

Interim report Q3

2013

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





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Interim report – third quarter 2013

Good results provide financial force

Entering the fourth quarter KLP has the financial power to finance new longevity assumptions in full.

- Value-adjusted returns for the common portfolio in public sector occupational pension: 1.7 per cent for the quarter and 4.5 per cent as at 30 September
- Book returns for the common portfolio in public sector occupational pension: 1.2 per cent for the quarter and 3.4 per cent as at 30 September
- Return on the corporate portfolio: 1.2 per cent for the quarter and 4.3 per cent as at 30 September
- The Group achieved operating profit of NOK 5.5 billion over the first three quarters, of which the profit for customers represented NOK 3.4 billion.
- The book profit so far this year increases the preliminary provision for the strengthening of longevity reserves by NOK 1.7 billion.

KLP – a customer-owned company in development

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

Pension schemes within the public sector are offered and managed by the Group's parent company Kommunal Landspensjonskasse (KLP). Of the Group's total assets of NOK 375 billion, NOK 303.9 billion represents pension funds belonging to this customer group.

Kommunal Landspensjonskasse gjensidig forsikringsselskap – Result for the third quarter 2013

Returns result

The return in the third quarter was NOK 3.0 billion higher than the base (guaranteed) interest rate. Financial income from customer assets was NOK 5.0 billion (NOK 5.6 billion¹) during the quarter.

Value-adjusted return on the common portfolio was 1.7 per cent for the quarter and book return was 1.2 per cent. Total return for the third quarter was 4.5 per cent and 3.4 per cent respectively.

Risk result

The risk result improved over the third quarter. The risk result for the quarter itself was NOK 81 million, whilst the result as at 30 September was NOK 147 million. This has been provisionally allocated with NOK 113 million to customer profit and NOK 34 million to corporate income for provision in the risk equalization fund.

Administration result

The Company's administration result shows a surplus of NOK 119 million (NOK 62 million) at the end of the third quarter. Insurance-related operating costs represent 0.27 per cent of customer funds, somewhat better than the target for 2013.

Total income

The result for the Company was NOK 250 million for the quarter and NOK 776 million so far this year. Customer profit was NOK 1463 million for the quarter and NOK 3799 million so far this year.

NOK millions	Customers	Company	Total
Returns result	3 451	17	3 468
Risk result	113	34	147
Interest guarantee premium		247	247
Administration result		119	119
Net income from investments in the corporate portfolio and other income/ costs in non-technical accounts		594	594
Return from owners' equity contributions credited to customers	234	-234	
Income for Q3 2013	3799	776	4 575
Income for Q3 2012	2 362	652	3 284

¹ Figures in brackets indicate the corresponding values for Q3-12.

Financial strength and capital-related matters

Total assets were NOK 344.8 billion, a marginal reduction of NOK 0.4 billion during the quarter. This was because at the end of the previous quarter short-term liabilities connected with settlement of security and hedging contracts at month end/month start were at an unusually high level. Insurance liabilities have increased by NOK 5.6 billion.

The capital adequacy ratio in KLP at the end of the quarter was 10.4 per cent (10.8) and core capital adequacy was 8.6 per cent (8.8).

In the course of the first three quarters of the year the securities adjustment fund has been strengthened by NOK 3.4 billion to NOK 12.6 billion. Supplementary reserves total NOK 12.4 billion.

At the end of the quarter KLP had total solvency capital of NOK 50.6 billion, corresponding to 18.3 per cent of the insurance funds with interest guarantee.

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

Key figures:

Per cent	So far, as at Q3		The year
	2013	2012	2012
Capital return I ¹	3.4	3.2	5.0
Capital return II ²	4.5	5.3	6.7
Capital return III ³	4.1	6.0	7.5
<i>The return figures apply to the common portfolio</i>			
Capital adequacy ratio	10.4	10.8	10.6
Solvency margin ratio	224	234	233

¹ Book return

² Value adjusted return

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

Premium income

Premium income excluding premium reserves received on transfer totalled NOK 19.5 billion (NOK 20.6 billion) so far this year.

Claims/benefits

Pensions paid and other claims, excluding premium reserve ceded on transfer, increased by 9.1 per cent and amounted to NOK 8862 million (NOK 7955 million) so far this year.

Management of the common portfolio

The assets in the common portfolio totalled NOK 315.9 billion (NOK 259.1 billion) and were invested as shown below:

Assets All figures in per cent	Proportion 30 Sept. 2013	Return So far 2013	Proportion 30 Sept. 2012	Return So far 2012
Shares	15.8 %	16.6 %	17.1 %	11.5 %
Short-term bonds	21.7 %	0.0 %	22.2 %	7.0 %
Long-term/HTM bonds	29.3 %	3.6 %	32.2 %	3.6 %
Lending	10.5 %	2.6 %	11.4 %	2.9 %
Property	11.2 %	5.4 %	11.8 %	4.8 %
Other financial assets	11.4 %	1.9 %	5.3 %	2.7 %

The third quarter 2013 was characterized by a very strong equity market. Additionally the trend towards somewhat higher market interest rates was maintained. It is good to note that Norwegian 10-year government bond yields once again cover KLP's guaranteed interest rate. In the long term this is very important for KLP. But in the short term it means that the negative price impact of the increase in interest rates over the year has offset the current income from the bonds in the short-term portfolio.

Shares

Total exposure in shares including share derivatives amounted to almost 16 per cent at the end of the third quarter. July and September were two months with good equity returns, but August was somewhat more mixed with falls in some markets and rises in others. In total for the third quarter KLP's global index rose by 6.5 per cent and the Oslo stock exchange by 7.0 per cent.

Short term bonds and the money market

Short-term bonds amounted to about 22 per cent of the assets in the common portfolio as at 30 September 2013 whereas money market instruments represented just over 11 per cent. The interest rate level rose somewhat both in Norway and globally during the third quarter. The credit premiums on 30 September were somewhat lower than at the end of June. The global government bonds index achieved an exchange-rate hedged return of 0.5 per cent in the third quarter, while the KLP international corporate bonds index had an exchange-rate hedged return of 1.3 per cent during the quarter. The Norwegian government bonds index had a return of -0.7 per cent during the third quarter. The money-market portfolio had a return of 0.4 per cent during the quarter.

Bonds held to maturity

Investments in bonds held to maturity represented just over 29 per cent of the common portfolio on 30 September 2013. Added value not brought to book of financial assets recognized at amortized cost fell somewhat over the third quarter and amounted to about NOK 4.5 billion as at 30 September 2013. The portfolio is well diversified and comprises securities issued by highly creditworthy institutions. The return (measured at amortized cost) during the third quarter 2013 was 1.2 per cent.

Property

Property investments represented 11.2 per cent of the common portfolio. KLP carries out a thorough valuation of its property holdings each quarter, and the pricing of central properties with long contracts was stable so far, as at Q3. During the first three quarters of the year operating return on the common portfolio's property investments was 5.4 per cent, and 5.3 per cent in the total property portfolio. The economic occupancy rate was 97.0 per cent in total for all properties, and total property value including foreign exchange changes was NOK 35.6 billion (NOK 32.9 billion in the common portfolio).

KLP's aims to increase its property exposure. The building of the Fornebu Senter shopping centre outside Oslo is in progress: Hvaltorvet Kjøpesenter shopping centre in Sandefjord was taken over in July. Takeover is expected of a large office property and a large hotel property during the final quarter, based on contracts agreed.

Lending

Lending in the common portfolio was NOK 31.0 billion. This was divided between NOK 23.8 billion in lending to local authorities and other organisations, and NOK 7.1 billion in housing mortgages. The lending portfolio is characterized by high quality, with no losses on local government loans and very modest loss provision on housing loans. Added value not brought to book in the lending portfolio (fixed interest rate loans) represented NOK 284 million on 30 September.

Return on the corporate portfolio

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

The corporate portfolio is managed with a long-term investment horizon aiming at stable returns and growth in the owners' equity. The investments in the corporate portfolio achieved a return of 1.3 per cent during the third quarter and 4.3 per cent so far this year.

Market development

KLP's competitors in the market for insured solutions for public sector occupational pension (offentlig tjenstepensjon - OfTP) have announced that over a three-year period they will withdraw from the market for insured OfTP. This affects 78 local authorities and a large number of enterprises currently customers for insured OfTP. Almost 50 local authorities are expected to move their pension schemes to KLP as early as at the start of next year.

The alternatives now for public sector occupational pension are an insured solution with KLP or the setting up of in-house, or possibly inter-authority, pension schemes. In this market there are several providers of administrative services.

KLP is facing the changed market situation by continuing its work to ensure added value for its customers and owners through good returns, low costs and good service.

The business areas of the subsidiaries

Private occupational pensions

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

During the first nine months of the year the company has increased its total assets by 27 per cent from NOK 1 317 million at the start of the year to NOK 1 679 million at the end of the third quarter.

KLP Bedriftspensjon has had a high rate of market success with no less than 44 per cent tender acceptance and has accordingly signed agreements with 224 new customers so far this year.

Income

The company has good returns on customer funds and has achieved a book return result for customers of NOK 5.4 million so far this year. In addition the Securities Adjustment Fund has been increased by NOK 12.7 million. The company's deficit after the third quarter was NOK 14.6 million. The book result for the third quarter made it possible to increase the provision for strengthening longevity reserves by NOK 0.2 million. So far this year a provisional increase in reserves has been made of NOK 5.5 million.

Returns - customer assets

Per cent	Q3 - 2013	Q3 - 2012	The year 2012
COMMON PORTFOLIO			
Capital return I	3.0 %	3.6 %	5.2 %
Capital return II	4.2 %	5.2 %	6.7 %
<i>Defined contribution pension with investment option</i>			
Profile P90	15.3 %	13.0 %	15.2 %
Profile P70	12.0 %	11.8 %	13.8 %
Profile P60	10.5 %	11.1 %	13.1 %
Profile P50	8.9 %	10.4 %	12.4 %
Profile P40	7.4 %	9.8 %	11.7 %
Profile P30	5.7 %	8.8 %	10.4 %
Profile P20	4.6 %	7.5 %	9.2 %
Profile P10	2.9 %	6.5 %	7.9 %
Profile PM	1.8 %	2.3 %	3.0 %

Non-life insurance

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

Income

The pre-tax operating profit for the first nine months of the year was NOK 140.7 million. At the same time last year the result was NOK 98.4 million.

The technical result at the end of the third quarter was good. NOK 51.4 million was taken to income on adjustment of previous years' reserves. At the same time no individual claims over NOK 15 million have been reported so far this year.

At the end of the third quarter the company had a good non-technical result with a financial return of NOK 156.2 million. This is somewhat lower than at the same time last year and is a result of the poor development in the financial markets during the second quarter.

Key figures from the financial statements:

As at 30 September (whole company)	2013	2012
Claims ratio f.o.a.	76.3	82.0
Costs ratio f.o.a.	25.1	25.7
Total costs ratio f.o.a.	101.4	107.6

The public sector/corporate market

The positive trend continued during the third quarter and resulted in growth in the total portfolio of ongoing policies for the first nine months of the year. Total gross new business reached NOK 38.7 million. Run-off was NOK 11.2 million.

The claims ratio for own account for the year 2013 was 90.6 per cent, somewhat lower than that budgeted for. So far this year only eight claims in excess of NOK 5 million have been reported: seven property claims with total claim costs of NOK 59 million, as well as one vehicle claim of NOK 5 million.

The combined claims ratio for own account for all years viewed together was 78.1 per cent, substantially lower than on the same date in 2012 (83.1).

As at 30 September (public sector/corporate)	2013	2012
Claims ratio f.o.a.	78.1	83.1
Costs ratio f.o.a.	20.3	21.9
Total costs ratio f.o.a.	98.4	105

The retail market

Sales in the retail market continue to develop very well with gross new business so far this year at NOK 57.0 million, substantially higher than at the same time last year (NOK 38.0 million). Total run-off was NOK 11.0 million, which corresponds to a run-off rate of 10.2 per cent.

The claims ratio for the year 2013 was 72.3 per cent for own account, considerably lower than the budget assumptions. No claims for more than NOK 1 million have been reported.

The claims ratio for own account for all years viewed together was 71.1 per cent. This is a substantial improvement compared to the same time in 2012 (77.6).

Finance

Net financial income at the end of the third quarter was NOK 156.2 million against NOK 162.9 million at the same time last year. After a moderate result for the first half-year, the financial result for the third quarter was good, with a total return of 1.7 per cent. During this period it was particularly equity investments that affected the result with the return of 7.5 per cent.

The company's financial position

So far this year the contingency reserves have been increased by NOK 10.4 million and amounted to NOK 530 million at the end of the quarter. The reserves are a buffer against possible future disadvantageous risk events or run-off losses.

Capital adequacy at the end of the third quarter was 31.6 per cent compared to 34.1 per cent at the end of 2012.

Asset management and funds management

KLP Kapitalforvaltning AS and KLP Fondsforsvaltning AS comprise the KLP Group's securities management operation. In total NOK 276 billion was under management at the end of September 2013. This is an increase of NOK 54 billion over the same date last year. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and subsidiaries in the KLP Group.

Net new subscriptions in the KLP funds during the third quarter 2013 were NOK 550 million, of which NOK 200 million comes from customers outside the Group. Net new subscriptions during the first three quarters of the year were NOK 8.8 billion of which NOK 1.7 billion comes from customers outside the Group.

KLP Kapitalforvaltning AS and KLP Fondsforsvaltning AS achieved a combined pre-tax profit of NOK 22.9 million after the third quarter of 2013. For the corresponding period in 2012 the combined profit was NOK 14 million.

Banking

KLP Banken operates lending and deposit business in the retail market (RM) and to public sector borrowers and enterprises (PM). Lending is financed by deposits, borrowing in the securities market and owners' equity. In addition loans are administered that are financed by KLP.

Lending business in covered bonds (KLP Kommunekreditt AS) had a fall in lending volume of NOK 1.3 billion during the first three quarters of the year. Currently the business generates good margins and positive pay-back.

The retail market effort (RM) is oriented towards KLP members through the latter being offered extra good terms. The members' share remains stable at about 60 per cent on deposits and 65 per cent on loans. So far during 2013 the number of customers who are members has grown by 3012. During the same period the volume of mortgage lending for administration has increased by NOK 2.6 billion. Deposits growth was NOK 1.2 billion.

Default in housing mortgages is at a low level. As at 30 September 2013 default in excess of 90 days lies at 0.3 per cent. There are very low known losses in the portfolio.

Income

The KLP Banken Group had pre-tax profits of NOK 77.2 million at the end of the third quarter of the year. Of this, NOK 8.3 million is the result for the third quarter in isolation. The

income is impacted by NOK 50 million brought to book during the second quarter after reaching a settlement in two lawsuits. Total net interest income in the banking group during the first nine months of the year was NOK 88 million. Of this, NOK 33 million accrued during the third quarter.

Corporate social responsibility

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

Companies excluded from the KLP Group's investments are also normally excluded as suppliers of goods and services to the Group. Please also note that the non-financial accounts are part of this report.

Regulatory conditions and product matters

As described, KLP's competitors in the market for insured schemes within public sector occupational pensions have announced that over a period they wish to withdraw from this market, and the activity involving enquiries from local authorities and enterprises that have their pension schemes outside KLP is very high.

The tenders KLP has provided for inward transfer on 1 January 2014 are based on full reserves in accordance with the new K2013 tariff. The internal processes of the authorities may have a bearing on the extent of the reserves the customers bring from the ceding company, but in any case this does not change KLP's reserves requirement.

Future prospects

The market

Market development for public sector occupational pension with an insured solution is in a special position in 2013 since KLP is at present the only provider of this product. The number of inward transfers is expected to be the highest ever with about 100,000 insured representing funds of about NOK 20 billion.

KLP is focused on receiving the new customers in a professional and effective way at the same time as the service to existing customers is maintained. This will place heavy demands

on the reception process to receive all new members correctly into the Company's systems. Experience from this year shows that KLP has IT systems that provide the necessary flexibility and capacity to receive major inward transfers, provided the ceding company provides good, up-to-date data.

The expected growth in KLP's business is to be met with a cost-effective administration in which the Company's potential economies of scale can be capitalized on. It is important to make the KLP community even more competitive with proprietary pension funds and other forms that competition may take in the future.

Increasing reserves for increased longevity

Based on the results so far this year a provisional increase has been made in reserves to meet increased longevity assumptions (K2013) totalling NOK 1664 million, of which NOK 321 million was set aside during the third quarter. KLP aims to implement that part of the longevity reserves increase which it is permitted to cover from customer profits at the end of

the year. Assuming stable market development through the final quarter of the year, this will involve realization during the fourth quarter of a proportion of the gains built up in the common portfolio.

Solvency II

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

Other matters

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

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

Oslo, 31 October 2013

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Arne Øren
Chair

Liv Kari Eskeland
Deputy Chair

Marit Torgersen

Herlof Nilssen

Jan Helge Gulbrandsen

Anita Krohn Traaseth

Susanne Torp-Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Income statement Group

KLP Group

Note	NOK millions	Q3 2013	Q3 2012	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	The year 2012
5	Premium income for own account	5 256	7 180	26 225	22 903	29 946
	Current return on financial assets	1 880	2 464	6 313	6 476	9 144
	Net interest income banking	33	28	88	104	166
	Net value changes on financial instruments	2 653	2 974	5 100	5 710	5 956
10	Net income from investment properties	500	297	1 622	1 683	2 206
6	Other income	159	195	522	497	663
	Total net income	10 481	13 139	39 869	37 374	48 081
	Claims for own account	-3 191	-2 858	-9 308	-8 529	-11 457
	Change in technical reserves	-3 945	-5 831	-23 365	-18 671	-27 344
7	Net costs subordinated loan and hybrid Tier 1 securities	-99	32	-359	-1	234
8	Operating expenses	-296	-280	-873	-818	-1 099
9	Other expenses	-160	-163	-483	-484	-651
	Total expenses	-7 692	-9 099	-34 389	-28 504	-40 316
	Operating profit/loss	2 789	4 039	5 481	8 870	7 765
	To/from securities adjustment fund – life insurance	-1 657	-2 562	-3 364	-5 437	-4 342
	To supplementary reserves – life insurance	0	0	2	0	0
	Assets allocated to insurance customers – life insurance	-1 141	-1 294	-2 135	-2 639	-2 370
	Pre-tax income	-9	183	-16	794	1 053
	Cost of taxes	-1	0	-3	-2	-7
	Income	-10	183	-19	793	1 046
	Actuarial loss on post employment benefit obligations	0	0	0	0	237
	Items that will not be reclassified to profit or loss	0	0	0	0	237
	Revaluation real property for use in own operation	5	4	19	20	23
	Currency translation foreign subsidiaries	246	54	781	-121	-208
	Items that will be reclassified subsequently to profit or loss when specific conditions are met	251	58	799	-100	-185
	Total other comprehensive income	251	58	799	-100	52
	TOTAL COMPREHENSIVE INCOME	242	241	780	692	1 098

Balance sheet

KLP Group

Note	NOK millions	30.09.13	30.09.12	31.12.12
	Intangible assets	365	352	365
	Tangible fixed assets	1 038	1 040	1 033
	Investments in affiliated companies	6	3	6
10	Investment property	34 529	31 004	32 322
11, 16	Debt instruments held to maturity	30 348	38 107	37 283
11, 16	Debt instruments classified as loans and receivables	66 559	49 949	55 917
11, 13, 16	Lending local government, enterprises & retail customers at fair value through profit/loss	2 027	2 388	2 254
11, 16	Lending local government, enterprises and retail customers	51 106	50 474	49 874
11, 13, 16	Debt instruments at fair value through profit or loss	107 553	92 307	103 375
11, 13	Equity capital instruments at fair value through profit or loss	50 731	40 046	42 410
11, 13, 16, 18	Financial derivatives	831	1 497	1 541
11, 19	Receivables	26 965	13 144	1 754
11	Assets in defined contribution-based life insurance	492	276	300
	Cash and bank deposits	2 883	3 044	3 350
	TOTAL ASSETS	375 434	323 634	331 783
	Owners' equity contributed	7 600	6 853	6 891
	Retained earnings	7 500	6 314	6 720
	TOTAL OWNERS' EQUITY	15 100	13 167	13 610
11, 12	Hybrid Tier 1 securities	984	1 169	974
11, 12	Subordinated loan capital	3 089	2 965	2 891
	Pension obligations	467	743	468
17	Technical provisions - life insurance	304 971	269 608	276 781
11, 17	Provisions in life insurance with investment option	492	276	300
	Premiums, claims and contingency fund provisions - non-life insurance	2 719	2 711	2 626
11, 12	Covered bonds issued	18 140	20 767	20 370
11, 12	Debt to credit institutions	2 776	4 854	4 799
11, 12	Liabilities to and deposits from customers	4 164	2 553	2 946
11, 13, 18	Financial derivatives	1 776	683	721
	Deferred tax	55	45	50
20	Other current liabilities	20 700	4 093	5 245
	TOTAL LIABILITIES	360 334	310 467	318 173
	TOTAL EQUITY AND LIABILITIES	375 434	323 634	331 783
	Contingent liabilities	5 276	4 578	4 460

Changes in Owner's equity

KLP Group

2013 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2013	6 891	6 720	13 610
Income	0	-19	-19
Revaluation of properties for own use	0	19	19
Currency translation foreign subsidiaries	0	781	781
Total other comprehensive income	0	799	799
Total comprehensive income	0	780	780
Owners' equity contribution received	715	0	715
Owners' equity contribution repaid	-6	0	-6
Total transactions with the owners	709	0	709
Owners' equity 30 September 2013	7 600	7 500	15 100

2012 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2012	6 217	5 847	12 064
Changing in accounting principles, pension corridor	0	-225	-225
Owners' equity 1 January 2012	6 217	5 622	11 839
Income	0	793	793
Revaluation of properties for own use	0	20	20
Currency translation foreign subsidiaries	0	-121	-121
Total other comprehensive income	0	-100	-100
Total comprehensive income	0	692	692
Owners' equity contribution received	639	0	639
Owners' equity contribution repaid	-4	0	-4
Total transactions with the owners	635	0	635
Owners' equity 30 September 2012	6 853	6 314	13 167

Statement of cash flows

KLP Group

NOK millions	01.01.2013- 30.09.2013	01.01.2013- 30.06.2013	01.01.2013- 31.03.2013	01.01.2012- 31.12.2012	01.01.2012- 30.09.2012
Net cash flow from operational activities	1 880	1 691	1 288	-1 063	-1 367
Net cash flow from investment activities ¹	-57	-41	-20	-81	-45
Net cash flow from financing activities ²	-2 290	-2 303	-2 083	673	635
Net changes in cash and bank deposits	-466	-653	-814	-471	-776
Holdings of cash and bank deposits at start of period	3 350	3 350	3 350	3 820	3 820
Holdings of cash and bank deposits at end of period	2 883	2 697	2 535	3 350	3 044

¹ Payments on the purchase of tangible fixed assets.

² Net receipts of owners equity distributions and down payments of debt.

Notes to the Accounts

KLP Group

Note 1 ACCOUNTING PRINCIPLES

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

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

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

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

IAS 1 - Financial information

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

IFRS 7 - 7 Financial instruments - information

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

IAS 19 - Benefits for employees

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

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

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

NOK millions	30.09.13	30.09.12	31.12.12
Capitalized pension liability for own employees incl. corridor	I/A	518	569
Capitalized pension liability for own employees excl. corridor	468	743	496
Change in provision for liabilities	0	225	-100
ACCOUNTING LINE IN THE INCOME STATEMENT:			
Operating costs	0	0	51
Estimate deviations pension calculation own employees (comprehensive income)	0	0	274
Total result	0	0	325
FINANCIAL POSITION STATEMENT:			
Provision for liabilities	0	225	-325
Owners' equity accrued	0	-225	325

IFRS 13 - Measuring fair value

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

IAS 34 - 34 Interim reporting

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

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

Note 2 ESTIMATES

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

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

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

Pension obligations in respect of own employees

In September 2013, Norsk Regnskapsstiftelse (The Norwegian Accounts Foundation) published an updated version of the guidelines for pension criteria, where there is some change in the parameters from 31 December 2012. The stated calculation criteria are uncertain, and the Group must determine the criteria itself, based on a specific assessment of its pension schemes.

The changes in the financial criteria are pulling in different directions and will, not insignificantly, affect the net book pension obligation as at 30 September 2013.

This means that the book pension obligation remains the same as the estimate for the pension obligation that had been worked out as at 31 December 2012.

Note 3 KEY FIGURES – ACCUMULATED

NOK millions	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
KLP Group								
Profit before tax	-16	-7	-31	1 053	794	611	353	653
Total assets	375 434	376 232	341 348	331 783	323 634	312 665	315 057	291 784
Owners' equity	15 100	14 149	13 874	13 610	13 167	12 519	12 079	12 064
Capital adequacy	10,0 %	9,7 %	10,2 %	10,3 %	10,4 %	10,4 %	10,5 %	10,9 %
Number of employees in the Group	849	839	825	808	809	801	796	775
Kommunal Landspensjonskasse								
Profit before tax	776	527	263	1 001	652	442	235	705
Premium income for own account	25 487	20 475	10 428	29 025	22 186	15 159	6 158	21 752
- of which inflow of premium reserve	5 988	5 888	5 925	1 549	1 601	1 550	1 683	112
Insurance customers' funds incl. acc. profit	8 860	5 808	2 930	10 822	8 102	5 394	2 783	10 033
- of which funds with guaranteed returns	178	177	165	148	147	146	142	310
Net investment common portfolio	315 910	316 305	288 541	278 731	259 084	254 584	262 615	242 267
Net investment choice portfolio	1 686	1 635	1 584	1 556	1 499	1 463	1 447	1 404
Insurance funds incl. earnings for the year	302 208	296 686	287 628	275 843	267 187	258 734	251 509	243 439
- of which funds with guaranteed interest	271 477	267 717	257 981	248 608	240 217	234 561	226 698	226 153
Tier 1 and Tier 2 capital	16 953	16 240	16 132	16 087	15 498	14 928	14 891	14 857
Risk profit	147	66	90	258	118	82	64	308
Return profits	3 468	2 135	899	5 051	2 399	1 183	1 202	3 286
Administration profit	119	81	30	89	62	49	8	61
Solvency capital	50 640	45 492	48 408	44 134	47 579	41 680	41 336	36 190
Solvency margin ratio	224 %	219 %	229 %	233 %	234 %	232 %	239,1 %	244 %
Capital adequacy	10,4 %	10,1 %	10,6 %	10,6 %	10,8 %	10,9 %	11,0 %	11,5 %
Core capital ratio	8,6 %	8,2 %	8,7 %	8,8 %	8,8 %	8,7 %	8,8 %	9,1 %
Book return on common portfolio	3,4 %	2,2 %	1,1 %	5,0 %	3,2 %	1,9 %	1,2 %	4,5 %
Value-adjusted return on common portfolio	4,5 %	2,8 %	2,2 %	6,7 %	5,3 %	3,1 %	2,7 %	3,2 %
Return on unit-linked portfolio	5,5 %	3,2 %	2,6 %	7,2 %	6,0 %	3,4 %	3,4 %	2,2 %
Return on corporate portfolio	4,3 %	3,0 %	1,0 %	4,5 %	4,0 %	2,6 %	1,4 %	4,2 %
KLP Skadeforsikring AS								
Profit before tax	141	78	52	113	99	71	23	25
Gross premium due	713	610	436	750	667	591	427	650
Premium income for own account	535	350	172	659	486	325	161	599
Owners' equity	713	671	640	603	540	535	512	481
Claims ratio	76,3 %	79,6 %	84,0 %	81,4 %	82,0 %	78,9 %	102,9 %	88,3 %
Combined-ratio	101,4 %	103,9 %	109,5 %	107,8 %	107,6 %	103,3 %	130,2 %	118,4 %
Return on assets under management	4,6 %	2,9 %	2,1 %	6,5 %	5,1 %	3,0 %	2,4 %	4,5 %
Capital adequacy	31,6 %	32,0 %	30,9 %	34,1 %	27,7 %	29,0 %	29,8 %	31,8 %
Tier 1 and Tier 2 capital	581	579	578	567	451	453	453	451
Annual premium in force – retail market	205	192	175	162	151	142	130	120
Annual premium in force – public sector market	594	585	595	584	580	577	562	548
Net new subscriptions (accumulated within the year)	72	44	21	75	44	31	14	90

Note 3 KEY FIGURES – ACCUMULATED (CONT.)

NOK millions	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
KLP Bedriftspensjon AS								
Loss before tax	-14,6	-10,4	-6,1	-25,5	-13,5	-8,1	-5,1	-23,8
Premium income for own account	274,3	180,1	115,3	352,3	308,2	274,9	66,6	286,5
- of which premium reserve added	144,6	95,4	75,4	226,1	219,4	219,9	39,2	194,7
Insurance customers' funds including accumulated profit	1 556,6	1 442,3	1 385,4	1 238,2	1 187,1	1 139,4	941,8	844,0
- of which funds with guaranteed returns	992,4	941,1	928,3	881,0	848,5	842,0	662,8	605,2
Returns profit	6,1	5,9	4,2	15,0	8,1	4,7	5,4	14,2
Risk result	2,2	1,4	1,9	2,6	3,5	2,9	0,3	0,1
Administration losses	-22,0	-15,2	-8,7	-33,5	-22,6	-14,0	-7,4	-28,2
Tier 1 and Tier 2 capital	97,4	97,4	41,7	48,5	49,9	60,4	43,0	48,0
Solvency capital	184,9	183,9	133,3	131,1	132,7	122,0	94,8	90,2
Solvency margin ratio	250 %	250 %	129 %	157 %	164 %	194 %	182 %	217 %
Capital adequacy	16,6 %	17,6 %	7,7 %	9,6 %	9,5 %	11,9 %	11,2 %	13,9 %
Book capital return on common portfolio	3,0 %	1,8 %	1,2 %	5,2 %	3,6 %	2,3 %	1,6 %	6,3 %
Value-adjusted capital return on common portfolio	4,2 %	2,6 %	1,8 %	6,7 %	5,2 %	3,1 %	2,3 %	3,7 %
Return on defined unit-linked contribution pensions	8,4 %	4,7 %	4,6 %	12,0 %	10,1 %	4,9 %	6,1 %	0,2 %
Return on corporate portfolio	2,1 %	1,4 %	1,2 %	6,4 %	5,3 %	3,0 %	1,9 %	4,8 %
KLP Banken Group								
Profit/loss before tax	77,2	68,9	9,3	83,4	85,8	34,1	26,4	-62,2
Net interest income	88,0	54,7	24,3	86,3	60,0	35,2	12,8	21,1
Other operating income	47,5	31,7	16,2	83,6	67,8	51,5	29,5	63,4
Operating expenses and depreciation	-104,9	-64,0	-34,7	-137,7	-94,1	-60,3	-33,4	-139,9
Net realized/unrealized changes in financial instruments to fair value	46,6	46,5	3,5	51,1	52,1	7,6	17,5	-6,8
Contributions	4 164,5	3 957	3 459	2 946	2 553	2 324	2 115	1 840
Housing mortgages granted	4 133,8	3 615	1 883	1 530	1 550	1 597	1 653	3 214
Loan(s) with public guarantee(s)	17 890,8	18 675	20 174	20 345	21 915	22 191	24 734	25 202
Defaulted loans	12,4	13,2	6,9	6,9	5,9	5,7	11,8	16,1
Borrowing on the issuance of securities	20 699,2	21 333	21 718	23 708	24 443	24 868	25 864	24 170
Other borrowing	0	0	0	0	0	200	450	4 306
Total assets	26 611,4	26 983	27 019	28 282	28 668	28 960	29 932	31 716
Average total assets	27 446,5	27 632	27 650	29 993	30 186	29 752	30 238	29 790
Owners' equity	1 285,8	1 280	1 223	1 219	1 221	1 184	1 175	1 171
Net interest rate	0,32 %	0,20 %	0,09 %	0,29 %	0,20 %	0,12 %	0,04 %	0,07 %
Profit/loss from general operations before tax	0,28 %	0,25 %	0,03 %	0,28 %	0,28 %	0,11 %	0,09 %	-0,21 %
Profit/loss from general operations excl. fair value assessments before tax	0,11 %	0,08 %	0,02 %	0,11 %	0,11 %	0,09 %	0,03 %	-0,19 %
Return on owners' equity before tax	6,0 %	5,38 %	0,76 %	6,84 %	7,03 %	2,88 %	2,25 %	-5,31 %
Capital adequacy	18,3 %	18,2 %	20,4 %	19,1 %	18,6 %	18,2 %	17,2 %	14,4 %
Number of private customers	26 215	25 263	27 727	24 744	22 676	21 144	18 715	15 622
Of this members of KLP	17 316	16 261	15 703	14 309	13 000	11 769	10 539	9 151
KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS								
Profit/loss before tax	22,9	9,3	-0,4	21,4	14,0	6,2	0,1	26,3
Total assets under management	276 349	269 922	267 845	239 478	222 776	216 113	214 399	205 099
Assets managed for external customers	25 813	24 452	23 432	21 153	19 087	17 713	16 134	13 650

Note 4 SEGMENT INFORMATION

NOK millions	Group pensions pub. sect./group life			Group pensions private			Non-life insurance			Banking		
	30.09. 2013	30.09. 2012	The year 2012	30.09. 2013	30.09. 2012	The year 2012	30.09. 2013	30.09. 2012	The year 2012	30.09. 2013	30.09. 2012	The year 2012
Premium income f.o.a. from external customers ¹	25 424	22 116	28 940	274	308	356	527	479	650	0	0	0
Premium income f.o.a. from other Group companies ¹	60	69	85	0	0	0	8	7	9	0	0	0
Net financial income from investments	13 422	13 384	16 662	73	65	84	160	167	215	135	112	776
Other income from external customers	742	673	838	0	0	0	1	1	1	4	3	5
Other income from other Group companies	0	0	0	0	0	0	0	0	0	44	64	79
Total income	39 649	36 242	46 526	348	373	441	696	654	875	182	180	859
Claims f.o.a.	-8 860	-8 102	-10 882	-38	-28	-38	-411	-399	-537	0	0	0
Insurance provisions f.o.a.	-23 073	-18 332	-26 917	-283	-311	-371	-8	-29	-55	0	0	0
Costs borrowing	-359	-1	234	0	0	0	0	0	0	0	0	-612
Costs borrowing from other Group companies	0	0	0	0	0	0	0	0	0	0	0	-26
Operating expenses ex. depreciation	-555	-563	-769	-27	-27	-40	-134	-124	-173	-103	-93	-136
Depreciation	-56	-52	-69	-1	-0	-0	-3	-3	-4	-2	-2	-2
Other expenses	-484	-484	-651	-0	-0	-0	0	0	-0	0	0	0
Total expenses	-33 389	-27 534	-39 054	-350	-367	-450	-556	-555	-770	-105	-94	-776
Operating profit/loss	6 260	8 708	7 472	-2	7	-10	141	99	106	77	86	83
Funds credited to insurance customers ²	-5 484	-8 056	-6 696	-13	-20	-16	0	0	0	0	0	0
Pre-tax income	776	652	775	-15	-14	-25	141	99	106	77	86	83
Cost of taxes	0	0	0	0	0	0	-43	-30	-17	-8	-24	-23
Income after tax	776	652	775	-15	-14	-25	98	68	88	69	62	60
Change in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	776	652	775	-15	-14	-25	98	68	88	69	62	60
Assets	344 778	291 258	299 664	1 679	1 260	1 317	3 818	3 641	3 599	26 615	28 647	28 273
Liabilities	359 716	304 487	286 274	1 790	1 324	1 249	4 749	4 428	2 774	27 905	29 873	27 050

Note 4 SEGMENT INFORMATION (CONT.)

NOK millions	Asset management			Other			Eliminations			Total		
	30.09. 2013	30.09. 2012	The year 2012	30.09. 2013	30.09. 2012	The year 2012	30.09. 2013	30.09. 2012	The year 2012	30.09. 2013	30.09. 2012	The year 2012
Premium income f.o.a. from external customers ¹	0	0	0	0	0	0	0	0	0	26 225	22 903	29 946
Premium income f.o.a. from other Group companies ¹	0	0	0	0	0	0	-69	-77	-94	0	0	0
Net financial income from investments	5	5	6	0	0	0	-673	241	-271	13 122	13 974	17 472
Other income from external customers	0	0	0	6	6	8	-518	-462	-557	235	221	296
Other income from other Group companies	243	212	288	0	0	0	0	0	-170	287	277	367
Total income	248	218	294	6	6	8	-1 260	-298	-922	39 869	37 374	48 081
Claims f.o.a.	0	0	0	0	0	0	0	0	0	-9 308	-8 529	-11 457
Insurance provisions f.o.a.	0	0	0	0	0	0	0	0	0	-23 365	-18 671	-27 344
Costs borrowing	0	0	0	0	0	0	0	0	612	-359	-1	234
Costs borrowing from other Group companies	0	0	0	0	0	0	0	0	26	0	0	0
Operating expenses ex. depreciation	-223	-202	-270	-5	-5	-7	240	254	324	-808	-760	-1 021
Depreciation	-2	-2	-2	0	0	0	0	0	0	-64	-59	-78
Other expenses	0	0	0	0	0	0	1	0	0	-483	-484	-651
Total expenses	-225	-203	-273	-5	-5	-7	241	254	963	-34 389	-28 504	-40 316
Operating profit/loss	23	14	21	1	1	1	-1 019	-44	40	5 481	8 870	7 765
Funds credited to insurance customers ²										-5 497	-8 076	-6 712
Pre-tax income	23	14	21	1	1	1	-1 019	-44	40	-16	794	1 053
Cost of taxes	0	0	-6	0	0	0	48	53	40	-3	-2	-7
Income after tax	23	14	15	1	1	1	-971	9	81	-19	793	1 046
Change in other comprehensive income	0	0	0	0	0	0	799	-100	52	799	-100	52
Total comprehensive income	23	14	15	1	1	1	-172	-92	-105	780	692	1 098
Assets	267	232	252	11	10	12	37 585	-33 849	-34 616	375 434	323 634	331 783
Liabilities	435	356	122	20	20	3	-37 581	-66 094	-67 525	360 334	310 467	318 173

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

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

Note 4 SEGMENT INFORMATION (CONT.)

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

Public sector occupational pension and group life

Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pension

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

Non-life insurance

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

Banking

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

Asset management

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

Other

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

Note 5 PREMIUM INCOME FOR OWN ACCOUNT

NOK millions	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
Gross premiums due	5 201	7 151	20 227	21 130	28 236
Reinsurance premiums ceded	-17	-21	-46	-47	-63
Transfer of premium reserved from others	71	50	6 044	1 820	1 773
Total premium income	5 256	7 180	26 225	22 903	29 946

Note 6 OTHER INCOME

NOK millions	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
Supplement contractual early retirement scheme (AFP)	159	188	482	483	642
Other income/expenses	0	7	40	96	21
Total other income	159	195	522	579	663

Note 7 SUBORDINATED LOAN AND PERPETUAL HYBRID TIER 1 SECURITIES

NOK millions	Q3 2013	Q3 2012	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	The year 2012
SUBORDINATED LOAN					
Interest costs ¹	-40	-36	-115	-107	-143
Value changes	-60	62	-212	152	248
Total subordinated loan	-100	26	-327	45	105
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-11	-11	-33	-32	-42
Value changes	12	16	1	-14	171
Total Perpetual hybrid Tier 1 securities	1	5	-32	-46	129
Total interest costs and value change subordinated loan and perpetual hybrid Tier 1 securities	-99	32	-359	-1	234

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

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

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

Note 8 OPERATING EXPENSES

NOK millions	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
Staff costs	194	171	528	497	669
Depreciation	26	24	78	73	97
Other operating expenses	76	85	266	249	333
Total operating expenses	296	280	873	818	1 099

Note 9 OTHER EXPENSES

NOK millions	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
Supplement contractual early retirement scheme (AFP)	159	162	481	482	641
Other expenses	1	1	2	2	10
Total other expenses	160	163	483	484	651

Note 10 INVESTMENT PROPERTY

Result: Net income from investment properties NOK millions	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
Net rental income etc.	428	434	1 355	1 286	1 692
Unrealized/realized gains swaps ¹	0	0	0	206	271
Net value adjustment	318	- 82	1 048	70	36
Currency transl. foreign subsidiaries (other comprehensive income)	- 246	- 54	- 781	121	208
Net income from investment properties	500	297	1 622	1 683	2 206

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

Balance: Investment property NOK millions	30.09.13	30.09.12	31.12.12
Investment property 01.01	32 322	28 726	28 726
Value adjustment including currency translation	1 048	70	36
Net additions	1 171	2 202	3 534
Other changes	-12	6	26
Investment property 30.09/31.12	34 529	31 004	32 322

Note 11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

The different financial instruments are thus priced in the following way:**a) Shares (listed)**

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

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

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

b) Shares (unlisted)

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

Broadly this means the following:

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

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

c) Foreign fixed income securities

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

- JP Morgan
- Barclays Capital Indices
- Bloomberg
- Reuters

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

d) Norwegian fixed income securities - government

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

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

e) Norwegian fixed income securities - other than government

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

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

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

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

g) Futures/FRA/IRF

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

h) Options

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

i) Interest rate swaps

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

j) Loans secured by mortgage

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

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

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

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

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

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

l) Investments with credit institutions

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

m) Fair value of debt to credit institutions

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

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

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

o) Fair value of subordinated loan capital

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

p) Fair value of hybrid Tier 1 securities issued

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

q) Fair value of covered bonds issued

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

r) Private Equity

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

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

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

NOK millions	30.09.13		30.09.12		31.12.12	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Norwegian hold-to-maturity bonds ¹	10 570	11 360	17 728	17 728	17 609	18 686
Foreign hold-to-maturity bonds ¹	19 778	20 786	20 379	20 379	19 674	20 882
Total debt instruments held to maturity	30 348	32 146	38 107	38 107	37 283	39 568
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Norwegian bond loans ¹	25 449	26 580	18 882	18 882	24 362	23 891
Foreign bond loans ¹	41 092	43 063	30 316	30 316	31 555	33 601
Other receivables	19	19	751	751	-1	-1
Total debt instruments classified as loans and receivables - at amortized cost	66 559	69 662	49 949	49 949	55 917	57 491
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	2 027	2 027	2 388	2 388	2 254	2 254
Total loans to local government, enterprises & retail customers at fair value through profit/loss	2 027	2 027	2 388	2 388	2 254	2 254
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS - AT AMORTIZED COST						
Loans secured by mortgage	10 340	10 560	9 733	9 733	9 750	9 779
Loans to local government sector or enterprises with local government guarantee	40 317	40 861	40 741	40 741	40 124	40 418
Loans with government guarantee	449	449	0	0	0	0
Total lending	51 106	51 421	50 474	50 474	49 874	50 198
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	63 651	63 651	52 198	52 198	57 741	57 741
Norwegian certificates	9 401	9 401	5 211	5 211	7 195	7 195
Foreign bonds	24 335	24 335	21 386	21 386	22 320	22 320
Investments with credit institutions	10 166	10 166	13 512	13 512	16 119	16 119
Total debt instruments at fair value through profit/loss	107 553	107 553	92 307	92 307	103 375	103 375
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	24 693	24 693	18 128	18 128	19 587	19 587
Equity funds	25 512	25 512	20 382	20 382	21 315	21 315
Property funds	643	643	634	634	614	614
Alternative investments	-117	-117	901	901	894	894
Total equity capital instruments at fair value	50 731	50 731	40 046	40 046	42 410	42 410
OTHER LOANS AND RECEIVABLES INCLUDING RECEIVABLES FROM POLICYHOLDERS - AT AMORTIZED COST						
Receivables related to direct business	7 721	7 721	12 579	12 579	1 555	1 555
Receivables related to reinsurance agreements	116	116	195	195	187	187
Reinsurance share of unearned gross premium	40	40	0	0	0	0
Reinsurance share of gross claims reserve	23	23	26	26	12	12
Other receivables	19 065	19 065	344	344	0	0
Total other loans and receivables including receivables from policyholders	26 965	26 965	13 144	13 144	1 754	1 754

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

NOK millions	30.09.13		30.09.12		31.12.12	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	984	997	1 169	1 169	974	986
Subordinated loan capital ¹	3 089	3 165	2 965	2 935	2 891	2 906
Total financial liabilities	4 074	4 162	4 135	4 105	3 865	3 892
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	2 776	2 776	4 854	4 854	4 799	4 799
Covered bond issued	18 140	18 140	20 767	20 767	20 370	20 370
Liabilities to and deposits from customers	4 164	4 164	2 553	2 553	2 946	2 946
Total financial liabilities	25 080	25 080	28 174	28 174	28 115	28 115
Assets in life insurance with investment option (Unit-linked)	492	492	276	276	300	300
Provisions in life insurance with investment option (Unit-linked)	492	492	276	276	300	300

NOK millions	30.09.13		30.09.12		31.12.12	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	101	1 163	238	19	737	150
Interest rate swaps	544	614	818	664	666	571
Interest rate and currency swaps	58	0	261	0	0	0
Share options	128	0	181	0	137	0
Total financial derivatives	831	1 776	1 497	683	1 541	721

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

Note 12 BORROWING

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.13	Book value 30.09.12	Book value 31.12.12
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	2 372	EUR	Fixed ¹	Perpetual	2 497	2 255	2 276
Kommunal Landspensjonskasse	554	JPY	Fixed ²	Perpetual	592	711	615
Total subordinated loan capital	2 926				3 089	2 965	2 891
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	984	1 169	974
Total hybrid Tier 1 securities	984				984	1 169	974
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2012	0	2 473	0
KLP Kommunekreditt AS	0	SEK	Floating	2013	0	1 092	1 070
KLP Kommunekreditt AS	602	NOK	Floating	2013	603	4 005	1 104
KLP Kommunekreditt AS	1 339	NOK	Floating	2014	1 342	4 011	4 010
KLP Kommunekreditt AS	468	SEK	Floating	2015	469	438	429
KLP Kommunekreditt AS	4 300	NOK	Floating	2015	4 304	4 304	4 304
KLP Kommunekreditt AS	2 500	NOK	Fixed	2015	2 533	2 533	2 555
KLP Kommunekreditt AS	3 000	NOK	Floating	2016	3 010	1 006	3 011
KLP Kommunekreditt AS	1 000	NOK	Fixed	2017	1 009	0	3 013
KLP Kommunekreditt AS	3 000	NOK	Floating	2017	3 009	0	0
KLP Kommunekreditt AS	1 000	NOK	Floating	2018	1 003	0	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	777	777	752
Amortization and value adjustments					81	127	122
Total covered bonds	17 959				18 140	20 767	20 370
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Floating	2012	0	501	0
KLP Banken AS	0	NOK	Floating	2013	0	1 969	1 826
KLP Banken AS	0	NOK	Fixed	2013	0	301	302
KLP Banken AS	1 050	NOK	Floating	2014	1 051	0	0
KLP Banken AS	600	NOK	Floating	2015	602	602	602
KLP Banken AS	600	NOK	Floating	2016	602	0	301
KLP Banken AS	300	NOK	Fixed	2017	304	304	308
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2012	0	1 178	0
Kommunal Landspensjonskasse	237	NOK/EUR/USD	Floating	2013	217	0	1 461
Total liabilities to credit institutions	2 787				2 776	4 854	4 799
LIABILITIES TO AND DEPOSITS FROM CUSTOMERS ⁴							
Privat	3 536	NOK			3 536	2 458	2 734
Næring	628	NOK			628	94	212
Total liabilities to credit institutions	4 164				4 164	2 553	2 946
Total financial liabilities	28 940				29 154	32 309	31 981

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

¹ The loan has an interest change date in 2017

² The loan has an interest change date in 2016

³ The loan has an interest change date in 2034

⁴ There is no contractual maturity date on deposits

Note 13 FAIR VALUE HIERARCHY

30.09.13 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Lending at fair value	0	2 027	0	2 027
Bonds and other fixed-income securities	60 734	36 447	0	97 181
Certificates	3 856	4 601	0	8 457
Bonds	12 192	31 845	0	44 037
Fixed-income funds	44 687	0	0	44 687
Loans and receivables	7 138	3 235	0	10 373
Shares and units	45 605	1 023	4 103	50 731
Shares	23 369	226	869	24 464
Equity funds	21 593	0	100	21 693
Property funds	643	0	0	643
Special funds	0	797	0	797
Private Equity	0	0	3 134	3 134
Financial derivatives	0	831	0	831
Total financial assets valued at fair value	113 477	43 563	4 103	161 143
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	1 776	0	1 776
Debt to credit institutions ¹	217	0	0	217
Total financial liabilities at fair value	217	1 776	0	1 993

Note 13 FAIR VALUE HIERARCHY (CONT.)

30.09.12 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Lending at fair value	0	2 388	0	2 388
Bonds and other fixed-income securities	47 352	31 657	0	79 009
Certificates	49	4 662	0	4 711
Bonds	12 774	26 167	0	38 941
Fixed-income funds	34 529	829	0	35 358
Loans and receivables	6 675	6 623	0	13 298
Shares and units	35 883	1 174	2 989	40 046
Shares	17 389	273	467	18 128
Equity funds	17 860	0	0	17 860
Property funds	634	0	0	634
Special funds	0	901	0	901
Private Equity	0	0	2 522	2 522
Financial derivatives	0	1 497	0	1 497
Total financial assets valued at fair value	89 910	43 340	2 989	136 239
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	683	0	683
Debt to credit institutions ¹	1 178	0	0	1 178
Total financial liabilities at fair value	1 178	683	0	1 861

Note 13 FAIR VALUE HIERARCHY (CONT.)

31.12.12 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Lending at fair value	0	2 254	0	2 254
Bonds and other fixed-income securities	51 054	36 145	0	87 198
Certificates	148	6 138	0	6 287
Bonds	13 571	29 097	0	42 669
Fixed-income funds	37 334	909	0	38 243
Loans and receivables	12 012	4 165	0	16 176
Shares and units	38 116	1 123	3 171	42 410
Shares	18 851	229	508	19 587
Equity funds	18 652	0	2 663	21 315
Property funds	614	0	0	614
Special funds	0	894	0	894
Financial derivatives	0	1 541	0	1 541
Total financial assets valued at fair value	101 181	42 973	3 171	147 326
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	721	0	721
Debt to credit institutions ¹	1 461	0	0	1 461
Total financial liabilities at fair value	1 461	721	0	2 182
Changes in Level 3:				
Opening balance 1 January		3 171	2 531	2 531
Sold		0	-638	-422
Bought		312	997	874
Unrealised changes		620	99	188
Closing balance 30 September / 31 December		4 103	2 989	3 171
Realised gains/losses		-1	48	54

¹ The line Debt to credit institutions in the financial position statement includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the financial position. The liabilities measured at amortized cost amounted to NOK 2 559 million on 30 September 2013.

Note 13 FAIR VALUE HIERARCHY (CONT.)

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

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

Level 1:

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

Level 2:

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

Level 3:

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. On a general basis, a change in the pricing of 5 % produces a change in the value of NOK 205 million as of 30 September 2013, NOK 149 million as of 30 September 2012 and NOK 159 millions as of 31 December 2012.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 492 million in financial assets measured at fair value. On 30 September 2013 the NOK 492 million were included with NOK 228 million in shares and units in Level 1 and NOK 263 million in debt instruments at fair value.

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

Note 14 LIQUIDITY RISK

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

30.09.13 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	12	152	3 351	0	0	3 514
Perpetual hybrid Tier 1 securities	0	66	175	219	1 372	1 832
Debt to and deposits from customers (without defined maturity)	4 164	0	0	0	0	4 164
Covered bonds issued	0	2 778	16 299	836	0	19 912
Receivables from credit institutions	468	610	1 900	0	0	2 978
Financial derivatives	705	806	683	123	78	2 395
Accounts payable	677	0	0	0	0	677
Contingent liabilities	5 276	0	0	0	0	5 276
Total	11 303	4 411	22 408	1 178	1 450	40 750

30.09.12 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	14	144	3 368	0	0	3 526
Perpetual hybrid Tier 1 securities	0	63	167	208	1 576	2 014
Debt to and deposits from customers (without defined maturity)	2 553	0	0	0	0	2 553
Covered bonds issued	0	3 907	17 012	862	0	21 782
Receivables from credit institutions	1 178	2 822	970	0	0	4 969
Financial derivatives	28	84	326	147	-25	560
Accounts payable	650	0	0	0	0	650
Contingent liabilities	4 578	0	0	0	0	4 578
Total	9 000	7 019	21 843	1 218	1 551	40 631

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

Note 14 LIQUIDITY RISK (CONT.)

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

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

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

Note 15 INTEREST RATE RISK

30.09.13 NOK millions	Up to 3 months	From 3 mnths. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow	Total
ASSETS							
Mutual funds shares ¹	-1	0	0	0	0	3	1
Alternative investments	0	0	0	0	0	0	0
Financial derivatives classified as assets	-2	9	-125	-139	-111	-59	-428
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	4	4
Bonds and other fixed-return securities	-28	-62	-295	-342	-265	0	-992
Fixed income fund holdings	-2 322	0	0	0	0	17	-2 305
Shares in Non-UCIT funds	-30	0	0	0	0	5	-24
Lending and receivables	-2	-11	0	0	0	103	91
Lending	0	0	0	0	0	153	153
Total assets	-2 384	-65	-420	-481	-376	227	-3 499
LIABILITIES							
Deposit	0	0	0	0	0	-41	-41
Liabilities created on issue of securities	0	0	86	61	0	-162	-16
Financial derivatives classified as liabilities	-14	1	154	113	2	12	268
Hybrid capital, subordinated loans	0	0	0	58	21	0	80
Call Money	0	0	0	0	0	-5	-5
Total liabilities	-14	1	240	231	23	-195	286
Total, before and after tax	-2 398	-63	-180	-250	-353	32	-3 213

Note 15 INTEREST RATE RISK (CONT.)

30.09.12 NOK millions	Up to 3 months	From 3 mnths. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow	Total
ASSETS							
Mutual funds shares ¹	-1	0	0	0	0	3	2
Alternative investments	-1	0	0	0	0	3	2
Financial derivatives classified as assets	19	5	-174	-102	-210	-55	-517
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	5	5
Bonds and other fixed-return securities	-18	-45	-323	-404	-201	112	-879
Fixed income fund holdings	-1 849	0	0	0	0	15	-1 835
Shares in Non-UCIT funds	-1	0	0	0	0	3	2
Lending and receivables	-3	-12	0	0	0	53	39
Lending	0	-1	-1	0	0	159	158
Total assets	-1 853	-52	-497	-506	-411	297	-3 023
LIABILITIES							
Deposit	0	0	0	0	0	-25	-25
Liabilities created on issue of securities	0	0	81	53	0	-207	-73
Financial derivatives classified as liabilities	-15	-5	193	138	0	40	351
Hybrid capital, subordinated loans	0	0	0	48	35	0	84
Call Money	0	0	0	0	0	-5	-5
Total liabilities	-15	-5	274	239	35	-197	332
Total, before and after tax	-1 869	-57	-223	-267	-376	101	-2 691

Note 15 INTEREST RATE RISK (CONT.)

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

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

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

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

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

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

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

Note 16 CREDIT RISK

30.09.13 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Banks	0	502	1 766	0	107	2 375
Finance- and credit enterprises	0	533	0	0	0	533
Public sector guarantee	1 385	0	0	0	83	1 468
Government and government guarantee within OECD	13 524	0	0	795	0	14 319
Public sector enterprises and covered bonds	2 743	527	0	0	1 484	4 754
Other	0	463	3 145	0	3 291	6 899
Total	17 652	2 025	4 911	795	4 966	30 348
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Banks	0	1 028	7 100	0	2 138	10 266
Finance- and credit enterprises	0	1 228	255	0	0	1 483
Public sector guarantee	1 133	0	0	0	325	1 458
Government and government guarantee within OECD	11 115	3 820	0	2 023	0	16 959
Public sector enterprises and covered bonds	6 803	1 591	862	0	2 376	11 632
Other	0	4 066	5 077	1 018	14 601	24 761
Total	19 051	11 733	13 294	3 041	19 440	66 559
DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS						
Banks	0	594	2 148	51	10 124	12 918
Finance- and credit enterprises	11	616	464	0	697	1 788
Public sector guarantee	849	56	0	0	1 526	2 431
Government and government guarantee within OECD	9 080	4 268	0	0	0	13 348
Public sector enterprises and covered bonds	1 956	738	0	0	6 982	9 676
Other	0	617	1 082	122	10 512	12 333
Total	11 896	6 889	3 695	173	29 841	52 494
FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS						
Denmark	0	0	230	0	0	230
Finland	0	97	0	0	0	97
Norway	0	0	180	0	0	180
UK	0	0	134	0	0	134
Germany	0	0	123	0	0	123
USA	0	0	68	0	0	68
Total	0	97	734	0	0	831

Note 16 CREDIT RISK (CONT.)

30.09.13 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS						
Public sector guarantee	0	0	0	0	4 279	4 279
Government and government guarantee within OECD	0	0	0	0	1 679	1 679
Other	0	0	23 719	0	15 010	38 729
Total	0	0	23 719	0	20 968	44 687
DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES						
Denmark	0	0	331	0	0	331
Norway	0	0	2 970	0	3 182	6 152
UK	0	0	2 888	0	0	2 888
Sweden	0	174	171	0	60	405
USA	0	0	596	0	0	596
Total	0	174	6 957	0	3 242	10 373
Total securities	48 598	20 918	53 310	4 009	78 457	205 293
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS ¹						
		0 %	20 %	35 %	100 %	Totalt
Public sector		0	36 827	0	2 071	38 898
Enterprises		449	752	4	1 922	3 127
Private individuals		0	0	10 245	862	11 108
Total		449	37 579	10 249	4 856	53 133
30.09.12						
NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Banks	0	1 007	806	0	526	2 338
Finance- and credit enterprises	0	0	0	0	1 012	1 012
Public sector guarantee	1 398	0	0	0	52	1 450
Government and government guarantee within OECD	20 731	0	0	828	0	21 560
Public sector enterprises and covered bonds	2 719	527	0	0	1 488	4 734
Other	0	993	2 618	0	3 402	7 013
Total	24 849	2 527	3 424	828	6 480	38 107
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Banks	0	1 792	4 386	0	651	6 829
Finance- and credit enterprises	502	0	255	0	256	1 012
Public sector guarantee	1 133	0	0	0	826	1 959
Government and government guarantee within OECD	14 399	0	0	2 023	0	16 422
Public sector enterprises and covered bonds	6 810	827	862	0	2 376	10 875
Other	0	1 684	2 751	877	7 540	12 852
Total	22 844	4 303	8 254	2 900	11 648	49 949

Note 16 CREDIT RISK (CONT.)

30.09.12 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS						
Banks	0	443	3 223	52	9 503	13 221
Finance- and credit enterprises	11	576	458	0	289	1 334
Public sector guarantee	855	55	0	0	973	1 883
Government and government guarantee within OECD	5 945	3 970	0	528	0	10 443
Public sector enterprises and covered bonds	1 874	206	0	100	5 956	8 136
Other	0	289	445	33	7 867	8 634
Total	8 685	5 539	4 125	712	24 590	43 652
FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS						
Denmark	0	0	264	0	0	264
Finland	0	71	0	0	0	71
Norway	0	38	355	0	0	394
Switzerland	0	0	125	0	0	125
Sweden	0	0	309	0	0	309
Germany	0	0	14	0	0	14
USA	0	0	321	0	0	321
Total	0	110	1 388	0	0	1 497
DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS						
Government and government guarantee within OECD	0	0	0	0	120	120
Other	0	0	19 147	0	16 090	35 236
Total	0	0	19 147	0	16 210	35 357
DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES						
Denmark	0	0	2 074	0	0	2 074
Norway	0	0	4 171	0	3 133	7 304
UK	0	0	2 013	0	0	2 013
Sweden	125	0	1 416	0	0	1 542
USA	0	0	367	0	0	367
Total	125	0	10 041	0	3 133	13 299
Total securities	56 502	12 479	46 378	4 441	62 061	181 861
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS ¹						
		0 %	20 %	35 %	100 %	Totalt
Public sector		0	38 819	0	1 660	40 479
Enterprises		0	1 053	4	864	1 921
Private individuals		0	0	10 118	344	10 462
Total		0	39 871	10 122	2 869	52 862

Note 16 CREDIT RISK (CONT.)

31.12.12 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Banks	0	1 023	786	0	305	2 113
Finance- and credit enterprises	0	510	0	0	1 024	1 534
Public sector guarantee	1 356	0	0	0	50	1 406
Government and government guarantee within OECD	19 837	0	0	839	0	20 676
Public sector enterprises and covered bonds	2 699	535	0	0	1 459	4 692
Other	0	475	3 098	0	3 288	6 862
Total	23 892	2 543	3 884	839	6 125	37 283
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Banks	0	1 042	4 406	0	61	5 509
Finance- and credit enterprises	510	259	520	0	0	1 288
Public sector guarantee	1 111	0	0	0	818	1 929
Government and government guarantee within OECD	14 356	0	0	2 045	0	16 401
Public sector enterprises and covered bonds	6 761	1 610	860	0	2 402	11 633
Other	0	2 003	2 121	836	14 197	19 157
Total	22 738	4 913	7 907	2 881	17 478	55 917
DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS						
Banks	0	443	3 572	57	9 949	14 021
Finance- and credit enterprises	11	568	453	0	265	1 297
Public sector guarantee	855	55	0	0	1 750	2 660
Government and government guarantee within OECD	8 394	3 009	0	0	0	11 402
Public sector enterprises and covered bonds	1 881	409	0	0	6 528	8 817
Other	0	287	634	114	9 723	10 758
Total	11 140	4 771	4 658	171	28 215	48 955
FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS						
Denmark	0	0	345	0	0	345
Finland	0	269	0	0	0	269
Norway	0	0	380	0	0	380
UK	0	0	213	0	0	213
Sweden	0	0	333	0	0	333
Total	0	269	1 272	0	0	1 541
DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS						
Government and government guarantee within OECD	0	0	0	0	121	121
Other	0	0	20 920	0	17 202	38 122
Total	0	0	20 920	0	17 323	38 243

Note 16 CREDIT RISK (CONT.)

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

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

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

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

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

Note 16 CREDIT RISK (CONT.)**Geographic extract of debt instruments - Exposure against profiled countries in the Eurozone (PIIGS ²)**

30.09.13 NOK millions	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Book value 30.09.2013
SPAIN					
Fixed income securities at amortized cost	780	31	0	811	780
Total Spain	780	31	0	811	780
ITALY					
Fixed income securities at amortized cost	2 000	77	0	2 077	2 000
Total Italy	2 000	77	0	2 077	2 000
Total exposure PIIGS	2 780	108	0	2 888	2 780

In Spain, pure government debt was NOK 0 million and government guaranteed securities NOK 811 million. In Italy, pure government debt was NOK 2 077 million and government guaranteed securities NOK 0 (market value) as at 30 September 2013.

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

30.09.12 NOK millions	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Book value 31.12.2012
SPAIN					
Fixed income securities at fair value through profit or loss	158	-19	-9	139	139
Fixed income securities at amortized cost	813	-21	0	792	813
Total Spania	971	-40	-9	931	952
ITALY					
Fixed income securities at fair value through profit or loss	444	-55	-44	389	389
Fixed income securities at amortized cost	2 000	-39	0	1 961	2 000
Total Italia	2 444	-95	-44	2 350	2 389
Sum eksponering PIIGS	3 416	-135	-53	3 281	3 341

In Spain, pure government debt was NOK 139 million and government guaranteed securities NOK 792 million. In Italy, pure government debt was NOK 2 350 million and government guaranteed securities NOK 0 (market value) as at 30 September 2012.

30.09.2012 Rating	Spain	Italy
Moody's	Baa3	Baa2
Standard & Poor's	BBB+	BBB+
Fitch	BBB	A-

Note 16 CREDIT RISK (CONT.)

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

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

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

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

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

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

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

NOK millions	30.09.13	30.09.12	31.12.12
Premium reserves - ordinary tarif	267 841	242 362	246 417
Premium reserves - longevity reserving	6 157	0	4 486
Premium funds, buffer funds and pensioners' surplus funds	3 419	1 740	1 595
Supplementary reserves	12 460	12 380	12 403
Securities adjustment fund	12 664	10 395	9 300
Other provisions	300	99	220
Profit/loss allocated to insurance contracts	2 130	2 632	2 360
Insurance-related provisions in life insurance incl. investment options	304 971	269 608	276 781

NOK millions	30.09.13	30.09.12	31.12.12
Premium reserves - ordinary tarif	483	269	293
Deposit funds	8	7	7
Reserving life insurance with investment options	492	276	300

Reserves increase K 2013		
NOK millions		
Estimated gross reserves increase for new tariff K2013		8 922
Reserves increase as at 31.12.2012		4 486
Additional reserves increase ¹		1 671
Total reserves increase as at 30.09.2013		6 157
Remaining reserves increase requirement		2 765

¹ Reserves increase is calculated based on the results of Q3, but is not binding on the Company result for the year.

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

30.09.13 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	831	0	831	-549	-198	84
Total	831	0	831	-549	-198	84
LIABILITIES						
Financial derivatives	1 776	0	1 776	-549	-1 134	94
Total	1 776	0	1 776	-549	-1 134	94

30.09.12 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 497	0	1 497	-434	-1 015	4
Total	1 497	0	1 497	-434	-1 015	4
LIABILITIES						
Financial derivatives	683	0	683	-434	-88	161
Total	683	0	683	-434	-88	161

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

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

Note 19 ACCOUNTS RECEIVABLES

NOK millions	30.09.13	30.09.12	31.12.12
Short-term receivable trade in securities ¹	19 053	333	196
Premium receivable	6 896	11 556	207
Reinsurance share of gross outstanding claims provisions	116	195	185
Other receivable	900	1 061	1 166
Total receivable	26 965	13 144	1 754

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

Note 20 OTHER SHORT TERM LIABILITIES

NOK millions	30.09.13	30.09.12	31.12.12
Short-term liabilities securities ¹	19 445	187	3 696
Advance tax-deduction pension scheme	431	205	214
Accounts payable	623	650	691
Pre-called contribution to insurance	98	2 882	438
Other short-term liabilities	102	170	204
Total other short-term liabilities	20 700	4 093	5 245

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



Non-financial accounts

KLP Group

Non-financial accounts

KLP Group

Note		30.09.13	30.06.13	31.03.13	2012	2011	2010
ENVIRONMENT							
1	Energy consumption kWh KLP-huset	2 580 817	1 874 683	1 134 254	3 795 878	3 489 425	5 367 259
1	Energy consumption kWh egne kontorer Trondheim	174 612	130 298	80 688	221 703	165 135	357 159
1	Energy consumption kWh eget kontor Bergen	348 151	263 310	163 615	445 918	460 518	541 337
	Kilo CO ₂ -equivalent from aircrafts	468 406	310 689	151 659	387 429	333 081	300 370
EMPLOYEES							
	Number of employees	849	839	825	808	775	762
	Percentage reported sickness absence 12 month rolling	3,8	4,2	4,5	4,2	4,6	4,4
	Percentage reported sickness absence quarter	2,8	4,0	4,5			
SOCIAL RESPONSIBLE INVESTMENTS							
	Number of exclusions of companies from the investment portfolio	64	64	64	64	64	59
	Number of companies reinstated in the investment portfolio	0	3	0	1	1	3
2	Number of general meetings in Norwegian companies in which KLP has voted	85 (96 %)	78 (98 %)	3 (100 %)	113 (92 %)	130 (92 %)	127 (90 %)
2	Number of general meetings in foreign companies in which KLP has voted	1 918 (74 %)	1 688 (73 %)	203 (54 %)	2 099 (75 %)	1 662 (82 %)	1 533 (71 %)
	Number of companies KLP has been in dialogue with	34	25	9	143	96	

Note 1 ENERGY CONSUMPTION

Target is set at 5 per cent reduction in tonnes CO₂/employee. 1 kwh approximates to NOK 1 and 117 g CO₂ equivalents at "Nordic mix". New and improved details regarding reporting of CO₂ aircraft engine emissions are available. This makes comparisons with previous years inaccurate. A correction of the CO₂ energy consumption were received after the Q2 2013 reporting. The number in this table is therefore adjusted to the new numbers.

Note 2 SOCIAL RESPONSIBLE INVESTMENTS

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



Accounts

Kommunal Landspensjonskasse

Income statement

Kommunal Landspensjonskasse

Note	NOK million	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
4	Premium income	5 012	7 027	25 487	22 186	29 025
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	724	324	2 291	1 444	1 828
	Interest income/dividends on financial assets	1 716	2 258	5 738	5 942	8 443
	Value changes on investments	1 955	2 147	3 749	5 201	3 716
	Gains and losses realised on investments	523	796	837	391	2 424
	Net income from investments in the common portfolio	4 918	5 525	12 616	12 978	16 412
	Net income of the investment option portfolio	36	36	86	84	105
	Other insurance-related income	157	165	494	486	651
	Claims	-3 052	-2 708	-8 860	-8 102	-10 882
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-5 430	-8 316	-26 283	-23 698	-31 101
	Changes in insurance liabilities investment option portfolio	-56	-13	-142	-58	-146
	Funds assigned to insurance contracts - contractual liabilities	-1 141	-1 292	-2 135	-2 632	-2 366
5	Insurance-related operating expenses	-208	-213	-597	-597	-789
	Other insurance-related costs	-160	-162	-483	-484	-647
	Technical profit/loss	76	48	182	163	261
	Net income from investments in the corporate portfolio	228	214	747	638	735
	Other income	3	2	9	8	15
	Administration costs and other costs associated with the corporate portfolio	-56	-54	-163	-157	-212
	Non-technical profit/loss	174	162	594	489	538
	Profit/loss pre-tax	250	210	776	652	799
	Tax	0	0	0	0	0
	Profit/loss before other comprehensive income	250	210	776	652	799
	Actuarial loss on post employment benefit obligations	0	0	0	0	202
	Items that will not be reclassified to profit or loss	0	0	0	0	202
	TOTAL COMPREHENSIVE INCOME	250	210	776	652	1 001

Balance sheet

Kommunal Landspensjonskasse

Note	NOK million	30.09.13	30.09.12	31.12.12
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	308	297	303
6	Investments	18 991	17 560	17 533
	Receivables	7 473	12 399	1 145
	Other assets	410	420	403
	Total assets in the corporate portfolio	27 182	30 676	19 384
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	32 849	29 707	30 439
6	Financial assets valued at amortised cost	116 781	107 917	113 474
6, 7	Financial assets valued at fair value	166 280	121 460	134 817
	Total assets in the common portfolios	315 910	259 084	278 731
	Shares and holdings in property subsidiaries	201	182	186
6	Financial assets at amortised costs	584	559	568
6, 7	Financial assets at fair value	901	758	802
	Total assets in investment portfolio	1 686	1 499	1 556
	ASSETS	344 778	291 258	299 671
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	7 600	6 853	6 891
	Retained earnings	7 338	6 213	6 562
	Subordinated loan capital etc.	4 074	4 135	3 865
10	Insurance obligations in life insurance - contractual liabilities	302 208	267 187	274 294
10	Insurance liabilities investment option portfolio	1 698	1 510	1 548
	Provision for liabilities	323	525	323
9	Liabilities	21 465	4 778	6 136
	Accrued costs and prepaid income	72	58	52
	OWNERS' EQUITY AND LIABILITIES	344 778	291 258	299 671
	Contingent liabilities	4 775	4 352	4 410

Changes in Owner's equity

Kommunal Landspensjonskasse

2013 NOK million	Paid-up equity	Retained earnings	Total equity
Own funds 01.01.2013	6 891	6 562	13 453
Total other comprehensive income	0	776	776
Total comprehensive income	0	776	776
Equity paid-in	715	0	715
Equity reimbursed	-6	0	-6
Total transactions with owners	709	0	709
Own funds 30.09.2013	7 600	7 338	14 938

2012 NOK million	Paid-up equity	Retained earnings	Total equity
Own funds 31.12.2011	6 217	5 723	11 941
Changes in accounting principles- pension corridor	0	-163	-163
Own funds 01.01.2012	6 217	5 560	11 778
Comprehensive income	0	652	652
Total comprehensive income	0	652	652
Equity paid-in	639	0	639
Equity reimbursed	-4	0	-4
Total transactions with owners	635	0	635
Own funds 30.09.2012	6 853	6 213	13 065

Statement of cash flows

Kommunal Landspensjonskasse

NOK million	01.01.2013- 30.09.2013	01.01.2013- 30.06.2013	01.01.2013- 31.03.2013	01.01.2012- 31.12.2012	01.01.2012- 30.09.2012
Net cashflow from operational activities	-1 166	-381	-589	-676	-510
Net cashflow from investment activities	-56	-41	-19	-70	-50
Net cashflow from financing activities	1 245	599	598	806	635
Net changes in cash and bank deposits	23	177	-10	60	75
Holdings of cash and bank deposits at start of period	348	348	348	288	288
Holdings of cash and bank deposits at end of period	371	525	338	348	363

Notes to the Accounts

Kommunal Landspensjonskasse

Note 1 ACCOUNTING PRINCIPLES

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

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

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

Changes to the accounting principles:

IAS 1 Financial information

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

IFRS 7 Financial instruments - information

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

IAS 19 Benefits for the staff

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

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

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

NOK million	30.09.13	30.09.12	31.12.12
Capitalized pension liability for own employees incl. corridor	I/A	362	386
Capitalized pension liability for own employees excl. Corridor	323	525	323
Change in provision for liabilities	0	163	-63
ACCOUNTING LINE IN INCOME STATEMENT:			
Insurance-related operating costs	0	0	24
Other income statement components	0	0	202
Total result	0	0	226
FINANCIAL POSITION STATEMENT:			
Provision for liabilities	0	163	-226
Accrued owners' equity	0	-163	226

IFRS 13 Measuring fair value

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

IAS 34 Interim reporting

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

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

Note 2 ESTIMATES

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

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

There will be a considerable need for reserves in connection with the new longevity base and periods for escalation will be granted. Such escalation periods will apply starting from 2014 and should not last for more than 5 years. At the same time there will be a minimum requirement to strengthen the reserves as a minimum on a straight-line basis over the period. In order to cover the need for increased reserves, a minimum of 20 per cent of the gross increase of reserves should be

covered by the company during the period between 2014 and 2018, whereas the remaining increase of reserves may be covered by return surplus available and the risk results as approved by the Financial Supervisory Authority of Norway. The increase of reserves is to be completed by 2018. See Note 10 for further information about the company's increase of reserves due to the new longevity base

Pension obligations in respect of own employees

In September 2013, Norsk Regnskapsstiftelse (The Norwegian Accounts Foundation) published an updated version of the guidelines for pension criteria, where there is some change in the parameters from 31 December 2012. The stated calculation criteria are uncertain, and the Company must determine the criteria itself, based on a specific assessment of its pension schemes.

The changes in the financial criteria are pulling in different directions and will, not insignificantly, affect the net book pension obligation as at 30 September 2013.

This means that the book pension obligation remains the same as the estimate for the pension obligation that had been worked out as at 31 December 2012.

Note 3 VALUE-ADJUSTMENT INVESTMENT PROPERTY

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

NOK millions	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
Value adjustment incl. foreign exchange	318	-83	1 052	77	39
Foreign exchange effect on hedging	-246	2	-646	208	265
Net value adjustment incl. exchange hedging	73	-81	406	285	305

Note 4 PREMIUM INCOME

NOK millions	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
Gross premiums due	4 911	6 976	19 500	20 588	27 481
Reinsurance premiums ceded	0	0	-1	-3	-5
Transfer of premium reserved from others	101	51	5 988	1 601	1 549
Total premium income	5 012	7 027	25 487	22 186	29 025

Note 5 INSURANCE-RELATED OPERATING EXPENSES

NOK millions	Q3 2013	Q3 2012	01.01.13- 30.09.13	01.01.12- 30.09.12	The year 2012
Staff costs	138	130	349	333	477
Depreciation	19	17	56	52	69
Other operating expenses	52	65	192	212	244
Total insurance related expenses	208	213	597	597	789

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

a) Shares (listed)

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

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

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

b) Shares (unlisted)

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

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

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

c) Foreign fixed interest securities

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

- JP Morgan
- Barclays Capital Indices
- Bloomberg
- Reuters

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

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

d) Norwegian fixed interest securities - government

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

e) Norwegian fixed interest securities - other than government

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

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

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

g) Futures/FRA/IRF

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

h) Options

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

i) Interest rate swaps

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

j) Loans secured by mortgage

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

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

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

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

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

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

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

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

l) Investments with credit institutions

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

m) Fair value of subordinated loan capital

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

n) Fair value of hybrid Tier 1 securities issued

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

o) Private Equity

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

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

30.09.2013 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS - AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	681	734	8 933	9 639	57	61	9 672	10 434
Accrued not due interest	21	21	312	312	2	2	335	335
Foreign hold-to-maturity bonds	2 868	2 999	16 228	17 175	84	89	19 180	20 263
Accrued not due interest	43	43	361	361	2	2	405	405
Total investments held to maturity	3 612	3 796	25 834	27 486	145	155	29 591	31 437
BONDS AT AMORTIZED COST								
Norwegian bond loans	1 273	1 322	22 781	23 826	129	137	24 183	25 284
Accrued not due interest	25	25	530	530	2	2	557	557
Foreign bond loans	3 737	3 904	35 873	37 640	302	318	39 912	41 862
Accrued not due interest	45	45	714	714	7	7	766	766
Total bonds classified as loans and receivables	5 080	5 296	59 898	62 710	439	463	65 417	68 469
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	7 593	7 600	0	0	7 593	7 600
Lending with public sector guarantee	0	0	23 246	23 712	0	0	23 246	23 712
Accrued not due interest	0	0	210	210	0	0	210	210
Total other loans and receivables	0	0	31 049	31 523	0	0	31 049	31 523
Total financial assets at amortized cost	8 693	9 092	116 781	121 719	584	617	126 058	131 428
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	229	229	3 578	3 578	0	0	3 807	3 807
Foreign shares	0	0	20 884	20 884	0	0	20 884	20 884
Total shares and units	229	229	24 461	24 461	0	0	24 691	24 691
Property funds	0	0	643	643	0	0	643	643
Norwegian equity funds	0	0	19 949	19 949	412	412	20 361	20 361
Foreign equity funds	0	0	3 725	3 725	0	0	3 725	3 725
Total equity fund units	0	0	24 317	24 317	412	412	24 729	24 729
Norwegian alternative investments	0	0	1 724	1 724	13	13	1 737	1 737
Foreign alternative investments	0	0	4	4	0	0	4	4
Total alternative investments	0	0	1 728	1 728	13	13	1 741	1 741

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

30.09.2013 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS								
Norwegian bonds	3 052	3 052	24 063	24 063	0	0	27 114	27 114
Foreign bonds	233	233	12 785	12 785	0	0	13 018	13 018
Accrued not due interest	30	30	423	423	0	0	453	453
Norwegian fixed-income funds	719	719	30 440	30 440	435	435	31 593	31 593
Foreign fixed-income funds	0	0	11 137	11 137	0	0	11 137	11 137
Accrued not due interest	8	8	192	192	6	6	206	206
Norwegian certificates	573	573	7 409	7 409	0	0	7 982	7 982
Accrued not due interest	7	7	49	49	0	0	57	57
Total bonds and other fixed-income securities	4 623	4 623	86 497	86 497	441	441	91 560	91 560
Norwegian loans and receivables	343	343	5 961	5 961	22	22	6 326	6 326
Foreign loans and receivables	120	120	3 799	3 799	12	12	3 931	3 931
Total loans and receivables	464	464	9 760	9 760	33	33	10 257	10 257
DERIVATIVES								
Interest rate swaps	70	70	387	387	0	0	457	457
Share options	0	0	127	127	1	1	128	128
Forward exchange contracts	0	0	56	56	0	0	56	56
Total financial derivatives classified as assets	70	70	569	569	1	1	640	640
Other financial assets	35	35	18 948	18 948	0	0	18 983	18 983
Total financial assets valued at fair value	5 422	5 422	166 280	166 280	901	901	172 603	172 603
Investment property	938	938	0	0	0	0	938	938
Investments in subsidiaries	3 940	3 940	0	0	0	0	3 940	3 940
Total investments	18 991	19 391	283 061	287 999	1 484	1 517	303 537	308 907
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	-314	-314	0	0	-314	-314
Interest rate- and currency swaps	0	0	-581	-581	-3	-3	-584	-584
Forward exchange contracts	-1	-1	-917	-917	-4	-4	-922	-922
Total financial derivatives classified as liabilities	-1	-1	-1 812	-1 812	-7	-7	-1 820	-1 820

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

30.09.2013 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	-3 089	-3 165	0	0	0	0	-3 089	-3 165
Hybrid Tier 1 securities	-984	-997	0	0	0	0	-984	-997
Total subordinated loan capital etc.	-4 074	-4 162	0	0	0	0	-4 074	-4 162
DEBT TO CREDIT INSTITUTIONS								
Norwegian call money	0	0	0	0	0	0	0	0
Foreign call money	-19	-19	-197	-197	0	0	-217	-217
Total debt to credit institutions	-19	-19	-197	-197	0	0	-217	-217

30.09.2012 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS - AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds ¹	627	627	15 846	15 846	80	80	16 553	16 553
Accrued not due interest	18	18	463	463	3	3	483	483
Foreign hold-to-maturity bonds ¹	2 436	2 436	17 161	17 161	89	89	19 685	19 685
Accrued not due interest	37	37	398	398	2	2	438	438
Total investments held to maturity	3 117	3 117	33 869	33 869	174	174	37 160	37 160
BONDS								
Norwegian bond loans ¹	974	974	16 872	16 872	121	121	17 967	17 967
Accrued not due interest	15	15	335	335	2	2	351	351
Foreign bond loans ¹	2 942	2 942	26 813	26 813	256	256	30 011	30 011
Accrued not due interest	46	46	690	690	6	6	743	743
Total bonds classified as loans and receivables	3 977	3 977	44 710	44 710	385	385	49 072	49 072
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	8 899	8 899	0	0	8 899	8 899
Lending with public sector guarantee	0	0	20 205	20 205	0	0	20 205	20 205
Accrued not due interest	0	0	234	234	0	0	234	234
Total other loans and receivables	0	0	29 338	29 338	0	0	29 338	29 338
Total financial assets at amortized cost	7 094	7 094	107 917	107 917	559	559	115 569	115 569

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

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

30.09.2012 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	223	223	2 953	2 953	0	0	3 176	3 176
Foreign shares	0	0	14 952	14 952	0	0	14 952	14 952
Total shares and units	223	223	17 905	17 905	0	0	18 128	18 128
Property funds	0	0	634	634	0	0	634	634
Norwegian equity funds	0	0	17 084	17 084	311	311	17 395	17 395
Foreign equity funds	0	0	2 525	2 525	0	0	2 525	2 525
Total equity fund units	0	0	20 243	20 243	311	311	20 554	20 554
Norwegian alternative investments	327	327	1 398	1 398	0	0	1 724	1 724
Foreign alternative investments	0	0	5	5	0	0	5	5
Total alternative investments	327	327	1 402	1 402	0	0	1 729	1 729
DEBT INSTRUMENTS								
Norwegian bonds	3 180	3 180	21 520	21 520	0	0	24 700	24 700
Foreign bonds	135	135	9 541	9 541	0	0	9 675	9 675
Accrued not due interest	36	36	390	390	0	0	426	426
Norwegian fixed-income funds	0	0	21 226	21 226	415	415	21 641	21 641
Foreign fixed-income funds	0	0	11 532	11 532	0	0	11 532	11 532
Norwegian certificates	883	883	3 098	3 098	0	0	3 982	3 982
Accrued not due interest	11	11	40	40	0	0	52	52
Total bonds and other fixed-income securities	4 245	4 245	67 914	67 914	426	426	72 586	72 586
Norwegian loans and receivables	696	696	9 833	9 833	10	10	10 539	10 539
Foreign loans and receivables	155	155	2 258	2 258	9	9	2 422	2 422
Total loans and receivables	851	851	12 091	12 091	19	19	12 961	12 961
DERIVATIVES								
Interest rate swaps	273	273	395	395	0	0	668	668
Share options	0	0	354	354	1	1	355	355
Forward exchange contracts	1	1	224	224	0	0	225	225
Total financial derivatives classified as assets	274	274	974	974	1	1	1 249	1 249
Other financial assets	0	0	226	226	0	0	226	226
Total financial assets valued at fair value	5 920	5 920	121 460	121 460	758	758	127 912	127 912
Investment property	952	952	0	0	0	0	952	952
Investments in subsidiaries	3 594	3 594	0	0	0	0	3 594	3 594
Total investments	17 560	17 560	229 377	229 377	1 317	1 317	248 027	248 027

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

30.09.2012 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
FORPLIKTELSER								
DERIVATIVES								
Interest rate swaps	0	0	-265	-265	0	0	-265	-265
Interest rate futures (IRF)	0	0	0	0	0	0	0	0
Interest rate and currency swaps	0	0	-6	-6	0	0	-6	-6
Forward exchange contracts	0	0	-13	-13	0	0	-13	-13
Total financial derivatives classified as liabilities	0	0	-284	-284	0	0	-284	-284
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	-2 965	-2 935	0	0	0	0	-2 965	-2 935
Hybrid Tier 1 securities	-1 169	-1 169	0	0	0	0	-1 169	-1 169
Total subordinated loan capital etc.	-4 135	-4 105	0	0	0	0	-4 135	-4 105
DEBT TO CREDIT INSTITUTIONS								
Norwegian call money	0	0	-385	-385	0	0	-385	-385
Foreign call money	-186	-186	-607	-607	0	0	-793	-793
Total debt to credit institutions	-186	-186	-992	-992	0	0	-1 178	-1 178

Note 7 FAIR VALUE HIERARCHY

30.09.13 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	762	3 861	0	4 623
Certificates	0	581	0	581
Bonds	35	3 280	0	3 315
Fixed-income funds	727	0	0	727
Loans and receivables	376	88	0	464
Shares and units	0	223	6	229
Shares	0	223	6	229
Equity funds	0	0	0	0
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	70	0	70
Other financial assets	0	35	0	35
Total corporate portfolio	1 138	4 278	6	5 422
COMMON PORTFOLIO				
Bonds and other fixed-income securities	57 541	28 956	0	86 496
Certificates	3 695	3 763	0	7 458
Bonds	12 077	25 193	0	37 270
Fixed-income funds	41 768	0	0	41 768
Loans and receivables	6 556	3 204	0	9 760
Shares and units	44 680	1 729	4 097	50 506
Shares	23 597	1	662	24 261
Equity funds	20 440	0	0	20 440
Property funds	643	0	0	643
Special funds	0	1 728	0	1 728
Private Equity	0	0	3 435	3 435
Financial derivatives	0	569	0	569
Other financial assets	0	18 948	0	18 948
Total common portfolio	108 777	53 406	4 097	166 280

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.09.13 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	441	0	0	441
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	441	0	0	441
Loans and receivables	33	0	0	33
Shares and units	412	13	0	425
Shares	0	0	0	0
Equity funds	412	0	0	412
Property funds	0	0	0	0
Special funds	0	13	0	13
Private Equity	0	0	0	0
Financial derivatives	0	2	0	2
Other financial assets	0	0	0	0
Total investment option portfolio	886	15	0	901
Total financial assets valued at fair value	110 800	57 698	4 103	172 602
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	1	0	1
Debt to credit institutions	19	0	0	19
Total corporate portfolio	19	1	0	20
COMMON PORTFOLIO				
Financial derivatives	0	1 470	0	1 470
Debt to credit institutions	197	0	0	197
Total common portfolio	197	1 470	0	1 667
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	6	0	7
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	6	0	7
Total financial liabilities at fair value	217	1 477	0	1 693

Note 7 FAIR VALUE HIERARCHY (CONT.)

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

Note 7 FAIR VALUE HIERARCHY (CONT.)

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

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.09.12 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	387	3 858	0	4 245
Certificates	10	885	0	894
Bonds	378	2 974	0	3 351
Fixed-income funds	0	0	0	0
Loans and receivables	653	198	0	851
Shares and units	0	539	11	550
Shares	0	212	11	223
Equity funds	0	0	0	0
Property funds	0	0	0	0
Special funds	0	327	0	327
Private Equity	0	0	0	0
Financial derivatives	0	274	0	274
Other financial assets	0	0	0	0
Total corporate portfolio	1 040	4 869	11	5 920
COMMON PORTFOLIO				
Bonds and other fixed-income securities	45 683	22 733	0	67 969
Certificates	39	3 602	0	3 641
Bonds	12 320	19 131	0	31 451
Fixed-income funds	33 325	0	0	33 325
Loans and receivables	5 883	6 410	0	12 293
Shares and units	35 110	1 464	2 978	39 552
Shares	17 389	60	338	17 905
Equity funds	17 087	0	0	19 609
Property funds	634	0	0	634
Special funds	0	1 403	0	1 403
Private Equity	0	0	2 640	0
Financial derivatives	0	974	0	974
Other financial assets	0	226	0	226
Total common portfolio	86 677	31 805	2 978	121 460

Note 7 FAIR VALUE HIERARCHY (CONT.)

30.09.12 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	426	0	0	426
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	426	0	0	426
Loans and receivables	19	0		19
Shares and units	311	0	0	311
Shares	0	0	0	0
Equity funds	311	0	0	311
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	1	0	1
Other financial assets	0	0	0	0
Total investment option portfolio	731	1	0	732
Total financial assets valued at fair value	88 448	36 676	2 989	128 113
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	186	0	0	186
Total corporate portfolio	186	0	0	186
COMMON PORTFOLIO				
Financial derivatives	0	284	0	284
Debt to credit institutions	992	0	0	992
Total common portfolio	992	284	0	1 276
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	0	0	0
Total financial liabilities at fair value	571	547	0	1 118

Note 7 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 30.09.2013	Book value 31.12.2012	Book value 30.09.2012
Opening balance 1 January	6	11	11
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	-4	0
Closing balance 30.09. / 31.12.	6	6	11
Realised gains/losses	0	0	0

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

Changes in Level 3 shares, unlisted Common portfolio	Book value 30.09.2013	Book value 31.12.2012	Book value 30.09.2012
Opening balance 1 January	353	340	340
Sold	0	-9	-336
Bought	308	0	330
Unrealised changes	2	22	4
Closing balance 30.09. / 31.12.	662	353	338
Realised gains/losses	0	3	2

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

Changes in Level 3 shares, Private Equity Common portfolio	Book value 30.09.2012	Book value 31.12.2012	Book value 30.09.2012
Opening balance 1 January	2 868	2 180	2 196
Sold	0	-413	-302
Bought	4	874	667
Unrealised changes	562	171	79
Closing balance 30.09./31.12.	3 435	2 812	2 640
Realised gains/losses	-1	51	46
Total Level 3	4 103	3 171	2 989

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

Note 7 FAIR VALUE HIERARCHY (CONT.)

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

Level 1:

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

Level 2:

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

Level 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. On a general basis, a change in the pricing of 5 % produces a change in the value of NOK 205 million as at 30 September 2013, NOK 159 million as at 31 December 2012 and NOK 149 million as at 30 September 2012 for assets in Level 3.

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

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

The purpose of this note is to show the potential effect of netting agreements at KLP. The note shows derivative positions in the financial position statement, and one additional table with information on the different portfolios in the company.

30.09.13 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	641	0	641	-354	-204	83
Total	641	0	641	-354	-204	83
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	569	0	569	-353	-197	19
Total assets – corporate portfolio	70	0	70	0	-6	64
Total assets – investment option portfolio	2	0	2	-1	0	0
Total	641	0	641	-354	-204	83
LIABILITIES						
Financial derivatives	1 477	0	1 477	-354	-1 123	-1
Total	1 477	0	1 477	-354	-1 123	-1
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	1 470	0	1 470	-353	-1 122	-6
Total liabilities – corporate portfolio	1	0	1	0	0	1
Total liabilities – investment option portfolio	6	0	6	-1	-1	4
Total	1 477	0	1 477	-354	-1 123	-1
30.09.12						
30.09.12 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 249	0	1 249	-38	-1 178	37
Total	1 249	0	1 249	-38	-1 178	37
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	974	0	974	-37	-992	-56
Total assets – corporate portfolio	274	0	274	0	-186	88
Total assets – investment option portfolio	1	0	1	0	0	5
Total	1 249	0	1 249	-38	-1 178	37
LIABILITIES						
Financial derivatives	284	0	284	-37	-231	16
Total	284	0	284	-37	-231	16
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	284	0	284	-37	-231	16
Total liabilities – corporate portfolio	0	0	0	0	0	0
Total liabilities – investment option portfolio	0	0	0	0	0	0
Total	284	0	284	-37	-231	16

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

31.12.12 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 357	0	1 357	-130	-1 149	68
Total	1 357	0	1 357	-130	-1 149	68
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	1 282	0	1 282	-146	-1 145	-10
Total assets – corporate portfolio	71	0	71	17	-3	75
Total assets – investment option portfolio	4	0	4	-1	0	2
Total	1 357	0	1 357	-130	-1 149	68
LIABILITIES						
Financial derivatives	363	0	363	-130	-104	129
Total	363	0	363	-130	-104	129
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	362	0	362	-129	-102	131
Total liabilities – corporate portfolio	0	0	0	0	0	0
Total liabilities – investment option portfolio	1	0	1	-1	-2	-2
Total	363	0	363	-130	-104	129

Note 9 OTHER SHORT TERM LIABILITIES

NOK millions	30.09.13	30.09.12	31.12.12
Short-term liabilities securities ¹	19 416	186	3 644
Advance tax-deduction pension scheme	230	204	214
Accounts payable	1	31	10
Derivatives	1 477	284	363
Debt to credit institutions	217	1 178	1 461
Liabilities related to direct insurance	104	2 882	438
Other short-term liabilities	20	12	6
Total other short-term liabilities	21 465	4 778	6 136

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

Note 10 INSURANCE LIABILITIES

NOK millions	30.09.13	30.09.12	31.12.12
Premium reserve - ordinary tariff	265 463	240 124	244 208
Premium reserve - longevity reinforcement	6 014	0	4 400
Premium fund, buffer fund and pensioners' surplus fund	3 347	1 677	1 528
Supplementary reserves	12 348	12 270	12 293
Securities adjustment fund	12 639	10 382	9 288
Other provisions	267	156	212
Unallocated result - insurance contracts in the common portfolio	2 130	2 578	0
Allocated result - insurance contracts in the common portfolio	0	0	2 366
Insurance liabilities in life insurance - contractual liabilities	302 208	267 187	274 294
Premium reserve - ordinary tariff	1 452	1 332	1 361
Premium reserve - longevity reinforcement	110	0	60
Premium fund, buffer fund and pensioners' surplus fund	49	41	45
Supplementary reserves	83	83	83
Unallocated result - insurance contracts in the unit-linked portfolio	5	54	0
Insurance-related provisions - investment option portfolio	1 698	1 510	1 548

Reserves increase NOK millions	
Estimated gross reserves increase for new tariff K 2013	8 837
Reserves increase as at 31.12.2012	4 460
Additional reserves increase this year - up to now ¹	1 664
Total reserves increase as at 30.09.2013	6 124
Remaining reserves increase requirement	2 713

¹ Reserves increase is calculated based on the results of Q3, but is not binding on the Group result for the year.

klp

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