

# Interim report 2/2015



**INCOME STATEMENT**

**BALANCE SHEET**

**NOTES**



# Contents

<b>Report from the Board of directors</b>	<b>3</b>
<b>Accounts for KLP Group</b>	<b>8</b>
Income statement	8
Balance sheet	9
Changes in Owners' equity	10
Statement of cash flows	11
Notes to the accounts	12
<b>Note 1</b> Accounting principles	12
<b>Note 2</b> Segment information - profit / loss - (i.a.w. IFRS) by business area	13
<b>Note 3</b> Premium income for own account	16
<b>Note 4</b> Other income	16
<b>Note 5</b> Subordinated loan and Perceptual hybrid Tier 1 securities	17
<b>Note 6</b> Operating expenses	17
<b>Note 7</b> Other expenses	17
<b>Note 8</b> Investment property	18
<b>Note 9</b> Fair value of financial assets and liabilities	18
<b>Note 10</b> Borrowing	21
<b>Note 11</b> Fair value hierarchy	23
<b>Note 12</b> Liquidity risk	27
<b>Note 13</b> Interest rate risk	29
<b>Note 14</b> Credit risk	32
<b>Note 15</b> Technical provisions in life insurance	35
<b>Note 16</b> Presentation of assets and liabilities that are subject to net settlement	36
<b>Note 17</b> Other current liabilities	37
Key figures - accumulated	38
<b>Non - financial accounts - KLP Group</b>	<b>41</b>
<b>Note 1</b> Dialogue	42
<b>Note 2</b> Energy consumption	42
<b>Accounts Kommunal Landspensjonskasse</b>	<b>43</b>
Income statement	44
Balance sheet	45
Changes in Owners' equity	46
Statement of cash flows	47
Notes to the Accounts	48
<b>Note 1</b> Accounting principles	48
<b>Note 2</b> Value-adjustment investment propoerty	48
<b>Note 3</b> Premium income	48
<b>Note 4</b> Claims	48
<b>Note 5</b> Insurance-related operating expenses	49
<b>Note 6</b> Fair value of financial assets and liabilities	49
<b>Note 7</b> Fair value hierarchy	57
<b>Note 8</b> Presentation of assets and liabilities that are subject to net settlement	65
<b>Note 9</b> Other short term liabilities	67
<b>Note 10</b> Insurance liabilities	67

# Report first half-year 2015

A good half-year result in which the Company has strengthened its solidity after a period with strong customer growth

- The transfer process has finally been completed. Since January 2012 a total of 91 municipalities, one county administration and 374 enterprises have become new customers of KLP.
- Value-adjusted return on the common portfolio for public sector occupational pensions was 0.1 per cent for the quarter and 2.3 per cent for the half-year.
- Book return on the common portfolio for public sector occupational pensions was 1.0 percent for the quarter and 2.0 per cent for the half-year.
- KLP issued a subordinated loan of EUR 600 million in the European market. The loan was oversubscribed and demonstrates that KLP enjoys a strong position in international capital markets.

## KLP – a customer-owned group in development

At the end of the first half-year the Group had total assets of NOK 526 billion, i.e. growth of NOK 35 billion so far this year. NOK 9.7 billion of that growth can be ascribed to inward transfer of insurance funds from new customers within life and pension insurance. Nervousness in equity markets and rises in interest rates contributed to some of the strong value growth in the Group's securities investments through Q1 being reversed during Q2. That was the reason for the quarter's weak operating result of NOK -1541 million (5769). The operating profit for the first

half-year, however, is satisfactory and amounts to NOK 5426 million (8824). The major inward transfer of new customers from DNB Livsforsikring and Storebrand has now at last been completed according to plan and without major complications. In total 91 municipalities, one county administration and 374 enterprises have completed planned transfer over the period 2012 up to and including 1 July 2015.

After several years of strong growth associated with inward transfer of new customers and good underlying growth in the numbers of members, the Board of Directors wished to strengthen the Company's capital base (Tier 2 capital). In June KLP raised EUR 600 million, corresponding to about NOK 5.3 billion, in a new Tier 2 loan. The loan is Solvency II compliant and was well received in the market.

## Kommunal Landspensjonskasse gjensidig forsikringselskap (KLP)

Pension schemes within the public sector are offered and managed by the Group's parent company Kommunal Landspensjonskasse (KLP). Of the Group's total assets of NOK 526 billion, NOK 407 billion represents pension funds belonging to this customer group.

## Result following the second quarter 2015

### Returns result

During the first half of 2015, KLP achieved a satisfactory returns result (return in excess of the base rate) of NOK 2.6 billion (1.2\*), of which NOK 1.3 billion during the second quarter.

Financial income from customer assets was NOK 8.9 billion (11.8), of which NOK 0.5 billion during the second quarter. Value-adjusted return on the common portfolio was 2.3 per cent for the half-year and book return was 2.0 per cent.

### Risk result

The risk result was good in the first quarter, but somewhat weaker in the second. The risk events are in line with expectations over the first half-year and the result amounts to NOK 294 million. This has been provisionally allocated with NOK 144 million to customer profit and NOK 150 million to corporate income. From the Company's share of the risk result NOK 144 million has been allocated to the risk equalization fund and NOK 6 million to retained earnings as unallocated profit.

### Administration result

The Company's administration result shows a surplus of NOK 132 million (123) at the end of the second quarter. This reflects KLP having good control of its costs levels. Insurance-related operating costs represent 0.26 per cent of the premium reserve.

## Combined result

The result for the Company was NOK 471 million for the quarter and NOK 1053 million for the first half-year. The customer result was NOK 1277 million for the quarter and NOK 2691 million for the first half-year. Profit allocation is provisional:

NOK millions	Customers	Company	Total
Returns result	2 596	11	2 607
Risk result	144	150	294
Interest guarantee premium		398	398
Administration result		132	132
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		420	420
Returned reserve increase contribution from customers to Company	-50	50	0
Tax		-108	-108
<b>Income for Q2 2015</b>	<b>2 691</b>	<b>1 053</b>	<b>3 744</b>
<b>Income for Q2 2014</b>	<b>1 513</b>	<b>800</b>	<b>2 314</b>

### Disability reform

The revision of the disability benefits is part of the adaptation of public sector occupational pension (OfTP) to the pension reform. It was decided to change the National Insurance disability benefits with effect from 1 January 2015. The new National Insurance disability insurance takes a larger part of the total disability benefit, and public sector occupational pension correspondingly less, for new disability claimants from 2015. The overarching objective in regard to level has been an unchanged degree of compensation (total benefit from National Insurance and OfTP) after tax. This means considerably lower benefits from OfTP in regard to long-term disability than was the case before the revision. With the reduced benefits from 1 January 2015, the premium reserve requirement is considerably reduced. The reduction in premium reserve represents NOK 9 to 10 billion in KLP's schemes for municipalities, county administrations, state health enterprises and other organizations associated with the public sector.

KLP's former disability tariffs, which applied until 31 December 2014, were based on disability data up to 2009. Throughout the period since 2009 disability trends in KLP's membership have been more advantageous than the assumptions the Company adopted in 2009. This reduces the premium reserve requirement by about NOK 5 billion.

### Financial strength and capital-related matters

Total assets were NOK 445.9 billion, an increase of NOK 14.4 billion during the quarter. Insurance liabilities have increased by NOK 8.6 billion. In the course of the first half-year NOK 9.6 billion was received in inward transfers of reserves whilst NOK 0.1 billion was transferred out.

KLP's capital adequacy ratio at the end of the quarter was 11.3 per cent (9.6) and core capital adequacy was 7.7 per cent (8.0). During June, NOK 1159 million of ordinary equity capital contributions were called in, to be paid in during Q3. The solvency margin increased during the first half-year from 228 to 241 per cent.

The strengthening of capital adequacy and solvency ratios is

mainly the result of the newly issued Tier 2 loan of EUR 600 million in subordinated debt during Q2.

In the course of the first half-year the securities adjustment fund was strengthened by NOK 1.4 billion to NOK 20.9 billion. Supplementary reserves total NOK 17.2 billion.

At the end of the quarter KLP had a total solvency capital of NOK 79.2 billion, corresponding to 21.6 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 regulatory requirements.

## Key figures

Per cent	So far, as at Q2		The year
	2015	2014	2014
<b>ASSETS</b>			
Capital return I	2,0	1,8	4,3
Capital return II	2,3	3,6	6,9
Capital return III	1,0	4,6	9,5
<i>The return figures apply to the common portfolio</i>			
Capital adequacy ratio	11,3	9,6	9,5
Solvency margin ratio	241	209	228

### Premium income

Premium income excluding premium reserves received on transfer totalled NOK 10.0 billion for the quarter (11.7) and NOK 16.0 billion (16.3) for the half-year. The reduction is due to lower salary growth registered in the membership this year and thus the premium financing adjustment of the obligations based on salary growth is, at NOK 1.8 billion, lower in the first half of this year than in the corresponding period last year. Other premium income has thus increased.

### Claims/benefits

Pensions paid and other claims, excluding premium reserve ceded on transfer, increased by 14.4 per cent and amounted to NOK 7427 million (NOK 6491 million) so far this year.

### Management of the common portfolio

The assets in the common portfolio totalled NOK 409.2 billion (346.5) and were invested as shown below:

All figures in per cent	30.06.2015	1st half-year 2015	30.06.2014	1st half-year 2014
	Proportion	Return	Proportion	Return
Assets				
Shares	21,5 %	4,7 %	20,8 %	7,3 %
Short-term bonds	21,1 %	0,0 %	20,7 %	4,6 %
Long-term/HTM bonds	27,4 %	2,2 %	28,1 %	2,3 %
Lending	12,2 %	1,4 %	11,1 %	1,6 %
Property	10,9 %	5,2 %	11,4 %	3,6 %
Other financial assets	6,9 %	0,7 %	8,0 %	1,3 %

### Equities

Total exposure in shares including share derivatives and special funds amounted to just below 22 per cent. The equities markets showed mixed development during the quarter. Oslo Børs (Oslo stock exchange - OSEBX) produced a weak positive return of 1.6 per cent, whilst KLP's world index (currency hedged) fell by 0.4 per cent during the quarter.

### Short-term bonds

Short-term bonds amounted to about 21 per cent of the assets in the common portfolio. Increased Interest rates has led to negative returns for all sub-indices. The international credit bonds index KLP uses had a currency-hedged return of -2.3 per cent during the second quarter of 2015. The index for international government bonds fell by 3.0 per cent, whilst the Norwegian government bonds index was down by 0.4 per cent during the quarter.

### Bonds held to maturity

Investments in bonds held to maturity represented over 27 per cent of the common portfolio. Added value not brought to book totalled NOK 9.1 billion. The portfolio is well diversified and comprises securities issued by creditworthy institutions. There is no write-down for credit losses in the portfolio.

### Property

Property investments represented 10.9 per cent of the common portfolio. KLP conducts a thorough value assessment of its property holdings each quarter. The review during the first half-year 2015 shows stability in the pricing of investment properties. The property values in the common portfolio have been adjusted upwards by NOK 990 million. If the effect of currency hedging on foreign properties is included the upward adjustment during the first half-year amounts to NOK 1027 million. The return on operations in the common portfolio was 5.2 per cent.

### Lending

Lending in the common portfolio was NOK 48.3 billion. This was divided between NOK 44.0 billion in loans to local authorities and other organizations, and NOK 4.3 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 575 million on 30 June 2015.

### 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 with low risk aiming at stable returns and growth in the owners' equity. The investments in the corporate portfolio achieved a return of 2.4 per cent during the half-year, of which 1.1 cent during the second quarter.

### Regulatory framework; product and market conditions; and owner relations

Implementation of the Solvency II regulations is staged so that requirements are set for the companies' preparations with particular emphasis on organization and reporting. The final regulations including the new solvency requirements will come into force from 1st of January 2016. The capital requirements under the new regulations will be stricter than previously, but

provisional calculations show that the Company will satisfy them without transitional rules. KLP is continuing its work to prepare for the transition, undertaking much work on the Company's own processes concerning risk and solvency (the ORSA process).

There have been Supervisory Board meetings, the General Meeting and working group meetings with owners during the second quarter.

## The business areas of the subsidiaries

### Private occupational pensions

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

There is considerable market activity at KLP Bedriftspensjon and this is providing satisfactory volume growth. The company had NOK 2.5 billion in total assets at the end of the first half-year, an increase of NOK 0.3 billion so far this year. Half the increase is associated with defined contribution pensions, which now amount to NOK 1.0 billion. Pension funds with annual return guarantees represent NOK 1.2 billion.

226 new customers signed pension agreements with KLP Bedriftspensjon and 314 pension capital certificates have been moved to the company.

KLP Bedriftspensjon achieved a book return in the common portfolio of 2.4 per cent and a value-adjusted return of 2.5 per cent during the first half-year. The defined contribution pension customers achieved a return of 2.5 per cent for the half-year.

The returns result was NOK 4.5 million in the second quarter and NOK 10.0 million so far this year.

The company achieved pre-tax profits of NOK 0.2 million during the quarter, NOK - 6.8 million for the first half-year.

### Returns customer assets

Per cent	30.06.2015	30.06.2014	31.12.2014
Common portfolio			
Capital return I	2,4 %	3,2 %	4,6 %
Capital return II	2,5 %	2,7 %	6,1 %
Defined contribution pension with investment options			
Profile KLP90	5,5 %	7,8 %	8,9 %
Profile KLP70	4,1 %	7,3 %	8,9 %
Profile KLP50	2,7 %	6,4 %	9,2 %
Profile KLP30	1,5 %	5,5 %	8,4 %
Profile KLPPM	0,9 %	1,2 %	2,3 %

### Non-life insurance

KLP Skadeforsikring AS is a significant provider of non-life insurance to municipalities and county administrations. In addition the company has a growing number of customers within municipal enterprises and businesses in related sectors. KLP Skadeforsikring is quality accredited in accordance with the ISO 9001 standard.

The pre-tax operating profit for the first half-year was NOK 19.5 million. For the same period last year the result was NOK 137.2 million. The result for the second quarter was NOK 18.4 million.

The half-year result was marked by two large fire claims in the first quarter with a total claim cost for own account of NOK 58 million. During the second quarter an additional claim estimated at NOK 15.5 million was reported. Run-off of previous years' claims continues to be positive and during the half-year NOK 55.8 million was taken to income on adjustment of previous years' reserves. NOK 26.1 million associated with natural perils claims was taken to expenses during the period. Financial income was weak during the second quarter in isolation, only 0.4 per cent, but satisfactory viewed over the whole result period, with a total return of 2.3 percent.

#### Public sector market

Net premium written so far this year has increased by 2.4 per cent compared with the status on 31 December 2014, corresponding to NOK 11.9 million.

#### The corporate market

Net premium written so far this year has increased by 5.3 per cent compared with the status on 31 December 2014, corresponding to NOK 13.2 million. There is high tender competition activity in a market where the competition is tough. The bid win ratio for the period is about 12 per cent.

During the second quarter no claims exceeding NOK 5 million were reported, whilst one claim during the first quarter has an estimated cost of NOK 16.1 million.

#### Retail market

Net premium written so far this year has increased by 11.6 per cent compared with the status on 31 December 2014, corresponding to NOK 34.2 million. The proportion of members in sales for the year was 86.5 per cent. The proportion of online sales to the retail market is increasing and was 21 per cent for sales for the year.

Five large property claims have been reported so far this year with a combined cost of NOK 22.3 million. All the claim events occurred during the first quarter.

Net financial income during the first half-year was NOK 89.1 million against NOK 123.5 million at the same time last year. The best asset classes were Property and Shares with 7.3 per cent and 5.0 per cent respectively in accumulated returns.

During the first quarter the company increased its investments in its two property general partnerships (ANS) by NOK 52 million. The company's property investments were also adjusted upwards by NOK 25 million as a result of value increase.

The company's contingency reserves are unchanged compared to the status at the end of 2014 and represent a satisfactory buffer in relation to the uncertainty in an insurance portfolio

The capital adequacy ratio was 40.0 per cent, against 44.0 per cent at the end of 2014.

As at 1st half-year	2015	2014
Claims ratio <sup>1</sup>	93,7	71,8
Costs ratio <sup>1</sup>	20,4	23,9
Total costs ratio <sup>1</sup>	114,0	95,7

<sup>1</sup> For own account

The company's objective is to be a competitive provider to all public sector customers. There is major focus on risk-reducing measures/information, particularly on activities exposed to risk such as rented municipal housing.

In the corporate market focus is on growth in energy and private businesses both through insurance brokers and direct campaigns in all defined markets.

#### Asset and fund management

KLP Kapitalforvaltning AS comprises the KLP Group's securities management operation. In total the company was managing NOK 383 billion at the end of the first half of 2015. This is an increase of NOK 40 billion since the same date last year. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and subsidiaries in the KLP Group.

Net new subscriptions in the KLP funds during the first half of 2015 were NOK 5,3 billion. Customers external to the Group made net new subscriptions of NOK 2,4 billion. The number of clients have grown by 34 per cent the last 12 months and is now 46,000.

KLP Kapitalforvaltning AS achieved pre-tax profits of NOK 30.5 million during the first half of 2015.

The company is showing good growth through index management of assets from external customers, whereas there are somewhat weaker earnings and growth within active management

#### Banking

KLP Banken operates lending and deposit business in the retail market (RM) and to public sector borrowers and enterprises (PM). Lending is financed for own account from deposits and borrowing in the securities market. In addition loans financed by KLP are administered by the Bank. In 2014 the Group established KLP Boligkreditt AS. This company is now in full operation with a lending balance at the end of the reporting period of NOK 3.8 billion, of which NOK 2.3 billion is financed by covered bonds.

#### Public sector market

Altogether, lending activity in the PM experienced growth during the first half-year, whilst the volume for the bank's own account is somewhat reduced. The business is generating satisfactory margins, which contribute to positive earnings for the banking group.

### Retail market

The retail market effort is oriented towards members through the latter being offered extra favourable terms. The members' share remains stable at about 69 per cent on deposits and 80 per cent on loans. So far during 2015 the number of customers who are members has increased by over 3200. During the same period the volume of mortgage lending on the KLP Banken Group balance sheet increased by a little over NOK 1 billion, whilst growth in deposits was NOK 1054 million.

Default on housing mortgages is at a relatively low level. As at 30 June 2015 default in excess of 90 days represented 0.34 per cent. The known losses in the portfolio are very low.

### Income

The KLP Banken Group achieved pre-tax profits for the first half-year of NOK 17 million. The result for the second quarter in isolation was NOK 19 million. Total net interest income during the first half year was NOK 81 million. Of this, NOK 43 million accrued during the second quarter.

### Corporate social responsibility

When KLP took the decision to sell shares in coal companies, NOK 500 million was earmarked for investment in renewable energy in emerging market economies. In June it became clear that these assets should be invested through KLP Norfund Investments (KNI).

KLP was ranked Number 2 globally in the annual survey from the Asset Owners Disclosure Project (AODP) on what capital owners are doing to meet climate challenges. KLP is one of eight investors achieving a triple-A rating. Each year AODP ranks

the world's largest capital owners according to how they are contributing to the pressing climate change. They produce an index of the 500 largest global capital owners. The survey shows that almost half (232) of the funds surveyed do little to integrate climate considerations in their investments. KLP's environmental certification, "Eco-Lighthouse", has been renewed.

KLP has carried out its biannual review of the companies in which it may invest in the light of the Company's guidelines for responsible investments. A further ten companies are excluded from KLP's investments with effect from June, five of which have been excluded on the grounds of income from coal-based activities. During the first half-year 2015 KLP voted at 80 Norwegian general meetings (92%) and 1908 foreign general meetings (82%). KLP has monitored about 60 companies and cases. In total another 10 companies were excluded with effect from 1 June 2015 and 1 company was readmitted.

### Future prospects

With continuing uncertainty surrounding global growth the Company will continue to use positive results to strengthen its buffer capital. Interest rate increases during the second quarter reduced the surplus in the Company, but will in due course contribute to improved returns on the customers' investments. Solid buffers continue to be important to secure the ability to provide our customers with good asset management when interest rates are low.

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

Oslo, 18 August 2015

The Board of directors at Kommunal Landspensjonskasse gjensidig forsikringselskap

Liv Kari Eskeland  
Chair

Egil Johansen  
Deputy Chair

Marit Torgersen

Jan Helge Gulbrandsen

Cathrine Klouman

Lars Vorland

Susanne Torp-Hansen  
Elected by and from the employees

Freddy Larsen  
Elected by and from the employees

# Income statement

KLP Group

Note	NOK millions	Q2 2015	Q2 2014	01.01.2015 -30.06.2015	01.01.2014 -30.06.2014	The year 2014
3	Premium income for own account	9 966	11 481	26 261	38 046	63 611
	Current return on financial assets	3 717	3 208	6 788	5 954	12 185
	Net interest income banking	42	33	81	64	133
	Net value changes on financial instruments	-4 589	5 283	2 370	7 620	13 809
8	Net income from investment properties	1 020	891	2 209	1 387	4 054
4	Other income	237	216	472	394	871
	Return to financial instruments attributable to minority interests	401	-1 337	-1 598	-1 767	-3 343
	<b>Total net income</b>	<b>10 794</b>	<b>19 775</b>	<b>36 583</b>	<b>51 699</b>	<b>91 321</b>
	Claims for own account	-3 976	-3 502	-8 086	-10 925	-18 643
	Change in technical reserves	-7 771	-9 829	-21 848	-30 716	-51 848
5	Net costs subordinated loan and hybrid Tier 1 securities	-6	-195	-94	-225	-807
6	Operating expenses	-366	-286	-694	-641	-1 167
7	Other expenses	-215	-193	-435	-367	-800
	<b>Total expenses</b>	<b>-12 335</b>	<b>-14 006</b>	<b>-31 157</b>	<b>-42 875</b>	<b>-73 265</b>
	<b>Operating profit/loss</b>	<b>-1 541</b>	<b>5 769</b>	<b>5 426</b>	<b>8 824</b>	<b>18 056</b>
	To/from securities adjustment fund – life insurance	3 199	-4 398	-1 393	-6 164	-9 130
	To supplementary reserves – life insurance	57	0	57	0	-3 415
	Assets allocated to insurance customers – life insurance	-1 048	-951	-2 756	-1 862	-4 322
	<b>Pre-tax income</b>	<b>667</b>	<b>421</b>	<b>1 334</b>	<b>799</b>	<b>1 189</b>
	Cost of taxes <sup>1</sup>	-225	-12	-360	-102	-324
	<b>Income</b>	<b>442</b>	<b>408</b>	<b>975</b>	<b>697</b>	<b>865</b>
	Actuarial loss on post employment benefit obligations	0	-38	0	-38	-218
	Adjustments of the insurance obligations	0	0	0	0	20
	Tax on items that will not be reclassified to profit or loss	0	0	0	0	53
	<b>Items that will not be reclassified to profit or loss</b>	<b>0</b>	<b>-38</b>	<b>0</b>	<b>-38</b>	<b>-144</b>
	Revaluation real property for use in own operation	42	110	78	142	195
	Currency translation foreign subsidiaries	292	-128	55	-334	-678
	Adjustments of the insurance obligations	-292	128	-55	334	678
	Tax on items that will be reclassified to profit or loss	-11	0	-21	0	-53
	<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>	<b>30</b>	<b>110</b>	<b>57</b>	<b>142</b>	<b>142</b>
	<b>Total other comprehensive income</b>	<b>30</b>	<b>72</b>	<b>57</b>	<b>104</b>	<b>-2</b>
	<b>Total comprehensive income</b>	<b>472</b>	<b>480</b>	<b>1 031</b>	<b>800</b>	<b>863</b>
	<sup>1</sup> Cost of taxes is included in the minority's share.	-136	-2	-87	-26	114



# Balance sheet

KLP Group

Note	NOK millions	30.06.15	30.06.14	31.12.14
	Deferred tax assets	0	0	88
	Other intangible assets	492	398	448
	Tangible fixed assets	1 258	1 141	1 198
	Investments in affiliated companies	326	131	248
8,11	Investment property	45 486	40 359	44 467
9,14	Debt instruments held to maturity	38 296	28 896	30 620
9,14	Debt instruments classified as loans and receivables	88 446	76 834	86 974
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	2 043	2 136	2 269
9,14	Lending local government, enterprises and retail customers	72 055	57 979	64 741
9,11,14	Debt instruments at fair value through profit or loss	144 275	130 769	152 489
9,11	Equity capital instruments at fair value through profit or loss	113 068	88 381	101 123
9,11,14	Financial derivatives	1 123	832	1 785
9	Receivables	10 777	11 220	1 345
9	Assets in defined contribution-based life insurance	1 015	735	842
	Cash and bank deposits	7 384	2 651	2 257
	<b>TOTAL ASSETS</b>	<b>526 044</b>	<b>442 463</b>	<b>490 894</b>
	Owners' equity contributed	9 215	7 623	9 173
	Retained earnings	9 503	8 409	8 471
	<b>TOTAL OWNERS' EQUITY</b>	<b>18 718</b>	<b>16 032</b>	<b>17 644</b>
9,10	Hybrid Tier 1 securities	1 277	1 007	1 253
9,10	Subordinated loan capital	8 478	3 126	3 423
	Pension obligations	754	661	755
15	Technical provisions - life insurance	408 316	352 224	379 912
15	Provisions in life insurance with investment option	1 015	735	842
	Premiums, claims and contingency fund provisions - non-life insurance	2 984	2 817	2 555
9,10	Covered bonds issued	17 642	16 236	18 468
9,10	Debt to credit institutions	5 509	3 702	5 220
9,10	Liabilities to and deposits from customers	7 305	5 079	6 251
9,11	Financial derivatives	5 529	3 433	11 549
	Deferred tax	180	91	170
17	Other current liabilities	6 941	6 441	5 885
	The minority's share of liabilities	41 396	30 880	36 968
	<b>TOTAL LIABILITIES</b>	<b>507 327</b>	<b>426 431</b>	<b>473 250</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>526 044</b>	<b>442 463</b>	<b>490 894</b>
	Contingent liabilities	10 177	9 147	13 256

# Changes in Owners' equity

KLP Group

2015 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2015	9 173	8 471	17 644
Income		975	975
Items that will not be reclassified to income		0	0
Items that will be reclassified to income later when particular conditions are met		57	57
<b>Total other comprehensive income</b>		<b>57</b>	<b>57</b>
<b>Total comprehensive income</b>		<b>1 031</b>	<b>1 031</b>
Owners' equity contribution received (net)	42		42
<b>Total transactions with the owners</b>	<b>42</b>		<b>42</b>
Owners' equity 30 June 2015	9 215	9 503	18 718

  

2014 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2014	7 659	7 609	15 268
Income		697	697
Items that will not be reclassified to income		-38	-38
Items that will be reclassified to income later when particular conditions are met		142	142
<b>Total other comprehensive income</b>		<b>104</b>	<b>104</b>
<b>Total comprehensive income</b>		<b>800</b>	<b>800</b>
Owners' equity contribution received (net)	-36		-36
<b>Total transactions with the owners</b>	<b>-36</b>		<b>-36</b>
Owners' equity 30 June 2014	7 623	8 409	16 032

# Statement of cash flows

KLP Group

NOK millions	01.01.2015 -30.06.2015	01.01.2015 -31.03.2015	01.01.2014 -31.12.2014	01.01.2014 -30.09.2014	01.01.2014 -30.06.2014
Net cash flow from operational activities	758	1 198	-3 819	-999	94
Net cash flow from investment activities <sup>1</sup>	-75	-30	-162	-105	-69
Net cash flow from financing activities <sup>2</sup>	4 445	-105	3 342	1 593	-270
<b>Net changes in cash and bank deposits</b>	<b>5 127</b>	<b>1 063</b>	<b>-639</b>	<b>489</b>	<b>-245</b>
Holdings of cash and bank deposits at start of period	2 257	2 257	2 896	2 896	2 896
<b>Holdings of cash and bank deposits at end of period</b>	<b>7 384</b>	<b>3 320</b>	<b>2 257</b>	<b>3 385</b>	<b>2 651</b>

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

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

# Notes to the accounts

KLP Group

## **Note 1** ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Group and the company financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January 2015 - 30 June 2015. The auditor has conducted a review of the report.

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The same accounting principles and calculation methods have been used in these interim accounts as in last year's accounts.

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2014. These are available on KLP's website, [klp.no](http://klp.no).

## Note 2 SEGMENT INFORMATION

NOK millions	Group pensions pub. sect. & group life			Group pensions private			Non-life insurance		
	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014
Premium income f.o.a. from external customers <sup>1</sup>	25 528	37 383	62 379	236	258	410	498	405	823
Premium income f.o.a. from other Group companies <sup>1</sup>	20	31	76	0	0	0	6	5	19
Net financial income from investments	9 408	12 564	25 204	53	81	139	92	126	240
Other income from external customers	527	559	1 224	1	1	2	1	1	1
Other income from other Group companies	0	0	0	0	0	0	0	0	0
Return to financial instruments attributable to minority interests									
<b>Total income</b>	<b>35 483</b>	<b>50 537</b>	<b>88 882</b>	<b>290</b>	<b>340</b>	<b>551</b>	<b>596</b>	<b>537</b>	<b>1 083</b>
Claims f.o.a.	-7 574	-10 597	-17 996	-45	-33	-66	-467	-295	-581
Insurance provisions f.o.a.	-21 626	-30 436	-51 405	-217	-275	-441	-5	-5	-1
Costs borrowing	-94	-225	-807	0	0	0	0	0	0
Operating costs excluding depreciation	-420	-364	-692	-22	-20	-42	-103	-98	-193
Depreciation	-37	-40	-79	-1	-1	-1	-2	-2	-4
Other expenses	-436	-367	-799	0	0	0	0	0	0
<b>Total expenses</b>	<b>-30 187</b>	<b>-42 028</b>	<b>-71 777</b>	<b>-285</b>	<b>-329</b>	<b>-550</b>	<b>-576</b>	<b>-400</b>	<b>-779</b>
<b>Operating profit/loss</b>	<b>5 296</b>	<b>8 509</b>	<b>17 105</b>	<b>5</b>	<b>12</b>	<b>1</b>	<b>20</b>	<b>137</b>	<b>304</b>
Funds credited to insurance customers <sup>2</sup>	-4 135	-7 670	-16 146	-12	-21	-23	0	0	0
<b>Pre-tax income</b>	<b>1 161</b>	<b>839</b>	<b>959</b>	<b>-7</b>	<b>-9</b>	<b>-23</b>	<b>20</b>	<b>137</b>	<b>304</b>
Cost of taxes	-108	0	35	0	0	0	-12	-33	-64
<b>Income</b>	<b>1 053</b>	<b>839</b>	<b>994</b>	<b>-7</b>	<b>-9</b>	<b>-23</b>	<b>7</b>	<b>104</b>	<b>240</b>
Change in other comprehensive income	0	-38	-143	0	0	-2	0	-4	-16
<b>Total comprehensive income</b>	<b>1 053</b>	<b>800</b>	<b>852</b>	<b>-7</b>	<b>-9</b>	<b>-25</b>	<b>7</b>	<b>101</b>	<b>223</b>
Assets	445 903	377 752	415 030	2 546	2 131	2 270	4 278	4 048	3 945
Liabilities	427 355	361 899	397 576	2 424	2 011	2 167	3 149	2 973	2 824

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

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

**Note 2** SEGMENT INFORMATION (CONT.)

NOK millions	Banking			Asset management			Other		
	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014
Premium income f.o.a. from external customers <sup>1</sup>	0	0	0	0	0	0	0	0	0
Premium income f.o.a. from other Group companies <sup>1</sup>	0	0	0	0	0	0	0	0	0
Net financial income from investments	67	66	118	5	4	6	0	0	0
Other income from external customers	5	5	10	0	0	0	4	4	8
Other income from other Group companies	29	29	58	149	198	419	0	0	0
Return to financial instruments attributable to minority interests									
<b>Total income</b>	<b>102</b>	<b>100</b>	<b>186</b>	<b>154</b>	<b>202</b>	<b>424</b>	<b>4</b>	<b>4</b>	<b>8</b>
Claims f.o.a.	0	0	0	0	0	0	0	0	0
Insurance provisions f.o.a.	0	0	0	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0	0	0	0
Operating costs excluding depreciation	-83	-70	-155	-121	-189	-366	-4	-4	-7
Depreciation	-1	-1	-3	-2	-1	-2	0	0	0
Other expenses	0	0	0	0	0	0	0	0	0
<b>Total expenses</b>	<b>-85</b>	<b>-71</b>	<b>-158</b>	<b>-123</b>	<b>-190</b>	<b>-368</b>	<b>-4</b>	<b>-4</b>	<b>-7</b>
<b>Operating profit/loss</b>	<b>17</b>	<b>29</b>	<b>28</b>	<b>31</b>	<b>12</b>	<b>56</b>	<b>1</b>	<b>1</b>	<b>1</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0	0	0	0	0	0
<b>Pre-tax income</b>	<b>17</b>	<b>29</b>	<b>28</b>	<b>31</b>	<b>12</b>	<b>56</b>	<b>1</b>	<b>1</b>	<b>1</b>
Cost of taxes	-5	-8	-7	-9	-3	-14	0	0	0
<b>Income</b>	<b>12</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>9</b>	<b>42</b>	<b>1</b>	<b>1</b>	<b>0</b>
Change in other comprehensive income	0	-1	-4	0	0	0	0	0	0
<b>Total comprehensive income</b>	<b>12</b>	<b>20</b>	<b>16</b>	<b>22</b>	<b>9</b>	<b>42</b>	<b>1</b>	<b>1</b>	<b>0</b>
Assets	29 819	26 450	29 758	368	301	360	11	11	11
Liabilities	28 534	25 157	28 469	163	132	177	2	2	3

**Note 2 SEGMENT INFORMATION (CONT.)**

NOK millions	Eliminations			Total		
	01.01.15- 30.06.15	01.01.14 -30.06.14	The year 2014	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014
Premium income f.o.a. from external customers <sup>1</sup>	0	0	0	26 261	38 046	63 611
Premium income f.o.a. from other Group companies <sup>1</sup>	-25	-36	-95	0	0	0
Net financial income from investments	1 823	2 184	4 474	11 448	15 025	30 181
Other income from external customers	-67	-175	-375	472	394	871
Other income from other Group companies	-178	-227	-477	0	0	0
Return to financial instruments attributable to minority interests	-1 598	-1 767	-3 343	-1 598	-1 767	-3 343
<b>Total income</b>	<b>-45</b>	<b>-22</b>	<b>186</b>	<b>36 583</b>	<b>51 699</b>	<b>91 321</b>
Claims f.o.a.	0	0	0	-8 086	-10 925	-18 643
Insurance provisions f.o.a.	0	0	0	-21 848	-30 716	-51 848
Costs borrowing	0	0	0	-94	-225	-807
Operating costs excluding depreciation	113	156	396	-641	-587	-1 059
Depreciation	-11	-9	-20	-53	-54	-109
Other expenses	1	0	0	-435	-367	-800
<b>Total expenses</b>	<b>102</b>	<b>147</b>	<b>376</b>	<b>-31 157</b>	<b>-42 875</b>	<b>-73 265</b>
<b>Operating profit/loss</b>	<b>58</b>	<b>125</b>	<b>562</b>	<b>5 426</b>	<b>8 824</b>	<b>18 056</b>
Funds credited to insurance customers <sup>2</sup>	55	-334	-698	-4 092	-8 025	-16 867
<b>Pre-tax income</b>	<b>113</b>	<b>-209</b>	<b>-136</b>	<b>1 334</b>	<b>799</b>	<b>1 189</b>
Cost of taxes	-226	-59	-273	-360	-102	-324
<b>Income</b>	<b>-113</b>	<b>-267</b>	<b>-409</b>	<b>975</b>	<b>697</b>	<b>865</b>
Change in other comprehensive income	57	147	164	57	104	-2
<b>Total comprehensive income</b>	<b>-57</b>	<b>-120</b>	<b>-245</b>	<b>1 031</b>	<b>800</b>	<b>863</b>
Assets	43 082	31 771	39 519	526 044	442 463	490 894
Liabilities	45 670	34 261	42 034	507 327	426 431	473 250

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

**Public sector occupational pension and group life**

Kommunal Landspensjonskasse offers group public sector occupational pensions.

**Enterprise (defined benefit) and defined contribution pension**

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

**Non-life insurance**

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

**Banking**

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

**Asset management**

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

**Other**

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

**Note 3 PREMIUM INCOME FOR OWN ACCOUNT**

NOK millions	Q2 2015	Q2 2014	01.01.2015 -30.06.2015	01.01.2014 -30.06.2014	The year 2014
Contribution service pension / AFP	10 343	11 963	16 580	16 829	33 300
Reinsurance premiums ceded	25	24	15	10	-12
Transfer of premium reserves from others	-403	-505	9 667	21 207	30 324
<b>Total premium income</b>	<b>9 966</b>	<b>11 481</b>	<b>26 261</b>	<b>38 046</b>	<b>63 611</b>

<sup>1</sup>Transfer of premium reserves from others\* for the second quarter of 2014 and 2015 is negative. This is due to the fact that KLP will only upon final settlement for transfers of new clients receive information pertinent to the clients relevant distribution between premium reserves, supplementary reserves and premium fund respectively. Upon the final settlement there will consequently be restating from premium reserves to premium funds and supplementary reserves.

**Note 4 OTHER INCOME**

NOK millions	Q2 2015	Q2 2014	01.01.2015 -30.06.2015	01.01.2014 -30.06.2014	The year 2014
Supplement contractual early retirement scheme (AFP)	209	191	429	364	775
Other income	27	25	43	30	95
<b>Total other income</b>	<b>237</b>	<b>216</b>	<b>472</b>	<b>394</b>	<b>871</b>



**Note 5 SUBORDINATED LOAN AND PERPETUAL HYBRID TIER 1 SECURITIES**

NOK millions	Q2 2015	Q2 2014	01.01.2015 -30.06.2015	01.01.2014 -30.06.2014	The year 2014
<b>SUBORDINATED LOAN</b>					
Interest costs <sup>1</sup>	-55	-39	-90	-76	-165
Value changes	-32	-68	49	-40	-259
<b>Total subordinated loan</b>	<b>-87</b>	<b>-107</b>	<b>-41</b>	<b>-115</b>	<b>-424</b>
<b>PERPETUAL HYBRID TIER 1 SECURITIES</b>					
Interest costs	-14	-11	-28	-22	-49
Value changes	95	-76	-25	-87	-333
<b>Total Perpetual hybrid Tier 1 securities</b>	<b>81</b>	<b>-88</b>	<b>-53</b>	<b>-110</b>	<b>-382</b>
<b>Net costs subordinated loan and hybrid Tier 1 securities</b>	<b>-6</b>	<b>-195</b>	<b>-94</b>	<b>-225</b>	<b>-807</b>

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

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. During the second quarter of 2015 KLP issued a fixed-term EUR 600 million subordinated loan.

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, please see our latest [annual report](#).

**Note 6 OPERATING EXPENSES**

NOK millions	Q2 2015	Q2 2014	01.01.2015 -30.06.2015	01.01.2014 -30.06.2014	The year 2014
Personnel costs	152	129	389	336	736
Depreciation	27	27	53	54	109
Other operating expenses	187	131	251	252	322
<b>Total operating expenses</b>	<b>366</b>	<b>286</b>	<b>694</b>	<b>641</b>	<b>1 167</b>

**Note 7 OTHER EXPENSES**

NOK millions	Q2 2015	Q2 2014	01.01.2015 -30.06.2015	01.01.2014 -30.06.2014	The year 2014
Supplement contractual early retirement scheme (AFP)	209	191	428	364	775
Other expenses	6	2	7	3	25
<b>Total other expenses</b>	<b>215</b>	<b>193</b>	<b>435</b>	<b>367</b>	<b>800</b>

## Note 8 INVESTMENT PROPERTY

NOK millions	Q2 2015	Q2 2014	01.01.2015 -30.06.2015	01.01.2014 -30.06.2014	The year 2014
INCOME STATEMENT: NET INCOME FROM INVESTMENT PROPERTIES					
Net rental income etc.	594	520	1 222	1 045	2 033
Net value adjustment	720	239	1 042	3	1 343
Currency transl. foreign subsidiaries (other comprehensive income)	-294	133	- 55	339	678
<b>Net income from investment properties</b>	<b>1 020</b>	<b>891</b>	<b>2 209</b>	<b>1 387</b>	<b>4 054</b>

NOK millions	30.06.2015	30.06.2014	The year 2014
BALANCE SHEET: INVESTMENT PROPERTY			
Investment property 01.01	44 467	39 744	39 744
Value adjustment	1 042	3	1 343
Net additions	-62	610	3 357
Other changes	39	3	23
<b>Investment property 30.06/31.12</b>	<b>45 486</b>	<b>40 359</b>	<b>44 467</b>

## Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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. 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 Stock Exchange
- Morgan Stanley Capital International (MSCI)
- Reuters

Oslo Stock Exchange 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:

- Barclays Capital Indices
- Bloomberg
- Reuters

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.

## Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

### d) Norwegian fixed income securities - government

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

### e) Norwegian fixed interest securities - non-government

Norwegian fixed-income securities except government securities are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. In theoretical pricing a zero-coupon curve is used as well as yield curve spreads 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 curve spreads are received from Nordic Bond Pricing. These are based on yield curve spreads collected from several 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.

### 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

Investments in Private Equity are made through funds and the funds' fair value is to be based on reported market values, as a result of 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 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

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

NOK millions	30.06.2015		30.06.2014		31.12.2014	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>						
Norwegian hold-to-maturity bonds	11 333	12 439	11 390	12 467	10 384	11 831
Foreign hold-to-maturity bonds	26 963	28 263	17 506	18 934	20 236	22 331
<b>Total debt instruments held to maturity</b>	<b>38 296</b>	<b>40 702</b>	<b>28 896</b>	<b>31 400</b>	<b>30 620</b>	<b>34 162</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST</b>						
Norwegian bonds	28 927	31 779	27 204	29 844	27 640	31 527
Foreign bonds	59 500	63 928	49 610	53 579	59 307	66 576
Other receivables	19	19	20	20	27	27
<b>Total debt instruments classified as loans and receivables</b>	<b>88 446</b>	<b>95 726</b>	<b>76 834</b>	<b>83 443</b>	<b>86 974</b>	<b>98 130</b>
<b>LENDING LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS</b>						
Loans to local government sector or enterprises with local government guarantee	2 043	2 043	2 136	2 136	2 269	2 269
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>2 043</b>	<b>2 043</b>	<b>2 136</b>	<b>2 136</b>	<b>2 269</b>	<b>2 269</b>
<b>LENDING TO LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS - AT AMORTIZED COST</b>						
Loans secured by mortgage	20 517	20 539	14 021	14 027	16 536	18 168
Loans to local government sector or enterprises with local government guarantee	51 539	52 442	43 958	44 515	48 205	48 602
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>72 055</b>	<b>72 981</b>	<b>57 979</b>	<b>58 542</b>	<b>64 741</b>	<b>66 770</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Norwegian bonds	46 170	46 170	47 161	47 161	51 342	51 342
Norwegian certificates	8 615	8 615	9 980	9 980	6 641	6 641
Foreign bonds	73 782	73 782	60 972	60 972	72 998	72 998
Investments with credit institutions	15 708	15 708	12 656	12 656	21 508	21 508
<b>Total debt instruments at fair value through profit/loss</b>	<b>144 275</b>	<b>144 275</b>	<b>130 769</b>	<b>130 769</b>	<b>152 489</b>	<b>152 489</b>
<b>EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Shares	105 820	105 820	82 748	82 748	94 366	94 366
Equity funds	6 758	6 758	4 996	4 996	6 184	6 184
Property funds	389	389	632	632	493	493
Alternative investments	102	102	4	4	81	81
<b>Total equity capital instruments at fair value</b>	<b>113 068</b>	<b>113 068</b>	<b>88 381</b>	<b>88 381</b>	<b>101 123</b>	<b>101 123</b>
<b>RECEIVABLES</b>						
Receivables related to direct business	5 975	5 975	8 464	8 464	1 013	1 013
Receivables related to reinsurance agreements	70	70	49	49	19	19
Reinsurance share of unearned gross premium	0	0	203	203	0	0
Reinsurance share of gross claims reserve	35	35	32	32	10	10
Other receivables	4 698	4 698	2 473	2 473	303	303
<b>Total other loans and receivables including receivables from policyholders</b>	<b>10 777</b>	<b>10 777</b>	<b>11 220</b>	<b>11 220</b>	<b>1 345</b>	<b>1 345</b>

**Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

NOK millions	30.06.2015		30.06.2014		31.12.2014	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	1 277	1 292	1 007	1 025	1 253	1 262
Subordinated loan capital	8 478	8 493	3 126	3 236	3 423	3 508
Debt to credit institutions	3 135	3 135	3 368	3 368	3 219	3 219
Covered bonds issued	17 642	17 642	16 236	16 236	18 468	18 468
Liabilities and deposits from customers	7 305	7 305	5 079	5 079	6 251	6 251
<b>Total financial liabilities</b>	<b>37 836</b>	<b>37 867</b>	<b>25 448</b>	<b>28 944</b>	<b>32 614</b>	<b>32 708</b>
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	2 374	2 374	334	334	2 001	2 001
<b>Total financial liabilities</b>	<b>2 374</b>	<b>2 374</b>	<b>334</b>	<b>334</b>	<b>2 001</b>	<b>2 001</b>
<b>Assets in life insurance with investment option</b>	<b>1 015</b>	<b>1 015</b>	<b>735</b>	<b>735</b>	<b>842</b>	<b>842</b>
<b>Provisions in life insurance with investment option</b>	<b>1 015</b>	<b>1 015</b>	<b>735</b>	<b>735</b>	<b>842</b>	<b>842</b>

NOK millions	30.06.2015		30.06.2014		31.12.2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	191	4 284	18	2 687	455	10 236
Interest rate swaps	439	1 246	497	746	591	1 313
Interest rate and currency swaps	330	0	72	0	312	0
Share options	163	-1	245	0	427	0
<b>Total financial derivatives</b>	<b>1 123</b>	<b>5 529</b>	<b>832</b>	<b>3 433</b>	<b>1 785</b>	<b>11 549</b>

**Note 10 BORROWING**

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2015	Book value 30.06.2014	Book value 31.12.2014
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	2 372	EUR	Fixed <sup>1</sup>	Perpetual	2 589	2 546	2 825
Kommunal Landspensjonskasse	554	JPY	Fixed <sup>2</sup>	Perpetual	615	579	599
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed <sup>3</sup>	2045	5 274	0	0
<b>Total subordinated loan capital</b>	<b>8 089</b>				<b>8 478</b>	<b>3 126</b>	<b>3 423</b>
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed <sup>4</sup>	2034	1 277	1 007	1 253
<b>Total hybrid Tier 1 securities</b>	<b>984</b>				<b>1 277</b>	<b>1 007</b>	<b>1 253</b>

<sup>1</sup> The loan has an interest change date in 2017.<sup>2</sup> The loan has an interest change date in 2016.<sup>3</sup> The loan has an interest change date in 2025.<sup>4</sup> The loan has an interest change date in 2034.

**Note 10 BORROWING (CONT.)**

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2015	Book value 30.06.2014	Book value 31.12.2014
<b>COVERED BONDS</b>							
KLP Kommunekreditt AS	0	SEK	Floating	2015	0	434	0
KLP Kommunekreditt AS	1 116	NOK	Floating	2015	1 117	3 804	1 301
KLP Kommunekreditt AS	0	NOK	Fixed	2015	0	1 064	554
KLP Kommunekreditt AS	2 810	NOK	Floating	2016	2 817	3 511	3 370
KLP Kommunekreditt AS	1 000	NOK	Fixed	2017	1 003	1 003	1 014
KLP Kommunekreditt AS	4 000	NOK	Floating	2017	4 010	4 012	4 011
KLP Kommunekreditt AS	3 500	NOK	Floating	2018	3 505	1 504	3 506
KLP Kommunekreditt AS	2 000	NOK	Floating	2019	2 001	0	2 001
KLP Kommunekreditt AS	750	NOK	Fixed	2020	769	769	752
KLP Boligkreditt AS	600	NOK	Floating	2017	602	0	603
KLP Boligkreditt AS	600	NOK	Floating	2019	601	0	601
KLP Boligkreditt AS	1 200	NOK	Floating	2021	1 204	0	602
Value adjustments					13	136	154
<b>Total covered bonds</b>	<b>17 576</b>				<b>17 642</b>	<b>16 236</b>	<b>18 468</b>
<b>DEBT TO CREDIT INSTITUTIONS</b>							
KLP Banken AS	0	NOK	Floating	2014	0	451	0
KLP Banken AS	222	NOK	Floating	2015	223	603	603
KLP Banken AS	800	NOK	Floating	2016	803	803	803
KLP Banken AS	300	NOK	Fixed	2017	301	301	308
KLP Banken AS	500	NOK	Floating	2017	501	501	501
KLP Banken AS	200	NOK	Fixed	2018	205	205	203
KLP Banken AS	500	NOK	Floating	2018	502	503	503
KLP Banken AS	600	NOK	Floating	2019	600	0	300
KLP Alfa Global Rente	1 839	NOK	Fixed	2015	1 839	0	1 282
Kommunal Landspensjonskasse	0	NOK/EUR/ USD	Floating	2014	0	334	0
Kommunal Landspensjonskasse	529	NOK/EUR/ USD	Floating	2015	529	0	718
Other					7	2	0
<b>Total liabilities to credit institutions</b>	<b>5 490</b>				<b>5 509</b>	<b>3 702</b>	<b>5 220</b>
<b>LIABILITIES TO AND DEPOSITS FROM CUSTOMERS <sup>4</sup></b>							
Retail	6 014	NOK			6 014	4 209	5 062
Business	1 291	NOK			1 291	871	1 189
<b>Liabilities to and deposits from customers</b>	<b>7 305</b>				<b>7 305</b>	<b>5 079</b>	<b>6 251</b>
<b>Total financial liabilities</b>	<b>39 444</b>				<b>40 211</b>	<b>29 150</b>	<b>34 615</b>

<sup>4</sup> 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. During the second quarter of 2015 KLP issued a fixed term EUR 600 million subordinated loan. The companies listed above are the issuers of the financial debt. Deposits belong to KLP Banken AS.

**Note 11 FAIR VALUE HIERARCHY**

30.06.15 NOK millions	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	45 486	45 486
Land/plots	0	0	870	870
Buildings	0	0	44 616	44 616
Lending at fair value	0	2 043	0	2 043
Bonds and other fixed-income securities	40 519	88 142	0	128 661
Certificates	5 934	2 681	0	8 615
Bonds	22 443	85 461	0	107 903
Fixed-income funds	12 142	0	0	12 142
Loans and receivables	13 495	2 120	0	15 614
Shares and units	102 587	3 905	6 575	113 068
Shares	101 379	3 415	839	105 633
Equity funds	1 209	0	0	1 209
Property funds	0	389	0	389
Special funds	0	102	0	102
Private Equity	0	0	5 736	5 736
Financial derivatives	0	1 123	0	1 123
<b>Total assets at fair value</b>	<b>156 601</b>	<b>97 332</b>	<b>52 062</b>	<b>305 994</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	5 529	0	5 529
Debt to credit institutions <sup>1</sup>	536	1 839	0	2 374
<b>Total financial liabilities at fair value</b>	<b>536</b>	<b>7 368</b>	<b>0</b>	<b>7 903</b>

<sup>1</sup> The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 3 135 million on 30 June 2015.

**Note 11 FAIR VALUE HIERARCHY (CONT.)**

<b>30.06.14 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	40 359	40 359
Land/plots	0	0	872	872
Buildings	0	0	39 487	39 487
Lending at fair value	0	2 136	0	2 136
Bonds and other fixed-income securities	71 655	46 496	0	118 150
Certificates	5 585	4 363	0	9 948
Bonds	54 132	42 133	0	96 265
Fixed-income funds	11 937	0	0	11 937
Loans and receivables	9 320	3 298	0	12 618
Shares and units	79 031	4 278	5 073	88 381
Shares	78 029	3 641	1 078	82 749
Equity funds	1 002	0	52	1 054
Property funds	0	632	0	632
Special funds	0	4	0	4
Private Equity	0	0	3 942	3 942
Financial derivatives	0	832	0	832
<b>Total assets at fair value</b>	<b>160 005</b>	<b>57 040</b>	<b>45 431</b>	<b>262 477</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	3 433	0	3 433
Debt to credit institutions <sup>1</sup>	334	0	0	334
<b>Total financial liabilities at fair value</b>	<b>334</b>	<b>3 433</b>	<b>0</b>	<b>3 768</b>



**Note 11 FAIR VALUE HIERARCHY (CONT.)**

<b>31.12.14 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	44 467	44 467
Land/plots	0	0	869	869
Buildings	0	0	43 598	43 598
Lending at fair value	0	2 269	0	2 269
Bonds and other fixed-income securities	83 231	47 722	0	130 953
Certificates	4 047	2 593	0	6 641
Bonds	67 012	45 129	0	112 140
Fixed-income funds	12 172	0	0	12 172
Loans and receivables	18 232	3 303	0	21 536
Shares and units	91 222	3 591	6 310	101 123
Shares	90 117	3 017	977	94 110
Equity funds	1 105	0	0	1 105
Property funds	0	493	0	493
Special funds	0	81	0	81
Private Equity	0	0	5 334	5 334
Financial derivatives	0	1 785	0	1 785
<b>Total assets at fair value</b>	<b>192 685</b>	<b>58 670</b>	<b>50 778</b>	<b>302 133</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	11 549	0	11 549
Debt to credit institutions <sup>1</sup>	719	1 283	0	2 001
<b>Total financial liabilities at fair value</b>	<b>719</b>	<b>12 832</b>	<b>0</b>	<b>13 550</b>

<b>Changes in Level 3, Financial Assets</b>	<b>Book value 30.06.2015</b>	<b>Book value 30.06.2014</b>	<b>Book value 31.12.2014</b>
Opening balance 1 January	6 310	4 682	4 682
Sold	-408	-319	-674
Bought	808	673	1 262
Unrealised changes	-135	36	1 041
<b>Closing balance 30.06/31.12</b>	<b>6 575</b>	<b>5 073</b>	<b>6 310</b>
Realised gains/losses	14	42	182

**Note 11 FAIR VALUE HIERARCHY (CONT.)**

Changes in Level 3, Investment Property	Book value 30.06.2015	Book value 30.06.2014	Book value 31.12.2014
Opening balance 1 January	44 467	39 744	39 744
Net acquisition cost	-62	372	3 357
Unrealised changes	1 042	243	1 343
Other changes	39	0	23
<b>Closing balance 30.06 / 31.12</b>	<b>45 486</b>	<b>40 359</b>	<b>44 467</b>
Realised gains/losses	0	0	0
<b>Closing balance 30.06/31.12</b>	<b>52 062</b>	<b>45 558</b>	<b>50 778</b>

Unrealised changes and realized gains / losses reflected on the line «Net value changes on financial instruments» in the consolidated income statement. The tables «Changes in level 3 «shows changes in level 3 classified instruments in the period indicated.

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

**Level 1:**

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

**Level 2:**

Instruments at this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is 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.

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 2 603 million as of 30.06.2015, NOK 2 272 million as of 30.06.2014 and NOK 2 539 million as of 31.12.2014. Investment property comes under this Note since there are more extensive requirements for information regarding fair value that now also apply to investment property valued at fair value in the Group. Everything related to investment property is included in Level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 1014 million in financial assets valued at fair value at Level 1. Per 30.06.2015 the NOK 1014 millions are included with NOK 494 millions in shares and units in Level 1, and NOK 509 millions in debt instruments at fair value in Level 1.

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

After the second quarter this year NOK 53 millions in stocks has been moved from Level 1 to Level 2 and NOK 40 millions from Level 2 to Level 1. For debt instruments there has been no changes in the second quarter. When moving between levels the value at the period end defines the amount. There has been no changes in Level 3 in this period.

## Note 12 LIQUIDITY RISK

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

30.06.15 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	3 028	1 529	6 377	0	10 935
Perpetual hybrid Tier 1 securities	0	86	229	286	1 442	2 043
Debt to and deposits from customers (without defined maturity)	7 305	0	0	0	0	7 305
Covered bonds issued	0	1 668	14 884	2 010	0	18 563
Payables to credit institutions	3 653	286	2 593	0	0	6 532
Financial derivatives	1 218	3 038	1 188	165	-83	5 526
Accounts payable	194	0	0	0	0	194
Contingent liabilities	10 177	0	0	0	0	10 177
<b>Total</b>	<b>22 547</b>	<b>8 106</b>	<b>20 424</b>	<b>8 838</b>	<b>1 359</b>	<b>61 274</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 192 million and derivatives maturing between 1-12 months are reduced by NOK 30 million, and debt to credit institutions maturing within 1 month are reduced with 11 millions. Total amount of the financial liabilities for the Group are after these adjustments 61 042 million.

30.06.14 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	167	3 274	0	0	3 441
Perpetual hybrid Tier 1 securities	22	67	179	223	1 326	1 817
Debt to and deposits from customers (without defined maturity)	5 079	0	0	0	0	5 079
Covered bonds issued	0	1 772	14 484	801	0	17 057
Payables to credit institutions	334	761	2 756	0	0	3 851
Financial derivatives	1 433	1 168	767	172	76	3 616
Accounts payable	546	0	0	0	0	546
Contingent liabilities	9 147	0	0	0	0	9 147
<b>Total</b>	<b>16 563</b>	<b>3 935</b>	<b>21 460</b>	<b>1 196</b>	<b>1 402</b>	<b>44 556</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 206 million and derivatives maturing between 1-12 months are reduced by NOK 49 million. Total amount of the financial liabilities for the Group are after these adjustments 44 300 million.

**Note 12 LIQUIDITY RISK (CONT.)**

31.12.14 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	167	3 506	0	0	3 673
Perpetual hybrid Tier 1 securities	0	55	218	273	1 448	1 994
Debt to and deposits from customers (without defined maturity)	6 251	0	0	0	0	6 251
Covered bonds issued	0	2 190	15 789	1 474	0	19 453
Payables to credit institutions	8 294	680	2 747	0	0	11 721
Financial derivatives	6 200	3 288	1 779	199	-45	11 420
Accounts payable	670	0	0	0	0	670
Contingent liabilities	13 256	0	0	0	0	13 256
<b>Total</b>	<b>35 952</b>	<b>6 379</b>	<b>24 040</b>	<b>1 946</b>	<b>1 402</b>	<b>68 437</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 1 959 million and derivatives maturing between 1-12 months are reduced by NOK 639 million, derivatives maturing between 1-5 years with NOK 47 million and derivatives maturing between 5-10 years with NOK 58 millions. Call money maturing within one month are reduced with NOK 118 million. Total amount of the financial liabilities for the Group are after these adjustments 65 619 million.

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

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

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

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

**Note 13** INTEREST RATE RISK

30.06.15 NOK millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.15- 30.06.2015		Total adjusted for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	0	0	5
Financial derivatives classified as assets	40	-19	-133	-64	-199	-29	-404	-367
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	3	3	3
Bonds and other fixed-return securities	-37	-91	-1 039	-1 828	-1 271	130	-4 136	-1 350
Fixed income fund holdings	-760	0	0	0	0	0	-760	-3 224
Special investment fund	0	0	0	0	0	0	0	1
Lending and receivables	-1	-4	0	0	0	67	62	41
Lending	0	0	0	0	0	191	191	191
<b>Total assets</b>	<b>-758</b>	<b>-113</b>	<b>-1 172</b>	<b>-1 892</b>	<b>-1 471</b>	<b>361</b>	<b>-5 045</b>	<b>-4 699</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-72	-72	-72
Liabilities created on issue of securities	0	0	0	0	0	-208	-208	-208
Financial derivatives classified as liabilities	-8	5	162	149	2	35	343	271
Hybrid capital, subordinated loans	0	0	0	71	34	0	105	105
Debt to credit institutions	0	0	0	0	0	-2	-2	-2
<b>Total liabilities</b>	<b>-8</b>	<b>5</b>	<b>162</b>	<b>220</b>	<b>36</b>	<b>-247</b>	<b>167</b>	<b>94</b>
<b>Total before tax</b>	<b>-767</b>	<b>-109</b>	<b>-1 010</b>	<b>-1 672</b>	<b>-1 434</b>	<b>114</b>	<b>-4 878</b>	<b>-4 605</b>
<b>Total after tax</b>	<b>-560</b>	<b>-79</b>	<b>-737</b>	<b>-1 221</b>	<b>-1 047</b>	<b>83</b>	<b>-3 561</b>	<b>-3 362</b>

**Note 13 INTEREST RATE RISK (CONT.)**

30.06.14 NOK millions	Up to 3 months	From 3 mnts. to 12 mnts.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.14- 30.06.2014		Total adjusted for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	6	6	2
Alternative investments	0	0	0	0	0	0	0	15
Financial derivatives classified as assets	24	3	-94	-116	-126	-42	-352	-387
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	3	3	3
Bonds and other fixed-return securities	-37	-102	-936	-1 322	-998	117	-3 278	-1 007
Fixed income fund holdings	-727	0	0	0	0	12	-715	-2 614
Special investment fund	-52	61	4	-5	0	2	11	2
Lending and receivables	-2	-8	0	0	0	21	12	12
Lending	0	0	0	0	0	151	151	151
<b>Total assets</b>	<b>-795</b>	<b>-46</b>	<b>-1 026</b>	<b>-1 443</b>	<b>-1 124</b>	<b>270</b>	<b>-4 164</b>	<b>-3 823</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-50	-50	-50
Liabilities created on issue of securities	0	10	46	48	0	-157	-52	-52
Financial derivatives classified as liabilities	-14	2	167	117	2	38	311	310
Hybrid capital, subordinated loans	0	0	0	58	25	0	82	82
Debt to credit institutions	0	0	0	0	0	-3	-3	-3
<b>Total liabilities</b>	<b>-14</b>	<b>12</b>	<b>212</b>	<b>223</b>	<b>26</b>	<b>-171</b>	<b>288</b>	<b>288</b>
<b>Total before tax</b>	<b>-809</b>	<b>-34</b>	<b>-814</b>	<b>-1 220</b>	<b>-1 098</b>	<b>99</b>	<b>-3 876</b>	<b>-3 535</b>
<b>Total after tax</b>	<b>-591</b>	<b>-25</b>	<b>-594</b>	<b>-891</b>	<b>-801</b>	<b>72</b>	<b>-2 829</b>	<b>-2 580</b>

**Note 13 INTEREST RATE RISK (CONT.)**

31.12.14 NOK millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.14- 31.12.2014		Total adjusted for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	14	14	9
Financial derivatives classified as assets	21	10	-100	-95	-226	-79	-469	-404
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	6
Bonds and other fixed-return securities	-40	-77	-1 095	-1 669	-1 298	241	-3 937	-1 207
Fixed income fund holdings	-639	0	0	0	0	28	-611	-3 092
Special investment fund	-20	28	0	-3	0	9	14	8
Lending and receivables	-2	-4	0	0	0	84	78	78
Lending	0	0	0	0	0	185	185	185
<b>Total assets</b>	<b>-680</b>	<b>-43</b>	<b>-1 195</b>	<b>-1 766</b>	<b>-1 524</b>	<b>487</b>	<b>-4 722</b>	<b>-4 416</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-62	-62	-62
Liabilities created on issue of securities	0	4	42	47	0	-215	-122	-122
Financial derivatives classified as liabilities	-5	11	161	110	2	75	355	293
Hybrid capital, subordinated loans	0	0	0	72	33	0	105	105
Debt to credit institutions	0	0	0	0	0	-6	-6	-6
<b>Total liabilities</b>	<b>-5</b>	<b>15</b>	<b>203</b>	<b>229</b>	<b>35</b>	<b>-208</b>	<b>269</b>	<b>208</b>
<b>Total before tax</b>	<b>-685</b>	<b>-28</b>	<b>-992</b>	<b>-1 537</b>	<b>-1 488</b>	<b>279</b>	<b>-4 452</b>	<b>-4 209</b>
<b>Total after tax</b>	<b>-500</b>	<b>-21</b>	<b>-724</b>	<b>-1 122</b>	<b>-1 087</b>	<b>203</b>	<b>-3 250</b>	<b>-3 072</b>

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

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

Change in fair value (fair value risk) is shown in the first five columns and is calculated by the change in fair value of interest bearing 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.

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

## Note 14 CREDIT RISK

30.06.15 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Mortgage > 80% <sup>1</sup>	Mortgage < 80% <sup>1</sup>	Other	Total	Total adjusted for minority holding
Debt instruments held to maturity at amortized cost	35 381	0	82	0	0	1 175	1 659	38 296	38 296
Debt instruments classified as loans and receivables at amortized cost	69 914	0	514	0	0	259	17 759	88 446	88 423
Debt instruments at fair value - fixed-return securities	97 389	883	2 758	0	0	5 593	9 896	116 518	108 115
Fixed-income funds	0	0	0	0	0	0	12 142	12 142	12 142
Loans and receivables	15 379	0	0	0	0	236	0	15 614	14 891
Financial derivatives classified as assets	1 123	0	0	0	0	0	0	1 123	1 098
Lending	0	0	52 113	0	12 479	1 427	8 078	74 098	74 098
<b>Total</b>	<b>219 185</b>	<b>883</b>	<b>55 467</b>	<b>0</b>	<b>12 479</b>	<b>8 689</b>	<b>49 534</b>	<b>346 238</b>	<b>337 064</b>

Specification of investment grade	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	16 453	3 755	12 595	2 577	35 381
Debt instruments classified as loans and receivables at amortized cost	24 532	13 245	29 080	3 057	69 914
Debt instruments at fair value -fixed-return securities	37 808	12 630	32 342	14 609	97 389
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 929	12 173	277	15 379
Financial derivatives classified as assets	0	93	1 029	0	1 123
Lending	0	0	0	0	0
<b>Total</b>	<b>78 793</b>	<b>32 653</b>	<b>87 219</b>	<b>20 519</b>	<b>219 185</b>

30.06.14 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Mortgage > 80% <sup>1</sup>	Mortgage < 80% <sup>1</sup>	Other	Total	Total adjusted for minority holding
Debt instruments held to maturity at amortized cost	25 099	0	82	0	0	5	3 710	28 896	28 896
Debt instruments classified as loans and receivables at amortized cost	52 240	0	517	0	0	259	23 819	76 834	76 810
Debt instruments at fair value - fixed-return securities	79 224	657	2 500	0	0	12 755	11 258	106 394	98 620
Fixed-income funds	0	0	0	0	0	0	11 937	11 937	11 937
Loans and receivables	12 207	0	0	0	0	230	0	12 437	12 458
Financial derivatives classified as assets	832	0	0	0	0	0	0	832	832
Lending	0	0	44 811	0	9 666	2 416	3 223	60 115	60 115
<b>Total</b>	<b>169 603</b>	<b>657</b>	<b>47 909</b>	<b>0</b>	<b>9 666</b>	<b>15 665</b>	<b>53 947</b>	<b>297 447</b>	<b>289 669</b>

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



**Note 14 CREDIT RISK (CONT.)**

Specification of investment grade	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	16 871	1 106	4 669	2 454	25 099
Debt instruments classified as loans and receivables at amortized cost	17 276	11 862	19 611	3 491	52 240
Debt instruments at fair value -fixed-return securities	27 059	14 585	24 584	12 996	79 224
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	4 208	6 858	1 141	12 207
Financial derivatives classified as assets	0	90	521	221	832
Lending	0	0	0	0	0
<b>Total</b>	<b>61 206</b>	<b>31 851</b>	<b>56 243</b>	<b>20 303</b>	<b>169 603</b>

31.12.14 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Mortgage > 80% <sup>1</sup>	Mortgage < 80% <sup>1</sup>	Other	Total	Total adjusted for minority holding
Debt instruments held to maturity at amortized cost	25 973	0	81	1 380	0	0	3 185	30 620	30 620
Debt instruments classified as loans and receivables at amortized cost	65 097	0	524	3 783	0	0	17 570	86 974	86 947
Debt instruments at fair value - fixed-return securities	78 877	96	3 098	25 502	0	0	11 207	118 780	110 194
Fixed-income funds	0	0	0	0	0	0	12 172	12 172	12 172
Loans and receivables	18 447	0	0	3 090	0	0	0	21 536	20 579
Financial derivatives classified as assets	1 785	0	0	0	0	0	0	1 785	1 730
Lending	0	0	49 708	0	11 165	1 505	4 632	67 010	67 010
<b>Total</b>	<b>190 179</b>	<b>96</b>	<b>53 411</b>	<b>33 755</b>	<b>11 165</b>	<b>1 505</b>	<b>48 766</b>	<b>338 878</b>	<b>329 252</b>

Specification of investment grade	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	13 457	1 988	9 723	806	25 973
Debt instruments classified as loans and receivables at amortized cost	16 803	15 601	29 821	2 872	65 097
Debt instruments at fair value -fixed-return securities	21 836	21 495	24 574	10 972	78 877
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	6 244	12 202	0	18 447
Financial derivatives classified as assets	0	177	1 608	0	1 785
Lending	0	0	0	0	0
<b>Total</b>	<b>52 096</b>	<b>45 504</b>	<b>77 929</b>	<b>14 650</b>	<b>190 179</b>

## Note 14 CREDIT RISK (CONT.)

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

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

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

The Notes only show Standard & Poor's ratings. The KLP Group also uses ratings from Moody's Investor Services and Fitch ratings

and all three are equal as a basis for investments in fixed-income securities. The table shows exposure towards the rating categories used by S & P where AAA is associated with securities with the highest creditworthiness. «Other» is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 49,5 billion on 30.06.2015 KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the «Other» category.

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

Due the introduction of IFRS 10, the consolidated accounts includes all the units that KLP Group is considered to have control over. This gives an impression of a higher risk than the actual one, since the risk that the Group does not actually carry appears in the accounts. The outer column includes actual ownership and credit risk of the Group companies and investment funds held by KLP Group at the end of the period.

NOK millions	30.06.15		30.06.14		31.12.14	
	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding
<b>10 LARGEST COUNTERPARTIES</b>						
Counterparty 1	13 544	13 531	11 851	11 822	11 623	11 583
Counterparty 2	8 587	8 064	7 299	6 831	9 745	9 441
Counterparty 3	8 005	8 005	6 727	6 727	6 749	6 749
Counterparty 4	6 702	6 702	5 021	4 872	5 490	5 490
Counterparty 5	6 169	5 525	4 904	4 665	5 420	4 773
Counterparty 6	5 575	5 378	3 875	3 757	4 748	4 704
Counterparty 7	3 955	3 801	3 105	3 070	3 563	3 438
Counterparty 8	3 417	3 417	3 098	2 967	3 226	3 195
Counterparty 9	3 365	3 329	2 967	2 888	3 164	3 164
Counterparty 10	3 237	3 197	2 888	2 729	3 137	2 994
<b>Total</b>	<b>62 556</b>	<b>60 948</b>	<b>51 736</b>	<b>50 327</b>	<b>56 866</b>	<b>55 531</b>

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

**Note 15** TECHNICAL PROVISIONS IN LIFE INSURANCE

NOK millions	30.06.15	30.06.14	31.12.14
Premium reserves - ordinary tarif	354 103	311 296	332 426
Premium funds, buffer funds and pensioners' surplus funds	13 116	9 714	10 527
Supplementary reserves	17 228	12 798	17 134
Securities adjustment fund	20 970	16 611	19 578
Other provisions	199	279	248
Profit/loss allocated to insurance contracts	2 700	1 527	0
<b>Technical provisions in life insurance including investment choice</b>	<b>408 316</b>	<b>352 224</b>	<b>379 912</b>

NOK millions	30.06.15	30.06.14	31.12.14
Premium reserves	1 008	727	833
Deposit funds	8	7	9
<b>Provisions in life insurance with investment options</b>	<b>1 015</b>	<b>735</b>	<b>842</b>

**Note 16** PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

30.06.15 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for minority's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	1 123	0	1 123	-698	-439	40	40
Repo	0	0	0	0	0	0	0
<b>Total</b>	<b>1 123</b>	<b>0</b>	<b>1 123</b>	<b>-698</b>	<b>-439</b>	<b>40</b>	<b>40</b>
LIABILITIES							
Financial derivatives	5 529	0	5 529	-522	-3 556	1 312	1 120
Repo	1 839	0	1 839	0	0	1 839	1 844
<b>Total</b>	<b>7 368</b>	<b>0</b>	<b>7 368</b>	<b>-522</b>	<b>-3 556</b>	<b>3 151</b>	<b>2 964</b>
30.06.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for minority's share
ASSETS							
Financial derivatives	832	0	832	-462	-300	70	70
<b>Total</b>	<b>832</b>	<b>0</b>	<b>832</b>	<b>-462</b>	<b>-300</b>	<b>70</b>	<b>70</b>
LIABILITIES							
Financial derivatives	3 433	0	3 433	-462	-1 713	1 262	1 007
<b>Total</b>	<b>3 433</b>	<b>0</b>	<b>3 433</b>	<b>-462</b>	<b>-1 713</b>	<b>1 262</b>	<b>1 007</b>
31.12.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for minority's share
ASSETS							
Financial derivatives	1 785	0	1 785	-1 093	-602	144	53
Repo	0	0	0	0	0	0	0
<b>Total</b>	<b>1 785</b>	<b>0</b>	<b>1 785</b>	<b>-1 093</b>	<b>-602</b>	<b>144</b>	<b>53</b>
LIABILITIES							
Financial derivatives	11 549	0	11 549	-1 093	-6 893	3 563	3 077
Repo	1 283	0	1 283	0	0	1 283	1 283
<b>Total</b>	<b>12 832</b>	<b>0</b>	<b>12 832</b>	<b>-1 093</b>	<b>-6 893</b>	<b>4 846</b>	<b>4 360</b>

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

Due to the introduction of IFRS 10, the consolidated figures includes all units the KLP Group is considered to have control over. In addition, the outer line shows which de facto net amount remains if all the groups netting agreements are set off; which only includes subsidiaries and units, where the group carries the risk.

**Note 17** OTHER CURRENT LIABILITIES

NOK millions	30.06.15	30.06.14	31.12.14
Short-term payables trade in securities	4 909	4 579	207
Advance tax-deduction pension scheme	609	504	287
Accounts payable	104	154	124
Pre-called contribution to insurance	144	113	96
Other current liabilities	1 174	1 090	5 171
<b>Total other current liabilities</b>	<b>6 941</b>	<b>6 441</b>	<b>5 885</b>

## Key figures – Accumulated

NOK millions	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>KLP Group</b>								
Profit before tax	1 334	665	1 189	1 430	799	379	1 157	805
Total assets	526 044	513 221	490 894	470 331	442 463	421 491	399 257	402 258
Owners' equity	18 718	18 209	17 644	17 893	16 032	15 645	15 268	15 100
Capital adequacy	11,0 %	9,1 %	9,2 %	9,2 %	9,2 %	9,8 %	10,0 %	10,0 %
Number of employees in the Group	914	906	899	886	877	863	856	849
<b>Kommunal Landspensjonskasse</b>								
Profit before tax	1 161	592	959	1 439	839	319	950	756
Premium income for own account	25 548	15 948	62 454	54 570	37 414	26 192	30 860	25 487
- of which inflow of premium reserve	9 594	10 035	30 175	30 970	21 072	21 580	5 932	5 988
Insurance customers' funds incl. acc. profit	7 574	3 771	17 996	14 292	10 597	7 222	11 886	8 860
- of which funds with guaranteed returns	147	126	4 364	4 213	4 106	4 106	178	178
Net investment common portfolio	409 164	403 452	387 982	363 999	346 495	336 616	316 194	315 910
Net investment choice portfolio	2 056	1 978	1 958	1 890	1 850	1 809	1 745	1 686
Insurance funds incl. earnings for the year	406 927	398 255	378 602	367 814	350 962	335 180	312 127	303 906
- of which funds with guaranteed interest	352 857	345 233	331 240	325 401	310 159	300 475	279 840	273 039
Tier 1 and Tier 2 capital	25 364	20 172	19 951	19 393	18 115	18 159	18 036	16 953
Risk profit	294	180	701	422	78	54	235	147
Return profits	2 607	1 332	5 059	1 390	1 220	604	9 863	3 468
Administration profit	132	58	345	261	123	36	156	119
Solvency capital	79 171	80 217	73 909	64 842	59 459	52 469	46 897	50 640
Solvency margin ratio	241 %	222 %	228 %	213 %	209 %	215 %	229 %	224 %
Capital adequacy	11,3 %	9,5 %	9,5 %	9,6 %	9,6 %	10,1 %	10,3 %	10,4 %
Core capital ratio	7,7 %	8,1 %	8,1 %	8,1 %	8,0 %	8,5 %	8,7 %	8,6 %
Book return on common portfolio	2,0 %	1,0 %	4,3 %	2,6 %	1,8 %	0,9 %	6,4 %	3,4 %
Value-adjusted return on common portfolio	2,3 %	2,2 %	6,9 %	4,9 %	3,6 %	1,4 %	6,7 %	4,5 %
Return on unit-linked portfolio	2,5 %	2,3 %	6,7 %	4,7 %	3,5 %	1,1 %	8,8 %	5,5 %
Return on corporate portfolio	2,4 %	1,3 %	7,3 %	5,3 %	4,0 %	1,2 %	5,7 %	4,3 %
<b>KLP Skadeforsikring AS</b>								
Profit before tax	19,5	1,2	304,2	168,2	137,2	13,6	189,9	140,7
Gross premium due	828,7	633,2	921,3	781,9	667,1	490,0	832,2	712,8
Premium income for own account	503,4	246,7	841,9	622,8	410,0	201,9	728,2	535,0
Owners' equity	940,5	934,1	907,7	883,0	873,1	791,5	787,7	712,8
Claims ratio	93,7 %	131,6 %	68,8 %	76,1 %	71,8 %	91,5 %	77,5 %	76,3 %
Combined-ratio	114,0 %	153,8 %	91,9 %	97,9 %	95,7 %	116,6 %	103,7 %	101,4 %
Return on assets under management	2,3 %	1,9 %	6,5 %	4,6 %	3,5 %	1,4 %	6,5 %	4,6 %
Capital adequacy	40,0 %	41,8 %	44,0 %	37,8 %	37,0 %	37,1 %	40,0 %	31,6 %
Tier 1 and Tier 2 capital	882,7	884,4	895,4	771,1	771,5	770,5	614,6	580,7
Annual premium in force – retail market	329,9	312,7	295,7	274,2	259,0	242,7	226,5	204,8
Annual premium in force – public sector market	763,9	756,6	629,5	634,6	649,9	644,7	612,6	594,3
Net new subscriptions (accumulated within the year)	47,3	26,4	57,0	41,1	16,5	20,7	138,9	71,6

## Key figures – Accumulated (Cont.)

NOK millions	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>KLP Bedriftspensjon AS</b>								
Loss before tax	-6,8	-7,1	-24,7	-15,7	-9,3	-5,6	-22,9	-14,6
Premium income for own account	235,7	113,2	409,9	324,8	258,2	191,4	385,5	274,3
- of which premium reserve added	72,7	34,4	149,3	138,5	135,1	132,7	197,9	144,6
Insurance customers' funds including accumulated profit	2 405,1	2 330,1	2 152,2	2 055,3	1 997,1	1 899,5	1 677,8	1 556,6
- of which funds with guaranteed returns	1 389,4	1 383,4	1 310,3	1 153,7	1 137,8	1 133,4	1 017,5	992,4
Returns profit	10,0	5,5	17,3	11,5	12,0	1,8	7,6	6,1
Risk result	3,1	-2,0	5,2	3,3	3,2	3,0	2,3	2,2
Administration losses	-13,5	-7,1	-30,7	-22,1	-14,5	-7,6	-32,3	-22,0
Tier 1 and Tier 2 capital	103,6	104,5	84,5	92,6	100,3	79,2	84,8	97,4
Solvency capital	258,0	295,4	265,4	239,8	235,4	197,8	189,8	184,9
Solvency margin ratio	181 %	184 %	167 %	184 %	188 %	161 %	198 %	225 %
Capital adequacy	14,2 %	14,5 %	12,7 %	14,2 %	15,6 %	12,9 %	14,7 %	16,6 %
Book capital return on common portfolio	2,4 %	1,3 %	4,6 %	3,5 %	2,7 %	1,0 %	4,0 %	3,0 %
Value-adjusted capital return on common portfolio	2,5 %	2,0 %	6,1 %	4,3 %	3,2 %	1,2 %	6,2 %	4,2 %
Return on defined unit-linked contribution pensions	2,5 %	3,3 %	8,8 %	6,9 %	6,1 %	1,7 %	13,5 %	8,4 %
Return on corporate portfolio	0,7 %	0,8 %	3,6 %	2,5 %	1,9 %	0,8 %	3,1 %	2,1 %
<b>KLP Banken Group</b>								
Profit/loss before tax	17,1	-1,8	28,3	29,9	28,7	10,4	86,7	77,2
Net interest income	81,4	38,4	133,1	92,4	64,0	31,4	122,1	88,0
Other operating income	34,1	17,2	68,0	50,6	33,7	16,7	65,9	47,5
Operating expenses and depreciation	-84,5	-46,3	-157,4	-105,3	-69,8	-38,2	-144,7	-104,9
Net realized/unrealized changes in financial instruments to fair value	-14,1	-11,6	-14,4	-6,7	6,3	3,9	43,8	46,6
Contributions	7 305	7 128	6 251	5 486	5 079	4 706	4 407	4 165
Housing mortgages granted	9 604	9 439	8 608	6 527	5 840	4 817	4 484	4 134
Loan(s) with public guarantee(s)	15 591	15 951	16 338	16 045	16 314	16 560	16 833	17 891
Defaulted loans	34	26	26	18	8	10	10	12
Borrowing on the issuance of securities	20 777	21 553	21 687	20 244	19 604	19 753	19 982	20 699
Other borrowing	-	-	-	-	-	1	1	0
Total assets	29 814	30 470	29 755	27 674	26 446	26 104	26 010	26 611
Average total assets	29 785	30 112	27 881	26 842	26 228	26 057	27 146	27 447
Owners' equity	1 280	1 266	1 285	1 289	1 290	1 279	1 290	1 286
Net interest rate	0,27 %	0,13 %	0,48 %	0,34 %	0,23 %	0,12 %	0,45 %	0,32 %
Profit/loss from general operations before tax	0,06 %	-1,01 %	0,10 %	0,12 %	0,12 %	0,05 %	0,32 %	0,28 %
Return on owners' equity before tax	1,32 %	-0,14 %	2,24 %	2,40 %	2,42 %	1,07 %	7,15 %	6,35 %
Capital adequacy	15,1 %	15,6 %	16,7 %	18,4 %	20,1 %	20,2 %	19,6 %	18,3 %
Number of private customers	37 335	35 677	33 104	30 822	29 670	28 623	27 287	26 215
Of this members of KLP	25 586	24 270	22 291	20 627	19 808	19 145	18 181	17 316
<b>KLP Kapitalforvaltning AS</b>								
Profit/loss before tax	30,5	22,1	56,3	42,8	11,7	-13,8	32,6	22,9
Total assets under management	383 411	391 040	370 840	344 133	326 200	314 584	287 077	276 349
Assets managed for external customers	40 388	41 023	36 130	31 129	30 151	28 157	28 171	25 813



To the Board of Directors of Kommunal Landspensjonskasse Gjensidig Forsikringsselskap

## **Report on Review of Interim Financial Information**

### *Introduction*

We have reviewed the accompanying consolidated condensed balance sheet of Kommunal Landspensjonskasse Gjensidig Forsikringsselskap as of 30 June 2015 and the related consolidated condensed statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Oslo, 18 August 2015

**PricewaterhouseCoopers AS**

Erik Andersen  
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.





Non-financial accounts  
KLP Group

# Non-financial accounts

KLP Group

Note	Per Q2 2015	Per Q2 2015	2014	2013	2012	2011	2010	
<b>SOCIAL RESPONSIBLE INVESTMENTS</b>								
	Number of exclusions of companies from the investment portfolio (total)	108	99	99	69	64	64	59
	Number of exclusions of companies from the investment portfolio (accumulated this year)	10	0	31	9	1	6	3
	Number of companies reinstated in the investment portfolio	1	0	1	4	1	1	3
	Number of general meetings in Norwegian companies in which KLP has voted (in %)	80 (92%)	5 (83%)	105 (93%)	95 (95%)	113 (92%)	130	127
	Number of general meetings in foreign companies in which KLP has voted (in %)	1908 (82%)	282 (62%)	2439 (82%)	2259 (76%)	2099 (75%)	1662	1 533
1	Number of companies KLP has been in dialogue with	70	24	109	41	143	96	25
	Market value for investments in renewable energy in Norway (mnok)	20 632	20 269	19 876	18 865			
	Market value for investments in renewable energy in developing countries (mnok)	187	136	131	36			
	Market for investment banking and finance in developing countries (mnok)	224	203	201	8			
<b>EMPLOYEES</b>								
	Number of employees	914	906	899	856	808	775	762
	Percentage reported sickness absence 12 month rolling	4,2 %	4,5 %	4,7 %	3,9 %	4,2 %	4,6 %	4,4 %
	Percentage reported sickness absence quarter	3,6 %	4,5 %					
<b>ENVIRONMENT</b>								
2	Energy consumption kWh KLP-huset	1 770 235	1 015 186	3 452 909	3 487 989	3 795 878	3 489 425	5 367 259
2	Energy consumption kWh own offices Trondheim	112 926	75 463	230 936	254 063	221 703	165 135	357 159
2	Energy consumption kWh own office Bergen	248 205	156 124	416 813	507 026	445 918	460 518	541 337
2	Kilo CO <sub>2</sub> -equivalent from aircrafts	379 207	198 676	652 324	609 203	387 429	333 081	300 370

## NOTE 1 DIALOGUE

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

## NOTE 2 ENERGY CONSUMPTION

1 kwh approximates to NOK 1 and 117 g CO<sub>2</sub> equivalents at "Nordic mix". New and improved details regarding reporting of CO<sub>2</sub> aircraft engine emissions was induced and available in 2013. This makes comparisons with previous years inaccurate.



Accounts

Kommunal Landspensjonskasse

# Income statement

Kommunal Landspensjonskasse

Note	NOK millions	Q2 2015	Q2 2014	01.01.15 -30.06.15	01.01.14 -30.06.14	Year 2014
3	Premium income	9 600	11 222	25 548	37 414	62 454
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	1 232	695	2 112	969	3 146
	Interest income/dividends on financial assets	2 277	2 542	4 329	4 481	8 257
	Value changes on investments	-4 644	3 643	5 295	5 498	8 358
	Gains and losses realised on investments	1 643	397	-2 830	840	3 630
	<b>Net income from investments in the common portfolio</b>	<b>508</b>	<b>7 276</b>	<b>8 906</b>	<b>11 788</b>	<b>23 391</b>
	Net income of the investment option portfolio	3	42	48	62	120
	Other insurance-related income	218	213	445	387	855
4	Claims	-3 803	-3 375	-7 574	-10 597	-17 996
	Changes in insurance liabilities taken to P/L - contractual liabilities	-4 394	-14 156	-23 003	-36 590	-64 067
	Changes in insurance liabilities loan taken to P/L investment option portfolio	-40	18	-67	-3	-92
	Funds assigned to insurance contracts - contractual liabilities	-1 277	-810	-2 691	-1 513	-3 368
5	Insurance-related operating expenses	-215	-182	-441	-395	-752
	Other insurance-related costs	-211	-193	-430	-366	-797
	<b>Technical profit/loss</b>	<b>388</b>	<b>54</b>	<b>741</b>	<b>185</b>	<b>-253</b>
	Net income from investments in the corporate portfolio	256	525	556	761	1 446
	Other income	4	1	6	6	16
	Administration costs and other costs associated with the corporate portfolio	-80	-60	-141	-113	-250
	<b>Non-technical profit/loss</b>	<b>180</b>	<b>466</b>	<b>420</b>	<b>653</b>	<b>1 212</b>
	<b>Profit/loss pre-tax</b>	<b>568</b>	<b>520</b>	<b>1 161</b>	<b>839</b>	<b>959</b>
	Tax	-97	0	-108	0	35
	<b>Profit/loss before other comprehensive income</b>	<b>471</b>	<b>520</b>	<b>1 053</b>	<b>839</b>	<b>994</b>
	Actuarial profit/loss post employment benefit obligations	0	-29	0	-29	-147
	Tax on items that will not be reclassified to profit or loss	0	0	0	0	40
	<b>Items that will not be reclassified to profit or loss</b>	<b>0</b>	<b>-29</b>	<b>0</b>	<b>-29</b>	<b>-107</b>
	Shares of P/L components by use of the equity method	0	-9	0	-9	-71
	Adjustments of the insurance obligations	0	0	0	0	23
	Tax on items that will be reclassified to profit or loss	0	0	0	0	13
	<b>Items that will be reclassified to P/L when specific conditions are met</b>	<b>0</b>	<b>-9</b>	<b>0</b>	<b>-9</b>	<b>-35</b>
	<b>Other comprehensive income</b>	<b>0</b>	<b>-38</b>	<b>0</b>	<b>-38</b>	<b>-143</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>471</b>	<b>482</b>	<b>1 053</b>	<b>800</b>	<b>852</b>

# Balance sheet

Kommunal Landspensjonskasse

Note	NOK millions	30.06.15	30.06.14	31.12.14
<b>ASSETS</b>				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	419	343	391
7	Investment property	891	889	890
7	Shares and holdings in property subsidiaries	1 552	1 413	1 471
	Shares and holdings in other subsidiaries	2 780	2 705	2 694
6	Financial assets valued at amortized cost	14 664	9 217	9 694
6,7	Financial assets valued at fair value	8 039	5 757	8 489
	Receivables	5 354	8 370	894
	Deferred tax assets	0	0	88
	Other assets	984	695	479
	<b>Total assets in the corporate portfolio</b>	<b>34 683</b>	<b>29 390</b>	<b>25 090</b>
ASSETS IN THE CUSTOMER PORTFOLIOS				
7	Shares and holdings in property subsidiaries	47 829	38 473	42 396
	Shares and holdings in associated enterprises and jointly controlled entities	322	127	244
6	Financial assets valued at amortized cost	158 335	131 847	147 393
6,7	Financial assets valued at fair value	202 679	176 065	197 949
	<b>Total assets in the common portfolios</b>	<b>409 164</b>	<b>346 512</b>	<b>387 982</b>
7	Shares and holdings in property subsidiaries	237	206	257
6	Financial assets at amortized costs	669	604	654
6,7	Financial assets at fair value	1 151	1 041	1 047
	<b>Total assets in investment portfolio</b>	<b>2 056</b>	<b>1 850</b>	<b>1 958</b>
	<b>TOTAL ASSETS</b>	<b>445 903</b>	<b>377 752</b>	<b>415 030</b>
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Owners' equity contributed	9 215	7 623	9 173
	Retained earnings	8 281	7 429	8 281
	Unallocated profit	1 053	800	0
6	Subordinated loan capital etc.	9 754	4 132	4 676
10	Insurance obligations in life insurance - contractual liabilities	404 897	349 109	376 681
10	Insurance liabilities investment option portfolio	2 030	1 853	1 921
	Provision for liabilities	524	452	503
9	Liabilities	10 082	6 311	13 638
	Accrued costs and prepaid income	68	42	157
	<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>445 903</b>	<b>377 752</b>	<b>415 030</b>
<b>OFF-BALANCE SHEET ITEMS</b>				
	Contingent liabilities	8 843	8 397	12 748

# Changes in Owners' equity

Kommunal Landspensjonskasse

2015 NOK millions	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
<b>Own funds 01.01.2015</b>	9 173	528	7 754	17 454
Unallocated profit		161	891	1 053
Other comprehensive income			0	0
<b>Total comprehensive income</b>		161	891	1 053
Owners equity contribution recieved (net)	42			42
<b>Total transactions with owners</b>	42			42
<b>Own funds 30.06.2015</b>	9 215	689	8 645	18 549

2014 NOK millions	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
<b>Own funds 01.01.2014</b>	7 659	170	7 260	15 089
Unallocated profit		43	796	839
Other comprehensive income			-38	-38
<b>Total comprehensive income</b>		43	757	800
Owners equity contribution recieved (net)	-36			-36
<b>Total transactions with owners</b>	-36			-36
<b>Own funds 30.06.2014</b>	7 623	213	8 017	15 854

# Statement of cash flows

Kommunal Landspensjonskasse

<b>NOK millions</b>	<b>01.01.2015 -30.06.2015</b>	<b>01.01.2015 -31.03.2015</b>	<b>01.01.2014 -31.12.2014</b>	<b>01.01.2014 -30.09.2014</b>	<b>01.01.2014 -30.06.2014</b>
Net cashflow from operational activities	-4 713	79	-1 276	-748	417
Net cashflow from investment activities	-53	-16	-145	-92	-59
Net cashflow from financing activities	5 275	6	1 514	1 305	-33
<b>Net changes in cash and bank deposits</b>	<b>509</b>	<b>69</b>	<b>92</b>	<b>464</b>	<b>324</b>
Holdings of cash and bank deposits at start of period	434	434	342	342	342
<b>Holdings of cash and bank deposits at end of period</b>	<b>943</b>	<b>504</b>	<b>434</b>	<b>806</b>	<b>666</b>

# Notes to the Accounts

Kommunal Landspensjonskasse

## Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) for the period 1 January 2015 - 30 June 2015. The auditor has conducted a review of the report.

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

statements for 2014 unless otherwise indicated. There are no changes in the accounting principles for the second quarter of any major significance for the interim accounts (Q2-15) presented.

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2014. These may be obtained on application to KLP's head office in Dronning Eufemias gate 10, Oslo, or at [klp.no](http://klp.no).

## Note 2 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 30 June 2015.

NOK millions	Q2 2015	Q2 2015	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014
Value adjustment incl. foreign exchange	756	344	1 108	135	1 518
Foreign exchange effect on hedging	-270	177	37	342	-686
<b>Net value adjustment incl. exchange hedging</b>	<b>486</b>	<b>520</b>	<b>1 146</b>	<b>477</b>	<b>832</b>

## Note 3 PREMIUM INCOME

NOK millions	Q2 2015	Q2 2015	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014
Gross premiums due	10 042	11 731	15 954	16 343	32 283
- Reinsurance premiums ceded	-1	-2	-1	-2	-3
Transfer of premium reserves from others <sup>1</sup>	-441	-508	9 594	21 072	30 175
<b>Total premium income</b>	<b>9 600</b>	<b>11 222</b>	<b>25 548</b>	<b>37 414</b>	<b>62 454</b>

<sup>1</sup> "Transfer of premium reserves from others" for the second quarter 2015 and 2014 is negative. This is due to the fact that KLP will only upon final settlement for transfers of new clients receive information pertinent to the clients relevant distribution between premium reserves, supplementary reserves and premium fund respectively. Upon the final settlement there will consequently be restating from premium reserves to premium funds and supplementary reserves.

## Note 4 CLAIMS

NOK millions	Q2 2015	Q2 2014	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014
Claims paid	3 796	3 344	7 445	6 453	13 629
Change in claim reserves	-14	31	-18	39	4
Transfers of premium reserves to others	21	0	147	4 106	4 364
<b>Total claims</b>	<b>3 803</b>	<b>3 375</b>	<b>7 574</b>	<b>10 597</b>	<b>17 996</b>



## Note 5 INSURANCE-RELATED OPERATING EXPENSES

Millioner kroner	Q2 2015	Q2 2014	01.01.15 -30.06.15	01.01.14 -30.06.14	The year 2014
Personnel costs	103	81	239	209	433
Depreciation	18	20	37	40	79
Other operating expenses	94	82	165	147	240
<b>Total insurance-related operating expenses</b>	<b>215</b>	<b>182</b>	<b>441</b>	<b>395</b>	<b>752</b>

## Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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. 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 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 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 Stock Exchanges 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:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

### d) Norwegian fixed interest securities - government

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

### e) Norwegian fixed interest securities - non-government

Norwegian fixed-income securities except government securities are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. In theoretical pricing a zero-coupon curve is used as well as yield curve spreads 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 curve spreads are received from Nordic Bond Pricing. These are based on yield curve spreads collected from several different market operators and converted to an average curve.

### f) 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.

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

### 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 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 market-places 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

Investments in Private Equity are made through funds and the funds' fair value is to be based on reported market values, as a result of 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.)**

30.06.15 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	831	927	9 845	10 828	65	69	10 741	11 824
Accrued not due interest	20	20	242	242	1	1	263	263
Foreign hold-to-maturity bonds	8 448	8 365	17 822	19 184	97	107	26 368	27 656
Accrued not due interest	49	49	361	361	2	2	411	411
<b>Total investments held to maturity</b>	<b>9 348</b>	<b>9 361</b>	<b>28 271</b>	<b>30 615</b>	<b>165</b>	<b>179</b>	<b>37 783</b>	<b>40 154</b>
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	1 580	1 713	25 981	28 625	142	159	27 703	30 497
Accrued not due interest	29	29	566	566	4	4	598	598
Foreign bonds	3 648	3 950	53 568	57 624	350	379	57 567	61 953
Accrued not due interest	59	59	1 105	1 105	8	8	1 172	1 172
<b>Total bonds classified as loans and receivables</b>	<b>5 316</b>	<b>5 751</b>	<b>81 220</b>	<b>87 920</b>	<b>504</b>	<b>549</b>	<b>87 041</b>	<b>94 220</b>
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	4 308	4 330	0	0	4 308	4 330
Lending with public sector guarantee	0	0	44 259	44 894	0	0	44 259	44 894
Accrued not due interest	0	0	277	277	0	0	277	277
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>48 844</b>	<b>49 502</b>	<b>0</b>	<b>0</b>	<b>48 844</b>	<b>49 502</b>
<b>Total financial assets at amortized cost</b>	<b>14 664</b>	<b>15 112</b>	<b>158 335</b>	<b>168 037</b>	<b>669</b>	<b>728</b>	<b>173 668</b>	<b>183 876</b>
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	393	393	4 823	4 823	0	0	5 216	5 216
Foreign shares	0	0	22 527	22 527	0	0	22 527	22 527
<b>Total shares and units</b>	<b>393</b>	<b>393</b>	<b>27 350</b>	<b>27 350</b>	<b>0</b>	<b>0</b>	<b>27 744</b>	<b>27 744</b>
Property funds	0	0	389	389	0	0	389	389
Norwegian equity funds	0	0	46 322	46 322	444	444	46 766	46 766
Foreign equity funds	0	0	6 427	6 427	0	0	6 427	6 427
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>53 138</b>	<b>53 138</b>	<b>444</b>	<b>444</b>	<b>53 582</b>	<b>53 582</b>
Norwegian alternative investments	0	0	2 044	2 044	14	14	2 058	2 058
Foreign alternative investments	0	0	102	102	0	0	102	102
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>2 146</b>	<b>2 146</b>	<b>14</b>	<b>14</b>	<b>2 160</b>	<b>2 160</b>

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

30.06.15 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
Norwegian bonds	3 296	3 296	25 029	25 029	0	0	28 325	28 325
Foreign bonds	112	112	18 992	18 992	0	0	19 104	19 104
Accrued not due interest	32	32	359	359	0	0	391	391
Norwegian fixed-income funds	1 852	1 852	42 711	42 711	634	634	45 197	45 197
Foreign fixed-income funds	0	0	12 142	12 142	0	0	12 142	12 142
Accrued not due interest	11	11	141	141	6	6	158	158
Norwegian certificates	542	542	6 156	6 156	0	0	6 698	6 698
Accrued not due interest	5	5	20	20	0	0	25	25
<b>Total bonds and other fixed-income securities</b>	<b>5 849</b>	<b>5 849</b>	<b>105 551</b>	<b>105 551</b>	<b>640</b>	<b>640</b>	<b>112 040</b>	<b>112 040</b>
Norwegian loans and receivables	1 068	1 068	7 633	7 633	17	17	8 719	8 719
Foreign loans and receivables	400	400	2 737	2 737	33	33	3 170	3 170
<b>Total loans and receivables</b>	<b>1 468</b>	<b>1 468</b>	<b>10 371</b>	<b>10 371</b>	<b>51</b>	<b>51</b>	<b>11 889</b>	<b>11 889</b>
<b>DERIVATIVES</b>								
Interest rate swaps	329	329	315	315	0	0	644	644
Share options	0	0	162	162	1	1	163	163
Forward exchange contracts	0	0	153	153	0	0	154	154
<b>Total financial derivatives classified as assets</b>	<b>329</b>	<b>329</b>	<b>631</b>	<b>631</b>	<b>2</b>	<b>2</b>	<b>961</b>	<b>961</b>
<b>Other financial assets</b>	<b>1</b>	<b>1</b>	<b>3 493</b>	<b>3 493</b>	<b>0</b>	<b>0</b>	<b>3 494</b>	<b>3 494</b>
<b>Total financial assets valued at fair value</b>	<b>8 039</b>	<b>8 039</b>	<b>202 679</b>	<b>202 679</b>	<b>1 151</b>	<b>1 151</b>	<b>211 869</b>	<b>211 869</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	853	853	0	0	853	853
Forward exchange contracts	3	3	3 260	3 260	6	6	3 269	3 269
<b>Total financial derivatives classified as liabilities</b>	<b>3</b>	<b>3</b>	<b>4 113</b>	<b>4 113</b>	<b>6</b>	<b>6</b>	<b>4 122</b>	<b>4 122</b>

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

30.06.15 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>SUBORDINATED LOAN CAPITAL</b>								
Perpetual subordinated loan capital	8 478	8 493	0	0	0	0	8 478	8 493
Hybrid Tier 1 securities	1 277	1 292	0	0	0	0	1 277	1 292
<b>Total subordinated loan capital etc.</b>	<b>9 754</b>	<b>9 785</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9 754</b>	<b>9 785</b>
<b>DEBT TO CREDIT INSTITUTIONS</b>								
Norwegian call money	0	0	57	57	0	0	57	57
Foreign call money	299	299	172	172	2	2	472	472
<b>Total debt to credit institutions</b>	<b>299</b>	<b>299</b>	<b>228</b>	<b>228</b>	<b>2</b>	<b>2</b>	<b>529</b>	<b>529</b>

30.06.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	730	817	9 923	10 880	69	74	10 722	11 771
Accrued not due interest	20	20	283	283	2	2	304	304
Foreign hold-to-maturity bonds	2 978	3 089	13 861	15 154	77	85	16 916	18 328
Accrued not due interest	43	43	361	361	2	2	406	406
<b>Total investments held to maturity</b>	<b>3 771</b>	<b>3 968</b>	<b>24 428</b>	<b>26 678</b>	<b>150</b>	<b>163</b>	<b>28 349</b>	<b>30 809</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
Norwegian bonds	1 393	1 520	24 316	26 757	139	154	25 847	28 431
Accrued not due interest	27	27	552	552	4	4	583	583
Foreign bonds	3 966	4 229	43 780	47 421	305	334	48 052	51 983
Accrued not due interest	60	60	886	886	7	7	953	953
<b>Total bonds classified as loans and receivables</b>	<b>5 446</b>	<b>5 836</b>	<b>69 535</b>	<b>75 616</b>	<b>454</b>	<b>498</b>	<b>75 435</b>	<b>81 951</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loan	0	0	6 138	6 144	0	0	6 138	6 144
Lending with public sector guarantee	0	0	31 522	32 079	0	0	31 522	32 079
Accrued not due interest	0	0	225	225	0	0	225	225
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>37 885</b>	<b>38 448</b>	<b>0</b>	<b>0</b>	<b>37 885</b>	<b>38 448</b>
<b>Total financial assets at amortized cost</b>	<b>9 217</b>	<b>9 805</b>	<b>131 847</b>	<b>140 741</b>	<b>604</b>	<b>661</b>	<b>141 668</b>	<b>151 207</b>

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

30.06.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	330	330	4 497	4 497	0	0	4 827	4 827
Foreign shares	0	0	17 386	17 386	0	0	17 386	17 386
<b>Total shares and units</b>	<b>330</b>	<b>330</b>	<b>21 883</b>	<b>21 883</b>	<b>0</b>	<b>0</b>	<b>22 213</b>	<b>22 213</b>
Property funds	0	0	632	632	0	0	632	632
Norwegian equity funds	0	0	37 923	37 923	363	363	38 286	38 286
Foreign equity funds	0	0	4 649	4 649	0	0	4 649	4 649
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>43 204</b>	<b>43 204</b>	<b>363</b>	<b>363</b>	<b>43 567</b>	<b>43 567</b>
Norwegian alternative investments	0	0	1 761	1 761	13	13	1 774	1 774
Foreign alternative investments	0	0	4	4	0	0	4	4
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>1 764</b>	<b>1 764</b>	<b>13</b>	<b>13</b>	<b>1 778</b>	<b>1 778</b>
DEBT INSTRUMENTS								
Norwegian bonds	3 265	3 265	28 600	28 600	0	0	31 865	31 865
Foreign bonds	163	163	13 605	13 605	0	0	13 768	13 768
Accrued not due interest	30	30	372	372	0	0	402	402
Norwegian fixed-income funds	815	815	35 305	35 305	596	596	36 716	36 716
Foreign fixed-income funds	0	0	11 937	11 937	0	0	11 937	11 937
Accrued not due interest	12	12	479	479	7	7	497	497
Norwegian certificates	710	710	7 719	7 719	0	0	8 429	8 429
Accrued not due interest	8	8	27	27	0	0	35	35
<b>Total bonds and other fixed-income securities</b>	<b>5 003</b>	<b>5 003</b>	<b>98 044</b>	<b>98 044</b>	<b>602</b>	<b>602</b>	<b>103 649</b>	<b>103 649</b>
Norwegian loans and receivables	148	148	6 642	6 642	37	37	6 827	6 827
Foreign loans and receivables	188	188	2 179	2 179	14	14	2 382	2 382
<b>Total loans and receivables</b>	<b>337</b>	<b>337</b>	<b>8 821</b>	<b>8 821</b>	<b>51</b>	<b>51</b>	<b>9 208</b>	<b>9 208</b>
DERIVATIVES								
Interest rate swaps	70	70	321	321	0	0	391	391
Share options	0	0	243	243	2	2	245	245
Forward exchange contracts	0	0	8	8	0	0	8	8
<b>Total financial derivatives classified as assets</b>	<b>70</b>	<b>70</b>	<b>572</b>	<b>572</b>	<b>3</b>	<b>3</b>	<b>644</b>	<b>644</b>
<b>Other financial assets</b>	<b>17</b>	<b>17</b>	<b>1 778</b>	<b>1 778</b>	<b>8</b>	<b>8</b>	<b>1 803</b>	<b>1 803</b>
<b>Total financial assets valued at fair value</b>	<b>5 757</b>	<b>5 757</b>	<b>176 065</b>	<b>176 065</b>	<b>1 041</b>	<b>1 041</b>	<b>182 863</b>	<b>182 863</b>

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

30.06.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LIABILITIES</b>								
DERIVATIVES								
Interest rate swaps	0	0	329	329	0	0	329	329
Forward exchange contracts	4	4	1 594	1 594	6	6	1 605	1 605
<b>Total financial derivatives classified as liabilities</b>	<b>4</b>	<b>4</b>	<b>1 924</b>	<b>1 924</b>	<b>6</b>	<b>6</b>	<b>1 935</b>	<b>1 935</b>
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	3 126	3 236	0	0	0	0	3 126	3 236
Hybrid Tier 1 securities	1 007	1 025	0	0	0	0	1 007	1 025
<b>Total subordinated loan capital etc.</b>	<b>4 132</b>	<b>4 261</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 132</b>	<b>4 261</b>
DEBT TO CREDIT INSTITUTIONS								
Foreign call money	34	34	300	300	1	1	334	334
<b>Total debt to credit institutions</b>	<b>34</b>	<b>34</b>	<b>300</b>	<b>300</b>	<b>1</b>	<b>1</b>	<b>334</b>	<b>334</b>

31.12.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	730	855	9 054	10 339	50	56	9 834	11 250
Accrued not due interest	23	23	200	200	1	1	223	223
Foreign hold-to-maturity bonds	3 130	3 230	16 549	18 510	87	100	19 765	21 839
Accrued not due interest	55	55	256	256	2	2	312	312
<b>Total investments held to maturity</b>	<b>3 937</b>	<b>4 163</b>	<b>26 058</b>	<b>29 304</b>	<b>139</b>	<b>158</b>	<b>30 134</b>	<b>33 625</b>
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	1 495	1 686	24 620	28 217	138	161	26 253	30 064
Accrued not due interest	40	40	682	682	3	3	725	725
Foreign bonds	4 133	4 586	52 951	59 640	365	413	57 449	64 639
Accrued not due interest	88	88	1 108	1 108	8	8	1 203	1 203
<b>Total bonds classified as loans and receivables</b>	<b>5 756</b>	<b>6 400</b>	<b>79 360</b>	<b>89 646</b>	<b>515</b>	<b>585</b>	<b>85 631</b>	<b>96 631</b>
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	4 076	4 090	0	0	4 076	4 090
Lending with public sector guarantee	0	0	37 695	38 643	0	0	37 695	38 643
Accrued not due interest	0	0	205	205	0	0	205	205
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>41 976</b>	<b>42 938</b>	<b>0</b>	<b>0</b>	<b>41 976</b>	<b>42 938</b>
<b>Total financial assets at amortized cost</b>	<b>9 694</b>	<b>10 563</b>	<b>147 393</b>	<b>161 889</b>	<b>654</b>	<b>743</b>	<b>157 741</b>	<b>173 194</b>

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

31.12.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	329	329	4 630	4 630	0	0	4 959	4 959
Foreign shares	0	0	19 605	19 605	0	0	19 605	19 605
<b>Total shares and units</b>	<b>329</b>	<b>329</b>	<b>24 236</b>	<b>24 236</b>	<b>0</b>	<b>0</b>	<b>24 564</b>	<b>24 564</b>
Property funds	0	0	493	493	0	0	493	493
Norwegian equity funds	0	0	43 422	43 422	400	400	43 822	43 822
Foreign equity funds	0	0	5 758	5 758	0	0	5 758	5 758
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>49 673</b>	<b>49 673</b>	<b>400</b>	<b>400</b>	<b>50 073</b>	<b>50 073</b>
Norwegian alternative investments	0	0	1 794	1 794	13	13	1 807	1 807
Foreign alternative investments	0	0	81	81	0	0	81	81
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>1 875</b>	<b>1 875</b>	<b>13</b>	<b>13</b>	<b>1 888</b>	<b>1 888</b>
DEBT INSTRUMENTS								
Norwegian bonds	4 636	4 636	28 626	28 626	0	0	33 262	33 262
Foreign bonds	203	203	18 232	18 232	0	0	18 434	18 434
Accrued not due interest	41	41	484	484	0	0	525	525
Norwegian fixed-income funds	1 765	1 765	41 640	41 640	599	599	44 004	44 004
Foreign fixed-income funds	0	0	12 172	12 172	0	0	12 172	12 172
Norwegian certificates	557	557	3 910	3 910	0	0	4 467	4 467
Accrued not due interest	5	5	12	12	0	0	17	17
<b>Total bonds and other fixed-income securities</b>	<b>7 206</b>	<b>7 206</b>	<b>105 076</b>	<b>105 076</b>	<b>599</b>	<b>599</b>	<b>112 882</b>	<b>112 882</b>
Norwegian loans and receivables	461	461	8 120	8 120	11	11	8 593	8 593
Foreign loans and receivables	165	165	7 660	7 660	17	17	7 842	7 842
<b>Total loans and receivables</b>	<b>626</b>	<b>626</b>	<b>15 780</b>	<b>15 780</b>	<b>28</b>	<b>28</b>	<b>16 434</b>	<b>16 434</b>
DERIVATIVES								
Interest rate swaps	312	312	415	415	1	1	727	727
Share options	0	0	424	424	3	3	427	427
Forward exchange contracts	0	0	370	370	3	3	373	373
<b>Total financial derivatives classified as assets</b>	<b>312</b>	<b>312</b>	<b>1 208</b>	<b>1 208</b>	<b>7</b>	<b>7</b>	<b>1 527</b>	<b>1 527</b>
<b>Other financial assets</b>	<b>16</b>	<b>16</b>	<b>101</b>	<b>101</b>	<b>0</b>	<b>0</b>	<b>117</b>	<b>117</b>
<b>Total financial assets valued at fair value</b>	<b>8 489</b>	<b>8 489</b>	<b>197 949</b>	<b>197 949</b>	<b>1 047</b>	<b>1 047</b>	<b>207 485</b>	<b>207 485</b>



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

31.12.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LIABILITIES</b>								
DERIVATIVES								
Interest rate swaps	0	0	748	748	0	0	748	748
Forward exchange contracts	10	10	7 615	7 615	27	27	7 652	7 652
<b>Total financial derivatives classified as liabilities</b>	<b>10</b>	<b>10</b>	<b>8 363</b>	<b>8 363</b>	<b>27</b>	<b>27</b>	<b>8 400</b>	<b>8 400</b>
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	3 423	3 508	0	0	0	0	3 423	3 508
Hybrid Tier 1 securities	1 253	1 262	0	0	0	0	1 253	1 262
<b>Total subordinated loan capital etc.</b>	<b>4 676</b>	<b>4 770</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 676</b>	<b>4 770</b>
DEBT TO CREDIT INSTITUTIONS								
Foreign call money	186	186	527	527	2	2	715	715
<b>Total debt to credit institutions</b>	<b>186</b>	<b>186</b>	<b>527</b>	<b>527</b>	<b>2</b>	<b>2</b>	<b>715</b>	<b>715</b>

**Note 7 FAIR VALUE HIERARCHY**

30.06.15 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	1 902	3 947	0	5 849
Certificates	0	547	0	547
Bonds	39	3 400	0	3 439
Fixed-income funds	1 863	0	0	1 863
Loans and receivables	1 104	363	0	1 468
Shares and units	0	387	6	393
Shares	0	387	6	393
Financial derivatives	0	329	0	329
Other financial assets	0	1	0	1
<b>Total corporate portfolio</b>	<b>3 006</b>	<b>5 027</b>	<b>6</b>	<b>8 039</b>

**Note 7 FAIR VALUE HIERARCHY (CONT.)**

<b>30.06.15 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	74 675	30 876	0	105 551
Certificates	4 307	1 870	0	6 177
Bonds	15 374	29 007	0	44 380
Fixed-income funds	54 994	0	0	54 994
Loans and receivables	8 696	1 674	0	10 371
Shares and units	72 594	3 490	6 549	82 634
Shares	25 329	956	813	27 098
Equity funds	47 265	0	0	47 265
Property funds	0	389	0	389
Special funds	0	2 146	0	2 146
Private Equity	0	0	5 736	5 736
Financial derivatives	0	631	0	631
Other financial assets	0	3 493	0	3 493
<b>Total common portfolio</b>	<b>155 965</b>	<b>40 165</b>	<b>6 549</b>	<b>202 679</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	640	0	0	640
Fixed-income funds	640	0	0	640
Loans and receivables	51	0	0	51
Shares and units	444	14	0	458
Equity funds	444	0	0	444
Special funds	0	14	0	14
Financial derivatives	0	2	0	2
Other financial assets	0	0	0	0
<b>Total investment option portfolio</b>	<b>1 135</b>	<b>15</b>	<b>0</b>	<b>1 151</b>
<b>Total financial assets valued at fair value</b>	<b>160 106</b>	<b>45 207</b>	<b>6 555</b>	<b>211 869</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	891	891
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>891</b>	<b>891</b>

**Note 7 FAIR VALUE HIERARCHY (CONT.)**

30.06.15 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	3	0	3
Debt to credit institutions	299	0	0	299
<b>Total corporate portfolio</b>	<b>299</b>	<b>3</b>	<b>0</b>	<b>302</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	4 113	0	4 113
Debt to credit institutions	228	0	0	228
<b>Total common portfolio</b>	<b>228</b>	<b>4 113</b>	<b>0</b>	<b>4 341</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	6	0	6
Debt to credit institutions	2	0	0	2
<b>Total investment option portfolio</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>8</b>
<b>Total financial liabilities at fair value</b>	<b>529</b>	<b>4 122</b>	<b>0</b>	<b>4 651</b>

30.06.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Bonds and other fixed-income securities	977	4 026	0	5 003
Certificates	49	668	0	717
Bonds	100	3 358	0	3 458
Fixed-income funds	827	0	0	827
Loans and receivables	220	117	0	337
Shares and units	0	310	8	330
Shares	0	323	8	330
Financial derivatives	0	70	0	70
Other financial assets	0	17	0	17
<b>Total corporate portfolio</b>	<b>1 196</b>	<b>4 540</b>	<b>8</b>	<b>5 757</b>

**Note 7 FAIR VALUE HIERARCHY (CONT.)**

30.06.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	65 819	32 225	0	98 044
Certificates	4 375	3 371	0	7 746
Bonds	13 723	28 854	0	42 577
Fixed-income funds	47 721	0	0	47 721
Loans and receivables	5 874	2 947	0	8 821
Shares and units	58 382	3 418	5 051	66 851
Shares	19 805	1 021	1 056	21 883
Equity funds	38 577	0	52	38 629
Property funds	0	632	0	632
Special funds	0	1 764	0	1 764
Private Equity	0	0	3 942	3 942
Financial derivatives	0	572	0	572
Other financial assets	0	1 778	0	1 778
<b>Total common portfolio</b>	<b>130 075</b>	<b>40 940</b>	<b>5 051</b>	<b>176 065</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	602	0	0	602
Bonds	602	0	0	602
Loans and receivables	51	0	0	51
Shares and units	363	13	0	376
Shares	363	0	0	363
Special funds	0	13	0	13
Financial derivatives	0	3	0	3
Other financial assets	0	8	0	8
<b>Total investment option portfolio</b>	<b>1 016</b>	<b>24</b>	<b>0</b>	<b>1 041</b>
<b>Total financial assets valued at fair value</b>	<b>132 288</b>	<b>45 504</b>	<b>5 059</b>	<b>182 863</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	889	889
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>889</b>	<b>889</b>

**Note 7 FAIR VALUE HIERARCHY (CONT.)**

30.06.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
CORPORATE PORTFOLIO				
Financial derivatives	0	4	0	4
Debt to credit institutions	34	0	0	34
<b>Total corporate portfolio</b>	<b>34</b>	<b>4</b>	<b>0</b>	<b>38</b>
COMMON PORTFOLIO				
Financial derivatives	0	1 924	0	1 924
Debt to credit institutions	300	0	0	300
<b>Total common portfolio</b>	<b>300</b>	<b>1 924</b>	<b>0</b>	<b>2 224</b>
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	6	0	6
Debt to credit institutions	1	0	0	1
<b>Total investment option portfolio</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>7</b>
<b>Total financial liabilities at fair value</b>	<b>334</b>	<b>1 935</b>	<b>0</b>	<b>2 269</b>

31.12.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	1 805	5 402	0	7 206
Certificates	0	562	0	562
Bonds	40	4 840	0	4 880
Fixed-income funds	1 765	0	0	1 765
Loans and receivables	384	242	0	626
Shares and units	0	323	6	329
Shares	0	323	6	329
Financial derivatives	0	312	0	312
Other financial assets	0	16	0	16
<b>Total corporate portfolio</b>	<b>2 213</b>	<b>6 270</b>	<b>6</b>	<b>8 489</b>

**Note 7 FAIR VALUE HIERARCHY (CONT.)**

31.12.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	70 443	34 633	0	105 076
Certificates	2 314	1 608	0	3 922
Bonds	14 317	33 025	0	47 342
Fixed-income funds	53 812	0	0	53 812
Loans and receivables	12 800	2 980	0	15 780
Shares and units	66 149	3 361	6 274	75 784
Shares	22 047	993	958	23 998
Equity funds	44 102	0	0	44 102
Property funds	0	493	0	493
Special funds	0	1 875	0	1 875
Private Equity	0	0	5 316	5 316
Financial derivatives	0	1 208	0	1 208
Other financial assets	0	101	0	101
<b>Total common portfolio</b>	<b>149 392</b>	<b>42 283</b>	<b>6 274</b>	<b>197 949</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	599	0	0	599
Bonds	599	0	0	599
Loans and receivables	28	0	0	28
Shares and units	400	13	0	413
Shares	400	0	0	400
Special funds	0	13	0	13
Financial derivatives	0	7	0	7
Other financial assets	0	0	0	0
<b>Total investment option portfolio</b>	<b>1 027</b>	<b>20</b>	<b>0</b>	<b>1 047</b>
<b>Total financial assets valued at fair value</b>	<b>152 632</b>	<b>48 573</b>	<b>6 280</b>	<b>207 485</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	890	890
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>890</b>	<b>890</b>

**Note 7 FAIR VALUE HIERARCHY (CONT.)**

31.12.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	10	0	10
Debt to credit institutions	186	0	0	186
<b>Total corporate portfolio</b>	<b>186</b>	<b>10</b>	<b>0</b>	<b>196</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	8 363	0	8 363
Debt to credit institutions	527	0	0	527
<b>Total common portfolio</b>	<b>527</b>	<b>8 363</b>	<b>0</b>	<b>8 890</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	27	0	27
Debt to credit institutions	2	0	0	2
<b>Total investment option portfolio</b>	<b>2</b>	<b>27</b>	<b>0</b>	<b>29</b>
<b>Total financial liabilities at fair value</b>	<b>715</b>	<b>8 400</b>	<b>0</b>	<b>9 115</b>

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 30.06.2015	Book value 30.06.2014	Book value 31.12.2014
Opening balance 01.01	6	8	8
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	0	-2
<b>Closing balance 30.06/31.12</b>	<b>6</b>	<b>8</b>	<b>6</b>
Realised gains/losses	0	0	0

Changes in Level 3 shares, unlisted Common portfolio	Book value 30.06.2015	Book value 30.06.2014	Book value 31.12.2014
Opening balance 01.01	958	681	681
Sold	0	0	0
Bought	4	504	136
Unrealised changes	-149	-1	141
<b>Closing balance 30.06/31.12</b>	<b>813</b>	<b>1 183</b>	<b>958</b>
Realised gains/losses	0	0	0

**Note 7 FAIR VALUE HIERARCHY (CONT.)**

Changes in Level 3 shares, Private Equity Common portfolio	Book value 30.06.2015	Book value 30.06.2014	Book value 31.12.2014
Opening balance 01.01	5 316	3 666	3 666
Sold	-408	-317	-674
Bought	804	457	1 052
Unrealised changes	24	61	1 273
<b>Closing balance 30.06/31.12</b>	<b>5 736</b>	<b>3 867</b>	<b>5 316</b>
Realised gains/losses	55	42	182

Changes in Level 3, Investment Property Corporate portfolio	Book value 30.06.2015	Book value 30.06.2014	Book value 31.12.2014
Opening balance 01.01	890	947	947
Sold	0	0	-2
Bought	0	4	4
Unrealised changes	1	-62	-59
<b>Closing balance 30.06/31.12</b>	<b>891</b>	<b>889</b>	<b>890</b>
Realised gains/losses	0	0	0
<b>Total Level 3</b>	<b>7 447</b>	<b>5 947</b>	<b>7 170</b>

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

The amounts in the level distribution can in turn be found in the financial position statement under various portfolios' allocation of financial instruments at fair value and investment property.

Unrealized changes are reflected in the line «Value changes on investments» in the corporate portfolio in the income statement. The amounts in the level distribution can in turn be found in the financial position statement under various portfolios' allocation of financial instruments at fair value, investment property and shares and units in property subsidiaries (here referred to generically as investment property). Unrealized changes are reflected in the line «Value changes on investments in the common portfolio result». The significant change in Level 3 is due to investment property being included in the note.

**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.

**Nivå 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.



## Note 7 FAIR VALUE HIERARCHY (CONT.)

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

On a general basis, a 5 percent change in the pricing would produce a change of NOK 2 603 million as of 30.06.2015, NOK 2 272 million as of 30.06.2014 and NOK 2 539 million as of 31.12.2014. Investment property comes under this Note since there are more extensive requirements for information regarding fair value that now also apply to investment property valued at fair value. Everything related to investment property is included in Level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 1 014 million in financial assets valued at fair value at Level 1. Per 30.06.2015 the NOK 1 014 millions are included with NOK 494 millions in shares and units in Level 1, and NOK 509 million in debt instruments at fair value in Level 1.

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

In this quarter NOK 53 million has been moved from Level 1 to Level 2 and NOK 40 millions from Level 2 to Level 1, everything related to equity instruments. When moving between levels the value at the period end defines the amount. There has been no changes in Level 3 in this period.

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

30.06.15 NOK millions	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Related amounts not presented net			
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	961	0	962	-415	-529	43	
<b>Total</b>	<b>961</b>	<b>0</b>	<b>962</b>	<b>-415</b>	<b>-529</b>	<b>43</b>	
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	631	0	631	-415	-228	0	
Total assets – corporate portfolio	329	0	329	0	-299	43	
Total assets – investment option portfolio	2	0	2	0	-2	1	
<b>Total</b>	<b>961</b>	<b>0</b>	<b>962</b>	<b>-415</b>	<b>-529</b>	<b>43</b>	
LIABILITIES							
Financial derivatives	4 122	0	4 123	-415	-3 590	134	
<b>Total</b>	<b>4 122</b>	<b>0</b>	<b>4 123</b>	<b>-415</b>	<b>-3 590</b>	<b>134</b>	
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	4 113	0	4 114	-415	-3 583	131	
Total liabilities – corporate portfolio	3	0	3	0	-2	1	
Total liabilities – investment option portfolio	6	0	6	0	-6	2	
<b>Total</b>	<b>4 122</b>	<b>0</b>	<b>4 123</b>	<b>-415</b>	<b>-3 590</b>	<b>134</b>	

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

30.06.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
<b>ASSETS</b>						
Financial derivatives	644	0	644	-259	-334	71
<b>Total</b>	<b>644</b>	<b>0</b>	<b>644</b>	<b>-259</b>	<b>-334</b>	<b>71</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>						
Total assets – common portfolio	572	0	572	-258	-300	15
Total assets – corporate portfolio	70	0	70	0	-34	54
Total assets – investment option portfolio	3	0	3	-1	-1	2
<b>Total</b>	<b>644</b>	<b>0</b>	<b>644</b>	<b>-259</b>	<b>-334</b>	<b>71</b>
<b>LIABILITIES</b>						
Financial derivatives	1 935	0	1 935	-259	-1 700	36
<b>Total</b>	<b>1 935</b>	<b>0</b>	<b>1 935</b>	<b>-259</b>	<b>-1 700</b>	<b>36</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>						
Total liabilities – common portfolio	1 924	0	1 924	-258	-1 690	34
Total liabilities – corporate portfolio	4	0	4	0	-3	1
Total liabilities – investment option portfolio	6	0	6	-1	-7	1
<b>Total</b>	<b>1 935</b>	<b>0</b>	<b>1 935</b>	<b>-259</b>	<b>-1 700</b>	<b>36</b>

  

31.12.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
<b>ASSETS</b>						
Financial derivatives	1 527	0	1 527	-733	-715	291
<b>Total</b>	<b>1 527</b>	<b>0</b>	<b>1 527</b>	<b>-733</b>	<b>-715</b>	<b>291</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>						
Total assets – common portfolio	1 208	0	1 208	-730	-527	164
Total assets – corporate portfolio	312	0	312	0	-186	125
Total assets – investment option portfolio	7	0	7	-3	-2	2
<b>Total</b>	<b>1 527</b>	<b>0</b>	<b>1 527</b>	<b>-733</b>	<b>-715</b>	<b>291</b>
<b>LIABILITIES</b>						
Financial derivatives	8 400	0	8 400	-733	-6 888	794
<b>Total</b>	<b>8 400</b>	<b>0</b>	<b>8 400</b>	<b>-733</b>	<b>-6 888</b>	<b>794</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>						
Total liabilities – common portfolio	8 363	0	8 363	-730	-6 859	790
Total liabilities – corporate portfolio	10	0	10	0	-9	0
Total liabilities – investment option portfolio	27	0	27	-3	-20	4
<b>Total</b>	<b>8 400</b>	<b>0</b>	<b>8 400</b>	<b>-733</b>	<b>-6 888</b>	<b>794</b>

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

**Note 9 OTHER SHORT TERM LIABILITIES**

NOK millions	30.06.15	30.06.14	31.12.14
Short-term liabilities securities	4 605	3 307	106
Advance tax-deduction pension scheme	607	502	286
Accounts payable	9	22	18
Derivatives	4 122	1 935	8 400
Debt to credit institutions	529	334	715
Liabilities related to direct insurance	194	193	4 066
Other short-term liabilities	15	18	47
<b>Total other short-term liabilities</b>	<b>10 082</b>	<b>6 311</b>	<b>13 638</b>

**Note 10 INSURANCE LIABILITIES**

NOK millions	30.06.15	30.06.14	31.12.14
Premium reserve - ordinary tariff	351 155	308 557	329 601
Premium fund, buffer fund and pensioners' surplus fund	12 885	9 564	10 322
Supplementary reserves	17 107	12 685	17 013
Securities adjustment fund	20 913	16 569	19 522
Other provisions	171	257	223
Unallocated profit - insurance contracts in the common portfolio	2 667	1 477	0
<b>Insurance liabilities in life insurance - contractual liabilities</b>	<b>404 897</b>	<b>349 109</b>	<b>376 681</b>
Premium reserve - ordinary tariff	1 702	1 601	1 639
Premium fund, buffer fund and pensioners' surplus fund	213	132	191
Supplementary reserves	91	83	91
Unallocated profit - insurance contracts in the investment option portfolio	24	37	0
<b>Insurance-related provisions - investment option portfolio</b>	<b>2 030</b>	<b>1 853</b>	<b>1 921</b>



**Send mail to:**

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

**Head Office**

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