



Interim report

KLP GROUP
Q2 2017



Contents

KLP GROUP

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



Contents

NON-FINANCIAL ACCOUNTS

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

KOMMUNAL LANDSPENSJONSKASSE

INTERIM FINANCIAL STATEMENT	51
INCOME STATEMENT	52
FINANCIAL POSITION STATEMENT	53
CHANGES IN OWNERS' EQUITY	55
STATEMENT OF CASH FLOWS	56
NOTES TO THE ACCOUNTS	57
— Note 1 Accounting principles	57
— Note 2 Value-adjustment investment property	58
— Note 3 Premium income	58
— Note 4 Claims	58
— Note 5 Insurance-related operating expenses	58
— Note 6 Fair value of financial assets and liabilities	59
— Note 7 Fair value hierarchy	65
— Note 8 Presentation of assets and liabilities that are subject to net settlement	73
— Note 9 Liabilities	75
— Note 10 SCR ratio	76

Interim report

second quarter 2017

SOLID RETURNS IN THE SECOND QUARTER OF 2017

- Good returns result
- Good growth and increased profitability in the subsidiaries
- In this quarter too, the equity market was the biggest factor behind the good returns in the Company

KLP – A CUSTOMER-OWNED GROUP

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

At the end of the second quarter, the Group had total assets of NOK 628 billion, a growth of NOK 15 billion in the second quarter, and NOK 32 billion so far this year.

The operating profit so far this year amounted to NOK 10.1 (9.2) billion. The Group's total comprehensive income was NOK 491 million in the year to date.

Kommunal Landspensjonskasse gjensidig forsikringsselskap

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse (KLP). Out of KLP's total assets of NOK 516.3 billion, NOK 478.5 billion is linked to client funds for public-sector occupational pensions.

RESULTS FOR THE SECOND QUARTER OF 2017

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return to its customers) of NOK 1,428 million in the second quarter, and NOK 1,567 (3,952) million in the year to date. The value-adjusted return on the common portfolio was 3.0 per cent and the book return was 1.5 per cent in the first half-year.

Risk result

The risk result came to NOK 172 million in the quarter and NOK 272 in the year to date. It is planned to allocate NOK 136 million of the risk result to the risk equalisation fund, and to return NOK 136 million to the customers' premium fund.

Administration result

The Company's administration result shows a surplus of NOK 19 million in the second quarter and 51 (65) million in the year to date. Insurance-related operating costs came to NOK 258 million in the quarter and NOK 507 (456) million in the year to date.

Total income

Total profit for the Company came to NOK 492 million in the second quarter and NOK 890 (1,392) million in the year to date. The customer result was NOK 1,483 million for the quarter and NOK 1,643 (4,029) million for the year to date.

NOK MILLIONS	Customers	Company	Total
Returns result	1,507	60	1,567
Risk result	136	136	272
Interest guarantee premium		350	350
Administration result		51	51
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		488	488
Tax		-194	-194
Other profit/loss elements		0	0
Income for Q2/2017	1,643	890	2,533
Income for Q2/2016	4,029	1,392	5,421

Financial strength and capital-related matters

KLP's total assets show growth during the second quarter of NOK 9.7 billion and now amount to NOK 516.3 billion. Insurance obligations increased by NOK 17.6 billion in 2017 and now amount to NOK 470.0 billion.

The securities adjustment fund increased by NOK 7.1 billion to NOK 35.4 billion in the first half of 2017.

The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital under Solvency II in an amount equivalent to 2.5 per cent of the premium reserve. This stood at NOK 9.8 billion at the end of the second quarter.

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

Without applying transitional rules, the Company's capital adequacy according to Solvency II is 216 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 314 per cent. KLP's goal is capital adequacy of at least 150 per cent without applying transitional rules. The solvency estimates are well above that goal and underline the Company's strong capital position.

Key figures

PER CENT	For Q2/2017	For Q2/2016	Year 2016
Book returns	1.5	2.2	4.4
Value-adjusted returns	3.0	2.7	5.8
Value-adjusted incl. added value in hold-to-maturity bonds and lending	3.0	3.4	5.4
The returns figures apply to the common portfolio			
Capital adequacy, Solvency II	216	189	209
Capital adequacy, Solvency II, with transitional measures	314	343	304

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 8.6 billion for the second quarter and NOK 14.9 (17.9) billion for the year to date.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 7.9 per cent and amounted to NOK 8.5 (7.9) billion so far this year.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 476.2 (444.2) billion and were invested as shown below:

ASSETS	Q2/2017		Q2/2016	
All figures in per cent	Share	Return	Share	Return
Shares	21.2%	6.8%	19.6%	-1.6%
Short-term bonds	19.9%	1.9%	21.0%	4.9%
Long-term/HTM bonds	27.2%	2.0%	26.8%	2.1%
Lending	11.5%	1.1%	11.7%	1.2%
Property	12.5%	3.6%	12.3%	5.1%
Other financial assets	7.7%	0.9%	8.6%	0.9%

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 21.2 per cent at the end of the second quarter. The return on shares was 2.4 per cent for the second quarter, and 6.8 per cent for the first half-year. After the first six months of the year, global shares had a return of 8.3 per cent, while the return for Norwegian shares was 1.8 per cent.

Short-term bonds and the money market

Short-term bonds accounted for 19.9 per cent and money-market instruments 7.7 per cent of the assets in the common portfolio as at 30 June. Norwegian, US and European 10-year government rates were at roughly the same levels on 30 June as on 31 March. KLP's global government bond index achieved a currency-hedged return of 0.3 per cent in the second quarter, while the Norwegian government bond index had a quarterly return of 0.1 per cent. Global credit spreads fell slightly during the quarter, and KLP's global credit bond index had a currency-hedged return of 1.5 per cent for the quarter.

In total, KLP achieved returns 1.1 per cent for the second quarter, while money market returns were 0.3 per cent.

Bonds held to maturity

Investment in bonds held to maturity accounted for 27.2 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 9.3 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 first half-year was 2.0 per cent.

Property

Property investments, including Norwegian and international property funds, made up 12.5 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 1,423 million in 2017. If the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 803 million in 2017. The property investments in the common portfolio achieved a return of 3.6 per cent in the first half-year.

Lending

Lending in the common portfolio totals NOK 54.1 billion. This is split between NOK 41.8 billion in loans to municipalities and their enterprises, NOK 9.1 billion in currency loans with export guarantees secured on property in the UK, and NOK 3.2 billion in secured mortgage loans in Norway. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 563 million at the end of the quarter. The return in the year to date is 1.1 per cent.

Returns on the corporate portfolio

The corporate portfolio comprises placement of owners' equity and subordinated loans/hybrid Tier 1 and Tier 2 securities.

The corporate portfolio is managed with a low-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 2.2 per cent in the year to date.

Market conditions for pensions

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

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

The Asker municipal pension fund has chosen KLP to handle the administration of its pension obligations, including member administration, pension payments and actuarial services.

Solvency II

Under the Solvency II rules, insurance companies are required from this year onwards to publish an annual Solvency and Financial Condition Report (SFCR). KLP's report was published in May and has now been uploaded to the Company's website. The report gives details of the Company's organisation, risk management system, risk profile and capital and capital requirements. Similar reports are also available for the subsidiaries KLP Bedriftspensjon and KLP Skadeforsikring and for the Group (the Group SFCR). The SFCR reports for KLP and for the Group are also available in English.

Owner communication

The Company completed a nationwide series of owners' meetings during the first half-year. A selection of local authority chief executives from various parts of the country also visited KLP to attend resource group meetings. These meetings provide us with valuable feedback on the Company.

The corporate assembly had its annual meeting, and the ordinary general meeting, held in May, approved the annual report and accounts.

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

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

The Company had total assets of NOK 4.4 billion as at 30 June. This is an increase of NOK 0.8 billion since the start of the year. The increase is mainly linked to a large increase in

pension capital certificates and growth in the Company's defined contribution pension portfolio, which now totals NOK 2.2 billion. 146 new business customers entered into pension agreements with KLP Bedriftspensjon in the first half of 2017, and we received 4,229 pension capital certificates.

KLP Bedriftspensjon achieved a book return on the common portfolio of 1.8 per cent and a value-adjusted return of 2.4 per cent. Customers with defined-contribution pensions achieved an average 4.4 per cent return for the same period.

KLP Bedriftspensjon achieved a returns result of NOK 4.5 million in the first half-year. The securities adjustment fund increased by NOK 11.4 million in the first half-year, and now stands at NOK 78.1 million.

The Company had a net loss of NOK 17.4 million at 30 June.

Return on customer assets

	1st half-year 2017	1st half-year 2016	Year 2016
COMMON PORTFOLIO			
Common portfolio			
Book returns	1.8%	2.2%	5.3%
Value-adjusted returns	2.4%	2.8%	5.7%
Defined-contribution pensions with investment options	4.4%	1.8%	7.0%
Profile KLP90	5.8%	0.0%	9.8%
Profile KLP70	4.9%	1.0%	8.5%
Profile KLP50	4.3%	2.0%	7.1%
Profile KLP30	3.2%	2.8%	5.6%
Profile KLPPM	0.9%	1.0%	1.8%
KLP Optimal Livsfase	7.5% ¹	n/a	n/a

¹ Return for profile with 100% equities

From 2017, the Company has started offering a new savings profile for defined-contribution pension customers – KLP Optimal Livsfase. This is a savings profile that adjusts the combination of equities and interest-bearing instruments according to the person's age.

As of 30 June, solvency capital coverage without using the transitional measures is 185 per cent, against 22 per cent at the beginning of the year. The main reason for this increase is that the Company received NOK 240 million in new equity in the second quarter of 2017.

Non-life insurance

The first half-year produced a pre-tax operating profit of NOK 114.9 (116.3) million. For the second quarter in isolation,

the profit was NOK 65.3 (66.8) million. There is continued growth in all segments and a high proportion of members among the retail customers. The stock premium increased in the half-year by 7.1 per cent, to NOK 1,354 million.

The biggest claim in the second quarter was a fire in a private residential building. The loss is estimated at NOK 8.45 million. A major claim reported in the first quarter was reduced by NOK 6.1 million in the second quarter, and is now assessed at NOK 14.5 million.

The run-off of previous years' claims is still positive, and this year NOK 48.4 million has so far been taken to income, an increase of NOK 14.9 million during the second quarter.

The financial return was 2.5 per cent as at 30 June.

Key figures for the Company:

AS AT THE FIRST QUARTER	2017	2016
Claim ratio*	77.0	80.0
Cost ratio*	21.9	21.7
Total cost ratio*	98.9	101.7

* For own account

Net financial income for the first half-year was NOK 106.7 (124.8) million. Financial income for the quarter was NOK 48.8 (75.2) million. The return for the half-year was 2.5 (3.1) per cent. All investment classes have contributed positive returns so far this year, with shares displaying particularly good growth with a total return of 6.9 per cent.

In the second quarter too, all investment classes contributed positive returns. The equity portfolio had the highest return, at 2.1 per cent. Interest-bearing assets had lower, but still positive, returns of 0.8 per cent. Returns on property were also positive, at 1.6 per cent.

The Company's financial position is good, with capital adequacy (SCR) of 264 per cent, unchanged from the first quarter. The equivalent figure at the end of 2016 was 261 per cent.

Asset and fund management

KLP Kapitalforvaltning AS carries out securities management in the KLP Group. It had a total of NOK 464 billion under management at the end of the first half-year, of which NOK 62 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 second quarter amounted to NOK 5 billion, of which NOK 4.5 billion came from external customers.

KLP Kapitalforvaltning achieved a profit before tax of NOK 26.6 million in the first half-year.

Bank

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

The KLP Banken Group had loans to customers of NOK 30.9 (28.3) billion as of 30 June. Mortgage loans in the retail market and public-sector loans totalled NOK 13.7 billion and 17.2 billion respectively.

Mortgage loans in the retail market showed lending growth of NOK 1.0 billion so far this year. Managed mortgage loans for KLP increased by just NOK 40 million.

Lending volume in the public-sector market remained basically unchanged in the banking group's balance-sheet over the first half-year. Loans to public-sector borrowers managed on behalf of the parent company KLP increased by NOK 1.1 billion in the period. Outstanding managed loans to foreign debtors in other currencies are more or less unchanged in the period.

Overdue payments and defaulted mortgage loans have remained at a low level. Loans in default in excess of 90 days account for 0.22 per cent of total lending as at the end of the second quarter. No significant loan loss provisions were made for exposures in the last quarter, but reversals of earlier loan loss provisions for home mortgages produced income of NOK 0.2 million in the first half-year. There were no losses or loss provisions related to public-sector loans.

The KLP Banken Group's external financing consists of deposits, certificates and bonds. Deposit growth so far in 2017 totalled NOK 400 million and deposits now total NOK 9.1 billion. Of this amount, NOK 7.4 billion is deposits from retail customers, and NOK 1.7 billion is deposits from municipalities and companies. Liabilities created on issuance of securities totalled NOK 23.8 billion at the end of the quarter.

Since 2010, the Bank has offered credit card products through third parties. From May 2017, this portfolio has been transferred to the Bank and will now be further developed on our own account.

The KLP Banken Group had a pre-tax operating profit of NOK 47.9 (61.3) million at the end of the second quarter. Broken down by area, profits were NOK 14.3 million in the retail market and NOK 33.6 million in the public-sector market. Consolidated net profit after tax totalled NOK 36.3 (46.4) million for the second quarter.

CORPORATE SOCIAL RESPONSIBILITY

KLP aims to play its part in society by managing and developing assets for present and future generations. Our corporate social responsibility is about doing this in a way that maintains returns and a predictable financial future for our customers and their employees, while also benefiting the environment and the society of which KLP is part.

Our impact is greatest through our investment activities, where we have high expectations of the companies that we invest in. This is communicated through dialogue with the individual companies and by pushing the investments in the desired direction.

In the run-up to the summer, KLP Skadeforsikring engaged in a partnership with the Norwegian Fire Protection Association on the project 'Bry deg før det brenner' (Take care before there is a fire). This involves information campaigns in a number of shopping centres across the country, as well as major activity in social media. The main aim is to give families, both children and adults, knowledge and motivation to take simple precautions so older people can live safely in their homes.

The property business is constantly striving to optimise the operation of KLP's buildings. In practical terms, this includes implementing the immediate measures in the 'Road map for the real estate sector to 2050', and reviewing the portfolio with a view to BREEAM-certifying KLP's buildings. A project is under way in Oslo to produce an overview of the measures

to be taken to raise the energy classes of existing buildings. The tenants are involved in this, and lay down requirements for the energy class of the buildings that they rent. KLP Eiendom has a number of older buildings in its portfolio, and is working to upgrade them so they will continue to be attractive in the market of the future.

KLP in Denmark has entered into a partnership for 'Energy saving'. This is driven by the City of Copenhagen, an energy company and various real estate firms. The aim is to exchange experience and data on the operation and development of energy-friendly properties in Denmark.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

There have been no significant movements in the market since the end of the half-year.

KLP aims to complete a reorganisation of the Company's IT division in the course of August. A new management team is now in place to head the Company's digital efforts towards enhanced business systems and a better customer experience.

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

Oslo, 16 August 2017

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy Chair

Marit Torgersen

Jan Helge Gulbrandsen

Ingjerd Blekeli Spiten

Lars Vorland

Susanne Torp-Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Income statement

KLP GROUP

NOTE	NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
3	Premium income for own account	9 216	12 505	16 289	20 456	38 497
	Current return on financial assets	4 150	3 956	7 523	7 183	13 489
	Net interest income banking	58	47	110	100	196
	Net value changes on financial instruments	2 499	3 059	9 238	2 917	10 476
8	Net income from investment properties	1 353	1 865	1 979	2 894	6 726
4	Other income	242	224	491	457	945
	Total net income	17 518	21 655	35 630	34 007	70 330
	Claims for own account	- 4 591	- 4 284	-9 367	-8 548	-17 370
	Change in technical provisions	- 6 481	- 9 979	-10 665	-15 344	-27 973
5	Net costs subordinated loan and hybrid Tier 1 securities	- 228	104	-420	74	382
6	Operating expenses	- 419	- 351	-819	-759	-1 756
7	Other expenses	- 239	- 234	-488	-467	-957
	Unit holder's value change in consolidated securities funds	- 1 413	- 760	-3 761	204	-3 061
	Total expenses	-13 370	-15 504	-25 521	-24 840	-50 736
	Operating profit/loss	4 148	6 152	10 109	9 166	19 594
	To/from securities adjustment fund – life insurance	- 1 990	- 2 820	-7 091	-2 530	-6 876
	To supplementary reserves – life insurance	12	7	12	7	-4 026
	Assets allocated to insurance customers - life insurance	- 1 004	- 2 538	-1 085	-5 265	-6 244
	Pre-tax income	1 167	800	1 946	1 378	2 449
	Cost of taxes ¹	- 718	216	-1 107	22	359
	Income	449	1 016	839	1 400	2 808
	Actuarial loss and profit on post employment benefit obligations	0	0	0	-88	-32
	Adjustments of the insurance obligations	0	0	0	9	0
	Tax on items that will not be reclassified to profit or loss	0	0	0	20	8
	Items that will not be reclassified to profit or loss	0	0	0	-59	-24
	Revaluation real property for use in own operation	57	49	62	56	95
	Currency translation foreign subsidiaries	566	- 485	730	-1 070	-1 625
	Adjustments of the insurance obligations	- 566	485	-730	1 070	1 625
	Tax on items that will be reclassified to profit or loss	- 14	- 12	-16	-14	-24
	Items that will be reclassified to income when particular specific conditions are met	43	37	47	42	72
	Total other comprehensive income	43	37	47	-17	47
	Total comprehensive income	491	1 053	886	1 383	2 855
	¹ Unit holders share of taxes in consolidated securities funds.	- 93	- 52	-43	-104	-172

Financial position statement

KLP GROUP

NOTE	NOK MILLIONS	30.06.2017	30.06.2016	31.12.2016
	Deferred tax assets	181	47	372
	Other intangible assets	330	563	324
	Tangible fixed assets	1 662	1 393	1 604
	Investments in associated companies and joint venture	607	394	532
8,11	Investment property	61 732	55 198	59 497
9,14	Debt instruments held to maturity	32 976	33 749	32 791
9,14	Debt instruments classified as loans and receivables	111 969	97 097	106 720
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	1 099	1 747	1 381
9,14	Lending local government, enterprises and retail customers	83 908	77 042	81 541
9,11,14	Debt instruments at fair value through profit or loss	171 963	163 859	171 021
9,11	Equity capital instruments at fair value through profit/loss	144 735	116 013	130 700
9,11,14	Financial derivatives	2 876	3 381	1 815
9	Receivables	8 979	21 639	3 173
9	Assets in defined contribution-based life insurance	2 183	1 362	1 674
9	Cash and bank deposits	2 606	3 587	2 968
	TOTAL ASSETS	627 805	577 072	596 113
	Owners' equity contributed	11 771	10 424	11 726
	Retained earnings	16 983	14 625	16 097
	TOTAL OWNERS' EQUITY	28 753	25 049	27 823
9,10	Hybrid Tier 1 securities	1 603	1 919	1 650
9,10	Subordinated loan capital	6 399	6 281	6 220
	Pension obligations	712	739	712
15	Technical provisions - life insurance	471 565	435 658	453 943
9,15	Provisions in life insurance with investment option	2 183	1 362	1 674
	Premiums, claims and contingency fund provisions - non-life insurance	2 581	2 469	2 245
9,10	Covered bonds issued	22 196	20 988	21 095
9,10	Debt to credit institutions	5 894	6 712	5 050
9,10	Liabilities to and deposits from customers	9 138	8 252	8 688
9,11	Financial derivatives	3 028	4 540	5 871
	Deferred tax	1 014	554	403
16	Other current liabilities	8 155	14 548	4 823
	Unit holders `s interest in consolidated securities funds	64 583	48 002	55 916
	TOTAL LIABILITIES	599 051	552 023	568 290
	TOTAL EQUITY AND LIABILITIES	627 805	577 072	596 113
	Contingent liabilities	15 976	14 973	14 196

Changes in Owners' equity

KLP GROUP

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2016	11 726	16 097	27 823
Income		839	839
Items that will not be reclassified to income		0	0
Items that will be reclassified to income later when particular conditions are met		47	47
Total other comprehensive income		47	47
Total comprehensive income		886	886
Owners' equity contribution received (net)	45		45
Total transactions with the owners	45		45
Owners' equity 30 June 2017	11 771	16 983	28 753

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

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2015	10 422	13 242	23 665
Income		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
Total transactions with the owners	1		1
Owners' equity 30 June 2016	10 424	14 625	25 049

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2017 - 30.06.2017	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016	01.01.2016 - 30.09.2016	01.01.2016 - 30.06.2016
Net cash flow from operational activities	-15 960	-7 922	-26 580	-18 932	-10 631
Net cash flow from investment activities ¹	-36	-29	-94	-130	-94
Net cash flow from financing activities ²	15 635	7 521	27 219	20 164	11 889
Net changes in cash and bank deposits	-362	-429	544	1 101	1 163
Holdings of cash and bank deposits at start of period	2 968	2 968	2 424	2 424	2 424
Holdings of cash and bank deposits at end of period	2 606	2 539	2 968	3 525	3 587

¹ Payments on the purchase of tangible fixed assets.

² Net receipts of owners' equity contribution, rising of new loans and repayment of debt. And also payments from unit holders in consolidated securities funds.

Notes to the accounts

KLP GROUP

NOTE 1 Accounting principles

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2017 – 30.06.2017. The accounts have not been audited.

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

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

The interim financial statements do not contain all the information required of complete financial statements, and this interim financial report should be read in the context of the annual financial statements for 2016. The annual financial statements are available at KLP's website klp.no.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	Q2 2017	Q2 2016	01.01.2016 -31.12.2016	Q2 2017	Q2 2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	15 110	19 653	36 773	570	249	574
Premium income for own account from other Group companies	48	21	81	0	0	0
Net financial income from investments	14 502	11 616	24 994	121	71	192
Other income from external customers	490	452	938	1	2	3
Other income from other Group companies	131	170	338	0	0	0
Total income	30 281	31 912	63 124	693	322	769
Claims for own account	-8 751	-8 035	-16 387	-136	-65	-112
Insurance provisions for own account	-10 140	-15 131	-27 373	-525	-221	-599
Costs borrowing	-420	74	382	0	0	0
Operating costs excluding depreciation	-486	-424	-911	-30	-23	-52
Depreciation	-33	-43	-261	-1	-1	-2
Other expenses	-490	-467	-960	0	0	0
Return to financial instruments attributable to minority interests	0	0	0	0	0	0
Total expenses	-20 320	-24 027	-45 510	-693	-310	-764
Operating profit/loss	9 961	7 885	17 613	0	13	5
Funds credited to insurance customers ²	-8 876	-6 699	-15 488	-17	-20	-33
Pre-tax income	1 084	1 187	2 125	-17	-7	-28
Cost of taxes	-194	275	781	0	0	0
Income	890	1 462	2 906	-17	-7	-28
Change in other comprehensive income (excluded cost of taxes)	0	-70	-33	0	-1	0
Total comprehensive income	890	1 392	2 874	-17	-8	-28
Assets	516 327	485 071	496 663	4 373	3 222	3 571
Liabilities	487 606	460 069	468 878	3 842	2 776	3 263

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Non-life insurance			Banking		
	Q2 2017	Q2 2016	01.01.2016 -31.12.2016	Q2 2017	Q2 2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	624	560	1 150	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	109	127	253	112	115	205
Other income from external customers	0	1	1	5	4	10
Other income from other Group companies	0	1	0	29	29	57
Total income	733	689	1 404	146	147	272
Claims for own account	-480	-448	-871	0	0	0
Insurance provisions for own account	-1	-1	-2	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-137	-122	-269	-97	-84	-176
Depreciation	-1	-2	-6	-2	-2	-4
Other expenses	0	-1	0	0	0	-1
Return to financial instruments attributable to minority interests	0	0	0	0	0	0
Total expenses	-619	-572	-1 148	-99	-86	-181
Operating profit/loss	115	116	255	47	61	91
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	115	116	255	47	61	91
Cost of taxes	-23	-25	-52	-11	-14	-22
Income	92	91	203	36	47	69
Change in other comprehensive income (excluded cost of taxes)	0	-8	-2	0	-2	-1
Total comprehensive income	92	83	201	36	44	68
Assets	4 773	4 567	4 489	35 144	34 149	34 388
Liabilities	2 967	2 812	2 773	33 253	32 570	32 533

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Asset management			Other		
	Q2 2017	Q2 2016	01.01.2016 -31.12.2016	Q2 2017	Q2 2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	3	4	4	0	0	0
Other income from external customers	0	0	0	4	5	8
Other income from other Group companies	180	141	299	0	0	0
Total income	183	145	303	4	5	8
Claims for own account	0	0	0	0	0	0
Insurance provisions for own account	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-153	-140	-280	-4	-4	-7
Depreciation	-3	-3	-6	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests	0	0	0	0	0	0
Total expenses	-156	-143	-285	-4	-4	-7
Operating profit/loss	27	2	18	0	1	0
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	27	2	18	0	1	0
Cost of taxes	-7	2	-4	0	0	0
Income	20	3	15	0	1	0
Change in other comprehensive income (excluded cost of taxes)	0	-8	-2	0	0	0
Total comprehensive income	20	-5	12	0	1	0
Assets	436	392	414	11	12	12
Liabilities	195	188	192	3	3	3

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Eliminations			Total		
	Q2 2017	Q2 2016	01.01.2016 -31.12.2016	Q2 2017	Q2 2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	-15	-7	0	16 289	20 456	38 497
Premium income for own account from other Group companies	-48	-21	-81	0	0	0
Net financial income from investments	4 003	1 161	5 240	18 850	13 094	30 888
Other income from external customers	-10	-7	-14	491	457	945
Other income from other Group companies	-339	-340	-694	0	0	0
Total income	3 590	786	4 450	35 630	34 007	70 330
Claims for own account	0	0	0	-9 367	-8 548	-17 370
Insurance provisions for own account	0	8	0	-10 665	-15 344	-27 973
Costs borrowing	0	0	0	-420	74	382
Operating costs excluding depreciation	155	89	244	-752	-708	-1 451
Depreciation	-26	0	-26	-67	-51	-305
Other expenses	2	1	5	-488	-467	-957
Return to financial instruments attributable to minority interests	-3 761	204	-3 061	-3 761	204	-3 061
Total expenses	-3 631	302	-2 839	-25 521	-24 840	-50 736
Operating profit/loss	-40	1 088	1 612	10 109	9 166	19 594
Funds credited to insurance customers ²	730	-1 070	-1 625	-8 163	-7 788	-17 146
Pre-tax income	690	18	-13	1 946	1 378	2 449
Cost of taxes	-887	-210	-360	-1 122	28	344
Income	-197	-192	-373	823	1 406	2 792
Change in other comprehensive income (excluded cost of taxes)	62	66	101	62	-23	63
Total comprehensive income	-135	-125	-272	886	1 383	2 855
Assets	66 741	83 807	56 576	627 805	577 072	596 113
Liabilities	71 186	86 175	60 648	599 051	552 023	568 290

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

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

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

Public sector occupational pension and group life

Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pension

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

Non-life insurance

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

Banking

KLP's banking business embraces the companies KLP Bank-holding AS and its wholly-owned subsidiaries: KLP Banken AS, KLP Kommunekreditt AS and KLP Boligkreditt AS. The banking business covers services such as deposits and lending to the retail market, 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 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Contribution service pension	9 055	12 551	15 710	18 637	35 083
Reinsurance premiums ceded	-13	31	18	18	-19
Transfer of premium reserves from others	174	-78	560	1 801	3 434
Total premium income	9 216	12 505	16 289	20 456	38 497

¹ Transfer of premium reserves from others for the second quarter 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 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Supplement contractual early retirement scheme (ERS)	238	225	483	452	927
Other income	4	0	8	5	19
Total other income	242	224	491	457	945

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
SUBORDINATED LOANS					
Interest costs ¹	-76	-69	-144	-169	-303
Value changes	-197	457	-292	628	832
Net costs subordinated loans	-273	388	-436	458	529
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-15	-14	-31	-30	-61
Value changes	60	-269	47	-355	-86
Net costs perpetual hybrid tier 1 securities	45	-283	16	-384	-147
Net costs subordinated loan and hybrid Tier 1 securities	-228	104	-420	74	382

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 fluctuations in value change are predominantly due to the loans being denominated in foreign currency. About one third of the debt related to this note is issued in Japanese yen, while the remaining debt is issued in euros.

NOTE 6 Operating expenses

NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Personnel costs	227	208	461	444	882
Depreciation	28	32	56	64	305
Other operating expenses	164	111	302	252	570
Total operating expenses	419	351	819	759	1 756

NOTE 7 Other expenses

NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Supplement contractual early retirement scheme (ERS)	238	224	483	451	929
Other expenses	1	10	5	16	28
Total other expenses	239	234	488	467	957

NOTE 8 Investment property

NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Net rental income	661	724	1 303	1 430	2 737
Net value adjustment	692	1 142	676	1 464	3 989
Net income from investment properties	1 353	1 865	1 979	2 894	6 726
Currency translate foreign subsidiaries	566	-485	730	-1 070	-1 625
Net income from investment properties included currency translate	1 919	1 380	2 709	1 824	5 101

NOK MILLIONS	30.06.2017	30.06.2016	31.12.2016
Investment property 01.01.	59 497	56 436	56 436
Value adjustment	1 406	394	2 364
Net additions	844	-1 628	724
Other changes	-15	-4	-28
Investment property 30.06/31.12	61 732	55 198	59 497

NOTE 9 Fair value of financial assets and liabilities

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST**This category includes:**

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**This category includes:**

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

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

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

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-income securities – government

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

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

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

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

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

e) Receivables on credit institutions

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

f) Loans to municipalities and enterprises with municipal guarantee

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

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

j) Private Equity

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

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

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

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

NOTE 9 Fair value of financial assets and liabilities – cont.**DEBT TO CREDIT INSTITUTIONS****o) Placements with credit institutions and deposits**

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

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

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOK MILLIONS	30.06.2017		30.06.2016		31.12.2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Norwegian hold-to-maturity bonds	7 668	8 445	10 404	11 531	8 339	9 248
Foreign hold-to-maturity bonds	25 309	26 722	23 345	25 513	24 452	25 771
Total debt instruments held to maturity	32 976	35 167	33 749	37 044	32 791	35 019
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	34 179	37 065	30 766	34 599	33 018	35 785
Foreign bonds	77 767	83 251	66 315	73 759	72 879	77 806
Norwegian certificates	0	0	0	0	790	787
Other receivables	24	24	17	17	33	33
Total debt instruments classified as loans and receivables	111 969	120 340	97 097	108 375	106 720	114 411
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	1 099	1 099	1 747	1 747	1 381	1 381
Total loans to local government, enterprises & retail customers	1 099	1 099	1 747	1 747	1 381	1 381

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

NOK MILLIONS	30.06.2017		30.06.2016		31.12.2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST						
Loans secured by mortgage	16 952	16 965	15 064	15 096	15 953	15 969
Loans to local government sector or enterprises with local government guarantee	57 878	58 572	52 777	53 789	56 484	57 135
Loans abroad secured by mortgage and local government guarantee	9 079	9 120	9 202	9 185	9 105	9 143
Total loans to local government, enterprises & retail customers	83 908	84 656	77 042	78 070	81 541	82 247
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	59 524	59 524	52 175	52 175	58 661	58 661
Norwegian certificates	10 855	10 855	11 915	11 915	12 519	12 519
Foreign bonds	84 083	84 083	81 576	81 576	82 933	82 933
Foreign certificates	0	0	247	247	161	161
Investments with credit institutions	17 501	17 501	17 945	17 945	16 747	16 747
Total debt instruments at fair value through profit/loss	171 963	171 963	163 859	163 859	171 021	171 021
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	134 277	134 277	107 051	107 051	121 236	121 236
Equity funds	9 682	9 682	8 232	8 232	8 688	8 688
Property funds	218	218	354	354	287	287
Alternative investments	557	557	376	376	489	489
Total equity capital instruments at fair value	144 735	144 735	116 013	116 013	130 700	130 700
RECEIVABLES						
Receivables related to direct business	3 434	3 434	7 806	7 806	753	753
Receivables related to reinsurance agreements	122	122	73	73	119	119
Reinsurance share of unpaid gross premiums	0	0	0	0	0	0
Reinsurance share of gross claims reserve	28	28	38	38	1	1
Receivables related to securites	4 447	4 447	13 409	13 409	1 763	1 763
Prepaid rent related to real estate activities	186	186	199	199	106	106
Other receivables	762	762	114	114	431	431
Total other loans and receivables including receivables from policyholders	8 979	8 979	21 639	21 639	3 173	3 173

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

NOK MILLIONS	30.06.2017		30.06.2016		31.12.2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES						
Hybrid Tier 1 securities	1 603	1 446	1 919	1 252	1 650	1 650
Subordinated loan capital	6 399	7 086	6 281	6 271	6 220	6 554
Debt to credit institutions	1 567	1 567	2 810	2 810	2 356	2 356
Covered bonds issued	22 196	22 196	20 988	20 988	21 095	21 095
Liabilities and deposits from customers	9 138	9 138	8 252	8 252	8 688	8 688
Total financial liabilities	40 903	41 433	40 250	39 574	40 010	40 344
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	4 327	4 327	3 901	3 901	2 694	2 694
Total financial liabilities	4 327	4 327	3 901	3 901	2 694	2 694
Assets in life insurance with investment option	2 183	2 183	1 362	1 362	1 674	1 674
Provisions in life insurance with investment option	2 183	2 183	1 362	1 362	1 674	1 674

NOK MILLIONS	30.06.2017		30.06.2016		31.12.2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	1 895	1 822	2 013	3 036	795	4 534
Interest rate swaps	379	1 206	463	1 504	375	1 338
Interest rate and currency swaps	602	0	905	0	645	0
Total financial derivatives	2 876	3 028	3 381	4 540	1 815	5 871

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	0	EUR	Fixed	Perpetual	0	0	0
Kommunal Landspensjonskasse	554	JPY	Fixed ¹	Perpetual	713	754	706
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ²	2045	5 686	5 526	5 514
Total subordinated loan capital	5 717				6 399	6 281	6 220
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	1 603	1 919	1 650
Total hybrid Tier 1 securities	984				1 603	1 919	1 650
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2016	0	1 218	0
KLP Kommunekreditt AS	0	NOK	Fixed	2017	0	637	319
KLP Kommunekreditt AS	529	NOK	Floating	2017	530	3 006	596
KLP Kommunekreditt AS	2 894	NOK	Floating	2018	2 896	3 975	3 975
KLP Kommunekreditt AS	4 500	NOK	Floating	2019	4 505	4 505	4 506
KLP Kommunekreditt AS	2 500	NOK	Floating	2020	2 509	2 004	2 510
KLP Kommunekreditt AS	750	NOK	Fixed	2020	769	769	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 013	0	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	607	605	602
KLP Kommunekreditt AS	1 500	NOK	Floating	2022	1 502	0	0
KLP Kommunekreditt AS	500	NOK	Fixed	2027	502	0	0
KLP Boligkreditt AS	0	NOK	Floating	2017	0	441	43
KLP Boligkreditt AS	600	NOK	Floating	2019	600	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 007	2 007	2 007
KLP Boligkreditt AS	0	NOK	Fixed	2021	0	501	0
KLP Boligkreditt AS	1 700	NOK	Floating	2021	1 703	601	1 103
Other					54	120	67
Total covered bonds	22 073				22 196	20 988	21 095

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

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Floating	2016	0	401	0
KLP Banken AS	0	NOK	Fixed	2017	0	301	308
KLP Banken AS	0	NOK	Floating	2017	0	500	443
KLP Banken AS	200	NOK	Fixed	2018	205	205	202
KLP Banken AS	463	NOK	Floating	2018	463	502	502
KLP Banken AS	895	NOK	Floating	2019	897	902	902
KLP Funds	0	NOK	Fixed	2016	0	1 885	0
KLP Funds	1 088	NOK	Fixed	2017	1 088	0	1 064
KLP Funds	0	NOK/EUR/USD	Floating	2016	0	576	0
KLP Funds	1 881	NOK/EUR/USD	Floating	2017	1 881	0	744
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2016	0	1 434	0
Kommunal Landspensjonskasse	1 354	NOK/EUR/USD	Floating	2017	1 354	0	885
KLP Banken AS	0	NOK/EUR/USD	Floating	2016	0	6	0
KLP Banken AS	5	NOK/EUR/USD	Floating	2017	5	0	1
Other					1	0	-1
Total liabilities to credit institutions	5 886				5 894	6 712	5 050
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴							
Retail	7 397	NOK			7 397	6 645	6 938
Business	1 715	NOK			1 715	1 593	1 729
Foreign	26	NOK			26	14	21
Liabilities to and deposits from customers	9 138				9 138	8 252	8 688
Total financial liabilities	43 797				45 230	44 151	42 704

⁴ There is no contractual maturity date on deposits.

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

NOTE 11 Fair value hierarchy

30.06.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	61 732	61 732
Land/plots	0	0	980	980
Real estate fund	0	0	2 360	2 360
Buildings	0	0	58 391	58 391
Lending at fair value	0	1 099	0	1 099
Bonds and other fixed-income securities	45 079	109 375	0	154 454
Certificates	7 943	2 912	0	10 855
Bonds	23 862	106 463	0	130 325
Fixed-income funds	13 275	0	0	13 275
Loans and receivables	15 510	1 999	0	17 508
Shares and units	129 098	6 032	9 605	144 735
Shares	127 449	5 257	1 572	134 277
Equity funds	1 649	0	76	1 725
Property funds	0	218	0	218
Special funds	0	557	0	557
Private Equity	0	0	7 957	7 957
Financial derivatives	0	2 876	0	2 876
Total assets at fair value	189 687	121 380	71 337	382 404
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	3 028	0	3 028
Debt to credit institutions ¹	3 239	1 088	0	4 327
Total financial liabilities at fair value	3 239	4 116	0	7 355

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the financial position statement. The liabilities measured at amortized cost amounted to NOK 1 567 million per 30.06.2017.

NOTE 11 Fair value hierarchy – cont.

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 The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the financial position statement. The liabilities measured at amortized cost amounted to NOK 1 567 million per 30.06.2017.

NOTE 11 Fair value hierarchy – cont.

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

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the financial position statement. The liabilities measured at amortized cost amounted to NOK 1 567 million per 30.06.2017.

NOTE 11 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
Opening balance 1 January	8 573	8 009	8 009
Sold	-722	-484	-1 288
Bought	788	818	2 034
Unrealised changes	966	-234	-182
Closing balance 30.06./ 31.12.	9 605	8 110	8 573
Realised gains/losses	150	99	377

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
Opening balance 1 January	59 497	56 436	56 436
Net acquisition cost	844	-1 628	724
Unrealised changes	1 406	394	2 364
Other changes	-15	-4	-28
Closing balance 30.06./ 31.12.	61 732	55 198	59 497
Realised gains/losses	0	0	0
Closing balance 30.06./ 31.12.	71 337	63 308	68 069

NOTE 11 Fair value hierarchy – cont.

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

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 3 567 million as of 30.06.2017, NOK 3 165 million as of 30.06.2016 and NOK 3 403 million as of 31.12.2016. 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 2 183 millions in financial assets valued at fair value at Level 1. Per 30.06.2017 the NOK 2 183 millions are included with NOK 1 282 millions in shares and units in Level 1, NOK 884 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 659 million in stocks has been moved from Level 1 to Level 2 and NOK 46 millions from Level 2 to Level 1. This is due to changes in liquidity. For debt instruments there has been no movements.

NOTE 12 Liquidity risk

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

30.06.2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	966	975	6 463	0	8 404
Perpetual hybrid Tier 1 securities ¹	0	92	244	305	1 505	2 145
Debt to and deposits from customers (without defined maturity)	9 138	0	0	0	0	9 138
Covered bonds issued	0	1 840	20 757	640		23 237
Payables to credit institutions	2 574	491	1 115	0	0	4 180
Financial derivatives	2 233	2 183	396	-21	-234	4 556
Accounts payable	627	0	0	0	0	627
Contingent liabilities	15 976	0	0	0	0	15 976
Total	30 549	5 571	23 487	7 388	1 270	68 265

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 203 million, payables to credit institutions maturing within one month are reduced with NOK 79 million and derivatives maturing between 1 to 12 months are reduced with NOK 29 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 67 954 million.

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

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 54 million and payables to credit institutions within one month are reduced with NOK 15 million and derivatives maturing between 1-12 months are reduced with NOK 117 millions. Total amount of the financial liabilities for the Group are after these adjustments NOK 66 712 million.

NOTE 12 Liquidity risk - cont.

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

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

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

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

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

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

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

NOTE 13 Interest rate risk

30.06.2017 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2017 - 30.06.2017	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	17	-9	39	7	-288	-15	-249	-249
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	4	4	4
Bonds and other fixed-return securities	-51	-97	-1 247	-2 160	-1 636	184	-5 007	-4 360
Fixed income fund holdings	-807	0	0	0	0	0	-807	-807
Lending and receivables	-1	-2	0	0	0	77	74	63
Lending	0	0	0	0	0	260	260	260
Cash and bank deposits	0	0	0	0	0	10	10	10
Contingent liabilities ¹	0	0	0	0	0	33	33	33
Total assets	-842	-109	-1 208	-2 152	-1 924	553	-5 683	-5 047
LIABILITIES								
Deposit	0	0	0	0	0	-45	-45	-45
Liabilities created on issue of securities	0	1	1	0	0	-119	-116	-116
Financial derivatives classified as liabilities	-7	25	82	97	2	21	220	220
Hybrid capital, subordinated loans	0	0	0	64	77	0	141	141
Debt to credit institutions	0	0	0	0	0	-11	-11	-11
Total liabilities	-7	26	84	162	78	-155	188	188
Total before tax	-849	-83	-1 124	-1 991	-1 846	398	-5 494	-4 858
Total after tax	-646	-63	-854	-1 513	-1 403	302	-4 176	-3 692

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

NOTE 13 Interest rate risk – cont.

30.06.2016 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2016 - 30.06.2016	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Mutual funds shares	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	-4 680	-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 ¹	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 Contingent liabilities are lending agreements that are not yet materialized.

NOTE 13 Interest rate risk – cont.

31.12.2016 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2016 - 30.06.2016	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	6	5	7	-48	-237	-45	-313	-302
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	7	7	7
Bonds and other fixed-return securities	-53	-89	-1 269	-1 942	-1 592	307	-4 639	-4 030
Fixed income fund holdings	-811	0	0	0	0	0	-811	-811
Lending and receivables	0	-3	0	0	0	158	155	135
Lending	0	0	0	0	0	474	474	474
Cash and bank deposits	0	0	0	0	0	17	17	17
Contingent liabilities ¹	0	0	0	0	0	69	69	69
Total assets	-859	-87	-1 263	-1 990	-1 829	987	-5 041	-4 441
LIABILITIES								
Deposit	0	0	0	0	0	-87	-87	-87
Liabilities created on issue of securities	0	3	63	0	0	-235	-169	-169
Financial derivatives classified as liabilities	-5	4	92	105	2	55	253	253
Hybrid capital, subordinated loans	0	0	0	69	81	0	150	150
Debt to credit institutions	0	0	0	0	0	-30	-30	-30
Total liabilities	-5	6	155	174	83	-297	116	117
Total before tax	-864	-80	-1 108	-1 816	-1 746	690	-4 925	-4 324
Total after tax	-648	-60	-831	-1 362	-1 310	517	-3 694	-3 243

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

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

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

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

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

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

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

30.06.2017 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	30 360	0	30	0	0	0	2 586	32 976	32 976
Debt instruments classified as loans and receivables at amortized cost	85 873	0	556	11	0	0	25 529	111 969	111 969
Debt instruments at fair value - fixed-return securities	114 115	480	6 469	7 971	0	0	12 240	141 274	126 795
Fixed-income funds	0	0	0	0	0	0	13 275	13 275	13 275
Loans and receivables	17 238	0	0	175	0	0	0	17 413	15 163
Financial derivatives classified as assets	2 876	0	0	0	0	0	0	2 876	2 535
Cash and bank deposits	2 606	0	0	0	0	0	0	2 606	2 606
Lending	0	0	60 368	0	14 242	2 660	7 736	85 007	85 007
Total	253 068	480	67 424	8 157	14 242	2 660	61 366	407 396	390 326

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

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					
	AAA	AA	A	BBB	Total Invest- ment grade
Debt instruments held to maturity at amortized cost	13 747	4 217	7 922	4 474	30 360
Debt instruments classified as loans and receivables at amortized cost	16 391	19 372	41 488	8 622	85 873
Debt instruments at fair value - fixed-return securities	45 020	10 382	35 106	23 607	114 115
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	1 912	15 126	200	17 238
Financial derivatives classified as assets	0	260	2 616	0	2 876
Cash and bank deposits	45	79	2 481	0	2 606
Lending	0	0	0	0	0
Total	75 203	36 223	104 739	36 903	253 068

NOTE 14 Credit risk – cont.

30.06.2016 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	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

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

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					
	AAA	AA	A	BBB	Total Invest- ment grade
Debt instruments held to maturity at amortized cost	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

NOTE 14 Credit risk – cont.

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

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

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

NOTE 14 Credit risk – cont.

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

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

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes.

The Group can be said to have a high concentration of debt instruments directed at the Norwegian public sector, 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 61 billion per 30.06.2017. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category.

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

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

NOK MILLIONS	30.06.2017		30.06.2016		31.12.2016	
	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund
10 LARGEST COUNTERPARTIES						
Counterparty 1	16 038	15 890	15 626	15 626	16 787	16 359
Counterparty 2	13 376	12 465	12 899	12 276	10 871	10 189
Counterparty 3	8 477	8 477	8 768	8 768	8 551	8 551
Counterparty 4	8 453	6 513	6 184	5 982	6 865	6 343
Counterparty 5	5 645	5 239	5 982	5 877	6 678	5 454
Counterparty 6	5 261	5 195	5 877	5 508	5 428	5 334
Counterparty 7	5 112	5 063	5 739	4 904	5 010	4 951
Counterparty 8	4 702	4 702	4 820	4 707	4 698	4 698
Counterparty 9	3 534	3 174	4 707	3 942	3 601	3 235
Counterparty 10	3 381	3 129	3 203	3 203	3 566	3 205
Total	73 979	69 849	73 804	70 793	72 056	68 319

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

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

NOTE 15 Technical provisions in life insurance

NOK MILLIONS	30.06.2017	30.06.2016	31.12.2016
Premium reserves - ordinary tariff	395 594	371 675	383 803
Premium funds, buffer funds and pensioners' surplus funds	15 951	15 439	17 216
Supplementary reserves	24 473	20 410	24 472
Securities adjustment fund	35 495	24 058	28 404
Other provisions	52	48	48
Profit/loss allocated to insurance contracts	1 649	4 028	0
Technical provisions in life insurance	471 565	435 658	453 943

NOK MILLIONS	30.06.2017	30.06.2016	31.12.2016
Premium reserves	2 174	1 354	1 665
Deposit funds	9	8	8
Provisions in life insurance with investment options	2 183	1 362	1 674

NOTE 16 Other current liabilities

NOK MILLIONS	30.06.2017	30.06.2016	31.12.2016
Short-term payables trade in securities	6 314	12 260	2 636
Incurred not assessed taxes	155	181	202
Advance tax-deduction pension scheme	602	569	382
Accounts payable	241	124	676
Pre-called contribution to insurance	123	108	131
Other current liabilities	721	1 307	795
Total other current liabilities	8 155	14 548	4 823

NOTE 17 SCR ratio

Solvency II is being introduced from 1 January 2016 and the calculation of the solvency margin is being changed completely whilst the previous requirement for capital adequacy and core capital adequacy no longer applies. The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that

KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR. Subordinated loans with first interest rate changes in 2017 may therefore be redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 204 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 292 per cent.

	30.06.2017	31.12.2016
Solvency II - SCR ratio	204 %	198 %

NOK BILLIONS	30.06.2017	31.12.2016		30.06.2017	31.12.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	523	502	Best estimate	475	456
Added values - hold-to-maturity portfolio/loans and receivables	11	10	Risk margin	14	13
Added values - other lending	1	1	Hybrid Tier 1 securities/ Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	10	9
Deferred tax asset	0	1	Deferred tax liabilities	0	0
Total assets - solvency II	534	513	Total liabilities - solvency II	506	486
			Excess of assets over liabilities	28	27
			- Deferred tax asset	0	-1
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	25	24
			Total eligible tier 1 own funds	25	24
			Subordinated loans	7	7
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	11
			Ancillary own funds	10	10
			Tier 2 ancillary own funds	10	10
			Deduction for max. eligible tier 2 own funds	-13	-12
			Total eligible tier 2 own funds	8	8
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	33	31
			Solvency capital requirement (SCR)	16	16
			Solvency II- SCR ratio	204 %	198 %

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

30.06.2017 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund

ASSETS

Financial derivatives	2 876	0	2 876	-1 816	-1 335	0	11	64
Repos	0	0	0	0	0	0	0	0
Total	2 876	0	2 876	-1 816	-1 335	0	11	64

LIABILITIES

Financial derivatives	3 028	0	3 028	-1 816	-838	0	974	1 028
Repos	1 088	0	1 088	0	0	0	1 088	1 088
Total	4 116	0	4 116	-1 816	-838	0	2 063	2 116

30.06.2016 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund

ASSETS

Financial derivatives	3 381	0	3 381	-1 640	-1 413	0	63	65
Repos	0	0	0	0	0	0	0	0
Total	3 381	0	3 381	-1 640	-1 413	0	63	65

LIABILITIES

Financial derivatives	4 540	0	4 540	-1 640	-2 353	0	235	203
Repos	1 886	0	1 886	0	0	0	1 886	1 886
Total	6 426	0	6 426	-1 640	-2 353	0	2 120	2 089

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

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

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

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

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

Key figures - Accumulated

NOK MILLIONS	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
KLP GROUP									
Profit before tax	1 946	779	2 449	2 085	1 378	578	5 138	1 889	1 302
Total assets	627 805	612 438	596 113	588 940	577 072	553 123	543 262	526 731	526 044
Owners' equity	28 753	28 254	27 823	26 827	25 049	23 997	23 665	20 620	18 992
Solvency SCR ratio ²	204 %	203 %	198 %	197 %	180 %	181 %	11.7 %	11.0 %	11.0 %
Number of employees in the Group	955	941	946	949	952	942	939	920	914
KOMMUNAL LANDSPENSJONSKASSE									
Profit before tax	1 084	475	2 125	1 858	1 196	464	4 876	1 613	1 196
Premium income for own account	15 158	6 483	36 854	29 715	19 674	7 556	38 789	31 985	25 548
- of which inflow of premium reserve	208	177	3 250	3 529	1 736	1 838	9 247	9 273	9 594
Insurance customers' funds incl. acc. profit	8 751	4 459	16 387	12 202	8 035	4 001	15 287	11 418	7 574
- of which funds with guaranteed returns	211	188	124	124	124	104	147	147	147
Net investment common portfolio	476 229	469 414	460 289	447 945	444 205	375 536	421 835	405 551	409 164
Net investment portfolio	2 293	2 244	2 184	2 199	2 105	2 060	2 050	2 020	2 056
Insurance funds incl. earnings for the year	469 952	461 095	452 375	444 748	434 146	419 099	412 363	405 343	406 927
- of which funds with guaranteed interest	408 413	403 030	395 562	391 495	385 763	375 583	370 559	368 390	352 857
Solvency capital requirement (SCR) ²	32 610	32 462	31 338	30 604	28 544	28 100	28 340	26 161	25 364
Solvency SCR ratio ²	216 %	214 %	209 %	208 %	189 %	187 %	12 %	11 %	11 %
Riskprofit I	272	100	784	475	278	152	498	473	294
Riskprofit II ¹	i/a	i/a	i/a	i/a	i/a	i/a	19 644	i/a	i/a
Return profits	1567	139	8 094	6 759	3 952	2 023	3 452	2 134	2 607
Administration profit	51	32	-50	135	65	20	264	197	132
Solvency capital	108 843	105 303	98 856	103 885	96 744	94 955	84 577	80 101	79 171
Book return on common portfolio	1.5 %	0.6 %	4.4 %	3.5 %	2.2 %	1.1 %	3.6 %	2.6 %	2.0 %
Value-adjusted return on common portfolio	3.0 %	1.7 %	5.8 %	4.4 %	2.7 %	1.0 %	4.0 %	2.0 %	2.3 %
Return on unit-linked portfolio	3.2 %	1.8 %	6.2 %	4.4 %	2.5 %	0.9 %	4.0 %	1.7 %	2.5 %
Return on corporate portfolio	2.2 %	0.9 %	4.7 %	4.0 %	2.7 %	1.0 %	4.8 %	3.2 %	2.4 %

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

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

Key figures - Accumulated – cont.

NOK MILLIONS	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
KLP SKADEFORSIKRING AS									
Profit before tax	114.9	49.6	255.4	185.6	116.3	49.5	183.1	46.3	15.6
Gross premium due	652.6	320.4	1207.5	894.9	588.9	290.3	1086.8	806.9	529.0
Premium income for own account	623.9	304.5	1150.1	851.9	560.5	276.4	1035.1	768.4	503.4
Owners' equity	1806.2	1738.7	1 715.8	1808.9	1755.2	1705.7	1672.2	1540.4	1512.8
Claims ratio	77 %	81.1 %	75.9 %	80.6 %	80.0 %	76.9 %	77.7 %	86.1 %	93.7 %
Combined-ratio	98.9 %	102.9 %	98.7 %	101.6 %	101.7 %	100.2 %	98.8 %	106.4 %	114.0 %
Return on assets under management	2.5 %	1.4 %	6.1 %	4.9 %	3.1 %	1.3 %	4.4 %	2.5 %	2.3 %
Solvency capital requirement (SCR) ²	1877	1848	1762	1805	1789	1 910	1 060	884	883
Solvency SCR ratio ²	264 %	264 %	261 %	275 %	278 %	285 %	49 %	41 %	40 %
Annual premium in force – retail market	488.2	462.0	435.2	408.7	387.4	367.5	354.4	344.3	329.9
Annual premium in force – public sector market	865.2	851.0	832.2	826.2	822.8	813.2	762.2	769.7	763.9
Net new subscriptions (accumulated within the year)	72.8	20.8	135.2	83.0	52.0	21.9	112.1	64.1	47.3
KLP BEDRIFTSPENSJON AS									
Profit before tax	-17.4	-12.1	-27.6	-9.4	-6.9	-4.7	-24.2	-15.6	-6.8
Premium income for own account	569.9	320.8	574.3	383.8	249.1	134.2	485.6	378.1	235.7
- of which premium reserve added	351.6	209.8	185.0	101.9	65.3	40.9	149.7	128.3	72.7
Insurance customers' funds including accumulated profit	3 796	3 581	3 241	3 027	2 873	2 748	2 619	2 491	2 405
- of which funds with guaranteed returns	1 425	1 422	1 390	1 358	1 351	1 343	1 293	1 275	1 389
Returns profit	4.5	-2.6	31.0	13.2	8.6	2.5	22.8	13.1	10.0
Risk result	-2.4	-4.1	6.0	3.8	-0.0	0.6	-1.8	-1.4	3.1
Administration losses	-20	-9.1	-32.5	-18.6	-12.8	-7.6	-27.5	-19.3	-13.5
Solvency capital requirement (SCR) ²	285	29	11	101	89	73	295	97	104
Solvency SCR ratio ²	185 %	33 %	22 % ³	98 %	69 %	57 %	35 %	13 %	14 %
Solvency capital	718.1	483.3	479.4	516.9	516.3	480.0	461.0	254.4	258.0
Book capital return on common portfolio	1.8 %	0.6 %	5.3 %	3.5 %	2.2 %	1.0 %	4.8 %	3.4 %	2.4 %
Value-adjusted capital return on common portfolio	2.4 %	1.2 %	5.7 %	4.4 %	2.8 %	1.1 %	4.7 %	2.8 %	2.5 %
Return on defined unit-linked contribution pensions	4.4 %	1.8 %	7.0 %	4.4 %	1.8 %	-0.2 %	2.1 %	-0.9 %	2.5 %
Return on corporate portfolio	1.3 %	0.7 %	2.4 %	2.3 %	1.7 %	1.1 %	0.9 %	0.5 %	0.7 %

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

³ There have been a correction of the calculation of Solvency II per 31.12.2016. The new calculations gives a SCR ratio of 22 % versus 79 % as earlier reported

Key figures - Accumulated – cont.

NOK MILLIONS	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
KLP BANKEN GROUP									
Profit/loss before tax	47.9	23.2	91.2	90.7	58.0	24.8	49.6	34.4	14.8
Net interest income	108.5	51.4	194.3	149.4	100.3	50.9	187.1	133.1	81.4
Other operating income	33.6	16.8	66.4	49.3	32.1	15.5	67.9	51.0	34.1
Operating expenses and depreciation	-97.8	-48.6	-179.5	-126.1	-89.1	-48.0	-170.2	-122.1	-86.8
Net realized/unrealized changes in financial instruments to fair value	3.5	3.7	11.1	18.5	14.9	6.5	-34.1	-27.7	-14.1
Contributions	9 138	8 939	8 688	8 454	8 252	7 884	7 426	7 279	7 305
Housing mortgages granted	13 730	13 376	12 717	12 812	12 294	11 311	10 713	10 438	9 604
Loan(s) with public guarantee(s)	17 166	17 282	17 246	17 336	16 048	15 783	15 646	15 808	15 591
Defaulted loans	26	28	22	24	28	33	29	27	34
Borrowing on the issuance of securities	23 762	23 241	23 451	24 455	23 799	22 283	21 902	19 941	20 777
Total assets	35 140	34 383	34 382	34 949	34 145	32 204	31 294	29 267	29 814
Average total assets	34 761	34 383	32 838	33 122	32 720	30 995	30 525	29 511	29 785
Owners' equity	1 887	1 868	1 850	1 598	1 574	1 549	1 508	1 495	1 278
Net interest rate	0.31 %	0.15 %	0.59 %	0.45 %	0.31 %	0.16 %	0.61 %	0.45 %	0.27 %
Profit/loss from general operations before tax	0.14 %	0.07 %	0.28 %	0.27 %	0.18 %	0.08 %	0.16 %	0.12 %	0.06 %
Return on owners' equity before tax	5.18 %	5.02 %	6.05 %	8.02 %	7.69 %	6.58 %	3.40 %	2.30 %	1.32 %
Capital adequacy	19.3 %	19.3 %	19.0 %	16.8 %	16.5 %	17.5 %	17.6 %	17.9 %	15.1 %
Number of private customers	50 885	49 038	46 801	45 246	43 566	42 287	39 759	38 248	37 335
Of this members of KLP	35 983	34 703	33 173	32 066	31 070	29 501	27 448	26 337	25 586
KLP KAPITALFORVALTNING AS									
Profit/loss before tax	26.6	17.5	18.2	16.3	1.8	-4.9	46.1	44.7	27.0
Total assets under management	463 558	455 577	441 943	431 741	417 789	408 451	398 471	382 580	383 411
Assets managed for external customers	62 128	58 210	54 003	49 434	46 509	44 526	44 797	40 892	40 388



Interim Financial Statements

NON-FINANCIAL ACCOUNTS
Q2 2017

Non-financial accounts

KLP GROUP

NOTE		Change in the 2nd quarter		Change this year		30.06.2017	30.06.2016	31.12.2016
		2017	2016	2017	2016			
SOCIAL RESPONSIBLE INVESTMENTS								
1	Number of companies excluded from the investment portfolio	10	35	14	35	176	159	162
	Number of general meetings in Norwegian companies at which KLP has voted (in %)	89	80	95 (99%)	88 (96%)	95 (99%)	88 (96%)	111 (96%)
	Number of general meetings in foreign companies at which KLP has voted (in %)	1 284	1 749	1685 (91%)	2046 (89%)	1685 (91%)	2046 (89%)	2627 (90%)
2	Number of companies KLP has monitored	61	37	127	123	127	123	214
	Market value of investments in renewable energy in Norway (NOK millions)	-40	898	80	1903	22 548	22 092	22 468
	Market value of investments in renewable energy in developing countries (NOK millions)	0	2	56	26	314	252	258
	Market value of investments in banking and finance in developing countries (NOK millions)	19	19	25	19	435	248	410
	Market value of investments in European infrastructurefunds (NOK millions)	60	N/A	175	N/A	827	0	652
EMPLOYEES								
	Number of employees	14	10	5	13	955	952	950
	Reported sickness absence 12 month rolling	-0.8 %	-0.8 %	-0.1 %	0.3 %	4.4 %	4.5 %	4.5 %
ENVIRONMENT								
3	Energy consumption kWh KLP's offices in KLP Huset (KLP Building)	497 751	743 476	1 674 278	1 860 076	1 674 278	1 860 076	3 571 611
4	Energy consumption kWh own offices Trondheim	45 803	37 050	121 251	119 706	121 251	119 706	248 910
5	Energy consumption kWh own offices Bergen	126 600	51 862	218 103	190 873	218 103	190 873	380 949
6	Kilo CO2-equivalent from aircrafts	134 691	153 253	285 003	289 517	285 003	289 517	550 170
6	Number of return tickets (corporate airtravel)	759	890	1 702	1 756	1 702	1 756	3 294

NOTE 1 Excluded companies

In the second quarter of 2017, KLP has excluded ten companies. PetroChina Co. Ltd og Leonardo SpA have been excluded due to corruption, and Bharat Heavy Electricals Ltd. due to environmental degradation. Moreover, the following companies have been excluded based on KLPs exclusion criterias for coal; CEZ SA, Eneva SA, Great River Energy, Huadian Energy Co. Ltd., Malakoff Corp. Bhd., Otter Tail Corp., PGE Polska Grupa Energetyczna SA og SDIC Power Holdings Co. Ltd. The change in number of excluded companies is a net figure consisting of: number of new exclusions of companies from the investment portofolio (15) minus the number of companies reinstated in the investment portofolio (1).

NOTE 2 Dialogue

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

NOTE 3 Energy consumption main office Oslo

KLP uses Optima energy monitoring system. The system provides automatic reading of electricity consumption. Fictional/generated values are used if problems occur with the readings. KLP 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.

NOTE 4 Energy consumption regional office Trondheim

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

NOTE 5 Energy consumption regional office Bergen

KLP's regional office in Bergen relocated on the 13th of june 2016. First Quarter 2017 was the first quarter where data on both KLPs own energy consumption, and KLPs share of communal space energy consumption was available. However, the energy figures for the communal space in this building have since been updated due to some system errors. Therefore, energy consumption for communal space has been updated to the best available figures.

NOTE 6 Emmisions from air travel

In 2016, KLP deployed measures in order to reduce air travel and associated emissions. For the first half of 2017, number of return flights have been reduced by 3%, and CO₂ emissions from corporate air travel have been reduced by 1,5% compared to first half 2016. For the second quarter isolated, number of return flights have been reduced by 15% and CO₂ emissions from corporate air travel have been reduced by 12%.



Interim Financial Statement

KOMMUNAL LANDSPENSJONSKASSE
Q2 2017

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
3	Premium income	8 675	12 119	15 158	19 674	36 854
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	1 393	1 159	2 010	1 548	4 616
	Interest income and dividends etc. on financial assets	2 331	2 262	4 392	4 317	8 432
	Value changes on investments	3 849	769	9 391	3 314	6 014
	Gains and losses realized on investments	-1 620	2 937	-2 152	2 019	5 528
	Net income from investments in the common portfolio	5 953	7 127	13 641	11 198	24 588
	Net income from investments in the investment option portfolio	30	34	70	52	127
	Other insurance-related income	241	228	487	456	933
4	Claims	-4 292	-4 034	-8 751	-8 035	-16 387
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-8 289	-12 683	-17 314	-17 734	-38 434
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-29	-51	-59	-57	-108
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-4 319
	Unallocated profit to insurance contracts	-1 483	-1 966	-1 643	-4 029	0
5	Insurance-related operating expenses	-258	-218	-507	-456	-1 140
	Other insurance-related costs	-239	-226	-484	-454	-934
	Technical profit/loss	310	328	597	615	1 180
	Net income from investments in the corporate portfolio	400	491	678	793	1 354
	Other income	2	0	5	1	7
	Administration costs and other costs associated with the corporate portfolio	-102	-88	-196	-213	-416
	Non-technical profit/loss	300	403	488	581	945
	Profit/loss pre-tax	609	732	1 084	1 196	2 125
	Tax	-117	331	-194	256	773
	Profit/loss before other comprehensive income	492	1 062	890	1 452	2 898
	Actuarial gains and losses on defined benefits pension schemes - employee benefits	0	0	0	-59	-27
	Proportion of other comprehensive income on application of the equity method	0	0	0	-29	-5
	Adjustment of the insurance liabilities	0	0	0	9	0
	Tax on other comprehensive income	0	0	0	20	8
	Total other comprehensive income	0	0	0	-59	-24
	TOTAL COMPREHENSIVE INCOME	492	1 062	890	1 392	2 874

Financial position statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.06.2017	30.06.2016	31.12.2016
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	241	494	253
7	Investment properties	1 001	1 001	1 003
	Shares and holdings in property subsidiaries	1 802	1 704	1 779
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 496	3 914	4 125
6	Financial assets valued at amortized cost	14 310	13 225	13 808
6,7	Financial assets valued at fair value	11 306	10 274	11 052
	Receivables	3 439	7 207	902
	Tax asset	153	0	336
	Other assets	1 057	943	933
Total assets in the corporate portfolio		37 805	38 762	34 190
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	56 206	52 597	55 076
	Shares and holdings in associated enterprises and jointly controlled entities	602	390	528
6	Financial assets valued at amortized cost	181 484	165 145	175 588
6,7	Financial assets valued at fair value	237 937	226 073	229 097
Total investment in the common portfolio		476 229	444 205	460 289
	Shares and holdings in property subsidiaries	278	260	272
6	Financial assets at amortized costs	784	694	738
6,7	Financial assets at fair value	1 231	1 151	1 174
Total investments in the investment option portfolio		2 293	2 105	2 184
Total assets in the customer portfolios		478 522	446 310	462 473
TOTAL ASSETS		516 327	485 071	496 663

Financial position statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.06.2017	30.06.2016	31.12.2016
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	11 771	10 424	11 726
	Retained earnings	16 950	14 579	16 060
	Total owners' equity	28 721	25 002	27 785
6	Subordinated loan capital etc.	8 002	8 199	7 870
	Premium reserve etc.	390 713	368 440	380 658
	Supplementary reserves	24 292	20 258	24 292
	Securities adjustment fund	35 417	23 991	28 337
	Premium funds, defined contribution funds, pension regulation funds etc.	15 643	15 344	16 907
	Unallocated profit to customers	1 599	3 993	0
	Total insurance liabilities - contractual liabilities	467 663	432 026	450 194
	Pension capital etc.	1 822	1 739	1 766
	Supplementary reserves	135	114	133
	Premium funds, defined contribution funds, pension regulation funds etc.	288	240	283
	Unallocated profit to customers	44	27	0
	Total insurance liabilities - special investment portfolio	2 289	2 120	2 181
	Pension obligations	474	492	474
	Tax liabilities	11	170	0
9	Liabilities	9 056	16 984	8 001
	Accrued costs and prepaid income	111	77	157
	TOTAL OWNERS EQUITY AND LIABILITIES	516 327	485 071	496 663
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	15 019	13 679	13 319

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2017	11 726	3 907	12 153	27 785
Income before other profit/loss components		196	695	890
Actuarial gains and losses on defined benefits pension schemes - employee benefits			0	0
Proportion of other comprehensive income on application of the equity method			0	0
Adjustment of the insurance liabilities			0	0
Tax on other comprehensive income			0	0
Total other comprehensive income			0	0
Total comprehensive income (unallocated)		196	695	890
Owners equity contribution recieved ¹	45			45
Total transactions with owners	45			45
Own funds 30 June 2017	11 771	4 102	12 848	28 721

¹ During the second quarter, NOK 1 315 million of ordinary equity capital contributions were called in to be paid in during the third quarter.

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	10 422	3 364	9 822	23 609
Income before other profit/loss components		210	1 241	1 452
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-59	-59
Proportion of other comprehensive income on application of the equity method			-29	-29
Adjustment of the insurance liabilities			9	9
Tax on other comprehensive income			20	20
Total other comprehensive income			-59	-59
Total comprehensive income (unallocated)		210	1 182	1 392
Owners equity contribution recieved ²	1			1
Total transactions with owners	1			1
Own funds 30 June 2016	10 424	3 574	11 004	25 002

² 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

KOMMUNAL LANDSPENSJONSKASSE

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	10 422	3 364	9 822	23 609
Income before other profit/loss components		543	2 355	2 898
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-27	-27
Proportion of other comprehensive income on application of the equity method			-5	-5
Adjustment of the insurance liabilities			0	0
Tax on other comprehensive income			8	8
Total other comprehensive income			-24	-24
Total comprehensive income		543	2 331	2 874
Owners equity contribution recieved	1 303			1 303
Total transactions with owners	1 303			1 303
Own funds 31 December 2016	11 726	3 907	12 153	27 785

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2017 -30.06.2017	01.01.2017 -31.03.2017	01.01.2016 -31.12.2016	01.01.2016 -30.09.2016	01.01.2016 -30.06.2016
Net cashflow from operational activities	100	3	1 857	1 649	3 167
Net cashflow from investment activities ¹	-21	-13	-66 ³	-117	-89
Net cashflow from financing activities ²	45	37	-1 557	-1 535	-2 834
Net changes in cash and bank deposits	124	26	233	-2	244
Holdings of cash and bank deposits at start of period	887	887	654	654	654
Holdings of cash and bank deposits at end of period	1 011	913	887	651	898

¹ Payments on the purchase of tangible fixed assets.

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

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

Notes to the accounts

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles

ACCOUNTING PRINCIPLES

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

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

NOTE 2 Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 30. June 2017.

NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Value adjustment incl. foreign exchange	1 287	702	1 415	427	2 393
Foreign exchange effect on hedging	-471	476	-620	1 088	1 763
Net value adjustment incl. exchange hedging	816	1 178	795	1 515	4 156

NOTE 3 Premium income

NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Gross premiums due	8 643	12 222	14 949	17 940	33 606
Reinsurance premiums ceded	0	-1	0	-1	-1
Transfer of premium reserves from others ¹	32	-102	208	1 736	3 250
Total premium income	8 675	12 119	15 158	19 674	36 854

¹ Transfer of premium reserves from others for the second quarter 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 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Claims paid	4 270	4 014	8 541	7 912	16 263
Transfers of premium reserves to others	22	20	211	124	124
Total claims	4 292	4 034	8 751	8 035	16 387

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Personnel costs	142	126	301	267	549
Depreciation	17	22	33	43	261
Other operating expenses	99	71	173	147	331
Total insurance-related operating expenses	258	218	507	456	1 140

NOTE 6 Fair value of financial assets and liabilities

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

30.06.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	563	649	6 714	7 394	32	34	7 308	8 078
Accrued not due interest	13	13	195	195	1	1	209	209
Foreign hold-to-maturity bonds	6 125	6 265	18 642	19 899	77	85	24 843	26 250
Accrued not due interest	18	18	320	320	2	2	339	339
Total investments held to maturity	6 718	6 945	25 870	27 808	112	122	32 700	34 876
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	2 220	2 370	30 246	32 887	164	182	32 631	35 440
Accrued not due interest	37	37	565	565	4	4	605	605
Foreign bonds	5 250	5 547	69 386	74 460	495	529	75 131	80 536
Accrued not due interest	85	85	1 269	1 269	9	9	1 363	1 363
Total bonds classified as loans and receivables	7 592	8 039	101 467	109 182	672	725	109 731	117 945
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 235	3 243	0	0	3 235	3 243
Lending with public sector guarantee	0	0	41 616	42 131	0	0	41 616	42 131
Loans abroad secured by mortgage and local government guarantee	0	0	9 036	9 077	0	0	9 036	9 077
Accrued not due interest	0	0	260	260	0	0	260	260
Total other loans and receivables	0	0	54 147	54 710	0	0	54 147	54 710
Total financial assets at amortized cost	14 310	14 984	181 484	191 701	784	847	196 577	207 531
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	527	527	6 389	6 389	0	0	6 915	6 915
Foreign shares	0	0	22 482	22 482	0	0	22 482	22 482
Total shares	527	527	28 871	28 871	0	0	29 397	29 397
Property funds	0	0	2 268	2 268	0	0	2 268	2 268
Norwegian equity funds	0	0	57 053	57 053	563	563	57 616	57 616
Foreign equity funds	0	0	9 145	9 145	0	0	9 145	9 145
Total equity fund units	0	0	68 465	68 465	563	563	69 028	69 028
Norwegian alternative investments	0	0	2 657	2 657	16	16	2 673	2 673
Foreign alternative investments	0	0	557	557	0	0	557	557
Total alternative investments	0	0	3 215	3 215	16	16	3 231	3 231
Total shares and units	527	527	100 551	100 551	579	579	101 656	101 656

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

30.06.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	6 121	6 121	33 157	33 157	0	0	39 279	39 279
Foreign bonds	211	211	20 289	20 289	0	0	20 501	20 501
Accrued not due interest	28	28	314	314	0	0	343	343
Norwegian fixed-income funds	2 214	2 214	47 595	47 595	592	592	50 400	50 400
Foreign fixed-income funds	0	0	13 275	13 275	0	0	13 275	13 275
Accrued not due interest	6	6	98	98	3	3	107	107
Norwegian certificates	451	451	7 701	7 701	0	0	8 153	8 153
Accrued not due interest	2	2	7	7	0	0	9	9
Total bonds and other fixed-income securities	9 035	9 035	122 436	122 436	595	595	132 066	132 066
Norwegian loans and receivables	914	914	4 403	4 403	23	23	5 341	5 341
Foreign loans and receivables	228	228	5 882	5 882	28	28	6 138	6 138
Total loans and receivables	1 142	1 142	10 286	10 286	51	51	11 479	11 479
DERIVATIVES								
Interest rate swaps	601	601	189	189	0	0	791	791
Forward exchange contracts	0	0	975	975	5	5	980	980
Total financial derivatives classified as assets	601	601	1 165	1 165	5	5	1 771	1 771
Other financial assets	1	1	3 500	3 500	1	1	3 502	3 502
Total financial assets valued at fair value	11 306	11 306	237 937	237 937	1 231	1 231	250 475	250 475
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	890	890	0	0	890	890
Forward exchange contracts	0	0	1 332	1 332	5	5	1 337	1 337
Total financial derivatives classified as liabilities	0	0	2 222	2 222	5	5	2 227	2 227
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	6 399	7 086	0	0	0	0	6 399	7 086
Hybrid Tier 1 securities	1 603	1 446	0	0	0	0	1 603	1 446
Total subordinated loan capital etc.	8 002	8 532	0	0	0	0	8 002	8 532
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	0	0	0	0	0	0
Foreign call money ¹	607	607	745	745	2	2	1 353	1 353
Total liabilities to credit institutions	607	607	745	745	2	2	1 353	1 353

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

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

30.06.2016 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	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 loan	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								
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
Total shares and units	407	407	84 306	84 306	461	461	85 174	85 174

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

30.06.2016 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	4 466	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	1 252	0	0	0	0	1 919	1 252
Total subordinated loan capital etc.	8 199	7 523	0	0	0	0	8 199	7 523
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.

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

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

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

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

NOTE 7 Fair value hierarchy

30.06.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 268	6 767	0	9 035
Certificates	0	454	0	454
Bonds	47	6 314	0	6 361
Fixed-income funds	2 220	0	0	2 220
Loans and receivables	343	799	0	1 142
Shares and units	0	477	49	527
Shares	0	477	49	527
Financial derivatives	0	601	0	601
Other financial assets	0	1	0	1
Total corporate portfolio	2 610	8 647	49	11 306
COMMON PORTFOLIO				
Bonds and other fixed-income securities	83 134	39 302	0	122 436
Certificates	6 400	1 308	0	7 708
Bonds	15 767	37 994	0	53 761
Fixed-income funds	60 967	0	0	60 967
Loans and receivables	9 252	1 033	0	10 286
Shares and units	83 739	5 249	11 563	100 551
Shares	25 575	1 817	1 480	28 871
Equity funds	58 164	0	76	58 240
Property funds	0	218	2 050	2 268
Special funds	0	3 215	0	3 215
Private Equity	0	0	7 957	7 957
Financial derivatives	0	1 165	0	1 165
Other financial assets	0	3 500	0	3 500
Total common portfolio	176 125	50 249	11 563	237 937

NOTE 7 Fair value hierarchy – cont.

30.06.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	595	0	0	595
Fixed-income funds	595	0	0	595
Loans and receivables	51	0	0	51
Shares and units	563	16	0	579
Equity funds	563	0	0	563
Special funds	0	16	0	16
Financial derivatives	0	5	0	5
Other financial assets	0	1	0	1
Total investment option portfolio	1 210	21	0	1 231
Total financial assets valued at fair value	179 945	58 918	11 612	250 475
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	0	0	0
Debt to credit institutions	607	0	0	607
Total corporate portfolio	607	0	0	607
COMMON PORTFOLIO				
Financial derivatives	0	2 222	0	2 222
Debt to credit institutions	745	0	0	745
Total common portfolio	745	2 222	0	2 966
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	5	0	5
Debt to credit institutions	2	0	0	2
Total investment option portfolio	2	5	0	7
Total financial liabilities at fair value	1 353	2 227	0	3 580

NOTE 7 Fair value hierarchy – cont.

30.06.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 280	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.

30.06.2016 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.

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

NOTE 7 Fair value hierarchy – cont.

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

NOTE 7 Fair value hierarchy – cont.

CHANGES IN LEVEL 3 SHARES, UNLISTED, CORPORATE PORTFOLIO	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
Opening balance 01.01.	47	45	45
Sold	0	0	0
Bought	3	0	0
Unrealised changes	0	0	2
Closing balance 30.06. / 31.12.	49	45	47
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED, COMMON PORTFOLIO	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
Opening balance 01.01.	1 375	1 369	1 369
Sold	-8	-4	-51
Bought	13	2	65
Unrealised changes	100	92	-7
Closing balance 30.06. / 31.12.	1 480	1 458	1 375
Realised gains/losses	0	0	12

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED, COMMON PORTFOLIO	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
Opening balance 01.01.	84	76	76
Sold	-6	0	0
Bought	0	0	0
Unrealised changes	-2	3	9
Closing balance 30.06. / 31.12.	76	79	84
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 PRIVATE EQUITY AND PROPERTY FUNDS, COMMON PORTFOLIO	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
Opening balance 01.01.	8 661	7 164	7 164
Sold	-721	-470	-1 108
Bought	1 164	1 004	2 739
Unrealised changes	902	-304	-133
Closing balance 30.06. / 31.12.	10 007	7 393	8 661
Realised gains/losses	150	99	326

NOTE 7 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY, CORPORATE PORTFOLIO	Book value 30.06.2017	Book value 30.06.2016	Book value 31.12.2016
Opening balance 01.01.	1 003	893	893
Sold	0	0	0
Bought	0	0	0
Unrealised changes	20	0	161
Other	-22	108	-52
Closing balance 30.06. / 31.12.	1 001	1 001	1 003
Realised gains/losses	-22	-32	52
Total Level 3	12 613	9 976	11 171

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

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

Information regarding pricing of these interest bearing instruments are available in note 9 for the Group.

NOTE 7 Fair value hierarchy – cont.

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 631 million as of 30.06.2017.

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

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

30.06.2017 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 771	0	1 771	-1 045	-742	0	58
Total	1 771	0	1 771	-1 045	-742	0	58
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 165	0	1 165	-1 043	-134	0	45
Total assets – corporate portfolio	601	0	601	0	-607	0	11
Total assets – investment option portfolio	5	0	5	-2	-1	0	2
Total	1 771	0	1 771	-1 045	-742	0	58
LIABILITIES							
Financial derivatives	2 227	0	2 227	-1 036	-705	0	497
Total	2 227	0	2 227	-1 036	-705	0	497
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	2 222	0	2 222	-1 034	-704	0	496
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	5	0	5	-2	-1	0	2
Total	2 227	0	2 227	-1 036	-705	0	497

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

30.06.2016 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	2 359	0	2 359	-843	-1 433	0	135
Total	2 359	0	2 359	-843	-1 433	0	135
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 903	0	1 903	-842	-513	0	97
Total assets – corporate portfolio	905	0	905	0	-920	0	36
Total assets – investment option portfolio	3	0	3	-1	-1	0	2
Total	2 812	0	2 812	-843	-1 433	0	135
LIABILITIES							
Financial derivatives	2 980	0	2 980	-843	-2 211	0	20
Total	2 980	0	2 980	-843	-2 211	0	20
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	3 424	0	3 424	-842	-2 199	0	20
Total liabilities – corporate portfolio	1	0	1	0	-1	0	0
Total liabilities – investment option portfolio	8	0	8	-1	-11	0	0
Total	3 433	0	3 433	-843	-2 211	0	20

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

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

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

NOTE 9 Liabilities

NOK MILLIONS	30.06.2017	30.06.2016	31.12.2016
Short-term liabilities securities	4 720	11 398	2 095
Advance tax-deduction pension scheme	599	566	380
Accounts payable	16	8	2
Derivatives	2 227	3 433	4 074
Debt to credit institutions	1 353	1 434	885
Liabilities related to direct insurance	126	131	537
Other short-term liabilities	15	15	28
Total liabilities	9 056	16 984	8 001

NOTE 10 SCR ratio

NOK BILLIONS	30.06.2017	31.12.2016		30.06.2017	31.12.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	516	497	Best estimate	468	450
Added values - hold-to-maturity portfolio/loans and receivables	10	9	Risk margin	13	13
Added values - other lending	1	1	Hybrid Tier 1 securities/ Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	10	9
Deferred tax asset	0	1	Deferred tax liabilities	0	0
Total assets - solvency II	527	507	Total liabilities - solvency II	500	480
			Excess of assets over liabilities	28	27
			- Deferred tax asset	0	-1
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	25	24
			Total eligible tier 1 own funds	25	24
			Subordinated loans	7	7
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	11
			Ancillary own funds	10	10
			Tier 2 ancillary own funds	10	10
			Deduction for max. eligible tier 2 own funds	-13	-13
			Total eligible tier 2 own funds	8	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	33	31
			Market risk	6	6
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	15	15
			Diversification life risk	-4	-4
			Diversification general	-2	-3
			Operational risk	2	2
			Loss absorbing ability deferred tax	0	0
			Solvency capital requirement (SCR)	15	15
			Linear minimum capital requirement (MCR_linear)	6	5
			Minimum	4	4
			Maximum	7	7
			Minimum capital requirement (MCR)	6	5
			Solvency II- SCR ratio	216 %	209 %

Solvency II is being introduced from 1 January 2016 and the calculation of the solvency margin is being changed completely whilst the previous requirement for capital adequacy and core capital adequacy no longer applies. The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR. Subordinated loans with first interest rate changes in 2017 may therefore be redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 216 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 314 per cent.

**HEAD OFFICE**

Dronning Eufemias gate 10, Oslo, Norway
Switchboard: +47 55 54 85 00
Fax: +47 22 03 36 00

REGIONAL OFFICE

Zander Kaaes gate 7, Bergen
Switchboard: +47 55 54 85 00
Fax: +47 55 54 85 90

SEND MAIL TO

Kommunal Landspensjonskasse,
P.O. Box 400 Sentrum, 0103 Oslo, Norway
Online: klp.no/kontakt

Web: english.klp.no
Organization no.: 938 708 606