

KLP



Interim report

KOMMUNAL LANDSPENSJONSKASSE
Q1 2017

Contents

KLP GROUP

INTERIM REPORT FIRST QUARTER 2017	4
INCOME STATEMENT	9
FINANCIAL POSITION STATEMENT	10
CHANGES IN OWNERS' EQUITY	11
STATEMENT OF CASH FLOWS	12
NOTES TO THE ACCOUNTS	13
— Note 1 Notes to the accounts	13
— Note 2 Segment information	14
— Note 3 Premium income for own account	18
— Note 4 Other income	18
— Note 5 Subordinated loans and perpetual hybrid tier 1 securities	18
— Note 6 Operating expenses	19
— Note 7 Other expenses	19
— Note 8 Investment property	20
— Note 9 Fair value of financial assets and liabilities	20
— Note 10 Borrowing	25
— Note 11 Fair value hierarchy	27
— Note 12 Liquidity risk	32
— Note 13 Interest rate risk	34
— Note 14 Credit risk	37
— Note 15 Technical provisions in life insurance	41
— Note 16 Other current liabilities	41
— Note 17 SCR ratio	42
— Note 18 Presentation of assets and liabilities that are subject to net settlement	43
— Key figures - Accumulated	45

Contents

NON-FINANCIAL STATEMENTS

INTERIM FINANCIAL STATEMENTS	48
— Note 1 Excluded companies	50
— Note 2 Dialogue	50
— Note 3 Energy consumption main office Oslo	50
— Note 4 Energy consumption regional office Trondheim	50
— Note 5 Energy consumption regional office Bergen	50
— Note 6 Emissions from air travel	50

KOMMUNAL LANDSPENSJONSKASSE

INTERIM FINANCIAL INCOME STATEMENT	52
BALANCE SHEET	53
CHANGES IN OWNERS' EQUITY	55
STATEMENT OF CASH FLOWS	56
NOTES TO THE ACCOUNTS	57
— Note 1 Accounting principles	57
— Note 2 Value-adjustment investment property	58
— Note 3 Premium income	58
— Note 4 Claims	58
— Note 5 Insurance-related operating expenses	58
— Note 6 Fair value of financial assets and liabilities	59
— Note 7 Fair value hierarchy	65
— Note 8 Presentation of assets and liabilities that are subject to net settlement	73
— Note 9 Liabilities	75
— Note 10 SCR ratio	76

Interim report first quarter 2017

SOLID RETURNS IN THE FIRST QUARTER OF 2017

- Good returns result
- Good development in growth and return in the company's subsidiaries
- The equity market was the biggest factor behind the good returns in the Company

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 Forsikringservice and KLP Eiendom.

At the end of the first quarter, the Group had total assets of NOK 612 billion, a growth of NOK 16 billion in the quarter.

The operating profit for the first quarter amounted to NOK 6.0 (3.0)¹ billion. The Group's total comprehensive income was NOK 394 million in the first 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 KLP's total assets of NOK 506.7 billion, NOK 461.1 billion is linked to insurance obligations for public-sector occupational pensions.

RESULT FOR THE FIRST QUARTER OF 2017

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 139 (2,023) million in the first quarter. The value-adjusted return on the common portfolio was 1.7 per cent and the book return was 0.6 per cent in the first quarter.

Risk result

The risk result was good in the first quarter. The risk events in the stock are within expectations for the year, with profits totalling NOK 100 in the first quarter. It is planned to allocate NOK 50 million of the risk profit to the risk equalisation fund, and to return NOK 50 million to the customers' premium fund.

Administration result

The Company's administration result shows a surplus of NOK 32 (20) million in the first quarter. Insurance-related operating costs came to NOK 249 (238) million in the quarter.

Total income

Total profit for the Company was NOK 398 (330) million in the first quarter. The customer result was NOK 160 (2,063) million for the quarter.

NOK MILLIONS	Customers	Company	Total
Returns result	110	29	139
Risk result	50	50	100
Interest guarantee premium		176	176
Administration result		32	32
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		188	188
Tax		-77	-77
Other profit/loss elements		0	0
Income for Q1/2017	160	398	559
Income for Q1/2016	2,063	330	2,393

Financial strength and capital-related matters

KLP's total assets show growth during the first quarter of NOK 10.0 billion and now amount to NOK 506.7 billion. Insurance obligations increased by NOK 8.7 billion in 2017 and now amount to NOK 461.1 billion.

The securities adjustment fund has increased by NOK 5.1 billion to NOK 33.4 billion.

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 equivalent to 2.5 per cent of the premium reserve. This stood at NOK 9.7 billion at the end of the first quarter.

Without applying transitional rules, the Company's capital adequacy according to Solvency II is 214 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 311 per cent. KLP's goal is capital adequacy of at least 150 per cent without applying transitional rules. The solvency estimates are well above that goal and underline the Company's strong capital position.

¹ Figures in brackets give values for the corresponding period in 2016

Key figures

PER CENT	Q1/2017	Q1/2016	Year 2016
Book returns	0.6	1.1	4.4
Value-adjusted returns	1.7	1.0	5.8
Value-adjusted incl. added value in hold-to-maturity bonds and lending	1.9	1.6	5.4
The returns figures apply to the common portfolio			
Capital adequacy, Solvency II	214	187	209
Capital adequacy, Solvency II, with transitional measures	311	334	304

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 6.3 (5.7) billion for the first quarter.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 10.3 per cent and amounted to NOK 4.3 (3.9) billion for the year.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 469.4 (427.8) billion and were invested as shown below:

ASSETS	Q1/2017		Q1/2016	
	Share	Return	Share	Return
All figures in per cent				
Shares	21.2 %	4.4 %	19.7 %	-3.2 %
Short-term bonds	19.8 %	0.8 %	21.0 %	2.6 %
Long-term/HTM bonds	26.9 %	1.0 %	26.9 %	1.1 %
Lending	11.5 %	0.6 %	12.1 %	0.6 %
Property	12.4 %	1.0 %	12.7 %	1.8 %
Other financial assets	8.2 %	0.5 %	7.7 %	0.5 %

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 21.2 per cent at the end of the first quarter. The return on equities was 4.4 per cent in the quarter. Global shares produced a return of 5.7 per cent, while Norwegian shares gave a return of 1.2 per cent.

KLP's portfolio of Norwegian shares achieved an added return of 0.5 percentage points in the first quarter, while KLP's global share portfolio achieved a return 0.4 percentage points lower than the benchmark index in the quarter.

Short-term bonds and the money market

Short-term bonds accounted for 19.8 per cent and money-market instruments 8.2 per cent of the assets in the common portfolio as at 31 March. Norwegian government interest rates fell slightly through the first quarter, while global government rates rose somewhat. KLP's global government-bond index achieved a currency-hedged return of 0 per cent in the first quarter, while the Norwegian government bond index had a 1.1 per cent return. Global credit spreads fell slightly during the quarter, and KLP's global credit bond index had a currency-hedged return of 0.9 per cent for the quarter.

In total, KLP achieved returns 0.8 per cent for the quarter, while money market returns were 0.5 per cent.

Bonds held to maturity

Investment in bonds held to maturity accounted for around 26.9 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 9.8 billion as at 31 March. 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 1.0 per cent.

Property

Property investments, including Norwegian and international property funds, made up 12.4 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 125 million in 2017. If the effect of currency hedging on foreign properties is included, the change in value amounts to an impairment of NOK 2.4 billion in 2017. Property investments in the common portfolio achieved a return of 1.0 per cent in the first quarter.

Lending

Lending in the common portfolio totals NOK 53.3 billion. This is split between NOK 50.2 billion in loans to municipalities and their enterprises and NOK 3.1 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 572 million at the end of the quarter. The return for the quarter is 0.6 per cent

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. Investments in the corporate portfolio achieved a return of 0.9 per cent in the first quarter.

Market conditions for pensions

KLP has a stable underlying growth in premium reserves. The ongoing regional and local government reform may affect KLP's customer base, and the Company is monitoring this closely.

In the corporate segment, there is slightly increased interest in switching to a defined-contribution scheme. KLP has succeeded in winning some of the customers who have chosen this scheme. KLP is Norway's leading provider of pensions to the public sector. KLP now also wishes to be a competitive provider of defined-contribution pensions, particularly to businesses operating in the public sector.

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

The Group's investment in private occupational pensions is handled through its subsidiary KLP Bedriftspensjon AS.

The Company had total assets of NOK 3.9 billion as at 31 March, an increase of NOK 0.3 billion since the start of the year. The increase is mainly linked to a large increase in pension capital certificates and growth in the Company's defined contribution pension portfolio, which now totals NOK 1.98 billion. 80 new business customers entered into pension agreements with KLP Bedriftspensjon in the first quarter of 2017, and 3,286 pension capital certificates were transferred to that company.

KLP Bedriftspensjon achieved a book return on the common portfolio of 0.6 per cent and a value-adjusted return of 1.2 per cent. Customers with defined-contribution pensions achieved an average 2.6 per cent return for the same period.

The returns result was minus NOK 2.6 million in the first quarter. The securities adjustment fund increased by NOK 10.2 million.

The Company had a net loss of NOK 12.1 million at 31 March.

Return on customer assets

	Q1 2017	Q1 2016	Year 2016
COMMON PORTFOLIO			
Common portfolio			
Book returns	0.6 %	1.0 %	5.3 %
Value-adjusted returns	1.2 %	1.1 %	5.7 %
Defined-contribution pensions with investment options			
Profile KLP90	2.6 %	-0.2 %	7.0 %
Profile KLP70	3.5 %	-2.5 %	9.8 %
Profile KLP50	2.9 %	-1.4 %	8.5 %
Profile KLP30	2.5 %	0.1 %	7.1 %
Profile KLPPM	1.8 %	0.9 %	5.6 %
KLP Optimal Livsfase	0.5 %	0.6 %	1.8 %
	5% ¹	n/a	n/a

¹ Return for profile with 100% equities

From 2017, the Company has started offering a new savings profile for defined-contribution pension customers – KLP Optimal Livsfase. This is a savings profile that gives an optimum combination of equities and interest-bearing instruments based on age.

KLP Bedriftspensjon reported a capital adequacy ratio of 79 per cent at the end of the year. Through the first quarter, it turned out that this ratio was much lower. Although capital adequacy, taking account of transitional measures, is positive, the Company aims to strengthen the position in the second quarter to over 100 per cent, without transitional measures.

Non-life insurance

The first quarter of 2017 produced a pre-tax operating profit of NOK 49.6 (49.5) million. There is continued growth in all segments and a high proportion of members among the retail customers. The gross stock premium increased in the quarter by 3.9 per cent, to NOK 1,316 million.

So far this year, one major property claim has been reported, with estimated damage amounting to NOK 20.6 million.

Reversal of previous years' claims is still positive, and this year NOK 33.5 million has so far been taken to income as an adjustment to earlier years' reserves

Key figures for the Company:

AS AT THE FIRST QUARTER	2016	2015
Claim ratio*	81.1	76.9
Cost ratio*	21.8	23.3
Total cost ratio*	102.9	100.2

*For own account

Net financial income at 31 March was NOK 57.9 (49.5) million. The return was 1.4 (1.3) per cent. Bond yields were weaker, but still positive at 0.8 per cent. returns on property were also positive, also at 0.8 per cent. The return on the Company's equities was 4.8 per cent, with the international equities funds playing a big part in this.

The Company reports its financial strength based on meeting the minimum requirements for capital adequacy under the Solvency II rules. At the end of the first quarter, capital adequacy (SCR) was 264 (261) per cent.

Asset and fund management

KLP Kapitalforvaltning AS carries out securities management in the KLP Group. It had a total of NOK 456 billion under management at the end of the first quarter, of which NOK 58 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP securities funds in the first quarter amounted to NOK 2.6 billion, of which NOK 2 billion came from external customers.

KLP Kapitalforvaltning AS made a profit before tax of NOK 17.5 million in the first quarter.

Bank

The objective of KLP Banken is to finance mortgage loans and other banking products for members of KLP's pension schemes (the retail market), and loans to municipalities, county administrations and companies providing public services (the public-sector market). The lending business is financed by way of deposits from private customers and companies, loans from the securities market and owners' equity. The Bank also manages lending financed through pension assets held by KLP. The Bank has seen good development in line with the targets set for its activities.

The KLP Banken group had loans to customers of NOK 30.7 (27.1) billion as of 31 March. Mortgage loans in the retail market and public-sector loans totalled NOK 13.4 billion and 17.3 billion respectively.

Mortgage loans in the retail market showed lending growth of NOK 0.7 billion so far this year. Managed mortgages for KLP have decreased by NOK 0.1 billion in the quarter to date.

Lending volume in the public-sector market remained basically unchanged in the banking group's balance-sheet over the first quarter. Loans to public-sector borrowers managed on behalf of the parent company KLP increased by NOK 0.1 billion in the same period. Managed loans to foreign debtors in other currencies increased by NOK 0.6 billion in the same period.

Overdue payments and defaulted mortgage loans have remained at a low level. Loans in default in excess of 90 days account for 0.20 per cent of total mortgage loans as at the end of the first quarter. No loan loss provisions were made for new exposures in the last quarter, but the Company posted a reversal of net loan loss provisions for home mortgages of NOK 0.2 million. There were no losses or loss provisions related to public-sector loans.

Deposit growth so far in 2017 totalled NOK 227 million and deposits now total NOK 8.9 billion. Of this amount, NOK 7.1 billion is deposits from retail customers, and NOK 1.8 billion is deposits from municipalities and companies.

The KLP Banken Group had a pre-tax operating profit of NOK 23.2 (24.8) million in the first quarter. Broken down by area, profits were NOK 5.7 (6.5) million in the retail market and NOK 17.4 (18.3) million in the public-sector market. Consolidated net profit after tax totalled NOK 17.6 (16.8) million for the first quarter.

CORPORATE SOCIAL RESPONSIBILITY

In March, KLP finished disposing of its investments in companies involved in the Dakota Access Pipeline. KLP has followed the case closely and assessed the relevant available information, and has had discussions with the companies, the native American population in the disputed area, along with their lawyer, environmental and human rights organisations, pipeline experts and demonstrators in the construction area. KLP decision is strongly based on UN's Special Rapporteur on the rights of indigenous peoples conclusion that native Americans have not been sufficiently consulted. Further, the Rapporteur has expressed concerns that the executive order by the US President has given consent to the development, without further environmental studies. In all, KLP had investments totalling around NOK 580 million in both equities and bonds issued by four of the companies involved in the project.

Before Easter, the winners of the KLP 'Job Satisfaction Prize' were announced. The prize is awarded to customers who promote professional pride and enjoyment at work, which in turn contribute to healthy workplaces. More than a thousand candidates entered this year.

KLP Skadeforsikring drew particular attention to the challenges facing local authorities from damage to municipal rented housing. The owners appreciate the advice given by KLP on ways to prevent such damage.

KLP Eiendom has several projects related to environmental concerns in the construction sector. Among other things, it has launched a project that aims to reduce energy consumption by 20 per cent in three selected buildings over a three-year period. One of these is the KLP building in Bjørvika.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

There were relatively small movements in the market after the end of the quarter. Both stock indices and interest rates have come down slightly in the last month.

The Company continues to improve its financial strength. Both supplementary reserves and the securities adjustment fund are buffers that can be used to cover low returns in the future. Solid buffers are an important part of the Company's strategy for stable asset management, particularly when interest rates are low.

Together with our owners and customers, we aim to improve our products and services. KLP will strengthen its efforts on digitalisation. The goal is to improve competitiveness and customer value. Customer expects good self-service solutions, seamless processes and quick response time.

Oslo, 10 May 2017

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy Chair

Marit Torgersen

Jan Helge Gulbrandsen

Ingjerd Blekeli Spiten

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 2017	Q1 2016	01.01.2016 -31.12.2016
3	Premium income for own account	7 073	7 951	38 497
	Current return on financial assets	3 373	3 227	13 489
	Net interest income banking	51	54	196
	Net value changes on financial instruments	6 740	-142	10 476
8	Net income from investment properties	626	1 029	6 726
4	Other income	250	233	945
	Total net income	18 112	12 352	70 330
	Claims for own account	-4 777	-4 264	-17 370
	Change in technical provisions	-4 185	-5 365	-27 973
5	Net costs subordinated loan and hybrid Tier 1 securities	-192	-30	382
6	Operating expenses	-400	-409	-1 756
7	Other expenses	-249	-233	-957
	Unit holder's value change in consolidated securities funds	-2 349	963	-3 061
	Total expenses	-12 150	-9 337	-50 736
	Operating profit/loss	5 962	3 015	19 594
	To/from securities adjustment fund – life insurance	-5 102	290	-6 876
	To supplementary reserves – life insurance	0	0	-4 026
	Assets allocated to insurance customers - life insurance	-81	-2 727	-6 244
	Pre-tax income	779	578	2 449
	Cost of taxes ¹	-389	-194	359
	Income	390	385	2 808
	Actuarial loss and profit on post employment benefit obligations	0	-88	-32
	Adjustments of the insurance obligations	0	9	0
	Tax on items that will not be reclassified to profit or loss	0	20	8
	Items that will not be reclassified to profit or loss	0	-59	-24
	Revaluation real property for use in own operation	5	7	95
	Currency translation foreign subsidiaries	164	-585	-1 625
	Adjustments of the insurance obligations	-164	585	1 625
	Tax on items that will be reclassified to profit or loss	-1	-2	-24
	Items that will be reclassified to income when particular specific conditions are met	4	5	72
	Total other comprehensive income	4	-54	47
	Total comprehensive income	394	330	2 855
	Unit holders share of taxes in consolidated securities fund	-43	-52	-172

Financial position statement

KLP GROUP

NOTE	NOK MILLIONS	31.03.2017	31.03.2016	31.12.2016
	Deferred tax assets	293	33	372
	Other intangible assets	323	535	324
	Tangible fixed assets	1 602	1 343	1 604
	Investments in associated companies and joint venture	605	398	532
8,11	Investment property	59 827	55 940	59 497
9,14	Debt instruments held to maturity	32 859	34 316	32 791
9,14	Debt instruments classified as loans and receivables	107 970	97 069	106 720
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	1 186	1 817	1 381
9,14	Lending local government, enterprises and retail customers	83 025	76 350	81 541
9,11,14	Debt instruments at fair value through profit or loss	172 153	159 026	171 021
9,11	Equity capital instruments at fair value through profit/loss	141 033	109 445	130 700
9,11,14	Financial derivatives	1 333	5 583	1 815
9	Receivables	5 718	7 354	3 173
9	Assets in defined contribution-based life insurance	1 976	1 260	1 674
	Cash and bank deposits	2 539	2 655	2 968
	TOTAL ASSETS	612 441	553 123	596 113
	Owners' equity contributed	11 763	10 425	11 726
	Retained earnings	16 491	13 573	16 097
	TOTAL OWNERS' EQUITY	28 254	23 997	27 823
9,10	Hybrid Tier 1 securities	1 678	1 665	1 650
9,10	Subordinated loan capital	6 384	9 470	6 220
	Pension obligations	712	738	712
15	Technical provisions - life insurance	462 700	420 588	453 943
15	Provisions in life insurance with investment option	1 976	1 260	1 674
	Premiums, claims and contingency fund provisions - non-life insurance	2 632	2 520	2 245
9,10	Covered bonds issued	21 323	19 062	21 095
9,10	Debt to credit institutions	4 965	9 181	5 050
9,10	Liabilities to and deposits from customers	8 939	7 884	8 688
9,11	Financial derivatives	5 125	3 257	5 871
	Deferred tax	566	886	403
16	Other current liabilities	6 744	6 753	4 823
	Unit holders `s interest in consolidated securites funds	60 443	45 861	55 916
	TOTAL LIABILITIES	584 187	529 126	568 290
	TOTAL EQUITY AND LIABILITIES	612 441	553 123	596 113
	Contingent liabilities	14 424	14 520	14 196

Changes in Owners' equity

KLP GROUP

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2016	11 726	16 097	27 823
Income		390	390
Items that will not be reclassified to income		0	0
Items that will be reclassified to income later when particular conditions are met		4	4
Total other comprehensive income		4	4
Total comprehensive income		394	394
Owners' equity contribution received (net)	37		37
Total transactions with the owners	37		37
Owners' equity 31 March 2017	11 763	16 491	28 254

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

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

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016	01.01.2016 - 30.09.2016	01.01.2016 - 30.06.2016	01.01.2016 - 31.03.2016
Net cash flow from operational activities	-7 922	-26 580	-18 932	-10 631	-5 259
Net cash flow from investment activities ¹	-29	-94	-130	-94	-34
Net cash flow from financing activities ²	7 521	27 219	20 164	11 889	5 524
Net changes in cash and bank deposits	-429	544	1 101	1 163	231
Holdings of cash and bank deposits at start of period	2 968	2 424	2 424	2 424	2 424
Holdings of cash and bank deposits at end of period	2 539	2 968	3 525	3 587	2 655

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 also payments from unit holders in consolidated securites funds..

Notes to the accounts

KLP GROUP

NOTE 1 Notes to the accounts

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 01.01.2017 – 31.03.2017. 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 2016. The annual financial statements are available at KLP's website klp.no.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016	01.01.2016 -31.12.2016	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	6 447	7 544	36 773	321	134	574
Premium income for own account from other Group companies	35	12	81	0	0	0
Net financial income from investments	8 056	4 248	24 994	67	19	192
Other income from external customers	248	230	938	1	2	3
Other income from other Group companies	59	59	338	0	0	0
Total income	14 847	12 093	63 124	389	155	769
Claims for own account	-4 459	-4 004	-16 387	-69	-47	-112
Insurance provisions for own account	-3 879	-5 280	-27 373	-307	-93	-599
Costs borrowing	-192	-30	382	0	0	0
Operating costs excluding depreciation	-238	-224	-911	-14	-13	-52
Depreciation	-16	-22	-261	-1	0	-2
Other expenses	-250	-233	-960	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-9 035	-9 792	-45 510	-390	-153	-764
Operating profit/loss	5 812	2 301	17 613	-1	2	5
Funds credited to insurance customers ²	-5 337	-1 836	-15 488	-10	-7	-33
Pre-tax income	475	464	2 125	-12	-5	-28
Cost of taxes	-77	-56	781	0	0	0
Income	398	409	2 906	-12	-5	-28
Change in other comprehensive income: excluded cost of taxes	0	-79	-33	0	-1	0
Total comprehensive income	398	330	2 874	-12	-6	-28
Assets	506 669	464 537	496 663	3 903	3 081	3 571
Liabilities	478 448	440 596	468 878	3 607	2 776	3 263

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	Non-life insurance			Banking		
	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016	01.01.2016 -31.12.2016	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	304	273	1 150	0	0	0
Premium income for own account from other Group companies	0	3	0	0	0	0
Net financial income from investments	59	51	253	55	57	205
Other income from external customers	0	0	1	3	1	10
Other income from other Group companies	0	0	0	14	14	57
Total income	364	328	1 404	72	73	272
Claims for own account	-248	-213	-871	0	0	0
Insurance provisions for own account	1	1	-2	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-67	-65	-269	-48	-47	-176
Depreciation	0	-1	-6	-1	-1	-4
Other expenses	0	0	0	0	0	-1
Return to financial instruments attributable to minority interests						
Total expenses	-314	-278	-1 148	-49	-48	-181
Operating profit/loss	50	50	255	23	25	91
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	50	50	255	23	25	91
Cost of taxes	-9	-11	-52	-6	-4	-22
Income	41	39	203	18	20	69
Change in other comprehensive income: excluded cost of taxes	0	-8	-2	0	-2	-1
Total comprehensive income	41	31	201	18	18	68
Assets	4 731	4 567	4 489	34 388	32 205	34 388
Liabilities	2 978	2 865	2 773	32 515	30 655	32 533

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Asset management			Other		
	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016	01.01.2016 -31.12.2016	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	2	3	4	0	0	0
Other income from external customers	0	0	0	2	2	8
Other income from other Group companies	96	70	299	0	0	0
Total income	99	72	303	2	2	8
Claims for own account	0	0	0	0	0	0
Insurance provisions for own account	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-80	-75	-280	-2	-2	-7
Depreciation	-1	-2	-6	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-81	-77	-285	-2	-2	-7
Operating profit/loss	17	-5	18	0	0	0
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	17	-5	18	0	0	0
Cost of taxes	-4	3	-4	0	0	0
Income	13	-2	15	0	0	0
Change in other comprehensive income: excluded cost of taxes	0	-8	-2	0	0	0
Total comprehensive income	13	-10	12	0	0	0
Assets	423	394	414	11	11	12
Liabilities	192	195	192	2	3	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	Eliminations			Total		
	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016	01.01.2016 -31.12.2016	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	0	0	0	7 073	7 951	38 497
Premium income for own account from other Group companies	-35	-15	-81	0	0	0
Net financial income from investments	2 550	-210	5 240	10 790	4 168	30 888
Other income from external customers	-4	-3	-14	250	233	945
Other income from other Group companies	-170	-143	-694	0	0	0
Total income	2 340	-371	4 450	18 112	12 352	70 330
Claims for own account	0	0	0	-4 777	-4 264	-17 370
Insurance provisions for own account	0	7	0	-4 185	-5 365	-27 973
Costs borrowing	0	0	0	-192	-30	382
Operating costs excluding depreciation	95	43	244	-353	-383	-1 451
Depreciation	-26	0	-26	-46	-25	-305
Other expenses	1	0	5	-249	-233	-957
Return to financial instruments attributable to minority interests	-2 349	963	-3 061	-2 349	963	-3 061
Total expenses	-2 279	1 013	-2 839	-12 150	-9 337	-50 736
Operating profit/loss	61	642	1 612	5 962	3 015	19 594
Funds credited to insurance customers ²	164	-594	-1 625	-5 182	-2 436	-17 146
Pre-tax income	225	49	-13	779	578	2 449
Cost of taxes	-295	-108	-360	-390	-176	344
Income	-70	-59	-373	389	403	2 792
Change in other comprehensive income: excluded cost of taxes	5	26	101	5	-72	63
Total comprehensive income	-64	-33	-272	394	330	2 855
Assets	62 316	80 532	56 576	612 441	553 123	596 113
Liabilities	66 444	82 690	60 648	584 187	529 126	568 290

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

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

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

Public sector occupational pension and group life

Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pension

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

Non-life insurance

KLP Skadeforsikring AS offers property and personal injury products to employers within the public and private sectors. In addition a broad 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 Kommunekreditt 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 2017	Q1 2016	01.01.2016 -31.12.2016
Contribution service pension	6 655	6 086	35 083
Reinsurance premiums ceded	31	-14	-19
Transfer of premium reserves from others	386	1 879	3 434
Total premium income	7 073	7 951	38 497

NOTE 4 Other income

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
Supplement contractual early retirement scheme (ERS)	245	228	927
Other income	4	5	19
Total other income	250	233	945

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
SUBORDINATED LOANS			
Interest costs ¹	-68	-100	-303
Value changes	-95	171	832
Net costs subordinated loans	-164	71	529
PERPETUAL HYBRID TIER 1 SECURITIES			
Interest costs	-16	-15	-61
Value changes	-13	-86	-86
Net costs perpetual hybrid tier 1 securities	-28	-101	-147
Net costs subordinated loan and hybrid Tier 1 securities	-192	-30	382

¹Besides 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.

About one third of the debt related to this note is issued in Japanese yen, while the remaining debt is issued in euros.

The fluctuations in value change are predominantly due to the loans being denominated in foreign currency.

NOTE 6 Operating expenses

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
Personnel costs	234	236	882
Depreciation	27	32	305
Other operating expenses	138	141	570
Other operating expenses	400	409	1 756

NOTE 7 Other expenses

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
Supplement contractual early retirement scheme (ERS)	245	227	929
Other expenses	4	6	28
Total other expenses	249	233	957

NOTE 8 Investment property

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
Net rental income	642	706	2 737
Net value adjustment	-16	323	3 989
Net income from investment properties	626	1 029	6 726
Currency translate foreign subsidiaries: classified in other comprehensive income	164	-585	-1 625
Net income from investment properties included currency translate	790	444	5 101

NOK MILLIONS	31.03.2017	31.03.2016	31.12.2016
Investment property 01.01.	59 497	56 436	56 436
Value adjustment	148	-262	2 364
Net additions	195	-207	724
Other changes	-13	-27	-28
Investment property 31.03/31.12	59 827	55 940	59 497

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.

NOTE 9 Fair value of financial assets and liabilities – cont.**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) 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 as-Totalled present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves and curves for Norwegian savings banks, municipalities and energy. Savings banks have various spread curves based on total assets. For companies where Nordic Bond Pricing do not deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used.

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

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

e) Receivables on credit institutions

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

f) Loans to municipalities and enterprises with municipal guarantee

Receivables are valued by means of a valuation model using relevant credit premium adjustments obtained in the market. For guaranteed loans fair value is calculated as discounted cash flow based on the same interest-rate curves as direct loans, but the credit margin is adjusted to market values for the appropri-

ate combination of guarantee category and type of guarantee. The guarantor is either a state, municipality or a bank.

g) Loans secured by mortgage

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

EQUITY INSTRUMENTS**h) Shares (listed)**

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

j) Private Equity

Investment in Private Equity goes through funds. The funds' fair value is to be based on reported market values that follow from the International Private Equity and Venture Capital

NOTE 9 Fair value of financial assets and liabilities – cont.

Valuation Guidelines ('IPEV Guidelines'). These guidelines are established by the European Venture Capital Association (EVCA) and are based on the principle of approximate market assessment of the companies. Fair value is calculated on the basis of the funds' reported market value adjusted for payments in and out during the period between the fund's last reported market value and the period being reported on for the Group.

DERIVATIVES**k) Futures/FRA/IRF**

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

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

DEBT TO CREDIT INSTITUTIONS**o) Placements with credit institutions and deposits**

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

SUBORDINATED LOAN CAPITAL, OTHER DEBT ISSUED, AND DEPOSITS FROM CUSTOMERS**p) Fair value of subordinated loans**

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOK MILLIONS	31.03.2017		31.03.2016		31.12.2016	
	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	8 162	8 978	11 023	12 121	8 339	9 248
Foreign hold-to-maturity bonds	24 698	26 050	23 293	26 756	24 452	25 771
Total debt instruments held to maturity	32 859	35 028	34 316	38 877	32 791	35 019

NOTE 9 Fair value of financial assets and liabilities – cont.

NOK MILLIONS	31.03.2017		31.03.2016		31.12.2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	32 967	35 931	30 330	33 854	33 018	35 785
Foreign bonds	74 984	80 129	66 724	74 646	72 879	77 806
Norwegian certificates	0	0	0	0	790	787
Other receivables	20	20	15	15	33	33
Total debt instruments classified as loans and receivables	107 970	116 079	97 069	108 515	106 720	114 411
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	1 186	1 186	1 817	1 817	1 381	1 381
Total loans to local government, enterprises & retail customers	1 186	1 186	1 817	1 817	1 381	1 381
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST						
Loans secured by mortgage	16 487	16 501	14 548	14 584	15 953	15 969
Loans to local government sector or enterprises with local government guarantee	56 848	57 544	52 117	53 176	56 484	57 135
Loans abroad secured by mortgage and local government guarantee	9 690	9 745	9 685	9 657	9 105	9 143
Total loans to local government, enterprises & retail customers	83 025	83 790	76 350	77 417	81 541	82 247
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	60 039	60 039	50 929	50 929	58 661	58 661
Norwegian certificates	11 491	11 491	12 878	12 878	12 519	12 519
Foreign bonds	83 556	83 556	77 928	77 928	82 933	82 933
Foreign certificates	0	0	0	0	161	161
Investments with credit institutions	17 067	17 067	17 291	17 291	16 747	16 747
Total debt instruments at fair value through profit/loss	172 153	172 153	159 026	159 026	171 021	171 021
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	130 729	130 729	101 252	101 252	121 236	121 236
Equity funds	9 556	9 556	7 535	7 535	8 688	8 688
Property funds	248	248	349	349	287	287
Alternative investments	499	499	308	308	489	489
Total equity capital instruments at fair value	141 033	141 033	109 445	109 445	130 700	130 700

NOTE 9 Fair value of financial assets and liabilities – cont.

NOK MILLIONS	31.03.2017		31.03.2016		31.12.2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
RECEIVABLES						
Receivables related to direct business	1 251	1 251	1 064	1 064	753	753
Receivables related to reinsurance agreements	109	109	71	71	119	119
Reinsurance share of unpaid gross premiums	47	47	0	0	0	0
Reinsurance share of gross claims reserve	41	41	9	9	1	1
Receivables related to securites	3 674	3 674	5 769	5 769	1 763	1 763
Prepaid rent related to real estate activities	186	186	145	145	106	106
Other receivables	410	410	295	295	431	431
Total other loans and receivables including receivables from policyholders	5 718	5 718	7 354	7 354	3 173	3 173
FINANCIAL LIABILITIES						
Hybrid Tier 1 securities	1 678	1 385	1 665	1 682	1 650	1 650
Subordinated loan capital	6 384	6 836	9 470	9 398	6 220	6 554
Debt to credit institutions	1 918	1 918	3 221	3 221	2 356	2 356
Covered bonds issued	21 323	21 323	19 062	19 062	21 095	21 095
Liabilities and deposits from customers	8 939	8 939	7 884	7 884	8 688	8 688
Total financial liabilities	40 243	40 402	41 301	41 246	40 010	40 344
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	3 047	3 047	5 960	5 960	2 694	2 694
Total financial liabilities	3 047	3 047	5 960	5 960	2 694	2 694
Assets in life insurance with investment option	1 976	1 976	1 260	1 260	1 674	1 674
Provisions in life insurance with investment option	1 976	1 976	1 260	1 260	1 674	1 674

NOK MILLIONS	31.03.2017		31.03.2016		31.12.2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	271	3 842	4 361	1 763	795	4 534
Interest rate swaps	377	1 283	525	1 494	375	1 338
Interest rate and currency swaps	685	0	697	0	645	0
Total financial derivatives	1 333	5 125	5 583	3 257	1 815	5 871

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	0	EUR	Fixed	Perpetual	0	2 973	0
Kommunal Landspensjonskasse	554	JPY	Fixed ¹	Perpetual	744	711	706
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ²	2045	5 639	5 786	5 514
Total subordinated loan capital	5 717				6 384	9 470	6 220
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	1 678	1 665	1 650
Total hybrid Tier 1 securities	984				1 678	1 665	1 650
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2016	0	1 633	0
KLP Kommunekreditt AS	99	NOK	Fixed	2017	101	647	319
KLP Kommunekreditt AS	534	NOK	Floating	2017	535	3 006	596
KLP Kommunekreditt AS	3 970	NOK	Floating	2018	3 975	3 975	3 975
KLP Kommunekreditt AS	4 500	NOK	Floating	2019	4 505	4 506	4 506
KLP Kommunekreditt AS	2 500	NOK	Floating	2020	2 511	0	2 510
KLP Kommunekreditt AS	750	NOK	Fixed	2020	760	760	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 014	0	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	605	602	602
KLP Kommunekreditt AS	500	NOK	Fixed	2027	501	0	0
KLP Boligkreditt AS	43	NOK	Floating	2017	43	491	43
KLP Boligkreditt AS	600	NOK	Floating	2019	600	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 007	1 611	2 007
KLP Boligkreditt AS	0	NOK	Fixed	2021	0	501	0
KLP Boligkreditt AS	1 100	NOK	Floating	2021	1 102	601	1 103
Other					65	127	67
Total covered bonds	21 196				21 323	19 062	21 095

¹ The loan has an interest change date in 2017.

² The loan has an interest change date in 2025.

³ The loan has an interest change date in 2034.

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Floating	2016	0	802	0
KLP Banken AS	300	NOK	Fixed	2017	311	311	308
KLP Banken AS	0	NOK	Floating	2017	0	500	443
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	902	902
KLP Funds	0	NOK	Fixed	2016	0	2 278	0
KLP Funds	1 057	NOK	Fixed	2017	1 057	0	1 064
KLP Funds	0	NOK/EUR/USD	Floating	2016	0	1 629	0
KLP Funds	1 125	NOK/EUR/USD	Floating	2017	1 125	0	744
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2016	0	2 047	0
Kommunal Landspensjonskasse	862	NOK/EUR/USD	Floating	2017	862	0	885
KLP Banken AS	0	NOK/EUR/USD	Floating	2016	0	6	0
KLP Banken AS	4	NOK/EUR/USD	Floating	2017	4	0	1
Other					-1	0	-1
Total liabilities to credit institutions	4 947				4 965	9 181	5 050
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴							
Retail	7 150	NOK			7 150	6 373	6 938
Business	1 766	NOK			1 766	1 496	1 729
Foreign	23	NOK			23	14	21
Liabilities to and deposits from customers	8 939				8 939	7 884	8 688
Total financial liabilities	41 783				43 290	47 262	42 704

⁴ There is no contractual maturity date on deposits.

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

NOTE 11 Fair value hierarchy

31.03.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	59 827	59 827
Land/plots	0	0	970	970
Real estate fund	0	0	1 847	1 847
Buildings	0	0	57 010	57 010
Lending at fair value	0	1 186	0	1 186
Bonds and other fixed-income securities	45 416	109 744	0	155 160
Certificates	7 569	3 922	0	11 491
Bonds	24 772	105 823	0	130 595
Fixed-income funds	13 074	0	0	13 074
Loans and receivables	15 005	1 989	0	16 993
Shares and units	126 846	4 682	9 505	141 033
Shares	125 250	3 934	1 545	130 729
Equity funds	1 596	0	76	1 672
Property funds	0	248	0	248
Special funds	0	499	0	499
Private Equity			7 884	7 884
Financial derivatives	0	1 333	0	1 333
Total assets at fair value	187 266	118 934	69 332	375 532
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	5 125	0	5 125
Debt to credit institutions ¹	1 990	1 057	0	3 047
Total financial liabilities at fair value	1 990	6 182	0	8 172

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 1 918 million per 31.03.2017

NOTE 11 Fair value hierarchy – cont.

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 1 918 million per 31.03.2017

NOTE 11 Fair value hierarchy – cont.

31.12.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	59 497	59 497
Land/plots	0	0	982	982
Real estate fund	0	0	1 831	1 831
Buildings	0	0	56 684	56 684
Lending at fair value	0	1 381	0	1 381
Bonds and other fixed-income securities	45 368	108 901	0	154 269
Certificates	7 377	5 303	0	12 680
Bonds	25 058	103 598	0	128 656
Fixed-income funds	12 933	0	0	12 933
Loans and receivables	15 071	1 681	0	16 752
Shares and units	117 815	4 312	8 573	130 700
Shares	116 264	3 536	1 436	121 236
Equity funds	1 552	0	84	1 636
Property funds	0	287	0	287
Special funds	0	489	0	489
Private Equity	0	0	7 052	7 052
Financial derivatives	0	1 815	0	1 815
Total assets at fair value	178 254	118 090	68 069	364 414
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	5 871	0	5 871
Debt to credit institutions ¹	1 648	1 064	0	2 712
Total financial liabilities at fair value	1 648	6 936	0	8 584

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 1 918 million per 31.03.2017.

NOTE 11 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
Opening balance 1 January	8 573	8 009	8 009
Sold	-156	-268	-1 288
Bought	428	376	2 034
Unrealised changes	660	-468	-182
Closing balance 31.03./ 31.12.	9 505	7 649	8 573
Realised gains/losses	28	31	377

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
Opening balance 1 January	59 497	56 436	56 436
Net acquisition cost	192	-207	724
Unrealised changes	148	323	2 364
Other changes	-12	-612	-28
Closing balance 31.03./ 31.12.	59 824	55 940	59 497
Realised gains/losses	0	0	0
Total level 3	69 329	63 588	68 069

NOTE 11 Fair value hierarchy – cont.

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 3 466 million as of 31.03.2017, NOK 3 179 as of 31.03.2016 and NOK 3 403 million as of investments in level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 1 976 millions in financial assets valued at fair value at Level 1. Per 31.12.2016 the NOK 1 976 millions are included with NOK 1 105 millions in shares and units in Level 1, NOK 822 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 87 millions in stocks has been moved from Level 1 to Level 2 and NOK 76 millions from Level 2 to Level 1. This is due to changes in liquidity. For debt instruments there has been no movements.

NOK 23 millions has been moved from level 3 to level 2, due to a stock being quoted in 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.

31.03.2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	1 230	937	6 214	0	8 382
Perpetual hybrid Tier 1 securities ¹	0	125	250	313	1 552	2 240
Debt to and deposits from customers (without defined maturity)	8 939	0	0	0	0	8 939
Covered bonds issued	0	968	20 778	49	529	22 323
Payables to credit institutions	4 179	333	1 621	0	0	6 134
Financial derivatives	2 301	4 617	427	-29	-282	7 034
Accounts payable	691	0	0	0	0	691
Contingent liabilities	14 424	0	0	0	0	14 424
Total	30 535	7 273	24 013	6 547	1 799	70 167

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 463 million, payables to credit institutions maturing within one month are reduced with NOK 358 million and derivatives maturing between 1 to 12 months are reduced with NOK 80 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 69 266 million.

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

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 10 million and payables to credit institutions within one month are reduced with NOK 1,5 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 66 767 million.

NOTE 12 Liquidity risk - cont.

31.12.2016 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	961	926	6 373	0	8 260
Perpetual hybrid Tier 1 securities ¹	0	63	251	313	1 567	2 194
Debt to and deposits from customers (without defined maturity)	8 688	0	0	0	0	8 688
Covered bonds issued	0	1 263	20 819	0	0	22 082
Payables to credit institutions	4 823	783	1 631	0	0	7 237
Financial derivatives	4 518	1 939	1 105	10	-252	7 320
Accounts payable	676	0	0	0	0	676
Contingent liabilities	14 196	0	0	0	0	14 196
Total	32 901	5 009	24 732	6 697	1 314	70 653

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

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

31.03.2017 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2017 - 31.03.2017	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Mutual funds shares	0	0	0	0	0	0	0	1
Financial derivatives classified as assets	20	-41	105	-41	-346	-8	-312	-291
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	2	2	2
Bonds and other fixed-return securities	-51	-95	-1 272	-2 039	-1 603	91	-4 970	-4 341
Fixed income fund holdings	-818	0	0	0	0	0	-818	-818
Lending and receivables	-1	-1	0	0	0	38	36	30
Lending	0	0	0	0	0	122	122	122
Cash and bank deposits	0	0	0	0	0	6	6	6
Contingent liabilities ¹	0	0	0	0	0	15	15	15
Total assets	-851	-138	-1 167	-2 081	-1 949	266	-5 920	-5 273
LIABILITIES								
Deposit	0	0	0	0	0	-89	-89	-89
Liabilities created on issue of securities	0	0	59	0	47	-233	-127	-127
Financial derivatives classified as liabilities	-8	42	83	104	2	10	233	233
Hybrid capital, subordinated loans	0	0	0	67	82	0	149	149
Debt to credit institutions	0	0	0	0	0	-5	-5	-5
Total liabilities	-8	42	142	171	131	-316	162	161
Total before tax	-859	-96	-1 025	-1 910	-1 818	-50	-5 758	-5 112
Total after tax	-653	-73	-779	-1 452	-1 382	-38	-4 376	-3 885

¹ Contingent liabilities are lending agreements that are not yet materialized.

NOTE 13 Interest rate risk – cont.

31.03.2016 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2016 - 31.03.2016	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Mutual funds shares	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	102	102	54
Cash and bank deposits	0	0	0	0	0	27	27	27
Contingent liabilities ¹	0	0	0	0	0	15	15	15
Total assets	-700	-95	-1 218	-1 955	-1 736	240	-5 464	-4 877
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	173	-4 998	-4 520
Total after tax	-531	-68	-797	-1 241	-1 241	130	-3 748	-3 390

¹ Contingent liabilities are lending agreements that are not yet materialized.

NOTE 13 Interest rate risk – cont.

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

¹ Contingent liabilities 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. The same goes for issued debt with a fixed rate, measured at amortized cost.

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

31.03.2017 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	29 723	0	30	0	0	0	3 106	32 859	32 859
Debt instruments classified as loans and receivables at amortized cost	82 256	0	633	0	0	0	25 081	107 970	107 952
Debt instruments at fair value - fixed-return securities	114 161	82	7 339	0	0	7 851	12 653	142 086	128 468
Fixed-income funds	0	0	0	0	0	0	13 074	13 074	13 074
Loans and receivables	16 819	0	0	0	0	174	0	16 993	14 870
Financial derivatives classified as assets	1 333	0	0	0	0	0	0	1 333	1 312
Cash and bank deposits	2 539	0	0	0	0	0	0	2 539	1 939
Lending	0	0	59 649		15 129	1 309	8 124	84 211	84 211
Total	246 830	82	67 652	0	15 129	9 333	62 039	401 065	384 685

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.

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Invest- ment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	13 491	4 143	7 880	4 208	29 723
Debt instruments classified as loans and receivables at amortized cost	15 948	20 423	39 613	6 272	82 256
Debt instruments at fair value - fixed-return securities	44 572	14 002	37 240	18 346	114 161
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	1 888	14 713	218	16 819
Financial derivatives classified as assets	0	137	1 196	0	1 333
Cash and bank deposits	0	126	2 412	0	2 539
Lending	0	0	0	0	0
Total	74 011	40 720	103 055	29 044	246 830

NOTE 14 Credit risk – cont.

31.03.2016 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
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
Cash and bank deposits	2 655	0	0	0	0	0	0	2 655	2 655
Lending	0	0	54 434		11 877	2 622	9 235	78 167	78 167
Total	237 525	497	62 425	0	11 877	12 885	51 608	376 816	364 370

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.

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					
	AAA	AA	A	BBB	Total Invest- ment 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
Cash and bank deposits	0	0	2 655	0	2 655
Lending	0	0	0	0	0
Total	84 528	36 178	94 903	21 916	237 525

NOTE 14 Credit risk – cont.

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

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

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

NOTE 14 Credit risk – cont.

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 62 billion per 31.03.2017. 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.

NOK MILLIONS	31.03.2017		31.03.2016		31.12.2016	
	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund
10 LARGEST COUNTERPARTIES						
Counterparty 1	16 441	16 317	15 748	15 191	16 787	16 359
Counterparty 2	10 547	10 001	11 615	10 999	10 871	10 189
Counterparty 3	8 617	8 617	8 362	8 362	8 551	8 551
Counterparty 4	7 465	6 085	7 024	6 310	6 865	6 343
Counterparty 5	6 388	5 971	6 310	5 869	6 678	5 454
Counterparty 6	5 413	5 345	5 965	5 836	5 428	5 334
Counterparty 7	5 085	5 034	5 569	5 327	5 010	4 951
Counterparty 8	4 752	4 752	4 099	4 070	4 698	4 698
Counterparty 9	3 651	3 267	3 326	3 258	3 601	3 235
Counterparty 10	3 612	3 230	3 290	3 252	3 566	3 205
Total	71 971	68 620	71 309	68 474	72 056	68 319

The table above shows the 10 largest counterparties to which the KLP Group has exposure. The amounts stated are book value. Adjusted for the minority holding includes only that which is in the Group's ownership and where the Group

retains actual credit risk. The majority of the 10 largest counterparties are either finance institutions or counterparties covered by a public sector guarantee (central or local government guarantee).

NOTE 15 Technical provisions in life insurance

NOK MILLIONS	31.03.2017	31.03.2016	31.12.2016
Premium reserves - ordinary tariff	387 871	361 766	383 803
Premium funds, buffer funds and pensioners' surplus funds	16 799	15 158	17 216
Supplementary reserves	24 472	20 323	24 472
Securities adjustment fund	33 506	21 238	28 404
Other provisions	52	47	48
Profit/loss allocated to insurance contracts	160	2 056	0
Technical provisions in life insurance.	462 700	420 588	453 943

NOK MILLIONS	31.03.2017	31.03.2016	31.12.2016
Premium reserves	1 966	1 252	1 665
Deposit funds	10	8	8
Provisions in life insurance with investment options	1 976	1 260	1 674

NOTE 16 Other current liabilities

NOK MILLIONS	31.03.2017	31.03.2016	31.12.2016
Short-term payables trade in securities	4 499	3 673	2 636
Incurred not assessed taxes	164	212	202
Advance tax-deduction pension scheme	338	311	382
Accounts payable	188	272	676
Pre-called contribution to insurance	128	105	131
Other current liabilities	1 427	2 180	795
Total other current liabilities	6 744	6 753	4 823

NOTE 17 SCR ratio

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 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 203 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 293 per cent.

NOK BILLIONS	31.03.2017	31.12.2016		31.03.2017	31.12.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	513	502	Best estimate	465	456
Added values - hold-to-maturity portfolio/loans and receivables	10	10	Risk margin	13	13
Added values - other lending	1	1	Hybrid Tier 1 securities/ Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	10	9
Deferred tax asset	0	1	Deferred tax liabilities	0	0
Total assets - solvency II	524	513	Total liabilities - solvency II	497	486
			Excess of assets over liabilities	27	27
			- Deferred tax asset	0	-1
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	24	24
			Total eligible tier 1 own funds	24	24
			Subordinated loans	7	7
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	11
			Ancillary own funds	10	10
			Tier 2 ancillary own funds	10	10
			Deduction for max. eligible tier 2 own funds	-13	-12
			Total eligible tier 2 own funds	8	8
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	31	27
			Solvency capital requirement (SCR)	16	16
			Solvency II- SCR ratio	203 %	198 %

NOTE 18 Presentation of assets and liabilities that are subject to net settlement

31.03.2017 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount	Adjusted for the unit holders' interests in consolidated securities fund
					Security in cash	Security in securities		
ASSETS								
Financial derivatives	1 333	0	1 333	-587	-786	0	23	20
Repos	0	0	0	0	0	0	0	0
Total	1 333	0	1 333	-587	-786	0	23	20
LIABILITIES								
Financial derivatives	5 125	0	5 125	-587	-2 979	-1 105	454	411
Repos	1 057	0	1 057	0	0	0	1 057	1 057
Total	6 182	0	6 182	-587	-2 979	-1 105	1 511	1 468

31.03.2016 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount	Adjusted for the unit holders' interests in consolidated securities fund
					Security in cash	Security in securities		
ASSETS								
Financial derivatives	5 583	0	5 583	-2 586	-3 231	0	199	183
Repos	0	0	0	0	0	0	0	0
Total	5 583	0	5 583	-2 586	-3 231	0	199	183
LIABILITIES								
Financial derivatives	3 257	0	3 257	-2 586	-891	0	16	16
Repos	2 278	0	2 278	0	0	0	2 278	2 278
Total	5 535	0	5 535	-2 586	-891	0	2 294	2 294

NOTE 18 Presentation of assets and liabilities that are subject to net settlement – cont.

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

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

The note shows derivative positions and repo agreements in the financial position statement. Repos are a part of the line "Debt to credit institutions" in the balance sheet.

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

Key figures - Accumulated

NOK MILLIONS	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
KLP GROUP								
Profit before tax	779	2 449	2 085	1 378	578	5 138	1 889	1 302
Total assets	612 441	596 113	588 940	577 072	553 123	543 262	526 731	526 044
Owners' equity	28 254	27 823	26 827	25 049	23 997	23 665	20 620	18 992
Solvency SCR ratio ²	203 %	198 %	197 %	180 %	181 % ²	11.7 %	11.0 %	11.0 %
Number of employees in the Group	941	946	949	952	942	939	920	914
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	475	2 125	1 858	1 196	464	4 876	1 613	1 196
Premium income for own account	6 483	36 854	29 715	19 674	7 556	38 789	31 985	25 548
- of which inflow of premium reserve	177	3 250	3 529	1 736	1 838	9 247	9 273	9 594
Insurance customers' funds incl. acc. profit	4 459	16 387	12 202	8 039	4 001	15 287	11 418	7 574
- of which funds with guaranteed returns	188	124	124	124	104	147	147	147
Net investment common portfolio	469 414	460 289	447 945	444 205	375 536	421 835	405 551	409 164
Net investment choice portfolio	2 244	2 184	2 199	2 105	2 060	2 050	2 020	2 056
Insurance funds incl. earnings for the year	461 095	452 375	444 748	434 146	419 099	412 363	405 343	406 927
- of which funds with guaranteed interest	403 030	395 562	391 495	385 763	375 583	370 559	368 390	352 857
Solvency capital requirement (SCR) ²	32 462	31 338	30 604	28 544	28 100	28 340	26 161	25 364
Solvency SCR ratio ²	214 %	209 %	208 %	189 %	187%	12 %	11 %	11 %
Riskprofit I	100	784	475	278	152	498	473	294
Riskprofit II ¹	n/a	n/a	n/a	n/a	n/a	19 644	n/a	n/a
Return profits	139	8 094	6 759	3 952	2 023	3 452	2 134	2 607
Administration profit	32	-50	135	65	20	264	197	132
Solvency capital	105 303	98 856	103 885	96 744	94 955	84 577	80 101	79 171
Book return on common portfolio	0.6 %	4.4 %	3.5 %	2.2 %	1.1 %	3.6 %	2.6 %	2.0 %
Value-adjusted return on common portfolio	1.7 %	5.8 %	4.4 %	2.7 %	1.0 %	4.0 %	2.0 %	2.3 %
Return on unit-linked portfolio	1.8 %	6.2 %	4.4 %	2.5 %	0.9 %	4.0 %	1.7 %	2.5 %
Return on corporate portfolio	0.9 %	4.7 %	4.0 %	2.7 %	1.0 %	4.8 %	3.2 %	2.4 %

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.

² Capital adequacy regulations for Solvency I was used to 31.12.2015. From 01.01.2016 is regulatonas for Solvency II used.

Key figures - Accumulated – cont.

NOK millions	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
KLP SKADEFORSIKRING AS								
Profit before tax	496	255.4	185.6	116.3	49.5	183.1	46.3	15.6
Gross premium due	320.4	1207.5	894.9	588.9	290.3	1086.8	806.9	529.0
Premium income for own account	304.5	1150.1	851.9	560.5	276.4	1035.1	768.4	503.4
Owners' equity	1738.7	1 715.8	1808.9	1755.2	1705.7	1672.2	1540.4	1512.8
Claims ratio	81.1 %	75.9 %	80.6 %	80.0 %	76.9 %	77.7 %	86.1 %	93.7 %
Combined-ratio	102.9 %	98.7 %	101.6 %	101.7 %	100.2 %	98.8 %	106.4 %	114.0 %
Return on assets under management	1.4 %	6.1 %	4.9 %	3.1 %	1.3 %	4.4 %	2.5 %	2.3 %
Solvency capital requirement (SCR) ²	1848	1762	1805	1789	1 910	1 060	884	883
Solvency SCR ratio ²	264 %	261 %	275 %	278 %	285 %	49 %	41 %	40 %
Annual premium in force – retail market	462.0	435.2	408.7	387.4	367.5	354.4	344.3	329.9
Annual premium in force – public sector market	851.0	832.2	826.2	822.8	813.2	762.2	769.7	763.9
Net new subscriptions (accumulated within the year)	20.8	135.2	83.0	52.0	21.9	112.1	64.1	47.3
KLP BEDRIFTSPENSJON AS								
Profit before tax	-12.1	-27.6	-9.4	-6.9	-4.7	-24.2	-15.6	-6.8
Premium income for own account	320.8	574.3	383.8	249.1	134.2	485.6	378.1	235.7
- of which premium reserve added	209.8	185.0	101.9	65.3	40.9	149.7	128.3	72.7
Insurance customers' funds including accumulated profit	69.1	3 241.0	3 026.8	2 873.4	2 748.1	2 618.6	2 491.3	2 405.1
- of which funds with guaranteed returns	50.1	1 389.7	1 357.6	1 350.6	1 342.9	1 293.4	1 274.6	1 389.4
Returns profit	159.7	31.0	13.2	8.6	2.5	22.8	13.1	10.0
Risk result	-4.1	6.0	3.8	-0.0	0.6	-1.8	-1.4	3.1
Administration losses	296.4	-32.5	-18.6	-12.8	-7.6	-27.5	-19.3	-13.5
Solvency capital requirement (SCR) ²	29	11	101	89	73	295	97	104
Solvency SCR ratio ²	33 %	22 %	98 %	69 %	57 %	35 %	13 %	14 %
Solvency capital	483.3	479.4	516.9	516.3	480.0	461.0	254.4	258.0
Book capital return on common portfolio	0.6 %	5.3 %	3.3 %	2.2 %	1.0 %	4.8 %	3.4 %	2.4 %
Value-adjusted capital return on common portfolio	1.2 %	5.7 %	4.4 %	2.8 %	1.1 %	4.7 %	2.8 %	2.5 %
Return on defined unit-linked contribution pensions	2.6 %	7.0 %	4.4 %	1.8 %	-0.2 %	2.1 %	-0.9 %	2.5 %
Return on corporate portfolio	0.7 %	2.4 %	2.3 %	1.7 %	1.1 %	0.9 %	0.5 %	0.7 %

² Capital adequacy regulations for Solvency I was used to 31.12.2015. From 01.01.2016 is regulations for Solvency II used.

Key figures - Accumulated – cont.

NOK millions	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
KLP BANKEN GROUP								
Profit/loss before tax	23.2	91.2	90.7	58.0	24.8	49.6	34.4	14.8
Net interest income	51.4	194.3	149.4	100.3	50.9	187.1	133.1	81.4
Other operating income	16.8	66.4	49.3	32.1	15.5	67.9	51.0	34.1
Operating expenses and depreciation	-48.6	-179.5	-126.1	-89.1	-48.0	-170.2	-122.1	-86.8
Net realized/unrealized changes in financial instruments to fair value	3.7	11.1	18.5	14.9	6.5	-34.1	-27.7	-14.1
Contributions	8 939.4	8 687.9	8 454.0	8 252.0	7 883.7	7 426.2	7 279.1	7 305.2
Housing mortgages granted	13 375.6	12 716.6	12 812.2	12 294.4	11 311.0	10 713.1	10 437.5	9 604.2
Loan(s) with public guarantee(s)	17 281.5	17 245.9	17 336.4	16 047.5	15 782.9	15 646.3	15 807.7	15 591.0
Defaulted loans	27.9	22.2	24.3	28.4	33.1	29.3	26.5	34.1
Borrowing on the issuance of securities	23 241.3	23 451.4	24 455.1	23 798.7	22 282.7	21 901.7	19 940.7	20 776.8
Total assets	34 383.2	34 382.4	34 949.3	34 144.6	32 203.5	31 294.4	29 266.9	29 813.9
Average total assets	34 382.8	32 838.4	33 121.9	32 719.5	30 995.1	30 525.3	29 510.9	29 784.5
Owners' equity	1 868.0	1 850.4	1 598.4	1 574.2	1 548.9	1 507.8	1 494.5	1 278.1
Net interest rate	0.15 %	0.59 %	0.45 %	0.31 %	0.16 %	0.61 %	0.45 %	0.27 %
Profit/loss from general operations before tax	0.07 %	0.28 %	0.27 %	0.18 %	0.08 %	0.16 %	0.12 %	0.06 %
Return on owners' equity before tax	5.02 %	6.05 %	8.02 %	7.69 %	6.58 %	3.40 %	2.30 %	1.32 %
Capital adequacy	19.3 %	19.0 %	16.8 %	16.5 %	17.5 %	17.6 %	17.9 %	15.1 %
Number of private customers	49 038	46 801	45 246	43 566	42 287	39 759	38 248	37 335
Of this members of KLP	34 703	33 173	32 066	31 070	29 501	27 448	26 337	25 586
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	17.5	18.2	16.3	1.8	-4.9	46.1	44.7	27.0
Total assets under management	455 577	441 943	431 741	417 789	408 451	398 471	382 580	383 411
Assets managed for external customers	58 210	54 003	49 434	46 509	44 526	44 797	40 892	40 388



Interim Financial Statements

NON-FINANCIAL ACCOUNTS
Q1 2017

Non-financial accounts

KLP GROUP

NOTE	Changes in 1st quarter		31.03.17	31.03.16	31.12.16	31.12.15	31.12.14	
	2017	2016						
SOCIAL RESPONSIBLE INVESTMENTS								
1	Number of companies excluded from the investment portfolio	4	0	166	124	162	124	99
	Number of general meetings in Norwegian companies at which KLP has voted (in %)	6 (100%)	8 (73%)	6 (100%)	8 (73%)	111 (96%)	97 (91%)	105 (93%)
	Number of general meetings in foreign companies at which KLP has voted (in %)	401 (91%)	297 (66%)	401 (91%)	297 (66%)	2627 (90%)	2445 (83%)	2439 (82%)
2	Number of companies KLP has monitored	66	86	66	86	214	176	109
	Market value of investments in renewable energy in Norway (NOK millions)	120	1 005	22 588	21 194	22 468	20 189	19 876
	Market value of investments in renewable energy in developing countries (NOK millions)	56	24	314	250	258	226	131
	Market value of investments in banking and finance in developing countries (NOK millions)	6	0	416	229	410	229	201
	Market value of investments in European infrastructure funds (NOK millions)	115	N/A	767	443	652		
EMPLOYEES								
	Number of employees	-9	3	941	942	950	939	899
	Reported sickness absence 12 month rolling	0,7 %	1,1 %	5,2 %	5,3 %	4,5 %	4,2 %	4,7 %
ENVIRONMENT								
3	Energy consumption kWh KLP's offices in KLP Huset (KLP Building)	1 176 527	1 116 600	1 176 527	1 116 600	3 571 611	3 329 181	3 452 909
4	Energy consumption kWh own offices Trondheim	75 448	82 656	75 448	82 656	248 910	232 662	230 936
5	Energy consumption kWh own offices Bergen	265 567	139 011	265 567	139 011	380 949	400 865	416 813
6	Kilo CO ₂ -equivalent from airtravel	150 312	136 264	150 312	136 264	550 170	650 557	652 324
6	Number of return tickets (corporate airtravel)	943	866	943	866	3 294	3 623	3 588

NOTE 1 Excluded companies

In the first quarter of 2017, KLP has excluded four companies involved in the building of the Dakota Access Pipeline in the USA: Energy Transfer Partners, Enbridge, Phillips 66 and Marathon Petroleum. These companies are excluded due to an unacceptable risk of human rights violations. The change in number of excluded companies is a net figure consisting of: number of new exclusions of companies from the investment portfolio (4) minus the number of companies reinstated in the investment portfolio (0).

NOTE 2 Dialogue

Number of companies KLP has been in contact with, in the given period, regarding social, environmental or governing challenges. This includes companies that has taken the initiative to communicate how they are facing challenges towards being social responsible, as well as companies KLP has approached, due to information that has caused concern.

NOTE 3 Energy consumption main office Oslo

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's main office building has dozens of meters where such errors may occur. KLP uses the most updated numbers available. The electricity consumption may be changed back in time due to delayed updates.

NOTE 4 Energy consumption regional office Trondheim

For KLP's regional office in Trondheim, Optima energy monitoring is utilized, with the same potential issues as aforementioned. Additionally, some data is gathered directly from our energy provider, Trønder Energi's own energy monitoring online system.

NOTE 5 Energy consumption regional office Bergen

KLP's regional office in Bergen relocated on the 13th of June 2016. First Quarter 2017 is the first quarter where data on both KLP's own energy consumption, and KLP's share of communal space energy consumption has been available. As such, the consumption is quite a bit higher than for the same period in 2016.

NOTE 6 Emissions from air travel

In 2016, KLP deployed measures in order to reduce air travel and associated emissions. For the first quarter 2016, both the emissions from corporate air travel, and number of return flights has increased by 10%. The number of return flights was reduced by more than 20% in Q1 2016 compared to Q1 2015. A correction this year is quite natural, as the number last year was particularly low. The number of return flights has been reduced by 13% in Q1 2017, compared to Q1 2015. This is in line with the targets that were outlined in the fall of 2015, and executed in 2016.



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q1 2017

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
3	Premium income	6 483	7 556	36 854
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	617	390	4 616
	Interest income and dividends etc. on financial assets	2 061	2 055	8 432
	Value changes on investments	5 542	2 545	6 014
	Gains and losses realized on investments	-532	-918	5 528
	Net income from investments in the common portfolio	7 688	4 071	24 588
	Net income from investments in the investment option portfolio	40	18	127
	Other insurance-related income	246	228	933
4	Claims	-4 459	-4 001	-16 387
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-9 025	-5 051	-38 434
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-31	-6	-108
	Funds assigned to insurance contracts - contractual liabilities	0	0	-4 319
	Unallocated profit to insurance contracts	-160	-2 063	0
5	Insurance-related operating expenses	-249	-238	-1 140
	Other insurance-related costs	-245	-228	-934
	Technical profit/loss	287	287	1 180
	Net income from investments in the corporate portfolio	278	302	1 354
	Other income	3	1	7
	Administration costs and other costs associated with the corporate portfolio	-93	-125	-416
	Non-technical profit/loss	188	178	945
	Profit/loss pre-tax	475	464	2 125
	Tax	-77	-75	773
	Profit/loss before other comprehensive income	398	389	2 898
	Actuarial gains and losses on defined benefits pension schemes - employee benefits	0	-59	-27
	Proportion of other comprehensive income on application of the equity method	0	-29	-5
	Adjustment of the insurance liabilities	0	9	0
	Tax on other comprehensive income	0	20	8
	Total other comprehensive income	0	-59	-24
	TOTAL COMPREHENSIVE INCOME	398	330	2 874

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.03.2017	31.03.2016	31.12.2016
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	248	464	253
7	Investment properties	991	871	1 003
	Shares and holdings in property subsidiaries	1 757	1 672	1 779
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 185	3 777	4 125
6	Financial assets valued at amortized cost	14 096	15 910	13 808
6,7	Financial assets valued at fair value	11 362	10 312	11 052
	Receivables	1 151	1 010	902
	Tax asset	259	0	336
	Other assets	961	670	933
Total assets in the corporate portfolio		35 010	34 686	34 190
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	55 287	52 775	55 076
	Shares and holdings in associated enterprises and jointly controlled entities	601	394	528
6	Financial assets valued at amortized cost	177 077	163 627	175 588
6,7	Financial assets valued at fair value	236 450	210 996	229 097
Total investment in the common portfolio		469 414	427 791	460 289
	Shares and holdings in property subsidiaries	273	261	272
6	Financial assets at amortized costs	772	692	738
6,7	Financial assets at fair value	1 199	1 107	1 174
Total investments in the investment option portfolio		2 244	2 060	2 184
Total assets in the customer portfolios		471 659	429 851	462 473
TOTAL ASSETS		506 669	464 537	496 663

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.03.2017	31.03.2016	31.12.2016
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	11 763	10 425	11 726
	Retained earnings	16 458	13 516	16 060
	Total owners' equity	28 221	23 941	27 785
6	Subordinated loan capital etc.	8 062	11 135	7 870
	Premium reserve etc.	384 508	358 670	380 658
	Supplementary reserves	24 290	20 170	24 292
	Securities adjustment fund	33 429	21 178	28 337
	Premium funds, defined contribution funds, pension regulation funds etc.	16 493	14 986	16 907
	Unallocated profit to customers	133	2 048	0
	Total insurance liabilities - contractual liabilities	458 853	417 052	450 194
	Pension capital etc.	1 795	1 689	1 766
	Supplementary reserves	134	114	133
	Premium funds, defined contribution funds, pension regulation funds etc.	285	239	283
	Unallocated profit to customers	27	5	0
	Total insurance liabilities - special investment portfolio	2 242	2 047	2 181
	Pension obligations	474	492	474
	Deferred tax liabilities	0	501	0
9	Liabilities	8 650	9 249	8 001
	Accrued costs and prepaid income	166	121	157
	TOTAL OWNERS' EQUITY AND LIABILITIES	506 669	464 537	496 663
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	13 588	13 770	13 319

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2017	11 726	3 907	12 153	27 785
Income before other profit/loss components		79	320	398
Actuarial gains and losses on defined benefits pension schemes - employee benefits			0	0
Proportion of other comprehensive income on application of the equity method			0	0
Adjustment of the insurance liabilities			0	0
Tax on other comprehensive income			0	0
Total other comprehensive income			0	0
Total comprehensive income (unallocated)		79	320	398
Owners equity contribution received	37			37
Total transactions with owners	37			37
Own funds 31 March 2017	11 763	3 985	12 473	28 221

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	10 422	3 364	9 822	23 609
Income before other profit/loss components		112	277	389
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-59	-59
Proportion of other comprehensive income on application of the equity method			-29	-29
Adjustment of the insurance liabilities			9	9
Tax on other comprehensive income			20	20
Total other comprehensive income			-59	-59
Total comprehensive income (unallocated)		112	218	330
Owners equity contribution received	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

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
Income before other profit/loss components		543	2 355	2 898
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-27	-27
Proportion of other comprehensive income on application of the equity method			-5	-5
Adjustment of the insurance liabilities			0	0
Tax on other comprehensive income			8	8
Total other comprehensive income			-24	-24
Total comprehensive income		543	2 331	2 874
Owners equity contribution received	1 303			1 303
Total transactions with owners	1 303			1 303
Own funds 31 December 2016	11 726	3 907	12 153	27 785

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2017 -31.03.2017	01.01.2016 -31.12.2016	01.01.2016 -30.09.2016	01.01.2016 -30.06.2016	01.01.2016 -31.03.2016
Net cashflow from operational activities	3	1 857	1 649	3 167	6
Net cashflow from investment activities ¹	-13	-66 ³	-117	-89	-30
Net cashflow from financing activities ²	37	-1 557	-1 535	-2 834	2
Net changes in cash and bank deposits	26	233	-2	244	-22
Holdings of cash and bank deposits at start of period	887	654	654	654	654
Holdings of cash and bank deposits at end of period	913	887	651	898	632

¹ Payments on the purchase of tangible fixed assets.

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

³ There has been a reclassification of capitalized IT projects in fourth quarter of 2016.

Notes to the accounts

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles

ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 31 March 2017. 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 2016, unless stated otherwise.

The interim financial statements do not contain all the information required of complete annual financial statements, and the interim financial statement should be read in the context of the annual financial statements for 2016, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at klp.no.

NOTE 2 Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 31. March 2017.

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
Value adjustment incl. foreign exchange	129	-275	2 393
Foreign exchange effect on hedging	-149	612	1 763
Net value adjustment incl. exchange hedging	-20	337	4 156

NOTE 3 Premium income

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
Gross premiums due	6 306	5 718	33 606
Reinsurance premiums ceded	0	0	-1
Transfer of premium reserves from others	177	1 838	3 250
Total premium income	6 483	7 556	36 854

NOTE 4 Claims

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
Claims paid	4 271	3 898	16 263
Transfers of premium reserves to others	188	104	124
Total claims	4 459	4 001	16 387

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q1 2017	Q1 2016	01.01.2016 -31.12.2016
Personnel costs	159	141	549
Depreciation	16	22	261
Other operating expenses	74	76	331
Total insurance-related operating expenses	249	238	1 140

NOTE 6 Fair value of financial assets and liabilities

For information regarding pricing of financial assets and liabilities see note 9 Fair value of financial assets and liabilities in the consolidated financial statements.

31.03.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	558	646	7 245	7 962	41	43	7 845	8 652
Accrued not due interest	8	8	149	149	1	1	158	158
Foreign hold-to-maturity bonds	5 910	6 093	18 190	19 342	77	86	24 176	25 521
Accrued not due interest	48	48	344	344	2	2	394	394
Total investments held to maturity	6 524	6 795	25 928	27 798	121	132	32 573	34 725
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	2 240	2 394	28 959	31 679	167	186	31 366	34 259
Accrued not due interest	51	51	674	674	5	5	730	730
Foreign bonds	5 160	5 447	66 747	71 510	470	504	72 377	77 461
Accrued not due interest	121	121	1 234	1 234	9	9	1 364	1 364
Total bonds classified as loans and receivables	7 572	8 013	97 614	105 097	651	703	105 837	113 814
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 071	3 080	0	0	3 071	3 080
Lending with public sector guarantee	0	0	40 558	41 067	0	0	40 558	41 067
Loans abroad secured by mortgage and local government guarantee	0	0	9 644	9 700	0	0	9 644	9 700
Accrued not due interest	0	0	260	260	0	0	260	260
Total other loans and receivables	0	0	53 534	54 107	0	0	53 534	54 107
Total financial assets at amortized cost	14 096	14 808	177 077	187 002	772	835	191 945	202 645
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	434	434	6 152	6 152	0	0	6 586	6 586
Foreign shares	0	0	22 297	22 297	0	0	22 297	22 297
Total shares	434	434	28 448	28 448	0	0	28 882	28 882
Property funds	0	0	1 847	1 847	0	0	1 847	1 847
Norwegian equity funds	0	0	56 600	56 600	521	521	57 121	57 121
Foreign equity funds	0	0	9 038	9 038	0	0	9 038	9 038
Total equity fund units	0	0	67 485	67 485	521	521	68 006	68 006
Norwegian alternative investments	0	0	2 660	2 660	16	16	2 676	2 676
Foreign alternative investments	0	0	499	499	0	0	499	499
Total alternative investments	0	0	3 159	3 159	16	16	3 175	3 175
Total shares and units	434	434	99 092	99 092	537	537	100 063	100 063

NOTE 6 Fair value of financial assets and liabilities – cont.

31.03.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	6 150	6 150	34 129	34 129	0	0	40 279	40 279
Foreign bonds	206	206	20 535	20 535	0	0	20 741	20 741
Accrued not due interest	34	34	368	368	0	0	402	402
Norwegian fixed-income funds	2 201	2 201	47 046	47 046	624	624	49 870	49 870
Foreign fixed-income funds	0	0	13 074	13 074	0	0	13 074	13 074
Accrued not due interest	3	3	42	42	2	2	47	47
Norwegian certificates	411	411	8 920	8 920	0	0	9 331	9 331
Accrued not due interest	4	4	13	13	0	0	16	16
Total bonds and other fixed-income securities	9 010	9 010	124 126	124 126	625	625	133 761	133 761
Norwegian loans and receivables	1 095	1 095	3 802	3 802	10	10	4 907	4 907
Foreign loans and receivables	107	107	5 891	5 891	25	25	6 023	6 023
Total loans and receivables	1 202	1 202	9 693	9 693	35	35	10 930	10 930
DERIVATIVES								
Interest rate swaps	707	707	186	186	0	0	893	893
Forward exchange contracts	0	0	214	214	1	1	215	215
Total financial derivatives classified as assets	707	707	400	400	1	1	1 107	1 107
Other financial assets	10	10	3 138	3 138	1	1	3 149	3 149
Total financial assets valued at fair value	11 362	11 362	236 450	236 450	1 199	1 199	249 011	249 011
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	965	965	0	0	965	965
Forward exchange contracts	2	2	2 601	2 601	8	8	2 610	2 610
Total financial derivatives classified as liabilities	2	2	3 566	3 566	8	8	3 576	3 576
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	6 384	6 836	0	0	0	0	6 384	6 836
Hybrid Tier 1 securities	1 678	1 385	0	0	0	0	1 678	1 385
Total subordinated loan capital etc.	8 062	8 221	0	0	0	0	8 062	8 221
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	0	0	0	0	0	0
Foreign call money ¹	689	689	171	171	1	1	861	861
Total liabilities to credit institutions	689	689	171	171	1	1	861	861

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

NOTE 6 Fair value of financial assets and liabilities – cont.

31.03.2016 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	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 loan	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								
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
Total shares and units	406	406	78 621	78 621	438	438	79 465	79 465

NOTE 6 Fair value of financial assets and liabilities – cont.

31.03.2016 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	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	300	300	0	0	1 018	1 018
Share options	0	0	0	0	0	0	0	0
Forward exchange contracts	3	3	2 991	2 991	13	13	3 007	3 007
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	1 164	0	0	0	0	1 665	1 164
Total subordinated loan capital etc.	11 135	10 563	0	0	0	0	11 135	10 563
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.

31.12.2016 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	557	642	7 388	8 108	41	43	7 986	8 793
Accrued not due interest	17	17	177	177	1	1	194	194
Foreign hold-to-maturity bonds	5 847	6 069	18 109	19 203	77	85	24 033	25 357
Accrued not due interest	39	39	253	253	1	1	294	294
Total investments held to maturity	6 460	6 767	25 928	27 741	120	130	32 507	34 638
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	2 241	2 380	28 956	31 501	167	185	31 364	34 066
Accrued not due interest	45	45	724	724	4	4	773	773
Foreign bonds	4 979	5 265	65 064	69 677	439	471	70 482	75 413
Accrued not due interest	83	83	1 190	1 190	8	8	1 282	1 282
Norwegian certificates	0	0	787	787	0	0	787	787
Accrued not due interest	0	0	3	3	0	0	3	3
Total bonds classified as loans and receivables	7 349	7 774	96 724	103 882	618	667	104 691	112 323
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	3 196	3 207	0	0	3 196	3 207
Lending with public sector guarantee	0	0	40 462	40 934	0	0	40 462	40 934
Loans abroad secured by mortgage and local government guarantee	0	0	9 068	9 106	0	0	9 068	9 106
Accrued not due interest	0	0	210	210	0	0	210	210
Total other loans and receivables	0	0	52 936	53 457	0	0	52 936	53 457
Total financial assets at amortized cost	13 808	14 540	175 588	185 080	738	798	190 134	200 418
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	434	434	6 019	6 019	0	0	6 453	6 453
Foreign shares	0	0	20 893	20 893	0	0	20 893	20 893
Total shares	434	434	26 912	26 912	0	0	27 346	27 346
Property funds	0	0	1 897	1 897	0	0	1 897	1 897
Norwegian equity funds	0	0	53 525	53 525	504	504	54 029	54 029
Foreign equity funds	0	0	8 197	8 197	0	0	8 197	8 197
Total equity fund units	0	0	63 620	63 620	504	504	64 123	64 123
Norwegian alternative investments	0	0	2 511	2 511	15	15	2 526	2 526
Foreign alternative investments	0	0	489	489	0	0	489	489
Total alternative investments	0	0	3 000	3 000	15	15	3 015	3 015
Total shares and units	434	434	93 531	93 531	519	519	94 484	94 484

NOTE 6 Fair value of financial assets and liabilities – cont.

31.12.2016 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS								
Norwegian bonds	5 850	5 850	33 146	33 146	0	0	38 997	38 997
Foreign bonds	165	165	20 559	20 559	0	0	20 724	20 724
Accrued not due interest	36	36	397	397	0	0	432	432
Norwegian fixed-income funds	2 189	2 189	46 715	46 715	620	620	49 524	49 524
Foreign fixed-income funds	0	0	12 933	12 933	0	0	12 933	12 933
Norwegian certificates	689	689	9 650	9 650	0	0	10 338	10 338
Foreign certificates	0	0	161	161	0	0	161	161
Accrued not due interest	4	4	14	14	0	0	18	18
Total bonds and other fixed-income securities	8 934	8 934	123 574	123 574	620	620	133 128	133 128
Norwegian loans and receivables	640	640	4 280	4 280	11	11	4 931	4 931
Foreign loans and receivables	385	385	5 374	5 374	23	23	5 783	5 783
Total loans and receivables	1 025	1 025	9 654	9 654	34	34	10 713	10 713
DERIVATIVES								
Interest rate swaps	645	645	225	225	0	0	870	870
Forward exchange contracts	0	0	712	712	2	2	714	714
Total financial derivatives classified as assets	645	645	937	937	2	2	1 584	1 584
Other financial assets	14	14	1 400	1 400	0	0	1 415	1 415
Total financial assets valued at fair value	11 052	11 052	229 097	229 097	1 174	1 174	241 323	241 323
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	998	998	0	0	998	998
Forward exchange contracts	0	0	3 061	3 061	14	14	3 075	3 075
Total financial derivatives classified as liabilities	0	0	4 059	4 059	14	14	4 074	4 074
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	6 220	6 554	0	0	0	0	6 220	6 554
Hybrid Tier 1 securities	1 650	1 283	0	0	0	0	1 650	1 283
Total subordinated loan capital etc.	7 870	7 837	0	0	0	0	7 870	7 837
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	0	0	0	0	0	0
Foreign call money ¹	716	716	168	168	1	1	885	885
Total liabilities to credit institutions	716	716	168	168	1	1	885	885

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

NOTE 7 Fair value hierarchy

31.03.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 257	6 753	0	9 010
Certificates	0	415	0	415
Bonds	53	6 338	0	6 390
Fixed-income funds	2 204	0	0	2 204
Loans and receivables	388	814	0	1 202
Shares and units	0	387	47	434
Shares	0	387	47	434
Financial derivatives	0	707	0	707
Other financial assets	0	10	0	10
Total corporate portfolio	2 645	8 671	47	11 362
COMMON PORTFOLIO				
Bonds and other fixed-income securities	82 796	41 330	0	124 126
Certificates	6 101	2 831	0	8 932
Bonds	16 533	38 499	0	55 032
Fixed-income funds	60 162	0	0	60 162
Loans and receivables	8 664	1 029	0	9 693
Shares and units	83 251	4 845	10 995	99 092
Shares	25 573	1 438	1 437	28 448
Equity funds	57 678	0	76	57 754
Property funds	0	248	1 599	1 847
Special funds	0	3 159	0	3 159
Private Equity	0	0	7 884	7 884
Financial derivatives	0	400	0	400
Other financial assets	0	3 138	0	3 138
Total common portfolio	174 712	50 743	10 995	236 450

NOTE 7 Fair value hierarchy – cont.

31.03.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	625	0	0	625
Fixed-income funds	625	0	0	625
Loans and receivables	35	0	0	35
Shares and units	521	16	0	537
Equity funds	521	0	0	521
Special funds	0	16	0	16
Financial derivatives	0	1	0	1
Other financial assets	0	1	0	1
Total investment option portfolio	1 182	17	0	1 199
Total financial assets valued at fair value	178 538	59 431	11 042	249 011
CORPORATE PORTFOLIO				
Investment property	0	0	991	991
Total investment property	0	0	991	991
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	2	0	2
Debt to credit institutions	689	0	0	689
Total corporate portfolio	689	2	0	691
COMMON PORTFOLIO				
Financial derivatives	0	3 566	0	3 566
Debt to credit institutions	171	0	0	171
Total common portfolio	171	3 566	0	3 737
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	8	0	8
Debt to credit institutions	1	0	0	1
Total investment option portfolio	1	8	0	9
Total financial liabilities at fair value	861	3 576	0	4 437

NOTE 7 Fair value hierarchy — cont.

31.03.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 250	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	68 665	1 706	8 250	78 621
Shares	19 101	1 049	1 163	21 313
Equity funds	49 563	0	73	49 636
Property funds	0	349	670	1 019
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	158 061	44 685	8 250	210 996

NOTE 7 Fair value hierarchy – cont.

31.03.2016 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	8 295	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.

31.12.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 242	6 692	0	8 934
Certificates	0	693	0	693
Bonds	53	5 998	0	6 051
Fixed-income funds	2 189	0	0	2 189
Loans and receivables	463	563	0	1 025
Shares and units	0	387	47	434
Shares	0	387	47	434
Financial derivatives	0	645	0	645
Other financial assets	0	14	0	14
Total corporate portfolio	2 705	8 300	47	11 052
COMMON PORTFOLIO				
Bonds and other fixed-income securities	82 018	41 557	0	123 574
Certificates	5 989	3 836	0	9 825
Bonds	16 380	37 721	0	54 101
Fixed-income funds	59 648	0	0	59 648
Loans and receivables	8 646	1 008	0	9 654
Shares and units	78 755	4 655	10 121	93 531
Shares	24 169	1 368	1 375	26 912
Equity funds	54 586	0	84	54 671
Property funds	0	287	1 610	1 897
Special funds	0	3 000	0	3 000
Private Equity	0	0	7 052	7 052
Financial derivatives	0	937	0	937
Other financial assets	0	1 400	0	1 400
Total common portfolio	169 419	49 557	10 121	229 097

NOTE 7 Fair value hierarchy – cont.

31.12.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	620	0	0	620
Fixed-income funds	620	0	0	620
Loans and receivables	34	0	0	34
Shares and units	504	15	0	519
Equity funds	504	0	0	504
Special funds	0	15	0	15
Financial derivatives	0	2	0	2
Other financial assets	0	0	0	0
Total investment option portfolio	1 157	17	0	1 174
Total financial assets valued at fair value	173 280	57 875	10 168	241 323
CORPORATE PORTFOLIO				
Investment property	0	0	1 003	1 003
Total investment property	0	0	1 003	1 003
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	716	0	0	716
Total corporate portfolio	716	0	0	716
COMMON PORTFOLIO				
Financial derivatives	0	4 059	0	4 059
Debt to credit institutions	168	0	0	168
Total common portfolio	168	4 059	0	4 227
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	14	0	14
Debt to credit institutions	1	0	0	1
Total investment option portfolio	1	14	0	15
Total financial liabilities at fair value	885	4 073	0	4 958

NOTE 7 Fair value hierarchy – cont.

CHANGES IN LEVEL 3 SHARES, UNLISTED, CORPORATE PORTFOLIO	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
Opening balance 01.01.	47	45	45
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	0	2
Closing balance 31.03. / 31.12.	47	45	47
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED, COMMON PORTFOLIO	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
Opening balance 01.01.	1 375	1 369	1 369
Sold	-8	0	-51
Bought	0	2	65
Unrealised changes	70	-208	-7
Closing balance 31.03. / 31.12.	1 437	1 163	1 375
Realised gains/losses	0	-24	12

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED, COMMON PORTFOLIO	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
Opening balance 01.01.	84	76	76
Sold	-6	0	0
Bought	0	0	0
Unrealised changes	-2	-3	9
Closing balance 31.03. / 31.12.	76	73	84
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 PRIVATE EQUITY AND PROPERTY FUNDS, COMMON PORTFOLIO	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
Opening balance 01.01.	8 661	7 164	7 164
Sold	-155	-268	-1 108
Bought	388	374	2 739
Unrealised changes	588	-256	-133
Closing balance 31.03. / 31.12.	9 482	7 014	8 661
Realised gains/losses	28	55	326

NOTE 7 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY, CORPORATE PORTFOLIO	Book value 31.03.2017	Book value 31.03.2016	Book value 31.12.2016
Opening balance 01.01.	1 003	893	893
Sold	0	0	0
Bought	0	0	0
Unrealised changes	10	0	161
Other	-22	-22	-52
Closing balance 31.03. / 31.12.	991	871	1 003
Realised gains/losses	-22	-32	52
Total level 3	12 033	9 166	11 171

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

The fair value of assets and liabilities measured at amortized cost are stated in note 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 9 for the Group.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 602 million as of 31.03.2017.

NOTE 7 Fair value hierarchy – cont.

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 35 million has been moved from Level 1 to Level 2 and NOK 2,9 million has been moved from Level 2 to Level 1; these amounts are related to equity instruments and are due to change in liquidity.

NOK 9,4 million has been moved from level 3 to level 2. This is due to a stock being quoted. Previously this stock was not quoted.

NOTE 8 Presentation of assets and liabilities that are subject to net settlement

31.03.2017 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount
					Security in cash	Security in securities	
ASSETS							
Financial derivatives	1 107	0	1 107	-340	-754	0	23
Total	1 107	0	1 107	-340	-754	0	23
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	400	0	400	-339	-65	0	0
Total assets – corporate portfolio	707	0	707	0	-689	0	23
Total assets – investment option portfolio	1	0	1	-1	0	0	0
Total	1 107	0	1 107	-340	-754	0	23
LIABILITIES							
Financial derivatives	3 576	0	3 576	-340	-2 566	-512	176
Total	3 576	0	3 576	-340	-2 566	-512	176
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	3 566	0	3 566	-339	-2 563	-512	169
Total liabilities – corporate portfolio	2	0	2	0	0	0	2
Total liabilities – investment option portfolio	8	0	8	-1	-2	0	5
Total	3 576	0	3 576	-340	-2 566	-512	176

NOTE 8 Presentation of assets and liabilities that are subject to net settlement – cont.

31.03.2016 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount
					Security in cash	Security in securities	
ASSETS							
Financial derivatives	4 025	0	4 025	-1 873	-2 046	0	150
Total	4 025	0	4 025	-1 873	-2 046	0	150
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	3 291	0	3 291	-1 867	-1 350	0	104
Total assets – corporate portfolio	721	0	721	0	-692	0	44
Total assets – investment option portfolio	13	0	13	-7	-4	0	2
Total	4 025	0	4 025	-1 873	-2 046	0	150
LIABILITIES							
Financial derivatives	2 690	0	2 690	-1 873	-839	0	16
Total	2 690	0	2 690	-1 873	-839	0	16
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	2 683	0	2 683	-1 867	-836	0	16
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	7	0	7	-7	-3	0	0
Total	2 690	0	2 690	-1 873	-839	0	16

NOTE 8 Presentation of assets and liabilities that are subject to net settlement – cont.

31.12.2016 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount
					Security in cash	Security in securities	
ASSETS							
Financial derivatives	1 584	0	1 584	-864	-792	0	22
Total	1 584	0	1 584	-864	-792	0	22
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	937	0	937	-862	-76	0	0
Total assets – corporate portfolio	645	0	645	0	-716	0	22
Total assets – investment option portfolio	2	0	2	-2	0	0	0
Total	1 584	0	1 584	-864	-792	0	22
LIABILITIES							
Financial derivatives	4 074	0	4 074	-864	-3 320	0	17
Total	4 074	0	4 074	-864	-3 320	0	17
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	4 059	0	4 059	-862	-3 308	0	15
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	14	0	14	-2	-12	0	1
Total	4 074	0	4 074	-864	-3 320	0	17

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

NOTE 9 Liabilities

NOK MILLIONS	31.03.2017	31.03.2016	31.12.2016
Short-term liabilities securities	3 188	3 417	2 095
Advance tax-deduction pension scheme	337	310	380
Accounts payable	8	10	2
Derivatives	3 576	2 690	4 074
Debt to credit institutions	861	2 047	885
Liabilities related to direct insurance	570	668	537
Other short-term liabilities	111	107	28
Total liabilities	8 650	9 249	8 001

NOTE 10 SCR ratio

NOK BILLIONS	31.03.2017	31.12.2016		31.03.2017	31.12.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	507	497	Best estimate	459	450
Added values - hold-to-maturity portfolio/loans and receivables	10	9	Risk margin	13	13
Added values - other lending	1	1	Hybrid Tier 1 securities/ Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	9	9
Deferred tax asset	0	1	Deferred tax liabilities	0	0
Total assets - solvency II	517	507	Total liabilities - solvency II	490	480
			Excess of assets over liabilities	27	27
			- Deferred tax asset	0	-1
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	25	24
			Total eligible tier 1 own funds	25	24
			Subordinated loans	7	7
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	11
			Ancillary own funds	10	10
			Tier 2 ancillary own funds	10	10
			Deduction for max. eligible tier 2 own funds	-13	-13
			Total eligible tier 2 own funds	8	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	32	31
			Market risk	6	6
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	15	15
			Diversification life risk	-4	-4
			Diversification general	-3	-3
			Operational risk	2	2
			Loss absorbing ability deferred tax	0	0
			Solvency capital requirement (SCR)	15	15
			Linear minimum capital requirement (MCR_linear)	5	5
			Minimum	4	4
			Maximum	7	7
			Minimum capital requirement (MCR)	5	5
			Solvency II- SCR ratio	214 %	209 %

	31.03.2017	31.12.2016
Solvency II - SCR ratio	214 %	209 %

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 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 214 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 311 per cent.

**HEAD OFFICE**

Dronning Eufemias gate 10, Oslo, Norway

Switchboard: +47 55 54 85 00

Fax: +47 22 03 36 00

REGIONAL OFFICE

Zander Kaaes gate 7, Bergen

Switchboard: +47 55 54 85 00

Fax: +47 55 54 85 90

SEND MAIL TO

Kommunal Landspensjonskasse,

P.O. Box 400 Sentrum, 0103 Oslo, Norway

Online: klp.no/kontakt

Web: english.klp.no

Organization no.: 938 708 606