



# Interim report

KLP GROUP  
Q2 2018



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# Report for the second quarter 2018

## FIRST HALF OF 2018 CHARACTERISED BY MODERATE RETURNS

- The company delivers a good reported result and has good financial strength
- Investments in real estate and shares contributed most to profits in the second quarter

## KLP – A CUSTOMER-OWNED GROUP

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

At the end of the first quarter, the Group had total assets of NOK 668.6 billion, an increase of NOK 16.4 billion so far this year.

The Group's total comprehensive income was NOK 834 (830) 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 552.6 billion, NOK 506.5 billion is linked to insurance obligations for public-sector occupational pensions.

## RESULTS FOR THE SECOND QUARTER OF 2018

### Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 5.046 (1.567) million in the year to date. The value-adjusted return on the common portfolio was 1.3 per cent and the book return was 2.3 per cent so far this year.

### Risk result

The risk result was good in the second quarter. The risk events in the stock are within expectations for the year, with profits totalling NOK 200 (172) million in the second quarter and NOK 393 (272) million this year. It is planned to allocate

half of the risk result to the risk equalisation fund, the rest being returned to the customers' premium fund.

### Administration result

The company's administration result shows a surplus of NOK 22 (51) million in the year to date. Insurance-related operating costs came to NOK 289 (258) million in the second quarter and NOK 545 (507) million in the year to date.

### Total income

Total profit for the Company was NOK 922 (890) million in the year to date. The customer result was NOK 5.151 (1.643) million.

NOK MILLIONS	Customers	Company	Total
Returns result	4.955	91	5.046
Risk result	196	196	393
Interest guarantee premium		374	374
Administration result		22	22
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		604	604
Tax		-365	-365
Income after Q2/2018	5.151	922	6.073
Income after Q2/2017	1.643	890	2.533

### Financial strength and capital-related matters

KLP's total assets show growth of NOK 17.8 billion in the year to date and amount to NOK 552.6 billion. The premium reserve increased by NOK 16.3 billion in the same period.

The securities adjustment fund grew by NOK 3.8 billion in the second quarter, but so far this year it has decreased by NOK 3.8 billion to NOK 38.4 billion.

Without applying transitional rules, the company's solvency capital coverage is 253 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 321 per cent. KLP's target is capital adequacy of at least 150 per cent without applying transitional rules. Capital adequacy

<sup>1</sup> Figures in brackets give values for the corresponding period in 2017

is well over this target and reflects the Company's good financial strength.

### Key figures

PER CENT	2018 year to date	2017 year to date	2017
Book returns *	2.3	1.5	3.9
Value-adjusted returns *	1.3	3.0	6.7
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	0.7	3.0	6.7
Capital adequacy, Solvency II	253	216	242
Capital adequacy, Solvency II, with transitional measures	321	314	352

\* The returns figures apply to the common portfolio

### Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 22.0 (14.9) billion at the end of the second quarter.

### Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 5.1 per cent last year and amounted to NOK 9.0 (8.5) billion so far this year.

### MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 503.0 (476.2) billion and were invested as shown below:

ASSETS	Q2/2018		Q2/2017	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	22.7%	1.1%	21.2%	6.8%
Short-term bonds	18.5%	-1.2%	19.9%	1.9%
Long-term/HTM bonds	27.6%	1.8%	27.2%	2.0%
Lending	11.5%	1.1%	11.5%	1.1%
Property	13.0%	4.3%	12.5%	3.6
Other financial assets	6.7%	0.7%	7.7%	0.9%

### Shares

Total exposure in shares and alternative investments, including equity derivatives, was 22.7 per cent at the end of the second quarter. The return on shares was 4.3 per cent for the second quarter, and 1.1 per cent for the first half-year. After

the first six months of the year, global shares had a return of 0.3 per cent, while the return for Norwegian shares was 7.6 per cent.

### Short-term bonds and the money market

Short-term bonds accounted for 18.5 per cent and money-market instruments 6.7 per cent of the assets in the common portfolio as at 30 June. Norwegian ten-year government rates fell slightly in the second quarter, while US ten-year government rates rose slightly in the same period. European ten-year government rates fell in the period. KLP's global government bond index achieved a currency-hedged return of 0.5 per cent in the second quarter, while the Norwegian government bond index had a return of 1.2 per cent. Global credit margins increased slightly during the quarter, and KLP's global credit bond index had a currency-hedged return of -0.7 per cent for the quarter.

For short-term bonds, KLP achieved a negative return of -0.1 per cent in the second quarter, while money market returns were 0.2 per cent.

### Bonds held to maturity

Investment in bonds held to maturity made up around 27.6 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 6.3 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 1.8 per cent.

### Property

Property investments, including Norwegian and international property funds, made up 13 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 62 million in the first half-year. There has been a revaluation of property in both Sweden and Denmark, but since the Norwegian krone has strengthened, the increase in Denmark and Sweden has been more or less neutralised by the surge in the Norwegian currency so far this year. On the other hand, if the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 1,322 million. Property investments in the common portfolio achieved a return of 4.3 per cent in the first half-year.

### Lending

Lending in the common portfolio totals NOK 57.7 billion. This is split between NOK 54.6 billion in loans to municipalities and their enterprises and NOK 3.1 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 745 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 covers the placement of owners' equity and subordinated loans/hybrid Tier 1 and Tier 2 securities.

The corporate portfolio is managed with a low-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 2.3 per cent at 30 June.

### Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The ongoing municipal and regional reform is expected to have only a moderate effect on KLP's customer base. Of the relevant municipal mergers taking place on 01.01.2020, 14 municipal/county authorities are affected by the fact that one of the parties has its own pension fund. Nye Asker municipality has decided on its own pension fund from 01.01.2020. None of the other new municipalities have decided how they intend to organise their pension schemes.

On 3 March 2018, an agreement was reached between the Ministry of Labour and Social Affairs, LO, Unio, YS, Akademikerne, KS and Spekter on occupational pensions for public sector employees. By 14 June, all of the employee organisations had accepted the agreement. The Ministry will now prepare a consultation note with proposals for the necessary legislative changes, which will be sent out in the autumn of 2018. It is agreed that old age pensions should be defined as a mark-up scheme in which:

- all years in work until you are 75 count towards your pension entitlement. Unlike today where the full accrual period is 30 years,
- the pension will be calculated independently of the National Insurance Fund. In contrast to today where public service pensions are aligned with the National Insurance Fund,
- you can draw your pensions at any time between 62 and 75 years of age and you can combine a pension with employment income without reducing the pension. As of now, you can only draw a public-sector occupational pension from age 67, and any income will affect your pension payments.

Changes in the pension scheme for public-sector employees will be introduced from 01.01.2020.

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

### BUSINESS AREAS OF THE SUBSIDIARIES

#### Private occupational pensions

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

The company had total assets of NOK 5.3 billion as at 30 June. This is an increase of NOK 475 million since the start of the year. The increase is mainly linked to an increase in pension capital certificates and growth in the company's defined contribution pension portfolio, which now totals NOK 3.1 billion. 137 new business customers have entered into pension agreements so far in 2018, and we have received more than 2.150 pension capital certificates from other life insurance companies in

KLP Bedriftspensjon AS achieved a book return on the common portfolio of 2.6 per cent and a value-adjusted return of 1.4 per cent. Customers with defined-contribution pensions achieved an average 1.1 per cent return for the same period.

KLP Bedriftspensjon AS achieved a returns result of NOK 19.9 million in the first half-year. At 30 June, the securities adjustment fund totalled NOK 12.9 million, down from NOK 31.0 million at 31.12.2017, mainly due to a fall in the equity markets. The company achieved a total result of NOK -16.7 million after the first six months, which highlights the company's need for continued growth.

### Return on customer assets

COMMON PORTFOLIO	1st half-year 2018	1st half-year 2017	Year
Book returns	2.6%	1.8%	8.3%
Value-adjusted returns	1.4%	2.4%	5.6%
Defined-contribution pensions with investment options	1.1%	4.4%	11.9%
Profile KLP90	2.7	5.8%	17.1%
Profile KLP70	2.2%	4.9%	14.0%
Profile KLP50	1.1%	4.3%	11.0%
Profile KLP30	0.5%	3.2%	7.8%
KLP Optimal Livsfase <sup>1</sup>	0.9%	7.5%	17.5%
KLP Nåtid	-0.1%	N/A	N/A
KLP Kort Horisont	0.1%	N/A	N/A
KLP Lang Horisont	0.4%	N/A	N/A
KLP Framtid	0.8%	N/A	N/A
Profile KLPPM	0.6%	0.9%	1.5%

<sup>1</sup> Return for profile with 100% equities

### Non-life insurance

The first half of 2018 produced a pre-tax operating profit of NOK 36.5 (114.9) million. The results are characterised by a weak insurance result, but with a positive result from adjustments to previous years' reserves and a satisfactory financial performance. For the second quarter in isolation, the profit was NOK 49.0 (65.3) million.

The company had fall in premiums at the beginning of the year. Accrued premiums are thus only marginally higher than in the first half of 2017, equivalent to NOK 3 million. The company is still experiencing declining price levels for new sales and renewals of existing contracts. There is continued good growth of 16 per cent in the retail market and a high proportion of members among the retail customers.

We are experiencing a further tightening of competition, with prices showing a downward trend. More companies are entering the market and the new players are advertising high growth targets.

Two major claims have been reported so far this year, estimated at NOK 23.8 and 21.4 million respectively. The claims were for fires in municipal buildings.

Reversal of previous years' claims is still positive, and this year NOK 69.2 million has so far been taken to income, equivalent to 3.7 per cent of the reserves at the beginning of the year.

#### Key figures for the company

END OF SECOND QUARTER	2018	2017	Whole of 2017
Claim ratio*	78.1	77.0	84.2
Cost ratio*	25.1	21.9	21.8
<b>Total cost ratio*</b>	<b>103.2</b>	<b>98.9</b>	<b>106.0</b>

\* For own account

Net financial income in the first half of 2018 was NOK 55.1 (106.7) million, equivalent to 1.3 (2.5) per cent. For the second quarter in isolation, the return was 1.5 per cent, equivalent to NOK 63.2 (48.8) million.

Both interest-bearing and equity investments have had weak returns so far this year. Nevertheless, the second quarter showed an improvement, in which the return on the share portfolio was especially good at 6.1 per cent.

The share portfolio had a return of 1.3 per cent at the end of the first six months, while the company's investments in interest-bearing funds had a slight negative return of minus 0.4 per cent. The company's long-term bonds had a yield of 1.8 per cent. The return on property investments was 4.4 per cent, including the effect of revaluation of real estate assets.

The Company's financial position is still good with a solvency capital margin (SCR) of 240 per cent, up from 237 per cent at the end of the first quarter.

#### Asset and fund management

KLP Kapitalforvaltning AS provides securities management in the KLP Group. It had a total of NOK 484 billion under

management at the end of the first half-year, of which NOK 59 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 0.6 billion, of which NOK 1.3 billion came from external customers.

KLP Kapitalforvaltning achieved a pre-tax income of NOK 1.2 million in the second quarter and NOK -0.9 million kroner for the year to date.

In June, we started managing a new mutual fund, KLP Aksje-Global Mer Samfunnsansvar. This is Norway's first Nordic Swan certified fund.

#### Bank

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

As of 30 June, the KLP Banken Group had loans to customers totalling NOK 32.0 (30.9) billion. Mortgage loans in the retail market and public-sector loans totalled NOK 15.7 billion and 16.3 billion respectively.

KLP Banken manages NOK 3.1 billion in mortgage loans and NOK 54.6 billion in loans to public-sector borrowers and other businesses.

Total mortgage loans in the retail market showed a growth of NOK 1.2 (1.0) billion so far this year. Managed mortgages for KLP have decreased by NOK 165 million in the first half-year.

Credit cards are included in the banking business from 2017. Outstanding loans to retail customers amounted to NOK 63.8 million at the end of the second quarter. 7,300 members are credit card customers of the bank.

At the end of the second quarter, loans to the public-sector market in the banking group are at the same level in terms of volume as they were at the start of the year. Loans to public-sector borrowers managed on behalf of the parent company KLP increased by NOK 1.3 billion in the same period. Managed loans to foreign debtors in other currencies decreased by NOK 0.5 billion in the same period.

Overdue payments and defaulted mortgage loans are still at a low level. Loans in default in excess of 90 days account for 0.15 per cent of total lending as at the end of the second quarter.

Impairment losses of NOK 1.7 million on mortgages and NOK 1.6 million on credit cards have been recognised in the Bank's accounts so far in 2018. There were no losses related to public-sector loans.

The KLP Banken Group's external financing consists of deposits and bonds. Deposit growth so far in 2018 totals NOK 0.5 billion and deposits now total NOK 10.2 billion. Of this amount, NOK 8.1 billion is deposits from retail customers, and the rest is deposits from municipalities and enterprises. Liabilities created on issuance of securities totalled NOK 23.1 billion at the end of the quarter.

The KLP Banken Group had a pre-tax operating profit of NOK 43.0 (47.9) million at the end of the second quarter. Broken down by area, profits were NOK 24.0 (14.3) million in the retail market and NOK 18.9 (33.6) million in the public-sector market. After tax, the consolidated profit NOK 32.7 (36.3) million.

#### CORPORATE SOCIAL RESPONSIBILITY

In June, KLP announced that Norway's first Nordic Swan certified fund, KLP AksjeGlobal Mer Samfunnsansvar. In June, the 'KLP list' was also updated. In line with KLP's and the KLP Funds' guidelines, KLP should not have investments in companies that receive 30 per cent or more of their income from oil sands extraction, or oil sands and coal-based activities combined. Canadian Natural Resources, MEG Energy Corp. and Athabasca Oil Corporation were excluded. Innophos Holdings was also excluded because of its purchases of phosphates from Western Sahara.

At the instigation of Finance Norway, KLP Banken and six other banks have joined forces to publish a separate information sheet about how we practise social responsibility in the company's lending activities.

KLP Eiendom has presented the plans for developing the old sorting office at Biskop Gunnerus gate 14 in Oslo S. The aim is for this property development to be an international pioneering project in terms of sustainability and the environment. The property will contain both hotels and offices, and will also be open to the public. Part of the project will also involve opening up to the Aker river.

KLP has organised an open conference for the Helse Sør-Øst health authority on the subject of prevention of sickness absence and health promotion efforts.

KLP has been selected as a partner to the City of Oslo as European Green Capital in 2019. In May next year, KLP will invite all municipalities to the local government climate conference in Oslo.

#### FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

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

The company has good and stable capital adequacy. Supplementary reserves and the securities adjustment fund are both buffers that can be used to cover fluctuations in returns. Solid buffers are an important part of the company's long-term strategy for stable asset management

Oslo, 15 August 2018

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

**Egil Johansen**  
Chair

**Jenny Følling**  
Deputy chair

**Marit Torgersen**

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**Odd Haldgeir Larsen**

**Lars Vorland**

**Susanne Torp-Hansen**  
Elected by and from among the employees

**Freddy Larsen**  
Elected by and from among the employees



# Income statement

## KLP GROUP

NOTE	NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
3	Premium income for own account	16 168	9 216	23 019	16 289	34 590
	Current return on financial assets	4 606	4 150	7 829	7 523	14 184
	Net interest income banking	42	58	107	110	244
	Net value changes on financial instruments	5 308	2 499	-1 969	9 238	22 050
8	Net income from investment properties	2 028	1 353	3 059	1 979	4 953
4	Other income	272	242	545	491	1 040
	<b>Total net income</b>	<b>28 423</b>	<b>17 518</b>	<b>32 589</b>	<b>35 630</b>	<b>77 061</b>
	Claims for own account	- 4 935	- 4 591	-10 057	-9 367	-18 665
	Change in technical provisions	- 13 256	- 6 481	-16 765	-10 665	-24 425
5	Net costs subordinated loan and hybrid Tier 1 securities	- 6	- 228	42	-420	-527
6	Operating expenses	- 498	- 419	-965	-819	-1 673
7	Other expenses	- 266	- 239	-524	-488	-992
	Unit holder's value change in consolidated securities funds	- 2 372	- 1 413	-123	-3 761	-8 648
	<b>Total expenses</b>	<b>- 21 333</b>	<b>-13 370</b>	<b>-28 392</b>	<b>-25 521</b>	<b>-54 931</b>
	<b>Operating profit/loss</b>	<b>7 090</b>	<b>4 148</b>	<b>4 197</b>	<b>10 109</b>	<b>22 130</b>
	To/from securities adjustment fund – life insurance	- 3 784	- 1 990	3 853	-7 091	-13 904
	To supplementary reserves – life insurance	21	12	21	12	-1 188
	Assets allocated to insurance customers - life insurance	- 2 691	- 1 004	-6 555	-1 085	-4 564
	<b>Pre-tax income</b>	<b>635</b>	<b>1 167</b>	<b>1 516</b>	<b>1 946</b>	<b>2 474</b>
	Cost of taxes <sup>1</sup>	- 451	- 751	-728	-1 163	-1 143
	<b>Income</b>	<b>184</b>	<b>416</b>	<b>788</b>	<b>783</b>	<b>1 332</b>
	Actuarial loss and profit on post employment benefit obligations					
	Adjustments of the insurance obligations	0	0	0	0	-30
	Tax on items that will not be reclassified to profit or loss	0	0	0	0	2
	Items that will not be reclassified to profit or loss	0	0	0	0	7
	<b>Items that will not be reclassified to profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-21</b>
	Revaluation real property for use in own operation	56	57	62	62	110
	Currency translation foreign subsidiaries	- 431	566	-1 231	730	937
	Adjustments of the insurance obligations	431	- 566	1 231	-730	-937
	Tax on items that will be reclassified to profit or loss	- 14	- 14	-16	-16	-27
	<b>Items that will be reclassified to income when particular specific conditions are met</b>	<b>42</b>	<b>43</b>	<b>47</b>	<b>47</b>	<b>82</b>
	<b>Total other comprehensive income</b>	<b>42</b>	<b>43</b>	<b>47</b>	<b>47</b>	<b>61</b>
	<b>Total comprehensive income</b>	<b>226</b>	<b>459</b>	<b>834</b>	<b>830</b>	<b>1 393</b>
	<sup>1</sup> Unit holders share of taxes in consolidated securities fund.	- 74	- 50	-111	-93	-181

# Financial position statement

## KLP GROUP

NOTE	NOK MILLIONS	30.06.2018	30.06.2017	31.12.2017
	Deferred tax assets	60	181	68
	Other intangible assets	293	330	313
	Tangible fixed assets	1 764	1 662	1 715
	Investments in associated companies and joint venture	856	607	773
8.11	Investment property	63 624	61 732	63 519
9.14	Debt instruments held to maturity	31 338	32 976	31 131
9.14	Debt instruments classified as loans and receivables	127 555	111 969	121 377
9.11.14	Lending local government, enterprises & retail customers at fair value through profit / loss	934	1 099	1 016
9.14	Lending local government, enterprises and retail customers	89 188	83 963	87 005
9.11.14	Debt instruments at fair value through profit or loss	167 405	171 963	172 427
9.11	Equity capital instruments at fair value through profit/loss	163 481	144 735	161 736
9.11.14	Financial derivatives	2 080	2 876	1 529
9	Receivables	12 951	8 925	4 056
9	Assets in defined contribution-based life insurance	3 075	2 183	2 684
14	Cash and bank deposits	3 972	2 606	2 820
	<b>TOTAL ASSETS</b>	<b>668 577</b>	<b>627 805</b>	<b>652 167</b>
	Owners' equity contributed	13 112	11 771	13 125
	Retained earnings	17 273	15 876	16 439
	<b>TOTAL OWNERS' EQUITY</b>	<b>30 386</b>	<b>27 646</b>	<b>29 564</b>
9.10	Hybrid Tier 1 securities	1 529	1 603	1 534
9.10	Subordinated loan capital	5 668	6 399	5 977
	Pension obligations	840	712	797
15	Technical provisions - life insurance	508 168	471 565	490 803
9.15	Provisions in life insurance with investment option	3 075	2 183	2 684
	Premiums, claims and contingency fund provisions - non-life insurance	2 604	2 581	2 364
9.10	Covered bonds issued	22 064	22 196	21 451
9.10	Debt to credit institutions	3 537	5 894	4 587
9.10	Liabilities to and deposits from customers	10 218	9 138	9 669
9.11	Financial derivatives	2 417	3 028	4 760
	Deferred tax	2 295	2 121	1 733
16	Other current liabilities	6 252	8 155	5 919
	Unit holders 's interest in consolidated securites funds	69 523	64 583	70 325
	<b>TOTAL LIABILITIES</b>	<b>638 191</b>	<b>600 158</b>	<b>622 603</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>668 577</b>	<b>627 805</b>	<b>652 167</b>
	Contingent liabilities	16 342	15 976	15 483

# Changes in Owners' equity

## KLP GROUP

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 1 January 2018</b>	<b>13 125</b>	<b>16 439</b>	<b>29 564</b>
<b>Income</b>		<b>788</b>	<b>788</b>
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
<b>Total comprehensive income</b>		<b>834</b>	<b>834</b>
Owners' equity contribution received (net)	-13		-13
<b>Total transactions with the owners</b>	<b>-13</b>		<b>-13</b>
<b>Owners' equity 30 June 2018 <sup>1</sup></b>	<b>13 112</b>	<b>17 273</b>	<b>30 386</b>

<sup>1</sup> As a result of new mortality assumptions with effect from 01.01.2018 for two of the Group's life assurance schemes, the Group increased its provisions for these schemes in 2017. The Financial Supervisory Authority of Norway has come to a decision whereby 20% of the requirement has to be covered by the undertaking. At the end of 2018, NOK 210 million of the Group's equity will therefore be allocated to customers of the life insurance business.

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 31 December 2016</b>	<b>11 726</b>	<b>16 097</b>	<b>27 823</b>
Deferred tax on the risk equalization fund, the natural perils pool fund and the guarantee scheme <sup>2</sup>		- 1 028	- 1 028
Principle change <sup>3</sup>		- 24	- 24
<b>Owners' equity 1 January 2017</b>	<b>11 726</b>	<b>15 046</b>	<b>26 772</b>
<b>Income</b>		<b>783</b>	<b>783</b>
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
<b>Total comprehensive income</b>		<b>830</b>	<b>830</b>
Owners' equity contribution received (net)	45		45
<b>Total transactions with the owners</b>	<b>45</b>		<b>45</b>
<b>Owners' equity 30 June 2017</b>	<b>11 771</b>	<b>15 876</b>	<b>27 646</b>

<sup>1</sup> As a result of new mortality assumptions with effect from 01.01.2018 for two of the Group's life assurance schemes, the Group increased its provisions for these schemes in 2017. The Financial Supervisory Authority of Norway has come to a decision whereby 20% of the requirement has to be covered by the undertaking. At the end of 2018, NOK 210 million of the Group's equity will therefore be allocated to customers of the life insurance business.

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

<sup>3</sup> For further information, see note 2.1.1.c) in the 2017 Annual Report

# Changes in Owners' equity

## KLP GROUP

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 31 December 2016</b>	<b>11 726</b>	<b>16 097</b>	<b>27 823</b>
Deferred tax on the risk equalization fund, the natural perils pool fund and the guarantee scheme <sup>2</sup>		- 1 028	- 1 028
Principle change <sup>3</sup>		- 24	- 24
<b>Owners' equity 1 January 2017</b>	<b>11 726</b>	<b>15 046</b>	<b>26 772</b>
<b>Income</b>		<b>1 332</b>	<b>1 332</b>
Items that will not be reclassified to income		- 21	- 21
Items that will be reclassified to income later when particular conditions are met		82	82
Total other comprehensive income		61	61
<b>Total comprehensive income</b>		<b>1 393</b>	<b>1 393</b>
Owners' equity contribution received (net)	1 399		1 399
<b>Total transactions with the owners</b>	<b>1 399</b>		<b>1 399</b>
<b>Owners' equity 31 December 2017</b>	<b>13 125</b>	<b>16 439</b>	<b>29 564</b>

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

<sup>3</sup> For further information, see note 2.1.1.c) in the 2017 Annual Report



# Statement of cash flows

## KLP GROUP

NOK MILLIONS	01.01.2018 -30.06.2018	01.01.2018 -31.03.2018	01.01.2017 -31.12.2017	01.01.2017 -30.09.2017	01.01.2017 -30.06.2017
Net cash flow from operational activities	-9 378	-8 888	-27 849	-26 243	-15 960
Net cash flow from investment activities <sup>1</sup>	-23	-14	-79	-53	-36
Net cash flow from financing activities <sup>2</sup>	10 552	9 425	27 781	25 958	15 635
<b>Net changes in cash and bank deposits</b>	<b>1 152</b>	<b>523</b>	<b>-148</b>	<b>-338</b>	<b>-362</b>
Holdings of cash and bank deposits at start of period	2 820	2 820	2 968	2 968	2 968
<b>Holdings of cash and bank deposits at end of period</b>	<b>3 972</b>	<b>3 343</b>	<b>2 820</b>	<b>2 630</b>	<b>2 606</b>

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

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

# Notes

## KLP GROUP

### NOTE 1 Accounting principles –and estimates

#### ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 1 January 2018 – 30 June 2018. The accounts have not been audited.

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

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

The interim financial statements do not contain all the information required of complete financial statements, and this interim financial report should be read in the context of the annual financial statements for 2017. The annual financial statements are available at KLP's website [klp.no](http://klp.no).

#### ACCOUNTING ESTIMATES

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

## NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	Q2 2018	Q2 2017	01.01.2017 -31.12.2017	Q2 2018	Q2 2017	01.01.2017 -31.12.2017
Premium income for own account from external customers <sup>1</sup>	21 923	15 110	32 328	474	570	997
Group companies	66	48	89	0	0	0
Net financial income from investments	7 025	14 502	32 157	62	121	343
Other income from external customers	532	490	1 016	1	1	2
Other income from other Group companies	48	131	235	0	0	0
<b>Total income</b>	<b>29 594</b>	<b>30 281</b>	<b>65 825</b>	<b>537</b>	<b>693</b>	<b>1 343</b>
Claims for own account	-9 473	-8 751	-17 386	-97	-136	-199
Insurance provisions for own account	-16 347	-10 140	-23 358	-420	-525	-1 064
Costs borrowing	42	-420	-527	0	0	0
Operating costs excluding depreciation	-520	-486	-951	-34	-30	-59
Depreciation	-38	-33	-74	-1	-1	-3
Other expenses	-522	-490	-992	0	0	0
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-26 858</b>	<b>-20 320</b>	<b>-43 289</b>	<b>-553</b>	<b>-693</b>	<b>-1 325</b>
<b>Operating profit/loss</b>	<b>2 736</b>	<b>9 961</b>	<b>22 536</b>	<b>-16</b>	<b>0</b>	<b>18</b>
Funds credited to insurance customers <sup>2</sup>	-1 449	-8 876	-20 551	-1	-17	-42
<b>Pre-tax income</b>	<b>1 287</b>	<b>1 084</b>	<b>1 985</b>	<b>-17</b>	<b>-17</b>	<b>-24</b>
Cost of taxes	-365	-194	-492	0	0	0
<b>Income</b>	<b>922</b>	<b>890</b>	<b>1 493</b>	<b>-17</b>	<b>-17</b>	<b>-24</b>
Change in other comprehensive income (excluded cost of taxes)	0	0	-28	0	0	-1
<b>Total comprehensive income</b>	<b>922</b>	<b>890</b>	<b>1 465</b>	<b>-17</b>	<b>-17</b>	<b>-25</b>
Assets	552 584	516 304	534 784	5 344	4 373	4 869
Liabilities	521 048	487 606	504 158	4 838	3 842	4 346

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

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

**NOTE 2** Segment information – cont.

NOK MILLIONS	Non-life insurance			Banking		
	Q2 2018	Q2 2017	01.01.2017 -31.12.2017	Q2 2018	Q2 2017	01.01.2017 -31.12.2017
Premium income for own account from external customers <sup>1</sup>	606	609	1 266	0	0	0
Group companies	15	15	21	0	0	0
Net financial income from investments	58	109	243	119	112	237
Other income from external customers	0	0	1	8	5	12
Other income from other Group companies	0	0	0	29	29	57
<b>Total income</b>	<b>679</b>	<b>733</b>	<b>1 531</b>	<b>157</b>	<b>146</b>	<b>306</b>
Claims for own account	-487	-480	-1 080	0	0	0
Insurance provisions for own account	2	-1	-4	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-157	-137	-281	-109	-97	-197
Depreciation	-1	-1	-2	-2	-2	-4
Other expenses	0	0	0	-3	0	-3
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-643</b>	<b>-619</b>	<b>-1 366</b>	<b>-114</b>	<b>-99</b>	<b>-203</b>
<b>Operating profit/loss</b>	<b>36</b>	<b>115</b>	<b>164</b>	<b>43</b>	<b>47</b>	<b>103</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0	0	0
<b>Pre-tax income</b>	<b>36</b>	<b>115</b>	<b>164</b>	<b>43</b>	<b>47</b>	<b>103</b>
Cost of taxes	-1	-23	-19	-10	-11	-25
<b>Income</b>	<b>35</b>	<b>92</b>	<b>145</b>	<b>33</b>	<b>36</b>	<b>78</b>
Change in other comprehensive income (excluded cost of taxes)	0	0	-3	0	0	-1
<b>Total comprehensive income</b>	<b>35</b>	<b>92</b>	<b>141</b>	<b>33</b>	<b>36</b>	<b>77</b>
Assets	4 822	4 773	4 594	35 821	35 144	34 986
Liabilities	3 015	2 967	2 822	33 709	33 253	32 904

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

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



**NOTE 2** Segment information – cont.

NOK MILLIONS	Asset management			Other		
	Q2 2018	Q2 2017	01.01.2017 -31.12.2017	Q2 2018	Q2 2017	01.01.2017 -31.12.2017
Premium income for own account from external customers <sup>1</sup>	0	0	0	0	0	0
Group companies	0	0	0	0	0	0
Net financial income from investments	3	3	3	0	0	0
Other income from external customers	0	0	0	5	4	9
Other income from other Group companies	236	180	456	0	0	0
<b>Total income</b>	<b>239</b>	<b>183</b>	<b>459</b>	<b>5</b>	<b>4</b>	<b>9</b>
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	-238	-153	-402	-6	-4	-9
Depreciation	-2	-3	-10	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-240</b>	<b>-156</b>	<b>-413</b>	<b>-6</b>	<b>-4</b>	<b>-9</b>
<b>Operating profit/loss</b>	<b>-1</b>	<b>27</b>	<b>47</b>	<b>-1</b>	<b>0</b>	<b>-1</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0	0	0
<b>Pre-tax income</b>	<b>-1</b>	<b>27</b>	<b>47</b>	<b>-1</b>	<b>0</b>	<b>-1</b>
Cost of taxes	0	-7	-10	0	0	0
<b>Income</b>	<b>-1</b>	<b>20</b>	<b>37</b>	<b>-1</b>	<b>0</b>	<b>-1</b>
Change in other comprehensive income (excluded cost of taxes)	0	0	-4	0	0	0
<b>Total comprehensive income</b>	<b>-1</b>	<b>20</b>	<b>33</b>	<b>-1</b>	<b>0</b>	<b>-1</b>
Assets	447	436	468	10	11	12
Liabilities	194	195	214	3	3	5

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

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

**NOTE 2** Segment information – cont.

NOK MILLIONS	Eliminations			Total		
	Q2 2018	Q2 2017	01.01.2017 -31.12.2017	Q2 2018	Q2 2017	01.01.2017 -31.12.2017
Premium income for own account from external customers <sup>1</sup>	15	0	0	23 019	16 289	34 590
Group companies	-81	-63	-110	0	0	0
Net financial income from investments	1 758	4 003	8 446	9 026	18 850	41 430
Other income from external customers	-2	-10	0	545	491	1 040
Other income from other Group companies	-313	-339	-748	0	0	0
<b>Total income</b>	<b>1 378</b>	<b>3 590</b>	<b>7 589</b>	<b>32 589</b>	<b>35 630</b>	<b>77 061</b>
Claims for own account	0	0	0	-10 057	-9 367	-18 665
Insurance provisions for own account	0	0	0	-16 765	-10 665	-24 425
Costs borrowing	0	0	0	42	-420	-527
Operating costs excluding depreciation	170	155	346	-895	-752	-1 554
Depreciation	-26	-26	-26	-70	-67	-119
Other expenses	1	2	3	-524	-488	-992
Return to financial instruments attributable to minority interests	-123	-3 761	-8 648	-123	-3 761	-8 648
<b>Total expenses</b>	<b>22</b>	<b>-3 631</b>	<b>-8 326</b>	<b>-28 392</b>	<b>-25 521</b>	<b>-54 931</b>
<b>Operating profit/loss</b>	<b>1 400</b>	<b>-40</b>	<b>-737</b>	<b>4 197</b>	<b>10 109</b>	<b>22 130</b>
Funds credited to insurance customers <sup>2</sup>	-1 231	730	937	-2 681	-8 163	-19 656
<b>Pre-tax income</b>	<b>168</b>	<b>690</b>	<b>200</b>	<b>1 516</b>	<b>1 946</b>	<b>2 474</b>
Cost of taxes	-367	-943	-617	-743	-1 178	-1 163
<b>Income</b>	<b>-199</b>	<b>-253</b>	<b>-417</b>	<b>773</b>	<b>767</b>	<b>1 311</b>
Change in other comprehensive income (excluded cost of taxes)	62	62	119	62	62	81
<b>Total comprehensive income</b>	<b>-137</b>	<b>-191</b>	<b>-298</b>	<b>834</b>	<b>830</b>	<b>1 393</b>
Assets	69 548	66 764	72 453	668 577	627 805	652 167
Liabilities	75 385	72 293	78 155	638 191	600 158	622 603

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

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

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

**PUBLIC SECTOR OCCUPATIONAL PENSION AND GROUP LIFE**  
Kommunal Landspensjonskasse offers group public sector occupational pensions.

**ENTERPRISE (DEFINED BENEFIT) AND DEFINED CONTRIBUTION PENSION**  
KLP Bedriftspensjon AS offers products to enterprises within both the public and private sectors.

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

**BANKING**

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

**ASSET MANAGEMENT**

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

**OTHER**

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

**NOTE 3** Premium income for own account

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
Contribution service pension	16 088	9 055	22 774	15 710	35 421
Reinsurance premiums ceded	-19	-13	22	18	10
Transfer of premium reserves from others	99	174	223	560	-841
<b>Total premium income</b>	<b>16 168</b>	<b>9 216</b>	<b>23 019</b>	<b>16 289</b>	<b>34 590</b>

**NOTE 4** Other income

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
Supplement contractual early retirement scheme (ERS)	254	238	510	483	981
Other income	18	4	35	8	60
<b>Total other income</b>	<b>272</b>	<b>242</b>	<b>545</b>	<b>491</b>	<b>1 040</b>

**NOTE 5** Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
<b>SUBORDINATED LOANS</b>					
Interest costs <sup>1</sup>	-58	-76	-118	-144	-283
Value changes	84	-197	184	-292	-298
<b>Net costs subordinated loans</b>	<b>25</b>	<b>-273</b>	<b>66</b>	<b>-436</b>	<b>-581</b>
<b>PERPETUAL HYBRID TIER 1 SECURITIES</b>					
Interest costs	-15	-15	-29	-31	-61
Value changes	-16	60	6	47	116
<b>Net costs perpetual hybrid tier 1 securities</b>	<b>-31</b>	<b>45</b>	<b>-24</b>	<b>16</b>	<b>54</b>
<b>Net costs subordinated loan and hybrid Tier 1 securities</b>	<b>-6</b>	<b>-228</b>	<b>42</b>	<b>-420</b>	<b>-527</b>

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

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

The large fluctuations in value change are predominantly due to

the loans being denominated in foreign currency.

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

**NOTE 6** Operating expenses

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
Personnel costs	254	227	520	461	937
Depreciation and writedowns	23	28	54	56	131
Other operating expenses	221	164	390	302	604
<b>Other operating expenses</b>	<b>498</b>	<b>419</b>	<b>965</b>	<b>819</b>	<b>1 673</b>

**NOTE 7** Other expenses

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
Supplement contractual early retirement scheme (ERS)	254	238	510	483	977
Other expenses	11	1	14	5	15
<b>Total other expenses</b>	<b>266</b>	<b>239</b>	<b>524</b>	<b>488</b>	<b>992</b>

**NOTE 8** Investment property

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
Net rental income	692	661	1 369	1 303	2 555
Net value adjustment	1 335	692	1 328	676	2 269
Realised gains	0	0	362	0	129
<b>Net income from investment properties</b>	<b>2 028</b>	<b>1 353</b>	<b>3 059</b>	<b>1 979</b>	<b>4 953</b>
Currency translate foreign subsidiaries (taken to other comprehensive income)	-431	566	-1 231	730	937
<b>Net income from investment properties included currency translate</b>	<b>1 596</b>	<b>1 919</b>	<b>1 828</b>	<b>2 709</b>	<b>5 889</b>

NOK MILLIONS	30.06.2018	30.06.2017	31.12.2017
Investment property 01.01.	63 519	59 497	59 497
Value adjustment, including currency translation	96	1 406	3 206
Net additions	0	844	838
Other changes	9	-15	-22
<b>Investment property 30.06./31.12.</b>	<b>63 624</b>	<b>61 732</b>	<b>63 519</b>



**NOTE 9** Fair value of financial assets and liabilities

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

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

**FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST**

This category includes:

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

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

**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

This category includes:

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

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

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

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

**b) Norwegian fixed-income securities – government**

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

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

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

For companies where Nordic Bond Pricing do not deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used.

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

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

**e) Receivables on credit institutions**

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

**f) Loans to municipalities and enterprises with municipal guarantee**

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

**g) Loans secured by mortgage**

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

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

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

**The following sources are used for Norwegian shares:**

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

**The following sources are used for foreign shares:**

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

**i) Shares (unlisted)**

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

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

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

**j) Private Equity**

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

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

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

**l) Options**

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

**m) Interest-rate swaps**

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

**n) FX-swaps**

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

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

internal valuation model based on observable data.

**o) Placements with credit institutions and deposits**

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

**q) Fair value of subordinated bond/perpetual bond issued**

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

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

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

**p) Fair value of subordinated loans**

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

**s) Deposits from customers**

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

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

NOK MILLIONS	30.06.2018		30.06.2017		31.12.2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>						
Norwegian hold-to-maturity bonds	7 251	7 858	7 668	8 445	6 380	7 093
Foreign hold-to-maturity bonds	24 087	24 806	25 309	26 722	24 752	26 205
<b>Total debt instruments held to maturity</b>	<b>31 338</b>	<b>32 664</b>	<b>32 976</b>	<b>35 167</b>	<b>31 131</b>	<b>33 298</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST</b>						
Norwegian bonds	40 963	43 110	34 179	37 065	39 092	41 777
Foreign bonds	86 570	90 090	77 767	83 251	81 825	87 465
Norwegian certificates	0	0	0	0	200	200
Foreign certificates	0	0	0	0	200	200
Other receivables	23	23	24	24	59	59
<b>Total debt instruments classified as loans and receivables</b>	<b>127 555</b>	<b>133 222</b>	<b>111 969</b>	<b>120 340</b>	<b>121 377</b>	<b>129 700</b>
<b>LENDING LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS</b>						
Loans to local government sector or enterprises with local government guarantee	934	934	1 099	1 099	1 016	1 016
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>934</b>	<b>934</b>	<b>1 099</b>	<b>1 099</b>	<b>1 016</b>	<b>1 016</b>

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

NOK MILLIONS	30.06.2018		30.06.2017		31.12.2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LENDING TO LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS – AT AMORTIZED COST</b>						
Loans secured by mortgage	18 828	18 836	16 952	16 965	17 673	17 685
Loans to local government sector or enterprises with local government guarantee	62 855	63 676	57 878	58 572	61 441	62 083
Loans abroad secured by mortgage and local government guarantee	7 438	7 480	9 079	9 120	7 829	7 872
Loans creditcard	67	67	54	54	62	62
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>89 188</b>	<b>90 059</b>	<b>83 963</b>	<b>84 710</b>	<b>87 005</b>	<b>87 702</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Norwegian bonds	58 361	58 361	59 524	59 524	59 289	59 289
Norwegian certificates	10 340	10 340	10 855	10 855	11 154	11 154
Foreign bonds	84 086	84 086	84 083	84 083	85 144	85 144
Foreign certificates	14 617	14 617	17 501	17 501	16 839	16 839
<b>Investments with credit institutions</b>	<b>167 405</b>	<b>167 405</b>	<b>171 963</b>	<b>171 963</b>	<b>172 427</b>	<b>172 427</b>
<b>EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Shares	151 733	151 733	134 277	134 277	150 221	150 221
Equity funds	10 809	10 809	9 682	9 682	10 641	10 641
Property funds	59	59	218	218	119	119
Alternative investments	880	880	557	557	756	756
<b>Total equity capital instruments</b>	<b>163 481</b>	<b>163 481</b>	<b>144 735</b>	<b>144 735</b>	<b>161 736</b>	<b>161 736</b>
<b>RECEIVABLES</b>						
Receivables related to direct business	10 548	10 548	3 434	3 434	1 026	1 026
Receivables related to reinsurance agreements	64	64	122	122	118	118
Reinsurance share of gross claims reserve	35	35	28	28	0	0
Receivables related to securites	1 972	1 972	4 447	4 447	2 161	2 161
Prepaid rent related to real estate activities	221	221	186	186	116	116
Other receivables	111	111	708	708	636	636
<b>Total other loans and receivables including receivables from policyholders</b>	<b>12 951</b>	<b>12 951</b>	<b>8 925</b>	<b>8 925</b>	<b>4 056</b>	<b>4 056</b>

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

NOK MILLIONS	30.06.2018		30.06.2017		31.12.2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>FINANCIAL LIABILITIES - AT AMORTIZED COST</b>						
Hybrid Tier 1 securities	1 529	1 309	1 603	1 446	1 534	1 463
Subordinated loan capital	5 668	6 122	6 399	7 086	5 977	6 849
Debt to credit institutions	1 020	1 020	1 567	1 567	1 603	1 603
Covered bonds issued	22 064	22 069	22 196	22 196	21 451	21 457
Liabilities and deposits from customers	10 218	10 218	9 138	9 138	9 669	9 669
<b>Total financial liabilities</b>	<b>40 499</b>	<b>40 738</b>	<b>40 903</b>	<b>41 433</b>	<b>40 235</b>	<b>41 042</b>
<b>FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Debt to credit institutions	2 517	2 517	4 327	4 327	2 983	2 983
<b>Total financial liabilities</b>	<b>2 517</b>	<b>2 517</b>	<b>4 327</b>	<b>4 327</b>	<b>2 983</b>	<b>2 983</b>
<b>Assets in life insurance with investment option</b>	<b>3 075</b>	<b>3 075</b>	<b>2 183</b>	<b>2 183</b>	<b>2 684</b>	<b>2 684</b>
<b>Provisions in life insurance with investment option</b>	<b>3 075</b>	<b>3 075</b>	<b>2 183</b>	<b>2 183</b>	<b>2 684</b>	<b>2 684</b>

NOK MILLIONS	30.06.2018		30.06.2017		31.12.2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Forward exchange contracts	1 250	1 991	1 895	1 822	631	3 849
Interest rate swaps	315	426	379	1 206	368	903
Interest rate and currency swaps	516	0	602	0	530	0
Share option	0	0	0	0	0	7
<b>Total financial derivatives</b>	<b>2 080</b>	<b>2 417</b>	<b>2 876</b>	<b>3 028</b>	<b>1 529</b>	<b>4 760</b>

**NOTE 10** Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
<b>PERPETUAL SUBORDINATED LOAN CAPITAL</b>							
Kommunal Landspensjonskasse	0	JPY	Fixed <sup>1</sup>	Perpetual	0	713	0
<b>FIXED - TERM SUBORDINATED LOAN</b>							
Kommunal Landspensjonskasse	5 163	EUR	Fixed <sup>2</sup>	2045	5 668	5 686	5 977
<b>Total subordinated loan capital</b>	<b>5 163</b>				<b>5 668</b>	<b>6 399</b>	<b>5 977</b>
<b>HYBRID TIER 1 SECURITIES</b>							
Kommunal Landspensjonskasse	984	JPY	Fixed <sup>3</sup>	2034	1 527	1 603	1 534
<b>Total hybrid Tier 1 securities</b>	<b>984</b>				<b>1 527</b>	<b>1 603</b>	<b>1 534</b>
<b>COVERED BONDS</b>							
KLP Kommunekreditt AS	0	NOK	Floating	2017	0	530	0
KLP Kommunekreditt AS	175	NOK	Floating	2018	175	2 896	1 097
KLP Kommunekreditt AS	3 381	NOK	Floating	2019	3 384	4 505	4 505
KLP Kommunekreditt AS	2 850	NOK	Floating	2020	2 862	2 509	2 509
KLP Kommunekreditt AS	750	NOK	Fixed	2020	769	769	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 014	4 013	4 012
KLP Kommunekreditt AS	600	NOK	Fixed	2021	607	607	602
KLP Kommunekreditt AS	4 000	NOK	Floating	2022	4 006	1 502	3 104
KLP Kommunekreditt AS	500	NOK	Fixed	2027	502	502	508
KLP Boligkreditt AS	600	NOK	Floating	2019	600	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 007	2 007	2 006
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 506	1 703	1 703
KLP Boligkreditt AS	600	NOK	Floating	2023	600	0	0
Other					31	54	55
<b>Total covered bonds</b>	<b>21 956</b>				<b>22 064</b>	<b>22 196</b>	<b>21 451</b>

<sup>1</sup> The loan was redeemed in the fourth quarter of 2017.<sup>2</sup> The loan has an interest change date in 2025.<sup>3</sup> The loan has an interest change date in 2034.

**NOTE 10** Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
<b>DEBT TO CREDIT INSTITUTIONS</b>							
KLP Banken AS	200	NOK	Fixed	2018	205	205	202
KLP Banken AS	0	NOK	Floating	2018	0	463	458
KLP Banken AS	813	NOK	Floating	2019	815	897	814
KLP Fond	0	NOK	Fixed	2017	0	1 088	0
KLP Fond	847	NOK	Fixed	2018	847	0	1 089
KLP Fond	0	NOK/EUR/USD	Floating	2017	0	1 881	0
KLP Fond	823	NOK/EUR/USD	Floating	2018	823	0	1 346
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2017	0	1 354	0
Kommunal Landspensjonskasse	842	NOK/EUR/USD	Floating	2018	842	0	679
KLP Banken AS	0	NOK/EUR/USD	Floating	2017	0	5	0
KLP Banken AS	4	NOK/EUR/USD	Floating	2018	4	0	0
Other					0	1	-2
<b>Total liabilities to credit institutions</b>	<b>3 530</b>				<b>3 537</b>	<b>5 894</b>	<b>4 587</b>
<b>LIABILITIES AND DEPOSITS FROM CUSTOMERS <sup>4</sup></b>							
Retail	8 179	NOK			8 179	7 397	7 691
Business	2 013	NOK			2 013	1 715	1 956
Foreign	26	NOK			26	26	22
<b>Liabilities to and deposits from customers</b>	<b>10 218</b>				<b>10 218</b>	<b>9 138</b>	<b>9 669</b>
<b>Total financial liabilities</b>	<b>41 850</b>				<b>43 016</b>	<b>45 230</b>	<b>43 218</b>

<sup>4</sup> There is no contractual maturity date on deposits.

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



**NOTE 11** Fair value hierarchy

30.06.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	63 624	63 624
Land/plots	0	0	842	842
Real estate fund	0	0	2 631	2 631
Buildings	0	0	60 151	60 151
Lending at fair value	0	934	0	934
Bonds and other fixed-income securities	44 580	108 343	0	152 923
Certificates	7 335	3 005	0	10 340
Bonds	24 025	105 337	0	129 362
Fixed-income funds	13 221	0	0	13 221
Loans and receivables	12 887	1 595	0	14 481
Shares and units	147 336	4 760	11 385	163 481
Shares	145 598	3 822	2 313	151 733
Equity funds	1 738	0	43	1 781
Property funds	0	59	0	59
Special funds	0	880	0	880
Private Equity	0	0	9 029	9 029
Financial derivatives	0	2 080	0	2 080
<b>Total assets at fair value</b>	<b>204 803</b>	<b>117 713</b>	<b>75 009</b>	<b>397 524</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives	0	2 417	0	2 417
Debt to credit institutions <sup>1</sup>	1 670	847	0	2 517
<b>Total financial liabilities at fair value</b>	<b>1 670</b>	<b>3 264</b>	<b>0</b>	<b>4 934</b>

<sup>1</sup> The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet.

**NOTE 11** Fair value hierarchy – cont.

30.06.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
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
<b>Total assets at fair value</b>	<b>189 687</b>	<b>121 380</b>	<b>71 337</b>	<b>382 404</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives	0	3 028	0	3 028
Debt to credit institutions <sup>1</sup>	3 239	1 088	0	4 327
<b>Total financial liabilities at fair value</b>	<b>3 239</b>	<b>4 116</b>	<b>0</b>	<b>7 355</b>

<sup>1</sup> The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet.

**NOTE 11** Fair value hierarchy – cont.

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

<sup>1</sup> The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet.

**NOTE 11** Fair value hierarchy – cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
Opening balance 1 January	63 519	59 497	59 497
Net acquisition cost	0	844	816
Unrealised changes	96	1 406	3 206
Other changes	9	-15	0
<b>Closing balance 30.06. / 31.12.</b>	<b>63 624</b>	<b>61 732</b>	<b>63 519</b>
Realised gains/losses	363	0	129

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
Opening balance 1 January	10 438	8 573	8 573
Sold	-1 032	-722	-1 715
Bought	1 165	788	1 699
Unrealised changes	814	966	1 881
<b>Closing balance 30.06. / 31.12.</b>	<b>11 385</b>	<b>9 605</b>	<b>10 438</b>
Realised gains/losses	523	150	445
<b>Closing balance 30.06. / 31.12.</b>	<b>75 009</b>	<b>71 337</b>	<b>73 956</b>

**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 3 750 million as of 30.06.2018.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 3 075 millions in financial assets valued at fair value at Level 1. Per 30.06.2018 the NOK 3 075 millions consist of NOK 1 971 millions in shares and units in Level 1, NOK 1 089 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 320 million in stocks has been moved from Level 1 to Level 2 and NOK 516 millions from Level 2 to Level 1. This is due to changes in liquidity. For debt instruments there has been moved NOK 106 million from level 2 to level 1. This is due to government issued bonds being listed in the second quarter.

**NOTE 12** Liquidity risk

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

30.06.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	243	971	6 195	0	7 408
Perpetual hybrid Tier 1 securities <sup>1</sup>	0	89	237	297	1 420	2 044
Debt to and deposits from customers (without defined maturity)	10 218	0	0	0	0	10 218
Covered bonds issued	0	952	21 419	623	0	22 994
Payables to credit institutions	1 284	788	239	0	0	2 311
Financial derivatives	1 418	2 515	158	-94	-195	3 802
Accounts payable	217	0	0	0	0	217
Contingent liabilities	16 342	0	0	0	0	16 342
<b>Total</b>	<b>29 479</b>	<b>4 587</b>	<b>23 024</b>	<b>7 020</b>	<b>1 226</b>	<b>65 336</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 1.2 million, payables to credit institutions maturing within one month are reduced with NOK 343 million and derivatives maturing between 1 to 12 months are reduced with NOK 507 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 64 485 million.

30.06.2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	966	975	6 463	0	8 404
Perpetual hybrid Tier 1 securities <sup>1</sup>	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	0	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	241	0	0	0	0	241
Contingent liabilities	15 976	0	0	0	0	15 976
<b>Total</b>	<b>30 162</b>	<b>5 571</b>	<b>23 487</b>	<b>7 388</b>	<b>1 270</b>	<b>67 878</b>

<sup>1</sup> 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 203 million and payables to credit institutions within one month are reduced with NOK 79 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 67 567 million.

**NOTE 12** Liquidity risk - cont.

31.12.2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	250	1 002	6 644	0	7 897
Perpetual hybrid Tier 1 securities <sup>1</sup>	0	60	238	298	1 466	2 062
Debt to and deposits from customers (without defined maturity)	9 669	0	0	0	0	9 669
Covered bonds issued	0	999	20 641	630	0	22 269
Payables to credit institutions	2 225	677	817	0	0	3 719
Financial derivatives	3 987	2 716	431	-7	-196	6 931
Accounts payable	169	0	0	0	0	169
Contingent liabilities	15 483	0	0	0	0	15 483
<b>Total</b>	<b>31 533</b>	<b>4 702</b>	<b>23 129</b>	<b>7 565</b>	<b>1 270</b>	<b>68 198</b>

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 197 million, payables to credit institutions maturing within one month are reduced with NOK 288 million and derivatives maturing between 1-12 months are reduced by NOK 169 million. Total amount of the financial liabilities for the Group are after these adjustments 67 544 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

30.06.2018 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2018 - 30.06.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds
<b>ASSETS</b>								
Financial derivatives classified as assets	-3	4	20	188	-319	-2	-113	-109
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-52	-83	-1 291	-1 999	-1 733	179	-4 978	-4 384
Fixed income fund holdings	-787	0	0	0	0	0	-787	-787
Lending and receivables	0	-2	0	0	0	78	75	62
Lending	0	0	0	0	0	305	305	305
Cash and bank deposits	0	0	0	0	0	20	20	20
Contingent liabilities <sup>1</sup>	0	0	0	0	0	20	20	20
<b>Total assets</b>	<b>-842</b>	<b>-81</b>	<b>-1 271</b>	<b>-1 811</b>	<b>-2 053</b>	<b>601</b>	<b>-5 456</b>	<b>-4 871</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-51	-51	-51
Liabilities created on issue of securities	0	0	0	0	0	-115	-115	-115
Financial derivatives classified as liabilities	2	5	48	-29	2	11	39	37
Hybrid capital, subordinated loans	0	0	0	53	79	0	131	131
Debt to credit institutions	0	0	0	0	0	-21	-21	-21
<b>Total liabilities</b>	<b>2</b>	<b>6</b>	<b>48</b>	<b>24</b>	<b>80</b>	<b>-176</b>	<b>-16</b>	<b>-18</b>
<b>Total before tax</b>	<b>-840</b>	<b>-75</b>	<b>-1 223</b>	<b>-1 787</b>	<b>-1 972</b>	<b>425</b>	<b>-5 472</b>	<b>-4 890</b>
<b>Total after tax</b>	<b>-630</b>	<b>-56</b>	<b>-917</b>	<b>-1 340</b>	<b>-1 479</b>	<b>319</b>	<b>-4 104</b>	<b>-3 667</b>

<sup>1</sup> Contingent liabilities are lending agreements that are not yet materialized.

**NOTE 13** Interest rate risk – cont.

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
<b>ASSETS</b>								
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 <sup>1</sup>	0	0	0	0	0	33	33	33
<b>Total assets</b>	<b>-842</b>	<b>-109</b>	<b>-1 208</b>	<b>-2 152</b>	<b>-1 924</b>	<b>553</b>	<b>-5 683</b>	<b>-5 047</b>
<b>LIABILITIES</b>								
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
<b>Total liabilities</b>	<b>-7</b>	<b>26</b>	<b>84</b>	<b>162</b>	<b>78</b>	<b>-155</b>	<b>188</b>	<b>188</b>
<b>Total before tax</b>	<b>-849</b>	<b>-83</b>	<b>-1 124</b>	<b>-1 991</b>	<b>-1 846</b>	<b>398</b>	<b>-5 494</b>	<b>-4 858</b>
<b>Total after tax</b>	<b>-637</b>	<b>-62</b>	<b>-843</b>	<b>-1 493</b>	<b>-1 384</b>	<b>298</b>	<b>-4 121</b>	<b>-3 644</b>

<sup>1</sup> Contingent liabilities are lending agreements that are not yet materialized.

**NOTE 13** Interest rate risk – cont.

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

<sup>1</sup> Contingent liabilities are lending agreements that are not yet materialized.

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

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

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

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

**NOTE 13** Interest rate risk – cont.

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

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

**NOTE 14** Credit risk

30.06.2018 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	29 066	0	30	0	0	0	2 241	31 338	31 338
Debt instruments classified as loans and receivables at amortized cost	105 694	0	586	0	0	0	21 275	127 555	127 555
Debt instruments at fair value - fixed-return securities	112 193	1 056	4 953	8 172	0	0	13 329	139 703	126 802
Fixed-income funds	0	0	0	0	0	0	13 221	13 221	13 221
Loans and receivables	14 415	0	0	66	0	0	0	14 481	12 168
Financial derivatives classified as assets	2 080	0	0	0	0	0	0	2 080	1 902
Cash and bank deposits	3 921	0	0	50	0	0	0	3 972	2 400
Lending	0	0	63 027	0	16 815	1 963	8 317	90 122	90 122
<b>Total</b>	<b>267 371</b>	<b>1 056</b>	<b>68 596</b>	<b>8 288</b>	<b>16 815</b>	<b>1 963</b>	<b>58 383</b>	<b>422 472</b>	<b>405 508</b>

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Total Invest- ment grade
Debt instruments held to maturity at amortized cost	13 143	4 096	8 547	3 281	29 066
Debt instruments classified as loans and receivables at amortized cost	21 066	18 491	50 091	16 045	105 694
Debt instruments at fair value - fixed-return securities	42 354	9 048	32 773	28 019	112 193
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	1 836	12 579	0	14 415
Financial derivatives classified as assets	0	272	1 808	0	2 080
Cash and bank deposits	0	516	3 405	0	3 921
Lending	0	0	0	0	0
<b>Total</b>	<b>76 563</b>	<b>34 259</b>	<b>109 204</b>	<b>47 345</b>	<b>267 371</b>

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

## NOTE 14 Credit risk – cont.

30.06.2017 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	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		14 242	2 660	7 791	85 062	85 062
<b>Total</b>	<b>253 068</b>	<b>480</b>	<b>67 424</b>	<b>8 157</b>	<b>14 242</b>	<b>2 660</b>	<b>61 420</b>	<b>407 451</b>	<b>390 380</b>

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
<b>Total</b>	<b>75 203</b>	<b>36 223</b>	<b>104 739</b>	<b>36 903</b>	<b>253 068</b>

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

## NOTE 14 Credit risk – cont.

31.12.2017 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	28 893	0	31	0	0	0	2 207	31 131	31 131
Debt instruments classified as loans and receivables at amortized cost	92 315	0	6 281	100	0	0	22 680	121 377	121 318
Debt instruments at fair value - fixed-return securities	115 270	1 003	5 539	7 266	0	0	13 018	142 095	128 012
Fixed-income funds	0	0	0	0	0	0	13 485	13 485	13 485
Loans and receivables	16 847	0	0	0	0	0	0	16 847	13 755
Financial derivatives classified as assets	1 525	0	0	4	0	0	0	1 529	1 407
Cash and bank deposits	2 775	0	0	45	0	0	0	2 820	2 820
Lending	0	0	62 329	0	14 928	2 694	8 069	88 021	88 021
<b>Total</b>	<b>257 625</b>	<b>1 003</b>	<b>74 180</b>	<b>7 415</b>	<b>14 928</b>	<b>2 694</b>	<b>59 458</b>	<b>417 304</b>	<b>399 949</b>

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

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

**NOTE 14** Credit risk – cont.

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 58 billion per 30.06.2018. 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			30.06.2018		30.06.2017		31.12.2017	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds		
LARGEST COUNTERPARTIES								
Counterparty 1	15 396	15 235	16 038	15 890	15 988		15 820	
Counterparty 2	9 425	9 034	13 376	12 465	8 274		8 137	
Counterparty 3	8 317	8 317	8 477	8 477	8 137		8 067	
Counterparty 4	6 733	6 010	8 453	6 513	7 427		5 579	
Counterparty 5	6 382	5 474	5 645	5 239	5 746		5 577	
Counterparty 6	5 541	5 457	5 261	5 195	5 642		5 511	
Counterparty 7	4 703	4 703	5 112	5 063	4 698		4 698	
Counterparty 8	4 653	4 621	4 702	4 702	4 361		3 959	
Counterparty 9	3 485	3 427	3 534	3 174	3 999		3 360	
Counterparty 10	3 113	3 099	3 381	3 129	3 131		3 122	
Total	67 746	65 378	73 979	69 849	67 404		63 830	

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

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



**NOTE 15** Technical provisions in life insurance

NOK MILLIONS	30.06.2018	30.06.2017	31.12.2017
Premium reserves - ordinary tariff	423 577	393 945	407 702
Premium funds, buffer funds and pensioners' surplus funds	15 287	15 951	15 043
Supplementary reserves	25 624	24 473	25 646
Securities adjustment fund	38 455	35 495	42 309
Other provisions	55	52	104
Profit/loss allocated to insurance contracts	5 170	1 649	0
<b>Technical provisions in life insurance</b>	<b>508 168</b>	<b>471 565</b>	<b>490 803</b>

NOK MILLIONS	30.06.2018	30.06.2017	31.12.2017
Premium reserves	3 064	2 174	2 675
Deposit funds	11	9	9
<b>Provisions in life insurance with investment options</b>	<b>3 075</b>	<b>2 183</b>	<b>2 684</b>

**NOTE 16** Other current liabilities

NOK MILLIONS	30.06.2018	30.06.2017	31.12.2017
Short-term payables trade in securities	4 466	6 314	2 799
Incurred not assessed taxes	103	155	256
Advance tax-deduction pension scheme	634	602	394
Accounts payable	217	241	169
Pre-called contribution to insurance	111	123	111
Other current liabilities	721	721	2 189
<b>Total other current liabilities</b>	<b>6 252</b>	<b>8 155</b>	<b>5 919</b>

**NOTE 17** SCR ratio

The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

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

association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is basically limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 231 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 288 per cent.

	30.06.2018	31.12.2017
Solvency II - SCR ratio	231 %	224 %

NOK BILLIONS	30.06.2018	31.12.2017		30.06.2018	31.12.2017
<b>SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT</b>					
Assets, book value	560	542	Best estimate	508	493
Added values - hold-to-maturity portfolio/loans and receivables	7	10	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	7	8
Deferred tax asset	0	0	Deferred tax liabilities	2	1
<b>Total assets - solvency II</b>	<b>568</b>	<b>552</b>	<b>Total liabilities - solvency II</b>	<b>538</b>	<b>524</b>
			Excess of assets over liabilities	30	29
			- Deferred tax asset	0	0
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			<b>Tier 1 basic own funds</b>	<b>27</b>	<b>26</b>
			<b>Total eligible tier 1 own funds</b>	<b>27</b>	<b>26</b>
			Subordinated loans	6	6
			Risk equalisation fund	4	4
			<b>Tier 2 basic own funds</b>	<b>10</b>	<b>11</b>
			Ancillary own funds	11	10
			<b>Tier 2 ancillary own funds</b>	<b>11</b>	<b>10</b>
			Deduction for max. eligible tier 2 own funds	-14	-13
			<b>Total eligible tier 2 own funds</b>	<b>7</b>	<b>7</b>
			Deferred tax asset	0	0
			<b>Total eligible tier 3 own funds</b>	<b>0</b>	<b>0</b>
			<b>Solvency II total eligible own funds</b>	<b>34</b>	<b>33</b>
			Solvency capital requirement (SCR)	15	15
			<b>Solvency II- SCR ratio</b>	<b>231 %</b>	<b>224 %</b>

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

30.06.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund

**ASSETS**

Financial derivatives	2 080	0	2 080	-1 364	-995	0	1	1
Repos	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2 080</b>	<b>0</b>	<b>2 080</b>	<b>-1 364</b>	<b>-995</b>	<b>0</b>	<b>1</b>	<b>1</b>

**LIABILITIES**

Financial derivatives	2 417	0	2 417	-1 364	-428	-1 203	22	13
Repos	847	0	847	0	0	0	847	847
<b>Total</b>	<b>3 265</b>	<b>0</b>	<b>3 265</b>	<b>-1 364</b>	<b>-428</b>	<b>-1 203</b>	<b>870</b>	<b>860</b>

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	20
Repos	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2 876</b>	<b>0</b>	<b>2 876</b>	<b>-1 816</b>	<b>-1 335</b>	<b>0</b>	<b>11</b>	<b>20</b>

**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
<b>Total</b>	<b>4 116</b>	<b>0</b>	<b>4 116</b>	<b>-1 816</b>	<b>-838</b>	<b>0</b>	<b>2 063</b>	<b>2 116</b>

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

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

The purpose of the note is to show the potential effect of netting agreements at the KLP Group; what possibilities the KLP Group has to net bilateral agreements against other counterparties should the latter go bankrupt and the remaining amount if all such netting agreements are materialized. The note shows derivative positions 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 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<b>KLP GROUP</b>									
Profit before tax	1 516	880	2 474	2 799	1 946	779	2 449	2 085	1 378
Total assets	668 577	649 547	652 167	641 486	627 805	612 441	596 113	588 940	577 072
Owners' equity	30 386	30 158	29 564	30 506	27 646	27 180	27 823	26 827	25 049
Solvency SCR ratio	231 %	233 %	224 %	210 %	204 %	203 %	198 %	197 %	180 %
Number of employees in the Group	980	966	961	956	955	941	946	949	952
<b>KOMMUNAL LANDSPENSJONSKASSE</b>									
Profit before tax	1 287	812	1 993	1 295	1 084	475	2 125	1 858	1 196
Premium income for own account	21 989	6 334	32 417	23 989	15 158	6 483	36 854	29 715	19 674
- of which inflow of premium reserve	5	5	298	208	208	177	3 250	3 529	1 736
Insurance customers' funds incl. acc. profit	9 473	4 844	17 386	13 044	8 751	4 459	16 387	12 199	8 035
- of which funds with guaranteed returns	497	424	212	211	211	188	124	124	124
Net investment common portfolio	502 991	495 146	495 607	480 375	476 229	469 414	460 289	447 945	444 205
Net investment choice portfolio	2 487	2 351	2 375	2 329	2 293	2 244	2 184	2 199	2 105
Insurance funds incl. earnings for the year	506 479	487 732	489 159	477 463	469 952	461 095	452 375	444 749	434 146
- of which funds with guaranteed interest	437 311	402 945	421 286	411 325	408 413	403 030	399 562	391 448	385 763
Solvency capital requirement (SCR)	34 417	34 131	33 511	34 597	32 610	32 462	31 338	30 604	28 544
Solvency SCR ratio	253 %	255 %	242 %	223 %	216 %	214 %	209 %	208 %	189 %
Riskprofit	393	193	599	426	272	100	784	475	278
Return profits	5 046	2 931	6 769	5 487	1567	139	8 094	6 759	3 952
Administration profit	22	29	141	143	51	32	-50	135	65
Solvency capital	115 445	109 209	116 656	115 446	108 843	105 303	98 856	103 885	96 744
Book return on common portfolio	2.3 %	1.2 %	3.9 %	3.1 %	1.5 %	0.6 %	4.4 %	3.5 %	2.2 %
Value-adjusted return on common portfolio	1.3 %	-0.4 %	6.7 %	4.6 %	3.0 %	1.7 %	5.8 %	4.4 %	2.7 %
Return on unit-linked portfolio	1.3 %	-0.9 %	7.4 %	5.0 %	3.2 %	1.8 %	6.2 %	4.4 %	2.5 %
Return on corporate portfolio	2.3 %	1.6 %	4.0 %	3.0 %	2.2 %	0.9 %	4.7 %	4.0 %	2.7 %

## Key figures - Accumulated – cont.

NOK MILLIONS	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<b>KLP SKADEFORSIKRING AS</b>									
Profit before tax	36.5	-12.5	164.2	152.6	114.9	49.6	255.4	185.6	116.3
Gross premium due	655.7	324.1	1 344.3	997.7	652.6	320.4	1 207.5	894.9	588.9
Premium income for own account	620.9	306.7	1 286.8	954.7	623.9	304.5	1 150.1	851.9	560.5
Owners' equity	1 807.0	1 767.9	1 771.9	1 828.5	1 806	1 739	1 715.8	1 808.9	1 755.2
Claims ratio	78.1 %	77.2 %	84.2 %	80.6 %	77.0 %	81.1 %	75.9 %	80.6 %	80.0 %
Combined-ratio	103.2 %	101.7 %	106.0 %	101.0 %	98.9 %	103.0 %	98.7 %	101.6 %	101.7 %
Return on assets under management	1.3 %	-0.2 %	5.6 %	3.8 %	2.5 %	1.4 %	6.1 %	4.9 %	3.1 %
Solvency capital requirement (SCR)	1 795	1 771	1 764	1 873	1 877	1 848	1 762	1 805	1 789
Solvency SCR ratio	240 %	237 %	233 %	257 %	264 %	264 %	261 %	275 %	278 %
Annual premium in force – retail market	547.8	539.6	526.4	510.5	488.2	462.0	435.2	408.7	387.4
Annual premium in force – public sector market	797.7	791.5	889.6	873.6	865.2	851.4	832.2	826.2	822.8
Net new subscriptions (accumulated within the year)	22.8	17.6	50.3	103.6	72.8	32.5	135.2	83.0	52.0
<b>KLP BEDRIFTSPENSJON AS</b>									
Profit before tax	-16.7	-8.5	-24.5	-23.4	-17.4	-12.1	-27.6	-9.4	-6.9
Premium income for own account	474.4	247.5	996.7	770.4	569.9	320.8	574.3	383.8	249.1
- of which premium reserve added	217.2	118.4	543.1	447	351.6	209.8	185.0	101.9	65.3
Insurance customers' funds including accumulated profit	4 764	4 491	4 328	4 048	3 796	3 581	3 241	3 027	2 873
- of which funds with guaranteed returns	1 498	1 483	1 442	1 425	1 425	1 422	1 390	1 358	1 351
Returns profit	19.9	11.5	77.8	16.1	4.5	-2.6	31.0	13.2	8.6
Risk result	-2.5	0.3	-0.6	-3.1	-2.4	-4.1	6.0	3.8	-0.0
Administration losses	-21.8	-11.2	-38.8	-28	-20	-9.1	-32.5	-18.6	-12.8
Solvency capital requirement (SCR)	217	209	195	268	285	29	11	101	89
Solvency SCR ratio	128 %	126 %	107 %	147 %	185 %	33 %	22 %	98 %	69 %
Solvency capital	665.8	674.4	721.3	708.7	716.6	483.3	479.4	516.9	516.3
Book capital return on common portfolio	2.6 %	1.4 %	8.3 %	3.3 %	1.8 %	0.6 %	5.3 %	3.5 %	2.2 %
Value-adjusted capital return on common portfolio	1.4 %	0.4 %	5.6 %	3.7 %	2.4 %	1.2 %	5.7 %	4.4 %	2.8 %
Return on defined unit-linked contribution pensions	1.1 %	-2.6 %	11.9 %	8.3 %	4.4 %	1.8 %	7.0 %	4.4 %	1.8 %
Return on corporate portfolio	0.5 %	0.0 %	2.3 %	1.8 %	1.3 %	0.7 %	2.4 %	2.3 %	1.7 %

## Key figures - Accumulated – cont.

NOK MILLIONS	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<b>KLP BANKEN KONSERN</b>									
Profit/loss before tax	43	23.7	103.1	81.7	47.9	23.2	91.2	90.7	58.0
Net interest income	122.6	64.6	241.6	173.9	108.5	51.4	194.3	149.4	100.3
Other operating income	37.4	18.3	68.2	50.7	33.6	16.8	66.4	49.3	32.1
Operating expenses and depreciation	-114.4	-58.1	-203.4	-143.2	-97.8	-48.6	-179.5	-126.1	-89.1
Net realized/unrealized changes in financial instruments to fair value	-2.7	-1.1	-3.4	0.3	3.5	3.7	11.1	18.5	14.9
Contributions	10 218	9 733	9 669	9 401	9 138	8 939	8 688	8 454	8 252
Housing mortgages granted	15 764	15 147	14 441	14 003	13 730	13 376	12 717	12 812	12 294
Loan(s) with public guarantee(s)	16 282	16 091	16 322	17 015	17 166	17 282	17 246	17 336	16 048
Defaulted loans	21	27	22	17	26	28	22	24	28
Borrowing on the issuance of securities	23 084	23 341	22 924	23 223	23 762	23 241	23 451	24 455	23 799
Total assets	35 817	35 404	34 981	34 855	35 140	34 383	34 382	34 949	34 145
Average total assets	35 399	35 192	34 682	34 619	34 761	34 383	32 838	33 122	32 720
Owners' equity	2 108	2 094	2 078	1 910	1 887	1 868	1 850	1 598	1 574
Net interest rate	0.35 %	0.18 %	0.70 %	0.50 %	0.31 %	0.15 %	0.59 %	0.45 %	0.31 %
Profit/loss from general operations before tax	0.12 %	0.07 %	0.30 %	0.24 %	0.14 %	0.07 %	0.28 %	0.27 %	0.18 %
Return on owners' equity before tax	4.14 %	4.57 %	5.57 %	5.89 %	5.18 %	5.02 %	6.05 %	8.02 %	7.69 %
Capital adequacy	20.2 %	20.6 %	21.1 %	19.5 %	19.3 %	19.3 %	19.0 %	16.8 %	16.5 %
Number of private customers	59 204	57 568	54 568	52 510	50 885	49 038	46 801	45 246	43 566
Of this members of KLP	41 698	40 317	38 382	37 044	35 983	34 703	33 173	32 066	31 070
<b>KLP KAPITALFORVALTNING AS</b>									
Profit/loss before tax	-0.9	-2.1	46.7	50.7	26.6	17.5	18.2	16.3	1.8
Total assets under management	483 636	483 074	488 947	473 995	463 558	455 577	441 943	431 741	417 789
Assets managed for external customers	58 980	63 989	70 878	64 883	62 128	58 210	54 003	49 434	46 509





# Sustainability Report

Q2 2018

# Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS	30.06.2018	30.06.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
<b>EMPLOYEE STATISTICS</b>					
Employees of KLP	980	955	961	950	n/a
Total sickness absence	3.8 %	4.4 %	4.6 %	4.5 %	3.
<b>ENVIRONMENT</b>					
Number of flights	1 594	1 702	3 107	3 294	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO <sub>2</sub> e)	291	285	534	550	13. 12.
Energy consumption in KLP's own offices (KWh/m <sup>2</sup> )	130	143	130	147	9. 13.
Energy consumption in KLP's property portfolio (KWh/m <sup>2</sup> )	194	192	190	197	9. 13.
ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION	30.06.2018	30.06.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
Companies excluded from investments	186	176	174	162	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	85 (98%)	95 (99%)	115 (97 %)	111 (96%)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	2310 (95%)	1685 (91%)	2617 (91 %)	2627 (90%)	n/a
Companies KLP has had direct dialogue with	99	111	192	214	All SDGs

# Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in Q2						
	2018	2017	30.06.2018	30.06.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
<b>CLIMATE-FRIENDLY INVESTMENTS</b>							
Renewable energy in Norway (MNOK)	194	-45	22 589	22 106	22 282	22 034	7.
Renewable energy in Europe and the USA (MNOK)	758	116	1 833	888	1 088	652	7.
Renewable energy in developing countries (MNOK)	39	1	445	314	381	257	7. 9. 17.
Lending for power; water, drainage and renovation (MNOK)	-29	148	3 148	3 237	3 173	3 084	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	341	178	10 307	9 355	10 115	9 154	9.
Green bonds (MNOK)	-6	25	765	688	735	593	n/a
Other Climate-Friendly investments (mNOK)	230	n/a	230	n/a	n/a	n/a	n/a
<b>Totalt (mNOK)</b>	<b>1 296</b>	<b>423</b>	<b>39 316</b>	<b>36 588</b>	<b>37 774</b>	<b>35 774</b>	
<b>As a proportion of KLP's investments</b>	<b>0 %</b>	<b>0 %</b>	<b>7 %</b>	<b>7 %</b>	<b>7 %</b>	<b>7 %</b>	
Fossil energy (market value in MNOK)	568	203	11 432	9 779	11 215	9 693	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	2 %	2 %	2 %	2 %	n/a
Renewable energy (market value in MNOK)	961	220	28 014	26 545	26 924	26 027	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	5 %	5 %	4 %	5 %	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	341	178	10 307	9 355	10 115	9 177	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	0 %	0 %	16 %	15 %	16 %	15 %	9.
<b>FINANCE IN DEVELOPING COUNTRIES</b>							
Bank og finans i utviklingsland (mNOK)	0	28	554	463	530	421	1. 5. 8. 17.
<b>SEED INVESTMENTS</b>							
Seed investments in Norway (mNOK)	75	n/a	75	n/a	n/a	n/a	8
DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in Q2						
	2018	2017	30.06.2018	30.06.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
<b>LENDING BUSINESS</b>							
Loans for roads and transport (MNOK)	5	1 094	8 104	8 259	9 411	7 065	9
Loans for public property (MNOK)	131	149	4 537	3 467	4 060	3 264	9
Loans to public sector and businesses (MNOK)	1 707	-433	47 076	43 549	45 087	44 012	n/a

# Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS

## EMPLOYEE STATISTICS

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

### UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

### TARGET:

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

### DEFINITION:

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

## ENVIRONMENT

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

### UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

### TARGET:

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

### DEFINITION:

#### Corporate air travel:

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

#### Energy consumption in KLP's own offices:

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

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

#### Energy consumption in KLP's property portfolio:

"In-house operated buildings" means those properties KLP owns and for which KLP has the responsibility for operation and maintenance, and where KLP has the opportunity to implement environmental measures and measure their effects. These are buildings in Oslo, Trondheim, Copenhagen and Stockholm. All these buildings have energy monitoring systems in which energy and water consumption is recorded and monitored. The figures only include buildings where the tenant's energy consumption is also measured, providing us with an overview of the total energy consumption of the buildings. Energy consumption in kWh/m<sup>2</sup> per year for KLP's in-house operated buildings is temperature-corrected.

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



## INCREASE CLIMATE-FRIENDLY INVESTMENTS

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

### UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

### TARGET:

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

### DEFINITION:

Market value of the investments in NOK millions is stated.

### Renewable energy:

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

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

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

### Lending for energy, water, drainage and renovation:

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

### Green bonds:

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

### Other climate-friendly investments:

Climate-friendly investments that are not covered by the aforementioned main categories are combined in this indicator. In the 2nd quarter 2018, KLP invested 230 mNOK in a Swedish forest fund, investing in forest-properties in Sweden, Finland and the Baltics.

### Fossil energy:

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

### Buildings with environmental qualities:

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

### Proportion of total portfolio:

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

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

**FINANCE IN DEVELOPING COUNTRIES:**

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

**UN SUSTAINABLE DEVELOPMENT GOALS:**

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

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

**TARGET:**

Not defined.

**DEFINITION:**

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

**SEED INVESTMENTS:**

*KLP aims to contribute to local innovation and new employment opportunities in Norway. By investing in innovation, we hope KLP can stimulate the development of new businesses and new jobs in Norway.*

**UN SUSTAINABLE DEVELOPMENT GOALS:**

The indicator supports many SDGs. The most central is SDG 8 Decent work and economic growth, and target 8.3; Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

**TARGET:**

Not defined.

**DEFINITION:**

Seed investments. In the 2nd quarter 2018 KLP invested 75 mNOK in SINTEF's Venture V, a seed investment fund that will invest in startups coming out of the research and development community in Trondheim, Norway.

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

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

**LENDING BUSINESS:**

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

**UN SUSTAINABLE DEVELOPMENT GOALS:**

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

**TARGET:**

Increase lending for this type of purpose.

**DEFINISJON:**

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



# **Interim Financial Statements**

KOMMUNAL LANDSPENSJONSKASSE  
Q2 2018



# Income statement

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
3	Premium income	15 655	8 675	21 989	15 158	32 417
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	1 510	1 393	1 288	2 010	5 565
	Interest income and dividends etc. on financial assets	2 399	2 331	5 634	4 392	10 871
	Value changes on investments	3 245	3 849	-2 814	9 391	13 450
	Gains and losses realized on investments	1 372	-1 620	2 375	-2 152	924
	<b>Net income from investments in the common portfolio</b>	<b>8 527</b>	<b>5 953</b>	<b>6 483</b>	<b>13 641</b>	<b>30 810</b>
	Net income from investments in the investment option portfolio	51	30	30	70	164
	Other insurance-related income	254	241	511	487	984
4	Claims	-4 628	-4 292	-9 473	-8 751	-17 386
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-16 758	-8 289	-12 580	-17 314	-38 615
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-59	-29	-65	-59	-95
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-5 199
	Unallocated profit to insurance contracts	-2 175	-1 483	-5 151	-1 643	0
5	Insurance-related operating expenses	-289	-258	-545	-507	-1 001
	Other insurance-related costs	-259	-239	-515	-484	-980
	<b>Technical profit/loss</b>	<b>320</b>	<b>310</b>	<b>683</b>	<b>597</b>	<b>1 098</b>
	Net income from investments in the corporate portfolio	244	400	769	678	1 261
	Other income	1	2	3	5	12
	Administration costs and other costs associated with the corporate portfolio	-89	-102	-168	-196	-386
	<b>Non-technical profit/loss</b>	<b>156</b>	<b>300</b>	<b>604</b>	<b>488</b>	<b>887</b>
	<b>Profit/loss pre-tax</b>	<b>476</b>	<b>609</b>	<b>1 287</b>	<b>1 084</b>	<b>1 985</b>
	Tax	-208	-117	-365	-194	-496
	<b>Profit/loss before other comprehensive income</b>	<b>268</b>	<b>492</b>	<b>922</b>	<b>890</b>	<b>1 489</b>
	Actuarial gains and losses on defined benefits pension schemes - employee benefits	0	0	0	0	-19
	Proportion of other comprehensive income on application of the equity method	0	0	0	0	-12
	Adjustment of the insurance liabilities	0	0	0	0	2
	Tax on other comprehensive income	0	0	0	0	5
	<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-24</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>268</b>	<b>492</b>	<b>922</b>	<b>890</b>	<b>1 465</b>

# Statement of financial position

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.06.2018	30.06.2017	31.12.2017
<b>ASSETS</b>				
<b>ASSETS IN THE CORPORATE PORTFOLIO</b>				
	Intangible assets	205	241	226
7	Investment properties	864	1 001	1 003
	Shares and holdings in property subsidiaries	1 846	1 795	1 831
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 688	4 480	4 641
6	Financial assets valued at amortized cost	16 624	14 310	16 233
6.7	Financial assets valued at fair value	11 612	11 306	10 995
	Receivables	10 119	3 439	986
	Tax asset	0	153	0
	Other assets	1 146	1 057	888
<b>Total assets in the corporate portfolio</b>		<b>47 105</b>	<b>37 781</b>	<b>36 802</b>
<b>ASSETS IN THE CUSTOMER PORTFOLIOS</b>				
	Shares and holdings in property subsidiaries	59 522	56 206	58 605
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	863	602	771
6	Financial assets valued at amortized cost	196 477	181 484	189 962
6.7	Financial assets valued at fair value	246 130	237 937	246 268
<b>Total investment in the common portfolio</b>		<b>502 991</b>	<b>476 229</b>	<b>495 607</b>
	Shares and holdings in property subsidiaries	294	278	290
6	Financial assets at amortized costs	858	784	802
6.7	Financial assets at fair value	1 335	1 231	1 283
<b>Total investments in the investment option portfolio</b>		<b>2 487</b>	<b>2 293</b>	<b>2 375</b>
<b>Total assets in the customer portfolios</b>		<b>505 479</b>	<b>478 522</b>	<b>497 982</b>
<b>TOTAL ASSETS</b>		<b>552 584</b>	<b>516 304</b>	<b>534 784</b>

# Statement of financial position

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.06.2018	30.06.2017	31.12.2017
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Owners' equity contributed	13 112	11 771	13 125
	Retained earnings	18 423	16 927	17 501
	<b>Total owners' equity</b>	<b>31 536</b>	<b>28 697</b>	<b>30 626</b>
6	Subordinated loan capital etc.	7 197	8 002	7 511
	Premium reserve etc.	420 188	390 713	403 902
	Supplementary reserves	25 379	24 292	25 399
	Securities adjustment fund	38 442	35 417	42 277
	Premium funds, defined contribution funds, pension regulation funds etc.	14 871	15 643	15 206
	Unallocated profit to customers	5 148	1 599	0
	<b>Total insurance liabilities - contractual liabilities</b>	<b>504 028</b>	<b>467 663</b>	<b>486 785</b>
	Pension capital etc.	1 910	1 822	1 849
	Supplementary reserves	140	135	140
	Premium funds, defined contribution funds, pension regulation funds etc.	398	288	385
	Unallocated profit to customers	3	44	0
	<b>Total insurance liabilities - special investment portfolio</b>	<b>2 451</b>	<b>2 289</b>	<b>2 374</b>
	Pension obligations	549	474	520
	Current tax liabilities	2	11	2
	Deferred tax liabilities	589	0	226
6.9	Liabilities	6 144	9 056	6 442
	Accrued costs and prepaid income	88	111	299
	<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>552 584</b>	<b>516 304</b>	<b>534 784</b>
<b>OFF-BALANCE SHEET ITEMS</b>				
	Contingent liabilities	15 007	15 019	14 597

# Changes in Owners' equity

## KOMMUNAL LANDSPENSJONSKASSE

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<b>Own funds 1 January 2018</b>	<b>13 125</b>	<b>4 154</b>	<b>13 347</b>	<b>30 626</b>
Income before other profit/loss components		288	634	922
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
<b>Total other comprehensive income</b>			<b>0</b>	<b>0</b>
<b>Total comprehensive income (unallocated)</b>		<b>288</b>	<b>634</b>	<b>922</b>
Owners equity contribution received <sup>1</sup>	-13			-13
<b>Total transactions with owners</b>	<b>-13</b>			<b>-13</b>
<b>Own funds 30 June 2018 <sup>2</sup></b>	<b>13 112</b>	<b>4 442</b>	<b>13 982</b>	<b>31 536</b>

<sup>1</sup> During the second quarter, NOK 1 406 million of ordinary equity capital contributions were called in to be paid in during the third quarter.

<sup>2</sup> As a result of new mortality assumptions with effect from 01.01.2018 in KLP's pension schemes for nurses and hospital doctors, KLP increased its provisions for these pension schemes in 2017. The increased provision was financed with money from the returns and risk results for the relevant pension schemes in 2017, and from the risk equalisation fund. The company is required by the decision of the Financial Supervisory Authority of Norway to cover 20% of the increased provision by transfers from the company's equity to the premium funds for the two pension schemes. These amount to NOK 210 million and will be allocated to customers in the annual appropriation for 2018.

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 31 December 2016	11 726	3 907	12 153	27 785
Principle change equity method			-24	-24
<b>Own funds 1 January 2017</b>	<b>11 726</b>	<b>3 907</b>	<b>12 130</b>	<b>27 762</b>
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
<b>Total other comprehensive income</b>			<b>0</b>	<b>0</b>
<b>Total comprehensive income (unallocated)</b>		<b>196</b>	<b>695</b>	<b>890</b>
Owners equity contribution received <sup>3</sup>	45			45
<b>Total transactions with owners</b>	<b>45</b>			<b>45</b>
<b>Own funds 30 June 2017</b>	<b>11 771</b>	<b>4 102</b>	<b>12 824</b>	<b>28 697</b>

<sup>3</sup> During the second quarter, NOK 1 315 million of ordinary equity capital contributions were called in to be paid in during the third quarter.

# Changes in Owners' equity

## KOMMUNAL LANDSPENSJONSKASSE

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

# Statement of cash flows

## KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2018 -30.06.2018	01.01.2018 -31.03.2018	01.01.2017 -31.12.2017	01.01.2017 -30.09.2017	01.01.2017 -30.06.2017
Net cashflow from operational activities	287	-12	-728	-952	100
Net cashflow from investment activities <sup>1</sup>	-12	-10	-49	-34	-21
Net cashflow from financing activities <sup>2</sup>	-13	-14	731	1 395	45
<b>Net changes in cash and bank deposits</b>	<b>262</b>	<b>-35</b>	<b>-45</b>	<b>410</b>	<b>124</b>
Holdings of cash and bank deposits at start of period	842	842	887	887	887
<b>Holdings of cash and bank deposits at end of period</b>	<b>1 104</b>	<b>807</b>	<b>842</b>	<b>1 296</b>	<b>1 011</b>

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

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

# Notes to the financial statements

## KOMMUNAL LANDSPENSJONSKASSE

### NOTE 1 Accounting principles and -estimates

#### ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 30 June 2018. The accounts have not been audited.

The interim financial statements are presented in accordance with Regulations no. 1824 of 18 December 2015: The Regulations governing the annual financial statements for life insurance companies (the Financial Reporting Regulations) and IAS 34 Interim Financial Reporting. The interim financial statements have been prepared in accordance with the same principles as the annual financial statements for 2017, unless stated otherwise.

The interim financial statements do not contain all the information required of complete annual financial statements, and the interim financial statement should be read in the context of the annual financial statements for 2017, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at [klp.no](http://klp.no)

#### ACCOUNTING ESTIMATES

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

**NOTE 2** Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 30. June 2018.

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017	01.01.2017- 31.12.2017
Value adjustment incl. foreign exchange	929	1 287	83	1 415	3 151
Foreign exchange effect on hedging	466	-471	1 260	-620	-734
<b>Net value adjustment incl. exchange hedging</b>	<b>1 395</b>	<b>816</b>	<b>1 343</b>	<b>795</b>	<b>2 417</b>

**NOTE 3** Premium income

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017	01.01.2017- 31.12.2017
Gross premiums due	15 657	8 643	21 985	14 949	32 122
Reinsurance premiums ceded	-2	0	-2	0	-3
Transfer of premium reserves from others	0	32	5	208	298
<b>Total premium income</b>	<b>15 655</b>	<b>8 675</b>	<b>21 989</b>	<b>15 158</b>	<b>32 417</b>

**NOTE 4** Claims

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017	01.01.2017- 31.12.2017
Claims paid	4 555	4 270	8 976	8 541	17 174
Transfers of premium reserves to others	73	22	497	211	212
<b>Total claims</b>	<b>4 628</b>	<b>4 292</b>	<b>9 473</b>	<b>8 751</b>	<b>17 386</b>

**NOTE 5** Insurance-related operating expenses

NOK MILLIONS	Q2 2018	Q2 2017	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017	01.01.2017- 31.12.2017
Personnel costs	152	142	312	301	598
Depreciation	19	17	38	33	74
Other operating expenses	119	99	195	173	329
<b>Total insurance-related operating expenses</b>	<b>289</b>	<b>258</b>	<b>545</b>	<b>507</b>	<b>1 001</b>

**NOTE 6** Fair value of financial assets and liabilities

For information regarding pricing of financial assets and liabilities see note 9

Fair value of financial assets and liabilities in the consolidated financial statement.

30.06.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS – AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	681	759	6 248	6 771	23	24	6 952	7 554
Accrued not due interest	14	14	157	157	1	1	172	172
Foreign hold-to-maturity bonds	6 107	6 284	17 526	18 058	65	71	23 698	24 414
Accrued not due interest	18	18	275	275	1	1	294	294
<b>Total investments held to maturity</b>	<b>6 820</b>	<b>7 075</b>	<b>24 206</b>	<b>25 261</b>	<b>90</b>	<b>97</b>	<b>31 115</b>	<b>32 433</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
Norwegian bonds	3 871	3 969	35 072	37 053	220	234	39 163	41 256
Accrued not due interest	54	54	638	638	4	4	697	697
Foreign bonds	5 760	5 909	77 118	80 422	534	557	83 412	86 887
Accrued not due interest	120	120	1 376	1 376	10	10	1 506	1 506
<b>Total bonds classified as loans and receivables</b>	<b>9 804</b>	<b>10 051</b>	<b>114 204</b>	<b>119 489</b>	<b>769</b>	<b>806</b>	<b>124 777</b>	<b>130 346</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loans	0	0	3 085	3 090	0	0	3 085	3 090
Lending with public sector guarantee	0	0	47 296	47 994	0	0	47 296	47 994
Loans abroad secured by mortgage and local government guarantee	0	0	7 396	7 438	0	0	7 396	7 438
Accrued not due interest	0	0	290	290	0	0	290	290
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>58 067</b>	<b>58 811</b>	<b>0</b>	<b>0</b>	<b>58 067</b>	<b>58 811</b>
<b>Total financial assets at amortized cost</b>	<b>16 624</b>	<b>17 126</b>	<b>196 477</b>	<b>203 561</b>	<b>858</b>	<b>903</b>	<b>213 959</b>	<b>221 590</b>
<b>ASSETS – AT FAIR VALUE</b>								
<b>EQUITY CAPITAL INSTRUMENTS</b>								
Norwegian shares	488	488	7 346	7 346	0	0	7 834	7 834
Foreign shares	0	0	24 031	24 031	0	0	24 031	24 031
<b>Total shares</b>	<b>488</b>	<b>488</b>	<b>31 377</b>	<b>31 377</b>	<b>0</b>	<b>0</b>	<b>31 865</b>	<b>31 865</b>
Property funds	0	0	2 272	2 272	0	0	2 272	2 272
Norwegian equity funds	0	0	65 708	65 708	630	630	66 338	66 338
Foreign equity funds	0	0	10 265	10 265	0	0	10 265	10 265
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>78 245</b>	<b>78 245</b>	<b>630</b>	<b>630</b>	<b>78 875</b>	<b>78 875</b>
Norwegian alternative investments	0	0	2 650	2 650	16	16	2 666	2 666
Foreign alternative investments	0	0	880	880	0	0	880	880
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>3 530</b>	<b>3 530</b>	<b>16</b>	<b>16</b>	<b>3 546</b>	<b>3 546</b>
<b>Total shares and units</b>	<b>488</b>	<b>488</b>	<b>113 152</b>	<b>113 152</b>	<b>646</b>	<b>646</b>	<b>114 286</b>	<b>114 286</b>



**NOTE 6** Fair value of financial assets and liabilities – continues

30.06.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
Norwegian bonds	6 081	6 081	34 020	34 020	0	0	40 101	40 101
Foreign bonds	156	156	18 367	18 367	0	0	18 523	18 523
Accrued not due interest	29	29	308	308	0	0	338	338
Norwegian fixed-income funds	2 189	2 189	49 298	49 298	583	583	52 070	52 070
Foreign fixed-income funds	0	0	13 221	13 221	0	0	13 221	13 221
Accrued not due interest	33	33	1 294	1 294	11	11	1 337	1 337
Norwegian certificates	435	435	7 691	7 691	0	0	8 125	8 125
Accrued not due interest	2	2	4	4	0	0	7	7
<b>Total bonds and other fixed-income securities</b>	<b>8 926</b>	<b>8 926</b>	<b>124 202</b>	<b>124 202</b>	<b>594</b>	<b>594</b>	<b>133 722</b>	<b>133 722</b>
Norwegian loans and receivables	1 314	1 314	2 728	2 728	62	62	4 104	4 104
Foreign loans and receivables	372	372	3 527	3 527	29	29	3 928	3 928
<b>Total loans and receivables</b>	<b>1 686</b>	<b>1 686</b>	<b>6 256</b>	<b>6 256</b>	<b>91</b>	<b>91</b>	<b>8 032</b>	<b>8 032</b>
<b>DERIVATIVES</b>								
Interest rate swaps	511	511	199	199	0	0	710	710
Forward exchange contracts	0	0	892	892	3	3	896	896
<b>Total financial derivatives classified as assets</b>	<b>511</b>	<b>511</b>	<b>1 091</b>	<b>1 091</b>	<b>3</b>	<b>3</b>	<b>1 605</b>	<b>1 605</b>
<b>Other financial assets</b>	<b>1</b>	<b>1</b>	<b>1 428</b>	<b>1 428</b>	<b>1</b>	<b>1</b>	<b>1 431</b>	<b>1 431</b>
<b>Total financial assets valued at fair value</b>	<b>11 612</b>	<b>11 612</b>	<b>246 130</b>	<b>246 130</b>	<b>1 335</b>	<b>1 335</b>	<b>259 076</b>	<b>259 076</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	161	161	0	0	161	161
Forward exchange contracts	0	0	807	807	3	3	810	810
<b>Total financial derivatives classified as liabilities</b>	<b>0</b>	<b>0</b>	<b>967</b>	<b>967</b>	<b>3</b>	<b>3</b>	<b>970</b>	<b>970</b>
<b>SUBORDINATED LOAN CAPITAL</b>								
Subordinated loan capital	5 668	6 122	0	0	0	0	5 668	6 122
Hybrid Tier 1 securities	1 529	1 309	0	0	0	0	1 529	1 309
<b>Total subordinated loan capital etc.</b>	<b>7 197</b>	<b>7 431</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7 197</b>	<b>7 431</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS</b>								
Foreign call money <sup>1</sup>	0	0	17	17	0	0	17	17
Foreign call money <sup>1</sup>	539	539	281	281	6	6	826	826
<b>Total liabilities to credit institutions</b>	<b>539</b>	<b>539</b>	<b>298</b>	<b>298</b>	<b>6</b>	<b>6</b>	<b>842</b>	<b>842</b>

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

**NOTE 6** Fair value of financial assets and liabilities – continues

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
<b>ASSETS – AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
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
<b>Total investments held to maturity</b>	<b>6 718</b>	<b>6 945</b>	<b>25 870</b>	<b>27 808</b>	<b>112</b>	<b>122</b>	<b>32 700</b>	<b>34 876</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
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
<b>Total bonds classified as loans and receivables</b>	<b>7 592</b>	<b>8 039</b>	<b>101 467</b>	<b>109 182</b>	<b>672</b>	<b>725</b>	<b>109 731</b>	<b>117 945</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loan	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
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>54 147</b>	<b>54 710</b>	<b>0</b>	<b>0</b>	<b>54 147</b>	<b>54 710</b>
<b>Total financial assets at amortized cost</b>	<b>14 310</b>	<b>14 984</b>	<b>181 484</b>	<b>191 701</b>	<b>784</b>	<b>847</b>	<b>196 577</b>	<b>207 531</b>
<b>ASSETS – AT FAIR VALUE</b>								
<b>EQUITY CAPITAL INSTRUMENTS</b>								
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
<b>Total shares</b>	<b>527</b>	<b>527</b>	<b>28 871</b>	<b>28 871</b>	<b>0</b>	<b>0</b>	<b>29 397</b>	<b>29 397</b>
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
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>68 465</b>	<b>68 465</b>	<b>563</b>	<b>563</b>	<b>69 028</b>	<b>69 028</b>
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
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>3 215</b>	<b>3 215</b>	<b>16</b>	<b>16</b>	<b>3 231</b>	<b>3 231</b>
<b>Total shares and units</b>	<b>527</b>	<b>527</b>	<b>100 551</b>	<b>100 551</b>	<b>579</b>	<b>579</b>	<b>101 656</b>	<b>101 656</b>

## NOTE 6 Fair value of financial assets and liabilities – continues

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
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
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
<b>Total bonds and other fixed-income securities</b>	<b>9 035</b>	<b>9 035</b>	<b>122 436</b>	<b>122 436</b>	<b>595</b>	<b>595</b>	<b>132 066</b>	<b>132 066</b>
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
<b>Total loans and receivables</b>	<b>1 142</b>	<b>1 142</b>	<b>10 286</b>	<b>10 286</b>	<b>51</b>	<b>51</b>	<b>11 479</b>	<b>11 479</b>
<b>DERIVATIVES</b>								
Interest rate swaps	601	601	189	189	0	0	791	791
Forward exchange contracts	0	0	975	975	5	5	980	980
<b>Total financial derivatives classified as assets</b>	<b>601</b>	<b>601</b>	<b>1 165</b>	<b>1 165</b>	<b>5</b>	<b>5</b>	<b>1 771</b>	<b>1 771</b>
<b>Other financial assets</b>	<b>1</b>	<b>1</b>	<b>3 500</b>	<b>3 500</b>	<b>1</b>	<b>1</b>	<b>3 502</b>	<b>3 502</b>
<b>Total financial assets valued at fair value</b>	<b>11 306</b>	<b>11 306</b>	<b>237 937</b>	<b>237 937</b>	<b>1 231</b>	<b>1 231</b>	<b>250 475</b>	<b>250 475</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
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
<b>Total financial derivatives classified as liabilities</b>	<b>0</b>	<b>0</b>	<b>2 222</b>	<b>2 222</b>	<b>5</b>	<b>5</b>	<b>2 227</b>	<b>2 227</b>
<b>SUBORDINATED LOAN CAPITAL</b>								
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
<b>Total subordinated loan capital etc.</b>	<b>8 002</b>	<b>8 532</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8 002</b>	<b>8 532</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS</b>								
Norwegian call money <sup>1</sup>	0	0	0	0	0	0	0	0
Foreign call money <sup>1</sup>	607	607	745	745	2	2	1 353	1 353
<b>Total liabilities to credit institutions</b>	<b>607</b>	<b>607</b>	<b>745</b>	<b>745</b>	<b>2</b>	<b>2</b>	<b>1 353</b>	<b>1 353</b>

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

**NOTE 6** Fair value of financial assets and liabilities – continues

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

**NOTE 6** Fair value of financial assets and liabilities – continues

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

<sup>1</sup> 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
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Bonds and other fixed-income securities	2 269	6 657	0	8 926
Certificates	0	437	0	437
Bonds	47	6 220	0	6 267
Fixed-income funds	2 222	0	0	2 222
Loans and receivables	982	704	0	1 686
Shares and units	0	486	3	488
Shares	0	486	3	488
Financial derivatives	0	511	0	511
Other financial assets	0	1	0	1
<b>Total corporate portfolio</b>	<b>3 250</b>	<b>8 359</b>	<b>3</b>	<b>11 612</b>
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	86 105	38 097	0	124 202
Certificates	5 863	1 832	0	7 695
Bonds	16 430	36 265	0	52 695
Fixed-income funds	63 812	0	0	63 812
Loans and receivables	5 513	743	0	6 256
Shares and units	95 210	4 380	13 562	113 152
Shares	28 309	791	2 277	31 377
Equity funds	66 901	0	43	66 944
Property funds	0	59	2 214	2 272
Special funds	0	3 530	0	3 530
Private Equity	0	0	9 029	9 029
Financial derivatives	0	1 091	0	1 091
Other financial assets	0	1 428	0	1 428
<b>Total common portfolio</b>	<b>186 828</b>	<b>45 739</b>	<b>13 562</b>	<b>246 130</b>

**NOTE 7** Fair value hierarchy – continues

30.06.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	594	0	0	594
Fixed-income funds	594	0	0	594
Loans and receivables	91	0	0	91
Shares and units	630	16	0	646
Equity funds	630	0	0	630
Special funds	0	16	0	16
Financial derivatives	0	3	0	3
Other financial assets	0	1	0	1
<b>Total investment option portfolio</b>	<b>1 314</b>	<b>20</b>	<b>0</b>	<b>1 335</b>
<b>Total financial assets valued at fair value</b>	<b>191 393</b>	<b>54 119</b>	<b>13 565</b>	<b>259 076</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	864	864
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>864</b>	<b>864</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	0	0	0
Debt to credit institutions	539	0	0	539
<b>Total corporate portfolio</b>	<b>539</b>	<b>0</b>	<b>0</b>	<b>539</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	967	0	967
Debt to credit institutions	298	0	0	298
<b>Total common portfolio</b>	<b>298</b>	<b>967</b>	<b>0</b>	<b>1 266</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	3	0	3
Debt to credit institutions	6	0	0	6
<b>Total investment option portfolio</b>	<b>6</b>	<b>3</b>	<b>0</b>	<b>8</b>
<b>Total financial liabilities at fair value</b>	<b>842</b>	<b>970</b>	<b>0</b>	<b>1 813</b>

**NOTE 7** Fair value hierarchy – continues

30.06.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
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
<b>Total corporate portfolio</b>	<b>2 610</b>	<b>8 647</b>	<b>49</b>	<b>11 306</b>
<b>COMMON PORTFOLIO</b>				
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
<b>Total common portfolio</b>	<b>176 125</b>	<b>50 249</b>	<b>11 563</b>	<b>237 937</b>



**NOTE 7** Fair value hierarchy – continues

30.06.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
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
<b>Total investment option portfolio</b>	<b>1 210</b>	<b>21</b>	<b>0</b>	<b>1 231</b>
<b>Total financial assets valued at fair value</b>	<b>179 945</b>	<b>58 918</b>	<b>11 612</b>	<b>250 475</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	1 001	1 001
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>1 001</b>	<b>1 001</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	0	0	0
Debt to credit institutions	607	0	0	607
<b>Total corporate portfolio</b>	<b>607</b>	<b>0</b>	<b>0</b>	<b>607</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	2 222	0	2 222
Debt to credit institutions	745	0	0	745
<b>Total common portfolio</b>	<b>745</b>	<b>2 222</b>	<b>0</b>	<b>2 966</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	5	0	5
Debt to credit institutions	2	0	0	2
<b>Total investment option portfolio</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>7</b>
<b>Total financial liabilities at fair value</b>	<b>1 353</b>	<b>2 227</b>	<b>0</b>	<b>3 580</b>

**NOTE 7** Fair value hierarchy – continues

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

**NOTE 7** Fair value hierarchy – continues

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

**NOTE 7** Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
Opening balance 01.01.	3	47	47
Sold	0	0	-84
Bought	0	3	3
Unrealised changes	0	0	37
<b>Closing balance 30.06./31.12.</b>	<b>3</b>	<b>49</b>	<b>3</b>
Realised gains/losses	-48	0	83

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
Opening balance 01.01.	1 640	1 375	1 375
Sold	0	-8	-19
Bought	220	13	129
Unrealised changes	418	100	155
<b>Closing balance 30.06./31.12.</b>	<b>2 277</b>	<b>1 480</b>	<b>1 640</b>
Realised gains/losses	0	0	-27

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
Opening balance 01.01.	75	84	84
Sold	-15	-6	-6
Bought	0	0	0
Unrealised changes	-17	-2	-3
<b>Closing balance 30.06./31.12.</b>	<b>43</b>	<b>76</b>	<b>75</b>
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 PRIVATE EQUITY AND REAL ESTATE FUNDS, COMMON PORTFOLIO	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
Opening balance 01.01.	10 837	8 661	8 661
Sold	-1 019	-721	-1 621
Bought	956	1 164	1 985
Unrealised changes	469	902	1 811
<b>Closing balance 30.06./31.12.</b>	<b>11 243</b>	<b>10 007</b>	<b>10 837</b>
Realised gains/losses	570	150	389

**NOTE 7** Fair value hierarchy – continues

CHANGES IN LEVEL 3 INVESTMENT PROPERTY, CORPORATE PORTFOLIO	Book value 30.06.2018	Book value 30.06.2017	Book value 31.12.2017
Opening balance 01.01.	1 003	1 003	1 003
Sold	-499	0	0
Bought	0	0	0
Unrealised changes	19	20	41
Other	341	-22	-41
<b>Closing balance 30.06./31.12.</b>	<b>864</b>	<b>1 001</b>	<b>1 003</b>
Realised gains/losses	362	-22	-41
<b>Total Level 3</b>	<b>14 429</b>	<b>12 613</b>	<b>13 556</b>

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

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

**LEVEL 1:**

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

**LEVEL 2:**

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

**LEVEL 3:**

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

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

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 721 million as of 30.06.2018 on the assets in level 3.

**NOTE 7** Fair value hierarchy – continues

With regard to transferring securities between the levels, a limit is set for the number of trading days and the amount of trading for shares by separating Level 1 and Level 2. The general principles related to the distribution between levels basically concern whether the asset or liability is listed or not and whether the listing can be stated to be in an active market. 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 54 million has been moved from Level 2 to Level 1 and NOK 71 million from level 1 to level 2. The amount are related to equity instruments and are due to change in liquidity. Debt instruments amounting to NOK 106 million has been moved from level 2 to level 1 in the second quarter. This is due to government issued debt instruments that has been listed in the period.

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

30.06.2018 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
<b>ASSETS</b>							
Financial derivatives	1 605	0	1 605	-743	-836	0	69
<b>Total</b>	<b>1 605</b>	<b>0</b>	<b>1 605</b>	<b>-743</b>	<b>-836</b>	<b>0</b>	<b>69</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
Total assets – common portfolio	1 091	0	1 091	-742	-296	0	66
Total assets – corporate portfolio	511	0	511	0	-539	0	1
Total assets – investment option portfolio	3	0	3	-2	-1	0	1
<b>Total</b>	<b>1 605</b>	<b>0</b>	<b>1 605</b>	<b>-743</b>	<b>-836</b>	<b>0</b>	<b>69</b>
<b>LIABILITIES</b>							
Financial derivatives	970	0	970	-743	-1	0	227
<b>Total</b>	<b>970</b>	<b>0</b>	<b>970</b>	<b>-743</b>	<b>-1</b>	<b>0</b>	<b>227</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
Total liabilities – common portfolio	967	0	967	-742	0	0	226
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	3	0	3	-2	-1	0	1
<b>Total</b>	<b>970</b>	<b>0</b>	<b>970</b>	<b>-743</b>	<b>-1</b>	<b>0</b>	<b>227</b>

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

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
<b>ASSETS</b>							
Financial derivatives	1 771	0	1 771	-1 045	-742	0	58
<b>Total</b>	<b>1 771</b>	<b>0</b>	<b>1 771</b>	<b>-1 045</b>	<b>-742</b>	<b>0</b>	<b>58</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
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
<b>Total</b>	<b>1 771</b>	<b>0</b>	<b>1 771</b>	<b>-1 045</b>	<b>-742</b>	<b>0</b>	<b>58</b>
<b>LIABILITIES</b>							
Financial derivatives	2 227	0	2 227	-1 036	-705	0	497
<b>Total</b>	<b>2 227</b>	<b>0</b>	<b>2 227</b>	<b>-1 036</b>	<b>-705</b>	<b>0</b>	<b>497</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
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
<b>Total</b>	<b>2 227</b>	<b>0</b>	<b>2 227</b>	<b>-1 036</b>	<b>-705</b>	<b>0</b>	<b>497</b>

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

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

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

**NOTE 9** Liabilities

NOK MILLIONS	30.06.2018	30.06.2017	31.12.2017
Short-term liabilities securities	3 537	4 720	711
Advance tax-deduction pension scheme	631	599	392
Accounts payable	22	16	7
Derivatives	970	2 227	3 395
Debt to credit institutions	842	1 353	679
Liabilities related to direct insurance	126	126	1 228
Other short-term liabilities	15	15	29
<b>Total liabilities</b>	<b>6 144</b>	<b>9 056</b>	<b>6 442</b>



## NOTE 10 SCR ratio

NOK BILLIONS	30.06.2018	31.12.2017		30.06.2018	31.12.2017
<b>SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT</b>					
Assets, book value	553	535	Best estimate	501	487
Added values - hold-to-maturity portfolio/loans and receivables	7	10	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	7	7
Deferred tax asset	0	0	Deferred tax liabilities	2	1
<b>Total assets - solvency II</b>	<b>560</b>	<b>545</b>	<b>Total liabilities - solvency II</b>	<b>530</b>	<b>516</b>
			Excess of assets over liabilities	30	29
			- Deferred tax asset	0	0
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			<b>Tier 1 basic own funds</b>	<b>28</b>	<b>27</b>
			<b>Total eligible tier 1 own funds</b>	<b>28</b>	<b>27</b>
			Subordinated loans	6	6
			Risk equalisation fund	4	4
			<b>Tier 2 basic own funds</b>	<b>10</b>	<b>10</b>
			Ancillary own funds	10	10
			<b>Tier 2 ancillary own funds</b>	<b>11</b>	<b>10</b>
			Deduction for max. eligible tier 2 own funds	-14	-14
			<b>Total eligible tier 2 own funds</b>	<b>7</b>	<b>7</b>
			Deferred tax asset	0	0
			<b>Total eligible tier 3 own funds</b>	<b>0</b>	<b>0</b>
			<b>Solvency II total eligible own funds</b>	<b>34</b>	<b>34</b>
			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	-2	-1
			<b>Solvency capital requirement (SCR)</b>	<b>14</b>	<b>14</b>
			Linear minimum capital requirement (MCR_linear)	6	
			Minimum	3	3
			Maximum	6	6
			<b>Minimum capital requirement (MCR)</b>	<b>6</b>	<b>6</b>
			<b>Solvency II- SCR ratio</b>	<b>253 %</b>	<b>242 %</b>

The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 253 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 321 per cent.

	30.06.2018	31.12.2017
Solvency II - SCR ratio	253 %	242 %

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