

# Interim report

## Q1 2014



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# Interim report first quarter 2014

## First quarter signified by large inward transfers

- Value-adjusted return, common portfolio public sector occupational pensions: 1.4 per cent
- Book return, common portfolio public sector occupational pensions: 0.9 per cent
- Return - corporate portfolio: 1.2 per cent
- Transfer-in process on schedule: 88,138 of about 96,000 new members established in KLP's systems

### KLP – a customer-owned Group in development

At the end of the quarter the KLP Group had total assets of NOK 421 billion. A large part of the growth is attributable to inward transfer. The operating profit for the first quarter was NOK 3 471 million.

During 2013 KLP entered into many new agreements on provision of public sector occupational pension. These contracts are being transferred to KLP with effect from 2014. This inward transfer is of significant magnitude and represents one of the largest ever inflows of new members to KLP's pension schemes. First and foremost this is inspirational, but it is also an operationally demanding process. So far, establishment in our systems has been completed for 33 of 42 local authorities and 30 of 48 enterprises. In addition the nurses from the Akershus County authority have also been incorporated. This means that so far this year a total of 88,138 new members have been registered in our pension schemes. Of these, 27,876 are active members, 45,645 are members with deferred pension entitlements, and 14,617 are pensioners. KLP is ahead of schedule thanks to the dedicated effort by the staff involved. The Company is thus well prepared to complete the contracts transferred with effect from 1 January this year, as well as to receive an additional 6 local authorities from 1 July.

### Kommunal Landspensjonskasse Gjensidig forsikringsselskap (KLP)

Pension schemes within the public sector are offered and managed by the Group's parent company Kommunal Landspensjonskasse (KLP). Of the Group's total assets of NOK 421 billion, NOK 335 billion represents pension funds belonging to this customer group.

### Result in the first quarter 2014

#### Returns result

In the first quarter of 2014 KLP achieved a satisfactory returns result (return in excess of base interest rate) of NOK 0.6 billion (0.9<sup>1</sup>). Financial income from customers' assets totalled NOK 4.5 billion (6.1) for the quarter. Value-adjusted return on the common portfolio was 1.4 per cent for the quarter and book return was 0.9 per cent.

#### Risk result

There were no unexpected risk matters of significance in the Company's insurance portfolio during the first quarter. The risk result was NOK 54 million for the quarter. This has been provisionally allocated with NOK 26 million to customer profit and NOK 27 million to corporate income for provision in the risk equalization fund.

#### Administration result

The Company's administration result shows a surplus of NOK 36 million (30) in the first quarter of 2014. This reflects KLP's good control of its costs levels. Insurance-related operating expenses represent 0.26 per cent of customer funds.

#### Total income

Income for the Company was NOK 319 million for the quarter. The customer result was NOK 703 million.

NOK millions	Customers	Company	Total
Returns result	602	1	604
Risk result	26	27	54
Interest rate guarantee premium		142	142
Administration result		36	36
Net income from investments in the corporate portfolio and other income/ costs in non-technical accounts		187	187
Return from owners' equity contributions attributed to customers	75	-75	-
<b>Income for Q1 2014</b>	<b>703</b>	<b>319</b>	<b>1 022</b>
<b>Income for Q1 2013</b>	<b>1 052</b>	<b>263</b>	<b>1 315</b>

#### Increases in longevity reserves

On 2 April the Financial Supervisory Authority of Norway (FSA of N) sent similarly worded letters to all life insurance companies and pension funds: 'Guidelines for increasing reserves and allocation of surpluses to cover increased reserves in group pension insurance', which provided certain clarifications in regard to the accounting implementation of the measure. The formal stepping-up period is set at seven years from the start of 2014. It is also made clear that the pension institutions' contribution of 20 per cent is set based on the total reserves increase requirement regardless of the size of the customer surplus used to increase reserves before introduction

<sup>1</sup> Figures in brackets give corresponding value for Q1 2013.

of the new tariff. This means that KLP, in line with other local government pension institutions that completed the increase in reserves during 2013 with customer surpluses, must transfer 20 per cent of the total reserves increase requirement from the Company to the customers' funds before the end of 2020.

The total reserves increase requirement was NOK 9.0 billion, 20 per cent of which is NOK 1.8 billion.

### Disability reform

Amendments to the law associated with the disability scheme in public sector occupational pensions were adopted by the Storting in March 2014 and associated regulations are now being circulated for comment. Implementation will be concurrent with the new National Insurance disability benefit, planned for 1 January 2015. For all those in receipt of permanent National Insurance disability pension the new disability scheme provides significantly lower benefits from the occupational pension scheme than is currently the case, but on the other hand the National Insurance benefits will be significantly higher so the combined benefit after tax is about the same as now. The changes will result in noticeably reduced disability costs in the occupational pension scheme over time.

### Financial strength and capital-related matters

Total assets show growth during the quarter of NOK 21.1 billion and amount to NOK 360.7 billion. The growth is the result of growth in the insurance obligations on public sector occupational pensions.

The capital adequacy ratio in KLP at the end of the quarter was 10.1 per cent (10.6) and core capital adequacy was 8.5 per cent (8.7). The decrease may be attributed to the significant increase in assets due to transfer in during the quarter, while the corresponding call for equity contribution has not yet been made. Furthermore KLP has over a period effected a conscious reallocation towards bond loans with very good security which, according to the regulations, have higher capital weighting.

The securities adjustment fund was strengthened by NOK 1.8 billion to NOK 12.2 billion during the quarter and is a solid buffer against fluctuations in the financial markets. Supplementary reserves total NOK 12.5 billion.

At the end of the quarter KLP had total solvency capital of NOK 52.5 billion, corresponding to 16.9 per cent of the insurance funds with interest rate guarantee.

The Board of Directors considers the Company's solvency satisfactory in relation to the composition of the financial position and prevailing market conditions, both under the current and the new, notified future requirements of the authorities.

Key figures:

Per cent	So far, as at Q1		The year 2013
	2014	2013	
Capital return I <sup>1</sup>	0,9	1,1	6,4
Capital return II <sup>2</sup>	1,4	2,2	6,7
Capital return III <sup>3</sup>	1,8	2,2	6,4
<i>The return figures apply to the common portfolio</i>			
Capital adequacy ratio	10,1	10,6	10,3
Solvency margin ratio	215	229	229

<sup>1</sup> Book return

<sup>2</sup> Value adjusted return

<sup>3</sup> Value adjusted return included HTM bonds/bonds booked at amortized costs

### Premium income

Premium income excluding premium reserves received on transfer was NOK 4 612 million (4 502).

### Claims/benefits

Pensions and other claims paid increased by 14.6 per cent and amounted to NOK 3 117 million (2 720) during the first quarter.

### Transfer of customer assets

The net effect of transfers decided in autumn 2013 with effect from 1 January 2014 was recognized during the quarter at NOK 17 474 million (5 760).

### Management of the common portfolio

The assets in the common portfolio totalled NOK 336.6 billion (288.5) and were invested as shown below:

Assets	Proportion	Return	Proportion	Return
All figures in per cent	31.03.2014	Q1 2014	31.03.2013	Q1 2013
Shares	17,4	1,8	17,6	8,4
Short-term bonds	21,1	2,2	22,0	0,7
Long-term/HTM bonds	29,2	1,1	30,1	1,2
Lending	10,8	0,8	10,6	0,9
Property	11,5	1,2	11,1	1,7
Other financial assets	10,1	0,6	8,5	0,7

### Equities

Total exposure in shares including share derivatives and special funds amounted to 17.4 per cent. The equities markets developed positively during the quarter, including a 1.7 per cent price increase in the USA. KLP's global index (foreign currency-hedged) rose 1.2 per cent whilst Oslo Børs (the Oslo stock exchange) was up 2.4 per cent.

### Short-term bonds

Short-term bonds made up 21.1 per cent of the assets in the common portfolio. The international corporate bonds index KLP uses had a foreign currency-hedged return of 2.9 per cent during the first quarter of 2014. The index for international government bonds rose 2.5 per cent, whilst the Norwegian government bonds index rose by 1.1 per cent.

### Bonds held to maturity

Investments in bonds held to maturity represented 29.2 per cent of the common portfolio. Added value not brought to book totalled NOK 6.5 billion. The portfolio is well diversified and comprises securities issued by creditworthy institutions. No write-downs have been carried out as a result of credit losses so far during 2014.

### Property

Property investments represented 11.5 per cent of the common portfolio. KLP conducts a thorough value assessment of its property holdings each quarter. The review during the first quarter 2014 shows stability in the pricing of investment properties. The property values in the common portfolio have been value-adjusted by NOK -209 million, largely resulting from foreign currency translations. The operating return in the common portfolio was 1.2 per cent.

### Lending

Lending in the common portfolio was NOK 35.7 billion. This was divided between NOK 28.8 billion in loans to local authorities and other organisations, and NOK 6.9 billion in housing mortgage loans. The lending portfolio is characterized by high quality, with no losses on local government loans and very modest loss provisions on housing loans. Added value in the lending portfolio (fixed interest rate loans) not brought to book represented NOK 366 million on 31 March 2014.

### Return on the corporate portfolio

The corporate portfolio covers investment of owners' equity and subordinated loan capital. The corporate portfolio is managed with a long-term investment horizon aiming at stable returns and growth in the owners' equity. The investments in the corporate portfolio achieved a return of 1.2 per cent during the first quarter.

### Regulatory framework; product and market conditions; and owner relationships.

Implementation of the Solvency II regulations is staged so that in 2014 and 2015 requirements are set for the companies' preparations with particular emphasis on organization and reporting. The final regulations including the new solvency requirements are expected to be made effective from 1 January 2016. KLP is continuing its work to prepare for the transition, with inter alia emphasis on the Own Risk and Solvency Assessment (ORSA) process.

The market for insured schemes for public sector occupational pensions was radically changed over the past year and KLP now acts as the only provider. Competition now rests between the KLP insured scheme and establishment of in-house/joint pension funds. KLP has established a market based proposal for administration of such funds.

Within owner relations three resource group meetings were conducted for local government chief executives with a total of 30 participants. In addition election and owners' meetings were conducted in all 23 constituencies. Approximately 250 representatives of our owners participated in the election meetings. These arenas are important to KLP as they provide feedback that may help KLP to do an even better job for its customers and owners.

## The business areas of the subsidiaries

### Private occupational pensions

The Group's private occupational pension effort is through its subsidiary KLP Bedriftspensjon AS.

There is high market activity in KLP Bedriftspensjon and this is providing satisfactory volume growth. The company had NOK 2.0 billion in total assets at the end of the first quarter.

72 new customers signed pension agreements with KLP Bedriftspensjon in the first quarter.

KLP Bedriftspensjon achieved management results on its customer funds with a book return in the common portfolio of 1.0 per cent and a value-adjusted return of 1.2 per cent in the first quarter. The defined contribution pension customers achieved a return of 1.7 per cent for the quarter.

NOK 4.6 million has been provisioned for increased reserves for the higher longevity adjustment.

The result for the pension customers for the first quarter amounted to NOK 134 thousand.

The administration result was NOK -7.6 million (-8.7). Including the negative administration result of NOK 7.6 million the company's total comprehensive income for the first quarter was NOK -5.6 million (-6.1).

A capital increase of NOK 25 million was resolved during the first quarter and paid in during April 2014.

## Returns - customer assets:

Per cent	Q1 2014	Q1 2013	The year 2013
COMMON PORTFOLIO			
Capital return I	1,0 %	1,2 %	6,2 %
Capital return II	1,2 %	1,8 %	4,0 %
<i>Defined contribution pension with investment option</i>			
Profile P90	1,7 %	4,6 %	13,5 %
Profile P70	1,6 %	7,8 %	24,8 %
Profile P50	1,7 %	6,2 %	19,4 %
Profile P30	1,7 %	4,8 %	14,4 %
Profile P30	1,9 %	3,2 %	9,3 %
Profile PM	0,6 %	0,6 %	2,3 %

## Non-life insurance

The pre-tax operating profit for the first quarter was NOK 13.6 million (51.8). The reduction in profit is largely because this year the company has been affected by more medium-sized fire claims than in the previous year. This represents about NOK 30 million in deviation. Furthermore the financial return was NOK 20 million lower than for the same period in 2013. Overall the results for the quarter were in accordance with expectations.

The company was very little affected by the fires in Lærdal and Flatanger.

**The public sector/corporate market**

The claims ratio for own account for the year 2014 was 108.3 per cent. During the period four property claims in excess of NOK 5 million have been notified with a total estimated cost of NOK 41.6 million. During the same period last year only one similar claim was notified with an estimated cost of NOK 12.2 million.

The combined claims ratio for own account for all years viewed together was 94.8 per cent, also significantly higher compared to the same period in 2013 (85.8).

**The retail market**

Sales in the retail market continue to develop well with gross new business so far this year at NOK 23.3 million, a good increase compared to the same period last year (18.1). Total non-renewal was NOK 6.4 million.

The claims ratio for own account for the year 2014 was 85.8 per cent. The claims ratio for own account for all years viewed together was 82.9 per cent, an increase compared to the same period in 2013 (78.2).

**Finance**

Net financial income for the first quarter was NOK 49.3 million (69.8).

**The company's financial position**

The contingency reserves have been increased by NOK 3.2 million to NOK 530.2 million during the first quarter. The increase corresponds to increased requirements for minimum reserves.

The capital adequacy ratio was 37.1 per cent compared to 40.0 per cent at the end of 2013. In relation to the FSA of N's stress test the company's capital buffers are about double the minimum requirement.

## Asset management and funds management

KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS comprise the KLP Group's securities management operation. In total NOK 316 billion was under management at the end of the first quarter of 2014. This is an increase of NOK 48 billion over the same date last year. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and subsidiaries in the KLP Group.

Net new subscriptions in the KLP funds during the first quarter 2014 were NOK 3.7 billion. Customers external to the Group had net new subscriptions of NOK -0.3 billion.

KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS achieved a combined result of NOK -10.1 million during the first quarter 2014

Two new securities funds were started up during the quarter: KLP Kort Stat and KLP AksjeGlobal LavBeta II.

## KLP Banken

Operating income before tax for the first quarter was NOK 13.8 million (9.3) for the KLP Banken Group. The financial position is more or less unchanged since the end of last year.

KLP Kommunekreditt AS is the major contributor to the positive result, whilst KLP Banken AS has improved its interim result from NOK -9.9 million last year to NOK - 5.1 million this year.

Housing mortgage loans in total are up NOK 207 million so far this year to NOK 11.6 billion, which is approximately as budgeted.

KLP BK Prosjekt AS (soon renamed KLP Boligkreditt AS) is established to provide housing mortgage loans financed through the issuance of covered bonds. So far the Company has not carried out any borrowing transactions or established loans for own account.

Deposits from individuals and corporations are up NOK 272 million so far this year to NOK 4.7 billion, against NOK 3.5 billion at the same time last year.

KLP Kommunekreditt AS public sector loans are down NOK 304 million so far this year to NOK 16.3 billion. Loans managed for KLP are up almost NOK 1.9 billion so far this year to NOK 28.6 billion, of which new loans in USD and EUR represent a significant portion.

Net interest was NOK 31.4 million during the quarter (24.3). Lending margins have in general been stable throughout the quarter.

Value changes affect the result positively by NOK 3.9 million. This is largely because of value development in treasury investments in KLP Kommunekreditt AS.

The banking group's costs so far this year are NOK 37.5 million, against NOK 34.7 million at the same time last year.

The group's income after tax in the first quarter was NOK 10.1 million, against NOK 6.7 million at the same time last year.

## Corporate social responsibility

During the first quarter the media were engrossed by discussion about investments associated with fossil fuel and corruption cases. Both subjects have been of significance for KLP since responsibility in investments is an important element of the corporate social responsibility. KLP's long experience of openness about company-specific decisions,

on withdrawal, dialogue and voting, is that it contributes to improvements and professional development.

KLP's non-financial accounts show that energy consumption was reduced during the first quarter compared with the first quarter of 2013. KLP aims to reduce CO<sub>2</sub> emissions per employee: the climate account for 2013 is now ready and shows KLP had a reduction of 10.8 per cent from 2012, which is a good result. Flights undertaken by KLP's employees also contribute to KLP's total carbon emissions. With increased numbers of employees and increased numbers of customers KLP's travelling activity is also increasing. We therefore see that CO<sub>2</sub> equivalents from aircraft have increased compared to the first quarter of 2013.

## Future prospects

It is exciting and challenging to receive as many new members as KLP is receiving in 2014 and over the next two years. It is important that all technical details are in place, in a timely and correct manner, also in the future, so that our entitlement holders feel secure and confident about their pension provider. They must also be brought into the KLP community as active and engaged owners.

KLP is customer owned. Work on continuous development of the Company's products and services for the good of its owners and customers therefore remains crucial. KLP will continue in the future to work for low costs, good returns and customer-friendly service in order to contribute to competitive value creation.

KLP will continue to adapt to new rules and regulations such as new solvency regulations for insurance.

Oslo, 6 May 2014

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringselskap

Arne Øren  
Chair

Liv Kari Eskeland  
Deputy Chair

Herlof Nilssen

Jan Helge Gulbrandsen

Marit Torgersen

Anita Krohn Traaseth

Susanne Torp-Hansen  
Elected by and from  
the employees

Freddy Larsen  
Elected by and from  
the employees

# Income statement Group

KLP Group

Note	NOK millions	Q1 2014	Q1 2013	The year 2013
4	Premium income for own account	26 565	10 697	31 883
	Current return on financial assets	2 746	2 485	12 278
	Net interest income banking	31	24	122
	Net value changes on financial instruments	2 337	4 550	9 208
9	Net income from investment properties	496	529	2 490
5	Other income	178	176	696
	The minorities share on financial instruments	-430	-1 336	-4 596
	<b>Total net income</b>	<b>31 924</b>	<b>17 124</b>	<b>52 081</b>
	Claims for own account	-7 423	-3 091	-12 503
	Change in technical reserves	-20 887	-9 558	-30 324
6	Net costs subordinated loan and hybrid Tier 1 securities	-30	-104	-390
7	Operating expenses	-355	-307	-1 191
8	Other expenses	-173	-161	-659
	<b>Total expenses</b>	<b>-28 869</b>	<b>-13 222</b>	<b>-45 068</b>
	<b>Operating profit/loss</b>	<b>3 055</b>	<b>3 902</b>	<b>7 013</b>
	To/from securities adjustment fund – life insurance	-1 766	-3 286	-1 148
	To supplementary reserves – life insurance	0	0	1
	Assets allocated to insurance customers – life insurance	-704	-668	-5 884
	<b>Pre-tax income</b>	<b>586</b>	<b>-52</b>	<b>-17</b>
	Cost of taxes	-90	-4	-137
	<b>Income</b>	<b>496</b>	<b>-56</b>	<b>-154</b>
	Actuarial loss on post employment benefit obligations	0	0	-112
	Adjustments of the insurance obligations	0	0	10
	<b>Items that will not be reclassified to profit or loss</b>	<b>0</b>	<b>0</b>	<b>-102</b>
	Revaluation real property for use in own operation	32	8	24
	Currency translation foreign subsidiaries	-208	293	1 101
	<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>	<b>-176</b>	<b>300</b>	<b>1 125</b>
	<b>Total other comprehensive income</b>	<b>-176</b>	<b>300</b>	<b>1 023</b>
	<b>Total comprehensive income</b>	<b>320</b>	<b>244</b>	<b>869</b>
	The minorities share of the cost of tax	-24	0	-42



# Balance sheet

KLP Group

Note	NOK millions	31.03.14	31.03.13	31.12.13
	Intangible assets	386	366	377
	Tangible fixed assets	1 068	1 033	1 040
	Investments in affiliated companies	4	6	4
9	Investment property	39 776	33 034	39 744
10,15	Debt instruments held to maturity	31 832	37 659	31 758
10,15	Debt instruments classified as loans and receivables	75 523	56 644	67 272
10,12,15	Lending local government, enterprises & retail customers at fair value through profit/loss	2 134	2 226	2 121
10,15	Lending local government, enterprises and retail customers	55 090	50 480	53 260
10,12,15	Debt instruments at fair value through profit or loss	129 947	115 010	122 398
10,12	Equity capital instruments at fair value through profit or loss	74 744	63 703	73 239
10,12,15	Financial derivatives	2 097	978	1 661
10,12,18	Receivables	5 112	2 823	2 909
10	Assets in defined contribution-based life insurance	662	392	578
	Cash and bank deposits	3 116	2 535	2 896
	<b>TOTAL ASSETS</b>	<b>421 491</b>	<b>366 888</b>	<b>399 257</b>
	Owners' equity contributed	7 717	6 891	7 659
	Retained earnings	7 929	6 983	7 609
	<b>TOTAL OWNERS' EQUITY</b>	<b>15 645</b>	<b>13 874</b>	<b>15 268</b>
10,11	Hybrid Tier 1 securities	941	1 017	919
10,11	Subordinated loan capital	3 159	2 952	3 151
	Pension obligations	622	468	623
16	Technical provisions - life insurance	336 415	290 208	313 227
10,17	Provisions in life insurance with investment option	664	393	578
	Premiums, claims and contingency fund provisions - non-life insurance	2 907	2 834	2 623
10,11	Covered bonds issued	17 033	18 855	17 217
10,11	Debt to credit institutions	3 475	3 374	3 249
10,11	Liabilities to and deposits from customers	4 706	3 459	4 407
10,12	Financial derivatives	1 108	2 339	1 948
	Deferred tax	96	51	98
19	Other current liabilities	5 893	3 195	7 200
	Minority interests classified as liabilities	28 826	23 869	28 750
	<b>TOTAL LIABILITIES</b>	<b>405 846</b>	<b>353 014</b>	<b>383 989</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>421 491</b>	<b>366 888</b>	<b>399 257</b>
	Contingent liabilities	9 254	4 657	8 539

# Changes in Owner's equity

KLP Group

2014 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2014	7 659	7 609	15 268
Income	0	495	495
Items that will not be reclassified to profit or loss	0	0	0
Items that will be reclassified to subsequently to profit or loss when specific conditions are met	0	-175	-175
<b>Total other comprehensive income</b>	<b>0</b>	<b>-175</b>	<b>-175</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>320</b>	<b>320</b>
Owners' equity contribution received	58	0	58
<b>Total transactions with the owners</b>	<b>58</b>	<b>0</b>	<b>58</b>
Owners' equity 31 March 2014	7 717	7 929	15 645

2013 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2013	6 891	6 739	13 630
Income	0	-56	-56
Items that will not be reclassified to profit or loss	0	0	0
Items that will be reclassified to subsequently to profit or loss when specific conditions are met	0	300	300
<b>Total other comprehensive income</b>	<b>0</b>	<b>300</b>	<b>300</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>244</b>	<b>244</b>
Owners' equity 31 March 2013	6 891	6 983	13 874

# Statement of cash flows

KLP Group

NOK millions	01.01.2014- 31.03.2014	01.01.2013- 31.12.2013	01.01.2013- 30.09.2013	01.01.2013- 30.06.2013	01.01.2013- 31.03.2013
Net cash flow from operational activities	488	2 595	1 880	1 691	1 288
Net cash flow from investment activities <sup>1</sup>	-31	-88	-57	-41	-20
Net cash flow from financing activities <sup>2</sup>	-235	-2 961	-2 290	-2 303	-2 083
<b>Net changes in cash and bank deposits</b>	<b>223</b>	<b>-454</b>	<b>-466</b>	<b>-653</b>	<b>-814</b>
Holdings of cash and bank deposits at start of period	2 896	3 350	3 350	3 350	3 350
<b>Holdings of cash and bank deposits at end of period</b>	<b>3 119</b>	<b>2 896</b>	<b>2 883</b>	<b>2 697</b>	<b>2 535</b>

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

<sup>2</sup> Net receipts of owners equity distributions and down payments of debt.

# Notes to the accounts

KLP Group

## Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Group financial statements for Kommunal Landspensjonskasse (KLP) and subsidiaries for the period 1 January 2014 - 31 March 2014. The accounts have not been audited.

The Group interim accounts are presented in accordance with internationally EU-approved accounting standards (IAS/IFRS). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2013. These are available on KLP's website, [klp.no](http://klp.no)

**Standards, changes and interpretations of existing standards that have come into effect for the 2014 reporting year and that have had effect on the interim financial statements presented:**

### IFRS 10 Consolidated Financial Statements

The standard replaces the definition of when an investor has control resulting in a requirement to consolidate, which was previously defined in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation - Special Purpose Entities". In this context, IAS 27 has been retitled "Separate Financial Statements" and no longer contains consolidation regulations. Associated with this there are also amendments to IFRS 11 "Jointly Controlled Entities", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures".

The definition of whether there is control, triggering a requirement to consolidate in accordance with IFRS 10, has been somewhat altered. In accordance with IFRS 10 an investor controls an entity in which it has invested when the investor is exposed to or has entitlements to variable returns (including economies of scale and synergies) from its engagement in the investee, and has the ability to affect this return through its power over the investee.

The control model comprises three elements: power, returns and the connection between power and returns.

- Activity:** Identify what activities in the entity are considered the "relevant activities", i.e. those that most affect the returns from the entity.
- Power:** Clarify who, if anyone, has power, i.e. has existing rights that provide a current entitlement to control the relevant activities
- Returns:** Assess whether the investor is exposed to or has rights to variable returns as a result of its involvement with the entity.

There is no change to the manner in which consolidation is conducted.

The change to definition of control in IFRS 10 means that KLP now considers that control is present resulting in a requirement to consolidate a large proportion of KLP's investments in securities funds. These have now been fully consolidated in the financial statements for the first quarter. The comparison figures shown in the income and financial position statements (Q1 2013 and 31 December 2013) have been adjusted correspondingly so that the securities funds in which KLP had control on 1 January 2014 are also consolidated into the comparison figures. Minority interests are classified in the financial statements as liabilities. The financial statement comparison figure items affected are shown below, with the effect:

KLP Group Statement of comprehensive income NOK millions	Adjustment:	
	Q1 2013	The year 2013
Current returns from financial assets	2	2 393
Net value changes on financial instruments	1 333	2 293
Minority share of profit	-1 336	-4 596
Tax	1	-90
<b>INCOME</b>	<b>0</b>	<b>0</b>

KLP Group Statement of financial position NOK millions	Adjustment:	
	31.03.2013	31.12.2013
Debt instruments at fair value through profit or loss	9 939	10 182
Equity instruments at fair value through profit or loss	15 261	18 942
Financial derivatives	29	293
Receivables	312	82
<b>TOTAL ASSETS</b>	<b>25 540</b>	<b>29 500</b>
Minority interests classified as liabilities	23 869	28 750
Debt to credit institutions	0	1
Financial derivatives	762	282
Deferred tax	0	4
Other current liabilities	909	463
<b>TOTAL LIABILITIES</b>	<b>25 540</b>	<b>29 500</b>

**Note 2 KEY FIGURES - ACCUMULATED**

NOK millions	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
<b>KLP Group <sup>1</sup></b>								
Profit before tax	586	-17	-16	-7	-52	997	794	611
Total assets	421 491	399 257	375 434	376 232	366 888	331 783	323 634	312 665
Owners' equity	15 645	15 268	15 100	14 149	13 874	13 610	13 167	12 519
Capital adequacy	9,8 %	10,0 %	10,0 %	9,7 %	10,2 %	10,3 %	10,4 %	10,4 %
Number of employees in the Group	863	856	849	839	825	808	809	801
<b>Kommunal Landspensjonskasse</b>								
Profit before tax	319	950	776	527	263	772	652	442
Premium income for own account	26 192	30 860	25 487	20 475	10 428	29 025	22 186	15 159
- of which inflow of premium reserve	21 580	5 932	5 988	5 888	5 925	1 549	1 601	1 550
Insurance customers' funds incl. acc. profit	72 223	11 886	8 860	5 808	2 930	10 822	8 102	5 394
- of which funds with guaranteed returns	4 106	178	178	177	165	148	147	146
Net investment common portfolio	336 599	316 194	315 910	316 305	288 541	278 731	259 084	254 584
Net investment choice portfolio	1 809	1 744	1 686	1 635	1 584	1 556	1 499	1 463
Insurance funds incl. earnings for the year	333 339	310 314	302 208	296 686	287 628	275 843	267 187	258 734
- of which funds with guaranteed interest	298 855	278 240	271 477	267 717	257 981	248 608	240 217	234 561
Tier 1 and Tier 2 capital	18 159	18 036	16 953	16 240	16 132	16 087	15 498	14 928
Risk profit	54	235	147	66	90	258	118	82
Return profits	604	9 863	3 468	2 135	899	5 051	2 399	1 183
Administration profit	36	156	119	81	30	104	62	49
Solvency capital	52 469	46 897	50 640	45 492	48 408	44 134	47 579	41 680
Solvency margin ratio	215 %	229 %	224 %	219 %	229 %	233 %	234 %	232 %
Capital adequacy	10,1 %	10,3 %	10,4 %	10,1 %	10,6 %	10,6 %	10,8 %	10,9 %
Core capital ratio	8,5 %	8,7 %	8,6 %	8,2 %	8,7 %	8,8 %	8,8 %	8,7 %
Book return on common portfolio	0,9 %	6,4 %	3,4 %	2,2 %	1,1 %	5,0 %	3,2 %	1,9 %
Value-adjusted return on common portfolio	1,4 %	6,7 %	4,5 %	2,8 %	2,2 %	6,7 %	5,3 %	3,1 %
Return on unit-linked portfolio	1,1 %	8,8 %	5,5 %	3,2 %	2,6 %	7,2 %	6,0 %	3,4 %
Return on corporate portfolio	1,2 %	5,7 %	4,3 %	3,0 %	1,0 %	4,5 %	4,0 %	2,6 %
<b>KLP Skadeforsikring AS</b>								
Profit before tax	13,6	189,9	140,7	78,2	51,8	105,2	98,6	71,2
Gross premium due	490,0	832,2	712,8	610,4	436,2	750,3	667,4	590,7
Premium income for own account	201,9	728,2	535,0	350,3	171,9	658,9	485,9	325,0
Owners' equity	791,5	787,7	712,8	670,8	640,4	595,3	540,1	535,0
Claims ratio	91,5 %	77,5 %	76,3 %	79,6 %	84,0 %	81,4 %	82,0 %	78,9 %
Combined-ratio	116,6 %	103,7 %	101,4 %	103,9 %	109,5 %	107,8 %	107,6 %	103,3 %
Return on assets under management	1,4 %	6,5 %	4,6 %	2,9 %	2,1 %	6,5 %	5,1 %	3,0 %
Capital adequacy	37,1 %	40,0 %	31,6 %	32,0 %	30,9 %	34,1 %	27,7 %	29,0 %
Tier 1 and Tier 2 capital	770,5	614,6	580,7	578,5	577,7	566,6	451,3	452,6
Annual premium in force - retail market	242,7	226,5	204,8	191,7	175,5	161,7	150,8	141,5
Annual premium in force - public sector market	644,7	612,6	594,3	585,5	595,5	584,4	579,5	577,4
Net new subscriptions (accumulated within the year)	20,7	138,9	71,6	43,6	21,0	75,4	43,7	31,2

**Note 2 KEY FIGURES – ACCUMULATED (CONT.)**

NOK millions	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
<b>KLP Bedriftspensjon AS</b>								
Loss before tax	-5,6	-22,9	-14,6	-10,4	-6,1	-25,1	-13,5	-8,1
Premium income for own account	191,4	385,5	274,3	180,1	115,3	352,3	308,2	274,9
- of which premium reserve added	132,7	197,9	144,6	95,4	75,4	226,1	219,4	219,9
Insurance customers' funds including accumulated profit	1 899,5	1 677,8	1 556,6	1 442,3	1 385,4	1 238,2	1 187,1	1 139,4
- of which funds with guaranteed returns	1 133,4	1 017,5	992,4	941,1	928,3	881,0	848,5	842,0
Returns profit	1,8	7,6	6,1	5,9	4,2	15,0	8,1	4,7
Risk result	3,0	2,3	2,2	1,4	1,9	2,6	3,5	2,9
Administration losses	-7,6	-32,3	-22,0	-15,2	-8,7	-33,2	-22,6	-14,0
Tier 1 and Tier 2 capital	79,2	84,8	97,4	97,4	41,7	48,5	49,9	60,4
Solvency capital	197,8	189,8	184,9	183,9	133,3	131,1	132,7	122,0
Solvency margin ratio	161 %	198 %	225 %	250 %	129 %	157 %	164 %	194 %
Capital adequacy	12,9 %	14,7 %	16,6 %	17,6 %	7,7 %	9,6 %	9,5 %	11,9 %
Book capital return on common portfolio	1,0 %	4,0 %	3,0 %	1,8 %	1,2 %	5,2 %	3,6 %	2,3 %
Value-adjusted capital return on common portfolio	1,2 %	6,2 %	4,2 %	2,6 %	1,8 %	6,7 %	5,2 %	3,1 %
Return on defined unit-linked contribution pensions	1,7 %	13,5 %	8,4 %	4,7 %	4,6 %	12,0 %	10,1 %	4,9 %
Return on corporate portfolio	0,8 %	3,1 %	2,1 %	1,4 %	1,2 %	6,4 %	5,3 %	3,0 %
<b>KLP Banken Group</b>								
Profit/loss before tax	13,8	87,0	77,2	68,9	9,3	83,4	85,8	34,1
Net interest income	31,4	122,0	88,0	54,7	24,3	86,3	60,0	35,2
Other operating income	16,7	65,9	47,5	31,7	16,2	83,6	67,8	51,5
Operating expenses and depreciation	-38,2	-144,7	-104,9	-64,0	-34,7	-137,7	-94,1	-60,3
Net realized/unrealized changes in financial instruments to fair value	3,9	43,8	46,6	46,5	3,5	51,1	52,1	7,6
Contributions	4 706	4 407	4 165	3 957	3 459	2 946	2 553	2 324
Housing mortgages granted	4 817	4 484	4 134	3 615	1 883	1 530	1 550	1 597
Loan(s) with public guarantee(s)	16 560	16 833	17 891	18 675	20 174	20 345	21 915	22 191
Defaulted loans	10	10	12	13	7	7	6	6
Borrowing on the issuance of securities	19 753	19 982	20 699	21 333	21 718	23 708	24 443	24 868
Other borrowing	1	1	0	0	0	0	0	200
Total assets	26 103,7	26 010,2	26 611,4	26 983	27 019	28 282	28 668	28 960
Average total assets	26 056,9	27 145,8	27 446,5	27 632	27 650	29 993	30 186	29 752
Owners' equity	1 278,7	1 290,2	1 285,8	1 280	1 223	1 219	1 221	1 184
Net interest rate	0,12 %	0,45 %	0,32 %	0,20 %	0,09 %	0,29 %	0,20 %	0,12 %
Profit/loss from general operations before tax	0,05 %	0,32 %	0,28 %	0,25 %	0,03 %	0,28 %	0,28 %	0,11 %
Profit/loss from general operations excl. fair value assessments before tax	0,04 %	0,16 %	0,11 %	0,08 %	0,02 %	0,11 %	0,11 %	0,09 %
Return on owners' equity before tax	1,07 %	7,15 %	6,35 %	5,66 %	0,76 %	6,84 %	7,03 %	2,88 %
Capital adequacy	20,2 %	19,6 %	18,3 %	18,2 %	20,4 %	19,1 %	18,6 %	18,2 %
Number of private customers	28 623	27 287	26 215	25 263	27 727	24 744	22 676	21 144
Of this members of KLP	19 145	18 181	17 316	16 261	15 703	14 309	13 000	11 769
<b>KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS</b>								
Profit/loss before tax	-14,0	32,6	22,9	9,3	-0,4	21,4	14,0	6,2
Total assets under management	314 584	287 077	276 349	269 922	267 845	239 478	222 776	216 113
Assets managed for external customers	28 157	28 171	25 813	24 452	23 432	21 153	19 087	17 713

<sup>1</sup>For the Group, only Q1-13, Q4-13 and Q1-14 are included in consolidated funds.

**Note 3** SEGMENT INFORMATION - PROFIT/LOSS (I.A.W. IFRS) BY BUSINESS AREA

Time series result - by quarter NOK millions	Q1 2014	Q1 2013	The year 2013
Total income	31 924	17 124	52 081
Total expenses	-31 339	-17 176	-52 098
<b>Consolidated group profit before tax</b>	<b>586</b>	<b>-52</b>	<b>-17</b>
RESULTS BY SEGMENT			
Life insurance	572	-113	-328
Non-life	14	52	190
Banking	14	9	87
Asset management	-14	0	33
Other business	1	0	1
<b>Consolidated group profit before tax</b>	<b>586</b>	<b>-52</b>	<b>-17</b>
Other comprehensive income (life-insurance)	-176	300	1 023

**Note 4** PREMIUM INCOME FOR OWN ACCOUNT

NOK millions	Q1 2014	Q1 2013	The year 2013
Gross premiums due	4 867	4 712	26 025
Reinsurance premiums ceded	-14	-15	62
Transfer of premium reserved from others <sup>1</sup>	21 712	6 001	5 796
<b>Total premium income</b>	<b>26 565</b>	<b>10 697</b>	<b>31 883</b>

<sup>1</sup> Increasing because of lot of new customers in 2014.

**Note 5** OTHER INCOME

NOK millions	Q1 2014	Q1 2013	The year 2013
Supplement contractual early retirement scheme (AFP)	173	161	651
Other income/expenses	6	15	45
<b>Total other income</b>	<b>178</b>	<b>176</b>	<b>696</b>

**Note 6 SUBORDINATED LOAN AND PERPETUAL HYBRID TIER 1 SECURITIES**

NOK millions	Q1 2014	Q1 2013	The year 2013
<b>SUBORDINATED LOAN</b>			
Interest costs <sup>1</sup>	-37	-37	-157
Value changes	29	-24	-244
<b>Total subordinated loan</b>	<b>-8</b>	<b>-61</b>	<b>-400</b>
<b>PERPETUAL HYBRID TIER 1 SECURITIES</b>			
Interest costs	-11	-11	-45
Value changes	-11	-32	55
<b>Total Perpetual hybrid Tier 1 securities</b>	<b>-22</b>	<b>-43</b>	<b>10</b>
<b>Net costs subordinated loan and hybrid Tier 1 securities</b>	<b>-30</b>	<b>-104</b>	<b>-390</b>

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

The note provides a specification of the line "Net costs and change in value subordinated loan and perpetual hybrid Tier 1 securities" attributed to interest costs and value change during the stated periods.

The large fluctuations in value change are predominantly due to the loans being denominated in foreign currency. One subordinated loan is issued in euros, whereas the other subordinated loan and the perpetual hybrid Tier 1 securities are issued in Japanese yen. Hedge accounting is used on the hybrid Tier 1 securities. The two subordinated loans have ordinary financial hedging. In practice, the use of hedging involves a minimal total income effect if account is taken of the hedged object and the hedging instrument together. For more information concerning hedging and terms of the subordinated loans and perpetual hybrid Tier 1 securities attention is drawn to the annual report.

**Note 7 OPERATING EXPENSES**

NOK millions	Q1 2014	Q1 2013	The year 2013
Staff costs	207	195	726
Depreciation	27	26	103
Other operating expenses	121	86	362
<b>Total operating expenses</b>	<b>355</b>	<b>307</b>	<b>1 191</b>

**Note 8 OTHER EXPENSES**

NOK millions	Q1 2014	Q1 2013	The year 2013
Supplement contractual early retirement scheme (AFP)	173	161	650
Other expenses	1	0	9
<b>Total other expenses</b>	<b>173</b>	<b>161</b>	<b>659</b>



## Note 9 INVESTMENT PROPERTY

NOK millions	Q1 2014	Q1 2013	The year 2013
RESULT: NET INCOME FROM INVESTMENT PROPERTIES			
Net rental income etc.	525	471	1 862
Adjustment of prior years income	0	0	320
Net value adjustment	- 236	345	1 409
Currency transl. foreign subsidiaries (other comprehensive income)	207	- 288	- 1 101
<b>Net income from investment properties</b>	<b>496</b>	<b>529</b>	<b>2 490</b>

NOK millions	31.03.14	31.03.13	31.12.13
BALANCE: INVESTMENT PROPERTY			
Investment property 01.01	39 744	32 322	32 322
Value adjustment including currency translation	-236	345	1 409
Net additions	242	357	6 003
Other changes	26	9	10
<b>Investment property 31.03/31.12</b>	<b>39 776</b>	<b>33 034</b>	<b>39 744</b>

## Note 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

### a) Shares (listed)

Liquid shares are generally valued on the basis of prices provided by an index provider. At the same time prices are compared between different sources to identify any errors. The following sources are used for shares:

- Oslo Børs (Oslo Stock Exchange)
- Morgan Stanley Capital International (MSCI)
- Reuters

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

### b) Shares (unlisted)

As far as possible the Group uses the industry recommendations of the Norwegian Mutual Fund Association (NMFA).

Broadly this means the following:

The last traded price has the highest priority. If the last traded price lies outside this in the market, price is adjusted accordingly. I.e. if the last traded price is below the offer price, price is adjusted up to the offer price. If it is above the bid price it is adjusted down to bid. If the price picture is considered outdated, the price is adjusted according to a market index. The Company has selected the Oslo Stock Exchange's Small Cap Index (OSESX) as an approach for unlisted shares.

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

### c) Foreign fixed income securities

Foreign fixed income securities are generally priced on the basis of prices obtained from an index provider. At the same time prices are compared between several different sources to identify any errors. The following sources are used:

- JP Morgan
- Barclays Capital Indices
- Bloomberg
- Reuters

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

### d) Norwegian fixed income securities - government

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

## Note 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

### e) Norwegian fixed income securities - other than government

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

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

### f) Fixed income securities issued by foreign enterprises, but denominated in NOK

Fair value is calculated in accordance with the same principle as for Norwegian fixed income securities described above. Yield curves provided by SE Banken and Swedbank are converted to an average curve used as the basis for calculation of fair value.

### g) Futures/FRA/IRF

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

### h) Options

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

### i) Interest rate swaps

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

### j) Loans secured by mortgage

The principles for calculating fair value depend on whether the loans have fixed interest rates or not.

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

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

### k) Lending to local authorities and enterprises with local government guarantee

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

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

### l) Investments with credit institutions

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

### m) Fair value of debt to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

### n) Fair value of receivables from credit institutions, lending to private individuals and customers' deposits

All lending and deposits are without fixed interest rates. Fair value of these is considered virtually the same as book value since the contract terms and conditions are continually changed in step with change in market interest rates.

### o) Fair value of subordinated loan capital

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

### p) Fair value of hybrid Tier 1 securities issued

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

### q) Fair value of covered bonds issued

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

### r) Private Equity

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

**Note 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

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

NOK millions	31.03.2014		31.03.2013		31.12.2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>						
Norwegian hold-to-maturity bonds	12 258	13 180	17 718	18 591	12 359	13 144
Foreign hold-to-maturity bonds	19 574	20 780	19 941	21 310	19 400	20 484
<b>Total debt instruments held to maturity</b>	<b>31 832</b>	<b>33 961</b>	<b>37 659</b>	<b>39 902</b>	<b>31 758</b>	<b>33 628</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST</b>						
Norwegian bond loans	26 927	28 895	24 743	25 999	25 007	26 389
Foreign bond loans	48 584	51 606	31 888	34 222	42 237	44 485
Other receivables	13	13	12	12	29	29
<b>Total debt instruments classified as loans and receivables</b>	<b>75 523</b>	<b>80 514</b>	<b>56 644</b>	<b>60 233</b>	<b>67 272</b>	<b>70 903</b>
<b>LENDING LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS</b>						
Loans to local government sector or enterprises with local government guarantee	2 134	2 134	2 226	2 226	2 121	2 121
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>2 134</b>	<b>2 134</b>	<b>2 226</b>	<b>2 226</b>	<b>2 121</b>	<b>2 121</b>
<b>LENDING TO LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS - AT AMORTIZED COST</b>						
Loans secured by mortgage	12 078	12 084	9 829	9 821	11 286	11 505
Loans to local government sector or enterprises with local government guarantee	43 012	43 593	40 651	41 009	41 975	42 519
<b>Total lending</b>	<b>55 090</b>	<b>55 677</b>	<b>50 480</b>	<b>50 830</b>	<b>53 260</b>	<b>54 024</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Norwegian bonds	47 989	47 989	40 331	40 331	43 752	43 752
Norwegian certificates	11 240	11 240	6 365	6 365	9 617	9 617
Foreign bonds	56 910	56 910	52 344	52 344	53 661	53 661
Investments with credit institutions	13 808	13 808	15 970	15 970	15 368	15 368
<b>Total debt instruments at fair value through profit/loss</b>	<b>129 947</b>	<b>129 947</b>	<b>115 010</b>	<b>115 010</b>	<b>122 398</b>	<b>122 398</b>
<b>EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Shares	69 484	69 484	59 431	59 431	68 269	68 269
Equity funds	4 639	4 639	3 647	3 647	4 308	4 308
Property funds	617	617	621	621	658	658
Alternative investments	4	4	4	4	4	4
<b>Total equity capital instruments at fair value</b>	<b>74 744</b>	<b>74 744</b>	<b>63 703</b>	<b>63 703</b>	<b>73 239</b>	<b>73 239</b>
<b>OTHER LOANS AND RECEIVABLES INCLUDING RECEIVABLES FROM POLICYHOLDERS - AT AMORTIZED COST</b>						
Receivables related to direct business	2 088	2 088	2 355	2 355	2 366	2 366
Receivables related to reinsurance agreements	70	70	145	145	100	100
Reinsurance share of unearned gross premium	201	201	1	1	17	17
Reinsurance share of gross claims reserve	9	9	11	11	11	11
Other receivables	2 743	2 743	312	312	415	415
<b>Total other loans and receivables including receivables from policyholders</b>	<b>5 112</b>	<b>5 112</b>	<b>2 823</b>	<b>2 823</b>	<b>2 909</b>	<b>2 909</b>

**Note 10** FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

NOK millions	31.03.2014		31.03.2013		31.12.2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	941	941	1 017	1 018	919	919
Subordinated loan capital	3 159	3 255	2 952	3 004	3 151	3 234
<b>Total financial liabilities</b>	<b>4 100</b>	<b>4 196</b>	<b>3 969</b>	<b>4 022</b>	<b>4 070</b>	<b>4 153</b>
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	3 475	3 475	3 374	3 374	3 249	3 249
Covered bond issued	17 033	17 033	18 855	18 855	17 217	17 217
Liabilities to and deposits from customers	4 706	4 706	3 459	3 459	4 407	4 407
<b>Total financial liabilities</b>	<b>25 214</b>	<b>25 214</b>	<b>25 687</b>	<b>25 687</b>	<b>24 873</b>	<b>24 873</b>
<b>Assets in life insurance with investment option (Unit-linked)</b>	<b>664</b>	<b>664</b>	<b>393</b>	<b>393</b>	<b>578</b>	<b>578</b>

NOK millions	31.03.2014		31.03.2013		31.12.2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	1 278	488	128	950	822	1 233
Interest rate swaps	656	620	662	627	667	650
Interest rate and currency swaps	50	0	2	762	52	65
Share options	112	1	185	0	120	0
<b>Total financial derivatives</b>	<b>2 097</b>	<b>1 108</b>	<b>978</b>	<b>2 339</b>	<b>1 661</b>	<b>1 948</b>

## Note 11 BORROWING

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 31.03.2014	Book value 31.12.2013	Book value 31.03.2013
<b>PERPETUAL SUBORDINATED LOAN CAPITAL</b>							
Kommunal Landspensjonskasse	2 372	EUR	Fixed <sup>1</sup>	Perpetual	2 597	2 599	2 353
Kommunal Landspensjonskasse	554	JPY	Fixed <sup>2</sup>	Perpetual	562	552	599
<b>Total subordinated loan capital</b>	<b>2 926</b>				<b>3 159</b>	<b>3 151</b>	<b>2 952</b>
<b>HYBRID TIER 1 SECURITIES</b>							
Kommunal Landspensjonskasse	984	JPY	Fixed <sup>3</sup>	2034	941	919	1 017
<b>Total hybrid Tier 1 securities</b>	<b>984</b>				<b>941</b>	<b>919</b>	<b>1 017</b>
<b>COVERED BONDS</b>							
KLP Kommunekreditt AS	0	NOK	Floating	2013	0	0	1 054
KLP Kommunekreditt AS	287	NOK	Floating	2014	288	1 001	3 568
KLP Kommunekreditt AS	473	SEK	Floating	2015	434	474	449
KLP Kommunekreditt AS	4 300	NOK	Floating	2015	4 304	4 304	4 305
KLP Kommunekreditt AS	2 500	NOK	Fixed	2015	2 577	2 555	2 577
KLP Kommunekreditt AS	3 500	NOK	Floating	2016	3 510	3 009	3 010
KLP Kommunekreditt AS	1 000	NOK	Fixed	2017	1 021	1 015	0
KLP Kommunekreditt AS	3 000	NOK	Floating	2017	3 009	3 009	3 010
KLP Kommunekreditt AS	1 000	NOK	Floating	2018	1 002	1 003	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	760	752	760
Amortization and value adjustments					128	95	121
<b>Total covered bonds</b>	<b>16 810</b>				<b>17 033</b>	<b>17 217</b>	<b>18 855</b>
<b>DEBT TO CREDIT INSTITUTIONS</b>							
KLP Banken AS	0	NOK	Floating	2013	0	0	1 349
KLP Banken AS	700	NOK	Floating	2014	701	1 052	300
KLP Banken AS	600	NOK	Floating	2015	601	609	603
KLP Banken AS	600	NOK	Floating	2016	602	602	301
KLP Banken AS	300	NOK	Fixed	2017	302	301	311
KLP Banken AS	200	NOK	Floating	2017	204	0	0
KLP Banken AS	300	NOK	Fixed	2018	311	202	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2013	0	0	510
Kommunal Landspensjonskasse	749	NOK/EUR/USD	Floating	2014	755	483	0
Above/under par					-1		
<b>Total liabilities to credit institutions</b>	<b>3 449</b>				<b>3 475</b>	<b>3 249</b>	<b>3 374</b>
<b>LIABILITIES TO AND DEPOSITS FROM CUSTOMERS <sup>4</sup></b>							
<b>Total liabilities to credit institutions</b>	<b>4 706</b>				<b>4 706</b>	<b>4 407</b>	<b>3 459</b>
<b>Total financial liabilities</b>	<b>28 874</b>				<b>29 315</b>	<b>28 942</b>	<b>29 657</b>

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 listed above are the issuers of the financial debt. Deposits belong to KLP Banken AS.

<sup>1</sup> The loan has an interest change date in 2017

<sup>2</sup> The loan has an interest change date in 2016

<sup>3</sup> The loan has an interest change date in 2034

<sup>4</sup> There is no contractual maturity date on deposits

**Note 12 FAIR VALUE HIERARCHY**

<b>31.03.14 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	39 776	39 776
Land/plots	0	0	862	862
Property subsidiaries	0	0	38 377	38 377
Investment property partnership interests	0	0	537	537
Lending at fair value	0	2 134	0	2 134
Bonds and other fixed-income securities	66 421	49 779	0	116 200
Certificates	5 454	5 755	0	11 209
Bonds	49 356	44 024	0	93 380
Fixed-income funds	11 612	0	0	11 612
Loans and receivables	9 744	4 003	0	13 747
Shares and units	66 395	3 577	4 772	74 744
Shares	65 469	2 956	1 059	69 484
Equity funds	926	0	121	1 048
Special funds	0	4	0	4
Private Equity	0	0	3 592	3 592
Financial derivatives	0	2 097	0	2 097
<b>Total financial assets valued at fair value</b>	<b>142 560</b>	<b>61 590</b>	<b>44 548</b>	<b>248 698</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	1 108	0	1 108
Debt to credit institutions <sup>1</sup>	755	0	0	755
<b>Total financial liabilities at fair value</b>	<b>755</b>	<b>1 108</b>	<b>0</b>	<b>1 863</b>

**Note 12 FAIR VALUE HIERARCHY (CONT.)**

<b>31.12.13 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	39 744	39 744
Land/plots	0	0	932	932
Property subsidiaries	0	0	38 276	38 276
Investment property partnership interests	0	0	537	537
Lending at fair value	0	2 121	0	2 121
Bonds and other fixed-income securities	61 301	45 710	0	107 011
Certificates	3 985	5 600	0	9 585
Bonds	46 009	40 110	0	86 119
Fixed-income funds	11 307	0	0	11 307
Loans and receivables	9 840	5 547	0	15 387
Shares and units	67 888	918	4 433	73 239
Shares	66 966	256	1 047	68 269
Equity funds	923	0	105	1 028
Property funds	0	658	0	658
Special funds	0	4	0	4
Private Equity	0	0	3 281	3 281
Financial derivatives	0	1 661	0	1 661
<b>Total financial assets valued at fair value</b>	<b>139 030</b>	<b>55 957</b>	<b>44 177</b>	<b>239 163</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	1 948	0	1 948
Debt to credit institutions <sup>1</sup>	485	0	0	485
<b>Total financial liabilities at fair value</b>	<b>485</b>	<b>1 948</b>	<b>0</b>	<b>2 433</b>

**Note 12 FAIR VALUE HIERARCHY (CONT.)**

<b>31.03.13 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	33 034	33 034
Land/plots	0	0	965	965
Property subsidiaries	0	0	31 540	31 540
Investment property partnership interests	0	0	529	529
Lending at fair value	0	2 226	0	2 226
Bonds and other fixed-income securities	56 818	42 198	0	99 016
Certificates	154	6 178	0	6 331
Bonds	44 864	36 020	0	80 884
Fixed-income funds	11 800	0	0	11 800
Loans and receivables	11 672	4 322	0	15 994
Shares and units	59 827	228	3 648	63 703
Shares	58 354	225	854	59 433
Equity funds	852	0	2 794	3 646
Property funds	621	0	0	621
Special funds	0	4	0	4
Private Equity	0	0	0	0
Financial derivatives	0	978	0	978
<b>Total financial assets valued at fair value</b>	<b>128 317</b>	<b>49 952</b>	<b>36 681</b>	<b>214 951</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	2 339	0	2 339
Debt to credit institutions <sup>1</sup>	511	0	0	511
<b>Total financial liabilities at fair value</b>	<b>511</b>	<b>2 339</b>	<b>0</b>	<b>2 850</b>



**Note 12 FAIR VALUE HIERARCHY (CONT.)**

Changes in Level 3, financial assets	Book value 31.03.14	Book value 31.12.13	Book value 31.03.13
Opening balance 1 January	4 717	3 262	3 262
Sold	-158	-632	-5
Bought	281	1 271	308
Unrealised changes	-68	817	83
<b>Closing balance 31 March / 31 December</b>	<b>4 772</b>	<b>4 717</b>	<b>3 648</b>
Realised gains/losses	42	30	-1

Changes in Level 3, Private Equity	Book value 31.03.2014	Book value 31.12.2013	Book value 31.03.2013
Opening balance 1 January	39 744	32 322	32 322
Net acquisition cost	242	6 003	874
Unrealised changes	-210	1 419	354
<b>Closing balance 31 March / 31 December</b>	<b>39 776</b>	<b>39 744</b>	<b>33 034</b>
Realised gains/losses	0	0	0
<b>Closing balance 31 March / 31 December</b>	<b>44 548</b>	<b>44 177</b>	<b>36 681</b>

<sup>1</sup> The line Debt to credit institutions includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the financial position statement. The liabilities measured at amortized cost amounted to NOK 2719 million on 31 March 2014.

## Note 12 FAIR VALUE HIERARCHY (CONT.)

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market.

A financial instrument is considered as noted in an active market if noted prices are simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

### Level 1:

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

### Level 2:

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

### Level 3:

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

No sensitivity analysis has been carried out on the securities included in Level 3. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 per cent change in the pricing would produce a change of NOK 2227 million as at 31 March 2014, NOK 1834 million as at 31 March 2013 and NOK 2208 million as at 31 December 2013.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 662 million in financial assets valued at fair value. On 31 March 2014 the NOK 662 million are included with NOK 315 million in shares and units in Level 1 and NOK 347 million in debt instruments at fair value in Level 1.

As a result of IRS 10 there will be variance between what is reported here and what has been reported previously since this note is based on a fully consolidated financial position statement in accordance with the new regulations on consolidating entities where there is control. The final column illustrates what the Group is bearing in real risk, i.e. assets and liabilities that actually comprise part of the Group's possessions.

### Note 13 LIQUIDITY RISK

The table below specify the company's financial obligations ranked by maturity. It shows the liquidity risk based on full consolidation, including the minority's share. The amounts given are non-discounted contractual flows of cash.

31.03.14 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	141	163	3 202	0	0	3 506
Perpetual hybrid Tier 1 securities	0	87	174	218	1 279	1 759
Debt to and deposits from customers (without defined maturity)	4 706	0	0	0	0	4 706
Covered bonds issued	0	1 012	16 020	810	0	17 842
Receivables from credit institutions	756	656	2 171	0	0	3 582
Financial derivatives	131	314	676	135	127	1 384
Accounts payable	369	0	0	0	0	369
Contingent liabilities	9 254	0	0	0	0	9 254
<b>Total</b>	<b>15 357</b>	<b>2 232</b>	<b>22 243</b>	<b>1 163</b>	<b>1 406</b>	<b>42 402</b>

If one takes account of the minority's share, as a result of IFRS 10, derivatives falling due within one month will be reduced by NOK 5.1 million. The total real liquidity risk for the Group will then be NOK 42 397 million.

31.12.13 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	154	3 385	0	0	3 539
Perpetual hybrid Tier 1 securities	0	44	177	221	1 322	1 764
Debt to and deposits from customers (without defined maturity)	4 407	0	0	0	0	4 407
Covered bonds issued	0	1 245	16 092	819	0	18 157
Receivables from credit institutions	485	1 061	1 798	0	0	3 344
Financial derivatives	566	401	893	224	128	2 212
Accounts payable	692	0	0	0	0	692
Contingent liabilities	8 539	0	0	0	0	8 539
<b>Total</b>	<b>14 689</b>	<b>2 905</b>	<b>22 346</b>	<b>1 263</b>	<b>1 450</b>	<b>42 654</b>

If one takes account of the minority's share, as a result of IFRS 10, derivatives falling due within one month will be reduced by NOK 49.1 million. The total real liquidity risk for the Group will then be NOK 42 605 million.

31.03.13 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	130	153	3 143	0	0	3 426
Perpetual hybrid Tier 1 securities	0	85	170	212	1 369	1 837
Debt to and deposits from customers (without defined maturity)	3 459	0	0	0	0	3 459
Covered bonds issued	0	1 263	17 934	845	0	20 042
Receivables from credit institutions	510	1 657	1 295	0	0	3 463
Financial derivatives	1 205	626	525	151	90	2 597
Accounts payable	791	0	0	0	0	791
Contingent liabilities	4 657	0	0	0	0	4 657
<b>Total</b>	<b>10 753</b>	<b>3 784</b>	<b>23 067</b>	<b>1 208</b>	<b>1 459</b>	<b>40 272</b>

If one takes account of the minority's share, as a result of IFRS 10, derivatives falling due within one month will be reduced by NOK 135.6 million and derivatives between 1 and 12 months will be reduced by NOK 29.6 million. The total real liquidity risk for the Group will then be NOK 40 107 million.

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 manages the Group's liquidity. Internal parameters have been established for the size of the liquidity holding. The Group's risk management unit monitors and reports developments in the liquidity holding continuously. The Group Board determines an asset management and liquidity strategy annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

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

**Note 14** INTEREST RATE RISK

31.03.14 NOK millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.2014- 31.03.2014	Total	Total ad- justed for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	3	3	1
Alternative investments	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	18	8	-144	-166	-140	-22	-447	-414
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-40	-90	-939	-1 152	-880	59	-3 042	-942
Fixed income fund holdings	-707	0	0	0	0	6	-701	-2 317
Special investment fund	34	-18	6	-1	0	1	22	16
Lending and receivables	-1	-9	0	0	0	19	9	93
Lending	0	0	0	0	0	146	146	146
<b>Total assets</b>	<b>-696</b>	<b>-110</b>	<b>-1 077</b>	<b>-1 319</b>	<b>-1 020</b>	<b>213</b>	<b>-4 009</b>	<b>-3 417</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-47	-47	-47
Liabilities created on issue of securities	0	0	76	49	0	-152	-27	-27
Financial derivatives classified as liabilities	-17	3	173	109	2	19	288	288
Hybrid capital, subordinated loans	0	0	0	56	18	0	74	74
Call Money	0	0	0	0	0	-2	-2	-2
<b>Total liabilities</b>	<b>-17</b>	<b>3</b>	<b>249</b>	<b>214</b>	<b>20</b>	<b>-181</b>	<b>288</b>	<b>288</b>
<b>Total, before and after tax</b>	<b>-713</b>	<b>-106</b>	<b>-828</b>	<b>-1 105</b>	<b>-1 001</b>	<b>32</b>	<b>-3 722</b>	<b>-3 129</b>

**Note 14 INTEREST RATE RISK (CONT.)**

31.12.13 NOK millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.2014- 31.03.2014	Total	Total ad- justed for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	7	7	3
Alternative investments	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	2	11	-158	-130	-122	-42	-439	-447
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	6
Bonds and other fixed-return securities	-36	-84	-898	-1 032	-767	205	-2 612	-776
Fixed income fund holdings	-582	0	0	0	0	27	-556	-2 146
Special investment fund	-38	-38	4	-5	0	7	-70	-1
Lending and receivables	-1	-8	-4	0	0	92	79	79
Lending	0	0	0	0	0	147	147	147
<b>Total assets</b>	<b>-656</b>	<b>-119</b>	<b>-1 055</b>	<b>-1 167</b>	<b>-889</b>	<b>449</b>	<b>-3 437</b>	<b>-3 135</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-44	-44	-44
Liabilities created on issue of securities	0	0	86	50	0	-154	-19	-19
Financial derivatives classified as liabilities	-16	8	176	86	2	71	326	249
Hybrid capital, subordinated loans	0	0	0	55	16	0	72	72
Call Money	0	0	0	0	0	-6	-6	-6
<b>Total liabilities</b>	<b>-16</b>	<b>8</b>	<b>262</b>	<b>191</b>	<b>18</b>	<b>-134</b>	<b>329</b>	<b>251</b>
<b>Total, before and after tax</b>	<b>-672</b>	<b>-111</b>	<b>-793</b>	<b>-976</b>	<b>-871</b>	<b>315</b>	<b>-3 108</b>	<b>-2 884</b>

**Note 14 INTEREST RATE RISK (CONT.)**

31.03.13 NOK millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.2014- 31.03.2014	Total	Total ad- justed for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	2	2	0
Alternative investments	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	17	8	-139	-160	-156	-20	-450	-406
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	4	4	2
Bonds and other fixed-return securities	-29	-67	-834	-1 123	-773	49	-2 776	-1 112
Fixed income fund holdings	-684	0	0	0	0	8	-676	-2 001
Special investment fund	-22	38	3	-2	0	2	19	23
Lending and receivables	-1	-10	0	0	0	41	29	109
Lending	0	0	-1	0	0	153	152	152
<b>Total assets</b>	<b>-719</b>	<b>-31</b>	<b>-971</b>	<b>-1 285</b>	<b>-929</b>	<b>238</b>	<b>-3 697</b>	<b>-3 234</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-35	-35	-35
Liabilities created on issue of securities	0	0	65	55	0	-179	-59	-59
Financial derivatives classified as liabilities	-15	-4	195	141	2	19	338	337
Hybrid capital, subordinated loans	0	0	0	64	20	0	84	84
Call Money	0	0	0	0	0	-2	-2	-2
<b>Total liabilities</b>	<b>-15</b>	<b>-4</b>	<b>260</b>	<b>261</b>	<b>21</b>	<b>-196</b>	<b>326</b>	<b>325</b>
<b>Total, before and after tax</b>	<b>-734</b>	<b>-35</b>	<b>-712</b>	<b>-1 024</b>	<b>-907</b>	<b>41</b>	<b>-3 371</b>	<b>-2 909</b>

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

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

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

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

The following securities are included in the note; securities measured at fair value through profit or loss (floating and fixed interest rates), investments held to maturity (only those with floating interest rates) and loans and receivables (only those with floating interest rates). The group has no securities classified as available for sale.

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

## Note 15 CREDIT RISK

31.03.14 NOK millions	AAA	AA	A	BBB	NR / NIG	Total	Total adjusted for minority's share
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>							
Banks	0	518	1 722	0	34	2 274	2 274
Finance- and credit enterprises	0	550	0	0	0	550	550
Public sector guarantee	3 352	0	0	0	81	3 433	3 433
Government and government guarantee within OECD	13 078	217	0	816	0	14 112	14 112
Public sector enterprises and covered bonds	2 750	542	0	0	1 475	4 766	4 766
Other	0	452	3 115	0	3 130	6 697	6 697
<b>Total</b>	<b>19 180</b>	<b>2 279</b>	<b>4 837</b>	<b>816</b>	<b>4 720</b>	<b>31 832</b>	<b>31 832</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST</b>							
Banks	0	1 055	8 663	0	521	10 240	10 240
Finance- and credit enterprises	0	1 237	264	0	0	1 501	1 501
Public sector guarantee	504	0	0	0	220	724	724
Government and government guarantee within OECD	11 137	3 899	3 538	2 067	0	20 641	20 641
Public sector enterprises and covered bonds	6 313	1 588	1 355	0	2 428	11 683	11 683
Other	0	6 186	6 533	1 015	16 999	30 733	30 733
<b>Total</b>	<b>17 954</b>	<b>13 965</b>	<b>20 354</b>	<b>3 082</b>	<b>20 168</b>	<b>75 523</b>	<b>75 523</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS</b>							
Banks	0	445	2 597	116	16 208	19 366	18 045
Finance- and credit enterprises	26	717	745	177	898	2 563	2 386
Public sector guarantee	1 026	56	0	0	2 217	3 298	3 247
Government and government guarantee within OECD	15 317	5 223	0	0	0	20 540	20 488
Public sector enterprises and covered bonds	2 093	775	20	0	9 420	12 308	12 189
Other	1 099	8 867	15 176	7 502	13 376	46 020	40 552
<b>Total</b>	<b>19 562</b>	<b>16 083</b>	<b>18 537</b>	<b>7 795</b>	<b>42 118</b>	<b>104 094</b>	<b>96 907</b>
<b>FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS</b>							
Canada	0	16	0	0	0	16	16
Denmark	0	0	350	0	0	350	347
Finland	0	899	0	0	0	899	792
France	0	0	70	0	0	70	70
Norway	0	0	277	0	0	277	268
UK	0	0	98	0	0	98	98
Sweden	0	0	432	0	0	432	325
Germany	0	6	0	0	0	6	6
USA	0	0	-50	0	0	-50	-50
<b>Total</b>	<b>0</b>	<b>920</b>	<b>1 176</b>	<b>0</b>	<b>0</b>	<b>2 097</b>	<b>1 873</b>

**Note 15 CREDIT RISK (CONT.)**

31.03.14 NOK millions	AAA	AA	A	BBB	NR / NIG	Total	Total ad- justed for minority's share
<b>DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS</b>							
Other	0	0	11 612	0	0	11 612	11 612
<b>Total</b>	<b>0</b>	<b>0</b>	<b>11 612</b>	<b>0</b>	<b>0</b>	<b>11 612</b>	<b>11 612</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES</b>							
Denmark	0	0	919	0	0	919	919
Finland	0	5	0	0	0	5	5
Norway	0	0	4 428	0	3 039	7 466	7 531
UK	0	2	3 081	0	0	3 083	2 721
Sweden	0	1 902	228	0	0	2 130	1 977
USA	0	0	611	0	0	611	580
Canada	0	26	0	0	0	26	26
<b>Total</b>	<b>0</b>	<b>1 936</b>	<b>9 267</b>	<b>0</b>	<b>3 039</b>	<b>14 241</b>	<b>13 760</b>
<b>Total securities</b>	<b>56 696</b>	<b>35 182</b>	<b>65 783</b>	<b>11 693</b>	<b>70 045</b>	<b>239 399</b>	<b>231 507</b>
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS <sup>1</sup>		0 %	20 %	35 %	100 %	Total	
Public sector		0	39 204	0	1 938	41 142	
Enterprises		1 530	842	4	2 019	4 395	
Private individuals		0	0	9 350	2 338	11 688	
<b>Total</b>		<b>1 530</b>	<b>40 047</b>	<b>9 354</b>	<b>6 294</b>	<b>57 225</b>	
<b>31.12.13</b>							
NOK millions	AAA	AA	A	BBB	NR / NIG	Total	Total ad- justed for minority's share
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>							
Banks	0	510	1 703	0	50	2 263	2 263
Finance- and credit enterprises	0	542	0	0	0	542	542
Public sector guarantee	3 320	0	0	0	81	3 402	3 402
Government and government guarantee within OECD	12 964	220	0	806	0	13 989	13 989
Public sector enterprises and covered bonds	2 730	535	0	0	1 455	4 719	4 719
Other	0	449	3 106	0	3 289	6 843	6 843
<b>Total</b>	<b>19 014</b>	<b>2 255</b>	<b>4 809</b>	<b>806</b>	<b>4 875</b>	<b>31 758</b>	<b>31 758</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST</b>							
Banks	0	1 042	7 238	0	642	8 921	8 921
Finance- and credit enterprises	0	1 243	0	0	260	1 503	1 503
Public sector guarantee	508	0	0	0	219	727	727
Government and government guarantee within OECD	11 029	3 860	1 521	2 045	0	18 455	18 455
Public sector enterprises and covered bonds	6 241	1 609	1 373	0	2 402	11 626	11 626
Other	0	4 196	5 505	1 003	15 336	26 040	26 040
<b>Total</b>	<b>17 779</b>	<b>11 950</b>	<b>15 637</b>	<b>3 048</b>	<b>18 859</b>	<b>67 272</b>	<b>67 272</b>



## Note 15 CREDIT RISK (CONT.)

31.12.13 NOK millions	AAA	AA	A	BBB	NR / NIG	Total	Total ad- justed for minority's share
<b>DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS</b>							
Banks	0	585	2 519	117	14 869	18 090	16 512
Finance- and credit enterprises	27	729	826	180	603	2 365	2 153
Public sector guarantee	1 097	56	0	0	2 035	3 188	3 142
Government and government guarantee within OECD	13 353	4 953	0	0	0	18 306	18 265
Public sector enterprises and covered bonds	2 237	773	20	0	8 243	11 274	11 164
Other	808	8 121	14 123	6 948	12 483	42 483	36 415
<b>Total</b>	<b>17 522</b>	<b>15 216</b>	<b>17 488</b>	<b>7 245</b>	<b>38 233</b>	<b>95 704</b>	<b>87 650</b>
<b>FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS</b>							
Canada	0	40	0	0	0	40	40
Denmark	0	0	505	0	0	505	503
Finland	0	64	0	0	0	64	57
France	0	0	40	0	0	40	40
Norway	0	0	351	0	0	351	317
UK	0	0	134	0	0	134	134
Sweden	0	0	534	0	0	534	494
Germany	0	0	0	0	0	0	0
USA	0	0	-7	0	0	-7	-7
<b>Total</b>	<b>0</b>	<b>104</b>	<b>1 557</b>	<b>0</b>	<b>0</b>	<b>1 661</b>	<b>1 578</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS</b>							
Other	0	0	0	0	11 307	11 307	11 307
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11 307</b>	<b>11 307</b>	<b>11 307</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES</b>							
Canada	0	20	0	0	0	20	20
Denmark	0	0	1 552	0	0	1 552	1 552
Finland	0	59	0	0	0	59	59
Norway	0	974	4 287	0	2 972	8 233	8 774
UK	0	0	3 813	0	0	3 813	3 280
Sweden	0	498	455	0	0	953	728
USA	0	0	756	0	0	756	723
<b>Total</b>	<b>0</b>	<b>1 550</b>	<b>10 865</b>	<b>0</b>	<b>2 972</b>	<b>15 386</b>	<b>15 137</b>
<b>Total securities</b>	<b>54 314</b>	<b>31 076</b>	<b>50 356</b>	<b>11 099</b>	<b>76 246</b>	<b>223 090</b>	<b>214 702</b>
<b>LENDING LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS <sup>1</sup></b>							
	<b>0 %</b>	<b>20 %</b>	<b>35 %</b>	<b>100 %</b>	<b>Totalt</b>		
Public sector		0	38 169	0	2 008	40 177	
Enterprises		844	811	4	2 063	3 722	
Private individuals		0	0	9 189	2 294	11 483	
<b>Total</b>		<b>844</b>	<b>38 980</b>	<b>9 193</b>	<b>6 365</b>	<b>55 381</b>	

**Note 15 CREDIT RISK (CONT.)**

<b>31.03.13</b> NOK millions	AAA	AA	A	BBB	NR / NIG	Total	Total ad- justed for minority's share
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>							
Banks	0	1 039	796	0	298	2 134	2 134
Finance- and credit enterprises	0	35	0	0	1 035	1 070	1 070
Public sector guarantee	1 371	0	0	0	81	1 452	1 452
Government and government guarantee within OECD	20 105	0	0	850	0	20 955	20 955
Public sector enterprises and covered bonds	2 727	542	0	0	1 478	4 748	4 748
Other	0	964	3 107	0	3 230	7 301	7 301
<b>Total</b>	<b>24 203</b>	<b>2 580</b>	<b>3 904</b>	<b>850</b>	<b>6 122</b>	<b>37 659</b>	<b>37 659</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST</b>							
Banks	0	1 056	4 591	0	654	6 301	6 301
Finance- and credit enterprises	518	263	264	0	264	1 310	1 310
Public sector guarantee	1 115	0	0	0	325	1 439	1 439
Government and government guarantee within OECD	12 382	0	0	2 067	0	14 449	14 449
Public sector enterprises and covered bonds	6 320	1 588	1 355	0	2 427	11 690	11 690
Other	0	3 507	3 346	832	13 770	21 455	21 441
<b>Total</b>	<b>20 335</b>	<b>6 413</b>	<b>9 556</b>	<b>2 899</b>	<b>17 441</b>	<b>56 644</b>	<b>56 630</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS</b>							
Banks	0	579	3 093	147	13 767	17 586	16 180
Finance- and credit enterprises	27	696	908	175	423	2 228	2 003
Public sector guarantee	1 091	56	0	0	2 096	3 242	3 176
Government and government guarantee within OECD	10 347	4 115	0	0	0	14 461	14 430
Public sector enterprises and covered bonds	2 089	588	18	0	6 720	9 415	9 315
Other	422	6 599	14 531	6 578	11 771	39 902	34 009
<b>Total</b>	<b>13 975</b>	<b>12 633</b>	<b>18 550</b>	<b>6 900</b>	<b>34 777</b>	<b>86 835</b>	<b>79 113</b>
<b>FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS</b>							
Denmark	0	0	205	0	0	205	205
Finland	0	82	0	0	0	82	80
Norway	0	7	243	0	0	250	249
UK	0	0	185	0	0	185	185
Sweden	0	0	156	0	0	156	150
Germany	0	0	2	0	0	2	2
USA	0	0	99	0	0	99	99
<b>Total</b>	<b>0</b>	<b>89</b>	<b>890</b>	<b>0</b>	<b>0</b>	<b>978</b>	<b>970</b>

**Note 15 CREDIT RISK (CONT.)**

31.03.13 NOK millions	AAA	AA	A	BBB	NR / NIG	Total	Total ad- justed for minority's share
<b>DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS</b>							
Public sector, finance and credit institutions	0	0	0	0	570	570	570
Other	0	0	0	0	11 230	11 230	11 230
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11 800</b>	<b>11 800</b>	<b>11 800</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES</b>							
Canada	0	10	0	0	0	10	10
Denmark	0	0	1 236	0	0	1 236	1 236
Finland	0	485	0	0	0	485	485
Norway	0	0	5 107	0	3 271	8 379	8 355
UK	0	0	2 565	0	0	2 565	2 370
Sweden	0	2 735	370	0	0	3 105	2 856
Germany	0	0	2	0	0	2	2
USA	0	0	593	0	0	593	574
<b>Total</b>	<b>0</b>	<b>3 231</b>	<b>9 873</b>	<b>0</b>	<b>3 271</b>	<b>16 375</b>	<b>15 888</b>
<b>Total securities</b>	<b>58 513</b>	<b>24 945</b>	<b>42 773</b>	<b>10 649</b>	<b>73 411</b>	<b>210 291</b>	<b>202 060</b>
<b>LENDING LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS <sup>1</sup></b>							
	<b>0 %</b>	<b>20 %</b>	<b>35 %</b>	<b>100 %</b>	<b>Totalt</b>		
Public sector		0	37 865	0	1 568	39 433	
Enterprises		0	1 122	4	1 424	2 550	
Private individuals		0	0	10 249	474	10 723	
<b>Total</b>		<b>0</b>	<b>38 987</b>	<b>10 253</b>	<b>3 466</b>	<b>52 706</b>	

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

Credit risk means the risk of the counterparty not being able to meet its 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. The exception is loans to customers, where weighting by sector based on the capital adequacy regulations is used.

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

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

The Notes only show Standard & Poor's ratings. The KLP Group also uses ratings from Moody's Investor Services and Fitch ratings and all three are equal as a basis for investments in fixed-income securities. The table shows exposure towards the rating categories used by S & P where AAA is associated with securities with the highest creditworthiness. Unrated / non investment grade is first of all applies to municipalities/local administrations, state enterprises and investments in Norwegian finance. All in all, Unrated / non investment grade comprises securities of NOK 70 billion as at 31.03.14. "Other" under Unrated / non investment grade comprises mainly securities issued by power companies and other corporate bonds. The remaining amount, which is made up of fixed-income fund units, distributed by country or sector, in the Note is NOK 34 billion. This mainly comprises corporate bonds. The KLP Group has strict guidelines for investments in fixed-income securities. This also applies to investments that fall into the unrated / non investment grade category.

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

**Note 16** INSURANCE-RELATED PROVISIONS IN LIFE INSURANCE INCLUDING INVESTMENT CHOICE

NOK millions	31.03.14	31.03.13	31.12.13
Premium reserves - ordinary tarif	296 666	255 492	271 771
Premium reserves - longevity reserving	4 874	4 874	9 084
Premium funds, buffer funds and pensioners' surplus funds	3 232	1 602	3 291
Supplementary reserves	12 524	12 407	12 524
Securities adjustment fund	12 213	12 585	10 447
Other provisions	315	219	222
Profit/loss allocated to insurance contracts	6 591	3 029	5 887
<b>Insurance-related provisions in life insurance incl. investment options</b>	<b>336 415</b>	<b>290 208</b>	<b>313 227</b>

NOK millions	31.03.13	31.03.13	31.12.13
Premium reserves - ordinary tarif	656	386	571
Deposit funds	8	7	6
<b>Reserving life insurance with investment options</b>	<b>664</b>	<b>393</b>	<b>578</b>

**Note 17** PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

31.03.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for mino- rity's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	2 097	0	2 097	-629	-749	716	508
<b>Total</b>	<b>2 097</b>	<b>0</b>	<b>2 097</b>	<b>-629</b>	<b>-749</b>	<b>716</b>	<b>508</b>
LIABILITIES							
Financial derivatives	1 108	0	1 108	-631	-450	26	29
<b>Total</b>	<b>1 108</b>	<b>0</b>	<b>1 108</b>	<b>-631</b>	<b>-450</b>	<b>26</b>	<b>29</b>

31.12.13 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for mino- rity's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	1 661	0	1 661	-964	-478	219	224
<b>Total</b>	<b>1 661</b>	<b>0</b>	<b>1 661</b>	<b>-964</b>	<b>-478</b>	<b>219</b>	<b>224</b>
LIABILITIES							
Financial derivatives	1 948	0	1 948	-899	-714	335	312
<b>Total</b>	<b>1 948</b>	<b>0</b>	<b>1 948</b>	<b>-899</b>	<b>-714</b>	<b>335</b>	<b>312</b>

31.03.13 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for mino- rity's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	978	0	978	-436	-439	104	104
<b>Total</b>	<b>978</b>	<b>0</b>	<b>978</b>	<b>-436</b>	<b>-439</b>	<b>104</b>	<b>104</b>
LIABILITIES							
Financial derivatives	2 339	0	2 339	-436	-1 108	795	643
<b>Total</b>	<b>2 339</b>	<b>0</b>	<b>2 339</b>	<b>-436</b>	<b>-1 108</b>	<b>795</b>	<b>643</b>

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

**Note 18** ACCOUNTS RECEIVABLES

NOK millions	31.03.14	31.03.13	31.12.13
Short-term receivable trade in securities <sup>1</sup>	2 666	772	384
Premium receivable	887	731	1 092
Reinsurance share of gross outstanding claims provisions	70	145	100
Other receivable	1 488	1 175	1 333
<b>Total receivable</b>	<b>5 112</b>	<b>2 823</b>	<b>2 909</b>

<sup>1</sup> This item shows a substantial increase as a result of securities funds being consolidated in.

**Note 19** OTHER SHORT TERM LIABILITIES

NOK millions	31.03.14	31.03.13	31.12.13
Short-term liabilities securities	3 888	429	3 978
Advance tax-deduction pension scheme	242	214	241
Accounts payable	821	790	692
Pre-called contribution to insurance	141	49	67
Other short-term liabilities	802	1 713	2 221
<b>Total other short-term liabilities</b>	<b>5 893</b>	<b>3 195</b>	<b>7 200</b>



Non-financial accounts

KLP Group

# Non-financial accounts

KLP Group

Note	Q1 2014	2013	2012	2011	2010
<b>SOCIAL RESPONSIBLE INVESTMENTS</b>					
1					
1					
<b>EMPLOYEES</b>					
<b>ENVIRONMENT</b>					
2					
2					
2					
2					

## Note 1 SOCIAL RESPONSIBLE INVESTMENTS

The indicator shows both percentage and total number of general meetings and actual number.

## Note 2 ENERGY CONSUMPTION

1 kwh approximates to NOK 1 and 117 g CO<sub>2</sub> equivalents at "Nordic mix". New and improved details regarding reporting of CO<sub>2</sub> aircraft engine emissions are available. This makes comparisons with previous years inaccurate.





Accounts

Kommunal Landspensjonskasse

# Income statement

Kommunal Landspensjonskasse

Note	NOK million	Q1 2014	Q1 2013	01.01.13- 31.12.13
3	Premium income	26 192	10 428	30 860
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	275	771	3 395
	Interest income/dividends on financial assets	1 939	2 290	9 116
	Value changes on investments	1 854	2 578	2 187
	Gains and losses realised on investments	443	444	4 077
	<b>Net income from investments in the common portfolio</b>	<b>4 512</b>	<b>6 083</b>	<b>18 775</b>
	Net income of the investment option portfolio	20	40	138
	Other insurance-related income	174	174	682
	Claims	-7 222	-2 930	-11 886
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-22 434	-12 676	-30 848
	Changes in insurance liabilities investment option portfolio	-21	-38	-181
	Funds assigned to insurance contracts - contractual liabilities	-703	-668	-5 884
4	Insurance-related operating expenses	-213	-201	-807
	Other insurance-related costs	-173	-161	-656
	<b>Technical profit/loss</b>	<b>132</b>	<b>49</b>	<b>191</b>
	Net income from investments in the corporate portfolio	236	264	979
	Other income	5	4	17
	Administration costs and other costs associated with the corporate portfolio	-53	-54	-238
	<b>Non-technical profit/loss</b>	<b>187</b>	<b>214</b>	<b>759</b>
	Profit/loss pre-tax	319	263	950
	Tax	0	0	0
	<b>Profit/loss before other comprehensive income</b>	<b>319</b>	<b>263</b>	<b>950</b>
	Actuarial profit/loss post employment benefit obligations	0	0	-79
	<b>Items that will not be reclassified to profit or loss</b>	<b>0</b>	<b>0</b>	<b>-79</b>
	Shares of P/L components by use of the equity method	0	0	-33
	Adjustments of the insurance obligations	0	0	10
	<b>Items that will be reclassified to profit or loss when special conditions are met</b>	<b>0</b>	<b>0</b>	<b>-23</b>
	<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-102</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>319</b>	<b>263</b>	<b>847</b>

# Balance sheet

Kommunal Landspensjonskasse

Note	NOK million	31.03.14	31.03.13	31.12.13
<b>ASSETS</b>				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	333	306	321
	Buildings and other fixed properties	882	974	947
	Shares and holdings in subsidiaries and other entities	3 835	3 687	3 910
5	Investments	9 180	7 652	8 942
5	Financial assets valued at fair value	5 597	5 431	5 416
	Receivables	1 925	1 582	1 712
	Other assets	515	391	406
	<b>Total assets in the corporate portfolio</b>	<b>22 267</b>	<b>20 023</b>	<b>21 654</b>
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	38 156	30 732	38 383
5	Financial assets valued at amortised cost	131 370	114 746	121 557
5,6	Financial assets valued at fair value	167 073	143 063	156 254
	<b>Total assets in the common portfolios</b>	<b>336 599</b>	<b>288 541</b>	<b>316 194</b>
	Shares and holdings in property subsidiaries	235	188	236
5	Financial assets at amortised costs	603	573	597
5,6	Financial assets at fair value	972	823	912
	<b>Total assets in investment portfolio</b>	<b>1 809</b>	<b>1 584</b>	<b>1 745</b>
	<b>ASSETS</b>	<b>360 675</b>	<b>310 148</b>	<b>339 592</b>
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Owners' equity contributed	7 717	6 891	7 659
	Retained earnings	7 429	6 581	7 429
	Unallocated profit	319	264	0
	Subordinated loan capital etc.	4 100	3 969	4 070
9	Insurance obligations in life insurance - contractual liabilities	333 339	287 628	310 314
9	Insurance liabilities investment option portfolio	1 841	1 588	1 813
	Provision for liabilities	425	323	425
8	Liabilities	5 439	2 841	7 822
	Accrued costs and prepaid income	66	63	59
	<b>OWNERS' EQUITY AND LIABILITIES</b>	<b>360 675</b>	<b>310 148</b>	<b>339 592</b>
	Contingent liabilities	8 770	4 350	8 086

# Changes in Owner's equity

Kommunal Landspensjonskasse

2014 NOK million	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
<b>Own funds 1 January 2014</b>	7 659	170	7 260	15 089
Unallocated profit		28	290	318
Other comprehensive income		0	0	0
<b>Total comprehensive income</b>		28	290	318
Equity paid-in	58			58
<b>Total transactions with owners</b>	58			58
<b>Egenkapital 31.03.2014</b>	7 717	198	7 550	15 465

2013 NOK million	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
<b>Own funds 1 January 2013</b>	6 891	490	6 092	13 473
Unallocated profit		17	246	263
Other comprehensive income		0	0	0
<b>Total comprehensive income</b>		17	246	263
Equity paid-in	0			0
<b>Total transactions with owners</b>	0			0
<b>Own funds 31.03.2013</b>	6 891	507	6 338	13 736

# Statement of cash flows

Kommunal Landspensjonskasse

<b>NOK million</b>	<b>01.01.2014- 31.03.2014</b>	<b>01.01.2013- 31.12.2013</b>	<b>01.01.2013- 30.09.2013</b>	<b>01.01.2013- 30.06.2013</b>	<b>01.01.2013- 31.03.2013</b>
Net cashflow from operational activities	82	-674	-631	217	9
Net cashflow from investment activities	-30	-85	-56	-41	-19
Net cashflow from financing activities	58	768	709	1	0
<b>Net changes in cash and bank deposits</b>	<b>110</b>	<b>10</b>	<b>23</b>	<b>177</b>	<b>-10</b>
Holdings of cash and bank deposits at start of period	358	348	348	348	348
<b>Holdings of cash and bank deposits at end of period</b>	<b>468</b>	<b>358</b>	<b>371</b>	<b>525</b>	<b>338</b>

# Notes to the Accounts

Kommunal Landspensjonskasse

## Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) for the period 1 January 2014 - 31 March 2014. The accounts have not been audited.

The interim financial statements are presented in accordance with Regulation 1241 of 16 December 1998: Regulations on annual accounts etc. for insurance companies (the Annual Accounts Regulations) and IAS 34 Interim reporting as approved by the EU. The interim financial statements have

been prepared in accordance with the same principles as for the annual financial statements for 2013 unless otherwise indicated. There are no changes in the accounting principles for the first quarter of any major significance for the interim accounts (Q1-14) presented.

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2013. These may be obtained on application to KLP's head office in Dronning Eufemias gate 10, Oslo, or at [www.klp.no](http://www.klp.no)

## Note 2 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 31 March 2014.

NOK millions	Q1 2014	Q1 2013	The year 2013
Value adjustment incl. foreign exchange	-209	348	1 414
Foreign exchange effect on hedging	166	-218	-890
<b>Net value adjustment incl. exchange hedging</b>	<b>-43</b>	<b>130</b>	<b>524</b>

## Note 3 PREMIUM INCOME

NOK millions	Q1 2014	Q1 2013	The year 2013
Gross premiums due	4 612	4 502	24 931
- Reinsurance premiums ceded	0	0	-3
Transfer of premium reserved from others	21 580	5 925	5 932
<b>Total premium income</b>	<b>26 192</b>	<b>10 428</b>	<b>30 860</b>

## Note 4 INSURANCE-RELATED OPERATING EXPENSES

NOK millions	Q1 2014	Q1 2013	The year 2013
Staff costs	128	121	484
Depreciation	20	19	74
Other operating expenses	65	61	250
<b>Total insurance related expenses</b>	<b>213</b>	<b>201</b>	<b>807</b>

## Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

#### a) Shares (listed)

Liquid shares are generally valued on the basis of prices provided by an index provider. At the same time prices are compared between different sources to identify any errors. The following sources are used for shares:

- Oslo Børs (Oslo Stock Exchange)
- Morgan Stanley Capital International (MSCI)
- Reuters

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

#### b) Shares (unlisted)

As far as possible the Company uses the industry recommendations of the Norwegian Mutual Fund Association (NMFA). Broadly this means the following:

The last traded price has the highest priority. If the last traded price lies outside the offer/bid spread in the market, price is adjusted accordingly. I.e. if the last traded price is below the offer price, price is adjusted up to the offer price. If it is above the bid price it is adjusted down to bid. If the price picture is considered outdated, the price is adjusted according to a market index. The Company has selected the Oslo Børs's Small Cap Index (OSESX) as an approach for unlisted shares.

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

#### c) Foreign fixed interest securities

Foreign fixed interest securities are generally priced on the basis of prices obtained from an index provider. At the same time prices are compared between several different sources to identify any errors. The following sources are used:

- JP Morgan
- Barclays Capital Indices
- Bloomberg
- Reuters

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

in Litigation (BVAL). BVAL contains verified prices from Bloomberg. The final priority is Reuters.

#### d) Norwegian fixed interest securities - government

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

#### e) Norwegian fixed interest securities - other than government

All Norwegian fixed interest securities except government are priced theoretically. A zero coupon curve is used as well as yield curves for the pricing. Reuters is used as the source for the zero coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years. The yield curves are received from the Norwegian Mutual Fund Association (NMFA). These are based on yield curves collected from five different market operators and converted to an average curve.

#### Fixed interest securities issued by foreign enterprises, but denominated in NOK

Fair value is calculated in accordance with the same principle as for Norwegian fixed interest securities described above. Yield curves provided by SE Banken and Swedbank are converted to an average curve used as the basis for calculation of fair value.

#### g) Futures/FRA/IRF

All Company futures contracts are traded on stock exchanges. Reuters is used as a price source. Prices are also obtained from another source to check the Reuters prices are correct.

#### h) Options

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

#### i) Interest rate swaps

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

#### j) Loans secured by mortgage

The principles for calculating fair value depend on whether the loans have fixed interest rates or not.

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

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

#### k) Lending to local authorities and enterprises with local government guarantee

The receivables are valued using a valuation model that uses relevant credit risk premium adjustments obtained from the market. For lending to municipalities, county authorities and local government supported projects, observable

## Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

interest-rate curves and credit interest differential curves are used in a valuation model that discounts future cash flows. The credit risk premiums used in the model calculations are based on quotations from three different price makers. Assessment is made of the quality of the quotations by comparing them with each other and against previously received observations as well as other market information.

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

### l) Investments with credit institutions

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

### m) Fair value of subordinated loan capital

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

### n) Fair value of hybrid Tier 1 securities issued

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

### o) Private Equity

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



**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.03.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	731	806	10 722	11 538	69	73	11 522	12 417
Accrued not due interest	17	17	270	270	2	2	289	289
Foreign hold-to-maturity bonds	2 899	3 012	15 828	16 902	84	91	18 811	20 004
Accrued not due interest	62	62	501	501	3	3	566	566
<b>Total investments held to maturity</b>	<b>3 709</b>	<b>3 896</b>	<b>27 322</b>	<b>29 212</b>	<b>158</b>	<b>169</b>	<b>31 188</b>	<b>33 277</b>
BONDS AT AMORTIZED COST								
Norwegian bond loans	1 363	1 457	24 062	25 882	129	141	25 554	27 480
Accrued not due interest	38	38	569	569	4	4	611	611
Foreign bond loans	3 944	4 158	42 641	45 397	305	328	46 890	49 883
Accrued not due interest	127	127	1 006	1 006	7	7	1 140	1 140
<b>Total bonds classified as loans and receivables</b>	<b>5 472</b>	<b>5 779</b>	<b>68 278</b>	<b>72 854</b>	<b>445</b>	<b>480</b>	<b>74 195</b>	<b>79 114</b>
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	8 392	8 397	0	0	8 392	8 397
Lending with public sector guarantee	0	0	27 149	27 515	0	0	27 149	27 515
Accrued not due interest	0	0	230	230	0	0	230	230
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>35 771</b>	<b>36 143</b>	<b>0</b>	<b>0</b>	<b>35 771</b>	<b>36 143</b>
<b>Total financial assets at amortized cost</b>	<b>9 180</b>	<b>9 676</b>	<b>131 370</b>	<b>138 208</b>	<b>603</b>	<b>649</b>	<b>141 154</b>	<b>148 533</b>
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	318	318	3 894	3 894	0	0	4 211	4 211
Foreign shares	0	0	12 916	12 916	0	0	12 916	12 916
<b>Total shares and units</b>	<b>318</b>	<b>318</b>	<b>16 810</b>	<b>16 810</b>	<b>0</b>	<b>0</b>	<b>17 127</b>	<b>17 127</b>
Property funds	0	0	617	617	0	0	617	617
Norwegian equity funds	0	0	31 454	31 454	324	324	31 778	31 778
Foreign equity funds	0	0	4 300	4 300	0	0	4 300	4 300
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>36 370</b>	<b>36 370</b>	<b>324</b>	<b>324</b>	<b>36 694</b>	<b>36 694</b>
Norwegian alternative investments	0	0	1 760	1 760	13	13	1 773	1 773
Foreign alternative investments	0	0	4	4	0	0	4	4
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>1 764</b>	<b>1 764</b>	<b>13</b>	<b>13</b>	<b>1 777</b>	<b>1 777</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.03.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS</b>								
Norwegian bonds	3 283	3 283	29 526	29 526	0	0	32 808	32 808
Foreign bonds	163	163	13 098	13 098	0	0	13 261	13 261
Accrued not due interest	40	40	456	456	0	0	496	496
Norwegian fixed-income funds	802	802	34 880	34 880	559	559	36 241	36 241
Foreign fixed-income funds	0	0	11 612	11 612	0	0	11 612	11 612
Accrued not due interest	3	3	80	80	3	3	86	86
Norwegian certificates	578	578	8 827	8 827	0	0	9 406	9 406
Accrued not due interest	7	7	59	59	0	0	66	66
Foreign certificates	7	7	59	59	0	0	66	66
Accrued not due interest	0	0	0	0	0	0	0	0
<b>Total bonds and other fixed-income securities</b>	<b>4 876</b>	<b>4 876</b>	<b>98 537</b>	<b>98 537</b>	<b>562</b>	<b>562</b>	<b>103 975</b>	<b>103 975</b>
Norwegian loans and receivables	253	253	8 658	8 658	53	53	8 964	8 964
Foreign loans and receivables	139	139	1 834	1 834	10	10	1 983	1 983
<b>Total loans and receivables</b>	<b>392</b>	<b>392</b>	<b>10 492</b>	<b>10 492</b>	<b>63</b>	<b>63</b>	<b>10 947</b>	<b>10 947</b>
<b>DERIVATIVES</b>								
Interest rate swaps	9	9	477	477	0	0	486	486
Share options	0	0	111	111	1	1	112	112
Forward exchange contracts	1	1	395	395	1	1	397	397
<b>Total financial derivatives classified as assets</b>	<b>10</b>	<b>10</b>	<b>983</b>	<b>983</b>	<b>2</b>	<b>2</b>	<b>995</b>	<b>995</b>
<b>Other financial assets</b>	<b>1</b>	<b>1</b>	<b>2 117</b>	<b>2 117</b>	<b>8</b>	<b>8</b>	<b>2 126</b>	<b>2 126</b>
<b>Total financial assets valued at fair value</b>	<b>5 597</b>	<b>5 597</b>	<b>167 073</b>	<b>167 073</b>	<b>972</b>	<b>972</b>	<b>173 642</b>	<b>173 642</b>
<b>Total investments</b>	<b>14 777</b>	<b>15 273</b>	<b>298 444</b>	<b>305 281</b>	<b>1 575</b>	<b>1 621</b>	<b>314 796</b>	<b>322 175</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	-284	-284	0	0	-284	-284
Interest futures	0	0	0	0	0	0	0	0
Interest rate- and currency swaps	0	0	0	0	0	0	0	0
Forward exchange contracts	0	0	-474	-474	-3	-3	-477	-477
<b>Total financial derivatives classified as liabilities</b>	<b>0</b>	<b>0</b>	<b>-759</b>	<b>-759</b>	<b>-3</b>	<b>-3</b>	<b>-761</b>	<b>-761</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.03.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>SUBORDINATED LOAN CAPITAL</b>								
Perpetual subordinated loan capital	-3 159	-3 255	0	0	0	0	-3 159	-3 255
Hybrid Tier 1 securities	-941	-952	0	0	0	0	-941	-952
<b>Total subordinated loan capital etc.</b>	<b>-4 100</b>	<b>-4 207</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4 100</b>	<b>-4 207</b>
<b>DEBT TO CREDIT INSTITUTIONS</b>								
Norwegian call money	0	0	0	0	0	0	0	0
Foreign call money	-2	-2	-747	-747	0	0	-749	-749
<b>Total debt to credit institutions</b>	<b>-2</b>	<b>-2</b>	<b>-747</b>	<b>-747</b>	<b>0</b>	<b>0</b>	<b>-749</b>	<b>-749</b>

31.03.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	727	773	15 617	16 402	74	79	16 418	17 254
Accrued not due interest	18	18	609	609	3	3	630	630
Foreign hold-to-maturity bonds	2 471	2 625	16 570	17 761	84	91	19 125	20 477
Accrued not due interest	51	51	532	532	3	3	586	586
<b>Total investments held to maturity</b>	<b>3 268</b>	<b>3 468</b>	<b>33 328</b>	<b>35 303</b>	<b>164</b>	<b>175</b>	<b>36 759</b>	<b>38 946</b>
<b>BONDS</b>								
Norwegian bond loans	1 238	1 306	22 072	23 221	129	137	23 439	24 664
Accrued not due interest	35	35	565	565	4	4	605	605
Foreign bond loans	2 994	3 192	27 442	29 533	270	289	30 705	33 013
Accrued not due interest	117	117	746	746	7	7	870	870
<b>Total bonds classified as loans and receivables</b>	<b>4 384</b>	<b>4 651</b>	<b>50 825</b>	<b>54 065</b>	<b>410</b>	<b>436</b>	<b>55 619</b>	<b>59 152</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loan	0	0	8 830	8 834	0	0	8 830	8 834
Lending with public sector guarantee	0	0	21 543	21 868	0	0	21 543	21 868
Accrued not due interest	0	0	220	220	0	0	220	220
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>30 593</b>	<b>30 923</b>	<b>0</b>	<b>0</b>	<b>30 593</b>	<b>30 923</b>
<b>Total financial assets at amortized cost</b>	<b>7 652</b>	<b>8 119</b>	<b>114 746</b>	<b>120 291</b>	<b>573</b>	<b>612</b>	<b>122 971</b>	<b>129 021</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.03.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	229	229	3 473	3 473	338	338	4 041	4 041
Foreign shares	0	0	20 275	20 275	0	0	20 275	20 275
<b>Total shares and units</b>	<b>229</b>	<b>229</b>	<b>23 748</b>	<b>23 748</b>	<b>338</b>	<b>338</b>	<b>24 316</b>	<b>24 316</b>
Property funds	0	0	621	621	0	0	621	621
Norwegian equity funds	0	0	18 840	18 840	0	0	18 840	18 840
Foreign equity funds	0	0	3 263	3 263	0	0	3 263	3 263
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>22 724</b>	<b>22 724</b>	<b>0</b>	<b>0</b>	<b>22 724</b>	<b>22 724</b>
Norwegian alternative investments	0	0	1 801	1 801	0	0	1 801	1 801
Foreign alternative investments	0	0	4	4	0	0	4	4
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>1 805</b>	<b>1 805</b>	<b>0</b>	<b>0</b>	<b>1 805</b>	<b>1 805</b>
DEBT INSTRUMENTS								
Norwegian bonds	3 360	3 360	26 446	26 446	0	0	29 805	29 805
Foreign bonds	162	162	11 899	11 899	0	0	12 061	12 061
Accrued not due interest	45	45	549	549	0	0	594	594
Norwegian fixed-income funds	343	343	25 038	25 038	443	443	25 824	25 824
Foreign fixed-income funds	0	0	11 800	11 800	0	0	11 800	11 800
Accrued not due interest	7	7	465	465	0	0	472	472
Norwegian certificates	728	728	4 923	4 923	6	6	5 657	5 657
Accrued not due interest	13	13	77	77	0	0	90	90
Foreign certificates	0	0	0	0	0	0	0	0
Accrued not due interest	0	0	0	0	0	0	0	0
<b>Total bonds and other fixed-income securities</b>	<b>4 659</b>	<b>4 659</b>	<b>81 197</b>	<b>81 197</b>	<b>449</b>	<b>449</b>	<b>86 304</b>	<b>86 304</b>
Norwegian loans and receivables	207	207	10 018	10 018	25	25	10 249	10 249
Foreign loans and receivables	235	235	2 585	2 585	8	8	2 827	2 827
<b>Total loans and receivables</b>	<b>442</b>	<b>442</b>	<b>12 602</b>	<b>12 602</b>	<b>32</b>	<b>32</b>	<b>13 076</b>	<b>13 076</b>
DERIVATIVES								
Interest rate swaps	102	102	399	399	0	0	501	501
Share options	0	0	185	185	1	1	186	186
Forward exchange contracts	0	0	29	29	0	0	29	29
<b>Total financial derivatives classified as assets</b>	<b>102</b>	<b>102</b>	<b>613</b>	<b>613</b>	<b>0</b>	<b>0</b>	<b>716</b>	<b>716</b>
Other financial assets	0	0	374	374	1	1	376	376
<b>Total financial assets valued at fair value</b>	<b>5 431</b>	<b>5 431</b>	<b>143 063</b>	<b>143 063</b>	<b>823</b>	<b>823</b>	<b>149 318</b>	<b>149 318</b>
Investments properties	974	974	0	0	0	0	974	974
Subsidiaries	3 667	3 667	0	0	0	0	3 667	3 667
<b>Total investments</b>	<b>17 724</b>	<b>18 191</b>	<b>257 809</b>	<b>263 354</b>	<b>1 396</b>	<b>1 434</b>	<b>276 929</b>	<b>282 635</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.03.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LIABILITIES</b>								
DERIVATIVES								
Interest rate swaps	0	0	-287	-287	0	0	-287	-287
Interest rate futures (IRF)	0	0	0	0	0	0	0	0
Interest rate and currency swaps	0	0	-596	-596	-2	-2	-598	-598
Forward exchange contracts	-4	-4	-348	-348	-1	-1	-353	-353
<b>Total financial derivatives classified as liabilities</b>	<b>-4</b>	<b>-4</b>	<b>-1 231</b>	<b>-1 231</b>	<b>-3</b>	<b>-3</b>	<b>-1 238</b>	<b>-1 238</b>
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	-2 952	-3 004	0	0	0	0	-2 952	-3 004
Hybrid Tier 1 securities	-1 017	-1 018	0	0	0	0	-1 017	-1 018
<b>Total subordinated loan capital etc.</b>	<b>-3 969</b>	<b>-4 022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3 969</b>	<b>-4 022</b>
DEBT TO CREDIT INSTITUTIONS								
Norwegian call money	0	0	-163	-163	0	0	-163	-163
Foreign call money	-69	-69	-279	-279	0	0	-348	-348
<b>Total debt to credit institutions</b>	<b>-69</b>	<b>-69</b>	<b>-441</b>	<b>-441</b>	<b>-1</b>	<b>-1</b>	<b>-511</b>	<b>-511</b>
<b>31.12.13</b>								
NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	731	787	10 822	11 520	69	73	11 622	12 381
Accrued not due interest	23	23	253	253	1	1	277	277
Foreign hold-to-maturity bonds	2 933	3 054	15 828	16 772	84	90	18 845	19 915
Accrued not due interest	51	51	308	308	2	2	360	360
<b>Total investments held to maturity</b>	<b>3 738</b>	<b>3 915</b>	<b>27 212</b>	<b>28 853</b>	<b>156</b>	<b>166</b>	<b>31 105</b>	<b>32 934</b>
BONDS								
Norwegian bond loans	1 323	1 322	22 183	23 826	129	137	23 635	25 284
Accrued not due interest	36	36	602	602	3	3	641	641
Foreign bond loans	3 762	3 904	36 772	37 640	302	318	40 836	41 862
Accrued not due interest	83	83	801	801	7	7	891	891
<b>Total bonds classified as loans and receivables</b>	<b>5 204</b>	<b>5 345</b>	<b>60 358</b>	<b>62 869</b>	<b>441</b>	<b>464</b>	<b>66 002</b>	<b>68 678</b>
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	7 830	7 838	0	0	7 830	7 838
Lending with public sector guarantee	0	0	25 986	26 285	0	0	25 986	26 285
Accrued not due interest	0	0	172	172	0	0	172	172
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>33 988</b>	<b>34 294</b>	<b>0</b>	<b>0</b>	<b>33 988</b>	<b>34 294</b>
<b>Total financial assets at amortized cost</b>	<b>8 942</b>	<b>9 260</b>	<b>121 557</b>	<b>126 016</b>	<b>597</b>	<b>630</b>	<b>131 095</b>	<b>135 906</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	262	262	3 814	3 814	0	0	4 076	4 076
Foreign shares	0	0	13 029	13 029	0	0	13 029	13 029
<b>Total shares and units</b>	<b>262</b>	<b>262</b>	<b>16 843</b>	<b>16 843</b>	<b>0</b>	<b>0</b>	<b>17 105</b>	<b>17 105</b>
Property funds	0	0	658	658	0	0	658	658
Norwegian equity funds	0	0	30 756	30 756	444	444	31 200	31 200
Foreign equity funds	0	0	3 932	3 932	0	0	3 932	3 932
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>35 346</b>	<b>35 346</b>	<b>444</b>	<b>444</b>	<b>35 790</b>	<b>35 790</b>
Norwegian alternative investments	0	0	1 757	1 757	13	13	1 770	1 770
Foreign alternative investments	0	0	4	4	0	0	4	4
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>1 761</b>	<b>1 761</b>	<b>13</b>	<b>13</b>	<b>1 774</b>	<b>1 774</b>
DEBT INSTRUMENTS								
Norwegian bonds	3 137	3 137	25 775	25 775	0	0	28 912	28 912
Foreign bonds	163	163	12 616	12 616	0	0	12 779	12 779
Accrued not due interest	33	33	434	434	0	0	467	467
Norwegian fixed-income funds	732	732	30 880	30 880	433	433	32 045	32 045
Foreign fixed-income funds	0	0	11 307	11 307	0	0	11 307	11 307
Accrued not due interest	0	0	0	0	0	0	0	0
Norwegian certificates	650	650	8 031	8 031	0	0	8 681	8 681
Accrued not due interest	6	6	46	46	0	0	51	51
Foreign certificates	0	0	0	0	0	0	0	0
Accrued not due interest	0	0	0	0	0	0	0	0
<b>Total bonds and other fixed-income securities</b>	<b>4 721</b>	<b>4 721</b>	<b>89 088</b>	<b>89 088</b>	<b>433</b>	<b>433</b>	<b>94 242</b>	<b>94 242</b>
Norwegian loans and receivables	247	247	9 344	9 344	11	11	9 602	9 602
Foreign loans and receivables	121	121	2 467	2 467	8	8	2 595	2 595
<b>Total loans and receivables</b>	<b>368</b>	<b>368</b>	<b>11 811</b>	<b>11 811</b>	<b>19</b>	<b>19</b>	<b>12 198</b>	<b>12 198</b>
DERIVATIVES								
Interest rate swaps	49	49	475	475	0	0	524	524
Share options	0	0	119	119	1	1	120	120
Forward exchange contracts	0	0	511	511	2	2	514	514
<b>Total financial derivatives classified as assets</b>	<b>50</b>	<b>50</b>	<b>1 105</b>	<b>1 105</b>	<b>3</b>	<b>3</b>	<b>1 158</b>	<b>1 158</b>
Other financial assets	16	16	301	301	0	0	317	317
<b>Total financial assets valued at fair value</b>	<b>5 416</b>	<b>5 416</b>	<b>156 254</b>	<b>156 254</b>	<b>912</b>	<b>912</b>	<b>162 582</b>	<b>162 582</b>
<b>Total investments</b>	<b>14 357</b>	<b>14 676</b>	<b>277 811</b>	<b>282 271</b>	<b>1 509</b>	<b>1 542</b>	<b>293 678</b>	<b>298 488</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LIABILITIES</b>								
DERIVATIVES								
Interest rate swaps	0	0	323	323	0	0	323	323
Interest rate futures (IRF)	0	0	0	0	0	0	0	0
Interest rate and currency swaps	65	65	309	309	1	1	375	375
Forward exchange contracts	0	0	697	697	4	4	701	701
<b>Total financial derivatives classified as liabilities</b>	<b>65</b>	<b>65</b>	<b>1 330</b>	<b>1 330</b>	<b>5</b>	<b>5</b>	<b>1 400</b>	<b>1 400</b>
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	3 151	3 234	0	0	0	0	3 151	3 234
Hybrid Tier 1 securities	919	919	0	0	0	0	919	919
<b>Total subordinated loan capital etc.</b>	<b>4 070</b>	<b>4 153</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 070</b>	<b>4 153</b>
DEBT TO CREDIT INSTITUTIONS								
Norwegian call money	0	0	0	0	0	0	0	0
Foreign call money	6	6	477	477	0	0	482	482
<b>Total debt to credit institutions</b>	<b>6</b>	<b>6</b>	<b>477</b>	<b>477</b>	<b>0</b>	<b>0</b>	<b>482</b>	<b>482</b>

**Note 6 FAIR VALUE HIERARCHY**

31.03.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Bonds and other fixed-income securities	861	4 015	0	4 876
Certificates	0	585	0	585
Bonds	55	3 430	0	3 485
Fixed-income funds	806	0	0	806
Loans and receivables	310	82	0	392
Shares and units	0	310	8	318
Shares	0	310	8	318
Equity funds	0	0	0	0
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	10	0	10
Other financial assets	0	1	0	1
<b>Total corporate portfolio</b>	<b>1 171</b>	<b>4 418</b>	<b>8</b>	<b>5 597</b>
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	63 324	35 214	0	98 537
Certificates	4 211	4 675	0	8 886
Bonds	12 542	30 539	0	43 080
Fixed-income funds	46 571	0	0	46 571
Loans and receivables	6 804	3 688	0	10 492
Shares and units	47 877	2 390	4 676	54 944
Shares	15 837	10	963	16 810
Equity funds	32 041	0	121	32 162
Property funds	0	617	0	617
Special funds	0	1 764	0	1 764
Private Equity	0	0	3 592	3 592
Financial derivatives	0	983	0	983
Other financial assets	0	2 117	0	2 117
<b>Total common portfolio</b>	<b>118 005</b>	<b>44 392</b>	<b>4 676</b>	<b>167 073</b>



**Note 6 FAIR VALUE HIERARCHY (CONT.)**

<b>31.03.14 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	562	0	0	562
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	562	0	0	562
Loans and receivables	63	0	0	63
Shares and units	324	13	0	337
Shares	0	0	0	0
Equity funds	324	0	0	324
Property funds	0	0	0	0
Special funds	0	13	0	13
Private Equity	0	0	0	0
Financial derivatives	0	2	0	2
Other financial assets	0	8	0	8
<b>Total investment option portfolio</b>	<b>949</b>	<b>23</b>	<b>0</b>	<b>972</b>
<b>Total financial assets valued at fair value</b>	<b>120 125</b>	<b>48 833</b>	<b>4 684</b>	<b>173 642</b>
<b>INVESTMENT PROPERTY</b>				
Corporate portfolio	0	0	2 162	2 162
Common portfolio	0	0	38 015	38 015
Investment option portfolio	0	0	234	234
<b>investment property</b>	<b>0</b>	<b>0</b>	<b>40 411</b>	<b>40 411</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	0	0	0
Debt to credit institutions	2	0	0	2
<b>Total corporate portfolio</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	759	0	759
Debt to credit institutions	747	0	0	747
<b>Total common portfolio</b>	<b>747</b>	<b>759</b>	<b>0</b>	<b>1 505</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	3	0	3
Debt to credit institutions	0	0	0	0
<b>Total investment option portfolio</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>
<b>Total financial liabilities at fair value</b>	<b>749</b>	<b>761</b>	<b>0</b>	<b>1 510</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

31.12.13 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Bonds and other fixed-income securities	766	3 954	0	4 721
Certificates	0	656	0	656
Bonds	35	3 298	0	3 333
Fixed-income funds	732	0	0	732
Loans and receivables	292	76	0	368
Shares and units	0	254	8	262
Shares	0	254	8	262
Financial derivatives	0	50	0	50
Other financial assets	0	16	0	16
<b>Total corporate portfolio</b>	<b>1 058</b>	<b>4 350</b>	<b>8</b>	<b>5 416</b>
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	58 004	31 083	0	89 088
Certificates	3 715	4 361	0	8 076
Bonds	12 102	26 722	0	38 825
Fixed-income funds	42 187	0	0	42 187
Loans and receivables	6 572	5 239	0	11 811
Shares and units	46 493	3 110	4 347	53 950
Shares	15 191	691	681	16 563
Equity funds	31 302	0	0	31 302
Property funds	0	658	0	658
Special funds	0	1 761	0	1 761
Private Equity	0	0	3 666	3 666
Financial derivatives	0	1 105	0	1 105
Other financial assets	0	301	0	301
<b>Total common portfolio</b>	<b>111 070</b>	<b>40 838</b>	<b>4 347</b>	<b>156 254</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

<b>31.12.13 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	433	0	0	433
Bonds	433	0	0	433
Loans and receivables	19	0	0	19
Shares and units	444	13	0	457
Shares	444	0	0	444
Special funds	0	13	0	13
Financial derivatives	0	3	0	3
Other financial assets	0	0	0	0
<b>Total investment option portfolio</b>	<b>896</b>	<b>16</b>	<b>0</b>	<b>912</b>
<b>Total financial assets valued at fair value</b>	<b>113 024</b>	<b>45 204</b>	<b>4 355</b>	<b>162 582</b>
<b>INVESTMENT PROPERTY</b>				
Corporate portfolio	0	0	2 340	2 340
Common portfolio	0	0	38 383	38 383
Investment option portfolio	0	0	236	236
<b>Investment property</b>	<b>0</b>	<b>0</b>	<b>40 958</b>	<b>40 958</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	65	0	65
Debt to credit institutions	6	0	0	6
<b>Total corporate portfolio</b>	<b>6</b>	<b>65</b>	<b>0</b>	<b>71</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	1 330	0	1 330
Debt to credit institutions	477	0	0	477
<b>Total common portfolio</b>	<b>477</b>	<b>1 330</b>	<b>0</b>	<b>1 807</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	5	0	5
Debt to credit institutions	0	0	0	0
<b>Total investment option portfolio</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Total financial liabilities at fair value</b>	<b>483</b>	<b>1 400</b>	<b>0</b>	<b>1 883</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

31.03.13 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Bonds and other fixed-income securities	747	3 912	0	4 659
Certificates	0	741	0	741
Bonds	396	3 171	0	3 567
Fixed-income funds	350	0	0	350
Loans and receivables	415	27	0	442
Shares and units	0	223	6	229
Shares	0	223	6	229
Equity funds	0	0	0	0
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	102	0	102
Other financial assets	0	0	0	0
<b>Total corporate portfolio</b>	<b>1 161</b>	<b>4 264</b>	<b>6</b>	<b>5 431</b>
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	52 848	28 348	0	81 197
Certificates	0	5 000	0	5 000
Bonds	15 545	23 348	0	38 894
Fixed-income funds	37 303	0	0	37 303
Loans and receivables	8 536	4 067	0	12 603
Shares and units	42 843	1 828	3 606	48 277
Shares	22 912	37	813	23 761
Equity funds	19 310	0	2 794	22 103
Property funds	621	0	0	621
Special funds	0	1 792	0	1 792
Financial derivatives	0	612	0	612
Other financial assets	0	374	0	374
<b>Total common portfolio</b>	<b>104 227</b>	<b>35 231</b>	<b>3 606</b>	<b>143 063</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

<b>31.03.13 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	449	0	0	449
Bonds	449	0	0	449
Loans and receivables	32	0	0	32
Shares and units	325	13	0	338
Shares	0	0	0	0
Equity funds	325	0	0	325
Property funds	0	0	0	0
Special funds	0	13	0	13
Private Equity	0	0	0	0
Financial derivatives	0	2	0	2
Other financial assets	0	1	0	1
<b>Total investment option portfolio</b>	<b>806</b>	<b>16</b>	<b>0</b>	<b>823</b>
<b>Total financial assets valued at fair value</b>	<b>106 194</b>	<b>39 511</b>	<b>3 612</b>	<b>149 317</b>
<b>INVESTMENT PROPERTY</b>				
Corporate portfolio	0	0	2 308	2 308
Common portfolio	0	0	30 732	30 732
Investment option portfolio	0	0	188	188
<b>Investment property</b>	<b>0</b>	<b>0</b>	<b>33 228</b>	<b>33 228</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	4	0	4
Debt to credit institutions	69	0	0	69
<b>Total corporate portfolio</b>	<b>69</b>	<b>4</b>	<b>0</b>	<b>72</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	1 231	0	1 231
Debt to credit institutions	441	0	0	441
<b>Total common portfolio</b>	<b>441</b>	<b>1 231</b>	<b>0</b>	<b>1 673</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	3	0	3
Debt to credit institutions	0	0	0	0
<b>Total investment option portfolio</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>
<b>Total financial liabilities at fair value</b>	<b>511</b>	<b>1 238</b>	<b>0</b>	<b>1 748</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 31.03.2014	Book value 31.12.2013	Book value 31.03.2013
Opening balance 1 January	8	6	6
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	2	0
<b>Closing balance 31 March / 31 December</b>	<b>8</b>	<b>8</b>	<b>6</b>
Realised gains/losses	0	0	0

Changes in Level 3 shares, unlisted Common portfolio	Book value 31.03.2014	Book value 31.12.2013	Book value 31.03.2013
Opening balance 1 January	681	353	353
Sold	0	0	0
Bought	0	342	308
Unrealised changes	1	-13	0
<b>Closing balance 31 March / 31 December</b>	<b>681</b>	<b>681</b>	<b>661</b>
Realised gains/losses	0	0	0

Changes in Level 3 shares, Private Equity Common portfolio	Book value 31.03.2014	Book value 31.12.2013	Book value 31.03.2013
Opening balance 1 January	3 666	2 812	2 812
Sold	-156	-598	0
Bought	271	888	0
Unrealised changes	213	563	133
<b>Closing balance 31 March / 31 December</b>	<b>3 995</b>	<b>3 666</b>	<b>2 946</b>
Realised gains/losses	42	13	-5

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

Changes in Level 3, Investment Property Corporate portfolio	Book value 31.03.2014	Book value 31.12.2013	Book value 31.03.2013
Opening balance 1 January	2 340	2 325	2 325
Sold	-42	-61	0
Bought	4	7	0
Unrealised changes	-140	69	-17
<b>Closing balance 31 March / 31 December</b>	<b>2 162</b>	<b>2 340</b>	<b>2 308</b>
Realised gains/losses	0	-18	0

Endringer i nivå 3, Investment Property Common portfolio	Book value 31.03.2014	Book value 31.12.2013	Book value 31.03.2013
Opening balance 1 January	38 383	30 439	30 439
Sold	0	0	0
Bought	0	5 019	0
Unrealised changes	-368	2 924	292
<b>Closing balance 31 March / 31 December</b>	<b>38 015</b>	<b>38 383</b>	<b>30 732</b>
Realised gains/losses	0	0	0

Endringer i nivå 3, Investment Property Investment option portfolio	Book value 31.03.2014	Book value 31.12.2013	Book value 31.03.2013
Opening balance 1 January	236	186	186
Sold	0	0	0
Bought	0	31	0
Unrealised changes	-1	19	2
<b>Closing balance 31 March / 31 December</b>	<b>234</b>	<b>236</b>	<b>188</b>
Realised gains/losses	0	0	0
<b>Total Level 3</b>	<b>45 096</b>	<b>45 313</b>	<b>36 840</b>

Unrealized changes are reflected in the line "Value changes on investments" in the corporate portfolio 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, investment property and shares and units in property subsidiaries (here referred to generically as investment property). Unrealized changes are reflected in the line "Value changes in investments in the common portfolio result".

## Note 6 FAIR VALUE HIERARCHY (CONT.)

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

### Level 1:

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

### Level 2:

Instruments at this level are not considered to have an active market. Fair value is obtained from observable market data: this mainly includes prices based on identical instruments, but where the instrument does not have a high enough trading frequency, as well as prices based on corresponding assets and price leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed interest securities priced on the basis of interest rate paths. For more information concerning pricing of Level 2 instruments see Note 5 for the different classes found in this level.

### Level 3:

Instruments at Level 3 contain no observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded. The instruments covered by Level 3 in KLP are unlisted shares and private equity investments. For more information concerning pricing of Level 3 instruments see Note 5 for the different classes found in this level.

Valuations related to items in the various levels are described in Note 5. For description of the pricing of investment property please see the annual financial statements.

Note 5 provides information on fair value of assets and liabilities measured at amortized cost. The level-based distribution of these items will be as follows: assets classified as hold to maturity will be included in Level 1, lending, and loans and receivables will be included in Level 2. Liabilities, measured at amortized cost, will be distributed as follows: subordinated loan capital distributed at Levels 1 and Level 2, the hybrid Tier 1 securities will be distributed at Level 2, debt to credit institutions will be distributed at Levels 1. For information concerning pricing of these interest-bearing securities see Note 5.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. On a general basis, a change in the pricing of 5 % produces a change in the value of NOK 2 254 million as at 31 March 2014 for assets in Level 3. Investment property comes under this Note since there are

more extensive requirements for information regarding fair value that now also apply to investment property valued at fair value in KLP. Everything related to investment property is included in Level 3.

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



**Note 7** PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

31.03.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
<b>ASSETS</b>						
Financial derivatives	995	0	995	-180	-745	88
<b>Total</b>	<b>995</b>	<b>0</b>	<b>995</b>	<b>-180</b>	<b>-745</b>	<b>88</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>						
Total assets – common portfolio	983	0	983	-229	-745	27
Total assets – corporate portfolio	10	0	10	50	0	60
Total assets – investment option portfolio	2	0	2	0	0	2
<b>Total</b>	<b>995</b>	<b>0</b>	<b>995</b>	<b>-180</b>	<b>-745</b>	<b>88</b>
<b>LIABILITIES</b>						
Financial derivatives	761	0	761	-180	-593	30
<b>Total</b>	<b>761</b>	<b>0</b>	<b>761</b>	<b>-180</b>	<b>-593</b>	<b>30</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>						
Total liabilities – common portfolio	759	0	759	-229	-546	22
Total liabilities – corporate portfolio	0	0	0	50	-41	9
Total liabilities – investment option portfolio	3	0	3	0	-5	0
<b>Total</b>	<b>761</b>	<b>0</b>	<b>761</b>	<b>-180</b>	<b>-593</b>	<b>30</b>
<b>31.12.13</b>						
31.12.13 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
<b>ASSETS</b>						
Financial derivatives	1 158	0	1 158	-460	-475	223
<b>Total</b>	<b>1 158</b>	<b>0</b>	<b>1 158</b>	<b>-460</b>	<b>-475</b>	<b>223</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>						
Total assets – common portfolio	1 105	0	1 105	-466	-475	164
Total assets – corporate portfolio	50	0	50	7	0	57
Total assets – investment option portfolio	3	0	3	-1	0	2
<b>Total</b>	<b>1 158</b>	<b>0</b>	<b>1 158</b>	<b>-460</b>	<b>-475</b>	<b>223</b>
<b>LIABILITIES</b>						
Financial derivatives	1 400	0	1 400	-533	-861	7
<b>Total</b>	<b>1 400</b>	<b>0</b>	<b>1 400</b>	<b>-533</b>	<b>-861</b>	<b>7</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>						
Total liabilities – common portfolio	1 330	0	1 330	-466	-857	7
Total liabilities – corporate portfolio	65	0	65	-65	0	0
Total liabilities – investment option portfolio	5	0	5	-1	-3	0
<b>Total</b>	<b>1 400</b>	<b>0</b>	<b>1 400</b>	<b>-533</b>	<b>-861</b>	<b>7</b>

**Note 7** PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT (CONT.)

31.03.13 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
<b>ASSETS</b>						
Financial derivatives	716	0	716	-143	-454	223
<b>Total</b>	<b>716</b>	<b>0</b>	<b>716</b>	<b>-143</b>	<b>-454</b>	<b>223</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>						
Total assets – common portfolio	612	0	612	-143	-441	164
Total assets – corporate portfolio	102	0	102	0	-12	89
Total assets – investment option portfolio	2	0	2	-1	0	1
<b>Total</b>	<b>716</b>	<b>0</b>	<b>716</b>	<b>-143</b>	<b>-454</b>	<b>254</b>
<b>LIABILITIES</b>						
Financial derivatives	1 238	0	1 238	-143	-1 123	30
<b>Total</b>	<b>1 238</b>	<b>0</b>	<b>1 238</b>	<b>-143</b>	<b>-1 123</b>	<b>30</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>						
Total liabilities – common portfolio	1 231	0	1 231	-143	-1 119	28
Total liabilities – corporate portfolio	4	0	4	0	-4	0
Total liabilities – investment option portfolio	3	0	3	-1	0	2
<b>Total</b>	<b>1 238</b>	<b>0</b>	<b>1 238</b>	<b>-143</b>	<b>-1 123</b>	<b>30</b>

The purpose of this note is to show the potential effect of netting agreements at KLP; 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 in the financial position statement, and one additional table with information on the different portfolios in the company.

**Note 8 OTHER SHORT TERM LIABILITIES**

NOK millions	31.03.14	31.03.13	31.12.13
Short-term liabilities securities <sup>1</sup>	3 358	391	3 960
Advance tax-deduction pension scheme	241	213	240
Accounts payable	6	7	10
Derivatives	761	1 238	1 400
Debt to credit institutions	749	511	483
Liabilities related to direct insurance	280	441	1 703
Other short-term liabilities	44	41	26
<b>Total other short-term liabilities</b>	<b>5 439</b>	<b>2 841</b>	<b>7 822</b>

<sup>1</sup> Short-term liabilities securities trading are mainly made up of liabilities linked to the Group's foreign currency hedging.

**Note 9 INSURANCE LIABILITIES**

NOK millions	31.03.14	31.03.13	31.12.13
Premium reserve - ordinary tariff	298 855	257 981	278 240
Premium fund, buffer fund and pensioners' surplus fund	8 974	3 899	9 031
Supplementary reserves	12 412	12 296	12 412
Securities adjustment fund	12 175	12 567	10 412
Other provisions	227	217	219
Unallocated result - insurance contracts in the common portfolio	696	667	0
<b>Insurance liabilities in life insurance - contractual liabilities</b>	<b>333 339</b>	<b>287 628</b>	<b>310 314</b>
Premium reserve - ordinary tariff	1 620	1 459	1 600
Premium fund, buffer fund and pensioners' surplus fund	130	45	130
Supplementary reserves	83	83	83
Unallocated result - insurance contracts in the unit-linked portfolio	7	1	0
<b>Insurance-related provisions - investment option portfolio</b>	<b>1 841</b>	<b>1 588</b>	<b>1 813</b>



**Send mail to:**

Kommunal Landspensjonskasse,  
P.O. Box 400 Sentrum, 0103 Oslo, Norway  
Web: [english.klp.no](http://english.klp.no)  
Organization no.: 938 708 606

**Head Office**

Visiting address:  
Dronning Eufemias gate 10, Oslo, Norway  
Switchboard: +47 22 03 35 00  
Fax: +47 22 03 36 00