

Interim report

Q2 2016



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Interim report second quarter 2016

KLP delivers good results in Q2/2016

- Good returns despite unsettled equity markets in the wake of Brexit.
- Value-adjusted return on the common portfolio of 1.7 per cent in the second quarter and 2.7 per cent in the year to date.
- The book return on the common portfolio was 1.1 per cent for the second quarter, and 2.2 per cent for the year to date.
- Without applying transitional rules, capital adequacy according to Solvency II is 189 per cent.

KLP - a customer-owned group

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

At the end of the second quarter, the Group had total assets of NOK 577 billion, a growth of NOK 34 billion so far this year.

The operating profit was NOK 9.2 billion (5.4)¹ for the first half-year, and NOK 6.2 billion for the second quarter. The Group's total profit is good, at NOK 1.1 billion for the quarter and NOK 1.4 billion so far this year.

Kommunal Landspensjonskasse gjensidig forsikringselskap

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse (KLP). Out of the Group's total assets of NOK 485.1 billion, NOK 434.2 billion are linked to insurance obligations for public-sector occupational pensions.

Results for the second quarter 2016

Returns result

In the first half of 2016, KLP achieved a returns result, returns in excess of average guaranteed rate of return, of NOK 4 billion (2.6), of which NOK 1.9 billion came in the second quarter. Financial income from customer assets amounted to NOK 11.3 billion (9.0), including 7.2 billion in the second quarter. The value-adjusted return on the common portfolio was 2.7 per cent for the first half-year, and book return was 2.2 per cent.

Risk result

The risk result was good in the first quarter, but slightly weaker in the second. The risk events in the stock are within expectations for the half-year, with profits totalling NOK 278 million, of which 126 million came in the second quarter. It is planned to allocate NOK 136 million of the risk profit to the risk equalisation fund, the rest being returned to the customers' premium fund.

Administration result

The Company's administration result shows a surplus of NOK 65 million (132) at the end of the second quarter, of which NOK 45 million accrued in the second quarter. Insurance-related operating costs came to NOK 218 million (237) in the quarter.

Total income

Total income for the Company was NOK 1.4 billion (1.0) in the first half-year, of which NOK 1.1 billion came in the second quarter. The customer result was NOK 4.0 billion (2.7) for the half-year and NOK 2.0 billion for the quarter.

NOK millions	Customers	Company	Total
Returns result	3 878	75	3 952
Risk result	142	136	278
Interest guarantee premium		340	340
Administration result		65	65
Net income from investments in the corporate portfolio and other income/ costs in non-technical accounts		581	581
Tax		275	275
Other profit/loss elements		-79	-79
Income for Q2/2016	4 019	1 392	5 412
Income for Q2/2015	2 691	1 026	3 717

¹ Figures in brackets give values for the corresponding period in 2015

Financial strength and capital-related matters

KLP's total assets show growth during the first half-year of NOK 27.2 billion and amount to NOK 485.1 billion. Insurance obligations have grown by NOK 21.8 billion over the half-year and now amount to NOK 434.2 billion.

Over the first half-year the securities adjustment fund increased by NOK 2.5 billion to NOK 24.0 billion. This is due to price rises on interest-bearing instruments after interest rates fell in the first half-year.

The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital under Solvency II in an amount equal to 2.5 per cent of the premium reserve. This stood at NOK 9.3 billion at the end of the second quarter.

Without applying transitional rules, the Company's capital adequacy according to Solvency II is 189 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 343 per cent. KLP's goal is to have a solvency margin of at least 150 per cent without applying transitional rules. The solvency estimates are thus well above that goal and underline the Company's strong capital position.

The company repaid a subordinated loan of EUR 300 million on the first possible repayment date, 11.04.2016.

The Board of Directors considers the Company's solvency to be good.

Key figures

Per cent	At end of Q2		The year
	2016	2015	2015
Book returns	2.2	2.0	3.6
Value-adjusted returns	2.7	2.3	4.0
Value-adjusted, including added values in hold-to-maturity bonds and lending	3.4	1.0	2.8
<i>The returns figures apply to the common portfolio</i>			
Capital adequacy, Solvency II	189		187
Capital adequacy, Solvency II, with transitional rules	343		274

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 12.2 billion (10.0) for the quarter and NOK 17.9 billion (16.0) for the half-year.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 6.6 per cent and amounted to NOK 7.9 billion (7.4) so far this year.

Management of the common portfolio

The assets in the common portfolio totalled NOK 444.2 billion (409.2) and were invested as shown below:

Assets	Share	Return	Share	Return
Per cent	30.06.16	1st half-year 2016	30.06.15	1st half-year 2015
Shares	19.6 %	-1.6 %	21.5 %	4.7 %
Short-term bonds	21.0 %	4.9 %	21.1 %	0.0 %
Long-term/HTM bonds	26.8 %	2.1 %	27.4 %	2.2 %
Lending	11.7 %	1.2 %	12.2 %	1.4 %
Property	12.3 %	5.1 %	10.9 %	5.2 %
Other financial assets	8.6 %	0.9 %	6.9 %	0.7 %

Shares

Total exposure in shares, including share derivatives, was 19.6 per cent at the end of the second quarter. In the second quarter, KLP's currency-hedged global index rose by 1.2 per cent, while the Oslo Stock Exchange (OSEBX) showed a return of 4.3 per cent. Since 1 January, these indices have had returns of minus 1.0 per cent and minus 1.2 per cent respectively. KLP's return on global shares in the quarter was 0.1 per cent, while the return in Norwegian shares was minus 0.4 per cent. The return in the year to date is minus 1.6 per cent.

Short-term bonds and the money market

Short-term bonds made up 21 per cent and money-market instruments 8.6 per cent of the assets in the common portfolio as at 30 June. Global government interest rates fell during the second quarter. Norwegian government rates also fell during the quarter, apart from short-term rates. The credit premiums in KLP's Norwegian and global bonds portfolios decreased in the quarter. The global government-bond index achieved a currency-hedged return of 0.9 per cent in the second quarter, while the Norwegian government-bond index had a 1.0 per cent return. KLP's global credit bond index had a currency-hedged return of 2.8 per cent for the quarter. In total, KLP achieved returns 2.3 per cent for the quarter, while money market returns were 0.5 per cent. The return in the year to date is 4.9 per cent.

Bonds held to maturity

Investment in bonds held to maturity made up around 27 per cent of the common portfolio as at 30 June. Unrecognised added values in the common portfolio amounted to NOK 13.2 billion as at 30 June. The portfolio is well diversified and consists of securities issued by highly creditworthy institutions. The return measured at amortised cost in the second quarter was 1.0 per cent. The return in the year to date is 2.1 per cent.

Property

Property investments, including Norwegian and international property funds, made up 12.3 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 536 million in the second quarter. If the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 998 million in the quarter. Property investments in the common portfolio achieved a return of 5.1 per cent so far this year.

Lending

Lending in the common portfolio totals NOK 50.1 billion. This is split between NOK 47.4 billion in loans to municipalities and other enterprises and NOK 2.7 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provision for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 755 million as at 30 June. The return in the year to date is 1.2 per cent.

Returns on the corporate portfolio

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

The corporate portfolio is managed with a low-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 2.7 per cent in the first half-year.

Market conditions for pensions

KLP has achieved strong growth in recent years, and is now finding the market in public-sector occupational pensions to be more stable. The ongoing local government reform may affect KLP's customer base, and the company is monitoring this closely.

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

Solvency II

The Solvency II rules apply from 01.01.2016 with the introduction of the Norwegian Financial Institutions Act and associated regulations. The capital requirements under the new rules are stricter than before, but KLP meets these requirements by a good margin, even without applying the transitional rules and without any adjustments to risk-taking.

Owner communication

A general meeting and a meeting of the corporate assembly were held in the second quarter.

The board of representatives remains in place with the establishment of a new corporate assembly with the same number of members and the same composition.

The general meeting approved the annual report and accounts. The resolution means that customers have received a larger retrocession of surplus than anticipated, while KLP was able to use large parts of the disability pension provisions released to reduce its guaranteed rate of return. This last is an important measure to meet the challenges of low interest rates.

Business areas of the subsidiaries

Private occupational pensions

KLP Bedriftspensjon AS is growing. The Company had total assets of NOK 3.2 billion as at 30 June, an increase of NOK 0.3 billion since the start of the year. The increase is mainly linked to defined-contribution pensions, which now total NOK 1.4 billion. 214 new business customers entered into pension agreements in the first half-year, and 333 pension capital certificates were transferred to the company.

KLP Bedriftspensjon achieved a book return on the common portfolio of 2.2 per cent and a value-adjusted return of 2.8 per cent. Customers with defined-contribution pensions achieved a 1.8 per cent return for the same period.

The returns result was NOK 8.6 million in the first half-year. The Company has applied to the Financial Supervisory Authority of Norway to be allowed seven years to build up its reserves to the new K2013 mortality basis. The total reserve requirement arising from the introduction of the new calculation basis is NOK 91.6 million. As of 30.06, a total of NOK 71.9 million has been set aside, including receipts from equity in the company. Total outstanding reserve requirement is NOK 19.7 million. The company has to finance at least 20 per cent of the total reserve requirement over seven years. As of 30.06, a total of NOK 12.6 million has been set aside from equity in the company.

The Company achieved a pre-tax loss of NOK 6.9 million in the first half-year, and is dependent on continued growth to reach profitability.

Return on customer assets

Per cent	30.06.2016	30.06.2015	The year 2015
Common portfolio			
Book returns	2.2 %	2.4 %	4.8 %
Value-adjusted returns	2.8 %	2.5 %	4.7 %
Defined-contribution pensions with investment options			
Profile KLP90	-0.2 %	5.5 %	3.4 %
Profile KLP70	0.8 %	4.1 %	3.0 %
Profile KLP50	2.0 %	2.7 %	2.4 %
Profile KLP30	2.8 %	1.5 %	2.0 %
Profile KLPPM	1.0 %	0.9 %	1.5 %

Non-life insurance

The second quarter produced pre-tax profits of NOK 66.8 million, with continued growth in all segments and a high proportion of members among the retail customers. As of 30 June, profit before tax was NOK 116.3 million (15.6). The gross stock premium increased this half-year by 8.4 per cent, to NOK 1,210 million.

No claims in excess of NOK 25 million were reported in the second quarter. An occupational injury was reported in the quarter, with a total provision of NOK 12 million. The ten largest provisions for the year totalled NOK 71 million.

Reversal of previous years' claims is still positive, and this year NOK 40 million was taken to income as an adjustment to earlier years' reserves.

Financial returns in the second quarter were 1.8 per cent, and totalled 3.1 per cent for the first half of 2016.

Key figures for the Company:

As of Q2	2016	2015
Claim ratio*	80.0	93.7
Cost ratio*	21.7	20.4
Total cost ratio*	101.7	114.0

*for own account

The public sector market

The net stock premium increased this year by 7.5 per cent, to NOK 37.7 million (11.9). A large number of public invitations to tender have already been published, and the Company has had good access to this market so far this year. There is still strong competition based around price, and the company aims to be a competitive provider to all public-sector customers.

A new version of the customer portal was launched during the quarter.

The corporate market

The net stock premium increased this year by 8.9 per cent, to NOK 23.0 million (13.2). There is a lot of tendering activity in a market where competition is tough, but we are still seeing good award rates.

The largest claim in the quarter is a property claim estimated at NOK 4.0 million.

The retail market

The net stock premium has increased so far this year by 9.3 per cent, to NOK 33.0 million (34.2). The growth in the stock is somewhat weaker than expected. There was nevertheless a positive trend in new sales through the quarter. Members accounted for 92 per cent of the year's sales. The web element accounted for 34 per cent of the year's sales to members.

The largest single claim in the quarter is a property claim estimated at NOK 5.3 million.

In line with the Group's strategy, there is a strong focus on KLP members. We have seen a clear increase in the use of the company's digital self-service solutions, and we are working to develop these further. A new version of the customer portal (My Page) was launched during the quarter.

Finance

Net financial income for the first half-year was NOK 125.1 million (89.1). The financial markets improved in the second quarter and the quarterly return was 1.8 per cent. The return on shares remained negative, at minus 1.1 per cent. The return on bonds, on the other hand, was plus 3.4 per cent. At the same time, the return on property was positive, at 7.1 per cent, mainly because of value adjustments on the Company's two property investments.

Solvency

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

The rules relating to minimum capital adequacy requirements have also been revoked. The Company reports its financial strength based on meeting the minimum requirements for capital adequacy under the Solvency II rules. Based on figures for 30.06.16, the solvency capital requirement (SCR) is 277 per cent without applying transitional rules, which is much higher than the requirement for 100 per cent. The Company has a target figure of at least 150 per cent.

Asset and fund management

KLP Kapitalforvaltning AS carries out securities management in the KLP Group. It had a total of NOK 418 billion under management at the end of the first half-year, of which NOK 46.5 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP securities funds in the first half-year amounted to NOK 4.3 billion, of which NOK 2.2 billion came from external customers.

KLP Kapitalforvaltning achieved a result before tax of NOK 1.8 (27.0) million in the first half-year.

Bank

The purpose of KLP Banken is to finance mortgage loans and provide other financial services to members of KLP's pension schemes, and loans to municipalities, county administrations and companies operating in the public sector. The lending business is financed by way of deposits, loans from the securities market and owners' equity. The Bank also manages lending financed through pension assets held by KLP. The Bank has seen good development in line with the targets that were set.

KLP Banken has 31,070 customers in the retail market who are members, an increase of 3,622 in the first half-year which is in line with its ambitions. The proportion of members is about 71 per cent, for deposits and loans combined.

The volume of mortgage loans for own account and managed loans grew in the first half-year by NOK 0.9 billion to NOK 15.0 billion. Of this, NOK 12.3 billion was financed by the Bank's parent company and the subsidiary KLP Boligkreditt AS.

During the first half of 2016, public sector lending financed through borrowing from the securities market increased by NOK 0.4 billion to NOK 15.7 billion. Lending growth to the public sector, including managed loans, totalled NOK 1.2 billion in the first half-year. The Bank manages NOK 38.2 billion in public-sector loans for KLP. There are also managed loans in foreign currencies, which have decreased slightly since the start of the year to NOK 9.2 billion.

Deposits grew by NOK 0.8 billion in the first half-year. Total deposits amounted to NOK 8.3 billion, of which deposits from retail customers made up NOK 6.6 billion and deposits from municipalities and enterprises totalled NOK 1.6 billion.

Overdue payments and defaulted mortgage loans are at a low level. Loans in default in excess of 90 days account for 0.24 per cent of total lending as at the end of the second quarter. This is slightly lower than the corresponding figure for the first quarter. Loss provisions of NOK 0.3 million were raised in the first half-year.

The KLP Banken Group had a pre-tax operating profit of NOK 58 million (15) in the first half-year, including NOK 38.1 million in the second quarter. The Bank's half-yearly results for the public-sector and retail business areas were NOK 39.9 million and NOK 17.7 million respectively. The improved result is largely due to an increased volume of lending and more favourable returns on the Bank's securities other than loans. The KLP Banken Group's investments in securities have

generated profits of NOK 13.0 million (-14.1) so far this year. There was also a one-off profit of NOK 1.9 million from the Bank's share of the sale of Visa Europe to Visa Inc. The total net interest income in the KLP Banken Group was NOK 100.3 million (81.4) in the first half-year.

Corporate social responsibility

For KLP's active ownership, the second quarter was dominated by the Norwegian general meeting season. KLP and the KLP funds voted at over 90 per cent of all general meetings. It is mainly in matters related to management remuneration and capital increases that KLP votes against board recommendations. There are still many companies that offer incentive schemes that lack clear performance requirements or are too short-term in KLP's view.

The KLP list was updated in June. The exclusion of one company, Total S.A, was rescinded. The new exclusions included 31 coal companies; two companies were excluded for corruption, one for breaching other ethical standards, one under the weapons criterion and one for the production of tobacco.

A major part of KLP's HSE work is to invite customers to conferences and networking events for learning and knowledge development. In this quarter, KLP ran a conference for health care companies in Tromsø and networking events for local authorities in Nordland and Agder.

So far this year, KLP has run 53 injury-prevention activities with customers, including driving courses for home care workers, ergonomics courses for cleaners, courses in fire, water and intrusion prevention for caretakers and operations staff, courses in handling threats and violence and courses in hot work. KLP has also run five information days on the challenges of municipal rented housing. 57 local authorities were represented at these events. In all, almost 1,200 people took part in the injury-prevention activities.

Future prospects and events after the end of the quarter

In the wake of the referendum on the UK's membership of the EU, the equity markets fell sharply and sterling weakened. Although the stock markets recovered after this, we believe that solid buffers are important at a time of great fluctuations. The fixed-income market has continued to fall in Norway and the rest of Europe. This has produced profits from bonds. For new investments, the fall in interest rates is reflected in lower ongoing returns. Both supplementary reserves and the securities adjustment fund are buffers that can be used to cover low returns in the future. Solid buffers are an important part of the Company's strategy for predictable asset management.

Standard & Poor's and Moody's have improved their long-term credit ratings for KLP to A minus and A2 respectively, with stable outlook. This is a recognition of the Company's solidity strengthening over the years.

KLP and KLP Kommunekreditt have given notice to the rating agency Fitch Ratings that the current contract will not be renewed after 01.09.2016. The reason for this is a desire to reduce the Group's recurring costs.

Together with our owners and customers, we aim to enhance our products and services so they feel even better served.

Oslo, 17. August 2016

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy chair

Marit Torgersen

Jan Helge Guldbrandsen

Ingjerd Blekeli Spiten

Lars Vorland

Susanne Torp - Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Income statement

KLP Group

Note	NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
3	Premium income for own account	12 505	9 966	20 456	26 261	40 236
	Current return on financial assets	3 956	3 717	7 183	6 788	13 076
	Net interest income banking	47	42	100	81	187
	Net value changes on financial instruments	3 059	-4 651	2 917	2 370	1 010
8	Net income from investment properties	1 865	1 020	2 894	2 209	4 816
4	Other income	224	237	457	472	926
	Return to financial instruments attributable to minority interests	-760	401	204	-1 598	-1 949
	Total net income	20 895	10 731	34 211	36 583	58 302
	Claims for own account	-4 284	-3 976	-8 548	-8 086	-16 161
	Change in technical provisions	-9 979	-7 712	-15 344	-21 848	-11 740
5	Net costs subordinated loan and hybrid Tier 1 securities	104	-6	74	-94	-1 490
6	Operating expenses	-351	-336	-759	-726	-1 429
7	Other expenses	-234	-215	-467	-435	-884
	Total expenses	-14 744	-12 245	-25 044	-31 189	-31 704
	Operating profit/loss	6 152	-1 514	9 166	5 394	26 598
	To/from securities adjustment fund - life insurance	-2 820	3 199	-2 530	-1 393	-1 951
	To supplementary reserves - life insurance	7	57	7	57	-3 073
	Assets allocated to insurance customers - life insurance	-2 538	-1 048	-5 265	-2 756	-16 435
	Pre-tax income	800	694	1 378	1 302	5 138
	Cost of taxes ¹	216	-235	22	-354	-927
	Income	1 016	460	1 400	948	4 211
	Actuarial loss and profit on post employment benefit obligations	0	0	-88	0	195
	Adjustments of the insurance obligations	0	0	9	0	-20
	Tax on items that will not be reclassified to profit or loss	0	0	20	0	-44
	Items that will not be reclassified to profit or loss	0	0	-59	0	132
	Revaluation real property for use in own operation	49	42	56	78	172
	Currency translation foreign subsidiaries	-485	292	-1 070	55	1 319
	Adjustments of the insurance obligations	485	-292	1 070	-55	-1 319
	Tax on items that will be reclassified to profit or loss	-12	-11	-14	-21	-43
	Items that will be reclassified to income when particular specific conditions are met	37	30	42	57	129
	Total other comprehensive income	37	30	-17	57	261
	Total comprehensive income	1 053	490	1 383	1 005	4 472
	¹ Cost of taxes is included in the minority's share.	-52	-136	-104	-87	-164

Balance sheet

KLP Group

Note	NOK millions	30.06.2016	30.06.2015	31.12.2015
	Deferred tax assets	47	0	33
	Other intangible assets	563	492	526
	Tangible fixed assets	1 393	1 258	1 346
	Investments in associated companies and joint venture	394	326	368
8,11	Investment property	55 198	45 486	56 436
9,14	Debt instruments held to maturity	33 749	38 296	35 318
9,14	Debt instruments classified as loans and receivables	97 097	88 446	94 987
9,11,14	Lending local government, enterprises & retail customers at fair value through profit/loss	1 747	2 043	1 845
9,14	Lending local government, enterprises and retail customers	77 042	72 055	75 766
9,11,14	Debt instruments at fair value through profit or loss	163 859	144 275	152 493
9,11	Equity capital instruments at fair value through profit/loss	116 013	113 068	115 493
9,11,14	Financial derivatives	3 381	1 123	1 292
9	Receivables	21 639	10 777	3 751
9	Assets in defined contribution-based life insurance	1 362	1 015	1 183
	Cash and bank deposits	3 587	7 384	2 424
	TOTAL ASSETS	577 072	526 044	543 262
	Owners' equity contributed	10 424	9 215	10 422
	Retained earnings	14 625	9 777	13 242
	TOTAL OWNERS' EQUITY	25 049	18 992	23 665
9,10	Hybrid Tier 1 securities	1 919	1 277	1 564
9,10	Subordinated loan capital	6 281	8 478	9 541
	Pension obligations	739	754	634
15	Technical provisions - life insurance	435 658	408 316	413 799
15	Provisions in life insurance with investment option	1 362	1 015	1 183
	Premiums- and claims provisions - non-life insurance	2 469	2 454	2 142
9,10	Covered bonds issued	20 988	17 642	18 987
9,10	Debt to credit institutions	6 712	5 509	5 099
9,10	Liabilities to and deposits from customers	8 252	7 305	7 426
9,11	Financial derivatives	4 540	5 529	7 993
	Deferred tax	554	317	835
16	Other current liabilities	14 548	7 059	4 255
	The minority's share of liabilities	48 002	41 396	46 140
	TOTAL LIABILITIES	552 023	507 052	519 597
	TOTAL EQUITY AND LIABILITIES	577 072	526 044	543 262
	Contingent liabilities	14 973	10 177	14 346

Changes in Owners' equity

KLP Group

2016 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2015	10 422	13 242	23 665
Income		1 400	1 400
Items that will not be reclassified to income		-59	-59
Items that will be reclassified to income later when particular conditions are met		42	42
Total other comprehensive income		-17	-17
Total comprehensive income		1 383	1 383
Owners' equity contribution received (net) ¹	1		1
Total transactions with the owners	1		1
Owners' equity 30 June 2016	10 424	14 625	25 049

¹ During the second quarter, the parent company KLP has called in NOK 1 216 million of ordinary equity capital contributions to be paid in during the third quarter.

2015 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2014 ²	9 173	8 385	17 558
Change in principle, dissolution of the contingency reserve in non-life insurance		387	387
Owners' equity 1 January 2015		8 772	17 945
Income		948	948
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
Total other comprehensive income		57	57
Total comprehensive income		1 005	1 005
Owners' equity contribution received (net)	42		42
Total transactions with the owners	42		42
Owners' equity 30 June 2015	9 215	9 777	18 992

² Owners equity 31 December 2014 has been changed due to a reclassification of funds in non-life insurance by NOK 86 millions.

Changes in Owners' equity (cont.)

KLP Group

2015 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2014 ²	9 173	8 385	17 558
Change in principle, dissolution of the contingency reserve in non-life insurance		387	387
Owners' equity 1 January 2015	9 173	8 772	17 945
Income		4 211	4 211
Items that will not be reclassified to income		132	132
Items that will be reclassified to income later when particular conditions are met		129	129
Total other comprehensive income		261	261
Total comprehensive income		4 472	4 472
Owners' equity contribution received (net)	1 249		1 249
Total transactions with the owners	1 249		1 249
Owners' equity 31 December 2015	10 422	13 242	23 665

² Owners equity 31 December 2014 has been changed due to a reclassification of funds in non-life insurance by NOK 86 millions.

Statement of cash flows

KLP Group

NOK millions	01.01.2016 - 30.06.2016	01.01.2016 - 31.03.2016	01.01.2015 - 31.12.2015	01.01.2015 - 30.09.2015	01.01.2015 - 30.06.2015
Net cash flow from operational activities	-10 631	-5 259	-18 131	-14 214	-9 454
Net cash flow from investment activities ¹	-94	-34	-162	-107	-75
Net cash flow from financing activities ²	11 889	5 524	18 461	14 642	14 657
Net changes in cash and bank deposits	1 163	231	167	321	5 127
Holdings of cash and bank deposits at start of period	2 424	2 424	2 257	2 257	2 257
Holdings of cash and bank deposits at end of period	3 587	2 655	2 424	2 578	7 384

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the accounts

KLP Group

Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2016 – 30.06.2016. The accounts have not been audited.

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

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

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

As a result of the amendments made to the Insurance Activity Act with effect from 1 January 2016, the Group has dissolved the book contingency reserves and changed the comparative figures.

This has had the following effects on the group financial statements:

Financial position statement NOK millions	Q2 2015	01.01.2015 -30.06.2015	The year 2015
Changes in insurance reserves	59	0	10
Tax expense/income	-16	0	8
Income	43	0	18

Balance sheet NOK millions	30.06.2015	31.12.2015	The year
Retained earnings	387	18	387
Premiums- and claims provisions - non-life insurance	-530	- 10	- 530
Deferred tax/deferred tax asset	143	- 8	143

The Group has changed its practice in regard to accrual of holiday payment. The effect on profit/loss for the period is an increase in personnel cost of NOK 43.5 million which is recognized as "operating costs". The comparable figures for 2015 is changed.

There are no other changes in accounting principles in 2016 that have been of significance for the consolidated interim financial statements following the second quarter.

Note 2 SEGMENT INFORMATION

NOK millions	Group pensions pub. sect. & group life			Group pensions Private			Non-life insurance		
	Q2 2016	Q2 2015	The year 2015	Q2 2016	Q2 2015	The year 2015	Q2 2016	Q2 2015	The year 2015
Premium income f.o.a. from external customers ¹	19 653	25 528	38 736	249	236	486	560	498	1 015
Premium income f.o.a. from other Group companies	21	20	53	0	0	0	0	6	20
Net financial income from investments	11 616	9 408	17 572	71	53	78	127	92	173
Other income from external customers	452	467	919	2	1	2	1	1	1
Other income from other Group companies	170	50	263	0	0	0	1	0	0
Return to financial instruments attributable to minority interests									
Total income	31 912	35 473	57 542	322	290	566	689	596	1 209
Claims f.o.a.	-8 035	-7 574	-15 283	-65	-45	-84	-448	-467	-801
Insurance provisions f.o.a.	-15 131	-21 626	-11 266	-221	-217	-452	-1	-5	-3
Costs borrowing	74	-94	-1 490	0	0	0	0	0	0
Operating costs excluding depreciation	-424	-442	-875	-23	-22	-43	-122	-107	-219
Depreciation	-43	-37	-80	-1	-1	-1	-2	-2	-3
Other expenses	-467	-436	-884	0	0	0	-1	0	0
Total expenses	-24 027	-30 209	-29 877	-310	-285	-580	-572	-580	-1 026
Operating profit/loss	7 885	5 264	27 665	13	5	-15	116	16	183
Funds credited to insurance customers ²	-6 699	-4 135	-22 789	-20	-12	-9	0	0	0
Pre-tax income	1 187	1 129	4 876	-7	-7	-24	116	16	183
Cost of taxes	275	-102	-533	0	0	0	-25	-11	-46
Income	1 462	1 026	4 343	-7	-7	-24	91	5	137
Change in other comprehensive income	-70	0	175	-1	0	0	-8	0	26
Total comprehensive income	1 392	1 026	4 519	-8	-7	-24	83	5	164
Assets	485 071	446 280	457 858	3 222	2 546	2 943	4 567	4 286	4 128
Liabilities	460 069	427 355	434 249	2 776	2 424	2 632	2 812	2 774	2 455

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

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

Note 2 SEGMENT INFORMATION (CONT.)

NOK millions	Banking			Asset management			Other		
	Q2 2016	Q2 2015	The year 2015	Q2 2016	Q2 2015	The year 2015	Q2 2016	Q2 2015	The year 2015
Premium income f.o.a. from external customers ¹	0	0	0	0	0	0	0	0	0
Premium income f.o.a. from other Group companies	0	0	0	0	0	0	0	0	0
Net financial income from investments	115	67	152	4	5	4	0	0	0
Other income from external customers	4	5	10	0	0	0	5	4	8
Other income from other Group companies	29	29	58	141	149	303	0	0	0
Return to financial instruments attributable to minority interests									
Total income	147	102	220	145	154	307	5	4	8
Claims f.o.a.	0	0	0	0	0	0	0	0	0
Insurance provisions f.o.a.	0	0	0	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0	0	0	0
Operating costs excluding depreciation	-87	-86	-167	-140	-125	-253	-4	-4	-8
Depreciation	-2	-1	-3	-3	-2	-8	0	0	0
Other expenses	0	0	-1	0	0	0	0	0	0
Total expenses	-90	-87	-171	-143	-127	-261	-4	-4	-8
Operating profit/loss	58	15	49	2	27	46	1	1	0
Funds credited to insurance customers ²	0	0	0	0	0	0	0	0	0
Pre-tax income	58	15	49	2	27	46	1	1	0
Cost of taxes	-13	-4	-15	2	-8	-19	0	0	0
Income	44	11	33	3	19	27	1	1	0
Change in other comprehensive income	-2	0	7	-8	0	18	0	0	0
Total comprehensive income	42	11	40	-5	19	44	1	1	0
Assets	34 149	29 820	31 299	392	368	394	12	11	11
Liabilities	32 570	28 537	29 787	188	165	185	3	2	3

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

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

Note 2 SEGMENT INFORMATION (CONT.)

NOK millions	Eliminations			Total		
	Q2 2016	Q2 2015	The year 2015	Q2 2016	Q2 2015	The year 2015
Premium income f.o.a. from external customers ¹	-7	0	0	20 456	26 261	40 236
Premium income f.o.a. from other Group companies	-21	-25	-73	0	0	0
Net financial income from investments	1 161	1 823	1 110	13 094	11 448	19 089
Other income from external customers	-7	-7	-14	457	472	926
Other income from other Group companies	-340	-228	-624	0	0	0
Return to financial instruments attributable to minority interests	204	-1 598	-1 949	204	-1 598	-1 949
Total income	990	-35	-1 550	34 211	36 583	58 302
Claims f.o.a.	0	0	6	-8 548	-8 086	-16 161
Insurance provisions f.o.a.	8	0	-19	-15 344	-21 848	-11 740
Costs borrowing	0	0	0	74	-94	-1 490
Operating costs excluding depreciation	92	113	231	-708	-673	-1 334
Depreciation	0	-11	0	-51	-53	-95
Other expenses	1	1	1	-467	-435	-884
Total expenses	101	102	219	-25 044	-31 189	-31 704
Operating profit/loss	1 091	68	-1 330	9 166	5 394	26 598
Funds credited to insurance customers ²	-1 070	55	1 338	-7 788	-4 092	-21 460
Pre-tax income	21	123	8	1 378	1 302	5 138
Cost of taxes	-211	-250	-400	28	-375	-1 014
Income	-189	-127	-392	1 406	927	4 124
Change in other comprehensive income	66	78	121	-23	78	347
Total comprehensive income	-123	-49	-271	1 383	1 005	4 472
Assets	83 807	72 553	77 927	577 072	526 044	543 262
Liabilities	86 175	74 331	80 072	552 023	507 052	519 597

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

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

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

Public sector occupational pension and group life
Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pension
KLP Bedriftspensjon AS offers products to enterprises within both the public and private sectors.

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

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

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

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

Note 3 PREMIUM INCOME FOR OWN ACCOUNT

NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
Contribution service pension / AFP	12 551	10 343	18 637	16 580	30 849
Reinsurance premiums ceded	31	25	18	15	-10
Transfer of premium reserves from others ¹	-78	-403	1 801	9 667	9 397
Total premium income	12 505	9 966	20 456	26 261	40 236

¹ Transfer of premium reserves from others for the second quarter 2015 and 2016 is negative. This is due to the fact that the Group 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 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
Supplement contractual early retirement scheme (AFP)	224	209	452	429	868
Other income	0	27	5	43	58
Total other income	224	237	457	472	926

Note 5 SUBORDINATED LOANS AND PERPETUAL HYBRID TIER 1 SECURITIES

NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
SUBORDINATED LOANS					
Interest costs ¹	-69	-55	-169	-90	-314
Value changes	457	-32	628	49	-804
Net costs subordinated loans	388	-87	458	-41	-1 117
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-14	-14	-30	-28	-61
Value changes	-269	95	-355	-25	-312
Net costs perpetual hybrid tier 1 securities	-283	81	-384	-53	-372
Net costs subordinated loan and hybrid Tier 1 securities	104	-6	74	-94	-1 490

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

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

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

Note 6 OPERATING EXPENSES

NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
Personnel costs	208	213	444	421	862
Depreciation	32	27	64	53	118
Other operating expenses	111	97	252	251	449
Other operating expenses	351	336	759	726	1 429

Note 7 OTHER EXPENSES

NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
Supplement contractual early retirement scheme (AFP)	224	209	451	428	868
Other expenses	10	6	16	7	16
Total other expenses	234	215	467	435	884

Note 8 INVESTMENT PROPERTY

NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
INCOME STATEMENT: NET INCOME FROM INVESTMENT PROPERTIES					
Net rental income etc.	710	592	1 430	1 222	2 517
Net value adjustment	670	720	394	1 042	3 618
Currency transl. foreign subsidiaries	485	-292	1 070	-55	-1 319
Net income from investment properties	1 865	1 020	2 894	2 209	4 816

NOK millions	30.06.2016	30.06.2015	31.12.2015
BALANCE SHEET: INVESTMENT PROPERTY			
Investment property 01.01.	56 436	44 467	44 467
Value adjustment	394	1 042	3 618
Net additions	-1 628	-62	8 317
Other changes	-4	39	34
Investment property 30.06./31.12.	55 198	45 486	56 436

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial instruments measured at amortised cost

This category includes:

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

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

Financial instruments measured at fair value

This category includes:

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

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

Investments held to maturity

Bonds classified as loans and receivables

Debt instruments measured at fair value

a) Foreign fixed-income securities

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

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

b) Norwegian fixed-income securities - government

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

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

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

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

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

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

e) Receivables on credit institutions

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

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

f) Loans to municipalities and enterprises with municipal guarantee

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

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

g) Loans secured by mortgage

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

Equity instruments

h) Shares (listed)

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

The last price traded has key priority. If the last price traded is outside of the bid/offer price in the market, the price is adjusted accordingly. This means that if the last price traded is below the offer price, the price is adjusted upward to the offer price. If it is above the bid price, it is adjusted downward to the bid price. If the price picture is considered to be outdated,

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

the price is adjusted in accordance with a market index. The Group has chosen the Oslo Stock Exchange as its small cap index (OSESX) as an approach for unlisted shares.

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

j) Private Equity

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

Derivatives**k) Futures/FRA/IRF**

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

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

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

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

Subordinated loan capital, other debt issued, and deposits from customers**p) Fair value of subordinated loans**

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOK millions	30.06.2016		30.06.2015		31.12.2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY						
- AT AMORTIZED COST						
Norwegian hold-to-maturity bonds	10 404	11 531	11 333	12 439	10 922	11 838
Foreign hold-to-maturity bonds	23 345	25 513	26 963	28 263	23 897	25 492
Norwegian certificates	0	0	0	0	499	499
Total debt instruments held to maturity	33 749	37 044	38 296	40 702	35 318	37 830
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES						
- AT AMORTIZED COST						
Norwegian bonds	30 766	34 599	28 927	31 779	30 091	32 967
Foreign bonds	66 315	73 759	59 500	63 928	64 873	70 172
Other receivables	17	17	19	19	23	23
Total debt instruments classified as loans and receivables	97 097	108 375	88 446	95 726	94 987	103 162

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

NOK millions	30.06.2016		30.06.2015		31.12.2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	1 747	1 747	2 043	2 043	1 845	1 845
Total loans to local government, enterprises & retail customers	1 747	1 747	2 043	2 043	1 845	1 845
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS - AT AMORTIZED COST						
Loans secured by mortgage	15 064	15 096	20 517	20 539	14 136	14 172
Loans to local government sector or enterprises with local government guarantee	52 777	53 789	43 290	44 187	51 458	52 303
Loans abroad secured by mortgage and local government guarantee	9 202	9 185	8 249	8 255	10 172	10 133
Total loans to local government, enterprises & retail customers	77 042	78 070	72 055	72 981	75 766	76 608
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	52 175	52 175	46 170	46 170	48 258	48 258
Norwegian certificates	11 915	11 915	8 615	8 615	9 877	9 877
Foreign bonds	81 576	81 576	73 782	73 782	76 939	76 939
Foreign certificates	247	247	0	0	0	0
Investments with credit institutions	17 945	17 945	15 708	15 708	17 419	17 419
Total debt instruments at fair value through profit/loss	163 859	163 859	144 275	144 275	152 493	152 493
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	107 051	107 051	105 820	105 820	107 102	107 102
Equity funds	8 232	8 232	6 758	6 758	7 703	7 703
Property funds	354	354	389	389	370	370
Alternative investments	376	376	102	102	318	318
Total equity capital instruments at fair value	116 013	116 013	113 068	113 068	115 493	115 493
RECEIVABLES						
Receivables related to direct business	7 806	7 806	5 975	5 975	1 004	1 004
Receivables related to reinsurance agreements	73	73	70	70	74	74
Reinsurance share of gross claims reserve	38	38	35	35	10	10
Receivables related to securites	13 409	13 409	3 603	3 603	2 445	2 445
Other receivables	313	313	1 096	1 096	217	217
Total other loans and receivables including receivables from policyholders	21 639	21 639	10 777	10 777	3 751	3 751

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

NOK millions	30.06.2016		30.06.2015		31.12.2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	1 919	1 919	1 277	1 292	1 564	1 588
Subordinated loan capital	6 281	6 271	8 478	8 493	9 541	9 506
Debt to credit institutions	2 810	2 810	3 135	3 135	2 915	2 915
Covered bonds issued	20 988	20 988	17 642	17 642	18 987	18 987
Liabilities and deposits from customers	8 252	8 252	7 305	7 305	7 426	7 426
Total financial liabilities	40 250	40 240	37 836	37 867	40 433	40 421
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	3 901	3 901	2 374	2 374	2 184	2 184
Total financial liabilities	3 901	3 901	2 374	2 374	2 184	2 184
Assets in life insurance with investment option	1 362	1 362	1 015	1 015	1 183	1 183
Provisions in life insurance with investment option	1 362	1 362	1 015	1 015	1 183	1 183

NOK millions	30.06.2016		30.06.2015		31.12.2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	2 013	3 036	191	4 284	177	6 378
Interest rate swaps	463	1 504	439	1 246	496	1 615
Interest rate and currency swaps	905	0	330	0	614	0
Share options	0	0	163	-1	6	0
Total financial derivatives	3 381	4 540	1 123	5 529	1 292	7 993

Note 10 BORROWING

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	0	EUR	Fixed	Perpetual	0	2 589	2 995
Kommunal Landspensjonskasse	554	JPY	Fixed ¹	Perpetual	754	615	704
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ²	2045	5 526	5 274	5 841
Total subordinated loan capital	5 717				6 281	8 478	9 541
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	1 919	1 277	1 564
Total hybrid Tier 1 securities	984				1 919	1 277	1 564

¹The loan has an interest change date in 2017.²The loan has an interest change date in 2025.³The loan has an interest change date in 2034.

Note 10 BORROWING (CONT.)

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2015	0	1 117	0
KLP Kommunekreditt AS	1 630	NOK	Floating	2016	1 218	2 817	2 174
KLP Kommunekreditt AS	635	NOK	Fixed	2017	637	1 003	644
KLP Kommunekreditt AS	3 000	NOK	Floating	2017	3 006	4 010	4 008
KLP Kommunekreditt AS	3 970	NOK	Floating	2018	3 975	3 505	4 005
KLP Kommunekreditt AS	4 500	NOK	Floating	2019	4 505	2 001	4 505
KLP Kommunekreditt AS	2 000	NOK	Floating	2020	2 004	0	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	769	769	752
KLP Kommunekreditt AS	600	NOK	Fixed	2021	605	0	0
KLP Boligkreditt AS	490	NOK	Floating	2017	441	602	602
KLP Boligkreditt AS	600	NOK	Floating	2019	600	601	600
KLP Boligkreditt AS	1 605	NOK	Floating	2020	2 007	0	452
KLP Boligkreditt AS	500	NOK	Fixed	2021	501	0	0
KLP Boligkreditt AS	600	NOK	Floating	2021	601	1 204	1 203
Value adjustments					120	13	42
Total covered bonds	20 880				20 988	17 642	18 987
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Floating	2015	0	223	0
KLP Banken AS	800	NOK	Floating	2016	401	803	805
KLP Banken AS	300	NOK	Fixed	2017	301	301	308
KLP Banken AS	500	NOK	Floating	2017	500	501	500
KLP Banken AS	200	NOK	Fixed	2018	205	205	202
KLP Banken AS	500	NOK	Fixed	2018	502	502	502
KLP Banken AS	900	NOK	Fixed	2019	902	600	600
KLP Alfa Global Rente	0	NOK	Fixed	2015	0	1 839	0
KLP Alfa Global Rente	1 885	NOK	Fixed	2016	1 885	0	1 433
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2015	0	529	0
Kommunal Landspensjonskasse	1 434	NOK/EUR/USD	Floating	2016	1 434	0	700
KLP Banken AS	6	NOK	Floating	2016	6	0	0
Other KLP-funds	576	NOK/EUR/USD	Floating	2016	576	0	49
Other			Fixed		0	7	0
Total liabilities to credit institutions	7 101				6 712	5 509	5 099
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴							
Retail	6 645	NOK			6 645	6 014	6 030
Business	1 593	NOK			1 593	1 291	1 397
Foreign	14	NOK			14	0	0
Liabilities to and deposits from customers	8 252				8 252	7 305	7 426
Total financial liabilities	42 933				44 151	40 211	42 617

⁴ There is no contractual maturity date on deposits.

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

Note 11 FAIR VALUE HIERARCHY

30.06.2016 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	55 198	55 198
Land/plots	0	0	980	980
Real estate fund	0	0	988	988
Buildings	0	0	53 230	53 230
Lending at fair value	0	1 747	0	1 747
Bonds and other fixed-income securities	47 232	98 778	0	146 010
Certificates	6 881	5 282	0	12 163
Bonds	27 333	93 496	0	120 830
Fixed-income funds	13 018	0	0	13 018
Loans and receivables	16 196	1 653	0	17 849
Shares and units	103 788	4 115	8 110	116 013
Shares	102 147	3 385	1 519	107 051
Equity funds	1 641	0	79	1 720
Property funds	0	354	0	354
Special funds	0	376	0	376
Private Equity	0	0	6 512	6 512
Financial derivatives	0	3 381	0	3 381
Total assets at fair value	167 216	109 675	63 308	340 198
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	4 540	0	4 540
Debt to credit institutions ¹	2 016	1 886	0	3 901
Total financial liabilities at fair value	2 016	6 426	0	8 441

¹ Linjen «Gjeld til kredittinstitusjoner» i balansen inneholder forpliktelser målt til virkelig verdi og amortisert kost. Denne linjen er derfor ikke avstembar mot balansen. Forpliktelsene som måles til amortisert kost utgjør 2 811 millioner kroner per 30.06.2016.

Note 11 FAIR VALUE HIERARCHY (CONT.)

30.06.2015 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
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	102 521	3 905	6 641	113 068
Shares	101 313	3 415	1 092	105 820
Equity funds	1 209	0	65	1 274
Property funds	0	389	0	389
Special funds	0	102	0	102
Private Equity	0	0	5 484	5 484
Financial derivatives	0	1 123	0	1 123
Total assets at fair value	156 535	97 332	52 127	305 994
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	5 529	0	5 529
Debt to credit institutions ¹	536	1 839	0	2 374
Total financial liabilities at fair value	536	7 368	0	7 903

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 2 811 million per 30.06.2016

Note 11 FAIR VALUE HIERARCHY (CONT.)

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

¹The 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 2 811 million per 30.06.2016

Changes in Level 3, Financial Assets	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
Opening balance 1 January	8 009	6 310	6 310
Sold	-484	-395	-1 460
Bought	818	833	2 270
Unrealised changes	-234	-107	889
Closing balance 30.06./31.12.	8 110	6 641	8 009
Realised gains/losses	99	55	182

Note 11 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3, Investment property	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
Opening balance 1 January	56 436	44 467	44 467
Net acquisition cost	-1 628	-62	3 618
Unrealised changes	394	1 042	8 317
Other changes	-4	39	34
Closing balance 30.06./31.12.	55 198	45 486	56 436
Realised gains/losses	0	0	0
Closing balance 30.06./31.12.	63 308	52 127	64 445

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

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 3 165 million as of 30.06.2016, NOK 2 603 million as of 30.06.2015 and NOK 3 222 million as of 31.12.2015. Investment property comes under this Note since there are more extensive requirements for information regarding fair value that now also apply to investment property valued at fair value in the Group. Everything related to investment property is included in Level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 1 183 millions in financial assets valued at fair value at Level 1. Per 30.06.2016 the NOK 1 362 millions are included with NOK 679 millions in shares and units in Level 1, NOK 680 millions in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

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

In the second quarter NOK 330 millions in stocks has been moved from Level 1 to Level 2 and NOK 165 millions from Level 2 to Level 1. For debt instruments there has been no changes in the first quarter.

No movements in Level 3 during the first quarter.

Note 12 LIQUIDITY RISK

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

30.06.2016 NOK millions	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	1 058	948	6 526	0	8 533
Perpetual hybrid Tier 1 securities ¹	0	91	244	305	1 670	2 310
Debt to and deposits from customers (without defined maturity)	8 252	0	0	0	0	8 252
Covered bonds issued	0	2 132	18 405	1 217	0	21 754
Payables to credit institutions	4 313	1 253	1 644	0	0	7 210
Financial derivatives	840	2 373	1 224	93	-356	4 175
Accounts payable	690	0	0	0	0	690
Contingent liabilities	14 973	0	0	0	0	14 973
Total	29 068	6 908	22 466	8 141	1 314	67 898

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 54 million and payables to credit institutions maturing within one month are reduced with NOK 15 million. Derivatives maturing between 1-12 months are reduced with NOK 117 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 67 712 million.

30.06.2015 NOK millions	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	3 028	1 529	6 377	0	10 935
Perpetual hybrid Tier 1 securities ¹	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
Total	22 547	8 106	20 424	8 838	1 359	61 274

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 192 million, derivatives maturing between 1-12 months are reduced by NOK 30 million and payables to credit institutions within one month are reduced with NOK 11 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 61 041 million.

Note 12 LIQUIDITY RISK (CONT.)

31.12.2015 NOK millions	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	3 309	1 708	6 995	0	12 012
Perpetual hybrid Tier 1 securities ¹	0	64	258	322	1 641	2 285
Debt to and deposits from customers (without defined maturity)	7 426	0	0	0	0	7 426
Covered bonds issued	0	2 445	16 115	1 233	0	19 793
Payables to credit institutions	5 987	860	2 154	0	0	9 001
Financial derivatives	2 945	3 027	1 785	156	-282	7 631
Accounts payable	736	0	0	0	0	736
Contingent liabilities	14 346	0	0	0	0	14 346
Total	31 440	9 706	22 019	8 707	1 358	73 230

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

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

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

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

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

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

Note 13 INTEREST RATE RISK

30.06.2016 NOK millions	Up to 3 mth	From 3 mth to 12 mth	From 1 year to 5 yr	From 5 yr to 10 yr	Over 10 yr	Changes in cash flow 01.01.2016- 30.06.2016	Total	Total adjusted for minority's share
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	0	0	5
Financial derivatives classified as assets	32	-5	-25	-161	-449	-27	-636	-601
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	4	4	4
Bonds and other fixed-return securities	-44	-96	-1 114	-1 987	-1 527	139	-4 630	-4 114
Fixed income fund holdings	-759	0	0	0	0	0	-759	-759
Special investment fund	0	0	0	0	0	0	0	0
Lending and receivables	-1	-2	0	0	0	81	78	70
Lending	0	0	0	0	0	228	228	228
Cash and bank deposits	0	0	0	0	0	8	8	8
Contingent liabilities ²	0	0	0	0	0	26	26	26
Total assets	-772	-103	-1 140	-2 149	-1 977	460	-5 680	-5 134
LIABILITIES								
Deposit	0	0	0	0	0	-41	-41	-41
Liabilities created on issue of securities	0	9	41	32	0	-118	-36	-36
Financial derivatives classified as liabilities	-9	5	127	180	47	30	381	380
Hybrid capital, subordinated loans	0	0	0	78	118	0	196	196
Debt to credit institutions	0	0	0	0	0	-11	-11	-11
Total liabilities	-9	14	168	290	165	-140	488	488
Total before tax	-781	-88	-972	-1 859	-1 812	320	-5 192	-4 645
Total after tax	-586	-66	-729	-1 394	-1 359	240	-3 894	-3 484

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

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

Note 13 INTEREST RATE RISK (CONT.)

30.06.2015 NOK millions	Up to 3 mth	From 3 mth to 12 mth	From 1 year to 5 yr	From 5 yr to 10 yr	Over 10 yr	Changes in cash flow 01.01.2015- 30.06.2015	Total	Total adjusted for minority's share
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	10	10	5
Financial derivatives classified as assets	40	-19	-133	-64	-199	-34	-409	-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	118	-4 148	-3 732
Fixed income fund holdings	-760	0	0	0	0	19	-741	-760
Special investment fund	0	0	0	0	0	10	10	0
Lending and receivables	-1	-4	0	0	0	52	47	47
Lending	0	0	0	0	0	202	202	202
Cash and bank deposits	0	0	0	0	0	17	17	17
Contingent liabilities ²	0	0	0	0	0	17	17	17
Total assets	-758	-113	-1 172	-1 892	-1 471	412	-4 994	-4 569
LIABILITIES								
Deposit	0	0	0	0	0	-36	-36	-36
Liabilities created on issue of securities	0	0	0	0	0	-104	-104	-104
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
Total liabilities	-8	5	162	220	36	-107	306	234
Total before tax	-767	-109	-1 010	-1 672	-1 434	305	-4 688	-4 335
Total after tax	-560	-79	-737	-1 221	-1 047	222	-3 422	-3 165

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

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

Note 13 INTEREST RATE RISK (CONT.)

31.12.2015 NOK millions	Up to 3 mth	From 3 mth to 12 mth	From 1 year to 5 yr	From 5 yr to 10 yr	Over 10 yr	Changes in cash flow 01.01.2015- 31.12.2015		Total adjusted for minority's share
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	36	11	-116	-164	-294	-57	-585	-546
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	6
Bonds and other fixed-return securities	-39	-85	-1 141	-1 741	-1 300	253	-4 053	-3 618
Fixed income fund holdings	-730	0	0	0	0	0	-730	-730
Special investment fund	0	0	0	0	0	0	0	0
Lending and receivables	0	-2	0	0	0	158	156	144
Lending	0	0	0	0	0	423	423	423
Cash and bank deposits	0	0	0	0	0	25	25	25
Contingent liabilities ²	0	0	0	0	0	51	51	51
Total assets	-733	-76	-1 257	-1 905	-1 594	860	-4 705	-4 244
LIABILITIES								
Deposit	0	0	0	0	0	-74	-74	-74
Liabilities created on issue of securities	0	1	59	0	0	-224	-165	-165
Financial derivatives classified as liabilities	-7	18	132	254	2	64	463	447
Hybrid capital, subordinated loans	0	0	0	79	58	0	137	137
Debt to credit institutions	0	0	0	0	0	-7	-7	-7
Total liabilities	-7	18	191	333	60	-241	354	337
Total before tax	-740	-58	-1 067	-1 572	-1 534	619	-4 351	-3 906
Total after tax	-540	-42	-779	-1 148	-1 119	452	-3 176	-2 852

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

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

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

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

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

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

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

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

Note 14 CREDIT RISK

30.06.2016 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Mortgage > 80% ¹	Mortgage < 80% ¹	Other	Total	Total adjusted for minority holding
Debt instruments held to maturity at amortized cost	30 543	0	51	0	0	0	3 155	33 749	33 749
Debt instruments classified as loans and receivables at amortized cost	78 484	0	528	0	0	0	18 085	97 097	97 097
Debt instruments at fair value - fixed-return securities	109 832	300	6 722	6 076	0	0	9 842	132 773	120 696
Fixed-income funds	0	0	0	0	0	0	13 018	13 018	13 018
Loans and receivables	17 949	0	0	119	0	0	0	18 068	16 120
Financial derivatives classified as assets	2 912	0	0	0	0	0	0	2 912	2 728
Cash and bank deposits	3 587	0	0	0	0	0	0	3 587	3 587
Lending	0	0	55 043	0	12 299	2 715	8 733	78 789	78 789
Total	243 307	300	62 344	6 196	12 299	2 715	52 833	379 993	365 784

Specification of investment grade NOK millions	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	16 741	2 177	6 917	4 708	30 543
Debt instruments classified as loans and receivables at amortized cost	22 255	17 960	33 725	4 544	78 484
Debt instruments at fair value - fixed-return securities	45 390	14 246	34 076	16 120	109 832
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	3 380	14 340	229	17 949
Financial derivatives classified as assets	0	463	2 449	0	2 912
Cash and bank deposits	0	273	3 313	0	3 587
Lending	0	0	0	0	0
Total	84 386	38 500	94 820	25 600	243 307

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

Note 14 CREDIT RISK (CONT.)

30.06.2015 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Mortgage > 80% ¹	Mortgage < 80% ¹	Other	Total	Total adjusted for minority holding
Debt instruments held to maturity at amortized cost	35 381	0	82	1 175	0	0	1 659	38 296	38 296
Debt instruments classified as loans and receivables at amortized cost	69 914	0	514	259	0	0	17 759	88 446	88 423
Debt instruments at fair value - fixed-return securities	97 389	883	2 758	5 593	0	0	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	236	0	0	0	15 614	14 891
Financial derivatives classified as assets	1 123	0	0	0	0	0	0	1 123	1 098
Cash and bank deposits	7 384	0	0	0	0	0	0	7 384	7 384
Lending	0	0	52 113	0	12 479	1 427	8 078	74 098	74 098
Total	226 569	883	55 467	7 262	12 479	1 427	49 534	353 622	344 448

Specification of investment grade NOK millions	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
Cash and bank deposits	0	756	6 628	0	7 384
Lending	0	0	0	0	0
Total	78 793	33 409	93 847	20 519	226 569

31.12.2015 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Mortgage > 80% ¹	Mortgage < 80% ¹	Other	Total	Total adjusted for minority holding
Debt instruments held to maturity at amortized cost	32 117	0	31	5	0	0	3 165	35 318	35 318
Debt instruments classified as loans and receivables at amortized cost	76 046	0	522	253	0	0	18 165	94 987	94 987
Debt instruments at fair value - fixed-return securities	98 801	553	4 527	10 265	0	0	8 694	122 840	113 182
Fixed-income funds	0	0	0	0	0	0	12 224	12 224	12 224
Loans and receivables	16 922	0	0	507	0	0	0	17 429	16 576
Financial derivatives classified as assets	1 292	0	0	0	0	0	0	1 292	1 263
Cash and bank deposits	2 424	0	0	0	0	0	0	2 424	2 424
Lending	0	0	54 022	0	12 154	1 932	9 504	77 611	77 611
Total	227 603	553	59 102	11 030	12 154	1 932	51 752	364 126	353 585

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

Note 14 CREDIT RISK (CONT.)

Specification of investment grade NOK millions	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	18 157	2 558	7 691	3 711	32 117
Debt instruments classified as loans and receivables at amortized cost	22 492	16 959	32 460	4 136	76 046
Debt instruments at fair value - fixed-return securities	42 436	14 153	28 244	13 969	98 801
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 608	14 096	219	16 922
Financial derivatives classified as assets	0	174	1 118	0	1 292
Cash and bank deposits	0	32	2 392	0	2 424
Lending	0	0	0	0	0
Total	83 085	36 483	86 001	22 035	227 603

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

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

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

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. "Other" is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 52.8 billion per 30.06.2016. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the "Other" category.

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

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

Note 14 CREDIT RISK (CONT.)

NOK millions	30.06.2016		30.06.2015		31.12.2015	
	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding
10 LARGEST COUNTERPARTIES						
Counterparty 1	15 626	15 626	13 544	13 531	14 247	13 712
Counterparty 2	12 899	12 276	8 587	8 064	10 180	9 602
Counterparty 3	8 768	8 768	8 005	8 005	9 091	9 091
Counterparty 4	6 184	5 982	6 702	6 702	6 247	6 247
Counterparty 5	5 982	5 877	6 169	5 525	6 118	5 816
Counterparty 6	5 877	5 508	5 575	5 378	5 907	4 347
Counterparty 7	5 739	4 904	3 955	3 801	4 566	3 526
Counterparty 8	4 820	4 707	3 417	3 417	3 419	3 327
Counterparty 9	4 707	3 942	3 365	3 329	3 378	3 283
Counterparty 10	3 203	3 203	3 237	3 197	3 325	3 247
Total	73 804	70 793	62 556	60 948	66 478	62 199

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

Note 15 TECHNICAL PROVISIONS IN LIFE INSURANCE

NOK millions	30.06.2016	30.06.2015	31.12.2015
Premium reserves - ordinary tarif	371 675	354 103	356 199
Premium funds, buffer funds and pensioners' surplus funds	15 439	13 116	15 540
Supplementary reserves	20 410	17 228	20 322
Securities adjustment fund	24 058	20 970	21 529
Other provisions	48	199	209
Profit/loss allocated to insurance contracts	4 028	2 700	0
Technical provisions in life insurance including investment choice	435 658	408 316	413 799

NOK millions	30.06.2016	30.06.2015	31.12.2015
Premium reserves	1 354	1 008	1 175
Deposit funds	8	8	8
Provisions in life insurance with investment options	1 362	1 015	1 183

Note 16 OTHER CURRENT LIABILITIES

NOK millions	30.06.2016	30.06.2015	31.12.2015
Short-term payables trade in securities	12 260	4 909	168
Advance tax-deduction pension scheme	569	609	329
Accounts payable	124	104	681
Pre-called contribution to insurance	108	144	106
Other current liabilities	1 488	1 292	2 972
Total other current liabilities	14 548	7 059	4 255

Note 17 CAPITAL

Solvency II is being introduced from 1 January 2016 and the calculation of the solvency margin is being changed completely whilst the previous requirement for capital adequacy and core capital adequacy no longer applies. The Solvency II balance sheet includes assets and liabilities at fair value. For assets that are not measured at fair value in the accounts, values are added/subtracted so the assets values correspond to fair value. There are no observable market values for KLP's insurance liabilities. The insurance liabilities are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin to reflect a third party's capital costs by taking over these liabilities.

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

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 180 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 321 per cent.

	30.06.2016	31.12.2015
Solvency II	180 %	181 %

NOK billions	30.06.2016	30.06.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT		
Assets, book value	490	Best estimate 442
Added values - hold-to-maturity portfolio/ loans and receivables	15	Risk margin 14
Added values - other lending	1	Hybrid Tier 1 securities/Subordinated loan capital 9
Other added/lesser values	-1	Other liabilities 18
Deferred tax asset	0	Deferred tax liabilities 0
Total assets	506	Total liabilities 483
		Excess of assets over liabilities 23
		- Deferred tax asset 0
		- Risk equalisation fund -4
		+ Hybrid Tier 1 securities 2
		Tier 1 basic own funds 21
		Total eligible tier 1 own funds 21
		Subordinated loans 7
		Risk equalisation fund 4
		Tier 2 basic own funds 10
		Ancillary own funds 9
		Tier 2 ancillary own funds 9
		Deduction for max. eligible tier 2 own funds -12
		Total eligible tier 2 own funds 8
		Solvency II total eligible own funds 29
		Solvency capital requirement (SCR) 16
		Minimum capital requirement (MCR) 4
		Solvency II SCR ratio 180 %

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

30.06.2016 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for minority's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	2 929	0	2 929	-1 640	-1 413	63	65
Repos	0	0	0	0	0	0	0
Total	2 929	0	2 929	-1 640	-1 413	63	65
LIABILITIES							
Financial derivatives	4 088	0	4 088	-1 640	-2 353	235	203
Repos	1 886	0	1 886	0	0	1 886	1 886
Total	5 973	0	5 973	-1 640	-2 353	2 120	2 089
30.06.2015 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for minority's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	1 123	0	1 123	-698	-439	40	40
Repos	0	0	0	0	0	0	0
Total	1 123	0	1 123	-698	-439	40	40
LIABILITIES							
Financial derivatives	5 529	0	5 529	-522	-3 556	1 312	1 120
Repos	1 839	0	1 839	0	0	1 839	1 839
Total	7 368	0	7 368	-522	-3 556	3 151	2 958
31.12.2015 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for minority's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	1 292	0	1 292	-649	-647	58	58
Repos	0	0	0	0	0	0	0
Total	1 292	0	1 292	-649	-647	58	58
LIABILITIES							
Financial derivatives	7 993	0	7 993	-649	-4 447	2 909	2 563
Repos	1 434	0	1 434	0	0	1 434	1 434
Total	9 427	0	9 427	-649	-4 447	4 343	3 997

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

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

Key figures – Accumulated

NOK millions	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
KLP Group								
Profit before tax	1 378	578	5 138	1 889	1 302	606	1 189	1 430
Total assets	577 072	553 123	543 262	526 731	526 044	513 221	490 894	470 331
Owners' equity	25 049	23 997	23 665	20 233	18 992	18 466	17 558	17 893
Capital adequacy	n/a	n/a	11.7 %	11.0 %	11.0 %	9.1 %	9.2 %	9.2 %
Solvency II SCR ratio	180 %	181 % ²	n/a	n/a	n/a	n/a	n/a	n/a
Number of employees in the Group	952	942	939	920	914	906	899	886
Kommunal Landspensjonskasse								
Result before tax	1 196	464	4 876	1 613	1 196	549	959	1 439
Premium income for own account	19 674	7 556	38 789	31 985	25 548	15 948	62 454	54 570
- of which inflow of premium reserve	1 736	1 838	9 247	9 273	9 594	10 035	30 175	30 970
Insurance customers' funds incl. acc. profit	8 039	4 004	15 277	11 397	7 574	3 771	17 996	14 292
- of which funds with guaranteed returns	124	104	147	147	147	126	4 364	4 213
Net investment common portfolio	444 205	427 791	421 835	405 551	409 164	403 452	387 982	363 999
Net investment choice portfolio	2 105	2 060	2 050	2 020	2 056	1 978	1 958	1 890
Insurance funds incl. earnings for the year	434 146	419 099	412 363	405 343	406 927	398 314	378 602	367 814
- of which funds with guaranteed interest	385 763	375 583	370 607	368 390	352 857	345 233	331 240	325 401
Solvency capital requirement (SCR)	28 544	28 100	n/a	n/a	n/a	n/a	n/a	n/a
Solvency II SCR ratio	189 %	187 % ³	n/a	n/a	n/a	n/a	n/a	n/a
Tier 1 and Tier 2 capital	n/a	n/a	28 340	26 161	25 364	20 172	19 951	19 393
Riskprofit I	278	152	498	473	294	180	701	422
Riskprofit II ¹	n/a	n/a	19 644	n/a	n/a	n/a	n/a	n/a
Return profits	3 952	2 023	3 452	2 134	2 607	1 332	5 059	1 390
Administration profit	65	20	264	197	132	58	345	261
Solvency capital	96 744	94 955	84 577	80 101	79 171	80 217	73 909	64 842
Solvency margin ratio (Solvency I)	n/a	n/a	280 %	245 %	241 %	222 %	228 %	213 %
Capital adequacy	n/a	n/a	12.2 %	11.4 %	11.3 %	9.5 %	9.5 %	9.6 %
Core capital ratio	n/a	n/a	8.6 %	7.9 %	7.7 %	8.1 %	8.1 %	8.1 %
Book return on common portfolio	2.2 %	1.1 %	3.6 %	2.6 %	2.0 %	1.0 %	4.3 %	2.6 %
Value-adjusted return on common portfolio	2.7 %	1.0 %	4.0 %	2.0 %	2.3 %	2.2 %	6.9 %	4.9 %
Return on unit-linked portfolio	2.5 %	0.9 %	4.0 %	1.7 %	2.5 %	2.3 %	6.7 %	4.7 %
Return on corporate portfolio	2.7 %	1.0 %	4.8 %	3.2 %	2.4 %	1.3 %	7.3 %	5.3 %
KLP Skadeforsikring AS								
Profit before tax	116.3	49.5	183.1	46.3	15.6	-58.3	306.8	180.9
Gross premium due	588.9	290.3	1086.8	806.9	529.0	259.3	893.6	662.1
Premium income for own account	560.5	276.4	1035.1	768.4	503.4	246.7	841.9	622.8
Owners' equity	1 755.2	1 705.7	1 672.2	1 540.4	1 512.8	1 456.4	1 508.3	1 488.5
Claims ratio	80.0 %	76.9 %	77.7 %	86.1 %	93.7 %	131.6 %	68.8 %	76.1 %
Combined-ratio	101.7 %	100.2 %	98.8 %	106.4 %	114.0 %	153.8 %	91.9 %	97.9 %
Return on assets under management	3.1 %	1.3 %	4.4 %	2.5 %	2.3 %	1.9 %	6.5 %	4.6 %
Solvency capital requirement (SCR)	1789	1 910	n/a	n/a	n/a	n/a	n/a	n/a
Solvency II SCR ratio	278 %	285 %	n/a	n/a	n/a	n/a	n/a	n/a
Capital adequacy	n/a	n/a	48.9 %	41.4 %	40.0 %	41.8 %	44.0 %	37.8 %
Tier 1 and Tier 2 capital	n/a	n/a	1059.9	884.2	882.7	884.4	895.4	771.1
Annual premium in force – retail market	387.4	367.5	354.4	344.3	329.9	312.7	295.7	274.2
Annual premium in force – public sector market	822.8	813.2	762.2	769.7	763.9	756.6	629.5	634.6
Net new subscriptions (accumulated within the year)	52.0	21.9	112.1	64.1	47.3	26.4	57.0	41.1

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

² Reported 190 % in first quarter, but corrected to 181 % after the first quarter interim report.

³ Reported 197 % in first quarter, but corrected to 187 % after the first quarter interim report.

Key figures – Accumulated (Cont.)

NOK millions	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
KLP Bedriftspensjon AS								
Profit before tax	-6.9	-4.7	-24.2	-15.6	-6.8	-7.1	-22.7	-15.7
Premium income for own account	249.1	134.2	485.6	378.1	235.7	113.2	409.9	324.8
- of which premium reserve added	65.3	40.9	149.7	128.3	72.7	34.4	149.3	138.5
Insurance customers' funds including accumulated profit	2 873.4	2 748.1	2 618.6	2 491.3	2 405.1	2 330.1	2 152.2	2 055.3
- of which funds with guaranteed returns	1 350.6	1 342.9	1 293.4	1 274.6	1 389.4	1 383.4	1 310.3	1 153.7
Returns profit	8.6	2.5	22.8	13.1	10.0	5.5	17.3	11.5
Risk result	-0.0	0.6	-1.8	-1.4	3.1	-2.0	5.2	3.3
Administration losses	-12.8	-7.6	-27.5	-19.3	-13.5	-7.1	-30.7	-22.1
Solvency capital requirement (SCR)	89	73	n/a	n/a	n/a	n/a	n/a	n/a
Solvency II SCR ratio	69 %	57 %	n/a	n/a	n/a	n/a	n/a	n/a
Tier 1 and Tier 2 capital	n/a	n/a	295.2	96.6	103.6	104.5	84.5	92.6
Solvency capital	516.3	480.0	461.0	254.4	258.0	295.4	265.4	239.8
Solvency margin ratio	n/a	n/a	44.5 %	16.4 %	18.1 %	18.4 %	16.7 %	18.4 %
Capital adequacy	n/a	n/a	35.4 %	12.7 %	14.2 %	14.5 %	12.7 %	14.2 %
Book capital return on common portfolio	2.2 %	1.0 %	4.8 %	3.4 %	2.4 %	1.3 %	4.6 %	3.5 %
Value-adjusted capital return on common portfolio	2.8 %	1.1 %	4.7 %	2.8 %	2.5 %	2.0 %	6.1 %	4.3 %
Return on defined unit-linked contribution pensions	1.8 %	-0.2 %	2.1 %	-0.9 %	2.5 %	3.3 %	8.8 %	6.9 %
Return on corporate portfolio	1.7 %	1.1 %	0.9 %	0.5 %	0.7 %	0.8 %	3.6 %	2.5 %
KLP Banken Group								
Profit/loss before tax	58.0	19.9	49.6	34.4	14.8	-1.8	28.3	29.9
Net interest income	100.3	50.9	187.1	133.1	81.4	38.4	133.1	92.4
Other operating income	32.1	15.5	67.9	51.0	34.1	17.2	68.0	50.6
Operating expenses and depreciation	-89.1	-53.0	-170.2	-122.1	-86.8	-46.3	-157.4	-105.3
Net realized/unrealized changes in financial instruments to fair value	14.9	6.5	-34.1	-27.7	-14.1	-11.6	-14.4	-6.7
Contributions	8 252	7 884	7 426	7 279	7 305	7 128	6 251	5 486
Housing mortgages granted	12 294	11 311	10 713	10 438	9 604	9 439	8 608	6 527
Loan(s) with public guarantee(s)	16 048	15 783	15 646	15 808	15 591	15 951	16 338	16 045
Defaulted loans	28	33	29	27	34	26	26	18
Borrowing on the issuance of securities	23 799	22 283	21 902	19 941	20 777	21 553	21 687	20 244
Other borrowing	-	-	-	-	-	-	-	-
Total assets	34 145	32 200	31 294	29 267	29 814	30 470	29 755	27 674
Average total assets	32 720	31 747	30 525	29 511	29 785	30 112	27 881	26 842
Owners' equity	1 574	1 545	1 508	1 495	1 278	1 266	1 285	1 289
Net interest rate	0.31 %	0.16 %	0.61 %	0.45 %	0.27 %	0.13 %	0.48 %	0.34 %
Profit/loss from general operations before tax	0.18 %	0.06 %	0.16 %	0.12 %	0.06 %	-1.01 %	0.10 %	0.12 %
Return on owners' equity before tax	3.68 %	1.29 %	3.21 %	2.30 %	1.32 %	-0.14 %	2.24 %	2.40 %
Capital adequacy	16.50 %	17.5 %	17.6 %	17.9 %	15.1 %	15.6 %	16.7 %	18.4 %
Number of private customers	43 566	42 287	39 759	38 248	37 335	35 677	33 104	30 822
Of this members of KLP	31 070	29 501	27 448	26 337	25 586	24 270	22 291	20 627
KLP Kapitalforvaltning AS								
Profit/loss before tax	1.8	-4.9	46.1	44.7	27.0	10.3	56.3	42.8
Total assets under management	417 789	408 451	398 471	382 580	383 411	391 040	370 840	344 133
Assets managed for external customers	46 509	44 526	44 797	40 892	40 388	41 023	36 130	31 129



Non-financial accounts
KLP Group

Non-financial accounts

KLP Group

Note	Per Q2 2016	Per Q1 2016	2015	2014	2013	2012	2011	2010	
SOCIAL RESPONSIBLE INVESTMENTS									
	Number of exclusions of companies from the investment portfolio (total)	159	124	124	99	69	64	59	
	Number of exclusions of companies from the investment portfolio (accumulated this year)	36	0	20	31	9	6	3	
	Number of companies reinstated in the investment portfolio	1	0	4	1	4	1	3	
	Number of general meetings in Norwegian companies in which KLP has voted (in %)	88 (96%)	8 (73%)	97 (91%)	105 (93%)	95 (95%)	113 (92%)	127	
	Number of general meetings in foreign companies in which KLP has voted (in %)	2 046 (89%)	297 (66%)	2 445 (83%)	2 439 (82%)	2 259 (76%)	2 099 (75%)	1 533	
1	Number of companies KLP has been in dialogue with	123	86	176	109	41	143	25	
	Market value for investments in renewable energy in Norway (mnok)	22 092	21 194	20 189	19 876	18 865			
	Market value for investments in renewable energy in developing countries (mnok)	252	250	226	131	36			
	Market for investment banking and finance in developing countries (mnok)	248	229	229	201	8			
EMPLOYEES									
	Number of employees	952	942	939	899	856	808	762	
	Percentage reported sickness absence 12 month rolling	4.5 %	5.3 %	4.2 %	4.7 %	3.9 %	4.2 %	4.4 %	
	Percentage reported sickness absence quarter	3.7 %	5.3 %	4.3 %					
ENVIRONMENT									
2	Energy consumption kWh KLP-huset	1 860 076	1 116 567	3 276 544	3 452 909	3 487 989	3 795 878	3 489 425	5 367 259
2	Energy consumption kWh own offices Trondheim	119 706	66 470	232 399	230 936	254 063	221 703	165 135	357 159
2	Energy consumption kWh own office Bergen	190 873	139 011	413 699	416 813	507 026	445 918	460 518	541 337
2	Kilo CO ₂ -equivalent from aircrafts	289 517	136 564	650 557	652 324	609 203	387 429	333 081	300 370

NOTE 1 DIALOGUE

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

NOTE 2 ENERGY CONSUMPTION

KLP uses Optima energy monitoring system. The system provides automatic reading of electricity consumption. Fictional/generated values are used if problems occur with the readings. KLP Huset has dozens of meters where such errors may occur. KLP use the most updated numbers available. The electricity consumption may be changed back in time due to delayed updates. On June 13 KLP's regional office in Bergen relocated. Due to the relocation, the reported electricity consumption is artificial low this quarter since readings are only available until the date of relocation. The second quarter readings for the Bergen office will be updated in the third quarter report.



Accounts

Kommunal Landspensjonskasse

Income statement

Kommunal Landspensjonskasse

Note	NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
3	Premium income	12 119	9 600	19 674	25 548	38 789
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	1 159	1 232	1 548	2 112	5 832
	Interest income and dividends etc. on financial assets	2 262	2 277	4 317	4 329	8 469
	Value changes on investments	769	-4 644	3 314	5 295	7 082
	Gains and losses realised on investments	2 937	1 643	2 019	-2 830	-5 955
	Net income from investments in the common portfolio	7 127	508	11 198	8 906	15 428
	Net income of the investment option portfolio	34	3	52	48	77
	Other insurance-related income	228	218	456	445	888
4	Claims	-4 035	-3 818	-8 039	-7 591	-15 283
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-12 683	-4 379	-17 731	-22 986	-16 532
	Changes in insurance liabilities loan taken to profit/loss investment option portfolio	-51	-40	-57	-67	-9
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-17 508
	Unallocated profit to insurance contracts	-1 966	-1 277	-4 029	-2 691	0
5	Insurance-related operating expenses	-218	-237	-456	-463	-922
	Other insurance-related costs	-226	-211	-454	-430	-874
	Technical profit/loss	328	366	615	719	4 054
	Net income from investments in the corporate portfolio	491	289	793	545	1 232
	Other income	0	4	1	6	13
	Administration costs and other costs associated with the corporate portfolio	-88	-80	-213	-141	-422
	Non-technical profit/loss	403	213	581	410	822
	Profit/loss pre-tax	732	580	1 196	1 129	4 876
	Tax	331	-91	256	-102	-489
	Profit/loss before other comprehensive income	1 062	489	1 452	1 026	4 387
	Actuarial gains and losses on defined benefit plans - employee benefits	0	0	-59	0	124
	Tax on items that will not be reclassified to profit/loss	0	0	15	0	-31
	Items that will not be reclassified to profit/loss	0	0	-44	0	93
	Share of other comprehensive income using the equity method	0	0	-29	0	71
	Adjustments of the insurance obligations	0	0	9	0	-20
	Tax on items that will be reclassified to profit/loss	0	0	5	0	-13
	Items that will be reclassified to profit/loss when specific conditions are met	0	0	-15	0	39
	Other comprehensive income	0	0	-59	0	132
	TOTAL COMPREHENSIVE INCOME	1 062	489	1 392	1 026	4 519

Balance sheet

Kommunal Landspensjonskasse

Note	NOK millions	30.06.2016	30.06.2015	31.12.2015
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	494	419	454
7	Investment property	1 001	891	893
	Shares and holdings in property subsidiaries	1 704	1 552	1 673
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	3 914	3 156	3 738
6	Financial assets valued at amortized cost	13 225	14 664	16 304
6,7	Financial assets valued at fair value	10 274	8 039	9 458
	Receivables	7 207	5 354	759
	Other assets	943	984	693
	Total assets in the corporate portfolio	38 762	35 059	33 973
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	52 597	47 829	53 386
	Shares and holdings in associated enterprises and jointly controlled entities	390	322	364
6	Financial assets valued at amortized cost	165 145	158 335	162 588
6,7	Financial assets valued at fair value	226 073	202 679	205 497
	Total investment in the common portfolios	444 205	409 164	421 835
	Shares and holdings in property subsidiaries	260	237	264
6	Financial assets valued at amortized costs	694	669	678
6,7	Financial assets valued at fair value	1 151	1 151	1 108
	Total investment in investment portfolio	2 105	2 056	2 050
	Total assets in the customer portfolios	446 310	411 220	423 885
	TOTAL ASSETS	485 071	446 280	457 858

Balance sheet (cont.)

Kommunal Landspensjonskasse

Note	NOK millions	30.06.2016	30.06.2015	31.12.2015
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	10 424	9 215	10 422
	Retained earnings	14 579	9 694	13 186
	Total owners' equity	25 002	18 909	23 609
6	Subordinated loan capital etc.	8 199	9 754	11 105
	Premium reserve	368 440	351 326	353 401
	Supplementary reserves	20 258	17 107	20 170
	Securities adjustment fund	23 991	20 913	21 472
	Premium fund, deposits fund and pensioners' surplus fund	15 344	12 885	15 284
	Unallocated profit to customers	3 993	2 667	0
	Total insurance liabilities - contractual liabilities	432 026	404 897	410 327
	Premium reserve	1 739	1 702	1 684
	Supplementary reserves	114	91	114
	Premium fund, deposits fund and pensioners' surplus fund	240	213	238
	Unallocated profit to customers	27	24	0
	Total insurance liabilities - special investment portfolio	2 120	2 030	2 036
	Pension obligations	492	503	423
	Deferred tax liabilities	170	15	446
9	Liabilities	16 984	10 082	9 793
	Accrued costs and prepaid income	77	89	120
	TOTAL OWNERS' EQUITY AND LIABILITIES	485 071	446 280	457 858
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	13 679	8 843	13 721

Changes in Owners' equity

Kommunal Landspensjonskasse

2016 NOK millions	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	10 422	3 364	9 822	23 609
Profit/loss before other comprehensive income (unallocated)		210	1 241	1 452
Comprehensive income that will not be reclassified to profit/loss (unallocated)				
Actuarial gains and losses on defined benefit plans - employee benefits			-59	-59
Tax on items that will not be reclassified to profit/loss			15	15
Total items that will not be reclassified to profit/loss (unallocated)			-44	-44
Comprehensive income that will be reclassified to profit/loss (unallocated)				
Share of other comprehensive income using the equity method			-29	-29
Adjustments of the insurance obligations			9	9
Tax on items that will be reclassified to profit/loss			5	5
Total items that will be reclassified to profit/loss when specific conditions are met (unallocated)			-15	-15
Total other comprehensive income (unallocated)			-59	-59
Total comprehensive income (unallocated)		210	1 182	1 392
Owners equity contribution received (net) ¹	1			1
Total transactions with owners	1			1
Own funds 30 June 2016	10 424	3 574	11 004	25 002

¹ During the second quarter, NOK 1 216 million of ordinary equity capital contributions were called in to be paid in during the third quarter

Changes in Owners' equity (cont.)

Kommunal Landspensjonskasse

2015 NOK millions	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 31 December 2014	9 173	528	7 754	17 454
Change in principle, dissolution of the contingency reserve in KLP Skadeforsikring AS			387	387
Own funds 1 January 2015	9 173	528	8 140	17 841
Profit/loss before other comprehensive income (unallocated)		161	865	1 026
Comprehensive income that will not be reclassified to profit/loss (unallocated)				
Actuarial gains and losses on defined benefit plans - employee benefits			0	0
Tax on items that will not be reclassified to profit/loss			0	0
Total items that will not be reclassified to profit/loss (unallocated)			0	0
Comprehensive income that will be reclassified to profit/loss (unallocated)				
Share of other comprehensive income using the equity method			0	0
Adjustments of the insurance obligations			0	0
Tax on items that will be reclassified to profit/loss			0	0
Total items that will be reclassified to profit/loss when specific conditions are met (unallocated)			0	0
Total other comprehensive income (unallocated)			0	0
Total comprehensive income (unallocated)		161	865	1 026
Owners equity contribution received (net)	42			42
Total transactions with owners	42			42
Own funds 30 June 2015	9 215	689	9 005	18 909

Changes in Owners' equity (cont.)

Kommunal Landspensjonskasse

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

Statement of cash flows

Kommunal Landspensjonskasse

NOK millions	01.01.2016- 30.06.2016	01.01.2016- 31.03.2016	01.01.2015- 31.12.2015	01.01.2015- 30.09.2015	01.01.2015- 30.06.2015
Net cashflow from operational activities	3 167	6	-6 062	-6 267	-4 713
Net cashflow from investment activities ¹	-89	-30	-130	-82	-53
Net cashflow from financing activities ²	-2 834	2	6 412	6 464	5 275
Net changes in cash and bank deposits	244	-22	219	115	509
Holdings of cash and bank deposits at start of period	654	654	434	434	434
Holdings of cash and bank deposits at end of period	898	632	654	549	943

¹Payments on the purchase of tangible fixed assets.

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

Notes to the accounts

Kommunal Landspensjonskasse

Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 30 June 2016. The accounts have not been audited.

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

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

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

Financial position statement NOK millions	Q2 2015	01.01.2015 -30.06.2015	The year 2015
Net income from investments in the corporate portfolio	43	0	18

Balance sheet NOK millions	30.06.15	31.12.15	Changed OB 01.01.15
Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	387	405	387
Retained earnings	387	405	387

KLP has changed its practice in regard to accrual of holiday payment. The effect on profit/loss for the period is an increase in personnel cost of NOK 31.4 million which is recognized as «other insurance related costs». The comparable figures for 2015 is changed. There are no other changes in accounting principles in 2016 that have been of significance for the interim financial statements following the second quarter.

Note 2 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 30. June 2016.

NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
Value adjustment incl. foreign exchange	702	756	427	1 108	3 748
Foreign exchange effect on hedging	476	-270	1 088	37	-1 097
Net value adjustment incl. exchange hedging	1 178	486	1 515	1 146	2 651

Note 3 PREMIUM INCOME

NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
Gross premiums due	12 222	10 042	17 940	15 954	29 543
Reinsurance premiums ceded	-1	-1	-1	-1	-2
Transfer of premium reserves from others ¹	-102	-441	1 736	9 594	9 247
Total premium income	12 119	9 600	19 674	25 548	38 789

¹ Transfer of premium reserves from others for the second quarter 2015 and 2016 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 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
Claims paid	4 014	3 796	7 912	7 445	15 139
Change in claim reserves	1	0	3	-1	-4
Transfers of premium reserves to others	20	21	124	147	147
Total claims	4 035	3 818	8 039	7 591	15 283

Note 5 INSURANCE-RELATED OPERATING EXPENSES

NOK millions	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	The year 2015
Personnel costs	126	124	267	261	554
Depreciation	22	18	43	37	80
Other operating expenses	71	94	147	165	289
Total insurance-related operating expenses	218	237	456	463	922

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial instruments measured at amortised cost

This category includes:

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

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

Financial instruments measured at fair value

This category includes:

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

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

Investments held to maturity

Bonds classified as loans and receivables

Debt instruments measured at fair value

a) Foreign fixed-income securities

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

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Foreign fixed-income - government

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

c) Norwegian fixed-income securities

- other than government

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

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

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

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

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

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

Other loans and receivables

e) Loans to municipalities and enterprises with municipal guarantee

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

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

f) Loans secured by mortgage

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

Equity instruments

g) Shares (listed)

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

h) Shares (unlisted)

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

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

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

i) Private Equity

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

Derivatives

j) Futures/FRA/IRF

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

k) Options

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

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**l) Interest-rate swaps**

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

m) FX-swaps

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

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

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

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

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

p) Fair value of subordinated bond/perpetual bond issued

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

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

30.06.16 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS - AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	686	791	8 976	9 976	75	79	9 737	10 846
Accrued not due interest	18	18	227	227	1	1	247	247
Foreign hold-to-maturity bonds	5 971	6 335	16 852	18 635	62	72	22 885	25 043
Accrued not due interest	18	18	332	332	2	2	351	351
Total investments held to maturity	6 693	7 163	26 387	29 170	140	155	33 221	36 488
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	1 944	2 138	27 342	30 867	157	180	29 443	33 185
Accrued not due interest	35	35	563	563	4	4	602	602
Foreign bonds	4 480	4 908	59 261	66 136	384	430	64 124	71 474
Accrued not due interest	73	73	1 178	1 178	8	8	1 259	1 259
Total bonds classified as loans and receivables	6 531	7 154	88 344	98 744	554	622	95 429	106 520
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	2 736	2 759	0	0	2 736	2 759
Lending with public sector guarantee	0	0	38 241	38 990	0	0	38 241	38 990
Loans abroad secured by mortgage and local government guarantee	0	0	9 168	9 151	0	0	9 168	9 151
Accrued not due interest	0	0	269	269	0	0	269	269
Total other loans and receivables	0	0	50 413	51 168	0	0	50 413	51 168
Total financial assets at amortized cost	13 225	14 317	165 145	179 082	694	777	179 063	194 176
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	407	407	5 307	5 307	0	0	5 714	5 714
Foreign shares	0	0	18 584	18 584	0	0	18 584	18 584
Total shares	407	407	23 891	23 891	0	0	24 298	24 298
Property funds	0	0	1 223	1 223	0	0	1 223	1 223
Norwegian equity funds	0	0	48 562	48 562	447	447	49 009	49 009
Foreign equity funds	0	0	7 853	7 853	0	0	7 853	7 853
Total equity fund units	0	0	57 637	57 637	447	447	58 084	58 084
Norwegian alternative investments	0	0	2 401	2 401	14	14	2 416	2 416
Foreign alternative investments	0	0	376	376	0	0	376	376
Total alternative investments	0	0	2 777	2 777	14	14	2 792	2 792

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

30.06.16 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	4 466	4 466	27 665	27 665	0	0	32 130	32 130
Foreign bonds	172	172	22 342	22 342	0	0	22 514	22 514
Accrued not due interest	32	32	325	325	0	0	356	356
Norwegian fixed-income funds	2 204	2 204	45 429	45 429	617	617	48 251	48 251
Foreign fixed-income funds	0	0	13 018	13 018	0	0	13 018	13 018
Accrued not due interest	9	9	105	105	5	5	120	120
Norwegian certificates	701	701	7 351	7 351	0	0	8 052	8 052
Foreign certificates	0	0	247	247	0	0	247	247
Accrued not due interest	5	5	9	9	0	0	14	14
Total bonds and other fixed-income securities	7 589	7 589	116 491	116 491	622	622	124 702	124 702
Norwegian loans and receivables	933	933	6 322	6 322	13	13	7 268	7 268
Foreign loans and receivables	290	290	4 254	4 254	52	52	4 596	4 596
Total loans and receivables	1 223	1 223	10 576	10 576	64	64	11 864	11 864
DERIVATIVES								
Interest rate swaps	905	905	287	287	0	0	1 192	1 192
Forward exchange contracts	0	0	1 616	1 616	3	3	1 620	1 620
Total financial derivatives classified as assets	905	905	1 903	1 903	3	3	2 812	2 812
Other financial assets	150	150	12 796	12 796	0	0	12 946	12 946
Total financial assets valued at fair value	10 274	10 274	226 073	226 073	1 151	1 151	237 498	237 498
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	967	967	0	0	967	967
Forward exchange contracts	1	1	2 457	2 457	8	8	2 465	2 465
Total financial derivatives classified as liabilities	1	1	3 424	3 424	8	8	3 433	3 433
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	6 281	6 271	0	0	0	0	6 281	6 271
Hybrid Tier 1 securities	1 919	1 919	0	0	0	0	1 919	1 919
Total subordinated loan capital etc.	8 199	8 190	0	0	0	0	8 199	8 190
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	250	250	1	1	251	251
Foreign call money ¹	919	919	263	263	0	0	1 183	1 183
Total liabilities to credit institutions	920	920	513	513	1	1	1 434	1 434

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

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
ASSETS - AT AMORTIZED COST								
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
Total investments held to maturity	9 348	9 361	28 271	30 615	165	179	37 783	40 154
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
Total bonds classified as loans and receivables	5 316	5 751	81 220	87 920	504	549	87 041	94 220
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	4 308	4 330	0	0	4 308	4 330
Lending with public sector guarantee	0	0	36 044	36 679	0	0	36 044	36 679
Loans abroad secured by mortgage and local government guarantee	0	0	8 215	8 221	0	0	8 215	8 221
Accrued not due interest	0	0	277	277	0	0	277	277
Total other loans and receivables	0	0	48 844	49 507	0	0	48 844	49 507
Total financial assets at amortized cost	14 664	15 112	158 335	168 042	669	728	173 668	183 882
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
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
Total shares	393	393	27 350	27 350	0	0	27 744	27 744
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
Total equity fund units	0	0	53 138	53 138	444	444	53 582	53 582
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
Total alternative investments	0	0	2 146	2 146	14	14	2 160	2 160

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
DEBT INSTRUMENTS AT FAIR VALUE								
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
Total bonds and other fixed-income securities	5 849	5 849	105 551	105 551	640	640	112 040	112 040
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
Total loans and receivables	1 468	1 468	10 371	10 371	51	51	11 889	11 889
DERIVATIVES								
Interest rate swaps	329	329	298	298	0	0	626	626
Share options	0	0	162	162	1	1	163	163
Forward exchange contracts	0	0	171	171	0	0	171	171
Total financial derivatives classified as assets	329	329	631	631	2	2	961	961
Other financial assets	1	1	3 493	3 493	0	0	3 494	3 494
Total financial assets valued at fair value	8 039	8 039	202 679	202 679	1 151	1 151	211 869	211 869
LIABILITIES								
DERIVATIVES								
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
Total financial derivatives classified as liabilities	3	3	4 113	4 113	6	6	4 122	4 122
SUBORDINATED LOAN CAPITAL								
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
Total subordinated loan capital etc.	9 754	9 785	0	0	0	0	9 754	9 785
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	57	57	0	0	57	57
Foreign call money ¹	299	299	172	172	2	2	472	472
Total liabilities to credit institutions	299	299	228	228	2	2	529	529

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

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

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

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

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

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

Note 7 FAIR VALUE HIERARCHY

30.06.16 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 280	5 308	0	7 589
Certificates	0	705	0	705
Bonds	67	4 603	0	4 670
Fixed-income funds	2 214	0	0	2 214
Loans and receivables	381	842	0	1 223
Shares and units	0	362	45	407
Shares	0	362	45	407
Financial derivatives	0	905	0	905
Other financial assets	0	150	0	150
Total corporate portfolio	2 661	7 568	45	10 274
COMMON PORTFOLIO				
Bonds and other fixed-income securities	82 579	33 912	0	116 491
Certificates	5 356	2 252	0	7 608
Bonds	18 671	31 660	0	50 331
Fixed-income funds	58 552	0	0	58 552
Loans and receivables	9 875	702	0	10 576
Shares and units	73 540	1 836	8 930	84 306
Shares	21 327	1 106	1 458	23 891
Equity funds	52 213	0	79	52 291
Property funds	0	354	881	1 235
Special funds	0	376	0	376
Private Equity	0	0	6 512	6 512
Financial derivatives	0	1 903	0	1 903
Other financial assets	0	12 796	0	12 796
Total common portfolio	165 993	51 150	8 930	226 073

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.06.16 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	622	0	0	622
Fixed-income funds	622	0	0	622
Loans and receivables	64	0	0	64
Shares and units	447	14	0	461
Equity funds	447	0	0	447
Special funds	0	14	0	14
Financial derivatives	0	3	0	3
Other financial assets	0	0	0	0
Total investment option portfolio	1 133	18	0	1 151
Total financial assets valued at fair value	169 787	58 736	8 975	237 498
CORPORATE PORTFOLIO				
Investment property	0	0	1 001	1 001
Total investment property	0	0	1 001	1 001
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	1	0	1
Debt to credit institutions	920	0	0	920
Total corporate portfolio	920	1	0	920
COMMON PORTFOLIO				
Financial derivatives	0	3 424	0	3 424
Debt to credit institutions	513	0	0	513
Total common portfolio	513	3 424	0	3 937
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	8	0	8
Debt to credit institutions	1	0	0	1
Total investment option portfolio	1	8	0	9
Total financial liabilities at fair value	1 434	3 433	0	4 866

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.06.15 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	1 902	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
Total corporate portfolio	3 006	5 027	6	8 039
COMMON PORTFOLIO				
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	72 522	3 490	6 621	82 634
Shares	25 329	956	1 072	27 357
Equity funds	47 194	0	65	47 259
Property funds	0	389	0	389
Special funds	0	2 146	0	2 146
Private Equity	0	0	5 484	5 484
Financial derivatives	0	631	0	631
Other financial assets	0	3 493	0	3 493
Total common portfolio	155 893	40 165	6 621	202 679

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.06.15 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
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
Total investment option portfolio	1 135	15	0	1 151
Total financial assets valued at fair value	160 034	45 207	6 627	211 869
CORPORATE PORTFOLIO				
Investment property	0	0	891	891
Total investment property	0	0	891	891
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	3	0	3
Debt to credit institutions	299	0	0	299
Total corporate portfolio	299	3	0	302
COMMON PORTFOLIO				
Financial derivatives	0	4 113	0	4 113
Debt to credit institutions	228	0	0	228
Total common portfolio	228	4 113	0	4 341
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	6	0	6
Debt to credit institutions	2	0	0	2
Total investment option portfolio	2	6	0	8
Total financial liabilities at fair value	529	4 122	0	4 651

Note 7 FAIR VALUE HIERARCHY (CONT.)

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

Note 7 FAIR VALUE HIERARCHY (CONT.)

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

Note 7 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
Opening balance 01.01	45	6	6
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	0	39
Closing balance 30.06/31.12.	45	6	45
Realised gains/losses	0	0	0

Changes in Level 3 shares, unlisted Common portfolio	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
Opening balance 01.01	1 369	1 213	1 213
Sold	-4	0	-264
Bought	2	4	619
Unrealised changes	92	-145	-199
Closing balance 30.06/31.12.	1 458	1 072	1 369
Realised gains/losses	0	0	-24

Changes in Level 3 equity funds, unlisted Common portfolio	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
Opening balance 01.01	76	70	70
Sold	0	0	-8
Bought	0	0	0
Unrealised changes	3	-5	13
Closing balance 30.06/31.12.	79	65	76
Realised gains/losses	0	0	0

Changes in Level 3, private equity and property funds Common portfolio	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
Opening balance 01.01	7 164	5 008	5 008
Sold	-470	-395	-1 188
Bought	1 004	823	2 285
Unrealised changes	-304	47	1 059
Closing balance 30.06/31.12.	7 393	5 484	7 164
Realised gains/losses	99	55	182

Note 7 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3, Investment property Corporate portfolio	Book value 30.06.2016	Book value 30.06.2015	Book value 31.12.2015
Opening balance 01.01	893	890	890
Sold	0	0	0
Bought	0	0	0
Unrealised changes	108	1	3
Closing balance 30.06/31.12.	1 001	891	893
Realised gains/losses	-32	0	0
Total level 3	9 976	7 518	9 546

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

Information regarding pricing of these interest bearing instruments are available in note 6.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 499 million as of 30.06.2016.

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

In this quarter NOK 68 million has been moved from Level 1 to Level 2 and NOK 28 million has been moved from Level 2 to Level 1; the full amount is related to equity instruments and are due to change in liquidity.

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

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

30.06.16 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	2 359	0	2 359	-843	-1 433	135
Total	2 359	0	2 359	-843	-1 433	135
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	1 451	0	1 451	-842	-513	97
Total assets – corporate portfolio	905	0	905	0	-920	36
Total assets – investment option portfolio	3	0	3	-1	-1	2
Total	2 359	0	2 359	-843	-1 433	135
LIABILITIES						
Financial derivatives	2 980	0	2 980	-843	-2 211	20
Total	2 980	0	2 980	-843	-2 211	20
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	2 972	0	2 972	-842	-2 199	20
Total liabilities – corporate portfolio	1	0	1	0	-1	0
Total liabilities – investment option portfolio	8	0	8	-1	-11	0
Total	2 980	0	2 980	-843	-2 211	20
30.06.15						
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	962	0	962	-415	-529	43
Total	962	0	962	-415	-529	43
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
Total	962	0	962	-415	-529	43
LIABILITIES						
Financial derivatives	4 122	0	4 122	-414	-3 590	134
Total	4 122	0	4 122	-414	-3 590	134
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	4 113	0	4 113	-414	-3 583	131
Total liabilities – corporate portfolio	3	0	3	0	-2	1
Total liabilities – investment option portfolio	6	0	6	0	-6	2
Total	4 122	0	4 122	-414	-3 590	134

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

31.12.15 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 107	0	1 107	-368	-700	43
Total	1 107	0	1 107	-368	-700	43
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	492	0	492	-367	-127	1
Total assets – corporate portfolio	614	0	614	0	-573	42
Total assets – investment option portfolio	1	0	1	-1	0	0
Total	1 107	0	1 107	-368	-700	43
LIABILITIES						
Financial derivatives	6 421	0	6 421	-368	-4 442	1 628
Total	6 421	0	6 421	-368	-4 442	1 628
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	6 404	0	6 404	-367	-4 432	1 620
Total liabilities – corporate portfolio	2	0	2	0	0	2
Total liabilities – investment option portfolio	16	0	16	-1	-9	6
Total	6 421	0	6 421	-368	-4 442	1 628

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

Note 9 LIABILITIES

NOK millions	30.06.16	30.06.15	31.12.15
Short-term liabilities securities	11 398	4 605	98
Advance tax-deduction pension scheme	566	607	327
Accounts payable	8	9	9
Derivatives	3 433	4 122	6 421
Debt to credit institutions	1 434	529	700
Liabilities related to direct insurance	131	194	2 210
Other short-term liabilities	15	15	28
Total liabilities	16 984	10 082	9 793

Note 10 CAPITAL

Solvency II is being introduced from 1 January 2016 and the calculation of the solvency margin is being changed completely whilst the previous requirement for capital adequacy and core capital adequacy no longer applies. The Solvency II balance sheet includes assets and liabilities at fair value. For assets that are not measured at fair value in the accounts, values are added/subtracted so the assets values correspond to fair value. There are no observable market values for KLP's insurance liabilities. The insurance liabilities are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin to reflect a third party's capital costs by taking over these liabilities.

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

The amount corresponding to 2.5 per cent of the Company's premium reserve.

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 189 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 343 per cent.

	30.06.2016	31.12.2015
Solvency II	189 %	187 %

NOK billions	30.06.2016	30.06.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT		
Assets, book value	485	Best estimate 437
Added values - hold-to-maturity portfolio/ loans and receivables	14	Risk margin 14
Added values - other lending	1	Hybrid Tier 1 securities/Subordinated loan capital 9
Other added/lesser values	0	Other liabilities 18
Deferred tax asset	0	Deferred tax liabilities 0
Total assets	500	Total liabilities 477
		Excess of assets over liabilities 23
		- Deferred tax assets 0
		- Risk equalisation fund -3
		+ Hybrid Tier 1 securities 2
		Tier 1 basic own funds 21
		Total eligible tier 1 own funds 21
		Subordinated loans 7
		Risk equalisation fund 3
		Tier 2 basic own funds 10
		Ancillary own funds 9
		Tier 2 ancillary own funds 9
		Deduction for max. eligible tier 2 own funds -12
		Total eligible tier 2 own funds 8
		Solvency II total eligible own funds 29
		Solvency capital requirement (SCR) 15
		Minimum capital requirement (MCR) 4
		Solvency II SCR ratio 189 %



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