

# Interim report

## Q3 2014



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# Interim report – third quarter 2014

## A further 16 municipalities transferred to KLP

- A large inflow of transfer customers again during the third quarter: 16 municipalities and about 150 enterprises became customers of KLP during the quarter. This represents inward transfer of NOK 10.4 billion.
- Value-adjusted return for the common portfolio in public sector occupational pension: 1.2 per cent for the quarter and 4.9 per cent as at 30 September
- Book return for the common portfolio in public sector occupational pension: 0.8 per cent for the quarter and 2.6 per cent as at 30 September
- Return on the corporate portfolio: 1.3 per cent for the quarter and 5.3 per cent as at 30 September
- Strong underlying development in the subsidiaries
- Cost development is on track to meet the objectives set for operating costs within 0.26 per cent of insurance funds in 2014.

## 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 470 billion, NOK 367.8 billion represents pension funds belonging to this customer group.

## Kommunal Landspensjonskasse gjensidig forsikringsselskap – Results after the third quarter 2014

### Returns result

The return in the third quarter was NOK 170 million higher than the base (guaranteed) interest rate. Financial income from customer assets was NOK 4.4 billion (NOK 5.0 billion)<sup>1</sup> during the quarter.

Value-adjusted return on the common portfolio was 1.2 per cent for the quarter and book return was 0.8 per cent. Total return after the third quarter was 4.9 per cent and 2.6 per cent respectively.

### Risk result

The risk result improved over the third quarter. The risk result for the quarter itself was NOK 344 million, whilst the result as at 30 September was NOK 422 million. This has been provisionally allocated with NOK 211 million to customer profit and NOK 211 million to corporate income for provision in the risk equalization fund.

<sup>1</sup> Figures in brackets give corresponding value for 2013.

### Administration result

The Company's administration result shows a surplus of NOK 261 million (119 million)<sup>1</sup> at the end of the third quarter. The invalidity reform and longevity adjustment in the public sector has been incorporated into calculation of the pension obligation to KLP's own employees. This has resulted in a reduction of KLP's operating costs by NOK 77.7 million and is the principal explanation for the good administration result.

### Costs development

The Company aims to establish a costs level in line with the most efficient pension funds. KLP is well placed to realize this ambition. Operating expenses of NOK 549 million (612 million)<sup>1</sup> and insurance-related operating costs of NOK 537 million at the end of the third quarter suggest that the Company will achieve the target for the year that insurance-related operating costs are not to exceed 0.26 per cent of the insurance funds.

### Total income

The result for the Company was NOK 517 million for the quarter and NOK 1317 million so far this year. The result for customers was NOK 431 million for the quarter and NOK 1944 million so far this year.

NOK millions	Customers	Company	Total
Returns result	1 386	4	1 390
Risk result	211	211	422
Interest guarantee premium		443	443
Administration result		261	261
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		868	868
Return from owners' equity contributions credited to customers	348	-348	-
Other income elements		-122	-122
<b>Income for Q3 2014</b>	<b>1 944</b>	<b>1 317</b>	<b>3 261</b>
<b>Income for Q3 2013</b>	<b>3 799</b>	<b>776</b>	<b>4 575</b>



### Financial strength and capital-related matters

Total assets were NOK 403.4 billion, an increase of NOK 25.7 billion during the quarter. Insurance liabilities have increased by NOK 16.9 billion.

The capital adequacy ratio in KLP at the end of the quarter was 9.6 per cent (10.4)<sup>1</sup> and core capital adequacy was 8.1 per cent (8.6)<sup>1</sup>. The reduction results primarily from growth in business.

In the course of the first three quarters of the year the securities adjustment fund has been strengthened by NOK 7.9 billion to NOK 18.3 billion. Supplementary reserves total NOK 13.3 billion.

At the end of the quarter KLP had total solvency capital of NOK 64.8 billion, corresponding to 19.4 per cent of the insurance funds with interest guarantee.

The Board of Directors considers the Company's solvency strong in regard to the composition of the balance sheet, prevailing market conditions and the requirements of the authorities. Measures will be implemented to strengthen the Company's ability to build owners' capital in the light of the strong growth and the required compensation for cover of 20 per cent of the completed strengthening of longevity reserves, from the Company to its customers.

KLP is preparing to issue a subordinated loan to maintain the Company's capital base.

Key figures:

Per cent	So far as at Q3		The year 2013
	2014	2013	
Capital return I	2.6	3.4	6.4
Capital return II	4.9	4.5	6.7
Capital return III	6.3	4.1	7.4
The return figures apply to the common portfolio			
Capital adequacy ratio	9.6	10.4	10.3
Solvency margin ratio	213	224	229

### Premium income

Premium income excluding premium reserves received on inward transfer totalled NOK 23.6 billion (19.5 billion)<sup>1</sup> so far this year.

### Claims/benefits

Pensions paid and other claims, excluding premium reserve ceded on outward transfer, increased by 13.7 per cent and amounted to NOK 10,079 million (NOK 8862 million)<sup>1</sup> so far this year.

### Management of the common portfolio

The assets in the common portfolio totalled NOK 364.0 billion (315.9 billion)<sup>1</sup> and were invested as shown below:

Assets All figures in per cent	Return		Return	
	Proportion 30.09.2014	So far 2014	Proportion 30.09.2013	So far 2013
Shares	21.3%	8.4%	15.8 %	16.6 %
Short-term bonds	20.7 %	5.8 %	21.7 %	0.0 %
Long-term/HTM bonds	27.9 %	3.5 %	29.3 %	3.6 %
Lending	10.8 %	2.4 %	10.5 %	2.6 %
Property	11.1%	5.4 %	11.2 %	5.4 %
Other financial assets	8.1 %	1.7 %	11.4 %	1.9 %

The return on shares during the quarter was close to zero. The trend towards lower market interest rates was maintained, particularly for rates with long maturities. The Norwegian government 10-year rate was 2.24 per cent at the end of the third quarter, a reduction of over 0.7 percentage points so far this year. In the long term it is important to KLP that market interest rates are higher than the guaranteed interest rate. For 2014 the fall in interest rates means that we have a positive price effect from the bonds in the short-term portfolio, as well as increasing the added values in the long-term portfolio.

### Shares

Total exposure in shares including share derivatives amounted to just over 21 per cent at the end of the third quarter. During the third quarter KLP's world index rose by 0.9 per cent whilst the Oslo stock exchange fell by 1.4 per cent. KLP's return was 1.3 per cent for global shares and -0.4 per cent for Norwegian shares.

### Short term bonds and the money market

Short-term bonds amounted to about 21 per cent of the assets in the common portfolio as at 30 September, whereas money market instruments represented just over 8 per cent. The interest rate level fell somewhat both in Norway and particularly globally during the third quarter. The credit premiums on 30 September were somewhat higher than at the end of June. The global government bonds index achieved an exchange-rate hedged return of 2.2 per cent in the third quarter, whilst the Norwegian government bonds index had a return of 1.1 per cent. The KLP global corporate bonds index achieved an exchange-rate hedged return of 0.9 per cent during the quarter. For short-term bonds combined, KLP achieved a return of 1.1 per cent, whereas the return on the money markets portfolio was 0.6 per cent during the quarter.

### Bonds held to maturity

Investment in bonds held to maturity represented just under 28 per cent of the common portfolio on 30 September. Added value not brought to book in the portfolio has risen over the third quarter and amounted to NOK 9.9 billion as at 30 September. The portfolio is well diversified and comprises securities issued by highly creditworthy institutions. The return (measured at amortized cost) during the third quarter 2014 was 1.2 per cent.

### Property

Property investments represented 11.1 per cent of the common portfolio. The return requirement for city centre properties with long contracts has shown a downward trend. In light of this the property stock has been written up by NOK 85.5 million during the quarter. During the first three quarters of the year the return on the common portfolio's property investments was 5.4 per cent. The economic occupancy rate was 96.0 per cent in total for all properties, and total property value including currency changes was NOK 42.5 billion (NOK 39.5 billion in the common portfolio).

The Paleet shopping centre was reopened on 3 September after comprehensive renovation. Fornebu S which is built to the highest environmental standard (the first BREEAM certified shopping centre in the world) was opened on 14 October. (BREEAM - the British Building Research Establishment Environmental Assessment Methodology - is the world's foremost environmental assessment method and rating system for buildings.) Both centres have been very well received.

### Lending

The total of loans in the common portfolio was NOK 39.0 billion at the end of the quarter. This was divided between NOK 32.9 billion in lending to local authorities and other organizations, and NOK 5.7 billion in home loan mortgages. The lending portfolio is characterized by high quality, with no losses on local government loans and modest loss provisions on home loans. Added value not brought to book in the lending portfolio (fixed interest rate loans) represented NOK 621 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 5.3 per cent so far this year.

### Market development

In the course of 2014, 58 of a total of 78 local authorities who were customers of KLP's previous competitors in the

insured market have moved their schemes to KLP. In addition almost 200 enterprises with public sector occupational pensions have also moved to KLP. This produces an inflow of NOK 30.8 billion in premium reserves and represents about 132,000 entitled individuals. Earlier this year NOK 4.1 billion was ceded, mainly in connection with the establishment of PKH (Pensjonskassen for helseforetakene i hovedstatsområdet - the pension fund for Greater Oslo healthcare enterprises). Two local authorities have opted for their own pension schemes during 2014.

16 of the 18 remaining authorities have asked KLP for bids with a view to transfer from 1 January 2015.

The new members are arriving with full reserves and are paying owners' equity contributions in the order of NOK 825 million.

Transfer of the local authorities with the transfer date of 1 July was also completed well and it is pleasing to note the high level of customer satisfaction amongst KLP's new members.

## The business areas of the subsidiaries

### Private occupational pensions

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

There is high market activity in KLP Bedriftspensjon and this is providing satisfactory volume growth. The Company now has total assets of NOK 2.2 billion.

299 new customers have taken out pension agreements with KLP Bedriftspensjon during the first 9 months of the year.

KLP Bedriftspensjon achieved a book return in the common portfolio of 3.5 per cent and a value-adjusted return of 4.3 per cent so far this year. The return on defined contribution pensions was 6.9 per cent for the same period.

The Company's deficit after the third quarter was NOK 16.9 million (-14.6 million)<sup>1</sup>.

### Increases in reserves for longevity

KLP Bedriftspensjon has applied to the Financial Supervisory Authority of Norway to use a stepping-up plan over seven years to finance increased reserves as a result of the new assumptions for increased longevity. The principle is that the overall increase in reserves using customer profits and owners' equity funds is to be linear during the stepping-up period. The same applies for both customer funds and owners' equity.

As at 30 September 2014 KLP Bedriftspensjon faces a linear stepping-up plan on the customer funds and, in accordance with the Financial Supervisory Authority of Norway's (FSA of N) recommendation, the surplus return and risk result have been set aside in the accounts as unallocated profit.

In regard to the contribution from owners' capital, we are not ahead of schedule on defined benefits pension, and the premium reserve will thus be strengthened from one quarter to the next based on the minimum level in accordance with the stepping-up plan.

Returns - customer assets:

Per cent	30.09.2014	30.09.2013	31.12.2013
<b>COMMON PORTFOLIO</b>			
Capital return I	4.3 %	4.2 %	6.2 %
Capital return II	3.5 %	3.0 %	4.0 %
<i>Defined contribution pension with investment option</i>			
Profile P90	8.1 %	15.3 %	24.8 %
Profile P70	7.7 %	12.0 %	19.4 %
Profile P50	7.2 %	8.9 %	14.4 %
Profile P30	6.4 %	5.7 %	9.3 %
Profile PM	1.8 %	1.8 %	2.3 %

## Non-life insurance

KLP Skadeforsikring AS is the KLP 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 third quarter was NOK 31 million. The same quarter last year produced a result of NOK 63 million. The quarter was marked by three medium-size fire claims with a total claim cost for own account of NOK 35 million. The financial income was satisfactory, but substantially lower than the first half-year and also lower compared to the same period in 2013.

The pre-tax operating profit for the first nine months of the year was NOK 168 million. At the same time last year the result was NOK 141 million.

So far this year the Company has been hit by ten medium-size fire claims with claim costs totalling NOK 108 million. The run-off of previous claims years continues to be very positive.

The total increase in the contingency reserves was NOK 13 million. The financial returns were very satisfactory with a total return of 4.6 per cent at the end of the third quarter. The first half-year contributed with 3.5 per cent and the third quarter with 1.1 per cent.

Key figures from the financial statements:

As at 30 September (whole company)	2014	2013
Claims ratio for own account	76.1	76.3
Costs ratio for own account	21.8	25.1
Total costs ratio for own account	97.9	101.4

### The public sector/corporate market

The positive development in sales during the second quarter continued during the third quarter. As a result of the cessation of two large contracts however, net new sales were lower than expected. Total net new sales were NOK -4 million.

Gross new sales were NOK 32 million whilst non-renewal was at NOK 37 million. In addition the Company has retained customers during the period's tender competitions with a combined premiums total of NOK 52 million.

The claims ratio for own account for the year 2014 was 94.0 per cent. So far this year eight claims in excess of NOK 5 million have been reported: all are property claims with a total claims cost of NOK 97 million. None of these touches the Company's reinsurance and remain in their entirety for own account.

The combined claims ratio for own account for all years viewed together was 75.5 per cent, somewhat lower than on the same date in 2013 (78.1)<sup>1</sup>.

### The retail market

Sales in the retail market remain in total somewhat lower than expected, but with a substantial improvement during the third quarter. Net new sales at the end of the third quarter were NOK 45 million. Campaigns during the second and third quarters, particularly directed at members, have produced very good sales results.

Gross new sales so far this year were NOK 65 million. The total non-renewal was NOK 20 million. The online share of new sales is increasing and so far this year has been at 22 per cent.

The claims ratio for own account for all years viewed together was 77.3 per cent, higher than at the same time in 2013 (71.1)<sup>1</sup>. So far this year two large property claims have been reported, with a total claims cost of NOK 11 million.

### Finance

Net financial income at the end of the third quarter was NOK 165 million against NOK 156 million at the same time last year.

### The Company's financial position

So far in 2014 contingency reserves have increased by NOK 13 million to NOK 540 million. The increase corresponds to increased requirements for minimum reserves.

Capital adequacy at the end of the third quarter was 37.9 per cent compared to 40.0 per cent at the end of 2013.

### Asset management and funds management

KLP Kapitalforvaltning AS and KLP Fondsförvaltning AS comprise the KLP Group's securities management operation. In total NOK 344 billion was under management at the end of September 2014. This is an increase of NOK 68 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 2014 were NOK 6052 billion: of this, NOK 711 million comes from customers outside the Group. Net new subscriptions during the first three quarters of the year were NOK 14.2 billion of which NOK 882 million comes from customers outside the Group.

KLP Kapitalforvaltning AS and KLP Fondsförvaltning AS achieved a combined pre-tax profit of NOK 42.8 million after the third quarter of 2014. For the corresponding period in 2013 the combined profit was NOK 22.9 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) has had a fall in lending volume of NOK 0.8 billion over 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. The members' share remains stable at about 62 per cent on deposits and 67 per cent on loans. So far during 2014 the number of customers who are members has grown by 3502. During the same period the volume of mortgage lending for administration has increased by NOK 0.8 billion. Deposits growth has been NOK 1.0 billion. The Bank's home loans enterprise, KLP Boligkreditt AS, was in full operation at the time of this report and had a lending volume of NOK 1.6 billion.

Default on housing mortgages is at a low level. As at 30 September 2014 default in excess of 90 days lies at 0.4 per cent. The known losses in the portfolio are very low.

### Income

The KLP Banken Group had pre-tax profits of NOK 31.0 million by the end of the first three quarters of the year. Of this, NOK 0.1 million is the result for the third quarter in isolation. The result in the third quarter was marked by accounting losses as a result of the repurchase of loan debt at a premium, in KLP Kommunekreditt AS. Total net interest income in the banking group during the first nine months of the year was NOK 92 million. Of this, NOK 32 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. Attention is also drawn to the non-financial accounts forming a part of this report.

### Regulatory conditions and product matters

On 10 October 2014 the EU Commission adopted the Commission Delegated Regulation with detailed provisions that implement the Solvency II regulations. The Regulation will come into force as soon as both the European Parliament and the Council of Europe have given their approval to it, i.e. no later than the end of the first quarter 2015. In Norway the Regulation will be implemented as a part of the Ministry of Finance's regulations pursuant to the Norwegian Financial Enterprises Act. To a large extent these regulations provide desirable clarification concerning future rules, even though the final Norwegian regulations are yet to be seen,

particularly as to whether traditional quantitative limitations are to be continued in addition to the «prudent man principle» upon which the EU's framework is based.

KLP is participating in the industry's working groups on the draft new Financial Enterprises Act.

## Future prospects

KLP is at present the main provider in its main market: public sector occupational pensions. This does not mean that the market is tied-up for the future. Our customers will always be able to choose to set up a pension scheme, either in-house or in collaboration with other local authorities. There is also the opportunity for new competitors to establish themselves in

the market, or the previous competitors to be back on track. To succeed in retaining its market position KLP must continue to build on its advantages: financial strength; good and long term asset management; efficient operation with low costs; and very high customer satisfaction.

The Company has shown great capacity to adjust to change in the regulatory framework and products, and this ability will also be open to challenge in the future.

The guaranteed interest rate has been reduced, effective for new business as from 1 January 2015. This increases premium receipts, but in the short-term has little effect on the magnitude of KLP's annual returns guarantee to its customers. The low interest rate level is therefore a challenge that KLP must master going forward. KLP has set up its asset management, risk management and solvency to be able to meet this challenge successfully.

Oslo, 4 November 2014

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland  
Chair

Egil Johansen  
Deputy Chair

Marit Torgersen

Jan Helge Gulbrandsen

Tom Tvedt

Susanne Torp-Hansen  
Elected by and from the employees

Freddy Larsen  
Elected by and from the employees



# Income statement

KLP Group

Note	NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
4	Premium income for own account	17 408	5 256	55 454	26 227	31 883
	Current return on financial assets	2 993	2 554	8 947	8 213	12 278
	Net interest income banking	29	33	92	88	122
	Net value changes on financial instruments	1 366	3 221	8 986	5 995	9 208
9	Net income from investment properties	623	500	2 010	1 622	2 490
5	Other income	218	160	613	502	696
	The minorities share on financial instruments	-168	-1 234	-1 935	-2 759	-4 596
	<b>Total net income</b>	<b>22 469</b>	<b>10 490</b>	<b>74 168</b>	<b>39 888</b>	<b>52 081</b>
	Claims for own account	-3 888	-3 191	-14 813	-9 308	-12 503
	Change in technical reserves	-15 212	-3 946	-45 928	-23 367	-30 324
6	Net costs subordinated loan and hybrid Tier 1 securities	25	-99	-200	-359	-390
7,19	Operating expenses	-298	-296	-939	-873	-1 191
8	Other expenses	-211	-160	-578	-483	-659
	<b>Total expenses</b>	<b>-19 583</b>	<b>-7 692</b>	<b>-62 458</b>	<b>-34 390</b>	<b>-45 068</b>
	<b>Operating profit/loss</b>	<b>2 886</b>	<b>2 798</b>	<b>11 710</b>	<b>5 498</b>	<b>7 013</b>
	To/from securities adjustment fund – life insurance	-1 732	-1 657	-7 896	-3 364	-1 148
	To supplementary reserves – life insurance	0	0	0	2	1
	Assets allocated to insurance customers – life insurance	-447	-1 141	-1 974	-2 135	-5 884
	<b>Pre-tax income</b>	<b>708</b>	<b>0</b>	<b>1 841</b>	<b>1</b>	<b>-17</b>
	Cost of taxes <sup>1</sup>	-42	-19	-145	-63	-137
	<b>Income</b>	<b>665</b>	<b>-19</b>	<b>1 696</b>	<b>-61</b>	<b>-154</b>
19	Actuarial loss on post employment benefit obligations	-98	0	-137	0	-112
	Adjustments of the insurance obligations	15	0	15	0	10
	<b>Items that will not be reclassified to profit or loss</b>	<b>-84</b>	<b>0</b>	<b>-122</b>	<b>0</b>	<b>-102</b>
	Revaluation real property for use in own operation	15	5	157	19	24
	Currency translation foreign subsidiaries	-77	256	-411	803	1 101
	<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>	<b>-61</b>	<b>261</b>	<b>-254</b>	<b>822</b>	<b>1 125</b>
	<b>Total other comprehensive income</b>	<b>-145</b>	<b>261</b>	<b>-376</b>	<b>822</b>	<b>1 023</b>
	<b>Total comprehensive income</b>	<b>520</b>	<b>242</b>	<b>1 320</b>	<b>761</b>	<b>869</b>

<sup>1</sup> Cost of taxes is included in the minority's share at NOK 74 million (57 million) so far this year.

# Balance sheet

KLP Group

Note	NOK millions	30.09.14	30.09.13	31.12.13
	Intangible assets	412	365	377
	Tangible fixed assets	1 162	1 038	1 040
	Investments in affiliated companies	4	6	4
9,12	Investment property	40 953	34 529	39 744
10,15	Debt instruments held to maturity	29 376	30 348	31 758
10,15	Debt instruments classified as loans and receivables	83 493	66 559	67 272
10,12,15	Lending local government, enterprises & retail customers at fair value through profit/loss	2 162	2 027	2 121
10,15	Lending local government, enterprises and retail customers	59 486	51 106	53 260
10,12,15	Debt instruments at fair value through profit or loss	136 400	117 015	122 398
10,12	Equity capital instruments at fair value through profit or loss	93 728	67 974	73 239
10,12,15	Financial derivatives	1 244	945	1 661
10	Receivables	17 751	26 970	2 909
10	Assets in defined contribution-based life insurance	775	492	578
	Cash and bank deposits	3 385	2 883	2 896
	<b>TOTAL ASSETS</b>	<b>470 331</b>	<b>402 258</b>	<b>399 257</b>
	Owners' equity contributed	8 964	7 600	7 659
	Retained earnings	8 929	7 500	7 609
	<b>TOTAL OWNERS' EQUITY</b>	<b>17 893</b>	<b>15 100</b>	<b>15 268</b>
10,11	Hybrid Tier 1 securities	1 050	984	919
10,11	Subordinated loan capital	3 057	3 089	3 151
19	Pension obligations	660	467	623
16	Technical provisions - life insurance	369 094	304 971	313 227
16	Provisions in life insurance with investment option	775	492	578
	Premiums, claims and contingency fund provisions - non-life insurance	2 747	2 719	2 623
10,11	Covered bonds issued	16 733	18 140	17 217
10,11	Debt to credit institutions	4 936	2 776	3 249
10,11	Liabilities to and deposits from customers	5 486	4 164	4 407
10,12	Financial derivatives	2 758	2 156	1 948
	Deferred tax	92	56	98
18	Other current liabilities	13 149	21 325	7 200
	Minority interests classified as liabilities	31 901	25 818	28 750
	<b>TOTAL LIABILITIES</b>	<b>452 438</b>	<b>387 158</b>	<b>383 989</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>470 331</b>	<b>402 258</b>	<b>399 257</b>
	Contingent liabilities	7 833	5 276	8 539

# Changes in Owner's equity

KLP Group

2014 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2014	7 659	7 609	15 268
Income		1 696	1 696
Items that will not be reclassified to profit or loss		0	0
Items that will be reclassified to subsequently to profit or loss when specific conditions are met		-376	-376
<b>Total other comprehensive income</b>		<b>-376</b>	<b>-376</b>
<b>Total comprehensive income</b>		<b>1 320</b>	<b>1 320</b>
Owners' equity contribution received	1 305	0	1 305
<b>Total transactions with the owners</b>	<b>1 305</b>	<b>0</b>	<b>1 305</b>
<b>Owners' equity 30 September 2014</b>	<b>8 964</b>	<b>8 929</b>	<b>17 893</b>

  

2013 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2013	6 891	6 739	13 630
Income		-61	-61
Items that will not be reclassified to profit or loss		0	0
Items that will be reclassified to subsequently to profit or loss when specific conditions are met		822	822
<b>Total other comprehensive income</b>		<b>822</b>	<b>822</b>
<b>Total comprehensive income</b>		<b>76</b>	<b>761</b>
Owners' equity contribution received	709	0	709
<b>Total transactions with the owners</b>	<b>709</b>	<b>0</b>	<b>709</b>
<b>Owners' equity 30 September 2013</b>	<b>7 600</b>	<b>7 500</b>	<b>15 100</b>

# Statement of cash flows

KLP Group

NOK millions	01.01.2014- 30.09.2014	01.01.2014- 30.06.2014	01.01.2014- 31.03.2014	01.01.2013- 31.12.2013	01.01.2013- 30.09.2013
Net cash flow from operational activities	-1 303	94	488	2 595	1 880
Net cash flow from investment activities <sup>1</sup>	-105	-69	-31	-88	-57
Net cash flow from financing activities <sup>2</sup>	1 593	-270	-235	-2 961	-2 290
<b>Net changes in cash and bank deposits</b>	<b>185</b>	<b>-245</b>	<b>223</b>	<b>-454</b>	<b>-466</b>
Holdings of cash and bank deposits at start of period	2 896	2 896	2 896	3 350	3 350
<b>Holdings of cash and bank deposits at end of period</b>	<b>3 385</b>	<b>2 651</b>	<b>3 119</b>	<b>2 896</b>	<b>2 883</b>

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

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



# Notes to the accounts

KLP Group

## Note 1

### ACCOUNTING PRINCIPLES AND ESTIMATES

The financial statements in this interim report show the Group financial statements for Kommunal Landspensjonskasse (KLP) and subsidiaries for the period 1 January 2014 - 30 September 2014. The auditor has conducted a review of the report.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

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

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2013. These are available on KLP's website, [klp.no](http://klp.no).

#### Accounting principles

**Standards, changes and interpretations of existing standards that have come into effect for the 2014 reporting year and that have had effect on the interim financial statements presented:**

#### IFRS 10 Consolidated Financial Statements

The standard replaces the definition of when an investor has control resulting in a requirement to consolidate, which was previously defined in IAS 27 «Consolidated and Separate Financial Statements» and SIC-12 «Consolidation - Special Purpose Entities». In this context, IAS 27 has been retitled «Separate Financial Statements» and no longer contains consolidation regulations. Associated with this there are also amendments to IFRS 11 «Jointly Controlled Entities», IFRS 12 «Disclosure of Interests in Other Entities» and IAS 28 «Investments in Associates and Joint Ventures».

The definition of whether there is control, triggering a requirement to consolidate in accordance with IFRS 10, has been somewhat altered. In accordance with IFRS 10 an investor controls an entity in which it has invested when the investor is exposed to or has entitlements to variable returns (including economies of scale and synergies) from its engagement in the investee, and has the ability to affect this return through its power over the investee.

The control model comprises three elements: power, returns and the connection between power and returns.

**Activity:** Identify what activities in the entity are considered the «relevant activities», i.e. those that most affect the returns from the entity.

**Power:** Clarify who, if anyone, has power, i.e. has existing rights that provide a current entitlement to control the relevant activities

**Returns:** Assess whether the investor is exposed to or has rights to variable returns as a result of its involvement with the entity.

There is no change to the manner in which consolidation is conducted.

The change to definition of control in IFRS 10 means that KLP now considers that control is present resulting in a requirement to consolidate a large proportion of KLP's investments in securities funds. These have now been fully consolidated in the financial statements for the first quarter. The comparison figures shown in the income and financial position statements (Q3 2013 and 31 December 2013) have been adjusted correspondingly so that the securities funds in which KLP had control on 1 January 2014 are also consolidated into the comparison figures. Minority interests are classified in the financial statements as liabilities.

The financial statement comparison figure items affected are shown below, with the effect:

KLP Group Statement of comprehensive income NOK millions	Adjustment:	
	01.01.13- 30.09.13	Year 2013
Current returns from financial assets	1 900	2 393
Net value changes on financial instruments	895	2 293
Other income	-20	0
Minority share of profit	-2 759	-4 596
Tax	-59	-90
Currency translation foreign subsidiaries allocated to insurance customers	22	0
<b>INCOME</b>	<b>-20</b>	<b>0</b>

KLP Group Statement of financial position NOK millions	Adjustments:	
	30.09.2013	31.12.2013
Debt instruments at fair value through profit or loss	9 462	10 182
Equity instruments at fair value through profit or loss	17 243	18 942
Financial derivatives	113	293
Receivables	5	82
<b>TOTAL ASSETS</b>	<b>26 824</b>	<b>29 500</b>
Minority interests classified as liabilities	25 818	28 750
Debt to credit institutions	0	1
Financial derivatives	380	282
Deferred tax	0	4
Other current liabilities	626	463
<b>TOTAL LIABILITIES</b>	<b>26 824</b>	<b>29 500</b>

**Note 1 ACCOUNTING PRINCIPLES AND ESTIMATES (CONT.)****Estimates**

In the accounting of pension schemes in accordance with IAS 19, a range of actuarial assumptions must be specified. This specification involves significant elements of judgement and practical approaches. Emphasis has been placed on the assumptions being mutually consistent.

The Group uses the interest rate for covered bonds (OMF) as the discount rate. The listings for corporate bonds so far this year show a somewhat lower level than at the end of last year, and as a result of this the discount rate used on 30 September 2014 has been adjusted compared with 31 December 2013. Furthermore the Group has adjusted the salary growth assumptions, the National Insurance basic amount and pension increases, since the annual pay settlement was somewhat lower than anticipated. The table below provides an overview of the assumptions used in calculating pension for own employees as at 30 September 2014 and 31 December 2013 for the Group:

Assumptions	30.09.2014	31.12.2013
Discount rate	3,00 %	4,00 %
Salary growth	3,25 %	3,75 %
The National Insurance basic amount (G)	3,00 %	3,50 %
Pension increases	2,23 %	2,72 %
Expected return	3,00 %	4,00 %
Social security contribution rate	14,10 %	14,10 %

New disability pension rules are being adopted in 2014 and these have now been included in the collective pay agreement. This produces a reduction in the pensions liability, since National Insurance will generally cover a major part of the disability pension benefits.

The effect of longevity adjustment for the year-group 1954 has been recognized as at 30 September 2014, in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB). So far, longevity adjustment for these year-groups has not been taken into account.

The Group has taken to income the accounting effect of these plan changes by NOK 102 million as at 30 September 2014.

**Note 2 KEY FIGURES – ACCUMULATED**

NOK millions	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
<b>KLP Group <sup>1</sup></b>								
Profit before tax	1 841	1 133	586	-17	1	2	-52	997
Total assets	470 331	442 463	421 491	399 257	402 258	407 980	366 888	331 783
Owners' equity	17 893	16 032	15 645	15 268	15 100	14 150	13 874	13 610
Capital adequacy	9,2 %	9,2 %	9,8 %	10,0 %	10,0 %	9,7 %	10,2 %	10,3 %
Number of employees in the Group	886	877	863	856	849	839	825	808
<b>Kommunal Landspensjonskasse</b>								
Profit before tax	1 439	800	319	950	776	527	263	772
Premium income for own account	54 570	37 414	26 192	30 860	25 487	20 475	10 428	29 025
- of which inflow of premium reserve	30 970	21 072	21 580	5 932	5 988	5 888	5 925	1 549
Insurance customers' funds incl. acc. profit	14 292	10 597	7 222	11 886	8 860	5 808	2 930	10 822
- of which funds with guaranteed returns	4 213	4 106	4 106	178	178	177	165	148
Net investment common portfolio	363 999	346 495	336 599	316 194	315 910	316 305	288 541	278 731
Net investment choice portfolio	1 890	1 850	1 809	1 744	1 686	1 635	1 584	1 556
Insurance funds incl. earnings for the year	365 939	349 109	333 339	310 314	302 208	296 686	287 628	275 843
- of which funds with guaranteed interest	323 781	308 557	298 855	278 240	271 477	267 717	257 981	248 608
Tier 1 and Tier 2 capital	19 393	18 115	18 159	18 036	16 953	16 240	16 132	16 087
Risk profit	422	78	54	235	147	66	90	258
Return profits	1 390	1 220	604	9 863	3 468	2 135	899	5 051
Administration profit	261	123	36	156	119	81	30	104
Solvency capital	64 842	59 459	52 469	46 897	50 640	45 492	48 408	44 134
Solvency margin ratio	213 %	209 %	215 %	229 %	224 %	219 %	229 %	233 %
Capital adequacy	9,6 %	9,6 %	10,1 %	10,3 %	10,4 %	10,1 %	10,6 %	10,6 %
Core capital ratio	8,1 %	8,0 %	8,5 %	8,7 %	8,6 %	8,2 %	8,7 %	8,8 %
Book return on common portfolio	2,6 %	1,8 %	0,9 %	6,4 %	3,4 %	2,2 %	1,1 %	5,0 %
Value-adjusted return on common portfolio	4,9 %	3,6 %	1,4 %	6,7 %	4,5 %	2,8 %	2,2 %	6,7 %
Return on unit-linked portfolio	4,7 %	3,5 %	1,1 %	8,8 %	5,5 %	3,2 %	2,6 %	7,2 %
Return on corporate portfolio	5,3 %	4,0 %	1,2 %	5,7 %	4,3 %	3,0 %	1,0 %	4,5 %
<b>KLP Skadeforsikring AS</b>								
Profit before tax	168,2	137,2	13,6	189,9	140,7	78,2	51,8	105,2
Gross premium due	781,9	667,1	490,0	832,2	712,8	610,4	436,2	750,3
Premium income for own account	622,8	410,0	201,9	728,2	535,0	350,3	171,9	658,9
Owners' equity	883,0	873,1	791,5	787,7	712,8	670,8	640,4	595,3
Claims ratio	76,1 %	71,8 %	91,5 %	77,5 %	76,3 %	79,6 %	84,0 %	81,4 %
Combined-ratio	97,9 %	95,7 %	116,6 %	103,7 %	101,4 %	103,9 %	109,5 %	107,8 %
Return on assets under management	4,6 %	3,5 %	1,4 %	6,5 %	4,6 %	2,9 %	2,1 %	6,5 %
Capital adequacy	37,9 %	37,0 %	37,1 %	40,0 %	31,6 %	32,0 %	30,9 %	34,1 %
Tier 1 and Tier 2 capital	770,1	771,5	770,5	614,6	580,7	578,5	577,7	566,6
Annual premium in force – retail market	274,2	259,0	242,7	226,5	204,8	191,7	175,5	161,7
Annual premium in force – public sector market	634,6	649,9	644,7	612,6	594,3	585,5	595,5	584,4
Net new subscriptions (accumulated within the year)	41,1	16,5	20,7	138,9	71,6	43,6	21,0	75,4

<sup>1)</sup> For the Group, consolidated funds in the column Q4 2012 are not included.

**Note 2 KEY FIGURES – ACCUMULATED (CONT.)**

NOK millions	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
<b>KLP Bedriftspensjon AS</b>								
Loss before tax	-15,7	-9,3	-5,6	-22,9	-14,6	-10,4	-6,1	-25,1
Premium income for own account	324,8	258,2	191,4	385,5	274,3	180,1	115,3	352,3
- of which premium reserve added	138,5	135,1	132,7	197,9	144,6	95,4	75,4	226,1
Insurance customers' funds including accumulated profit	2 055,3	1 997,1	1 899,5	1 677,8	1 556,6	1 442,3	1 385,4	1 238,2
- of which funds with guaranteed returns	1 153,7	1 137,8	1 133,4	1 017,5	992,4	941,1	928,3	881,0
Returns profit	11,5	12,0	1,8	7,6	6,1	5,9	4,2	15,0
Risk result	3,3	3,2	3,0	2,3	2,2	1,4	1,9	2,6
Administration losses	-22,1	-14,5	-7,6	-32,3	-22,0	-15,2	-8,7	-33,2
Tier 1 and Tier 2 capital	92,6	100,3	79,2	84,8	97,4	97,4	41,7	48,5
Solvency capital	239,8	235,4	197,8	189,8	184,9	183,9	133,3	131,1
Solvency margin ratio	184 %	188 %	161 %	198 %	225 %	250 %	129 %	157 %
Capital adequacy	14,2 %	15,6 %	12,9 %	14,7 %	16,6 %	17,6 %	7,7 %	9,6 %
Book capital return on common portfolio	3,5 %	2,7 %	1,0 %	4,0 %	3,0 %	1,8 %	1,2 %	5,2 %
Value-adjusted capital return on common portfolio	4,3 %	3,2 %	1,2 %	6,2 %	4,2 %	2,6 %	1,8 %	6,7 %
Return on defined unit-linked contribution pensions	6,9 %	6,1 %	1,7 %	13,5 %	8,4 %	4,7 %	4,6 %	12,0 %
Return on corporate portfolio	2,5 %	1,9 %	0,8 %	3,1 %	2,1 %	1,4 %	1,2 %	6,4 %
<b>KLP Banken Group</b>								
Profit/loss before tax	31,0	30,9	13,8	87,0	77,2	68,9	9,3	83,4
Net interest income	92,4	60,8	31,4	122,0	88,0	54,7	24,3	86,3
Other operating income	50,6	33,7	16,7	65,9	47,5	31,7	16,2	83,6
Operating expenses and depreciation	-105,3	-69,8	-38,2	-144,7	-104,9	-64,0	-34,7	-137,7
Net realized/unrealized changes in financial instruments to fair value	-6,7	6,3	3,9	43,8	46,6	46,5	3,5	51,1
Contributions	5 486	5 079	4 706	4 407	4 165	3 957	3 459	2 946
Housing mortgages granted	6 527	5 840	4 817	4 484	4 134	3 615	1 883	1 530
Loan(s) with public guarantee(s)	16 045	16 314	16 560	16 833	17 891	18 675	20 174	20 345
Defaulted loans	18	8	10	10	12	13	7	7
Borrowing on the issuance of securities	20 244	19 604	19 753	19 982	20 699	21 333	21 718	23 708
Other borrowing	0	0	1	1	0	0	0	0
Total assets	27 674	26 446	26 104	26 010	26 611	26 983	27 019	28 282
Average total assets	26 842	26 228	26 057	27 146	27 447	27 632	27 650	29 993
Owners' equity	1 288,8	1 290	1 279	1 290	1 286	1 280	1 223	1 219
Net interest rate	0,34 %	0,23 %	0,12 %	0,45 %	0,32 %	0,20 %	0,09 %	0,29 %
Profit/loss from general operations before tax	0,12 %	0,12 %	0,05 %	0,32 %	0,28 %	0,25 %	0,03 %	0,28 %
Return on owners' equity before tax	2,40 %	2,42 %	1,07 %	7,15 %	6,35 %	5,66 %	0,76 %	6,84 %
Capital adequacy	18,42 %	20,1 %	20,2 %	19,6 %	18,3 %	18,2 %	20,4 %	19,1 %
Number of private customers	30 822	29 670	28 623	27 287	26 215	25 263	27 727	24 744
Of this members of KLP	20 627	19 808	19 145	18 181	17 316	16 261	15 703	14 309
<b>KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS</b>								
Profit/loss before tax	42,8	11,7	-14,0	32,6	22,9	9,3	-0,4	21,4
Total assets under management	344 133	326 200	314 584	287 077	276 349	269 922	267 845	239 478
Assets managed for external customers	31 129	30 151	28 157	28 171	25 813	24 452	23 432	21 153



**Note 3** SEGMENT INFORMATION - PROFIT/LOSS (I.A.W. IFRS) BY BUSINESS AREA

Time series result - by quarter NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
Total income	22 469	10 490	74 168	39 888	52 081
Total expenses	-21 761	-10 490	-72 327	-39 887	-52 098
<b>Consolidated group profit before tax</b>	<b>708</b>	<b>0</b>	<b>1 841</b>	<b>1</b>	<b>-17</b>
RESULTS BY SEGMENT					
Life insurance	646	-84	1 599	-240	-328
Non-life	31	63	168	141	190
Banking	0	8	31	77	87
Asset management	31	14	43	23	33
Other business	-1	-1	0	1	1
<b>Consolidated group profit before tax</b>	<b>708</b>	<b>0</b>	<b>1 841</b>	<b>1</b>	<b>-17</b>
Other comprehensive income (life-insurance)	-145	261	-376	822	1 023

**Note 4** PREMIUM INCOME FOR OWN ACCOUNT

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
Gross premiums due	7 518	5 198	18 374	20 183	26 149
Reinsurance premiums ceded	-11	-13	-1	-2	-62
Transfer of premium reserves from others	9 901	72	37 082	6 046	5 796
<b>Total premium income</b>	<b>17 408</b>	<b>5 256</b>	<b>55 454</b>	<b>26 227</b>	<b>31 883</b>

**Note 5** OTHER INCOME

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
Supplement contractual early retirement scheme (AFP)	200	159	564	482	651
Other income/expenses	18	0	48	20	45
<b>Total other income</b>	<b>218</b>	<b>159</b>	<b>613</b>	<b>502</b>	<b>696</b>

**Note 6 SUBORDINATED LOAN AND PERPETUAL HYBRID TIER 1 SECURITIES**

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
<b>SUBORDINATED LOAN</b>					
Interest costs <sup>1</sup>	-37	-40	-112	-115	-157
Value changes	106	-60	66	-212	-244
<b>Total subordinated loan</b>	<b>69</b>	<b>-100</b>	<b>-46</b>	<b>-327</b>	<b>-400</b>
<b>PERPETUAL HYBRID TIER 1 SECURITIES</b>					
Interest costs	-12	-11	-34	-33	-45
Value changes	-32	12	-119	1	55
<b>Total Perpetual hybrid Tier 1 securities</b>	<b>-44</b>	<b>1</b>	<b>-153</b>	<b>-32</b>	<b>10</b>
<b>Net costs subordinated loan and hybrid Tier 1 securities</b>	<b>25</b>	<b>-99</b>	<b>-200</b>	<b>-359</b>	<b>-390</b>

<sup>1</sup> 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 7 OPERATING EXPENSES**

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
Staff costs	142	194	477	528	726
Depreciation	27	26	81	78	103
Other operating expenses	144	76	395	266	362
<b>Total operating expenses</b>	<b>298</b>	<b>296</b>	<b>939</b>	<b>873</b>	<b>1 191</b>

**Note 8 OTHER EXPENSES**

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
Supplement contractual early retirement scheme (AFP)	200	159	564	481	650
Other expenses	11	1	14	2	9
<b>Total other expenses</b>	<b>211</b>	<b>160</b>	<b>578</b>	<b>483</b>	<b>659</b>

## Note 9 INVESTMENT PROPERTY

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
RESULT: NET INCOME FROM INVESTMENT PROPERTIES					
Net rental income etc.	487	428	1 532	1 355	1 862
Adjustment of prior years income	0	0	0	0	320
Net value adjustment	46	318	49	1 048	1 409
Currency transl. foreign subsidiaries (other comprehensive income)	90	- 246	429	- 781	- 1 101
<b>Net income from investment properties</b>	<b>623</b>	<b>500</b>	<b>2 010</b>	<b>1 622</b>	<b>2 490</b>

NOK millions	30.09.14	30.09.13	31.12.13
BALANCE: INVESTMENT PROPERTY			
Investment property 01.01	39 744	32 322	32 322
Value adjustment including currency translation	49	1 048	1 409
Net additions	1 140	1 171	6 003
Other changes	21	- 12	10
<b>Investment property 30.09/31.12</b>	<b>40 953</b>	<b>34 529</b>	<b>39 744</b>

## Note 10 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

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

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

Norwegian fixed-income securities except government securities are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are

## Note 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

priced theoretically. In theoretical pricing a zero-coupon curve is used as well as yield curve spreads for the pricing. Reuters is used as the source for the zero-coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years.

The yield curve spreads are received from Verdipapirfondenes forening (the Norwegian Fund and Asset Management Association). These are based on yield curve spreads 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 10 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	30.09.14		30.09.13		31.12.13	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>						
Norwegian hold-to-maturity bonds	10 767	11 920	10 570	11 360	12 359	13 144
Foreign hold-to-maturity bonds	18 609	18 511	19 778	20 786	19 400	20 484
<b>Total debt instruments held to maturity</b>	<b>29 376</b>	<b>30 431</b>	<b>30 348</b>	<b>32 146</b>	<b>31 758</b>	<b>33 628</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST</b>						
Norwegian bond loans	27 212	30 258	25 449	26 580	25 007	26 389
Foreign bond loans	56 264	62 606	41 092	43 063	42 237	44 485
Other receivables	18	18	19	19	29	29
<b>Total debt instruments classified as loans and receivables</b>	<b>83 493</b>	<b>92 882</b>	<b>66 559</b>	<b>69 662</b>	<b>67 272</b>	<b>70 903</b>
<b>LENDING LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS</b>						
Loans to local government sector or enterprises with local government guarantee	2 162	2 162	2 027	2 027	2 121	2 121
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>2 162</b>	<b>2 162</b>	<b>2 027</b>	<b>2 027</b>	<b>2 121</b>	<b>2 121</b>
<b>LENDING TO LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS - AT AMORTIZED COST</b>						
Loans secured by mortgage	14 665	15 291	10 789	11 009	11 286	11 505
Loans to local government sector or enterprises with local government guarantee	44 821	45 107	40 317	40 861	41 975	42 519
<b>Total lending</b>	<b>59 486</b>	<b>60 399</b>	<b>51 106</b>	<b>51 870</b>	<b>53 260</b>	<b>54 024</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Norwegian bonds	51 537	51 537	41 534	41 534	43 752	43 752
Norwegian certificates	9 713	9 713	8 902	8 902	9 617	9 617
Foreign bonds	63 776	63 776	53 889	53 889	53 661	53 661
Investments with credit institutions	11 375	11 375	12 690	12 690	15 368	15 368
<b>Total debt instruments at fair value through profit/loss</b>	<b>136 400</b>	<b>136 400</b>	<b>117 015</b>	<b>117 015</b>	<b>122 398</b>	<b>122 398</b>
<b>EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Shares	87 694	87 694	63 438	63 438	68 269	68 269
Equity funds	5 370	5 370	3 889	3 889	4 308	4 308
Property funds	577	577	643	643	658	658
Alternative investments	88	88	4	4	4	4
<b>Total equity capital instruments at fair value</b>	<b>93 728</b>	<b>93 728</b>	<b>67 974</b>	<b>67 974</b>	<b>73 239</b>	<b>73 239</b>
<b>RECEIVABLES</b>						
Receivables related to direct business	14 207	14 207	7 721	7 721	2 366	2 366
Receivables related to reinsurance agreements	34	34	116	116	100	100
Reinsurance share of unearned gross premium	1	1	40	40	17	17
Reinsurance share of gross claims reserve	21	21	23	23	11	11
Other receivables	3 487	3 487	19 070	19 070	415	415
<b>Total other loans and receivables including receivables from policyholders</b>	<b>17 751</b>	<b>17 751</b>	<b>26 970</b>	<b>26 970</b>	<b>2 909</b>	<b>2 909</b>

**Note 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

NOK millions	30.09.14		30.09.13		31.12.13	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	1 050	1 045	984	997	919	919
Subordinated loan capital	3 057	3 155	3 089	3 165	3 151	3 234
Debt to credit institutions	3 511	3 511	2 559	2 559	2 765	2 765
Covered bonds issued	16 733	16 733	18 140	18 140	17 217	17 217
Liabilities and deposits from customers	5 486	5 486	4 164	4 164	4 407	4 407
<b>Total financial liabilities</b>	<b>29 837</b>	<b>29 930</b>	<b>28 937</b>	<b>29 026</b>	<b>28 459</b>	<b>28 542</b>
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	1 425	1 425	217	217	485	485
<b>Total financial liabilities</b>	<b>1 425</b>	<b>1 425</b>	<b>217</b>	<b>217</b>	<b>485</b>	<b>485</b>
Provisions in life insurance with investment option	775	775	492	492	578	578

NOK millions	30.09.14		30.09.13		31.12.13	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	327	1 898	230	1 499	822	1 233
Interest rate swaps	527	860	529	655	667	650
Interest rate and currency swaps	99	0	58	0	52	65
Share options	292	0	128	0	120	0
Interest rate future	0	0	0	1	0	0
<b>Total financial derivatives</b>	<b>1 244</b>	<b>2 758</b>	<b>945</b>	<b>2 156</b>	<b>1 661</b>	<b>1 948</b>

**Note 11 BORROWING**

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.14	Book value 30.09.13	Book value 31.12.13
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	2 372	EUR	Fixed <sup>1</sup>	Perpetual	2 491	2 497	2 599
Kommunal Landspensjonskasse	554	JPY	Fixed <sup>2</sup>	Perpetual	566	592	552
<b>Total subordinated loan capital</b>	<b>2 926</b>				<b>3 057</b>	<b>3 089</b>	<b>3 151</b>
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed <sup>3</sup>	2034	1 050	984	919
<b>Total hybrid Tier 1 securities</b>	<b>984</b>				<b>1 050</b>	<b>984</b>	<b>919</b>

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

**Note 11 BORROWING (CONT.)**

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.14	Book value 30.09.13	Book value 31.12.13
<b>COVERED BONDS</b>							
KLP Kommunekreditt AS	0	NOK	Floating	2013	0	603	0
KLP Kommunekreditt AS	0	NOK	Floating	2014	0	1 342	1 001
KLP Kommunekreditt AS	0	SEK	Floating	2015	0	469	474
KLP Kommunekreditt AS	1 677	NOK	Floating	2015	1 679	4 304	4 304
KLP Kommunekreditt AS	612	NOK	Fixed	2015	620	2 533	2 555
KLP Kommunekreditt AS	3 500	NOK	Floating	2016	3 511	3 010	3 009
KLP Kommunekreditt AS	1 000	NOK	Fixed	2017	1 008	1 009	1 015
KLP Kommunekreditt AS	4 000	NOK	Floating	2017	4 011	3 009	3 009
KLP Kommunekreditt AS	3 500	NOK	Floating	2018	3 508	1 003	1 003
KLP Kommunekreditt AS	1 500	NOK	Floating	2019	1 501	0	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	777	777	752
Value adjustments					117	81	95
<b>Total covered bonds</b>	<b>16 539</b>				<b>16 733</b>	<b>18 140</b>	<b>17 217</b>
<b>DEBT TO CREDIT INSTITUTIONS</b>							
KLP Banken AS	300	NOK	Floating	2014	301	1 051	1 052
KLP Banken AS	600	NOK	Floating	2015	603	602	609
KLP Banken AS	800	NOK	Floating	2016	803	602	602
KLP Banken AS	300	NOK	Fixed	2017	304	304	301
KLP Banken AS	500	NOK	Floating	2017	501	0	0
KLP Banken AS	200	NOK	Fixed	2018	207	0	202
KLP Banken AS	500	NOK	Floating	2018	503	0	0
KLP Banken AS	300	NOK	Floating	2019	300	0	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2013	0	217	0
Kommunal Landspensjonskasse	1 425	NOK/EUR/USD	Floating	2014	1 425	0	483
Value adjustments					-10	0	0
<b>Total liabilities to credit institutions</b>	<b>4 925</b>				<b>4 936</b>	<b>2 776</b>	<b>3 249</b>
<b>LIABILITIES TO AND DEPOSITS FROM CUSTOMERS <sup>4</sup></b>							
Retail	4 446	NOK			4 446	3 536	3 700
Business	1 039	NOK			1 039	628	707
<b>Liabilities to and deposits from customers</b>	<b>5 486</b>				<b>5 486</b>	<b>4 164</b>	<b>4 407</b>
<b>Total financial liabilities</b>	<b>30 859</b>				<b>31 262</b>	<b>29 154</b>	<b>28 942</b>

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.

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

**Note 12 FAIR VALUE HIERARCHY**

30.09.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	40 953	40 953
Land/plots	0	0	867	867
Property subsidiaries	0	0	39 535	39 535
Investment property partnership interests	0	0	550	550
Lending at fair value	0	2 162	0	2 162
Bonds and other fixed-income securities	75 730	49 345	0	125 075
Certificates	5 774	3 939	0	9 713
Bonds	57 939	45 406	0	103 345
Fixed-income funds	12 017	0	0	12 017
Loans and receivables	8 134	3 192	0	11 326
Shares and units	84 006	4 055	5 666	93 728
Shares	83 027	3 391	1 275	87 693
Equity funds	979	0	56	1 035
Special funds	0	88	0	88
Private Equity	0	0	4 335	4 335
Financial derivatives	0	1 244	0	1 244
<b>Total assets valued at fair value</b>	<b>167 870</b>	<b>59 998</b>	<b>46 619</b>	<b>274 487</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	2 758	0	2 758
Debt to credit institutions <sup>1</sup>	513	912	0	1 425
<b>Total financial liabilities at fair value</b>	<b>513</b>	<b>3 670</b>	<b>0</b>	<b>4 183</b>

<sup>1</sup> The line Debt to credit institutions includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 3 368 million on 30 September 2014.

**Note 12 FAIR VALUE HIERARCHY (CONT.)**

<b>30.09.13 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	34 529	34 529
Land/plots	0	0	922	922
Property subsidiaries	0	0	33 073	33 073
Investment property partnership interests	0	0	534	534
Lending at fair value	0	2 027	0	2 027
Bonds and other fixed-income securities	61 027	43 070	0	104 096
Certificates	3 963	4 907	0	8 870
Bonds	45 927	38 162	0	84 089
Fixed-income funds	11 137	0	0	11 137
Loans and receivables	9 396	3 522	0	12 919
Shares and units	62 931	921	4 122	67 974
Shares	62 047	275	888	63 210
Equity funds	883	0	100	984
Property funds	0	643	0	643
Special funds	0	4	0	4
Private Equity	0	0	3 134	3 134
Financial derivatives	0	945	0	945
<b>Total assets valued at fair value</b>	<b>133 354</b>	<b>50 485</b>	<b>38 651</b>	<b>222 490</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	2 156	0	2 156
Debt to credit institutions <sup>1</sup>	217	0	0	217
<b>Total financial liabilities at fair value</b>	<b>217</b>	<b>2 156</b>	<b>0</b>	<b>2 373</b>

**Note 12 FAIR VALUE HIERARCHY (CONT.)**

<b>31.12.13 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	39 744	39 744
Land/plots	0	0	932	932
Property subsidiaries	0	0	38 276	38 276
Investment property partnership interests	0	0	537	537
Lending at fair value	0	2 121	0	2 121
Bonds and other fixed-income securities	61 301	45 710	0	107 011
Certificates	3 985	5 600	0	9 585
Bonds	46 009	40 110	0	86 119
Fixed-income funds	11 307	0	0	11 307
Loans and receivables	9 840	5 547	0	15 387
Shares and units	67 605	918	4 717	73 239
Shares	66 683	256	689	67 627
Equity funds	923	0	79	1 001
Property funds	0	658	0	658
Special funds	0	4	0	4
Private Equity	0	0	3 949	3 949
Financial derivatives	0	1 661	0	1 661
<b>Total assets valued at fair value</b>	<b>138 746</b>	<b>55 957</b>	<b>44 460</b>	<b>239 163</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives liabilities	0	1 948	0	1 948
Debt to credit institutions <sup>1</sup>	485	0	0	485
<b>Total financial liabilities at fair value</b>	<b>485</b>	<b>1 948</b>	<b>0</b>	<b>2 433</b>



**Note 12 FAIR VALUE HIERARCHY (CONT.)**

Changes in Level 3, Financial Assets	Book value 30.09.14	Book value 30.09.13	Book value 31.12.13
Opening balance 1 January	4 717	3 262	3 262
Sold	-436	-440	-632
Bought	1 136	961	1 271
Unrealised changes	250	339	817
<b>Closing balance 30 September /31 December</b>	<b>5 666</b>	<b>4 122</b>	<b>4 717</b>
Realised gains/losses	92	0	30

  

Changes in Level 3, Investment Property	Book value 30.09.14	Book value 30.09.13	Book value 31.12.13
Opening balance 1 January	39 744	32 322	32 322
Net acquisition cost	1 140	1 171	6 003
Unrealised changes	49	1 048	1 419
Other changes	21	-12	0
<b>Closing balance 30 September /31 December</b>	<b>40 953</b>	<b>34 529</b>	<b>39 744</b>
Realised gains/losses	0	0	0

  

<b>Closing balance 30 September /31 December</b>	<b>46 619</b>	<b>38 651</b>	<b>44 460</b>
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Unrealised changes and realized gains / losses reflected on the line «Net value changes on financial instruments» in the consolidated income statement. The tables «Changes in level 3» shows changes in level 3 classified instruments in the period indicated.

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

**Level 1:**

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

**Level 2:**

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

**Level 3:**

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

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 5 percent change in the pricing would produce a change of NOK 2 331 millions as of 30.09.2014, NOK 1 933 millions as of 30.09.2013 and NOK 2 223 millions as of 31.12.2013.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 775 in financial assets valued at fair value at Level 1. Per 30.09.2014 the NOK 775 millions are included with NOK 364 millions in shares and units in Level 1, and NOK 407 millions in debt instruments at fair value in Level 1.

By third quarter this year NOK 5,4 millions has been moved from Level 1 to Level 2 and NOK 345 millions from Level 2 to Level 1. When moving between levels the value at the period end defines the amount.

As a result of IRS 10 there will be variance between what is reported here and what has been reported previously since this note is based on a fully consolidated financial position statement in accordance with the new regulations on consolidating entities where there is control. The final column illustrates what the Group is bearing in real risk, i.e. assets and liabilities that actually comprise part of the Group's possessions.

### Note 13 LIQUIDITY RISK

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

30.09.14 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	11	150	3 163	0	0	3 324
Perpetual hybrid Tier 1 securities	0	70	187	234	1 315	1 806
Debt to and deposits from customers (without defined maturity)	5 486	0	0	0	0	5 486
Covered bonds issued	0	2 539	12 620	2 521	0	17 680
Payables to credit institutions	1 326	911	2 760	0	0	4 998
Financial derivatives	824	1 092	784	164	87	2 952
Accounts payable	578	0	0	0	0	578
Repurchase agreement	913	0	0	0	0	913
Contingent liabilities	7 833	0	0	0	0	7 833
<b>Total</b>	<b>16 971</b>	<b>4 762</b>	<b>19 514</b>	<b>2 919</b>	<b>1 402</b>	<b>45 568</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 72 million and derivatives maturing between 1-12 months are reduced by NOK 63 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 45 433 millions.

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
Payables to credit institutions	1 438	610	1 900	0	0	3 947
Financial derivatives	958	435	701	192	74	2 360
Accounts payable	677	0	0	0	0	677
Contingent liabilities	5 276	0	0	0	0	5 276
<b>Total</b>	<b>12 526</b>	<b>4 040</b>	<b>22 425</b>	<b>1 247</b>	<b>1 446</b>	<b>41 684</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 115 millions and derivatives maturing between 1-12 months are reduced by NOK 157 millions, derivatives between 1-5 years with NOK 191 millions, derivatives between 5-10 with NOK 86 millions and derivatives over 10 years with NOK 2 millions.

31.12.13 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	154	3 385	0	0	3 539
Perpetual hybrid Tier 1 securities	0	44	177	221	1 322	1 764
Debt to and deposits from customers (without defined maturity)	4 407	0	0	0	0	4 407
Covered bonds issued	0	1 245	16 092	819	0	18 157
Payables to credit institutions	485	1 061	1 798	0	0	3 344
Financial derivatives	566	401	893	224	128	2 212
Accounts payable	692	0	0	0	0	692
Contingent liabilities	8 539	0	0	0	0	8 539
<b>Total</b>	<b>14 689</b>	<b>2 905</b>	<b>22 346</b>	<b>1 263</b>	<b>1 450</b>	<b>42 654</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 49,1 millions. Total amount of the financial liabilities for the Group are after these adjustments NOK 42 605 millions.

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 14** INTEREST RATE RISK

30.09.14 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 01.01.14- 30.09.14	Total	Total adjusted for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	9	9	4
Alternative investments	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	25	4	-94	-122	-192	-61	-440	-402
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	4	4	4
Bonds and other fixed-return securities	-42	-95	-994	-1 321	-1 059	179	-3 333	-936
Fixed income fund holdings	-732	0	0	0	0	18	-713	-2 662
Special investment fund	7	0	5	-10	0	5	7	-4
Lending and receivables	-1	-9	0	0	0	24	13	13
Lending	0	0	0	0	0	159	159	159
<b>Total assets</b>	<b>-743</b>	<b>-100</b>	<b>-1 083</b>	<b>-1 454</b>	<b>-1 251</b>	<b>337</b>	<b>-4 295</b>	<b>-3 823</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-40	-40	-40
Liabilities created on issue of securities	0	4	42	47	0	-151	-58	-58
Financial derivatives classified as liabilities	-8	2	153	111	2	57	317	316
Hybrid capital, subordinated loans	0	0	0	60	23	0	82	82
Call Money	0	0	0	0	0	-4	-4	-4
<b>Total liabilities</b>	<b>-8</b>	<b>6</b>	<b>195</b>	<b>218</b>	<b>25</b>	<b>-138</b>	<b>296</b>	<b>296</b>
<b>Total, before and after tax</b>	<b>-751</b>	<b>-95</b>	<b>-889</b>	<b>-1 236</b>	<b>-1 226</b>	<b>199</b>	<b>-3 998</b>	<b>-3 527</b>

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

**Note 14 INTEREST RATE RISK (CONT.)**

30.09.13 NOK Millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.13- 30.09.13	Total	Total adjusted for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	4	4	1
Alternative investments	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	-2	9	-123	-129	-157	-46	-447	-428
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	4	4	4
Bonds and other fixed-return securities	-30	-82	-821	-1 160	-764	0	-2 857	-992
Fixed income fund holdings	-613	0	0	0	0	22	-591	-2 305
Special investment fund	0	0	0	0	0	5	5	-24
Lending and receivables	-2	-11	0	0	0	103	90	91
Lending	0	0	0	0	0	115	115	115
<b>Total assets</b>	<b>-646</b>	<b>-85</b>	<b>-943</b>	<b>-1 289</b>	<b>-920</b>	<b>208</b>	<b>-3 676</b>	<b>-3 538</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-31	-31	-31
Liabilities created on issue of securities	0	0	86	61	0	-122	25	25
Financial derivatives classified as liabilities	-14	1	154	113	2	11	266	268
Hybrid capital, subordinated loans	0	0	0	58	21	0	80	80
Call Money	0	0	0	0	0	-5	-5	-5
<b>Total liabilities</b>	<b>-14</b>	<b>1</b>	<b>240</b>	<b>231</b>	<b>23</b>	<b>-146</b>	<b>335</b>	<b>337</b>
<b>Total, before and after tax</b>	<b>-659</b>	<b>-84</b>	<b>-704</b>	<b>-1 058</b>	<b>-897</b>	<b>62</b>	<b>-3 340</b>	<b>-3 201</b>

**Note 14 INTEREST RATE RISK (CONT.)**

31.12.13 NOK millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.13- 31.12.13		Total adjusted for minority's share
<b>ASSETS</b>								
Mutual funds shares <sup>1</sup>	0	0	0	0	0	7	7	3
Alternative investments	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	2	11	-158	-130	-122	-42	-439	-447
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	6
Bonds and other fixed-return securities	-36	-84	-898	-1 032	-767	205	-2 612	-776
Fixed income fund holdings	-582	0	0	0	0	27	-556	-2 146
Special investment fund	-38	-38	4	-5	0	7	-70	-1
Lending and receivables	-1	-8	-4	0	0	92	79	79
Lending	0	0	0	0	0	147	147	147
<b>Total assets</b>	<b>-656</b>	<b>-119</b>	<b>-1 055</b>	<b>-1 167</b>	<b>-889</b>	<b>449</b>	<b>-3 437</b>	<b>-3 135</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-44	-44	-44
Liabilities created on issue of securities	0	0	86	50	0	-154	-19	-19
Financial derivatives classified as liabilities	-16	8	176	86	2	71	326	249
Hybrid capital, subordinated loans	0	0	0	55	16	0	72	72
Call Money	0	0	0	0	0	-6	-6	-6
<b>Total liabilities</b>	<b>-16</b>	<b>8</b>	<b>262</b>	<b>191</b>	<b>18</b>	<b>-134</b>	<b>329</b>	<b>251</b>
<b>Total, before and after tax</b>	<b>-672</b>	<b>-111</b>	<b>-793</b>	<b>-976</b>	<b>-871</b>	<b>315</b>	<b>-3 108</b>	<b>-2 884</b>

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

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

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

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

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

## Note 15 CREDIT RISK

30.09.14 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Home loans > 80% <sup>1</sup>	Home loans < 80% <sup>1</sup>	Other	Total	Total adjustet for minority holding
Debt instruments held to maturity at amortized cost	24 670	0	83	1 435	0	0	3 189	29 376	29 376
Debt instruments classified as loans and receivables at amortized cost	61 237	0	521	2 886	0	0	18 849	83 493	83 475
Debt instruments at fair value - fixed-return securities	70 655	897	2 938	25 190	0	0	12 720	112 400	101 379
Fixed-income funds turnover	0	0	0	0	0	0	12 017	12 017	12 017
Loans and receivables	8 912	0	0	3 073	0	0	0	11 985	10 915
Financial derivatives classified as assets	1 244	0	0	0	0	0	0	1 244	1 216
Lending	0	0	45 451	0	9 799	2 449	3 949	61 648	61 648
<b>Total</b>	<b>166 718</b>	<b>897</b>	<b>48 993</b>	<b>32 583</b>	<b>9 799</b>	<b>2 449</b>	<b>50 723</b>	<b>312 163</b>	<b>300 026</b>

Specification of investement grade	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	13 992	1 731	8 152	795	24 670
Debt instruments classified as loans and receivables at amortized cost	17 911	13 883	26 619	2 825	61 237
Debt instruments at fair value -fixed-return securities	22 151	18 041	21 276	9 187	70 655
Fixed-income funds turnover	0	0	0	0	0
Loans and receivables	0	4 043	4 868	0	8 912
Financial derivatives classified as assets	0	329	915	0	1 244
Lending	0	0	0	0	0
<b>Total</b>	<b>54 054</b>	<b>38 027</b>	<b>61 830</b>	<b>12 807</b>	<b>166 718</b>

30.09.13 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Home loans > 80% <sup>1</sup>	Home loans < 80% <sup>1</sup>	Other	Total	Total adjustet for minority holding
Debt instruments held to maturity at amortized cost	25 383	0	83	107	0	0	4 775	30 348	30 348
Debt instruments classified as loans and receivables at amortized cost	47 119	0	325	2 138	0	0	16 977	66 559	66 540
Debt instruments at fair value - fixed-return securities	57 981	658	1 693	14 119	0	0	17 899	92 350	85 672
Fixed-income funds turnover	0	0	0	0	0	0	11 137	11 137	11 137
Loans and receivables	10 158	0	0	3 371	0	0	0	13 529	12 986
Financial derivatives classified as assets	945	0	0	0	0	0	0	945	927
Lending	0	0	38 028	0	10 249	862	3 993	53 133	53 133
<b>Total</b>	<b>141 585</b>	<b>658</b>	<b>40 128</b>	<b>19 736</b>	<b>10 249</b>	<b>862</b>	<b>54 782</b>	<b>268 000</b>	<b>260 743</b>

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



**Note 15 CREDIT RISK (CONT.)**

Specification of investement grade	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	17 652	2 025	4 911	795	25 383
Debt instruments classified as loans and receivables at amortized cost	19 051	11 733	13 294	3 041	47 119
Debt instruments at fair value -fixed-return securities	17 965	14 378	18 134	7 504	57 981
Fixed-income funds turnover	0	0	0	0	0
Loans and receivables	0	983	9 175	0	10 158
Financial derivatives classified as assets	0	207	737	0	945
Lending	0	0	0	0	0
<b>Total</b>	<b>54 667</b>	<b>29 327</b>	<b>46 251</b>	<b>11 340</b>	<b>141 585</b>

31.12.13 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Home loans > 80% <sup>1</sup>	Home loans < 80% <sup>1</sup>	Other	Total	Total adjustet for minority holding
Debt instruments held to maturity at amortized cost	26 884	0	81	50	0	0	4 743	31 758	31 758
Debt instruments classified as loans and receivables at amortized cost	48 414	0	219	901	0	0	17 738	67 272	67 244
Debt instruments at fair value - fixed-return securities	57 471	640	2 035	14 904	0	0	20 655	95 704	88 144
Fixed-income funds turnover	0	0	0	0	0	0	11 307	11 307	11 307
Loans and receivables	12 415	0	0	2 972	0	0	0	15 386	15 174
Financial derivatives classified as assets	1 661	0	0	0	0	0	0	1 661	1 578
Lending	0	0	39 824	0	9 193	2 294	4 071	55 381	55 381
<b>Total</b>	<b>146 844</b>	<b>640</b>	<b>42 160</b>	<b>18 827</b>	<b>9 193</b>	<b>2 294</b>	<b>58 514</b>	<b>278 471</b>	<b>270 586</b>

Specification of investement grade	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	19 014	2 255	4 809	806	26 884
Debt instruments classified as loans and receivables at amortized cost	17 779	11 950	15 637	3 048	48 414
Debt instruments at fair value -fixed-return securities	17 522	15 216	17 488	7 245	57 471
Fixed-income funds turnover	0	0	0	0	0
Loans and receivables	0	1 550	10 865	0	12 415
Financial derivatives classified as assets	0	104	1 557	0	1 661
Lending	0	0	0	0	0
<b>Total</b>	<b>54 314</b>	<b>31 076</b>	<b>50 356</b>	<b>11 099</b>	<b>146 844</b>

## Note 15 CREDIT RISK (CONT.)

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

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

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. The Group can be said to have a high concentration of debt instruments directed at the Norwegian public sector, however this does not imply concentration risk in the ordinary meaning since the counterparty risk is minimal. The Notes only show Standard & Poor's ratings. The KLP Group also uses ratings from Moody's Investor Services and

Fitch ratings and all three are equal as a basis for investments in fixed-income securities. The table shows exposure towards the rating categories used by S & P where AAA is associated with securities with the highest creditworthiness. «Other» is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 50.7 billion on 30 September 2014. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the «Other» category.

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

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

NOK millions	30.09.14		30.09.13		31.12.13	
	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding
<b>10 LARGEST COUNTERPARTIES</b>						
Counterparty 1	12 767	12 737	9 773	9 366	11 615	11 031
Counterparty 2	8 521	7 968	9 386	9 346	9 425	9 384
Counterparty 3	6 678	6 678	8 488	8 488	8 523	8 523
Counterparty 4	4 941	4 907	4 005	3 756	4 925	4 904
Counterparty 5	4 171	3 863	3 852	3 712	4 785	4 698
Counterparty 6	3 511	3 440	3 604	3 585	3 798	3 399
Counterparty 7	3 369	3 292	3 299	3 277	3 414	3 297
Counterparty 8	3 088	3 056	3 004	3 004	3 318	3 294
Counterparty 9	3 004	3 004	2 824	2 824	2 968	2 968
Counterparty 10	2 952	2 842	2 816	2 752	2 815	2 815
<b>Total</b>	<b>53 002</b>	<b>51 788</b>	<b>51 053</b>	<b>50 111</b>	<b>55 586</b>	<b>54 313</b>

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

**Note 16** INSURANCE-RELATED PROVISIONS IN LIFE INSURANCE INCLUDING INVESTMENT CHOICE

NOK millions	30.09.14	30.09.13	31.12.13
Premium reserves - ordinary tarif	317 440	267 841	271 771
Premium reserves - longevity reserving	9 085	6 157	9 084
Premium funds, buffer funds and pensioners' surplus funds	8 523	3 419	3 291
Supplementary reserves	13 378	12 460	12 524
Securities adjustment fund	18 343	12 664	10 447
Other provisions	366	300	222
Profit/loss allocated to insurance contracts	1 960	2 130	5 887
<b>Insurance-related provisions in life insurance incl. investment options</b>	<b>369 094</b>	<b>304 971</b>	<b>313 227</b>

NOK millions	30.09.14	30.09.13	31.12.13
Premium reserves - ordinary tarif	768	483	571
Deposit funds	7	8	6
<b>Reserving life insurance with investment options</b>	<b>775</b>	<b>492</b>	<b>578</b>

**Note 17** PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

30.09.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for mino- rity's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	1 244	0	1 244	-728	-459	68	68
Repo	0	0	0	0	0	0	0
<b>Total</b>	<b>1 244</b>	<b>0</b>	<b>1 244</b>	<b>-728</b>	<b>-459</b>	<b>68</b>	<b>68</b>
LIABILITIES							
Financial derivatives	2 758	0	2 758	-728	-1 272	791	681
Repo	913	0	913	0	0	913	913
<b>Total</b>	<b>3 671</b>	<b>0</b>	<b>3 671</b>	<b>-728</b>	<b>-1 272</b>	<b>1 704</b>	<b>1 593</b>

30.09.13 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for mino- rity's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	945	0	945	-662	-198	84	84
<b>Total</b>	<b>945</b>	<b>0</b>	<b>945</b>	<b>-662</b>	<b>-198</b>	<b>84</b>	<b>84</b>
LIABILITIES							
Financial derivatives	2 156	0	2 156	-662	-1 149	372	308
<b>Total</b>	<b>2 156</b>	<b>0</b>	<b>2 156</b>	<b>-662</b>	<b>-1 149</b>	<b>372</b>	<b>308</b>

31.12.13 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for mino- rity's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	1 661	0	1 661	-964	-478	219	224
<b>Total</b>	<b>1 661</b>	<b>0</b>	<b>1 661</b>	<b>-964</b>	<b>-478</b>	<b>219</b>	<b>224</b>
LIABILITIES							
Financial derivatives	1 948	0	1 948	-899	-714	335	312
<b>Total</b>	<b>1 948</b>	<b>0</b>	<b>1 948</b>	<b>-899</b>	<b>-714</b>	<b>335</b>	<b>312</b>

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

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

**Note 18 OTHER CURRENT LIABILITIES**

NOK millions	30.09.14	30.09.13	31.12.13
Short-term payables trade in securities	6 284	19 641	3 978
Advance tax-deduction pension scheme	268	231	241
Accounts payable	578	677	692
Pre-called contribution to insurance	5 386	104	67
Other current liabilities	634	673	2 221
<b>Total receivable</b>	<b>13 149</b>	<b>21 325</b>	<b>7 200</b>

**Note 19 PENSION OBLIGATIONS - OWN EMPLOYEES**

NOK millions	30.09.14	Assumptions	30.09.14	31.12.13
Capitalized net liability 01.01.14	623	Discount rate	3,00 %	4,00 %
Capitalized pension costs	-34	Salary growth	3,25 %	3,75 %
Capitalized financial costs	13	The National Insurance basic amount (G)	3,00 %	3,50 %
Actuarial gains and losses (Estimate deviation)	137	Pension increases	2,23 %	2,72 %
Premiums / contributions received	-79	Expected return	3,00 %	4,00 %
<b>Capitalized net liability 30.09.14</b>	<b>660</b>	Social security contribution rate	14,10 %	14,10 %

The effect of changes in the assumptions is a NOK 137 million increase in the liability. The change is charged to "Other comprehensive income" in the income statement.

A plan change has also been incorporated into the pension liability as at 30 September 2014. The effect of the plan change is a reduction of the liability by NOK 102 million. The plan change has been recognized as a reduction of the cost of pension and insurance-related operating costs in the income statement



To the Board of Directors of Kommunal Landspensjonskasse Gjensidig Forsikringselskap

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

### *Introduction*

We have reviewed the accompanying consolidated condensed balance sheet of Kommunal Landspensjonskasse Gjensidig Forsikringselskap as of 30 September 2014 and the related consolidated condensed statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

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

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

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

### *Conclusion*

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

Oslo, 4 November 2014

**PricewaterhouseCoopers AS**

Magne Sem  
State Authorised Public Accountant

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





Non-financial accounts  
KLP Group

# Non-financial accounts

KLP Group

Note	Per Q3 2014	Per Q2 2014	Per Q1 2014	2013	2012	2011	2010
<b>SOCIAL RESPONSIBLE INVESTMENTS</b>							
1							
1							
2							
<b>EMPLOYEES</b>							
<b>ENVIRONMENT</b>							
3							
3							
3							
3							

## Note 1 SOCIALLY RESPONSIBLE INVESTMENTS

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

## Note 2 DIALOGUE

Number of companies that KLP has contacted regarding social-, environmental-, and governance challenges related to its operations. This is a form of corporate governance, where KLP engage in a dialogue to determine how the company handle such challenges, communicate our expectations, and encourage improvement.

## Note 3 ENERGY CONSUMPTION

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



Accounts

Kommunal Landspensjonskasse

# Income statement

Kommunal Landspensjonskasse

Note	NOK million	Q3 2014	Q3 2013	01.01.14 - 30.09.14	01.01.13- 30.09.13	01.01.13- 31.12.13
3	Premium income	17 156	5 012	54 570	25 487	30 860
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	552	724	1 521	2 291	3 395
	Interest income/dividends on financial assets	1 637	1 716	6 118	5 738	9 116
	Value changes on investments	2 627	1 955	8 124	3 749	2 187
	Gains and losses realised on investments	-461	523	379	837	4 077
	<b>Net income from investments in the common portfolio</b>	<b>4 355</b>	<b>4 918</b>	<b>16 142</b>	<b>12 616</b>	<b>18 775</b>
	Net income of the investment option portfolio	21	36	83	86	138
	Other insurance-related income	215	157	602	494	682
	Claims	-3 694	-3 052	-14 292	-8 860	-11 886
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-16 851	-5 430	-53 440	-26 283	-30 848
	Changes in insurance liabilities investment option portfolio	-19	-56	-22	-142	-181
	Funds assigned to insurance contracts - contractual liabilities	-445	-1 141	-1 959	-2 135	-5 884
4,10	Insurance-related operating expenses	-141	-208	-537	-597	-807
	Other insurance-related costs	-211	-160	-576	-483	-656
	<b>Technical profit/loss</b>	<b>385</b>	<b>76</b>	<b>571</b>	<b>182</b>	<b>191</b>
	Net income from investments in the corporate portfolio	266	228	1 027	727	979
	Other income	3	3	9	9	17
	Administration costs and other costs associated with the corporate portfolio	-55	-56	-168	-163	-238
	<b>Non-technical profit/loss</b>	<b>215</b>	<b>174</b>	<b>868</b>	<b>574</b>	<b>759</b>
	Profit/loss pre-tax	600	250	1 439	756	950
	Tax	0	0	0	0	0
	<b>Profit/loss before other comprehensive income</b>	<b>600</b>	<b>250</b>	<b>1 439</b>	<b>756</b>	<b>950</b>
10	Actuarial profit/loss post employment benefit obligations	-63	0	-93	0	-79
	<b>Items that will not be reclassified to profit or loss</b>	<b>-63</b>	<b>0</b>	<b>-93</b>	<b>0</b>	<b>-79</b>
	Shares of P/L components by use of the equity method	-35	0	-44	0	-33
	Adjustments of the insurance obligations	15	0	15	0	10
	<b>Items that will be reclassified to profit or loss when special conditions are met</b>	<b>-20</b>	<b>0</b>	<b>-30</b>	<b>0</b>	<b>-23</b>
	<b>Other comprehensive income</b>	<b>-84</b>	<b>0</b>	<b>-122</b>	<b>0</b>	<b>-102</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>516</b>	<b>250</b>	<b>1 317</b>	<b>756</b>	<b>847</b>

# Balance sheet

Kommunal Landspensjonskasse

Note	NOK million	30.09.14	30.09.13	31.12.13
<b>ASSETS</b>				
<b>ASSETS IN THE CORPORATE PORTFOLIO</b>				
	Intangible assets	356	308	321
	Investments	22 402	18 991	19 215
	Receivables	13 898	7 473	1 712
	Other assets	852	410	406
	<b>Total assets in the corporate portfolio</b>	<b>37 509</b>	<b>27 182</b>	<b>21 654</b>
<b>ASSETS IN THE CUSTOMER PORTFOLIOS</b>				
	Shares and holdings in property subsidiaries	39 309	32 849	38 383
5	Financial assets valued at amortised cost	140 008	116 781	121 557
5,6,7	Financial assets valued at fair value	184 683	166 280	156 254
	<b>Total assets in the common portfolios</b>	<b>363 999</b>	<b>315 910</b>	<b>316 194</b>
	Shares and holdings in property subsidiaries	209	201	236
5	Financial assets at amortised costs	648	584	597
5,6,7	Financial assets at fair value	1 033	901	912
	<b>Total assets in investment portfolio</b>	<b>1 890</b>	<b>1 686</b>	<b>1 745</b>
	<b>ASSETS</b>	<b>403 398</b>	<b>344 778</b>	<b>339 592</b>
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Owners' equity contributed	8 964	7 600	7 659
	Retained earnings	8 746	7 338	7 429
5	Subordinated loan capital etc.	4 107	4 074	4 070
9	Insurance obligations in life insurance - contractual liabilities	365 939	302 208	310 314
9	Insurance liabilities investment option portfolio	1 875	1 698	1 813
10	Provision for liabilities	442	323	425
8	Liabilities	13 276	21 465	7 822
	Accrued costs and prepaid income	49	72	59
	<b>OWNERS' EQUITY AND LIABILITIES</b>	<b>403 398</b>	<b>344 778</b>	<b>339 592</b>
	Contingent liabilities	6 807	4 775	8 086

# Changes in Owner's equity

Kommunal Landspensjonskasse

2014 NOK million	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
<b>Own funds 1 January 2014</b>	7 659	170	7 260	15 089
Unallocated profit		28	1 411	1 439
Other comprehensive income		0	-122	-122
<b>Total comprehensive income</b>		28	1 289	1 317
Equity paid-in	1 305			1 305
<b>Total transactions with owners</b>	1 305			1 305
<b>Own funds 30 September 2014</b>	8 964	198	8 548	17 710

2013 NOK million	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
<b>Own funds 1 January 2013</b>	6 891	490	6 092	13 473
Unallocated profit		17	739	756
Other comprehensive income		0	0	0
<b>Total comprehensive income</b>		17	739	756
Equity paid-in	709			709
<b>Total transactions with owners</b>	709			709
<b>Own funds 30 September 2013</b>	7 600	507	6 831	14 938



# Statement of cash flows

Kommunal Landspensjonskasse

<b>NOK million</b>	<b>01.01.2014- 30.09.2014</b>	<b>01.01.2014- 30.06.2014</b>	<b>01.01.2014- 31.03.2014</b>	<b>01.01.2013- 31.12.2013</b>	<b>01.01.2013- 30.09.2013</b>
Net cashflow from operational activities	-764	401	82	-674	-631
Net cashflow from investment activities	-92	-59	-30	-85	-56
Net cashflow from financing activities	1 305	-33	58	768	709
<b>Net changes in cash and bank deposits</b>	<b>448</b>	<b>308</b>	<b>110</b>	<b>10</b>	<b>23</b>
Holdings of cash and bank deposits at start of period	358	358	358	348	348
<b>Holdings of cash and bank deposits at end of period</b>	<b>806</b>	<b>666</b>	<b>468</b>	<b>358</b>	<b>371</b>

# Notes to the Accounts

Kommunal Landspensjonskasse

## Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) for the period 1 January 2014 - 30 September 2014. The auditor has conducted a review of the report.

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

with the same principles as for the annual financial statements for 2013 unless otherwise indicated. There are no changes in the accounting principles for the third quarter of any major significance for the interim accounts (Q3-14) presented.

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2013. These may be obtained on application to KLP's head office in Dronning Eufemias gate 10, Oslo, or at [klp.no](http://klp.no).

## Note 2 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 30 September 2014.

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
Value adjustment incl. foreign exchange	86	318	221	1 052	1 414
Foreign exchange effect on hedging	79	-246	421	-646	-890
<b>Net value adjustment incl. exchange hedging</b>	<b>164</b>	<b>73</b>	<b>641</b>	<b>406</b>	<b>524</b>

## Note 3 PREMIUM INCOME

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
Gross premiums due	7 258	4 911	23 602	19 500	24 931
- Reinsurance premiums ceded	0	0	-2	-1	-3
Transfer of premium reserved from others	9 897	101	30 970	5 988	5 932
<b>Total premium income</b>	<b>17 156</b>	<b>5 012</b>	<b>54 570</b>	<b>25 487</b>	<b>30 860</b>

## Note 4 INSURANCE-RELATED OPERATING EXPENSES

NOK millions	Q3 2014	Q3 2013	01.01.14- 30.09.14	01.01.13- 30.09.13	The year 2013
Staff costs	78	138	287	349	484
Depreciation	17	19	54	56	74
Other operating expenses	46	52	195	192	250
<b>Total insurance related expenses</b>	<b>141</b>	<b>208</b>	<b>537</b>	<b>597</b>	<b>807</b>

## Note 5 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

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

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

Norwegian fixed-income securities except government securities are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. In theoretical pricing a zero-coupon curve is used as well as yield curve spreads for the pricing. Reuters is used as the source for the zero-coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years.

The yield curve spreads are received from Verdipapirfondenes forening (the Norwegian Fund and Asset Management Association). These are based on yield curve spreads collected from five different market operators and converted to an average curve.

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

Fair value is calculated in accordance with the same principle as for Norwegian fixed interest securities described above. 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.

## Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

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

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

For guaranteed loans, fair value is calculated as a discounted cash flow based on the same interest-rate curves as the direct loans, but the credit margin is initially based on the initial margin. Guarantees are traded bilaterally and not through open 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 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

30.09.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	730	829	9 261	10 284	59	64	10 050	11 176
Accrued not due interest	22	22	335	335	2	2	359	359
Foreign hold-to-maturity bonds	2 889	2 988	15 115	14 893	87	96	18 091	17 977
Accrued not due interest	43	43	316	316	2	2	360	360
<b>Total investments held to maturity</b>	<b>3 684</b>	<b>3 882</b>	<b>25 026</b>	<b>25 827</b>	<b>150</b>	<b>164</b>	<b>28 860</b>	<b>29 873</b>
BONDS								
Norwegian bond loans	1 392	1 537	24 318	27 138	139	156	25 849	28 832
Accrued not due interest	28	28	559	559	2	2	590	590
Foreign bond loans	4 096	4 382	50 193	56 167	350	383	54 639	60 932
Accrued not due interest	50	50	914	914	7	7	971	971
<b>Total bonds classified as loans and receivables</b>	<b>5 567</b>	<b>5 997</b>	<b>75 985</b>	<b>84 779</b>	<b>497</b>	<b>548</b>	<b>82 049</b>	<b>91 325</b>
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	9 386	9 400	0	0	9 386	9 400
Lending with public sector guarantee	0	0	29 359	29 967	0	0	29 359	29 967
Accrued not due interest	0	0	253	253	0	0	253	253
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>38 998</b>	<b>39 619</b>	<b>0</b>	<b>0</b>	<b>38 998</b>	<b>39 619</b>
<b>Total financial assets at amortized cost</b>	<b>9 251</b>	<b>9 879</b>	<b>140 008</b>	<b>150 225</b>	<b>648</b>	<b>712</b>	<b>149 907</b>	<b>160 816</b>
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	339	339	4 800	4 800	0	0	5 139	5 139
Foreign shares	0	0	19 408	19 408	0	0	19 408	19 408
<b>Total shares and units</b>	<b>339</b>	<b>339</b>	<b>24 208</b>	<b>24 208</b>	<b>0</b>	<b>0</b>	<b>24 547</b>	<b>24 547</b>
Property funds	0	0	577	577	0	0	577	577
Norwegian equity funds	0	0	39 667	39 667	369	369	40 036	40 036
Foreign equity funds	0	0	5 010	5 010	0	0	5 010	5 010
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>45 254</b>	<b>45 254</b>	<b>369</b>	<b>369</b>	<b>45 623</b>	<b>45 623</b>
Norwegian alternative investments	0	0	1 775	1 775	13	13	1 788	1 788
Foreign alternative investments	0	0	88	88	0	0	88	88
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>1 863</b>	<b>1 863</b>	<b>13</b>	<b>13</b>	<b>1 876</b>	<b>1 876</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

30.09.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
Norwegian bonds	4 352	4 352	30 338	30 338	0	0	34 690	34 690
Foreign bonds	163	163	13 843	13 843	0	0	14 006	14 006
Accrued not due interest	43	43	442	442	0	0	485	485
Norwegian fixed-income funds	1 412	1 412	38 518	38 518	583	583	40 513	40 513
Foreign fixed-income funds	0	0	12 017	12 017	0	0	12 017	12 017
Accrued not due interest	12	12	155	155	5	5	171	171
Norwegian certificates	537	537	6 954	6 954	0	0	7 491	7 491
Accrued not due interest	7	7	35	35	0	0	41	41
<b>Total bonds and other fixed-income securities</b>	<b>6 526</b>	<b>6 526</b>	<b>102 300</b>	<b>102 300</b>	<b>588</b>	<b>588</b>	<b>109 414</b>	<b>109 414</b>
Norwegian loans and receivables	690	690	4 212	4 212	32	32	4 934	4 934
Foreign loans and receivables	370	370	3 190	3 190	14	14	3 574	3 574
<b>Total loans and receivables</b>	<b>1 060</b>	<b>1 060</b>	<b>7 402</b>	<b>7 402</b>	<b>46</b>	<b>46</b>	<b>8 508</b>	<b>8 508</b>
<b>DERIVATIVES</b>								
Interest rate swaps	113	113	393	393	0	0	506	506
Share options	0	0	289	289	2	2	292	292
Forward exchange contracts	0	0	186	186	1	1	187	187
<b>Total financial derivatives classified as assets</b>	<b>113</b>	<b>113</b>	<b>869</b>	<b>869</b>	<b>3</b>	<b>3</b>	<b>985</b>	<b>985</b>
<b>Other financial assets</b>	<b>61</b>	<b>61</b>	<b>2 787</b>	<b>2 787</b>	<b>13</b>	<b>13</b>	<b>2 861</b>	<b>2 861</b>
<b>Total financial assets valued at fair value</b>	<b>8 098</b>	<b>8 098</b>	<b>184 683</b>	<b>184 683</b>	<b>1 033</b>	<b>1 033</b>	<b>193 814</b>	<b>193 814</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	401	401	0	0	401	401
Forward exchange contracts	4	4	1 165	1 165	3	3	1 172	1 172
<b>Total financial derivatives classified as liabilities</b>	<b>4</b>	<b>4</b>	<b>1 566</b>	<b>1 566</b>	<b>3</b>	<b>3</b>	<b>1 573</b>	<b>1 573</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

30.09.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>SUBORDINATED LOAN CAPITAL</b>								
Perpetual subordinated loan capital	3 057	3 155	0	0	0	0	3 057	3 155
Hybrid Tier 1 securities	1 050	1 045	0	0	0	0	1 050	1 045
<b>Total subordinated loan capital etc.</b>	<b>4 107</b>	<b>4 200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 107</b>	<b>4 200</b>
<b>DEBT TO CREDIT INSTITUTIONS</b>								
Norwegian call money	0	0	95	95	0	0	95	95
Foreign call money	54	54	360	360	0	0	414	414
<b>Total debt to credit institutions</b>	<b>54</b>	<b>54</b>	<b>455</b>	<b>455</b>	<b>0</b>	<b>0</b>	<b>509</b>	<b>509</b>

30.09.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	681	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
<b>Total investments held to maturity</b>	<b>3 612</b>	<b>3 796</b>	<b>25 834</b>	<b>27 486</b>	<b>145</b>	<b>155</b>	<b>29 591</b>	<b>31 437</b>
<b>BONDS</b>								
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
<b>Total bonds classified as loans and receivables</b>	<b>5 080</b>	<b>5 296</b>	<b>59 898</b>	<b>62 710</b>	<b>439</b>	<b>463</b>	<b>65 417</b>	<b>68 469</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loan	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
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>31 049</b>	<b>31 523</b>	<b>0</b>	<b>0</b>	<b>31 049</b>	<b>31 523</b>
<b>Total financial assets at amortized cost</b>	<b>8 693</b>	<b>9 092</b>	<b>116 781</b>	<b>121 719</b>	<b>584</b>	<b>617</b>	<b>126 058</b>	<b>131 428</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

30.09.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	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
<b>Total shares and units</b>	<b>229</b>	<b>229</b>	<b>24 461</b>	<b>24 461</b>	<b>0</b>	<b>0</b>	<b>24 691</b>	<b>24 691</b>
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
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>24 317</b>	<b>24 317</b>	<b>412</b>	<b>412</b>	<b>24 729</b>	<b>24 729</b>
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
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>1 728</b>	<b>1 728</b>	<b>13</b>	<b>13</b>	<b>1 741</b>	<b>1 741</b>
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
<b>Total bonds and other fixed-income securities</b>	<b>4 623</b>	<b>4 623</b>	<b>86 497</b>	<b>86 497</b>	<b>441</b>	<b>441</b>	<b>91 560</b>	<b>91 560</b>
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
<b>Total loans and receivables</b>	<b>464</b>	<b>464</b>	<b>9 760</b>	<b>9 760</b>	<b>33</b>	<b>33</b>	<b>10 257</b>	<b>10 257</b>
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
<b>Total financial derivatives classified as assets</b>	<b>70</b>	<b>70</b>	<b>569</b>	<b>569</b>	<b>1</b>	<b>1</b>	<b>640</b>	<b>640</b>
Other financial assets	35	35	18 948	18 948	0	0	18 983	18 983
<b>Total financial assets valued at fair value</b>	<b>5 422</b>	<b>5 422</b>	<b>166 280</b>	<b>166 280</b>	<b>901</b>	<b>901</b>	<b>172 603</b>	<b>172 603</b>



**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

30.09.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LIABILITIES</b>								
DERIVATIVES								
Interest rate swaps	0	0	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
<b>Total financial derivatives classified as liabilities</b>	<b>1</b>	<b>1</b>	<b>1 812</b>	<b>1 812</b>	<b>7</b>	<b>7</b>	<b>1 820</b>	<b>1 820</b>
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
<b>Total subordinated loan capital etc.</b>	<b>4 074</b>	<b>4 162</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 074</b>	<b>4 162</b>
DEBT TO CREDIT INSTITUTIONS								
Foreign call money	19	19	197	197	0	0	217	217
<b>Total debt to credit institutions</b>	<b>19</b>	<b>19</b>	<b>197</b>	<b>197</b>	<b>0</b>	<b>0</b>	<b>217</b>	<b>217</b>

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT AMORTIZED COST</b>								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	731	787	10 822	11 520	69	73	11 622	12 381
Accrued not due interest	23	23	253	253	1	1	277	277
Foreign hold-to-maturity bonds	2 933	3 054	15 828	16 772	84	90	18 845	19 915
Accrued not due interest	51	51	308	308	2	2	360	360
<b>Total investments held to maturity</b>	<b>3 738</b>	<b>3 915</b>	<b>27 212</b>	<b>28 853</b>	<b>156</b>	<b>166</b>	<b>31 105</b>	<b>32 934</b>
BONDS								
Norwegian bond loans	1 323	1 322	22 183	23 826	129	137	23 635	25 284
Accrued not due interest	36	36	602	602	3	3	641	641
Foreign bond loans	3 762	3 904	36 772	37 640	302	318	40 836	41 862
Accrued not due interest	83	83	801	801	7	7	891	891
<b>Total bonds classified as loans and receivables</b>	<b>5 204</b>	<b>5 345</b>	<b>60 358</b>	<b>62 869</b>	<b>441</b>	<b>464</b>	<b>66 002</b>	<b>68 678</b>
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	7 830	7 838	0	0	7 830	7 838
Lending with public sector guarantee	0	0	25 986	26 285	0	0	25 986	26 285
Accrued not due interest	0	0	172	172	0	0	172	172
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>33 988</b>	<b>34 294</b>	<b>0</b>	<b>0</b>	<b>33 988</b>	<b>34 294</b>
<b>Total financial assets at amortized cost</b>	<b>8 942</b>	<b>9 260</b>	<b>121 557</b>	<b>126 016</b>	<b>597</b>	<b>630</b>	<b>131 095</b>	<b>135 906</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	262	262	3 814	3 814	0	0	4 076	4 076
Foreign shares	0	0	13 029	13 029	0	0	13 029	13 029
<b>Total shares and units</b>	<b>262</b>	<b>262</b>	<b>16 843</b>	<b>16 843</b>	<b>0</b>	<b>0</b>	<b>17 105</b>	<b>17 105</b>
Property funds	0	0	658	658	0	0	658	658
Norwegian equity funds	0	0	30 756	30 756	444	444	31 200	31 200
Foreign equity funds	0	0	3 932	3 932	0	0	3 932	3 932
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>35 346</b>	<b>35 346</b>	<b>444</b>	<b>444</b>	<b>35 790</b>	<b>35 790</b>
Norwegian alternative investments	0	0	1 757	1 757	13	13	1 770	1 770
Foreign alternative investments	0	0	4	4	0	0	4	4
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>1 761</b>	<b>1 761</b>	<b>13</b>	<b>13</b>	<b>1 774</b>	<b>1 774</b>
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	3 137	3 137	25 775	25 775	0	0	28 912	28 912
Foreign bonds	163	163	12 616	12 616	0	0	12 779	12 779
Accrued not due interest	33	33	434	434	0	0	467	467
Norwegian fixed-income funds	732	732	30 880	30 880	433	433	32 045	32 045
Foreign fixed-income funds	0	0	11 307	11 307	0	0	11 307	11 307
Norwegian certificates	650	650	8 031	8 031	0	0	8 681	8 681
Accrued not due interest	6	6	46	46	0	0	51	51
<b>Total bonds and other fixed-income securities</b>	<b>4 721</b>	<b>4 721</b>	<b>89 088</b>	<b>89 088</b>	<b>433</b>	<b>433</b>	<b>94 242</b>	<b>94 242</b>
Norwegian loans and receivables	247	247	9 344	9 344	11	11	9 602	9 602
Foreign loans and receivables	121	121	2 467	2 467	8	8	2 595	2 595
<b>Total loans and receivables</b>	<b>368</b>	<b>368</b>	<b>11 811</b>	<b>11 811</b>	<b>19</b>	<b>19</b>	<b>12 198</b>	<b>12 198</b>
DERIVATIVES								
Interest rate swaps	49	49	475	475	0	0	524	524
Share options	0	0	119	119	1	1	120	120
Forward exchange contracts	0	0	511	511	2	2	514	514
<b>Total financial derivatives classified as assets</b>	<b>50</b>	<b>50</b>	<b>1 105</b>	<b>1 105</b>	<b>3</b>	<b>3</b>	<b>1 158</b>	<b>1 158</b>
<b>Other financial assets</b>	<b>16</b>	<b>16</b>	<b>301</b>	<b>301</b>	<b>0</b>	<b>0</b>	<b>317</b>	<b>317</b>
<b>Total financial assets valued at fair value</b>	<b>5 416</b>	<b>5 416</b>	<b>156 254</b>	<b>156 254</b>	<b>912</b>	<b>912</b>	<b>162 582</b>	<b>162 582</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)**

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LIABILITIES</b>								
DERIVATIVES								
Interest rate swaps	0	0	323	323	0	0	323	323
Interest rate and currency swaps	65	65	309	309	1	1	375	375
Forward exchange contracts	0	0	697	697	4	4	701	701
<b>Total financial derivatives classified as liabilities</b>	<b>65</b>	<b>65</b>	<b>1 330</b>	<b>1 330</b>	<b>5</b>	<b>5</b>	<b>1 400</b>	<b>1 400</b>
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	3 151	3 234	0	0	0	0	3 151	3 234
Hybrid Tier 1 securities	919	919	0	0	0	0	919	919
<b>Total subordinated loan capital etc.</b>	<b>4 070</b>	<b>4 153</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 070</b>	<b>4 153</b>
DEBT TO CREDIT INSTITUTIONS								
Foreign call money	6	6	477	477	0	0	482	482
<b>Total debt to credit institutions</b>	<b>6</b>	<b>6</b>	<b>477</b>	<b>477</b>	<b>0</b>	<b>0</b>	<b>482</b>	<b>482</b>

**Note 6 FAIR VALUE HIERARCHY**

30.09.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Bonds and other fixed-income securities	1 525	5 000	0	6 526
Certificates	0	544	0	544
Bonds	102	4 456	0	4 558
Fixed-income funds	1 423	0	0	1 423
Loans and receivables	913	147	0	1 060
Shares and units	0	331	8	339
Shares	0	331	8	339
Financial derivatives	0	113	0	113
Other financial assets	0	61	0	61
<b>Total corporate portfolio</b>	<b>2 438</b>	<b>5 652</b>	<b>8</b>	<b>8 098</b>
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	68 949	33 351	0	102 300
Certificates	4 141	2 848	0	6 988
Bonds	14 119	30 503	0	44 622
Fixed-income funds	50 690	0	0	50 690
Loans and receivables	4 438	2 964	0	7 402
Shares and units	62 209	3 472	5 644	71 325
Shares	21 923	1 032	815	23 770
Equity funds	40 287	0	0	40 287
Property funds	0	577	0	577
Special funds	0	1 863	0	1 863
Private Equity	0	0	4 828	4 828
Financial derivatives	0	869	0	869
Other financial assets	0	2 787	0	2 787
<b>Total common portfolio</b>	<b>135 597</b>	<b>43 442</b>	<b>5 644</b>	<b>184 683</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

30.09.14 NOK millions	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	588	0	0	588
Fixed-income funds	588	0	0	588
Loans and receivables	46	0	0	46
Shares and units	369	13	0	382
Equity funds	369	0	0	369
Special funds	0	13	0	13
Financial derivatives	0	3	0	3
Other financial assets	0	13	0	13
<b>Total investment option portfolio</b>	<b>1 003</b>	<b>30</b>	<b>0</b>	<b>1 033</b>
<b>Total financial assets valued at fair value</b>	<b>139 038</b>	<b>49 124</b>	<b>5 652</b>	<b>193 814</b>
<b>INVESTMENT PROPERTY</b>				
Corporate portfolio	0	0	2 314	2 314
Common portfolio	0	0	39 309	39 309
Investment option portfolio	0	0	209	209
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>41 832</b>	<b>41 832</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	4	0	4
Debt to credit institutions	54	0	0	54
<b>Total corporate portfolio</b>	<b>54</b>	<b>4</b>	<b>0</b>	<b>58</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	1 566	0	1 566
Debt to credit institutions	455	0	0	455
<b>Total common portfolio</b>	<b>455</b>	<b>1 566</b>	<b>0</b>	<b>2 021</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	3	0	3
Debt to credit institutions	0	0	0	0
<b>Total investment option portfolio</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>
<b>Total financial liabilities at fair value</b>	<b>509</b>	<b>1 573</b>	<b>0</b>	<b>2 082</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

30.09.13 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Bonds and other fixed-income securities	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
Financial derivatives	0	70	0	70
Other financial assets	0	35	0	35
<b>Total corporate portfolio</b>	<b>1 138</b>	<b>4 278</b>	<b>6</b>	<b>5 422</b>
<b>COMMON PORTFOLIO</b>				
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
<b>Total common portfolio</b>	<b>108 777</b>	<b>53 406</b>	<b>4 097</b>	<b>166 280</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

30.09.13 NOK millions	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	441	0	0	441
Bonds	441	0	0	441
Loans and receivables	33	0	0	33
Shares and units	412	13	0	425
Shares	412	0	0	412
Special funds	0	13	0	13
Financial derivatives	0	2	0	2
<b>Total investment option portfolio</b>	<b>886</b>	<b>15</b>	<b>0</b>	<b>901</b>
<b>Total financial assets valued at fair value</b>	<b>110 800</b>	<b>57 698</b>	<b>4 103</b>	<b>172 602</b>
<b>INVESTMENT PROPERTY</b>				
Corporate portfolio	0	0	2 312	2 312
Common portfolio	0	0	32 849	32 849
Investment option portfolio	0	0	201	201
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>35 362</b>	<b>35 362</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	1	0	1
Debt to credit institutions	19	0	0	19
<b>Total corporate portfolio</b>	<b>19</b>	<b>1</b>	<b>0</b>	<b>20</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	1 470	0	1 470
Debt to credit institutions	197	0	0	197
<b>Total common portfolio</b>	<b>197</b>	<b>1 470</b>	<b>0</b>	<b>1 667</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	6	0	6
Debt to credit institutions	0	0	0	0
<b>Total investment option portfolio</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>
<b>Total financial liabilities at fair value</b>	<b>217</b>	<b>1 477</b>	<b>0</b>	<b>1 693</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

31.12.13 NOK millions	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Bonds and other fixed-income securities	766	3 954	0	4 721
Certificates	0	656	0	656
Bonds	35	3 298	0	3 333
Fixed-income funds	732	0	0	732
Loans and receivables	292	76	0	368
Shares and units	0	254	8	262
Shares	0	254	8	262
Financial derivatives	0	50	0	50
Other financial assets	0	16	0	16
<b>Total corporate portfolio</b>	<b>1 058</b>	<b>4 350</b>	<b>8</b>	<b>5 416</b>
<b>COMMON PORTFOLIO</b>				
Bonds and other fixed-income securities	58 004	31 083	0	89 088
Certificates	3 715	4 361	0	8 076
Bonds	12 102	26 722	0	38 825
Fixed-income funds	42 187	0	0	42 187
Loans and receivables	6 572	5 239	0	11 811
Shares and units	46 493	3 110	4 347	53 950
Shares	15 191	691	681	16 563
Equity funds	31 302	0	0	31 302
Property funds	0	658	0	658
Special funds	0	1 761	0	1 761
Private equity	0	0	3 666	3 666
Financial derivatives	0	1 105	0	1 105
Other financial assets	0	301	0	301
<b>Total common portfolio</b>	<b>111 070</b>	<b>40 838</b>	<b>4 347</b>	<b>156 254</b>



**Note 6 FAIR VALUE HIERARCHY (CONT.)**

<b>31.12.13 NOK millions</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Bonds and other fixed-income securities	433	0	0	433
Bonds	433	0	0	433
Loans and receivables	19	0	0	19
Shares and units	444	13	0	457
Equity funds	444	0	0	444
Special funds	0	13	0	13
Financial derivatives	0	3	0	3
<b>Total investment option portfolio</b>	<b>896</b>	<b>16</b>	<b>0</b>	<b>912</b>
<b>Total financial assets valued at fair value</b>	<b>113 024</b>	<b>45 204</b>	<b>4 355</b>	<b>162 582</b>
<b>INVESTMENT PROPERTY</b>				
Corporate portfolio	0	0	2 340	2 340
Common portfolio	0	0	38 383	38 383
Investment option portfolio	0	0	236	236
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>40 958</b>	<b>40 958</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	65	0	65
Debt to credit institutions	6	0	0	6
<b>Total corporate portfolio</b>	<b>6</b>	<b>65</b>	<b>0</b>	<b>71</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	1 330	0	1 330
Debt to credit institutions	477	0	0	477
<b>Total common portfolio</b>	<b>477</b>	<b>1 330</b>	<b>0</b>	<b>1 807</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	5	0	5
Debt to credit institutions	0	0	0	0
<b>Total investment option portfolio</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Total financial liabilities at fair value</b>	<b>483</b>	<b>1 400</b>	<b>0</b>	<b>1 883</b>

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 30.09.14	Book value 30.09.13	Book value 31.12.13
Opening balance 1 January	8	6	6
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	0	2
<b>Closing balance 30 September / 31 December</b>	<b>8</b>	<b>6</b>	<b>8</b>
Realised gains/losses	0	0	0

Changes in Level 3 shares, unlisted Common portfolio	Book value 30.09.14	Book value 30.09.13	Book value 31.12.13
Opening balance 1 January	681	353	353
Sold	0	0	0
Bought	136	308	342
Unrealised changes	-1	2	-13
<b>Closing balance 30 September / 31 December</b>	<b>815</b>	<b>662</b>	<b>681</b>
Realised gains/losses	0	0	0

Changes in Level 3 shares, Private Equity Common portfolio	Book value 30.09.14	Book value 30.09.13	Book value 31.12.13
Opening balance 1 January	3 666	2 812	2 812
Sold	-434	-439	-598
Bought	999	650	888
Unrealised changes	597	411	563
<b>Closing balance 30 September / 31 December</b>	<b>4 828</b>	<b>3 435</b>	<b>3 666</b>
Realised gains/losses	91	-1	13

**Note 6 FAIR VALUE HIERARCHY (CONT.)**

<b>Changes in Level 3, Investment Property Corporate portfolio</b>	<b>Book value 30.09.14</b>	<b>Book value 30.09.13</b>	<b>Book value 31.12.13</b>
Opening balance 1 January	2 340	2 325	2 325
Sold	-79	-61	-61
Bought	4	7	7
Unrealised changes	49	42	69
<b>Closing balance 30 September / 31 December</b>	<b>2 314</b>	<b>2 312</b>	<b>2 340</b>
Realised gains/losses	0	0	-18

  

<b>Changes in Level 3, Investment Property Common portfolio</b>	<b>Book value 30.09.14</b>	<b>Book value 30.09.13</b>	<b>Book value 31.12.13</b>
Opening balance 1 January	38 383	30 439	30 439
Sold	0	0	0
Bought	298	596	5 019
Other	31	0	0
Unrealised changes	597	1 813	2 924
<b>Closing balance 30 September / 31 December</b>	<b>39 309</b>	<b>32 849</b>	<b>38 383</b>
Realised gains/losses	0	0	0

  

<b>Changes in Level 3, Investment Property Investment option portfolio</b>	<b>Book value 30.09.14</b>	<b>Book value 30.09.13</b>	<b>Book value 31.12.13</b>
Opening balance 1 January	236	186	186
Sold	0	0	0
Bought	2	4	31
Other	-31	0	0
Unrealised changes	3	11	19
<b>Closing balance 30 September / 31 December</b>	<b>209</b>	<b>201</b>	<b>236</b>
Realised gains/losses	0	0	0

  

<b>Total Level 3</b>	<b>47 484</b>	<b>39 465</b>	<b>45 313</b>
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Unrealized changes are reflected in the line «Value changes on investments» in the corporate portfolio in the income statement.

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

## Note 6 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.

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

Note 5 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 5.

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 2 374 million as at 30 September 2014 for assets in Level 3. Investment property comes under this Note since there are more extensive requirements for information regarding fair

value that now also apply to investment property valued at fair value in KLP. Everything related to investment property is included in Level 3.

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

In the period between 30.06.2014 to 30.09.2014 KLP moved NOK 0,9 million from Level 1 to Level 2, and NOK 121 millions from Level 2 to Level 1. All changes in levels applies to shares and are due to changes in liquidity; based on rules related to number of handling days and level of handling.

**Note 7** PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT

30.09.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
<b>ASSETS</b>						
Financial derivatives	985	0	985	-403	-509	79
<b>Total</b>	<b>985</b>	<b>0</b>	<b>985</b>	<b>-403</b>	<b>-509</b>	<b>79</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>						
Total assets – common portfolio	869	0	869	-402	-455	17
Total assets – corporate portfolio	113	0	113	0	-54	59
Total assets – investment option portfolio	3	0	3	-1	0	2
<b>Total</b>	<b>985</b>	<b>0</b>	<b>985</b>	<b>-403</b>	<b>-509</b>	<b>79</b>
<b>LIABILITIES</b>						
Financial derivatives	1 573	0	1 573	-403	-1 244	55
<b>Total</b>	<b>1 573</b>	<b>0</b>	<b>1 573</b>	<b>-403</b>	<b>-1 244</b>	<b>55</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>						
Total liabilities – common portfolio	1 566	0	1 566	-402	-1 234	55
Total liabilities – corporate portfolio	4	0	4	0	-5	0
Total liabilities – investment option portfolio	3	0	3	-1	-6	0
<b>Total</b>	<b>1 573</b>	<b>0</b>	<b>1 573</b>	<b>-403</b>	<b>-1 244</b>	<b>55</b>
<b>30.09.13</b>						
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
<b>ASSETS</b>						
Financial derivatives	641	0	641	-354	-204	85
<b>Total</b>	<b>641</b>	<b>0</b>	<b>641</b>	<b>-354</b>	<b>-204</b>	<b>85</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>						
Total assets – common portfolio	569	0	569	-353	-197	19
Total assets – corporate portfolio	70	0	70	0	-6	66
Total assets – investment option portfolio	2	0	2	-1	0	0
<b>Total</b>	<b>641</b>	<b>0</b>	<b>641</b>	<b>-354</b>	<b>-204</b>	<b>85</b>
<b>LIABILITIES</b>						
Financial derivatives	1 477	0	1 477	-354	-1 123	30
<b>Total</b>	<b>1 477</b>	<b>0</b>	<b>1 477</b>	<b>-354</b>	<b>-1 123</b>	<b>30</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>						
Total liabilities – common portfolio	1 470	0	1 470	-353	-1 122	25
Total liabilities – corporate portfolio	1	0	1	0	0	1
Total liabilities – investment option portfolio	6	0	6	-1	-1	4
<b>Total</b>	<b>1 477</b>	<b>0</b>	<b>1 477</b>	<b>-354</b>	<b>-1 123</b>	<b>30</b>

**Note 7 PRESENTATION OF ASSETS AND LIABILITIES THAT ARE SUBJECT TO NET SETTLEMENT (CONT.)**

31.12.13 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
<b>ASSETS</b>						
Financial derivatives	1 158	0	1 158	-460	-475	223
<b>Total</b>	<b>1 158</b>	<b>0</b>	<b>1 158</b>	<b>-460</b>	<b>-475</b>	<b>223</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>						
Total assets – common portfolio	1 105	0	1 105	-466	-475	164
Total assets – corporate portfolio	50	0	50	7	0	57
Total assets – investment option portfolio	3	0	3	-1	0	2
<b>Total</b>	<b>1 158</b>	<b>0</b>	<b>1 158</b>	<b>-460</b>	<b>-475</b>	<b>223</b>
<b>LIABILITIES</b>						
Financial derivatives	1 400	0	1 400	-533	-861	7
<b>Total</b>	<b>1 400</b>	<b>0</b>	<b>1 400</b>	<b>-533</b>	<b>-861</b>	<b>7</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>						
Total liabilities – common portfolio	1 330	0	1 330	-466	-857	7
Total liabilities – corporate portfolio	65	0	65	-65	0	0
Total liabilities – investment option portfolio	5	0	5	-1	-3	0
<b>Total</b>	<b>1 400</b>	<b>0</b>	<b>1 400</b>	<b>-533</b>	<b>-861</b>	<b>7</b>

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

**Note 8 OTHER SHORT TERM LIABILITIES**

NOK millions	30.09.14	30.09.13	31.12.13
Short-term liabilities securities	5 511	19 416	3 960
Advance tax-deduction pension scheme	267	230	240
Accounts payable	31	1	10
Derivatives	1 573	1 477	1 400
Debt to credit institutions	509	217	483
Liabilities related to direct insurance	5 386	104	1 703
Other short-term liabilities	-1	20	26
<b>Total other short-term liabilities</b>	<b>13 276</b>	<b>21 465</b>	<b>7 822</b>

**Note 9 INSURANCE LIABILITIES**

NOK millions	30.09.14	30.09.13	31.12.13
Premium reserve - ordinary tariff	323 781	271 477	278 240
Premium fund, buffer fund and pensioners' surplus fund	8 385	3 347	9 031
Supplementary reserves	13 265	12 348	12 412
Securities adjustment fund	18 297	12 639	10 412
Other provisions	314	267	219
Unallocated result - insurance contracts in the common portfolio	1 897	2 130	0
<b>Insurance liabilities in life insurance - contractual liabilities</b>	<b>365 939</b>	<b>302 208</b>	<b>310 314</b>
Premium reserve - ordinary tariff	1 620	1 562	1 600
Premium fund, buffer fund and pensioners' surplus fund	125	49	130
Supplementary reserves	83	83	83
Unallocated result - insurance contracts in the unit-linked portfolio	47	5	0
<b>Insurance-related provisions - investment option portfolio</b>	<b>1 875</b>	<b>1 698</b>	<b>1 813</b>

**Note 10 PENSION OBLIGATIONS - OWN EMPLOYEES**

NOK millions	30.09.14	Assumptions	30.09.14	31.12.13
Capitalized net liability 01.01.14	425	Discount rate	3,00 %	4,00 %
Capitalized pension costs	-31	Salary growth	3,25 %	3,75 %
Capitalized financial costs	9	The National Insurance basic amount (G)	3,00 %	3,50 %
Actuarial gains and losses (Estimate deviation)	93	Pension increases	2,23 %	2,72 %
Premiums / contributions received	-54	Expected return	3,00 %	4,00 %
<b>Capitalized net liability 30.09.14</b>	<b>442</b>	Social security contribution rate	14,10 %	14,10 %

The effect of changes in the assumptions is a NOK 92,7 million increase in the liability. The change is charged to "Other comprehensive income" in the income statement. A plan change has also been incorporated into the pension liability as at 30 September 2014. The effect of the plan change is a reduction of the liability by NOK 77,7 million. The plan change has been recognized as a reduction of the cost of pension and insurance-related operating costs in the income statement.

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