in including admin	97.5	5.7	103.2	92.0	5.7	97.7
Payments	-22.5	-5.7	-28.3	-20.7	-5.7	-26.2
Pension assets 31.12	**1 319.8**	**0.0**	**1 319.8**	**1 156.4**	**0.0**	**1 156.4**
PENSION SCHEME'S OVER-/UNDER-FINANCING						
Present value of the defined benefits pension obligation	1 875.2	241.9	2 117.1	1 651.2	217.0	1 868.2
Fair value of the pension assets	1 319.8	0.0	1 319.8	1 156.4	0.0	1 156.4
Net pensions liability	**555.4**	**241.9**	**797.3**	**494.8**	**217.0**	**711.8**

PROSENT	31.12.2017	31.12.2016
FINANCIAL ASSUMPTIONS (COMMON TO ALL PENSION SCHEMES)		
Discount rate	2.40 %	2.60 %
Salary growth	2.50 %	2.50 %
The National Insurance basic amount (G)	2.25 %	2.25 %
Pension increases	1.48 %	1.48 %
Social security contribution	14.10 %	14.10 %
Corporate activity tax	5.00 %	5.00 %

The assumptions as at 31 December 2016 have been applied to measurement of the cost of pension for 2017, whilst for calculation of the pension obligation on 31 December 2017, the assumptions and membership numbers as at 31 December 2017 have been applied. The assumptions are based on the market situation as at 31 December 2017 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

NOTE 28 Pensions obligations, own employees - cont.

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.

KLP 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. KLP uses own disability table for actuarial assumptions related to disability, a table based on changes in disability figures in KLPs customer base.

Withdrawal of contractual early retirement (AFP) (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 42.5 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" (IN %)						
Age (in years)	<24	24-29	30-39	40-49	50-55	>55
Turnover	25 %	15 %	7.5 %	5 %	3 %	0 %

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

NUMBER	Joint scheme	Via operation	2017	Joint scheme	Via operation	2016
MEMBERSHIP STATUS						
Number active	950	63	1 013	945	67	1 012
Number deferred (previous employees with deferred entitlements)	652	37	689	630	35	665
Number of pensioners	229	50	279	201	43	244

PER CENT	2017	2016
COMPOSITION OF THE PENSION ASSETS:		
Property	12.3 %	12.5 %
Lending	11.6 %	11.6 %
Shares	22.5 %	20.1 %
Long-term/HTM bonds	27.1 %	26.8 %
Short-term bonds	19.2 %	20.0 %
Liquidity/money market	7.3 %	8.9 %
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 2017 and 5.8 per cent in 2016.

Expected payment into benefits plans after cessation of employment for the period 1 January 2018 – 31 December 2018 is NOK 159.3 million.

NOTE 28 Pensions obligations, own employees - cont.

SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2017	
The discount rate is reduced by 0.5 %	Increase
Gross pension obligation	10.09 %
Gross pension obligation	14.35 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	1.32 %
Accumulation for the year	3.29 %
Mortality is strengthened by 10 %	Increase
Gross pension obligation	2.50 %
Accumulation for the year	1.90 %

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 17,1 years.

NOTE 29 Number of employees

	2017	2016
Number of permanent employees 31.12.	961	950
Number of temporary employees 31.12.	30	38
Total number of employees 31.12.	**991**	**988**
Number of full time equivalents permanent employees	920	909
Number of full time equivalents temporary employees	29	38
Total number of full time equivalents	**949**	**947**

NOTE 30 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 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.

Senior employees who were members of the Group senior management before 1 May 2013, are pensionable at the age of 65, but may choose to canage this to aged 70. None of those senior management have chosen to avail themselves of the opportunity to change the retirement age as of 31.12.2017. Persons who were appointed to Group senior management as of 1 May 2013, are pensionable at the age of 70.

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 form 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 2017 that was earned in previous years and was due for payment during 2017.

NOTE 30 Salary and obligations towards senior management etc. - cont.

All employees in the Group may take up loans with KLP on lending terms and conditions for staff. No senior employee has terms and conditions that deviate from this. Loans to external members of the Board of Directors/external members of the Corporate Assembly are only made on general lending terms and conditions.

Fees to Board members are determined by the Corporate Assembly. Fees to deputies and observers are not stated.

All benefits are shown without the addition of social security contributions and capital activity tax. For Board members elected by and among the employees stated that only about compensation and loans that can be linked to their directorship.

Attention is drawn otherwise to the description of the main principles on determination of remuneration in the KLP Group that may be found at www.klp.no.

2017 NOK THOUSANDS	Salary, fees etc.	Bonus	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payments-plan[1]
SENIOR EMPLOYEES							
Sverre Thornes, Group CEO	3 900	-	205	1 457	13 556	2.10-2.35	A45/A47
Marianne Sevaldsen	2 655	-	167	1 140	4 439	2.10	A43
Aage E. Schaanning	3 413	-	167	1 223	5 991	2.10	Flexiloan
Gro Myking	1 933	-	160	480	-	-	-
Rune Hørnes	2 288	-	160	372	-	-	-
Kirsten Grutle	1 549	-	120	505	4 066	2.10-2.35	A46
Tore Tenold	2 889	-	156	955	2 497	2.10	Flexiloan
Håvard Gulbrandsen	3 111	122	176	1 048	4 962	2.10-2.35	Flexiloan
Gunnar Gjørtz	3 038	-	164	1 145	3 698	2.10	Flexiloan
Leif Magne Andersen	2 059	-	164	713	4 403	2.10-2.35	A42/A44
THE BOARD OF DIRECTORS[2]							
Liv Kari Eskeland, chair (10 of 10)	361						
Egil Johansen (10 of10)	322						
Lars Vorland (8 of 10)	217						
Jan Helge Gulbrandsen (9 of 10)	217						
Marit Torgersen (10 of 10)	252						
Ingjerd Blekli Spiten (9 of 10)	252						
Susanne Torp-Hansen, elected by and from the employees (6 of 10)	209						
Freddy Larsen, elected by and from the employees (10 of 10)	252						
CORPORATE ASSEMBLY							
Total Corporate Assembly, including employee representatives	599				40 082		
EMPLOYEES							
Loan to employees in the Group at subsidiezed interest rate					835 722		
Loan to employees in the Group at ordinary terms and conditions					476 088		

[1] S= Serial loan, A=Annuity loan, last payment.
[2] The numbers in ( ) represents how many meetings of the total the person has attended to.

NOTE 30 Salary and obligations towards senior management etc. - cont.

2017 NOK THOUSANDS	Salary, fees etc.	Bonus	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2016	Payments-plan [1]
SENIOR EMPLOYEES							
Sverre Thornes, Group CEO	3 807	-	206	1 413	11 840	1.95-2.35	A46
Marianne Sevaldsen	2 593	-	165	1 084	4 439	1.95	A43
Aage E. Schaanning	3 338	-	164	1 193	5 680	1.95	Flexiloan
Gro Myking	1 566	-	140	434	-	-	-
Rune Mæland [2]	1 242	-	117	296	1 933	1.95	A34/A43
Rune Hørnes [4]	672	-	328	84	-	-	-
Kirsten Grutle [5]	177	-	14	40	4 258	1.95-2.20	A46
Tore Tenold	2 826	-	149	906	2 812	1.95	Flexiloan
Håvard Gulbrandsen	3 042	462	172	1 010	4 560	1.95-2.20	Flexiloan
Gunnar Gjørtz	2 965	-	160	1 115	3 797	1.95	Flexiloan
Leif Magne Andersen	2 018	-	159	665	4 572	1.95-2.25	A42/A44
THE BOARD OF DIRECTORS [3]							
Liv Kari Eskeland, chair (9 of 9)	335						
Egil Johansen (9 of 9)	289						
Lars Vorland (8 of 9)	201						
Jan Helge Gulbrandsen (8 of 9)	179						
Marit Torgersen (8 of 9)	230						
Cathrine Klouman (4 of 4) [2]	131						
Ingjerd Blekli Spiten (5 of 5)	120						
Susanne Torp-Hansen, elected by and from the employees (8 of 9)	201						
Freddy Larsen, elected by and from the employees (8 of 9)	229						
CORPORATE ASSEMBLY							
Total Corporate Assembly, including employee representatives	841				34 337		
EMPLOYEES							
Loan to employees in the Group at subsidiezed interest rate					997 110		
Loan to employees in the Group at ordinary terms and conditions					468 925		

[1] S= Serial loan, A=Annuity loan, last payment
[2] The individual has stepped down from the appointment during the year.
[3] The numbers in ( ) represents how many meetings of the total the person has attended to.
[4] The individual was employed by KLP October 1th.
[5] The individual entered the group management Decmber 1th , and benefits are calculated from that date to 31.12.2016.

NOK THOUSANDS	2017	2016
The period costs related to lending terms and conditions for employees.	3 834	3 512

NOTE 31 Auditor's fee

NOK MILLIONS	2017	2016
Ordinary audit	6.8	8.1
Certification services	1.2	0.7
Tax advisory services	1.2	1.4
Non-audit services	0.9	2.3
Total auditor's fee	**10.1**	**12.5**

The sums above include VAT.

NOTE 32 Operating expenses

NOK MILLIONS	2017	2016
Personnel costs	937	882
Depreciation and writedowns [1]	131	319
Other operating expenses	604	556
Other operating expenses	**1 673**	**1 756**

[1] The increase in depreciation and amortization in 2016 is due to write-downs of previously capitalized investments.

NOTE 33 Other income and -expenses

NOK MILLIONS	2017	2016
Supplement contractual early retirement scheme (ERS)	981	927
Other income	60	19
Total other income	**1 040**	**945**

NOK MILLIONS	2017	2016
Supplement contractual early retirement scheme (ERS)	977	929
Other expenses	15	28
Total other expenses	**992**	**957**

NOTE 34 Other current liabilities

NOK MILLIONS	31.12.2017	31.12.2016
Short-term payables trade in securities	2 799	2 636
Incurred not assesses taxes	256	202
Advance tax-deduction pension scheme	169	382
Accounts payable	741	676
Pre-called contribution to insurance	111	131
Other current liabilities	1 843	795
Total other current liabilities	**5 919**	**4 823**

NOTE 35 Contingent liabilities

NOK MILLIONS	31.12.2017	31.12.2016
KLP guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	9 515	7 004
Approved, not paid out KLP Group loan pledge	5 966	7 190
Total contingent liabilities	**15 483**	**14 196**

NOTE 36 Contingent assets

The Group's holding of shares in Hafslund ASA (5,327,265 A shares and 4,042,483 B shares) was redeemed in November 2017 when the company was taken over by the City of Oslo. At the time of redemption, the last observed prices were NOK 103.50 per share for Hafslund A and NOK 105.00 per share for Hafslund B; they were redeemed at a price of NOK 96.75 per share. The Group believes the redemption price is too low, and has taken legal action to clarify the value. In the accounts presented on 31.12.2017, the redemption price of NOK 96.75 per share was used when deducting the shares, as the outcome of the legal proceedings is uncertain.

NOTE 37 Retained earnings

NOK MILLIONS	Revaluation fund	Risk equilization fund	Nat.per. pool fund	Other retained-earnings	Retained earnings
Capitalized value 31.12.2016	597	3 364	146	9 136	13 242
INCOME		543	14	2 251	2 808
OTHER COMPREHENSIVE INCOME					
Items that will not be later reclassified to income				-24	-24
Items that will be reclassified to income later when particular conditions are met	95			-24	72
Capitalized value 31.12.2016	**692**	**3 907**	**160**	**11 339**	**16 097**
Deffered tax on the risk equilization fund, the natural perils pool fund and the guarantee scheme [1]				-1 028	-1 028
Principle change [2]				-24	-24
Capitalized value 01.01.2017	**692**	**3 907**	**160**	**10 287**	**15 046**
INCOME		249	4	1 078	1 332
OTHER COMPREHENSIVE INCOME					
Items that will not be later reclassified to income				-21	-21
Items that will be reclassified to income later when particular conditions are met	110			-27	82
Capitalized value 31.12.2017	**802**	**4 156**	**164**	**11 293**	**16 415**

[1] | 1) Under Section 3-2 of the Norwegian Regulations on annual accounts for life insurance companies, the parent company of the KLP Group is not subject to deferred tax on the risk equalisation fund. The same is true under Section 3-4 of the Norwegian Regulations on annual accounts for non-life insurance companies concerning deferred tax on provisions to the natural perils pool fund and the guarantee scheme. the risk equalisation fund, the natural perils pool fund and the guarantee scheme in the consolidated financial statements. Deferred taxes on the risk equalisation fund, the natural perils pool fund and the guarantee scheme amount to NOK 977 million, NOK 40 million and NOK 11 million respectively as at 31 December 2016
This correction has been made to the opening balance, so the change in deferred taxes through the year is reflected in tax expenses for 2017 for the KLP Group.

[2] For further information, see note 2.1.1.c)

NOTE 38 Change in liabilities from financing activities

NOK MILLIONS	31.12.2016	Cash flow from financing activities	Cash flow from operating activities	Non-cash changes	31.12.2017
Subordinated loan capital	6 220	-668	0	425	5 977
Hybrid Tier 1 securities	1 650	0	0	-116	1 534
Debt to credit institutions	2 357	-463	0	-419	1 475
Other liabilities (classified as debt to credit institutions)	2 694	0	420	-1	3 112
Covered bonds issued	21 095	0	0	356	21 451
Total liabilities from financing activities	**34 016**	**-1 131**	**420**	**245**	**33 549**

Photo: Veronica Norevik, employed in Life

KLP

Sustainability Report

Corporate social responsibility is a focal area in the corporate strategy, with the following strategic objectives: Integrating social responsibility into all our operations. Increasing investments that promote sustainable development and support our financial goals. Engaging companies and industries for a more sustainable operation. Developing products and services that contribute to positive development in society.

Contents

KLP SUSTAINABILITY REPORT

Photo: Anne Therese Sande, employed in Economy and Finance

Integrating corporate social responsibility into all our operations

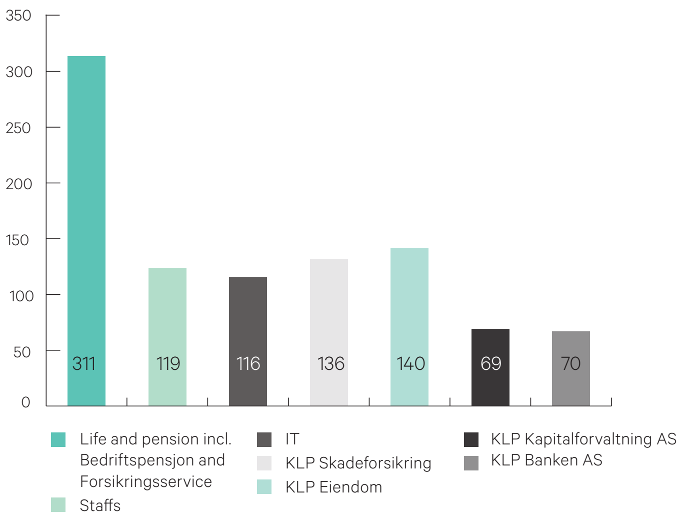
EMPLOYEE STATISTICS

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Employees of KLP	961	950	939	n/a	n/a
Part-time employees of KLP	7,6 %	n/a	n/a	n/a	n/a
Temporary employees	30	38	37	n/a	n/a
Turnover among employees	6,0 %	4,7 %	4,0 %	n/a	n/a
Total salary to employees (NOK thousands)	743 833	718 199	683 285	n/a	n/a
Average salary, women (NOK thousands)	660	641	621	8.	8.5
Average salary, men (NOK thousands)	808	781	768	8.	8.5

HEALTH AND SICKNESS ABSENCE

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Short-term sickness absence	1,6 %	1,9 %	1,7 %	3.	n/a
Long-term sickness absence	2,9 %	2,7 %	2,5 %	3.	n/a
Total sickness absence	4,6 %	4,5 %	4,2 %	3.	n/a
Gender breakdown of sickness absence (women/men)	6,5/3,7 %	6,7/2,7 %	5,6/2,8 %	3.	n/a
Number of personal injuries	0	0	1	8.	8.8

EMPLOYEES IN THE KLP-GROUP



961

Employees of KLP

Notes to the Sustainability Statement

EMPLOYEE STATISTICS

Definition

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

Turnover is the proportion of people who have left KLP. Employees who have changed jobs internally within the KLP Group are not included.

Total salary to employees refers to total actual salary taken to expenses, minus fees to external entities. Benefits in kind are not included. Information concerning salary relates only to Norway.

Average salary by gender is calculated as contractual salary based on full-time employment, and is not corrected for the proportion of employees working part-time.

HEALTH AND SICKNESS ABSENCE

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

UN Sustainable Development Goals

The figures show how KLP contributes towards United Nations Sustainable Development Goal (SDG) 3, *good health and well-being*. KLP also supports SDG 8, *decent work and economic growth*, and especially target 8.8: Protect labour rights and promote safe and secure working environments for all workers.

Target

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

Definition

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

Personal injuries are self-reported injuries and injuries reported as actual and possible occupational injuries to KLP's non-life insurance company.

HEALTH AND SICKNESS ABSENCE

	2017	2016	2015
Short-term sickness absence	1.6 %	1.9 %	1.7 %
Long-term sickness absence	2,9 %	2.7 %	2.5 %
Total sickness absence	**4.6 %**	**4.5 %**	**4.2 %**

DIVERSITY AND EQUALITY

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Gender distribution among employees (women/men)	47/53 %	47/53 %	48/52 %	8.	8.5
Gender distribution management level 1 (women/men)	30/70 %	30/70 %	13/87 %	5.	5.5
Gender distribution management level 2 (women/men)	43/57 %	35/65 %	33/67 %	5.	5.5
Gender distribution management level 3 (women/men)	43/57 %	48/52 %	48/52 %	5.	5.5
Gender distribution, all management levels total (women/men)	42/58 %	n/a	n/a	5.	5.5
Gender distribution on the Board (women/men)	50/50 %	50/50 %	50/50 %	5.	5.5
Gender distribution in the highest paid positions (non-management positions above earnings-table)	16/84 %	n/a	n/a	5.	5.1, 5.5
Women's earning in relation to men's (all employees at KLP)	82 %	82 %	81 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 1	69 %	68 %	92 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 2	84 %	88 %	88 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 3	89 %	91 %	92 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's in the highest paid positions (non-management positions above earnings-table)	90 %	n/a	n/a	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's, remaining employees (not including any management levels or highest paid positions)	94 %	n/a	n/a	5. 8.	5.1, 5.5, 8.5
Gender distribution, absence for sick children (women/men)	51/49 %	51/49 %	52/48 %	5.	5.1, 5.4
Gender distribution, parental leave taken (women/men)	64/36 %	n/a	n/a	5.	5.1, 5.4
Proportion of female employees working part-time	18 %	14 %	15 %	5.	5.1, 5.4
Proportion of male employees working part-time	5 %	2 %	1 %	5. 8.	5.1, 8.5
Average retirement age, occupational and old-age pensions (years)	66.9	n/a	n/a	n/a	n/a

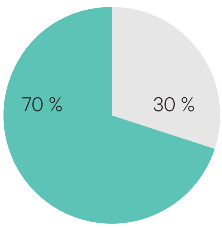
INCREASE KNOWLEDGE OF PENSIONS

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Number of personal consultations related to pensions	9 776	10 263	9 477	n/a	n/a
Participants in the 'Good to know' course on pensions	1 101	n/a	1 215	n/a	n/a
Media stories about pensions with spokespersons from KLP	77	n/a	n/a	n/a	n/a

GENDER DISTRIBUTION MANAGEMENT LEVEL

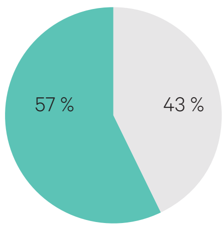
Women
Men

LEVEL 1



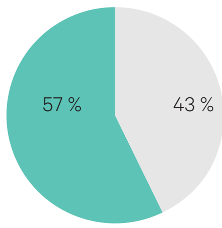
Women's earning in relation to men's 69 %.

LEVEL 2



Women's earning in relation to men's 84 %.

LEVEL 3



Women's earning in relation to men's 89 %.

DIVERSITY AND EQUALITY

KLP works to integrate diversity and equality perspectives into the business. Hence, we have set targets with related measures in several areas. We seek qualified employees regardless of age, gender, disability, political persuasion, sexual orientation and ethnic background.

UN Sustainable Development Goals

Shows how KLP contributes to Sustainability Goal 5, *Gender equality*. Especially targets 5.1: End all forms of discrimination against all women and girls, 5.4: Promote shared responsibility within the household and the family, and 5.5: Ensure women's full and effective participation and equal opportunities for leadership. The figures also illustrate KLP's contribution towards sustainability target 8.5; By 2030, achieve equal pay for work of equal value.

Target

- KLP's intermediate objective is that women's salaries should be 90 per cent of men's by the end of 2018 and 95 per cent by 2020.
- KLP has a goal of 40 per cent of each gender in total among the number of managers.

Definition

KLP defines leaders at three different levels. Management Level 1 is group management, including the CEO. Management Level 2 represents the managers who report directly to a Group Vice President (member of group management). Management level 3 are the managers who report to managers at level 2.

Women's income compared to men's is defined in the same way as average salary by gender and is calculated from contractual salaries based on full-time employment. Analysis carried out by KLP found that the main reason for the wage-gap between women and men comes from an underrepresentation of women in the highest paid positions (both leader- and expert positions). To achieve the long-term goal of equal pay for women and men, it is essential to increase the proportion of women in such positions. However, a change of this magnitude will require long-term efforts, and we can already determine that the target for 2018 will not be achieved. We will continue our efforts in recruiting processes, especially when it comes to expert-positions, and establish new intermediate targets for the years after 2018.

The gender distributions for absence with sick children, and for parental leave taken are based on number of days of absence from work for these reasons.

INCREASE KNOWLEDGE OF PENSIONS

KLP aims to be the pension expert which best protects its customers. This requires us to help increase knowledge of pensions, so our customers and members can make good choices for the days to come. We will do this, among other things, by providing good guidance to individuals and by disseminating knowledge of pensions in the media.

Definition

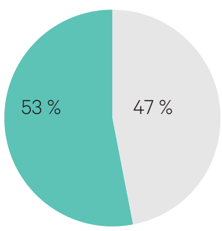
The so-called 'Verdt å vite' courses, providing our customers with valuable knowledge on pensions, are led by KLP for our customers. The topics covered in the course are employees' pension rights, reporting to KLP, training in KLP's online solutions, and what will happen with public sector occupational pensions in the future. The courses are an important part of the effort to increase KLPs customers' knowledge of pensions. KLP arrange the courses every other year.

INCREASE KNOWLEDGE OF PENSIONS

1101

Participants in the "verdt å vite" courses on pensions.

GENDER DISTRIBUTION AMONG EMPLOYEES



Women's earning in relation to men's 82 %.

INCREASE KNOWLEDGE OF PENSIONS

9776

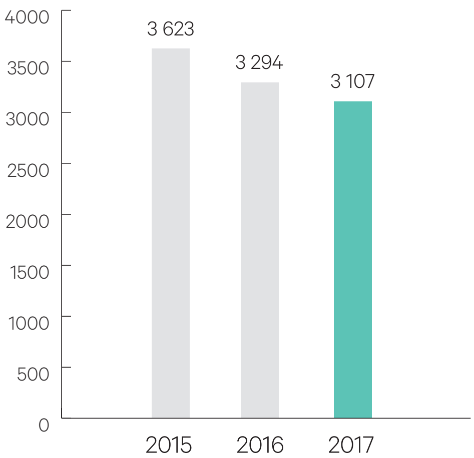
Number of personal consultations related to pensions.

Integrating corporate social responsibility into all our operations

ENVIRONMENT

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Greenhouse gas emissions from KLP's own operations (tonnes)	757	821	951	13. 12.	n/a
Greenhouse gas emissions from KLP's property portfolio (tonnes)	10 534	10 697	11 390	9.	9.4,
Number of flights	3 107	3 294	3 623	13. 12.	n/a
Energy consumption in KLP's own offices (KWh/m2)	130	147	137	9. 13.	9.4
Energy consumption in KLP's property portfolio (KWh/m2)	187	197	203	9.	9.4
Quantity of waste in KLP's own offices (tonnes)	128	141	100	11. 12.	11.6, 12.5
Recycling rate at source in KLP's own offices	68 %	61 %	68 %	11. 12.	11.6, 12.5
Quantity of waste in KLP's property portfolio (tonnes)	5 826	5 279	4 955	11. 12.	11.6, 12.5
Recycling rate at source in KLP's property portfolio	55 %	57 %	54 %	11. 12.	11.6, 12.5
Water consumption in KLP's property portfolio (millions of litres)	453	469	442	6.	6.4
Renewable energy production in KLP's property portfolio (MWh)	187	182	185	7.	7.2, 9.4

NUMBER OF FLIGHTS



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Carbon emissions from KLPs own operations decreased by 8 % from 2016 to 2017, and by 30 % from 2010-levels. Our long-term target is to reduce carbon emissions by 50 % by 2030, with 2010 as our base-line year.

ENVIRONMENT

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

UN Sustainable Development Goals

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

- Target 6.4: Substantially increase water-use efficiency across all sectors.
- Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- Target 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 11.6: By 2030, reduce the adverse environmental impact of cities, including by paying special attention to air quality and waste management.
- Target 12.5: By 2030, substantially reduce waste generation.

Target

- Halve greenhouse gas emissions from own operations by 2030, based on emissions in 2010.
- Reduce energy consumption in the property portfolio to 180 kWh per square metre.
- The degree of sorting of waste should average over 65 per cent and not drop below 50 per cent in every property in the property portfolio.

Definition

Greenhouse gas emissions

Greenhouse gas emissions include energy consumption, transport, waste and other activities of KLP's operations in Oslo, Trondheim and Bergen. Emissions are converted into tonnes of CO^2 equivalents, in line with the standard from the Greenhouse Gas Protocol Initiative.

Greenhouse gas emissions from KLP's property portfolio are based on the same methodology as above, and include energy consumption, waste and general operation of the properties.

Corporate air travel

Number of flights is based on data provided by our travel agent. The number of flights are return flights.

Energy consumption

Energy consumption is a major source of KLP's greenhouse gas emissions. The energy consumption in KLP's own office premises are not temperature-corrected, but shows actual consumption. 'Own office premises' are the offices where employees of the KLP Group work. The energy data is obtained from our energy monitoring system.

"In-house operated buildings" means those properties KLP owns and for which KLP has the responsibility for operation and maintenance, and where KLP has the opportunity to implement environmental measures and measure their effects. These are buildings in Oslo, Trondheim, Copenhagen and Stockholm. All these buildings have energy monitoring systems in which energy and water consumption is recorded and monitored. The figures only include buildings where the tenant's energy consumption is also measured, providing us with an overview of the total energy consumption of the buildings. Energy consumption in kWh/m2 per year for KLP's in-house operated buildings is temperature-corrected.

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

Waste

Waste generation from KLPs own offices are based on the best available data. For KLPs main office in Oslo, this means that data on mixed waste, as well as paper and cardboard waste has been weighed specifically on location. For other types of waste, a waste allocation methodology provided by our waste management provider is used. Our waste management provider is responsible for the data. For KLPs regional offices in Trondheim and Bergen, the waste data is provide by our office services provider.

Waste generation in KLPs property portfolio includes KLP Eiendom's in-house operated buildings, except for the buildings in Stockholm, where waste is not weighed on location as it is used for energy generation.

The degree of waste sorting shows the proportion of waste sorted at source. A greater proportion of sorted waste can be recycled, and is less harmful to the environment

Water consumption

Actual water consumption in millions of litres in KLP's in-house operated buildings.

Renewable energy production in KLP's property portfolio

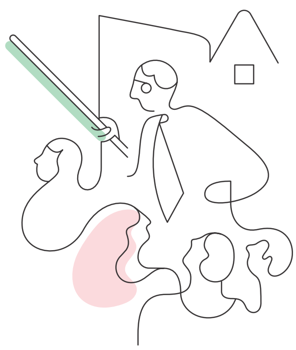
Shows KWh of renewable energy produced locally on KLP's properties.

COUNTRY-BY-COUNTRY REPORTING 2017

	Norway	Sweden	Denmark	Rest of Europe	UN Sustainable Development Goals	SDG targets
Employees - FTEs	944	8	9	0	16.	16.4, 16.6
Investments in property (Mnok)	404	2	28	-81	16.	16.4, 16.6
Income	69 571	448	232	79	16.	16.4, 16.6
Accounting income before taxes	1 458	916	101	-2	16.	16.4, 16.6
Actual income tax payable for the financial year	0,0	0,0	1,8	0,1	16.	16.4, 16.6

REPORTING TO AUTHORITIES AND SUPERVISORY BODIES

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Reports to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) about suspicious transactions according to the rules in the Norwegian Money Laundering Act	1	n/a	n/a	16.	16.4, 16.6
Privacy violations reported to the Norwegian Data Inspectorate	26	n/a	n/a	16.	16.6



COUNTRY-BY-COUNTRY REPORTING

A responsible business is open about its tax practices. Therefore, KLP reports in a country-by-country format on tax in the countries where we operate.

UN Sustainable Development Goals

The indicators show how KLP contributes to the United Nations Sustainable Development Goal 16: *Peace, Justice and Strong Institutions*, particularly targets 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.5: Substantially reduce corruption and bribery in all their forms.

Target

Objective not defined or not relevant.

Definition

KLP reports tax and income broken down across the countries in which KLP operates entities with a controlling influence. Therefore, tax and income from investments in foreign securities are reported within the country breakdown as Norwegian unless KLP has controlling influence over the investment so that there is a Group relationship. The amount includes KLP's withholding tax in fund investments. In practice, KLP's business abroad is investments in property.

Tax here refers to income tax. Tax in the form of indirect tax is not included in the figures reported.

REPORTING TO AUTHORITIES AND SUPERVISORY BODIES

Financial institutions are required to report to authorities and supervisory bodies on important areas such as money laundering and privacy. This is central to the finance industry's social responsibility and KLP wants to highlight this by reporting on our notifications.

UN Sustainable Development Goals

Exemplifies KLPs contribution to UN sustainable Development Goals, target 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.6: Develop effective, accountable and transparent institutions at all levels.

Target

Objective not defined or not relevant.

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Financial institutions are required to report to authorities and supervisory bodies on important areas such as money laundering and privacy. This is central to the finance industry's social responsibility and KLP wants to highlight this by reporting on our notifications.

Increase investments that promote sustainable development and support our financial goals

INCREASE CLIMATE-FRIENDLY INVESTMENTS

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Renewable energy in Norway (MNOK)	22 282	22 034	20 038	7.	7.2
Renewable energy in Europe and the USA (MNOK)	1 088	652	388	7.	7.2
Renewable energy in developing countries (MNOK)	381	257	226	7. 9. 17.	7.1, 7.2, 9.a, 17.3
Lending for power; water, drainage and renovation (MNOK)	3 173	n/a	n/a	13.	n/a
Buildings with environmental qualities in the property portfolio (MNOK value)	10 115	n/a	n/a	9.	9.4
Green bonds (MNOK)	735	593	485	n/a	n/a
Total (MNOK)	**37 774**	**23 536**	**21 137**		
As a proportion of KLP's assets under management	7 %	n/a	n/a	n/a	n/a
Fossil energy (market value in MNOK)	11 215	9 693	7 230	7.	7.1, 7.2
Fossil energy (as a proportion of KLPs assets under management MNOK)	2 %	2 %	2 %	n/a	n/a
Renewable energy (market value in MNOK)	23 751	22 943	20 652	9.	9.4
Renewable energy (as a proportion of KLPs assets under management MNOK)	4 %	2 %	2 %	n/a	n/a
Buildings with environmental qualities in the property portfolio (m^2)	236 678	n/a	n/a	9.	9.4
Buildings with environmental qualities in the property portfolio (share of the portfolio in m^2)	14 %	n/a	n/a	n/a	n/a
Buildings with environmental qualities in the property portfolio (MNOK value)	10 115	n/a	n/a	9.	9.4
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	16 %	n/a	n/a	n/a	n/a

ENERGY

4%

Renewable energy as a proportion of KLPs assets under management (MNOK).

2%

Fossil energy as a proportion of KLPs assets under management (MNOK).

ENVIRONMENTAL BUILDINGS

14%

Buildings with environmental qualities as a proportion of the property portfolio (m^2).

INCREASE CLIMATE-FRIENDLY INVESTMENTS

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

UN Sustainable Development Goals

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

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

Target

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

Definition

Market value of the investments in NOK millions is stated.

Renewable energy

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

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

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

Lending for energy, water, drainage and renovation

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

Green bonds

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

Fossil energy

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

Buildings with environmental qualities

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

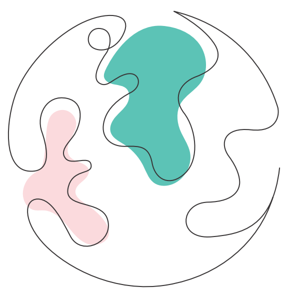
Proportion of total portfolio

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

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

16%

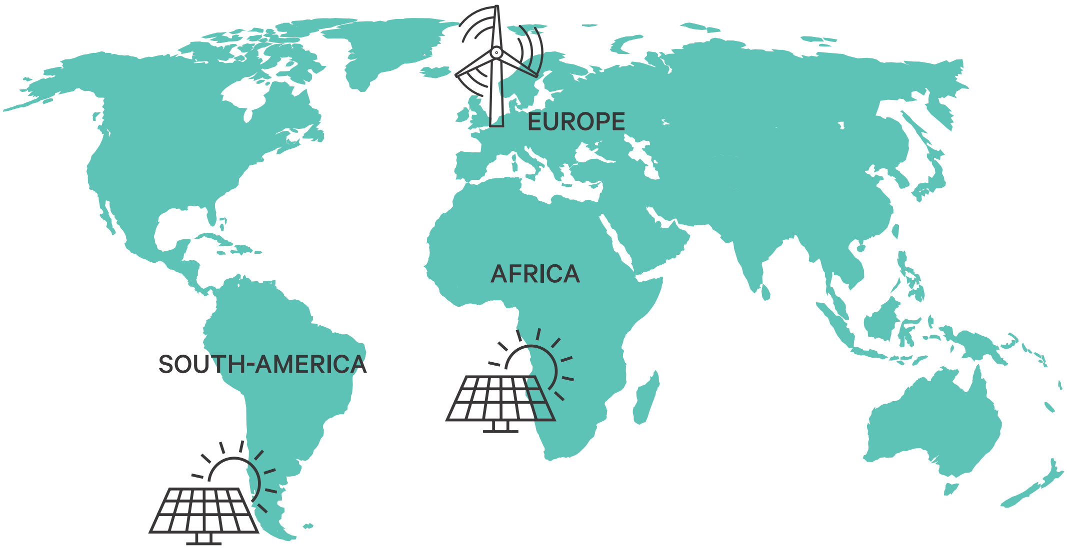
Buildings with environmental qualities as a proportion of the property portfolio (MNOK).



NEW CAPACITY, RENEWABLE ENERGY

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Number of completed renewable energy projects	5	n/a	n/a	7.	7.1, 7.2
New renewable energy capacity brought to the market (MWH)	573.5	n/a	n/a	7.	7.1, 7.2
The number of residents' energy needs covered by the new capacity	642 830	n/a	n/a	7.	7.1, 7.2
CO2 emissions avoided as a result of the new capacity (tonnes)	780 786	n/a	n/a	7.	7.1, 7.2

NUMBER OF COMPLETED RENEWABLE ENERGY PROJECTS



EUROPE
1 wind-park
400 megawatts
170 000 residents
energy needs covered

SOUTH-AMERICA
1 solar energy park
50 megawatts
140 000 residents
energy needs covered

AFRICA
3 solar energy parks
124 megawatts
330 000 residents
energy needs covered

CO2 EMISSIONS AVOIDED

780 786 tonnes

As a result of the
new capacity.

NEW CAPACITY, RENEWABLE ENERGY

KLP has a goal of investing in new renewable energy projects to increase production capacity, and contribute to a cleaner energy mix worldwide.

UN Sustainable Development Goals

The indicators show how KLP contributes to several of the targets within UN Sustainable Development Goal 7 *Affordable and Clean Energy*, including target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services, and 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.

Target

Continuous increase in the number of projects and installed capacity.

Definition

The number of completed projects, and their total installed capacity, has been accumulated since the start of the investments (2013 for the portfolio for developing countries and 2015 for Europe and North America). The figures refer to the projects as a whole; not adjusted for KLP's stake in the projects.

The number of residents' energy needs covered by the new capacity

The renewable energy projects that KLP has invested in generate electricity corresponding to a given number of inhabitants' energy needs in the countries where the energy farms are in operation. The calculation is based on the average capacity of the respective technologies derived from the UN Climate Panel, and the average electricity consumption per capita in the relevant country, taken from the World Bank statistical database. The figures for Rwanda are based on data from worlddata.org and the CIA World Factbook.

CO2 emissions avoided as a result of the new capacity

The emissions theoretically avoided if the same amount of electricity was generated by the country's average electricity generation. The figures are taken from the International Energy Agency (IEA). For Rwanda, the figures are based on the authorities' own reporting to the UN Climate Convention, and cross-referenced against data from the African Carbon Forum.

NUMBER OF RESIDENTS THEORETICAL ENERGY NEEDS COVERED = 642 830

One "person" = 10 000 residents

CARBON MEASUREMENT OF INVESTMENTS

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Weighted average carbon intensity for the equity portfolio (tCO2e/MNOK)	31.7	29.6	36.3	13.	n/a
Carbon intensity in the equity portfolio (tCO2e/MNOK revenue)	26.7	27.4	32.7	13.	n/a
Carbon footprint for the equity portfolio (tCO2e/MNOK invested)	16.5	19.6	23.7	13.	n/a

FINANCE IN DEVELOPING COUNTRIES

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Banking and finance in developing countries (MNOK)	530	421	243	8.	8.3, 8.10, 17.3
Borrowers in developing countries through the Nordic Microfinance Initiative (figures in millions)	6.6	6.0	5.0	8.	8.3, 8.10, 1.4
Gender distribution among borrowers (women/men)	95/5 %	95/5 %	86/14 %	1.	1.4, 5.a
Distribution rural/urban among borrowers	71/29 %	68/32 %	69/31 %	1.	1.4

CARBON MEASUREMENT OF INVESTMENTS

To raise awareness of the climate impact of investments and to highlight developments over time, KLP measures and reports the carbon footprint and intensity of the investments.

UN Sustainable Development Goals

The indicators show how KLP contributes toward UN Sustainable Development Goal 13, *Climate Action*.

Target

Not defined. KLP does not use carbon measurements as a control parameter or as a basis for decision-making, but the indicators give us interesting information and developments are monitored.

Definition

The weighted average carbon-intensity shows the exposure of the equity portfolio to carbon-intensive companies. As the method refers to exposure, not ownership, it does not measure the impact of the portfolio on climate change.

The carbon intensity maps the CO_2 emissions of companies in KLP's equity portfolio relative to their earnings, to measure the overall carbon intensity of the equity portfolio.

The carbon footprint of KLPs funds is calculated from data provided by an analysis company specialising in this. The emission figures apply to the latest reported and analysed fiscal years. The analysis company provides estimates for companies that have not reported on carbon emissions.

KLP reports on the indicators weighted average carbon-intensity, carbon footprint and carbon-intensity, because this provides a good overall picture of the impact of the investments on carbon emissions and carbon risk. The reporting covers KLPs investments in equities.

FINANCE IN DEVELOPING COUNTRIES

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

UN Sustainable Development Goals

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

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

Target

Not defined.

Definition

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

Borrowers in developing countries through the Nordic Microfinance Initiative (NMI) are active borrowers through the microfinance institutions that the NMI has invested in. The figure relates to the microfinance institutions as a whole; not adjusted for NMIs' stake in individual microfinance institutions.

Engaging companies and industries for a more sustainable operation

AS AN INVESTOR

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Companies excluded from investments	174	162	124	All sustainability goals	3.a, 8.7, 12.6, 16.2, 16.4, 16.5
Companies re-included in the investments	5	1	4	All sustainability goals	n/a
General meetings of Norwegian companies at which KLP has voted (number/percentage)	115 (97 %)	111 (96 %)	97 (91 %)	n/a	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	2 617 (91 %)	2 627 (90 %)	2 445 (83 %)	n/a	n/a
General meeting items where KLP has voted against management recommendations	11 %	10 %	10 %	n/a	n/a
Companies KLP has had direct dialogue with	192	138	125	All sustainability goals	3.a, 8.7, 12.6, 16.2, 16.4, 16.5,
Companies KLP has had dialogue with via service providers	124	169	160	All sustainability goals	3.a, 8.7, 12.6, 16.2, 16.4, 16.5,

11%

General meeting items where KLP has voted against management recommendations.

»

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

ENGAGING COMPANIES AND INDUSTRIES FOR MORE SUSTAINABLE OPERATION

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

UN Sustainable Development Goals

As a responsible investor and owner, KLP has discussions with companies on many topics related to the UN Sustainability Goals. KLP's exclusion criteria are also in accordance with the Sustainable Development Goals. Some examples of SDG targets:

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

Target

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

Definition

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

The number of companies reinstated refers to those whose exclusion was reversed in the course of the year.
The number of companies KLP has had discussions with refers to companies that KLP has been in contact with during the year on social, environmental, or governance matters – KLP directly and via a service provider KLP uses for this purpose. Follow-up by KLP and by the service provider varies in scope, subject-matter and time frame. This is a form of exercising ownership in which KLP engages in dialogue with companies to clarify how they handle social responsibility issues, and also communicates its expectations as an investor and owner.

Developing products and services that contribute to positive development in society

	2017	2016	2015	UN Sustainable Development Goals	SDG targets
Projects on health promoting work-places	12	27	40	3.	n/a
Courses run on health-promoting workplaces	100	106	163	3.	n/a
Proportion of municipalities that use "IK-Bygg" or equivalent tools to prevent injuries	10 %	n/a	n/a	n/a	n/a
Courses on injury prevention	45	107	95	11.	11.5
Participants in the course on injury prevention	1600	2000	1900	11.	11.5
LENDING BUSINESS					
Loans for roads and transport (MNOK)	9 411	n/a	n/a	n/a	n/a
Loans for public property (MNOK)	4 060	n/a	n/a	n/a	n/a
Loans to public sector and businesses (MNOK)	45 087	n/a	n/a	n/a	n/a

»

Municipal rental homes need preventive safety measures. Some residents need help securing their homes from fire hazards. Otherwise, they endanger their own lives as well as the lives of others. Therefore, KLP Skadeforsikring cooperates with the Norwegian Fire Brigade Association (NBLF), and arranges courses on preventive fire safety measures in Norwegian municipalities.

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY

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

UN Sustainable Development Goals:
Shows how KLP contributes to Sustainable Development Goal 11, *Sustainable Cities and Communities*, particularly target 11.5: By 2030, significantly reduce the number of deaths and the number of people affected by disasters, including water-related disasters. These indicators also exemplify KLPs contribution towards UN Sustainable Development Goal 3, Good health and well-being.

Target
- Increase the proportion of local government customers using "IK-Bygg" or equivalent tools to prevent injuries and reduce the number of incidents in municipal projects to 15%.
- Run 50 courses on injury prevention.
- Support 28 projects on health promoting workplaces.

Definition
"IK-Bygg" or equivalent tools
Proportion of local government customers using "IK-Bygg" or equivalent tools to prevent injuries. "IK-Bygg" is an online platform for mapping the condition and injury risk of a building in terms of Health, Safety and Environment (HSE). To increase the proportion of users of such systems will have an injury prevention effect.

Projects on healh promoting workplaces
The purpose of the projects on health promoting workplaces is to share knowledge and create tools to decrease absence from illness among our customers. The number of projects has been purposely reduced over the recent years. By reducing the number of projects, we are capable of working more holistically on certain projects and increase the financial support for each project. We believe that this approach will have deeper, more long-term effects. The results and experiences from the projects are shared widely with our customers.

Courses on injury prevention
Courses on injury prevention are courses where KLP Skadeforsikring provides training on fire safety. KLP Skadeforsikring has worked with the Norwegian Association of Fire Officers on the design and implementation of the courses. KLP Skadeforsikring also works with KLP's HSE training department and the courses may also include training on HSE risk analysis. The courses help to prevent injuries

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

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

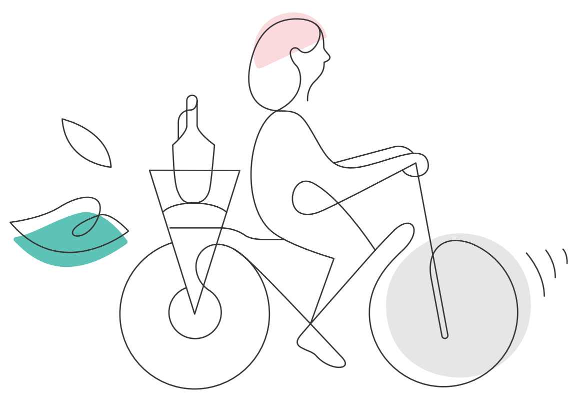
Target
Increase lending for this type of purpose.

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

INJURY PREVENTION

1600

Participants in the course in 2017.



To: Board of Directors in Kommunal Landspensjonskasse Gjensidige Forsikringsselskap

Independent statement regarding verification of sustainability report

We have examined that Kommunal Landspensjonskasse Gjensidige Forsikringsselskap has developed the sustainability report per 21.03.2018. The criteria applied in the assessment of the subject matter is complete, accurate and timely information.

Tasks and Responsibility of Management
Management is responsible for the sustainability report, and that it is prepared in accordance with the criteria. This responsibility includes designing, implementing and maintaining an internal control that maintains the sustainability report. Management is also responsible for the selection and collection of information presented.

Our independence and quality control
We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 [NORWEGIAN] - Quality control for firms that perform auditing and simplified confirmations of financial statements, and other assurance and related services and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

Tasks and Responsibility of Auditor
Our responsibility is to express an opinion on the subject matter based on our control.

We have performed controls and will issue our statement in accordance with the Standard on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that the subject matter is prepared in accordance with the criteria. The procedures selected depend on our judgement, including assessments of the risks that the subject matter contains information which is of material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the subject matter. Therefore, we design audit procedures that are appropriate to the circumstances, but will not to express an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the subject matter.

Our work includes the following activities:
- Interviews with representatives responsible for the different areas in the sustainability report
- Assessment of routines and internal control related to the sustainability report
- Collection and review of documentation supporting the data presented in the sustainability report
- Evaluation of completeness and accuracy of the reported figures

In our opinion, sufficient evidence has been obtained, and we consider that our work provides an appropriate basis to conclude with a limited level of assurance on the sustainability report.

Conclusion
Based on our work, nothing has come to our attention giving us reason to believe that the information in the sustainability report includes material misstatements. In our opinion, the sustainability report, in all material, is prepared in accordance with the criteria.

Oslo, March 21th 2018
PricewaterhouseCoopers AS

Eli Moe-Helgesen
State authorized public accountant

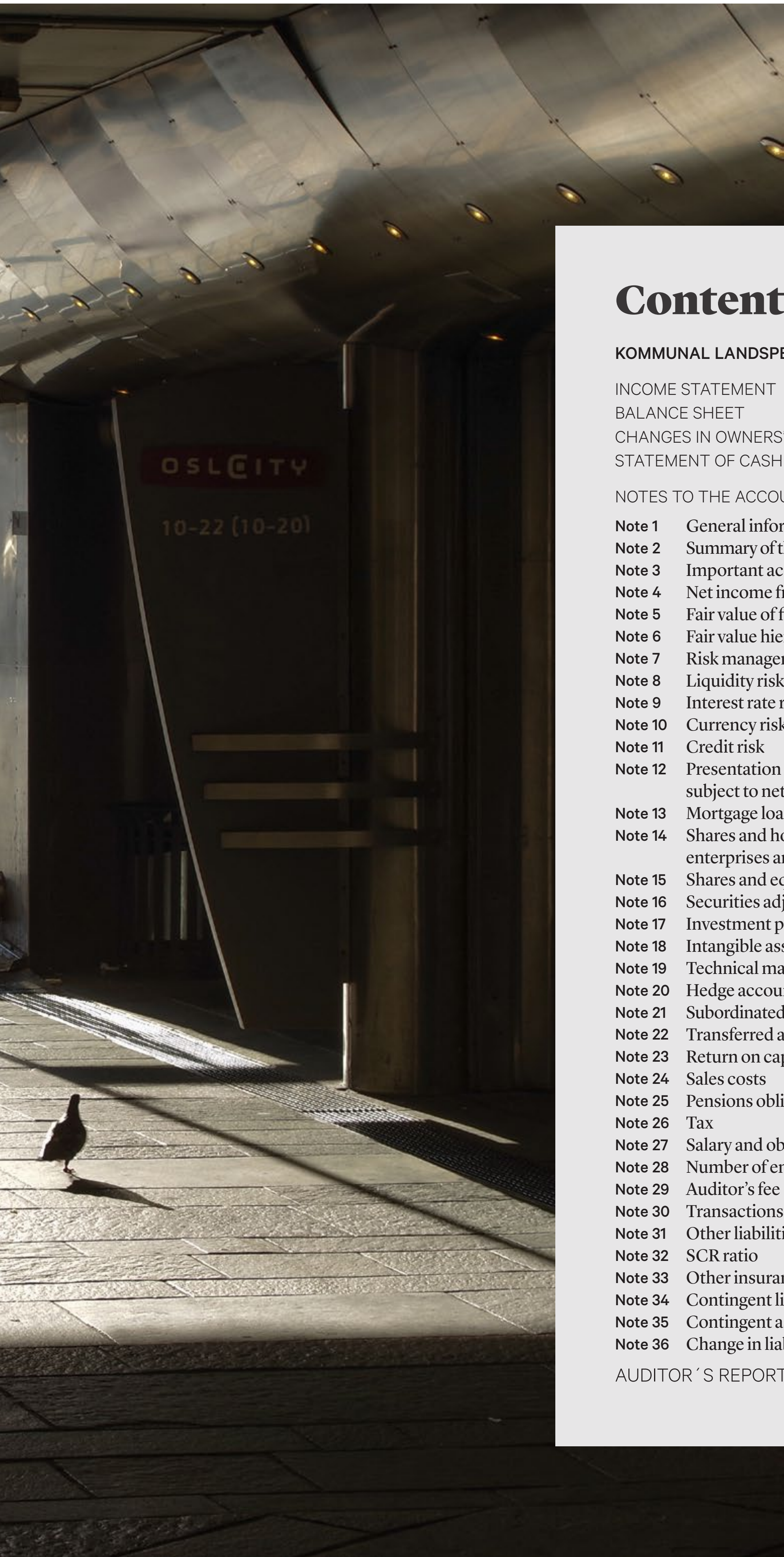
(This translation from Norwegian has been made for information purposes only)

Photo: Anders Eidsnes, employed in Life

KOMMUNAL LANDSPENSJONSKASSE

Accounts


Utgang Exit
Jernbanetorget



Contents

KOMMUNAL LANDSPENSJONSKASSE

Photo: Dag Eidstuen, employed in IT

Gisle Hunvik
Employed in KLP Kapitalforvaltning

Income Statement

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	2017	2016
	Premiums due, gross	32 122	33 606
	Reinsurance premiums ceded	-3	-1
	Transfer of premium reserve and pension capital etc. from other insurance companies/pension funds	298	3 250
19	**Total premium income for own account**	**32 417**	**36 854**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	5 565	4 616
	Interest income and dividends etc on financial assets	10 871	8 432
	Value changes on investments	13 450	6 014
	Gains and losses realized on investments	924	5 528
4	**Total net income from investments in the common portfolio**	**30 810**	**24 588**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	27	23
	Interest income and dividends etc on financial assets	56	41
	Value changes on investments	63	45
	Gains and losses realized on investments	18	18
4	**Total net income from investments in the investment option portfolio**	**164**	**127**
33	**Other insurance-related income**	**984**	**933**
	Claims paid, gross	-17 174	-16 263
	Transfer of premiuim reserve and pension capital etc. to other insurance companies /pension funds	-212	-124
19	**Total claims**	**-17 386**	**-16 387**
	Change in premium reserve etc., gross	-23 276	-27 291
	Change in supplementary reserves	-1 119	-3 987
	Change in securities adjustment fund	-13 940	-6 865
	Changes in premium funds, defined contribution funds, and pension regulation funds etc.	-280	-287
	Transfer of supplementary reserves from other insurance companies/pension funds	0	-3
19	**Total changes in insurance liabilities taken to profit/loss - contractual liabilities**	**-38 615**	**-38 434**
	Changes in pension capital etc.	-82	-82
	Changes in premium funds, defined contribution funds and pension regulation funds etc.	-5	-4
	Change in other provisions	-8	-23
19	**Total changes in insurance liabilities taken to profit/loss – individual investment option portfolio**	**-95**	**-108**
	Surplus on returns result	-4 679	-3 925
	Risk result assigned to insurance contracts	-521	-394
19	**Total funds assigned to insurance contracts - contractual liabilities**	**-5 199**	**-4 319**

Income Statement

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	2017	2016
	Administration costs	-187	-179
24	Sales costs	-130	-124
	Insurance-related administration costs (incl. commission for reinsurance received)	-685	-837
	Total insurance-related operating expenses	**-1 001**	**-1 140**
33	**Other insurance-related costs**	**-980**	**-934**
19	**Technical result**	**1 098**	**1 180**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	364	529
	Interest income and dividends etc. on financial assets	690	605
17	Net operating income from property	41	181
	Value changes on investments	-192	901
	Gains and losses realized on investments	358	-862
4	**Total net income from investments in the corporate portfolio**	**1 261**	**1 354**
	Other income	**12**	**7**
	Administration costs	-13	-13
	Other expenses	-372	-403
	Total administration costs and other costs associated with the corporate portfolio	**-386**	**-416**
	Non-technical profit/loss	**887**	**945**
	Income before tax	**1 985**	**2 125**
26	Tax	-496	775
	Income before other profit/loss components	**1 489**	**2 899**
	Actuarial gains and losses on defined benefits pension schemes - employee benefits	-19	-27
	Proportion of other comprehensive income on application of the equity method	-12	-5
	Adjustment of the insurance liabilities	2	0
26	Tax on other comprehesive income	5	7
	Total other comprehensive income	**-24**	**-26**
	TOTAL COMPREHENSIVE INCOME	**1 465**	**2 874**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	31.12.2017	31.12.2016
	ASSETS IN THE CORPORATE PORTFOLIO		
18	**Other intangible assets**	**226**	**253**
	Investments in the corporate portfolio		
6,17	**Investment properties**	**1 003**	**1 003**
14	Shares and holdings in property subsidiaries	1 831	1 779
14	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 641	4 125
14	**Total subsidiaries, associated enterprises and jointly controlled entities**	**6 471**	**5 904**
5,11	Investments held to maturity	6 906	6 460
5,11	Loans and receivables	9 327	7 349
5,11	**Total financial assets valued at amortized cost**	**16 233**	**13 808**
5,6,15	Shares and units	527	434
5,6,11	Bonds and other fixed-return securities	9 002	8 934
5,6,11	Loans and receivables	939	1 025
5,6,11	Financial derivatives	527	645
5,6	Other financial assets	0	14
5,6	**Total financial assets valued at fair value**	**10 995**	**11 052**
	Total investments in the corporate portfolio	**34 702**	**31 767**
	Receivables related to direct business	673	486
30	Intra-Group receivables	184	292
	Other receivables	130	123
	Total receivables	**986**	**902**
	Plant and equipment	47	46
	Bank deposits	842	887
26	Deferred tax assets	0	336
	Total other assets	**888**	**1 269**
	Total assets in the corporate portfolio	**36 802**	**34 190**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	31.12.2017	31.12.2016
	ASSETS IN THE CUSTOMER PORTFOLIOS		
	Investments in the common portfolio		
14	Shares and holdings in property subsidiaries	58 605	55 076
14	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	771	528
14	**Total subsidiaries, associated enterprises and jointly controlled entities**	**59 377**	**55 604**
5,11	Investments held to maturity	23 947	25 928
5,11	Loans and receivables	166 016	149 660
5,11	**Total financial assets valued at amortized cost**	**189 962**	**175 588**
5,6,15	Shares and units	112 186	93 531
5,6,11	Bonds and other fixed-return securities	125 233	123 574
5,6,11	Loans and receivables	7 569	9 654
5,6,11	Financial derivatives	567	937
5,6	Other financial assets	713	1 400
5,6	**Total financial assets valued at fair value**	**246 268**	**229 097**
	Total investments in the common portfolio	**495 607**	**460 289**
	Investments in the investment option portfolio		
14	Shares and holdings in property subsidiaries	290	272
14	**Total subsidiaries, associated enterprises and jointly controlled entities**	**290**	**272**
5,11	Investments held to maturity	86	120
5,11	Loans and receivables	716	618
5,11	**Total financial assets valued at amortized cost**	**802**	**738**
5,6,15	Shares and units	645	519
5,6,11	Bonds and other fixed-return securities	603	620
5,6,11	Loans and receivables	35	34
5,6,11	Financial derivatives	0	2
5,6	**Total financial assets valued at fair value**	**1 283**	**1 174**
	Total investments in the investment option portfolio	**2 375**	**2 184**
	Total assets in the customer portfolios	**497 982**	**462 473**
	TOTAL ASSETS	**534 784**	**496 663**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	31.12.2017	31.12.2016
	OWNERS' EQUITY AND LIABILITIES		
	Other owners' equity contributed	13 125	11 726
	Total owners' equity contributed	**13 125**	**11 726**
	Risk equalization fund	4 154	3 907
	Other retained earnings	13 347	12 153
	Total retained earnings	**17 501**	**16 060**
21	Perpetual subordinated loan capital	0	706
21	Other subordinated loan capital	5 977	5 514
20,21	Hybrid Tier 1 securities	1 534	1 650
5,21	**Total subordinated loan capital etc.**	**7 511**	**7 870**
	Premium reserve etc.	403 902	380 658
	Supplementary reserves	25 399	24 292
16	Securities adjustment fund	42 277	28 337
	Premium funds, defined contribution funds, pension regulation funds etc.	15 206	16 907
19	**Total insurance liabilities - contractual liabilities**	**486 785**	**450 194**
	Pension capital etc.	1 849	1 766
	Supplementary reserves	140	133
	Premium funds, defined contribution funds, pension regulation funds etc.	385	283
19	**Total insurance liabilities - special investment portfolio**	**2 374**	**2 181**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	31.12.2017	31.12.2016
25	Pension obligations etc.	520	474
26	Current tax liabilities	2	0
26	Deferred tax liabilities	226	0
	Total provision for liabilities	**748**	**474**
	Liabilities related to direct insurance	1 228	537
5,6	Liabilities to credit institutions	679	885
5,6,12	Financial derivatives	3 395	4 074
31	Other liabilities	1 139	2 506
	Total liabilities	**6 442**	**8 001**
	Other accrued costs and pre-paid income	299	157
	Total accrued costs and pre-paid income	**299**	**157**
	TOTAL EQUITY AND LIABILITIES	**534 784**	**496 663**
	OFF-BALANCE-SHEET ITEMS		
34	Contingent liabilities	14 597	13 319

Oslo, 21 March 2018
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

LIV KARI ESKELAND
Chair

EGIL JOHANSEN
Deputy Chair

MARIT TORGERSEN

JAN HELGE GULBRANDSEN

LARS VORLAND

TOM TVEDT

SUSANNE TORP-HANSEN
Elected by and from
the employees

FREDDY LARSEN
Elected by and from
the employees

SVERRE THORNES
Group CEO

Changes in Owners' Equity

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 31 December 2016	11 726	3 907	12 153	27 785
Principle change equity method			-24	-24
Own funds 1 January 2017	**11 726**	**3 907**	**12 130**	**27 762**
Income before other profit/loss components		248	1 241	1 489
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-19	-19
Proportion of other comprehensive income on application of the equity method			-12	-12
Adjustment of the insurance liabilities			2	2
Tax on other comprehensive income			5	5
Total other comprehensive income			**-24**	**-24**
Total comprehensive income		**248**	**1 218**	**1 465**
Owners equity contribution recieved	1 399			1 399
Total transactions with owners	**1 399**			**1 399**
Own funds 31 December 2017	**13 125**	**4 154**	**13 347**	**30 626**

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	**10 422**	**3 364**	**9 822**	**23 609**
Income before other profit/loss components		543	2 356	2 899
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-27	-27
Proportion of other comprehensive income on application of the equity method			-5	-5
Adjustment of the insurance liabilities			0	0
Tax on other comprehensive income			7	7
Total other comprehensive income			**-26**	**-26**
Total comprehensive income		**543**	**2 331**	**2 874**
Owners equity contribution recieved	1 303			1 303
Total transactions with owners	**1 303**			**1 303**
Own funds 31 December 2016	**11 726**	**3 907**	**12 153**	**27 785**

Statement of Cash Flows

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOK MILLIONS	2017	2016
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Direct insurance premiums received	25 450	30 464
Reinsurance premiums paid	-3	-1
Direct insurance claims and benefits paid	-16 583	-15 606
Payments received on transfer	168	1 589
Payments made on transfer	-210	-122
Payments to other suppliers for products and services	-732	-844
Payments to staff, pension schemes, employer's social security contribution etc.	-525	-445
Interest paid	-308	-428
Interest received	7 773	7 704
Dividend and group contribution received	5 628	4 150
Tax and public charges paid	-12	-11
Receipts to the property business	40	71
Net receipts/payments of loans to customers etc.	-3 705	-2 465
Receipts on the sale of shares	3 551	5 629
Payments on the purchase of shares	-6 752	-7 610
Receipts on the sale of bonds and certificates	68 770	85 323
Payments on the purchase of bonds and certificates	-83 538	-108 207
Net cash flow from purchase/sale of other short-term securities	262	2 667
Net cash flows from operating activities	**-728**	**1 857**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments on the purchase of tangible fixed assets etc.	-49	-66
Net cash flows from investment activities	**-49**	**-66**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on repayments of subordinated loan capital	-668	-2 860
Receipts of owners' equity contributions	1 405	1 306
Payments on repayment of owners' equity contributions	-6	-3
Net cash flows from financing activities	**731**	**-1 557**
Net changes in cash and bank deposits	-45	233
Holdings of cash and bank deposits at start of period	887	654
Holdings of cash and bank deposits at end of period	**842**	**887**

Notes to the Accounts

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

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 in both 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 Eufemiasgate 10, Oslo.

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

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

The Company's annual financial statements for 2017 were adopted by the Companys' Board of Directors on March 21st 2018.

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. 1824 of 18 December 2015: "Regulations for annual accounts 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 properties valued at fair value through profit and loss
- Financial assets and liabilities (including derivatives) are value at fair value through profit and loss
- Ownership interest in subsidiaries and associated companies valued in accordance with the owners' equity method
- 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 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 Company

No IFRS/IFRC standards, changes or interpretations that came into effect during 2017 have been adopted that have had significant effect on the Company's accounts.

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, which covers the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting, with a new impairment model for financial assets. Financial assets are classified into three categories:
- Amortised cost
- Fair value with value changes through profit or loss

- Fair value with value changes through other comprehensive income

The measurement category is decided on initial recognition. Classification depends on the company's business model for managing its financial instruments and the characteristics of the individual instrument's cash flows. The standard will be effective from 2018. The provisions in IFRS 4 *Insurance Contracts* give companies/groups with insurance-dominated operations two alternative temporary exceptions from the new requirements in IFRS 9. The exceptions arise out of concerns that IFRS 9 comes into force before the new standard on insurance Contracts, IFRS 17.

Companies with insurance-dominated operations are allowed, but not obliged, to apply the current rules for financial instruments (IAS 39) when drawing up IFRS accounts for the financial years 2018, 2019 and 2020. To be regarded as an insurance-dominated undertaking, the requirement is that the insurance liability must constitute at least 90% of the total liabilities, or at least 80% on condition that the undertaking is not involved in significant activities that are not related to insurance. To calculate whether the condition is met, figures for 31.12.2016 should be used.

For KLP, 99.97 % of the business is considered to be related to insurance, so the criterion for applying temporary exceptions is fulfilled. This is shown in the table below.

Alternatively, Companies with insurance activities which wish to implement IFRS 9 may elect to reclassify items between profit and loss and other income and expenses (other comprehensive income) in accordance with the rules under IFRS 4.

On 19 September 2017 the Financial Supervisory Authority of Norway sent out a consultation note with a proposal for changes to the accounting rules for insurance companies and pension firms reporting to the Ministry of Finance. It is proposed that the current rules for accounting for financial instruments (IAS 39) should be retained for the company accounts up to and including the financial year 2020. KLP expects this to be adopted, and has therefore prepared itself for this regulation. If the rules should allow IFRS 9 to be used before 2020, the company will invoke the exception for implementation related to threshold values in IFRS 4 if the authorities allow this. This means that, for the financial years 2018, 2019 and 2020, the company will account for its financial assets and liabilities in line with the current rules for financial instruments (IAS 39).

- IFRS 16 *Leases* will result in almost all leases being reported on the financial position statement, as the difference between operating and financial leases has been removed. Under the new standard, the right to use a leased item is an asset and the obligation to pay rent is a liability that must be reported on the financial position statement. The exceptions are short-term leases of low value. The accounting treatment for lessors will not be significantly changed. The Company will begin applying the standard as of 2019. The changeover to IFRS 16 is not expected to have a significant impact on the Company's accounts, as the Company does not have any significant leases, owing to the fact that only small assets are leased.

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.

c) Changes in accounting principles/ adjustments from previous years

KLP has changed the principle for recognising the share of the profits from subsidiaries reported by the equity method. The profit share used to be reported as profit before tax; this now been changed to reporting as profit after tax. This is because the Company has started to capitalise deferred taxes. The change is limited to the subsidiaries in the corporate portfolio. In the financial statements, this is treated as a change of principle, and has an effect on equity of NOK 24 million.

2.1.2 Changes in financial statements in comparison with previous periods

No changes have been made to the financial statements compared to previous periods.

2.2 SUBSIDIARIES

All entities in which the Company has

INSURANCERELATED LIABILITIES

NOK MILLIONS	
Total subordinated loan capital etc.	7 870
Total insurance liabilities - contractual liabilities	450 194
Total insurance liabilities - special investment portfolio	2 181
Total provision for liabilities	474
Total other liabilities	8 001
Total insurancerelated liabilities	**468 721**
Total liabilities	**468 878**
Share of insurancerelated liabilities	99.97%

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 purchase 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.

2.3 CONSOLIDATED FINANCIAL STATEMENTS

KLP reports the group financial statements in accordance with the international accounting standards IFRS/IAS. The consolidated 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

The largest insurance risk for KLP is the risk of incorrect estimation of life expectancy. In determining the premium tariffs, KLP uses its own analyses of its policyholders and analyses of the entire Norwegian population. Uncertainty over future life expectancy, which is based on estimates far ahead in time, provides a similar risk of a charge against equity capital because of the need for higher provisions, to cover payment over a longer period of time.

There will also be insurance risk linked to disability, but this risk is considerably lower. Uncertainty in calculating probabilities of disability may, as with increased longevity, result in decreased profit for owners, but here there is more scope for adjusting premiums, given that disability pensions have a shorter time horizon for the payments.

Insurance risks linked to mortality are considerably lower and must be seen in relation to insurance risks related to longevity. Increased mortality will result in a negative risk result for the risk of death, but will be counterbalanced by a positive risk result for longevity. The insurance benefits for spouse and child pensions, which make up the risk result for death, are also considerably lower than the benefits for old-age pensions (longevity risk).

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 2009 - 2013. For the other risk elements, including longevity risk, the assumptions from the K2013 calculation base are used with the contingency margins set by the FSA of N. Disability and mortality risks are checked towards the tariffs every year to intercept changes in the risk picture.

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 430,000 would, for the various individual ages and genders, amount to the figures stated in the table below.

ANNUAL NET PREMIUM

MEN

AGE	30 years	45 years	60 years
Amount	18 522 NOK	31 664 NOK	39 577 NOK

WOMEN

AGE	30 years	45 years	60 years
Amount	23 759 NOK	37 694 NOK	42 953 NOK

In calculating technical provisions in the public sector occupational pensions, provisions are made for claims incurred but not finally settled. The provisions are set using statistical models.

For sensitivity analysis regarding insurance contracts, se note 7 section 7.14.

3.2 FAIR VALUE OF FINANCIAL ASSETS

The majority of the KLP's assets recognised at fair value through profit and loss are assets traded on an active market, so the market value can be determined with a high degree of confidence. In the case of the Group's pricing of unlisted securities, there will be uncertainty in this regard. This is especially true of securities which are priced on the basis of non-observable assumptions. Different valuation techniques are used to determine the fair value of these investments. 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.

3.3 SHARES AND HOLDINGS IN PROPERTY SUBSIDIARIES

The underlying values in shares and holdings in property subsidiaries are related to investments in property. See the Groups note 3 section 3.2 for more information of principles for valuation and sensitivity regarding property.

NOTE 4 Net income from financial instruments

2017 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	69	2 990	15	3 074
Profit/loss subsidiaries	296	2 486	12	2 794
Profit/loss associated enterprises and jointly controlled entities	0	88	0	88
Total income from investments in subsidiaries, associated enterprises and joint ventures	**364**	**5 565**	**27**	**5 956**
Interest banking	11	54	0	65
Interest financial derivatives	42	7	0	50
Interest bonds and other fixed-income securities	208	3 702	23	3 934
Total interest income financial instruments at fair value	**262**	**3 764**	**24**	**4 049**
Interest bonds amortized cost	395	5 052	32	5 479
Interest lending	0	1 237	0	1 237
Total interest income financial instruments at amortized cost	**395**	**6 289**	**32**	**6 716**
Dividend/interest shares and units	39	795	0	834
Other income and expenses	-5	24	1	19
Total net interest income and dividend etc. on financial assets	**690**	**10 871**	**56**	**11 618**
Value adjustment property	0	0	0	0
Rental income property	41	0	0	41
Total net income from investment property	**41**	**0**	**0**	**41**
Value changes shares and units	72	13 662	63	13 797
Value change bonds and other fixed-income securities	6	-728	0	-722
Value change financial derivatives	-115	395	1	281
Value change loans and receivables	28	-3	0	24
Total value change financial instruments at fair value	**-9**	**13 326**	**63**	**13 380**
Value change lending	0	124	0	124
Total value change financial instruments at amortized cost	**0**	**124**	**0**	**124**
Value change on subordinated loans and hybrid funds	-182	0	0	-182
Total value changes on investments	**-192**	**13 450**	**63**	**13 321**

NOTE 4 Net income from financial instruments - cont.

2017 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Realized shares and units	83	1 093	21	1 197
Realized bonds and other fixed-income securities	-5	486	0	482
Realized financial derivatives	2	-33	-5	-37
Realized loans and receivables	-44	3	1	-40
Total realized financial instruments at fair value	**35**	**1 550**	**18**	**1 603**
Realized bonds at amortized cost [1]	437	-609	0	-172
Realized loans at amortized cost [1]	0	0	0	0
Total realized financial instruments at amortized cost	**437**	**-609**	**0**	**-172**
Other financial costs and income	-114	-17	0	-131
Total realized gains and losses on investments	**358**	**924**	**18**	**1 299**
Total net income from investments	**1 261**	**30 810**	**164**	**32 235**

[1] Realized values on bonds and loans at amortized cost come from realized added/reduced values on foreign exchange.

2016 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	115	2 098	10	2 223
Profit/loss subsidiaries	414	2 503	12	2 930
Profit/loss associated enterprises and jointly controlled entities	0	14	0	14
Total income from investments in subsidiaries, associated enterprises and joint ventures	**529**	**4 616**	**23**	**5 167**
Interest banking	9	59	0	68
Interest financial derivatives	45	37	0	82
Interest bonds and other fixed-income securities	154	1 481	10	1 645
Total interest income financial instruments at fair value	**208**	**1 576**	**10**	**1 794**
Interest bonds amortized cost	366	4 882	30	5 279
Interest lending	0	1 213	0	1 213
Total interest income financial instruments at amortized cost	**366**	**6 095**	**30**	**6 492**
Dividend/interest shares and units	34	788	0	821
Other income and expenses	-2	-27	0	-29
Total net interest income and dividend etc. on financial assets	**605**	**8 432**	**41**	**9 078**
Value adjustment property	120	0	0	120
Rental income property	61	0	0	61
Total net income from investment property	**181**	**0**	**0**	**181**

NOTE 4 Net income from financial instruments - cont.

2016 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Value changes shares and units	49	6 573	45	6 667
Value change bonds and other fixed-income securities	36	-1 462	0	-1 426
Value change financial derivatives	32	2 102	0	2 134
Value change loans and receivables	38	-90	0	-52
Total value change financial instruments at fair value	**154**	**7 124**	**45**	**7 323**
Value change lending	0	-1 110	0	-1 110
Total value change financial instruments at amortized cost	**0**	**-1 110**	**0**	**-1 110**
Value change on subordinated loans and hybrid funds	746	0	0	746
Total value changes on investments	**901**	**6 014**	**45**	**6 960**
Realized shares and units	0	1 251	1	1 251
Realized bonds and other fixed-income securities	-27	445	0	419
Realized financial derivatives	2	3 599	19	3 620
Realized loans and receivables	-35	136	-1	99
Total realized financial instruments at fair value	**-61**	**5 431**	**18**	**5 388**
Realized bonds at amortized cost [1]	-343	-27	0	-370
Realized loans at amortized cost [1]	0	118	0	118
Total realized financial instruments at amortized cost	**-343**	**91**	**0**	**-252**
Other financial costs and income	-459	5	0	-453
Total realized gains and losses on investments	**-862**	**5 528**	**18**	**4 683**
Total net income from investments	**1 354**	**24 588**	**127**	**26 069**

[1] Realized values on bonds and loans at amortized cost come from realized added/reduced values on foreign exchange.

NOTE 5 Fair value of financial assets and liabilities

For information regarding pricing of financial assets and liabilities see note 6 Fair value of financial assets and liabilities in the consolidated financial statement.

31.12.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	566	652	5 570	6 190	20	21	6 156	6 864
Accrued not due interest	17	17	139	139	0	0	156	156
Foreign hold-to-maturity bonds	6 282	6 471	17 983	19 235	65	73	24 330	25 779
Accrued not due interest	41	41	254	254	1	1	297	297
Total investments held to maturity	**6 906**	**7 181**	**23 947**	**25 819**	**86**	**96**	**30 939**	**33 095**
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 248	3 388	33 790	36 255	180	197	37 219	39 840
Accrued not due interest	54	54	765	765	4	4	823	823
Foreign bonds	5 929	6 237	72 485	77 701	522	557	78 936	84 496
Accrued not due interest	96	96	1 334	1 334	10	10	1 440	1 440
Norwegian certificates	0	0	200	200	0	0	200	200
Accrued not due interest	0	0	0	0	0	0	0	0
Foreign certificates	0	0	200	200	0	0	200	200
Total bonds classified as loans and receivables	**9 327**	**9 776**	**108 774**	**116 455**	**716**	**768**	**118 817**	**126 999**
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 250	3 258	0	0	3 250	3 258
Lending with public sector guarantee	0	0	45 965	46 447	0	0	45 965	46 447
Loans abroad secured by mortgage and local government guarantee	0	0	7 794	7 837	0	0	7 794	7 837
Accrued not due interest	0	0	232	232	0	0	232	232
Total other loans and receivables	**0**	**0**	**57 241**	**57 774**	**0**	**0**	**57 241**	**57 774**
Total financial assets at amortized cost	**16 233**	**16 956**	**189 962**	**200 047**	**802**	**864**	**206 997**	**217 867**
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	527	527	6 299	6 299	0	0	6 826	6 826
Foreign shares	0	0	24 253	24 253	0	0	24 253	24 253
Total shares	**527**	**527**	**30 552**	**30 552**	**0**	**0**	**31 079**	**31 079**
Property funds	0	0	2 250	2 250	0	0	2 250	2 250
Norwegian equity funds	0	0	65 803	65 803	628	628	66 431	66 431
Foreign equity funds	0	0	10 129	10 129	0	0	10 129	10 129
Total equity fund units	**0**	**0**	**78 182**	**78 182**	**628**	**628**	**78 810**	**78 810**
Norwegian alternative investments	0	0	2 696	2 696	16	16	2 712	2 712
Foreign alternative investments	0	0	756	756	0	0	756	756
Total alternative investments	**0**	**0**	**3 452**	**3 452**	**16**	**16**	**3 468**	**3 468**
Total shares and units	**527**	**527**	**112 186**	**112 186**	**645**	**645**	**113 358**	**113 358**

NOTE 5 Fair value of financial assets and liabilities - cont.

31.12.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	6 029	6 029	33 634	33 634	0	0	39 663	39 663
Foreign bonds	161	161	19 923	19 923	0	0	20 084	20 084
Accrued not due interest	30	30	384	384	0	0	414	414
Norwegian fixed-income funds	2 243	2 243	50 067	50 067	603	603	52 914	52 914
Foreign fixed-income funds	0	0	13 485	13 485	0	0	13 485	13 485
Norwegian certificates	536	536	7 734	7 734	0	0	8 270	8 270
Accrued not due interest	2	2	6	6	0	0	8	8
Total bonds and other fixed-income securities	**9 002**	**9 002**	**125 233**	**125 233**	**603**	**603**	**134 838**	**134 838**
Norwegian loans and receivables	250	250	4 175	4 175	13	13	4 438	4 438
Foreign loans and receivables	689	689	3 394	3 394	22	22	4 105	4 105
Total loans and receivables	**939**	**939**	**7 569**	**7 569**	**35**	**35**	**8 542**	**8 542**
DERIVATIVES								
Interest rate swaps	527	527	221	221	0	0	748	748
Forward exchange contracts	0	0	346	346	0	0	347	347
Total financial derivatives classified as assets	**527**	**527**	**567**	**567**	**0**	**0**	**1 095**	**1 095**
Other financial assets	**0**	**0**	**713**	**713**	**0**	**0**	**713**	**713**
Total financial assets valued at fair value	**10 995**	**10 995**	**246 268**	**246 268**	**1 283**	**1 283**	**258 547**	**258 547**
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	629	629	0	0	629	629
Forward exchange contracts	0	0	2 755	2 755	11	11	2 767	2 767
Total financial derivatives classified as liabilities	**0**	**0**	**3 384**	**3 384**	**11**	**11**	**3 395**	**3 395**
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 977	6 849	0	0	0	0	5 977	6 849
Hybrid Tier 1 securities	1 534	1 463	0	0	0	0	1 534	1 463
Total subordinated loan capital etc.	**7 511**	**8 312**	**0**	**0**	**0**	**0**	**7 511**	**8 312**
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money [1]	0	0	0	0	0	0	0	0
Foerign call money [1]	618	618	60	60	0	0	678	678
Total liabilities to credit institutions	**618**	**618**	**60**	**60**	**0**	**0**	**679**	**679**

[1] Call money is collateral for paid/received margin related to derivatives

NOTE 5 Fair value of financial assets and liabilities - cont.

31.12.2016 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	557	642	7 388	8 108	41	43	7 986	8 793
Accrued not due interest	17	17	177	177	1	1	194	194
Foreign hold-to-maturity bonds	5 847	6 069	18 109	19 203	77	85	24 033	25 357
Accrued not due interest	39	39	253	253	1	1	294	294
Total investments held to maturity	**6 460**	**6 767**	**25 928**	**27 741**	**120**	**130**	**32 507**	**34 638**
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	2 241	2 380	28 956	31 501	167	185	31 364	34 066
Accrued not due interest	45	45	724	724	4	4	773	773
Foreign bonds	4 979	5 265	65 064	69 677	439	471	70 482	75 413
Accrued not due interest	83	83	1 190	1 190	8	8	1 282	1 282
Norwegian certificates	0	0	787	787	0	0	787	787
Accrued not due interest	0	0	3	3	0	0	3	3
Total bonds classified as loans and receivables	**7 349**	**7 774**	**96 724**	**103 882**	**618**	**667**	**104 691**	**112 323**
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	3 196	3 207	0	0	3 196	3 207
Lending with public sector guarantee	0	0	40 462	40 934	0	0	40 462	40 934
Loans abroad secured by mortgage and local government guarantee	0	0	9 068	9 106	0	0	9 068	9 106
Accrued not due interest	0	0	210	210	0	0	210	210
Total other loans and receivables	**0**	**0**	**52 936**	**53 457**	**0**	**0**	**52 936**	**53 457**
Total financial assets at amortized cost	**13 808**	**14 540**	**175 588**	**185 080**	**738**	**798**	**190 134**	**200 418**
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	434	434	6 019	6 019	0	0	6 453	6 453
Foreign shares	0	0	20 893	20 893	0	0	20 893	20 893
Total shares	**434**	**434**	**26 912**	**26 912**	**0**	**0**	**27 346**	**27 346**
Property funds	0	0	1 897	1 897	0	0	1 897	1 897
Norwegian equity funds	0	0	53 525	53 525	504	504	54 029	54 029
Foreign equity funds	0	0	8 197	8 197	0	0	8 197	8 197
Total equity fund units	**0**	**0**	**63 620**	**63 620**	**504**	**504**	**64 123**	**64 123**
Norwegian alternative investments	0	0	2 511	2 511	15	15	2 526	2 526
Foreign alternative investments	0	0	489	489	0	0	489	489
Total alternative investments	**0**	**0**	**3 000**	**3 000**	**15**	**15**	**3 015**	**3 015**
Total shares and units	**434**	**434**	**93 531**	**93 531**	**519**	**519**	**94 484**	**94 484**

NOTE 5 Fair value of financial assets and liabilities - cont.

31.12.2016 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	5 850	5 850	33 146	33 146	0	0	38 997	38 997
Foreign bonds	165	165	20 559	20 559	0	0	20 724	20 724
Accrued not due interest	36	36	397	397	0	0	432	432
Norwegian fixed-income funds	2 189	2 189	46 715	46 715	620	620	49 524	49 524
Foreign fixed-income funds	0	0	12 933	12 933	0	0	12 933	12 933
Norwegian certificates	689	689	9 650	9 650	0	0	10 338	10 338
Foreign certificates	0	0	161	161	0	0	161	161
Accrued not due interest	4	4	14	14	0	0	18	18
Total bonds and other fixed-income securities	**8 934**	**8 934**	**123 574**	**123 574**	**620**	**620**	**133 128**	**133 128**
Norwegian loans and receivables	640	640	4 280	4 280	11	11	4 931	4 931
Foreign loans and receivables	385	385	5 374	5 374	23	23	5 783	5 783
Total loans and receivables	**1 025**	**1 025**	**9 654**	**9 654**	**34**	**34**	**10 713**	**10 713**
DERIVATIVES								
Interest rate swaps	645	645	225	225	0	0	870	870
Forward exchange contracts	0	0	712	712	2	2	714	714
Total financial derivatives classified as assets	**645**	**645**	**937**	**937**	**2**	**2**	**1 584**	**1 584**
Other financial assets	**14**	**14**	**1 400**	**1 400**	**0**	**0**	**1 415**	**1 415**
Total financial assets valued at fair value	**11 052**	**11 052**	**229 097**	**229 097**	**1 174**	**1 174**	**241 323**	**241 323**
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	998	998	0	0	998	998
Forward exchange contracts	0	0	3 061	3 061	14	14	3 075	3 075
Total financial derivatives classified as liabilities	**0**	**0**	**4 059**	**4 059**	**14**	**14**	**4 074**	**4 074**
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	6 220	6 554	0	0	0	0	6 220	6 554
Hybrid Tier 1 securities	1 650	1 292	0	0	0	0	1 650	1 292
Total subordinated loan capital etc.	**7 870**	**7 846**	**0**	**0**	**0**	**0**	**7 870**	**7 846**
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money [1]	0	0	0	0	0	0	0	0
Foreign call money [1]	716	716	168	168	1	1	885	885
Total liabilities to credit institutions	**716**	**716**	**168**	**168**	**1**	**1**	**885**	**885**

[1] Call money is collateral for paid/received margin related to derivatives.

NOTE 6 Fair value hierarchy

31.12.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 291	6 711	0	9 002
Certificates	0	538	0	538
Bonds	48	6 173	0	6 221
Fixed-income funds	2 243	0	0	2 243
Loans and receivables	805	133	0	939
Shares and units	0	525	3	527
Shares	0	525	3	527
Financial derivatives	0	527	0	527
Other financial assets	0	0	0	0
Total corporate portfolio	**3 096**	**7 896**	**3**	**10 995**
COMMON PORTFOLIO				
Bonds and other fixed-income securities	85 593	39 640	0	125 233
Certificates	6 275	1 465	0	7 740
Bonds	15 766	38 175	0	53 941
Fixed-income funds	63 552	0	0	63 552
Loans and receivables	6 430	1 138	0	7 569
Shares and units	95 179	4 456	12 551	112 186
Shares	28 027	885	1 640	30 552
Equity funds	67 152	0	75	67 227
Property funds	0	119	2 131	2 250
Special funds	0	3 452	0	3 452
Private Equity	0	0	8 705	8 705
Financial derivatives	0	567	0	567
Other financial assets	0	713	0	713
Total common portfolio	**187 202**	**46 515**	**12 551**	**246 268**

NOTE 6 Fair value hierarchy - cont.

31.12.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	603	0	0	603
Fixed-income funds	603	0	0	603
Loans and receivables	35	0	0	35
Shares and units	628	16	0	645
Equity funds	628	0	0	628
Special funds	0	16	0	16
Financial derivatives	0	0	0	0
Other financial assets	0	0	0	0
Total investment option portfolio	**1 267**	**17**	**0**	**1 283**
Total financial assets valued at fair value	**191 565**	**54 428**	**12 553**	**258 547**
CORPORATE PORTFOLIO				
Investment property	0	0	1 003	1 003
Total investment property	**0**	**0**	**1 003**	**1 003**
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	618	0	0	618
Total corporate portfolio	**618**	**0**	**0**	**618**
COMMON PORTFOLIO				
Financial derivatives	0	3 384	0	3 384
Debt to credit institutions	60	0	0	60
Total common portfolio	**60**	**3 384**	**0**	**3 444**
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	11	0	11
Debt to credit institutions	0	0	0	0
Total investment option portfolio	**0**	**11**	**0**	**12**
Total financial liabilities at fair value	**679**	**3 395**	**0**	**4 074**

NOTE 6 Fair value hierarchy - cont.

31.12.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 242	6 692	0	8 934
Certificates	0	693	0	693
Bonds	53	5 998	0	6 051
Fixed-income funds	2 189	0	0	2 189
Loans and receivables	463	563	0	1 025
Shares and units	0	387	47	434
Shares	0	387	47	434
Financial derivatives	0	645	0	645
Other financial assets	0	14	0	14
Total corporate portfolio	**2 705**	**8 300**	**47**	**11 052**
COMMON PORTFOLIO				
Bonds and other fixed-income securities	82 018	41 557	0	123 574
Certificates	5 989	3 836	0	9 825
Bonds	16 380	37 721	0	54 101
Fixed-income funds	59 648	0	0	59 648
Loans and receivables	8 646	1 008	0	9 654
Shares and units	78 755	4 655	10 121	93 531
Shares	24 169	1 368	1 375	26 912
Equity funds	54 586	0	84	54 671
Property funds	0	287	1 610	1 897
Special funds	0	3 000	0	3 000
Private Equity	0	0	7 052	7 052
Financial derivatives	0	937	0	937
Other financial assets	0	1 400	0	1 400
Total common portfolio	**169 419**	**49 557**	**10 121**	**229 097**

NOTE 6 Fair value hierarchy - cont.

31.12.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	620	0	0	620
Fixed-income funds	620	0	0	620
Loans and receivables	34	0	0	34
Shares and units	504	15	0	519
Equity funds	504	0	0	504
Special funds	0	15	0	15
Financial derivatives	0	2	0	2
Other financial assets	0	0	0	0
Total investment option portfolio	**1 157**	**17**	**0**	**1 174**
Total financial assets valued at fair value	**173 280**	**57 875**	**10 168**	**241 323**
CORPORATE PORTFOLIO				
Investment property	0	0	1 003	1 003
Total investment property	**0**	**0**	**1 003**	**1 003**
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	716	0	0	716
Total corporate portfolio	**716**	**0**	**0**	**716**
COMMON PORTFOLIO				
Financial derivatives	0	4 059	0	4 059
Debt to credit institutions	168	0	0	168
Total common portfolio	**168**	**4 059**	**0**	**4 227**
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	14	0	14
Debt to credit institutions	1	0	0	1
Total investment option portfolio	**1**	**14**	**0**	**15**
Total financial liabilities at fair value	**885**	**4 073**	**0**	**4 958**

NOTE 6 Fair value hierarchy - cont.

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 31.12.2017	Book value 31.12.2016
Opening balance 01.01.	47	45
Sold	-84	0
Bought	3	0
Unrealised changes	37	2
Closing balance 31.12.	**3**	**47**
Realised gains/losses	83	0

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 31.12.2017	Book value 31.12.2016
Opening balance 01.01.	1 375	1 369
Sold	-19	-51
Bought	129	65
Unrealised changes	155	-7
Closing balance 31.12.	**1 640**	**1 375**
Realised gains/losses	-27	12

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 31.12.2017	Book value 31.12.2016
Opening balance 01.01.	84	76
Sold	-6	0
Bought	0	0
Unrealised changes	-3	9
Closing balance 31.12.	**75**	**84**
Realised gains/losses	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 31.12.2017	Book value 31.12.2016
Opening balance 01.01.	8 661	7 164
Sold	-1 621	-1 108
Bought	1 985	2 739
Unrealised changes	1 811	-133
Closing balance 31.12.	**10 837**	**8 661**
Realised gains/losses	389	326

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.12.2017	Book value 31.12.2016
Opening balance 01.01.	1 003	893
Sold	0	0
Bought	0	0
Unrealised changes	41	161
Other	-41	-52
Closing balance 31.12.	**1 003**	**1 003**
Realised gains/losses	-41	52
Total Level 3	**13 556**	**11 171**

NOTE 6 Fair value hierarchy - cont.

Unrealized changes are reflected in the line «Value changes on investments» in the different portfolios in the income statement.

The amounts in the level distribution can in turn be found in the financial position statement under various portfolios' allocation of financial instruments at fair value and investment property.

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

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

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

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

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

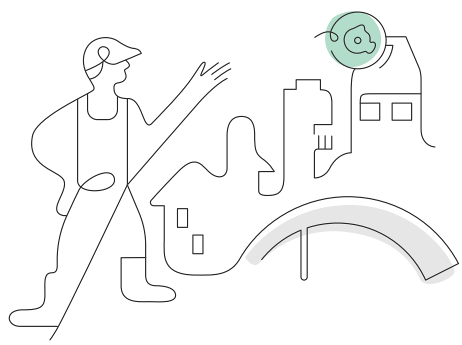
The fair value of assets and liabilities measured at amortized cost are stated in note 5. Level based classification of these items will be as follows; assets classified as held to maturity are included in level 1, lending and loans and receivables are included in level 2. Liabilities, measured at amortized cost, will be categorized as follows: subordinated loans are included in both level 1 and 2, hybrid tier 1 securities are included in level 2 and debt to credit institutions are included in level 1.

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in note 3 in the Group. On a general basis, a 5 percent change in the pricing would produce a change of NOK 678 million as of 31.12.2017.

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

During 2017 NOK 210 million has been moved from Level 1 to Level 2, and NOK 9,6 million from Level 2 to Level 1. The amount are related to equity instruments and are due to change in liquidity. There has also been moved NOK 10 million from level 3 to level 2. This was due to a unlisted security being listed. There has been no other movements between the different levels in 2017.



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. Entities outside the line organization monitor that the risk-taking is carried out within the authorizations the line has.

7.1 INSURANCE RISK

An insurance contract ia according to IFRS 4 defined as "A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". The uncertainty at the portfolio level is additionally affected by factors such as changes in law and court decisions. Insurance results will be more stable and predictable the more contracts there are in the portfolio.

The Company's insurance business is in the group pension sector. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas mortality/whole life risk is somewhat less weighty.

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

7.1.1 Insurance provisions

Insurance provisions are set at the level of expectation, with a supplement of contingency margins. In addition provisions are made in a risk equalization fund within group pensions to meet unexpected fluctuations in claim incidence.

For disability risk in the group pension sector, assumptions used are based on the Company's disability data from 2009 - 2013. For the other risk elements in group pension the assumptions from the K2013 calculation base are used with contingency margins in accordance with the minimum standard set by the FSA of N in 2013. 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 strengthened contingency margin because of significantly longer lifetime in these schemes.

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, involve a negative effect of NOK 189 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 an increase of NOK 1,272 million.

An immediate 10 per cent reduction in mortality would, with current numbers, mean a negative effect of NOK 179 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be an increase of NOK 8,734 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

NOTE 7 Risk management - cont.

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.

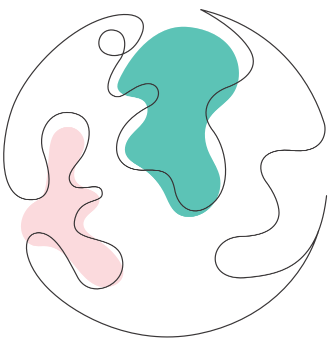
The need for liquidity in KLP is first and foremost associated with payments to pensioners and meeting current operating costs. Liquidity is also required for providing security in connection with currency and derivative trades. The KLP liquidity need is primarily satisfied by contractual receipts from customers. At all times the Company has a liquidity holding sufficient 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 liquid financial assets.

KLP's aims to have liquidity buffers corresponding to 3 months' liquidity needs. This is measured through the following ratio:

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 liabilities falling due within three months and other unknown requirements for liquidity within three months.

Not-called-in residual obligations of NOK 14,597 million comprise committed, not paid in sums against private equity property funds and approved lending that has not been paid out. In addition, KLP has given a NOK 2 million guarantee to a associated enterprise. 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. The market risk depends on how large an exposure there is to the various assets and on the volatility in the market prices. Developments in the Norwegian and international securities markets generally have major significance for KLP's results.

Risk of a fall in the value of various assets is the biggest financial risk in the short term. Of the risk in regard to assets, equity exposure is the largest financial risk factor, but also the market risk associated with interest, credit (spread) and property has a significant loss potential. KLP's interest rate risk associated with a prolonged low interest rate level is however limited. With the current formulation of the rules, technical provisions are not affected by changes in market interest rates. On the future transition to market value for the liabilities, annual pricing of the interest guarantee will mean the customers bear the risk of the interest rate level being lower than the basic interest rate. 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 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 for 2016 has been a 90 per cent hedging ratio with permitted fluctuations between 80 and 105 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 defined benchmarks relative to the index for each portfolio.

To reduce the risk of negative results from asset management the Company

NOTE 7 Risikostyring - forts.

uses CPPI rules for customer portfolios for daily monitoring the market risk. This strategy helps to ensure that the risk is adjusted to the Company's risk capacity. The CPPI rules gives a return profilewich fits the overall target to protect owners' equity and preserve the risk capacity over time.In addition KLP has a high proportion of long-term (hold-to-maturity) bonds and fixed-interest lending that contributes to stability in returns.

In KLP's asset management, derivatives are principally used for risk reduction for cost and time-effective implementation of changes in risk and for currency hedging.

CALCULATION OF SOLVENCY MARGIN (SCR RATIO)

The new European rules for calculation of solvency margin, SCR ratio, main target is to protect and ensure the interest of the insurance customers. Solvency II was introduced from 1 January 2016, and KLP performs quarterly calculations of the SCR ratio.

At the end of 2017 about 23 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.

The SCR ratio in 2017 was 242 per cent, which is higher than by the end of 2016 when the ratio was 209 percent. The ratio is well over the Company's target of at least 150 percent in 2017. The minimum target set by the authorities is 100 per cent.

The Company's' total eligible tier 1 capital is 33,5 billion. The solvency capital requirement, as described in note 32, is NOK 13,8 billion. The SCR ratio in 2017 was 242 per cent.

Several sensitivity analyses linked to solvency capital coverage have been carried out. Interest rate sensitivity is calculated at 9 percentage points in capital coverage per 50 basis points rate change. This may be considered low, at least compared to private occupational pensions, and is mainly due to the fact that public-sector occupation pensions avoid the problem of paid-up policies. A 25 per cent fall in the stock market reduces capital adequacy by something over 50 percentage points when the rules are taken into account. This is a significant drop, but the level of capital adequacy will still be above the level at which action has to be considered.

7.2.3 Credit- and concentration 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. Of the total credit exposure, 33 per cent are rated AA- or higher. If lending to municipal with assumed rating of AA, the total it 48 per cent.. KLP has a separate international government bonds portfolio that represented about 17 per cent of the portfolio of short-term bonds at the end of the year.

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 3.2 billion. The value of the mortgages 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.

KLP has limited concentration risk. Because no exposures exceed the threshold values defined in the Solvency II regulations, KLP has no capital requirements for concentration risk under the standard method. The way in which the fixed interest and equity portfolios are managed will generally help to limit concentration risk through extensive use of index management. KLP sets explicit limits for lending which restrict concentration on specific individuals and groups. Sector concentration is monitored via monthly and quarterly reporting.

Although the KLP's investments are well diversified, there is a clear preponderance of investments in Norway. This is a deliberate and a natural consequence of dealing mainly with public-sector occupational pensions.

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 amounts in the table are non-discounted contractual cash flows.

2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loans [1]	0	250	1 002	6 644	0	7 897
Hybrid Tier 1 securities [1]	0	60	238	298	1 466	2 062
Accounts payable	7	0	0	0	0	7
Liabilities to credit institutions	697	0	0	0	0	697
Contingent liabilities	14 597	0	0	0	0	14 597
Total	**15 301**	**310**	**1 240**	**6 942**	**1 466**	**25 259**
FINANCIAL DERIVATIVES						
Financial deriviatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	3 201	2 323	181	-78	-198	5 429
Total financial derivatives	**3 201**	**2 323**	**181**	**-78**	**-198**	**5 429**
Total	**18 501**	**2 633**	**1 422**	**6 864**	**1 269**	**30 689**

2016 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loans [1]	0	961	926	6 373	0	8 260
Hybrid Tier 1 securities [1]	0	63	251	313	1 567	2 194
Accounts payable	2	0	0	0	0	2
Liabilities to credit institutions	3 413	0	0	0	0	3 413
Contingent liabilities	13 319	0	0	0	0	13 319
Total	**16 734**	**1 023**	**1 177**	**6 687**	**1 567**	**27 187**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	3 476	1 469	848	-74	-254	5 465
Total financial derivatives	**3 476**	**1 469**	**848**	**-74**	**-254**	**5 465**
Total	**20 210**	**2 493**	**2 024**	**6 613**	**1 313**	**32 652**

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

NOTE 8 Liquidity risk - cont.

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

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

Asset composition in KLP's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning AS has the routine responsibility to report 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.

EXPECTED PAYMENT PROFILE PENSION OBLIGATIONS

2017 NOK MILLIONS									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	**16 405**	**69 319**	**111 282**	**279 431**	**319 360**	**291 726**	**201 466**	**147 412**	**1 436 400**

2016 NOK MILLIONS									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	**15 486**	**65 596**	**106 217**	**267 468**	**308 694**	**282 967**	**195 877**	**142 732**	**1 385 036**

The payment profile shows anticipated payment dates for KLP's future pension obligations and is based on non-discounted values.

The insurance liabilities in the accounts are discounted and show the present value at the end of the reporting period.

NOTE 9 Interest rate risk

2017 NOK MILLIONS	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	Over 10 years	Change in cash flows	Total
ASSETS							
Equity fund units [1]	-1	0	0	0	0	11	11
Alternative investments	55	0	0	0	0	28	83
Financial derivatives classified as assets	0	2	19	-78	-177	-40	-274
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-income securities	-44	-43	-424	-480	-548	299	-1 241
Fixed-income fund units	-3 622	0	0	0	0	36	-3 586
Loans and receivables	0	-3	0	0	0	87	84
Cash and deposit	0	0	0	0	0	9	9
Lending	0	0	0	0	0	350	350
Contingent liabilities [2]	0	0	0	0	0	37	37
Total assets	**-3 611**	**-44**	**-405**	**-558**	**-725**	**825**	**-4 519**
LIABILITIES							
Financial derivatives classified as liabilities	2	1	10	0	-6	7	13
Hybrid Tier 1 securities, subordinated loans	0	0	0	59	73	0	132
Liabilities to credit institutions	0	0	0	0	0	-25	-25
Total liabilities	**2**	**1**	**10**	**59**	**67**	**-19**	**119**
Total before taxes	**-3 609**	**-43**	**-396**	**-500**	**-659**	**806**	**-4 400**
Total after taxes	**-2 707**	**-32**	**-297**	**-375**	**-494**	**605**	**-3 300**

[1] Equity fund units 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 9 Interest rate risk - cont.

2016 NOK MILLIONS	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	Over 10 years	Change in cash flows	Total
ASSETS							
Equity fund units [1]	0	0	0	0	0	10	10
Alternative investments	-1	0	0	0	0	26	25
Financial derivatives classified as assets	1	-7	6	-102	-183	-45	-330
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-income securities	-41	-63	-435	-516	-521	242	-1 335
Fixed-income fund units	-3 360	0	0	0	0	35	-3 325
Loans and receivables	0	-3	0	0	0	95	91
Cash and deposit	0	0	0	0	0	7	7
Lending	0	0	0	0	0	254	254
Contingent liabilities [2]	0	0	0	0	0	60	60
Total assets	**-3 402**	**-73**	**-429**	**-618**	**-704**	**692**	**-4 534**
LIABILITIES							
Financial derivatives classified as liabilities	2	10	14	3	0	8	37
Hybrid Tier 1 securities, subordinated loans	0	0	0	69	81	0	150
Liabilities to credit institutions	0	0	0	0	0	-19	-19
Total liabilities	**2**	**10**	**14**	**72**	**81**	**-11**	**168**
Total before taxes	**-3 400**	**-62**	**-415**	**-546**	**-623**	**681**	**-4 366**
Total after taxes	**-2 550**	**-47**	**-312**	**-409**	**-467**	**511**	**-3 275**

[1] Equity fund units 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.

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 Company 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-income 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 Company has no fixed-income securities classified as available for sale.

Fixed rate assets, recognized at amortized cost, do not cause any effects in the income statement when the market rate changes. The same goes for issued debt with a fixed rate, measured at amortized cost.

Insurance contracts with a guaranteed return does not change the accounting value when interest rates change. Changes in interest rate has no impact on the guaranteed return, but will have an impact on the achieved returns to cover the return guarantee. This is because insurance funds partly invests in debt instruments whose cash flows contribute to cover the customers return guarantee.

NOTE 10 Currency risk

31.12.2017	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/ NOK	Assets	Liabilities	NOK
US dollar	10 259	-1 454	6 915	-14 109	8.18	17 174	-15 563	13 174
Euro	3 199	-279	1 743	-4 336	9.82	4 942	-4 615	3 212
Japanese yen	90 449	-190	63 794	-134 063	0.07	154 243	-134 253	1 451
Hong Kong dollar	2 556	0	944	-2 263	1.05	3 500	-2 263	1 295
Korean won	157 298	0	0	0	0.01	157 298	0	1 202
British Pound	1 343	-1	1 099	-2 337	11.06	2 442	-2 339	1 139
Canadian dollar	815	0	546	-1 198	6.53	1 361	-1 198	1 063
Swedish krone	13 493	0	10 511	-22 957	1.00	24 005	-22 957	1 047
Australian dollar	573	0	402	-826	6.40	975	-826	955
Taiwan new dollar	3 373	0	0	0	0.27	3 373	0	927
Indian rupi	5 301	0	0	0	0.13	5 301	0	679
South African rand	933	0	0	0	0.66	933	0	616
Swiss franc	248	0	220	-402	8.39	468	-402	558
Brazilian real	206	0	0	0	2.47	206	0	507
Other currencies								2 020
Total short-term foreign currency positions								**29 845**
Danish kroner	895	-70	0	0	1.32	895	-70	1 088
Japanese yen	16 113	-10 096	0	0	0.07	16 113	-10 096	437
Swedish krone	450	0	0	-450	1.00	450	-450	0
Canadian dollar	0	0	0	0	6.53	0	0	-2
US dollar	1 888	-98	0	-1 798	8.18	1 888	-1 896	-64
British Pound	27	0	0	-61	11.06	27	-61	-379
Euro	612	-615	0	-58	9.82	612	-673	-598
Total long-term foreign currency positions								**482**
Total pre-tax currency positions								**30 328**
Total currency positions after tax								**22 746**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions.
KLP exchange-rate hedges the majority of international exposure. The hedge efficiency of currency is 90 per cent and 95 per cent for 2017 and 2016.

NOTE 10 Currency risk - cont.

31.12.2016	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position
NOK MILLIONS/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/ NOK	Assets	Liabilities	NOK
US dollar	9 286	-665	9 271	-17 291	8.61	18 557	-17 956	5 170
Hong Kong dollar	1 663	-27	912	-1 384	1.11	2 575	-1 412	1 292
Swedish kroner	12 905	0	6 254	-17 870	0.95	19 159	-17 870	1 221
Euro	3 043	-183	2 638	-5 389	9.08	5 680	-5 572	984
Korean won	121 164	0	0	0	0.01	121 164	0	864
British Pund	1 306	0	1 180	-2 411	10.64	2 486	-2 411	796
Taiwan new dollar	2 868	0	0	0	0.27	2 868	0	766
Other currencies								4 913
Total short-term foreign currency positions								**15 240**
Danish kroner	534	0	1	-1	1.22	535	-1	652
Japanese yen	41 608	-29 499	0	-6 505	0.07	41 608	-36 005	414
US dollar	1 669	-103	0	-1 550	8.61	1 670	-1 654	139
British Pund	26	0	0	-50	10.64	26	-50	-254
Euro	601	-615	120	-154	9.08	721	-769	-437
Total long-term foreign currency positions								**514**
Total pre-tax currency positions								**15 754**
Total currency positions after tax								**11 815**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions.
KLP exchange-rate hedges the majority of international exposure. The hedge efficiency of currency is 90 per cent and 95 per cent for 2017 and 2016.

KLP currency-hedges the majority of investments made in foreign currency. Financial hedging of currency exposure is done through derivatives. In principle all of the 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 global markets, a somewhat lower hedging ratio is set in 2018. At 31 December 2017, the hedging ratio for equities in developed markets and the most liquid currencies in emerging markets was 70 per cent. This will decrease gradually through 2018 to 60%, with possible fluctuations between 80-50 percent. Other currencies, ie, less liquid currencies in developed markets and currencies in emerging markets with the exception of the most liquid currencies, are not currency hedged. The reason for this is that these currencies do not have a large enough market and / or liquidity that it is appropriate to hedge currency. This reduction in the hedging of shares, as well as unsecured foreign equity funds, increases the net positions in foreign currencies.

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 303 million. For 2016 the corresponding effect on income was NOK 158 million.

NOTE 11 Credit risk

31.12.2017 NOK MILLIONS	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	[1] Mortgage < 80%	[1] Mortgage >80%	Other	Total
Debt instruments held to maturity at amortized cost	28 731	0	0	0	0	0	2 207	30 939
Debt instruments classified as loans and receivables at amortized cost	90 446	0	6 170	100	0	0	22 101	118 817
Debt instruments at fair value - fixed income securities	48 208	0	3 859	4 866	0	0	11 506	68 440
Fixed-income funds short-term	0	0	6 041	0	0	0	61 682	67 723
Loans and receivables	8 401	0	0	141	0	0	0	8 542
Financial derivatives classified as assets	1 095	0	0	0	0	0	0	1 095
Cash and deposits	842	0	0	0	0	0	0	842
Lending	0	0	45 989	0	2 883	371	7 998	57 241
Total	**177 723**	**0**	**62 059**	**5 107**	**2 883**	**371**	**105 495**	**353 639**

[1] These two columns provide information on the proportion of mortgage loans with mortgage security within 80 % of base value and mortgage loans that exceed 80 % mortgage of base value.

SPECIFICATION OF INVESTMENT GRADE	AAA	AA	A	BBB	Total Invest-ment grade
Debt instruments held to maturity at amortized cost	12 356	3 984	8 686	3 705	28 731
Debt instruments classified as loans and receivables at amortized cost	15 844	18 667	43 245	12 690	90 446
Debt instruments at fair value - fixed income securities	30 015	4 692	12 377	1 123	48 208
Fixed-income funds short-term	0	0	0	0	0
Loans and receivables	0	3 822	4 580	0	8 401
Financial derivatives classified as assets	0	4	1 091	0	1 095
Cash and deposits	0	0	842	0	842
Lending	0	0	0	0	0
Total	**58 215**	**31 168**	**70 820**	**17 519**	**177 723**

NOTE 11 Credit risk – cont.

31.12.2016 NOK MILLIONS	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	[1] Mortgage < 80%	[1] Mortgage >80%	Other	Total
Debt instruments held to maturity at amortized cost	29 346	0	0	0	0	0	3 161	32 507
Debt instruments classified as loans and receivables at amortized cost	84 334	0	1 244	0	0	0	19 112	104 691
Debt instruments at fair value - fixed income securities	47 744	83	7 049	5 443	0	0	10 350	70 670
Fixed-income funds short-term	37 868	0	5 928	0	0	0	19 897	63 693
Loans and receivables	10 490	0	0	223	0	0	0	10 713
Financial derivatives classified as assets	1 584	0	0	0	0	0	0	1 584
Cash and deposits	887	0	0	0	0	0	0	887
Lending	0	0	41 114	0	2 717	484	8 621	52 936
Total	**212 254**	**83**	**55 336**	**5 666**	**2 717**	**484**	**61 141**	**337 681**

[1] These two columns provide information on the proportion of mortgage loans with mortgage security within 80 % of base value and mortgage loans that exceed 80 % mortgage of base value.

SPECIFICATION OF INVESTMENT GRADE	AAA	AA	A	BBB	Total Invest-ment grade
Debt instruments held to maturity at amortized cost	13 447	4 021	7 650	4 229	29 346
Debt instruments classified as loans and receivables at amortized cost	21 772	20 031	37 855	4 677	84 334
Debt instruments at fair value - fixed income securities	30 724	5 779	9 961	1 279	47 744
Fixed-income funds short-term	0	0	37 868	0	37 868
Loans and receivables	0	611	9 670	210	10 490
Financial derivatives classified as assets	0	153	1 431	0	1 584
Cash and deposits	0	0	887	0	887
Lending	0	0	0	0	0
Total	**65 943**	**30 595**	**105 321**	**10 394**	**212 254**

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 agencies' estimates of the level of credit worthiness of the various issuers of fixed-income securities. Assets that are not rated are placed in other categories that describe credit risk, for example sector and guarantees.

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

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.

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

NOTE 11 Credit risk – cont.

the highest creditworthiness. That which is classified as "Other" is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 105 billion on 31 December 2017. KLP has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the «Other» category. The main reason for the increase in "Other" compared with last year is that KLP no longer receive a rating on certain fixed income funds.

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).

NOK MILLIONS	31.12.2017	31.12.2016
TEN LARGEST COUNTERPARTIES		
Counterparty 1	8 112	8 921
Counterparty 2	8 060	8 551
Counterparty 3	6 323	6 769
Counterparty 4	5 191	4 904
Counterparty 5	4 922	4 698
Counterparty 6	4 698	4 510
Counterparty 7	3 595	4 487
Counterparty 8	3 091	3 456
Counterparty 9	3 043	3 043
Counterparty 10	3 032	3 041
Total	**50 067**	**52 381**

The table above shows the ten largest counterparties to which KLP has exposure. The amounts stated are book value. The majority of the ten largest counterparties are either finance institutions or counterparties covered by a public sector guarantee (central or local government guarantee).

PREMIUM RECEIVABLES AND RECEIVABLES IN CONNECTION WITH REINSURANCE

NOK MILLIONS	2017	2016
Premium receivables	673	486
Write-downs of premium receivables	0	0
Total	**672**	**486**

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 Company 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 that are subject to net settlement

31.12.2017 NOK MILLIONS				Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 095	0	1 095	-529	-677	0	3
Total	**1 095**	**0**	**1 095**	**-529**	**-677**	**0**	**3**
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	567	0	567	-528	-60	0	1
Total assets – corporate portfolio	527	0	527	0	-616	0	2
Total assets – investment option portfolio	0	0	0	0	0	0	0
Total	**1 095**	**0**	**1 095**	**-529**	**-677**	**0**	**3**
LIABILITIES							
Financial derivatives	3 395	0	3 395	-529	-695	-3 130	460
Total	**3 395**	**0**	**3 395**	**-529**	**-695**	**-3 130**	**460**
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	3 384	0	3 384	-528	-672	-3 130	457
Total liabilities – corporate portfolio	0	0	0	0	-2	0	0
Total liabilities – investment option portfolio	11	0	11	0	-21	0	3
Total	**3 395**	**0**	**3 395**	**-529**	**-695**	**-3 130**	**460**

31.12.2016 NOK MILLIONS				Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 584	0	1 584	-864	-792	0	22
Total	**1 584**	**0**	**1 584**	**-864**	**-792**	**0**	**22**
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	937	0	937	-862	-76	0	0
Total assets – corporate portfolio	645	0	645	0	-716	0	22
Total assets – investment option portfolio	2	0	2	-2	0	0	0
Total	**1 584**	**0**	**1 584**	**-864**	**-792**	**0**	**22**
LIABILITIES							
Financial derivatives	4 074	0	4 074	-864	-3 320	0	17
Total	**4 074**	**0**	**4 074**	**-864**	**-3 320**	**0**	**17**
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	4 059	0	4 059	-862	-3 308	0	15
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	14	0	14	-2	-12	0	1
Total	**4 074**	**0**	**4 074**	**-864**	**-3 320**	**0**	**17**

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

NOTE 13 Mortgage loans and other lending

NOK MILLIONS	Local government administration	State and local authority owned enterprises [1]	Private organizations and enterprises	Employees, pensioners and similar	Total 31.12.2017	Total 31.12.2016
Akershus	1 511	226	469	636	2 842	2 094
Aust-Agder	1 454	6	3	37	1 500	890
Buskerud	4 003	4 498	1 335	184	10 020	8 646
Finnmark	543	129	0	46	717	731
Hedmark	1 484	448	72	86	2 090	1 970
Hordaland	1 968	2 650	408	255	5 281	4 306
Møre og Romsdal	3 509	112	188	150	3 959	3 643
Nordland	1 908	110	33	119	2 170	1 806
Nord-Trøndelag	1 176	108	25	26	1 335	857
Oppland	1 482	77	7	91	1 656	1 320
Oslo	33	0	1 340	401	1 774	1 459
Rogaland	1 870	115	85	256	2 327	2 350
Sogn og Fjordane	1 263	2	82	43	1 390	1 409
Svalbard	75	0	0	0	75	22
Sør-Trøndelag	3 094	3	38	140	3 274	3 562
Telemark	733	112	582	52	1 480	1 439
Troms	1 516	64	165	146	1 891	1 730
Vest-Agder	968	32	7	52	1 059	1 030
Vestfold	2 036	148	56	219	2 459	2 384
Østfold	1 444	152	17	312	1 925	2 013
Foreign	0	0	7 794	0	7 794	9 068
Accrued interest	126	37	55	6	224	209
Total	**32 196**	**9 027**	**12 761**	**3 257**	**57 241**	**52 936**

[1] This category covers local authority business operations, as well as enterprises owned by central and local government.

In this table lending is broken down by county or sector. Sectors are based on Statistics Norway's sector codes.

KLP has a lending portfolio of high-quality, with limited credit risk and historically very low losses. KLP mainly 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 NOK 3.3 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 not of great importance since the loans are covered by public sector guarantee, which involves an extremely low counterparty risk.

NOTE 13 Mortgage loans and other lending - cont.

NOK MILLIONS	2017	2016
INDIVIDUAL WRITE-DOWNS ON LOANS AT AMORTIZED COST		
NUMBER OF LOANS	5	5
Total principal before write-downs	0.96	1.03
Write-downs	0.45	0.50
Total principal after write-downs	**0.51**	**0.53**
INDIVIDUAL WRITE-DOWNS		
Write-down on individual loans 01.01.	0.50	1.14
Known losses for the period where individual write-down has been carried out previously	0.00	-0.27
Write-down on individual loans for the period	0.09	0.31
Reversal of write-down on individual loans for the period	-0.14	-0.69
Write-down on individual loans	**0.45**	**0.50**
GROUP WRITE-DOWNS		
Write-down on group of loans 01.01.		0.00
Write-down on group of loans for the period		0.08
Write-down on group of loans 31.12.	**0.04**	**0.08**

LOANS OVERDUE, NOT WRITTEN DOWN

NOK MILLIONS	2017 Remaining debt	2016 Remaining debt
OVERDUE		
30-90 days	17	14
over 90 days	1	6
Total overdue loans	**18**	**20**

The numbers are absolute figures, the amounts are given in NOK million. Defaulted loans are loans measured at amortized cost. All write-downs are in regard to housing mortgage lending.

NOTE 14 Shares and holdings in subsidiaries, associated enterprises and jointly controlled entities

NOK MILLIONS	Organi-zation number	Hold-ing %	OE on first acquisition	Acqui-sition cost	Book value 31.12.16	Addi-tions/ dispos-als	Value adjust-ment	Profit/ loss share	Equity trans-action [1]	Divi-dend	Book value 31.12.17
SHARES IN THE CORPORATE PORTFOLIO PROPERTY SUBSIDIARIES											
KLP Huset AS Dronning Eufemiasgate 10 0191 Oslo	889828382	100 %	0.00	0.10	1 779.01	0.00	61.56	60.76	-70.80	0.00	1 830.53
Total shares and units in property subsidiaries in the corporate portfolio			**0.00**	**0.10**	**1 779.01**	**0.00**	**61.56**	**60.76**	**-70.80**	**0.00**	**1 830.53**
SHARES IN THE CORPORATE PORTFOLIO											
SUBSIDIARIES (EXCL. PROPERTY)											
KLP Skadeforsikring AS Dronning Eufemiasgate 10 0191 Oslo	970896856	100 %	58.67	78.67	1 769.89	0.00	0.00	141.33	-139.33	0.00	1 771.89
KLP Bedriftspensjon AS Dronning Eufemiasgate 10 0191 Oslo	990329389	100 %	50.00	50.00	307.82	0.00	0.00	-25.25	240.00	0.00	522.57
KLP Kapitalforvaltning AS Dronning Eufemiasgate 10 0191 Oslo	968437666	100 %	6.55	14.00	188.32	0.00	0.00	35.85	29.80	0.00	253.97
KLP Forsikringsservice AS Dronning Eufemiasgate 10 0191 Oslo	967696676	100 %	0.05	0.10	7.77	0.00	0.00	-0.64	0.28	0.00	7.41
KLP Bankholding AS Dronning Eufemiasgate 10 0191 Oslo	993749532	100 %	15.10	15.10	1 847.51	0.00	0.00	77.15	158.35	0.00	2 083.01
Total shares and units in subsidiaries (excl. property) in the corporate portfolio			**130.37**	**157.87**	**4 121.31**	**0.00**	**0.00**	**228.44**	**289.09**	**0.00**	**4 638.84**
ASSOCIATED ENTERPRISES IN THE CORPORATE PORTFOLIO											
Norsk Pensjon AS Hansteens gate 2 0253 Oslo	890050212	25 %	20.00	2.50	3.98	0.00	0.00	0.15	-2.50	0.00	1.64
Fylkeshuset AS, Molde Fylkeshuset 6404 Molde	930591114	48 %	0.10	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.05
Total shares and units in associated enterprises in the corporate portfolio			**20.10**	**2.55**	**4.03**	**0.00**	**0.00**	**0.15**	**-2.50**	**0.00**	**1.68**
Total shares and units in other subsidi-aries, associated enterprises and jointly controlled entities in the corporate portfolio			**150.47**	**160.41**	**4 125.34**	**0.00**	**0.00**	**228.59**	**286.59**	**0.00**	**4 640.53**
Total subsidiaries, associated enterpris-es and jointly controlled entities			**150.47**	**160.51**	**5 904.35**	**0.00**	**61.56**	**289.36**	**215.79**	**0.00**	**6 471.06**

[1] The column equity transaction include group contribution

NOTE 14 Shares and holdings in subsidiaries, associated enterprises and jointly controlled entities - cont.

NOK MILLIONS	Organization number	Holding %	OE on first acquisition	Acquisition cost	Book value 31.12.16	Additions/ disposals	Value adjustment	Profit/ loss share	Equity transaction [1]	Dividend	Book value 31.12.17
PROPERTY SUBSIDIARIES											
SHARES IN THE COMMON AND INVESTMENT OPTION PORTFOLIOS											
KLP Eiendom AS Dronning Eufemiasgate 10 0191 Oslo	988394750	100 %	0.10	0.14	55 348.64	0.00	3 005.07	2 498.17	-1 957.01	0.00	58 894.87
Total shares and units in property subsidiaries in the common and investment option portfolios			**0.10**	**0.14**	**55 348.64**	**0.00**	**3 005.07**	**2 498.17**	**-1 957.01**	**0.00**	**58 894.87**
SUBSIDIARIES IN THE COMMON PORTFOLIO											
CI III GP II ApS Nørregade 21 1165 København K. Denmark		100 %	0.06	0.15	0.00	0.15	0.01	0.00	0.00	0.00	0.16
Total shares and units in subsidiaries in the common portfolio			**0.06**	**0.15**	**0.00**	**0.15**	**0.01**	**0.00**	**0.00**	**0.00**	**0.16**
JOINTLY CONTROLLED ENTITIES IN THE COMMON PORTFOLIO											
KLP Norfund Investments IS Fridtjof Nansens plass 4 0160 OSLO	999548636	49 %	0.10	288.12	257.68	80.73	56.85	0.00	0.00	-14.78	380.47
Total shares and units in jointly controlled entities in the common portfolio			**0.10**	**288.12**	**257.68**	**80.73**	**56.85**	**0.00**	**0.00**	**-14.78**	**380.47**
ASSOCIATED ENTERPRISES IN THE COMMON PORTFOLIO											
Norfinance AS Fridtjof Nansens plass 4 0160 OSLO	912764729	46.5 %	92.30	319.03	269.85	89.41	31.43	0.00	0.00	0.00	390.68
Copenhagen Infrastructure III GP APS Nørregade 21 1165 København K. Denmark		33.3 %	0.02	0.02	0.00	0.02	0.00	0.00	0.00	0.00	0.02
Total shares and units in associated enterprises in the common portfolio			**92.32**	**319.05**	**269.85**	**89.43**	**31.43**	**0.00**	**0.00**	**0.00**	**390.71**
Total shares and units in other subsidiaries, associated enterprises and jointly controlled entities in the common portfolio			**92.42**	**607.17**	**527.53**	**170.15**	**88.28**	**0.00**	**0.00**	**-14.78**	**771.34**

[1] The column equity transaction include group contribution

All shares and other holdings have equal voting proportions.

NOTE 15 Shares and equity fund units

NOK MILLIONS	Organization number	Volume	Market value
NORWAY			
BETONMASTHÆHRE	989 467 263	33 400	12
NORDIC CREDIT RATING AS	911 721 287	10 000	3
TOTAL, UNSPECIFIED			**15**
EUROPRIS ASA	997 639 588	2 172 767	72
KONGSBERG AUTOMOTIVE ASA	942 593 821	11 029 516	130
SCHIBSTED	933 739 384	68 666	16
SCHIBSTED ASA-B SHS	933 739 384	363 630	79
XXL ASA	995 306 158	1 187 931	101
TOTAL, UNSPECIFIED			**398**
ARCUS ASA	987 470 569	809 707	38
AUSTEVOLL SEAFOOD ASA	929 975 200	272 501	19
LEROY SEAFOOD GROUP ASA	975 350 940	1 769 519	69
MARINE HARVEST	964 118 191	1 594 471	221
ORKLA	910 747 711	2 549 541	222
SALMAR ASA	960 514 718	16 217	4
TOTAL, CONSUMER GOODS			**573**
2VK INVEST AS	986 977 376	2 690 000	1
AKER BP ASA	989 795 848	850 000	202
AKER SOLUTIONS HOLDING ASA	913 748 174	1 117 279	52
BONHEUR ASA	830 357 432	404 040	36
OCEAN YIELD ASA	991 844 562	127 449	9
ODFJELL DRILLING LTD	984 669 151	300 000	11
PANORO ENERGY ASA	994 051 067	1 297 551	11
PETROLEUM GEO-SERVICES	916 235 291	363 661	9
READ WELL SERVICES HOLDING (a-aksje) AS	995 280 221	113 939	1
READ WELL SERVICES HOLDING (b-aksje) AS	995 280 221	990 546	11
STATOIL ASA	923 609 016	3 775 953	662
TOTAL, ENERGY			**1 005**
ABG SUNDAL COLLIER HOLDING ASA	961 095 026	475 000	6
AKER ASA-A SHARES	886 581 432	333 110	134
DNB ASA	981 276 957	3 179 713	484
GJENSIDIGE FORSIKRING ASA	995 568 217	12 485	2
NORDIC MICROFINANCE INITIATIVE	993 147 044	6 124 367	9
NORWEGIAN FINANCE HOLDING AS	991 281 924	450 000	41
NORWEGIAN MICROFINANCE INITIATIVE	917 763 399	8 118 127	12
OSLO BORS VPS HOLDING ASA	983 268 617	4 300 200	525
STOREBRAND ASA	916 300 484	2 850 000	191
TOTAL, FINANCIAL			**1 403**
BERGENBIO ASA	992 219 688	946 919	20
NORDIC NANOVECTOR ASA	994 297 422	122 935	10
PHOTOCURE	967 598 593	948 789	26
REDCORD AS	960 304 977	7 100	0
TARGOVAX AS	996 162 095	802 252	13
TOTAL, HEALTHCARE			**69**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organization number	Volume	Market value
MASTER MARINE AS	879 342 732	2 596 133	0
MPC CONTAINER SHIPS AS	918 494 316	740 000	38
NORWEGIAN AIR SHUTTLE AS	965 920 358	183 573	43
ODFJELL ASA	930 192 503	283 135	9
WALLENIUS WILHELMSEN LOGISTI	995 216 604	501 926	24
WILH. WILHELMSEN HOLDING ASA	995 277 905	197 906	49
WILH. WILHELMSEN HOLDING ASA-B AKSJE	995 277 905	13 570	3
TOTAL, INDUSTRY			**165**
EVRY AS	934 382 404	960 000	31
HIDDN SOLUTIONS ASA	979 867 654	43 907	0
IDEX ASA	976 846 923	430 987	3
LINK MOBILITY GROUP ASA	984 066 910	215 908	31
NEXT BIOMETRICS GROUP AS	982 904 420	10 820	1
NORDIC SEMICONDUCTOR ASA	966 011 726	3 439 542	144
OTELLO CORP ASA	974 529 459	721 192	19
Q FREE ASA	935 487 242	4 137 333	33
THIN FILM ELECTRONICS ASA	889 186 232	407 363	1
TOTAL, IT			**263**
MAGSEIS AS	994 547 852	1 668 780	28
NORSK HYDRO ASA	914 778 271	4 469 126	279
YARA INTERNATIONAL ASA	986 228 608	936 484	353
TOTAL, RAW MATERIALS			**659**
OLAV THON EIENDO	914 594 685	119 700	20
TOTAL, PROPERTY			**20**
TELENOR	982 463 718	2 249 896	396
TOTAL, TELECOM			**396**
LOFOTKRAFT AS	986 347 801	10 290	116
RINGERIKS-KRAFT AS	976 957 628	150	195
TRONDER ENERGI AS	980 417 824	1 153 846	738
TRONDER ENERGI NETT AS	978 631 029	900 000	86
TUSSA KRAFT AS	916 929 641	454	417
TOTAL, DISTRIBUTION			**1 552**
TOTAL NORWAY			**6 516**
FOREIGN			
ATLANTICA TENDER DRILLING LT		4 709 536	10
BANK OF IRELAND GROUP PLC		57 285	4
BGP HOLDINGS		1 374 296	0
DELPHI TECHNOLOGIES PLC		7 003	3
NORVESTOR HOLDING AS / CRAYON		5 200 000	40
TOTAL, UNSPECIFIED			**58**
21ST CENTURY FOX B		28 492	8
ABC-MART INC		2 200	1
ACCOR		13 675	6
ADIDAS		14 034	23
ADVANCE AUTO PARTS		6 100	5

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
AISIN SEIKI CO	12 600	6
ALTICE NV - A	23 644	2
AMAZON.COM	29 779	285
ARAMARK	20 000	7
ARISTOCRAT LEISURE	50 433	8
ASICS CORP	11 600	2
AUTOLIV INC	5 700	6
ARISTOCRAT LEISURE	50 433	8
ASICS CORP	11 600	2
AUTOLIV INC	5 700	6
AUTONATION	4 600	2
AUTOZONE	2 255	13
AXEL SPRINGER AG	2 859	2
BARRATT DEVELOPMENTS	65 931	5
BMW STAMM	24 578	21
BMW VORZUG	3 485	3
BRITISH SKY BROADCASTING	70 713	8
BURBERRY GROUP	29 812	6
CANADIAN TIRE CORP A	4 900	5
CARMAX	13 300	7
CARNIVAL CORP	29 603	16
CARNIVAL PLC(P AND O PRINCES	16 820	9
CARPHONE WAREHOUSE GROUP PLC	62 951	1
CASIO COMPUTER CO	11 200	1
CBS CORP B	31 129	15
CHARTER COMMUNICATIONS INC-A	13 112	36
CHIPOTLE MEXICAN GRILL INC	2 000	5
COMCAST CORP A (NEW)	352 916	116
RICHEMONT (FIN) UNIT A	39 807	30
MICHELIN	13 182	15
COMPASS GROUP	111 826	20
CONTINENTAL	8 508	19
CROWN LTD	27 117	2
D.R. HORTON	27 600	12
DAIMLERCHRYSLER	72 223	50
DARDEN RESTAURANTS	10 700	8
DELPHI AUTOMOTIVE PLC	21 009	15
DENSO CORP	35 700	18
DENTSU	18 300	6
DISCOVERY COMMUNICATIONS-A	9 300	2
DISCOVERY COMMUNICATIONS-C	18 900	3
DISH NETWORK CORP	14 800	6
DOLLAR GENERAL CORP	21 262	16
DOLLAR TREE INC	16 251	14
DOLLARAMA INC	8 200	8
DOMINO'S PIZZA ENTERPRISES L	4 300	1
DOMINO'S PIZZA INC	3 470	5

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
DON QUIJOTE CO LTD	8 800	4
DUFRY AG-REG	3 976	5
ELECTROLUX B	16 302	4
EUTELSAT COMMUNICATIONS	12 529	2
EXPEDIA	8 750	9
FAST RETAILING CO	4 200	14
FERRARI NV	10 934	9
FIAT CHRYSLER AUTOMOBILES NV	80 827	12
FLIGHT CENTRE LTD	1 856	1
FORD MOTOR CO	266 508	27
FUJI HEAVY INDUSTRIES	43 000	11
GALAXY ENTERTAINMENT GRP	191 000	13
GAP	16 001	4
GARMIN	7 500	4
GENERAL MOTORS CO	103 789	35
GENTING SINGAPORE PLC	421 300	3
GENUINE PARTS CO	9 875	8
GILDAN ACTIVEWEAR	15 100	4
GKN PLC	162 815	6
HENNES & MAURITZ B	66 717	11
BLOCK (H&R)	14 935	3
HAKUHODO DY HOLDINGS	13 200	1
HANESBRANDS INC	26 000	4
HARLEY-DAVIDSON	13 244	6
HARVEY NORMAN HOLDINGS	46 477	1
HASBRO	7 400	6
HERMES INTERNATIONAL	2 343	10
HIKARI TSUSHIN INC	1 400	2
HILTON WORLDWIDE HOLDINGS IN	13 933	9
HOME DEPOT	90 728	141
HONDA MOTOR CO	129 200	36
HUGO BOSS-PFD	4 348	3
HUSQVARNA B	33 815	3
I-CABLE COMMUNICATIONS LTD	116 932	0
IIDA GROUP HOLDINGS CO LTD	10 500	2
INDITEX	81 288	23
INTERCONTINENTAL HOTELS	12 520	7
INTERPUBLIC GROUP OF COS	27 400	5
ISETAN CO	23 200	2
ISUZU MOTORS	39 500	5
ITV	248 691	5
J FRONT RETAILING CO LTD	14 700	2
JARDINE CYCLE & CARRIAGE	8 888	2
JC DECAUX INTERNATIONAL	4 481	1
KINGFISHER	151 621	6
KOHLS CORP	13 194	6
KOITO MFG	6 800	4

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
LIMITED BRANDS	18 116	9
LAGARDERE	9 329	2
LAS VEGAS SANDS CORP	32 601	19
LEAR CORP	5 100	7
LEGGETT & PLATT	8 800	3
LENNAR CORP - B SHS	232	0
LENNAR CORP-A	11 600	6
LI & FUNG LTD	340 920	2
LIBERTY BROADBAND-C	8 000	6
LIBERTY GLOBAL A	15 535	5
LIBERTY GLOBAL C	47 432	13
LIBERTY INTERACTIVE A	28 859	6
LIBERTY SIRIUS GROUP-C	13 500	4
LIBERTY SIRIUSXM GROUP	6 000	2
LINAMAR CORP	3 100	1
LKQ CORP	20 200	7
LOWE'S COS	64 799	49
LULULEMON ATHLETICA INC	7 300	5
LUXOTTICA GROUP	11 207	6
LVMH	20 819	50
MACY'S	21 656	4
MAGNA INTERNATIONAL A	27 288	13
MARKS & SPENCER GROUP	136 770	5
MARRIOTT INT'L A	25 710	29
MARUI GROUP CO LTD	13 400	2
MATTEL	22 176	3
MAZDA MOTOR CORP	49 700	5
MCDONALD'S CORP	63 949	90
MCDONALD'S HOLDINGS CO JAPAN	4 500	2
MELCO RESORTS & ENTERT-ADR	20 900	5
MERLIN ENTERTAINME	44 455	2
MGM CHINA HOLDINGS LTD	79 600	2
MGM RESORTS INTERNATIONAL	35 600	10
MICHAEL KORS HOLDINGS LTD	12 600	6
MITSUBISHI MOTORS CORP	40 000	2
MOHAWK INDUSTRIES	5 200	12
NAMCO BANDAI HOLDINGS	18 300	5
NETFLIX INC	32 396	51
NEWELL RUBBERMAID	32 518	8
NEWS CORP - CLASS A	24 545	3
NEXT	12 128	6
NGK SPARK PLUG CO	11 300	2
NIKE B	99 872	51
NIKON CORP	25 200	4
NISSAN MOTOR CO	178 500	15
NITORI CO	6 700	8
NOK CORP	6 600	1

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
NOKIAN RENKAAT	6 369	2
NORDSTROM	9 500	4
NORWEGIAN CRUISE LINE HOLDIN	13 100	6
NVR INC	250	7
OMNICOM GROUP	17 616	10
O'REILLY AUTOMOTIVE INC	7 006	14
ORIENTAL LAND CO	16 000	12
PADDY POWER BETFAIR PLC	6 662	6
PANASONIC CORP	161 000	19
PANDORA A/S	7 688	7
PEARSON	54 518	4
PERSIMMON PLC	27 246	8
PEUGEOT SA	30 564	5
POLARIS INDUSTRIES INC	4 200	4
PORSCHE AUTOMOBIL HOLDING SE	9 967	7
PPR	5 476	21
PRICELINE.COM	3 611	51
PROSIEBEN SAT.1 MEDIA AG-PFD	20 227	6
PUBLICIS GROUPE	16 115	9
PULTE GROUP INC	17 566	5
PVH CORP	5 500	6
RAKUTEN	77 900	6
RALPH LAUREN CORP	4 000	3
RENAULT	14 226	12
RESTAURANT BRANDS INTERN	17 948	9
RINNAI CORP	1 900	1
ROSS STORES	29 427	19
ROYAL CARIBBEAN CRUISES	13 308	13
RTL GROUP	2 367	2
RYOHIN KEIKAKU CO LTD	2 300	6
SANDS CHINA LTD	160 800	7
SANKYO CO (6417)	4 300	1
SCHAEFFLER AG	10 720	2
SCRIPPS NETWORKS INTER-CL A	4 500	3
SEB SA	1 800	3
SEGA SAMMY HOLDINGS	10 400	1
SEKISUI CHEMICAL CO	24 900	4
SEKISUI HOUSE	51 600	8
SES A-FDR	30 445	4
SHANGRI-LA ASIA	106 000	2
SHARP CORP	10 000	3
SHAW COMMUNICATIONS B	27 663	5
SHIMAMURA CO	1 500	1
SHIMANO	6 200	7
SINGAPORE PRESS HLDG	95 550	2
SIRIUS XM RADIO INC	158 300	7
SJM HOLDINGS LTD	163 000	1

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SODEXHO ALLIANCE	6 266	7
SONY CORP	93 700	35
STANLEY ELECTRIC CO	8 400	3
STARBUCKS CORP	108 601	51
START TODAY CO LTD	12 300	3
SUMITOMO ELECTRIC IND	64 700	9
SUMITOMO RUBBER IND	13 200	2
SUZUKI MOTOR CORP	26 400	13
TABCORP HOLDINGS	128 005	5
TAKASHIMAYA CO	14 000	1
TAPESTRY INC	18 300	7
TARGET CORP	39 911	21
TAYLOR WIMPEY	209 265	5
TECHTRONIC INDUSTRIES CO	87 000	5
TELENET GROUP HOLDING NV	3 821	2
TESLA MOTORS INC	9 500	24
GOODYEAR TIRE & RUBBER	17 800	5
SWATCH GROUP INH	2 034	7
SWATCH GROUP NAM	3 731	2
TIFFANY & CO	8 300	7
TIME WARNER	56 954	43
TJX COS	48 111	30
TOHO CO	8 100	2
TOLL BROTHERS	11 000	4
TOYODA GOSEI CO	6 200	1
TOYOTA INDUSTRIES CORP	10 800	6
TOYOTA MOTOR CORP	194 991	102
TRACTOR SUPPLY COMPANY	8 700	5
TRIPADVISOR INC	7 800	2
TUI AG-DI	30 018	5
TWENTY-FIRST CENTURY FOX	84 727	24
ULTA BEAUTY INC	4 100	8
UNDER ARMOUR INC-CLASS A	11 800	1
UNDER ARMOUR INC-CLASS C	11 883	1
USS CO	15 900	3
VAIL RESORTS INC	2 500	4
VALEO SA	16 974	10
VF CORP	24 700	15
VIACOM B (NEW)	27 177	7
VIVENDI	78 442	17
VOLKSWAGEN VORZUG	13 559	22
VOLKSWAGEN STAMM	2 394	4
DISNEY (WALT)	115 054	101
WHIRLPOOL CORP	5 140	7
WHITBREAD	16 550	7
WPP PLC	99 103	15
YAMADA DENKI CO	38 500	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
YAMAHA CORP	12 700	4
YAMAHA MOTOR CO	27 400	7
YOKOHAMA RUBBER CO LTD	8 000	2
YUE YUEN INDUSTRIAL	53 500	2
YUM BRANDS	29 382	20
ZALANDO SE	10 677	5
TOTAL, CONSUMER DISCRETIONARY		**3 010**
AEON CO	60 200	8
AJINOMOTO CO	56 100	9
ALIMENTATION COUCHE-T. B	35 717	15
ANHEUSER-BUSCH INBEV SA/NV	79 435	73
ARCHER-DANIELS-MIDLAND	56 121	18
ASAHI GROUP HOLDINGS LTD	40 100	16
ASSOCIATED BRITISH FOODS	34 480	11
BARRY CALLEBAUT AG-REG	182	3
BEIERSDORF	6 699	6
BROWN-FORMAN CORP B	23 292	13
BUNGE	15 700	9
CALBEE INC	5 400	1
CAMPBELL SOUP CO (US)	20 348	8
CARLSBERG B	11 385	11
CARREFOUR	51 726	9
CASINO ORD	4 730	2
LINDT AND SPRUENGLI NAMEN	9	5
LINDT & SPRUENGLI PART	121	6
CHURCH & DWIGHT CO INC	16 800	7
COCA-COLA AMATIL	73 196	4
COCA-COLA EUROPEAN PARTNERS	18 700	6
COCA-COLA HBC AG-CDI	16 546	4
COCA-COLA WEST COMPANY LIMITED	14 000	4
COLGATE-PALMOLIVE	60 659	37
CONAGRA FOODS INC	41 339	13
CONSTELLATION BRANDS A	17 300	32
COSTCO WHOLESALE CORP	39 806	61
COTY INC-CL A	30 000	5
CVS/CAREMARK	94 277	56
DANONE	62 446	43
DIAGEO	263 472	79
DISTRIBUIDORA INTERNACIONAL	47 801	2
DR PEPPER SNAPPLE GROUP-W/I	18 055	14
EMPIRE CO LTD 'A'	12 900	2
ESSITY AKTIEBOLAG-B	44 938	10
ESTEE LAUDER COS A	16 428	17
COLRUYT	5 739	2
FAMILYMART CO	7 900	5
GENERAL MILLS	58 230	28
WESTON (GEORGE)	3 900	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
GOLDEN AGRI-RESOURCES LTD	492 400	1
HEINEKEN HOLDING	11 642	9
HEINEKEN NV	24 852	21
HENKEL AG & CO KGAA	12 553	14
HENKEL AG & CO KGAA	8 646	8
HERSHEY CO (THE)	15 200	14
HORMEL FOODS CORP	31 300	9
ICA GRUPPEN AB	6 302	2
INGREDION INC	7 100	8
SAINSBURY (J)	174 012	5
J.M.SMUCKER	12 200	12
JEAN COUTU GROUP INC-CLASS A	3 700	1
JERONIMO MARTINS SGPS	20 713	3
KAO CORP	35 500	20
KELLOGG CO	28 800	16
KERRY GROUP A	16 118	15
KIKKOMAN CORP	13 000	4
KIMBERLY-CLARK CORP	26 423	26
KIRIN HOLDINGS CO	84 600	17
AHOLD (KON.)	113 909	20
KOSE CORP	2 000	3
KRAFT HEINZ CO/THE	62 496	40
KROGER CO	85 776	19
LAWSON	6 000	3
LION CORP	17 000	3
LOBLAW COMPANIES LTD	20 737	9
LOREAL	18 910	34
MCCORMICK & CO NV	11 521	10
MEIJI HOLDINGS CO LTD	13 600	9
METRO A	23 307	6
METRO WHOLESALE & FOOD SPECI	14 240	2
MOLSON COORS BREWING B	20 600	14
KRAFT FOODS A	155 249	54
MONSTER BEVERAGE CORP	41 487	21
NESTLE	319 508	225
NIPPON MEAT PACKERS	15 200	3
NISSHIN SEIFUN GROUP	20 105	3
NISSIN FOODS HOLDINGS CO LTD	5 900	4
PEPSICO	146 141	143
PERNOD RICARD	21 775	28
POLA ORBIS HOLDINGS INC	6 000	2
PROCTER & GAMBLE CO	187 435	141
RECKITT BENCKISER GROUP PLC	48 378	37
REMY COINTREAU	2 936	3
SAPUTO	28 200	8
SEVEN AND I HOLDINGS CO	66 240	23
SHISEIDO CO	32 800	13

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SPECTRUM BRANDS HOLDINGS INC	1 800	2
SUNDRUG CO LTD	4 400	2
SUNTORY BEVERAGE & FOOD LTD	17 200	6
SYSCO CORP	48 467	24
TESCO	795 328	18
CLOROX CO	9 618	12
COCA-COLA CO	420 266	158
TOYO SUISAN KAISHA	11 700	4
TREASURY WINE ESTATES LTD	71 159	7
TSURUHA HOLDINGS INC	4 400	5
TYSON FOODS A	29 000	19
UNI-CHARM CORP	33 900	7
UNILEVER NV CERT	20 213	9
UNILEVER PLC	196 280	90
WALGREEN CO	82 932	49
WESFARMERS	99 724	28
WH GROUP LTD	943 000	9
WILMAR INTERNATIONAL	168 800	3
MORRISON WM SUPERMARKETS	245 621	6
WOOLWORTHS LTD	119 778	21
YAKULT HONSHA CO	7 600	5
YAMAZAKI BAKING CO	10 000	2
TOTAL, CONSUMABLES		**2 234**
ALTAGAS LTD	10 177	2
ANADARKO PETROLEUM CORP	45 830	20
ANTERO RESOURCES CORP	14 400	2
APACHE CORP	32 504	11
ARC RESOURCES LTD	25 659	2
BAKER HUGHES A GE CO	36 581	9
BORR DRILLING LTD	300 000	10
BP	1 550 000	90
BW LPG LTD	1 142 279	44
CABOT OIL & GAS CORP	40 300	9
CALTEX AUSTRALIA	19 661	4
CAMECO CORP	29 400	2
CANADIAN NAT RESOURCES	81 980	24
CENOVUS ENERGY INC	88 130	7
CHENIERE ENERGY INC	17 000	7
CHEVRON CORP	148 000	152
CIMAREX ENERGY CO	8 500	8
CONCHO RESOURCES INC	12 900	16
CONOCOPHILLIPS	91 987	41
CONTINENTAL RESOURCES INC/OK	6 500	3
CORE LABORATORIES N.V.	4 361	4
CRESCENT POINT ENERGY TRUST	47 426	3
DEVON ENERGY CORP	44 244	15
DIAMONDBACK ENERGY INC	7 200	7

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ENAGAS	22 997	5
ENCANA CORP	86 915	10
ENI	216 940	29
EOG RESOURCES	43 000	38
EQT CORPORATION	15 000	7
EXXON MOBIL CORP	319 963	219
FLEX LNG LTD	1 375 000	18
GALP ENERGIA SGPS SA-B SHRS	43 411	7
HALLIBURTON CO	73 600	29
HELMERICH AND PAYNE	8 100	4
HESS	24 000	9
HOEGH LNG HOLDINGS LTD	76 598	5
HOLLY CORP	14 100	6
HUSKY ENERGY	26 336	3
IDEMITSU KOSAN CO	6 200	2
IMPERIAL OIL	22 066	6
INDEPENDENT TANKERS CORP LTD	1 539 877	0
INPEX CORPORATION	93 900	10
INTER PIPELINE LTD	38 577	7
JX HOLDINGS INC	257 955	14
KEYERA CORP	12 848	3
KINDER MORGAN INC	171 241	25
VOPAK	5 938	2
LUNDIN PETROLEUM	14 040	3
MARATHON OIL CORP	69 100	10
MURPHY OIL CORP	12 000	3
NATIONAL OILWELL VARCO	28 663	8
NESTE OIL	8 652	5
NEWFIELD EXPLORATION CO	17 700	5
NOBLE ENERGY	41 100	10
OCCIDENTAL PETROLEUM	59 984	36
OIL SEARCH	133 276	7
OMV AG	10 350	5
ONEOK INC	18 000	8
ORIGIN ENERGY	131 061	8
PARSLEY ENERGY INC-CLASS A	16 400	4
PEMBINA PIPELINE CORP	43 309	13
PETROFAC LTD	17 959	1
PIONEER NATURAL RES.	13 900	20
PLAINS GP HOLDINGS LP-CL A	15 608	3
PRAIRIESKY ROYALTY LTD	23 435	5
RANGE RESOURCES CORP	24 400	3
REPSOL YPF	105 800	15
ROYAL DUTCH SHELL B	590 000	163
ROYAL DUTCH SHELL PLC-A SHS	56 516	15
SANTOS	191 976	7
SCHLUMBERGER	105 046	58

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SEVEN GENERATIONS ENERGY - A	22 600	3
SHOWA SHELL SEKIYU K.K	14 300	2
SNAM SPA	182 638	7
SUBSEA 7 SA	1 688 334	208
SUNCOR ENERGY	129 955	39
TARGA RESOURCES CORP	28 400	11
TECHNIPFMC PLC	35 700	9
TENARIS SA	34 366	4
TESORO CORP	12 791	12
TOTAL	185 000	84
TOURMALINE OIL CORP	21 200	3
TRANSCANADA CORP	73 514	29
VALERO ENERGY CORP	38 235	29
VERMILION ENERGY INC	8 524	3
WEATHERFORD INT'L	18 884	1
WILLIAMS COS	68 243	17
WOODSIDE PETROLEUM	64 437	14
TOTAL, ENERGY		**1 839**
3I GROUP PLC	81 910	8
ABN AMRO GROUP NV-CVA	25 541	7
ACOM CO	18 600	1
ADMIRAL GROUP PLC	12 955	3
AEGON	133 257	7
AEON CREDIT SERVICE CO	5 500	1
AFFILIATED MANAGERS GROUP	3 500	6
AFLAC	29 772	21
AGEAS	14 188	6
AGNC INVESTMENT CORP	22 800	4
AIA GROUP LTD	886 660	62
ALLEGHANY CORP	1 100	5
ALLIANZ	33 777	64
ALLSTATE CORP	28 509	24
ALLY FINANCIAL INC	28 800	7
AMERICAN EXPRESS	57 674	47
AMERICAN FINANCIAL GROUP INC	5 000	4
AMERICAN INT'L GROUP	71 047	35
AMERIPRISE FINANCIAL	11 570	16
AMP LTD	229 635	8
ANNALY CAPITAL MANAGEMENT IN	85 000	8
AON CORP	19 673	22
AOZORA BANK	6 400	2
ARCH CAPITAL GROUP	10 600	8
ARTHUR J GALLAGHER & CO	10 900	6
ASHIKAGA HOLDINGS CO LTD	54 990	2
ASSICURAZIONI GENERALI	94 696	14
ASSURANT	4 400	4
ASX	12 385	4

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ATHENE HOLDING LTD-CLASS A	10 100	4
ANZ BANKING GROUP	214 034	39
AVIVA	293 541	16
AXA SA	141 843	34
AXIS CAPITAL HOLDINGS	7 200	3
BALOISE-HOLDING AG	3 147	4
BANCO BILBAO VIZCAYA ARGENTA	503 946	35
BANCO DE SABADELL SA	442 411	7
BANCO ESPIRITO SANTO	190 970	0
BSCH BCO SANTANDER CENTR	1 169 742	63
BANK HAPOALIM BM	67 159	4
BANK LEUMI LE-ISRAEL	88 887	4
BANK OF AMERICA CORP	728 310	176
BANK EAST ASIA	75 224	3
BANK KYOTO	5 200	2
BANK MONTREAL	48 552	32
BANK NEW YORK MELLON	80 881	36
BANK NOVA SCOTIA	91 001	48
BANK OF QUEENSLAND LTD	28 669	2
BANKIA SAU	69 290	3
BANKINTER	39 786	3
BARCLAYS	1 276 682	29
BB&T CORP	61 207	25
BENDIGO AND ADELAIDE BANK LTD	37 745	3
BERKSHIRE HATHAWAY B	90 051	146
BLACKROCK INC	9 008	38
BNP PARIBAS	81 979	50
BOC HONG KONG HOLDINGS	305 700	13
BRIGHTHOUSE FINANCIAL INC	6 336	3
BROOKFIELD ASSET MAN A	63 029	23
CAIXABANK	269 807	10
CANADIAN IMPERIAL BANK	28 400	23
CAPITAL ONE FINANCIAL	37 288	30
CBOE HOLDINGS INC	7 000	7
CHALLENGER FINANCIAL SVC	38 000	3
SCHWAB (CHARLES) CORP	84 830	36
CHIBA BANK	45 000	3
ACE	34 716	41
CI FINANCIAL INCOME FUND	15 500	3
CINCINNATI FINL CORP	10 400	6
CIT GROUP INC	10 700	4
CITIGROUP	195 026	119
CITIZENS FINANCIAL GROUP	42 800	15
CHICAGO MERCANTILE EXCH	24 720	30
CNP ASSURANCES	11 687	2
COMERICA	11 400	8
COMMERZBANK	87 323	11

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
COMMONWEALTH BANK	128 884	66
BANK YOKOHAMA	74 000	4
CREDIT AGRICOLE	90 820	12
CREDIT SAISON CO	10 600	2
CREDIT SUISSE	180 029	26
DAI-ICHI LIFE INSURANCE	82 900	14
DAIWA SECURITIES GROUP	109 900	6
DANSKE BANK	52 104	17
DBS GROUP HOLDINGS	140 484	21
DEUTSCHE BANK NAMEN	158 910	25
DEUTSCHE BOERSE AG	14 704	14
DIRECT LINE INSURANCE GROUP	87 441	4
DISCOVER FINANCIAL SERVICES	30 844	19
E*TRADE FINANCIAL CORP	20 000	8
EAST WEST BANCORP INC	10 000	5
EATON VANCE CORP	8 500	4
ELEMENT FINANCIAL CORP	25 100	2
ERSTE GROUP BANK AG	25 712	9
EURAZEO	2 471	2
EVEREST RE GROUP	3 000	5
EXOR NV	6 300	3
FAIRFAX FINANCIAL HLDGS	1 832	8
FIDELITY NAT'L FINANCIAL	16 700	5
FIFTH THIRD BANCORP	51 705	13
FIRST PACIFIC CO	166 000	1
FIRST REPUBLIC BANK/CA	12 200	9
FONDIARIA - SAI ORD	75 358	1
FRANKLIN RESOURCES	30 204	11
FUKUOKA FINANCIAL GROUP	42 000	2
GOLDMAN SACHS GROUP	26 074	54
GREAT WEST LIFECO	19 848	5
GROUPE BRUXELLES LAMBERT	5 146	5
HACHIJUNI BANK	30 000	1
HANG SENG BANK	50 800	10
HANNOVER RUECKVERSICH.	3 965	4
HARGREAVES LANSDOWN PLC	15 860	3
HONG KONG EXCH.&CLEARING	83 993	21
HSBC HOLDINGS (GB)	1 464 557	124
HUNTINGTON BANCSHARES INC	79 100	9
IGM FINANCIAL	7 300	2
INDUSTRIAL ALLIANCE INSURANC	5 442	2
INDUSTRIVARDEN C	10 187	2
ING GROEP	292 564	44
ING US INC	15 500	6
INSURANCE AUSTRALIA GRP.	207 658	10
INTACT FINANCIAL CORP	8 700	6
INTERCONTINENTAL	44 695	26

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
INTESA SANPAOLO ORD	923 859	25
INTESA SANPAOLO RNC	51 787	1
INVESCO LTD	28 858	9
INVESTEC PLC	39 906	2
KINNEVIK B	15 645	4
INVESTOR B	32 764	12
JAPAN EXCHANGE GROUP INC	35 400	5
JAPAN POST BANK CO LTD	25 500	3
JAPAN POST HOLDINGS CO LTD	27 900	3
JPMORGAN CHASE & CO	255 015	223
JULIUS BAER GROUP LTD	15 398	8
KBC GROUPE	20 408	14
KEYCORP	79 000	13
KYUSHU FINANCIAL GROUP	20 000	1
LEGAL & GENERAL GROUP	444 529	13
LEUCADIA NATIONAL CORP	21 200	5
LINCOLN NATIONAL CORP	16 682	10
LLOYDS BANKING GROUP PLC	5 194 247	39
LOEWS CORP	19 300	8
LONDON STOCK EXCHANGE	26 981	11
LUNDBERGFORETAGEN AB, L E SER. B	3 800	2
M & T BANK CORP	11 016	15
MACQUARIE BANK	24 103	15
MANULIFE FINANCIAL CORP	153 107	26
MAPFRE	70 142	2
MARKEL CORP	900	8
MARSH AND MCLENNAN COS	36 354	24
MEDIBANK PRIVATE LTD	176 403	4
MEDIOBANCA	40 060	4
METLIFE	69 698	29
MITSUBISHI UFJ FIN GRP	949 298	57
MITSUBISHI UFJ LEASE FIN	37 700	2
MIZRAHI TEFAHOT BANK LTD	10 489	2
MIZUHO FINANCIAL GROUP	1 808 417	27
MOODYS CORP	13 376	16
MORGAN STANLEY	107 487	46
MS&AD INSURANCE GROUP HOLDINGS	39 920	11
MSCI INC	6 200	6
MUENCHENER RUECKVERSICH.	11 482	20
NASDAQ OMX GROUP/THE	7 500	5
NATIONAL AUSTRALIA BANK	206 117	39
NATIONAL BANK OF CANADA	27 192	11
NATIXIS	60 903	4
NEW YORK COMMUN. BANCORP	30 800	3
NKSJ HOLDINGS INC	28 800	9
NN GROUP NV	22 446	8
NOMURA HOLDINGS	270 600	13

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
NORDEA BANK	219 573	22
NORTHERN TRUST CORP	16 550	14
OLD MUTUAL (GB)	400 507	10
ONEX CORPORATION	5 400	3
ORIX CORP	95 500	13
OCBC BANK	226 623	17
PARGESA HOLDING INH	2 771	2
PARTNERS GROUP HOLDING AG	1 096	6
PEOPLES UNITED FINANCIAL	22 400	3
PNC FINL SERVICES GROUP	37 428	44
POSTE ITALIANE SPA	30 561	2
POWER CORP OF CANADA	24 698	5
POWER FINANCIAL CORP	16 100	4
PRINCIPAL FINANCIAL GRP	19 500	11
PROGRESSIVE CORP	42 352	20
PRUDENTIAL FINANCIAL	31 202	29
PRUDENTIAL	189 065	40
QBE INSURANCE GROUP	95 252	6
RAIFFEISEN BANK INTERNATIONAL	9 818	3
RAYMOND JAMES FINANCIAL INC	8 340	6
REGIONS FINANCIAL (NEW)	87 341	12
REINSURANCE GROUP OF AMERICA	4 000	5
RENAISSANCERE HOLDINGS	2 900	3
RESONA HOLDINGS	185 942	9
ROYAL BANK OF CANADA	108 542	73
ROYAL BANK OF SCOTLAND	283 296	9
RSA INSURANCE GROUP PLC	64 641	5
S&P GLOBAL INC	19 339	27
SAMPO OYJ-A SHS	32 557	15
SBI HOLDINGS	14 070	2
SCHRODERS	8 983	3
SCOR	9 679	3
SEI INVESTMENTS COMPANY	9 800	6
SEVEN BANK LTD	29 100	1
SHINSEI BANK	10 900	2
SHIZUOKA BANK	34 000	3
SIGNATURE BANK	3 300	4
SINGAPORE EXCHANGE	48 400	2
SKAND.ENSKILDA BANKEN A	122 934	12
SOCIETE GENERALE	56 549	24
SONY FINANCIAL HOLDINGS	9 900	1
ST JAMES'S PLACE PLC	32 674	4
STANDARD CHARTERED	256 092	22
STANDARD LIFE	181 698	9
STATE STREET CORP	30 243	24
SUMITOMO MITSUI FINL GRP	97 971	35
SUMITOMO MITSUI TRUST HOLDINGS	23 876	8

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SUN LIFE FINANCIAL	44 898	15
SUNCORP GROUP LTD	108 212	10
SUNTRUST BANKS	37 448	20
SURUGA BANK	13 300	2
SVB FINANCIAL GROUP	3 500	7
SVENSKA HANDELSBANKEN-A SHS	110 671	12
SWEDBANK	66 989	13
SWISS LIFE HOLDING	2 132	6
SWISS RE LTD	23 783	18
SYNCHRONY FINANCIAL	64 010	20
T&D HOLDINGS	38 100	5
PRICE (T. ROWE) GROUP	18 923	16
TD AMERITRADE HOLDING CO	18 100	8
HARTFORD FINANCIAL SVCS	30 711	14
THOMSON REUTERS CORP	22 420	8
TOKIO MARINE HOLDINGS INC	51 279	19
TORCHMARK CORP	8 400	6
TORONTO-DOMINION BANK	136 917	66
TRAVELERS COS	21 310	24
TRYG A/S	8 165	2
US BANCORP	123 332	54
UBS NAMEN	274 096	41
UNICREDIT SPA	155 185	24
UNITED OVERSEAS BANK	95 723	15
UNUM GROUP	16 666	7
BERKLEY (W.R.) CORP	6 500	4
WELLS FARGO & CO	351 762	175
WENDEL	2 001	3
WESTPAC BANKING	252 349	51
WILLIS GROUP HOLDINGS PLC	10 368	13
XL GROUP PLC	18 900	5
YAMAGUCHI FINANCIAL GROUP IN	15 000	1
ZIONS BANCORPORATION	13 000	5
ZURICH FINL SERVICES	11 155	28
TOTAL, FINANCIAL		**4 376**
ABBOTT LABORATORIES	125 700	59
ABBVIE INC	117 936	93
AETNA	25 876	38
AGILENT TECHNOLOGIES	25 821	14
ALEXION PHARMACEUTICALS INC	16 400	16
ALFRESA HOLDINGS	10 700	2
ALIGN TECHNOLOGY INC	5 400	10
ALKERMES PLC	9 300	4
ALLERGAN PLC	24 984	33
ALNYLAM PHARMACEUTICALS INC	7 000	7
AMERISOURCEBERGEN	12 884	10
AMGEN	54 823	78

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ANTHEM INC	19 896	37
ARJO AB	16 422	0
ASTELLAS PHARMA	156 220	16
ASTRAZENECA	92 879	53
BAXTER INTERNATIONAL	38 417	20
BAYER	60 310	61
BECTON DICKINSON	15 937	28
BIOGEN IDEC	16 294	42
BIOMARIN PHARMACEUTICAL INC	13 100	10
BOSTON SCIENTIFIC CORP	104 027	21
BRISTOL-MYERS SQUIBB CO	121 710	61
BARD (C.R.)	5 800	16
CARDINAL HEALTH	23 333	12
CELGENE CORP	57 368	49
CENTENE CORP	10 900	9
CERNER CORP	21 200	12
CHUGAI PHARMACEUTICAL CO	14 600	6
CIGNA CORP	19 508	32
COCHLEAR	3 412	4
COLOPLAST B	10 388	7
CONVATEC GROUP PLC	70 000	2
COOPER COS INC/THE	3 200	6
CSL LIMITED	34 716	31
CYBERDYNE INC	5 300	1
DAIICHI SANKYO CO	49 775	11
DAINIPPON SUMITOMO PHARM	11 200	1
DANAHER CORP	46 496	35
DAVITA	11 500	7
DENTSPLY SIRONA INC	15 500	8
DEXCOM INC	6 700	3
EDWARDS LIFESCIENCES CORP	15 900	15
EISAI CO	17 400	8
LILLY (ELI) AND CO	73 288	51
ENVISION HEALTHCARE CORP	7 574	2
ESSILOR INTERNATIONAL	15 726	18
EUROFINS SCIENTIFIC	700	3
EXPRESS SCRIPTS	46 597	28
FRESENIUS MED. CARE ST	16 097	14
FRESENIUS SE & CO KGAA	31 249	20
GALENICA AG-REG	3 180	3
GENMAB	4 838	7
GETINGE B	16 422	2
GILEAD SCIENCES	100 350	59
GLAXOSMITHKLINE	367 958	54
GRIFOLS SA	18 780	5
H LUNDBECK A/S	5 000	2
HCA HOLDINGS INC	23 500	17

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
HEALTHSCOPE LTD	87 330	1
HENRY SCHEIN INC	10 600	6
HISAMITSU PHARMACEUTICAL	6 900	3
HOLOGIC INC	15 800	6
HOYA CORP	31 300	13
HUMANA	10 600	22
IDEXX LABORATORIES INC	6 100	8
ILLUMINA INC	10 800	19
INCYTE CORP	13 300	10
INTUITIVE SURGICAL	8 400	25
IPSEN	2 500	2
JAZZ PHARMACEUTICALS PLC	4 100	5
JOHNSON & JOHNSON	200 579	229
PHILIPS ELECTRS (KON.)	86 703	27
KYOWA HAKKO KIRIN CO LTD	13 000	2
LABORATORY CORP OF AMER	8 300	11
LONZA GROUP	5 478	12
M3 INC	18 000	5
MCKESSON CORP	15 829	20
MEDICLINIC INTERNATIONAL PLC	23 585	2
MEDIPAL HOLDINGS CORP	8 200	1
MEDTRONIC	102 204	68
MERCK AND CO	201 890	93
MERCK KGAA STAMM	10 682	9
METTLER-TOLEDO INTERNATIONAL	1 853	9
MITSUBISHI TANABE PHARMA CORP	16 300	3
MYLAN INC	36 009	12
NOVARTIS	165 822	115
NOVO NORDISK A/S-B	141 958	63
OLYMPUS CORP	21 900	7
ONO PHARMACEUTICAL CO	30 200	6
ORION-YHTYMAE B	7 047	2
OTSUKA HOLDINGS CO LTD	30 800	11
PERRIGO CO PLC	9 364	7
PFIZER	442 305	131
QIAGEN N.V.	13 297	3
QUEST DIAGNOSTICS	9 548	8
QUINTILES TRANSNATIONAL HOLD	12 032	10
RAMSAY HEALTH CARE LTD	9 226	4
RECORDATI SPA	5 000	2
REGENERON PHARMACEUTICALS	5 917	18
RESMED INC	9 200	6
ROCHE HOLDING GENUSS	51 238	106
RYMAN HEALTHCARE LTD	25 579	2
SANOFI	85 186	60
SANTEN PHARMACEUTICAL CO	23 100	3
SEATTLE GENETICS INC	7 600	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SHIONOGI & CO	22 800	10
SHIRE PLC	40 584	17
SHIRE PLC-ADR	7 246	9
SMITH & NEPHEW	60 810	9
SONIC HEALTHCARE	26 846	4
SONOVA HOLDING	3 572	5
STRAUMANN HOLDING	700	4
STRYKER CORP	24 999	32
SUZUKEN CO	4 150	1
SYSMEX CORP	12 900	8
TAISHO PHARMACEUTICAL CO	2 600	2
TAKEDA PHARMACEUTICAL	58 100	27
TELEFLEX INC	3 200	7
TERUMO CORP	26 200	10
TESARO INC	3 000	2
TEVA PHARMACEUTICAL-SP ADR	68 664	11
THERMO FISHER SCIENTIFIC	28 450	44
UCB (GROUPE)	8 403	5
UNITED THERAPEUTICS CORP	3 100	4
UNITEDHEALTH GROUP	70 593	127
UNIVERSAL HEALTH SERVICES-B	5 783	5
VALEANT PHARMACEUTICALS INTERN	20 115	3
VARIAN MEDICAL SYSTEMS	6 200	6
VEEVA SYSTEMS INC-CLASS A	7 000	3
VERTEX PHARMACEUTICALS	17 972	22
WATERS CORP	5 353	8
WILLIAM DEMANT HOLDING	8 840	2
ZIMMER HOLDINGS	15 559	15
ZOETIS INC	33 878	20
TOTAL, HEALTHCARE		**2 885**
3M CO	54 333	105
VOLVO B	140 647	21
ABB LTD	184 653	40
ABERTIS INFRAESTRUCTURAS	52 870	10
ACS ACTIV. CONST. Y SVCS	21 820	7
ACUITY BRANDS INC	3 600	5
ADECCO	11 307	7
AENA SA	4 411	7
AERCAP HOLDINGS NV	14 900	6
ADP	1 656	3
AGCO CORP	6 300	4
ALFA LAVAL	33 569	6
ALLEGION PLC	8 500	6
ALSTOM	15 000	5
AMADA CO	31 300	3
AMERCO	500	2
AMERICAN AIRLINES GROUP INC	11 600	5

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
AMETEK INC	19 050	11
ALL NIPPON AIRWAYS CO	8 700	3
ANDRITZ	6 238	3
AP MOLLER MAERSK B	474	7
AP MOLLER MAERSK A	245	3
ARCONIC INC	43 150	10
ASAHI GLASS CO	22 160	8
ASHTEAD GROUP PLC	52 067	11
ASSA ABLOY AB-B	90 132	15
ATLANTIA	35 799	9
ATLAS COPCO A	61 846	22
ATLAS COPCO AB-B SHS	35 802	11
AUCKLAND INT'L AIRPORT	52 310	2
QR NATIONAL LTD	139 065	4
BABCOCK INTL GROUP PLC	18 382	1
BOLLORE	56 728	3
BOLLORE NV-NEW	276	0
BOMBARDIER B	240 200	5
BOUYGUES ORD	22 465	10
BRAMBLES	123 462	8
BRENNTAG AG	13 243	7
BUNZL	34 891	8
BUREAU VERITAS SA	16 372	4
CH ROBINSON WORLDWIDE	9 700	7
CAE	18 197	3
CANADIAN NAT'L RAILWAY	57 416	39
CP RAILWAY	11 140	17
CAPITA PLC	42 558	2
CATERPILLAR	52 728	68
CENTRAL JAPAN RAILWAY CO	10 300	15
SAINT-GOBAIN	47 508	21
CINTAS CORP	7 397	9
CK HUTCHISON HOLDINGS LTD	245 417	25
CNH INDUSTRIAL NV	84 935	9
COBHAM	184 522	3
COMFORTDELGRO	129 900	2
CSX CORP	69 826	31
CUMMINS	15 100	22
DAI NIPPON PRINTING CO	18 500	3
DAIKIN INDUSTRIES	23 700	23
DASSAULT AVIATION SA	171	2
DCC PLC	8 653	7
DEERE & CO	27 034	35
DELTA AIR LINES	11 670	5
LUFTHANSA	14 944	5
DEUTSCHE POST	72 110	28
DOVER CORP	15 277	13

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
DSV DE SAMMENSLUT VOGN	16 145	10
EAST JAPAN RAILWAY CO	25 802	21
EASYJET PLC	10 357	2
EATON CORP	39 716	26
EDENRED	13 913	3
EIFFAGE	6 930	6
EMERSON ELECTRIC CO	59 239	34
EQUIFAX	9 500	9
EXPEDITORS INTL WASH.	12 300	7
EXPERIAN PLC	74 085	13
FANUC CORP	18 300	36
FASTENAL CO	27 700	12
FEDEX CORP	18 083	37
FERROVIAL SA	49 359	9
FINNING INT'L	14 800	3
FLOWSERVE CORP	10 700	4
FORTIVE CORP	26 898	16
FORTUNE BRANDS HOME & SECURI	12 800	7
FRAPORT	2 555	2
FUJI ELECTRIC CO LTD	46 000	3
G4S	92 996	3
GAMESA CORP TECNOLOGICA	20 000	2
GEA GROUP	18 409	7
GEBERIT	3 571	13
GENERAL ELECTRIC CO	799 124	114
GOLDEN OCEAN GROUP LTD	347 683	23
GROUPE EUROTUNNEL SA - REGR	30 847	3
HANKYU HANSHIN HLDG	15 200	5
HARRIS CORP	8 300	10
HD SUPPLY HOLDINGS INC	20 800	7
HINO MOTORS	18 700	2
HITACHI CONSTR. MACHINE.	9 200	3
HOCHTIEF	1 382	2
HOSHIZAKI ELECTRIC CO LTD	5 600	4
HUTCHISON PORT HOLDINGS TR-U	325 300	1
IDEX CORP	7 200	8
IHI CORP	10 400	3
IHS MARKIT LTD	26 204	10
ILLINOIS TOOL WORKS	29 650	40
IMI	21 926	3
INGERSOLL-RAND PLC	24 249	18
INTL CONSOLIDATED AIRLINES	53 396	4
INTERTEK GROUP	10 295	6
ISS A/S	11 010	3
ITOCHU CORP	141 700	22
HUNT (J.B.) TRANSPORT	6 100	6
JAPAN AIRLINES CO LTD	6 700	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
JAPAN AIRPORT TERMINAL	3 300	1
JARDINE MATHESON (USD)	21 700	11
JARDINE STRATEGIC HLDGS LTD	20 000	6
JGC CORP	13 700	2
JOHNSON CONTROLS INTERNATION	85 515	27
JTEKT CORP	16 000	2
KAJIMA CORP	68 000	5
KAMIGUMI CO	8 000	1
KANSAS CITY SOUTHERN	7 300	6
KAWASAKI HEAVY IND	10 999	3
KEIHAN ELECTRIC RAILWAY CO	6 600	2
KEIKYU CORP	14 000	2
KEIO CORP	6 600	2
KEISEI ELECTRIC RAILWAY	19 500	5
KEPPEL CORP LTD	168 760	8
KINTETSU CORP	16 190	5
KOMATSU	87 000	26
KONE B	32 143	14
BOSKALIS WESTMINSTER CT	6 899	2
KUBOTA CORP	103 800	17
KUEHNE & NAGEL INT'L	3 589	5
KURITA WATER INDUSTRIES	10 100	3
KYUSHU RAILWAY COMPANY	10 000	3
LEGRAND	24 870	16
LEIGHTON HOLDINGS LTD	7 171	2
LENNOX INTERNATIONAL INC	3 500	6
JS GROUP CORP	21 100	5
MABUCHI MOTOR CO	4 200	2
MACQUARIE INFRASTRUCTURE COR	5 000	3
MAKITA CORP	18 800	6
MAN STAMM	2 585	2
MANPOWERGROUP	5 400	6
MARUBENI CORP	173 200	10
MASCO CORP	27 701	10
MEGGITT PLC	63 016	3
METSO OYJ	10 557	3
MIDDLEBY CORP	5 700	6
MINEBEA CO	39 300	7
MISUMI GROUP INC	21 000	5
MITSUBISHI CORP	135 100	31
MITSUBISHI ELECTRIC CORP	169 200	23
MITSUBISHI HEAVY IND	29 509	9
MITSUI & CO	150 200	20
MITSUI OSK LINES	6 000	2
MTR CORP	94 342	5
MTU AERO ENGINES AG	5 000	7
NABTESCO CORP	10 900	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
NAGOYA RAILROAD CO LTD	18 399	4
NGK INSULATORS	21 000	3
NIDEC CORP	22 900	26
NIELSEN HOLDINGS PLC	25 262	8
NIPPON EXPRESS CO	5 200	3
NIPPON YUSEN K.K	10 300	2
NORFOLK SOUTHERN CORP	21 546	26
NSK	36 900	5
NWS HOLDINGS	132 381	2
OBAYASHI CORP	51 000	5
ODAKYU ELECTRIC RAILWAY	31 500	6
OSRAM LICHT AG	6 796	5
OWENS CORNING	10 000	8
PACCAR	31 886	19
PARK24 CO LTD	7 000	1
PARKER HANNIFIN CORP	12 589	21
PENTAIR	14 433	8
PRYSMIAN SPA	22 026	6
RANDSTAD HOLDING	8 300	4
RECRUIT HOLDINGS CO LTD	84 300	17
REED ELSEVIER (NL)	73 221	14
REED ELSEVIER (GB)	82 867	16
REPUBLIC SERVICES	19 295	11
REXEL SA	35 256	5
ROBERT HALF INT'L	9 100	4
ROCKWELL AUTOMATION	12 400	20
ROCKWELL COLLINS	15 122	17
ROLLINS INC	7 000	3
ROLLS-ROYCE GROUP	165 836	16
ROPER INDUSTRIES	9 200	19
ROYAL MAIL PLC	54 403	3
RYANAIR HOLDINGS	12 042	2
SANDVIK	113 778	16
SCHINDLER PART	3 534	7
SCHINDLER NAMEN	1 833	3
SCHNEIDER ELECTRIC	50 834	35
SECOM CO	15 900	10
SECURITAS B	19 442	3
SEEK LTD	23 372	3
SEIBU HOLDINGS INC	21 300	3
SEMBCORP INDUSTRIES	166 200	3
SENSATA TECHNOLOGIES HOLDING	12 900	5
SGS	364	8
SHIMIZU CORP	46 000	4
SIEMENS	70 198	80
SINGAPORE AIRLINES	33 000	2
SINGAPORE AIRPORT TERM.	60 000	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SINGAPORE TECH ENGR.	150 000	3
SKANSKA B	30 101	5
SKF B	31 433	6
SMC CORP	5 200	18
SMITH (A.O.) CORP	14 600	7
SMITHS GROUP	43 778	7
SNAP-ON INC	4 700	7
SNC-LAVALIN GROUP	11 100	4
BIC	2 097	2
SOHGO SECURITY SERVICES CO	4 000	2
SOUTHWEST AIRLINES CO	10 900	6
SPIRIT AEROSYSTEMS HOLD-CL A	11 000	8
STANLEY BLACK & DECKER INC	13 954	19
STERICYCLE INC	5 500	3
STOLT-NIELSEN LTD	276 721	30
SUMITOMO CORP	110 400	15
SUMITOMO HEAVY IND	10 200	4
SYDNEY AIRPORT	68 874	3
TAISEI CORP	22 400	9
THALES	8 714	8
THK CO	8 900	3
TOBU RAILWAY CO	12 800	3
TOKYU CORP	36 600	5
TOPPAN PRINTING CO	35 700	3
TOSHIBA CORP	391 700	9
TOTO	12 000	6
TOYOTA TSUSHO	16 000	5
TRANSDIGM GROUP INC	5 000	11
TRANSURBAN GROUP	162 164	13
TRANSURBAN GROUP-NEW SHARE	13 148	1
TRAVIS PERKINS PLC	19 708	3
UNION PACIFIC CORP	60 155	66
UAL CORP	6 500	4
UNITED PARCEL SERVICE B	51 336	50
UNITED RENTALS INC	7 000	10
UNITED TECHNOLOGIES CORP	72 500	76
VERISK ANALYTICS INC-CLASS A	10 500	8
VESTAS WIND SYSTEMS	20 949	12
VINCI	45 162	38
GRAINGER (WW)	4 800	9
WABCO HOLDINGS INC	4 500	5
WABTEC CORP	7 500	5
WARTSILA B	11 681	6
WASTE CONNECTIONS INC	19 200	11
WASTE MANAGEMENT	32 058	23
WEIR GROUP PLC/THE	20 162	5
WEST JAPAN RAILWAY CO	14 200	8

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
WOLSELEY	24 595	15
WOLTERS KLUWER	20 019	9
XYLEM INC	14 410	8
YAMATO HOLDINGS CO	23 200	4
YANGZIJIANG SHIPBUILDING	189 000	2
ZODIAC AEROSPACE	17 212	4
TOTAL, INDUSTRY		**2 828**
ACCENTURE PLC	45 829	57
ACTIVISION BLIZZARD INC	51 100	26
ADOBE SYSTEMS	36 491	52
ADVANCED MICRO DEVICES	55 000	5
AKAMAI TECHNOLOGIES	11 800	6
ALLIANCE DATA SYSTEMS	4 000	8
ALPHABET INC-CL A	21 760	187
ALPHABET INC-CL C	22 804	195
ALPS ELECTRIC CO LTD	10 000	2
AMADEUS IT HOLDING SA-A SHS	34 288	20
AMPHENOL CORP	22 422	16
ANALOG DEVICES	27 202	20
ANSYS INC	6 000	7
APPLE	385 578	534
APPLIED MATERIALS	86 140	36
ARISTA NETWORKS INC	4 000	8
ARROW ELECTRONICS	5 900	4
ASETEK A/S	700 000	73
ASM PACIFIC TECHNOLOGY	12 100	1
ASML HLDG	26 863	38
ATOS ORIGIN	7 396	9
AUTO TRADER GROUP PLC	87 140	3
AUTODESK	15 100	13
AUTOMATIC DATA PROCESS	34 234	33
AVNET	9 100	3
BLACK KNIGHT INC	5 120	2
BROADCOM LTD	29 151	61
BROADRIDGE FINANCIAL SOLUTIO	7 800	6
BROTHER INDUSTRIES	17 800	4
CA INC	22 024	6
CADENCE DESIGN SYS INC	19 500	7
CANON INC	76 450	23
CAP GEMINI SA	12 670	12
CDK GLOBAL INC	8 900	5
CDW CORP/DE	9 300	5
CGI GROUP A	14 000	6
CHECK POINT SOFTWARE TECH	9 400	8
CISCO SYSTEMS	366 811	115
CITRIX SYSTEMS	10 200	7
COGNEX CORP	12 000	6

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
COGNIZANT TECH SOLUTIONS	45 854	27
COMMSCOPE HOLDING CO INC	12 000	4
COMPUTERSHARE	27 865	3
CONSTELLATION SOFTWARE INC	1 700	8
CORNING	85 748	22
COSTAR GROUP INC	2 000	5
DASSAULT SYSTEMES	8 498	7
DELL TECHNOLOGIES INC-CL V	15 400	10
DENA CO LTD	7 800	1
DISCO CORP	2 000	4
DXC TECHNOLOGY CO	21 001	16
EBAY	77 474	24
ELECTRONIC ARTS	22 360	19
ERICSSON (LM) B	238 320	13
F5 NETWORKS	4 800	5
FACEBOOK INC-A	172 650	249
FIDELITY NAT'L INFO SVCS	23 781	18
FIRST DATA CORP- CLASS A	20 800	3
FISERV	17 044	18
FLEETCOR TECHNOLOGIES INC	6 720	11
FLEXTRONICS INT'L	39 100	6
FLIR SYSTEMS INC	10 200	4
FORTINET INC	9 400	3
FUJI FILM HOLDINGS CO	33 800	11
FUJITSU	158 200	9
GARTNER INC	5 800	6
GLOBAL PAYMENTS INC	11 500	9
HAMAMATSU PHOTONICS KK	10 600	3
HEWLETT PACKARD ENTERPRIS	128 065	15
HEXAGON AB SER. B	17 033	7
HIROSE ELECTRIC CO	1 890	2
HITACHI HIGH-TECH	5 200	2
HITACHI	349 000	22
HP INC	133 165	23
INFINEON TECHNOLOGIES	87 990	20
INGENICO GROUP	3 299	3
INTEL CORP	344 355	130
INTL BUSINESS MACHINES CORP	66 536	83
INTUIT	18 618	24
JACK HENRY & ASSOCIATES INC	5 000	5
JUNIPER NETWORKS	23 500	5
KAKAKU.COM INC	10 139	1
KEYENCE CORP	7 250	33
KLA TENCOR CORP	12 900	11
KONAMI 100 YEN1K	5 600	3
KONICA MINOLTA HOLDINGS	29 000	2
KYOCERA CORP	21 800	12

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
LAM RESEARCH CORP	12 750	19
SAIC INC	10 000	5
LINE CORP	2 800	1
MARVELL TECHNOLOGY GROUP	29 800	5
MASTERCARD A	71 607	89
MAXIM INTEGRATED PRODUCTS	18 800	8
MERCADOLIBRE INC	3 300	8
MICRO FOCUS INTL-SPN ADR	17 586	5
MICROCHIP TECHNOLOGY	17 500	13
MICRON TECHNOLOGY	71 600	24
MICROSOFT CORP	539 719	378
MIXI INC	2 900	1
MOTOROLA SOLUTIONS INC	12 763	9
MURATA MANUFACTURING CO	14 600	16
NEC CORP	17 240	4
NETWORK APPLIANCE	19 839	9
NEXON CO LTD	10 600	3
NICE SYSTEMS LTD	4 209	3
NINTENDO CO	8 800	26
NIPPON ELECTRIC GLASS CO	4 600	1
NOKIA CORP	409 615	16
NOMURA RESEARCH INST	8 107	3
NTT DATA CORP	41 500	4
NVIDIA	38 709	61
NXP SEMICONDUCTORS NV	25 212	24
OBIC CO	4 000	2
OMRON CORP	13 300	6
OPEN TEXT CORP	22 600	7
ORACLE CORP	228 798	88
ORACLE CORP JAPAN	2 300	2
OTSUKA CORP	3 900	2
PALO ALTO NETWORKS INC	6 800	8
PAYCHEX	23 957	13
PAYPAL HOLDINGS INC	84 320	51
QORVO INC	9 900	5
QUALCOMM	105 911	55
REA GROUP LTD	3 640	2
RED HAT INC	12 000	12
RESEARCH IN MOTION	34 500	3
RICOH CO	44 900	3
ROHM CO	5 900	5
SABRE CORP	11 400	2
SALESFORCE.COM	46 900	39
SAP STAMM	71 834	66
SEAGATE TECHNOLOGY	23 919	8
SEIKO EPSON CORPORATION	18 100	3
SERVICENOW INC	12 746	14

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SHIMADZU CORP	16 000	3
SHOPIFY INC - CLASS A	5 000	4
SKYWORKS SOLUTIONS INC	14 428	11
SPLUNK INC	8 400	6
SS&C TECHNOLOGIES HOLDINGS	15 000	5
STMICROELECTRONICS NV	53 509	10
SYMANTEC CORP	42 700	10
SYNOPSYS	10 800	8
TAKE-TWO INTERACTIVE SOFTWRE	8 000	7
TDK CORP	8 200	5
TE CONNECTIVITY LTD	27 150	21
TEXAS INSTRUMENTS	72 405	62
SAGE GROUP (THE)	75 587	7
TOKYO ELECTRON	11 800	17
TOTAL SYSTEM SERVICES	13 883	9
TREND MICRO	7 500	3
TRIMBLE NAVIGATION LTD	17 100	6
TWITTER INC	44 200	9
UNITED INTERNET	7 491	4
VERISIGN	6 400	6
VISA INC-CLASS A SHARES	138 890	130
VMWARE INC-CLASS A	5 500	6
WESTERN DIGITAL	22 594	15
WESTERN UNION	34 694	5
WIRECARD AG	9 000	8
WORKDAY INC-CLASS A	9 889	8
WORLDPAY GROUP PLC	127 202	6
WORLDPAY INC-CLASS A	9 795	6
XEROX CORP	16 865	4
XILINX	20 673	11
YAHOO JAPAN CORP	94 600	4
YASKAWA ELECTRIC CORP	16 600	6
YOKOGAWA ELECTRIC CORP	14 000	2
ZILLOW GROUP INC - C	7 600	3
TOTAL, IT		**4 116**
AGNICO-EAGLE MINES	19 756	7
AIR LIQUIDE	36 471	38
AIR PRODUCTS & CHEMICALS	17 200	23
AIR WATER INC	12 000	2
AKZO NOBEL	21 212	15
ALBEMARLE CORP	10 300	11
ALUMINA	223 416	3
AMCOR	98 654	10
ANGLO AMERICAN (GB)	122 519	21
ANTOFAGASTA	31 496	3
ARCELOR-MITTAL A	55 051	15

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ARKEMA	4 799	5
ASAHI KASEI CORP	116 200	12
AVERY DENNISON CORP	6 611	6
AXALTA COATING SYSTEMS LTD	17 700	5
BALL CORP	30 590	9
BASF	77 009	69
BHP BILLITON LTD	268 272	51
BHP BILLITON PLC	179 635	30
BLUESCOPE STEEL	40 000	4
BOLIDEN	19 263	5
BORAL	118 267	6
CCL INDUSTRIES INC - CL B	15 000	6
CELANESE CORP	10 900	10
CF INDUSTRIES HOLDINGS INC	16 500	6
CHRISTIAN HANSEN HOLDING A/S	9 856	8
COVESTRO AG	8 364	7
CRH	71 173	21
CRODA INTERNATIONAL PLC	9 780	5
CROWN HOLDINGS INC	10 200	5
DAICEL CHEMICAL IND	23 000	2
DOWDUPONT INC	191 859	112
EASTMAN CHEMICAL CO	13 600	10
ECOLAB	22 123	24
EMS-CHEMIE HOLDING AG-REG	524	3
EVONIK INDUSTRIES AG	14 811	5
FIRST QUANTUM MINERALS	52 571	6
FLETCHER BUILDING	75 780	3
FMC CORP	9 670	7
FORTESCUE METALS GROUP	103 582	3
FRANCO-NEVADA CORP	14 612	10
FRESNILLO PLC	14 386	2
FRUTAROM	2 500	2
FUCHS PETROLUB AG -PREF	4 529	2
GIVAUDAN	744	14
GOLDCORP	71 100	7
HITACHI CHEMICAL CO	8 600	2
HITACHI METALS	12 400	1
HOLCIM	40 282	19
ISRAEL CHEMICALS LTD	40 032	1
IMERYS	2 657	2
INT'L FLAVORS FRAGRANCES	5 900	7
INT'L PAPER CO	32 053	15
JAMES HARDIE INDUSTRIES SE	33 520	5
JFE HOLDINGS	37 100	7
JOHNSON MATTHEY	14 296	5
JSR CORP	14 800	2
K AND S	14 038	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
KANEKA CORP	20 000	1
KANSAI PAINT CO	19 000	4
KINROSS GOLD CORP	119 300	4
KOBE STEEL	47 200	4
KONINKLIJKE DSM	13 952	11
KURARAY CO	22 800	4
LANXESS AG	7 476	5
LINDE	15 757	30
LYONDELLBASELL INDU-CL A	30 032	27
MARTIN MARIETTA MATRLS	5 500	10
MARUICHI STEEL TUBE	3 400	1
METHANEX CORP	6 718	3
MITSUBISHI CHEMICAL HLDG	129 950	12
MITSUBISHI GAS CHEMICAL	31 000	7
MITSUBISHI MATERIALS	15 500	5
MITSUI CHEMICALS	11 020	3
MONDI PLC	27 489	6
MONSANTO CO	36 768	35
MOSAIC CO (THE)	28 800	6
NEWCREST MINING	68 630	10
NEWMONT MINING HLDG	43 957	13
NIPPON PAINT CO LTD	12 254	3
NIPPON STEEL CORP	68 072	14
NISSAN CHEMICAL IND	8 000	3
NITTO DENKO CORP	15 100	11
NOVOZYMES B	16 666	8
NUCOR CORP	27 264	14
OJI PAPER CO	52 800	3
ORICA	25 763	3
PACKAGING CORP OF AMERICA	6 700	7
PPG INDUSTRIES	21 052	20
PRAXAIR	23 526	30
RANDGOLD RESOURCES LTD	8 494	7
SEALED AIR CORP	15 400	6
SHERWIN-WILLIAMS CO	7 000	23
SHIN-ETSU CHEMICAL CO	32 100	27
SIKA INHABER	207	13
SILVER WHEATON CORP	40 008	7
SOLVAY	5 436	6
SOUTH32 LTD	479 722	11
STEEL DYNAMICS INC	22 100	8
STORA ENSO R	40 155	5
SUMITOMO CHEMICAL CO	110 100	6
SUMITOMO METAL MINING CO	18 850	7
SYMRISE AG	9 045	6
TAIHEIYO CEMENT CORP	7 600	3
TAIYO NIPPON SANSO CORP	13 000	1

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
TECK RESOURCES LTD-CLS B	54 426	12
TEIJIN	26 999	5
THYSSEN KRUPP	28 016	7
TORAY INDUSTRIES	128 100	10
TOSOH CORP	20 000	4
TOYO SEIKAN KAISHA	10 000	1
IVANHOE MINES	70 000	2
UMICORE	13 958	5
UPM-KYMMENE	48 424	12
VOESTALPINE	7 772	4
VULCAN MATERIALS CO	11 585	12
WEST FRASER TIMBER CO LTD	4 400	2
WESTROCK CO	19 144	10
WR GRACE & CO	5 000	3
TOTAL, RAW MATERIALS		**1 243**
AEON MALL CO	9 520	2
ALEXANDRIA REAL ESTATE EQUIT	7 250	8
AMERICAN REALTY CAPITAL PROP	60 200	4
AMERICAN TOWER CORP A	31 008	36
ASCENDAS REAL ESTATE INV	247 549	4
AVALONBAY COMMUNITIES	10 735	16
AZRIELI GROUP	2 982	1
BOSTON PROPERTIES	11 083	12
BRITISH LAND CO	68 884	5
BRIXMOR PROPERTY GROUP INC	19 400	3
CAMDEN PROPERTY TRUST	5 500	4
CAPITACOMMERCIAL TRUST	125 694	1
CAPITALAND	156 900	3
CAPITAMALL TRUST	145 500	2
CBRE GROUP INC	19 900	7
CHEUNG KONG PROPERTY HOLDING	213 417	15
CITY DEVELOPMENTS	23 700	2
COLONY NORTHSTAR INC-CLASS A	38 500	4
CROWN CASTLE INT'L CORP	26 213	24
DAITO TRUST CONSTRUCTION	4 800	8
DAIWA HOUSE IND CO	40 500	13
DAIWA HOUSE RESIDENTIAL INV	100	2
DEUTSCHE ANNINGTON IMMOBILIE	38 392	16
DEUTSCHE WOHNEN AG-BR	28 772	10
DEXUS PROPERTY GROUP	57 766	4
DIGITAL REALTY TRUST INC	11 500	11
DUKE REALTY CORP	22 600	5
EQUINIX INC	5 452	20
EQUITY RESIDENTIAL	26 001	14
ESSEX PROPERTY TRUST INC	5 300	10
EXTRA SPACE STORAGE INC	10 300	7

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
FEDERAL REALTY INV TRUST	4 600	5
CENTRO RETAIL AUSTRALIA	233 070	4
FIRST CAPITAL REALTY INC	7 000	1
FONCIERE DES REGIONS	1 989	2
GECINA	4 116	6
GENERAL GROWTH PROPERTIES	43 798	8
GLOBAL LOGISTIC PROPERTIES L	187 300	4
GOODMAN GROUP	118 971	6
H&R REAL ESTATE INV-REIT UTS	11 540	2
HAMMERSON	52 305	3
HANG LUNG GROUP	59 900	2
HANG LUNG PROPERTIES	140 500	3
HEALTH CARE PPTY INVEST	31 800	7
HENDERSON LAND DEV.	90 662	5
HONGKONG LAND HOLDINGS LTD	85 800	5
HOST HOTELS AND RESORTS	61 696	10
SHOEI CO LTD/CHIYODA-KU	14 200	1
HYSAN DEVELOPMENT	46 000	2
ICADE	1 776	1
IRON MOUNTAIN	18 808	6
JAPAN PRIME REALTY INVT	57	1
JAPAN REAL ESTATE INV	111	4
JAPAN RETAIL FUND INVT	237	4
JONES LANG LASALLE INC	2 900	4
KERRY PROPERTIES	48 000	2
KIMCO REALTY CORP	27 400	4
KLEPIERRE	16 648	6
LAND SECURITIES GROUP	66 340	7
LEND LEASE GROUP	36 373	4
LIBERTY PROPERTY TRUST	9 000	3
LINK REIT	180 580	14
MACERICH CO	8 500	5
MID-AMERICA APARTMENT COMM	8 500	7
MIRVAC GROUP	217 965	3
MITSUBISHI ESTATE CO	90 379	13
MITSUI FUDOSAN CO	67 800	12
NATIONAL RETAIL PROPERTIES	10 500	4
NEW WORLD DEVELOPMENT	509 964	6
NIPPON BUILDING FUND	125	5
NIPPON PROLOGIS REIT INC	111	2
NOMURA REAL ESTATE HLD	6 700	1
NOMURA REAL ESTATE MASTER FU	346	4
PROLOGIS INC	37 496	20
PUBLIC STORAGE	11 400	19
REALTY INCOME CORP	18 400	9
REGENCY CENTERS CORP	9 600	5

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
RIOCAN REIT	8 396	1
SBA COMMUNICATIONS CORP-CL A	9 754	13
SEGRO	64 162	4
SIMON PROPERTY GROUP	24 196	34
SINO LAND	216 330	3
SL GREEN REALTY CORP	6 500	5
CALLOWAY REAL ESTATE INVESTM	7 000	1
STOCKLAND	165 127	5
SUMITOMO REALTY & DEV CO	31 500	8
SUN HUNG KAI PROPERTIES	132 164	18
SUNTEC REIT	184 100	2
SWIRE PACIFIC A	40 600	3
SWIRE PROPERTIES LTD	87 200	2
SWISS PRIME SITE-REG	4 186	3
GPT GROUP	112 905	4
WHARF HOLDINGS	93 000	3
TOKYO TATEMONO CO	15 000	2
TOKYU LAND CORP	30 400	2
UDR INC	17 000	5
UNIBAIL-RODAMCO	6 956	14
UNITED URBAN INVESTMENT CORP	186	2
UNITED OVERSEAS LAND	34 787	2
VENTAS	27 311	13
VORNADO REALTY TRUST	12 539	8
WELLTOWER INC	28 115	15
WESTFIELD GROUP	131 210	8
WESTFIELD RETAIL TRUST	394 445	11
WEYERHAEUSER CO	57 564	17
WHARF REAL ESTATE INVESTMENT	93 000	5
WHEELOCK AND CO. LTD.	65 000	4
TOTAL, PROPERTY		**741**
AT&T	448 969	143
BCE INC	9 380	4
BEZEQ ISRAELI TELECOM CORP	131 689	2
BT GROUP	610 781	18
CENTURYLINK INC	75 616	10
DEUTSCHE TELEKOM	255 379	37
ELISA OYJ	8 942	3
FRANCE TELECOM	144 787	21
HKT TRUST AND HKT LTD	347 880	4
ILIAD	1 692	3
INMARSAT PLC	28 765	2
KDDI	133 800	27
KPN (KON.)	282 723	8
MILLICOM INTERNATIONAL CELLULAR SA	4 162	2
NTT CORP	52 116	20
NTT DOCOMO INC	105 700	20

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
PCCW	293 049	1
PROXIMUS	9 645	3
ROGERS COMMUNICATIONS B	28 978	12
SINGAPORE TELECOM	569 080	12
SOFTBANK CORP	60 100	39
SPRINT NEXTEL CORPORATION	67 313	3
STARHUB	50 000	1
SWISSCOM	2 156	9
TDC A/S	53 462	3
TELE2 B	23 182	2
TELECOM CORP NEW ZEALAND	109 332	2
TELECOM ITALIA RNC	394 837	2
TELECOM ITALIA ORD	824 953	6
TELEFONICA DEUTSCHLAND HOLDI	37 149	2
TELEFONICA	343 746	27
TELIASONERA	172 674	6
TELSTRA CORP	330 461	8
TELUS CORP	12 974	4
T-MOBILE US INC	22 900	12
TPG TELECOM LTD	16 167	1
VERIZON COMMUNICATIONS	302 498	131
VODAFONE GROUP	1 946 192	51
ZAYO GROUP HOLDINGS INC	16 800	5
TOTAL, TELECOM		**666**
AGL ENERGY LTD	50 000	8
AMERICAN WATER WORKS CO INC	15 300	11
APA GROUP	69 463	4
ATCO LTD -CLASS I	5 700	2
ATMOS ENERGY CORP	9 500	7
AUSNET SERVICES	152 439	2
CANADIAN UTILITIES A	7 731	2
CENTERPOINT ENERGY	36 100	8
CENTRICA PLC	422 859	6
CHUBU ELECTRIC POWER CO	43 600	4
CK INFRASTRUCTURE HOLDINGS L	63 000	4
CMS ENERGY CORP	24 200	9
CONSOLIDATED EDISON	24 310	17
DOMINION RESOURCES	50 354	33
DONG ENERGY A/S	13 671	6
E. ON	177 548	16
EDISON INTERNATIONAL	26 389	14
EDP ENERGIAS DE PORTUGAL	156 230	4
EDF	44 097	5
ENDESA SA	20 878	4
ENEL	636 965	32
ENTERGY CORP	15 414	10

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
EXELON CORP	72 963	24
FORTIS	34 304	10
FORTUM OYJ	30 052	5
GAS NATURAL SDG	23 186	4
GDF SUEZ	133 719	19
HYDRO ONE LTD	18 300	3
IBERDROLA	477 459	30
INNOGY SE	8 000	3
KANSAI ELECTRIC POWER CO	47 600	5
KYUSHU ELECTRIC POWER CO	28 300	2
MERIDIAN ENER-PARTLY PAID SH	98 843	2
MIGHTY RIVER POWER	55 114	1
NATIONAL GRID	270 166	26
NEXTERA ENERGY INC	37 350	48
NISOURCE INC	21 300	4
NORTHEAST UTILITIES	24 022	12
OSAKA GAS CO	25 400	4
PG&E CORP	38 573	14
HONGKONG ELECTRIC HLDGS	111 500	8
PPL CORP	54 424	14
PUBLIC SV ENTERPRISE CO	41 815	18
RED ELECTRICA CORPORACION SA	29 288	5
RWE STAMM	36 299	6
RWE VORZUG	42 500	6
SCANA CORP	9 100	3
SEMPRA ENERGY	19 108	17
SEVERN TRENT	16 188	4
SSE PLC	76 893	11
SUEZ ENVIRONNEMENT SA	32 639	5
TERNA	99 595	5
HONGKONG CHINA GAS	702 218	11
TOHO GAS CO	4 000	1
TOHOKU ELECTRIC POWER CO	30 600	3
TOKYO GAS CO	29 020	5
UGI CORP	11 600	4
UNITED UTILITIES GROUP PLC	67 527	6
VEOLIA ENVIRONNEMENT	43 844	9
TOTAL, DISTRIBUTION		**566**
TOTAL FOREIGN		**24 563**
TOTAL SHARES		**31 079**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS		Volume	Market value
TOTAL PROPERTY			761
TOTAL ENERGY			2 844
TOTAL FINANCIAL			5 779
TOTAL CONSUMABLES			3 408
TOTAL DISTRIBUTION			2 118
TOTAL HEALTHCARE			2 954
TOTAL INDUSTRY			2 994
TOTAL IT			4 379
TOTAL CONSUMER GOODS			2 806
TOTAL RAY MATERIALS			1 902
TOTAL TELECOM			1 062
TOTAL UNSPECIFIED			72
TOTAL SHARES			**31 079**
EQUITY FUNDS			
ABERDEEN INDIRECT PARTNERS EUROPA		91 462	22
ABERDEEN INDIRECT PROPERTY PARTNERS ASIA		394 249	56
EUROPRISE SUB-FUND A		199	17
JPMORGAN EUROPEAN PROPERTY FUND		442	24
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS I	996 715 426	3 905 747	7 862
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS II	996 716 678	25 000	49
KLP AKSJE VERDEN INDEKS	996 716 716	25 000	70
KLP AKSJEASIA INDEKS I	990 122 571	299 584	532
KLP AKSJEASIA INDEKS II	990 140 847	180 265	231
KLP AKSJEASIA INDEKS III	916 909 381	200 000	262
KLP AKSJEASIA INDEKS IV	816 909 422	50 000	67
KLP AKSJEEUROPA INDEKS I	990 122 555	1 218 847	2 158
KLP AKSJEEUROPA INDEKS II	890 139 752	0	0
KLP AKSJEEUROPA INDEKS III	815 846 052	200 000	228
KLP AKSJEEUROPA INDEKS IV	915 845 967	50 000	61
KLP AKSJEGLOBAL INDEKS I	987 570 113	3 139 641	9 707
KLP AKSJEGLOBAL INDEKS V	917 767 238	299 700	380
KLP AKSJEGLOBAL LAVBETA I	912 651 037	13 325 355	24 278
KLP AKSJEGLOBAL LAVBETA II	912 651 096	89 545	129
KLP AKSJEGLOBAL SMALL CAP INDEKS I	919 174 501	1 798 202	1 859
KLP AKSJEGLOBAL SMALL CAP INDEKS II	919 175 451	199 800	207
KLP AKSJENORDEN INDEKS	980 854 043	215 154	927
KLP AKSJENORGE	880 854 062	968 393	6 466
KLP AKSJENORGE INDEKS	988 425 958	2 238 292	5 634
KLP AKSJEUSA INDEKS II	990 140 790	163 666	350
KLP AKSJEUSA INDEKS III	917 232 164	1 218 565	1 511
KLP AKSJEUSA INDEKS IV	817 232 582	500 000	625
KLP AKSJEUSA INDEKS USD	986 332 650	96 059	2 194
KLP KORT HORISONT	918 639 462	51 034	52
KLP LANG HORISONT	996 599 965	49 831	81
NMI FRONTIER FUND KS	993 246 743	17 975 000	34
NMI GLOBAL FUND KS	993 246 735	18 580 000	41

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS		Volume	Market value
PARETO EIENDOMSFELLESSKAP II AS	914 428 378	1 857 465	21
SSGA EMERGING MARKETS SRI ENHANCED EQUITY FUND		16 775 101	1 861
TOTAL EQUITY FUNDS			**67 995**
PRIVATE EQUITY			
21 CENTRALE PARTNERS IV, FCPR			274
ABINGWORTH BIOVENTURES V CO-INVEST GROWTH EQ. FUND			28
ABRIS CEE MID-MARKET FUND III L.P.			47
ALTOR 2003 FUND			0
ALTOR IV AB			29
ASTORG V FCPR			400
ASTORG VI			189
AUCTUS IV GMBH & CO. KG			36
CAPITAL PARTNERS IV L.P			5
CAPMAN BUYOUT FUND VIII			28
CHEQUERS CAPITAL XVII			2
CIO CONSTRUCTION EQUITY FUND			1
CONSILIUM PRIVATE EQUITY FUND III			96
CONTANGO VENTURES II IS/AS			15
COOPERATIVE H2 EQUITY PARTNERS FUND V U.A.			23
DANSKE PE PARTNERS V			60
DANSKE PE PARTNERS V - NEW			56
DANSKE PRIVATE EQUITY PARTNERS IV K/S			124
EGERIA PRIVATE EQUITY FUND IV			263
ENDLESS FUND IV A LP			36
ENERGY VENTURES II B IS			7
ENERGY VENTURES II KS	988 015 105		3
ENERGY VENTURES III LP			26
ENERGY VENTURES IV LP			138
FORBION CAPITAL FUND I CO-INVESTMENT FUND I			23
FORBION CAPITAL FUND I CO-INVESTMENT FUND II			21
FORBION CAPITAL FUND II CV			213
FORBION CAPITAL III C.V			129
FORBION CF II CO-INVEST I C.V.			22
FRANCE SPECIAL SITUATIONS FUND II			134
FSN CAPITAL II L.P.			3
FSN CAPITAL IV L.P.			193
GERMAN EQUITY PARTNERS IV			136
HERKULES PRIVATE EQUITY III			27
HGCAPITAL 6			243
HGCAPITAL MERCURY A			182
HITECVISION ASSET SOLUTIONS			251
HITECVISION PRIVATE EQUITY IV			31
HITECVISION PRIVATE EQUITY V LP			127
HITECVISION VI LP			411
HITECVISION VII LP			298
INDEX VENTURES GROWTH II, L.P.			185
INDEX VENTURES GROWTH III (JERSEY) L.P			115

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
INDEX VENTURES VI (JERSEY) LP		157
INDEX VENTURES VII		176
INDEX VENTURES VIII (JERSEY), L.P		52
INNKAP 4 PARTNERS L.P.		23
LITORINA V AB		5
LIVINGBRIDGE 6 LP		52
LIVINGBRIDGE ENTERPRISE 2 LP		67
MB EQUITY FUND V		40
MEDICXI GROWTH I LP		6
NAUTA TECH INVEST 2		3
NAUTA TECH INVEST 3		14
NAZCA CAPITAL III, FCR		142
NEOMED INNOVATION IV L.P.		1
NORTHZONE V K/S		82
NORTHZONE VI L.P.		24
NORTHZONE VII LP	913 585 763	84
NORTHZONE VIII L.P.		43
NORVESTOR IV L.P.		12
NORVESTOR V		44
NORVESTOR VI		62
NORVESTOR VII	816 106 362	32
NORWEGIAN MICROFINANCE INITIATIVE FUND III KS		44
PARAGON FUND II GMBH & CO. KG		79
PARETO EIENDOMSFELLESSKAP II IS		2 110
PARTNERS GROUP SECONDARY 2008		72
PERUSA PARTNERS FUND 2, L.P.		103
PRIVEQ INVESTMENT FUND IV L.P.		131
PRIVEQ INVESTMENTS V (A) AB		96
PROA IBERIAN BUYOUT FUND II		225
QUADRIGA CAPITAL PRIVATE EQUITY FUND IV		178
SOFINNOVA CAPITAL VII		85
SOFINNOVA CAPITAL VIII		36
SPECIAL SITUATIONS VENTURE PARTNERS III LP		26
STRATEGIC INVESTORS FUND VIII L.P..		11
TDR CAPITAL III 'B' L.P		286
TENZING PRIVATE EQUITY FUND I LP		6
TRITON FUND III		183
VEP SPECIAL SITUATIONS FUND II C.V.		59
VERDANE CAPITAL VI K/S		8
VERDANE CAPITAL VII K/S		207
WATERLAND PRIVATE EQUITY FUND VII, C.V.		0
XENON PRIVATE EQUITY VI		35
TOTAL PRIVATE EQUITY		**9 727**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS		Volume	Market value
ALTERNATIVE INVESTMENTS IN SHARES			
BRUNSWICK REAL ESTATE CAPITAL I,		550 000 000	436
BRUNSWICK REAL ESTATE CAPITAL II		1 000 000 000	319
KLP ALFA GLOBAL ENERGI	996 415 406	1 158 951	1 388
KLP ALFA GLOBAL RENTE	998 577 098	1 273 584	1 325
SECTOR SPESIT 1 A USD		14 166	2
TOTAL ALTERNATIVE INVESTMENTS IN SHARES			**3 468**
INFRASTRUCTURE FUNDS			
COPENHAGEN INFRASTRUCTURE II US AIV NON-QFPF K/S		145 512 775	137
COPENHAGEN INFRASTRUCTURE PARTNERS II K/S (non-US)		1 354 490 225	950
COPENHAGEN INFRASTUCTURE PARTNERS III K/S		1 549 593 390	1
TOTAL INFRASTRUCTURE FUNDS			**1 088**
TOTAL INVESTMENTS			**113 358**

SHARES AND UNITS DISTRIBUTION BY PORTFOLIO	Common portfolio	Investment option portfolio	Corporate portfolio	Total
SHARES	29 000	0	0	29 000
LONG TERM SHARES	1 552	0	527	2 079
EQUITY FUND UNITS	67 367	628	0	67 995
PRIVATE EQUITY	9 727	0	0	9 727
ALTERNATIVE INVESTMENTS	3 452	16	0	3 468
INFRASTRUCTURE FUNDS	1 088	0	0	1 088
TOTAL	**112 186**	**645**	**527**	**113 358**

PERCENTAGE UNITS STOCK MARKET LISTED	
SHARES NORWAY	69.6 %
SHARES FOREIGN	99.9 %
EQUITY FUND UNITS	0.0 %
ALTERNATIVE INVESTMENTS	0.0 %

Norwegian shares and equity fund units are disclosed with business registered number.

NOTE 16 Securities adjustment fund

NOK MILLIONS	Acquisition cost 31.12.2017	Fair value 31.12.2017	Valuation reserves 31.12.2017	Valuation reserves 31.12.2016
Valuation reserves shares	72 251	105 225	32 974	18 758
Valuation reserves share derivatives	0	-856	0	0
Valuation reserves fixed interest investments	123 076	132 281	9 206	9 443
Valuation reserves interest rate derivatives	0	-1 975	98	135
Variation margin daily settlement futures			0	1
Total valuation reserves on short term financial assets			42 277	28 337
Securities adjustment fund			**42 277**	**28 337**

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 MILLIONS	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
Rental income	42	43
Operating expenses	-2	-2
Gain on sale	0	20
Value adjustment	0	120
Net financial income	0	0
Net income from investment properties	**41**	**181**

NOK MILLIONS	2017	2016
Book value 01.01	1 003	893
Profit for the year	41	181
Transfers to KLP	-40	-72
Book value 31.12	**1 003**	**1 003**

Fair value on properties as at 31.12.2017 are NOK 979 millions.

NOTE 18 Intangible assets

NOK MILLIONS	2017	2016
Book value 01.01.	253	453
Acquisition cost 01.01.	1 122	1 073
Total additions	37	49
of which internally developed	10	14
of which bought	27	36
Disposals	0	0
Acquisition cost 31.12.	1 159	1 122
Accumulated depreciation and write-dows prev. years	-869	-619
Ordinary depreciation for the year	-63	-77
Impairment [1]	0	-174
Accumulated depreciation and write-downs 31.12.	-933	-869
Book value 31.12.	**226**	**253**
Depreciation period	1 to 9 years	3 to 10 years

[1] Intangible assets contains IT-systems 3 to 10 years

[2] At the end of 2016 there were identified several IT-systems where the book value exceeded the estimated recoverable amount. Estimated recoverable amount is calculated by estimating future earnings with book value. Essentially, some of the investments have no longer value. There are several reasons for this. Among other things, linking it to the outdated functionality due to rule changes and/or technological developments. In addition, parts of the system development have not achieved the desired streamlining degree. This resulted in the following assessment:

NOK MILLIONS	2017	2016
Book value before impairment	0	174
Recoverable amount	0	0
Impairment	**0**	**174**

The write-downs are included as a part of insurance related administration costs in the income statement.

NOTE 19 Technical matters

Insurance liabilities distributed by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans	Group life	31.12.2017	31.12.2016	Change 2017	Change 2016
Premium reserve	405 737	14	405 751	382 424	23 327	27 340
Supplementary reserves	25 539		25 539	24 424	1 115	4 140
Securities adjustment fund	42 277		42 277	28 337	13 940	6 865
Premium fund	15 591		15 591	17 189	-1 599	1 668
Total insurance liabilities	**489 145**	**14**	**489 159**	**452 375**	**36 783**	**40 012**

Insurance liabilities per subsegment of group pension insurance for municipalities, including institutions with similar pension plans - group life insurance does not have any subsegments

NOK MILLIONS	Occupational pension schemes without investment options	Occupational pensions schemes with investment options	Total 2017	Total 2016	Change 2017	Change 2016
Premium reserve	403 888	1 849	405 737	382 414	23 323	27 336
Supplementary reserves	25 399	140	25 539	24 424	1 115	4 140
Securities adjustment fund	42 277		42 277	28 337	13 940	6 865
Premium fund	15 205	386	15 591	17 189	-1 599	1 668
Total insurance liabilities	**486 770**	**2 375**	**489 145**	**452 365**	**36 780**	**40 009**

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities under contracts with contractual obligations

NOK MILLIONS	Premium reserve	Supplementary reserves	Securities adjustment fund	Premium fund	Total 2017	Total 2016
Insurance liabilities 01.01	380 658	24 292	28 337	16 907	450 194	410 327
Net reserves taken to profit/loss	23 278	-13	13 940	280	37 486	34 439
Surplus on returns result	0	1 132	0	4 574	5 706	7 867
Risk result assigned to insurance contracts	0	0	0	519	519	392
Other assignment of surplus	0	0	0	0	0	0
Total changes taken to profit/loss	**23 278**	**1 119**	**13 940**	**5 373**	**43 710**	**42 698**
Transfers between funds/allocated to premium payment	0	0	0	-7 096	-7 096	-3 212
Receipts/payments on transfer	-35	-11	0	22	-24	380
Total changes not taken to profit/loss	**-35**	**-11**	**0**	**-7 073**	**-7 119**	**-2 832**
Total changes in insurance liabilities	23 244	1 108	13 940	-1 701	36 591	39 866
Insurance liabilities 31.12	**403 902**	**25 399**	**42 277**	**15 206**	**486 785**	**450 193**

NOTE 19 Technical matters - cont.

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options

NOK MILLIONS	Premium reserve	Supplementary reserves	Premium fund	Total 2017	Total 2016
Insurance liabilities 01.01	1 766	133	283	2 181	2 036
Net reserves taken to profit/loss	82		7	89	90
Surplus on returns result		6	102	108	71
Risk result assigned to insurance contracts			2	2	2
Other assignment of surplus			1	1	0
Total changes taken to profit/loss	**82**	**6**	**112**	**200**	**162**
Transfers between funds/allocated to premium payment			-9	-9	-17
Receipts/payments on transfer	1	2		3	0
Total changes not taken to profit/loss	**1**	**2**	**-9**	**-7**	**-16**
Total changes in insurance liabilities	83	8	103	194	146
Insurance liabilities 31.12	**1 849**	**140**	**386**	**2 375**	**2 181**

Technical accounts by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Premium income	32 413	36 851	3	4	32 417	36 854
Net income common portfolio	30 809	24 588	0	0	30 810	24 588
Net income investment option portfolio	164	127			164	127
Other insurance-related income	984	933			984	933
Life insurance claims	-17 384	-16 381	-3	-6	-17 386	-16 387
Change insurance liabilities - contractual	-38 612	-38 431	-3	-3	-38 615	-38 434
Change insurance liabilities - investment option	-95	-108			-95	-108
Funds assigned to insurance contracts	-5 199	-4 319			-5 199	-4 319
Insurance-related operating expenses	-1 001	-1 138	-1	-3	-1 001	-1 140
Other insurance-related costs	-980	-934			-980	-934
Technical result	**1 100**	**1 188**	**-2**	**-8**	**1 098**	**1 180**

NOTE 19 Technical matters - cont.

Technical accounts by sub-sectors - main sector group life has no sub-sectors
Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2017	2016	2017	2016	2017	2016
Premium income	32 281	36 717	132	134	32 413	36 851
Net income common portfolio	30 809	24 588			30 809	24 588
Net income investment option portfolio			164	127	164	127
Other insurance-related income	980	929	5	4	984	933
Life insurance claims	-17 302	-16 297	-82	-84	-17 384	-16 381
Change insurance liabilities - contractual	-38 612	-38 431			-38 612	-38 431
Change insurance liabilities - investment option			-95	-108	-95	-108
Funds assigned to insurance contracts	-5 095	-4 265	-104	-54	-5 199	-4 319
Insurance-related operating expenses	-996	-1 133	-5	-5	-1 001	-1 138
Other insurance-related costs	-976	-930	-4	-4	-980	-934
Technical result	**1 088**	**1 178**	**11**	**9**	**1 100**	**1 188**

Result analysis by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2017	2016	2017	2016	2017	2016
Returns result after supplementary provisions	**6 770**	**8 101**	**0**	**0**	**6 770**	**8 101**
Risk result	**899**	**788**	**-2**	**-5**	**897**	**783**
Administration result	**141**	**-49**	**0**	**-3**	**141**	**-52**
Consideration for interest guarantee	711	690			711	690
Total result elements before allocation to customers	**8 520**	**9 530**	**-2**	**-8**	**8 518**	**9 523**
Returns result allocated to supplementary reserves	-1 137	-4 019			-1 137	-4 019
Returns result and risk result alloc. to premium fund	-5 202	-4 324			-5 202	-4 324
Rebooking from equity	-298	0			-298	0
Return to premium reserve	-784	0			-784	0
Technical result	**1 100**	**1 188**	**-2**	**-8**	**1 098**	**1 180**

NOTE 19 Technical matters - cont.

Result analysis by sub-sectors - main sector group life has no sub-sectors
Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2017	2016	2017	2016	2017	2016
Returns result after supplementary provisions	**6 657**	**8 026**	**112**	**75**	**6 770**	**8 101**
Risk result	**895**	**785**	**4**	**3**	**899**	**788**
Administration result	**140**	**-49**	**1**	**1**	**141**	**-49**
Consideration for interest guarantee	703	683	7	7	711	690
Total result elements before allocation to customers	**8 396**	**9 445**	**124**	**86**	**8 520**	**9 531**
Returns result allocated to supplementary reserves	-1 132	-4 001	-6	-19	-1 137	-4 019
Returns result and risk result alloc. to premium fund	-5 095	-4 265	-107	-58	-5 202	-4 324
Rebooking from equity	-297	0	-1	0	-298	0
Return to premium reserve	-784	0	0	0	-784	0
Technical result	**1 088**	**1 178**	**11**	**9**	**1 100**	**1 188**

Claims by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2017	2016	2017	2016	2017	2016
Claims paid in accordance with insurance agreements	-17 168	-16 254	-6	-9	-17 174	-16 263
Claims paid in under repurchase	0	0	0	0	0	0
Total	**-17 168**	**-16 254**	**-6**	**-9**	**-17 174**	**-16 263**

NOTE 19 Technical matters - cont.

TRANSFER AND NEW SUBSCRIPTION

Transfer by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2017	2016	2017	2016	2017	2016
FUNDS TRANSFERRED IN						
Premium reserve	298	3 250	0	0	298	3 250
Strengthening reserves	0	0	0	0	0	0
Funds received taken through profit or loss	**298**	**3 250**	**0**	**0**	**298**	**3 250**
Premium fund	24	287	0	0	24	287
Supplementary reserves to fund	22	176	0	0	22	176
Total funds received	**344**	**3 713**	**0**	**0**	**344**	**3 713**
Number of contracts	1	50	0	0	1	50
FUNDS TRANSFERRED OUT						
Premium reserve	190	113	0	0	190	113
Supplementary reserves	13	7	0	0	13	7
Valuation reserves	9	4	0	0	9	4
Funds paid out taken through profit or loss	**212**	**124**	**0**	**0**	**212**	**124**
Premium fund	2	2	0	0	2	2
Total funds paid out	**214**	**126**	**0**	**0**	**214**	**126**
Number of contracts	4	3	0	0	4	3

New subscription by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2017	2016	2017	2016	2017	2016
New subscription	7	32	0	0	7	32
Number of contracts	38	6	0	0	38	6

NOTE 20 Hedge accounting

31.12.2017 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-551	-1 534
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	530	530
Hedge effectiveness as at 31.12.2017		98 %	
Hedge effectiveness through the year		98 %	

31.12.2016 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-667	-1 650
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	629	629
Hedge effectiveness as at 31.12.2016		96 %	
Hedge effectiveness through the year		96 %	

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 hedge relationship is entered into, 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 billion JPY against NOK 0.984 billion) and interest terms (fixed interest at 5.07 per cent against NIBOR +2.65 per cent) on the borrowing and the combined interest and currency swap respectively. The hedge effectiveness is measured by looking at the change in fair value of the hedged object and the hedging instrument. The hedge effectiveness equals 98 per cent.

The hedge effectiveness 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 per cent to 125 per cent.

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 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 per cent 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 hedge relationship represents.

Since the value change on the hedged object and the hedging instrument has a high negative correlation, the profit/loss effect will be relatively low. 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

2017 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2017	Due date
BORROWINGS [1]				
June 2015	EUR 600	5 163	5 977	2045
Total subordinated loan capital		5 163	5 977	
April 2004	JPY 15 000	984	1 534	Perpetual
Total hybrid tier 1 securities		984	1 534	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 511**	

2016 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2016	Due date
BORROWINGS [1]				
October 1997	JPY 9 500	554	706	Perpetual
June 2015	EUR 600	5 163	5 514	2045
Total subordinated loan capital		5 717	6 220	
April 2004	JPY 15 000	984	1 650	Perpetual
Total hybrid tier 1 securities		984	1 650	
Total subordinated loan capital and hybrid Tier 1 securities		**6 700**	**7 870**	

[1] Interest costs on the two subordinated loans were NOK 283 million (NOK 303 million) and NOK 61 million (NOK 61 million) for the hybrid Tier 1 securities in 2017. Figures in brackets are 2016 figures.
[2] Amount in local currency (millions)

EUR 600:
The interest rate on the loan is fixed at 4.25 per cent p.a. The loans was issued the 10th of June 2015 and is due in 2045. The loan can be redeemed by KLP after 10 years, and at every interest payment date that follows. The loan is currency hedged with EUR denominated bonds as shown in the table below. This arrangement is not subject to hedge accounting.

JPY 15 000:
The interest rate on the loan is fixed USD-interest of 5.07 per cent p.a. The loan is perpetual but KLP has the right to redeem the loan on 28 April 2034. If KLP does not exercise its redemption right in 2034, the loan will switch to variable interest. The credit margin then increases by 1 percentage point to 6-month JPY LIBOR-interest + a margin of 3.30 per cent p.a. To hedge the interest and exchange risk associated with the loan a combined interest rate and currency swap has been agreed in which KLP pays 3-month NIBOR-interest + a margin of 2.65 per cent p.a. and receives USD-interest of 5.07 per cent p.a. This hedging arrangement is shown in Note 20.

NOTE 21 Subordinated loan capital and hybrid Tier 1 securities - cont.

2017 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2017	Due date
Bonds	EUR 596	5 152	31	665	5 849	2025
Total hedging transactions		**5 152**	**31**	**665**	**5 849**	

2016 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2016	Due date
Bonds	JPY 9 500	635	2	66	703	2017
Bonds	EUR 596	5 152	29	221	5 402	2025
Total hedging transactions		**5 787**	**31**	**287**	**6 105**	

[2] Amount in local currency (millions)

NOTE 22 Transferred assets with restrictions

TRANSFERRED ASSETS THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES

All assets transferred are recognised in the financial position statement if KLP is still exposed to changes in the fair value of the assets. This applies to repurchase agreements and agreements concerning securities lending. Repurchase agreements are a form of borrowing with collateral whereby KLP sells securities with an agreement to repurchase those securities at a predetermined price. Cash received is recognised as a deposit (debt). Securities transferred in connection with repurchase agreements are not deducted in the financial position statement.

Agreements concerning securities lending are transactions whereby KLP lending securities to a counterparty and receives a commision for it. Since both repurchase agreements and securities lending result in the securities being returned to KLP, the risk of value changes rests with KLP. However, the securities are not available to KLP while being transferred. The securities still reported in the financial position statement, and related debt, are assessed at fair value.

ASSETS TRANSFERRED THAT ARE STILL CAPITALISED

NOK MILLIONS	31.12.2017	31.12.2016
REPURCHASE AGREEMENTS		
Certificates and bonds	0	0
SECURITIES LENDING [1]		
Shares	1 686	1 379
Total assets transferred that are still capitalised	**1 686**	**1 379**

[1] Lending of shares has changed somewhat since last year, since it this year has been used a look-through approach of KLP's share in funds where lending of shares occurs. The change entails an increase of NOK 21 million on 31 December 2016, compared with what was reported last year.

NOTE 22 Transferred assets with restrictions - cont.

LIABILITIES RELATED TO THE ASSETS

NOK MILLIONS	31.12.2017	31.12.2016
REPURCHASE AGREEMENTS		
Paid-in by credit institutions	0	0
SECURITIES LENDING		
Paid-in by credit institutions	0	0
Certificates and bonds	1 786	1 421
Total liabilities	**1 786**	**1 421**

All the assets in the table above are subject to resale or collateral with the counterpary.

ASSETS TRANSFERRED THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES

KLP receives collateral under reverse repurchase agreements and agreements concerning securities borrowing, which it is permitted to sell or pledge under the agreements. The transactions are carried out in accordance with standard agreements employed by the parties in the financial market.

In general, the agreements require additional security to be put up if the value of the securities fall below a predetermined level. According to the agreements, the recipient of the collateral has the unlimited right to sell or pledge the collateral in return for providing corresponding collateral on the date of settlement.

NOTE 23 Return on capital

PER CENT	2017	2016	2015	2014	2013
CUSTOMER PORTFOLIOS					
TOTAL OF COMMON PORTFOLIO					
Return I	3.9	4.4	3.6	4.3	6.4
Return II	6.7	5.8	4.0	6.9	6.7
Return III	6.7	5.4	2.8	9.5	6.4
Total - investment option portfolio	**7.5**	**6.2**	**4.0**	**6.7**	**8.8**

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

PER CENT	2017		2016		2015		2014		2013	
	Return I	Return II	Return I	Return II	Return I	Return II	Return I	Return II	Return I	Return II
THE COMMON PORTFOLIO'S SUB-PORTFOLIOS HAVE HAD THE FOLLOWING RETURNS										
Balanced portfolio 1	3.9	6.7	4.5	5.8	3.6	4.0	4.2	7.0	6.0	6.3
Balanced portfolio 2	4.0	6.8	4.4	5.8	3.7	3.9	4.7	6.9	7.3	7.5
Moderate portfolio	3.1	6.0	4.2	5.5	3.6	3.7	4.5	6.5	5.2	5.4

PER CENT	2017	2016	2015	2014	2013
CORPORATE PORTFOLIO					
Return on financial investments in the corporate portfolio value	4.0	4.7	4.7	7.3	5.7

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 24 Sales costs

NOK MILLIONS	2017	2016
Personnel costs	73	69
Commission	0	0
Other costs	57	55
Total sales costs	**130**	**124**

NOTE 25 Pensions obligations, own employees

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

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

NOK MILLIONS	Joint scheme	Via operation	2017	Joint scheme	Via operation	2016
PENSION COSTS						
Present value of accumulation for the year	66.4	5.1	71.5	60.6	5.3	65.9
Administration cost	1.7	0.0	1.7	1.7	0.0	1.7
Social security contributions - pension costs	9.6	0.7	10.3	8.8	0.7	9.5
Capital activity tax - pension tax	3.4	0.3	3.7	0.0	0.0	0.0
Pension costs taken to profit/loss incl. social security, capital activity tax and admin.	**81.1**	**6.0**	**87.1**	**71.1**	**6.0**	**77.1**
NET FINANCIAL COSTS						
Interest cost	28.6	3.2	31.8	27.0	2.9	29.9
Interest income	-20.4	0.0	-20.4	-18.8	0.0	-18.8
Management costs	1.7	0.0	1.7	1.6	0.0	1.6
Net interest cost	9.9	3.2	13.1	9.7	2.9	12.6
Social security contributions - net interest cost	1.4	0.4	1.8	1.4	0.4	1.8
Capital activity tax - net interest cost	0.5	0.2	0.7	0.0	0.0	0.0
Net interest cost including social security contributions and capital activity tax	**11.8**	**3.8**	**15.6**	**11.1**	**3.3**	**14.4**
ESTIMATE DEVIATION PENSIONS						
Actuarial gains (losses)	7.4	8.2	15.6	-4.8	11.3	6.4
Social security contributions	1.0	1.2	2.2	-0.7	1.6	0.9
Capital activity tax	0.4	0.4	0.8	13.9	6.0	19.9
Actuarial gains (losses) including social security contributions and capital activity tax	**8.9**	**9.8**	**18.6**	**8.4**	**18.8**	**27.2**
Total pension costs including interest costs and estimate deviation	**101.7**	**19.6**	**121.3**	**90.5**	**28.2**	**118.7**
PENSION OBLIGATIONS						
Gross accrued pension obligations	1 168.9	131.4	1 300.3	1 044.0	120.0	1 164.0
Pension assets	863.3	0.0	863.3	765.7	0.0	765.7
Net liability before social security costs and capital activity tax	305.5	131.4	436.9	278.3	120.0	398.3
Social security contributions	43.1	18.5	61.6	39.2	16.9	56.2
Capital activity tax	15.3	6.6	21.8	13.9	6.0	19.9
Gross accrued obligations incl. social security costs and capital activity tax	1 227.2	156.5	1 383.7	1 097.2	142.9	1 240.1
Net liability incl. social security costs and capital activity tax	**363.9**	**156.5**	**520.4**	**331.4**	**142.9**	**474.3**
RECONCILIATION PENSION OBLIGATION						
Capitalized net liability/(assets) 01.01.	331.4	142.9	474.3	302.6	120.4	423.0
Pension costs taken to profit/loss	81.1	6.0	87.1	71.1	6.0	77.1
Financial costs taken to profit/loss	11.8	3.8	15.6	11.1	3.3	14.4
Actuarial gains and losses included social security contributions and capital activity tax	8.9	9.8	18.6	8.4	18.8	27.2
Social security contributions paid in premiums/supplement	-8.2	-0.7	-8.9	-7.6	-0.7	-8.3
Capital activity tax paid in premiums/supplement	-2.9	-0.3	-3.2	0.0	0.0	0.0
Premium/supplement paid-in including admin				-54.1	-5.0	-59.1
Capitalized net liability/(assets) 31.12. this year	**363.9**	**156.5**	**520.4**	**331.4**	**142.9**	**474.3**

NOTE 25 Pensions obligations, own employees - cont.

NOK MILLIONS	Joint scheme	Via operation	2017	Joint scheme	Via operation	2016
CHANGE IN PENSION OBLIGATIONS						
Gross pension assets 01.01.	1 097.2	142.9	1 240.1	983.7	120.4	1 104.1
Present value of accumulation for the year	66.4	5.1	71.5	60.6	5.3	65.9
Interest cost	28.6	3.2	31.8	27.0	2.9	29.9
Actuarial losses (gains) gross pension obligation	49.2	9.8	58.9	40.1	18.8	58.9
Social security contributions - pension costs	9.6	0.7	10.3	8.8	0.7	9.5
Social security contributions - net interest cost	1.4	0.4	1.8	1.4	0.4	1.8
Social security contributions paid in premiums/supplement	-8.2	-0.7	-8.9	-7.6	-0.7	-8.3
Capital activity tax - pension costs	3.4	0.3	3.7	0.0	0.0	0.0
Capital activity tax - net interest cost	0.5	0.2	0.7	0.0	0.0	0.0
Capital activity tax paid in premiums/supplement	-2.9	-0.3	-3.2	0.0	0.0	0.0
Payments	-17.9	-5.0	-23.0	-16.8	-5.0	-21.8
Gross pension obligation 31.12.	**1 227.2**	**156.5**	**1 383.7**	**1 097.2**	**142.9**	**1 240.1**
CHANGE IN PENSION ASSETS						
Pension assets 01.01	765.7	0.0	765.7	681.1	0.0	681.1
Interest income	20.4	0.0	20.4	18.8	0.0	18.8
Actuarial (loss) gain on pension assets	40.3	0.0	40.3	31.7	0.0	31.7
Administration cost	-1.7	0.0	-1.7	-1.7	0.0	-1.7
Financing cost	-1.7	0.0	-1.7	-1.6	0.0	-1.6
Premium/supplement paid-in including admin	58.1	5.0	63.2	54.1	5.0	59.1
Payments	-17.9	-5.0	-23.0	-16.8	-5.0	-21.8
Pension assets 31.12	**863.3**	**0.0**	**863.3**	**765.7**	**0.0**	**765.7**
PENSION SCHEME'S OVER-/UNDER-FINANCING						
Present value of the defined benefits pension obligation	1 227.2	156.5	1 383.7	1 097.2	142.9	1 240.1
Fair value of the pension assets	863.3	0.0	863.3	765.7	0.0	765.7
Net pensions liability	**363.9**	**156.5**	**520.4**	**331.4**	**142.9**	**474.3**

PER CENT	31.12.2017	31.12.2016
FINANCIAL ASSUMPTIONS (COMMON TO ALL PENSION SCHEMES)		
Discount rate	2.40 %	2.60 %
Salary growth	2.50 %	2.50 %
The National Insurance basic amount (G)	2.25 %	2.25 %
Pension increases	1.48 %	1.48 %
Social security contribution	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %

The assumptions as at 31 December 2016 have been applied to measurement of the cost of pension for 2017, whilst for calculation of the pension obligation on 31 December 2017, the assumptions and membership numbers as at 31 December 2017 have been applied. The assumptions are based on the market situation as at 31 December 2017 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

NOTE 25 Pensions obligations, own employees - cont.

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.

KLP 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. KLP uses own disability table for actuarial assumptions related to disability, a table based on changes in disability figures in KLPs customer base.

Withdrawal of contractual early retirement (AFP) (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 42.5 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" (IN %)						
Age (in years)	<24	24-29	30-39	40-49	50-55	>55
Turnover	25 %	15 %	7.5 %	5 %	3 %	0 %

PENSIONS VIA OPERATIONS

AFP/early retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for "Fellesordningen".

NUMBER	Joint scheme	Via operation	2017	Joint scheme	Via operation	2016
MEMBERSHIP STATUS						
Number active	538	28	566	550	30	580
Number deferred (previous employees with deferred entitlements)	366	15	381	361	18	379
Number of pensioners	171	45	216	153	39	192

PER CENT	2017	2016
COMPOSITION OF THE PENSION ASSETS		
Property	12.3 %	12.5 %
Lending	11.6 %	11.6 %
Shares	22.5 %	20.1 %
Long-term/HTM bonds	27.1 %	26.8 %
Short-term bonds	19.2 %	20.0 %
Liquidity/money market	7.3 %	8.9 %
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 2017 and 5.9 per cent in 2016.

Expected payment into benefits plans after cessation of employment for the period 1 January 2018 – 31 December 2018 is NOK 96.2 million.

NOTE 25 Pensions obligations, own employees - cont.

Sensitivity analysis as at 31 December 2017	
The discount rate is reduced by 0.5 %	Increase
Gross pension obligation	10.09 %
Accumulation for the year	14.35 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	1.32 %
Accumulation for the year	3.29 %
Mortality is strengthened by 10 %	Increase
Gross pension obligation	2.50 %
Accumulation for the year	1.90 %

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 17.1 years.

NOTE 26 Tax

NOK MILLIONS	2017	2016
Accounting income before tax	1 985	2 125
Items of other comprehensive income before tax	-28	-33
DIFFERENCES BETWEEN ACCOUNTING AND TAX INCOME		
Reversal of value reduction, financial assets	3 588	5 121
Reversal of value increase, financial assets	-22 812	-16 188
Book gain on realization of shares and other securities	-1 466	-4 750
Tax gain on realization of shares and other securities	1 426	5 086
Other permanent differences	-27	-30
Change in differences affecting relationship between book and taxable income	-22	-1 293
Taxable income	**-17 356**	**-9 962**
Group contribution received with tax effect	3 070	707
Surplus/deficit for the year is transferred to carryforward deficit	**-14 286**	**-9 256**
Deficit carryforward allowable from previous years	-47 224	-36 864
The difference between the calculated and the undisclosed tax base	853	-1 104
Change for the year in carryforward deficit	-14 286	-9 256
Total carryforward deficit and allowance as at 31.12.	**-60 657**	**-47 224**
RECONCILIATION OF BASIS FOR DEFERRED TAX		
Tax-increasing temporary differences:		
Fixed assets	2	1
Financial instruments	6	0
Profit and loss account	3	4
Risk equilization fund	4 154	3 907
Securities	63 221	47 313
Total tax-increasing temporary differences	**67 387**	**51 225**

NOTE 26 Tax - cont.

NOK MILLIONS	2017	2016
Difference not included in the basis for deferred taxes	-4 154	-3 907
Total tax-increasing temporary differences	**63 232**	**47 318**
TAX-REDUCING TEMPORARY DIFFERENCES:		
Long-term liabilities	-1 152	-964
Accounts receivable	0	-1
Financial instruments	0	-2
Pension obligation	-520	-474
Total tax-reducing temporary differences	**-1 673**	**-1 441**
Net temporary differences	61 560	45 878
Carryforward deficit	-60 657	-47 224
Basis for deferred tax/- assets	**903**	**-1 346**
25% deferred tax/- assets	226	-336
Deferred tax assets/-assets in the balance sheet	-226	336
Capitalized liability for tax settlement	-2	0
Tax on group contributions directly charged to the balance sheet	-74	0
Change in deferred tax taken to profit/loss	-488	781
SUMMARY OF TAX EXPENSES FOR THE YEAR		
Change in deferred tax taken to profit/loss	-488	781
Tax payable taken to profit/loss	-4	0
Total tax taken to profit/loss	**-492**	**781**
TAX TAKEN TO PROFIT/LOSS		
Tax	-496	775
Tax on other comprehensive income	5	7
Total tax taken to profit/loss	**-492**	**781**
RECONCILIATION OF COST OF TAXES AGAINST ORDINARY PROFIT BEFORE TAX		
Accounting income before tax	1 957	2 092
Expected tax in accordance with nominal rate (25%)	-489	-523
Tax effect of:		
Permanent differences	152	1 127
Change in temporary differences	62	136
Error earlier years	-213	42
Total tax taken to profit/loss	**-488**	**781**
Effective tax rate	25 %	-37 %
WEALTH TAX		
Taxable value assets	508 961	468 116
Taxable value liabilites	-507 400	-472 149
Net wealth	**1 561**	**-4 033**
Base amount wealth tax	1 561	0
Wealth tax (0,15%)	2	0

NOTE 27 Salary and obligations towards senior management etc.

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines. Senior employees are defined as the Group CEO and Executive Vice Presidents employed in the parent company KLP and forming part of the Group senior management.

Senior employees who were members of the Group senior management before 1 May 2013, are pensionable at the age of 65, but may choose to canage this to aged 70. None of those senior management have chosen to avail themselves of the opportunity to change the retirement age as of 31.12.2017. Persons who were appointed to Group senior management as of 1 May 2013, are pensionable at the age of 70.

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. Loans to external members of the Board of Directors and external members of the Corporate Assembly are only made on general lending terms and conditions.

Fees to Board members are determined by the Corporate Assembly.

All benefits are shown without the addition of social security contributions and capital activity tax.
For Board members elected by and among the employees stated that only about compensation and loans that can be linked to their directorship.
Attention is drawn otherwise to the description of the main principles on determination of remuneration in the KLP Group that may be found at klp.no.

2017 NOK THOUSANDS	Paid from the Company						Paid from another company in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan [1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan [1]
SENIOR EMPLOYEES												
Sverre Thornes, CEO	3 900	205	1 457	-	-	-	-	-	-	13 556	2.10-2.35	A45/A47
Marianne Sevaldsen	2 655	167	1 140	-	-	-	-	-	-	4 439	2.10	A43
Aage E. Schaanning	3 413	167	1 223	-	-	-	-	-	-	5 991	2.10	Flexible loan
Rune Hørnes	2 288	160	372	-	-	-	-	-	-	-	-	-
Gro Myking	1 933	160	480	-	-	-	-	-	-	-	-	-
Kirsten Grutle	1 549	120	505	-	-	-	-	-	-	4 066	2.10-2.35	A46
THE BOARD OF DIRECTORS [3]												
Liv Kari Eskeland, chair (10 of 10)	361	-	-	-	-	-	-	-	-	-	-	-
Egil Johansen (10 of 10)	322	-	-	-	-	-	-	-	-	-	-	-
Lars Vorland (8 of 10)	217	-	-	-	-	-	-	-	-	-	-	-
Jan Helge Gulbrandsen (9 of 10)	217	-	-	-	-	-	-	-	-	-	-	-
Marit Torgersen (10 of 10)	252	-	-	-	-	-	-	-	-	-	-	-
Ingjerd Blekli Spiten (9 of 10)	252											
Susanne Torp-Hansen, elected by and from the employees (6 of 10)	209	-	-	-	-	-	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees (10 of 10)	252	-	-	-	-	-	-	-	-	-	-	-

[1] S= Serial loan, A=Annuity loan, last payment.
[3] The numbers in ( ) represents how many meetings of the total the person has attended to.

NOTE 27 Salary and obligations towards senior management etc. - cont.

2017 NOK THOUSANDS	Paid from the Company						Paid from another company in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan [1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan [1]
CORPORATE ASSEMBLY												
Total Corporate Assembly, including employee representatives	599	-	-	7 997	-	-	-	-	-	32 085	-	-
EMPLOYEES												
Loans to employees of KLP to subsidized interest rate	-	-	-	181 241	-	-	-	-	-	302 235	-	-
Loans to employees of KLP to ordinary terms and conditions	-	-	-	39 703	-	-	-	-	-	210 118	-	-

2016 NOK THOUSANDS	Paid from the Company						Paid from another company in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan [1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan [1]
SENIOR EMPLOYEES												
Sverre Thornes, CEO	3 807	206	1 413	-	-	-	-	-	-	11 840	1.95-2.35	A46
Marianne Sevaldsen	2 593	165	1 084	-	-	-	-	-	-	4 439	1.95	A43
Aage E. Schaanning	3 338	164	1 193	-	-	-	-	-	-	5 680	1.95	Fleksiloan
Rune Mæland [2]	1 242	117	296	1 406	1.95	A34	-	-	-	527	1.95	A43
Rune Hørnes	672	328	84	-	-	-	-	-	-	-	-	-
Gro Myking	1 566	140	434	-	-	-	-	-	-	-	-	-
Kirsten Grutle	177	14	40	-	-	-	-	-	-	4 258	1.95-2.20	A46
THE BOARD OF DIRECTORS [3]												
Liv Kari Eskeland, chair (9 of 9)	335	-	-	-	-	-	-	-	-	-	-	-
Egil Johansen (9 of 9)	289	-	-	-	-	-	-	-	-	-	-	-
Lars Vorland (8 of 9)	201	-	-	-	-	-	-	-	-	-	-	-
Jan Helge Gulbrandsen (8 of 9)	179	-	-	-	-	-	-	-	-	-	-	-
Marit Torgersen (8 of 9)	230	-	-	-	-	-	-	-	-	-	-	-
Cathrine Klouman (4 of 4) [2]	131	-	-	-	-	-	-	-	-	-	-	-
Ingjerd Blekli Spiten (5 of 5)	120											
Susanne Torp-Hansen, elected by and from the employees (8 of 9)	201	-	-	-	-	-	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees (8 of 9)	229	-	-	-	-	-	-	-	-	-	-	-

[1] S= Serial loan, A=Annuity loan, last payment.
[2] The individual has stepped down from the appointment during the year.
[3] The numbers in ( ) represents how many meetings of the total the person has attended to.

NOTE 27 Salary and obligations towards senior management etc. - cont.

2016 NOK THOUSANDS	Paid from the Company						Paid from another company in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan [1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan [1]
CORPORATE ASSEMBLY												
Total Corporate Assembly, including employee representatives	841	-	-	7 474	-	-	-	-	-	26 863	-	-
EMPLOYEES												
Loans to employees of KLP to subsidized interest rate	-	-	-	205 189	-	-	-	-	-	308 591	-	-
Loans to employees of KLP to ordinary terms and conditions	-	-	-	44 216	-	-	-	-	-	197 564	-	-

[1] S= Serial loan, A=Annuity loan, last payment.

NOK THOUSANDS	2017	2016
The period costs related to lending terms and conditions for employees.	2 301	2 276

NOTE 28 Number of employees

	2017	2016
Number of permanent employees 31.12.	534	528
Number of temporary employees 31.12.	8	19
Total number of employees 31.12.	**542**	**547**
Number of full time equivalents permanent employees	519	515
Number of full time equivalents temporary employees	7	19
Total number of full time equivalents	**527**	**534**

NOTE 29 Auditor's fee

NOK MILLIONS	2017	2016
Ordinary audit	1.6	1.7
Certification services	0.8	0.2
Tax advisory services	0.3	0.7
Non-audit services	0.3	1.6
Total auditor's fee	**3.0**	**4.3**

The audit fee is expensed according to received invoice. The amounts above include VAT.

NOTE 30 Transactions with related parties

All transactions with related parties are carried out on market terms and conditions. The exception is administrative services used across the Group. Costs for administrative services are allocated at actual cost in accordance with actual usage. All related parties are 100 percent owned subsidiaries.

NOK MILLIONS	2017	2016
INCOME STATEMENT ITEMS		
Purchase of asset management services from KLP Kapitalforvaltning AS	-104	-101
Purchase of asset management services from KLP Banken AS	-57	-57
Lease of office premises from KLP Huset AS	-53	-52
Sale of pension insurance/group life to subsidiaries	89	67
Net repayment administrative services	304	283
Total	**178**	**140**

NOK MILLIONS	31.12.2017	31.12.2016
BALANCE SHEET ITEMS [1]		
Net outstanding accounts to:		
KLP Skadeforsikring AS	112	208
KLP Bedriftspensjon AS	5	11
KLP Forsikringsservice AS	3	1
KLP Kapitalforvaltning AS	9	12
KLP Eiendom AS	27	26
KLP Bank group	28	34
Total intercompany	**184**	**292**
KLP Huset AS, classified in the accounts as "Shares and holdings in property subsidiaries" (corporate portfolio)	81	96
KLP Eiendom AS, classified in the accounts as "Shares and holdings in property subsidiaries" (common portfolio)	3 197	2 381
KLP Eiendom AS, classified in the accounts as "Shares and holdings in property subsidiaries" (investment option portfolio)	18	14
Total intercompany receivables	**3 479**	**2 783**

[1] Net internal outstanding accounts include Group contribution items at the various companies.

NOTE 31 Other liabilities

NOK MILLIONS	31.12.2017	31.12.2016
Accounts payable	7	2
VAT and tax deductions due	421	409
Non-settled securities trade	711	2 095
Total other liabilities	**1 139**	**2 506**

NOTE 32 SCR ratio

Solvency II was introduced 1 January 2016 and the calculation of the solvency margin was changed completely whilst the previous requirement for capital adequacy and core capital adequacy no longer applies. The Solvency II balance sheet includes assets and liabilities at fair value. For assets that are not measured at fair value, the difference between the statutory account value and fair value are added to the Solvency II balance sheet. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions.

In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR. One subordinated loan was redeemed in October 2017. Because of the regulatory limitation of tier 2 capital, the loan was redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 242 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 352 per cent.

	31.12.2017	31.12.2016
SOLVENCY II - SCR RATIO	242 %	209 %

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2017	31.12.2016
Assets, book value	535	497
Added values - hold-to-maturity portfolio/loans and receivables	10	9
Added values - other lending	1	1
Other added/lesser values	0	0
Deferred tax asset	0	1
Total assets - solvency II	**545**	**507**

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2017	31.12.2016
Best estimate	487	450
Risk margin	13	13
Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other liabilities	7	9
Deferred tax liabilities	1	0
Total liabilities - solvency II	**516**	**480**
Excess of assets over liabilities	29	27
- Deferred tax assets	0	-1
- Risk equalisation fund	-4	-4
+ Hybrid Tier 1 securities	2	2
Tier 1 basic own funds	**27**	**24**
Total eligible tier 1 own funds	**27**	**24**

NOTE 32 SCR ratio - cont.

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2017	31.12.2016
Subordinated loans	6	7
Risk equalisation fund	4	4
Tier 2 basic own funds	**10**	**11**
Ancillary own funds	10	10
Tier 2 ancillary own funds	**10**	**10**
Deduction for max. eligible tier 2 own funds	-14	-13
Total eligible tier 2 own funds	**7**	**7**
Deferred tax asset	0	0
Total eligible tier 3 own funds	**0**	**0**
Solvency II total eligible own funds	**34**	**31**
Market risk	6	6
Diversification market risk	-2	-2
Counterparty risk	0	0
Life risk	15	15
Diversification life risk	-4	-4
Diversification general	-3	-3
Operational risk	2	2
Loss absorbing ability deferred tax	-1	0
Solvency capital requirement (SCR)	**14**	**15**
Linear minimum capital requirement (MCR_linear)	6	5
Minimum	3	4
Maximum	6	7
Minimum capital requirement (MCR)	**6**	**5**
Solvency II- SCR ratio	**242 %**	**209 %**

NOTE 33 Other insurance-related income and costs

NOK MILLIONS	2017	2016
OTHER INSURANCE-RELATED INCOME		
Contribution service pension/contractual early retirement (AFP)	981	927
Miscellaneous interest income	4	6
Total other insurance-related income	**984**	**933**
OTHER INSURANCE-RELATED COSTS		
Payments service pension/contractual early retirement (AFP)	977	929
Other interest costs	3	5
Total other insurance-related costs	**980**	**934**

NOTE 34 Contingent liabilities

NOK MILLIONS	31.12.2017	31.12.2016
Guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	9 515	7 004
Approved, not paid out KLP loan pledge	5 080	6 312
Total contingent liabilities	**14 597**	**13 319**

NOTE 35 Contingent assets

KLP's holding of shares in Hafslund ASA (5,327,265 A shares and 4,042,483 B shares) was redeemed in November 2017 when the company was taken over by the City of Oslo. At the time of redemption, the last observed prices were NOK 103.50 per share for Hafslund A and NOK 105.00 per share for Hafslund B; they were redeemed at a price of NOK 96.75 per share. KLP believes the redemption price is too low, and has taken legal action to clarify the value. In the accounts presented on 31.12.2017, the redemption price of NOK 96.75 per share was used when deducting the shares, as the outcome of the legal proceedings is uncertain.

NOTE 36 Change in liabilities from financing activities

NOK MILLIONS	31.12.2016	Cash flow from financing activities [1]	Non-cash changes	31.12.2017
Perpetual subordinated loan capital	706	-668	-38	0
Other subordinated loan capital	5 514	0	462	5 977
Hybrid Tier 1 securities	1 650	0	-116	1 534
Total liabilities from financing activities	**7 870**	**-668**	**309**	**7 511**

[1] Repayment of subordinated loan capital

To the General Meeting of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kommunal Landspensjonskasse gjensidig forsikringsselskap. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, 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.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business and operations has in general been unchanged compared to the previous year. There has not been any significant regulatory changes, transactions or events with material impact on

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the financial statements for 2017. Therefore, the key audit matters relevant for our audit have been the same in 2017 as for the prior year audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
We have focused on this area because it represents a substantial part of the assets on the balance sheet and the lack of a liquid market for investment properties. The valuation of investment properties is performed using an internal valuation model that involves the use of management judgement when determining the market rent, rehabilitation cost and discount rate. The accuracy of the calculation also depends on internal information about the properties, e.g. space, expiration of lease contract and lease amounts. Refer to note 3.2 and note 7 in the financial statements for a further description of the valuation of investment properties.	We evaluated and tested the design and operating effectiveness of the group's internal controls over valuation of investment properties. In particular, we assessed whether management had established controls that ensured evaluation of market rents, rehabilitation cost and discount rates against both external valuations and market data and between properties in the portfolio. We challenged management's judgement by evaluating management's explanations for significant deviations between the assumptions applied and the external valuations and market data. We found the valuation model used by management reasonable and in accordance with market practice. In order to conclude on the accuracy of the calculations, we tested important internal assumptions on a sample basis against lease contracts and other documentation without identifying significant deviations. We confirmed that the model calculation was appropriately reflecting the valuation model and assumptions selected. We tested that all investment properties had been subject to valuation by comparing the list of properties in the valuation model against the list of properties booked in the accounting system. We compared the output from the valuation model against the external valuations for a selection of the properties. Management explained significant deviations and we challenged the basis for their view of why the deviations did not warrant a change in book values.
Calculation of technical provisions – life insurance	
We have focused on the calculation of the 'technical provisions – life insurance' because it is a significant estimate in the financial statements requiring a complex assessment of future events. An inherent risk exists related to whether the technical provisions are sufficient to cover the future claim payments to the policy holders. The calculation of the technical provisions will largely depend on the data quality in	We evaluated and tested the design and operating effectiveness of the established internal controls over data quality in the insurance system that forms the basis for the calculation of the technical provisions within life insurance. In particular, we assessed whether management had established controls that ensured complete and accurate policy data, including controls around data gathering, data processing and sub ledger interfaces. We evaluated and tested the design and operating effectiveness of the established internal controls over quality assurance of assumptions and calculation

Independent Auditor's Report - Kommunal Landspensjonskasse gjensidig forsikringsselskap

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the insurance system and the use of assumptions in line with regulatory requirements and relevant industry standards.

Refer to note 2.14, note 3.1 and note 9.1 in the financial statements for a further description of the calculation of technical provisions – life insurance.

methodology applied. We concluded that we could rely on these controls for the purposes of our audit.

We reviewed the actuary's recalculation of the premium reserves, which the actuary has compared against the premium reserve calculated by the insurance system. Furthermore, we reviewed the group's roll forward of technical provisions within life insurance and compared the result of this roll forward against the technical provisions calculated by the insurance system. The recalculations did not show a significant deviation against the technical provisions calculated by the insurance systems. We assessed the methodology and significant assumptions applied e.g. risk of mortality, risk of disability, risk of survival and discount rates. We used our internal actuaries for this work.

In our view, the calculation of technical provisions in life insurance was subject to controls with appropriate design and operating effectiveness. The assumptions in the calculations were applied consistently and in accordance with regulatory requirements and industry standards.

Valuation of derivatives and financial assets measured at fair value through profit or loss

We have focused on this area because it represents a substantial part of the assets on the balance sheet and because the fair value in certain instances will have to be estimated using valuation models that apply judgement.

The majority of the financial assets measured at fair value through profit or loss are traded in an active market. For these assets, we have focused on KLP's guidelines and processes to ensure an accurate basis for the valuation.

For derivatives and financial assets for which fair value is determined based on models and certain assumptions are unobservable, we have focused on assessing the assumptions underlying the valuation.

Refer to note 3.3, note 6 and note 7 in the financial statements for a description of the valuation of financial assets measured at fair value through profit or loss.

We assessed that KLP's guidelines for valuation of financial instruments were in accordance with commonly recognized principles and current regulations.

We evaluated and tested the design and operating effectiveness of the established internal controls over valuation of derivatives and financial assets measured at fair value through profit or loss. For derivatives and financial assets traded in liquid markets, this included controls that ensured accurate and complete registration of the basis for the pricing and controls that ensured that the prices that are transferred to the systems from the pricing sources agree with the sources and that the correct price is applied to the correct derivative or financial asset.

For derivatives and financial assets for which the valuation is based on models and certain assumptions that are not directly observable, we tested the controls management has established to ensure that an independent valuation is obtained.

Where relevant, we assessed the reliability of the sources used. We concluded that we could rely on these controls for the purposes of our audit.

Independent Auditor's Report - Kommunal Landspensjonskasse gjensidig forsikringsselskap

Other information

Management is responsible for the other information. The other information comprises information in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the 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 the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report 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.

Independent Auditor's Report - Kommunal Landspensjonskasse gjensidig forsikringsselskap

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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 March 2018

PricewaterhouseCoopers AS

Erik Andersen

State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Anne Westad
Employed in HR

To the General Meeting
of Kommunal Landspensjonskasse

The Corporate Assembly of Kommunal Landspensjonskasse has reviewed the Board of Directors' draft annual report and financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap, Company and Group. The annual financial statements comprise the statement of income, the statement of financial position, the statement of change in owners' equity, the statement of cash flows, the notes and the audit report.

The Corporate Assembly recommends the General Meeting that the Company's and the Group's annual financial statements and annual report for 2017 be adopted in accordance with the Board's recommendation.

Oslo, 13 April 2018

Nils A. Røhne
Corporate Assembly Chair

Board of Directors in KLP

KLP BOARD OF DIRECTORS

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Jenny Følling (deputy chair)
Odd-Haldgeir Larsen
Katrine Melleby
Marit Torgersen
Lars Vorland
Freddy Larsen
(employees' representative)
Susanne Torp-Hansen
(employees' representative)
Tom Tvedt
(1st deputy – regularly attending)
Hilde Rolanden (2nd deputy)
Sissel M. Skoghaug
(deputy for Odd-Haldgeir Larsen)
Erling Bendiksen
(deputy employees' representative)
Marianne Holt Holgersen
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Erik Orskaug (observer)
Erik Kollerud (observer)
Dag Bjørnar Jonsrud (deputy observer)
Ingjerd Hovdenakk (deputy observer)

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(employees' representative)
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Eivind Østre
(deputy employees' representative)
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Mona Wittenberg
(employees' representative)
Camilla Gravem
(deputy employees' representative)
Jørn Kärnä
(deputy employees' representative)
Managing Director: Tore Tenold

KLP-Huset AS
Gunnar Gjørtz (Chair)

Elected representatives

KLPS CORPORATE ASSEMBLY 2016-2018

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Erik Arne Hansen	Helse Nord RHF
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Katrine Lereggen	Melhus kommune
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May Holen	Oslo Sanitetsforening
Nils A Røhne	Stange kommune
Ola Steene	Levanger kommune
Ole Haabeth	Østfold flykeskommune
Ole John Østenstad	Førde kommune
Per Karlsen	Helse Vest RHF
Siri Hovde	Aurskog-Høland kommune
Siv Dagny Aasvik	Hadsel kommune
Steinar Marthinsen	Helse Sør-Øst RHF
Tor Egil Bakken	Larvik kirkelige fellesråd
Torhild Bransdal	Vennesla kommune
Unni Skaar	Sarpsborg kommune
Vibeke Stjern	Åfjord kommune
Øystein Beyer	Porsgrunn kommune

Deputy members

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Heidi Magnussen	St. Olav Hospital HF
Brit Kramprud Lundgård	Øyer kommune
Monica Vee Bratlie	Hurum kommune
Monica Nilsen	Alta kommune
Tove Henøen	Fræna kommune
Lars Erik Hylvang	Engerdal kommune
Knut Langeland	Helse Nord RHF
Øyvind Mikalsen	Avfallsservice AS
Stine Akselsen	Lebesby kommune

NOMINATED BY THE EMPLOYEE ORGANISATIONS

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Roger Haga Heimli	Fagforbundet
Britt Silseth	Fagforbundet
Lizzi Thorkildsen	Delta
Ole Jakob Knudsen	Naturviterne
Stein Guldbrandsen	Fagforbundet

Deputy members

Even Nilsen	Fagforbundet
Svein Kristiansen	Fagforbundet
Anne Bondevik	Fagforbundet

STAFF ELECTED REPRESENTATIVES

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Erling Bendiksen	KLP Oslo
Frode Berge	KLP Bergen
Even Bladt Jarlseth	KLP Oslo
Hanne Bratlie	KLP Oslo
Linda Brodin	KLP Oslo
Oddvar Engelsåstrø	KLP Trondheim
Jørn Trygve Kärnä	KLP Skadeforsikring
Kristian Kaarød	KLP Bergen
Kari Bakken	KLP Oslo
Magnus Haldorsen	KLP Skadeforsikring
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Trine Bjelland Ottosen	KLP Oslo
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Lisbeth Arnesen	KLP Bergen
Bjarte Bratten	KLP Oslo
Elisabeth Wikdahl	KLP Oslo
Hilde Tangen Fjeld	KLP Oslo
Vibeke Heldal	KLP Bergen

THE ELECTION COMMITTEE

Nils A. Røhne (Chair)
Ole John Østenstad
Steinar Marthinsen
Anita Eidsvold Grønli
Torhild Bransdal (deputy)

Anders Eidsnes
Employed in Life

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