



Interim report

KLP GROUP
Q1 2018



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KLP GROUP

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KOMMUNAL LANDSPENSJONSKASSE

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Interim report

first quarter 2018

LOW RETURNS IN THE FIRST QUARTER OF 2018

- The Company delivers a good reported result and has good financial strength
- Higher interest rates and negative movements in equities have reduced valuation reserves by NOK 7.6 billion.
- Investments in property and long-term bonds contributed positively to profits for KLP

KLP – A CUSTOMER-OWNED GROUP

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

At the end of the first quarter, the Group had total assets of NOK 650 billion, a reduction of NOK 3 billion in the quarter.

The Group's total comprehensive income was NOK 608 (371) 1 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 535.7 billion, NOK 487.7 billion is linked to insurance obligations for public-sector occupational pensions.

RESULT FOR THE FIRST QUARTER OF 2018

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 2,931 (139) million in the first quarter. The value-adjusted return on the common portfolio was minus 0.4 per cent and the book return was 1.2 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 193 million in the first quarter. It is planned to allocate half of the risk result to the risk equalisation fund, the rest being returned to the customers' premium fund.

Administration result

The Company's administration result shows a surplus of NOK 29 (32) million in the first quarter. Insurance-related operating costs came to NOK 256 (249) million in the quarter.

Total income

Total profit for the Company was NOK 654 (398) million in the first quarter. The customer result was NOK 2,976 (160) million for the quarter.

NOK MILLIONS	Customers	Company	Total
Returns result	2 879	52	2 931
Risk result	97	97	193
Interest guarantee premium		187	187
Administration result		29	29
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		448	448
Tax		-157	-157
Income for Q1/2018	2 976	654	3 630
Income for Q1/2017	160	398	559

Financial strength and capital-related matters

KLP's total assets show growth during the first quarter of NOK 0.9 billion and now amount to NOK 535.7 billion. The premium reserve increased by NOK 3.4 billion in the same period, to NOK 407.3 billion.

The securities adjustment fund has decreased by NOK 7.6 billion to NOK 34.7 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 10.2 billion at the end of the first quarter.

Without applying transitional rules, the company's solvency capital coverage is 255 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 319 per cent. KLP's target is capital adequacy of at least 150 per cent without applying transitional rules. The solvency estimates are well above that target and underline the Company's strong capital position.

¹ Figures in brackets give values for the corresponding period in 2017

Key figures

PER CENT	Q1/2018	Q1/2017	Year 2017
Book returns	1,2	0,7	3,9
Value-adjusted returns	-0,4	1,7	6,7
Value-adjusted incl. added value in hold-to-maturity bonds and lending	-1,0	1,9	6,7
Capital adequacy, Solvency II	255	214	242
Capital adequacy, Solvency II, with transitional measures	319	311	352

* The returns figures apply to the common portfolio

Premium income

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

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 11,6 per cent last year and amounted to NOK 4.8 billion (4.3) in the first quarter.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 495.1 (469.4) billion and were invested as shown below:

ASSETS	Q1/2018		Q1/2017	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	22,0 %	-3,5 %	21,2 %	4,4 %
Short-term bonds	19,0 %	-1,2 %	19,8 %	0,8 %
Long-term/HTM bonds	27,9 %	0,9 %	26,9 %	1,0 %
Lending	11,5 %	0,5 %	11,5 %	0,6 %
Property	12,3 %	1,0 %	12,4 %	1,0 %
Other financial assets	7,3 %	0,3 %	8,2 %	0,5 %

Shares

STotal exposure in shares and alternative investments, including equity derivatives, was 22.0 per cent at the end of the first quarter. The total return on shares and alternative

investments was minus 3.5 per cent in the quarter. Global shares produced a return of minus 4.1 per cent, while Norwegian shares gave a return of minus 2.6 per cent.

KLP's portfolio of Norwegian shares achieved a negative return of 1.0 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 19.0 per cent and money-market instruments 7.3 per cent of the assets in the common portfolio as at 31 March. Both Norwegian and global government interest rates rose through the first quarter. KLP's global government bond index achieved a currency-hedged return of minus 0.3 per cent in the first quarter, while the Norwegian government bond index gave a return of minus 0.7 per cent. Global credit spreads rose slightly during the quarter, and KLP's global credit bond index had a currency-hedged return of minus 1.7 per cent for the quarter.

In total, KLP achieved returns of minus 1.2 per cent for the quarter, while money market returns were 0.3 per cent.

Bonds held to maturity

Investment in bonds held to maturity made up around 27.9 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 6.8 billion as at 31 March. The portfolio is well diversified and consists of securities issued by sound companies. The return measured at amortised cost in the first quarter was 0.9 per cent.

Property

Property investments, including Norwegian and international property funds, made up 12.3 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 818 million in the first quarter of 2018. If the effect of currency hedging on foreign properties is included, the change in value amounts to an impairment of NOK 24 billion in the first quarter of 2018. 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 57.2 billion. This is split between NOK 54.0 billion in loans to municipalities and their enterprises and NOK 3.2 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 355 million at the end of the quarter. The return for the quarter is 0.5 per cent.

Returns on the corporate portfolio

The corporate portfolio covers the 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 1.6 per cent in the first quarter.

Market conditions for pensions

KLP has stable underlying growth in the premium reserve. The ongoing municipal and regional reform may have an impact on KLP's customer base. The effect is expected to be moderate.

On 3 March 2018, an agreement was reached between the Ministry of Labour and Social Affairs, LO, Unio, YS, Akademikerne, KS and Spekter on occupational pension for public sector employees. The organisations will state definitively whether they still support the agreement by 1 July 2018. The pension agreement would introduce a new pension scheme for public sector employees from 1 January 2020.

In the corporate segment, there is continued 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.

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

The Group's sales and management of private occupational pensions are handled through its subsidiary KLP Bedriftspensjon AS.

The Company had total assets of NOK 5.0 billion as at 31 March. This is an increase of NOK 167 million since the end of the year. The increase is mainly linked to an increase in pension capital certificates and growth in the Company's defined contribution pension portfolio, which now amounts to NOK 2.8 billion. 93 new business customers have entered into pension agreements with KLP Bedriftspensjon AS in 2018, and we have received pension capital from other life insurance companies in over 1,100 pension capital certificates.

KLP Bedriftspensjon AS achieved a book return on the common portfolio of 1.35 per cent and a value-adjusted return of 0.36 percent. Customers with defined-contribution pensions achieved an average return of minus 2.55 per cent in the same period.

KLP Bedriftspensjon achieved a returns result of NOK 11.5 million in the first quarter. At the end of the first quarter of

2018, the securities adjustment fund totalled NOK 14.8 million, down from NOK 31.0 million at 31.12.2017, mainly due to a fall in the equity markets.

The Company made a net loss of NOK 8.5 million in the first quarter.

Return on customer assets

COMMON PORTFOLIO	Q1 2018	Q1 2017	Year 2017
Common portfolio			
Book returns	1,4 %	0,6 %	8,3 %
Value-adjusted returns	0,4 %	1,2 %	5,6 %
Defined-contribution pensions with investment options	-2,6 %	2,6 %	11,9 %
Profile KLP90	-2,7 %	3,5 %	17,1 %
Profile KLP70	-2,3 %	2,9 %	14,0 %
Profile KLP50	-2,1 %	2,5 %	11,0 %
Profile KLP30	-1,6 %	1,8 %	7,8 %
Profile KLPPM	0,3 %	0,5 %	1,8 %
KLP Optimal Livsfase	-4,2 % ¹	5,0 %	17,4 %
KLP Framtid	-4,2 %		
KLP Lang Horisont	-2,7 %		
KLP Kort Horisont	-1,1 %		
KLP Nåtid	-0,4 %		

¹ Return for profile with 100% equities

From 2018 the Company has offered four new savings profiles for customers with defined-contribution pensions. These savings profiles do not include any age de-escalation.

Non-life insurance

The first quarter of 2018 produced a pre-tax operating profit of NOK -12.5 (49.6) million. The main reason for the weak result is negative financial returns of minus 0.2 per cent at 31.03.

As a result of award decisions in December 2017, the Company saw a drop in premiums at the beginning of the year. The Company is also still experiencing declining price levels for new sales and renewals of existing contracts. Overdue premiums have therefore decreased by 4 percent, or NOK 58.4 million, compared with the same time in 2017. There is continued growth in the retail market and a high proportion of members among the retail customers.

Only one large claim has been reported so far this year, estimated at NOK 14 million. The claim concerned a fire in a municipally owned building.

Reversal of previous years' claims is still positive, and this year NOK 28.4 million has so far been taken to income, equivalent to 1.5 per cent of the reserves at the beginning of the year.

Key figures for the Company

AS AT THE FIRST QUARTER	2018	2017
Claim ratio*	77,2	81,1
Cost ratio*	24,5	21,8
Total cost ratio*	101,7	103,0

* for own account

Net financial income in the first quarter of 2018 was NOK -8 (57.9) million, equivalent to minus 0.2 (1.4) per cent. Both interest-bearing and equity investments have had weak returns so far this year. The stock portfolio has had a negative return of 4.5 per cent, while the Company's investments in interest-bearing funds had a marginally positive return. The Company's long-term bonds, on the other hand, showed a normal return of 0.9 per cent. The return on property investments was also positive, with a 1.6 per cent return.

Despite the negative result, the Company's financial position is still good with a solvency margin (SCR) of 237 per cent, up from 233 per cent at the end of 2017.

Asset and fund management

KLP Kapitalforvaltning AS carries out securities management in the KLP Group. It had a total of NOK 480 billion under management at the end of the first quarter, of which NOK 64 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 1.1 billion, of which NOK 0.8 billion came from external customers.

The Company achieved a result before tax of NOK -2.1 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.

As of 31 March, the KLP Banken Group had loans to customers totalling NOK 31.2 (30.7) billion. Mortgage loans in the retail market and public-sector loans totalled

NOK 15.1 billion and 16.1 billion respectively. KLP Banken manages NOK 3.2 billion in mortgage loans and NOK 54.0 billion in loans to public-sector borrowers and other businesses.

Total mortgage loans in the retail market showed a growth of NOK 0.7 (0.7) billion so far this year. Managed mortgages for KLP have decreased by NOK 63 million in the quarter.

Credit card operations on the Bank's own balance-sheet were established in May 2017. Outstanding loans to retail customers amounted to NOK 63.6 million at the end of the quarter.

Lending in the public-sector market was reduced by NOK 0.2 billion in the bank group through the first quarter. Loans to public-sector borrowers managed on behalf of the parent company KLP decreased by NOK 0.5 billion in the same period. Managed loans to foreign debtors in other currencies decreased by NOK 0.3 billion so far this year.

Overdue payments and defaulted mortgage loans have remained at a low level. Loans in default in excess of 90 days account for 0.14 per cent of total mortgage loans as at the end of the first quarter. Impairment losses of NOK 1.1 million on mortgages and NOK 0.9 million on credit cards have been recognised to date in 2018. There were no losses related to public-sector loans.

The KLP Banken Group's external financing consists of deposits, certificates and bonds. Deposit growth so far in 2018 totals NOK 32 million and deposits now total NOK 9.7 billion. Of this amount, NOK 7.7 billion is deposits from retail customers, and NOK 2.0 billion is deposits from municipalities and companies. Liabilities created on issuance of securities totalled NOK 23.4 billion at the end of March.

The KLP Banken Group had a pre-tax operating profit of NOK 23.7 (23.2) million in the first quarter. Broken down by area, profits were NOK 14.1 (5.7) million in the retail market and NOK 9.6 (17.4) million in the public-sector market. Consolidated net profit after tax totalled NOK 18.1 (17.6) million for the first quarter.

CORPORATE SOCIAL RESPONSIBILITY

Good measures to improve the working environment have a positive effect on the amount of long-term sickness and incapacity. Municipalities with many disabled people have high and unpredictable pension costs. With dedicated efforts to improve the working environment, and active follow-up of those who are sick, employers can have fewer people unfit for work. This also contributes to lower pension premiums for the municipality, and makes the entire pension community more stable. This is one of the reasons why KLP supports and

cooperates in a number of projects each year in the municipal and healthcare sector.

In the field of non-life insurance, KLP works closely with the NBLF (the Norwegian Association of Fire Officers). The priority area in 2018 will be to work to prevent fires in municipal rental housing. The reasons for the fires in these homes are many and complex, but targeted prevention seems to be having a good effect.

The list over excluded companies was expanded to include Evergreen Marine Corporation Ltd, Korea Line Corporation, Precious Shipping PCL and Thoresen Thai Agencies PLC, all of which have sold ships to be scrapped on the beaches of Bangladesh and Pakistan. This practice is associated with serious environmental damage and gross human rights violations. At the same time, the company Atal was excluded because of gross violations of human rights. AECOM was also excluded because of links to nuclear weapons.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

There were relatively small movements in the market after the end of the quarter.

The Company has good financial strength, although the valuation reserves are slightly lower than at the start of the year. Supplementary reserves and the securities adjustment fund are both buffers that can be used to cover lower returns. Solid buffers are an important part of the Company's long-term strategy for stable asset management

After the balance sheet date, but before the publication of the accounts, KLP chose Accenture as a strategic partner for IT. KLP is also strengthening collaboration with Itera as a supplier of digital customer solutions. KLP is about to embark on a comprehensive modernisation and replacement of the insurance systems and significant investments are expected over the next few years.

The Act on new public sector occupational pensions is in the melting pot. KLP is following the process closely and is ready to adapt the Company's systems and business to the changes that are coming.

Oslo, 7 May 2018

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy Chair

Marit Torgersen

Jan Helge Gulbrandsen

Tom Tvedt

Lars Vorland

Susanne Torp-Hansen
Elected by and from among the employees

Freddy Larsen
Elected by and from among the employees

Income statement

KLP GROUP

NOTE	NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 -31.12.2017
3	Premium income for own account	6 851	7 073	34 590
	Current return on financial assets	3 223	3 373	14 184
	Net interest income banking	65	51	244
	Net value changes on financial instruments	-7 277	6 740	22 050
8	Net income from investment properties	1 031	626	4 953
4	Other income	273	250	1 040
	Total net income	4 166	18 112	77 061
	Claims for own account	-5 122	-4 777	-18 665
	Change in technical provisions	-3 509	-4 185	-24 425
5	Net costs subordinated loan and hybrid Tier 1 securities	47	-192	-527
6	Operating expenses	-467	-400	-1 673
7	Other expenses	-258	-249	-992
	Unit holder's value change in consolidated securities funds	2 249	-2 349	-8 648
	Total expenses	-7 059	-12 150	-54 931
	Operating profit/loss	-2 893	5 962	22 130
	To/from securities adjustment fund – life insurance	7 637	-5 102	-13 904
	To supplementary reserves – life insurance	0	0	-1 188
	Assets allocated to insurance customers - life insurance	-3 864	-81	-4 564
	Pre-tax income	880	779	2 474
	Cost of taxes ¹	-277	-412	-1 143
	Income	604	367	1 332
	Actuarial profit and loss on post employment benefit obligations	0	0	-30
	Adjustments of the insurance obligations	0	0	2
	Tax on items that will not be reclassified to profit or loss	0	0	7
	Items that will not be reclassified to profit or loss	0	0	-21
	Revaluation real property for use in own operation	6	5	110
	Currency translation foreign subsidiaries	-800	164	937
	Adjustments of the insurance obligations	800	-164	-937
	Tax on items that will be reclassified to profit or loss	-1	-1	-27
	Items that will be reclassified to income when particular specific conditions are met	4	4	82
	Total other comprehensive income	4	4	61
	Total comprehensive income	608	371	1 393
	¹ Unit holders share of taxes in consolidated securities fund	-37	-43	-181

Statement of financial position

KLP GROUP

NOTE	NOK MILLIONS	31.03.2018	31.03.2017	31.12.2017
	Deferred tax assets	64	293	68
	Other intangible assets	305	323	313
	Tangible fixed assets	1 709	1 602	1 715
	Investments in associated companies and joint venture	810	605	773
8,11	Investment property	62 819	59 827	63 519
9,14	Debt instruments held to maturity	31 740	32 859	31 131
9,14	Debt instruments classified as loans and receivables	123 301	107 970	121 377
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	970	1 186	1 016
9,14	Lending local government, enterprises and retail customers	86 664	83 025	86 943
9,11,14	Debt instruments at fair value through profit or loss	172 591	172 153	172 427
9,11	Equity capital instruments at fair value through profit/loss	156 131	141 033	161 736
9,11,14	Financial derivatives	2 643	1 333	1 529
9	Receivables	3 640	5 718	4 118
9	Assets in defined contribution-based life insurance	2 816	1 976	2 684
14	Cash and bank deposits	3 343	2 539	2 820
	TOTAL ASSETS	649 547	612 441	652 167
	Owners' equity contributed	13 111	11 763	13 125
	Retained earnings	17 047	15 417	16 439
	TOTAL OWNERS' EQUITY	30 158	27 180	29 564
9,10	Hybrid Tier 1 securities	1 527	1 678	1 534
9,10	Subordinated loan capital	5 936	6 384	5 977
	Pension obligations	815	712	797
15	Technical provisions - life insurance	489 407	462 700	490 803
9,15	Provisions in life insurance with investment option	2 816	1 976	2 684
	Premiums, claims and contingency fund provisions - non-life insurance	2 712	2 632	2 364
9,10	Covered bonds issued	21 905	21 323	21 451
9,10	Debt to credit institutions	7 086	4 965	4 587
9,10	Liabilities to and deposits from customers	9 733	8 939	9 669
9,11	Financial derivatives	1 523	5 125	4 760
	Deferred tax	2 042	1 640	1 733
16	Other current liabilities	6 683	6 744	5 919
	Unit holders 's interest in consolidated securities funds	67 203	60 443	70 325
	TOTAL LIABILITIES	619 388	585 261	622 603
	TOTAL EQUITY AND LIABILITIES	649 547	612 441	652 167
	Contingent liabilities	15 280	14 424	15 483

Changes in Owners' equity

KLP GROUP

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2018	13 125	16 439	29 564
Income		604	604
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		608	608
Owners' equity contribution received (net)	-14		-14
Total transactions with the owners	-14		-14
Owners' equity 31 March 2018	13 111	17 047	30 158

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

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

² For further information, see note 2.1.1.c) in the 2017 annual report.

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
Deferred tax on the risk equalization fund, the natural perils pool fund and the guarantee scheme ¹		- 1 028	- 1 028
Principle change ²		- 24	- 24
Owners' equity 1 January 2017	11 726	15 046	26 772
Income		367	367
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		371	371
Owners' equity contribution received (net)	37		37
Total transactions with the owners	37		37
Owners' equity 31 March 2017	11 763	15 417	27 180

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

² For further information, see note 2.1.1.c) in the 2017 annual report.

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2018 -31.03.2018	01.01.2017 -31.12.2017	01.01.2017 -30.09.2017	01.01.2017 -30.06.2017	01.01.2017 -31.03.2017
Net cash flow from operational activities	-8 888	-27 849	-26 243	-15 960	-7 922
Net cash flow from investment activities ¹	-14	-79	-53	-36	-29
Net cash flow from financing activities ²	9 425	27 781	25 958	15 635	7 521
Net changes in cash and bank deposits	523	-148	-338	-362	-429
Holdings of cash and bank deposits at start of period	2 820	2 968	2 968	2 968	2 968
Holdings of cash and bank deposits at end of period	3 343	2 820	2 630	2 606	2 539

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 securities funds.

Notes

KLP GROUP

NOTE 1 Accounting principles –and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2018 – 31.03.2018. 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 2017. The annual financial statements are available at KLP's website klp.no.

ACCOUNTING ESTIMATES

In preparing the interim financial statement, management must make accounting estimates and discretionary evaluations. Actual figures may deviate from estimates used.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	6 296	6 447	32 328	248	321	997
Premium income for own account from other Group companies	37	35	89	0	0	0
Net financial income from investments	-1 673	8 056	32 157	-66	67	343
Other income from external customers	269	248	1 016	0	1	2
Other income from other Group companies	1	59	235	0	0	0
Total income	4 930	14 847	65 825	182	389	1 343
Claims for own account	-4 844	-4 459	-17 386	-40	-69	-199
Insurance provisions for own account	-3 372	-3 879	-23 358	-138	-307	-1 064
Costs borrowing	47	-192	-527	0	0	0
Operating costs excluding depreciation	-242	-238	-951	-17	-14	-59
Depreciation	-19	-16	-74	-1	-1	-3
Other expenses	-256	-250	-992	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-8 687	-9 035	-43 289	-196	-390	-1 325
Operating profit/loss	-3 756	5 812	22 536	-14	-1	18
Funds credited to insurance customers ²	4 568	-5 337	-20 551	5	-10	-42
Pre-tax income	812	475	1 985	-8	-12	-24
Cost of taxes	-157	-77	-492	0	0	0
Income	654	398	1 493	-8	-12	-24
Change in other comprehensive income (excluded cost of taxes)	0	0	-28	0	0	-1
Total comprehensive income	654	398	1 465	-8	-12	-25
Assets	535 695	506 645	534 784	5 036	3 903	4 869
Liabilities	504 428	478 448	504 158	4 522	3 607	4 346

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		
	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	295	293	1 266	0	0	0
Premium income for own account from other Group companies	12	12	21	0	0	0
Net financial income from investments	-7	59	243	63	55	237
Other income from external customers	0	0	1	4	3	12
Other income from other Group companies	0	0	0	14	14	57
Total income	300	364	1 531	82	72	306
Claims for own account	-238	-248	-1 080	0	0	0
Insurance provisions for own account	1	1	-4	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-76	-67	-281	-55	-48	-197
Depreciation	0	0	-2	-1	-1	-4
Other expenses	0	0	0	-2	0	-3
Return to financial instruments attributable to minority interests						
Total expenses	-313	-314	-1 366	-58	-49	-203
Operating profit/loss	-13	50	164	24	23	103
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	-13	50	164	24	23	103
Cost of taxes	8	-9	-19	-6	-6	-25
Income	-4	41	145	18	18	78
Change in other comprehensive income (excluded cost of taxes)	0	0	-3	0	0	-1
Total comprehensive income	-4	41	141	18	18	77
Assets	4 869	4 731	4 594	35 408	34 388	34 986
Liabilities	3 101	2 978	2 822	33 310	32 515	32 904

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		
	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017
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	2	3	0	0	0
Other income from external customers	0	0	0	2	2	9
Other income from other Group companies	123	119	456	0	0	0
Total income	125	121	459	2	2	9
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	-126	-103	-402	-3	-2	-9
Depreciation	-1	-1	-10	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-127	-104	-413	-3	-2	-9
Operating profit/loss	-2	17	47	-1	0	-1
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	-2	17	47	-1	0	-1
Cost of taxes	0	-4	-10	0	0	0
Income	-2	13	37	-1	0	-1
Change in other comprehensive income (excluded cost of taxes)	0	0	-4	0	0	0
Total comprehensive income	-2	13	33	-1	0	-1
Assets	450	423	468	10	11	12
Liabilities	198	189	214	3	2	5

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		
	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	12	12	0	6 851	7 073	34 590
Premium income for own account from other Group companies	-49	-47	-110	0	0	0
Net financial income from investments	-1 277	2 550	8 446	-2 957	10 790	41 430
Other income from external customers	-2	-4	0	273	250	1 040
Other income from other Group companies	-138	-193	-748	0	0	0
Total income	-1 455	2 317	7 589	4 166	18 112	77 061
Claims for own account	0	0	0	-5 122	-4 777	-18 665
Insurance provisions for own account	0	0	0	-3 509	-4 185	-24 425
Costs borrowing	0	0	0	47	-192	-527
Operating costs excluding depreciation	101	118	346	-419	-353	-1 554
Depreciation	-26	-26	-26	-48	-46	-119
Other expenses	0	1	3	-258	-249	-992
Return to financial instruments attributable to minority interests	2 249	-2 349	-8 648	2 249	-2 349	-8 648
Total expenses	2 324	-2 256	-8 326	-7 059	-12 150	-54 931
Operating profit/loss	869	61	-737	-2 893	5 962	22 130
Funds credited to insurance customers ²	-800	164	937	3 773	-5 182	-19 656
Pre-tax income	69	225	200	880	779	2 474
Cost of taxes	-124	-317	-617	-278	-412	-1 163
Income	-54	-92	-417	603	367	1 311
Change in other comprehensive income (excluded cost of taxes)	6	5	119	6	5	81
Total comprehensive income	-49	-86	-298	608	371	1 393
Assets	68 078	62 340	72 454	649 547	612 441	652 167
Liabilities	73 826	67 522	78 155	619 388	585 261	622 603

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

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

The KLP Group's business is divided into the six areas: public sector occupational pension/group life; enterprise (defined benefit) and defined contribution pension; non-life insurance; banking, asset management and other. 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 Bank-holding 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 creditcards, 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 2018	Q1 2017	01.01.2017 - 31.12.2017
Contribution service pension	6 686	6 655	35 421
Reinsurance premiums ceded	41	31	10
Transfer of premium reserves from others	124	386	-841
Total premium income	6 851	7 073	34 590

NOTE 4 Other income

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
Supplement contractual early retirement scheme (ERS)	256	245	981
Other income	17	4	60
Total other income	273	250	1 040

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
SUBORDINATED LOANS			
Interest costs ¹	-59	-68	-283
Value changes	100	-95	-298
Net costs subordinated loans	40	-164	-581
PERPETUAL HYBRID TIER 1 SECURITIES			
Interest costs	-14	-16	-61
Value changes	21	-13	116
Net costs perpetual hybrid tier 1 securities	7	-28	54
Net costs subordinated loan and hybrid Tier 1 securities	47	-192	-527

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

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

The large fluctuations in value change are predominantly due to

the loans being denominated in foreign currency.

One subordinated loan is issued in euros, whereas the other subordinated loan and the perpetual hybrid Tier 1 securities are issued in Japanese yen.

NOTE 6 Operating expenses

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
Personnel costs	266	234	937
Depreciation and writedowns	31	27	131
Other operating expenses	170	138	604
Other operating expenses	467	400	1 673

NOTE 7 Other expenses

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
Expenses contractual early retirement scheme (ERS)	256	245	977
Other expenses	3	4	15
Total other expenses	258	249	992

NOTE 8 Investment property

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
Net rental income	677	642	2 555
Net value adjustment	-8	-16	2 269
Realised gains	362	0	129
Net income from investment properties	1 031	626	4 953
Currency translate foreign subsidiaries (taken to other comprehensive income)	-800	164	937
Net income from investment properties included currency translate	232	790	5 889

NOK MILLIONS	31.03.2018	31.03.2017	31.12.2017
Investment property 01.01.	63 519	59 497	59 497
Value adjustment, including currency translation	-807	148	3 206
Net additions	110	195	838
Other changes	-2	-13	-22
Investment property 31.03./31.12.	62 819	59 827	63 519

NOTE 9 Fair value of financial assets and liabilities

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

This category includes:

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This category includes:

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

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

INVESTMENTS HELD TO MATURITY**BONDS CLASSIFIED AS LOANS AND RECEIVABLES****DEBT INSTRUMENTS MEASURED AT FAIR VALUE****a) Foreign fixed-income securities**

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-income securities – government

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

c) Norwegian fixed-income securities – other than government ones

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

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.

NOTE 9 Fair value of financial assets and liabilities – cont.**d) Fixed-income securities issued by foreign enterprises but denominated in NOK**

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

e) Receivables on credit institutions

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

f) Loans to municipalities and enterprises with municipal guarantee

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

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

j) Private Equity

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

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

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

NOTE 9 Fair value of financial assets and liabilities – cont.**DEBT TO CREDIT INSTITUTIONS**

internal valuation model based on observable data.

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.

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.

SUBORDINATED LOAN CAPITAL, OTHER DEBT ISSUED, AND DEPOSITS FROM CUSTOMERS**r) Covered bonds issued**

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

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

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	31.03.2018		31.03.2017		31.12.2017	
	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	7 384	7 998	8 162	8 978	6 380	7 093
Foreign hold-to-maturity bonds	24 355	25 170	24 698	26 050	24 752	26 205
Total debt instruments held to maturity	31 740	33 168	32 859	35 028	31 131	33 298
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	38 401	40 477	32 967	35 931	39 092	41 777
Foreign bonds	84 080	87 524	74 984	80 129	81 825	87 465
Norwegian certificates	789	789	0	0	200	200
Foreign certificates	0	0	0	0	200	200
Other receivables	31	31	20	20	59	59
Total debt instruments classified as loans and receivables	123 301	128 822	107 970	116 079	121 377	129 700
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	970	970	1 186	1 186	1 016	1 016
Total loans to local government, enterprises & retail customers	970	970	1 186	1 186	1 016	1 016

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

NOK MILLIONS	31.03.2018		31.03.2017		31.12.2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST						
Loans secured by mortgage	18 316	18 322	16 487	16 501	17 673	17 685
Loans to local government sector or enterprises with local government guarantee	60 817	61 272	56 848	57 544	61 441	62 083
Loans abroad secured by mortgage and local government guarantee	7 531	7 576	9 690	9 745	7 829	7 872
Total loans to local government, enterprises & retail customers	86 664	87 170	83 025	83 790	86 943	87 640
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	58 477	58 477	60 039	60 039	59 289	59 289
Norwegian certificates	10 074	10 074	11 491	11 491	11 154	11 154
Foreign bonds	83 832	83 832	83 556	83 556	85 144	85 144
Investments with credit institutions	20 208	20 208	17 067	17 067	16 839	16 839
Total debt instruments	172 591	172 591	172 153	172 153	172 427	172 427
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	144 281	144 281	130 729	130 729	150 221	150 221
Equity funds	10 854	10 854	9 556	9 556	10 641	10 641
Property funds	116	116	248	248	119	119
Alternative investments	879	879	499	499	756	756
Total equity capital instruments	156 131	156 131	141 033	141 033	161 736	161 736
RECEIVABLES						
Receivables related to direct business	1 267	1 267	1 251	1 251	1 026	1 026
Receivables related to reinsurance agreements	109	109	109	109	118	118
Reinsurance share of unpaid gross premiums	0	0	47	47	0	0
Reinsurance share of gross claims reserve	52	52	41	41	0	0
Receivables related to securites	1 464	1 464	3 674	3 674	2 161	2 161
Prepaid rent related to real estate activities	234	234	186	186	116	116
Other receivables	514	514	410	410	697	697
Total other loans and receivables including receivables from policyholders	3 640	3 640	5 718	5 718	4 118	4 118

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

NOK MILLIONS	31.03.2018		31.03.2017		31.12.2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	1 527	1 397	1 678	1 385	1 534	1 463
Subordinated loan capital	5 936	6 607	6 384	6 836	5 977	6 849
Debt to credit institutions	1 436	1 436	1 918	1 918	1 603	1 603
Covered bonds issued	21 905	21 910	21 323	21 332	21 451	21 457
Liabilities and deposits from customers	9 733	9 733	8 939	8 939	9 669	9 669
Total financial liabilities	40 538	41 084	40 243	40 411	40 235	41 042
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	5 649	5 649	3 047	3 047	2 983	2 983
Total financial liabilities	5 649	5 649	3 047	3 047	2 983	2 983
Assets in life insurance with investment option	2 816	2 816	1 976	1 976	2 684	2 684
Provisions in life insurance with investment option	2 816	2 816	1 976	1 976	2 684	2 684

NOK MILLIONS	31.03.2018		31.03.2017		31.12.2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	1 854	1 030	271	3 842	631	3 849
Interest rate swaps	269	489	377	1 283	368	903
Interest rate and currency swaps	520	0	685	0	530	0
Share option	0	3	0	0	0	7
Total financial derivatives	2 643	1 523	1 333	5 125	1 529	4 760

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	0	JPY	Fixed ¹	Perpetual	0	744	0
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ²	2045	5 936	5 639	5 977
Total subordinated loan capital	5 163				5 936	6 384	5 977
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	1 527	1 678	1 534
Total hybrid Tier 1 securities	984				1 527	1 678	1 534
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Fixed	2017	0	101	0
KLP Kommunekreditt AS	0	NOK	Floating	2017	0	535	0
KLP Kommunekreditt AS	883	NOK	Floating	2018	884	3 975	1 097
KLP Kommunekreditt AS	3 631	NOK	Floating	2019	3 634	4 505	4 505
KLP Kommunekreditt AS	2 500	NOK	Floating	2020	2 508	2 511	2 509
KLP Kommunekreditt AS	750	NOK	Fixed	2020	760	760	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 011	4 014	4 012
KLP Kommunekreditt AS	600	NOK	Fixed	2021	605	605	602
KLP Kommunekreditt AS	3 850	NOK	Floating	2022	3 856	0	3 104
KLP Kommunekreditt AS	500	NOK	Fixed	2027	511	501	508
KLP Boligkreditt AS	0	NOK	Floating	2017	0	43	0
KLP Boligkreditt AS	600	NOK	Floating	2019	600	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 006	2 007	2 006
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 505	1 102	1 703
Other					25	65	55
Total covered bonds	21 814				21 905	21 323	21 451

¹ The loan was redeemed in the fourth quarter of 2017.² The loan has an interest change date in 2025.³ The loan has an interest change date in 2034.

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Fixed	2017	0	311	0
KLP Banken AS	200	NOK	Floating	2018	204	204	202
KLP Banken AS	417	NOK	Fixed	2018	418	502	458
KLP Banken AS	813	NOK	Floating	2019	814	902	814
KLP Funds	0	NOK	Floating	2017	0	1 057	0
KLP Funds	1 049	NOK	Fixed	2018	1 049	0	1 089
KLP Funds	0	NOK/EUR/USD	Fixed	2017	0	1 125	0
KLP Funds	1 937	NOK/EUR/USD	Floating	2018	1 937	0	1 346
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2017	0	862	0
Kommunal Landspensjonskasse	2 660	NOK/EUR/USD	Floating	2018	2 660	0	679
KLP Banken AS	0	NOK/EUR/USD	Floating	2017	0	4	0
KLP Banken AS	0	NOK/EUR/USD	Floating	2018	4	0	0
Other					0	-1	-2
Total liabilities to credit institutions	7 075				7 086	4 965	4 587
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴							
Retail	7 746	NOK			7 746	7 150	7 691
Business	1 961	NOK			1 961	1 766	1 956
Foreign	26	NOK			26	23	22
Liabilities to and deposits from customers	9 733				9 733	8 939	9 669
Total financial liabilities	44 769				46 187	43 290	43 218

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

31.03.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	62 819	62 819
Land/plots	0	0	833	833
Real estate fund	0	0	2 600	2 600
Buildings	0	0	59 385	59 385
Lending at fair value	0	970	0	970
Bonds and other fixed-income securities	44 700	107 726	0	152 426
Certificates	7 731	2 343	0	10 074
Bonds	23 689	105 384	0	129 073
Fixed-income funds	13 279	0	0	13 279
Loans and receivables	17 247	2 918	0	20 165
Shares and units	140 699	4 733	10 699	156 131
Shares	138 875	3 737	1 669	144 281
Equity funds	1 824	0	66	1 890
Property funds	0	116	0	116
Special funds	0	879	0	879
Private Equity	0	0	8 965	8 965
Financial derivatives	0	2 643	0	2 643
Total assets at fair value	202 646	118 990	73 518	395 155
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	1 523	0	1 523
Debt to credit institutions ¹	4 601	1 049	0	5 649
Total financial liabilities at fair value	4 601	2 572	0	7 172

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Statement of financial position. The liabilities measured at amortized cost amounted to NOK 1 436 million per 31.03.2018.

NOTE 11 Fair value hierarchy – cont.

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	0	0	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 Statement of financial position.

NOTE 11 Fair value hierarchy – cont.

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

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Statement of financial position.

NOTE 11 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
Opening balance 1 January	63 519	59 497	59 497
Net acquisition cost	110	195	816
Unrealised changes	-807	148	3 206
Other changes	-2	-13	0
Closing balance 31.03./31.12.	62 819	59 827	63 519
Realised gains/losses	362	0	129

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
Opening balance 1 January	10 438	8 573	8 573
Sold	-439	-156	-1 715
Bought	358	428	1 699
Unrealised changes	343	660	1 881
Closing balance 31.03./31.12.	10 699	9 505	10 438
Realised gains/losses	230	28	445
Total level 3 closing balance 31.03./31.12.	73 518	69 332	73 956

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 3 675 million as of 31.03.2018.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 2 816 millions in financial assets valued at fair value at Level 1. Per 31.03.2018 the NOK 2 816 millions consist of NOK 1 768 millions in shares and units in Level 1, NOK 1 041 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 61 million in stocks has been moved from Level 1 to Level 2 and NOK 727 millions from Level 2 to Level 1. This is due to changes in liquidity. For debt instruments there has been no movements.

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.

31.03.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	492	985	6 286	0	7 763
Perpetual hybrid Tier 1 securities ¹	0	114	229	286	1 412	2 041
Debt to and deposits from customers (without defined maturity)	9 733	0	0	0	0	9 733
Covered bonds issued	0	779	21 375	626	0	22 780
Payables to credit institutions	1 516	497	536	0	0	2 549
Financial derivatives	1 061	1 264	236	-60	-186	2 314
Accounts payable	736	0	0	0	0	736
Contingent liabilities	15 280	0	0	0	0	15 280
Total	28 327	3 147	23 360	7 137	1 226	63 196

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 103 million, payables to credit institutions maturing within one month are reduced with NOK 6 million, derivatives maturing between 1 to 12 months are reduced with NOK 61 million and derivatives maturing between 1 and 5 years increases by NOK 0.4 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 67 537 million.

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

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

NOTE 12 Liquidity risk - cont.

31.12.2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	250	1 002	6 644	0	7 897
Perpetual hybrid Tier 1 securities ¹	0	60	238	298	1 466	2 062
Debt to and deposits from customers (without defined maturity)	9 669	0	0	0	0	9 669
Covered bonds issued	0	999	20 641	630	0	22 269
Payables to credit institutions	2 225	677	817	0	0	3 719
Financial derivatives	3 987	2 716	431	-7	-196	6 931
Accounts payable	162	0	0	0	0	162
Contingent liabilities	15 483	0	0	0	0	15 483
Total	31 525	4 702	23 129	7 565	1 270	68 191

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

31.03.2018 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 01.01.2018 - 31.03.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	2	-5	21	169	-329	-1	-143	-138
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-52	-66	-1 293	-2 027	-1 730	91	-5 077	-4 464
Fixed income fund holdings	-774	0	0	0	0	0	-774	-774
Lending and receivables	-1	-1	0	0	0	41	39	32
Lending	0	0	0	0	0	350	350	350
Cash and bank deposits	0	0	0	0	0	8	8	8
Contingent liabilities ¹	0	0	0	0	0	10	10	10
Total assets	-825	-72	-1 272	-1 858	-2 059	501	-5 585	-4 975
LIABILITIES								
Deposit	0	0	0	0	0	-24	-24	-24
Liabilities created on issue of securities	0	1	0	0	0	-58	-58	-58
Financial derivatives classified as liabilities	-2	3	53	9	2	6	70	71
Hybrid capital, subordinated loans	0	0	0	53	78	0	131	131
Debt to credit institutions	0	0	0	0	0	-12	-12	-12
Total liabilities	-2	3	53	62	80	-89	108	108
Total before tax	-827	-69	-1 219	-1 796	-1 979	412	-5 478	-4 867
Total after tax	-620	-52	-915	-1 347	-1 484	309	-4 108	-3 650

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

NOTE 13 Interest rate risk – cont.

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	-644	-72	-769	-1 433	-1 364	-38	-4 318	-3 834

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

NOTE 13 Interest rate risk – cont.

31.12.2017 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2017 - 31.12.2017	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	0	51	5	-36	-240	-27	-248	-237
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	7	7	7
Bonds and other fixed-return securities	-55	-60	-1 275	-2 099	-1 732	371	-4 851	-4 221
Fixed income fund holdings	-813	0	0	0	0	0	-813	-813
Lending and receivables	0	-3	0	0	0	130	126	102
Lending	0	0	0	0	0	611	611	611
Cash and bank deposits	0	0	0	0	0	28	28	28
Contingent liabilities ¹	0	0	0	0	0	44	44	44
Total assets	-869	-12	-1 271	-2 135	-1 972	1 163	-5 096	-4 479
LIABILITIES								
Deposit	0	0	0	0	0	-97	-97	-97
Liabilities created on issue of securities	0	1	0	0	0	-229	-228	-228
Financial derivatives classified as liabilities	-1	8	70	149	-35	41	232	225
Hybrid capital, subordinated loans	0	0	0	59	73	0	132	132
Debt to credit institutions	0	0	0	0	0	-26	-26	-26
Total liabilities	-1	9	70	208	38	-310	14	6
Total before tax	-870	-3	-1 201	-1 927	-1 934	853	-5 083	-4 472
Total after tax	-652	-2	-901	-1 445	-1 451	640	-3 812	-3 354

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.

NOTE 13 Interest rate risk – cont.

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

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

NOTE 14 Credit risk

31.03.2018 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	29 499	0	30	0	0	0	2 210	31 740	31 740
Debt instruments classified as loans and receivables at amortized cost	99 787	0	862	0	0	0	22 651	123 301	123 301
Debt instruments at fair value - fixed-return securities	112 728	1 100	5 081	7 445	0	0	12 793	139 147	125 512
Fixed-income funds	0	0	0	0	0	0	13 279	13 279	13 279
Loans and receivables	19 988	0	0	0	0	0	177	20 165	17 454
Financial derivatives classified as assets	2 643	0	0	0	0	0	0	2 643	2 269
Cash and bank deposits	3 298	0	0	45	0	0	0	3 343	3 343
Lending	0	0	61 310	0	16 378	1 889	8 057	87 634	87 634
Total	267 944	1 100	67 284	7 490	16 378	1 889	59 168	421 253	404 531

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	13 446	4 053	8 429	3 571	29 499
Debt instruments classified as loans and receivables at amortized cost	21 641	18 576	45 599	13 972	99 787
Debt instruments at fair value - fixed-return securities	42 964	9 314	32 643	27 808	112 728
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	4 695	15 293	0	19 988
Financial derivatives classified as assets	0	193	2 450	0	2 643
Cash and bank deposits	25	645	2 628	0	3 298
Lending	0	0	0	0	0
Total	78 077	37 475	107 042	45 350	267 944

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

NOTE 14 Credit risk – cont.

31.03.2017 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	2 539
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	385 284

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Total Invest- ment grade
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

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

NOTE 14 Credit risk – cont.

31.12.2017 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	28 893	0	31	0	0	0	2 207	31 131	31 131
Debt instruments classified as loans and receivables at amortized cost	92 315	0	6 281	100	0	0	22 680	121 377	121 318
Debt instruments at fair value - fixed-return securities	115 270	1 003	5 539	7 266	0	0	13 018	142 095	128 012
Fixed-income funds	0	0	0	0	0	0	13 485	13 485	13 485
Loans and receivables	16 847	0	0	0	0	0	0	16 847	13 755
Financial derivatives classified as assets	1 525	0	0	4	0	0	0	1 529	1 407
Cash and bank deposits	2 775	0	0	45	0	0	0	2 820	2 820
Lending	0	0	62 329	0	14 928	2 694	8 007	87 959	87 959
Total	257 625	1 003	74 180	7 415	14 928	2 694	59 397	417 242	399 887

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

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

NOTE 14 Credit risk – cont.

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, however this does not imply concentration risk in the ordinary meaning since the counterparty risk is considered to be minimal.

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. Other is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 59 billion per 31.03.2018. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category. The grouping of mortgage loans has been changed as of 31.03.2018 to give a more accurate view of the risk. The change results in a lower amount in the column with the highest risk.

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

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

NOK MILLIONS	31.03.2018		31.03.2017		31.12.2017	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
LARGEST COUNTERPARTIES						
Counterparty 1	15 996	15 822	16 441	16 317	15 988	15 820
Counterparty 2	11 289	11 028	10 547	10 001	8 274	8 137
Counterparty 3	8 861	7 950	8 617	8 617	8 137	8 067
Counterparty 4	7 950	6 841	7 465	6 085	7 427	5 579
Counterparty 5	5 659	5 602	6 388	5 971	5 746	5 577
Counterparty 6	5 090	4 848	5 413	5 345	5 642	5 511
Counterparty 7	4 752	4 752	5 085	5 034	4 698	4 698
Counterparty 8	4 605	3 958	4 752	4 752	4 361	3 959
Counterparty 9	3 870	3 837	3 651	3 267	3 999	3 360
Counterparty 10	3 278	3 149	3 612	3 230	3 131	3 122
Total	71 349	67 785	71 971	68 620	67 404	63 830

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	31.03.2018	31.03.2017	31.12.2017
Premium reserves - ordinary tariff	411 143	387 871	407 702
Premium funds, buffer funds and pensioners' surplus funds	15 462	16 799	15 043
Supplementary reserves	25 648	24 472	25 646
Securities adjustment fund	34 671	33 506	42 309
Other provisions	56	52	104
Profit/loss allocated to insurance contracts	2 427	160	0
Technical provisions in life insurance	489 407	462 700	490 803

NOK MILLIONS	31.03.2018	31.03.2017	31.12.2017
Premium reserves	2 804	1 966	2 675
Deposit funds	12	10	9
Provisions in life insurance with investment options	2 816	1 976	2 684

NOTE 16 Other current liabilities

NOK MILLIONS	31.03.2018	31.03.2017	31.12.2017
Short-term payables trade in securities	3 302	4 499	2 799
Incurred not assessed taxes	178	164	256
Advance tax-deduction pension scheme	341	338	394
Accounts payable	184	188	741
Pre-called contribution to insurance	419	128	111
Other current liabilities	2 259	1 427	1 618
Total other current liabilities	6 683	6 744	5 919

NOTE 17 SCR ratio

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 basically limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 233 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 291 per cent.

	31.03.2018	31.12.2017
Solvency II - SCR ratio	233 %	224 %

NOK BILLIONS	31.03.2018	31.12.2017		31.03.2018	31.12.2017
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	543	542	Best estimate	489	493
Added values - hold-to-maturity portfolio/loans and receivables	7	10	Risk margin	13	13
Added values - other lending	0	1	Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	9	8
Deferred tax asset	0	0	Deferred tax liabilities	2	1
Total assets - solvency II	550	552	Total liabilities - solvency II	520	524
			Excess of assets over liabilities	30	29
			- Deferred tax asset	0	0
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	27	26
			Total eligible tier 1 own funds	27	26
			Subordinated loans	6	6
			Risk equalisation fund	4	4
			Tier 2 basic own funds	10	11
			Ancillary own funds	10	10
			Tier 2 ancillary own funds	10	10
			Deduction for max. eligible tier 2 own funds	-14	-13
			Total eligible tier 2 own funds	7	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	34	33
			Solvency capital requirement (SCR)	14	15
			Solvency II- SCR ratio	233 %	224 %

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

31.03.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
ASSETS								
Financial derivatives	2 643	0	2 643	-1 068	-3 892	-202	0	0
Repos	0	0	0	0	0	0	0	0
Total	2 643	0	2 643	-1 068	-3 892	-202	0	0
LIABILITIES								
Financial derivatives	1 523	0	1 523	-1 068	-43	-98	334	324
Repos	1 048	0	1 048	0	0	0	1 048	1 048
Total	2 571	0	2 571	-1 068	-43	-98	1 381	1 372

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

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

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

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 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
KLP GROUP								
Profit before tax	880	2 474	2 799	1 946	779	2 449	2 085	1 378
Total assets	649 547	652 167	641 486	627 805	612 441	596 113	588 940	577 072
Owners' equity	30 158	29 564	30 506	28 753	27 180	27 823	26 827	25 049
Solvency SCR ratio	233 %	224 %	210 %	204 %	203 %	198 %	197 %	180 %
Number of employees in the Group	993	961	956	955	941	946	949	952
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	812	1 993	1 295	1 084	475	2 125	1 858	1 196
Premium income for own account	6 334	32 417	23 989	15 158	6 483	36 854	29 715	19 674
- of which inflow of premium reserve	5	298	208	208	177	3 250	3 529	1 736
Insurance customers' funds incl. acc. profit	4 844	17 386	13 044	8 751	4 459	16 387	12 199	8 035
- of which funds with guaranteed returns	424	212	211	211	188	124	124	124
Net investment common portfolio	495 146	495 607	480 375	476 229	469 414	460 289	447 945	444 205
Net investment choice portfolio	2 351	2 375	2 329	2 293	2 244	2 184	2 199	2 105
Insurance funds incl. earnings for the year	487 732	489 159	477 463	469 952	461 095	452 375	444 749	434 146
- of which funds with guaranteed interest	402 945	421 286	411 325	408 413	403 030	399 562	391 448	385 763
Solvency capital requirement (SCR)	34 131	33 511	34 597	32 610	32 462	31 338	30 604	28 544
Solvency SCR ratio	255 %	242 %	223 %	216 %	214 %	209 %	208 %	189 %
Riskprofit	193	599	426	272	100	784	475	278
Return profits	2 931	6 769	5 487	1567	139	8 094	6 759	3 952
Administration profit	29	141	143	51	32	-50	135	65
Solvency capital	109 209	116 656	115 446	108 843	105 303	98 856	103 885	96 744
Book return on common portfolio	1,2 %	3,9 %	3,1 %	1,5 %	0,7 %	4,4 %	3,5 %	2,2 %
Value-adjusted return on common portfolio	-0,4 %	6,7 %	4,6 %	3,0 %	1,7 %	5,8 %	4,4 %	2,7 %
Return on unit-linked portfolio	-0,9 %	7,4 %	5,0 %	3,2 %	1,8 %	6,2 %	4,4 %	2,5 %
Return on corporate portfolio	1,6 %	4,0 %	3,0 %	2,2 %	0,9 %	4,7 %	4,0 %	2,7 %

Key figures - Accumulated – cont.

NOK MILLIONS	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
KLP SKADEFORSIKRING AS								
Profit before tax	-12,5	164,2	152,6	114,9	49,6	255,4	185,6	116,3
Gross premium due	324,1	1 344,3	997,7	652,6	320,4	1207,5	894,9	588,9
Premium income for own account	306,7	1 286,8	954,7	623,9	304,5	1150,1	851,9	560,5
Owners' equity	1 767,9	1 771,9	1 828,5	1 806	1 739	1 715,8	1808,9	1755,2
Claims ratio	77,2 %	84,2 %	80,6 %	77,0 %	81,1 %	75,9 %	80,6 %	80,0 %
Combined-ratio	101,7 %	106,0 %	101,0 %	98,9 %	103 %	98,7 %	101,6 %	101,7 %
Return on assets under management	-0,2 %	5,6 %	3,8 %	2,5 %	1,4 %	6,1 %	4,9 %	3,1 %
Solvency capital requirement (SCR)	1 771	1 764	1 873	1 877	1 848	1 762	1 805	1 789
Solvency SCR ratio	237 %	233 %	257 %	264 %	264 %	261 %	275 %	278 %
Annual premium in force – retail market	539,6	526,4	510,5	488,2	462,0	435,2	408,7	387,4
Annual premium in force – public sector market	791,5	889,6	873,6	865,2	851,4	832,2	826,2	822,8
Net new subscriptions (accumulated within the year)	11,7	50,3	103,6	72,8	32,5	135,2	83,0	52,0
KLP BEDRIFTSPENSJON AS								
Profit before tax	-8,5	-24,5	-23,4	-17,4	-12,1	-27,6	-9,4	-6,9
Premium income for own account	247,5	996,7	770,4	569,9	320,8	574,3	383,8	249,1
- of which premium reserve added	118,4	543,1	447	351,6	209,8	185,0	101,9	65,3
Insurance customers' funds including accumulated profit	4 491	4 328	4 048	3 796	3 581	3 241	3 027	2 873
- of which funds with guaranteed returns	1 483	1 442	1 425	1 425	1 422	1 390	1 358	1 351
Returns profit	11,5	77,8	16,1	4,5	-2,6	31,0	13,2	8,6
Risk result	0,3	-0,6	-3,1	-2,4	-4,1	6,0	3,8	-0,0
Administration losses	-11,2	-38,8	-28	-20	-9,1	-32,5	-18,6	-12,8
Solvency capital requirement (SCR)	209	195	268	285	29	11	101	89
Solvency SCR ratio	126 %	107 %	147 %	185 %	33 %	22% ¹	98 %	69 %
Solvency capital	674,4	721,3	708,7	716,6	483,3	479,4	516,9	516,3
Book capital return on common portfolio	1,4 %	8,3 %	3,3 %	1,8 %	0,6 %	5,3 %	3,5 %	2,2 %
Value-adjusted capital return on common portfolio	0,4 %	5,6 %	3,7 %	2,4 %	1,2 %	5,7 %	4,4 %	2,8 %
Return on defined unit-linked contribution pensions	-2,6 %	11,9 %	8,3 %	4,4 %	1,8 %	7,0 %	4,4 %	1,8 %
Return on corporate portfolio	0,0 %	2,3 %	1,8 %	1,3 %	0,7 %	2,4 %	2,3 %	1,7 %

¹ There have been a correction of the calculation av Solvency II per 31.12.2016. The new calculations give a SCR ratio of 22% versus 79% as earlier reported.

Key figures - Accumulated – cont.

NOK MILLIONS	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
KLP BANKEN GROUP								
Profit/loss before tax	23,7	103,1	81,7	47,9	23,2	91,2	90,7	58,0
Net interest income	64,6	241,6	173,9	108,5	51,4	194,3	149,4	100,3
Other operating income	18,3	68,2	50,7	33,6	16,8	66,4	49,3	32,1
Operating expenses and depreciation	-58,1	-203,4	-143,2	-97,8	-48,6	-179,5	-126,1	-89,1
Net realized/unrealized changes in financial instruments to fair value	-1,1	-3,4	0,3	3,5	3,7	11,1	18,5	14,9
Contributions	9 733	9 669	9 401	9 138	8 939	8 688	8 454	8 252
Housing mortgages granted	15 147	14 441	14 003	13 730	13 376	12 717	12 812	12 294
Loan(s) with public guarantee(s)	16 091	16 322	17 015	17 166	17 282	17 246	17 336	16 048
Defaulted loans	27	22	17	26	28	22	24	28
Borrowing on the issuance of securities	23 341	22 924	23 223	23 762	23 241	23 451	24 455	23 799
Total assets	35 404	34 981	34 855	35 140	34 383	34 382	34 949	34 145
Average total assets	35 192	34 682	34 619	34 761	34 383	32 838	33 122	32 720
Owners' equity	2 094	2 078	1 910	1 887	1 868	1 850	1 598	1 574
Net interest rate	0,18 %	0,70 %	0,50 %	0,31 %	0,15 %	0,59 %	0,45 %	0,31 %
Profit/loss from general operations before tax	0,07 %	0,30 %	0,24 %	0,14 %	0,07 %	0,28 %	0,27 %	0,18 %
Return on owners' equity before tax	4,57 %	5,57 %	5,89 %	5,18 %	5,02 %	6,05 %	8,02 %	7,69 %
Capital adequacy	20,6 %	21,1 %	19,5 %	19,3 %	19,3 %	19,0 %	16,8 %	16,5 %
Number of private customers	57 568	54 568	52 510	50 885	49 038	46 801	45 246	43 566
Of this members of KLP	40 317	38 382	37 044	35 983	34 703	33 173	32 066	31 070
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	-2,1	46,7	50,7	26,6	17,5	18,2	16,3	1,8
Total assets under management	483 074	488 947	473 995	463 558	455 577	441 943	431 741	417 789
Assets managed for external customers	63 989	70 878	64 883	62 128	58 210	54 003	49 434	46 509



Sustainability Report

Q1 2018

Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS	Change in Q1						
	2018	2017	31.03.2018	31.03.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:

EMPLOYEE STATISTICS

Employees of KLP	5	-9	966	941	961	950	n/a
Total sickness absence	0.7 %	0.7 %	5.3 %	5.2 %	4.6 %	4.5 %	3.

ENVIRONMENT

Number of flights	851	943	851	943	3107	3294	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO2e)	146	150	146	150	534	550	13. 12.
Energy consumption in KLP's own offices (KWh/m2)	28	32	158	179	130	147	9. 13.
Energy consumption in KLP's property portfolio (KWh/m2)	2	n/a	189	n/a	187	188	9. 13.

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in Q1						
	2018	2017	31.03.2018	31.03.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:

Renewable energy in Norway (MNOK)	113	117	22 395	22 151	22282	22034	7.
Renewable energy in Europe and the USA (MNOK)	-13	120	1 075	772	1088	652	7.
Renewable energy in developing countries (MNOK)	25	56	406	313	381	257	7. 9. 17.
Lending for power; water, drainage and renovation (MNOK)	4	5	3 177	3089	3173	3084	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	-149	30	9 966	8051	10115	8021	9.
Green bonds (MNOK)	36	70	771	663	735	593	n/a

Total (MNOK)	16	398	37 790	35 039	37 774	34 641	n/a
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As a proportion of KLP's investments	0 %	0 %	7 %	7 %	7 %	7 %	n/a
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Fossil energy (market value in MNOK)	-351	-117	10 864	9 576	11215	9693	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	2 %	2 %	2 %	2 %	n/a
Renewable energy (market value in MNOK)	129	298	27 053	26 325	26 924	26 027	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	5 %	5 %	5 %	5 %	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	-149	30	9 966	8051	10 115	8021	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	0 %	0 %	16 %	14 %	16 %	14 %	9.

FINANCE IN DEVELOPING COUNTRIES	16	398	37 790	35 039	37 774	34 641	n/a
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Banking and finance in developing countries (MNOK)	24	14	554	435	530	421	1. 5. 8. 17.
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Sustainability Statement

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in Q1						Contributes towards UN Sustainable Development Goal:
	2018	2017	31.03.2018	31.03.2017	31.12.2017	31.12.2016	
Companies excluded from investments	6	4	180	166	174	162	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	6 (86%)	6 (100%)	6 (86%)	6 (100%)	115 (97 %)	111 (96%)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	444 (94%)	401 (91%)	444 (94%)	401 (91%)	2617 (91 %)	2627 (90%)	n/a
Companies KLP has had direct dialogue with	23	66	23	66	192	214	All SDGs

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in Q1						
	2018	2017	31.03.2018	31.03.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
LENDING BUSINESS							
Loans for roads and transport (MNOK)	-1311	100	8099	7165	9411	7065	9
Loans for public property (MNOK)	346	53	4406	3318	4060	3264	9
Loans to public sector and businesses (MNOK)	282	-30	45369	43982	45087	44012	n/a

Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS

EMPLOYEE STATISTICS

It is important that our employees have a good working environment. KLP's employees and their collective skills are a key resource for KLP. KLP is continually working to reduce employees' sickness absence.

UN SUSTAINABLE DEVELOPMENT GOALS:

The figures show how KLP contributes towards United Nations Sustainable Development Goal (SDG) 3, good health and well-being.

Sickness absence is self-certified and doctor-certified sickness absence. Short-term sickness absence is defined as 1-3 days. Long-term absence is 4 days or more.

TARGET:

KLP's goal is to have less than 4 per cent sickness absence.

DEFINITION:

Number of employees including employees on leave of absence and employees who work part-time.

ENVIRONMENT

KLP works to reduce the environmental impact of its own operations.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes towards the following UN Sustainable development Goals:

- Target 9, *Industry, Innovation and Infrastructure*. More specifically indicator 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 12, *Responsible Consumption and Production*.
- Target 13, *Climate Action*

TARGET:

- Halve greenhouse gas emissions from own operations by 2030, based on emissions in 2010.
- Reduce energy consumption in the property portfolio to 180 kWh per square metre.

DEFINITION:

Corporate air travel:

Number of flights is based on data provided by our travel agent. The number of flights are return flights. Greenhouse gas emissions from KLP's corporate air travel is calculated based on number of kilometres flown, and our travel agent provides the data.

Energy consumption in KLP's own offices:

Energy consumption is a major source of KLP's greenhouse gas emissions. The energy consumption in KLP's own office premises are not temperature-corrected, but shows actual

consumption. 'Own office premises' are the offices where employees of the KLP Group work. The energy data is obtained from our energy monitoring system.

Energy consumption in KLP's property portfolio:

"In-house operated buildings" means those properties KLP owns and for which KLP has the responsibility for operation and maintenance, and where KLP has the opportunity to implement environmental measures and measure their effects. These are buildings in Oslo, Trondheim, Copenhagen and Stockholm. All these buildings have energy monitoring systems in which energy and water consumption is recorded and monitored. The figures only include buildings where the tenant's energy consumption is also measured, providing us with an overview of the total energy consumption of the buildings. Energy consumption in kWh/m² per year for KLP's in-house operated buildings is temperature-corrected.

The company has a large portfolio of buildings, which also changes over time. The individual buildings can also change their consumption patterns over shorter or longer periods, e.g. in connection with changes of tenant. There are various reasons why it may sometimes be impossible to obtain correct energy data, such as meter faults or figures reported too late by our sub-contractors. Hence, the reporting will only include buildings operated by KLP itself, where operating conditions are consistent for the last 12 months before the reporting date. In effect, the buildings included in the reporting might vary slightly from year to year. Nevertheless, we believe that this will portray the correct trends in the energy consumption of the company's property portfolio.

INCREASE CLIMATE-FRIENDLY INVESTMENTS

KLP's investments promote many different dimensions of sustainable development, but KLP intends to focus particularly on climate in the future. KLP aims to manage its capital in a climate-friendly direction by setting specific targets for selected investments.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes to several UN Sustainable Development Goals:

- Goal 7, Affordable and *Clean Energy*, including target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services, and 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- Goal 9, Industry, *Innovation and Infrastructure*, particularly target 9.a: Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support, and 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 17.3: Mobilise additional financial resources for developing countries from multiple sources.

TARGET:

Increase KLP's climate-friendly investments by NOK 6 billion per year.

DEFINITION:

Market value of the investments in NOK millions is stated.

Renewable energy:

Renewable energy in Norway covers equity and bond investments in Norwegian energy and grid companies. Energy companies are classified as electricity producers, with power generation stemming from hydroelectric power, wind power or bio-fuels.

Renewable energy in Europe and North America covers investments in new renewable energy projects. Investments are done through a fund manager specialising in energy (Copenhagen Infrastructure Partners).

Renewable energy in developing countries covers investments in new renewable energy projects. Investments are made partly as direct investments in cooperation with Norfund, and partly as fund investments through the fund manager Climate Investor One. The investments are part of KLP's portfolio for development investments, which is one of the measures in the *Guidelines for KLP as a responsible investor*. The purpose is to achieve both financial returns and benefits to society. The investments are based on commercial risk- and return assessments, but also emphasise positive returns on social and environmental parameters.

Lending for energy, water, drainage and renovation:

These are loans to public-sector enterprises, companies and projects in Norway within the energy sector, and in water, drainage and sanitation.

Green bonds:

The market value includes bonds that are classified as green and are not already included in KLP's investments in renewable energy in Norway above. Including these, KLP's total investment in green bonds is NOK 1.6 billion.

Fossil energy:

The figure is the market value of KLP's investments in companies classified as oil and gas companies, including exploration, production and refining. Transport and oil servicing companies are not included.

Buildings with environmental qualities:

Market value of buildings with environmental qualities in KLP's property portfolio. There are a multitude of ways define a building with environmental qualities. For KLP, the specific qualities used in this definition are; that the building is BREEAM-certified with a minimum rating of 'very good', that it has energy class B or better, that it produces its own energy through solar panels, or that the building has won a Norwegian property prize where environmental performance is a key evaluation parameter. An overall assessment has been made, and the buildings classified as buildings with environmental qualities have meet one or more of these criteria.

Proportion of total portfolio:

The proportion represents the investment as a percentage of KLP's assets under management.

Investments in publicly traded companies that KLP invests in through our index-tracking or global bond portfolios are kept outside this definition of climate-friendly investments (except for green bonds).

FINANCE IN DEVELOPING COUNTRIES:

Underdeveloped financial institutions and lack of access to capital impede efforts to reduce poverty in developing countries. KLP wants its investment in finance in developing countries to contribute to economic growth and better living conditions.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes to several UN Sustainable Development Goals:

- Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, appropriate technology and financial services, including microfinance.
- Target 5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources.
- Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
- Target 17.3: Mobilise additional financial resources for developing countries from multiple sources.

TARGET:

Not defined.

DEFINITION:

Investments in banking and finance in developing countries are KLP's investments in the Norwegian Microfinance Initiative (NMI) and NorFinance. NorFinance is an investment company owned by KLP together with others, including Norfund. The investments are part of the KLP's portfolio for development investments, which is one of the measures in the *Guidelines for KLP as a responsible investor*. The purpose is to achieve both financial returns and benefits to society.

ENGAGING COMPANIES AND INDUSTRIES FOR MORE SUSTAINABLE OPERATION:

KLP is a committed investor and owner. We vote at general assemblies, and have direct dialogue with companies on ESG matters in our efforts to influence individual companies, industries and markets.

UN SUSTAINABLE DEVELOPMENT GOALS:

As a responsible investor and owner, KLP has discussions with companies on many topics related to the UN Sustainability Goals. KLP's exclusion criteria are also in accordance with the Sustainable Development Goals. Some examples of SDG targets:

- Target 3.a: Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries.
- Target 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour.
- Target 12.6: Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
- Target 16.2: End abuse, exploitation, trafficking and all forms of violence against and torture of children, 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.5: Substantially reduce corruption and bribery in all their forms.

TARGET:

- KLP aims to vote at 75 per cent of general meetings internationally, and 90 per cent of general meetings in Norway.
- KLP aimed to monitor 240 companies in 2017.

DEFINITION:

Companies excluded from investments shows the total number of companies KLP has excluded from its investments as of the end of the year, based on breaches of KLP's guidelines for responsible investment.

The number of companies KLP has had direct dialogue with refers to companies that KLP has been in direct contact with during the year on social, environmental, or governance matters. The dialogue varies in scope, subject-matter and time frame. This is a form of exercising ownership in which KLP engages in dialogue with companies to discuss their handling of social responsibility issues, and communicate our expectations as an investor and owner.

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY:

KLP aims to develop products and services related to our core business which respond to some of the sustainability challenges our customers and owners have, and which benefit society as a whole..

LENDING BUSINESS:

KLP's lending is to a large degree lending to Norwegian municipalities and other public companies. The loans are important for local development, and create benefits to society as a whole.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators support the UN Sustainable Development Goal 9, Industry, *Innovation and infrastructure*, particularly target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure.

TARGET:

Increase lending for this type of purpose.

DEFINISJON:

Loans for public-sector property are loans for e.g. school buildings, town halls and other municipal buildings. Lending to the public sector and businesses covers the financing of various types of investment by municipal and county authorities such as kindergartens, nursing homes, schools etc.



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q1 2018

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 -31.12.2017
3	Premium income	6 334	6 483	32 417
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	-222	617	5 565
	Interest income and dividends etc. on financial assets	3 234	2 061	10 871
	Value changes on investments	-6 059	5 542	13 450
	Gains and losses realized on investments	1 003	-532	924
	Net income from investments in the common portfolio	-2 044	7 688	30 810
	Net income from investments in the investment option portfolio	-21	40	164
	Other insurance-related income	256	246	984
4	Claims	-4 844	-4 459	-17 386
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	4 178	-9 025	-38 615
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-6	-31	-95
	Funds assigned to insurance contracts - contractual liabilities	0	0	-5 199
	Unallocated profit to insurance contracts	-2 976	-160	0
5	Insurance-related operating expenses	-256	-249	-1 001
	Other insurance-related costs	-256	-245	-980
	Technical profit/loss	364	287	1 098
	Net income from investments in the corporate portfolio	526	278	1 261
	Other income	1	3	12
	Administration costs and other costs associated with the corporate portfolio	-79	-93	-386
	Non-technical profit/loss	448	188	887
	Profit/loss pre-tax	812	475	1 985
	Tax	-157	-77	-496
	Profit/loss before other comprehensive income	654	398	1 489
	Actuarial gains and losses on defined benefits pension schemes - employee benefits	0	0	-19
	Proportion of other comprehensive income on application of the equity method	0	0	-12
	Adjustment of the insurance liabilities	0	0	2
	Tax on other comprehensive income	0	0	5
	Total other comprehensive income	0	0	-24
	TOTAL COMPREHENSIVE INCOME	654	398	1 465

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.03.2018	31.03.2017	31.12.2017
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	219	248	226
7	Investment properties	854	991	1 003
	Shares and holdings in property subsidiaries	1 827	1 750	1 831
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 642	4 169	4 641
6	Financial assets valued at amortized cost	16 675	14 096	16 233
6,7	Financial assets valued at fair value	12 071	11 362	10 995
	Receivables	1 057	1 151	986
	Tax asset	0	259	0
	Other assets	852	961	888
Total assets in the corporate portfolio		38 198	34 987	36 802
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	58 368	55 287	58 605
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	818	601	771
6	Financial assets valued at amortized cost	191 162	177 077	189 962
6,7	Financial assets valued at fair value	244 799	236 450	246 268
Total investment in the common portfolio		495 146	469 414	495 607
	Shares and holdings in property subsidiaries	288	273	290
6	Financial assets at amortized costs	810	772	802
6,7	Financial assets at fair value	1 253	1 199	1 283
Total investments in the investment option portfolio		2 351	2 244	2 375
Total assets in the customer portfolios		497 497	471 659	497 982
TOTAL ASSETS		535 695	506 645	534 784

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.03.2018	31.03.2017	31.12.2017
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	13 111	11 763	13 125
	Retained earnings	18 156	16 435	17 501
	Total owners' equity	31 267	28 197	30 626
6	Subordinated loan capital etc.	7 464	8 062	7 511
	Premium reserve etc.	407 270	384 508	403 902
	Supplementary reserves	25 401	24 290	25 399
	Securities adjustment fund	34 656	33 429	42 277
	Premium funds, defined contribution funds, pension regulation funds etc.	15 049	16 493	15 206
	Unallocated profit to customers	3 011	133	0
	Total insurance liabilities - contractual liabilities	485 387	458 853	486 785
	Pension capital etc.	1 853	1 795	1 849
	Supplementary reserves	140	134	140
	Premium funds, defined contribution funds, pension regulation funds etc.	387	285	385
	Unallocated profit to customers	-35	27	0
	Total insurance liabilities - special investment portfolio	2 345	2 242	2 374
	Pension obligations	531	474	520
	Current tax liabilities	2	0	2
	Deferred tax liabilities	382	0	226
9	Liabilities	8 048	8 650	6 442
	Accrued costs and prepaid income	270	166	299
	TOTAL OWNERS' EQUITY AND LIABILITIES	535 695	506 645	534 784
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	14 268	13 588	14 597

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2018	13 125	4 154	13 347	30 626
Income before other profit/loss components		148	506	654
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)		148	506	654
Owners equity contribution recieved	-14			-14
Total transactions with owners	-14			-14
Own funds 31 March 2018	13 111	4 302	13 853	31 267

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 31 December 2016	11 726	3 907	12 153	27 785
Principle change equity method			-24	-24
Own funds 1 January 2017	11 726	3 907	12 130	27 762
Income before other profit/loss components		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 recieved	37			37
Total transactions with owners	37			37
Own funds 31 March 2017	11 763	3 985	12 449	28 197

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 31 December 2016	11 726	3 907	12 153	27 785
Principle change equity method			-24	-24
Own funds 1 January 2017	11 726	3 907	12 130	27 762
Income before other profit/loss components		248	1 241	1 489
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-19	-19
Proportion of other comprehensive income on application of the equity method			-12	-12
Adjustment of the insurance liabilities			2	2
Tax on other comprehensive income			5	5
Total other comprehensive income			-24	-24
Total comprehensive income		248	1 218	1 465
Owners equity contribution recieved	1 399			1 399
Total transactions with owners	1 399			1 399
Own funds 31 December 2017	13 125	4 154	13 347	30 626

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2018 -31.03.2018	01.01.2017 -31.12.2017	01.01.2017 -30.09.2017	01.01.2017 -30.06.2017	01.01.2017 -31.03.2017
Net cashflow from operational activities	-12	-728	-952	100	3
Net cashflow from investment activities ¹	-10	-49	-34	-21	-13
Net cashflow from financing activities ²	-14	731	1 395	45	37
Net changes in cash and bank deposits	-35	-45	410	124	26
Holdings of cash and bank deposits at start of period	842	887	887	887	887
Holdings of cash and bank deposits at end of period	807	842	1 296	1 011	913

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the financial statements

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles and -estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 31 March 2018. 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 2017, 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 2017, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at klp.no

ACCOUNTING ESTIMATES

In preparing the interim financial statement, management must make accounting estimates and discretionary evaluations. Actual figures may deviate from estimates used.

NOTE 2 Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 31 March 2018.

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
Value adjustment incl. foreign exchange	-846	129	3 151
Foreign exchange effect on hedging	795	-149	-734
Net value adjustment incl. exchange hedging	-52	-20	2 417

NOTE 3 Premium income

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
Gross premiums due	6 328	6 306	32 122
Reinsurance premiums ceded	0	0	-3
Transfer of premium reserves from others	5	177	298
Total premium income	6 334	6 483	32 417

NOTE 4 Claims

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
Claims paid	4 421	4 271	17 174
Transfers of premium reserves to others	424	188	212
Total claims	4 844	4 459	17 386

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q1 2018	Q1 2017	01.01.2017 - 31.12.2017
Personnel costs	160	159	598
Depreciation	19	16	74
Other operating expenses	77	74	329
Total insurance-related operating expenses	256	249	1 001

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 statement.

31.03.2018 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	683	760	6 448	6 979	23	24	7 154	7 763
Accrued not due interest	8	8	96	96	0	0	104	104
Foreign hold-to-maturity bonds	6 187	6 331	17 607	18 268	65	71	23 859	24 671
Accrued not due interest	50	50	318	318	2	2	370	370
Total investments held to maturity	6 927	7 149	24 469	25 661	90	97	31 486	32 907
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 248	3 337	33 172	35 096	180	194	36 600	38 626
Accrued not due interest	64	64	698	698	5	5	767	767
Foreign bonds	6 298	6 447	74 245	77 476	525	548	81 067	84 471
Accrued not due interest	138	138	1 342	1 342	10	10	1 490	1 490
Norwegian certificates	0	0	788	788	0	0	788	788
Accrued not due interest	0	0	2	2	0	0	2	2
Total bonds classified as loans and receivables	9 748	9 986	110 246	115 401	720	756	120 714	126 144
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 187	3 189	0	0	3 187	3 189
Lending with public sector guarantee	0	0	45 472	45 804	0	0	45 472	45 804
Loans abroad secured by mortgage and local government guarantee	0	0	7 494	7 539	0	0	7 494	7 539
Accrued not due interest	0	0	293	293	0	0	293	293
Total other loans and receivables	0	0	56 446	56 826	0	0	56 446	56 826
Total financial assets at amortized cost	16 675	17 135	191 162	197 888	810	854	208 647	215 877
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	538	538	6 228	6 228	0	0	6 766	6 766
Foreign shares	0	0	22 885	22 885	0	0	22 885	22 885
Total shares	538	538	29 113	29 113	0	0	29 651	29 651
Property funds	0	0	2 304	2 304	0	0	2 304	2 304
Norwegian equity funds	0	0	62 205	62 205	589	589	62 794	62 794
Foreign equity funds	0	0	10 318	10 318	0	0	10 318	10 318
Total equity fund units	0	0	74 827	74 827	589	589	75 416	75 416
Norwegian alternative investments	0	0	2 699	2 699	16	16	2 716	2 716
Foreign alternative investments	0	0	879	879	0	0	879	879
Total alternative investments	0	0	3 579	3 579	16	16	3 595	3 595
Total shares and units	538	538	107 519	107 519	606	606	108 662	108 662

NOTE 6 Fair value of financial assets and liabilities – continues

31.03.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	5 864	5 864	33 489	33 489	0	0	39 353	39 353
Foreign bonds	161	161	18 319	18 319	0	0	18 480	18 480
Accrued not due interest	28	28	305	305	0	0	334	334
Norwegian fixed-income funds	2 187	2 187	49 473	49 473	585	585	52 245	52 245
Foreign fixed-income funds	0	0	13 279	13 279	0	0	13 279	13 279
Accrued not due interest	31	31	1 180	1 180	9	9	1 220	1 220
Norwegian certificates	596	596	7 324	7 324	0	0	7 920	7 920
Accrued not due interest	5	5	9	9	0	0	14	14
Total bonds and other fixed-income securities	8 873	8 873	123 378	123 378	594	594	132 846	132 846
Norwegian loans and receivables	1 354	1 354	7 631	7 631	6	6	8 991	8 991
Foreign loans and receivables	275	275	4 263	4 263	40	40	4 578	4 578
Total loans and receivables	1 629	1 629	11 894	11 894	45	45	13 569	13 569
DERIVATIVES								
Interest rate swaps	531	531	122	122	0	0	653	653
Forward exchange contracts	0	0	1 223	1 223	4	4	1 226	1 226
Total financial derivatives classified as assets	531	531	1 345	1 345	4	4	1 880	1 880
Other financial assets	500	500	662	662	4	4	1 166	1 166
Total financial assets valued at fair value	12 071	12 071	244 799	244 799	1 253	1 253	258 123	258 123
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	249	249	0	0	249	249
Forward exchange contracts	0	0	653	653	2	2	655	655
Total financial derivatives classified as liabilities	0	0	902	902	2	2	904	904
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 936	6 607	0	0	0	0	5 936	6 607
Hybrid Tier 1 securities	1 527	1 397	0	0	0	0	1 527	1 397
Total subordinated loan capital etc.	7 464	8 005	0	0	0	0	7 464	8 005
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	814	814	2	2	817	817
Foreign call money ¹	546	546	1 288	1 288	9	9	1 843	1 843
Total liabilities to credit institutions	546	546	2 102	2 102	11	11	2 660	2 660

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

NOTE 6 Fair value of financial assets and liabilities – continues

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 loan	0	0	3 071	3 079	0	0	3 071	3 079
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 – continues

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 – continues

31.12.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	566	652	5 570	6 190	20	21	6 156	6 864
Accrued not due interest	17	17	139	139	0	0	156	156
Foreign hold-to-maturity bonds	6 282	6 471	17 983	19 235	65	73	24 330	25 779
Accrued not due interest	41	41	254	254	1	1	297	297
Total investments held to maturity	6 906	7 181	23 947	25 819	86	96	30 939	33 095
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 248	3 388	33 790	36 255	180	197	37 219	39 840
Accrued not due interest	54	54	765	765	4	4	823	823
Foreign bonds	5 929	6 237	72 485	77 701	522	557	78 936	84 496
Accrued not due interest	96	96	1 334	1 334	10	10	1 440	1 440
Norwegian certificates	0	0	200	200	0	0	200	200
Accrued not due interest	0	0	0	0	0	0	0	0
Foreign certificates	0	0	200	200	0	0	200	200
Total bonds classified as loans and receivables	9 327	9 776	108 774	116 455	716	768	118 817	126 999
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	3 250	3 258	0	0	3 250	3 258
Lending with public sector guarantee	0	0	45 965	46 447	0	0	45 965	46 447
Loans abroad secured by mortgage and local government guarantee	0	0	7 794	7 837	0	0	7 794	7 837
Accrued not due interest	0	0	232	232	0	0	232	232
Total other loans and receivables	0	0	57 241	57 774	0	0	57 241	57 774
Total financial assets at amortized cost	16 233	16 956	189 962	200 047	802	864	206 997	217 867
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	527	527	6 299	6 299	0	0	6 826	6 826
Foreign shares	0	0	24 253	24 253	0	0	24 253	24 253
Total shares	527	527	30 552	30 552	0	0	31 079	31 079
Property funds	0	0	2 250	2 250	0	0	2 250	2 250
Norwegian equity funds	0	0	65 803	65 803	628	628	66 431	66 431
Foreign equity funds	0	0	10 129	10 129	0	0	10 129	10 129
Total equity fund units	0	0	78 182	78 182	628	628	78 810	78 810
Norwegian alternative investments	0	0	2 696	2 696	16	16	2 712	2 712
Foreign alternative investments	0	0	756	756	0	0	756	756
Total alternative investments	0	0	3 452	3 452	16	16	3 468	3 468
Total shares and units	527	527	112 186	112 186	645	645	113 358	113 358

NOTE 6 Fair value of financial assets and liabilities – continues

31.12.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS								
Norwegian bonds	6 029	6 029	33 634	33 634	0	0	39 663	39 663
Foreign bonds	161	161	19 923	19 923	0	0	20 084	20 084
Accrued not due interest	30	30	384	384	0	0	414	414
Norwegian fixed-income funds	2 243	2 243	50 067	50 067	603	603	52 914	52 914
Foreign fixed-income funds	0	0	13 485	13 485	0	0	13 485	13 485
Norwegian certificates	536	536	7 734	7 734	0	0	8 270	8 270
Accrued not due interest	2	2	6	6	0	0	8	8
Total bonds and other fixed-income securities	9 002	9 002	125 233	125 233	603	603	134 838	134 838
Norwegian loans and receivables	250	250	4 175	4 175	13	13	4 438	4 438
Foreign loans and receivables	689	689	3 394	3 394	22	22	4 105	4 105
Total loans and receivables	939	939	7 569	7 569	35	35	8 542	8 542
DERIVATIVES								
Interest rate swaps	527	527	221	221	0	0	748	748
Share options	0	0	0	0	0	0	0	0
Forward exchange contracts	0	0	346	346	0	0	347	347
Total financial derivatives classified as assets	527	527	567	567	0	0	1 095	1 095
Other financial assets	0	0	713	713	0	0	713	713
Total financial assets valued at fair value	10 995	10 995	246 268	246 268	1 283	1 283	258 547	258 547
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	629	629	0	0	629	629
Interest rate futures	0	0	0	0	0	0	0	0
Forward exchange contracts	0	0	2 755	2 755	11	11	2 767	2 767
Total financial derivatives classified as liabilities	0	0	3 384	3 384	11	11	3 395	3 395
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 977	6 849	0	0	0	0	5 977	6 849
Hybrid Tier 1 securities	1 534	1 463	0	0	0	0	1 534	1 463
Total subordinated loan capital etc.	7 511	8 312	0	0	0	0	7 511	8 312
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	0	0	0	0	0	0
Foreign call money ¹	618	618	60	60	0	0	678	678
Total liabilities to credit institutions	618	618	60	60	0	0	679	679

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

NOTE 7 Fair Value Hierarchy

31.03.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 264	6 609	0	8 873
Certificates	0	601	0	601
Bonds	46	6 008	0	6 054
Fixed-income funds	2 218	0	0	2 218
Loans and receivables	965	664	0	1 629
Shares and units	0	535	3	538
Shares	0	535	3	538
Financial derivatives	0	531	0	531
Other financial assets	0	500	0	500
Total corporate portfolio	3 229	8 840	3	12 071
COMMON PORTFOLIO				
Bonds and other fixed-income securities	85 583	37 795	0	123 378
Certificates	6 133	1 200	0	7 333
Bonds	15 518	36 595	0	52 113
Fixed-income funds	63 932	0	0	63 932
Loans and receivables	9 788	2 106	0	11 894
Shares and units	90 278	4 387	12 854	107 519
Shares	26 786	691	1 636	29 113
Equity funds	63 492	0	66	63 558
Property funds	0	116	2 188	2 304
Special funds	0	3 579	0	3 579
Private Equity	0	0	8 965	8 965
Financial derivatives	0	1 345	0	1 345
Other financial assets	0	662	0	662
Total common portfolio	185 649	46 296	12 854	244 799

NOTE 7 Fair value hierarchy – continues

31.03.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	594	0	0	594
Fixed-income funds	594	0	0	594
Loans and receivables	45	0	0	45
Shares and units	589	16	0	606
Equity funds	589	0	0	589
Special funds	0	16	0	16
Financial derivatives	0	4	0	4
Other financial assets	0	4	0	4
Total investment option portfolio	1 229	23	0	1 253
Total financial assets valued at fair value	190 108	55 159	12 856	258 123
CORPORATE PORTFOLIO				
Investment property	0	0	854	854
Total investment property	0	0	854	854
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	546	0	0	546
Total corporate portfolio	546	0	0	546
COMMON PORTFOLIO				
Financial derivatives	0	902	0	902
Debt to credit institutions	2 102	0	0	2 102
Total common portfolio	2 102	902	0	3 004
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	2	0	2
Debt to credit institutions	11	0	0	11
Total investment option portfolio	11	2	0	14
Total financial liabilities at fair value	2 660	904	0	3 564

NOTE 7 Fair value hierarchy – continues

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 – continues

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 – continues

31.12.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 291	6 711	0	9 002
Certificates	0	538	0	538
Bonds	48	6 173	0	6 221
Fixed-income funds	2 243	0	0	2 243
Loans and receivables	805	133	0	939
Shares and units	0	525	3	527
Shares	0	525	3	527
Financial derivatives	0	527	0	527
Other financial assets	0	0	0	0
Total corporate portfolio	3 096	7 896	3	10 995
COMMON PORTFOLIO				
Bonds and other fixed-income securities	85 593	39 640	0	125 233
Certificates	6 275	1 465	0	7 740
Bonds	15 766	38 175	0	53 941
Fixed-income funds	63 552	0	0	63 552
Loans and receivables	6 430	1 138	0	7 569
Shares and units	95 179	4 456	12 551	112 186
Shares	28 027	885	1 640	30 552
Equity funds	67 152	0	75	67 227
Property funds	0	119	2 131	2 250
Special funds	0	3 452	0	3 452
Private Equity	0	0	8 705	8 705
Financial derivatives	0	567	0	567
Other financial assets	0	713	0	713
Total common portfolio	187 202	46 515	12 551	246 268

NOTE 7 Fair value hierarchy – continues

31.12.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	603	0	0	603
Fixed-income funds	603	0	0	603
Loans and receivables	35	0	0	35
Shares and units	628	16	0	645
Equity funds	628	0	0	628
Special funds	0	16	0	16
Financial derivatives	0	0	0	0
Other financial assets	0	0	0	0
Total investment option portfolio	1 267	17	0	1 283
Total financial assets valued at fair value	191 565	54 428	12 553	258 547
CORPORATE PORTFOLIO				
Investment property	0	0	1 003	1 003
Total investment property	0	0	1 003	1 003
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	618	0	0	618
Total corporate portfolio	618	0	0	618
COMMON PORTFOLIO				
Financial derivatives	0	3 384	0	3 384
Debt to credit institutions	60	0	0	60
Total common portfolio	60	3 384	0	3 444
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	11	0	11
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	11	0	12
Total financial liabilities at fair value	679	3 395	0	4 074

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
Opening balance 01.01.	3	47	47
Sold	0	0	-84
Bought	0	0	3
Unrealised changes	0	0	37
Closing balance 31.03 / 31.12	3	47	3
Realised gains/losses	-48	0	83

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
Opening balance 01.01.	1 640	1 375	1 375
Sold	0	-8	-19
Bought	0	0	129
Unrealised changes	-4	70	155
Closing balance 31.03. / 31.12.	1 636	1 437	1 640
Realised gains/losses	0	0	-27

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
Opening balance 01.01.	75	84	84
Sold	0	-6	-6
Bought	0	0	0
Unrealised changes	-9	-2	-3
Closing balance 31.03. / 31.12.	66	76	75
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
Opening balance 01.01.	10 837	8 661	8 661
Sold	-441	-155	-1 621
Bought	368	388	1 985
Unrealised changes	389	588	1 811
Closing balance 31.03. / 31.12.	11 153	9 482	10 837
Realised gains/losses	277	28	389

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.03.2018	Book value 31.03.2017	Book value 31.12.2017
Opening balance 01.01.	1 003	1 003	1 003
Sold	-499	0	0
Bought	0	0	0
Unrealised changes	10	10	41
Other	341	-22	-41
Closing balance 31.03. / 31.12.	854	991	1 003
Realised gains/losses	362	-22	-41
Total Level 3	13 711	12 033	13 556

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 686 million as of 31.03.2018 on the assets in level 3.

NOTE 7 Fair value hierarchy – continues

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. In regards to 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 164 million has been moved from Level 2 to Level 1. The amount are related to equity instruments and are due to change in liquidity. No other movements between levels has been done during the first quarter.

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

31.03.2018 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 880	0	1 880	-582	-2 653	0	2
Total	1 880	0	1 880	-582	-2 653	0	2
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 345	0	1 345	-581	-2 101	0	0
Total assets – corporate portfolio	531	0	531	0	-546	0	2
Total assets – investment option portfolio	4	0	4	-1	-6	0	0
Total	1 880	0	1 880	-582	-2 653	0	2
LIABILITIES							
Financial derivatives	904	0	904	-582	-1	-88	233
Total	904	0	904	-582	-1	-88	233
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	902	0	902	-581	0	-88	233
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	2	0	2	-1	-1	0	0
Total	904	0	904	-582	-1	-88	233

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

31.03.2017 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 107	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	0	176
Total	3 576	0	3 576	-340	-2 566	0	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	0	176

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

31.12.2017 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 095	0	1 095	-529	-677	0	3
Total	1 095	0	1 095	-529	-677	0	3
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	567	0	567	-528	-60	0	1
Total assets – corporate portfolio	527	0	527	0	-616	0	2
Total assets – investment option portfolio	0	0	0	0	0	0	0
Total	1 095	0	1 095	-529	-677	0	3
LIABILITIES							
Financial derivatives	3 395	0	3 395	-529	-695	-3 130	460
Total	3 395	0	3 395	-529	-695	-3 130	460
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	3 384	0	3 384	-528	-672	-3 130	457
Total liabilities – corporate portfolio	0	0	0	0	-2	0	0
Total liabilities – investment option portfolio	11	0	11	0	-21	0	3
Total	3 395	0	3 395	-529	-695	-3 130	460

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	31.03.2018	31.03.2017	31.12.2017
Short-term liabilities securities	2 490	3 188	711
Advance tax-deduction pension scheme	339	337	392
Accounts payable	14	8	7
Derivatives	904	3 576	3 395
Debt to credit institutions	2 660	861	679
Liabilities related to direct insurance	1 525	570	1 228
Other short-term liabilities	116	111	29
Total liabilities	8 048	8 650	6 442

NOTE 10 SCR ratio

NOK BILLIONS	31.03.2018	31.12.2017		31.03.2018	31.12.2017
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	536	535	Best estimate	482	487
Added values - hold-to-maturity portfolio/loans and receivables	7	10	Risk margin	13	13
Added values - other lending	0	1	Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	9	7
Deferred tax asset	0	0	Deferred tax liabilities	1	1
Total assets - solvency II	543	545	Total liabilities - solvency II	513	516
			Excess of assets over liabilities	30	29
			- Deferred tax asset	0	0
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	27	27
			Total eligible tier 1 own funds	27	27
			Subordinated loans	6	6
			Risk equalisation fund	4	4
			Tier 2 basic own funds	10	10
			Ancillary own funds	10	10
			Tier 2 ancillary own funds	10	10
			Deduction for max. eligible tier 2 own funds	-14	-14
			Total eligible tier 2 own funds	7	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	34	34
			Market risk	6	6
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	14	15
			Diversification life risk	-3	-4
			Diversification general	-3	-3
			Operational risk	2	2
			Loss absorbing ability deferred tax	-1	-1
			Solvency capital requirement (SCR)	13	14
			Linear minimum capital requirement (MCR_linear)	6	6
			Minimum	3	3
			Maximum	6	6
			Minimum capital requirement (MCR)	6	6
			Solvency II- SCR ratio	255 %	242 %

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.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 255 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 319 per cent.

	31.03.2018	31.12.2017
Solvency II- SCR ratio	255 %	242 %

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