



Interim report

KOMMUNAL LANDSPENSJONSKASSE

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KLP GROUP

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Interim report

third quarter 2016

KLP DELIVERS GOOD RESULTS IN Q3/2016

- Value-adjusted return on the common portfolio of 1.7 per cent in the third quarter and 4.4 per cent in the year to date
- The book return on the common portfolio was 1.3 per cent for the third quarter, and 3.5 per cent for the year to date.
- Good growth and profitability in subsidiaries
- KLP's marketing campaign has had a positive reception among clients and members

KLP – A CUSTOMER-OWNED GROUP

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

At the end of the third quarter, the Group had total assets of NOK 589 billion, a growth of NOK 46 billion so far this year.

The operating profit was NOK 15.6 billion (1.4)¹ for the year to date, and NOK 6.5 billion for the third quarter. The Group's total profit is good, at NOK 0.5 billion for the quarter and NOK 1.9 billion so far this year.

Kommunal Landspensjonskasse gjensidig forsikringsselskap

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse (KLP). Out of the Group's total assets of NOK 493.2 billion, NOK 444.8 billion are linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE THIRD QUARTER 2016

Returns result

So far this year, KLP has achieved a returns result (returns in excess of average guaranteed rate of return) of NOK 6.8 billion (2.1). For the third quarter, the returns result was NOK 2.8 billion. Financial income from customer assets amounted to NOK 18.6 billion (7.5), including 7.3 billion in the third quarter. The value-adjusted return on the common portfolio was 4.4 per cent for the year to date, and book return was 3.5 per cent.

Risk result

The risk result was good in the third quarter. The risk events in the stock are within expectations for the first three quarters of the year, with profits totalling NOK 475 million, of which 197 million came in the third quarter. It is planned to allocate NOK 235 million of the risk profit to the risk equalisation fund, the rest being returned to the customers' premium fund.

Administration result

The Company's administration result shows a surplus of NOK 135 million (197) at the end of the third quarter, of which NOK 70 million accrued in the quarter. The decrease in the administration result is mainly due to a reduction in the premiums paid by customers to the company. Insurance-related operating costs came to NOK 212 million (215) in the quarter.

Total income

Total income for the Company was NOK 1.9 billion (1.5) so far this year, of which NOK 0.5 billion came in the third quarter. The customer result was NOK 6.9 billion (-0.4) for the year to date, and NOK 2.9 billion for the quarter.

NOK MILLIONS	CUSTOMERS	COMPANY	TOTAL
Returns result	6 645	119	6 759
Risk result	240	235	475
Interest guarantee premium	514	514	
Administration result	135	135	
Net income from investments in the corporate portfolio and other income/ costs in non-technical accounts costs in non-technical accounts	855	855	
Tax		85	85
Other profit/loss elements		-66	-66
Income for Q3/2016	6 880	1 877	8 757
Income for Q3/2015	2 303	1 471	3 774

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

Financial strength and capital-related matters

KLP's total assets show growth of NOK 35.4 billion in the first three quarters of the year and amount to NOK 493.2 billion. Insurance obligations have grown by NOK 32.4 billion over the year and now amount to NOK 444.8 billion.

So far this year the securities adjustment fund has increased by NOK 4.5 billion to NOK 26.0 billion. This is due to increased added value on interest-bearing instruments after interest rates fell during the year.

The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital under Solvency II in an amount equal to 2.5 per cent of the premium reserve. This stood at NOK 9.4 billion at the end of the third quarter.

Without applying transitional rules, the Company's capital adequacy according to Solvency II is 208 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 359 per cent. KLP's goal is to have a solvency margin of at least 150 per cent without applying transitional rules. The solvency estimates are well above that goal and underline the Company's strong capital position.

Key figures

PER CENT	AT END OF Q3 2016	AT END OF Q3 2015	YEAR 2015
Book returns	3.5	2.6	3.6
Value-adjusted returns	4.4	2.0	4.0
Value-adjusted, including added values in hold-to-maturity bonds and lending	4.9	1.2	2.8
The returns figures apply to the common portfolio			
Capital adequacy, Solvency II	208		187
Capital adequacy, Solvency II, with transitional rules	359		274

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 8.2 billion (6.8) for the quarter and NOK 26.2 billion (22.7) for the year to date.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 12.4 per cent and amounted to NOK 12.1 billion (11.3) so far this year.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 447.9 billion (405.6) and were invested as shown below:

ASSETS	SHARE	RETURN	SHARE	RETURN
	30.09.2016	Year to date 2016	30.09.2015	Year to date 2015
Shares	20.3 %	0.6 %	19.3 %	-1.0 %
Short-term bonds	20.7 %	5.5 %	21.4 %	1.7 %
Long-term/HTM-bonds	27.1 %	3.2 %	27.7 %	3.4 %
Lending	11.2 %	1.8 %	12.8 %	2.0 %
Property	12.2 %	7.8 %	12.3 %	6.6 %
Other financial assets	8.5 %	1.4 %	6.6 %	0.6 %

Shares

Total exposure in shares, including share derivatives, was 20.3 per cent at the end of the third quarter. The total return on shares in the year to date is 0.6 per cent, excluding currency effects. If we take account of currency effects, the return is 4.8 per cent.

For the third quarter, the return was NOK 3.8 per cent. The return on shares was 3.5 per cent for global shares and 5.2 per cent for Norwegian shares.

KLP achieved added returns of 1.2 per cent on Norwegian shares in the third quarter, while KLP's global shares produced a return 0.6 per cent lower than the reference index.

Short-term bonds and the money market

Short-term bonds made up 20.7 per cent and money-market instruments 8.5 per cent of the assets in the common portfolio as at 30 September. Global government rates rose in the course of the third quarter, as did the rates on Norwegian government bonds with maturities over one year. The credit premiums in KLP's Norwegian and global bonds portfolios decreased slightly in the quarter. The global government-bond index achieved a currency-hedged return of 0.2 per cent in the third quarter, while the Norwegian government bond index had a 1.1 per cent return. KLP's global credit bond index had a currency-hedged return of 1.4 per cent for the quarter.

In total, KLP achieved returns 0.6 per cent for the quarter, while money market returns were 0.5 per cent. The return in the year to date is 5.5 per cent for short-term bonds and 1.4 per cent for the money market.

Bonds held to maturity

Investment in bonds held to maturity made up around 27.1 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio

amounted to NOK 14.5 billion as at 30 September. The portfolio is well diversified and consists of securities issued by highly creditworthy institutions. The return measured at amortised cost in the third quarter was 1.0 per cent. The return in the year to date is 3.2 per cent.

Property

Property investments, including Norwegian and international property funds, made up 12.2 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 137 million so far this year. If the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 2.1 billion for the year to date. Property investments in the common portfolio achieved a return of 7.8 per cent so far this year.

Lending

Lending in the common portfolio totals NOK 49.1 billion. This is split between NOK 46.5 billion in loans to municipalities and their enterprises and NOK 2.6 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provision for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 686 million as at 30 September. The return in the year to date is 1.8 per cent.

Returns on the corporate portfolio

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

The corporate portfolio is managed with a low-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 4.0 per cent in the year to date.

Market conditions for pensions

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

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

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

The Group's investment in private occupational pensions is handled through its subsidiary KLP Bedriftspensjon AS.

The Company had total assets of NOK 3.4 billion as at 30 September, an increase of NOK 0.5 billion since the start of the year. The increase is mainly linked to defined contribution pensions, which now total NOK 1.5 billion. 287 new business customers have entered into pension agreements with KLP Bedriftspensjon as of 30 September, and 528 pension

capital certificates have been transferred to that company. KLP Bedriftspensjon achieved a book return on the common portfolio of 3.3 per cent and a value-adjusted return of 4.4 per cent. Customers with defined-contribution pensions achieved a 4.4 per cent return for the same period.

The returns result was NOK 13.2 million as of 30 September.

The Company has applied to the Financial Supervisory Authority of Norway to be allowed seven years to build up its reserves to the new K2013 mortality basis. The total upgrade requirement is estimated at NOK 91.6 million. NOK 74.0 million had been set aside to increase the reserves as of 30 September 2016, NOK 14.1 million of which was transferred from owners' equity. The remainder of the contribution from equity, apart from that linked to free policies, will be allocated in the course of 2016. Unallocated profits will be mostly set aside to increase the reserves at the end of the year. As of 30 September, unallocated profits totalled NOK 16.2 million.

The Company had a pre-tax loss of NOK 9.4 million at 30 September.

Return on customer assets

	30.09.2016	30.09.2015	YEAR 2015
COMMON PORTFOLIO			
Book returns	3.3 %	3.4 %	4.8 %
Value-adjusted returns	4.4 %	2.8 %	4.7 %
Defined-contribution pensions with investment options	4.4 %	-0.9 %	2.1 %
Profile KLP90	3.9 %	-1.8 %	3.4 %
Profile KLP70	4.2 %	-1.1 %	3.0 %
Profile KLP50	4.7 %	-0.7 %	2.4 %
Profile KLP30	4.6 %	0.0 %	2.0 %
Profile KLPPM	1.5 %	0.9 %	1.5 %

Non-life insurance

The third quarter produced pre-tax profits of NOK 69.4 million, with continued growth in all segments and a high proportion of members among the retail customers. At the end of the third quarter, profit before tax was NOK 185.6 million (46.3). The gross stock premium has increased this year by 10.9 per cent, to NOK 1,235 million.

Two claims totalling NOK 43 million were reported in the third quarter. The ten largest provisions for the year totalled NOK 114 million.

Reversal of previous years' claims is still positive, and this year NOK 56 million was taken to income as an adjustment to earlier years' reserves.

Financial returns in the third quarter were 1.8 per cent, and totalled 4.9 per cent since the beginning of the year.

Key figures for the Company:

AS OF Q3	2016	2015
Claim ratio*	80.6	89.1
Cost ratio*	20.9	20.3
Total cost ratio*	101.6	106.4

* For own account

At the end of the third quarter, net financial income was NOK 197.8 million (94.0). The financial markets experienced satisfactory development in the third quarter also, and returns in the quarter were 1.8 per cent. The cumulative return on shares was 3.6 per cent. The return on bonds was 4.4 per cent. The return on property was 11.3 per cent, due to positive value adjustments on the Company's two property investments.

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

The rules relating to minimum capital adequacy requirements have also been revoked. The Company reports its financial strength based on meeting the minimum requirements for capital adequacy under the Solvency II rules. Based on figures for the third quarter, the solvency capital requirement (SCR) is 275 per cent. This is much better than the regulatory requirement of 100 per cent.

Asset and fund management

KLP Kapitalforvaltning AS carries out securities management in the KLP Group. It had a total of NOK 431.7 billion under management at the end of the third quarter, of which NOK 49 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP funds at the end of the third quarter amounted to NOK 4.8 billion, of which NOK 3.5 billion came from external customers.

KLP Kapitalforvaltning achieved a result before tax of NOK 18.1 (44.7) million as of the third quarter.

Bank

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

Deposits grew by NOK 0.9 billion by the end of the third quarter. Total deposits amounted to NOK 8.4 billion, of which deposits from retail customers made up NOK 6.7 billion and deposits from municipalities and enterprises totalled NOK 1.7 billion.

Overdue payments and defaulted mortgage loans are at a low level. Loans in default in excess of 90 days account for 0.19 per cent of total lending as at the end of the third quarter. This is slightly lower than the corresponding figure for the previous quarter. Loss provisions of NOK 0.5 million (1.0) were raised in the year to date.

The KLP Banken Group had a pre-tax operating profit of NOK 90.7 million (34.4) for the year to date, including NOK 32.7 million in the third quarter. The Bank's results for the public-sector and retail business areas were NOK 58.7 million and NOK 32.0 million respectively. The improved result is largely due to an increased volume of lending and more favourable returns on the Bank's securities other than loans. The KLP Banken Group's investments in securities have generated profits of NOK 20.5 million (-23.9) so far this year.

As of 30 September, the KLP Banken Group had loans to customers totalling NOK 30.1 billion (26.2). Mortgage loans in the retail market and public-sector loans totalled NOK 12.8 billion and 17.3 billion respectively. Growth in the year to date was NOK 2.1 billion in mortgages and NOK 1.7 billion in public-sector loans.

CORPORATE SOCIAL RESPONSIBILITY

KLP and the KLP funds had a meeting with the CEO of Petrobras. This company is excluded from KLP's investments on grounds of corruption. KLP and the KLP funds welcome the fact that Petrobras has taken the initiative for a meeting. This shows that it is possible to influence matters through dialogue even after a company has been excluded.

KLP entered into a joint project 'Working together for vital integration' with Norwegian People's Aid in 2015, and has developed courses in private finance for people living in asylum centres. The course covers rights and obligations in Norwegian society, and explains the key points about pensions, banking and insurance. The aim of the process is to contribute to faster integration into society. The training was well received by residents and staff in the asylum centres, and KLP will continue to run these courses in the autumn.

KLP Eiendom is working to raise awareness of the building materials used in construction projects. As part of this, the new industry guideline 'Procurement of environmentally-friendly building materials' has been used as a requirements specification for the expansion of KLP Eiendom's Gardermoen Airport Hotel.

KLP supports the 'Smart growth' project being run by the municipality of Re, which aims to build mental capacity in children and young people. Part of the project is the

publication of 'Smart Youth', a book about gaining self-belief and developing better mental health. This issue is one of the major causes of absence and incapacity for work among young people.

The non-life company focussed on challenges associated with municipal rented housing in the third quarter too. Seminars are being arranged on crisis management and emergency response, risk-awareness, and general preventive work which can help to safeguard our customers' staff and assets.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

There were relatively small movements in the market after 30 September.

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

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

Oslo, 2 November 2016

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy Chair

Marit Torgersen

Jan Helge Gulbrandsen

Ingjerd Blekeli Spiten

Lars Vorland

Susanne Torp-Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Income statement

KLP GROUP

NOTE	NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
3	Premium income for own account	10 423	6 814	30 879	33 075	40 236
	Current return on financial assets	3 097	3 222	10 280	10 009	13 076
	Net interest income banking	49	52	149	133	187
	Net value changes on financial instruments	5 020	-6 589	7 937	-4 219	1 010
8	Net income from investment properties	1 469	585	4 363	2 794	4 816
4	Other income	247	226	704	698	926
	Return to financial instruments attributable to minority interests	-1 350	1 820	-1 146	222	-1 949
	Total net income	18 955	6 129	53 166	42 713	58 302
	Claims for own account	-4 426	-4 030	-12 974	-12 116	-16 161
	Change in technical provisions	-7 798	-4 512	-23 142	-26 360	-11 740
5	Net costs subordinated loan and hybrid Tier 1 securities	286	-1 100	360	-1 195	-1 490
6	Operating expenses	-299	-306	-1 059	-1 032	-1 429
7	Other expenses	-237	-219	-704	-654	-884
	Total expenses	-12 475	-10 168	-37 519	-41 357	-31 704
	Operating profit/loss	6 481	-4 039	15 647	1 356	26 598
	To/from securities adjustment fund – life insurance	-2 018	3 471	-4 548	2 078	-1 951
	To supplementary reserves – life insurance	0	0	7	57	-3 073
	Assets allocated to insurance customers - life insurance	-3 757	1 155	-9 022	-1 601	-16 435
	Pre-tax income	706	587	2 085	1 889	5 138
	Cost of taxes ¹	-247	-224	-225	-578	-927
	Income	459	363	1 860	1 312	4 211
19	Actuarial loss and profit on post employment benefit obligations	-11	93	-99	93	195
	Adjustments of the insurance obligations	1	-9	10	-9	-20
	Tax on items that will not be reclassified to profit or loss	2	-23	22	-23	-44
	Items that will not be reclassified to profit or loss	-7	61	-66	61	132
	Revaluation real property for use in own operation	36	19	92	97	172
	Currency translation foreign subsidiaries	-816	820	-1 886	875	1 319
	Adjustments of the insurance obligations	816	-820	1 886	-875	-1 319
	Tax on items that will be reclassified to profit or loss	-9	-5	-23	-26	-43
	Items that will be reclassified to income when particular specific conditions are met	27	14	69	71	129
	Total other comprehensive income	20	75	2	132	261
	Total comprehensive income	479	438	1 862	1 444	4 472
	¹ Cost of taxes is included in the minority's share.	-32	-47	-136	-133	-164

Balance sheet

KLP GROUP

NOTE	NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
	Deferred tax assets	43	0	33
	Other intangible assets	571	503	526
	Tangible fixed assets	1 424	1 273	1 346
	Investments in associated companies and joint venture	389	340	368
8,11	Investment property	55 273	51 602	56 436
9,14	Debt instruments held to maturity	33 233	38 464	35 318
9,14	Debt instruments classified as loans and receivables	101 276	90 153	94 987
9,11,14	Lending local government, enterprises & retail customers at fair value through profit/loss	1 706	2 089	1 845
9,14	Lending local government, enterprises and retail customers	77 862	75 414	75 766
9,11,14	Debt instruments at fair value through profit or loss	168 772	144 955	152 493
9,11	Equity capital instruments at fair value through profit/loss	118 691	106 453	115 493
9,11,14	Financial derivatives	7 839	1 363	1 292
9	Receivables	16 848	10 465	3 751
9	Assets in defined contribution-based life insurance	1 486	1 080	1 183
	Cash and bank deposits	3 525	2 578	2 424
	Total assets	588 940	526 731	543 262
	Owners' equity contributed	11 723	10 404	10 422
	Retained earnings	15 104	10 216	13 242
	Total owners' equity	26 827	20 620	23 665
9,10	Hybrid Tier 1 securities	1 781	1 518	1 564
9,10	Subordinated loan capital	6 132	9 337	9 541
19	Pension obligations	755	711	634
15	Technical provisions - life insurance	446 289	406 753	413 799
15	Provisions in life insurance with investment option	1 486	1 080	1 183
	Premiums, claims and contingency fund provisions - non-life insurance	2 361	2 315	2 142
9,10	Covered bonds issued	21 689	17 024	18 987
9,10	Debt to credit institutions	10 939	4 552	5 099
9,10	Liabilities to and deposits from customers	8 454	7 279	7 426
9,11	Financial derivatives	2 049	8 295	7 993
	Deferred tax	713	453	835
16	Other current liabilities	8 922	4 831	4 255
	The minority's share of liabilities	50 542	41 962	46 140
	Total liabilities	562 113	506 111	519 597
	Total equity and liabilities	588 940	526 731	543 262
	Contingent liabilities	14 880	14 455	14 346

Changes in Owners' equity

KLP GROUP

2016 NOK MILLIONS	OWNERS' EQUITY CONTRIBUTED	RETAINED EARNINGS	TOTAL EQUITY CONTRIBUTED
Owners' equity 31 December 2015	10 422	13 242	23 665
Income		1 860	1 860
Items that will not be reclassified to income		-66	-66
Items that will be reclassified to income later when particular conditions are met		69	69
Total other comprehensive income		2	2
Total comprehensive income		1 862	1 862
Owners' equity contribution received (net)	1 301		1 301
Total transactions with the owners	1 301		1 301
Owners' equity 30 September 2016	11 723	15 104	26 827

2015 NOK MILLIONS	OWNERS' EQUITY CONTRIBUTED	RETAINED EARNINGS	TOTAL EQUITY CONTRIBUTED
Owners' equity 31 December 2014 ¹	9 173	8 385	17 558
Change in principle, dissolution of the contingency reserve in non-life insurance		387	387
Owners' equity 1 January 2015		8 772	17 945
Income		1 312	1 312
Items that will not be reclassified to income		61	61
Items that will be reclassified to income later when particular conditions are met		71	71
Total other comprehensive income		132	132
Total comprehensive income		1 444	1 444
Owners' equity contribution received (net)	1 231		1 231
Total transactions with the owners	1 231		1 231
Owners' equity 30 September 2015	10 404	10 216	20 620

¹ Owners equity 31 December 2014 has been changed due to a reclassification of funds in non-life insurance by NOK 86 millions.

Changes in Owners' equity

KLP GROUP

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

¹ Owners equity 31 December 2014 has been changed due to a reclassification of funds in non-life insurance by NOK 86 millions.

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2016 - 30.09.2016	01.01.2016 - 30.06.2016	01.01.2016 - 31.03.2016	01.01.2015 - 31.12.2015	01.01.2015 - 30.09.2015
Net cash flow from operational activities	-18 932	-10 631	-5 259	-18 131	-14 214
Net cash flow from investment activities ¹	-130	-94	-34	-162	-107
Net cash flow from financing activities ²	20 164	11 889	5 524	18 461	14 642
Net changes in cash and bank deposits	1 101	1 163	231	167	321
Holdings of cash and bank deposits at start of period	2 424	2 424	2 424	2 257	2 257
Holdings of cash and bank deposits at end of period	3 525	3 587	2 655	2 424	2 578

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the accounts

KLP GROUP

NOTE 1 Accounting principles –and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2016 – 30.09.2016. The accounts have not been audited.

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

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

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

As a result of the amendments made to the Insurance Activity Act with effect from 1 January 2016, the Group has dissolved the book contingency reserves and changed the comparative figures. This has had the following effects on the Group financial statements:

FINANCIAL POSITION STATEMENT NOK MILLIONS	Q3 2015	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Changes in insurance reserves	0	0	10
Tax expense	0	0	8
Income	0	0	18

BALANCE SHEET NOK MILLIONS	CHANGED OB 01.01.2015	30.09.2015	31.12.2015
Retained earnings	387	387	405
Premiums- and claim provisions- non-life insurance	-530	- 530	-540
Deferred tax/deferred tax asset	143	143	135

ACCOUNTING ESTIMATES

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

In September, The Norwegian Accounts Foundations published an updated version of the guidelines for pension criteria as of 31. August 2015, which shows some changes in the parameters from 31 December 2015. The stated calculation criteria are uncertain, and the Group have determined the criteria itself, based on a specific assessment of its pension schemes. This gives the following changes in the parameters:

ASSUMPTIONS	30.09.2016	31.12.2015	CHANGE
Discount rate	2,10 %	2,70 %	-0,60 %
Salary growth	2,25 %	2,50 %	-0,25 %
The National Insurance basic amount (G)	2,00 %	2,25 %	-0,25 %
Pension increases	1,24 %	1,48 %	-0,24 %
Social security contribution rate	14,10 %	14,10 %	0,00 %

The effect of the change in parameters has increased the Group's pension obligation by NOK 99 millions.

NOTE 2 Segment information

NOK MILLIONS	GROUP PENSIONS PUB. SECT. & GROUP LIFE			GROUP PENSIONS PRIVATE			NON-LIFE INSURANCE		
	01.01.16 -30.09.16	01.01.15 -30.09.15	01.01.15 -31.12.15	01.01.16 -30.09.16	01.01.15 -30.09.15	01.01.15 -31.12.15	01.01.16 -30.09.16	01.01.15 -30.09.15	01.01.15 -31.12.15
Premium income for own account from external customers ¹	29 661	31 946	38 736	384	378	486	834	750	1 015
Premium income for own account from other Group companies	54	39	53	0	0	0	18	18	20
Net financial income from investments	18 801	9 165	17 572	133	21	78	201	98	173
Other income from external customers	699	687	919	2	1	2	1	1	1
Other income from other Group companies	285	110	263	0	0	0	0	0	0
Return to financial instruments attributable to minority interests									
Total income	49 500	41 947	57 542	519	401	566	1 054	867	1 209
Claims for own account	-12 199	-11 397	-15 283	-90	-63	-84	-684	-656	-801
Insurance provisions f.o.a.	-22 770	-26 040	-11 266	-369	-315	-452	-3	-5	-3
Costs borrowing	360	-1 195	-1 490	0	0	0	0	0	0
Operating costs excluding depreciation	-618	-649	-875	-33	-32	-43	-179	-157	-219
Depreciation	-66	-55	-80	-1	-1	-1	-2	-2	-3
Other expenses	-707	-655	-884	0	0	0	0	0	0
Total expenses	-36 000	-39 991	-29 877	-493	-410	-580	-868	-821	-1 026
Operating profit/loss	13 500	1 957	27 665	25	-10	-15	186	46	183
Funds credited to insurance customers ²	-11 642	-344	-22 789	-35	-6	-9	0	0	0
Pre-tax income	1 858	1 613	4 876	-10	-16	-24	186	46	183
Cost of taxes	107	-226	-533	0	0	0	2	-22	-46
Income	1 966	1 387	4 343	-10	-16	-24	188	24	137
Change in other comprehensive income	-88	84	175	-1	1	0	-9	8	26
Total comprehensive income	1 877	1 471	4 519	-11	-15	-24	179	32	164
Assets	493 243	446 987	457 858	3 374	2 619	2 943	4 522	4 172	4 128
Liabilities	466 457	426 444	434 249	3 049	2 505	2 632	2 713	3 018	2 455

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

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

NOTE 2 Segment information — cont.

NOK MILLIONS	BANKING			ASSET MANAGEMENT			OTHER		
	01.01.16 -30.09.16	01.01.15 -30.09.15	01.01.15 -31.12.15	01.01.16 -30.09.16	01.01.15 -30.09.15	01.01.15 -31.12.15	01.01.16 -30.09.16	01.01.15 -30.09.15	01.01.15 -31.12.15
Premium income for own account from external customers ¹	0	0	0	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0	0	0	0
Net financial income from investments	168	105	152	4	4	4	0	0	0
Other income from external customers	7	8	10	0	0	0	6	6	8
Other income from other Group companies	43	43	58	217	227	303	0	0	0
Return to financial instruments attributable to minority interests									
Total income	217	156	220	221	231	307	6	6	8
Claims for own account	0	0	0	0	0	0	0	0	0
Insurance provisions f.o.a.	0	0	0	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0	0	0	0
Operating costs excluding depreciation	-124	-120	-167	-199	-183	-253	-5	-6	-8
Depreciation	-3	-2	-3	-4	-3	-8	0	0	0
Other expenses	0	0	-1	0	0	0	0	0	0
Total expenses	-127	-122	-171	-203	-186	-261	-5	-6	-8
Operating profit/loss	90	34	49	18	45	46	1	0	0
Funds credited to insurance customers ²	0	0	0	0	0	0	0	0	0
Pre-tax income	90	34	49	18	45	46	1	0	0
Cost of taxes	-21	-10	-15	-2	-10	-19	0	0	0
Income	69	24	33	16	35	27	1	0	0
Change in other comprehensive income	-3	3	7	-9	9	18	0	0	0
Total comprehensive income	66	27	40	7	44	44	1	0	0
Assets	34 954	29 272	31 299	380	380	394	12	11	11
Liabilities	33 351	27 772	29 787	164	158	185	3	2	3

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

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

NOTE 2 Segment information — cont.

NOK MILLIONS	ELIMINATION			TOTAL		
	01.01.16 -30.09.16	01.01.15 -30.09.15	01.01.15 -31.12.15	01.01.16 -30.09.16	01.01.15 -30.09.15	01.01.15 -31.12.15
Premium income for own account from external customers ¹	0	0	0	30 879	33 075	40 236
Premium income for own account from other Group companies	-72	-57	-73	0	0	0
Net financial income from investments	3 422	-675	1 110	22 729	8 717	19 089
Other income from external customers	-10	-6	-14	704	698	926
Other income from other Group companies	-545	-380	-624	0	0	0
Return to financial instruments attributable to minority interests	-1 146	222	-1 949	-1 146	222	-1 949
Total income	1 649	-895	-1 550	53 166	42 713	58 302
Claims for own account	0	0	6	-12 974	-12 116	-16 161
Insurance provisions f.o.a.	0	0	-19	-23 142	-26 360	-11 740
Costs borrowing	0	0	0	360	-1 195	-1 490
Operating costs excluding depreciation	175	195	231	-983	-953	-1 334
Depreciation	0	-17	0	-76	-80	-95
Other expenses	3	1	1	-704	-654	-884
Total expenses	178	179	219	-37 519	-41 357	-31 704
Operating profit/loss	1 826	-716	-1 330	15 647	1 356	26 598
Funds credited to insurance customers ²	-1 885	884	1 338	-13 562	534	-21 460
Pre-tax income	-59	167	8	2 085	1 889	5 138
Cost of taxes	-312	-359	-400	-226	-627	-1 014
Income	-371	-192	-392	1 859	1 263	4 124
Change in other comprehensive income	114	76	121	3	181	347
Total comprehensive income	-257	-115	-271	1 862	1 444	4 472
Assets	52 455	43 291	77 927	588 940	526 731	543 262
Liabilities	56 377	46 212	80 072	562 113	506 111	519 597

¹ Premieinntekter omfatter premieinntekter for egen regning inkludert sparepremie og overført premiereserve fra andre selskaper.

² Midler tilført forsikringskundene inkluderer overføring til premiefond, avsetninger til kursreguleringsfond, avsetninger til tilleggsavsetninger og andre avsetninger av overskuddsmidler til forsikringskundene.

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

ENTERPRISE (DEFINED BENEFIT) AND DEFINED CONTRIBUTION PENSION

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

NON-LIFE INSURANCE

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

BANKING

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

ASSET MANAGEMENT

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

OTHER

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

NOTE 3 Premium income for own account

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Contribution service pension / AFP	8 608	7 092	27 245	23 672	30 849
Reinsurance premiums ceded	-14	-13	4	2	-10
Transfer of premium reserves from others ¹	1 829	-266	3 630	9 402	9 397
Total premium income	10 423	6 814	30 879	33 075	40 236

¹ Transfer of premium reserves from others for the third quarter 2015 is negative. This is due to the fact that the Group will only upon final settlement for transfers of new clients receive information pertinent to the clients relevant distribution between premium reserves, supplementary reserves and premium fund respectively. Upon the final settlement there will consequently be restating from premium reserves to premium funds and supplementary reserves.

NOTE 4 Other income

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Supplement contractual early retirement scheme (AFP)	236	218	689	646	868
Other income	11	8	15	51	58
Total other income	247	226	704	698	926

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
SUBORDINATED LOANS					
Interest costs ¹	-66	-114	-235	-204	-314
Value changes	214	-746	842	-697	-804
Net costs subordinated loans	148	-860	607	-901	-1 117
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-15	-16	-44	-44	-61
Value changes	152	-225	-202	-249	-312
Net costs perpetual hybrid tier 1 securities	137	-241	-247	-294	-372
Net costs subordinated loan and hybrid Tier 1 securities	286	-1 100	360	-1 195	-1 490

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

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

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

NOTE 6 Operating expenses

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Personnel costs	169	184	613	605	862
Depreciation	32	27	95	80	118
Other operating expenses	99	96	351	347	449
Other operating expenses	299	306	1 059	1 032	1 429

NOTE 7 Other expenses

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Supplement contractual early retirement scheme (AFP)	237	218	688	646	868
Other expenses	0	1	16	8	16
Total other expenses	237	219	704	654	884

NOTE 8 Investment property

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Net rental income	688	608	2 118	1 830	2 517
Net value adjustment	-35	797	359	1 839	3 618
Currency translate foreign subsidiaries	816	-820	1 886	-875	-1 319
Net income from investment properties	1 469	585	4 363	2 794	4 816

NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
Investment property 01.01.	56 436	44 467	44 467
Value adjustment	359	1 839	3 618
Net additions	-1 508	5 232	8 317
Other changes	-14	63	34
Investment property 30.09./31.12.	55 273	51 602	56 436

NOTE 9 Fair value of financial assets and liabilities

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

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

Financial instruments measured at amortised cost**This category includes:**

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

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

of the expected term. Amortised cost is the present value of these cash flows discounted by the internal rate of interest. This note contains information about the fair value of the financial instruments that are measured at amortised cost.

Financial instruments measured at fair value**This category includes:**

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

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

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

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

NOTE 9 Fair value of financial assets and liabilities — cont.**b) Norwegian fixed-income securities – government**

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

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

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

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

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

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

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

e) Receivables on credit institutions

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

OTHER LOANS AND RECEIVABLES/LOANS TO MUNICIPALITIES, COMPANIES AND PERSONAL CUSTOMERS**f) Loans to municipalities and enterprises with municipal guarantee**

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

For guaranteed loans fair value is calculated as discounted cash flow based on the same interest-rate curves as direct loans but the credit margin is basically based on the initial margin. Guarantees are traded bilaterally and not across open market-

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

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

a discretionary assessment is carried out, such as a fundamental analysis of the company, or a broker assessment.

j) Private Equity

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

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

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

FX-swaps with a one-year maturity or less are priced on curves that are built up from FX swap-points obtained from

Reuters. The market is not considered particularly liquid for FX-swaps with a maturity of more than one year and basis-adjusted swap curves are used for pricing purposes.

DEBT TO CREDIT INSTITUTIONS**o) Placements with credit institutions**

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

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

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOK MILLIONS	30.09.2016		30.09.2015		31.12.2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Norwegian hold-to-maturity bonds	10 316	11 376	11 417	12 476	10 922	11 838
Foreign hold-to-maturity bonds	22 917	25 064	27 047	28 658	23 897	25 492
Norwegian certificates	0	0	0	0	499	499
Total debt instruments held to maturity	33 233	36 440	38 464	41 134	35 318	37 830
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	32 749	36 381	29 950	32 997	30 091	32 967
Foreign bonds	67 796	74 695	60 187	66 207	64 873	70 172
Norwegian certificates	718	718	0	0	0	0
Other receivables	13	13	16	16	23	23
Total debt instruments classified as loans and receivables	101 276	111 808	90 153	99 220	94 987	103 162

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

NOK MILLIONS	30.09.2016		30.09.2015		31.12.2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	1 706	1 706	2 089	2 089	1 845	1 845
Total loans to local government, enterprises & retail customers	1 706	1 706	2 089	2 089	1 845	1 845
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST						
Loans secured by mortgage	15 416	15 445	14 092	14 165	14 136	14 172
Loans to local government sector or enterprises with local government guarantee	53 696	54 566	51 954	52 857	51 458	52 303
Loans abroad secured by mortgage and local government guarantee	8 749	8 782	9 368	9 381	10 172	10 133
Total loans to local government, enterprises & retail customers	77 862	78 794	75 414	76 403	75 766	76 608
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	55 904	55 904	44 643	44 643	48 258	48 258
Norwegian certificates	12 088	12 088	7 638	7 638	9 877	9 877
Foreign bonds	84 632	84 632	75 998	75 998	76 939	76 939
Foreign certificates	331	331	0	0	0	0
Investments with credit institutions	15 817	15 817	16 676	16 676	17 419	17 419
Total debt instruments at fair value through profit/loss	168 772	168 772	144 955	144 955	152 493	152 493
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	109 726	109 726	98 111	98 111	107 102	107 102
Equity funds	8 205	8 205	7 462	7 462	7 703	7 703
Property funds	295	295	737	737	370	370
Alternative investments	465	465	143	143	318	318
Total equity capital instruments at fair value	118 691	118 691	106 453	106 453	115 493	115 493
RECEIVABLES						
Receivables related to direct business	10 410	10 410	7 605	7 605	1 004	1 004
Receivables related to reinsurance agreements	73	73	69	69	74	74
Reinsurance share of gross claims reserve	24	24	22	22	10	10
Receivables related to securites	6 156	6 156	1 326	1 326	2 445	2 445
Other receivables	185	185	1 443	1 443	217	217
Total other loans and receivables including receivables from policyholders	16 848	16 848	10 465	10 465	3 751	3 751

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

NOK MILLIONS	30.09.2016		30.09.2015		31.12.2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES						
Hybrid Tier 1 securities	1 781	1 781	1 518	1 292	1 564	1 588
Subordinated loan capital	6 132	6 369	9 337	9 172	9 541	9 506
Debt to credit institutions	2 766	2 766	2 917	2 917	2 915	2 915
Covered bonds issued	21 689	21 689	17 024	17 024	18 987	18 987
Liabilities and deposits from customers	8 454	8 454	7 279	7 279	7 426	7 426
Total financial liabilities	40 823	41 060	38 075	37 684	40 433	40 421
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	8 173	8 173	1 635	1 635	2 184	2 184
Total financial liabilities	8 173	8 173	1 635	1 635	2 184	2 184
Assets in life insurance with investment option	1 486	1 486	1 080	1 080	1 183	1 183
Provisions in life insurance with investment option	1 486	1 486	1 080	1 080	1 183	1 183

NOK MILLIONS	30.09.2016		30.09.2015		31.12.2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	6 598	767	175	6 707	177	6 378
Interest rate swaps	465	1 282	566	1 588	496	1 615
Interest rate and currency swaps	775	0	555	0	614	0
Share options	0	0	67	0	6	0
Total financial derivatives	7 839	2 049	1 363	8 295	1 292	7 993

NOTE 10 Borrowing

NOK MILLIONS	NOMINAL IN NOK	CURRENCY	INTEREST	DUE DATE	BOOK VALUE	BOOK VALUE	BOOK VALUE
					30.09.2016	30.09.2015	31.12.2015
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	0	EUR	Fixed	Perpetual	0	2 927	2 995
Kommunal Landspensjonskasse	554	JPY	Fixed ¹	Perpetual	759	688	704
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ²	2045	5 374	5 721	5 841
Total subordinated loan capital	5 717				6 132	9 337	9 541
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fast ³	2034	1 781	1 518	1 564
Total hybrid Tier 1 securities	984				1 781	1 518	1 564

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

NOTE 10 Borrowing — cont.

NOK MILLIONS	NOMINAL IN NOK	CURRENCY	INTEREST	DUE DATE	BOOK VALUE 30.09.2016	BOOK VALUE 30.09.2015	BOOK VALUE 31.12.2015
COVERED BONDS							
KLP Kommunekreditt AS	716	NOK	Floating	2016	717	2 682	2 174
KLP Kommunekreditt AS	315	NOK	Fixed	2017	318	1 017	644
KLP Kommunekreditt AS	2 239	NOK	Floating	2017	2 244	4 018	4 008
KLP Kommunekreditt AS	3 970	NOK	Floating	2018	3 975	4 011	4 005
KLP Kommunekreditt AS	4 500	NOK	Floating	2019	4 506	2 002	4 505
KLP Kommunekreditt AS	2 000	NOK	Floating	2020	2 008	0	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	777	805	752
KLP Kommunekreditt AS	2 500	NOK	Floating	2021	2 501	0	0
KLP Kommunekreditt AS	600	NOK	Fixed	2021	607	0	0
KLP Boligkreditt AS	240	NOK	Floating	2017	241	602	602
KLP Boligkreditt AS	600	NOK	Floating	2019	600	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 007	0	452
KLP Boligkreditt AS	1 100	NOK	Floating	2021	1 103	1 203	1 203
Value adjustments					86	85	42
Total covered bonds	21 530				21 689	17 024	18 987
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	350	NOK	Floating	2016	351	802	805
KLP Banken AS	300	NOK	Fixed	2017	304	304	308
KLP Banken AS	500	NOK	Floating	2017	500	500	500
KLP Banken AS	200	NOK	Fixed	2018	207	207	202
KLP Banken AS	500	NOK	Floating	2018	502	502	502
KLP Banken AS	900	NOK	Floating	2019	902	600	600
KLP Funds	0	NOK	Fixed	2015	0	908	0
KLP Funds	1 103	NOK	Fixed	2016	1 103	0	1 433
KLP Funds	2 828	NOK/EUR/USD	Floating	2016	2 828	0	49
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2015	0	728	0
Kommunal Landspensjonskasse	4 236	NOK/EUR/USD	Floating	2016	4 236	0	700
KLP Banken AS	6	NOK	Floating	2016	6	0	0
Other					0	0	0
Total liabilities to credit institutions	10 923				10 939	4 552	5 099
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴							
Retail	6 753	NOK			6 753	5 934	6 030
Business	1 676	NOK			1 676	1 345	1 397
Foreign	24	NOK			24	0	0
Liabilities to and deposits from customers	8 454				8 454	7 279	7 426
Total financial liabilities	47 607				48 997	39 710	42 617

⁴ There is no contractual maturity date on deposits.

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

NOTE 11 Fair value hierarchy

30.09.2016 NOK MILLIONS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	55 273	55 273
Land/plots	0	0	970	970
Real estate fund	0	0	1 001	1 001
Buildings	0	0	53 302	53 302
Lending at fair value	0	1 706	0	1 706
Bonds and other fixed-income securities	46 634	106 341	0	152 975
Certificates	6 452	5 967	0	12 419
Bonds	26 908	100 374	0	127 283
Fixed-income funds	13 273	0	0	13 273
Loans and receivables	13 532	2 266	0	15 797
Shares and units	105 888	4 518	8 286	118 691
Shares	104 275	3 757	1 694	109 726
Equity funds	1 613	0	75	1 688
Property funds	0	295	0	295
Special funds	0	465	0	465
Private Equity	0	0	6 517	6 517
Financial derivatives	0	7 839	0	7 839
Total assets at fair value	166 053	122 670	63 559	352 282
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	2 049	0	2 049
Debt to credit institutions ¹	7 070	1 103	0	8 173
Total financial liabilities at fair value	7 070	3 152	0	10 222

¹ Linjen «Gjeld til kredittinstitusjoner» i balansen inneholder forpliktelser målt til virkelig verdi og amortisert kost. Denne linjen er derfor ikke avstembar mot balansen. Forpliktelsene som måles til amortisert kost utgjør 2 766 NOK millions per 30.09.2016.

NOTE 11 Fair value hierarchy — cont.

30.09.2015 NOK MILLIONS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	51 602	51 602
Land/plots	0	0	862	862
Buildings	0	0	50 740	50 740
Lending at fair value	0	2 089	0	2 089
Bonds and other fixed-income securities	41 053	87 245	0	128 298
Certificates	5 227	2 411	0	7 638
Bonds	23 649	84 834	0	108 484
Fixed-income funds	12 177	0	0	12 177
Loans and receivables	14 762	1 895	0	16 657
Shares and units	94 636	4 028	7 789	106 453
Shares	93 519	3 148	1 444	98 111
Equity funds	1 117	0	73	1 190
Property funds	0	737	0	737
Special funds	0	143	0	143
Private Equity	0	0	6 272	6 272
Financial derivatives	0	1 363	0	1 363
Total assets at fair value	150 451	96 620	59 391	306 461
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	8 295	0	8 295
Debt to credit institutions ¹	728	908	0	1 635
Total financial liabilities at fair value	728	9 203	0	9 930

¹ Linjen «Gjeld til kredittinstitusjoner» i balansen inneholder forpliktelse målt til virkelig verdi og amortisert kost. Denne linjen er derfor ikke avstembar mot balansen. Forpliktelsene som måles til amortisert kost utgjør 2 766 NOK millions per 30.09.2016.

NOTE 11 Fair value hierarchy — cont.

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

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 2 766 million per 30.09.2016

CHANGES IN LEVEL 3, FINANCIAL ASSETS	BOOK VALUE 30.09.2016	BOOK VALUE 30.09.2015	BOOK VALUE 31.12.2015
Opening balance 1 January	8 009	6 310	6 310
Sold	-831	-967	-1 460
Bought	1 327	1 812	2 270
Unrealised changes	-219	634	889
Closing balance 30.09./ 31.12.	8 286	7 789	8 009
Realised gains/losses	220	98	182

NOTE 11 Fair value hierarchy — cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	BOOK VALUE 30.09.2016	BOOK VALUE 30.09.2015	BOOK VALUE 31.12.2015
Opening balance 1 January	56 436	44 467	44 467
Net acquisition cost	-1 508	5 232	3 618
Unrealised changes	359	1 839	8 317
Other changes	-14	63	34
Closing balance 30.09./ 31.12.	55 273	51 602	56 436
Realised gains/losses	0	0	0
Closing balance 30.09./ 31.12.	63 559	59 391	64 445

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

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 3 177 million as of 30.09.2016, NOK 2 969 million as of 30.09.2015 and NOK 3 222 million as of 31.12.2015. Investment property comes under this Note since there are more extensive requirements for information regarding fair value that now also apply to investment property valued at fair value in the Group. Everything related to investment property is included in Level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 1 486 millions in financial assets valued at fair value at Level 1. Per 30.09.2016 the NOK 1 486 millions are included with NOK 757 millions in shares and units in Level 1, NOK 721 millions in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

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

In the third quarter NOK 108 millions in stocks has been moved from Level 1 to Level 2 and NOK 218 millions from Level 2 to Level 1. For debt instruments there has been no changes in the first quarter. In this quarter NOK 168 millions in shares has been moved from level 1 to level 3 due to the shares not being quoted any longer.

NOTE 12 Liquidity risk

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

30.09.2016 NOK MILLIONS	WITHIN 1 MONTH	1-12 MONTHS	1-5 YEARS	5-10 YEARS	OVER 10 YEARS	TOTAL
Subordinated loan ¹	15	1 009	916	6 305	0	8 245
Perpetual hybrid Tier 1 securities ¹	0	87	233	291	1 611	2 222
Debt to and deposits from customers (without defined maturity)	8 454	0	0	0	0	8 454
Covered bonds issued	0	1 344	20 007	1 216	0	22 568
Payables to credit institutions	1 889	1 196	1 637	0	0	4 722
Financial derivatives	1 217	1 233	998	35	-296	3 186
Accounts payable	693	0	0	0	0	693
Contingent liabilities	14 880	0	0	0	0	14 880
Total	27 148	4 868	23 791	7 847	1 314	64 969

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 0.4 million and payables to credit institutions maturing within one month are reduced with NOK 0.1 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 64 969 million.

30.09.2015 NOK MILLIONS	WITHIN 1 MONTH	1-12 MONTHS	1-5 YEARS	5-10 YEARS	OVER 10 YEARS	TOTAL
Subordinated loan ¹	14	3 276	1 675	6 927	0	11 892
Perpetual hybrid Tier 1 securities ¹	0	93	248	311	1 586	2 238
Debt to and deposits from customers (without defined maturity)	7 279	0	0	0	0	7 279
Covered bonds issued	0	414	15 244	1 997	0	17 656
Payables to credit institutions	6 764	463	2 571	0	0	9 798
Financial derivatives	2 983	3 407	1 592	219	-219	7 982
Accounts payable	1 621	0	0	0	0	1 621
Contingent liabilities	14 455	0	0	0	0	14 455
Total	33 115	7 654	21 331	9 454	1 367	72 921

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 478 million, derivatives maturing between 1-12 months are reduced by NOK 77 million and payables to credit institutions within one month are reduced with NOK 201 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 72 166 million.

NOTE 12 Liquidity risk — cont.

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

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

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

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

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

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

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

NOTE 13 Interest rate risk

30.09.2016 NOK MILLIONS	UP TO 3 MONTHS	FROM 3 MONTHS TO 12 MONTHS	FROM 1 YEAR TO 5 YEARS	FROM 5 YEARS TO 10 YEARS	OVER 10 YEARS	CHANGES IN CASH FLOW 01.01.2016- 30.09.2016	TOTAL	TOTAL ADJUSTED FOR MINORITY'S SHARE
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	39	-5	-36	-85	-295	-37	-419	-403
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	5	5	5
Bonds and other fixed-return securities	-56	-82	-1 132	-1 931	-1 643	220	-4 624	-4 079
Fixed income fund holdings	-783	0	0	0	0	0	-783	-783
Special investment fund	0	0	0	0	0	0	0	0
Lending and receivables	-1	-3	0	0	0	119	115	101
Lending	0	0	0	0	0	245	245	245
Cash and bank deposits	0	0	0	0	0	35	35	35
Contingent liabilities ²	0	0	0	0	0	70	70	70
Total assets	-801	-90	-1 168	-2 015	-1 938	657	-5 355	-4 809
LIABILITIES								
Deposit	0	0	0	0	0	-84	-84	-84
Liabilities created on issue of securities	0	4	38	30	0	-244	-172	-172
Financial derivatives classified as liabilities	-27	-3	139	135	2	44	289	289
Hybrid capital, subordinated loans	0	0	0	72	99	0	171	171
Debt to credit institutions	0	0	0	0	0	-25	-25	-25
Total liabilities	-27	1	176	238	101	-309	180	180
Total before tax	-828	-89	-992	-1 778	-1 837	349	-5 175	-4 629
Total after tax	-621	-66	-744	-1 333	-1 378	261	-3 881	-3 472

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

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

NOTE 13 Interest rate risk — cont.

30.09.2015 NOK MILLIONS	UP TO 3 MONTHS	FROM 3 MONTHS TO 12 MONTHS	FROM 1 YEAR TO 5 YEARS	FROM 5 YEARS TO 10 YEARS	OVER 10 YEARS	CHANGES IN CASH FLOW 01.01.2015- 30.09.2015		TOTAL ADJUSTED FOR MINORITY'S SHARE
						TOTAL		
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	0	0	9
Financial derivatives classified as assets	7	15	-106	-90	-228	-44	-446	-401
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	5	5	5
Bonds and other fixed-return securities	-30	-85	-1 068	-1 832	-1369	188	-4 196	-1 346
Fixed income fund holdings	-727	0	0	0	0	0	-727	-3 232
Special investment fund	0	0	0	0	0	0	0	26
Lending and receivables	0	-4	0	0	0	104	99	68
Lending	0	0	0	0	0	201	201	201
Cash and bank deposits	0	0	0	0	0	26	26	26
Contingent liabilities ²	0	0	0	0	0	50	50	50
Total assets	-751	-74	-1 174	-1 922	-1596	529	-4 988	-4 595
LIABILITIES								
Deposit	0	0	0	0	0	-72	-72	-72
Liabilities created on issue of securities	0	0	28	42	0	-198	-128	-128
Financial derivatives classified as li- abilities	-6	9	126	196	2	49	377	286
Hybrid capital, subordinated loans	0	0	0	79	48	0	127	127
Debt to credit institutions	0	0	0	0	0	-4	-4	-4
Total liabilities	-6	9	154	317	50	-225	300	209
Total before tax	-756	-65	-1 020	-1 605	-1546	305	-4 688	-4 385
Total after tax	-552	-48	-745	-1 172	-1129	222	-3 422	-3 201

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

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

NOTE 13 Interest rate risk — cont.

31.12.2015 NOK MILLIONS	UP TO 3 MONTHS	FROM 3 MONTHS TO 12 MONTHS	FROM 1 YEAR TO 5 YEARS	FROM 5 YEARS TO 10 YEARS	OVER 10 YEARS	CHANGES IN CASH FLOW 01.01.2015- 31.12.2015	TOTAL	TOTAL ADJUSTED FOR MINORITY'S SHARE
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	36	11	-116	-164	-294	-57	-585	-546
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	6
Bonds and other fixed-return securities	-39	-85	-1 141	-1 741	-1300	253	-4 053	-3 618
Fixed income fund holdings	-730	0	0	0	0	0	-730	-730
Special investment fund	0	0	0	0	0	0	0	0
Lending and receivables	0	-2	0	0	0	158	156	144
Lending	0	0	0	0	0	423	423	423
Cash and bank deposits	0	0	0	0	0	25	25	25
Contingent liabilities ²	0	0	0	0	0	51	51	51
Total assets	-733	-76	-1 257	-1 905	-1 594	860	-4 705	-4 244
LIABILITIES								
Deposit	0	0	0	0	0	-74	-74	-74
Liabilities created on issue of securities	0	1	59	0	0	-224	-165	-165
Financial derivatives classified as liabilities	-7	18	132	254	2	64	463	447
Hybrid capital, subordinated loans	0	0	0	79	58	0	137	137
Debt to credit institutions	0	0	0	0	0	-7	-7	-7
Total liabilities	-7	18	191	333	60	-241	354	337
Total before tax	-740	-58	-1 067	-1 572	-1 534	619	-4 351	-3 906
Total after tax	-540	-42	-779	-1 148	-1 119	452	-3 176	-2 852

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

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

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

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

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

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

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

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

NOTE 14 Credit risk

30.09.2016 NOK MILLIONS	INVESTMENT GRADE AAA TIL BBB	LOWER RATING	PUBLIC SECTOR GUARANTEE	BANK AND FINANCE	MORTGAGE < 80% ¹	MORTGAGE > 80% ¹	OTHER	TOTAL	TOTAL ADJUSTED FOR MINORITY HOLDING
Debt instruments held to maturity at amortized cost	30 002	0	20	10	0	0	3 200	33 233	33 233
Debt instruments classified as loans and receivables at amortized cost	75 354	0	1 184	0	0	0	24 737	101 276	101 276
Debt instruments at fair value - fixed-return securities	112 807	288	7 953	7 273	0	0	11 381	139 702	127 812
Fixed-income funds	0	0	0	0	0	0	13 273	13 273	13 273
Loans and receivables	15 063	0	0	734	0	0	0	15 797	14 033
Financial derivatives classified as assets	7 839	0	0	0	0	0	0	7 839	7 019
Cash and bank deposits	3 525	0	0	0	0	0	0	3 525	3 525
Lending	0	0	56 383		12 588	2 779	7 818	79 568	79 568
Total	244 590	288	65 542	8 017	12 588	2 779	60 410	394 213	379 739

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	TOTAL INVESTMENT GRADE
Debt instruments held to maturity at amortized cost	15 353	2 970	7 117	4 562	30 002
Debt instruments classified as loans and receivables at amortized cost	16 673	19 834	34 321	4 527	75 354
Debt instruments at fair value - fixed-return securities	46 284	16 522	33 807	16 193	112 807
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	1 198	13 672	193	15 063
Financial derivatives classified as assets	0	1 665	6 174	0	7 839
Cash and bank deposits	0	76	3 449	0	3 525
Lending	0	0	0	0	0
Total	78 310	42 266	98 539	25 475	244 590

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

NOTE 14 Credit risk — cont.

30.09.2015 NOK MILLIONS	INVESTMENT GRADE AAA TIL BBB	LOWER RATING	PUBLIC SECTOR GUARANTEE	BANK AND FINANCE	MORTGAGE < 80% ¹	MORTGAGE > 80% ¹	OTHER	TOTAL	TOTAL ADJUSTED FOR MINORITY HOLDING
Debt instruments held to maturity at amortized cost	35 207	0	83	5	0	0	3 169	38 464	38 464
Debt instruments classified as loans and receivables at amortized cost	71 041	0	921	0	0	0	18 191	90 153	90 137
Debt instruments at fair value - fixed-return securities	97 850	544	3 095	5 323	0	0	9 309	116 121	106 607
Fixed-income funds	0	0	0	0	0	0	12 177	12 177	12 177
Loans and receivables	16 099	0	0	558	0	0	0	16 657	15 274
Financial derivatives classified as assets	1 363	0	0	0	0	0	0	1 363	1 342
Cash and bank deposits	2 576	0	0	0	0	0	0	2 576	2 576
Lending	0	0	54 711	0	12 549	1 493	8 750	77 503	77 503
Total	224 136	544	58 811	5 885	12 549	1 493	51 595	355 014	344 080

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	TOTAL INVESTMENT GRADE
Debt instruments held to maturity at amortized cost	17 975	2 527	10 602	4 104	35 207
Debt instruments classified as loans and receivables at amortized cost	23 563	13 440	30 939	3 099	71 041
Debt instruments at fair value - fixed-return securities	28 470	21 937	33 185	14 258	97 850
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 247	13 667	185	16 099
Financial derivatives classified as assets	0	188	1 175	0	1 363
Cash and bank deposits	0	0	2 576	0	2 576
Lending	0	0	0	0	0
Total	70 008	40 339	92 144	21 645	224 136

NOTE 14 Credit risk — cont.

31.12.2015 NOK MILLIONS	INVESTMENT GRADE AAA TIL BBB	LOWER RATING	PUBLIC SECTOR GUARANTEE	BANK AND FINANCE	MORTGAGE < 80% ¹	MORTGAGE > 80% ¹	OTHER	TOTAL	TOTAL ADJUSTED FOR MINORITY HOLDING
Debt instruments held to maturity at amortized cost	32 117	0	31	5	0	0	3 165	35 318	35 318
Debt instruments classified as loans and receivables at amortized cost	76 046	0	522	253	0	0	18 165	94 987	94 987
Debt instruments at fair value - fixed-return securities	98 801	553	4 527	10 265	0	0	8 694	122 840	113 182
Fixed-income funds	0	0	0	0	0	0	12 224	12 224	12 224
Loans and receivables	16 922	0	0	507	0	0	0	17 429	16 576
Financial derivatives classified as assets	1 292	0	0	0	0	0	0	1 292	1 263
Cash and bank deposits	2 424	0	0	0	0	0	0	2 424	2 424
Lending	0	0	54 022	0	12 154	1 932	9 504	77 611	77 611
Total	227 603	553	59 102	11 030	12 154	1 932	51 752	364 126	353 585

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

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

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

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

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. "Other" is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 61.2 billion per 30.09.2016. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the "Other" category.

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

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

NOTE 14 Credit risk — cont.

NOK MILLIONS	30.09.2016		30.09.2015		31.12.2015	
	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding
10 LARGEST COUNTERPARTIES						
Counterparty 1	15 975	15 379	13 061	12 651	14 247	13 712
Counterparty 2	12 136	11 455	9 510	8 927	10 180	9 602
Counterparty 3	8 379	8 379	8 745	8 745	9 091	9 091
Counterparty 4	7 572	5 965	6 256	6 256	6 247	6 247
Counterparty 5	6 005	5 909	5 643	5 581	6 118	5 816
Counterparty 6	5 996	5 865	4 587	4 179	5 907	4 347
Counterparty 7	5 965	5 670	4 186	3 678	4 566	3 526
Counterparty 8	4 746	4 692	3 287	3 287	3 419	3 327
Counterparty 9	3 301	3 221	3 273	3 238	3 378	3 283
Counterparty 10	3 256	3 153	3 264	3 209	3 325	3 247
Total	73 331	69 689	61 812	59 752	66 478	62 199

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

NOTE 15 Technical provisions in life insurance

NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
Premium reserves - ordinary tariff	379 174	358 542	356 199
Premium funds, buffer funds and pensioners' surplus funds	13 681	10 971	15 540
Supplementary reserves	20 410	17 230	20 322
Securities adjustment fund	26 076	17 499	21 529
Other provisions	51	195	209
Profit/loss allocated to insurance contracts	6 896	2 316	0
Technical provisions in life insurance including investment choice	446 289	406 753	413 799

NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
Premium reserves	1 479	1 071	1 175
Deposit funds	7	9	8
Provisions in life insurance with investment options	1 486	1 080	1 183

NOTE 16 Other current liabilities

NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
Short-term payables trade in securities	5 836	1 565	480
Incurring not assessed taxes	223	250	236
Advance tax-deduction pension scheme	328	313	329
Accounts payable	120	797	681
Pre-called contribution to insurance	1 609	1 733	106
Other current liabilities	807	173	2 424
Total other current liabilities	8 922	4 831	4 255

NOTE 17 Solvency II SCR ratio

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

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 197 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 333 per cent.

	30.09.2016	31.12.2015
Solvency II	197 %	181 %

NOK BILLIONS	30.09.2016	30.09.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT		
Assets, book value	499	Best estimate
Added values - hold-to-maturity portfolio/loans and receivables	14	Risk margin
Added values - other lending	1	Hybrid Tier 1 securities/Subordinated loan capital
Other added/lesser values	-1	Other liabilities
Deferred tax asset	0	Deferred tax liabilities
Total assets	513	Total liabilities
		Excess of assets over liabilities
		- Deferred tax asset
		- Risk equalisation fund
		+ Hybrid Tier 1 securities
		Tier 1 basic own funds
		Total eligible tier 1 own funds
		Subordinated loans
		Risk equalisation fund
		Tier 2 basic own funds
		Ancillary own funds
		Tier 2 ancillary own funds
		Deduction for max. eligible tier 2 own funds
		Total eligible tier 2 own funds
		Solvency II total eligible own funds
		Solvency capital requirement (SCR)
		Minimum capital requirement (MCR)
		Solvency II SCR ratio
		197 %

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

30.09.2016 NOK MILLIONS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS FINANCIAL ASSETS/ LIABILITIES	BOOK VALUE	RELATED AMOUNTS NOT PRESENTED NET			TOTAL ADJUSTED FOR MINORITY'S SHARE
				FINANCIAL INSTRUMENTS	SECURITY IN CASH	NET AMOUNT	
ASSETS							
Financial derivatives	7 839	0	7 839	-1 469	-6 413	160	119
Repos	0	0	0	0	0	0	0
Total	7 839	0	7 839	-1 469	-6 413	160	119
LIABILITIES							
Financial derivatives	2 049	0	2 049	-1 469	-716	22	22
Repos	1 103	0	1 103	0	0	1 103	1 103
Total	3 152	0	3 152	-1 469	-716	1 125	1 125

30.09.2015 NOK MILLIONS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS FINANCIAL ASSETS/ LIABILITIES	BOOK VALUE	RELATED AMOUNTS NOT PRESENTED NET			TOTAL ADJUSTED FOR MINORITY'S SHARE
				FINANCIAL INSTRUMENTS	SECURITY IN CASH	NET AMOUNT	
ASSETS							
Financial derivatives	1 363	0	1 363	-729	-613	47	47
Repos	0	0	0	0	0	0	0
Total	1 363	0	1 363	-729	-613	47	47
LIABILITIES							
Financial derivatives	8 295	0	8 295	-729	-5 739	1 847	1 120
Repos	908	0	908	0	0	908	1 839
Total	9 203	0	9 203	-729	-5 739	2 754	2 958

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

31.12.2015 NOK MILLIONS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS FINANCIAL ASSETS/ LIABILITIES	BOOK VALUE	RELATED AMOUNTS NOT PRESENTED NET			TOTAL ADJUSTED FOR MINORITY 'S SHARE
				FINANCIAL INSTRUMENTS	SECURITY IN CASH	NET AMOUNT	
ASSETS							
Financial derivatives	1 292	0	1 292	-649	-647	58	58
Repos	0	0	0	0	0	0	0
Total	1 292	0	1 292	-649	-647	58	58
LIABILITIES							
Financial derivatives	7 993	0	7 993	-649	-4 447	2 909	2 563
Repos	1 434	0	1 434	0	0	1 434	1 434
Total	9 427	0	9 427	-649	-4 447	4 343	3 997

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

The 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.

The note shows derivative positions in the financial position statement.

NOTE 19 Pension obligations

NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
Capitalized net liability 01.01.	634	755	755
Capitalized pension costs	64	85	141
Capitalized financial costs	10	12	23
Actuarial gains and losses (Estimate deviation)	99	-93	-195
Premiums / contributions received	-52	-47	-89
Capitalized net liability 30.09./31.12.	755	711	634

ASSUMPTIONS	30.09.2016	30.09.2015	31.12.2015
Discount rate	2.10 %	2.50 %	2.70 %
Salary growth	2.25 %	2.50 %	2.50 %
The National Insurance basic amount (G)	2.00 %	2.25 %	2.25 %
Pension increases	1.24 %	1.48 %	1.48 %
Social security contribution rate	14.10 %	14.10 %	14.10 %

The effect of changes in the assumptions is NOK 99 million increase in the liability 30.09.2016. The change is charged to «Other comprehensive income» in the income statement.

Key figures - Accumulated

NOK MILLIONS	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
KLP GROUP								
Profit before tax	2 085	1 378	578	5 138	1 889	1 302	606	1 189
Total assets	588 940	577 072	553 123	543 262	526 731	526 044	513 221	490 894
Owners' equity	26 827	25 049	23 997	23 665	20 620	18 992	18 466	17 558
Capital adequacy	n/a	n/a	n/a	11.7 %	11.0 %	11.0 %	9.1 %	9.2 %
Solvency II SCR ratio	197 %	180 %	181% ²	n/a	n/a	n/a	n/a	n/a
Number of employees in the Group	949	952	942	939	920	914	906	899
KOMMUNAL LANDSPENSJONSKASSE								
Result before taxes	1 858	1 196	464	4 876	1 613	1 196	549	959
Premium income for own account	29 715	19 674	7 556	38 789	31 985	25 548	15 948	62 454
- of which inflow of premium reserve	3 529	1 736	1 838	9 247	9 273	9 594	10 035	30 175
Insurance customers' funds incl. acc. profit	12 202	8 039	4 004	15 277	11 418	7 574	3 771	17 996
- of which funds with guaranteed returns	124	124	104	147	147	147	126	4 364
Net investment common portfolio	447 945	444 205	427 791	421 835	405 551	409 164	403 452	387 982
Net investment choice portfolio	2 199	2 105	2 060	2 050	2 020	2 056	1 978	1 958
Insurance funds incl. earnings for the year	444 748	434 146	419 099	412 363	405 343	406 927	398 314	378 602
- of which funds with guaranteed interest	391 495	385 763	375 583	370 607	368 390	352 857	345 233	331 240
Solvency capital requirement (SCR)	30 604	28 544	28 100	n/a	n/a	n/a	n/a	n/a
Solvency II SCR ratio	208 %	189 %	187% ³	n/a	n/a	n/a	n/a	n/a
Tier 1 and Tier 2 capital	n/a	n/a	n/a	28 340	26 161	25 364	20 172	19 951
Riskprofit I	475	278	152	498	473	294	180	701
Riskprofit II ¹	n/a	n/a	n/a	19 644	n/a	n/a	n/a	n/a
Return profits	6 759	3 952	2 023	3 452	2 134	2 607	1 332	5 059
Administration profit	135	65	20	264	197	132	58	345
Solvency capital	103 885	96 744	94 955	84 577	80 101	79 171	80 217	73 909
Solvency margin ratio (Solvency I)	n/a	n/a	n/a	280 %	245 %	241 %	222 %	228 %
Capital adequacy	n/a	n/a	n/a	12.2 %	11.4 %	11.3 %	9.5 %	9.5 %
Core capital ratio	n/a	n/a	n/a	8.6 %	7.9 %	7.7 %	8.1 %	8.1 %
Book return on common portfolio	3.5 %	2.2 %	1.1 %	3.6 %	2.6 %	2.0 %	1.0 %	4.3 %
Value-adjusted return on common portfolio	4.4 %	2.7 %	1.0 %	4.0 %	2.0 %	2.3 %	2.2 %	6.9 %
Return on unit-linked portfolio	4.4 %	2.5 %	0.9 %	4.0 %	1.7 %	2.5 %	2.3 %	6.7 %
Return on corporate portfolio	4.0 %	2.7 %	1.0 %	4.8 %	3.2 %	2.4 %	1.3 %	7.3 %

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

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

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

Key figures - Accumulated — cont.

NOK MILLIONS	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
KLP SKADEFORSIKRING AS								
Profit before tax	185.6	116.3	49.5	183.1	46.3	15.6	-58.3	306.8
Gross premium due	894.9	588.9	290.3	1086.8	806.9	529.0	259.3	893.6
Premium income for own account	851.9	560.5	276.4	1035.1	768.4	503.4	246.7	841.9
Owners' equity	1808.9	1755.2	1705.7	1672.2	1540.4	1512.8	1456.4	1508.3
Claims ratio	80.6 %	80.0 %	76.9 %	77.7 %	86.1 %	93.7 %	131.6 %	68.8 %
Combined-ratio	101.6 %	101.7 %	100.2 %	98.8 %	106.4 %	114.0 %	153.8 %	91.9 %
Return on assets under management	4.9 %	3.1 %	1.3 %	4.4 %	2.5 %	2.3 %	1.9 %	6.5 %
Solvency capital requirement (SCR)	1805	1789	1910	n/a	n/a	n/a	n/a	n/a
Solvency II SCR ratio	275 %	278 %	285 %	n/a	n/a	n/a	n/a	n/a
Capital adequacy	n/a	n/a	n/a	48.9 %	41.4 %	40.0 %	41.8 %	44.0 %
Tier 1 and Tier 2 capital	n/a	n/a	n/a	1059.9	884.2	882.7	884.4	895.4
Annual premium in force – retail market	408.7	387.4	367.5	354.4	344.3	329.9	312.7	295.7
Annual premium in force – public sector market	826.2	822.8	813.2	762.2	769.7	763.9	756.6	629.5
Net new subscriptions (accumulated within the year)	83.0	52.0	21.9	112.1	64.1	47.3	26.4	57.0
KLP BEDRIFTSPENSJON AS								
Profit before tax	-9.4	-6.9	-4.7	-24.2	-15.6	-6.8	-7.1	-22.7
Premium income for own account	383.8	249.1	134.2	485.6	378.1	235.7	113.2	409.9
- of which premium reserve added	101.9	65.3	40.9	149.7	128.3	72.7	34.4	149.3
Insurance customers' funds including accumulated profit	3026.8	2 873.4	2 748.1	2 618.6	2 491.3	2 405.1	2 330.1	2 152.2
- of which funds with guaranteed returns	1357.6	1 350.6	1 342.9	1 293.4	1 274.6	1 389.4	1 383.4	1 310.3
Returns profit	13.2	8.6	2.5	22.8	13.1	10.0	5.5	17.3
Risk result	3.8	-0.0	0.6	-1.8	-1.4	3.1	-2.0	5.2
Administration losses	-18.6	-12.8	-7.6	-27.5	-19.3	-13.5	-7.1	-30.7
Solvency capital requirement (SCR)	101	89	73	n/a	n/a	n/a	n/a	n/a
Solvency II SCR ratio	98 %	69 %	57 %	n/a	n/a	n/a	n/a	n/a
Tier 1 and Tier 2 capital	n/a	n/a	n/a	295.2	96.6	103.6	104.5	84.5
Solvency capital	516.9	516.3	480.0	461.0	254.4	258.0	295.4	265.4
Solvency margin ratio	n/a	n/a	n/a	44.5 %	16.4 %	18.1 %	18.4 %	16.7 %
Capital adequacy	n/a	n/a	n/a	35.4 %	12.7 %	14.2 %	14.5 %	12.7 %
Book capital return on common portfolio	3.3 %	2.2 %	1.0 %	4.8 %	3.4 %	2.4 %	1.3 %	4.6 %
Value-adjusted capital return on common portfolio	4.4 %	2.8 %	1.1 %	4.7 %	2.8 %	2.5 %	2.0 %	6.1 %
Return on defined unit-linked contribution pensions	4.4 %	1.8 %	-0.2 %	2.1 %	-0.9 %	2.5 %	3.3 %	8.8 %
Return on corporate portfolio	2.3 %	1.7 %	1.1 %	0.9 %	0.5 %	0.7 %	0.8 %	3.6 %

Key figures - Accumulated — cont.

NOK MILLIONS	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
KLP BANKEN GROUP								
Profit/loss before tax	90.7	58.0	19.9	49.6	34.4	14.8	-1.8	28.3
Net interest income	149.4	100.3	50.9	187.1	133.1	81.4	38.4	133.1
Other operating income	49.3	32.1	15.5	67.9	51.0	34.1	17.2	68.0
Operating expenses and depreciation	-126.1	-89.1	-53.0	-170.2	-122.1	-86.8	-46.3	-157.4
Net realized/unrealized changes in financial instruments to fair value	18.5	14.9	6.5	-34.1	-27.7	-14.1	-11.6	-14.4
Contributions	8 454	8 252	7 884	7 426	7 279	7 305	7 128	6 251
Housing mortgages granted	12 812	12 294	11 311	10 713	10 438	9 604	9 439	8 608
Loan(s) with public guarantee(s)	17 336	16 048	15 783	15 646	15 808	15 591	15 951	16 338
Defaulted loans	24	28	33	29	27	34	26	26
Borrowing on the issuance of securities	24 455	23 799	22 283	21 902	19 941	20 777	21 553	21 687
Other borrowing	0	0	0	-	-	-	-	-
Total assets	34 949	34 145	32 200	31 294	29 267	29 814	30 470	29 755
Average total assets	33 122	32 720	31 747	30 525	29 511	29 785	30 112	27 881
Owners' equity	1 598	1 574	1 545	1 508	1 495	1 278	1 266	1 285
Net interest rate	0.45 %	0.31 %	0.16 %	0.61 %	0.45 %	0.27 %	0.13 %	0.48 %
Profit/loss from general operations before tax	0.27 %	0.18 %	0.06 %	0.16 %	0.12 %	0.06 %	-1.01 %	0.10 %
Return on owners' equity before tax	5.67 %	3.68 %	1.29 %	3.21 %	2.30 %	1.32 %	-0.14 %	2.24 %
Capital adequacy	16.8 %	16.5 %	17.5 %	17.6 %	17.9 %	15.1 %	15.6 %	16.7 %
Number of private customers	45 246	43 566	42 287	39 759	38 248	37 335	35 677	33 104
Of this members of KLP	32 066	31 070	29 501	27 448	26 337	25 586	24 270	22 291
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	18.1	1.8	-4.9	46.1	44.7	27.0	10.3	56.3
Total assets under management	431 741	417 789	408 451	398 471	382 580	383 411	391 040	370 840
Assets managed for external customers	49 434	46 509	44 526	44 797	40 892	40 388	41 023	36 130



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NON-FINANCIAL ACCOUNTS

Non-financial accounts

NOTE	PER Q3 2016	PER Q2 2016	PER Q1 2016	2015	2014	2013	2012	2011
SOCIAL RESPONSIBLE INVESTMENTS								
1	Number of companies excluded from the investment portfolio	159	159	124	124	99	64	64
1	Number of new exclusions of companies from the investment portfolio	0	36	0	20	31	9	6
	Number of companies reinstated in the investment portfolio	0	1	0	4	1	4	1
	Number of general meetings in Norwegian companies at which KLP has voted (in %)	102 (96%)	88 (96%)	8 (73%)	97 (91%)	105 (93%)	95 (95%)	113 (92%)
	Number of general meetings in foreign companies at which KLP has voted (in %)	2 335 (89%)	2 046 (89%)	297 (66%)	2 445 (83%)	2 439 (82%)	2 099 (75%)	1662
2	Number of companies KLP has monitored	171	123	86	176	109	41	96
	Market value for investments in renewable energy in Norway (NOK millions)	23 122	22 092	21 194	20 189	19 876	18 865	
	Market value for investments in renewable energy in developing countries (NOK millions)	238	252	250	226	131	36	
	Market value for investments in banking and finance in developing countries (NOK millions)	261	248	229	229	201	8	
	Market value for investments in European infrastructure funds (NOK millions)	487	484	443				
EMPLOYEES								
	Number of employees	949	952	942	939	899	856	775
	Reported sickness absence	4,2 %	4,5 %	5,3 %	4,2 %	4,7 %	3,9 %	4,6 %
ENVIRONMENT								
3	Energy consumption kWh KLP's offices in KLP Huset (KLP Building)	2 548 840	1 860 076	1 116 567	3 276 544	3 452 909	3 487 989	3 489 425
3	Energy consumption kWh own offices Trondheim	202 060	119 706	66 470	232 399	230 936	254 063	165 135
4	Energy consumption kWh own offices Bergen	239 876	190 873	139 011	413 699	416 813	507 026	445 918
5	Kilo CO2-equivalent from aircrafts	432 879	289 517	136 564	650 557	652 324	609 203	387 429

NOTE 1 Excluded companies

In 2014 there was introduced a new criteria for exclusion; coal based business. This has increased the number of excluded companies in KLP's investment portfolio.

NOTE 2 Dialogue

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

NOTE 3 Energy consumption

KLP uses Optima energy monitoring system. The system provides automatic reading of electricity consumption. Fictional/generated values are used if problems occur with the readings. KLP Huset has dozens of meters where such errors may occur. KLP use the most updated numbers available. The electricity consumption may be changed back in time due to delayed updates.

NOTE 4 Energy consumption regional office Bergen

KLP's regional office in Bergen relocated in the second quarter. The reported electricity consumption is lower at this location due to lack of electricity readings for KLP's share of electricity consumption in shared areas. KLP has not received the final readings from the previous location in Bergen. Complete energy consumption figures are not available on the reporting date; these numbers will be updated for the year as a whole in the fourth quarter.

NOTE 5 Emissions from air travel

In 2016, KLP deployed measures in order to reduce air travel and associated emissions. So far this year, there has been a 15,3 percent reduction in emissions from air travel.



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KOMMUNAL LANDSPENSJONSKASSE

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015	01.01.2015- 31.12.2015
3	Premium income	10 041	6 438	29 715	31 985	38 789
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	566	1 369	2 114	3 482	5 832
	Interest income and dividends etc. on financial assets	2 005	2 133	6 323	6 462	8 469
	Value changes on investments	3 764	-3 080	7 078	2 215	7 082
	Gains and losses realised on investments	939	-1 795	2 958	-4 625	-5 955
	Net income from investments in the common portfolio	7 274	-1 373	18 473	7 533	15 428
	Net income of the investment option portfolio	39	-15	90	32	77
	Other insurance-related income	238	220	694	665	888
4	Claims	-4 163	-3 827	-12 202	-11 418	-15 283
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-9 712	-1 000	-27 443	-23 987	-16 532
	Changes in insurance liabilities loan taken to profit/loss investment option portfolio	-19	-6	-76	-73	-9
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-17 508
	Unallocated profit to insurance contracts	-2 862	397	-6 891	-2 294	0
5	Insurance-related operating expenses	-212	-215	-668	-678	-922
	Other insurance-related costs	-236	-219	-690	-648	-874
	Technical profit/loss	388	399	1 003	1 117	4 054
	Net income from investments in the corporate portfolio	367	225	1 160	770	1 232
	Other income	-2	2	-1	8	13
	Administration costs and other costs associated with the corporate portfolio	-91	-142	-304	-283	-422
	Non-technical profit/loss	274	85	855	495	822
	Profit/loss pre-tax	662	484	1 858	1 613	4 876
	Tax	-170	-101	85	-203	-489
	Profit/loss before other comprehensive income	492	383	1 944	1 410	4 387
11	Actuarial gains and losses on defined benefit plans - employee benefits	-7	63	-66	63	124
	Tax on items that will not be reclassified to profit/loss	2	-17	16	-17	-31
	Items that will not be reclassified to profit/loss	-5	46	-49	46	93
	Share of other comprehensive income using the equity method	-4	30	-33	30	71
	Adjustments of the insurance obligations	1	-9	10	-9	-20
	Tax on items that will be reclassified to profit/loss	1	-6	6	-6	-13
	Items that will be reclassified to profit/loss when specific conditions are met	-2	15	-17	15	39
	Other comprehensive income	-7	61	-66	61	132
	Total comprehensive income	485	445	1 877	1 471	4 519

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	497	430	454
7	Investment property	991	883	893
	Shares and holdings in property subsidiaries	1 744	1 588	1 673
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 026	3 421	3 738
6	Financial assets valued at amortized cost	13 177	16 123	16 304
6,7	Financial assets valued at fair value	11 950	9 254	9 458
	Receivables	10 014	7 128	759
	Other assets	699	590	693
Total assets in the corporate portfolio		43 098	39 416	33 973
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	52 665	49 920	53 386
	Shares and holdings in associated enterprises and jointly controlled entities	385	336	364
6	Financial assets valued at amortized cost	167 726	161 124	162 588
6,7	Financial assets valued at fair value	227 170	194 171	205 497
Total investment in the common portfolio		447 945	405 551	421 835
	Shares and holdings in property subsidiaries	260	247	264
6	Financial assets at amortized costs	731	674	678
6,7	Financial assets at fair value	1 208	1 099	1 108
Total investment in investment portfolio		2 199	2 020	2 050
Total assets in the customer portfolios		450 145	407 571	423 885
Total assets		493 243	446 987	457 858

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	11 723	10 404	10 422
	Retained earnings	15 064	10 139	13 186
	Total owners' equity	26 787	20 543	23 609
6	Subordinated loan capital etc.	7 914	10 855	11 105
	Premium reserve	376 071	355 727	353 401
	Supplementary reserves	20 259	17 109	20 170
	Securities adjustment fund	26 001	17 450	21 472
	Premium fund, deposits fund and pensioners' surplus fund	13 431	10 735	15 284
	Unallocated profit to customers	6 827	2 307	0
	Total insurance liabilities - contractual liabilities	442 588	403 328	410 327
	Premium reserve	1 756	1 707	1 684
	Supplementary reserves	114	91	114
	Premium fund, deposits fund and pensioners' surplus fund	237	221	238
	Unallocated profit to customers	53	-3	0
	Total insurance liabilities - special investment portfolio	2 160	2 015	2 036
11	Pension obligations	500	469	423
	Deferred tax liabilities	338	138	446
9	Liabilities	12 900	9 581	9 793
	Accrued costs and prepaid income	55	58	120
	Total owners' equity and liabilities	493 243	446 987	457 858
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	13 589	13 764	13 721

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2016 NOK MILLIONS	OWNERS' EQUITY CONTRIBUTED	RETAINED EARNINGS		TOTAL OWNERS' EQUITY
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	10 422	3 364	9 822	23 609
Profit/loss before other comprehensive income (unallocated)		354	1 590	1 944
COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT/LOSS (UNALLOCATED)				
Actuarial gains and losses on defined benefit plans - employee benefits			-66	-66
Tax on items that will not be reclassified to profit/loss			16	16
Total items that will not be reclassified to profit/loss (unallocated)			-49	-49
COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT/LOSS (UNALLOCATED)				
Share of other comprehensive income using the equity method			-33	-33
Adjustments of the insurance obligations			10	10
Tax on items that will be reclassified to profit/loss			6	6
Total items that will be reclassified to profit/loss when specific conditions are met (unallocated)			-17	-17
Total other comprehensive income (unallocated)			-66	-66
Total comprehensive income (unallocated)		354	1 524	1 877
Owners equity contribution received (net)	1 301			1 301
Total transactions with owners	1 301			1 301
Own funds 30 September 2016	11 723	3 718	11 346	26 787

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2015 NOK MILLIONS	OWNERS' EQUITY CONTRIBUTED	RETAINED EARNINGS		TOTAL OWNERS' EQUITY
		Risk equalization fund	Other retained earnings	
Own funds 31 December 2014	9 173	528	7 754	17 454
Change in principle, dissolution of the contingency reserve in KLP Skadeforsikring AS			387	387
Own funds 1 January 2015	9 173	528	8 140	17 841
Profit/loss before other comprehensive income (unallocated)		253	1 157	1 410
COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT/LOSS (UNALLOCATED)				
Actuarial gains and losses on defined benefit plans - employee benefits			63	63
Tax on items that will not be reclassified to profit/loss			-17	-17
Total items that will not be reclassified to profit/loss (unallocated)			46	46
COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT/LOSS (UNALLOCATED)				
Share of other comprehensive income using the equity method			30	30
Adjustments of the insurance obligations			-9	-9
Tax on items that will be reclassified to profit/loss			-6	-6
Total items that will be reclassified to profit/loss when specific conditions are met (unallocated)			15	15
Total other comprehensive income (unallocated)			61	61
Total comprehensive income (unallocated)		253	1 218	1 471
Owners equity contribution received (net)	1 231			1 231
Total transactions with owners	1 231			1 231
Own funds 30 September 2015	10 404	781	9 358	20 543

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

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

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2016 -30.09.2016	01.01.2016 -30.06.2016	01.01.2016 -31.03.2016	01.01.2015 -31.12.2015	01.01.2015 -30.09.2015
Net cashflow from operational activities	1 649	3 167	6	-6 062	-6 267
Net cashflow from investment activities ¹	-117	-89	-30	-130	-82
Net cashflow from financing activities ²	-1 535	-2 834	2	6 412	6 464
Net changes in cash and bank deposits	-2	244	-22	219	115
Holdings of cash and bank deposits at start of period	654	654	654	434	434
Holdings of cash and bank deposits at end of period	651	898	632	654	549

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the accounts

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles- and estimates

ACCOUNTING PRINCIPLES

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

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

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

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

FINANCIAL POSITION STATEMENT NOK MILLIONS	Q3 2015	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
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Net income from investments in the corporate portfolio	0	0	18
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BALANCE SHEET NOK MILLIONS	CHANGED OB 01.01.2015	30.09.2015	31.12.2015
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Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	387	387	405
Retained earnings	387	387	405

ACCOUNTING ESTIMATES

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

In September, The Norwegian Accounts Foundations published an updated version of the guidelines for pension criteria as of 31. August 2015, which shows some changes in the parameters from 31 December 2015. The stated calculation criteria are uncertain, and KLP have determined the criteria itself, based on a specific assessment of its pension schemes. This gives the following changes in the parameters:

ASSUMPTIONS	30.09.2016	31.12.2015	CHANGE
Discount rate	2,10 %	2,70 %	-0,60 %
Salary growth	2,25 %	2,50 %	-0,25 %
The National Insurance basic amount (G)	2,00 %	2,25 %	-0,25 %
Pension increases	1,24 %	1,48 %	-0,24 %
Social security contribution rate	14,10 %	14,10 %	0,00 %

The effect of the change in parameters has increased the Company's pension obligation by NOK 66 millions.

NOTE 2 Value-adjustment investment property

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

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Value adjustment incl. foreign exchange	-20	810	407	1 919	3 748
Foreign exchange effect on hedging	859	-799	1 947	-762	-1 097
Net value adjustment incl. exchange hedging	839	11	2 353	1 157	2 651

NOTE 3 Premium income

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Gross premiums due	8 248	6 759	26 188	22 713	29 543
Reinsurance premiums ceded	0	0	-1	-1	-2
Transfer of premium reserves from others ¹	1 793	-321	3 529	9 273	9 247
Total premium income	10 041	6 438	29 715	31 985	38 789

¹ Transfer of premium reserves from others for the third quarter 2015 is negative. This is due to the fact that KLP will only upon final settlement for transfers of new clients receive information pertinent to the clients relevant distribution between premium reserves, supplementary reserves and premium fund respectively. Upon the final settlement there will consequently be restating from premium reserves to premium funds and supplementary reserves.

NOTE 4 Claims

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Claims paid	4 164	3 830	12 076	11 274	15 139
Change in claim reserves	-1	-3	3	-3	-4
Transfers of premium reserves to others	0	0	124	147	147
Total claims	4 163	3 827	12 202	11 418	15 283

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q3 2016	Q3 2015	01.01.2016 -30.09.2016	01.01.2015 -30.09.2015	01.01.2015 -31.12.2015
Personnel costs	127	134	394	395	554
Depreciation	22	18	66	55	80
Other operating expenses	62	62	208	228	289
Total insurance-related operating expenses	212	215	668	678	922

NOTE 6 Fair value of financial assets and liabilities

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

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

Financial instruments measured at amortised cost

This category includes:

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

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

Financial instruments measured at fair value

This category includes:

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

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

INVESTMENTS HELD TO MATURITY BONDS CLASSIFIED AS LOANS AND RECEIVABLES DEBT INSTRUMENTS MEASURED AT FAIR VALUE

a) Foreign fixed-income securities

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

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-incomes securities - government

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

c) Norwegian fixed-income securities – other than government

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

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

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

NOTE 6 Fair value of financial assets and liabilities — cont.**d) Fixed-income securities issued by foreign enterprises but denominated in NOK**

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

OTHER LOANS AND RECEIVABLES**e) Loans to municipalities and enterprises with municipal guarantee**

Receivables are valued by means of a valuation model using relevant credit premium adjustments obtained in the market. Observable interest-rate curves and credit interest-rate differential curves are used for loans to municipalities, county administrations and municipality-supported projects in a valuation model discounting future cash flows. The credit premiums used in the model calculations are based on quotations from three different price providers.

An assessment of the quality of the quotations is made by comparing them against each other and against the previous observation received as well as other market information.

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

f) Loans secured by mortgage

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

EQUITY INSTRUMENTS**g) Shares (listed)**

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

h) Shares (unlisted)

As far as possible, KLP uses the Norwegian Mutual Funds Association's industry recommendations.

This basically means the following:

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

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

i) Private Equity

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

NOTE 6 Fair value of financial assets and liabilities — cont.**DERIVATIVES****j) Futures/FRA/IRF**

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

k) Options

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

l) Interest-rate swaps

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

m) FX-swaps

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

DEBT TO CREDIT INSTITUTIONS**n) Placements with credit institutions**

Placements with credit institutions are made as short-term deposits.

Fair value is calculated by discounting contractual cash flows by market rate including a relevant risk margin on the reporting date.

SUBORDINATED LOAN CAPITAL**o) Fair value of subordinated loans**

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

p) Fair value of subordinated bond/perpetual bond issued

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

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

30.09.2016 NOK MILLIONS	CORPORATE PORTFOLIO		COMMON PORTFOLIO		INVESTMENT PORTFOLIO		TOTAL	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	556	662	8 976	9 912	75	79	9 607	10 652
Accrued not due interest	19	19	307	307	2	2	328	328
Foreign hold-to-maturity bonds	5 790	6 199	16 638	18 356	62	72	22 490	24 627
Accrued not due interest	22	22	296	296	2	2	320	320
Total investments held to maturity	6 387	6 902	26 217	28 871	140	155	32 744	35 928
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	2 243	2 432	28 958	32 301	177	199	31 378	34 932
Accrued not due interest	32	32	595	595	2	2	629	629
Foreign bonds	4 454	4 847	60 723	67 101	404	445	65 581	72 394
Accrued not due interest	61	61	1 122	1 122	7	7	1 190	1 190
Norwegian certificates	0	0	715	715	0	0	715	715
Accrued not due interest	0	0	3	3	0	0	3	3
Total bonds classified as loans and receivables	6 790	7 373	92 116	101 837	591	654	99 497	109 863
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	2 567	2 588	0	0	2 567	2 588
Lending with public sector guarantee	0	0	37 831	38 463	0	0	37 831	38 463
Loans abroad secured by mortgage and local government guarantee	0	0	8 712	8 745	0	0	8 712	8 745
Accrued not due interest	0	0	282	282	0	0	282	282
Total other loans and receivables	0	0	49 393	50 078	0	0	49 393	50 078
Total financial assets at amortized cost	13 177	14 275	167 726	180 786	731	808	181 634	195 869
ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	412	412	5 578	5 578	0	0	5 990	5 990
Foreign shares	0	0	19 261	19 261	0	0	19 261	19 261
Total shares	412	412	24 839	24 839	0	0	25 251	25 251
Property funds	0	0	1 176	1 176	0	0	1 176	1 176
Norwegian equity funds	0	0	49 083	49 083	457	457	49 540	49 540
Foreign equity funds	0	0	7 786	7 786	0	0	7 786	7 786
Total equity fund units	0	0	58 044	58 044	457	457	58 502	58 502
Norwegian alternative investments	0	0	2 443	2 443	15	15	2 457	2 457
Foreign alternative investments	0	0	465	465	0	0	465	465
Total alternative investments	0	0	2 908	2 908	15	15	2 923	2 923

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

30.09.2016 NOK MILLIONS	CORPORATE PORTFOLIO		COMMON PORTFOLIO		INVESTMENT OPTION PORTFOLIO		TOTAL	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	5 763	5 763	29 870	29 870	0	0	35 634	35 634
Foreign bonds	173	173	25 464	25 464	0	0	25 637	25 637
Accrued not due interest	30	30	322	322	0	0	352	352
Norwegian fixed-income funds	2 207	2 207	45 818	45 818	620	620	48 646	48 646
Foreign fixed-income funds	0	0	13 273	13 273	0	0	13 273	13 273
Accrued not due interest	13	13	151	151	7	7	172	172
Norwegian certificates	953	953	8 629	8 629	0	0	9 583	9 583
Foreign certificates	0	0	331	331	0	0	331	331
Accrued not due interest	6	6	18	18	0	0	24	24
Total bonds and other fixed-income securities	9 147	9 147	123 878	123 878	627	627	133 652	133 652
Norwegian loans and receivables	1 435	1 435	4 209	4 209	14	14	5 658	5 658
Foreign loans and receivables	136	136	3 831	3 831	26	26	3 992	3 992
Total loans and receivables	1 571	1 571	8 040	8 040	39	39	9 650	9 650
DERIVATIVES								
Interest rate swaps	795	795	283	283	0	0	1 078	1 078
Forward exchange contracts	3	3	4 244	4 244	15	15	4 262	4 262
Total financial derivatives classified as assets	798	798	4 527	4 527	15	15	5 340	5 340
Other financial assets	22	22	4 934	4 934	55	55	5 010	5 010
Total financial assets valued at fair value	11 950	11 950	227 170	227 170	1 208	1 208	240 328	240 328
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	814	814	0	0	814	814
Forward exchange contracts	0	0	763	763	2	2	766	766
Total financial derivatives classified as liabilities	0	0	1 578	1 578	2	2	1 580	1 580
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	6 132	6 369	0	0	0	0	6 132	6 369
Hybrid Tier 1 securities	1 781	1 781	0	0	0	0	1 781	1 781
Total subordinated loan capital etc.	7 914	8 151	0	0	0	0	7 914	8 151
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	1 187	1 187	30	30	1 217	1 217
Foreign call money ¹	811	811	2 176	2 176	31	31	3 018	3 018
Total liabilities to credit institutions	812	812	3 363	3 363	60	60	4 236	4 236

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

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

30.09.2015 NOK MILLIONS	CORPORATE PORTFOLIO		COMMON PORTFOLIO		INVESTMENT PORTFOLIO		TOTAL	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	840	929	9 846	10 791	65	69	10 750	11 789
Accrued not due interest	22	22	333	333	2	2	358	358
Foreign hold-to-maturity bonds	9 117	9 091	17 243	18 855	94	105	26 455	28 051
Accrued not due interest	47	47	360	360	2	2	410	410
Total investments held to maturity	10 026	10 090	27 782	30 339	163	178	37 972	40 607
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	1 895	2 041	26 657	29 475	152	170	28 704	31 685
Accrued not due interest	32	32	583	583	2	2	617	617
Foreign bonds	4 114	4 513	53 875	59 395	350	387	58 338	64 295
Accrued not due interest	56	56	1 023	1 023	7	7	1 085	1 085
Total bonds classified as loans and receivables	6 096	6 642	82 137	90 476	511	565	88 744	97 683
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	3 619	3 640	0	0	3 619	3 640
Lending with public sector guarantee	0	0	37 944	38 582	0	0	37 944	38 582
Loans abroad secured by mortgage and local government guarantee	0	0	9 326	9 339	0	0	9 326	9 339
Accrued not due interest	0	0	316	316	0	0	316	316
Total other loans and receivables	0	0	51 205	51 877	0	0	51 205	51 877
Total financial assets at amortized cost	16 123	16 732	161 124	172 692	674	743	177 921	190 167
ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	376	376	4 853	4 853	0	0	5 229	5 229
Foreign shares	0	0	17 190	17 190	0	0	17 190	17 190
Total shares	376	376	22 043	22 043	0	0	22 419	22 419
Property funds	0	0	737	737	0	0	737	737
Norwegian equity funds	0	0	45 306	45 306	420	420	45 726	45 726
Foreign equity funds	0	0	7 072	7 072	0	0	7 072	7 072
Total equity fund units	0	0	53 115	53 115	420	420	53 535	53 535
Norwegian alternative investments	0	0	2 023	2 023	14	14	2 036	2 036
Foreign alternative investments	0	0	143	143	0	0	143	143
Total alternative investments	0	0	2 166	2 166	14	14	2 179	2 179

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

30.09.2015 NOK MILLIONS	CORPORATE PORTFOLIO		COMMON PORTFOLIO		INVESTMENT PORTFOLIO		TOTAL	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	4 069	4 069	23 315	23 315	0	0	27 384	27 384
Foreign bonds	204	204	19 847	19 847	0	0	20 051	20 051
Accrued not due interest	32	32	360	360	0	0	392	392
Norwegian fixed-income funds	2 117	2 117	42 899	42 899	614	614	45 630	45 630
Foreign fixed-income funds	0	0	12 177	12 177	0	0	12 177	12 177
Accrued not due interest	20	20	218	218	8	8	246	246
Norwegian certificates	506	506	5 184	5 184	0	0	5 690	5 690
Accrued not due interest	6	6	16	16	0	0	22	22
Total bonds and other fixed-income securities	6 954	6 954	104 016	104 016	623	623	111 593	111 593
Norwegian loans and receivables	1 048	1 048	4 864	4 864	15	15	5 927	5 927
Foreign loans and receivables	214	214	6 106	6 106	26	26	6 346	6 346
Total loans and receivables	1 262	1 262	10 970	10 970	41	41	12 274	12 274
DERIVATIVES								
Interest rate swaps	575	575	352	352	0	0	927	927
Share options	0	0	66	66	0	0	67	67
Forward exchange contracts	0	0	165	165	2	2	166	166
Total financial derivatives classified as assets	575	575	583	583	2	2	1 160	1 160
Other financial assets	86	86	1 279	1 279	0	0	1 365	1 365
Total financial assets valued at fair value	9 254	9 254	194 171	194 171	1 099	1 099	204 523	204 523
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	1 055	1 055	0	0	1 055	1 055
Forward exchange contracts	3	3	5 028	5 028	15	15	5 045	5 045
Total financial derivatives classified as liabilities	3	3	6 083	6 083	15	15	6 100	6 100
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	9 337	9 172	0	0	0	0	9 337	9 172
Hybrid Tier 1 securities	1 518	1 520	0	0	0	0	1 518	1 520
Total subordinated loan capital etc.	10 855	10 692	0	0	0	0	10 855	10 692
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	0	0	0	0	0	0
Foreign call money ¹	526	526	182	182	2	2	710	710
Total liabilities to credit institutions	526	526	182	182	2	2	710	710

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

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

31.12.2015 NOK MILLIONS	CORPORATE PORTFOLIO		COMMON PORTFOLIO		INVESTMENT PORTFOLIO		TOTAL	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	840	915	9 477	10 298	65	68	10 382	11 281
Accrued not due interest	24	24	211	211	1	1	236	236
Foreign hold-to-maturity bonds	9 074	9 076	14 347	15 919	69	79	23 490	25 074
Accrued not due interest	75	75	223	223	1	1	299	299
Norwegian certificates	0	0	499	499	0	0	499	499
Total investments held to maturity	10 013	10 089	24 758	27 151	136	149	34 907	37 389
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	1 894	2 030	26 655	29 314	152	169	28 702	31 513
Accrued not due interest	44	44	709	709	3	3	756	756
Foreign bonds	4 275	4 593	58 107	62 994	379	415	62 761	68 002
Accrued not due interest	78	78	1 150	1 150	8	8	1 236	1 236
Total bonds classified as loans and receivables	6 291	6 745	86 621	94 167	543	595	93 455	101 507
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	3 389	3 415	0	0	3 389	3 415
Lending with public sector guarantee	0	0	37 471	38 065	0	0	37 471	38 065
Loans abroad secured by mortgage and local government guarantee	0	0	10 132	10 094	0	0	10 132	10 094
Accrued not due interest	0	0	217	217	0	0	217	217
Total other loans and receivables	0	0	51 209	51 791	0	0	51 209	51 791
Total financial assets at amortized cost	16 304	16 834	162 588	173 109	678	744	179 571	190 687
ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	415	415	5 094	5 094	0	0	5 509	5 509
Foreign shares	0	0	18 300	18 300	0	0	18 300	18 300
Total shares	415	415	23 394	23 394	0	0	23 808	23 808
Property funds	0	0	1 040	1 040	0	0	1 040	1 040
Norwegian equity funds	0	0	48 175	48 175	446	446	48 620	48 620
Foreign equity funds	0	0	7 301	7 301	0	0	7 301	7 301
Total equity fund units	0	0	56 516	56 516	446	446	56 962	56 962
Norwegian alternative investments	0	0	2 062	2 062	14	14	2 076	2 076
Foreign alternative investments	0	0	318	318	0	0	318	318
Total alternative investments	0	0	2 380	2 380	14	14	2 394	2 394

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

31.12.2015 NOK MILLIONS	CORPORATE PORTFOLIO		COMMON PORTFOLIO		INVESTMENT PORTFOLIO		TOTAL	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS								
Norwegian bonds	4 189	4 189	24 982	24 982	0	0	29 172	29 172
Foreign bonds	641	641	21 143	21 143	0	0	21 785	21 785
Accrued not due interest	31	31	413	413	0	0	444	444
Norwegian fixed-income funds	2 141	2 141	43 236	43 236	599	599	45 976	45 976
Foreign fixed-income funds	0	0	12 224	12 224	0	0	12 224	12 224
Norwegian certificates	470	470	6 374	6 374	0	0	6 844	6 844
Accrued not due interest	4	4	9	9	0	0	14	14
Total bonds and other fixed-income securities	7 476	7 476	108 383	108 383	599	599	116 458	116 458
Norwegian loans and receivables	597	597	6 148	6 148	20	20	6 765	6 765
Foreign loans and receivables	327	327	5 923	5 923	27	27	6 277	6 277
Total loans and receivables	925	925	12 071	12 071	47	47	13 042	13 042
DERIVATIVES								
Interest rate swaps	614	614	350	350	0	0	964	964
Share options	0	0	6	6	0	0	6	6
Forward exchange contracts	0	0	136	136	1	1	137	137
Total financial derivatives classified as assets	614	614	492	492	1	1	1 107	1 107
Other financial assets	29	29	2 262	2 262	1	1	2 292	2 292
Total financial assets valued at fair value	9 458	9 458	205 497	205 497	1 108	1 108	216 063	216 063
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	1 134	1 134	0	0	1 134	1 134
Forward exchange contracts	2	2	5 270	5 270	16	16	5 287	5 287
Total financial derivatives classified as liabilities	2	2	6 404	6 404	16	16	6 421	6 421
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	9 541	9 506	0	0	0	0	9 541	9 506
Hybrid Tier 1 securities	1 564	1 588	0	0	0	0	1 564	1 588
Total subordinated loan capital etc.	11 105	11 094	0	0	0	0	11 105	11 094
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	0	0	0	0	0	0
Foreign call money ¹	572	572	127	127	0	0	699	699
Total liabilities to credit institutions	573	573	127	127	0	0	700	700

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

NOTE 7 Fair value hierarchy

30.09.2016 NOK MILLIONS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 287	6 860	0	9 147
Certificates	0	959	0	959
Bonds	66	5 901	0	5 967
Fixed-income funds	2 221	0	0	2 221
Loans and receivables	640	932	0	1 571
Shares and units	0	368	45	412
Shares	0	368	45	412
Financial derivatives	0	798	0	798
Other financial assets	0	22	0	22
Total corporate portfolio	2 926	8 979	45	11 950
COMMON PORTFOLIO				
Bonds and other fixed-income securities	82 499	41 379	0	123 878
Certificates	5 084	3 895	0	8 979
Bonds	18 173	37 484	0	55 656
Fixed-income funds	59 243	0	0	59 243
Loans and receivables	6 815	1 225	0	8 040
Shares and units	74 726	2 075	8 990	85 791
Shares	22 007	1 315	1 518	24 839
Equity funds	52 719	0	75	52 795
Property funds	0	295	880	1 176
Special funds	0	465	0	465
Private Equity	0	0	6 517	6 517
Financial derivatives	0	4 527	0	4 527
Other financial assets	0	4 934	0	4 934
Total common portfolio	164 040	54 140	8 990	227 170

NOTE 7 Fair value hierarchy — cont.

30.09.2016 NOK MILLIONS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	627	0	0	627
Fixed-income funds	627	0	0	627
Loans and receivables	39	0	0	39
Shares and units	457	14	0	472
Equity funds	457	0	0	457
Special funds	0	14	0	14
Financial derivatives	0	15	0	15
Other financial assets	0	55	0	55
Total investment option portfolio	1 123	84	0	1 208
Total financial assets valued at fair value	168 090	63 204	9 035	240 328
CORPORATE PORTFOLIO				
Investment property	0	0	991	991
Total investment property	0	0	991	991
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	812	0	0	812
Total corporate portfolio	812	0	0	812
COMMON PORTFOLIO				
Financial derivatives	0	1 578	0	1 578
Debt to credit institutions	3 363	0	0	3 363
Total common portfolio	3 363	1 578	0	4 941
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	2	0	2
Debt to credit institutions	60	0	0	60
Total investment option portfolio	60	2	0	63
Total financial liabilities at fair value	4 236	1 580	0	5 816

NOTE 7 Fair value hierarchy — cont.

30.09.2015 NOK MILLIONS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 177	4 778	0	6 954
Certificates	0	512	0	512
Bonds	40	4 266	0	4 306
Fixed-income funds	2 137	0	0	2 137
Loans and receivables	789	473	0	1 262
Shares and units	0	370	6	376
Shares	0	370	6	376
Financial derivatives	0	575	0	575
Other financial assets	0	86	0	86
Total corporate portfolio	2 966	6 281	6	9 254
COMMON PORTFOLIO				
Bonds and other fixed-income securities	75 463	28 553	0	104 016
Certificates	3 783	1 417	0	5 200
Bonds	16 385	27 136	0	43 522
Fixed-income funds	55 294	0	0	55 294
Loans and receivables	9 631	1 339	0	10 970
Shares and units	61 452	8 118	7 753	77 323
Shares	19 720	914	1 408	22 043
Equity funds	41 732	6 324	73	48 129
Property funds	0	737	0	737
Special funds	0	143	0	143
Private Equity	0	0	6 272	6 272
Financial derivatives	0	583	0	583
Other financial assets	0	1 279	0	1 279
Total common portfolio	146 546	39 872	7 753	194 171

NOTE 7 Fair value hierarchy — cont.

30.09.2015 NOK MILLIONS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	623	0	0	623
Fixed-income funds	623	0	0	623
Loans and receivables	41	0	0	41
Shares and units	420	14	0	433
Equity funds	420	0	0	420
Special funds	0	14	0	14
Financial derivatives	0	2	0	2
Other financial assets	0	0	0	0
Total investment option portfolio	1 083	16	0	1 099
Total financial assets valued at fair value	150 595	46 170	7 759	204 524
CORPORATE PORTFOLIO				
Investment property	0	0	883	883
Total investment property	0	0	883	883
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	3	0	3
Debt to credit institutions	526	0	0	526
Total corporate portfolio	526	3	0	529
COMMON PORTFOLIO				
Financial derivatives	0	6 083	0	6 083
Debt to credit institutions	182	0	0	182
Total common portfolio	182	6 083	0	6 265
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	15	0	15
Debt to credit institutions	2	0	0	2
Total investment option portfolio	2	15	0	17
Total financial liabilities at fair value	710	6 100	0	6 810

NOTE 7 Fair value hierarchy — cont.

31.12.2015 NOK MILLIONS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 623	4 853	0	7 476
Certificates	0	474	0	474
Bonds	483	4 378	0	4 861
Fixed-income funds	2 141	0	0	2 141
Loans and receivables	896	29	0	925
Shares and units	0	370	45	415
Shares	0	370	45	415
Financial derivatives	0	614	0	614
Other financial assets	0	29	0	29
Total corporate portfolio	3 519	5 895	45	9 458
COMMON PORTFOLIO				
Bonds and other fixed-income securities	78 014	30 369	0	108 383
Certificates	5 331	1 053	0	6 384
Bonds	17 223	29 317	0	46 539
Fixed-income funds	55 460	0	0	55 460
Loans and receivables	11 161	910	0	12 071
Shares and units	69 960	3 722	8 608	82 290
Shares	21 053	972	1 369	23 394
Equity funds	48 906	0	76	48 982
Property funds	0	370	670	1 040
Special funds	0	2 380	0	2 380
Private Equity	0	0	6 494	6 494
Financial derivatives	0	492	0	492
Other financial assets	0	2 262	0	2 262
Total common portfolio	159 134	37 755	8 608	205 497

NOTE 7 Fair value hierarchy — cont.

31.12.2015 NOK MILLIONS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	599	0	0	599
Fixed-income funds	599	0	0	599
Loans and receivables	47	0	0	47
Shares and units	446	14	0	459
Equity funds	446	0	0	446
Special funds	0	14	0	14
Financial derivatives	0	1	0	1
Other financial assets	0	1	0	1
Total investment option portfolio	1 092	16	0	1 108
Total financial assets valued at fair value	163 745	43 666	8 653	216 063
CORPORATE PORTFOLIO				
Investment property	0	0	893	893
Total investment property	0	0	893	893
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	2	0	2
Debt to credit institutions	573	0	0	573
Total corporate portfolio	573	2	0	575
COMMON PORTFOLIO				
Financial derivatives	0	6 404	0	6 404
Debt to credit institutions	127	0	0	127
Total common portfolio	127	6 404	0	6 531
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	16	0	16
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	16	0	16
Total financial liabilities at fair value	700	6 421	0	7 121

NOTE 7 Fair value hierarchy — cont.

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	BOOK VALUE 30.09.2016	BOOK VALUE 30.09.2015	BOOK VALUE 31.12.2015
Opening balance 01.01.	45	6	6
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	0	39
Closing balance 30.09. /31.12.	45	6	45
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	BOOK VALUE 30.09.2016	BOOK VALUE 30.09.2015	BOOK VALUE 31.12.2015
Opening balance 01.01.	1 369	1 213	1 213
Sold	-6	-264	-264
Bought	61	616	619
Unrealised changes	93	-158	-199
Closing balance 30.09. /31.12.	1 518	1 408	1 369
Realised gains/losses	0	0	-24

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	BOOK VALUE 30.09.2016	BOOK VALUE 30.09.2015	BOOK VALUE 31.12.2015
Opening balance 01.01.	76	70	70
Sold	0	0	-8
Bought	0	0	0
Unrealised changes	0	3	13
Closing balance 30.09. /31.12.	75	73	76
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	BOOK VALUE 30.09.2016	BOOK VALUE 30.09.2015	BOOK VALUE 31.12.2015
Opening balance 01.01.	7 164	5 008	5 008
Sold	-806	-703	-1 188
Bought	1 318	1 169	2 285
Unrealised changes	-279	797	1 059
Closing balance 30.09. /31.12.	7 397	6 272	7 164
Realised gains/losses	220	55	182

NOTE 7 Fair value hierarchy — cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	BOOK VALUE 30.09.2016	BOOK VALUE 30.09.2015	BOOK VALUE 31.12.2015
Opening balance 01.01.	893	890	890
Sold	0	0	0
Bought	0	0	0
Unrealised changes	150	-7	3
Other	-52	0	0
Closing balance 30.09. /31.12.	991	883	893
Realised gains/losses	52	0	0
Total Level 3	10 026	8 642	9 546

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 501 million as of 30.09.2016.

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

In this quarter NOK 29 million has been moved from Level 1 to Level 2 and NOK 8 million has been moved from Level 2 to Level 1; the full amount is related to equity instruments and are due to change in liquidity.

NOK 52 million are moved from level 1 to level 3, this consist of equity instruments and is due to the classification of the shares as not quoted.

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

30.09.2016 NOK MILLIONS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS ASSETS /LIABILITIES PRESENTED NET	BOOK VALUE	FINANCIAL INTRUMENTS	RELATED AMOUNTS NOT PRESENTED NET	
					SECURITY IN CASH	NET AMOUNT
ASSETS						
Financial derivatives	5 340	0	5 340	-948	-4 227	274
Total	5 340	0	5 340	-948	-4 227	274
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	4 527	0	4 527	-947	-3 360	238
Total assets – corporate portfolio	798	0	798	0	-812	34
Total assets – investment option portfolio	15	0	15	-1	-56	2
Total	5 340	0	5 340	-948	-4 227	274
LIABILITIES						
Financial derivatives	1 580	0	1 580	-948	-649	23
Total	1 580	0	1 580	-948	-649	23
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	1 578	0	1 578	-947	-649	22
Total liabilities – corporate portfolio	0	0	0	0	0	0
Total liabilities – investment option portfolio	2	0	2	-1	0	1
Total	1 580	0	1 580	-948	-649	23

30.09.2015 NOK MILLIONS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS ASSETS /LIABILITIES PRESENTED NET	BOOK VALUE	FINANCIAL INTRUMENTS	RELATED AMOUNTS NOT PRESENTED NET	
					SECURITY IN CASH	NET AMOUNT
ASSETS						
Financial derivatives	1 160	0	1 160	-402	-710	51
Total	1 160	0	1 160	-402	-710	51
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	583	0	583	-400	-182	1
Total assets – corporate portfolio	575	0	575	0	-526	49
Total assets – investment option portfolio	2	0	2	-2	-2	0
Total	1 160	0	1 160	-402	-710	51
LIABILITIES						
Financial derivatives	6 100	0	6 100	-402	-5 520	182
Total	6 100	0	6 100	-402	-5 520	182
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	6 083	0	6 083	-400	-5 505	180
Total liabilities – corporate portfolio	3	0	3	0	-3	0
Total liabilities – investment option portfolio	15	0	15	-2	-11	3
Total	6 100	0	6 100	-402	-5 520	182

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

31.12.2015 NOK MILLIONS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS ASSETS /LIABILITIES PRESENTED NET	BOOK VALUE	RELATED AMOUNTS NOT PRESENTED NET		
				FINANCIAL INTRUMENTS	SECURITY IN CASH	NET AMOUNT
ASSETS						
Financial derivatives	1 107	0	1 107	-368	-700	43
Total	1 107	0	1 107	-368	-700	43
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	492	0	492	-367	-127	1
Total assets – corporate portfolio	614	0	614	0	-573	42
Total assets – investment option portfolio	1	0	1	-1	0	0
Total	1 107	0	1 107	-368	-700	43
LIABILITIES						
Financial derivatives	6 421	0	6 421	-368	-4 442	1 628
Total	6 421	0	6 421	-368	-4 442	1 628
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	6 404	0	6 404	-367	-4 432	1 620
Total liabilities – corporate portfolio	2	0	2	0	0	2
Total liabilities – investment option portfolio	16	0	16	-1	-9	6
Total	6 421	0	6 421	-368	-4 442	1 628

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

NOTE 9 Liabilities

NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
Short-term liabilities securities	5 098	680	98
Advance tax-deduction pension scheme	326	312	327
Accounts payable	33	33	9
Derivatives	1 580	6 100	6 421
Debt to credit institutions	4 236	710	700
Liabilities related to direct insurance	1 613	1 733	2 210
Other short-term liabilities	14	13	28
Total liabilities	12 900	9 581	9 793

NOTE 10 Solvency II SCR ratio

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

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 208 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 359 per cent.

	30.09.2016	31.12.2015
Solvency II	208 %	187 %

NOK BILLIONS	30.09.2016	30.09.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT		
Assets, book value	493	Best estimate 446
Added values - hold-to-maturity portfolio/loans and receivables	14	Risk margin 14
Added values - other lending	1	Hybrid Tier 1 securities/Subordinated loan capital 8
Other added/lesser values	0	Other liabilities 13
Deferred tax asset	0	Deferred tax liabilities 0
Total assets	507	Total liabilities 482
		Excess of assets over liabilities 25
		- Deferred tax asset 0
		- Risk equalisation fund -3
		+ Hybrid Tier 1 securities 2
		Tier 1 basic own funds 23
		Total eligible tier 1 own funds 23
		Subordinated loans 7
		Risk equalisation fund 3
		Tier 2 basic own funds 10
		Ancillary own funds 9
		Tier 2 ancillary own funds 9
		Deduction for max. eligible tier 2 own funds -12
		Total eligible tier 2 own funds 7
		Solvency II total eligible own funds 31
		Solvency capital requirement (SCR) 15
		Minimum capital requirement (MCR) 4
		Solvency II SCR ratio 208 %

NOTE 11 Pension obligations

NOK MILLIONS	30.09.2016	30.09.2015	31.12.2015
Capitalized net liability/(asset) 01.01.	423	503	503
Pension costs taken to profit/loss	53	57	83
Financial costs taken to profit/loss	8	9	15
Actuarial gains and losses incl. social security contributions	66	-63	-124
Social security contributions paid in premiums/supplements	-6	-5	-7
Premiums/supplements paid-in incl. admin	-44	-33	-48
Capitalized net liability/(asset) 30.09./31.12.	500	469	423

ASSUMPTIONS	30.09.2016	30.09.2015	31.12.2015
Discount rate	2,10 %	2,50 %	2,70 %
Salary growth	2,25 %	2,50 %	2,50 %
The National Insurance basic amount (G)	2,00 %	2,25 %	2,25 %
Pension increases	1,24 %	1,48 %	1,48 %
Social security contribution rate	14,10 %	14,10 %	14,10 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 66 million. The change is recognized in other comprehensive income in the income statement.

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