

Interim report

Q1 2016



INCOME STATEMENT

BALANCE SHEET

NOTES

Contents

| | |
|--|-----------|
| Report from the Board of directors | 3 |
| Accounts for KLP Group | 8 |
| Income statement | 8 |
| Balance sheet | 9 |
| Changes in Owners' equity | 10 |
| Statement of cash flows | 11 |
| Notes to the accounts | 12 |
| Note 1 Accounting principles and estimates | 12 |
| Note 2 Segment information | 13 |
| Note 3 Premium income for own account | 16 |
| Note 4 Other income | 16 |
| Note 5 Subordinated loan and Perceptual hybrid Tier 1 securities | 17 |
| Note 6 Operating expenses | 17 |
| Note 7 Other expenses | 17 |
| Note 8 Investment property | 18 |
| Note 9 Fair value of financial assets and liabilities | 18 |
| Note 10 Borrowing | 22 |
| Note 11 Fair value hierarchy | 24 |
| Note 12 Liquidity risk | 28 |
| Note 13 Interest rate risk | 30 |
| Note 14 Credit risk | 33 |
| Note 15 Technical provisions in life insurance | 37 |
| Note 16 Other current liabilities | 37 |
| Note 17 Capital | 38 |
| Note 18 Presentation of assets and liabilities that are subject to net settlement | 39 |
| Note 19 Pension obligations - own employees | 40 |
| Key figures - accumulated | 41 |
| Non - financial accounts - KLP Group | 43 |
| Note 1 Dialogue | 44 |
| Note 2 Energy consumption | 44 |
| Accounts Kommunal Landspensjonskasse | 45 |
| Income statement | 46 |
| Balance sheet | 47 |
| Changes in Owners' equity | 49 |
| Statement of cash flows | 52 |
| Notes to the Accounts | 53 |
| Note 1 Accounting principles and estimates | 53 |
| Note 2 Value-adjustment investment propoerty | 54 |
| Note 3 Premium income | 54 |
| Note 4 Claims | 54 |
| Note 5 Insurance-related operating expenses | 54 |
| Note 6 Fair value of financial assets and liabilities | 55 |
| Note 7 Fair value hierarchy | 64 |
| Note 8 Presentation of assets and liabilities that are subject to net settlement | 72 |
| Note 9 Liabilities | 73 |
| Note 10 Capital | 74 |
| Note 11 Pension obligations - own employees | 75 |
| Note 12 Events after the balance sheet date | 75 |



Interim report first quarter 2016

Unsettled equity markets dominated the financial markets in Q1/2016

- Satisfactory returns despite unsettled equity markets
- Value-adjusted return on the common portfolio of 1.0 per cent in the first quarter
- Book return on the common portfolio was 1.1 per cent
- Without applying transitional rules, Solvency II ratio was 197 per cent.

KLP – a customer-owned group

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

At the end of the first quarter, the Group had total assets of NOK 553 billion, a growth of NOK 9.9 billion so far this year.

The operating profit for the first quarter amounted to NOK 3.0 billion (6.9)¹. The Group's total profit is satisfactory, at NOK 330 million for the quarter.

Kommunal Landspensjonskasse gjensidig forsikringsselskap

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse (KLP). Out of the Group's total assets of NOK 464.5 billion, NOK 419.1 billion are linked to insurance obligations for public-sector occupational pensions. The insurance obligations have thus increased by NOK 6.7 billion so far this year, of which NOK 1.7 billion are due to a net influx of new customers from 1 January.

Result for the first quarter 2016

Returns result

In the first quarter of 2016 KLP achieved a returns result (returns in excess of average guaranteed rate of return) of NOK 2.0 billion (1.3). Financial income from customer assets amounted to NOK 4.1 billion (8.4) in the quarter. The value-adjusted return on the common portfolio was 1.0 per cent for the first quarter, and book return was 1.1 per cent.

Risk result

The risk result was satisfactory in the first quarter. The risk events in the stock are altogether within expectations for the quarter, with profits totalling NOK 152 million. It is planned to allocate NOK 74 million of the risk profit to the risk equalisation fund, the rest being returned to the customers' premium fund

Administration result

The Company's administration result shows a surplus of NOK 20 million (58) in the first quarter of 2016. Insurance-related operating costs came to NOK 238 million (226).

Samlet resultat

Total income for the Company was NOK 330 million (538) in the first quarter. The customer result was NOK 2.1 billion (1.4) for the quarter.

| NOK millions | Customers | Company | Total |
|---|--------------|------------|--------------|
| Returns result | 1,985 | 38 | 2 023 |
| Risk result | 78 | 74 | 152 |
| Interest guarantee premium | | 164 | 164 |
| Administration result | | 20 | 20 |
| Net income from investments in the corporate portfolio and other income/costs in non-technical accounts | | 178 | 178 |
| Tax | | -55 | -55 |
| Other profit/loss elements | | -89 | -89 |
| Income for Q1/2016 | 2 063 | 330 | 2 393 |
| Income for Q1/2015 | 1 413 | 538 | 1 951 |

¹Tall i parentes angir tilsvarende verdi for første kvartal 2015

Financial strength and capital-related matters

KLP's total assets show growth during the quarter of NOK 6.7 billion and amount to NOK 464.5 billion. Insurance obligations have grown by NOK 6.7 billion over the year and now amount to NOK 419.1 billion. During the first quarter, NOK 1.8 billion was received in premium reserves transferred in, whilst NOK 0.1 billion was ceded.

In the course of the quarter, the securities adjustment fund was reduced by NOK 294 million to NOK 21.2 billion. This is mainly due to the decrease in value of the equity portfolio. The returns result in the quarter was NOK 2.0 billion.

The new solvency requirements, Solvency II, came into force on 1 January 2016. At the same time, requirements for capital adequacy, core capital adequacy and Solvency I were revoked.

The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital under Solvency II in an amount equal to 2.5 per cent of the premium reserve. This was equal to NOK 9.0 billion at the end of the first quarter.

Without applying transitional rules, the Company's Solvency II ratio was 197 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 355 per cent. KLP's goal is to have a solvency margin of at least 130 per cent. The solvency estimates are well above that goal and underline the Company's strong capital position.

The Board of Directors considers the Company's solvency to be good relative to the composition of the financial position, the prevailing market conditions and regulatory requirements.

Key figures

| Per cent | Q1 2016 | Q1 2015 | Year 2015 |
|--|---------|---------|-----------|
| Book returns | 1,1 | 1,0 | 3,6 |
| Value-adjusted returns | 1,0 | 2,2 | 4,0 |
| Value-adjusted, including added values in hold-to-maturity bonds and lending | 1,6 | 2,0 | 2,8 |
| <i>The returns figures apply to the common portfolio</i> | | | |
| Solvency II ratio | 197 % | | 187 % |
| Solvency II ratio, with transitional rules | 355 % | | 274 % |

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 5.7 billion (5.9) for the quarter. The reason for the decrease in premium income is that one-off premiums resulting from salary and G adjustment of obligations were NOK 0.3 billion lower in the first quarter compared to the corresponding period last year.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 7 per cent and amounted to NOK 3.9 billion (3.6) in the first quarter.

Management of the common portfolio

The assets in the common portfolio totalled NOK 427.8 billion (403.5) and were invested as shown below:

| Per cent | Q1 2016 | | Q1 2015 | |
|-------------------------|---------|--------|---------|--------|
| Assets | Share | Return | Share | Return |
| Shares | 19,7 % | -3,2 % | 21,8 % | 4,7 % |
| Short-term bonds | 21,0 % | 2,6 % | 21,5 % | 1,8 % |
| Long-term/ HTM bonds | 26,9 % | 1,1 % | 27,1 % | 1,1 % |
| Lending | 12,1 % | 0,6 % | 11,3 % | 0,7 % |
| Property | 12,7 % | 1,8 % | 10,8 % | 2,8 % |
| Other financial assets | 7,7 % | 0,5 % | 7,5 % | 0,4 % |

Shares

Total exposure in shares, including share derivatives, amounted to approximately 20 per cent at the end of the first quarter. In the first quarter, KLP's currency-hedged global index fell by 2.1 per cent, while the Oslo Stock Exchange (OSEBX) showed a negative return of 5.3 per cent. KLP's return on shares in the quarter was 1.9 per cent for global shares and 1.2 per cent for Norwegian shares.

Short-term bonds and the money market

Short-term bonds made up 21 per cent and money-market instruments 7.7 per cent of the assets in the common portfolio as at 31 March 2016. Government rates both globally and in Norway fell somewhat over the quarter, as did the credit premiums in KLP's Norwegian and global bonds portfolio. The global government-bond index achieved a currency-hedged return of 4.0 per cent in the first quarter, whereas the Norwegian government-bond index had a 1.9 per cent return. KLP's global credit bond index had a currency-hedged return of 3.3 per cent for the quarter. In total, KLP achieved returns 2.6 per cent for the quarter, while money market returns were 0.5 per cent.

Bonds held to maturity

Investment in bonds held to maturity made up around 27 per cent of the common portfolio as at 31 March 2016. Unrecognised added values in the portfolio rose in the first quarter and amounted to NOK 14.1 billion as at 31 March 2016. The portfolio is well diversified and consists of securities issued by highly creditworthy institutions. The return measured at amortised cost in the first quarter was 1.1 per cent.

Property

Property investments, including Norwegian and international property funds, made up 12.7 per cent of the common portfolio. Property values in the common portfolio were adjusted downwards by NOK 283 million at the end of the first quarter. If the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 329 million. Property investments in the common portfolio achieved a return of 1.8 per cent in the first quarter.

Lending

Lending in the common portfolio totals NOK 51.0 billion. This is split between NOK 47.8 billion in loans to municipalities and other enterprises and NOK 3.2 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provision for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 778 million as at 31 March 2016.

Returns on the corporate portfolio

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

The corporate portfolio is managed with a low-risk long-term investment horizon, with the object of stable returns and growth in the equity. Investments in the corporate portfolio achieved a return of 1.0 per cent in the first quarter.

Effective operation and good service

KLP has achieved strong growth in recent years, and works systematically to streamline its operations and improve service to its customers.

This includes efforts to simplify and improve customer communication, so fewer people need to contact the customer centre. We are also engaged in continuous improvement work by the «Lean» method, and the customer centre achieved its best results to date in the first quarter.

Within pension processing too, KLP can point to improvement work with good operational results in the form of reduced case-handling time in the first quarter, despite extensive reorganisation during the period. Average processing time for survivors' pension cases in the first quarter was reduced by as much as 60 per cent compared to the average for 2015. Processing time for disability pension cases improved by more than 50 per cent over 2015.

Business areas of the subsidiaries

Private occupational pensions

KLP Bedriftspensjon AS is growing, with a good influx of new customers and an increase in total assets. The Company had total assets of NOK 3.1 billion as at 31 March 2016, an increase of NOK 0.1 billion since the start of the year.

The increase is mainly linked to defined contribution pensions, which now total NOK 1.3 billion. 130 new business customers have entered into pension agreements with KLP Bedriftspensjon, and 163 pension capital certificates have been transferred to that company.

KLP Bedriftspensjon achieved a book return on the common portfolio of 1.0 per cent and a value-adjusted return of 1.1 per cent. Customers with defined contribution pensions achieved a 0.2 per cent return for the same period.

The returns result was NOK 2.5 million in the first quarter.

The Company has applied to the Financial Supervisory Authority of Norway to be allowed seven years to build up its reserves to the new K2013 mortality basis. NOK 71.7 million had been set aside to increase the reserves as of 31 March 2016, NOK 11.1 million of which was transferred from owners' equity. The remainder of the contribution from equity, apart from that linked to free policies, will be allocated in the course of 2016.

The Company had a pre-tax loss of NOK 4.7 million for the quarter.

Return on customer assets

| Per cent | Q1 2016 | Q1 2015 | Year 2015 |
|---|---------|---------|-----------|
| Common portfolio | | | |
| Book returns | 1,0 % | 1,3 % | 4,8 % |
| Value-adjusted returns | 1,1 % | 2,0 % | 4,7 % |
| Defined-contribution pensions with investment options | -0,2 % | 1,7 % | 2,1 % |
| Profile KLP90 | -2,5 % | 1,6 % | 3,4 % |
| Profile KLP70 | -1,4 % | 1,7 % | 3,0 % |
| Profile KLP50 | -0,1 % | 1,7 % | 2,4 % |
| Profile KLP30 | 0,9 % | 1,9 % | 2,0 % |
| Profile KLPPM | 0,6 % | 0,6 % | 1,5 % |

Non-life insurance

The operating profit (before tax) as at 31 March 2016 was NOK 49.5 million. For the same period last year, there was a loss of NOK 58.3 million.

No claims in excess of NOK 10 million were reported in the first quarter. The ten largest claims for the year totalled NOK 35.2 million. Natural Perils had a loss of NOK 0.4 million.

Reversal of previous years claims is still positive, and this year NOK 34.8 million was taken to income as an adjustment to earlier years' reserves. NOK 3.2 million associated with natural perils occurring in previous years was taken to expenses.

Net financial income for the first quarter was 1.3 per cent.

Key figures for the Company:

| As at the first quarter | 2016 | 2015 |
|-------------------------------|-------|-------|
| Claim ratio ¹ | 76,9 | 131,6 |
| Cost ratio ¹ | 23,3 | 22,2 |
| Total cost ratio ¹ | 100,2 | 153,8 |

¹ For own account**The public sector market**

The net stock premium increased this year by 6.6 per cent compared to the status as at 31 December 2015, to NOK 33.1 million (6.0). 13 public invitations to tender have been published so far this year, and the Company has good access to this market.

The largest claim in the quarter is a property claim estimated at NOK 9.6 million.

The corporate market

The net stock premium increased this year by 6.9 per cent compared to the status as at 31 December 2015, to NOK 17.9 million (11.7). There is a lot of tendering activity in this market.

The largest claim in the quarter is a property claim estimated at NOK 2.3 million.

The retail market

The net stock premium increased this year by 3.7 per cent compared to the status as at 31 December 2015, to NOK 13.1 million (12.9). The growth in the stock is nevertheless somewhat weaker than expected. There was a positive trend in new sales through the quarter, with sales over budget in March. 91.6 per cent of this year's sales were accounted for by members. Online sales made up 34 per cent.

No claims in excess of NOK 1.5 million were reported in the quarter.

Finance

Net financial income as at 31 March 2016 was NOK 49.5 million (74.2). Accumulated returns for the quarter were 1.3 per cent. The return on shares was minus 2.5 per cent. The return on bonds, on the other hand, was plus 0.9 per cent. The return on property was positive, at 2.3 per cent, mainly because of value adjustments on the Company's two property investments.

As a result of changes in the rules, the contingency reserves are no longer required, and provisions of NOK 540 million as of 31 December 2015 have been transferred to equity. This means that the buffer against negative fluctuations in profits is now in the Company's equity. As of now, deferred tax of 25 per cent has been added to this amount. However, it is still unclear whether or not deferred tax should be calculated.

The rules relating to minimum capital adequacy requirements have also been revoked. The Company will in future report its financial strength based on meeting the minimum requirements for solvency capital under the Solvency II rules. Based on the status as at 31 March 2016, the forecast Solvency II ratio for the year is 207 per cent.

Asset and fund management

KLP Kapitalforvaltning AS carries out securities management in the KLP Group. It had a total of NOK 408 billion under management at the end of the first quarter, of which NOK 45 billion came from external customers. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and subsidiaries in the KLP Group.

Net new subscriptions to the KLP securities funds in the first quarter amounted to NOK 2.1 billion, of which NOK 1 billion came from customers external to the Group.

The Company achieved a result before tax of NOK -4.9 (10.2) million in the first quarter.

Banking

The purpose of KLP Banken is to finance mortgage loans to members of KLP's pension schemes, and loans to municipalities, county administrations and companies operating in the public sector. The lending business is financed by way of deposits, loans from the securities market and owners' equity. The Bank also manages lending financed through pension assets held by KLP.

KLP Banken has 29,500 customers in the retail market who are members, an increase of almost 2,000 in the first quarter. The proportion of members is about 69 per cent, for deposits and loans combined.

The volume of mortgage loans for own account and managed loans increased in the first quarter by NOK 0.4 billion to NOK 14.5 billion. Of this, NOK 11.3 billion was financed by the Bank's parent company and the subsidiary KLP Boligkreditt AS.

During the first quarter of 2016, public sector loans financed through borrowing from the securities market increased by NOK 0.1 billion to NOK 15.4 billion. Lending growth to the public sector, including managed loans, totalled NOK 542 million in the first quarter. KLP Banken manages NOK 37.9 billion in public-sector loans for KLP. There are also managed loans in foreign currencies, which decreased slightly in the quarter to NOK 9.7 billion.

Deposits grew by NOK 0.4 billion in the first quarter. Total deposits amounted to NOK 7.9 billion, of which deposits from retail customers made up NOK 6.4 billion and deposits from municipalities and enterprises totalled NOK 1.5 billion.

Overdue payments and defaulted mortgage loans are still at a low level. Default in excess of 90 days accounts for 0.26 per cent of total lending as at the end of the first quarter. The portfolio still has a low level of losses.

The KLP Banken Group had a pre-tax operating profit of NOK 19.9 million (-1.8) in the first quarter. The Bank's quarterly results for the public-sector and retail business areas were NOK 18.3 million and NOK 1.6 million respectively. The improvement is largely due to an increased volume of lending to the retail market and more favourable returns on liquidity investments. The total net interest income in the KLP Banken Group was NOK 50.9 million (38.4) in the first quarter. The Bank's securities investments showed positive growth in the first quarter of the year. The net gain on financial instruments was NOK 6.5 million (-11.6) in the quarter.

Corporate social responsibility

In the first quarter, KLP Eiendom acquired its first “BREEAM in-use” certified building – the “Miljøbygget” on Professor Brochs gate in Trondheim. The property company already has several buildings with “BREEAM-NOR” certification, which basically relates to new builds and construction processes, whereas this is the first property in the portfolio to be certified for the actual operation of an existing building. The KLP building in Bjørvika in Oslo is the next building to be “BREEAM in-use” certified.

KLP aims to be an active and responsible owner, and contacted 83 companies in the first quarter to follow up on social responsibility-related issues. Climate and climate reporting by companies are important to KLPs activities as an owner. A list of companies monitored by KLP is published at klp.no/samfunnsansvar.

With regard to KLP’s climate work in its own operations, the Company reduced its greenhouse gas emissions per employee by 12 per cent last year compared to the year before. The target was a 5 per cent reduction. The reduction is mainly due to a better energy mix in the Nordic countries, and lower energy consumption in the offices.

Future prospects

The economic outlook is uncertain. This is reflected in large fluctuations in stock markets. Although the share market has picked up again after a fall in prices in January, we find that solid buffers provide stability in our results and reduce the need to make frequent purchases and sales. The fixed-income market has continued to fall in Norway and the rest of Europe. This has brought short-term gains on bonds, while new investments reflect the fall in interest rates in the ongoing returns. Both supplementary reserves and the securities adjustment fund are buffers that can be used to cover low returns, so these funds are an important part of the Company’s strategy for predictable asset management in the future.

KLP is constantly striving to improve its internal processes and customer service. Among other things, this work has led to faster processing of pension applications and quicker answers to telephone enquiries.

In consultation with our owners and customers, KLP aims to continue to provide good service, while striving for cost-effective operation for the benefit of our municipal and county administrations, health enterprises and business customers.

Oslo, 11 May 2016

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy chair

Marit Torgersen

Jan Helge Gulbrandsen

Cathrine Klouman

Lars Vorland

Susanne Torp-Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Income statement

KLP Group

| Note | NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|------|--|----------------|----------------|----------------|
| 3 | Premium income for own account | 7 951 | 16 296 | 40 236 |
| | Current return on financial assets | 3 227 | 3 070 | 13 076 |
| | Net interest income banking | 54 | 39 | 187 |
| | Net value changes on financial instruments | -142 | 7 021 | 1 010 |
| 8 | Net income from investment properties | 1 029 | 1 190 | 4 816 |
| 4 | Other income | 233 | 235 | 926 |
| | Return to financial instruments attributable to minority interests | 963 | -1 999 | -1 949 |
| | Total net income | 13 315 | 25 852 | 58 302 |
| | Claims for own account | -4 264 | -4 110 | -16 161 |
| | Change in technical provisions | -5 365 | -14 136 | -11 740 |
| 5 | Net costs subordinated loan and hybrid Tier 1 securities | -30 | -88 | -1 490 |
| 6 | Operating expenses | -409 | -390 | -1 429 |
| 7 | Other expenses | -233 | -220 | -884 |
| | Total expenses | -10 300 | -18 944 | -31 704 |
| | Operating profit/loss | 3 015 | 6 908 | 26 598 |
| | To/from securities adjustment fund – life insurance | 290 | -4 592 | -1 951 |
| | To supplementary reserves – life insurance | 0 | 0 | -3 073 |
| | Assets allocated to insurance customers – life insurance | -2 727 | -1 710 | -16 435 |
| | Pre-tax income | 578 | 606 | 5 138 |
| | Cost of taxes ¹ | -194 | -119 | -927 |
| | Income | 385 | 487 | 4 211 |
| | Actuarial loss and profit on post employment benefit obligations | -88 | 0 | 195 |
| | Adjustments of the insurance obligations | 9 | 0 | -20 |
| | Tax on items that will not be reclassified to profit or loss | 20 | 0 | -44 |
| | Items that will not be reclassified to profit or loss | -59 | 0 | 132 |
| | Revaluation real property for use in own operation | 7 | 36 | 172 |
| | Currency translation foreign subsidiaries | -585 | -237 | 1 319 |
| | Adjustments of the insurance obligations | 585 | 239 | -1 319 |
| | Tax on items that will be reclassified to profit or loss | -2 | -11 | -43 |
| | Items that will be reclassified to income when particular specific conditions are met | 5 | 28 | 129 |
| | Total other comprehensive income | -54 | 28 | 261 |
| | Total comprehensive income | 330 | 515 | 4 472 |
| | ¹ Cost of taxes is included in the minority's share. | -52 | -49 | -164 |

Balance sheet

KLP Group

| Note | NOK millions | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---------|--|----------------|----------------|----------------|
| | Deferred tax assets | 33 | 76 | 33 |
| | Other intangible assets | 535 | 466 | 526 |
| | Tangible fixed assets | 1 343 | 1 225 | 1 346 |
| | Investments in associated companies and joint venture | 398 | 313 | 368 |
| 8,11 | Investment property | 55 940 | 44 576 | 56 436 |
| 9,14 | Debt instruments held to maturity | 34 316 | 31 885 | 35 318 |
| 9,14 | Debt instruments classified as loans and receivables | 97 069 | 89 138 | 94 987 |
| 9,11,14 | Lending local government, enterprises & retail customers at fair value through profit/loss | 1 817 | 2 214 | 1 845 |
| 9,14 | Lending local government, enterprises and retail customers | 76 350 | 67 794 | 75 766 |
| 9,11,14 | Debt instruments at fair value through profit or loss | 159 026 | 155 400 | 152 493 |
| 9,11 | Equity capital instruments at fair value through profit/loss | 109 445 | 110 652 | 115 493 |
| 9,11,14 | Financial derivatives | 5 583 | 1 913 | 1 292 |
| 9 | Receivables | 7 354 | 3 303 | 3 751 |
| 9 | Assets in defined contribution-based life insurance | 1 260 | 947 | 1 183 |
| | Cash and bank deposits | 2 655 | 3 320 | 2 424 |
| | TOTAL ASSETS | 553 123 | 513 221 | 543 262 |
| | Owners' equity contributed | 10 425 | 9 179 | 10 422 |
| | Retained earnings | 13 573 | 9 287 | 13 242 |
| | TOTAL OWNERS' EQUITY | 23 997 | 18 466 | 23 665 |
| 9,10 | Hybrid Tier 1 securities | 1 665 | 1 386 | 1 564 |
| 9,10 | Subordinated loan capital | 9 470 | 3 377 | 9 541 |
| 19 | Pension obligations | 738 | 755 | 634 |
| 15 | Technical provisions - life insurance | 420 588 | 399 698 | 413 799 |
| 15 | Provisions in life insurance with investment option | 1 260 | 947 | 1 183 |
| | Premiums, claims and contingency fund provisions - non-life insurance | 2 520 | 2 582 | 2 142 |
| 9,10 | Covered bonds issued | 19 062 | 18 330 | 18 987 |
| 9,10 | Debt to credit institutions | 9 181 | 5 273 | 5 099 |
| 9,10 | Liabilities to and deposits from customers | 7 884 | 7 128 | 7 426 |
| 9,11 | Financial derivatives | 3 257 | 5 972 | 7 993 |
| | Deferred tax | 886 | 284 | 835 |
| 16 | Other current liabilities | 6 753 | 7 057 | 4 255 |
| | The minority's share of liabilities | 45 861 | 41 965 | 46 140 |
| | TOTAL LIABILITIES | 529 126 | 494 754 | 519 597 |
| | TOTAL EQUITY AND LIABILITIES | 553 123 | 513 221 | 543 262 |
| | Contingent liabilities | 14 520 | 9 587 | 14 346 |

Changes in Owners' equity

KLP Group

| 2016 NOK millions | Owners' equity contributed | Retained earnings | Total equity contributed |
|---|-------------------------------|----------------------|-----------------------------|
| Owners' equity 31 December 2015 | 10 422 | 13 242 | 23 665 |
| Income | | 385 | 385 |
| Items that will not be reclassified to income | | -59 | -59 |
| Items that will be reclassified to income later when particular conditions are met | | 5 | 5 |
| Total other comprehensive income | | -54 | -54 |
| Total comprehensive income | | 330 | 330 |
| Owners' equity contribution received (net) | 2 | | 2 |
| Total transactions with the owners | 2 | | 2 |
| Owners' equity 31 March 2016 | 10 425 | 13 573 | 23 997 |

| 2015 NOK millions | Owners' equity contributed | Retained earnings | Total equity contributed |
|---|-------------------------------|----------------------|-----------------------------|
| Owners' equity 31 December 2014 ¹ | 9 173 | 8 385 | 17 558 |
| Change in principle, dissolution of the contingency reserve in non-life insurance | | 387 | 387 |
| Owners' equity 1 January 2015 | | 8 772 | 17 945 |
| Income | | 487 | 487 |
| Items that will not be reclassified to income | | 0 | 0 |
| Items that will be reclassified to income later when particular conditions are met | | 28 | 28 |
| Total other comprehensive income | | 28 | 28 |
| Total comprehensive income | | 515 | 515 |
| Owners' equity contribution received (net) | 6 | | 6 |
| Total transactions with the owners | 6 | | 6 |
| Owners' equity 31 March 2015 | 9 179 | 9 287 | 18 466 |

¹ Owners equity 31 December 2014 has been changed due to a reclassification of funds in non-life insurance by NOK 86 millions.

Changes in Owners' equity – cont.

KLP Group

| 2015 NOK millions | Owners' equity contributed | Retained earnings | Total equity contributed |
|--|-------------------------------|----------------------|-----------------------------|
| Owners' equity 31 December 2014 ¹ | 9 173 | 8 385 | 17 558 |
| Change in principle, dissolution of the contingency reserve in non-life insurance | | 387 | 387 |
| Owners' equity 1 January 2015 | 9 173 | 8 772 | 17 945 |
| Income | | 4 211 | 4 211 |
| Items that will not be reclassified to income | | 132 | 132 |
| Items that will be reclassified to income later when particular conditions are met | | 129 | 129 |
| Total other comprehensive income | | 261 | 261 |
| Total comprehensive income | | 4 472 | 4 472 |
| Owners' equity contribution received (net) | 1 249 | | 1 249 |
| Total transactions with the owners | 1 249 | | 1 249 |
| Owners' equity 31 December 2015 | 10 422 | 13 242 | 23 665 |

¹ Owners equity 31 December 2014 has been changed due to a reclassification of funds in non-life insurance by NOK 86 millions.

Statement of cash flows

KLP Group

| NOK millions | 01.01.2016 - 31.03.2016 | 01.01.2015 - 31.12.2015 | 01.01.2015 - 30.09.2015 | 01.01.2015 - 30.06.2015 | 01.01.2015 - 31.03.2015 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Net cash flow from operational activities | -5 259 | -18 131 | -14 214 | -9 454 | -3 706 |
| Net cash flow from investment activities ¹ | -34 | -162 | -107 | -75 | -30 |
| Net cash flow from financing activities ² | 5 524 | 18 461 | 14 642 | 14 657 | 4 799 |
| Net changes in cash and bank deposits | 231 | 167 | 321 | 5 127 | 1 063 |
| Holdings of cash and bank deposits at start of period | 2 424 | 2 257 | 2 257 | 2 257 | 2 257 |
| Holdings of cash and bank deposits at end of period | 2 655 | 2 424 | 2 578 | 7 384 | 3 320 |

¹ Payments on the purchase of tangible fixed assets.

² Net receipts of owners' equity contribution, rising of new loans and repayment of debt, and payments from minority interests.

Notes to the accounts

KLP Group

Note 1 ACCOUNTING PRINCIPLES – AND ESTIMATES

Accounting principles

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2016 – 31.03.2016. The accounts have not been audited.

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

The same accounting principles and calculation methods have been used in the interim financial statements as in the last annual financial statements, unless stated otherwise.

The interim financial statements do not contain all the information required of complete financial statements, and this interim financial report should be read in the context of the annual financial statements for 2015. The annual financial statements are available at KLP's website klp.no.

As a result of the amendments made to the Insurance Activity Act with effect from 1 January 2016, the Group has dissolved the book contingency reserves and changed the comparative figures. This has had the following effects on the group financial statements:

| Income statement NOK millions | Q1 2015 | The year 2015 |
|----------------------------------|---------|------------------|
| Changes in insurance reserves | - 59 | 10 |
| Tax expense/income | 16 | 8 |
| Income | - 43 | 18 |

| Financial position statement NOK millions | Recognised Q1 2015 | Recognized 31.12.2015 | Changed OB 01.01.2015 |
|---|-----------------------|--------------------------|--------------------------|
| Retained earnings | - 43 | 18 | 387 |
| Premium reserve, claims provision and contingency reserve in non-life insurance | 59 | - 10 | - 530 |
| Deferred tax/deferred tax asset | - 16 | - 8 | 143 |

Accounting estimates

On preparing the interim financial statements the Management exercised discretion and used estimates and assumptions that affect the figures.

The actual figures may therefore differ from the estimates used.

Pension obligations – own employees

The assumptions used to calculate the pension liabilities for own employees are inherently uncertain, and The Group have determined the assumptions themselves, based on a concrete assessment. Consequently the changes in the parameters for Q1-16 are as follows:

| Assumptions | 31.03.2016 | 31.12.2015 | The change to Q1 2016 |
|---|------------|------------|--------------------------|
| PENSION LIABILITIES – OWN EMPLOYEES | | | |
| Discount rate | 2.40 % | 2.70 % | -0.30 % |
| Salary growth | 2.50 % | 2.50 % | 0.00 % |
| The National Insurance Basic Amount (G) | 2.25 % | 2.25 % | 0.00 % |
| Pension increases | 1.48 % | 1.48 % | 0.00 % |
| Social security contribution rate | 14.10 % | 14.10 % | 0.00 % |

The effect of the changes to the pension assumptions is that the pension liability for own employees increases by NOK 88 million.

Note 2 SEGMENT INFORMATION

| NOK millions | Group pensions pub. sect. & group life | | | Group pensions private | | | Non-life insurance | | |
|--|--|----------------|----------------|------------------------|-------------|-------------|--------------------|-------------|---------------|
| | 31.03.16 | 31.03.15 | yr 2015 | 31.03.16 | 31.03.15 | yr 2015 | 31.03.16 | 31.03.15 | yr 2015 |
| Premium income f.o.a. from external customers ¹ | 7 544 | 15 939 | 38 736 | 134 | 113 | 486 | 273 | 244 | 1 015 |
| Premium income f.o.a. from other Group companies | 12 | 9 | 53 | 0 | 0 | 0 | 3 | 3 | 20 |
| Net financial income from investments | 4 248 | 8 715 | 17 572 | 19 | 54 | 78 | 51 | 75 | 173 |
| Other income from external customers | 230 | 230 | 919 | 2 | 1 | 2 | 0 | 0 | 1 |
| Other income from other Group companies | 59 | -38 | 263 | 0 | 0 | 0 | 0 | 0 | 0 |
| Return to financial instruments attributable to minority interests | | | | | | | | | |
| Total income | 12 093 | 24 856 | 57 542 | 155 | 168 | 566 | 328 | 322 | 1 209 |
| Claims f.o.a. | -4 004 | -3 773 | -15 283 | -47 | -20 | -84 | -213 | -319 | -801 |
| Insurance provisions f.o.a. | -5 280 | -14 002 | -11 266 | -93 | -128 | -452 | 1 | -6 | -3 |
| Costs borrowing | -30 | -88 | -1 490 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating costs excluding depreciation | -224 | -216 | -875 | -13 | -12 | -43 | -65 | -55 | -219 |
| Depreciation | -22 | -18 | -80 | 0 | 0 | -1 | -1 | -1 | -3 |
| Other expenses | -233 | -220 | -884 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total expenses | -9 792 | -18 318 | -29 877 | -153 | -161 | -580 | -278 | -381 | -1 026 |
| Operating profit/loss | 2 301 | 6 538 | 27 665 | 2 | 8 | -15 | 50 | -58 | 183 |
| Funds credited to insurance customers ² | -1 836 | -5 988 | -22 789 | -7 | -15 | -9 | 0 | 0 | 0 |
| Pre-tax income | 464 | 549 | 4 876 | -5 | -7 | -24 | 50 | -58 | 183 |
| Cost of taxes | -56 | -11 | -533 | 0 | 0 | 0 | -11 | 6 | -46 |
| Income | 409 | 538 | 4 343 | -5 | -7 | -24 | 39 | -52 | 137 |
| Change in other comprehensive income | -79 | 0 | 175 | -1 | 0 | 0 | -8 | 0 | 26 |
| Total comprehensive income | 330 | 538 | 4 519 | -6 | -7 | -23 | 31 | -52 | 163 |
| Assets | 464 537 | 431 841 | 457 858 | 3 081 | 2 498 | 2 943 | 4 567 | 4 439 | 4 128 |
| Liabilities | 440 596 | 413 456 | 434 249 | 2 776 | 2 376 | 2 632 | 2 865 | 2 983 | 2 458 |

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

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

Note 2 SEGMENT INFORMATION – CONT.

| NOK millions | Banking | | | Asset management | | | Other | | |
|--|------------|------------|-------------|------------------|------------|-------------|-----------|-----------|-----------|
| | 31.03.16 | 31.03.15 | yr 2015 | 31.03.16 | 31.03.15 | yr 2015 | 31.03.16 | 31.03.15 | yr 2015 |
| Premium income f.o.a. from external customers ¹ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Premium income f.o.a. from other Group companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net financial income from investments | 57 | 27 | 152 | 3 | 3 | 4 | 0 | 0 | 0 |
| Other income from external customers | 1 | 3 | 10 | 0 | 0 | 0 | 2 | 2 | 8 |
| Other income from other Group companies | 14 | 14 | 58 | 70 | 74 | 303 | 0 | 0 | 0 |
| Return to financial instruments attributable to minority interests | | | | | | | | | |
| Total income | 73 | 44 | 220 | 72 | 77 | 307 | 2 | 2 | 8 |
| Claims f.o.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance provisions f.o.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Costs borrowing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating costs excluding depreciation | -52 | -44 | -167 | -75 | -66 | -253 | -2 | -3 | -8 |
| Depreciation | -1 | -1 | -3 | -2 | -1 | -8 | 0 | 0 | 0 |
| Other expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total expenses | -53 | -45 | -170 | -77 | -67 | -261 | -2 | -3 | -8 |
| Operating profit/loss | 20 | 0 | 50 | -5 | 10 | 46 | 0 | -1 | 0 |
| Funds credited to insurance customers ² | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax income | 20 | 0 | 50 | -5 | 10 | 46 | 0 | -1 | 0 |
| Cost of taxes | -4 | 0 | -15 | 3 | -3 | -19 | 0 | 0 | 0 |
| Income | 15 | -1 | 34 | -2 | 7 | 27 | 0 | -1 | 0 |
| Change in other comprehensive income | -2 | 0 | 7 | -8 | 0 | 18 | 0 | 0 | 0 |
| Total comprehensive income | 13 | -1 | 41 | -10 | 7 | 44 | 0 | -1 | 0 |
| Assets | 32 205 | 30 473 | 31 299 | 394 | 374 | 394 | 11 | 9 | 11 |
| Liabilities | 30 655 | 29 203 | 29 787 | 195 | 183 | 185 | 3 | 2 | 3 |

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

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

Note 2 SEGMENT INFORMATION – CONT.

| NOK millions | Elimination | | | Total | | |
|--|-------------|------------|---------------|----------------|----------------|----------------|
| | 31.03.16 | 31.03.15 | yr 2015 | 31.03.16 | 31.03.15 | yr 2015 |
| Premium income f.o.a. from external customers ¹ | 0 | 0 | 0 | 7 951 | 16 296 | 40 236 |
| Premium income f.o.a. from other Group companies | -15 | -12 | -73 | 0 | 0 | 0 |
| Net financial income from investments | -210 | 2 445 | 1 108 | 4 168 | 11 321 | 19 088 |
| Other income from external customers | -3 | -1 | -14 | 233 | 235 | 926 |
| Other income from other Group companies | -143 | -50 | -624 | 0 | 0 | 0 |
| Return to financial instruments attributable to minority interests | 963 | -1 999 | -1 949 | 963 | -1 999 | -1 949 |
| Total income | 593 | 383 | -1 552 | 13 315 | 25 852 | 58 301 |
| Claims f.o.a. | 0 | 3 | 6 | -4 264 | -4 110 | -16 161 |
| Insurance provisions f.o.a. | 7 | 0 | -19 | -5 365 | -14 136 | -11 740 |
| Costs borrowing | 0 | 0 | 0 | -30 | -88 | -1 490 |
| Operating costs excluding depreciation | 48 | 32 | 231 | -383 | -364 | -1 334 |
| Depreciation | 0 | -6 | 0 | -25 | -27 | -95 |
| Other expenses | 0 | 0 | 0 | -233 | -220 | -884 |
| Total expenses | 55 | 30 | 218 | -10 300 | -18 944 | -31 704 |
| Operating profit/loss | 647 | 413 | -1 333 | 3 015 | 6 908 | 26 598 |
| Funds credited to insurance customers ² | -594 | -299 | 1 339 | -2 436 | -6 303 | -21 459 |
| Pre-tax income | 54 | 114 | 5 | 578 | 606 | 5 138 |
| Cost of taxes | -108 | -122 | -400 | -176 | -130 | -1 014 |
| Income | -54 | -8 | -395 | 403 | 475 | 4 124 |
| Change in other comprehensive income | 26 | 38 | 121 | -72 | 38 | 347 |
| Total comprehensive income | -28 | 30 | -274 | 330 | 515 | 4 472 |
| Assets | 80 532 | 74 060 | 77 927 | 553 123 | 513 221 | 543 262 |
| Liabilities | 82 690 | 75 754 | 80 069 | 529 126 | 494 754 | 519 597 |

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

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

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

Public sector occupational pension

Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pension

KLP Bedriftspensjon AS offers products to enterprises within both the public and private sectors.

Non-life insurance

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

Banking

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

Asset management

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

Other

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

Note 3 PREMIUM INCOME FOR OWN ACCOUNT

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|--|--------------|---------------|---------------|
| Gross premium written | 6 086 | 6 237 | 30 849 |
| Reinsurance premiums ceded | -14 | -11 | -10 |
| Transfer of premium reserves from others | 1 879 | 10 070 | 9 397 |
| Total premium income | 7 951 | 16 296 | 40 236 |

Note 4 OTHER INCOME

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|--|------------|------------|---------------|
| Supplement contractual early retirement scheme (AFP) | 228 | 219 | 868 |
| Other income | 5 | 16 | 58 |
| Total other income | 233 | 235 | 926 |

Note 5 SUBORDINATED LOANS AND PERPETUAL HYBRID TIER 1 SECURITIES

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|---|-------------|-------------|---------------|
| SUBORDINATED LOANS | | | |
| Interest costs ¹ | -100 | -35 | -314 |
| Value changes | 171 | 81 | -804 |
| Net costs subordinated loans | 71 | 46 | -1 117 |
| PERPETUAL HYBRID TIER 1 SECURITIES | | | |
| Interest costs | -15 | -15 | -61 |
| Value changes | -86 | -119 | -312 |
| Net costs perpetual hybrid tier 1 securities | -101 | -134 | -372 |
| Net costs subordinated loan and hybrid Tier 1 securities | -30 | -88 | -1 490 |

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

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

The large fluctuations in value change are predominantly due to the loans being denominated in foreign currency. Two subordinated loans are issued in euros, whereas the other subordinated loan and the perpetual hybrid Tier 1 securities are issued in Japanese yen.

Note 6 OPERATING EXPENSES

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|---------------------------------------|------------|------------|---------------|
| Personnel costs | 236 | 237 | 862 |
| Depreciation | 32 | 27 | 118 |
| Other operating expenses | 141 | 126 | 449 |
| Total other operating expenses | 409 | 390 | 1 429 |

Note 7 OTHER EXPENSES

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|--|------------|------------|---------------|
| Supplement contractual early retirement scheme (AFP) | 227 | 219 | 868 |
| Other expenses | 6 | 1 | 16 |
| Total other expenses | 233 | 220 | 884 |

Note 8 INVESTMENT PROPERTY

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|--|--------------|--------------|---------------|
| Net rental income etc. | 706 | 628 | 2 517 |
| Net value adjustment | -262 | 322 | 3 618 |
| Currency translation foreign subsidiaries (comprehensive income) | 585 | 239 | -1 319 |
| Net income from investment properties | 1 029 | 1 190 | 4 816 |

| NOK millions | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|--|---------------|---------------|---------------|
| Investment property 01.01. | 56 436 | 44 467 | 44 467 |
| Value adjustment | -262 | 322 | 3 618 |
| Net additions | -207 | -237 | 8 317 |
| Other changes | -27 | 23 | 34 |
| Investment property 31.03./31.12. | 55 940 | 44 576 | 56 436 |

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial instruments measured at amortised cost

This category includes:

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

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

Financial instruments measured at fair value

This category includes:

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

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

Investments held to maturity

Bonds classified as loans and receivables

Debt instruments measured at fair value

a) Foreign fixed-income securities

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

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

b) Norwegian fixed-income securities – government

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

c) Norwegian fixed-income securities

– other than government ones

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

In addition to Nordic Bond Pricing, Norwegian banks distribute spreads for a selection of issuers. Spread curves can be used based on data from the four sources. Such spread curves are generally to be based on an equal-weighted average from the four banks.

d) Fixed-income securities issued by foreign enterprises but denominated in NOK

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

e) Receivables on credit institutions

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

Other loans and receivables/loans to municipalities, companies and personal customers

f) Loans to municipalities and enterprises with municipal guarantee

Receivables are valued by means of a valuation model using relevant credit premium adjustments obtained in the market. Observable interest-rate curves and credit interest-rate differential curves are used for loans to municipalities, county administrations and municipality-supported projects in a valuation model discounting future cash flows. The credit premiums used in the model calculations are based on quotations from three different price providers. An assessment of the quality of the quotations is made by comparing them against each other and against the previous observation received as well as other market information.

For guaranteed loans fair value is calculated as discounted cash flow based on the same interest-rate curves as direct loans but the credit margin is basically based on the initial margin. Guarantees are traded bilaterally and not across open marketplaces such as a stock exchange (OTC) for instance and are therefore not priced in the market. The initial margin agreed on the entry date is the best estimate for the market premium on that same date. The credit standing does not change as much for the loan as for the guarantor or the borrower individually. Usually the borrower's credit standing is not assessed by credit rating agencies or banks. The guarantor is either a municipality or a bank (or both – triple default loan). Statistical analyses indicate that the credit margin for guaranteed loans is less volatile than that of non-guaranteed loans and bonds. The credit premium for guaranteed loans is consequently not adjusted until the guarantor has experienced a significant change in the rating since the initial margin was determined. The credit premium for the Groups loans with both municipal and bank guarantees is adjusted relative to the initial margin only if both guarantors have had their credit ratings changed significantly since the disbursement date.

g) Loans secured by mortgage

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

Equity instruments

h) Shares (listed)

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

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

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

j) Private Equity

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

Derivatives

k) Futures/FRA/IRF

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

FX-swaps with a one-year maturity or less are priced on

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

Debt to credit institutions

o) Placements with credit institutions

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

Subordinated loan capital, other debt issued, and deposits from customers

p) Fair value of subordinated loans

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

Note 9 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 liabilities.

| NOK millions | 31.03.2016 | | 31.03.2015 | | 31.12.2015 | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| DEBT INSTRUMENTS HELD TO MATURITY – AT AMORTIZED COST | | | | | | |
| Norwegian hold-to-maturity bonds | 11 023 | 12 121 | 10 379 | 11 763 | 10 922 | 11 838 |
| Foreign hold-to-maturity bonds | 23 293 | 26 756 | 21 506 | 23 616 | 23 897 | 25 492 |
| Norwegian certificates | 0 | 0 | 0 | 0 | 499 | 499 |
| Total debt instruments held to maturity | 34 316 | 38 877 | 31 885 | 35 378 | 35 318 | 37 830 |
| DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES – AT AMORTIZED COST | | | | | | |
| Norwegian bonds | 30 330 | 33 854 | 28 383 | 32 158 | 30 091 | 32 967 |
| Foreign bonds | 66 724 | 74 646 | 60 739 | 67 665 | 64 873 | 70 172 |
| Other receivables | 15 | 15 | 16 | 16 | 23 | 23 |
| Total debt instruments classified as loans and receivables | 97 069 | 108 515 | 89 138 | 99 838 | 94 987 | 103 162 |
| LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS | | | | | | |
| Loans to local government sector or enterprises with local government guarantee | 1 817 | 1 817 | 2 214 | 2 214 | 1 845 | 1 845 |
| Total loans to local government, enterprises & retail customers | 1 817 | 1 817 | 2 214 | 2 214 | 1 845 | 1 845 |
| LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST | | | | | | |
| Loans secured by mortgage | 14 548 | 14 584 | 11 803 | 11 799 | 14 136 | 14 172 |
| Loans to local government sector or enterprises with local government guarantee | 52 117 | 53 176 | 49 482 | 50 852 | 51 458 | 52 303 |
| Loans abroad secured by mortgage and local government guarantee | 9 685 | 9 657 | 6 509 | 6 539 | 10 172 | 10 133 |
| Total loans to local government, enterprises & retail customers | 76 350 | 77 417 | 67 794 | 69 190 | 75 766 | 76 608 |
| DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | |
| Norwegian bonds | 50 929 | 50 929 | 51 092 | 51 092 | 48 258 | 48 258 |
| Norwegian certificates | 12 878 | 12 878 | 8 921 | 8 921 | 9 877 | 9 877 |
| Foreign bonds | 77 928 | 77 928 | 76 728 | 76 728 | 76 939 | 76 939 |
| Investments with credit institutions | 17 291 | 17 291 | 18 660 | 18 660 | 17 419 | 17 419 |
| Total debt instruments at fair value through profit/loss | 159 026 | 159 026 | 155 400 | 155 400 | 152 493 | 152 493 |
| EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | |
| Shares | 101 252 | 101 252 | 103 806 | 103 806 | 107 102 | 107 102 |
| Equity funds | 7 535 | 7 535 | 6 359 | 6 359 | 7 703 | 7 703 |
| Property funds | 349 | 349 | 420 | 420 | 370 | 370 |
| Alternative investments | 308 | 308 | 68 | 68 | 318 | 318 |
| Total equity capital instruments at fair value | 109 445 | 109 445 | 110 652 | 110 652 | 115 493 | 115 493 |
| RECEIVABLES | | | | | | |
| Receivables related to direct business | 1 358 | 1 358 | 1 402 | 1 402 | 1 004 | 1 004 |
| Receivables related to reinsurance agreements | 71 | 71 | 66 | 66 | 74 | 74 |
| Reinsurance share of gross claims reserve | 9 | 9 | 9 | 9 | 10 | 10 |
| Receivables related to securites | 5 769 | 5 769 | 1 118 | 1 118 | 2 445 | 2 445 |
| Other receivables | 147 | 147 | 708 | 708 | 217 | 217 |
| Total other loans and receivables including receivables from policyholders | 7 354 | 7 354 | 3 303 | 3 303 | 3 751 | 3 751 |

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - CONT.

| NOK millions | 31.03.2016 | | 31.03.2015 | | 31.12.2015 | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| FINANCIAL LIABILITIES - AT AMORTIZED COST | | | | | | |
| Hybrid Tier 1 securities | 1 665 | 1 682 | 1 386 | 1 391 | 1 564 | 1 588 |
| Subordinated loan capital | 9 470 | 9 398 | 3 377 | 3 442 | 9 541 | 9 506 |
| Debt to credit institutions | 3 221 | 3 221 | 3 223 | 3 223 | 2 915 | 2 915 |
| Covered bonds issued | 19 062 | 19 062 | 18 330 | 18 330 | 18 987 | 18 987 |
| Liabilities and deposits from customers | 7 884 | 7 884 | 7 128 | 7 128 | 7 426 | 7 426 |
| Total financial liabilities | 41 301 | 41 246 | 33 445 | 33 514 | 40 433 | 40 421 |
| FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | |
| Debt to credit institutions | 5 960 | 5 960 | 2 050 | 2 050 | 2 184 | 2 184 |
| Total financial liabilities | 5 960 | 5 960 | 2 050 | 2 050 | 2 184 | 2 184 |
| Assets in life insurance with investment option | 1 260 | 1 260 | 947 | 947 | 1 183 | 1 183 |
| Provisions in life insurance with investment option | 1 260 | 1 260 | 947 | 947 | 1 183 | 1 183 |

| NOK millions | 31.03.2016 | | 31.03.2015 | | 31.12.2015 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | |
| Forward exchange contracts | 4 361 | 1 763 | 569 | 4 525 | 177 | 6 378 |
| Interest rate swaps | 525 | 1 494 | 561 | 1 448 | 496 | 1 615 |
| Interest rate and currency swaps | 697 | 0 | 430 | 0 | 614 | 0 |
| Share options | 0 | 0 | 353 | 0 | 6 | 0 |
| Total financial derivatives | 5 583 | 3 257 | 1 913 | 5 972 | 1 292 | 7 993 |

Note 10 BORROWING

| NOK millions | Nominal in NOK | Currency | Interest | Due date | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|--|----------------|----------|--------------------|-----------|-----------------------|-----------------------|-----------------------|
| PERPETUAL SUBORDINATED LOAN CAPITAL | | | | | | | |
| Kommunal Landspensjonskasse | 2 372 | EUR | Fixed ¹ | Perpetual | 2 973 | 2 728 | 2 995 |
| Kommunal Landspensjonskasse | 554 | JPY | Fixed ² | Perpetual | 711 | 649 | 704 |
| FIXED - TERM SUBORDINATED LOAN | | | | | | | |
| Kommunal Landspensjonskasse | 5 163 | EUR | Fixed ³ | 2045 | 5 786 | 0 | 5 841 |
| Total subordinated loan capital | 8 089 | | | | 9 470 | 3 377 | 9 541 |
| HYBRID TIER 1 SECURITIES | | | | | | | |
| Kommunal Landspensjonskasse | 984 | JPY | Fixed ⁴ | 2034 | 1 665 | 1 386 | 1 564 |
| Total hybrid Tier 1 securities | 984 | | | | 1 665 | 1 386 | 1 564 |

¹ The loan has an interest change date in 2016.² The loan has an interest change date in 2017.³ The loan has an interest change date in 2025.⁴ The loan has an interest change date in 2034.

Note 10 BORROWING – CONT.

| NOK millions | Nominal in NOK | Currency | Interest | Due date | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|--|-------------------|-------------|----------|----------|--------------------------|--------------------------|--------------------------|
| COVERED BONDS | | | | | | | |
| KLP Kommunekreditt AS | 0 | NOK | Floating | 2015 | 0 | 1 301 | 0 |
| KLP Kommunekreditt AS | 0 | NOK | Fixed | 2015 | 0 | 222 | 0 |
| KLP Kommunekreditt AS | 1 630 | NOK | Floating | 2016 | 1 633 | 3 067 | 2 174 |
| KLP Kommunekreditt AS | 635 | NOK | Fixed | 2017 | 647 | 1 020 | 644 |
| KLP Kommunekreditt AS | 3 000 | NOK | Floating | 2017 | 3 006 | 4 009 | 4 008 |
| KLP Kommunekreditt AS | 3 970 | NOK | Floating | 2018 | 3 975 | 3 505 | 4 005 |
| KLP Kommunekreditt AS | 4 500 | NOK | Floating | 2019 | 4 506 | 2 001 | 4 505 |
| KLP Kommunekreditt AS | 750 | NOK | Fixed | 2020 | 760 | 760 | 752 |
| KLP Kommunekreditt AS | 600 | NOK | Fixed | 2021 | 602 | 0 | 0 |
| KLP Boligkreditt AS | 490 | NOK | Floating | 2017 | 491 | 602 | 602 |
| KLP Boligkreditt AS | 600 | NOK | Floating | 2019 | 600 | 601 | 600 |
| KLP Boligkreditt AS | 1 605 | NOK | Floating | 2020 | 1 611 | 0 | 452 |
| KLP Boligkreditt AS | 500 | NOK | Fixed | 2021 | 501 | 0 | 0 |
| KLP Boligkreditt AS | 600 | NOK | Floating | 2021 | 601 | 1 203 | 1 203 |
| Other | | | | | 127 | 39 | 42 |
| Total covered bonds | 18 880 | | | | 19 062 | 18 330 | 18 987 |
| DEBT TO CREDIT INSTITUTIONS | | | | | | | |
| KLP Banken AS | 0 | NOK | Floating | 2015 | 0 | 602 | 0 |
| KLP Banken AS | 800 | NOK | Floating | 2016 | 802 | 802 | 805 |
| KLP Banken AS | 300 | NOK | Fixed | 2017 | 311 | 311 | 308 |
| KLP Banken AS | 500 | NOK | Floating | 2017 | 500 | 501 | 500 |
| KLP Banken AS | 200 | NOK | Fixed | 2018 | 204 | 204 | 202 |
| KLP Banken AS | 500 | NOK | Floating | 2018 | 502 | 502 | 502 |
| KLP Banken AS | 900 | NOK | Floating | 2019 | 902 | 300 | 600 |
| KLP Alfa Global Rente | 0 | NOK | Fixed | 2015 | 0 | 1 252 | 0 |
| KLP Alfa Global Rente | 2 278 | NOK | Fixed | 2016 | 2 278 | 0 | 1 433 |
| Kommunal Landspensjonskasse | 0 | NOK/EUR/USD | Floating | 2015 | 0 | 798 | 0 |
| Kommunal Landspensjonskasse | 2 047 | NOK/EUR/USD | Floating | 2016 | 2 047 | 0 | 700 |
| KLP Banken AS | 6 | NOK | Floating | 2016 | 6 | 0 | 0 |
| Other KLP-fond | 1 629 | NOK/EUR/USD | Floating | 2016 | 1 629 | 0 | 49 |
| Other | | | | | 0 | 1 | 0 |
| Total liabilities to credit institutions | 9 160 | | | | 9 181 | 5 273 | 5 099 |
| LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁵ | | | | | | | |
| Retail | 6 373 | NOK | | | 6 373 | 5 740 | 6 030 |
| Business | 1 496 | NOK | | | 1 496 | 1 388 | 1 397 |
| Foreign | 14 | NOK | | | 14 | 0 | 0 |
| Liabilities to and deposits from customers | 7 884 | | | | 7 884 | 7 128 | 7 426 |
| Total financial liabilities | 44 996 | | | | 47 262 | 35 495 | 42 617 |

⁵ There is no contractual maturity date on deposits.

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

Note 11 FAIR VALUE HIERARCHY

| 31.03.2016 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|---------------|----------------|
| ASSETS BOOKED AT FAIR VALUE | | | | |
| Investment property | 0 | 0 | 55 940 | 55 940 |
| Land/plots | 0 | 0 | 850 | 850 |
| Real estate fund | 0 | 0 | 773 | 773 |
| Buildings | 0 | 0 | 54 317 | 54 317 |
| Lending at fair value | 0 | 1 817 | 0 | 1 817 |
| Bonds and other fixed-income securities | 46 543 | 95 188 | 0 | 141 731 |
| Certificates | 6 958 | 5 920 | 0 | 12 878 |
| Bonds | 26 937 | 89 268 | 0 | 116 206 |
| Fixed-income funds | 12 647 | 0 | 0 | 12 647 |
| Loans and receivables | 14 199 | 3 096 | 0 | 17 295 |
| Shares and units | 97 913 | 3 882 | 7 649 | 109 445 |
| Shares | 96 796 | 3 225 | 1 231 | 101 252 |
| Equity funds | 1 117 | 0 | 73 | 1 190 |
| Property funds | 0 | 349 | 0 | 349 |
| Special funds | 0 | 308 | 0 | 308 |
| Private Equity | 0 | 0 | 6 345 | 6 345 |
| Financial derivatives | 0 | 5 583 | 0 | 5 583 |
| Total assets at fair value | 158 655 | 109 566 | 63 589 | 331 810 |
| LIABILITIES BOOKED AT FAIR VALUE | | | | |
| Financial derivatives | 0 | 3 257 | 0 | 3 257 |
| Debt to credit institutions ¹ | 3 682 | 2 278 | 0 | 5 960 |
| Total financial liabilities at fair value | 3 682 | 5 536 | 0 | 9 218 |

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet.
The liabilities measured at amortized cost amounted to NOK 3 221 million per 31.03.2016

Note 11 FAIR VALUE HIERARCHY – CONT.

| 31.03.2015 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|----------------|
| ASSETS BOOKED AT FAIR VALUE | | | | |
| Investment property | 0 | 0 | 44 576 | 44 576 |
| Land/plots | 0 | 0 | 860 | 860 |
| Buildings | 0 | 0 | 43 716 | 43 716 |
| Lending at fair value | 0 | 2 214 | 0 | 2 214 |
| Bonds and other fixed-income securities | 134 252 | 2 476 | 0 | 136 728 |
| Certificates | 8 491 | 429 | 0 | 8 921 |
| Bonds | 113 341 | 2 047 | 0 | 115 387 |
| Fixed-income funds | 12 420 | 0 | 0 | 12 420 |
| Loans and receivables | 14 301 | 4 371 | 0 | 18 673 |
| Shares and units | 100 757 | 3 528 | 6 367 | 110 652 |
| Shares | 99 553 | 3 041 | 1 212 | 103 806 |
| Equity funds | 1 204 | 0 | 70 | 1 273 |
| Property funds | 0 | 420 | 0 | 420 |
| Special funds | 0 | 68 | 0 | 68 |
| Private Equity | 0 | 0 | 5 086 | 5 086 |
| Financial derivatives | 0 | 1 913 | 0 | 1 913 |
| Total assets at fair value | 249 310 | 14 502 | 50 943 | 314 755 |
| LIABILITIES BOOKED AT FAIR VALUE | | | | |
| Financial derivatives | 0 | 5 972 | 0 | 5 972 |
| Debt to credit institutions ¹ | 798 | 1 252 | 0 | 2 050 |
| Total financial liabilities at fair value | 798 | 7 224 | 0 | 8 022 |

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 3 221 million per 31.03.2016

Note 11 FAIR VALUE HIERARCHY – CONT.

| 31.12.2015 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|---------------|----------------|
| ASSETS BOOKED AT FAIR VALUE | | | | |
| Investment property | 0 | 0 | 56 436 | 56 436 |
| Land/plots | 0 | 0 | 872 | 872 |
| Real estate fund | 0 | 0 | 773 | 773 |
| Buildings | 0 | 0 | 54 791 | 54 791 |
| Lending at fair value | 0 | 1 845 | 0 | 1 845 |
| Bonds and other fixed-income securities | 44 703 | 90 360 | 0 | 135 064 |
| Certificates | 6 974 | 2 903 | 0 | 9 877 |
| Bonds | 25 506 | 87 458 | 0 | 112 964 |
| Fixed-income funds | 12 224 | 0 | 0 | 12 224 |
| Loans and receivables | 16 407 | 1 022 | 0 | 17 429 |
| Shares and units | 103 716 | 3 768 | 8 009 | 115 493 |
| Shares | 102 582 | 3 080 | 1 439 | 107 102 |
| Equity funds | 1 133 | 0 | 76 | 1 209 |
| Property funds | 0 | 370 | 0 | 370 |
| Special funds | 0 | 318 | 0 | 318 |
| Private Equity | 0 | 0 | 6 494 | 6 494 |
| Financial derivatives | 0 | 1 292 | 0 | 1 292 |
| Total assets at fair value | 164 827 | 98 288 | 64 445 | 327 560 |
| LIABILITIES BOOKED AT FAIR VALUE | | | | |
| Financial derivatives | 0 | 7 993 | 0 | 7 993 |
| Debt to credit institutions ¹ | 751 | 1 433 | 0 | 2 184 |
| Total financial liabilities at fair value | 751 | 9 426 | 0 | 10 177 |

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 3 221 million per 31.03.2016

| Changes in Level 3, Financial Assets | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| Opening balance 1 January | 8 009 | 6 310 | 6 310 |
| Sold | -268 | -113 | -1 460 |
| Bought | 376 | 285 | 2 270 |
| Unrealised changes | -468 | -115 | 889 |
| Closing balance 31.03./ 31.12. | 7 649 | 6 367 | 8 009 |
| Realised gains/losses | 31 | 14 | 182 |

Note 11 FAIR VALUE HIERARCHY – CONT.

| Changes in Level 3, Investment Property | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|---|--------------------------|--------------------------|--------------------------|
| Opening balance 1 January | 56 436 | 44 467 | 44 467 |
| Net acquisition cost | -207 | -237 | 3 618 |
| Unrealised changes | 323 | 322 | 8 317 |
| Other changes | -612 | 23 | 34 |
| Closing balance 31.03./ 31.12. | 55 940 | 44 576 | 56 436 |
| Realised gains/losses | 0 | 0 | 0 |
| Closing balance 31.03./ 31.12. | 63 588 | 50 943 | 64 445 |

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

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 3 179 million as of 31.03.2016, NOK 2 547 million as of 31.03.2015 and NOK 3 222 million as of 31.12.2015. 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 the Group. Everything related to investment property is included in Level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 1 260 millions in financial assets valued at fair value at Level 1. Per 31.03.2016 the NOK 1 260 millions are included with NOK 622 millions in shares and units in Level 1, NOK 630 millions in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

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

In the first quarter NOK 67 millions in stocks has been moved from Level 1 to Level 2 and NOK 49 millions from Level 2 to Level 1. For debt instruments there has been no changes in the first quarter.

No movements in Level 3 during the first quarter.

Note 12 LIQUIDITY RISK

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

| 31.03.2016 NOK millions | Within 1 month | 1-12 months | 1-5 years | 5-10 years | Over 10 years | Total |
|---|-------------------|----------------|---------------|--------------|------------------|---------------|
| Subordinated loan ¹ | 2 976 | 1 236 | 961 | 6 617 | 0 | 11 790 |
| Perpetual hybrid Tier 1 securities ¹ | 0 | 120 | 241 | 301 | 1 546 | 2 208 |
| Debt to and deposits from customers (without defined maturity) | 7 884 | 0 | 0 | 0 | 0 | 7 884 |
| Covered bonds issued | 35 | 2 438 | 16 051 | 1 229 | 0 | 19 752 |
| Payables to credit institutions | 3 259 | 1 360 | 1 957 | 0 | 0 | 6 576 |
| Financial derivatives | 249 | 1 647 | 1 263 | 100 | -231 | 3 027 |
| Accounts payable | 1 022 | 0 | 0 | 0 | 0 | 1 022 |
| Contingent liabilities | 14 520 | 0 | 0 | 0 | 0 | 14 520 |
| Total | 29 944 | 6 801 | 20 472 | 8 247 | 1 314 | 66 779 |

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 10 million and payables to credit institutions maturing between 1-12 months are reduced with NOK 1.5 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 66 767 million.

| 31.03.2015 NOK millions | Within 1 month | 1-12 months | 1-5 years | 5-10 years | Over 10 years | Total |
|--|-------------------|----------------|---------------|--------------|------------------|---------------|
| Subordinated loan ¹ | 149 | 2 771 | 664 | 0 | 0 | 3 584 |
| Perpetual hybrid Tier 1 securities ¹ | 0 | 117 | 235 | 293 | 1 497 | 2 143 |
| Debt to and deposits from customers (without defined maturity) | 7 128 | 0 | 0 | 0 | 0 | 7 128 |
| Covered bonds issued | 0 | 1 828 | 15 419 | 2 015 | 0 | 19 262 |
| Payables to credit institutions | 5 301 | 369 | 2 693 | 0 | 0 | 8 364 |
| Financial derivatives | 1 171 | 3 400 | 1 197 | 149 | -139 | 5 779 |
| Accounts payable | 731 | 0 | 0 | 0 | 0 | 731 |
| Contingent liabilities | 9 587 | 0 | 0 | 0 | 0 | 9 587 |
| Total | 24 067 | 8 486 | 20 209 | 2 457 | 1 358 | 56 578 |

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 244 million, derivatives maturing between 1-12 months are reduced by NOK 119 million and payables to credit institutions within one month are reduced with NOK 65 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 56 150 million.

Note 12 LIQUIDITY RISK – CONT.

| 31.12.2015 NOK millions | Within 1 month | 1-12 months | 1-5 years | 5-10 years | Over 10 years | Total |
|---|-------------------|----------------|---------------|--------------|------------------|---------------|
| Subordinated loan ¹ | 0 | 3 309 | 1 708 | 6 995 | 0 | 12 012 |
| Perpetual hybrid Tier 1 securities ¹ | 0 | 64 | 258 | 322 | 1 641 | 2 285 |
| Debt to and deposits from customers (without defined maturity) | 7 426 | 0 | 0 | 0 | 0 | 7 426 |
| Covered bonds issued | 0 | 2 445 | 16 115 | 1 233 | 0 | 19 793 |
| Payables to credit institutions | 5 987 | 860 | 2 154 | 0 | 0 | 9 001 |
| Financial derivatives | 2 945 | 3 027 | 1 785 | 156 | -282 | 7 631 |
| Accounts payable | 736 | 0 | 0 | 0 | 0 | 736 |
| Contingent liabilities | 14 346 | 0 | 0 | 0 | 0 | 14 346 |
| Total | 32 874 | 9 706 | 22 019 | 8 707 | 1 358 | 73 230 |

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 313 million and derivatives maturing between 1-12 months are reduced by NOK 63 million. Total amount of the financial liabilities for the Group are after these adjustments 72 854 million.

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

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

Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning manages the Group's liquidity. Internal parameters have been established for the size of the liquidity holding. The Group's risk management unit monitors and reports developments in the liquidity holding continuously. The Group Board determines an asset management and liquidity strategy annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

The major liabilities in the Group are insurance related and are mostly linked to pension obligations. These liabilities are fully funded and liquidity management are handled in the same manner as other liabilities.

Note 13 INTEREST RATE RISK

| 31.03.2016 NOK millions | Up to 3 mth | From 3 mth to 12 mth | From 1 year to 5 yr | From 5 yr to 10 yr | Over 10 yr | Changes in cash flow 01.01.2016- 31.03.2016 | Total | Total adjusted for minority's share |
|---|----------------|----------------------------|---------------------------|-----------------------|---------------|--|---------------|---|
| ASSETS | | | | | | | | |
| Mutual funds shares ¹ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Financial derivatives classified as assets | 34 | 7 | -71 | -196 | -355 | -13 | -595 | -422 |
| Debt instruments classified as loans and receivables – at amortised cost | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 |
| Bonds and other fixed-return securities | -41 | -99 | -1 147 | -1 758 | -1 381 | 67 | -4 359 | -3 898 |
| Fixed income fund holdings | -692 | 0 | 0 | 0 | 0 | 0 | -692 | -692 |
| Special investment fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| Lending and receivables | -1 | -3 | 0 | 0 | 0 | 41 | 37 | 24 |
| Lending | 0 | 0 | 0 | 0 | 0 | 54 | 54 | 54 |
| Contingent liabilities ² | 0 | 0 | 0 | 0 | 0 | 15 | 15 | 15 |
| Total assets | -700 | -95 | -1 218 | -1 955 | -1 736 | 165 | -5 539 | -4 904 |
| LIABILITIES | | | | | | | | |
| Deposit | 0 | 0 | 0 | 0 | 0 | -20 | -20 | -20 |
| Liabilities created on issue of securities | 0 | 0 | 29 | 33 | 0 | -56 | 6 | 6 |
| Financial derivatives classified as liabilities | -9 | 5 | 127 | 190 | 2 | 15 | 330 | 221 |
| Hybrid capital, subordinated loans | 0 | 0 | 0 | 77 | 78 | 0 | 155 | 155 |
| Debt to credit institutions | 0 | 0 | 0 | 0 | 0 | -6 | -6 | -6 |
| Total liabilities | -9 | 5 | 156 | 300 | 81 | -66 | 466 | 357 |
| Total before tax | -708 | -90 | -1 063 | -1 655 | -1 655 | 99 | -5 073 | -4 547 |
| Total after tax | -531 | -68 | -797 | -1 241 | -1 241 | 74 | -3 804 | -3 410 |

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

² Contingent liabilities are lending agreements that are not yet materialized.

Note 13 INTEREST RATE RISK – CONT.

| 31.03.2015 NOK millions | Up to 3 mth | From 3 mth to 12 mth | From 1 year to 5 yr | From 5 yr to 10 yr | Over 10 yr | Changes in cash flow 01.01.2015- 31.03.2015 | Total | Total adjusted for minority's share |
|---|----------------|----------------------------|---------------------------|-----------------------|---------------|--|---------------|---|
| ASSETS | | | | | | | | |
| Mutual funds shares ¹ | 0 | 0 | 0 | 0 | 0 | 5 | 5 | 3 |
| Financial derivatives classified as assets | 22 | 8 | -72 | -99 | -182 | -18 | -340 | -335 |
| Debt instruments classified as loans and receivables – at amortised cost | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 |
| Bonds and other fixed-return securities | -41 | -95 | -1 038 | -1 858 | -1 453 | 62 | -4 423 | -4 063 |
| Fixed income fund holdings | -775 | 0 | 0 | 0 | 0 | 9 | -766 | -775 |
| Special investment fund | 0 | 6 | 0 | -4 | 0 | 4 | 6 | -1 |
| Lending and receivables | -1 | -9 | 0 | 0 | 0 | 82 | 72 | 28 |
| Lending | 0 | 0 | 0 | 0 | 0 | 47 | 47 | 47 |
| Contingent liabilities ² | 0 | 0 | 0 | 0 | 0 | 8 | 8 | 8 |
| Total assets | -795 | -91 | -1 109 | -1 961 | -1 635 | 203 | -5 388 | -5 086 |
| LIABILITIES | | | | | | | | |
| Deposit | 0 | 0 | 0 | 0 | 0 | -18 | -18 | -18 |
| Liabilities created on issue of securities | 0 | 0 | 0 | 0 | 0 | -54 | -54 | -54 |
| Financial derivatives classified as liabilities | -8 | 10 | 151 | 109 | 2 | 18 | 281 | 280 |
| Hybrid capital, subordinated loans | 0 | 0 | 0 | 78 | 36 | 0 | 114 | 114 |
| Debt to credit institutions | 0 | 0 | 0 | 0 | 0 | -2 | -2 | -2 |
| Total liabilities | -8 | 10 | 151 | 187 | 38 | -56 | 322 | 321 |
| Total before tax | -803 | -81 | -958 | -1 774 | -1 597 | 147 | -5 066 | -4 764 |
| Total after tax | -586 | -59 | -699 | -1 295 | -1 166 | 107 | -3 698 | -3 478 |

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

² Contingent liabilities are lending agreements that are not yet materialized.

Note 13 INTEREST RATE RISK – CONT.

| 31.12.2015 NOK millions | Up to 3 mth | From 3 mth to 12 mth | From 1 year to 5 yr | From 5 yr to 10 yr | Over 10 yr | Changes in cash flow 01.01.2015- 31.12.2015 | Total | Total adjusted for minority's share |
|---|----------------|----------------------------|---------------------------|--------------------------|---------------|--|---------------|--|
| ASSETS | | | | | | | | |
| Mutual funds shares ¹ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial derivatives classified as assets | 36 | 11 | -116 | -164 | -294 | -57 | -585 | -546 |
| Debt instruments classified as loans and receivables – at amortised cost | 0 | 0 | 0 | 0 | 0 | 6 | 6 | 6 |
| Bonds and other fixed-return securities | -39 | -85 | -1 141 | -1 741 | -1 300 | 253 | -4 053 | -3 618 |
| Fixed income fund holdings | -730 | 0 | 0 | 0 | 0 | 0 | -730 | -730 |
| Special investment fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lending and receivables | 0 | -2 | 0 | 0 | 0 | 158 | 156 | 144 |
| Lending | 0 | 0 | 0 | 0 | 0 | 423 | 423 | 423 |
| Contingent liabilities ² | 0 | 0 | 0 | 0 | 0 | 51 | 51 | 51 |
| Total assets | -733 | -76 | -1 257 | -1 905 | -1 594 | 835 | -4 730 | -4 269 |
| LIABILITIES | | | | | | | | |
| Deposit | 0 | 0 | 0 | 0 | 0 | -74 | -74 | -74 |
| Liabilities created on issue of securities | 0 | 1 | 59 | 0 | 0 | -224 | -165 | -165 |
| Financial derivatives classified as liabilities | -7 | 18 | 132 | 254 | 2 | 64 | 463 | 447 |
| Hybrid capital, subordinated loans | 0 | 0 | 0 | 79 | 58 | 0 | 137 | 137 |
| Debt to credit institutions | 0 | 0 | 0 | 0 | 0 | -7 | -7 | -7 |
| Total liabilities | -7 | 18 | 191 | 333 | 60 | -241 | 354 | 337 |
| Total before tax | -740 | -58 | -1 067 | -1 572 | -1 534 | 594 | -4 376 | -3 932 |
| Total after tax | -540 | -42 | -779 | -1 148 | -1 119 | 434 | -3 195 | -2 870 |

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

² Contingent liabilities are lending agreements that are not yet materialized.

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

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

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

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

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

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

Note 14 CREDIT RISK

| 31.03.2016 NOK millions | Investment grade AAA to BBB | Lower Rating | Public sector guarantee | Banking and finance | Mortgage > 80% ¹ | Mortgage < 80% ¹ | Other | Total | Total adjusted for minority holding |
|--|-----------------------------------|-----------------|-------------------------------|---------------------------|--------------------------------|--------------------------------|---------------|----------------|--|
| Debt instruments held to maturity at amortized cost | 31 145 | 0 | 50 | 0 | 0 | 0 | 3 121 | 34 316 | 34 316 |
| Debt instruments classified as loans and receivables at amortized cost | 78 718 | 0 | 535 | 0 | 0 | 256 | 17 559 | 97 069 | 97 054 |
| Debt instruments at fair value - fixed-return securities | 102 475 | 497 | 7 406 | 0 | 0 | 9 660 | 9 046 | 129 084 | 118 578 |
| Fixed-income funds | 0 | 0 | 0 | 0 | 0 | 0 | 12 647 | 12 647 | 12 647 |
| Loans and receivables | 16 949 | 0 | 0 | 0 | 0 | 347 | 0 | 17 295 | 15 865 |
| Financial derivatives classified as assets | 5 583 | 0 | 0 | 0 | 0 | 0 | 0 | 5 583 | 5 089 |
| Lending | 0 | 0 | 54 434 | | 11 877 | 2 622 | 9 235 | 78 167 | 78 167 |
| Total | 234 870 | 497 | 62 425 | 0 | 11 877 | 12 885 | 51 608 | 374 161 | 361 715 |

| Specification of investment grade NOK millions | AAA | AA | A | BBB | Total Investment grade |
|--|---------------|---------------|---------------|---------------|------------------------------|
| Debt instruments held to maturity at amortized cost | 17 430 | 2 564 | 7 523 | 3 628 | 31 145 |
| Debt instruments classified as loans and receivables at amortized cost | 23 354 | 17 870 | 33 313 | 4 180 | 78 718 |
| Debt instruments at fair value - fixed-return securities | 43 744 | 13 680 | 31 269 | 13 782 | 102 475 |
| Fixed-income funds | 0 | 0 | 0 | 0 | 0 |
| Loans and receivables | 0 | 1 420 | 15 203 | 326 | 16 949 |
| Financial derivatives classified as assets | 0 | 644 | 4 939 | 0 | 5 583 |
| Lending | 0 | 0 | 0 | 0 | 0 |
| Total | 84 528 | 36 178 | 92 248 | 21 916 | 234 870 |

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

Note 14 CREDIT RISK – CONT.

| 31.03.2015 NOK millions | Investment grade AAA to BBB | Lower Rating | Public sector guarantee | Banking and finance | Mortgage > 80% ¹ | Mortgage < 80% ¹ | Other | Total | Total adjusted for minority holding |
|--|-----------------------------------|-----------------|-------------------------------|---------------------------|--------------------------------|--------------------------------|---------------|----------------|--|
| Debt instruments held to maturity at amortized cost | 26 276 | 0 | 81 | 1 397 | 0 | 0 | 4 131 | 31 885 | 31 885 |
| Debt instruments classified as loans and receivables at amortized cost | 58 234 | 0 | 527 | 4 447 | 0 | 0 | 25 930 | 89 138 | 89 122 |
| Debt instruments at fair value – fixed-return securities | 84 240 | 90 | 3 539 | 24 559 | 0 | 0 | 11 384 | 123 812 | 115 467 |
| Fixed-income funds | 0 | 0 | 0 | 0 | 0 | 0 | 12 420 | 12 420 | 12 420 |
| Loans and receivables | 16 584 | 0 | 0 | 2 584 | 0 | 0 | 0 | 19 168 | 17 581 |
| Financial derivatives classified as assets | 1 913 | 0 | 0 | 0 | 0 | 0 | 0 | 1 913 | 1 751 |
| Lending | 0 | 0 | 49 311 | 0 | 11 938 | 1 365 | 7 393 | 70 007 | 70 007 |
| Total | 187 248 | 90 | 53 458 | 32 986 | 11 938 | 1 365 | 61 258 | 348 343 | 338 234 |

| Specification of investment grade NOK millions | AAA | AA | A | BBB | Total Investment grade |
|--|---------------|---------------|---------------|---------------|------------------------------|
| Debt instruments held to maturity at amortized cost | 13 502 | 1 963 | 9 995 | 816 | 26 276 |
| Debt instruments classified as loans and receivables at amortized cost | 10 038 | 13 511 | 31 760 | 2 925 | 58 234 |
| Debt instruments at fair value – fixed-return securities | 24 181 | 23 111 | 25 240 | 11 709 | 84 240 |
| Fixed-income funds | 0 | 0 | 0 | 0 | 0 |
| Loans and receivables | 0 | 4 622 | 11 963 | 0 | 16 584 |
| Financial derivatives classified as assets | 0 | 209 | 1 704 | 0 | 1 913 |
| Lending | 0 | 0 | 0 | 0 | 0 |
| Total | 47 721 | 43 415 | 80 662 | 15 450 | 187 248 |

| 31.12.2015 NOK millions | Investment grade AAA to BBB | Lower Rating | Public sector guarantee | Banking and finance | Mortgage > 80% ¹ | Mortgage < 80% ¹ | Other | Total | Total adjusted for minority holding |
|--|-----------------------------------|-----------------|-------------------------------|---------------------------|--------------------------------|--------------------------------|---------------|----------------|--|
| Debt instruments held to maturity at amortized cost | 32 117 | 0 | 31 | 5 | 0 | 0 | 3 165 | 35 318 | 35 318 |
| Debt instruments classified as loans and receivables at amortized cost | 76 046 | 0 | 522 | 253 | 0 | 0 | 18 165 | 94 987 | 94 987 |
| Debt instruments at fair value – fixed-return securities | 98 801 | 553 | 4 527 | 10 265 | 0 | 0 | 8 694 | 122 840 | 113 182 |
| Fixed-income funds | 0 | 0 | 0 | 0 | 0 | 0 | 12 224 | 12 224 | 12 224 |
| Loans and receivables | 16 922 | 0 | 0 | 507 | 0 | 0 | 0 | 17 429 | 16 576 |
| Financial derivatives classified as assets | 1 292 | 0 | 0 | 0 | 0 | 0 | 0 | 1 292 | 1 263 |
| Lending | 0 | 0 | 54 022 | 0 | 12 154 | 1 932 | 9 504 | 77 611 | 77 611 |
| Total | 225 179 | 553 | 59 102 | 11 030 | 12 154 | 1 932 | 51 752 | 361 702 | 351 160 |

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

Note 14 CREDIT RISK – CONT

| Specification of investment grade NOK millions | AAA | AA | A | BBB | Total Investment grade |
|--|---------------|---------------|---------------|---------------|------------------------------|
| Debt instruments held to maturity at amortized cost | 18 157 | 2 558 | 7 691 | 3 711 | 32 117 |
| Debt instruments classified as loans and receivables at amortized cost | 22 492 | 16 959 | 32 460 | 4 136 | 76 046 |
| Debt instruments at fair value – fixed-return securities | 42 436 | 14 153 | 28 244 | 13 969 | 98 801 |
| Fixed-income funds | 0 | 0 | 0 | 0 | 0 |
| Loans and receivables | 0 | 2 608 | 14 096 | 219 | 16 922 |
| Financial derivatives classified as assets | 0 | 174 | 1 118 | 0 | 1 292 |
| Lending | 0 | 0 | 0 | 0 | 0 |
| Total | 83 085 | 36 451 | 83 609 | 22 035 | 225 179 |

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

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

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

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the

basis for investments in fixed income securities. "Other" is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 51,6 billion per 31.03.2016. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the "Other" category.

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

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

Note 14 CREDIT RISK – CONT.

| NOK millions | 31.03.2016 | | 31.03.2015 | | 31.12.2015 | |
|---------------------------|---------------|-----------------------------------|---------------|-----------------------------------|---------------|-----------------------------------|
| | Consolidated | Adjusted for the minority holding | Consolidated | Adjusted for the minority holding | Consolidated | Adjusted for the minority holding |
| 10 LARGEST COUNTERPARTIES | | | | | | |
| Counterparty 1 | 15 748 | 15 191 | 13 607 | 13 578 | 14 247 | 13 712 |
| Counterparty 2 | 11 615 | 10 999 | 10 417 | 9 917 | 10 180 | 9 602 |
| Counterparty 3 | 8 362 | 8 362 | 6 788 | 6 788 | 9 091 | 9 091 |
| Counterparty 4 | 7 024 | 6 310 | 6 464 | 6 464 | 6 247 | 6 247 |
| Counterparty 5 | 6 310 | 5 869 | 5 582 | 5 529 | 6 118 | 5 816 |
| Counterparty 6 | 5 965 | 5 836 | 5 000 | 4 870 | 5 907 | 4 347 |
| Counterparty 7 | 5 569 | 5 327 | 4 384 | 3 750 | 4 566 | 3 526 |
| Counterparty 8 | 4 099 | 4 070 | 3 997 | 3 317 | 3 419 | 3 327 |
| Counterparty 9 | 3 326 | 3 258 | 3 317 | 3 251 | 3 378 | 3 283 |
| Counterparty 10 | 3 290 | 3 252 | 3 269 | 3 235 | 3 325 | 3 247 |
| Total | 71 309 | 68 474 | 62 827 | 60 699 | 66 478 | 62 199 |

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

Note 15 TECHNICAL PROVISIONS IN LIFE INSURANCE

| NOK millions | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---|----------------|----------------|----------------|
| Premium reserves - ordinary tarif | 361 766 | 346 417 | 356 199 |
| Premium funds, buffer funds and pensioners' surplus funds | 15 158 | 10 347 | 15 540 |
| Supplementary reserves | 20 323 | 17 134 | 20 322 |
| Securities adjustment fund | 21 238 | 24 111 | 21 529 |
| Other provisions | 47 | 270 | 209 |
| Unallocated profit | 2 056 | 1 419 | |
| Technical provisions in life insurance | 420 588 | 399 698 | 413 799 |

| NOK millions | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---|--------------|------------|--------------|
| Premium reserves | 1 252 | 938 | 1 175 |
| Deposit funds | 8 | 9 | 8 |
| Provisions in life insurance with investment options | 1 260 | 947 | 1 183 |

Note 16 OTHER CURRENT LIABILITIES

| NOK millions | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---|--------------|--------------|--------------|
| Short-term payables trade in securities | 3 673 | 2 747 | 168 |
| Advance tax-deduction pension scheme | 311 | 299 | 329 |
| Accounts payable | 272 | 79 | 681 |
| Pre-called contribution to insurance | 105 | 135 | 106 |
| Other current liabilities | 2 392 | 3 796 | 2 972 |
| Total other current liabilities | 6 753 | 7 057 | 4 255 |

Note 17 CAPITAL

Solvency II is being introduced from 1 January 2016 and the calculation of the solvency margin is being changed completely whilst the previous requirement for capital adequacy and core capital adequacy no longer applies. The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

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

be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve.

Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR. Subordinated loans with first interest rate changes in 2016 and 2017 may therefore be redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 190 per cent, which is well over the Company's target of at least 130 per cent. With the transitional measure on technical provisions the SCR ratio is 342 per cent.

| | 31.03.2016 | 31.12.2015 |
|-------------|------------|------------|
| Solvency II | 190 % | 181 % |

| NOK Billions | 31.03.2016 | 31.03.2016 |
|---|------------|---|
| SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT | | |
| Assets, book value | 470 | Best estimate 428 |
| Added values - hold-to-maturity portfolio/ loans and receivables | 16 | Risk margin 14 |
| Added values - other lending | 1 | Deferred tax liabilities 1 |
| Other added/lesser values | 0 | Hybrid Tier 1 securities/ Subordinated loan capital 11 |
| Total assets | 486 | Other liabilities 10 |
| | | Total liabilities 464 |
| | | Excess of assets over liabilities 23 |
| | | - Risk equalisation fund -3 |
| | | + Hybrid Tier 1 securities 2 |
| | | Tier 1 basic own funds 21 |
| | | Total eligible tier 1 own funds 21 |
| | | Subordinated loans 10 |
| | | Risk equalisation fund 3 |
| | | Tier 2 basic own funds 13 |
| | | Ancillary own funds 9 |
| | | Tier 2 ancillary own funds 9 |
| | | Deduction for max. eligible tier 2 own funds -14 |
| | | Total eligible tier 2 own funds 7 |
| | | Solvency II total eligible own funds 28 |
| | | Solvency capital requirement (SCR) 15 |
| | | Minimum capital requirement (MCR) 4 |
| | | Solvency II SCR ratio 190 % |

Note 18 PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

| 31.03.2016 NOK millions | Gross financial assets/ liabilities | Gross assets/liabilities presented net | Book value | Related amounts not presented net | | | Total adjusted for minority's share |
|----------------------------|---|--|---------------|-----------------------------------|---------------------|---------------|---|
| | | | | Financial instruments | Security in cash | Net amount | |
| ASSETS | | | | | | | |
| Financial derivatives | 5 583 | 0 | 5 583 | -2 586 | -3 231 | 199 | 183 |
| Repos | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5 583 | 0 | 5 583 | -2 586 | -3 231 | 199 | 183 |
| GJELD | | | | | | | |
| Finansielle derivater | 3 257 | 0 | 3 257 | -2 586 | -891 | 16 | 16 |
| Repoer | 2 278 | 0 | 2 278 | 0 | 0 | 2 278 | 2 278 |
| Sum | 5 535 | 0 | 5 535 | -2 586 | -891 | 2 294 | 2 294 |

| 31.03.2015 NOK millions | Gross financial assets/ liabilities | Gross assets/liabilities presented net | Book value | Related amounts not presented net | | | Total adjusted for minority's share |
|----------------------------|---|--|---------------|-----------------------------------|---------------------|---------------|---|
| | | | | Financial instruments | Security in cash | Net amount | |
| ASSETS | | | | | | | |
| Financial derivatives | 1 913 | 0 | 1 913 | -984 | -685 | 274 | 266 |
| Repos | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1 913 | 0 | 1 913 | -984 | -685 | 274 | 266 |
| GJELD | | | | | | | |
| Finansielle derivater | 5 972 | 0 | 5 972 | -971 | -3 635 | 1 439 | 1 301 |
| Repoer | 1 252 | 0 | 1 252 | 0 | 0 | 1 252 | 1 252 |
| Sum | 7 225 | 0 | 7 225 | -971 | -3 635 | 2 692 | 2 554 |

| 31.12.2015 NOK millions | Gross financial assets/ liabilities | Gross assets/liabilities presented net | Book value | Related amounts not presented net | | | Total adjusted for minority's share |
|----------------------------|---|--|---------------|-----------------------------------|---------------------|---------------|---|
| | | | | Financial instruments | Security in cash | Net amount | |
| ASSETS | | | | | | | |
| Financial derivatives | 1 292 | 0 | 1 292 | -649 | -647 | 58 | 58 |
| Repos | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1 292 | 0 | 1 292 | -649 | -647 | 58 | 58 |
| GJELD | | | | | | | |
| Finansielle derivater | 7 993 | 0 | 7 993 | -649 | -4 447 | 2 909 | 2 563 |
| Repoer | 1 434 | 0 | 1 434 | 0 | 0 | 1 434 | 1 434 |
| Sum | 9 427 | 0 | 9 427 | -649 | -4 447 | 4 343 | 3 997 |

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.

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

Note 19 PENSION OBLIGATIONS – OWN EMPLOYEES

| Millioner kroner | 31.03.2016 | 31.12.2015 |
|---|------------|------------|
| Capitalized net liability 01.01. | 634 | 755 |
| Capitalized pension costs | 31 | 141 |
| Capitalized financial costs | 4 | 23 |
| Actuarial gains and losses (Estimate deviation) | 88 | -195 |
| Premiums / contributions received | -19 | -89 |
| Capitalized net liability 31.03./31.12. | 738 | 634 |

| Asumptions | 31.03.2016 | 31.12.2015 |
|---|------------|------------|
| Discount rate | 2,40 % | 2,70 % |
| Salary growth | 2,50 % | 2,50 % |
| The National Insurance basic amount (G) | 2,25 % | 2,25 % |
| Pension increases | 1,48 % | 1,48 % |
| Social security contribution rate | 14,10 % | 14,10 % |

The effect of changes in the assumptions is a NOK 88 million increase in the liability in Q1 2016.
The change is charged to "Other comprehensive income" in the income statement.

Key figures – Accumulated

| NOK millions | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 | Q2 2014 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| KLP Group | | | | | | | | |
| Profit before tax | 578 | 5 138 | 1 889 | 1 334 | 606 | 1 189 | 1 430 | 799 |
| Total assets | 553 123 | 543 262 | 526 731 | 526 044 | 513 221 | 490 894 | 470 331 | 442 463 |
| Owners' equity | 23 997 | 23 665 | 20 233 | 18 718 | 18 466 | 17 558 | 17 893 | 16 032 |
| Capital adequacy | n/a | 11,7 % | 11,0 % | 11,0 % | 9,1 % | 9,2 % | 9,2 % | 9,2 % |
| Solvency II SCR ratio | 190 % | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Number of employees in the Group | 942 | 939 | 920 | 914 | 906 | 899 | 886 | 877 |
| Kommunal Landspensjonskasse | | | | | | | | |
| Resultat før skatt | 464 | 4 876 | 1 613 | 1 161 | 549 | 959 | 1 439 | 839 |
| Premium income for own account | 7 556 | 38 789 | 31 985 | 25 548 | 15 948 | 62 454 | 54 570 | 37 414 |
| - of which inflow of premium reserve | 1 838 | 9 247 | 9 273 | 9 594 | 10 035 | 30 175 | 30 970 | 21 072 |
| Insurance customers' funds incl. acc. profit | 4 004 | 15 277 | 11 397 | 7 574 | 3 771 | 17 996 | 14 292 | 10 597 |
| - of which funds with guaranteed returns | 104 | 147 | 147 | 147 | 126 | 4 364 | 4 213 | 4 106 |
| Net investment common portfolio | 427 791 | 421 835 | 405 551 | 409 164 | 403 452 | 387 982 | 363 999 | 346 495 |
| Net investment choice portfolio | 2 060 | 2 050 | 2 020 | 2 056 | 1 978 | 1 958 | 1 890 | 1 850 |
| Insurance funds incl. earnings for the year | 419 099 | 412 363 | 405 343 | 406 927 | 398 314 | 378 602 | 367 814 | 350 962 |
| - of which funds with guaranteed interest | 360 348 | 354 905 | 357 269 | 352 857 | 345 233 | 331 240 | 325 401 | 310 159 |
| Solvency capital requirement (SCR) | 28 100 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Solvency II SCR ratio | 197 % | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Tier 1 and Tier 2 capital | n/a | 28 340 | 26 161 | 25 364 | 20 172 | 19 951 | 19 393 | 18 115 |
| Riskprofit I ¹ | 152 | 498 | 473 | 294 | 180 | 701 | 422 | 78 |
| Riskprofit II ¹ | n/a | 19 644 | n/a | n/a | n/a | n/a | n/a | n/a |
| Return profits | 2 023 | 3 452 | 2 134 | 2 607 | 1 332 | 5 059 | 1 390 | 1 220 |
| Administration profit | 20 | 264 | 197 | 132 | 58 | 345 | 261 | 123 |
| Solvency capital | 94 955 | 87 443 | 80 101 | 79 171 | 80 217 | 73 909 | 64 842 | 59 459 |
| Solvency margin ratio (Solvency I) | n/a | 280 % | 245 % | 241 % | 222 % | 228 % | 213 % | 209 % |
| Capital adequacy | n/a | 12,2 % | 11,4 % | 11,3 % | 9,5 % | 9,5 % | 9,6 % | 9,6 % |
| Core capital ratio | n/a | 8,6 % | 7,9 % | 7,7 % | 8,1 % | 8,1 % | 8,1 % | 8,0 % |
| Book return on common portfolio | 1,1 % | 3,6 % | 2,6 % | 2,0 % | 1,0 % | 4,3 % | 2,6 % | 1,8 % |
| Value-adjusted return on common portfolio | 1,0 % | 4,0 % | 2,0 % | 2,3 % | 2,2 % | 6,9 % | 4,9 % | 3,6 % |
| Return on unit-linked portfolio | 0,9 % | 4,0 % | 1,7 % | 2,5 % | 2,3 % | 6,7 % | 4,7 % | 3,5 % |
| Return on corporate portfolio | 1,0 % | 4,8 % | 3,2 % | 2,4 % | 1,3 % | 7,3 % | 5,3 % | 4,0 % |
| KLP Skadeforsikring AS | | | | | | | | |
| Profit before tax | 49,5 | 183,1 | 46,3 | 19,5 | -58,3 | 304,2 | 168,2 | 137,2 |
| Gross premium due | 290,3 | 1 086,8 | 806,9 | 529,0 | 259,3 | 921,3 | 781,9 | 667,1 |
| Premium income for own account | 276,4 | 1 035,1 | 768,4 | 503,4 | 246,7 | 841,9 | 622,8 | 410,0 |
| Owners' equity | 1 519,8 | 1 487,1 | 1 364,4 | 1 337,7 | 1 277,3 | 907,7 | 883,0 | 873,1 |
| Claims ratio | 76,9 % | 77,7 % | 86,1 % | 93,7 % | 131,6 % | 68,8 % | 76,1 % | 71,8 % |
| Combined-ratio | 100,2 % | 98,8 % | 106,4 % | 114,0 % | 153,8 % | 91,9 % | 97,9 % | 95,7 % |
| Return on assets under management | 1,3 % | 4,4 % | 2,5 % | 2,3 % | 1,9 % | 6,5 % | 4,6 % | 3,5 % |
| Solvency capital requirement (SCR) | 1 910 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Solvency II SCR ratio | 285 % | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Capital adequacy | n/a | 48,9 % | 41,4 % | 40,0 % | 41,8 % | 44,0 % | 37,8 % | 37,0 % |
| Tier 1 and Tier 2 capital | n/a | 1 059,9 | 884,2 | 882,7 | 884,4 | 895,4 | 771,1 | 771,5 |
| Annual premium in force – retail market | 367,5 | 354,4 | 344,3 | 329,9 | 312,7 | 295,7 | 274,2 | 259,0 |
| Annual premium in force – public sector market | 813,2 | 762,2 | 769,7 | 763,9 | 756,6 | 629,5 | 634,6 | 649,9 |
| Net new subscriptions (accumulated within the year) | 31,8 | 112,1 | 64,1 | 47,3 | 26,4 | 57,0 | 41,1 | 16,5 |

¹ Changes in disability financing, a new disability tariff and particular conditions in the nurse scheme frred up NOK 19 644 millions on from premium reserves contractual and investment choices.

Key figures – Accumulated – cont.

| NOK millions | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 | Q2 2014 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| KLP Bedriftspensjon AS | | | | | | | | |
| Profit before tax | -4,7 | -24,2 | -15,6 | -6,8 | -7,1 | -22,7 | -15,7 | -9,3 |
| Premium income for own account | 134,2 | 485,6 | 378,1 | 235,7 | 113,2 | 409,9 | 324,8 | 258,2 |
| - of which premium reserve added | 40,9 | 149,7 | 128,3 | 72,7 | 34,4 | 149,3 | 138,5 | 135,1 |
| Insurance customers' funds including accumulated profit | 2 748,1 | 2 618,6 | 2 491,3 | 2 405,1 | 2 330,1 | 2 152,2 | 2 055,3 | 1 997,1 |
| - of which funds with guaranteed returns | 1 342,9 | 1 293,4 | 1 274,6 | 1 389,4 | 1 383,4 | 1 310,3 | 1 153,7 | 1 137,8 |
| Returns profit | 2,5 | 22,8 | 13,1 | 10,0 | 5,5 | 17,3 | 11,5 | 12,0 |
| Risk result | 0,6 | -1,8 | -1,4 | 3,1 | -2,0 | 5,2 | 3,3 | 3,2 |
| Administration losses | -7,6 | -27,5 | -19,3 | -13,5 | -7,1 | -30,7 | -22,1 | -14,5 |
| Solvency capital requirement (SCR) | 73,0 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Solvency II SCR ratio | 57 % | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Tier 1 and Tier 2 capital | n/a | 295,2 | 96,6 | 103,6 | 104,5 | 84,5 | 92,6 | 100,3 |
| Solvency capital | 480,0 | 461,0 | 254,4 | 258,0 | 295,4 | 265,4 | 239,8 | 235,4 |
| Solvency margin ratio | n/a | 445 % | 164 % | 181 % | 184 % | 167 % | 184 % | 188 % |
| Capital adequacy | n/a | 35,4 % | 12,7 % | 14,2 % | 14,5 % | 12,7 % | 14,2 % | 15,6 % |
| Book capital return on common portfolio | 1,0 % | 4,8 % | 3,4 % | 2,4 % | 1,3 % | 4,6 % | 3,5 % | 2,7 % |
| Value-adjusted capital return on common portfolio | 1,1 % | 4,7 % | 2,8 % | 2,5 % | 2,0 % | 6,1 % | 4,3 % | 3,2 % |
| Return on defined unit-linked contribution pensions | -0,2 % | 2,1 % | -0,9 % | 2,5 % | 3,3 % | 8,8 % | 6,9 % | 6,1 % |
| Return on corporate portfolio | 1,1 % | 0,9 % | 0,5 % | 0,7 % | 0,8 % | 3,6 % | 2,5 % | 1,9 % |
| KLP Banken Group | | | | | | | | |
| Profit/loss before tax | 19,9 | 49,6 | 34,4 | 17,1 | -1,8 | 28,3 | 29,9 | 28,7 |
| Net interest income | 50,9 | 187,1 | 133,1 | 81,4 | 38,4 | 133,1 | 92,4 | 64,0 |
| Other operating income | 15,5 | 67,9 | 51,0 | 34,1 | 17,2 | 68,0 | 50,6 | 33,7 |
| Operating expenses and depreciation | -53,0 | -170,2 | -122,1 | -84,5 | -46,3 | -157,4 | -105,3 | -69,8 |
| Net realized/unrealized changes in financial instruments to fair value | 6,5 | -34,1 | -27,7 | -14,1 | -11,6 | -14,4 | -6,7 | 6,3 |
| Contributions | 7 884 | 7 426 | 7 279 | 7 305 | 7 128 | 6 251 | 5 486 | 5 079 |
| Housing mortgages granted | 11 311 | 10 713 | 10 438 | 9 604 | 9 439 | 8 608 | 6 527 | 5 840 |
| Loan(s) with public guarantee(s) | 15 783 | 15 646 | 15 808 | 15 591 | 15 951 | 16 338 | 16 045 | 16 314 |
| Defaulted loans | 33 | 29 | 27 | 34 | 26 | 26 | 18 | 8 |
| Borrowing on the issuance of securities | 22 283 | 21 902 | 19 941 | 20 777 | 21 553 | 21 687 | 20 244 | 19 604 |
| Other borrowing | 0 | - | - | - | - | - | - | - |
| Total assets | 32 200 | 31 294 | 29 267 | 29 814 | 30 470 | 29 755 | 27 674 | 26 446 |
| Average total assets | 31 747 | 30 525 | 29 511 | 29 785 | 30 112 | 27 881 | 26 842 | 26 228 |
| Owners' equity | 1 545 | 1 508 | 1 495 | 1 280 | 1 266 | 1 285 | 1 289 | 1 290 |
| Net interest rate | 0,16 % | 0,61 % | 0,45 % | 0,27 % | 0,13 % | 0,48 % | 0,34 % | 0,23 % |
| Profit/loss from general operations before tax | 0,06 % | 0,16 % | 0,12 % | 0,06 % | -1,01 % | 0,10 % | 0,12 % | 0,12 % |
| Return on owners' equity before tax | 1,55 % | 3,92 % | 2,67 % | 1,32 % | -0,14 % | 2,24 % | 2,40 % | 2,42 % |
| Capital adequacy | 17,5 % | 17,6 % | 17,9 % | 15,1 % | 15,6 % | 16,7 % | 18,4 % | 20,1 % |
| Number of private customers | 42 287 | 39 759 | 38 248 | 37 335 | 35 677 | 33 104 | 30 822 | 29 670 |
| Of this members of KLP | 29 501 | 27 448 | 26 337 | 25 586 | 24 270 | 22 291 | 20 627 | 19 808 |
| KLP Kapitalforvaltning AS | | | | | | | | |
| Profit/loss before tax | -4,9 | 46,1 | 44,7 | 30,5 | 10,3 | 56,3 | 42,8 | 11,7 |
| Total assets under management | 408 451 | 398 471 | 382 580 | 383 411 | 391 040 | 370 840 | 344 133 | 326 200 |
| Assets managed for external customers | 44 526 | 44 797 | 40 892 | 40 388 | 41 023 | 36 130 | 31 129 | 30 151 |



Non-financial accounts

KLP Group

Non-financial accounts

KLP Group

| Note | Per Q1 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-------------|------------|------------|------------|------------|-----------|-----------|
| SOCIAL RESPONSIBLE INVESTMENTS | | | | | | | |
| Number of exclusions of companies from the investment portfolio (total) | 124 | 124 | 99 | 69 | 64 | 64 | 59 |
| Number of exclusions of companies from the investment portfolio (accumulated this year) | 0 | 20 | 31 | 9 | 1 | 6 | 3 |
| Number of companies reinstated in the investment portfolio | 0 | 4 | 1 | 4 | 1 | 1 | 3 |
| Number of general meetings in Norwegian companies in which KLP has voted (in %) | 8 (73%) | 97 (91%) | 105 (93%) | 95 (95%) | 113 (92%) | 130 | 127 |
| Number of general meetings in foreign companies in which KLP has voted (in %) | 297 (66%) | 2445 (83%) | 2439 (82%) | 2259 (76%) | 2099 (75%) | 1662 | 1 533 |
| 1 Number of companies KLP has been in dialogue with | 86 | 176 | 109 | 41 | 143 | 96 | 25 |
| Market value for investments in renewable energy in Norway (mnok) | 21 194 | 20 189 | 19 876 | 18 865 | | | |
| Market value for investments in renewable energy in developing countries (mnok) | 250 | 226 | 131 | 36 | | | |
| Market for investment banking and finance in developing countries (mnok) | 229 | 229 | 201 | 8 | | | |
| EMPLOYEES | | | | | | | |
| Number of employees | 942 | 939 | 899 | 856 | 808 | 775 | 762 |
| Percentage reported sickness absence 12 month rolling | 5,3 % | 4,2 % | 4,7 % | 3,9 % | 4,2 % | 4,6 % | 4,4 % |
| Percentage reported sickness absence quarter | 5,3 % | 4,3 % | | | | | |
| ENVIRONMENT | | | | | | | |
| 2 Energy consumption kWh KLP-huset | 1 015 199 | 3 276 544 | 3 452 909 | 3 487 989 | 3 795 878 | 3 489 425 | 5 367 259 |
| 2 Energy consumption kWh own offices Trondheim | 66 470 | 232 399 | 230 936 | 254 063 | 221 703 | 165 135 | 357 159 |
| 2 Energy consumption kWh own office Bergen | 154 856 | 413 699 | 416 813 | 507 026 | 445 918 | 460 518 | 541 337 |
| 2 Kilo CO ₂ -equivalent from aircrafts | 136 564 | 650 557 | 652 324 | 609 203 | 387 429 | 333 081 | 300 370 |

NOTE 1 DIALOGUE

Number of companies that KLP has contacted regarding social, environmental and governance challenges related to their operations. The figures includes both companies that have taken the initiative to communicate how they address corporate responsibility challenges in a positive way, as well as cases in which KLP has initiated contact due to concerns regarding the company's activities.

NOTE 2 ENERGY CONSUMPTION

KLP uses Optima energy monitoring system. The system provides automatic reading of electricity consumption. Fictional/generated values are used if problems occur with the readings. KLP Huset has dozens of meters where such errors may occur. KLP use the most updated numbers available. The electricity consumption may be changed back in time due to delayed updates.



Accounts

Kommunal Landspensjonskasse

Income statement

Kommunal Landspensjonskasse

| Note | NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|------|--|--------------|--------------|---------------|
| 3 | Premium income | 7 556 | 15 948 | 38 789 |
| | Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises | 390 | 880 | 5 832 |
| | Interest income and dividends etc. on financial assets | 2 055 | 2 052 | 8 469 |
| | Value changes on investments | 2 545 | 9 939 | 7 082 |
| | Gains and losses realised on investments | -918 | -4 473 | -5 955 |
| | Net income from investments in the common portfolio | 4 071 | 8 398 | 15 428 |
| | Net income of the investment option portfolio | 18 | 45 | 77 |
| | Other insurance-related income | 228 | 227 | 888 |
| 4 | Claims | -4 004 | -3 773 | -15 283 |
| | Changes in insurance liabilities taken to profit/loss - contractual liabilities | -5 048 | -18 606 | -16 532 |
| | Changes in insurance liabilities taken to profit/loss investment option portfolio | -6 | -27 | -9 |
| | Funds assigned to insurance contracts - contractual liabilities | 0 | 0 | -17 508 |
| | Unallocated profit to insurance contracts | -2 063 | -1 413 | 0 |
| 5 | Insurance-related operating expenses | -238 | -226 | -922 |
| | Other insurance-related costs | -228 | -219 | -874 |
| | Technical profit/loss | 287 | 352 | 4 054 |
| | Net income from investments in the corporate portfolio | 302 | 256 | 1 232 |
| | Other income | 1 | 2 | 13 |
| | Administration costs and other costs associated with the corporate portfolio | -125 | -61 | -422 |
| | Non-technical profit/loss | 178 | 197 | 822 |
| | Profit/loss pre-tax | 464 | 549 | 4 876 |
| | Tax | -75 | -11 | -489 |
| | Profit/loss before other comprehensive income | 389 | 538 | 4 387 |
| | Actuarial gains and losses on defined benefit plans - employee benefits | -59 | 0 | 124 |
| | Tax on items that will not be reclassified to profit/loss | 15 | 0 | -31 |
| | Items that will not be reclassified to profit/loss | -44 | 0 | 93 |
| | Share of other comprehensive income using the equity method | -29 | 0 | 71 |
| | Adjustments of the insurance obligations | 9 | 0 | -20 |
| | Tax on items that will be reclassified to profit/loss | 5 | 0 | -13 |
| | Items that will be reclassified to profit/loss when specific conditions are met | -15 | 0 | 39 |
| | Other comprehensive income | -59 | 0 | 132 |
| | TOTAL COMPREHENSIVE INCOME | 330 | 538 | 4 519 |

Balance sheet

Kommunal Landspensjonskasse

| Note | NOK millions | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|-----------------------------------|---|----------------|----------------|----------------|
| ASSETS | | | | |
| ASSETS IN THE CORPORATE PORTFOLIO | | | | |
| | Intangible assets | 464 | 397 | 454 |
| 7 | Investment property | 871 | 881 | 893 |
| | Shares and holdings in property subsidiaries | 1 672 | 1 502 | 1 673 |
| | Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities | 3 777 | 3 067 | 3 738 |
| 6 | Financial assets valued at amortized cost | 15 910 | 9 803 | 16 304 |
| 6,7 | Financial assets valued at fair value | 10 312 | 9 033 | 9 458 |
| | Receivables | 1 010 | 1 105 | 759 |
| | Tax asset | 0 | 76 | 0 |
| | Other assets | 670 | 547 | 693 |
| | Total assets in the corporate portfolio | 34 686 | 26 411 | 33 973 |
| ASSETS IN THE CUSTOMER PORTFOLIOS | | | | |
| | Shares and holdings in property subsidiaries | 52 775 | 42 809 | 53 386 |
| | Shares and holdings in associated enterprises and jointly controlled entities | 394 | 308 | 364 |
| 6 | Financial assets valued at amortized cost | 163 627 | 153 216 | 162 588 |
| 6,7 | Financial assets valued at fair value | 210 996 | 207 118 | 205 497 |
| | Total investment in the common portfolios | 427 791 | 403 452 | 421 835 |
| | Shares and holdings in property subsidiaries | 261 | 212 | 264 |
| 6 | Financial assets at amortized costs | 692 | 662 | 678 |
| 6,7 | Financial assets at fair value | 1 107 | 1 105 | 1 108 |
| | Total investment in investment option portfolio | 2 060 | 1 978 | 2 050 |
| | Total assets in the customer portfolios | 429 851 | 405 430 | 423 885 |
| | TOTAL ASSETS | 464 537 | 431 841 | 457 858 |

Balance sheet – cont.

Kommunal Landspensjonskasse

| Note | NOK millions | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---------------------------------------|--|----------------|----------------|----------------|
| OWNERS' EQUITY AND LIABILITIES | | | | |
| | Owners' equity contributed | 10 425 | 9 179 | 10 422 |
| | Retained earnings | 13 516 | 9 206 | 13 186 |
| | Total owners' equity | 23 941 | 18 385 | 23 609 |
| 6 | Subordinated loan capital etc. | 11 135 | 4 764 | 11 105 |
| | Premium reserve | 358 659 | 343 743 | 353 393 |
| | Supplementary reserves | 20 170 | 17 013 | 20 170 |
| | Securities adjustment fund | 21 178 | 24 104 | 21 472 |
| | Claims reserve | 10 | 10 | 7 |
| | Premium fund, deposits fund and pensioners' surplus fund | 14 986 | 10 083 | 15 284 |
| | Unallocated profit to customers | 2 048 | 1 380 | 0 |
| | Total insurance liabilities - contractual liabilities | 417 052 | 396 334 | 410 327 |
| | Premium reserve | 1 689 | 1 665 | 1 684 |
| | Supplementary reserves | 114 | 91 | 114 |
| | Premium fund, deposits fund and pensioners' surplus fund | 239 | 192 | 238 |
| | Unallocated profit to customers | 5 | 33 | 0 |
| | Total insurance liabilities - investment option portfolio | 2 047 | 1 980 | 2 036 |
| | Pension obligations | 492 | 503 | 423 |
| | Deferred tax liabilities | 501 | 0 | 446 |
| 9 | Liabilities | 9 249 | 9 791 | 9 793 |
| | Accrued costs and prepaid income | 121 | 84 | 120 |
| | TOTAL OWNERS' EQUITY AND LIABILITIES | 464 537 | 431 841 | 457 858 |
| OFF-BALANCE SHEET ITEMS | | | | |
| | Contingent liabilities | 13 770 | 8 065 | 13 721 |

Changes in Owners' equity

Kommunal Landspensjonskasse

| 2016 NOK millions | Owners' equity contributed | Retained earnings | | Total owners' equity |
|--|-------------------------------|---------------------------|----------------------------|-------------------------|
| | | Risk equalization fund | Other retained earnings | |
| Own funds 1 January 2016 | 10 422 | 3 364 | 9 822 | 23 609 |
| Profit/loss before other comprehensive income (unallocated) | | 112 | 277 | 389 |
| Comprehensive income that will not be reclassified to profit/loss (unallocated) | | | | |
| Actuarial gains and losses on defined benefit plans - employee benefits | | | -59 | -59 |
| Tax on items that will not be reclassified to profit/loss | | | 15 | 15 |
| Total items that will not be reclassified to profit/loss (unallocated) | | | -44 | -44 |
| Comprehensive income that will be reclassified to profit/loss (unallocated) | | | | |
| Share of other comprehensive income using the equity method | | | -29 | -29 |
| Adjustments of the insurance obligations | | | 9 | 9 |
| Tax on items that will be reclassified to profit/loss | | | 5 | 5 |
| Total items that will be reclassified to profit/loss when specific conditions are met (unallocated) | | | -15 | -15 |
| Total other comprehensive income (unallocated) | | | -59 | -59 |
| Total comprehensive income (unallocated) | | 112 | 218 | 330 |
| Owners equity contribution recieved (net) | 2 | | | 2 |
| Total transactions with owners | 2 | | | 2 |
| Own funds 31 March 2016 | 10 425 | 3 476 | 10 040 | 23 941 |

Changes in Owners' equity – cont.

Kommunal Landspensjonskasse

| 2015 NOK millions | Owners' equity contributed | Retained earnings | | Total owners' equity |
|--|-------------------------------|---------------------------|----------------------------|-------------------------|
| | | Risk equalization fund | Other retained earnings | |
| Own funds 31 December 2014 | 9 173 | 528 | 7 754 | 17 454 |
| Change in principle, dissolution of the contingency reserve in KLP Skadeforsikring AS | | | 387 | 387 |
| Own funds 1 January 2015 | 9 173 | 528 | 8 140 | 17 841 |
| Profit/loss before other comprehensive income (unallocated) | | 98 | 440 | 538 |
| Comprehensive income that will not be reclassified to profit/loss (unallocated) | | | | |
| Actuarial gains and losses on defined benefit plans - employee benefits | | | 0 | 0 |
| Tax on items that will not be reclassified to profit/loss | | | 0 | 0 |
| Total items that will not be reclassified to profit/loss (unallocated) | | | 0 | 0 |
| Comprehensive income that will be reclassified to profit/loss (unallocated) | | | | |
| Share of other comprehensive income using the equity method | | | 0 | 0 |
| Adjustments of the insurance obligations | | | 0 | 0 |
| Tax on items that will be reclassified to profit/loss | | | 0 | 0 |
| Total items that will be reclassified to profit/loss when specific conditions are met (unallocated) | | | 0 | 0 |
| Total other comprehensive income (unallocated) | | | 0 | 0 |
| Total comprehensive income (unallocated) | | 98 | 440 | 538 |
| Owners equity contribution recieved (net) | 6 | | | 6 |
| Total transactions with owners | 6 | | | 6 |
| Own funds 31 March 2015 | 9 179 | 626 | 8 580 | 18 385 |

Changes in Owners' equity – cont.

Kommunal Landspensjonskasse

| 2015 NOK millions | Owners' equity contributed | Retained earnings | | Total owners' equity |
|--|-------------------------------|---------------------------|----------------------------|-------------------------|
| | | Risk equalization fund | Other retained earnings | |
| Own funds 31 December 2014 | 9 173 | 528 | 7 754 | 17 454 |
| Change in principle, dissolution of the contingency reserve in KLP Skadeforsikring AS | | | 387 | 387 |
| Own funds 1 January 2015 | 9 173 | 528 | 8 140 | 17 841 |
| Profit/loss before other comprehensive income | | 2 836 | 1 551 | 4 387 |
| Comprehensive income that will not be reclassified to profit/loss | | | | |
| Actuarial gains and losses on defined benefit plans - employee benefits | | | 124 | 124 |
| Tax on items that will not be reclassified to profit/loss | | | -31 | -31 |
| Total items that will not be reclassified to profit/loss | | | 93 | 93 |
| Comprehensive income that will be reclassified to profit/loss | | | | |
| Share of other comprehensive income using the equity method | | | 71 | 71 |
| Adjustments of the insurance obligations | | | -20 | -20 |
| Tax on items that will be reclassified to profit/loss | | | -13 | -13 |
| Total items that will be reclassified to profit/loss when specific conditions are met | | | 39 | 39 |
| Total other comprehensive income | | | 132 | 132 |
| Total comprehensive income | | 2 836 | 1 682 | 4 519 |
| Owners equity contribution recieved (net) | 1 249 | | | 1 249 |
| Total transactions with owners | 1 249 | | | 1 249 |
| Own funds 31 December 2015 | 10 422 | 3 364 | 9 822 | 23 609 |

Statement of cash flows

Kommunal Landspensjonskasse

| NOK millions | 01.01.2016- 31.03.2016 | 01.01.2015- 31.12.2015 | 01.01.2015- 30.09.2015 | 01.01.2015- 30.06.2015 | 01.01.2015- 31.03.2015 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Net cashflow from operational activities | 6 | -6 062 | -6 267 | -4 713 | 79 |
| Net cashflow from investment activities ¹ | -30 | -130 | -82 | -53 | -16 |
| Net cashflow from financing activities ² | 2 | 6 412 | 6 464 | 5 275 | 6 |
| Net changes in cash and bank deposits | -22 | 219 | 115 | 509 | 69 |
| Holdings of cash and bank deposits at start of period | 654 | 434 | 434 | 434 | 434 |
| Holdings of cash and bank deposits at end of period | 632 | 654 | 549 | 943 | 504 |

¹ Payments on the purchase of tangible fixed assets.

² Net receipts of owners equity contribution, borrowings and repayment of debt.

Notes to the accounts

Kommunal Landspensjonskasse

Note 1 ACCOUNTING PRINCIPLES AND ESTIMATES

Accounting principles

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 31 March 2016. The accounts have not been audited.

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

The interim financial statements do not contain all the information required of complete annual financial statements, and these interim financial statements should be read in the context of the annual financial statements for 2015, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at klp.no.

As a result of the amendments made to the Insurance Activity Act with effect from 1 January 2016, the KLP subsidiary KLP Skadeforsikring AS has dissolved the company's contingency reserves. KLP recognise their investments in subsidiaries in accordance with the equity method, and the change to the subsidiary is consequently treated as a change in principle at KLP. The change has had the following effect on KLP's financial statements and comparative figures:

| Income statement NOK millions | Q1 2015 | The year 2015 |
|---|---------|------------------|
| Net income from investments in the corporate portfolio | -43 | 18 |

| Balance sheet NOK millions | 31.03.15 | 31.12.15 | Changed OB 01.01.15 |
|---|----------|----------|------------------------|
| Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities | 343 | 405 | 387 |
| Retained earnings | 343 | 405 | 387 |

Accounting estimates

When preparing the interim financial statements the management exercised discretion and used estimates and assumptions affecting the figures. The actual figures may therefore differ from the estimates used.

Pension obligations – own employees

The assumptions used to calculate the pension liabilities for own employees are inherently uncertain, and KLP have determined the assumptions themselves, based on a concrete assessment. Consequently the changes in the parameters for Q1-16 are as follows:

| Assumptions | 31.03.16 | 31.12.15 | The change to Q1-2016 |
|---|----------|----------|--------------------------|
| PENSION OBLIGATIONS – OWN EMPLOYEES | | | |
| Discount rate | 2,40 % | 2,70 % | -0,30 % |
| Salary growth | 2,50 % | 2,50 % | 0,00 % |
| The National Insurance basic amount (G) | 2,25 % | 2,25 % | 0,00 % |
| Pension increases | 1,48 % | 1,48 % | 0,00 % |
| Social security contribution rate | 14,10 % | 14,10 % | 0,00 % |

The effect of the changes in the pension assumptions is that the pension liability for own employees increases by NOK 59 million.

Note 2 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as of March 31st 2016.

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|--|------------|------------|---------------|
| Value adjustment incl. foreign exchange | -275 | 353 | 3 748 |
| Foreign exchange effect on hedging | 612 | 307 | -1 097 |
| Net value adjustment incl. exchange hedging | 337 | 660 | 2 651 |

Note 3 PREMIUM INCOME

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|--|--------------|---------------|---------------|
| Gross premiums due | 5 718 | 5 913 | 29 543 |
| Reinsurance premiums ceded | 0 | 0 | -2 |
| Transfer of premium reserves from others | 1 838 | 10 035 | 9 247 |
| Total premium income | 7 556 | 15 948 | 38 789 |

Note 4 CLAIMS

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|---|--------------|--------------|---------------|
| Claims paid | 3 898 | 3 649 | 15 139 |
| Change in claim reserves | 3 | -1 | -4 |
| Transfers of premium reserves to others | 104 | 126 | 147 |
| Total claims | 4 004 | 3 773 | 15 283 |

Note 5 INSURANCE-RELATED OPERATING EXPENSES

| NOK millions | Q1 2016 | Q1 2015 | The year 2015 |
|---|------------|------------|---------------|
| Personnel costs | 141 | 136 | 554 |
| Depreciation | 22 | 18 | 80 |
| Other operating expenses | 76 | 72 | 289 |
| Total insurance-related operating expenses | 238 | 226 | 922 |

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is to be a representative price based on what the corresponding asset or liability would be sold for on normal market terms and conditions. A financial instrument is considered as listed in an active market if listed prices are simply and regularly available from a stock exchange, dealer, broker, industrial group, pricing service or regulatory authority and these prices represent actual and regular transactions at arm's length. If the market involving the security is not active or the security is not quoted on a stock exchange or similar, KLP will use valuation techniques to determine the fair value. Among other things these are based on information regarding recent transactions on commercial terms, reference to sales of similar instruments and pricing by means of yield curves and interest-rate differential curves obtained externally. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

In the case of this note, financial instruments are divided into three categories: balance sheet/financial position statement classification, accounts classification and type of instrument. It is the last category – type of instrument – that provides information on how fair value is derived.

Financial instruments measured at amortised cost

This category includes:

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

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

Financial instruments measured at fair value

This category includes:

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

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

Investments held to maturity

Bonds classified as loans and receivables

Debt instruments measured at fair value

a) Foreign fixed-income securities

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

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Foreign fixed-income - government

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

c) Norwegian fixed-income securities

– other than government

Norwegian fixed-income securities except government are mainly priced directly on prices from Nordic Bond Pricing. Securities that are not covered by Nordic Bond Pricing, are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond.

Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves and curves for Norwegian savings banks, municipalities and energy. Savings banks have various spread curves based on total assets.

In addition to Nordic Bond Pricing, Norwegian banks distribute spreads for a number of issuers. Spread curves can be used based on data from the four sources. Such spread curves are generally to be based on an equal-weighted average from the four banks.

d) Fixed-income securities issued by foreign enterprises but denominated in NOK

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

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

Other loans and receivables

e) Loans to municipalities and enterprises with municipal guarantee

Receivables are valued by means of a valuation model using relevant credit premium adjustments obtained in the market. Observable interest-rate curves and credit interest-rate differential curves are used for loans to municipalities, county administrations and municipality-supported projects in a valuation model discounting future cash flows. The credit premiums used in the model calculations are based on quotations from three different price providers. An assessment of the quality of the quotations is made by comparing them against each other and against the previous observation received as well as other market information.

For guaranteed loans fair value is calculated as discounted cash flow based on the same interest-rate curves as direct loans but the credit margin is basically based on the initial margin. Guarantees are traded bilaterally and not across open marketplaces such as a stock exchange (OTC) for instance and are therefore not priced in the market. The initial margin agreed on the entry date is the best estimate for the market premium on that same date. The credit standing does not change as much for the loan as for the guarantor or the borrower individually. Usually the borrower's credit standing is not assessed by credit rating agencies or banks. The guarantor is either a municipality or a bank (or both – triple default loan). Statistical analyses indicate that the credit margin for guaranteed loans is less volatile than that of non-guaranteed loans and bonds. The credit premium for guaranteed loans is consequently not adjusted until the guarantor has experienced a significant change in the rating since the initial margin was determined. The credit premium for KLP's loans with both municipal and bank guarantees is adjusted relative to the initial margin only if both guarantors have had their credit ratings changed significantly since the disbursement date.

f) Loans secured by mortgage

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

Equity instruments

g) Shares (listed)

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

h) Shares (unlisted)

As far as possible, KLP uses the Norwegian Mutual Funds Association's industry recommendations.

This basically means the following:

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

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

i) Private Equity

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

Derivatives

j) Futures/FRA/IRF

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

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

source.

k) Options

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

l) Interest-rate swaps

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

m) FX-swaps

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

Debt to credit institutions**n) Placements with credit institutions**

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

Subordinated loan capital**o) Fair value of subordinated loans**

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

p) Fair value of subordinated bond/perpetual bond issued

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

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

| 31.03.16 NOK millions | Corporate portfolio | | Common portfolio | | Investment option portfolio | | Total | |
|---|---------------------|---------------|------------------|----------------|-----------------------------|------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| ASSETS - AT AMORTIZED COST | | | | | | | | |
| INVESTMENTS HELD TO MATURITY | | | | | | | | |
| Norwegian hold-to-maturity bonds | 838 | 942 | 9 476 | 10 447 | 65 | 69 | 10 379 | 11 458 |
| Accrued not due interest | 18 | 18 | 212 | 212 | 2 | 2 | 232 | 232 |
| Foreign hold-to-maturity bonds | 8 577 | 9 515 | 14 110 | 16 613 | 69 | 80 | 22 756 | 26 207 |
| Accrued not due interest | 80 | 80 | 346 | 346 | 2 | 2 | 428 | 428 |
| Total investments held to maturity | 9 513 | 10 555 | 24 145 | 27 618 | 137 | 152 | 33 795 | 38 325 |
| BONDS CLASSIFIED AS LOANS AND RECEIVABLES | | | | | | | | |
| Norwegian bonds | 1 904 | 2 081 | 26 902 | 30 148 | 152 | 173 | 28 958 | 32 403 |
| Accrued not due interest | 46 | 46 | 614 | 614 | 5 | 5 | 665 | 665 |
| Foreign bonds | 4 334 | 4 808 | 59 702 | 67 021 | 389 | 432 | 64 425 | 72 261 |
| Accrued not due interest | 112 | 112 | 1 233 | 1 233 | 9 | 9 | 1 354 | 1 354 |
| Total bonds classified as loans and receivables | 6 397 | 7 048 | 88 451 | 99 016 | 555 | 619 | 95 403 | 106 683 |
| OTHER LOANS AND RECEIVABLES | | | | | | | | |
| Secured loans | 0 | 0 | 3 204 | 3 229 | 0 | 0 | 3 204 | 3 229 |
| Lending with public sector guarantee | 0 | 0 | 37 914 | 38 692 | 0 | 0 | 37 914 | 38 692 |
| Loans abroad secured by mortgage and local government guarantee | 0 | 0 | 9 641 | 9 614 | 0 | 0 | 9 641 | 9 614 |
| Accrued not due interest | 0 | 0 | 272 | 272 | 0 | 0 | 272 | 272 |
| Total other loans and receivables | 0 | 0 | 51 031 | 51 808 | 0 | 0 | 51 031 | 51 808 |
| Total financial assets at amortized cost | 15 910 | 17 603 | 163 627 | 178 442 | 692 | 771 | 180 229 | 196 816 |
| ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | | | |
| EQUITY CAPITAL INSTRUMENTS | | | | | | | | |
| Norwegian shares | 406 | 406 | 4 819 | 4 819 | 0 | 0 | 5 225 | 5 225 |
| Foreign shares | 0 | 0 | 16 493 | 16 493 | 0 | 0 | 16 493 | 16 493 |
| Total shares | 406 | 406 | 21 313 | 21 313 | 0 | 0 | 21 719 | 21 719 |
| Property funds | 0 | 0 | 1 019 | 1 019 | 0 | 0 | 1 019 | 1 019 |
| Norwegian equity funds | 0 | 0 | 46 477 | 46 477 | 424 | 424 | 46 901 | 46 901 |
| Foreign equity funds | 0 | 0 | 7 184 | 7 184 | 0 | 0 | 7 184 | 7 184 |
| Total equity fund units | 0 | 0 | 54 680 | 54 680 | 424 | 424 | 55 104 | 55 104 |
| Norwegian alternative investments | 0 | 0 | 2 319 | 2 319 | 14 | 14 | 2 333 | 2 333 |
| Foreign alternative investments | 0 | 0 | 308 | 308 | 0 | 0 | 308 | 308 |
| Total alternative investments | 0 | 0 | 2 628 | 2 628 | 14 | 14 | 2 642 | 2 642 |

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

| 31.03.16 NOK millions | Corporate portfolio | | Common portfolio | | Investment option portfolio | | Total | |
|--|---------------------|---------------|------------------|----------------|-----------------------------|--------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| DEBT INSTRUMENTS AT FAIR VALUE | | | | | | | | |
| Norwegian bonds | 4 597 | 4 597 | 26 685 | 26 685 | 0 | 0 | 31 282 | 31 282 |
| Foreign bonds | 194 | 194 | 22 137 | 22 137 | 0 | 0 | 22 330 | 22 330 |
| Accrued not due interest | 40 | 40 | 360 | 360 | 0 | 0 | 400 | 400 |
| Norwegian fixed-income funds | 2 178 | 2 178 | 44 463 | 44 463 | 610 | 610 | 47 250 | 47 250 |
| Foreign fixed-income funds | 0 | 0 | 12 647 | 12 647 | 0 | 0 | 12 647 | 12 647 |
| Accrued not due interest | 5 | 5 | 61 | 61 | 3 | 3 | 70 | 70 |
| Norwegian certificates | 626 | 626 | 8 496 | 8 496 | 0 | 0 | 9 122 | 9 122 |
| Accrued not due interest | 4 | 4 | 9 | 9 | 0 | 0 | 13 | 13 |
| Total bonds and other fixed-income securities | 7 645 | 7 645 | 114 858 | 114 858 | 612 | 612 | 123 115 | 123 115 |
| Norwegian loans and receivables | 1 027 | 1 027 | 6 065 | 6 065 | 15 | 15 | 7 106 | 7 106 |
| Foreign loans and receivables | 513 | 513 | 4 301 | 4 301 | 29 | 29 | 4 844 | 4 844 |
| Total loans and receivables | 1 540 | 1 540 | 10 366 | 10 366 | 44 | 44 | 11 950 | 11 950 |
| DERIVATIVES | | | | | | | | |
| Interest rate swaps | 718 | 718 | 1 080 | 1 080 | 9 | 9 | 1 807 | 1 807 |
| Share options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Forward exchange contracts | 3 | 3 | 2 211 | 2 211 | 3 | 3 | 2 218 | 2 218 |
| Total financial derivatives classified as assets | 721 | 721 | 3 291 | 3 291 | 13 | 13 | 4 025 | 4 025 |
| Other financial assets | 0 | 0 | 3 860 | 3 860 | 0 | 0 | 3 860 | 3 860 |
| Total financial assets valued at fair value | 10 312 | 10 312 | 210 996 | 210 996 | 1 107 | 1 107 | 222 415 | 222 415 |
| LIABILITIES | | | | | | | | |
| DERIVATIVES | | | | | | | | |
| Interest rate swaps | 0 | 0 | 938 | 938 | 0 | 0 | 938 | 938 |
| Forward exchange contracts | 0 | 0 | 1 745 | 1 745 | 7 | 7 | 1 752 | 1 752 |
| Total financial derivatives classified as liabilities | 0 | 0 | 2 683 | 2 683 | 7 | 7 | 2 690 | 2 690 |
| SUBORDINATED LOAN CAPITAL | | | | | | | | |
| Subordinated loan capital | 9 470 | 9 398 | 0 | 0 | 0 | 0 | 9 470 | 9 398 |
| Hybrid Tier 1 securities | 1 665 | 1 682 | 0 | 0 | 0 | 0 | 1 665 | 1 682 |
| Total subordinated loan capital etc. | 11 135 | 11 080 | 0 | 0 | 0 | 0 | 11 135 | 11 080 |
| LIABILITIES TO CREDIT INSTITUTIONS | | | | | | | | |
| Norwegian call money ¹ | 0 | 0 | 51 | 51 | 4 | 4 | 56 | 56 |
| Foreign call money ¹ | 691 | 691 | 1 299 | 1 299 | 0 | 0 | 1 991 | 1 991 |
| Total liabilities to credit institutions | 692 | 692 | 1 351 | 1 351 | 4 | 4 | 2 047 | 2 047 |

¹ Call money is collateral for paid/received margin related to derivatives.

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

| 31.03.15 NOK millions | Corporate portfolio | | Common portfolio | | Investment option portfolio | | Total | |
|---|---------------------|---------------|------------------|----------------|-----------------------------|------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| ASSETS – AT AMORTIZED COST | | | | | | | | |
| INVESTMENTS HELD TO MATURITY | | | | | | | | |
| Norwegian hold-to-maturity bonds | 729 | 854 | 9 053 | 10 280 | 50 | 55 | 9 832 | 11 189 |
| Accrued not due interest | 17 | 17 | 199 | 199 | 1 | 1 | 217 | 217 |
| Foreign hold-to-maturity bonds | 3 092 | 3 171 | 17 661 | 19 660 | 87 | 99 | 20 839 | 22 930 |
| Accrued not due interest | 64 | 64 | 415 | 415 | 3 | 3 | 482 | 482 |
| Total investments held to maturity | 3 903 | 4 107 | 27 327 | 30 553 | 141 | 158 | 31 370 | 34 818 |
| BONDS CLASSIFIED AS LOANS AND RECEIVABLES | | | | | | | | |
| Norwegian bonds | 1 555 | 1 737 | 25 363 | 28 859 | 142 | 164 | 27 061 | 30 760 |
| Accrued not due interest | 41 | 41 | 603 | 603 | 4 | 4 | 649 | 649 |
| Foreign bonds | 4 177 | 4 619 | 54 189 | 60 563 | 365 | 403 | 58 731 | 65 585 |
| Accrued not due interest | 126 | 126 | 1 196 | 1 196 | 9 | 9 | 1 331 | 1 331 |
| Total bonds classified as loans and receivables | 5 900 | 6 525 | 81 352 | 91 220 | 521 | 580 | 87 772 | 98 325 |
| OTHER LOANS AND RECEIVABLES | | | | | | | | |
| Secured loan | 0 | 0 | 3 873 | 3 900 | 0 | 0 | 3 873 | 3 900 |
| Lending with public sector guarantee | 0 | 0 | 33 920 | 34 931 | 0 | 0 | 33 920 | 34 931 |
| Loans abroad secured by mortgage and local government guarantee | 0 | 0 | 6 482 | 6 512 | 0 | 0 | 6 482 | 6 512 |
| Accrued not due interest | 0 | 0 | 263 | 263 | 0 | 0 | 263 | 263 |
| Total other loans and receivables | 0 | 0 | 44 538 | 45 605 | 0 | 0 | 44 538 | 45 605 |
| Total financial assets at amortized cost | 9 803 | 10 631 | 153 216 | 167 378 | 662 | 738 | 163 680 | 178 748 |
| ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | | | |
| EQUITY CAPITAL INSTRUMENTS | | | | | | | | |
| Norwegian shares | 410 | 410 | 4 885 | 4 885 | 0 | 0 | 5 295 | 5 295 |
| Foreign shares | 0 | 0 | 19 495 | 19 495 | 0 | 0 | 19 495 | 19 495 |
| Total shares | 410 | 410 | 24 380 | 24 380 | 0 | 0 | 24 791 | 24 791 |
| Property funds | 0 | 0 | 420 | 420 | 0 | 0 | 420 | 420 |
| Norwegian equity funds | 0 | 0 | 47 437 | 47 437 | 433 | 433 | 47 871 | 47 871 |
| Foreign equity funds | 0 | 0 | 6 019 | 6 019 | 0 | 0 | 6 019 | 6 019 |
| Total equity fund units | 0 | 0 | 53 876 | 53 876 | 433 | 433 | 54 310 | 54 310 |
| Norwegian alternative investments | 0 | 0 | 1 824 | 1 824 | 14 | 14 | 1 837 | 1 837 |
| Foreign alternative investments | 0 | 0 | 68 | 68 | 0 | 0 | 68 | 68 |
| Total alternative investments | 0 | 0 | 1 891 | 1 891 | 14 | 14 | 1 905 | 1 905 |

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

| 31.03.15 NOK millions | Corporate portfolio | | Common portfolio | | Investment option portfolio | | Total | |
|--|------------------------|---------------|---------------------|----------------|--------------------------------|---------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| DEBT INSTRUMENTS AT FAIR VALUE | | | | | | | | |
| Norwegian bonds | 4 541 | 4 541 | 28 506 | 28 506 | 0 | 0 | 33 047 | 33 047 |
| Foreign bonds | 177 | 177 | 20 138 | 20 138 | 0 | 0 | 20 315 | 20 315 |
| Accrued not due interest | 43 | 43 | 409 | 409 | 0 | 0 | 451 | 451 |
| Norwegian fixed-income funds | 1 882 | 1 882 | 43 798 | 43 798 | 593 | 593 | 46 273 | 46 273 |
| Foreign fixed-income funds | 0 | 0 | 12 420 | 12 420 | 0 | 0 | 12 420 | 12 420 |
| Accrued not due interest | 5 | 5 | 76 | 76 | 3 | 3 | 84 | 84 |
| Norwegian certificates | 757 | 757 | 6 254 | 6 254 | 0 | 0 | 7 011 | 7 011 |
| Accrued not due interest | 6 | 6 | 19 | 19 | 0 | 0 | 25 | 25 |
| Total bonds and other fixed-income securities | 7 411 | 7 411 | 111 620 | 111 620 | 596 | 596 | 119 627 | 119 627 |
| Norwegian loans and receivables | 613 | 613 | 9 891 | 9 891 | 21 | 21 | 10 525 | 10 525 |
| Foreign loans and receivables | 150 | 150 | 3 274 | 3 274 | 32 | 32 | 3 455 | 3 455 |
| Total loans and receivables | 763 | 763 | 13 165 | 13 165 | 53 | 53 | 13 980 | 13 980 |
| DERIVATIVES | | | | | | | | |
| Interest rate swaps | 449 | 449 | 528 | 528 | 2 | 2 | 979 | 979 |
| Share options | 0 | 0 | 350 | 350 | 3 | 3 | 353 | 353 |
| Forward exchange contracts | 0 | 0 | 194 | 194 | 1 | 1 | 194 | 194 |
| Total financial derivatives classified as assets | 449 | 449 | 1 072 | 1 072 | 5 | 5 | 1 527 | 1 527 |
| Other financial assets | 0 | 0 | 1 114 | 1 114 | 4 | 4 | 1 118 | 1 118 |
| Total financial assets valued at fair value | 9 033 | 9 033 | 207 118 | 207 118 | 1 105 | 1 105 | 217 256 | 217 256 |
| LIABILITIES | | | | | | | | |
| DERIVATIVES | | | | | | | | |
| Interest rate swaps | 0 | 0 | 925 | 925 | 0 | 0 | 925 | 925 |
| Forward exchange contracts | 5 | 5 | 3 184 | 3 184 | 4 | 4 | 3 193 | 3 193 |
| Total financial derivatives classified as liabilities | 5 | 5 | 4 109 | 4 109 | 4 | 4 | 4 119 | 4 119 |
| SUBORDINATED LOAN CAPITAL | | | | | | | | |
| Subordinated loan capital | 3 377 | 3 442 | 0 | 0 | 0 | 0 | 3 377 | 3 442 |
| Hybrid Tier 1 securities | 1 386 | 1 391 | 0 | 0 | 0 | 0 | 1 386 | 1 391 |
| Total subordinated loan capital etc. | 4 764 | 4 833 | 0 | 0 | 0 | 0 | 4 764 | 4 833 |
| LIABILITIES TO CREDIT INSTITUTIONS | | | | | | | | |
| Norwegian call money ¹ | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 |
| Foreign call money ¹ | 310 | 310 | 478 | 478 | 2 | 2 | 790 | 790 |
| Total liabilities to credit institutions | 310 | 310 | 478 | 478 | 4 | 4 | 792 | 792 |

¹ Call money is collateral for paid/received margin related to derivatives.

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

| 31.12.15 NOK millions | Corporate portfolio | | Common portfolio | | Investment option portfolio | | Total | |
|--|------------------------|---------------|---------------------|----------------|--------------------------------|---------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| ASSETS – AT AMORTIZED COST | | | | | | | | |
| INVESTMENTS HELD TO MATURITY | | | | | | | | |
| Norwegian hold-to-maturity bonds | 840 | 915 | 9 477 | 10 298 | 65 | 68 | 10 382 | 11 281 |
| Accrued not due interest | 24 | 24 | 211 | 211 | 1 | 1 | 236 | 236 |
| Foreign hold-to-maturity bonds | 9 074 | 9 076 | 14 347 | 15 919 | 69 | 79 | 23 490 | 25 074 |
| Accrued not due interest | 75 | 75 | 223 | 223 | 1 | 1 | 299 | 299 |
| Norwegian certificates | 0 | 0 | 499 | 499 | 0 | 0 | 499 | 499 |
| Total investments held to maturity | 10 013 | 10 089 | 24 758 | 27 151 | 136 | 149 | 34 907 | 37 389 |
| BONDS CLASSIFIED AS LOANS AND RECEIVABLES | | | | | | | | |
| Norwegian bonds | 1 894 | 2 030 | 26 655 | 29 314 | 152 | 169 | 28 702 | 31 513 |
| Accrued not due interest | 44 | 44 | 709 | 709 | 3 | 3 | 756 | 756 |
| Foreign bonds | 4 275 | 4 593 | 58 107 | 62 994 | 379 | 415 | 62 761 | 68 002 |
| Accrued not due interest | 78 | 78 | 1 150 | 1 150 | 8 | 8 | 1 236 | 1 236 |
| Total bonds classified as loans and receivables | 6 291 | 6 745 | 86 621 | 94 167 | 543 | 595 | 93 455 | 101 507 |
| OTHER LOANS AND RECEIVABLES | | | | | | | | |
| Secured loan | 0 | 0 | 3 389 | 3 415 | 0 | 0 | 3 389 | 3 415 |
| Lending with public sector guarantee | 0 | 0 | 37 471 | 38 065 | 0 | 0 | 37 471 | 38 065 |
| Loans abroad secured by mortgage and local government guarantee | 0 | 0 | 10 132 | 10 094 | 0 | 0 | 10 132 | 10 094 |
| Accrued not due interest | 0 | 0 | 217 | 217 | 0 | 0 | 217 | 217 |
| Total other loans and receivables | 0 | 0 | 51 209 | 51 791 | 0 | 0 | 51 209 | 51 791 |
| Total financial assets at amortized cost | 16 304 | 16 834 | 162 588 | 173 109 | 678 | 744 | 179 571 | 190 687 |
| ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | | | |
| EQUITY CAPITAL INSTRUMENTS | | | | | | | | |
| Norwegian shares | 415 | 415 | 5 094 | 5 094 | 0 | 0 | 5 509 | 5 509 |
| Foreign shares | 0 | 0 | 18 300 | 18 300 | 0 | 0 | 18 300 | 18 300 |
| Total shares | 415 | 415 | 23 394 | 23 394 | 0 | 0 | 23 808 | 23 808 |
| Property funds | 0 | 0 | 1 040 | 1 040 | 0 | 0 | 1 040 | 1 040 |
| Norwegian equity funds | 0 | 0 | 48 175 | 48 175 | 446 | 446 | 48 620 | 48 620 |
| Foreign equity funds | 0 | 0 | 7 301 | 7 301 | 0 | 0 | 7 301 | 7 301 |
| Total equity fund units | 0 | 0 | 56 516 | 56 516 | 446 | 446 | 56 962 | 56 962 |
| Norwegian alternative investments | 0 | 0 | 2 062 | 2 062 | 14 | 14 | 2 076 | 2 076 |
| Foreign alternative investments | 0 | 0 | 318 | 318 | 0 | 0 | 318 | 318 |
| Total alternative investments | 0 | 0 | 2 380 | 2 380 | 14 | 14 | 2 394 | 2 394 |

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES – CONT.

| 31.12.15 NOK millions | Corporate portfolio | | Common portfolio | | Investment option portfolio | | Total | |
|--|------------------------|---------------|---------------------|----------------|--------------------------------|---------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| DEBT INSTRUMENTS AT FAIR VALUE | | | | | | | | |
| Norwegian bonds | 4 189 | 4 189 | 24 982 | 24 982 | 0 | 0 | 29 172 | 29 172 |
| Foreign bonds | 641 | 641 | 21 143 | 21 143 | 0 | 0 | 21 785 | 21 785 |
| Accrued not due interest | 31 | 31 | 413 | 413 | 0 | 0 | 444 | 444 |
| Norwegian fixed-income funds | 2 141 | 2 141 | 43 236 | 43 236 | 599 | 599 | 45 976 | 45 976 |
| Foreign fixed-income funds | 0 | 0 | 12 224 | 12 224 | 0 | 0 | 12 224 | 12 224 |
| Norwegian certificates | 470 | 470 | 6 374 | 6 374 | 0 | 0 | 6 844 | 6 844 |
| Accrued not due interest | 4 | 4 | 9 | 9 | 0 | 0 | 14 | 14 |
| Total bonds and other fixed-income securities | 7 476 | 7 476 | 108 383 | 108 383 | 599 | 599 | 116 458 | 116 458 |
| Norwegian loans and receivables | 597 | 597 | 6 148 | 6 148 | 20 | 20 | 6 765 | 6 765 |
| Foreign loans and receivables | 327 | 327 | 5 923 | 5 923 | 27 | 27 | 6 277 | 6 277 |
| Total loans and receivables | 925 | 925 | 12 071 | 12 071 | 47 | 47 | 13 042 | 13 042 |
| DERIVATIVES | | | | | | | | |
| Interest rate swaps | 614 | 614 | 350 | 350 | 0 | 0 | 964 | 964 |
| Share options | 0 | 0 | 6 | 6 | 0 | 0 | 6 | 6 |
| Forward exchange contracts | 0 | 0 | 136 | 136 | 1 | 1 | 137 | 137 |
| Total financial derivatives classified as assets | 614 | 614 | 492 | 492 | 1 | 1 | 1 107 | 1 107 |
| Other financial assets | 29 | 29 | 2 262 | 2 262 | 1 | 1 | 2 292 | 2 292 |
| Total financial assets valued at fair value | 9 458 | 9 458 | 205 497 | 205 497 | 1 108 | 1 108 | 216 063 | 216 063 |
| LIABILITIES | | | | | | | | |
| DERIVATIVES | | | | | | | | |
| Interest rate swaps | 0 | 0 | 1 134 | 1 134 | 0 | 0 | 1 134 | 1 134 |
| Forward exchange contracts | 2 | 2 | 5 270 | 5 270 | 16 | 16 | 5 287 | 5 287 |
| Total financial derivatives classified as liabilities | 2 | 2 | 6 404 | 6 404 | 16 | 16 | 6 421 | 6 421 |
| SUBORDINATED LOAN CAPITAL | | | | | | | | |
| Subordinated loan capital | 9 541 | 9 506 | 0 | 0 | 0 | 0 | 9 541 | 9 506 |
| Hybrid Tier 1 securities | 1 564 | 1 588 | 0 | 0 | 0 | 0 | 1 564 | 1 588 |
| Total subordinated loan capital etc. | 11 105 | 11 094 | 0 | 0 | 0 | 0 | 11 105 | 11 094 |
| LIABILITIES TO CREDIT INSTITUTIONS | | | | | | | | |
| Norwegian call money ¹ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign call money ¹ | 572 | 572 | 127 | 127 | 0 | 0 | 699 | 699 |
| Total liabilities to credit institutions | 573 | 573 | 127 | 127 | 0 | 0 | 700 | 700 |

¹ Call money is collateral for paid/received margin related to derivatives.

Note 7 FAIR VALUE HIERARCHY

| 31.03.16 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|--------------|----------------|
| FINANCIAL ASSETS BOOKED AT FAIR VALUE | | | | |
| CORPORATE PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 2 250 | 5 395 | 0 | 7 645 |
| Certificates | 0 | 630 | 0 | 630 |
| Bonds | 66 | 4 765 | 0 | 4 831 |
| Fixed-income funds | 2 183 | 0 | 0 | 2 183 |
| Loans and receivables | 831 | 709 | 0 | 1 540 |
| Shares and units | 0 | 361 | 45 | 406 |
| Shares | 0 | 361 | 45 | 406 |
| Financial derivatives | 0 | 721 | 0 | 721 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Total corporate portfolio | 3 081 | 7 186 | 45 | 10 312 |
| COMMON PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 81 310 | 33 548 | 0 | 114 858 |
| Certificates | 5 353 | 3 152 | 0 | 8 505 |
| Bonds | 18 786 | 30 396 | 0 | 49 182 |
| Fixed-income funds | 57 171 | 0 | 0 | 57 171 |
| Loans and receivables | 8 087 | 2 279 | 0 | 10 366 |
| Shares and units | 68 572 | 1 706 | 8 342 | 78 621 |
| Shares | 19 101 | 1 049 | 1 163 | 21 313 |
| Equity funds | 49 471 | 0 | 73 | 49 544 |
| Property funds | 0 | 349 | 762 | 1 111 |
| Special funds | 0 | 308 | 0 | 308 |
| Private Equity | 0 | 0 | 6 345 | 6 345 |
| Financial derivatives | 0 | 3 291 | 0 | 3 291 |
| Other financial assets | 0 | 3 860 | 0 | 3 860 |
| Total common portfolio | 157 969 | 44 685 | 8 342 | 210 996 |

Note 7 FAIR VALUE HIERARCHY – CONT.

| 31.03.16 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|--------------|----------------|
| INVESTMENT OPTION PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 612 | 0 | 0 | 612 |
| Fixed-income funds | 612 | 0 | 0 | 612 |
| Loans and receivables | 44 | 0 | 0 | 44 |
| Shares and units | 424 | 14 | 0 | 438 |
| Equity funds | 424 | 0 | 0 | 424 |
| Special funds | 0 | 14 | 0 | 14 |
| Financial derivatives | 0 | 13 | 0 | 13 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Total investment option portfolio | 1 081 | 27 | 0 | 1 107 |
| Total financial assets valued at fair value | 162 130 | 51 898 | 8 387 | 222 415 |
| CORPORATE PORTFOLIO | | | | |
| Investment property | 0 | 0 | 871 | 871 |
| Total investment property | 0 | 0 | 871 | 871 |
| FINANCIAL LIABILITIES BOOKED AT FAIR VALUE | | | | |
| CORPORATE PORTFOLIO | | | | |
| Financial derivatives | 0 | 0 | 0 | 0 |
| Debt to credit institutions | 692 | 0 | 0 | 692 |
| Total corporate portfolio | 692 | 0 | 0 | 692 |
| COMMON PORTFOLIO | | | | |
| Financial derivatives | 0 | 2 683 | 0 | 2 683 |
| Debt to credit institutions | 1 351 | 0 | 0 | 1 351 |
| Total common portfolio | 1 351 | 2 683 | 0 | 4 034 |
| INVESTMENT OPTION PORTFOLIO | | | | |
| Financial derivatives | 0 | 7 | 0 | 7 |
| Debt to credit institutions | 4 | 0 | 0 | 4 |
| Total investment option portfolio | 4 | 7 | 0 | 11 |
| Total financial liabilities at fair value | 2 047 | 2 690 | 0 | 4 737 |

Note 7 FAIR VALUE HIERARCHY – CONT.

| 31.03.15 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|--------------|----------------|
| FINANCIAL ASSETS BOOKED AT FAIR VALUE | | | | |
| CORPORATE PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 1 927 | 5 484 | 0 | 7 411 |
| Certificates | 0 | 764 | 0 | 764 |
| Bonds | 40 | 4 720 | 0 | 4 760 |
| Fixed-income funds | 1 887 | 0 | 0 | 1 887 |
| Loans and receivables | 391 | 371 | 0 | 763 |
| Shares and units | 0 | 404 | 6 | 410 |
| Shares | 0 | 404 | 6 | 410 |
| Financial derivatives | 0 | 449 | 0 | 449 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Total corporate portfolio | 2 318 | 6 709 | 6 | 9 033 |
| COMMON PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 76 234 | 35 385 | 0 | 111 620 |
| Certificates | 4 176 | 2 097 | 0 | 6 273 |
| Bonds | 15 765 | 33 288 | 0 | 49 053 |
| Fixed-income funds | 56 293 | 0 | 0 | 56 293 |
| Loans and receivables | 9 247 | 3 918 | 0 | 13 165 |
| Shares and units | 72 357 | 1 445 | 6 346 | 80 148 |
| Shares | 22 232 | 958 | 1 190 | 24 149 |
| Equity funds | 50 125 | 0 | 70 | 50 125 |
| Property funds | 0 | 420 | 0 | 420 |
| Special funds | 0 | 68 | 0 | 68 |
| Private Equity | 0 | 0 | 5 086 | 5 387 |
| Financial derivatives | 0 | 1 072 | 0 | 1 072 |
| Other financial assets | 0 | 1 114 | 0 | 1 114 |
| Total common portfolio | 157 838 | 42 934 | 6 346 | 207 118 |

Note 7 FAIR VALUE HIERARCHY – CONT.

| 31.03.15 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|----------------|
| INVESTMENT OPTION PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 596 | 0 | 0 | 596 |
| Fixed-income funds | 596 | 0 | 0 | 596 |
| Loans and receivables | 53 | 0 | 0 | 53 |
| Shares and units | 433 | 13 | 0 | 447 |
| Equity funds | 433 | 0 | 0 | 433 |
| Special funds | 0 | 13 | 0 | 13 |
| Financial derivatives | 0 | 5 | 0 | 5 |
| Other financial assets | 0 | 4 | 0 | 4 |
| Total investment option portfolio | 1 082 | 23 | 0 | 1 105 |
| Total financial assets valued at fair value | 161 238 | 49 666 | 6 352 | 217 256 |
| CORPORATE PORTFOLIO | | | | |
| Investment property | 0 | 0 | 881 | 881 |
| Total investment property | 0 | 0 | 881 | 881 |
| FINANCIAL LIABILITIES BOOKED AT FAIR VALUE | | | | |
| CORPORATE PORTFOLIO | | | | |
| Financial derivatives | 0 | 5 | 0 | 5 |
| Debt to credit institutions | 310 | 0 | 0 | 310 |
| Total corporate portfolio | 310 | 5 | 0 | 315 |
| COMMON PORTFOLIO | | | | |
| Financial derivatives | 0 | 4 109 | 0 | 4 109 |
| Debt to credit institutions | 478 | 0 | 0 | 478 |
| Total common portfolio | 478 | 4 109 | 0 | 4 587 |
| INVESTMENT OPTION PORTFOLIO | | | | |
| Financial derivatives | 0 | 4 | 0 | 4 |
| Debt to credit institutions | 4 | 0 | 0 | 4 |
| Total investment option portfolio | 4 | 4 | 0 | 8 |
| Total financial liabilities at fair value | 792 | 4 119 | 0 | 4 910 |

Note 7 FAIR VALUE HIERARCHY – CONT.

| 31.12.15 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|--------------|----------------|
| FINANCIAL ASSETS BOOKED AT FAIR VALUE | | | | |
| CORPORATE PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 2 623 | 4 853 | 0 | 7 476 |
| Certificates | 0 | 474 | 0 | 474 |
| Bonds | 483 | 4 378 | 0 | 4 861 |
| Fixed-income funds | 2 141 | 0 | 0 | 2 141 |
| Loans and receivables | 896 | 29 | 0 | 925 |
| Shares and units | 0 | 370 | 45 | 415 |
| Shares | 0 | 370 | 45 | 415 |
| Financial derivatives | 0 | 614 | 0 | 614 |
| Other financial assets | 0 | 29 | 0 | 29 |
| Total corporate portfolio | 3 519 | 5 895 | 45 | 9 458 |
| COMMON PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 78 014 | 30 369 | 0 | 108 383 |
| Certificates | 5 331 | 1 053 | 0 | 6 384 |
| Bonds | 17 223 | 29 317 | 0 | 46 539 |
| Fixed-income funds | 55 460 | 0 | 0 | 55 460 |
| Loans and receivables | 11 161 | 910 | 0 | 12 071 |
| Shares and units | 69 960 | 3 722 | 8 608 | 82 290 |
| Shares | 21 053 | 972 | 1 369 | 23 394 |
| Equity funds | 48 906 | 0 | 76 | 48 982 |
| Property funds | 0 | 370 | 670 | 1 040 |
| Special funds | 0 | 2 380 | 0 | 2 380 |
| Private Equity | 0 | 0 | 6 494 | 6 494 |
| Financial derivatives | 0 | 492 | 0 | 492 |
| Other financial assets | 0 | 2 262 | 0 | 2 262 |
| Total common portfolio | 159 134 | 37 755 | 8 608 | 205 497 |

Note 7 FAIR VALUE HIERARCHY – CONT.

| 31.12.15 NOK millions | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|--------------|----------------|
| INVESTMENT OPTION PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 599 | 0 | 0 | 599 |
| Fixed-income funds | 599 | 0 | 0 | 599 |
| Loans and receivables | 47 | 0 | 0 | 47 |
| Shares and units | 446 | 14 | 0 | 459 |
| Equity funds | 446 | 0 | 0 | 446 |
| Special funds | 0 | 14 | 0 | 14 |
| Financial derivatives | 0 | 1 | 0 | 1 |
| Other financial assets | 0 | 1 | 0 | 1 |
| Total investment option portfolio | 1 092 | 16 | 0 | 1 108 |
| Total financial assets valued at fair value | 163 745 | 43 666 | 8 653 | 216 063 |
| CORPORATE PORTFOLIO | | | | |
| Investment property | 0 | 0 | 893 | 893 |
| Total investment property | 0 | 0 | 893 | 893 |
| FINANCIAL LIABILITIES BOOKED AT FAIR VALUE | | | | |
| CORPORATE PORTFOLIO | | | | |
| Financial derivatives | 0 | 2 | 0 | 2 |
| Debt to credit institutions | 573 | 0 | 0 | 573 |
| Total corporate portfolio | 573 | 2 | 0 | 575 |
| COMMON PORTFOLIO | | | | |
| Financial derivatives | 0 | 6 404 | 0 | 6 404 |
| Debt to credit institutions | 127 | 0 | 0 | 127 |
| Total common portfolio | 127 | 6 404 | 0 | 6 531 |
| INVESTMENT OPTION PORTFOLIO | | | | |
| Financial derivatives | 0 | 16 | 0 | 16 |
| Debt to credit institutions | 0 | 0 | 0 | 0 |
| Total investment option portfolio | 0 | 16 | 0 | 16 |
| Total financial liabilities at fair value | 700 | 6 421 | 0 | 7 121 |

Note 7 FAIR VALUE HIERARCHY – CONT.

| Changes in Level 3 shares, unlisted Corporate portfolio | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|--|--------------------------|--------------------------|--------------------------|
| Opening balance 01.01 | 45 | 6 | 6 |
| Sold | 0 | 0 | 0 |
| Bought | 0 | 0 | 0 |
| Unrealised changes | 0 | 0 | 39 |
| Closing balance 31.03/31.12. | 45 | 6 | 45 |
| Realised gains/losses | 0 | 0 | 0 |

| Changes in Level 3 shares, unlisted Common portfolio | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|---|--------------------------|--------------------------|--------------------------|
| Opening balance 01.01 | 1 369 | 1 213 | 1 213 |
| Sold | 0 | 0 | -264 |
| Bought | 2 | 0 | 619 |
| Unrealised changes | -208 | -23 | -199 |
| Closing balance 31.03/31.12. | 1 163 | 1 190 | 1 369 |
| Realised gains/losses | -24 | 0 | -24 |

| Changes in Level 3 equity funds, unlisted Common portfolio | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|---|--------------------------|--------------------------|--------------------------|
| Opening balance 01.01 | 76 | 70 | 70 |
| Sold | 0 | -6 | -8 |
| Bought | 0 | 0 | 0 |
| Unrealised changes | -3 | 5 | 13 |
| Closing balance 31.03/31.12. | 73 | 70 | 76 |
| Realised gains/losses | 0 | 0 | 0 |

| Changes in Level 3, private equity Common portfolio | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|--|--------------------------|--------------------------|--------------------------|
| Opening balance 01.01 | 7 164 | 5 008 | 5 008 |
| Sold | -268 | -107 | -1 188 |
| Bought | 374 | 285 | 2 285 |
| Unrealised changes | -256 | -99 | 1 059 |
| Closing balance 31.03/31.12. | 7 014 | 5 086 | 7 164 |
| Realised gains/losses | 55 | 14 | 182 |

Note 7 FAIR VALUE HIERARCHY – CONT.

| Changes in Level 3, investment property Corporate portfolio | Book value 31.03.2016 | Book value 31.03.2015 | Book value 31.12.2015 |
|--|--------------------------|--------------------------|--------------------------|
| Opening balance 01.01 | 893 | 890 | 890 |
| Sold | 0 | 0 | 0 |
| Bought | 0 | 0 | 0 |
| Unrealised changes | -22 | -9 | 3 |
| Closing balance 31.03/31.12. | 871 | 881 | 893 |
| Realised gains/losses | -32 | 0 | 0 |
| Total level 3 | 9 166 | 7 233 | 9 546 |

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

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

Level 1:

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

Level 2:

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

Level 3:

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

Valuations related to items in the various levels are described in note 6. For description of the pricing of investment property please see the annual financial statements.

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 458 million as of 31.03.2016.

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

In this quarter NOK 8 million has been moved from Level 1 to Level 2; the full amount is related to equity instruments and are due to change in liquidity.

Level 3 consist of the same assets as stated in earlier periods.

Note 8 PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

| 31.03.16 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 |
| ASSETS | | | | | | |
| Financial derivatives | 4 025 | 0 | 4 025 | -1 873 | -2 046 | 150 |
| Total | 4 025 | 0 | 4 025 | -1 873 | -2 046 | 150 |
| PORTFOLIO ALLOCATION OF ASSETS | | | | | | |
| Total assets – common portfolio | 3 291 | 0 | 3 291 | -1 867 | -1 350 | 104 |
| Total assets – corporate portfolio | 721 | 0 | 721 | 0 | -692 | 44 |
| Total assets – investment option portfolio | 13 | 0 | 13 | -7 | -4 | 2 |
| Total | 4 025 | 0 | 4 025 | -1 873 | -2 046 | 150 |
| LIABILITIES | | | | | | |
| Financial derivatives | 2 690 | 0 | 2 690 | -1 873 | -839 | 16 |
| Total | 2 690 | 0 | 2 690 | -1 873 | -839 | 16 |
| PORTFOLIO ALLOCATION OF LIABILITIES | | | | | | |
| Total liabilities – common portfolio | 2 683 | 0 | 2 683 | -1 867 | -836 | 16 |
| Total liabilities – corporate portfolio | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities – investment option portfolio | 7 | 0 | 7 | -7 | -3 | 0 |
| Total | 2 690 | 0 | 2 690 | -1 873 | -839 | 16 |

| 31.03.15 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 |
| ASSETS | | | | | | |
| Financial derivatives | 1 527 | 0 | 1 527 | -481 | -792 | 301 |
| Total | 1 527 | 0 | 1 527 | -481 | -792 | 301 |
| PORTFOLIO ALLOCATION OF ASSETS | | | | | | |
| Total assets – common portfolio | 1 072 | 0 | 1 072 | -480 | -478 | 159 |
| Total assets – corporate portfolio | 449 | 0 | 449 | 0 | -310 | 140 |
| Total assets – investment option portfolio | 5 | 0 | 5 | -1 | -4 | 2 |
| Total | 1 527 | 0 | 1 527 | -481 | -792 | 301 |
| LIABILITIES | | | | | | |
| Financial derivatives | 4 119 | 0 | 4 119 | -481 | -3 249 | 445 |
| Total | 4 119 | 0 | 4 119 | -481 | -3 249 | 445 |
| PORTFOLIO ALLOCATION OF LIABILITIES | | | | | | |
| Total liabilities – common portfolio | 4 109 | 0 | 4 109 | -480 | -3 241 | 443 |
| Total liabilities – corporate portfolio | 5 | 0 | 5 | 0 | -3 | 2 |
| Total liabilities – investment option portfolio | 4 | 0 | 4 | -1 | -5 | 0 |
| Total | 4 119 | 0 | 4 119 | -481 | -3 249 | 445 |

Note 8 PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT - CONT.

| 31.12.15 NOK millions | Gross financial assets/ liabilities | Gross assets/liabilities presented net | Book value | Financial instruments | Security in cash | Net amount |
|---|---|--|---------------|--------------------------|---------------------|---------------|
| ASSETS | | | | | | |
| Financial derivatives | 1 107 | 0 | 1 107 | -368 | -700 | 43 |
| Total | 1 107 | 0 | 1 107 | -368 | -700 | 43 |
| PORTFOLIO ALLOCATION OF ASSETS | | | | | | |
| Total assets – common portfolio | 492 | 0 | 492 | -367 | -127 | 1 |
| Total assets – corporate portfolio | 614 | 0 | 614 | 0 | -573 | 42 |
| Total assets – investment option portfolio | 1 | 0 | 1 | -1 | 0 | 0 |
| Total | 1 107 | 0 | 1 107 | -368 | -700 | 43 |
| LIABILITIES | | | | | | |
| Financial derivatives | 6 421 | 0 | 6 421 | -368 | -4 442 | 1 628 |
| Total | 6 421 | 0 | 6 421 | -368 | -4 442 | 1 628 |
| PORTFOLIO ALLOCATION OF LIABILITIES | | | | | | |
| Total liabilities – common portfolio | 6 404 | 0 | 6 404 | -367 | -4 432 | 1 620 |
| Total liabilities – corporate portfolio | 2 | 0 | 2 | 0 | 0 | 2 |
| Total liabilities – investment option portfolio | 16 | 0 | 16 | -1 | -9 | 6 |
| Total | 6 421 | 0 | 6 421 | -368 | -4 442 | 1 628 |

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

Note 9 LIABILITIES

| NOK millions | 31.03.16 | 31.03.15 | 31.12.15 |
|---|--------------|--------------|--------------|
| Short-term liabilities securities | 3 417 | 1 934 | 98 |
| Advance tax-deduction pension scheme | 310 | 298 | 327 |
| Accounts payable | 10 | 5 | 9 |
| Derivatives | 2 690 | 4 119 | 6 421 |
| Debt to credit institutions | 2 047 | 792 | 700 |
| Liabilities related to direct insurance | 668 | 2 545 | 2 210 |
| Other short-term liabilities | 107 | 99 | 28 |
| Total liabilities | 9 249 | 9 791 | 9 793 |

Note 10 CAPITAL

Solvency II is being introduced from 1 January 2016 and the calculation of the solvency margin is being changed completely whilst the previous requirement for capital adequacy and core capital adequacy no longer applies. The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

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

association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve.

Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR. Subordinated loans with first interest rate changes in 2016 and 2017 may therefore be redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 197 per cent, which is well over the Company's target of at least 130 per cent. With the transitional measure on technical provisions the SCR ratio is 355 per cent.

| | 31.03.2016 | 31.12.2015 |
|-------------|------------|------------|
| Solvency II | 197 % | 187 % |

| NOK billions | 31.03.2016 | 31.03.2016 |
|---|------------|---|
| SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT | | |
| Assets, book value | 465 | Best estimate 423 |
| Added values - hold-to-maturity portfolio / loans and receivables | 16 | Risk margin 13 |
| Added values - other lending | 1 | Deferred tax liabilities 1 |
| Other added/lesser values | 0 | Hybrid Tier 1 securities/Subordinated loan capital 11 |
| | | Other liabilities 10 |
| Total assets | 481 | Total liabilities 458 |
| | | Excess of assets over liabilities 23 |
| | | - Risk equalisation fund -3 |
| | | + Hybrid Tier 1 securities 2 |
| | | Tier 1 basic own funds 21 |
| | | Total eligible tier 1 own funds 21 |
| | | Subordinated loans 10 |
| | | Risk equalisation fund 3 |
| | | Tier 2 basic own funds 13 |
| | | Ancillary own funds 9 |
| | | Tier 2 ancillary own funds 9 |
| | | Deduction for max. eligible tier 2 own funds -15 |
| | | Total eligible tier 2 own funds 7 |
| | | Solvency II total eligible own funds 28 |
| | | Solvency capital requirement (SCR) 14 |
| | | Minimum capital requirement (MCR) 4 |
| | | Solvency II SCR ratio 197 % |

Note 11 PENSION OBLIGATIONS – OWN EMPLOYEES

| NOK millions | 31.03.16 | 31.12.15 |
|--|------------|------------|
| Capitalized net liability/(asset) 01.01. | 423 | 503 |
| Pension costs taken to profit/loss | 18 | 83 |
| Financial costs taken to profit/loss | 3 | 15 |
| Actuarial gains and losses incl. social security contributions | 59 | -124 |
| Social security contributions paid in premiums/supplements | -1 | -7 |
| Premiums/supplements paid-in incl. admin | -9 | -48 |
| Capitalized net liability/(asset) 31.03/31.12. | 492 | 423 |

| Assumptions | 31.03.16 | 31.12.15 |
|---|----------|----------|
| Discount rate | 2,40 % | 2,70 % |
| Salary growth | 2,50 % | 2,50 % |
| The National Insurance basic amount (G) | 2,25 % | 2,25 % |
| Pension increases | 1,48 % | 1,48 % |
| Social security contribution rate | 14,10 % | 14,10 % |

The effect of changes in pension assumptions increases the pension liability for employees with NOK 59 million.
The change is recognized in other comprehensive income in the income statement.

Note 12 EVENTS AFTER THE BALANCE SHEET DATE

On the 11th of April, KLP redeemed a subordinated loan with a nominal value of EUR 300 million. The book value as of 31.03.2016 was NOK 2 973 million. The loan was perpetual, but KLP had the option to redeem it at par on the interest adjustment date.

KLP has, after this redemption, two subordinated loans and one hybrid tier 1 security. The total book value of the three loans are NOK 8 162 million as of 31.03.2016

**Send mail to:**

Kommunal Landspensjonskasse,
P.O. Box 400 Sentrum, 0103 Oslo, Norway
Web: english.klp.no
Organization no.: 938 708 606

Head Office

Visiting address:
Dronning Eufemias gate 10, Oslo, Norway
Switchboard: 05554
Fax: +47 22 03 36 00