



Interim report Q2 2013

- Report from the board of directors
- Income statement & Balance sheet
- Notes



Contents

Report from the Board of directors	3
Accounts KLP Group	9
Income statement Group	9
Balance sheet	10
Changes in Owner's equity	11
Statement of cash flows	12
Notes to the Accounts	13
Note 1 Accounting principles	13
Note 2 Estimates	14
Note 3 Key figures – accumulated	15
Note 4 Segment information – profit/loss (i.a.w. IFRS) by business area	17
Note 5 Premium income for own account	17
Note 6 Other income	17
Note 7 Subordinated loan and Perpetual hybrid Tier 1 securities	18
Note 8 Operating expenses	18
Note 9 Other expenses	18
Note 10 Investment property	19
Note 11 Fair value of financial assets and liabilities	19
Note 12 Borrowing	23
Note 13 Fair value hierarchy	24
Note 14 Liquidity risk	28
Note 15 Interest rate risk	29
Note 16 Credit risk	31
Note 17 Insurance-related provisions in life insurance including investment choice	37
Note 18 Presentation of assets and liabilities that are subject to net settlement	38
Note 19 Accounts receivable	39
Note 20 Other short term liabilities	39
Note 21 Special events	39
Non-financial accounts	40
Note 1 Energy consumption	41
Note 2 Social responsible investments	41
Accounts Kommunal Landspensjonskasse	42
Income statement	43
Balance sheet	44
Changes in Owner's equity	45
Statement of cash flows	46
Notes to the Accounts	47
Note 1 Accounting principles	47
Note 2 Estimates	48
Note 3 Value-adjustment investment property	48
Note 4 Premium income	48
Note 5 Insurance-related operating expenses	48
Note 6 Fair value of financial assets and liabilities	49
Note 7 Fair value hierarchy	56
Note 8 Presentation of assets and liabilities that are subject to net settlement	64
Note 9 Other short term liabilities	66
Note 10 Insurance liabilities	66
Note 11 Special events	67

Report first half-year 2013

Good first half-year – strong solvency

- Value-adjusted returns for the common portfolio in public sector occupational pensions were 0.6 per cent for the quarter, 2.8 per cent for the half-year.
- Book returns for the common portfolio in public sector occupational pensions were 1.2 per cent for the quarter, 2.2 per cent for the half-year.
- Returns for the corporate portfolio were 1.5 per cent for the quarter, 3.0 per cent for the half-year.
- Operating profit for the Group was NOK 2.7 billion for the first half-year, of which the profit for customers represented NOK 2.3 billion.
- The book profit thus far this year has enabled provisional strengthening of longevity reserves by NOK 1 343 million.

KLP – a customer-owned company in development

The KLP Group is the leading provider of occupational pensions, group life and non-life insurance to the local government sector and health enterprises, the second largest lender in the local government sector and the leading Norwegian provider of index-tracking funds products.

Pension schemes within the public sector are offered and managed by the Group's parent company Kommunal Landspensjonskasse (KLP). Of the Group's total assets of NOK 376 billion, NOK 298.3 billion represents pension funds belonging to this customer group.

Kommunal Landspensjonskasse gjensidig forsikringselskap – Result for the second quarter 2013

Returns result

The return in the second quarter was NOK 348 million lower than the base (guaranteed) interest rate, whereas it was NOK 19 billion lower for the same period last year. Financial income from customer assets was NOK 1.6 billion (NOK 1.0 billion) during the quarter. To a certain extent valuation reserves have been realized over the quarter to strengthen longevity reserves. So far this year, reserves have been provisionally increased by NOK 1343 million, of which there was an increase of NOK 959 million during the second quarter.

Value-adjusted return on the common portfolio was 0.6 per cent for the quarter and book return was 1.2 per cent. The return for the half-year was NOK 2.8 per cent and 2.2 per cent respectively.

Risk result

The risk result was good in the first quarter, but somewhat weaker in the second. The risk events in the population are in total within expectations over the first half-year and the result amounts to NOK 66 million. This has been provisionally allocated with NOK 47 million to customer profit and NOK 19 million to corporate income for provision in the risk equalization fund.

Administration result

The Company's administration result shows a surplus of NOK 81 million (NOK 49 million) at the end of the second quarter. This reflects KLP having good control of its costs levels. Insurance-related operating costs represent 0.27 per cent of customer funds, somewhat better than the target for 2013.

Total income

The result for the Company was NOK 263 million for the quarter and NOK 526 million for the first half-year. The customer result was NOK 1284 million for the quarter and NOK 2336 million for the first half-year.

NOK millions	Customers	Company	Total
Returns result	2 124	11	2 533
Risk result	47	19	66
Interest guarantee premium		161	161
Administration result		81	81

Income results continue:

NOK millions	Customers	Company	Total
Other income/costs in non-technical accounts		419	419
Return from owners' equity contributions credited to customers	165	-165	-
Income for Q2 2013	2 336	526	2 862
Income for Q2 2012	1 340	442	1 782

Financial strength and capital-related matters

Total assets were NOK 345.2 billion, an increase of NOK 35.1 billion during the quarter. This increase is largely attributable to short-term debt in connection with settlement of securities and hedging contracts overlapping the end of the month. Insurance liabilities have increased by NOK 9.1 billion.

The capital adequacy ratio in KLP at the end of the quarter was 10.1 per cent (10.9) and core capital adequacy was 8.2 per cent (8.7). During June NOK 724 million of equity capital contributions were called in, to be paid in during Q3. Taking this into account together with the unaudited interim profit of NOK 526 million as well as the effect of the non-settled items overlapping the end of the half-year, capital adequacy and core capital adequacy would have been 10.9 per cent and 9.0 per cent respectively.

In the course of the first half-year the securities adjustment fund has been strengthened by NOK 1.7 billion to NOK 11.0 billion. Supplementary reserves total NOK 12.4 billion.

At the end of the quarter KLP had total solvency capital of NOK 47.0 billion, corresponding to 17.2 per cent of the insurance funds with interest guarantee.

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

Key figures:

Per cent	So far, as at Q2		The year
	2013	2012	
Capital return I ¹	2.2	1.9	5.0
Capital return II ²	2.8	3.1	6.7
Capital return III ³	2.5	3.3	7.5
<i>The return figures apply to the common portfolio</i>			
Capital adequacy ratio	10.1	10.9	10.6
Solvency margin ratio	219	232	233

¹ Book return

² Value adjusted return

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

Premium income

Premium income excluding premium reserves received on inward transfer totalled NOK 14.6 billion (NOK 13.6 billion) for the first half-year.

Claims/benefits

Pensions paid and other claims, excluding premium reserve ceded on outward transfer, increased by 7.3 per cent and amounted to NOK 5631 million (NOK 5248 million) so far this year.

Management of the common portfolio

The assets in the common portfolio totalled NOK 316.3 billion (254.6) and were invested as shown below:

Assets All figures in per cent	Proportion 30 June 2013	Return First half-year 2013	Proportion 30 June 2012	Return First half- year 2012
Shares	15.2 %	9.8 %	15.9 %	5.4 %
Short-term bonds	21.8 %	-0.8 %	21.9 %	4.0 %
Long-term/HTM bonds	29.5 %	2.4 %	32.5 %	2.3 %
Lending	10.5 %	1.8 %	11.5 %	1.9 %
Property	11.1 %	3.8 %	12.1 %	3.9 %
Other financial assets	11.9 %	1.3 %	6.2 %	1.7 %

The second quarter 2013 showed positive equity returns in the first two months of the quarter, whereas these turned negative during June. Long-term interest rates have increased to a certain extent, both in Norway and globally. In the short-term higher interest rates for long-term bonds lead to negative returns on the portfolio of short-term bonds. However, in the longer term a higher interest rate level will have a positive effect on returns.

Shares

Total exposure in shares including share derivatives, amounted to just over 15 per cent at the end of the second quarter. After two months of positive returns, both the international equities markets and the Norwegian market fell in June. In total for the second quarter KLP's global index rose by 1.8 per cent whereas the Oslo Stock Exchange fell by 0.5 per cent during the same period.

Short-term bonds and the money market

Short-term bonds amounted to about 22 per cent of the assets in the common portfolio as at 30 June 2013, whereas money-market instruments represented slightly less than 12 per cent. Because of rising interest rates and credit premiums during June, the return for long rates became negative for the

quarter. The global government bonds index had an exchange-rate hedged return of -1.7 per cent in the second quarter, while the KLP international credit bonds index had an exchange-rate hedged return of -2.2 per cent during the second quarter. The Norwegian government bonds index had a return of -1.2 per cent during the second quarter. The money-market portfolio had the best return of the fixed come securities because of lower price sensitivity to higher market interest rates. The money market index had a return of 0.4 per cent during the quarter.

Bonds held to maturity

Investments in bonds held to maturity represented just under 30 per cent of the common portfolio on 30 June 2013. Added value not brought to book of financial assets recognized at amortized cost has fallen somewhat over the second quarter and amounted to about NOK 4.7 billion as at 30 June 2013. The portfolio is well diversified and comprises securities issued by highly creditworthy institutions. The return (measured at amortized cost) during the second quarter 2013 was 1.2 per cent.

Property

Property investments represented 11.1 per cent of the common portfolio. KLP conducts a thorough values review of its property holdings each quarter and the pricing of central properties with long contracts has been stable during the first half-year. For the first half-year operating return on the common portfolio's property investments was 3.8 per cent, and 3.7 per cent in the total property portfolio. The combined economic occupancy rate was 96.9 per cent in total for all properties, and total property value was NOK 34.6 billion (NOK 31.9 billion in the common portfolio)..

KLP's objective is to increase its property exposure. The building of the Fornebu Senter shopping centre outside Oslo is in progress, and during the second quarter purchase of the Hvaltorvet Kjøpesenter shopping centre in Sandefjord was agreed (taken over in July), as well as a large office property under construction in Stockholm (expected takeover during the fourth quarter 2013 or first quarter of 2014).

Lending

Lending in the common portfolio was NOK 30.2 billion. This was divided between NOK 22.7 billion in lending to local authorities and other organisations, and NOK 7.6 billion in housing mortgages. The lending portfolio is characterized by high quality, with no losses on local government loans and very modest loss provisions on housing loans. Added value not brought to book in the lending portfolio (fixed interest rate loans) represented NOK 337 million on 30 June 2013.

Return on the corporate portfolio

The corporate portfolio covers investment of owners' equity and subordinated loan capital.

The corporate portfolio is managed with a long-term investment horizon aiming at stable returns and growth in the owners' equity. The investments in the corporate portfolio achieved a return of 1.5 per cent during the second quarter and 3 per cent during the first half-year.

Market development

Major changes have occurred in the market for insured schemes for public sector occupational pensions inasmuch as two competitors have announced that they will withdraw over a period of three years. This is very likely to result in substantial transfers into KLP in the immediate years ahead.

KLP's most important market challenge in future will be the customers' option to establish proprietary pension funds. In this market there are multiple providers of administrative services.

But delivering good returns, having low costs and providing good service will continue to be essential to KLP's future success. In this way KLP's customers will be assured of the best value creation.

The business areas of the subsidiaries

Private occupational pensions

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

During the first half-year the company has increased its total assets by 22 per cent from NOK 1317 million at the start of the year to NOK 1612 million at the end of the second quarter.

KLP Bedriftspensjon has had a high rate of market success with no less than 40 per cent tender acceptance and has accordingly signed agreements with 166 new customers in the course of the first half-year.

Income

The company has good returns on customer funds and for the first half-year achieved a book return result for customers of NOK 5.3 million. In addition the Securities Adjustment Fund increased by NOK 4.3 million during the first half-year. The company had a deficit for the first half-year of NOK 10.4 million. The company carried out a further capital expansion during the second quarter of NOK 35 million in addition to the NOK 25 million in new owners' equity approved during the first quarter.

Returns - customer assets for the period 1 January to the end of:

Per cent	Q2 2013	Q2 2012	The year 2012
COMMON PORTFOLIO			
Capital return I	1.8 %	2.3 %	5.2 %
Capital return II	2.6 %	3.1 %	6.7 %
<i>Defined contribution pension with investment option</i>			
Profile P90	8.7 %	5.9 %	15.2 %
Profile P70	6.8 %	5.4 %	13.8 %
Profile P60	5.9 %	5.2 %	13.1 %
Profile P50	5.0 %	5.0 %	12.4 %
Profile P40	4.1 %	4.8 %	11.7 %
Profile P30	3.1 %	4.4 %	10.4 %
Profile P20	2.6 %	4.0 %	9.2 %
Profile P10	1.6 %	3.5 %	7.9 %
Profile PM	1.2 %	1.6 %	3.0 %

Non-life insurance

KLP Skadeforsikring AS is the Group's provider of non-life insurance products in the public sector market, the corporate market and the retail market.

Result first half-year 2013

The pre-tax operating profit for the first half-year was NOK 78.2 million (71.2). The technical result for the first half-year was good. NOK 35.3 million has been taken to income on adjustment of previous years' reserves. At the same time no major claims over NOK 15 million have been reported so far this year. Notwithstanding weaker financial markets during the second quarter the non-technical result shows a satisfactory financial return for the first half-year seen as a whole.

Key figures:

As at Q2 (whole company)	2013	2012
Claims ratio f.o.a.	79.6	78.9
Costs ratio f.o.a.	24.3	24.5
Total costs ratio f.o.a.	103.9	103.3

The public sector/corporate market

The positive development in sales continued during the second quarter and resulted in good growth in total business for the half-year.

In the public sector market there has been high tendering activity and the company has delivered bids with a total tender premium of NOK 23 million during the first half-year. A total of 16 local authorities have accepted tenders from the company, of which one as total provider. In the corporate market a number of campaigns were run during the period. This resulted in gross new sales of NOK 19 million during the first half-year.

The claims ratio for own account for the year 2013 was 94.0 per cent. So far this year only four claims in excess of NOK 5 million have been reported: three property claims with total claim costs of NOK 34 million, as well as one vehicle claim of NOK 6 million.

The combined claims ratio for own account for all years viewed together was 81.2 per cent, somewhat higher than on the same date in 2012 (78.4).

As at First half-year (Public sector/Corporate)	2013	2012
Claims ratio f.o.a.	81.2	78.4
Costs ratio f.o.a.	20.3	20.8
Total costs ratio f.o.a.	101.6	99.2

The retail market

Sales in the retail market continue to develop very well with gross new business so far this year at NOK 37.8 million, substantially higher than at the same time last year (NOK 27.0 million). At the same time total cessation was somewhat lower than the market average.

Sales have been steadily high, with an average net increase per month of NOK 4.9 million. All sales channels show results above budget.

The claims ratio for the year 2013 was 76.4 per cent for own account, considerably lower than expected. So far this year the largest single claim reported is a property claim of NOK 0.6 million.

The claims ratio for own account for all years viewed together was 74.5 per cent. This is a major improvement compared with the same date in 2012 (80.7).

Solvency

So far in 2013 contingency reserves have increased by NOK 6.0 million to NOK 526 million. According to the Solvency 1 requirements of the Financial Supervisory Authority of Norway the company has a solvency margin of 708 per cent (measured as at 31 December 2012), whereas in accordance with the FSA's stress test at the end of the second quarter it

met the capital requirement by 191 per cent. At the same time the company's capital adequacy ratio was 32.0 per cent.

Asset management and funds management

KLP Kapitalforvaltning AS and KLP Fondsforsvaltning AS comprise the KLP Group's securities management operation. In total NOK 271 billion was under management at the end of the first half of 2013. This is an increase of NOK 29 billion over the same date last year. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and subsidiaries in the KLP Group.

Net new subscriptions to the KLP funds during the second quarter 2013 were NOK 5.9 billion, of which NOK 0.7 billion comes from customers outside the Group. Net new subscriptions during the first half-year were NOK 8.2 billion of which NOK 1.5 billion comes from customers outside the Group.

KLP Kapitalforvaltning AS and KLP Fondsforsvaltning AS achieved a combined pre-tax profit of NOK 9.3 million during the first half of 2013. For the first half of 2012 the total profit was NOK 6.1 million.

Banking

KLP Banken operates lending and deposit business in the retail market (RM) and to public sector borrowers and enterprises (PM). Own balance sheet based lending is financed through deposits and borrowing in the securities market. In addition, loans financed by KLP are managed by the bank.

The lending operation in the RM has had stable development in volume through the first half-year seen overall. Currently the business generates good margins and this means the banking group's pay-back is also positive seen as a whole. The retail market effort is oriented towards members through the latter being offered extra good terms. The members' share remains stable at about 65 per cent on deposits and 75 per cent on loans. So far during 2013 the number of customers who are members has grown by over 2000. During the same period the volume of mortgage loans to be administered has increased by NOK 2.6 billion. The growth in deposits has been NOK 650 million.

Default in housing mortgages is at a relatively low level. As at 30 June 2013 default in excess of 90 days lies at 0.33 per cent. There are very low known losses in the portfolio.

Income

The KLP Banken Group had pre-tax profits of NOK 69 million at the end of the second quarter. Of this, NOK 60 million is the result for the second quarter in isolation. The result includes NOK 50 million taken to income after settlement in two closed lawsuits. Total net interest income in the Bank during the first half year was NOK 55 million. Of this, NOK 30 million accrued during the second quarter.

Corporate social responsibility

The KLP Group sets requirements for its suppliers in regard to quality, the environment and ethics. KLP is to be a responsible purchaser and safeguard considerations of human rights, labour rights, the environment and ethical business principles in accordance with the UN Global Compact, which KLP has espoused.

Exclusion from KLP's investments will normally have consequences for the same companies as suppliers of goods and services to the Group. Attention is also drawn to the non-financial accounts forming a part of this report. KLP and the KLP funds are active owners and consider it important to use their voting rights at general meetings.

Regulatory framework and product matters

As discussed, KLP's two competitors in the market for insured schemes within public sector occupational pensions have announced that over a period they wish to withdraw from this market.

This means that schemes with about NOK 60 billion in premium reserves will have to consider their provider arrangements for public sector occupational pensions. Major activity in the tender market is therefore expected during 2013. At the end of the first half-year nine local authorities have officially put their schemes out to tender competition.

No further clarification or specification concerning the regulations for increased longevity reserves have emerged since the Financial Supervisory Authority of Norway's letter of 8 March. Consequently, KLP will proceed on the assumption that tenders are to be based on inward transfer of full reserves in accordance with the new tariff.

The Ministry of Finance has confirmed that there will be no change in base interest rate from 1 January 2014.

Future prospects

Developments following the end of the first half-year have been positive.

For 2013 KLP will prioritise careful realization of value reserves to strengthen reserves for greater longevity in those schemes where reserves have not yet been fully expanded. This means that the investment risk in the portfolio will be adjusted correspondingly in accordance with KLP's dynamic risk management.

The objective is to maintain a level of financial buffers that preserves the financial freedom to act which has proved to be a very important element in achieving good returns on the customer-funds. The long-term challenges created by a low interest rate level and uneasy equity markets are not affected by the short-term objective to expedite longevity reserves increases.

KLP works continuously on preparing for transition to the new solvency rules for insurance under Solvency II, which now seem unlikely to be implemented until 2016 at the earliest.

KLP may have an extraordinary increase in the number of pensioners in the years ahead. Experience from this year shows that KLP has IT systems that provide the necessary flexibility and capacity to receive major inward transfers, provided the ceding company provides good, up-to-date data. The Company's employees have made a good effort to receive new members in 2013.

KLP is a customer-owned company. Work on continuous development of the Company's products and services for the good of its owners and customers therefore remains crucial.

KLP is, and will remain, a stable provider of public sector occupational pensions, regardless of changes in regulatory frameworks and short-term market changes. KLP's customers and owners should feel confident of secure provision of a long-term, stable and good-quality product.

Oslo, 13 August 2013

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Arne Øren
Chair

Liv Kari Eskeland
Deputy Chair

Marit Torgersen

Herlof Nilssen

Jan Helge Gulbrandsen

Anita Krohn Traaseth

Susanne Torp-Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Income statement Group

KLP Group

Note	NOK millions	Q2 2013	Q2 2012	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012	The year 2012
5	Premium income for own account	10 272	9 353	20 969	15 723	29 946
	Current return on financial assets	1 950	1 725	4 433	4 012	9 144
	Net interest income banking	30	33	55	76	166
	Net value changes on financial instruments	-770	-1 009	2 447	2 655	5 956
	Net income from investment properties	594	652	1 122	1 386	2 206
6	Other income	166	219	363	384	663
	Total net income	12 243	10 974	29 388	24 236	48 081
	Claims for own account	-3 026	-2 711	-6 117	-5 671	-11 457
	Change in technical reserves	-9 861	-8 031	-19 419	-12 841	-27 344
7	Net costs subordinated loan and hybrid Tier 1 securities	-157	-278	-261	-33	234
8	Operating expenses	-269	-245	-576	-539	-1 099
9	Other expenses	-162	-159	-323	-322	-651
	Total expenses	-13 474	-11 424	-26 697	-19 405	-40 316
	Operating profit/loss	-1 232	-450	2 691	4 831	7 765
	To/from securities adjustment fund – life insurance	1 579	747	-1 707	-2 875	-4 342
	To supplementary reserves – life insurance	2	0	2	0	0
	Assets allocated to insurance customers – life insurance	-325	-39	-994	-1 345	-2 370
	Pre-tax income	24	258	-7	611	1 053
	Cost of taxes	-2	2	-2	-2	-7
	Income	21	260	-10	609	1 046
	Currency translation foreign subsidiaries	52	-11	85	-33	-47
	Actuarial loss on post employment benefit obligations	0	0	0	0	237
	Items that will not be reclassified to profit or loss	52	-11	85	-33	190
	Revaluation real property for use in own operation	6	5	13	17	23
	Currency translation foreign subsidiaries	195	-45	450	-142	-161
	Items that will be reclassified subsequently to profit or loss when specific conditions are met	201	-40	464	-125	-138
	Total other comprehensive income	253	-51	548	-158	52
	TOTAL COMPREHENSIVE INCOME	274	209	539	451	1 098

Balance sheet

KLP Group

Note	NOK millions	30.06.13	30.06.12	31.12.12
	Intangible assets	370	348	365
	Tangible fixed assets	1 039	1 046	1 033
	Investments in affiliated companies	6	3	6
10	Investment property	33 526	30 998	32 322
11, 16	Debt instruments held to maturity	31 435	40 558	37 283
11, 16	Debt instruments classified as loans and receivables	62 397	49 542	55 917
11, 13, 16	Lending local government, enterprises & retail customers at fair value through profit/loss	2 604	2 519	2 254
11, 16	Lending local government, enterprises and retail customers	50 140	50 445	49 874
11, 13, 16	Debt instruments at fair value through profit or loss	109 520	86 454	103 375
11, 13	Equity capital instruments at fair value through profit or loss	49 178	38 378	42 410
11, 13, 16	Financial derivatives	736	1 302	1 541
11, 13, 19	Receivables	32 145	8 316	1 754
11	Assets in defined contribution-based life insurance	440	244	300
	Cash and bank deposits	2 697	2 514	3 350
	TOTAL ASSETS	376 232	312 665	331 783
	Owners' equity contributed	6 891	6 221	6 891
	Retained earnings	7 258	6 073	6 720
	TOTAL OWNERS' EQUITY	14 149	12 294	13 610
11, 12	Hybrid Tier 1 securities	985	1 175	974
11, 12	Subordinated loan capital	2 990	2 992	2 891
	Pension obligations	468	743	468
17	Technical provisions - life insurance	299 327	261 100	276 781
11, 17	Provisions in life insurance with investment option	440	244	300
	Premiums, claims and contingency fund provisions - non-life insurance	2 811	2 774	2 626
11, 12	Covered bonds issued	18 657	20 691	20 370
11, 12	Debt to credit institutions	2 914	4 244	4 799
11, 12	Liabilities to and deposits from customers	3 957	2 324	2 946
11, 13	Financial derivatives	2 088	870	721
	Deferred tax	54	46	50
20	Other current liabilities	27 393	3 169	5 245
	TOTAL LIABILITIES	362 083	300 371	318 173
	TOTAL EQUITY AND LIABILITIES	376 232	312 665	331 783
	Contingent liabilities	5 447	4 459	4 460

Changes in Owner's equity

KLP Group

2013 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2013	6 891	6 720	13 610
Income	0	-10	-10
Revaluation of properties for own use	0	13	13
Currency translation foreign subsidiaries	0	535	535
Total other comprehensive income	0	548	548
Total comprehensive income	0	539	539
Owners' equity contribution received	6	0	6
Owners' equity contribution repaid	-6	0	-6
Total transactions with the owners	1	0	1
Owners' equity 30 June 2013	6 891	7 258	14 149

2012 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2011	6 217	5 847	12 064
Changing in accounting principles, pension corridor	0	-225	-225
Owners' equity 1 January 2012	6 217	5 622	11 839
Income	0	609	609
Revaluation of properties for own use	0	17	17
Currency translation foreign subsidiaries	0	-175	-175
Total other comprehensive income	0	-158	-158
Total comprehensive income	0	451	451
Owners' equity contribution received	7	0	7
Owners' equity contribution repaid	-4	0	-4
Total transactions with the owners	4	0	4
Owners' equity 30 June 2012	6 221	6 073	12 294

Statement of cash flows

KLP Group

NOK millions	01.01.2013- 30.06.2013	01.01.2013- 31.03.2013	01.01.2012- 31.12.2012	01.01.2012- 30.09.2012	01.01.2012- 30.06.2012
Net cash flow from operational activities	1 691	1 288	-1 063	-1 367	-1 269
Net cash flow from investment activities	-41	-20	-81	-45	-40
Net cash flow from financing activities	-2 303	-2 083	673	635	4
Net changes in cash and bank deposits	-653	-814	-471	-776	-1 305
Holdings of cash and bank deposits at start of period	3 350	3 350	3 820	3 820	3 820
Holdings of cash and bank deposits at end of period	2 697	2 535	3 350	3 044	2 514

Notes to the Accounts

KLP Group

Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim financial report show the group accounts of Kommunal Landspensjonskasse (KLP) with its subsidiaries for the period between 1 January 2013 and 30 June 2013. The accounts have not been audited.

The Group's interim financial statements have been prepared in accordance with internationally approved accounting standards (IAS/IFRS) and according to the same principles as the financial statements for 2012, unless otherwise stated. This interim report has been prepared in accordance with IAS 34 Interim financial reporting.

The interim statements do not contain all the information required of complete annual financial statements, and this interim report should be read in the context of the annual financial statements for 2012, to be obtained by contacting KLP's head office at Dronning Eufemias gate 10 or at www.klp.no.

Standards, amendments and interpretations of existing standards that came into force for the 2013 accounting year:

IAS 1 - Financial information

It is now required that items in comprehensive income are divided into two groups, those that are subsequently going to be reclassified via the income statement and those that will not be reversed in the income statement. There are no changes that will have any bearing on what items to enter in the comprehensive income.

IFRS 7 - 7 Financial instruments - information

Information is to be provided showing the effect that netting financial assets and liabilities has on the company's financial position. The information requirement applies to financial instruments that may be subject to net settlement, irrespective of the presentation under IAS 32.

IAS 19 - Benefits for employees

The Group started using the revised IAS 19 from 1 January 2013 with retrospective effect on the accounting figures from 1 January 2012. The amendments have an effect on the recognition of the Group's defined benefit pension schemes.

It is no longer permitted to use a corridor solution for recognizing estimate deviations. Such estimate deviations, which are actuarial gains and losses, must be booked in the period during which they arise, and be booked to comprehensive income. This means that all costs related to previous periods' pension accruals are recognized immediately. In order to calculate the pension liability, interest costs and expected return on pension assets are replaced by a net interest sum that is calculated by using the discounting interest rate on the net pension liability.

The change in benefits for employees has been carried out by restating comparative figures, and the change in accounting principles has had the following effect on the accounting lines:

	30.06.13	30.06.12	31.12.12
Capitalized pension liability for own employees incl. corridor	I/A	518	569
Capitalized pension liability for own employees excl. corridor	468	743	468
Change in provision for liabilities	0	225	-100
ACCOUNTING LINE IN THE INCOME STATEMENT:			
Operating costs	0	0	51
Estimate deviations pension calculation own employees (comprehensive income)	0	0	274
Total result	0	0	325
FINANCIAL POSITION STATEMENT:			
Provision for liabilities	0	225	-325
Owners' equity accrued	0	-225	325

All figures in NOK million

IFRS 13 - Measuring fair value

The standard defines what is meant by fair value when the term is used in IFRS and gives a comprehensive description of how to determine fair value and what supplementary information to provide when using fair value. The standard does not elaborate on the scope of fair value accounting. For all practical purposes, the standard comprises changes to the note requirements laid down in IAS 34, which is included in Group notes 11 and 13. The standard basically elaborates on the calculation of fair value which is included in the note requirements under IFRS 7.

IAS 34 - 34 Interim reporting

There is a requirement for supplementary information in respect of the fair value of financial instruments. For all practical purposes, all the requirements in IFRS 7 and IFRS 13 regarding fair value shall also apply to the interim financial statements.

There are no other new or amended IFRSes or IFRIC interpretations having become effective for 2013 that have a major bearing on the accounts.

Note 2 ESTIMATES

In the Financial Supervisory Authority of Norway's letter of 8 March 2013 it is decided that a new longevity base, K2013, is to be introduced for group pension insurance in life insurance companies and pension funds. It transpires that the new longevity base will apply to old age and survivor pensions and should also similarly apply to disability pension and premium and contribution exemptions linked to active members of the pension schemes.

There will be a substantial need for reserves according to the new longevity base and it will be possible to have periods of escalation. Such escalation periods will be applicable starting from 2014 and should not last more than 5 years. At the same time it will be required that the strengthening of reserves will at least be carried out on a straight-line basis over the period.

In order to cover the increased need for reserves, a minimum of 20 per cent of the gross reserves increase should be covered by the company during the period between 2014 and 2018, whereas the remaining increase of reserves may be covered by available return surpluses and the risk result after the approval of the Financial Supervisory Authority of Norway. The increase of the reserves is to be completed by 2018. See Note 17 for further information about the Group's increase of reserves in relation to the new longevity base.

Pension obligations towards own employees

The assessment of the financial criteria influencing the calculation of the pension liability is based on there having been no significant changes so far this year. This means that estimates of pension liability as at 31 December 2012 may be based on the same criteria as those that formed the basis for the calculations for 30 June 2013.

Note 3 KEY FIGURES – ACCUMULATED

NOK millions	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
KLP Group								
Profit before tax	-7	-31	1 053	794	611	353	653	479
Total assets	376 232	341 348	331 783	323 634	312 665	315 057	291 784	284 518
Owners' equity	14 149	13 874	13 610	13 392	12 519	12 079	12 064	11 841
Capital adequacy	9,7 %	10,2 %	10,3 %	10,4 %	10,4 %	10,5 %	10,9 %	11,0 %
Number of employees in the Group	839	825	808	809	801	796	775	769
Kommunal Landspensjonskasse								
Profit before tax	527	263	1 001	652	442	235	705	512
Premium income for own account	20 475	10 428	29 025	22 186	15 159	6 158	21 752	17 772
- of which inflow of premium reserve	5 888	5 925	1 549	1 601	1 550	1 683	112	108
Insurance customers' funds incl. acc. profit	5 808	2 930	10 822	8 102	5 394	2 783	10 033	7 492
- of which funds with guaranteed returns	177	165	148	147	146	142	310	310
Net investment common portfolio	316 305	288 541	278 731	259 084	254 584	262 615	242 267	230 914
Net investment choice portfolio	1 635	1 584	1 556	1 499	1 463	1 447	1 404	1 380
Insurance funds incl. earnings for the year	296 686	287 628	275 843	267 187	258 734	251 509	243 439	238 102
- of which funds with guaranteed interest	267 717	257 981	248 608	240 217	234 561	226 698	226 153	223 335
Tier 1 and Tier 2 capital	16 240	16 132	16 087	15 498	14 928	14 891	14 857	14 433
Risk profit	66	90	258	118	82	64	308	112
Return profits	2 135	899	5 051	2 399	1 183	1 202	3 286	3 127
Administration profit	81	30	89	62	49	8	61	72
Solvency capital	45 492	48 408	44 134	47 579	41 680	41 336	36 190	34 657
Solvency margin ratio	219 %	229 %	233 %	234 %	232 %	239 %	244 %	227 %
Capital adequacy	10,1 %	10,6 %	10,6 %	10,8 %	10,9 %	11,0 %	11,5 %	11,4 %
Core capital ratio	8,2 %	8,7 %	8,8 %	8,8 %	8,7 %	8,8 %	9,1 %	9,0 %
Book return on common portfolio	2,2 %	1,1 %	5,0 %	3,2 %	1,9 %	1,2 %	4,5 %	3,7 %
Value-adjusted return on common portfolio	2,8 %	2,2 %	6,7 %	5,3 %	3,1 %	2,7 %	3,2 %	1,1 %
Return on unit-linked portfolio	3,2 %	2,6 %	7,2 %	6,0 %	3,4 %	3,4 %	2,2 %	-0,3 %
Return on corporate portfolio	3,0 %	1,0 %	4,5 %	4,0 %	2,6 %	1,4 %	4,2 %	3,5 %
KLP Skadeforsikring AS								
Profit before tax	78	52	106	99	71	23	25	36
Gross premium due	610	436	750	667	591	427	650	586
Premium income for own account	350	172	659	486	325	161	599	442
Owners' equity	671	640	603	558	535	512	481	497
Claims ratio	79,6 %	84,0 %	81,4 %	82,0 %	78,9 %	102,9 %	88,3 %	86,0 %
Combined-ratio	103,9 %	109,5 %	107,8 %	107,6 %	103,3 %	130,2 %	118,4 %	109,1 %
Return on assets under management	2,9 %	2,1 %	6,5 %	5,1 %	3,0 %	2,4 %	4,5 %	2,6 %
Capital adequacy	32,0 %	30,9 %	34,1 %	27,7 %	29,0 %	29,8 %	31,8 %	30,9 %
Tier 1 and Tier 2 capital	579	578	567	451	453	453	451	439
Annual premium in force – retail market	192	175	162	151	142	130	120	109
Annual premium in force – public sector market	585	595	584	580	577	562	548	551
Net new subscriptions (accumulated within the year)	44	21	75	44	31	14	90	44

Note 3 KEY FIGURES – ACCUMULATED (CONT.)

NOK millions	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
KLP Bedriftspensjon AS								
Loss before tax	-10,4	-6,1	-25,5	-13,5	-8,1	-5,1	-23,8	-13,8
Premium income for own account	180,1	115,3	352,3	308,2	274,9	66,6	286,5	259,6
- of which premium reserve added	95,4	75,4	226,1	219,4	219,9	39,2	194,7	191,2
Insurance customers' funds including accumulated profit	1442,3	1385,4	1238,2	1187,1	1139,4	941,8	844,0	810,3
- of which funds with guaranteed returns	941,1	928,3	881,0	848,5	842,0	662,8	605,2	589,9
Investment result	0,0	0,0	0,0	6,9	4,7	5,4	14,2	6,6
Risk result	1,4	1,9	2,6	3,5	2,9	0,3	0,1	2,8
Administration losses	-15,2	-8,7	-33,5	-22,6	-14,0	-7,4	-28,2	-19,0
Tier 1 and Tier 2 capital	97,4	41,7	48,5	49,9	60,4	43,0	48,0	32,3
Solvency capital	183,9	133,3	131,1	132,7	122,0	94,8	90,2	77,6
Solvency margin ratio	250 %	129 %	157 %	164 %	194 %	182 %	217 %	155 %
Capital adequacy	17,6 %	7,7 %	9,6 %	9,5 %	11,9 %	11,2 %	13,9 %	9,4 %
Book capital return on common portfolio	1,8 %	1,2 %	5,2 %	3,6 %	2,3 %	1,6 %	6,3 %	3,8 %
Value-adjusted capital return on common portfolio	2,6 %	1,8 %	6,7 %	5,2 %	3,1 %	2,3 %	3,7 %	1,3 %
Return on defined unit-linked contribution pensions	4,7 %	4,6 %	12,0 %	10,1 %	4,9 %	6,1 %	0,2 %	-3,9 %
Return on corporate portfolio	1,4 %	1,2 %	6,4 %	5,3 %	3,0 %	1,9 %	4,8 %	3,2 %
KLP Banken Group								
Profit/loss before tax	68,9	9,3	83,4	85,8	34,1	26,4	-62,2	-33,5
Net interest income	54,7	24,3	86,3	60,0	35,2	12,8	21,1	11,1
Other operating income	31,7	16,2	83,6	67,8	51,5	29,5	63,4	46,2
Operating expenses and depreciation	-64,0	-34,7	-137,7	-94,1	-60,3	-33,4	-139,9	-97,7
Net realized/unrealized changes in financial instruments to fair value	46,5	3,5	51,1	52,1	7,6	17,5	-6,8	7,0
Contributions	3 957	3 459	2 946	2 553	2 324	2 115	1 840	1 715
Housing mortgages granted	3 615	1 883	1 530	1 550	1 597	1 653	3 214	2 477
Loan(s) with public guarantee(s)	18 675	20 174	20 345	21 915	22 191	24 734	25 202	25 652
Defaulted loans	13,2	6,9	6,9	5,9	5,7	11,8	16,1	40,8
Borrowing on the issuance of securities	21 333	21 718	23 708	24 443	24 868	25 864	24 170	22 132
Other borrowing	-	-	-	-	200	450	4 306	6 010
Total assets	26 983	27 019	28 282	28 668	28 960	29 932	31 716	31 387
Average total assets	27 632	27 650	29 993	30 186	29 752	30 238	29 790	29 626
Owners' equity	1 280	1 223	1 219	1 221	1 184	1 175	1 171	1 170
Net interest rate	0,20 %	0,09 %	0,29 %	0,20 %	0,12 %	0,04 %	0,07 %	0,04 %
Profit/loss from general operations before tax	0,25 %	0,03 %	0,28 %	0,28 %	0,11 %	0,09 %	-0,21 %	-0,11 %
Profit/loss from general operations excl. fair value assessments before tax	0,08 %	0,02 %	0,11 %	0,11 %	0,09 %	0,03 %	-0,19 %	-0,14 %
Return on owners' equity before tax	5,38 %	0,76 %	6,84 %	7,03 %	2,88 %	2,25 %	-5,31 %	-2,86 %
Capital adequacy	18,2 %	20,4 %	19,1 %	18,6 %	18,2 %	17,2 %	14,4 %	15,6 %
KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS								
Profit/loss before tax	9,3	-0,4	21,4	14,0	6,2	0,1	26,3	21,0
Total assets under management	269 922	267 845	239 478	222 776	216 113	214 399	205 099	192 636
Assets managed for external customers	24 452	23 432	21 153	19 087	17 713	16 134	13 650	13 143

Note 4 SEGMENT INFORMATION - PROFIT/LOSS (I.A.W. IFRS) BY BUSINESS AREA

NOK millions	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Total income	12 243	17 145	12 070	13 139	10 974	13 262	11 536	13 535
Total expenses	-12 219	-17 176	-11 575	-12 955	-10 716	-12 909	-11 363	-13 487
Consolidated group profit before tax	24	-31	496	183	258	353	173	48
RESULTS BY SEGMENT								
Life insurance (except other business areas operated by subsidiaries)	-74	-92	483	97	193	305	220	79
Non-life	26	52	7	27	48	23	-7	-20
Banking	60	9	-2	52	8	26	-47	-15
Asset management	10	0	7	8	7	-1	5	5
Other business	1	0	0	-1	1	0	2	-1
Consolidated group profit before tax	24	-31	496	183	258	353	173	48

Note 5 PREMIUM INCOME FOR OWN ACCOUNT

NOK millions	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	The year 2012
Gross premiums due	10 314	9 319	15 025	13 979	28 236
Reinsurance premiums ceded	-14	-14	-29	-26	-63
Transfer of premium reserved from others ¹	-28	48	5 973	1 770	1 773
Total premium income	10 272	9 353	20 969	15 723	29 946

¹ Transfer of premium reservers from others for the second quarter was negative. The reason for this is that it is only on the finalization of settlement for transfer of new customers that the Group will receive information on the customers' respective allocations between premium reserve, supplementary reservers and premium fund. On financial settlement a transfer is made from the premium reserve to the premium fund and supplementary reserves.

Note 6 OTHER INCOME

NOK millions	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	The year 2012
Supplement contractual early retirement scheme (AFP)	161	159	322	321	642
Other income/expenses	6	60	40	63	21
Total other income	166	219	363	384	663

Note 7 SUBORDINATED LOAN AND PERPETUAL HYBRID TIER 1 SECURITIES

NOK millions	Q2 2013	Q2 2012	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012	The year 2012
SUBORDINATED LOAN					
Interest costs ¹	-38	-37	-75	-72	-143
Value changes	-129	-34	-152	90	248
Total subordinated loan	-167	-71	-228	19	105
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-12	-11	-22	-22	-42
Value changes	21	-196	-11	-30	171
Total Perpetual hybrid Tier 1 securities	10	-207	-33	-51	129
Total interest costs and value change subordinated loan and perpetual hybrid Tier 1 securities	-157	-278	-261	-33	234

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

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

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

Note 8 OPERATING EXPENSES

NOK millions	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	The year 2012
Staff costs	139	135	334	327	669
Depreciation	26	24	52	48	97
Other operating expenses	104	86	190	164	333
Total operating expenses	269	245	576	539	1 099

Note 9 OTHER EXPENSES

NOK millions	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	The year 2012
Supplement contractual early retirement scheme (AFP)	161	158	322	320	641
Other expenses	1	1	2	1	10
Total other expenses	162	159	323	322	651

Note 10 INVESTMENT PROPERTY

Result: Net income from investment properties NOK millions	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	01.01.12- 31.12.12
Net rental income etc.	456	449	927	852	1 692
Unrealized/realized gains swaps ¹	0	8	0	206	271
Net value adjustment	385	139	730	153	36
Currency transl. foreign subsidiaries (other comprehensive income)	-247	56	-535	175	208
Net income from investment properties	594	652	1 122	1 386	2 206

¹ In the fourth quarter of 2012 the currency hedge was reclassified to the income statement line: Net value changes on financial instruments.

Balance: Investment property NOK millions	30.06.13	30.06.12	31.12.12
Investment property 01.01	32 322	28 726	28 726
Value adjustment including currency translation	730	153	36
Net additions	478	2 125	3 534
Other changes	-4	-6	26
Investment property 30.06/31.12	33 526	30 998	32 322

Note 11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

a) Shares (listed)

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

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

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

b) Shares (unlisted)

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

Broadly this means the following:

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

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

c) Foreign fixed income securities

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

- JP Morgan
- Barclays Capital Indices
- Bloomberg
- Reuters

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

d) Norwegian fixed income securities - government

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

Note 11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

e) Norwegian fixed income securities - other than government

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

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

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

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

g) Futures/FRA/IRF

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

h) Options

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

i) Interest rate swaps

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

j) Loans secured by mortgage

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

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

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

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

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

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

l) Investments with credit institutions

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

m) Fair value of debt to credit institutions

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

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

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

o) Fair value of subordinated loan capital

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

p) Fair value of hybrid Tier 1 securities issued

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

q) Fair value of covered bonds issued

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

r) Private Equity

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

Note 11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

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

NOK millions	30.06.13		30.06.12		31.12.12	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS						
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Norwegian hold-to-maturity bonds ¹	10 601	11 414	17 595	17 595	17 609	18 686
Foreign hold-to-maturity bonds ¹	20 834	22 055	22 963	22 963	19 674	20 882
Total debt instruments held to maturity	31 435	33 469	40 558	40 558	37 283	39 568
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Norwegian bond loans ¹	25 457	26 597	18 215	18 215	24 362	23 891
Foreign bond loans ¹	36 976	38 998	31 317	31 317	31 555	33 601
Other receivables	-37	-37	9	9	-1	-1
Total debt instruments classified as loans and receivables - at amortized cost	62 397	65 558	49 542	49 542	55 917	57 491
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	2 604	2 604	2 519	2 519	2 254	2 254
Total loans to local government, enterprises & retail customers at fair value through profit/loss	2 604	2 604	2 519	2 519	2 254	2 254
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS - AT AMORTIZED COST						
Loans secured by mortgage	10 275	10 278	9 627	9 632	9 750	9 779
Loans to local government sector or enterprises with local government guarantee	39 865	40 443	40 818	41 216	40 124	40 418
Total lending	50 140	50 721	50 445	50 848	49 874	50 198
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	62 963	62 963	49 282	49 282	57 741	57 741
Norwegian certificates	9 989	9 989	4 405	4 405	7 195	7 195
Foreign bonds	23 744	23 744	21 544	21 544	22 320	22 320
Foreign certificates	0	0	367	367	0	0
Investments with credit institutions	12 823	12 823	10 855	10 855	16 119	16 119
Total debt instruments at fair value through profit/loss	109 520	109 520	86 454	86 454	103 375	103 375
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	24 602	24 602	17 401	17 401	19 587	19 587
Equity funds	23 096	23 096	19 301	19 301	21 315	21 315
Property funds	636	636	665	665	614	614
Alternative investments	845	845	1 011	1 011	894	894
Total equity capital instruments at fair value	49 178	49 178	38 378	38 378	42 410	42 410
OTHER LOANS AND RECEIVABLES INCLUDING RECEIVABLES FROM POLICYHOLDERS - AT AMORTIZED COST						
Receivables related to direct business	8 269	8 269	7 264	7 264	1 555	1 555
Receivables related to reinsurance agreements	133	133	201	201	187	187
Reinsurance share of unearned gross premium	10	10	0	0	0	0
Reinsurance share of gross claims reserve	36	36	34	34	12	12
Other receivables	23 697	23 697	816	816	0	0
Total other loans and receivables including receivables from policyholders	32 145	32 145	8 316	8 316	1 754	1 754

Note 11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

NOK millions	30.06.13		30.06.12		31.12.12	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES						
Hybrid Tier 1 securities	985	985	1 175	1 175	974	986
Subordinated loan capital ¹	2 990	3 031	2 992	2 992	2 891	2 906
Debt to credit institutions	2 914	2 914	4 244	4 244	4 799	4 799
Covered bond issued	18 657	18 657	20 691	20 691	20 370	20 370
Liabilities to and deposits from customers	3 957	3 957	2 324	2 324	2 946	2 946
Total financial liabilities	29 502	29 544	31 425	31 425	31 981	32 007
Assets in life insurance with investment option (Unit-linked)	440	440	244	244	300	300
Provisions in life insurance with investment option (Unit-linked)	440	440	244	244	300	300

NOK millions	30.06.13		30.06.12		31.12.12	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES						
Forward exchange contracts	97	1 422	249	174	737	150
Interest rate swaps	452	666	679	696	666	571
Interest rate options	0	0	0	0	0	0
Interest rate and currency swaps	60	0	279	0	0	0
Share options	127	0	96	0	137	0
Interest rate futures (IRF)	0	0	0	0	0	0
Total financial derivatives	736	2 088	1 302	870	1 541	721

¹ Accounting items booked at amortized cost do not have corresponding figures for fair value at 30 June 2012. In the table above the column for fair value is set equal to book value for these items at 30 June 2012. It is not a requirement according to IFRS to show corresponding figures at 30 June 2012.

Note 12 BORROWING

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.13	Book value 30.06.12	Book value 31.12.12
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	2 372	EUR	Fixed ¹	Perpetual	2 354	2 279	2 276
Kommunal Landspensjonskasse	554	JPY	Fixed ²	Perpetual	636	713	615
Total subordinated loan capital	2 926				2 990	2 992	2 891
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ⁵	2034	985	1 175	974
Total hybrid Tier 1 securities	984				985	1 175	974
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2012	0	2 474	0
KLP Kommunekreditt AS	0	SEK	Floating	2013	0	1 095	1 070
KLP Kommunekreditt AS	1 053	NOK	Floating	2013	1 054	4 006	1 104
KLP Kommunekreditt AS	1 439	NOK	Floating	2014	1 442	4 012	4 010
KLP Kommunekreditt AS	452	SEK	Floating	2015	453	435	429
KLP Kommunekreditt AS	4 300	NOK	Floating	2015	4 299	4 305	4 304
KLP Kommunekreditt AS	2 500	NOK	Fixed	2015	2 568	2 511	2 555
KLP Kommunekreditt AS	3 000	NOK	Floating	2016	3 008	1 006	3 011
KLP Kommunekreditt AS	4 000	NOK	Fixed	2017	4 001	0	3 013
KLP Kommunekreditt AS	1 000	NOK	Floating	2018	1 002	0	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	825	769	752
Amortization and value adjustments					4	79	122
Total covered bonds	18 494				18 657	20 691	20 370
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Fixed	2012	0	908	0
KLP Banken AS	0	NOK	Floating	2012	0	501	0
KLP Banken AS	270	NOK	Floating	2013	271	1 663	1 826
KLP Banken AS	0	NOK	Fixed	2013	0	0	302
KLP Banken AS	900	NOK	Floating	2014	901	0	0
KLP Banken AS	600	NOK	Floating	2015	603	302	602
KLP Banken AS	600	NOK	Floating	2016	601	0	301
KLP Banken AS	300	NOK	Fixed	2017	301	300	308
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2012	0	571	0
Kommunal Landspensjonskasse	237	NOK/EUR/USD	Floating	2013	237	0	1 461
Total liabilities to credit institutions	2 907				2 914	4 244	4 799
LIABILITIES TO AND DEPOSITS FROM CUSTOMERS ⁴							
Retail	3 382	NOK			3 428	2 265	2 734
Business	523	NOK			530	59	212
Total liabilities to credit institutions	3 905				3 957	2 324	2 946
Total financial liabilities	29 216				29 502	31 425	31 981

¹ The loan has an interest change date in 2017

² The loan has an interest change date in 2016

³ The loan has an interest change date in 2034

⁴ There is no contractual maturity date on deposits

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

Note 13 FAIR VALUE HIERARCHY

30.06.13 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Lending at fair value	0	2 604	0	2 604
Bonds and other fixed-income securities	59 557	37 186	0	96 743
Certificates	3 854	5 205	0	9 058
Bonds	11 808	31 981	0	43 789
Fixed-income funds	43 895	0	0	43 895
Loans and receivables	7 660	5 118	0	12 778
Shares and units	44 302	1 070	3 806	49 178
Shares	23 719	213	668	24 599
Equity funds	19 948	0	0	19 948
Property funds	636	0	0	636
Special funds	0	857	0	857
Private Equity	0	0	3 139	3 139
Financial derivatives	0	736	0	736
Total financial assets valued at fair value	111 519	46 713	3 806	162 038
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	2 088	0	2 088
Debt to credit institutions ¹	237	0	0	237
Total financial liabilities at fair value	237	2 088	0	2 325

Note 13 FAIR VALUE HIERARCHY (CONT.)

30.06.12 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Lending at fair value	0	2 519	0	2 519
Bonds and other fixed-income securities	46 460	29 213	0	75 673
Certificates	0	4 773	0	4 773
Bonds	13 524	24 440	0	37 964
Fixed-income funds	32 936	0	0	32 936
Loans and receivables	6 544	4 237	0	10 781
Shares and units	34 257	1 239	2 882	38 378
Shares	16 709	227	344	17 281
Equity funds	16 883	0	0	16 883
Property funds	665	0	0	665
Special funds	0	1 011	0	1 011
Private Equity	0	0	2 538	2 538
Financial derivatives	0	1 302	0	1 302
Total financial assets valued at fair value	87 261	38 509	2 882	128 652
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	870	0	870
Debt to credit institutions ²	571	0	0	571
Total financial liabilities at fair value	571	870	0	1 441

Note 13 FAIR VALUE HIERARCHY (CONT.)

31.12.12 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Lending at fair value	0	2 254	0	2 254
Bonds and other fixed-income securities	51 054	36 145	0	87 198
Certificates	148	6 138	0	6 287
Bonds	13 571	29 097	0	42 669
Fixed-income funds	37 334	909	0	38 243
Loans and receivables	12 012	4 165	0	16 176
Shares and units	38 116	1 123	3 171	42 410
Shares	18 851	229	508	19 587
Equity funds	18 652	0	2 663	21 315
Property funds	614	0	0	614
Special funds	0	894	0	894
Financial derivatives	0	1 541	0	1 541
Total financial assets valued at fair value	101 181	42 973	3 171	147 326
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	721	0	721
Debt to credit institutions ²	1 461	0	0	1 461
Total financial liabilities at fair value	1 461	721	0	2 182
Changes in Level 3:				
Opening balance 1 January		3 171	2 531	2 531
Sold		-	-336	-422
Bought		276	437	874
Unrealised changes		359	250	188
Closing balance 30 June / 31 December		3 806	2 882	3 171
Realised gains/losses		-4	23	54

¹ The line Debt to credit institutions in the financial position statement includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the financial position. The liabilities measured at amortized cost amounted to NOK 2 677 million on 30 June 2013.

The price changes are reflected in the line "Net value changes in financial instruments" in the Group income statement.

The columns "Changes in Level 3" show changes in Level 3 classified securities during the period stated.

Note 13 FAIR VALUE HIERARCHY (CONT.)

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

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

Level 1:

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

Level 2:

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

Level 3:

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. On a general basis, a change in the pricing of 5 % produces a change in the value of NOK 190 million as of 30 June 2013, NOK 144 million as of 30 June 2012 and NOK 159 millions as of 31 December 2012.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 440 million in financial assets measured at fair value. On 30 June 2013 the NOK 440 million were included with NOK 202 million in shares and units in Level 1 and NOK 238 million in debt instruments at fair value.

Securities have not been moved between the levels in the fair value hierarchy at 30 June 2013. The values at the end of the reporting period provide the basis of any movement between the levels.

Note 14 LIQUIDITY RISK

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

30.06.13 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	160	3 285	0	0	3 426
Perpetual hybrid Tier 1 securities	0	67	178	222	1 382	1 837
Debt to and deposits from customers (without defined maturity)	3 957	0	0	0	0	3 957
Covered bonds issued	0	2 778	16 299	836	0	19 912
Receivables from credit institutions	507	610	1 900	0	0	3 017
Financial derivatives	705	806	683	123	78	2 395
Accounts payable	1 787	0	0	0	0	1 787
Contingent liabilities	5 212	0	0	0	0	5 212
Total	12 169	4 420	22 345	1 181	1 460	41 544

31.12.12 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	140	3 257	0	0	3 397
Perpetual hybrid Tier 1 securities	0	41	162	203	1 425	1 830
Debt to and deposits from customers (without defined maturity)	2 946	0	0	0	0	2 946
Covered bonds issued	0	2 585	18 485	854	0	21 924
Receivables from credit institutions	1 822	1 777	1 307	0	0	4 906
Financial derivatives	140	94	355	127	78	794
Accounts payable	691	0	0	0	0	691
Contingent liabilities	4 460	0	0	0	0	4 460
Total	10 059	4 637	23 566	1 183	1 503	40 948

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

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

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

Note 15 INTEREST RATE RISK

30.06.13 NOK millions	Up to 3 months	From 3 mnths. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow	Total
ASSETS							
Mutual funds shares ¹	-1	0	0	0	0	2	1
Alternative investments	0	0	0	0	0	0	0
Financial derivatives classified as assets	-2	11	-131	-154	-108	-30	-413
Debt instruments classified as loans and receivables - at amortised cost	0	0	0	0	0	2	2
Bonds and other fixed-return securities	-32	-65	-314	-319	-276	74	-931
Fixed income fund holdings	-2 277	0	0	0	0	12	-2 265
Shares in Non-UCIT funds	-29	0	0	0	0	4	-25
Lending and receivables	-2	-10	0	0	0	69	58
Lending	0	0	0	0	0	155	155
Total assets	-2 342	-63	-445	-474	-383	289	-3 419
LIABILITIES							
Deposit	0	0	0	0	0	-39	-39
Liabilities created on issue of securities	0	0	95	53	0	-166	-18
Financial derivatives classified as liabilities	-13	-2	161	121	2	27	295
Hybrid capital, subordinated loans	0	0	0	61	18	0	79
Call Money	0	0	0	0	0	-4	-4
Total liabilities	-13	-2	256	235	20	-182	314
Total, before and after tax	-2 356	-65	-190	-239	-363	107	-3 105

Note 15 INTEREST RATE RISK (CONT.)

31.12.12 NOK millions	Up to 3 months	From 3 mnths. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash- flow 01.01.12- 31.12.12	Total
EIENDELER							
Mutual funds shares ¹	-1	0	0	0	0	4	3
Alternative investments	0	0	0	0	0	3	3
Financial derivatives classified as assets	7	11	-155	-100	-171	-71	-478
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	7	7
Bonds and other fixed-return securities	-23	-42	-342	-407	-198	133	-879
Fixed income fund holdings	-1 923	0	0	0	0	22	-1 901
Shares in Non-UCIT funds	14	0	0	0	0	5	19
Lending and receivables	-1	-14	0	0	0	81	66
Lending	0	0	-1	0	0	153	152
Total assets	-1 926	-45	-498	-507	-369	336	-3 009
LIABILITIES							
Deposit	0	0	0	0	0	-29	-29
Liabilities created on issue of securities	0	0	72	57	0	-200	-71
Financial derivatives classified as liabilities	-16	-3	12	136	0	11	141
Hybrid capital, subordinated loans	0	0	0	0	82	0	82
Call Money	0	0	0	0	0	-9	-9
Total liabilities	-16	-3	84	193	82	-226	115
Total, before and after tax	-1 942	-48	-414	-314	-286	110	-2 894

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

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

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

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

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

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

Note 16 CREDIT RISK

30.06.13 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Banks	0	1 056	1 809	0	147	3 011
Finance and credit enterprises	0	557	0	0	0	557
Public sector guarantee	1 369	0	0	0	82	1 451
Government and government guarantee within OECD	14 006	0	0	819	0	14 825
Public sector enterprises and covered bonds	2 742	549	0	0	1 464	4 755
Other	0	456	3 134	0	3 245	6 836
Total	18 117	2 618	4 942	819	4 938	31 435
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Banks	0	1 015	5 661	0	638	7 314
Finance and credit enterprises	526	1 244	251	0	0	2 021
Public sector guarantee	1 125	0	0	0	321	1 446
Government and government guarantee within OECD	11 627	1 800	0	2 002	0	15 429
Public sector enterprises and covered bonds	6 724	1 572	849	0	2 396	11 541
Other	0	4 054	5 059	1 040	14 493	24 646
Total	20 003	9 684	11 820	3 042	17 848	62 397
DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS						
Banks	0	596	2 176	181	10 291	13 243
Finance and credit enterprise	11	626	473	0	858	1 968
Public sector guarantee	852	56	0	0	1 929	2 837
Government and government guarantee within OECD	8 810	4 222	0	0	0	13 032
Public sector enterprises and covered bonds	1 713	839	0	0	6 557	9 109
Other	0	331	1 079	122	11 126	12 659
Total	11 386	6 670	3 728	303	30 761	52 847
FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS						
Denmark	0	0	156	0	0	156
Finland	0	58	0	0	0	58
Norway	0	11	159	0	0	169
UK	0	0	127	0	0	127
Sweden	0	0	169	0	0	169
Germany	0	0	1	0	0	1
USA	0	0	55	0	0	55
Total	0	69	667	0	0	736

Note 16 CREDIT RISK (CONT.)

30.06.13 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS						
Public sector guarantee	0	0	0	0	4 320	4 320
Government and government guarantee within OECD	0	0	0	0	1 698	1 698
Other	0	0	23 059	0	14 831	37 890
Total	0	0	23 059	0	20 849	43 908
DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES						
Denmark	0	0	2 089	0	0	2 089
Finland	0	296	0	0	0	296
Norway	0	0	3 226	0	2 917	6 143
UK	0	0	3 061	0	0	3 061
Sweden	0	113	476	0	0	589
USA	0	0	587	0	0	587
Total	0	410	9 439	0	2 917	12 766
Total securities	49 506	19 450	53 654	4 164	77 314	204 088
Lending local government, enterprises & retail customers ¹		0 %	20 %	35 %	100 %	Totalt
Public sector		0	36 664	0	1 747	38 412
Enterprises		462	1 154	4	1 401	3 021
Private individuals		0	0	10 704	608	11 312
Total		462	37 818	10 708	3 756	52 744
31.12.12						
NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Banks	0	1 023	786	0	305	2 113
Finance and credit enterprises	0	510	0	0	1 024	1 534
Public sector guarantee	1 356	0	0	0	50	1 406
Government and government guarantee within OECD	19 837	0	0	839	0	20 676
Public sector enterprises and covered bonds	2 699	535	0	0	1 459	4 692
Other	0	475	3 098	0	3 288	6 862
Total	23 892	2 543	3 884	839	6 125	37 283

Note 16 CREDIT RISK (CONT.)

31.12.12 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES – AT AMORTIZED COST						
Banks	0	1 042	4 406	0	61	5 509
Finance and credit enterprises	510	259	520	0	0	1 288
Public sector guarantee	1 111	0	0	0	818	1 929
Government and government guarantee within OECD	14 356	0	0	2 045	0	16 401
Public sector enterprises and covered bonds	6 761	1 610	860	0	2 402	11 633
Other	0	2 003	2 121	836	14 197	19 157
Total	22 738	4 913	7 907	2 881	17 478	55 917
DEBT INSTRUMENTS AT FAIR VALUE – BONDS AND OTHER SECURITIES WITH FIXED RETURNS						
Banks	0	443	3 572	57	9 949	14 021
Finance and credit enterprises	11	568	453	0	265	1 297
Public sector guarantee	855	55	0	0	1 750	2 660
Government and government guarantee within OECD	8 394	3 009	0	0	0	11 402
Public sector enterprises and covered bonds	1 881	409	0	0	6 528	8 817
Other	0	287	634	114	9 723	10 758
Total	11 140	4 771	4 658	171	28 215	48 955
FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS						
Denmark	0	0	345	0	0	345
Finland	0	269	0	0	0	269
Norway	0	0	380	0	0	380
UK	0	0	213	0	0	213
Sweden	0	0	333	0	0	333
USA	0	0	0	0	0	0
Total	0	269	1 272	0	0	1 541
DEBT INSTRUMENTS AT FAIR VALUE – FIXED INCOME FUND UNITS						
Government and government guarantee within OECD	0	0	0	0	121	121
Other	0	0	20 920	0	17 202	38 122
Total	0	0	20 920	0	17 323	38 243

Note 16 CREDIT RISK (CONT.)

31.12.12 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES						
Denmark	0	0	597	0	0	597
Finland	0	20	0	0	0	20
Norway	0	0	4 893	0	3 171	8 064
UK	0	0	2 949	0	0	2 949
Sweden	0	3 632	608	0	0	4 240
Germany	0	0	3	0	0	3
USA	0	0	303	0	0	303
Total	0	3 653	9 353	0	3 171	16 176
Total securities	57 769	16 149	47 993	3 891	72 312	198 115
Lending local government, enterprises & retail customers ¹		0 %	20 %	35 %	100 %	Total
Public sector		0	38 055	0	1 524	39 579
Enterprises		0	1 046	4	923	1 973
Private individuals		0	0	10 228	348	10 576
Total		0	39 101	10 232	2 795	52 128

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

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

Only ratings from Standard and Poor's have been used in the note grouping. KLP Group also uses ratings from Moody's Investor Services and Fitch Ratings and all three are considered equal as a basis for investments in fixed income securities. The table shows exposure against the rating categories that S&P uses, where AAA is linked to securities with the highest creditworthiness. Non-rated/non-investment-grade applies in the main to municipalities/county administrations, certain Norwegian financial institutions and other investments within Norwegian finance. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into this category.

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

Note 16 CREDIT RISK (CONT.)

Geographic extract of debt instruments - Exposure against profiled countries in the Eurozone (PIIGS ²).

30.06.13 NOK millions	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Book value 30.06.2013
Spain					
Fixed income securities at amortized cost	813	17	0	831	813
Total Spain	813	17	0	831	813
Italy					
Fixed income securities at amortized cost	2 000	33	0	2 033	2 000
Total Italy	2 000	33	0	2 033	2 000
Total exposure PIIGS	2 813	50	0	2 864	2 813

In Spain, government debt was NOK 0 million and government guaranteed securities NOK 831 million. In Italy, pure government debt was NOK 2 033 million and government guaranteed securities NOK 0 (market value) as at 30 June 2013.

30.06.13 Rating	Spainia	Italia
Moody's	Baa3	Baa2
Standard & Poor's	BBB-	BBB+
Fitch	BBB	BBB+

31.12.12 NOK millions	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Book value 31.12.2012
Spania					
Fixed income securities at amortized cost	813	1	0	814	813
Total Spania	813	1	0	814	813
Italia					
Fixed income securities at amortized cost	2 000	76	0	2 076	2 000
Total Italia	2 000	76	0	2 076	2 000
Total exposure PIIGS	2 813	77	0	2 889	2 813

In Spain, government debt was NOK 0 million and government guaranteed securities NOK 814 million. In Italy, pure government debt was NOK 2 076 million and government guaranteed securities NOK 0 (market value) as at 31 December 2012.

Note 16 CREDIT RISK (CONT.)

31.12.2012 Rating	Spain	Italy
Moody's	Baa3	Baa2
Standard & Poor's	BBB-	BBB+
Fitch	BBB	A-

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

² The acronym PIIGS refers to the countries assumed to be most exposed as a result of the market disquiet concerning government debt in the Eurozone and is used in regard to Portugal, Ireland, Italy, Greece, Spain.

The overview shows government debt the KLP Group holds against selected countries, and the rating. The countries in the table are selected on the basis of the profile they have gained as exposed economies in the Eurozone, and in the continuing unease about debt. The debt unease is primarily based on the fear of default in government debt. The KLP Group has no government securities in Greece, Ireland or Portugal as at 30 June 2013. The securities measured at amortized cost have not been written down.

Note 17 INSURANCE-RELATED PROVISIONS IN LIFE INSURANCE INCLUDING INVESTMENT CHOICE

NOK millions	30.06.13	30.06.12	31.12.12
Premium reserves - ordinary tarif	264 267	236 661	246 417
Premium reserves - longevity reserving	5 833	0	4 486
Premium funds, buffer funds and pensioners' surplus funds	4 505	2 771	1 595
Supplementary reserves	12 420	12 374	12 403
Securities adjustment fund	11 006	7 833	9 300
Other provisions	305	123	220
Profit/loss allocated to insurance contracts	988	1 338	2 360
Insurance-related provisions in life insurance incl. investment options	299 326	261 100	276 781

NOK millions	30.06.13	30.06.12	31.12.12
Premium reserves - ordinary tarif	435	238	293
Deposit funds	5	6	7
Reserving life insurance with investment options	440	244	300

Reserves increase K 2013			
NOK millions			
Estimated gross reserves increase for new tariff K2013			10 775
Reserves increase as at 31.12.2012			4 486
Additional reserves increase ¹			1 347
Total reserves increase as at 30.06.2013			5 829
Remaining reserves increase requirement			4 942

¹ Reserves increase is calculated based on the results of Q2, but is not binding on the Company result for the year.

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

30.06.13 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	736	0	736	-319	-200	216
Total	736	0	736	-319	-200	216
LIABILITIES						
Financial derivatives	2 088	0	2 088	-319	-1 517	252
Total	2 088	0	2 088	-319	-1 517	252

31.12.12 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 541	0	1 541	-489	-1 129	-77
Total	1 541	0	1 541	-489	-1 129	-77
LIABILITIES						
Financial derivatives	721	0	721	-489	-104	129
Total	721	0	721	-489	-104	129

30.06.12 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 302	0	1 302	-837	-410	55
Total	1 302	0	1 302	-837	-410	55
LIABILITIES						
Financial derivatives	870	0	870	-636	-158	76
Total	870	0	870	-636	-158	76

The purpose of the note is to show the potential effect of netting agreements at the KLP Group. The note shows derivative positions in the financial position statement.

Note 19 ACCOUNTS RECEIVABLE

NOK millions	30.06.13	30.06.12	31.12.12
Short-term receivable trade in securities ¹	23 094	805	196
Premium receivable	6 517	5 832	207
Reinsurance share of gross outstanding claims provisions	133	201	185
Other receivable	2 401	1 477	1 166
Total receivable	32 145	8 316	1 754

¹ Short term receivable trade in securities does mainly consist of receivables due to the Groups currency hedging.

Note 20 OTHER SHORT TERM LIABILITIES

NOK millions	30.06.13	30.06.12	31.12.12
Short-term liabilities securities ¹	25 707	1 951	3 696
Advance tax-deduction pension scheme	431	396	214
Accounts payable	623	562	691
Pre-called contribution to insurance	49	66	438
Other short-term liabilities	581	194	204
Total other short-term liabilities	27 393	3 169	5 245

¹ Short term liability securities does mainly consist of liabilities due to the Groups currency hedging.

Note 21 SPECIAL EVENTS**Court settlements**

During the second quarter a settlement has been agreed between KLP Banken AS and Eksportfinans ASA. The settlement has resulted in a recognized income of NOK 50 millions in the Group. The income is booked at the income statement line Net value changes on financial instruments.

Liquidation

All loans of the subsidiary KLP Kreditt AS was sold in June 2013 to KLP. The company fulfilled its obligations to the parent company and terminated all ongoing financial deals. This was carried out in the Board's decision to terminate KLP Kreditt AS in 2013.



Non-financial accounts

KLP Group

Non-financial accounts

KLP Group

Note		Per Q2 2013	Per Q1 2013	2012	2011	2010
ENVIRONMENT						
1	Energy consumption kWh KLP Huset	1 926 835	1 134 254	3 795 878	3 489 425	5 367 259
1	Energy consumption kWh own offices Trondheim	130 298	80 688	221 703	165 135	357 159
1	Energy consumption kwh own office Bergen	263 310	163 615	445 918	460 518	541 337
	Kilo co2 equivalent from aircrafts	310 689	151 659	387 429	333 081	300 370
EMPLOYEES						
	Number of employees	839	825	808	775	762
	Percentage reported sickness absence 12 month rolling	4,2	4,5	4,2	4,6	4,4
	Percentage reported sickness absence quarter	4,0	4,5			
SOCIAL RESPONSIBLE INVESTMENTS						
	Number of exclusions of companies from the investment portfolio	64	64	64	64	59
	Number of companies reinstated in the investment portfolio	3	0	1	1	3
2	Number of general meetings in Norwegian companies in which KLP has voted	78 (98 %)	3 (100 %)	113 (92 %)	130	127
2	Number of general meetings in foreign companies in which KLP has voted	1 688 (73 %)	203 (54 %)	2 099 (75 %)	1 662	1 533
	Number of companies KLP has been in dialogue with	25	9	143	96	

Note 1 ENERGY CONSUMPTION

Target is set at 5 per cent reduction in tonnes CO₂/employee. 1kwh approximates to NOK 1and 100g CO₂ equivalents at "Nordic mix". In the first quarter 2013 new and improved details regarding reporting of CO₂ aircraft engine emissions are available. This makes comparisons with previous years inaccurate.

Note 2 SOCIAL RESPONSIBLE INVESTMENTS

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



Accounts

Kommunal Landspensjonskasse

Income statement

Kommunal Landspensjonskasse

Note	NOK million	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	The year 2012
4	Premium income	10 047	9 001	20 475	15 159	29 025
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	796	552	1 567	1 120	1 828
	Interest income/dividends on financial assets	1 733	1 555	4 022	3 685	8 443
	Value changes on investments	-784	-161	1 794	3 054	3 716
	Gains and losses realised on investments	-130	-979	314	-405	2 424
	Net income from investments in the common portfolio	1 615	967	7 698	7 453	16 412
	Net income of the investment option portfolio	10	0	50	48	105
	Other insurance-related income	163	160	337	322	651
	Claims	-2 879	-2 611	-5 808	-5 394	-10 882
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-8 177	-7 032	-20 853	-15 382	-31 101
	Changes in insurance liabilities investment option portfolio	-47	-43	-85	-45	-146
	Funds assigned to insurance contracts - contractual liabilities	-325	-39	-994	-1 340	-2 366
5	Insurance-related operating expenses	-188	-174	-389	-384	-789
	Other insurance-related costs	-162	-159	-323	-321	-647
	Technical profit/loss	57	69	107	116	261
	Net income from investments in the corporate portfolio	256	190	520	425	735
	Other income	3	3	7	6	15
	Administration costs and other costs associated with the corporate portfolio	-53	-54	-107	-103	-212
	Non-technical profit/loss	205	138	419	327	538
	Profit/loss pre-tax	263	207	526	442	799
	Tax	0	0	0	0	0
	Profit/loss before other comprehensive income	263	207	526	442	799
	Comprehensive income	0	0	0	0	202
	Total other comprehensive income	0	0	0	0	202
	TOTAL COMPREHENSIVE INCOME	263	207	526	442	1 001

Balance sheet

Kommunal Landspensjonskasse

Note	NOK million	30.06.13	30.06.12	31.12.12
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	311	298	303
6	Investments	18 421	16 893	17 533
	Receivables	7 995	7 054	1 145
	Other assets	576	445	403
	Total assets in the corporate portfolio	27 302	24 689	19 384
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	31 528	29 383	30 439
	Receivables on and securities issued by subsidiaries, associated entities and jointly controlled entities	0	704	0
6	Financial assets valued at amortised cost	113 629	109 723	113 474
6, 7	Financial assets valued at fair value	171 148	114 773	134 817
	Total assets in the common portfolios	316 305	254 584	278 731
	Shares and holdings in property subsidiaries	193	180	186
6	Financial assets at amortised costs	579	551	568
6, 7	Financial assets at fair value	863	732	802
	Total assets in investment portfolio	1 636	1 463	1 556
	ASSETS	345 242	280 736	299 671
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	6 891	6 221	6 891
	Retained earnings	7 088	6 003	6 562
	Subordinated loan capital etc.	3 975	4 166	3 865
10	Insurance obligations in life insurance - contractual liabilities	296 687	258 734	274 294
10	Insurance liabilities investment option portfolio	1 638	1 471	1 548
	Provision for liabilities	323	525	323
9	Liabilities	28 597	3 561	6 136
	Accrued costs and prepaid income	44	55	52
	OWNERS' EQUITY AND LIABILITIES	345 242	280 736	299 671
	Contingent liabilities	4 798	4 131	4 410

Changes in Owner's equity

Kommunal Landspensjonskasse

2013 NOK million	Paid-up equity	Retained earnings	Total equity
Own funds 01.01.2013	6 891	6 562	13 453
Total other comprehensive income	0	526	526
Total comprehensive income	0	526	526
Equity paid-in	6	0	6
Equity reimbursed	-6	0	-6
Total transactions with owners	0	0	0
Own funds 30.06.2013	6 891	7 088	13 979

2012 NOK millions	Paid-up equity	Retained earnings	Total equity
Own funds 31.12.2011	6 217	5 723	11 941
Changes in accounting principles- pension corridor	0	-163	-163
Own funds 01.01.2012	6 217	5 560	11 778
Comprehensive income	0	442	442
Total comprehensive income	0	442	442
Equity paid-in	7	0	7
Equity reimbursed	-4	0	-4
Total transactions with owners	4	0	4
Own funds 30.06.2012	6 221	6 003	12 224

Statement of cash flows

Kommunal Landspensjonskasse

NOK million	01.01.2013- 30.06.2013	01.01.2013- 31.03.2013	01.01.2012- 31.12.2012	01.01.2012- 30.09.2012	01.01.2012- 30.06.2012
Net cashflow from operational activities	-381	-589	-676	-510	130
Net cashflow from investment activities	-41	-19	-70	-50	-36
Net cashflow from financing activities	599	598	806	635	4
Net changes in cash and bank deposits	177	-10	60	75	98
Holdings of cash and bank deposits at start of period	348	348	288	288	288
Holdings of cash and bank deposits at end of period	525	338	348	363	385

Notes to the Accounts

Kommunal Landspensjonskasse

Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the accounts of Kommunal Landspensjonskasse (KLP) from 1 January 2013 to 30 June 2013. The accounts have not been audited.

The interim financial statements have been presented in accordance with the Regulation no. 1241: of 16 December 1998: Regulation concerning the annual account etc. for insurance companies (the Annual Accounts RegulationI), and IAS 34: Interim reporting as approved by the EU. The interim statements have been prepared according to the same principles as the financial statements for 2012, unless otherwise stated.

The interim financial statements do not contain all the information required of complete annual financial statements, and this interim report should be read in connection with the annual financial statements for 2012, which can be obtained from KLP's head office at Dronning Eufemias gate 10, or at www.klp.no.

Changes to the accounting principles:

IAS 1 Financial information

It is now required that items in comprehensive income are to be divided into two groups, those that are subsequently going to be reclassified via the income statement and those that will not be reversed in the income statement. There are no changes that will have any effect on what items to enter in the comprehensive income.

IFRS 7 Financial instruments - information

Information is to be provided to show the effect on the Company's financial position of netting financial assets and liabilities. This information requirement applies to financial instruments that are presented net in accordance with IAS 32, as well as (to) financial instruments that may be subject to net settlement, irrespective of any presentation in accordance with IAS 32.

IAS 19 Benefits for the staff

As from 1 January 2013, KLP is using revised IAS 19 with retrospective effect on the accounting figures. The changes have a bearing on the processing of the company's defined benefit pension schemes.

It is no longer permitted to use the corridor solution for the recognition of estimate deviations. Such estimate deviations, which are actuarial gains and losses, must be recognized in the period during which they arise and posted against Comprehensive income. This means that all costs related to previous periods' pension accruals are taken to book. In order to calculate the pension liability, interest costs and anticipated returns on pension assets are replaced by a net interest sum that is calculated by using the discounting rate on net pension liability.

The change in benefits to employees has been carried out by redoing comparative figures, and the changes in accounting principles has had the following effect on the accounting lines:

	30.06.13	30.06.12	31.12.12
Capitalized pension liability for own employees incl. corridor	I/A	362	386
Capitalized pension liability for own employees excl. Corridor	323	525	323
Change in provision for liabilities	0	163	-63
ACCOUNTING LINE IN INCOME STATEMENT:			
Insurance-related operating costs	0	0	24
Other income statement components	0	0	202
Total result	0	0	226
FINANCIAL POSITION STATEMENT:			
Provision for liabilities	0	163	-226
Accrued owners' equity	0	-163	226

All figures in NOK million

IFRS 13 Measuring fair value

The standard defines what is meant by fair value when the term is used in IFRS. It also provides a comprehensive description of how fair value is to be determined and what supplementary information is to be given when fair value is used. The standard does not elaborate on the scope of recognition at fair value. For all practical purposes the standard comprises change in the note requirements under IAS 34, which is included in the company's Notes 6 and 7. The standard basically elaborates on the calculation of fair value that is included in the note requirements under IFRS 7.

IAS 34 Interim reporting

There is a requirement for supplementary information regarding the fair value of financial instruments. To all practical purposes, all the requirements in IFRS 7 and IFRS 13 in respect of fair value are also to apply to the interim financial statements.

There are no other new or amended IFRSes or IFRIC interpretations that have come into force in 2013 and significantly impact on the reporting.

Note 2 ESTIMATES

When preparing the interim financial statements and applying the company's accounting principles the management has exercised discretion and used estimates and criteria that influence the accounting figures. The actual figures may therefore deviate from the estimates used.

In the letter of 8 March 2013 from the Financial Supervisory Authority of Norway it is decided that a new longevity base, K2013, is to be introduced for group pension insurance with life insurance companies and pension funds. It transpires that the new longevity base will apply to old age and survivor pensions, and it should also similarly apply to disability pension and premium and contribution exemptions for active members of the pension schemes.

There will be a considerable need for reserves in connection with the new longevity base and periods for escalation will be granted. Such escalation periods will apply starting from 2014

and should not last for more than 5 years. At the same time there will be a minimum requirement to strengthen the reserves as a minimum on a straight-line basis over the period.

In order to cover the need for increased reserves, a minimum of 20 per cent of the gross increase of reserves should be covered by the company during the period between 2014 and 2018, whereas the remaining increase of reserves may be covered by return surplus available and the risk results as approved by the Financial Supervisory Authority of Norway. The increase of reserves is to be completed by 2018. See Note 10 for further information about the company's increase of reserves due to the new longevity base

Pension obligations towards own staff

When assessing the financial criteria that impact on the calculation of the pension liability it is assumed that there have been no major changes so far this year. This means that estimates of the pension liability may be based on the same criteria as those on which the calculations as at 31 December 2012 for 30 June 2013 were based.

Note 3 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 30 June 2013.

NOK millions	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	The year 2012
Value adjustment incl. foreign exchange	386	139	734	160	39
Foreign exchange effect on hedging	-183	10	-401	206	265
Net value adjustment incl. exchange hedging	203	149	333	366	305

Note 4 PREMIUM INCOME

NOK millions	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	The year 2012
Gross premiums due	10 087	9 135	14 589	13 612	27 481
- Reinsurance premiums ceded	-1	-2	-1	-3	-5
Transfer of premium reserved from others ¹	-38	-133	5 887	1 550	1 549
Total premium income	10 047	9 001	20 475	15 159	29 025

¹ Transfer of premium reservers from others for the second quarter was negative. The reason for this is that it is only on the finalization of settlement for transfer of new customers that KLP will receive information on the customers' respective allocations between premium reserve, supplementary reservers and premium fund. On financial settlement a transfer is made from the premium reserve to the premium fund and supplementary reserves.

Note 5 INSURANCE-RELATED OPERATING EXPENSES

NOK millions	Q2 2013	Q2 2012	01.01.13- 30.06.13	01.01.12- 30.06.12	The year 2012
Staff costs	90	86	211	203	477
Depreciation	19	17	38	34	69
Other operating expenses	79	71	140	147	244
Insurance related expenses	188	174	389	384	789

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

a) Shares (listed)

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

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

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

b) Shares (unlisted)

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

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

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

c) Foreign fixed interest securities

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

- JP Morgan
- Barclays Capital Indices
- Bloomberg
- Reuters

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

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

d) Norwegian fixed interest securities - government

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

e) Norwegian fixed interest securities - other than government

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

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

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

g) Futures/FRA/IRF

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

h) Options

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

i) Interest rate swaps

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

j) Loans secured by mortgage

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

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

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

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

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

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

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

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

l) Investments with credit institutions

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

m) Fair value of subordinated loan capital

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

n) Fair value of hybrid Tier 1 securities issued

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

o) Private Equity

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

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

30.06.2013 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 - AT AMORTIZED COST								
Norwegian hold-to-maturity bonds	727	774	8 933	9 660	57	62	9 716	10 496
Accrued not due interest	21	21	256	256	2	2	278	278
Foreign hold-to-maturity bonds	2 807	2 942	17 228	18 292	84	90	20 118	21 324
Accrued not due interest	40	40	444	444	2	2	487	487
Total investments held to maturity	3 595	3 777	26 860	28 652	145	155	30 600	32 585
BONDS AT AMORTIZED COST								
Norwegian bond loans	1 273	1 328	22 777	23 822	129	137	24 179	25 287
Accrued not due interest	23	23	550	550	4	4	577	577
Foreign bond loans	3 240	3 395	32 447	34 274	295	311	35 982	37 981
Accrued not due interest	26	26	607	607	7	7	639	639
Total bonds classified as loans and receivables	4 562	4 772	56 381	59 254	434	459	61 378	64 485
OTHER LOANS AND RECEIVABLES - AT AMORTIZED COST								
Secured loans	0	0	8 021	8 034	0	0	8 021	8 034
Lending with public sector guarantee	0	0	22 165	22 488	0	0	22 165	22 488
Accrued not due interest	0	0	201	201	0	0	201	201
Total other loans and receivables	0	0	30 387	30 723	0	0	30 387	30 723
Total financial assets at amortized cost	8 157	8 549	113 629	118 629	579	614	122 364	127 793
ASSETS MEASURED AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS								
Norwegian shares	219	219	3 432	3 432	0	0	3 651	3 651
Foreign shares	0	0	20 949	20 949	0	0	20 949	20 949
Total shares and units	219	219	24 381	24 381	0	0	24 600	24 600
Property funds	0	0	636	636	0	0	636	636
Norwegian equity funds	0	0	18 693	18 693	344	344	19 038	19 038
Foreign equity funds	0	0	3 548	3 548	0	0	3 548	3 548
Total equity fund units	0	0	22 877	22 877	344	344	23 221	23 221
Norwegian alternative investments	0	0	1 734	1 734	13	13	1 747	1 747
Foreign alternative investments	0	0	4	4	0	0	4	4
Total alternative investments	0	0	1 738	1 738	13	13	1 751	1 751

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

30.06.2013 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 THROUGH PROFIT OR LOSS								
Norwegian bonds	2 997	2 997	24 275	24 275	0	0	27 271	27 271
Foreign bonds	172	172	12 410	12 410	0	0	12 582	12 582
Accrued not due interest	31	31	389	389	0	0	421	421
Norwegian fixed-income funds	719	719	29 720	29 720	478	478	30 918	30 918
Foreign fixed-income funds	0	0	10 982	10 982	0	0	10 982	10 982
Accrued not due interest	8	8	298	298	6	6	312	312
Norwegian certificates	549	549	7 910	7 910	0	0	8 458	8 458
Accrued not due interest	7	7	47	47	0	0	55	55
Foreign certificates	0	0	0	0	0	0	0	0
Accrued not due interest	0	0	0	0	0	0	0	0
Total bonds and other fixed-income securities	4 483	4 483	86 031	86 031	484	484	90 998	90 998
Norwegian loans and receivables	109	109	8 305	8 305	10	10	8 425	8 425
Foreign loans and receivables	213	213	4 303	4 303	9	9	4 525	4 525
Total loans and receivables	322	322	12 608	12 608	20	20	12 950	12 950
DERIVATIVES								
Interest rate swaps	57	57	354	354	0	0	412	412
Share options	0	0	126	126	1	1	127	127
Forward exchange contracts	0	0	40	40	1	1	41	41
Total financial derivatives classified as assets	57	57	521	521	2	2	580	580
Other financial assets	395	395	22 992	22 992	0	0	23 387	23 387
Total financial assets valued at fair value	5 476	5 476	171 148	171 148	863	863	177 487	177 487
Investment property	946	946	0	0	0	0	946	946
Investments in subsidiaries	3 842	3 842	0	0	0	0	3 842	3 842
Total investments	18 421	18 814	284 777	289 777	1 442	1 477	304 640	310 068
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	-346	-346	0	0	-346	-346
Interest rate futures (IRF)	0	0	0	0	0	0	0	0
Interest rate and currency swaps	0	0	-977	-977	-4	-4	-981	-981
Forward exchange contracts	-3	-3	-436	-436	-2	-2	-441	-441
Total financial derivatives classified as liabilities	-3	-3	-1 759	-1 759	-5	-5	-1 768	-1 768

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

30.06.2013 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
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	-2 990	3 031	0	0	0	0	-2 990	-3 031
Hybrid Tier 1 securities	-985	-985	0	0	0	0	-985	-985
Total subordinated loan capital etc.	-3 975	2 046	0	0	0	0	-3 975	-4 016
DEBT TO CREDIT INSTITUTIONS								
Norwegian call money	0	0	0	0	0	0	0	0
Foreign call money	-18	-18	-219	-219	0	0	-237	-237
Total debt to credit institutions	-18	-18	-219	-219	0	0	-237	-237
30.06.2012 NOK millions								
ASSETS AT AMORTIZED COST	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
INVESTMENTS HELD TO MATURITY - AT AMORTIZED COST								
Norwegian hold-to-maturity bonds ¹	627	627	15 866	15 866	80	80	16 573	16 573
Accrued not due interest	18	18	300	300	2	2	320	320
Foreign hold-to-maturity bonds ¹	2 491	2 491	19 437	19 437	111	111	22 040	22 040
Accrued not due interest	38	38	591	591	3	3	633	633
Total investments held to maturity	3 175	3 175	36 195	36 195	197	197	39 566	39 566
BONDS AT AMORTIZED COST								
Norwegian bond loans ¹	974	974	16 272	16 272	101	101	17 347	17 347
Accrued not due interest	11	11	334	334	3	3	348	348
Foreign bond loans ¹	2 961	2 961	27 135	27 135	244	244	30 340	30 340
Accrued not due interest	20	20	642	642	6	6	668	668
Total bonds classified as loans and receivables	3 965	3 965	44 382	44 382	354	354	48 702	48 702
OTHER LOANS AND RECEIVABLES - AT AMORTIZED COST								
Secured loan	0	0	8 683	8 690	0	0	8 683	8 690
Lending with public sector guarantee	0	0	20 254	20 503	0	0	20 254	20 503
Accrued not due interest	0	0	209	209	0	0	209	209
Total other loans and receivables	0	0	29 146	29 401	0	0	29 146	29 401
Total financial assets at amortized cost	7 140	7 140	109 723	109 978	551	551	117 414	117 669

¹ Items that are measured at amortized cost do not have comparable figures as at 30 June 2012. In the table above the columns for fair value are equal to that of the book value as at 30 June 2012. It is not an IFRS requirement to show comparable figures for 30 June 2013.

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

30.06.2012 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
ASSETS MEASURED AT FAIR VALUE	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS								
Norwegian shares	236	236	2 782	2 782	0	0	3 018	3 018
Foreign shares	0	0	14 383	14 383	0	0	14 383	14 383
Total shares and units	236	236	17 165	17 165	0	0	17 401	17 401
Property funds	0	0	665	665	0	0	665	665
Norwegian equity funds	0	0	16 169	16 169	295	295	16 464	16 464
Foreign equity funds	0	0	2 402	2 402	0	0	2 402	2 402
Total equity fund units	0	0	19 236	19 236	295	295	19 530	19 530
Norwegian alternative investments	324	324	682	682	0	0	1 006	1 006
Foreign alternative investments	0	0	5	5	0	0	5	5
Total alternative investments	324	324	687	687	0	0	1 011	1 011
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS								
Norwegian bonds	2 478	2 478	20 673	20 673	0	0	23 151	23 151
Accrued not due interest	123	123	10 184	10 184	0	0	10 307	10 307
Foreign bonds	29	29	334	334	0	0	363	363
Norwegian fixed-income funds	0	0	20 567	20 567	412	412	20 980	20 980
Foreign fixed-income funds	0	0	11 119	11 119	0	0	11 119	11 119
Accrued not due interest	0	0	67	67	4	4	71	71
Norwegian certificates	745	745	3 935	3 935	0	0	4 680	4 680
Accrued not due interest	7	7	33	33	0	0	40	40
Foreign certificates	150	150	203	203	0	0	353	353
Accrued not due interest	2	2	2	2	0	0	4	4
Total bonds and other fixed-income securities	3 535	3 535	67 117	67 117	416	416	71 068	71 068
Norwegian loans and receivables	642	642	7 856	7 856	11	11	8 509	8 509
Foreign loans and receivables	307	307	2 165	2 165	10	10	2 482	2 482
Total loans and receivables	950	950	10 022	10 022	20	20	10 991	10 991
DERIVATIVES								
Interest rate swaps	267	267	316	316	0	0	583	583
Share options	0	0	115	115	1	1	116	116
Forward exchange contracts	0	0	228	228	0	0	229	229
Total financial derivatives classified as assets	267	267	660	660	1	1	928	928
Other financial assets	1	1	591	591	1	1	592	592
Total financial assets valued at fair value	5 312	5 312	115 478	115 478	732	732	120 930	120 930
Investment property	943	943	0	0	0	0	943	943
Investments in subsidiaries	3 498	3 498	0	0	0	0	3 498	3 498
Total investments	16 893	16 569	225 201	225 456	1 283	1 283	242 785	243 040

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

30.06.2012 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
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	-373	-373	0	0	-373	-373
Interest rate futures (IRF)	0	0	0	0	0	0	0	0
Interest rate and currency swaps	0	0	-149	-149	0	0	-149	-149
Forward exchange contracts	0	0	-1	-1	0	0	-1	-1
Total financial derivatives classified as liabilities	0	0	-523	-523	0	0	-523	-523
Subordinated loan capital								
Perpetual subordinated loan capital	-2 992	-2 899	0	0	0	0	-2 992	-2 899
Hybrid Tier 1 securities	-1 175	-1 175	0	0	0	0	-1 175	-1 175
Total subordinated loan capital etc.	-4 166	-4 073	0	0	0	0	-4 166	-4 073
Debt to credit institutions								
Norwegian call money	0	0	-111	-111	0	0	-112	-112
Foreign call money	-188	-188	-271	-271	-1	-1	-460	-460
Total debt to credit institutions	-188	-188	-382	-382	-1	-1	-571	-571

Note 7 FAIR VALUE HIERARCHY

30.06.13 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AND LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	758	3 725	0	4 483
Certificates	0	556	0	556
Bonds	30	3 169	0	3 200
Fixed-income funds	727	0	0	727
Loans and receivables	295	27	0	322
Shares and units	0	212	6	219
Shares	0	212	6	219
Equity funds	0	0	0	0
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	57	0	57
Other financial assets	0	395	0	395
Total corporate portfolio	1 053	4 417	6	5 476
COMMON PORTFOLIO				
Bonds and other fixed-income securities	56 368	29 663	0	86 031
Certificates	3 694	4 263	0	7 957
Bonds	11 673	25 401	0	37 074
Fixed-income funds	41 000	0	0	41 000
Loans and receivables	7 517	5 091	0	12 608
Shares and units	43 457	1 738	3 800	48 996
Shares	23 719	1	661	24 381
Equity funds	19 103	0	0	19 103
Property funds	636	0	0	636
Special funds	0	1 738	0	1 738
Private Equity	0	0	3 139	3 139
Financial derivatives	0	521	0	521
Other financial assets	0	22 992	0	22 992
Total common portfolio	107 343	60 005	3 800	171 148

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.06.13 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	484	0	0	484
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	484	0	0	484
Loans and receivables	20	0	0	20
Shares and units	344	13	0	357
Shares	0	0	0	0
Equity funds	344	0	0	344
Property funds	0	0	0	0
Special funds	0	13	0	13
Private Equity	0	0	0	0
Financial derivatives	0	2	0	2
Other financial assets	0	0	0	0
Total investment option portfolio	849	15	0	863
Total financial assets valued at fair value	109 244	64 437	3 806	177 488
LIABILITIES				
CORPORATE PORTFOLIO				
Financial derivatives	0	3	0	3
Debt to credit institutions	18	0	0	18
Total corporate portfolio	18	3	0	21
COMMON PORTFOLIO				
Financial derivatives	0	1 759	0	1 759
Debt to credit institutions	219	0	0	219
Total common portfolio	219	1 759	0	1 978
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	5	0	5
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	5	0	5
Total financial liabilities at fair value	237	1 768	0	2 005

Note 7 FAIR VALUE HIERARCHY (CONT.)

31.12.12 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AND LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	379	4 173	0	4 552
Certificates	0	930	0	930
Bonds	379	3 243	0	3 621
Fixed-income funds	0	0	0	0
Loans and receivables	478	122	0	599
Shares and units	0	182	6	189
Shares	0	182	6	189
Equity funds	0	0	0	0
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	71	0	71
Other financial assets	0	10	0	10
Total corporate portfolio	856	4 558	6	5 420
COMMON PORTFOLIO				
Bonds and other fixed-income securities	49 222	26 389	0	75 611
Certificates	0	4 632	0	4 632
Bonds	13 115	21 757	0	34 872
Fixed-income funds	36 106	0	0	36 106
Loans and receivables	11 369	4 145	0	15 513
Shares and units	37 325	1 849	3 165	42 339
Shares	18 851	46	501	19 398
Equity funds	17 860	0	2 663	20 524
Property funds	614	0	0	614
Special funds	0	1 803	0	1 803
Private Equity	0	0	0	0
Financial derivatives	0	1 282	0	1 282
Other financial assets	0	72	0	72
Total common portfolio	97 915	33 737	3 165	134 817

Note 7 FAIR VALUE HIERARCHY (CONT.)

31.12.12 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	431	0	0	431
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	431	0	0	431
Loans and receivables	41	0	0	41
Shares and units	318	0	0	318
Shares	0	0	0	0
Equity funds	318	0	0	318
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	4	0	4
Other financial assets	0	8	0	8
Total investment option portfolio	789	12	0	802
Total financial assets valued at fair value	99 561	38 307	3 171	141 039
LIABILITIES				
CORPORATE PORTFOLIO				
Financial derivatives	0	10	0	10
Debt to credit institutions	126	0	0	126
Total corporate portfolio	126	10	0	136
COMMON PORTFOLIO				
Financial derivatives	0	352	0	352
Debt to credit institutions	1 334	0	0	1 334
Total common portfolio	1 334	352	0	1 686
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	1	0	1
Debt to credit institutions	1	0	0	1
Total investment option portfolio	1	1	0	2
Total financial liabilities at fair value	1 461	363	0	1 823

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.06.12 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AND LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	320	3 215	0	3 535
Certificates	0	904	0	904
Bonds	320	2 311	0	2 630
Fixed-income funds	0	0	0	0
Loans and receivables	649	294	0	943
Shares and units	0	549	11	560
Shares	0	225	11	236
Equity funds				0
Property funds				0
Special funds	0	324	0	324
Private Equity				0
Financial derivatives	0	275	0	275
Other financial assets	0	1	0	1
Total corporate portfolio	969	4 334	11	5 313
COMMON PORTFOLIO				
Bonds and other fixed-income securities	44 882	22 235	0	67 117
Certificates	0	4 173	0	4 173
Bonds	13 129	18 062	0	31 191
Fixed-income funds	31 753	0	0	31 753
Loans and receivables	5 663	4 359	0	10 021
Shares and units	33 527	689	2 871	37 088
Shares	16 709	2	454	17 165
Equity funds	16 154	0	2 418	18 571
Property funds	665	0	0	665
Special funds	0	687	0	687
Private Equity				0
Financial derivatives	0	660	0	660
Other financial assets	0	591	0	591
Total common portfolio	84 072	28 534	2 871	115 478

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.06.12 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	416	0	0	416
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	416	0	0	416
Loans and receivables	20	0	0	20
Shares and units	295	0	0	295
Shares	0	0	0	0
Equity funds	295	0	0	295
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	1	0	1
Other financial assets	0	1	0	1
Total investment option portfolio	731	1	0	732
Total financial assets valued at fair value	85 772	32 869	2 882	121 523
LIABILITIES				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	188	0	0	188
Total corporate portfolio	188	0	0	188
COMMON PORTFOLIO				
Financial derivatives	0	547	0	547
Debt to credit institutions	382	0	0	382
Total common portfolio	382	547	0	929
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	1	0	0	1
Total investment option portfolio	1	0	0	1
Total financial liabilities at fair value	571	547	0	1 118

Note 7 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 30.06.2013	Book value 31.12.2012	Book value 30.06.2012
Opening balance 1 January	6	11	11
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	-4	0
Closing balance 30.06. / 31.12.	6	6	11
Realised gains/losses	0	0	0

Unrealized changes are reflected in the line "Value changes on investments" in the corporate portfolio in the income statement.

Changes in Level 3 shares, unlisted Common portfolio	Book value 30.06.2013	Book value 31.12.2012	Book value 30.06.2012
Opening balance 1 January	353	340	339
Sold	0	-9	-336
Bought	308	0	329
Unrealised changes	1	22	2
Closing balance 30.06. / 31.12.	662	353	334
Realised gains/losses	0	3	0

Unrealized changes are reflected in the line "Value changes on investments" in the corporate portfolio in the income statement.

Changes in Level 3 shares, Private Equity Common portfolio	Book value 30.06.2012	Book value 31.12.2012	Book value 30.06.2012
Opening balance 1 January	2 741	2 180	2 225
Sold	0	-413	0
Bought	39	874	64
Unrealised changes	358	171	248
Closing balance 30.06./31.12.	3 139	2 812	2 538
Realised gains/losses	-4	51	23
Total Level 3	3 806	3 171	2 882

Unrealized changes are reflected in the line "Value changes on investments" in the corporate portfolio in the income statement.

Note 7 FAIR VALUE HIERARCHY (CONT.)

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

Level 1:

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

Level 2:

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

Level 3:

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

Note 6 provides information on fair value of assets and liabilities measured at amortized cost. The level-based distribution of these items will be as follows: assets classified as hold to maturity will be included in Level 1, lending, and loans and receivables will be included in Level 2. Liabilities, measured at amortized cost, will be distributed as follows: subordinated loan capital distributed at Levels 1 and Level 2, the hybrid Tier 1 securities will be distributed at Level 2, debt to credit institutions will be distributed at Levels 1. For information concerning pricing of these interest-bearing securities see Note 5.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. On a general basis, a change in the pricing of 5 % produces a change in the value of NOK 190 million as at 30 June 2013, NOK 159 million as at 31 December 2012 and NOK 144 million as at 30 June 2012 for assets in Level 3.

Securities have not been moved between the levels in the fair value hierarchy at 30 June 2013. The values at the end of the reporting period provide the basis for any movement between the levels.

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

30.06.13 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	580	0	580	-163	-200	216
Total	580	0	580	-163	-200	216
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	521	0	521	-168	-200	152
Total assets – corporate portfolio	57	0	57	6	0	63
Total assets – investment option portfolio	2	0	2	-1	0	1
Total	580	0	580	-163	-200	216
LIABILITIES						
Financial derivatives	1 768	0	1 768	-163	-1 501	104
Total	1 768	0	1 768	-163	-1 501	104
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	1 759	0	1 759	-168	-1 485	106
Total liabilities – corporate portfolio	3	0	3	6	-12	-3
Total liabilities – investment option portfolio	5	0	5	-1	-4	1
Total	1 768	0	1 768	-163	-1 501	104
31.12.12						
31.12.12 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 357	0	1 357	-130	-1 149	68
Total	1 357	0	1 357	-130	-1 149	68
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	1 282	0	1 282	-146	-1 145	-10
Total assets – corporate portfolio	71	0	71	17	-3	75
Total assets – investment option portfolio	4	0	4	-1	0	2
Total	1 357	0	1 357	-130	-1 149	68
LIABILITIES						
Financial derivatives	363	0	363	-130	-104	129
Total	363	0	363	-130	-104	129
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	362	0	362	-129	-102	131
Total liabilities – corporate portfolio	0	0	0	0	0	0
Total liabilities – investment option portfolio	1	0	1	-1	-2	-2
Total	363	0	363	-130	-104	129

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

30.06.12 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	936	0	936	-383	-424	129	
Total	936	0	936	-383	-424	129	
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	660	0	660	-382	-382	39	
Total assets – corporate portfolio	275	0	275	0	-42	89	
Total assets – investment option portfolio	1	0	1	0	-1	0	
Total	936	0	936	-383	-424	129	
LIABILITIES							
Financial derivatives	547	0	547	-383	-158	6	
Total	547	0	547	-383	-158	6	
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	547	0	547	-382	-158	6	
Total liabilities – corporate portfolio	0	0	0	0	0	0	
Total liabilities – investment option portfolio	0	0	0	0	0	0	
Total	547	0	547	-383	-158	6	

The purpose of this note is to show the potential effect of netting agreements at KLP. 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 OTHER SHORT TERM LIABILITIES

NOK millions	30.06.13	30.06.12	31.12.12
Short-term liabilities securities ¹	25 652	1 917	3 644
Advance tax-deduction pension scheme	430	395	214
Accounts payable	16	13	10
Derivatives	1 768	547	363
Debt to credit institutions	237	571	1 461
Liabilities related to direct insurance	481	104	438
Other short-term liabilities	14	13	6
Total other short-term liabilities	28 597	3 561	6 136

Note 10 INSURANCE LIABILITIES

NOK millions	30.06.13	30.06.12	31.12.12
Premium reserve - ordinary tariff	263 003	234 468	244 208
Premium reserve - longevity reinforcement	5 714	0	4 400
Premium fund, buffer fund and pensioners' surplus fund	4 436	2 708	1 528
Supplementary reserves	12 310	12 263	12 293
Securities adjustment fund	10 990	7 828	9 288
Other provisions	241	155	212
Unallocated result - insurance contracts in the common portfolio	992	1 312	0
Allocated result - insurance contracts in the common portfolio	0	0	2 366
Insurance liabilities in life insurance - contractual liabilities	296 687	258 734	274 294
Premium reserve - ordinary tariff	1 418	1 319	1 361
Premium reserve - longevity reinforcement	88	0	60
Premium fund, buffer fund and pensioners' surplus fund	48	41	45
Supplementary reserves	83	83	83
Unallocated result - insurance contracts in the unit-linked portfolio	1	28	0
Insurance-related provisions - investment option portfolio	1 638	1 471	1 548

Reserves increase
NOK millions

Estimated gross reserves increase for new tariff K 2013	10 700
Reserves increase as at 31.12.2012	4 460
Additional reserves increase this year - up to now ¹	1 343
Total reserves increase as at 30.06.2013	5 803
Remaining reserves increase requirement	4 897

¹ Reserves increase is calculated based on the results of Q2, but is not binding on the Group result for the year.

Note 11 SPECIAL EVENTS

Court settlements

During the second quarter a settlement has been agreed with Eksportfinans ASA in two legal disputes. The settlement has resulted in KLP Banken AS recognizing an income of NOK 50 millions. The income is booked at the income statement line net value changes on financial instruments.

Liquidation

All loans of the subsidiary KLP Kreditt AS was sold in June 2013 to KLP. The company fulfilled its obligations to the parent company and terminated all ongoing financial deals. This was carried out in the Board's decision to terminate KLP Kreditt AS in 2013.



Send all mail to:

Kommunal Landspensjonskasse
P.O. Box 400 Sentrum, 0103 Oslo
Organization no.: 938 708 606
Email: klp@klp.no
klp.no

Head Office Oslo

Visiting address:
Dronning Eufemias gate 10,
0103 Oslo, Norway
Tel.: +47 22 03 35 00
Fax: +47 22 03 36 00

Regional office Bergen

Visiting address:
Vågsallmenningen 16,
5014 Bergen, Norway
Tel.: +47 05554
Fax: +47 55 54 85 90