



Interim report

KLP GROUP
Q3 2017

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KLP GROUP

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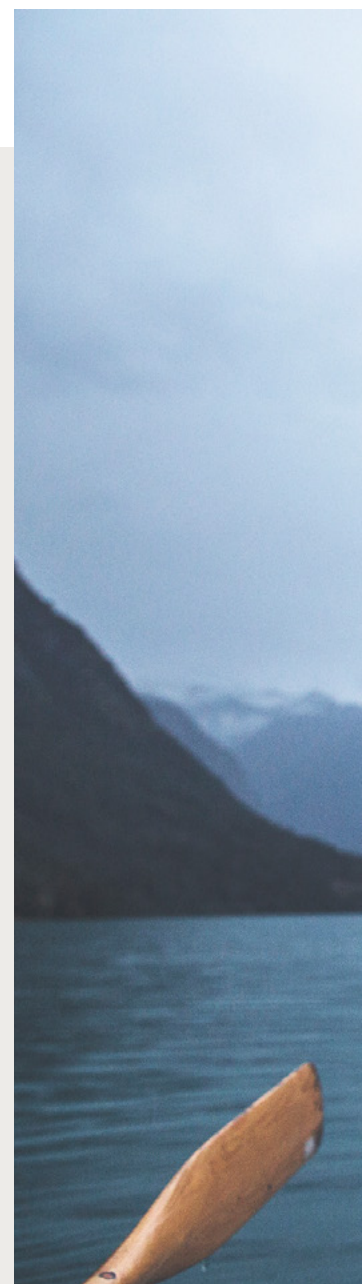
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Interim report third quarter 2017

KLP OBTAINS GOOD RETURNS ON ITS EQUITY INVESTMENTS

- Good returns result
- Good growth and increased profitability in the subsidiaries

KLP – A CUSTOMER-OWNED GROUP

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

At the end of the third quarter, the Group had total assets of NOK 641,5 billion, a growth of NOK 14 billion in the third quarter, and NOK 45 billion so far this year.

The operating profit so far this year amounted to NOK 16.0 (15.7) billion¹. The Group's total comprehensive income was NOK 1.3 billion in the year to date.

Kommunal Landspensjonskasse gjensidig forsikringsselskap

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse (KLP). Out of KLP's total assets of NOK 527.5 billion, NOK 477.5 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE THIRD QUARTER 2017

Return result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return to its customers) of NOK 3.9 billion in the third quarter, and NOK 5.4 (6.7) billion in the year to date. The value-adjusted return on the common portfolio was 4.6 per cent and the book return was 3.1 per cent so far this year.

Risk result

The risk result came to NOK 154 million in the third quarter and NOK 426 million in the year to date. It is planned to allocate NOK 213 million of the risk result to the risk equalisation fund, and to return NOK 213 million to the customers' premium fund.

Administration result

The Company's administration result shows a surplus of NOK 92 million in the third quarter and NOK 143 (135) million

in the year to date. Insurance-related operating expenses total NOK 202 million in the quarter and NOK 709 (688) million so far this year.

Total income

Total profit for the Company was NOK 404 million in the third quarter and NOK 1,295 (1,877) million in the year to date. The customer result was NOK 3.9 billion for the quarter and NOK 5.6 (6.9) billion for the year to date.

NOK MILLION	Customers	Company	Total
Return result	5,368	119	5,487
Risk result	213	213	426
Interest guarantee premium		529	529
Administration result		143	143
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		692	692
Tax		323	323
Other profit/loss elements		-79	-79
Income for Q3/2017	5,581	1,295	6,875
Income for Q3/2016	6,880	1,877	8,757

Financial strength and capital-related matters

KLP's total assets showed growth during the third quarter of NOK 11.2 billion and now amount to NOK 527.5 billion. Insurance obligations increased by NOK 25.1 billion in 2017 and now amount to NOK 477.5 billion.

The securities adjustment fund increased by NOK 662 million in the quarter, to NOK 36.1 billion.

The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital under Solvency II in an amount equivalent to 2.5 per cent of the premium reserve. This stood at NOK 10.0 billion at the end of the third quarter.

Without applying transitional rules, the Company's capital adequacy according to Solvency II is 223 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 322 per cent. KLP's goal is

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

capital adequacy of at least 150 per cent without applying transitional rules. Capital adequacy is well over this target and reflects the Company's good financial strength.

Key figures

PER CENT	YTD 2017	YTD 2016	Year 2016
Book returns *	31	35	4.4
Value-adjusted returns *	4.6	4.4	5.8
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	4.6	4.9	5.4
Capital adequacy, Solvency II	223	208	209
Capital adequacy, Solvency II, with transitional measures	322	359	304

* The returns figures apply to the common portfolio

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 8.8 billion for the third quarter and NOK 23.8 (26.2) billion for the year to date.

Ongoing savings and risk premiums have grown by 7.3 per cent and total NOK 17.0 billion so far this year. Premiums to cover accrued commitments arising from annual salary and basic pension adjustments were recognised in the amount of NOK 5.8 (9.4) billion at 30 September. Premium reserves received total NOK 0.2 (3.5) billion so far this year.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 6.3 per cent and amounted to NOK 12.8 (12.1) billion so far this year.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 480.4 (448) billion and were invested as shown below:

ASSETS	2017 year to date		2016 year to date	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	21.7%	11.1%	20.3%	0.6%
Short-term bonds	19.8%	2.6%	20.7%	5.5%
Long-term/HTM bonds	27.0%	3.0%	27.1%	3.2%
Lending	11.5%	1.7%	11.2%	1.8%
Property	12.4%	5.1%	12.2%	7.8%
Other financial assets	7.5%	1.3%	8.5%	1.4%

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 21.7 per cent at the end of the third quarter. The total return on shares and alternative investments was 3.5 per cent in the third quarter and 11.1 per cent at 30 September. After the first nine months of the year, global shares had a return of 11.0 per cent, while the return for Norwegian shares was 14.8 per cent.

Short-term bonds and the money market

Short-term bonds accounted for 19.8 per cent and money-market instruments 7.5 per cent of the assets in the common portfolio as at 30 September. Norwegian government and swap rates were at around the same level on 30 September as on 30 June. KLP's global government bond index achieved a currency-hedged return of 0.3 per cent in the third quarter, while the Norwegian government bond index had a quarterly return of 0.6 per cent. Global credit risk premiums fell slightly during the quarter, and KLP's global credit bond index had a currency-hedged return of 0.9 per cent for the quarter.

In total, KLP achieved returns 0.7 per cent for the third quarter, while money market returns were 0.3 per cent.

Bonds held to maturity Investments in bonds held to maturity made up around 27.0 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 9.7 billion as at 30 September. The portfolio is well diversified and consists of securities issued by creditworthy institutions. The return measured at amortised cost at 30 September was 3.0 per cent.

Property

Property investments, including Norwegian and international property funds, made up 12.5 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 1,198 million in 2017. If the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 926 million in 2017. Property investments in the common portfolio achieved a return of 5.1 per cent in the first three quarters of the year.

Lending

Lending in the common portfolio totals NOK 54.7 billion. This is split between NOK 43.4 billion in loans to municipalities and their enterprises, NOK 8.0 billion in currency loans with export guarantees secured on residential property in the Europe, and NOK 3.3 billion in secured mortgage loans in Norwegian kroner. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 575 million at the end of the quarter. The return in the year to date is 1.7 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 3.0 per cent in the year to date.

Market conditions for pensions

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

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

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

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

The Company had total assets of NOK 4.6 billion as at 30 September. This is an increase of NOK 1.0 billion since the start of the year. The increase is mainly linked to an increase in pension capital certificates and growth in the Company's defined contribution pension portfolio, which now totals NOK 2.4 billion.

265 new business customers have entered into pension agreements with KLP Bedriftspensjon so far this year, and we have received transfers on over 5,000 pension capital certificates.

KLP Bedriftspensjon achieved a book return on the common portfolio of 3.3 per cent and a value-adjusted return of 3.7 per cent. Customers with defined-contribution pensions achieved an average 8.3 per cent return for the same period.

KLP Bedriftspensjon achieved a returns result of NOK 16.1 million in the year to date, and the securities adjustment fund now totals NOK 75.7 million, an increase of NOK 9.0 million since the start of the year. The Company had a net loss of NOK 23.4 million at 30 September.

Return on customer assets

	YTD 2017	YTD 2016	Year 2016
COMMON PORTFOLIO			
Common portfolio			
Book returns	3.3%	3.3%	5.3%
Value-adjusted returns	3.7%	4.4%	5.7%
Defined-contribution pensions with investment options	8.3%	4.4%	7.0%
Profile KLP90	12.2%	3.9%	9.8%
Profile KLP70	10.1%	4.2%	8.5%
Profile KLP50	8.0%	4.7%	7.1%
Profile KLP30	5.8%	4.6%	5.6%
Profile KLPPM	1.3%	1.5%	1.8%
KLP Optimal Livsfase	11.3% ¹	n/a	n/a

¹ Return for profile with 100% equities

From 2017, the Company has started offering a new savings profile for defined-contribution pension customers – KLP Optimal Livsfase. This is a savings profile that gives a combination of equities and interest-bearing instruments based on age.

Solvency capital coverage without transitional rules is 147 per cent as of 30 September.

Non-life insurance

The first nine months of the year produced a pre-tax operating profit of NOK 152.6 (185.6) million. For the third quarter in isolation, the profit was NOK 37.7 (69.4) million. There is continued growth in all segments and a high proportion of members among the retail customers. The premium stock has increased by 9.2 per cent so far this year to NOK 1,384 million.

In the third quarter there were two major fires with claims costs estimated at NOK 28.5 and 17.5 million. Both hit municipally-owned buildings.

Reversal of previous years' claims is still positive, and this year NOK 51.2 million has so far been taken to income. The third quarter contributed NOK 2.8 million, significantly less than the first two quarters of the year.

The financial return was 3.8 per cent as at 30 September.

Key figures for the Company

AS AT THE THIRD QUARTER	2017	2016
Claim ratio*	80.6	80.6
Cost ratio*	20.5	20.9
Total cost ratio*	101.0	101.6

* For own account

Net financial income in the first nine months of the year was NOK 160.5 (197.8) million, equivalent to 3.8 (4.9) per cent. All investment classes have contributed positive returns so far this year, with shares giving a total return of 11.6 per cent.

Financial income in the third quarter was NOK 53.9 (73.0) million, or 1.3 (1.8) per cent. In this quarter too, all investment classes made a positive contribution, with the equity portfolio giving the highest return at 4.3 per cent. Interest-bearing assets had a return of 1.9 per cent, and the return on property was 1.2 per cent.

The company's financial position is still good with a solvency margin (SCR) of 257 per cent, down from 265 per cent at the end of the second quarter. The equivalent figure at the end of 2016 was 261 per cent.

Asset and fund management

KLP Kapitalforvaltning AS provides securities management in the KLP Group. It had a total of NOK 474 billion under management at the end of the third quarter, of which NOK 65 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries in the KLP Group.

Net new subscriptions to the KLP funds at the end of the third quarter amounted to NOK 7.6 billion, of which NOK 5.7 billion came from external customers.

KLP Kapitalforvaltning achieved a profit before tax of NOK 50.7 million after the third quarter.

Bank

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

The KLP Banken Group had loans to customers of NOK 31.0 (30.1) billion as of 30 September. Mortgage loans in the retail market and public-sector loans totalled NOK 14.0 billion and

17.0 billion respectively. KLP Bank manages NOK 3.3 billion in mortgage loans and NOK 51.3 billion in loans to public borrowers and other businesses.

The retail market has experienced lending growth of NOK 1.3 billion so far this year. The credit card business accounts for around NOK 55 million of this, and the rest is mortgages. Managed mortgage loans for KLP have increased by NOK 92 million since the end of last year.

The lending volume in the public-sector market has decreased by NOK 226 million in the bank group so far this year. Loans to public-sector borrowers managed on behalf of the parent company KLP increased by NOK 2.9 billion in the same period. Managed loans to foreign debtors in other currencies decreased by NOK 1.1 billion in the same period.

Overdue payments and defaulted mortgage loans have remained at a low level. Loans in default in excess of 90 days account for 0.13 per cent of total lending as at the end of the third quarter. Impairment losses of NOK 1.1 million on mortgages and NOK 1.4 million on credit cards have been recognised so far this year. There were no losses or loss provisions related to public-sector loans.

The KLP Banken Group's external financing consists of deposits, certificates and bonds. Deposit growth so far in 2017 totalled NOK 635 million and deposits now total NOK 9.4 billion. Of this amount, NOK 7.5 billion is deposits from retail customers, and NOK 1.8 billion is deposits from municipalities and companies. Liabilities created on issuance of securities totalled NOK 23.2 billion at the end of the quarter.

The KLP Banken Group had a pre-tax operating profit of NOK 81.7 (92.3) million at the end of the third quarter. Broken down by area, profits were NOK 31.9 million in the retail market and NOK 49.8 million in the public-sector market. Consolidated net profit after tax totalled NOK 61.8 (69.7) million for the third quarter.

CORPORATE SOCIAL RESPONSIBILITY

An important part of the Group's corporate social responsibility is the work KLP can do in collaboration with external actors in various areas.

In partnership with the Norwegian Nurses' Organisation and the employers' body Spekter, KLP funded the survey 'Work to reduce sick leave in hospitals', carried out by Sintef. It is important for KLP to contribute new knowledge on the world of work, and the company has formed a working group with Spekter and the Norwegian Nurses' Organisation to look further into the research results. The plan is to produce practical tools that our customers can use in their everyday work, and good arenas in which to publicise these.

KLP has also collaborated with the Norwegian University of Science and Technology (NTNU) for five years, supporting research in the areas of work, rehabilitation and health. One result of the research is simple fitness exercises that can prevent and reduce pain in the neck, back and shoulders. Together with NTNU, KLP has also produced information materials for use in the workplace.

KLP is working with the Norwegian Association of Fire Officers (NBLF) on risk reduction in municipal housing, and has revised the booklet which contains advice and information on how municipalities can reduce the risk of fire in rented dwellings.

Buildings currently account for 40 per cent of the world's energy consumption. Work is being done in collaboration with KLP's tenants to improve the energy-efficiency of buildings. The real estate company has launched 'green plus agreements', which are offered to our tenants. Here KLP plans to offer financing solutions for lower energy consumption and lower energy costs

We are keen to share our experience from our work with responsible investments. In this quarter, KLP presented the Company's work to the Norwegian OECD national contact point and at the annual conference on the UN Principles for Responsible Investment (PRI).

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

There have not been any significant market movements after the third quarter.

KLP is now offering share savings accounts (ASK) to its customers and will also have individual pension saving (IPS) schemes in place during the autumn. The benefits of the share savings account are that customers themselves can decide when to pay tax on the capital gains based on returns from KLP's equity fund. With individual pension saving, customers will get tax benefits from locking in savings until retirement age and by distributing the payments over a minimum of ten years.

In mid-September, the Ministry of Labour and Social Affairs sent out proposed rules for calculating old-age pensions from public sector occupational pension schemes for people who also receive benefits accrued in the new national insurance scheme, i.e. people born in 1954 or later. These do not yet have complete rules for how their occupational pension should be calculated. The rules must be in place in good time before 2021, when the 1954 cohort turns 67.

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

Oslo, 1. November 2017

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

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Deputy Chair

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Lars Vorland

Susanne Torp-Hansen
Elected by and from among
the employees

Freddy Larsen
Elected by and from among
the employees

Income statement

KLP GROUP

NOTE	NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
3	Premium income for own account	9 334	10 423	25 623	30 879	38 497
	Current return on financial assets	3 308	3 097	10 831	10 280	13 489
	Net interest income banking	66	49	175	149	196
	Net value changes on financial instruments	5 680	5 020	14 919	7 937	10 476
8	Net income from investment properties	901	1 469	2 880	4 363	6 726
4	Other income	280	247	771	704	945
	Total net income	19 569	20 305	55 199	54 312	70 330
	Claims for own account	- 4 610	- 4 426	-13 977	-12 974	-17 370
	Change in technical provisions	- 6 670	- 7 798	-17 335	-23 142	-27 973
5	Net costs subordinated loan and hybrid Tier 1 securities	147	286	-273	360	382
6	Operating expenses	- 321	- 299	-1 140	-1 059	-1 756
7	Other expenses	- 248	- 237	-736	-704	-957
	Unit holder's value change in consolidated securities funds	- 2 027	- 1 350	-5 788	-1 146	-3 061
	Total expenses	- 13 729	- 13 825	-39 249	-38 665	-50 736
	Operating profit/loss	5 841	6 481	15 950	15 647	19 594
	To/from securities adjustment fund – life insurance	- 660	- 2 018	-7 751	-4 548	-6 876
	To supplementary reserves – life insurance	0	0	13	7	-4 026
	Assets allocated to insurance customers - life insurance	- 4 328	- 3 757	-5 413	-9 022	-6 244
	Pre-tax income	854	706	2 799	2 085	2 449
	Cost of taxes ¹	- 385	- 247	-1 492	-225	359
	Income	469	459	1 308	1 860	2 808
19	Actuarial loss and profit on post employment benefit obligations	- 109	- 11	-109	-99	-32
	Adjustments of the insurance obligations	11	1	11	10	0
	Tax on items that will not be reclassified to profit or loss	24	2	24	22	8
	Items that will not be reclassified to profit or loss	- 73	- 7	-73	-66	-24
	Revaluation real property for use in own operation	9	36	71	92	95
	Currency translation foreign subsidiaries	- 298	- 816	432	-1 886	-1 625
	Adjustments of the insurance obligations	298	816	-432	1 886	1 625
	Tax on items that will be reclassified to profit or loss	- 2	- 9	-18	-23	-24
	Items that will be reclassified to income when particular specific conditions are met	6	27	53	69	72
	Total other comprehensive income	- 66	20	-20	2	47
	Total comprehensive income	402	479	1 288	1 862	2 855
	¹ Unit holders share of taxes in consolidated securities fund.	- 41	- 32	-133	-136	-172

Balance sheet

KLP GROUP

NOTE	NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
	Deferred tax assets	72	43	372
	Other intangible assets	322	571	324
	Tangible fixed assets	1 675	1 424	1 604
	Investments in associated companies and joint venture	637	389	532
8.11	Investment property	61 359	55 273	59 497
9.14	Debt instruments held to maturity	32 471	33 233	32 791
9.14	Debt instruments classified as loans and receivables	114 084	101 276	106 720
9.11.14	Lending local government, enterprises & retail customers at fair value through profit / loss	1 064	1 706	1 381
9.14	Lending local government, enterprises and retail customers	84 859	77 862	81 541
9.11.14	Debt instruments at fair value through profit or loss	173 288	168 772	171 021
9.11	Equity capital instruments at fair value through profit/loss	151 130	118 691	130 700
9.11.14	Financial derivatives	2 617	7 839	1 815
9	Receivables	12 847	16 848	3 173
9	Assets in defined contribution-based life insurance	2 432	1 486	1 674
9	Cash and bank deposits	2 630	3 525	2 968
	TOTAL ASSETS	641 486	588 940	596 113
	Owners' equity contributed	13 121	11 723	11 726
	Retained earnings	17 385	15 104	16 097
	TOTAL OWNERS' EQUITY	30 506	26 827	27 823
9.10	Hybrid Tier 1 securities	1 510	1 781	1 650
9.10	Subordinated loan capital	6 345	6 132	6 220
19	Pension obligations	857	755	712
15	Technical provisions - life insurance	479 079	446 289	453 943
9.15	Provisions in life insurance with investment option	2 432	1 486	1 674
	Premiums, claims and contingency fund provisions - non-life insurance	2 468	2 361	2 245
9.10	Covered bonds issued	21 737	21 689	21 095
9.10	Debt to credit institutions	6 428	10 939	5 050
9.10	Liabilities to and deposits from customers	9 401	8 454	8 688
9.11	Financial derivatives	2 635	2 049	5 871
	Deferred tax	1 133	713	403
16	Other current liabilities	9 317	8 922	4 823
	Unit holders `s interest in consolidated securites funds	67 639	50 542	55 916
	TOTAL LIABILITIES	610 980	562 113	568 290
	TOTAL EQUITY AND LIABILITIES	641 486	588 940	596 113
	Contingent liabilities	15 987	14 880	14 196

Changes in Owners' equity

KLP GROUP

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2016	11 726	16 097	27 823
Income		1 308	1 308
Items that will not be reclassified to income		-73	-73
Items that will be reclassified to income later when particular conditions are met		53	53
Total other comprehensive income		-20	-20
Total comprehensive income		1 288	1 288
Owners' equity contribution received (net)	1 395		1 395
Total transactions with the owners	1 395		1 395
Owners' equity 30 September 2017	13 121	17 385	30 506

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

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2015	10 422	13 242	23 665
Income		1 860	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

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2017 -30.09.2017	01.01.2017 -30.06.2017	01.01.2017 -31.03.2017	01.01.2016 -31.12.2016	01.01.2016 -30.09.2016
Net cash flow from operational activities	-26 243	-15 960	-7 922	-26 580	-18 932
Net cash flow from investment activities ¹	-53	-36	-29	-94	-130
Net cash flow from financing activities ²	25 958	15 635	7 521	27 219	20 164
Net changes in cash and bank deposits	-338	-362	-429	544	1 101
Holdings of cash and bank deposits at start of period	2 968	2 968	2 968	2 424	2 424
Holdings of cash and bank deposits at end of period	2 630	2 606	2 539	2 968	3 525

¹ Payments on the purchase of tangible fixed assets.

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

Notes

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 01.01.2017 – 30.09.2017. The accounts have not been audited.

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

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

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

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 2017, which shows some changes in the parameters from 31 December 2016. The stated calculation criteria are uncertain, and the Group have determined the criteria itself, based on a specific assessment of its pension schemes.

The changes are shown in the table below:

ASSUMPTIONS	30.09.2017	31.12.2016	Change
Discount rate	2.30 %	2.60 %	-0.30 %
Salary growth	2.50 %	2.50 %	0.00 %
The National Insurance basic amount (G)	2.25 %	2.25 %	0.00 %
Pension increases	1.48 %	1.48 %	0.00 %
Social security contribution rate	14.10 %	14.10 %	0.00 %
Capital activity tax	5.00 %	5.00 %	0.00 %

The effect of the change in parameters has increased the Group's pension obligation by NOK 109 millions.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	23 916	29 661	36 773	770	384	574
Premium income for own account from other Group companies	73	54	81	0	0	0
Net financial income from investments	21 615	18 801	24 994	229	133	192
Other income from external customers	769	699	938	2	2	3
Other income from other Group companies	205	285	338	0	0	0
Total income	46 578	49 500	63 124	1 001	519	769
Claims for own account	-13 044	-12 199	-16 387	-167	-90	-112
Insurance provisions for own account	-16 547	-22 770	-27 373	-785	-369	-599
Costs borrowing	-273	360	382	0	0	0
Operating costs excluding depreciation	-675	-618	-911	-43	-33	-52
Depreciation	-51	-66	-261	-2	-1	-2
Other expenses	-736	-707	-960	0	0	0
Return to financial instruments attributable to minority interests	0	0	0	0	0	0
Total expenses	-31 326	-36 000	-45 510	-997	-493	-764
Operating profit/loss	15 252	13 500	17 613	5	25	5
Funds credited to insurance customers ²	-13 556	-11 642	-15 488	-27	-35	-33
Pre-tax income	1 696	1 858	2 125	-22	-10	-28
Cost of taxes	-305	107	781	0	0	0
Income	1 392	1 966	2 906	-22	-10	-28
Change in other comprehensive income (excluded cost of taxes)	-97	-88	-33	-1	-1	0
Total comprehensive income	1 295	1 877	2 874	-23	-11	-28
Assets	527 488	493 243	496 663	4 592	3 374	3 571
Liabilities	497 013	466 457	468 878	4 067	3 049	3 263

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Non-life insurance			Banking		
	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	937	834	1 135	0	0	0
Premium income for own account from other Group companies	18	18	15	0	0	0
Net financial income from investments	164	201	253	173	168	205
Other income from external customers	1	1	1	9	7	10
Other income from other Group companies	0	0	0	43	43	57
Total income	1 119	1 054	1 404	224	217	272
Claims for own account	-766	-684	-871	0	0	0
Insurance provisions for own account	-3	-3	-2	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-196	-179	-269	-139	-122	-176
Depreciation	-2	-2	-6	-3	-3	-4
Other expenses	0	0	0	-2	0	-1
Return to financial instruments attributable to minority interests	0	0	0	0	0	0
Total expenses	-967	-868	-1 148	-144	-125	-181
Operating profit/loss	153	186	255	81	92	91
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	153	186	255	81	92	91
Cost of taxes	-28	-40	-48	-19	-22	-22
Income	124	146	207	62	70	69
Change in other comprehensive income (excluded cost of taxes)	-10	-9	-2	-3	-3	-1
Total comprehensive income	114	137	205	59	67	68
Assets	4 651	4 522	4 489	34 859	34 955	34 388
Liabilities	2 823	2 713	2 773	32 945	33 351	32 533

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Asset management			Other		
	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	3	4	4	0	0	0
Other income from external customers	0	0	0	5	6	8
Other income from other Group companies	268	217	299	0	0	0
Total income	271	221	303	5	6	8
Claims for own account	0	0	0	0	0	0
Insurance provisions for own account	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-216	-199	-280	-5	-5	-7
Depreciation	-4	-4	-6	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests	0	0	0	0	0	0
Total expenses	-220	-203	-285	-5	-5	-7
Operating profit/loss	51	18	18	0	1	0
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	51	18	18	0	1	0
Cost of taxes	-10	-2	-4	0	0	0
Income	41	16	15	0	1	0
Change in other comprehensive income (excluded cost of taxes)	-10	-9	-2	0	0	0
Total comprehensive income	31	7	12	0	1	0
Assets	454	379	414	11	12	11
Liabilities	202	163	192	3	3	3

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Eliminations			Total		
	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Premium income for own account from external customers ¹	0	0	15	25 623	30 879	38 497
Premium income for own account from other Group companies	-92	-72	-96	0	0	0
Net financial income from investments	6 620	3 422	5 240	28 805	22 729	30 888
Other income from external customers	-14	-10	-14	771	704	945
Other income from other Group companies	-515	-545	-694	0	0	0
Total income	5 999	2 795	4 450	55 199	54 312	70 330
Claims for own account	0	0	0	-13 977	-12 974	-17 370
Insurance provisions for own account	0	0	0	-17 335	-23 142	-27 973
Costs borrowing	0	0	0	-273	360	382
Operating costs excluding depreciation	222	173	244	-1 052	-983	-1 451
Depreciation	-26	0	-26	-88	-76	-305
Other expenses	2	3	5	-736	-704	-957
Return to financial instruments attributable to minority interests	-5 788	-1 146	-3 061	-5 788	-1 146	-3 061
Total expenses	-5 590	-970	-2 839	-39 249	-38 665	-50 736
Operating profit/loss	409	1 825	1 612	15 950	15 647	19 594
Funds credited to insurance customers ²	432	-1 885	-1 625	-13 150	-13 562	-17 146
Pre-tax income	841	-60	-13	2 799	2 085	2 449
Cost of taxes	-1 123	-269	-360	-1 485	-226	344
Income	-282	-330	-373	1 314	1 859	2 792
Change in other comprehensive income (excluded cost of taxes)	96	114	101	-26	3	63
Total comprehensive income	-187	-216	-272	1 288	1 862	2 855
Assets	69 431	52 455	56 576	641 486	588 940	596 113
Liabilities	73 927	56 377	60 648	610 980	562 113	568 290

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

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

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

Public sector occupational pension and group life

Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pension

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

Non-life insurance

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

Banking

KLP's banking business embraces the companies KLP 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 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Contribution service pension	9 253	8 608	24 963	27 245	35 083
Reinsurance premiums ceded	-14	-14	4	4	-19
Transfer of premium reserves from others	95	1 829	655	3 630	3 434
Total premium income	9 334	10 423	25 623	30 879	38 497

NOTE 4 Other income

NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Supplement contractual early retirement scheme (ERS)	246	236	729	689	927
Other income	34	11	42	15	19
Total other income	280	247	771	704	945

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
SUBORDINATED LOANS					
Interest costs ¹	-68	-66	-212	-235	-303
Value changes	123	214	-169	842	832
Net costs subordinated loans	55	148	-382	607	529
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-15	-15	-45	-44	-61
Value changes	108	152	155	-202	-86
Net costs perpetual hybrid tier 1 securities	93	137	109	-247	-147
Net costs subordinated loan and hybrid Tier 1 securities	147	286	-273	360	382

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

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

The 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 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Personnel costs	178	169	639	613	882
Depreciation and writedowns	30	32	86	95	305
Other operating expenses	112	99	415	351	570
Total operating expenses	321	299	1 140	1 059	1 756

NOTE 7 Other expenses

NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Supplement contractual early retirement scheme (ERS)	246	237	729	688	929
Other expenses	2	0	7	16	28
Total other expenses	248	237	736	704	957

NOTE 8 Investment property

NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Net rental income	794	688	2 097	2 118	2 737
Net value adjustment	107	781	783	2 245	3 989
Net income from investment properties	901	1 469	2 880	4 363	6 726
Currency translate foreign subsidiaries	-298	-816	432	-1 886	-1 625
Net income from investment properties included currency translate	603	653	3 312	2 478	5 101

NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
Investment property 01.01.	59 497	56 436	56 436
Value adjustment	1 216	359	2 364
Net additions	681	-1 508	724
Other changes	-35	-14	-28
Investment property 30.09./31.12.	61 359	55 273	59 497

NOTE 9 Fair value of financial assets and liabilities – Group

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

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

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

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

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

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

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

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

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

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-income securities – government

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

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

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

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

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

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

e) Receivables on credit institutions

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

- 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. For guaranteed loans fair value is calculated as discounted cash flow based on the same interest-rate curves as direct loans, but the credit margin is adjusted to market values for the appropriate combination of guarantee category and type of guarantee. The guarantor is either a state, municipality or a bank.

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

j) Private Equity

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

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

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

FX-swaps with a one-year maturity or less are priced on curves that are built up from FX swap-points obtained from Reuters. The market is not considered particularly liquid for

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

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 and deposits**

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

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

The observable price is used as the fair value of loans listed

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOK MILLIONS	30.09.2017		30.09.2016		31.12.2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Norwegian hold-to-maturity bonds	7 728	8 481	10 316	11 376	8 339	9 248
Foreign hold-to-maturity bonds	24 743	26 219	22 917	25 064	24 452	25 771
Total debt instruments held to maturity	32 471	34 700	33 233	36 440	32 791	35 019
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	34 562	37 457	32 749	36 381	33 018	35 785
Foreign bonds	78 844	84 409	67 796	74 695	72 879	77 806
Norwegian certificates	638	638	718	718	790	787
Other receivables	40	40	13	13	33	33
Total debt instruments classified as loans and receivables	114 084	122 543	101 276	111 808	106 720	114 411
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	1 064	1 064	1 706	1 706	1 381	1 381
Total loans to local government, enterprises & retail customers	1 064	1 064	1 706	1 706	1 381	1 381

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

NOK MILLIONS	30.09.2017		30.09.2016		31.12.2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST						
Loans secured by mortgage	17 277	17 290	15 416	15 445	15 953	15 969
Loans to local government sector or enterprises with local government guarantee	59 589	60 281	53 696	54 566	56 484	57 135
Loans abroad secured by mortgage and local government guarantee	7 993	8 037	8 749	8 782	9 105	9 143
Total loans to local government, enterprises & retail customers	84 859	85 608	77 862	78 794	81 541	82 247
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	60 410	60 410	55 904	55 904	58 661	58 661
Norwegian certificates	11 323	11 323	12 088	12 088	12 519	12 519
Foreign bonds	84 521	84 521	84 632	84 632	82 933	82 933
Foreign certificates	0	0	331	331	161	161
Investments with credit institutions	17 034	17 034	15 817	15 817	16 747	16 747
Total debt instruments	173 288	173 288	168 772	168 772	171 021	171 021
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	140 445	140 445	109 726	109 726	121 236	121 236
Equity funds	9 869	9 869	8 205	8 205	8 688	8 688
Property funds	172	172	295	295	287	287
Alternative investments	644	644	465	465	489	489
Total equity capital instruments	151 130	151 130	118 691	118 691	130 700	130 700
RECEIVABLES						
Receivables related to direct business	8 689	8 689	10 239	10 410	753	753
Receivables related to reinsurance agreements	119	119	73	73	119	119
Reinsurance share of gross claims reserve	14	14	24	24	1	1
Receivables related to securites	3 638	3 638	6 156	6 156	1 763	1 763
Prepaid rent related to real estate activities	247	247	172	172	106	106
Other receivables	140	140	185	185	431	431
Total other loans and receivables including receivables from policyholders	12 847	12 847	16 848	16 848	3 173	3 173

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

NOK MILLIONS	30.09.2017		30.09.2016		31.12.2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES						
Hybrid Tier 1 securities	1 510	1 380	1 781	1 781	1 650	1 650
Subordinated loan capital	6 345	7 008	6 132	6 369	6 220	6 554
Debt to credit institutions	1 486	1 486	2 766	2 766	2 356	2 356
Covered bonds issued	21 737	21 737	21 689	21 689	21 095	21 095
Liabilities and deposits from customers	9 401	9 401	8 454	8 454	8 688	8 688
Total financial liabilities	40 478	41 012	40 823	41 060	40 010	40 344
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	4 942	4 942	8 173	8 173	2 694	2 694
Total financial liabilities	4 942	4 942	8 173	8 173	2 694	2 694
Assets in life insurance with investment option	2 432	2 432	1 486	1 486	1 674	1 674
Provisions in life insurance with investment option	2 432	2 432	1 486	1 486	1 674	1 674

NOK MILLIONS	30.09.2017		30.09.2016		31.12.2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	1 752	1 352	6 598	767	795	4 534
Interest rate swaps	359	1 283	465	1 282	375	1 338
Interest rate and currency swaps	505	0	775	0	645	0
Total financial derivatives	2 617	2 635	7 839	2 049	1 815	5 871

NOTE 10 BORROWING

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	0	EUR	Fixed	Perpetual	0	0	0
Kommunal Landspensjonskasse	554	JPY	Fixed ¹	Perpetual	683	737	706
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ²	2045	5 662	5 396	5 514
Total subordinated loan capital	5 717				6 345	6 132	6 220
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	1 510	1 781	1 650
Total hybrid Tier 1 securities	984				1 510	1 781	1 650
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2016	0	717	0
KLP Kommunekreditt AS	0	NOK	Fixed	2017	0	318	319
KLP Kommunekreditt AS	418	NOK	Floating	2017	419	2 244	596
KLP Kommunekreditt AS	1 532	NOK	Floating	2018	1 534	3 975	3 975
KLP Kommunekreditt AS	4 500	NOK	Floating	2019	4 505	4 506	4 506
KLP Kommunekreditt AS	2 500	NOK	Floating	2020	2 509	2 008	2 510
KLP Kommunekreditt AS	750	NOK	Fixed	2020	777	777	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 012	2 501	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	610	607	602
KLP Kommunekreditt AS	2 500	NOK	Floating	2022	2 503	0	0
KLP Kommunekreditt AS	500	NOK	Fixed	2027	505	0	0
KLP Boligkreditt AS	0	NOK	Floating	2017	0	241	43
KLP Boligkreditt AS	600	NOK	Floating	2019	600	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 006	2 007	2 007
KLP Boligkreditt AS	0	NOK	Fixed	2021	0	0	0
KLP Boligkreditt AS	1 700	NOK	Floating	2021	1 703	1 103	1 103
Other					55	86	67
Total covered bonds	21 600				21 737	21 689	21 095

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

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Floating	2016	0	351	0
KLP Banken AS	0	NOK	Fixed	2017	0	304	308
KLP Banken AS	0	NOK	Floating	2017	0	500	443
KLP Banken AS	200	NOK	Fixed	2018	207	207	202
KLP Banken AS	463	NOK	Floating	2018	465	502	502
KLP Banken AS	813	NOK	Floating	2019	814	902	902
KLP Funds	0	NOK	Fixed	2016	0	1 103	0
KLP Funds	1 090	NOK	Fixed	2017	1 090	0	1 064
KLP Funds	0	NOK/EUR/USD	Floating	2016	0	2 828	0
KLP Funds	1 702	NOK/EUR/USD	Floating	2017	1 721	0	744
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2016	0	4 236	0
Kommunal Landspensjonskasse	2 117	NOK/EUR/USD	Floating	2017	2 127	0	885
KLP Banken AS	0	NOK/EUR/USD	Floating	2016	0	6	0
KLP Banken AS	5	NOK/EUR/USD	Floating	2017	5	0	1
Other					0	0	-1
Total liabilities to credit institutions	6 389				6 428	10 939	5 050
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴							
Retail	7 543	NOK			7 543	6 753	6 938
Business	1 828	NOK			1 828	1 676	1 729
Foreign	30	NOK			30	24	21
Liabilities to and deposits from customers	9 401				9 401	8 454	8 688
Total financial liabilities	44 090				45 421	48 997	42 704

⁴ There is no contractual maturity date on deposits.

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

NOTE 11 Fair value hierarchy

30.09.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	61 359	61 359
Land/plots	0	0	971	971
Real estate fund	0	0	2 396	2 396
Buildings	0	0	57 991	57 991
Lending at fair value	0	1 064	0	1 064
Bonds and other fixed-income securities	46 185	110 129	0	156 314
Certificates	7 818	3 365	0	11 183
Bonds	24 975	106 764	0	131 739
Fixed-income funds	13 392	0	0	13 392
Loans and receivables	15 438	1 536	0	16 973
Shares and units	135 100	6 366	9 664	151 130
Shares	133 405	5 550	1 489	140 445
Equity funds	1 695	0	75	1 770
Property funds	0	172	0	172
Special funds	0	644	0	644
Private Equity	0	0	8 099	8 099
Financial derivatives	0	2 617	0	2 617
Total assets at fair value	196 723	121 712	71 022	389 457
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	2 635	0	2 635
Debt to credit institutions ¹	3 852	1 090	0	4 942
Total financial liabilities at fair value	3 852	3 724	0	7 577

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 1 610 million per 30.09.2017.

NOTE 11 Fair value hierarchy – cont.

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	13 531	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 The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet.

NOTE 11 Fair value hierarchy – cont.

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

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

NOTE 11 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
Opening balance 1 January	8 573	8 009	8 009
Sold	-1 298	-831	-1 288
Bought	1 124	1 327	2 034
Unrealised changes	1 265	-219	-182
Closing balance 30.09./ 31.12.	9 664	8 286	8 573
Realised gains/losses	336	220	377

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
Opening balance 1 January	59 497	56 436	56 436
Net acquisition cost	681	-1 508	724
Unrealised changes	1 216	359	2 364
Other changes	-35	-14	-28
Closing balance 30.09./ 31.12.	61 359	55 273	59 497
Realised gains/losses	0	0	0
Closing balance 30.09./ 31.12.	71 022	63 559	68 069

NOTE 11 Fair value hierarchy – cont.

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

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 3 551 million as of 30.09.2017, NOK 3 177 million as of 30.09.2016 and NOK 3 403 million as of 31.12.2016. Investment property comes under this Note since there are more extensive requirements for information regarding fair value that now also apply to investment property valued at fair value in the Group. Everything related to investment property is included in Level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 2 432 millions in financial assets valued at fair value at Level 1. Per 30.09.2017 the NOK 2 432 millions are included with NOK 1 488 millions in shares and units in Level 1, NOK 937 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 394 million in stocks has been moved from Level 1 to Level 2 and NOK 270 millions from Level 2 to Level 1. This is due to changes in liquidity. For debt instruments there has been no movements.

NOTE 12 Liquidity risk

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

30.09.2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	685	240	960	6 366	0	8 251
Perpetual hybrid Tier 1 securities ¹	0	87	232	290	1 428	2 037
Debt to and deposits from customers (without defined maturity)	9 401	0	0	0	0	9 401
Covered bonds issued	0	1 452	20 497	633	0	22 582
Payables to credit institutions	2 653	487	1 021	0	0	4 161
Financial derivatives	1 360	2 282	398	1	-158	3 883
Accounts payable	687	0	0	0	0	687
Contingent liabilities	15 987	0	0	0	0	15 987
Total	30 774	4 547	23 108	7 290	1 270	66 990

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 158 million, payables to credit institutions maturing within one month are reduced with NOK 226 million and derivatives maturing between 1 to 12 months are reduced with NOK 124 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 66 482 million.

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

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 0.4 million and payables to credit institutions 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.

NOTE 12 Liquidity risk - cont.

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

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

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

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

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

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

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

NOTE 13 Interest rate risk

30.09.2017 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2017-30.09.2017	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	4	-4	-19	22	-268	-22	-288	-283
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	5	5	5
Bonds and other fixed-return securities	-53	-82	-1 266	-2 117	-1 649	278	-4 889	-4 240
Fixed income fund holdings	-830	0	0	0	0	0	-830	-830
Lending and receivables	-1	-3	0	0	0	114	111	94
Lending	0	0	0	0	0	401	401	401
Cash and bank deposits	0	0	0	0	0	14	14	14
Contingent liabilities ¹	0	0	0	0	0	40	40	40
Total assets	-880	-89	-1 285	-2 095	-1 918	831	-5 436	-4 799
LIABILITIES								
Deposit	0	0	0	0	0	-70	-70	-70
Liabilities created on issue of securities	0	1	1	0	0	-174	-171	-171
Financial derivatives classified as liabilities	-10	-5	100	92	2	31	211	211
Hybrid capital, subordinated loans	0	0	0	60	69	0	128	128
Debt to credit institutions	0	0	0	0	0	-20	-20	-20
Total liabilities	-10	-4	102	151	71	-232	78	78
Total before tax	-890	-93	-1 183	-1 943	-1 847	598	-5 358	-4 721
Total after tax	-676	-70	-899	-1 477	-1 404	455	-4 072	-3 588

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

NOTE 13 Interest rate risk – cont.

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	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Mutual funds shares	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 ¹	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 Contingent liabilities are lending agreements that are not yet materialized.

NOTE 13 Interest rate risk – cont.

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

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

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

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

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

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

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

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

NOTE 14 Credit risk

30.09.2017 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	29 817	0	31	0	0	0	2 623	32 471	32 471
Debt instruments classified as loans and receivables at amortized cost	86 700	0	801	0	0	0	26 583	114 084	114 041
Debt instruments at fair value - fixed-return securities	115 737	767	6 078	6 965	0	0	13 375	142 922	127 903
Fixed-income funds	0	0	0	0	0	0	13 392	13 392	13 392
Loans and receivables	16 798	0	0	176	0	0	0	16 973	14 595
Financial derivatives classified as assets	2 617	0	0	0	0	0	0	2 617	2 514
Cash and bank deposits	2 630	0	0	0	0	0	0	2 630	2 630
Lending	0	0	60 603	0	14 576	2 651	8 093	85 923	85 923
Total	254 298	767	67 512	7 141	14 576	2 651	64 067	411 012	393 470

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	13 708	4 104	7 665	4 339	29 817
Debt instruments classified as loans and receivables at amortized cost	15 460	18 652	43 352	9 236	86 700
Debt instruments at fair value - fixed-return securities	45 400	9 701	34 747	25 888	115 737
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	1 905	14 718	175	16 798
Financial derivatives classified as assets	0	549	2 067	1	2 617
Cash and bank deposits	45	106	2 478	0	2 630
Lending	0	0	0	0	0
Total	74 613	35 018	105 028	39 639	254 298

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.

30.09.2016 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	30 002	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	0	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 Invest- ment 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.

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

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

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.

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 64 billion per 30.09.2017. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the "Other" category.

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

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

NOK MILLIONS	30.09.2017		30.09.2016		31.12.2016	
	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund	Consolidated	Adjusted for the unit holders' interests in consolidated securities fund
10 LARGEST COUNTERPARTIES						
Counterparty 1	16 017	15 862	15 975	15 379	16 787	16 359
Counterparty 2	12 713	12 120	12 136	11 455	10 871	10 189
Counterparty 3	8 554	8 218	8 379	8 379	8 551	8 551
Counterparty 4	8 218	6 608	7 572	5 965	6 865	6 343
Counterparty 5	5 293	5 228	6 005	5 909	6 678	5 454
Counterparty 6	5 102	5 054	5 996	5 865	5 428	5 334
Counterparty 7	4 672	4 672	5 965	5 670	5 010	4 951
Counterparty 8	4 034	3 670	4 746	4 692	4 698	4 698
Counterparty 9	3 481	3 168	3 301	3 221	3 601	3 235
Counterparty 10	3 302	3 118	3 256	3 153	3 566	3 205
Total	71 386	67 718	73 331	69 689	72 056	68 319

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

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

NOTE 15 Technical provisions in life insurance

NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
Premium reserves - ordinary tariff	405 953	379 174	383 803
Premium funds, buffer funds and pensioners' surplus funds	12 449	13 681	17 216
Supplementary reserves	24 472	20 410	24 472
Securities adjustment fund	36 155	26 076	28 404
Other provisions	50	51	48
Profit/loss allocated to insurance contracts	5 599	6 896	0
Technical provisions in life insurance	479 079	446 289	453 943

NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
Premium reserves	2 423	1 479	1 665
Deposit funds	9	7	8
Provisions in life insurance with investment options	2 432	1 486	1 674

NOTE 16 Other current liabilities

NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
Short-term payables trade in securities	4 550	5 836	2 636
Incurrd not assesses taxes	224	223	202
Advance tax-deduction pension scheme	344	328	382
Accounts payable	741	120	676
Pre-called contribution to insurance	3 258	1 613	131
Other current liabilities	202	802	795
Total other current liabilities	9 317	8 922	4 823

NOTE 17 SCR ratio

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

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 210 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 298 per cent.

	30.09.2017	31.12.2016
Solvency II - SCR ratio	210 %	198 %

NOK BILLIONS	30.09.2017	31.12.2016		30.09.2017	31.12.2016
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	534	502	Best estimate	482	456
Added values - hold-to-maturity portfolio/loans and receivables	11	10	Risk margin	14	13
Added values - other lending	1	1	Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	12	9
Deferred tax asset	0	1	Deferred tax liabilities	0	0
Total assets - solvency II	545	513	Total liabilities - solvency II	516	486
			Excess of assets over liabilities	29	27
			- Deferred tax asset	0	-1
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	27	24
			Total eligible tier 1 own funds	27	24
			Subordinated loans	7	7
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	11
			Ancillary own funds	10	10
			Tier 2 ancillary own funds	10	10
			Deduction for max. eligible tier 2 own funds	-12	-12
			Total eligible tier 2 own funds	8	8
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	35	31
			Solvency capital requirement (SCR)	17	16
			Solvency II- SCR ratio	210 %	198 %

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

30.09.2017 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund

ASSETS

Financial derivatives	2 617	0	2 617	-1 394	-1 947	0	16	16
Repos	0	0	0	0	0	0	0	0
Total	2 617	0	2 617	-1 394	-1 947	0	16	16

LIABILITIES

Financial derivatives	2 635	0	2 635	-1 394	-841	-549	531	525
Repos	1 090	0	1 090	0	0	0	1 090	1 090
Total	3 724	0	3 724	-1 394	-841	-549	1 621	1 615

30.09.2016 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund

ASSETS

Financial derivatives	7 839	0	7 839	-1 469	-6 413	0	160	119
Repos	0	0	0	0	0	0	0	0
Total	7 839	0	7 839	-1 469	-6 413	0	160	119

LIABILITIES

Financial derivatives	2 049	0	2 049	-1 469	-716	0	22	22
Repos	1 103	0	1 103	0	0	0	1 103	1 103
Total	3 152	0	3 152	-1 469	-716	0	1 125	1 125

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

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

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

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

NOTE 19 Pension obligations

NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
Capitalized net liability 01.01.	712	634	634
Capitalized pension costs	111	64	135
Capitalized financial costs	17	10	22
Actuarial gains and losses (Estimate deviation)	109	99	32
Premiums / contributions received	-91	-52	-112
Capitalized net liability 30.09./31.12.	857	755	712

ASSUMPTIONS	30.09.2017	30.09.16	31.12.2016
Discount rate	2.30 %	2.10 %	2.60 %
Salary growth	2.50 %	2.25 %	2.50 %
The National Insurance basic amount (G)	2.25 %	2.00 %	2.25 %
Pension increases	1.48 %	1.24 %	1.48 %
Social security contribution rate	14.10 %	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %	5.00 %

The effect of changes in the assumptions is NOK 109 million increase in the liability 30.09.2017.
The change is charged to «Other comprehensive income» in the income statement

NOTE 20 Events after the reporting date

During the first weekend in October the south and south-west of Norway had huge amounts of rain followed by floods in several watercourses. Large areas were flooded. The Group's claims business received more than 60 notices of claim. For the insurance industry in general, more than 3000 claims have been reported at an estimated preliminary cost of NOK 500 million, of which the KLP Group's share for the claims business is around NOK 25 million. Should the costs rise further the claims business' reinsurance programme will limit costs to this amount.

Key figures - Accumulated

NOK MILLIONS	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
KLP GROUP								
Profit before tax	2 799	1 946	779	2 449	2 085	1 378	578	5 138
Total assets	641 486	627 805	612 438	596 113	588 940	577 072	553 123	543 262
Owners' equity	30 506	28 753	28 254	27 823	26 827	25 049	23 997	23 665
Solvency SCR ratio ²	210 %	204 %	203 %	198 %	197 %	180 %	181 %	11.7 %
Number of employees in the Group	956	955	941	946	949	952	942	939
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	1 295	1 084	475	2 125	1 858	1 196	464	4 876
Premium income for own account	23 989	15 158	6 483	36 854	29 715	19 674	7 556	38 789
- of which inflow of premium reserve	208	208	177	3 250	3 529	1 736	1 838	9 247
Insurance customers' funds incl. acc. profit	13 044	8 751	4 459	16 387	12 199	8 035	4 001	15 287
- of which funds with guaranteed returns	211	211	188	124	124	124	104	147
Net investment common portfolio	480 375	476 229	469 414	460 289	447 945	444 205	375 536	421 835
Net investment portfolio	2 329	2 293	2 244	2 184	2 199	2 105	2 060	2 050
Insurance funds incl. earnings for the year	477 463	469 952	461 095	452 375	444 749	434 146	419 099	412 363
- of which funds with guaranteed interest	411 325	408 413	403 030	395 562	391 448	385 763	375 583	370 559
Solvency capital requirement (SCR) ²	34 597	32 610	32 462	31 338	30 604	28 544	28 100	28 340
Solvency SCR ratio ²	223 %	216 %	214 %	209 %	208 %	189 %	187 %	12 %
Riskprofit I	426	272	100	784	475	278	152	498
Riskprofit II ¹	i/a	i/a	i/a	i/a	i/a	i/a	i/a	19 644
Return profits	5 487	1567	139	8 094	6 759	3 952	2 023	3 452
Administration profit	143	51	32	-50	135	65	20	264
Solvency capital	115 446	108 843	105 303	98 856	103 885	96 744	94 955	84 577
Book return on common portfolio	31 %	15 %	0.6 %	4.4 %	3.5 %	2.2 %	1.1 %	3.6 %
Value-adjusted return on common portfolio	4.6 %	3.0 %	1.7 %	5.8 %	4.4 %	2.7 %	1.0 %	4.0 %
Return on unit-linked portfolio	5.0 %	3.2 %	1.8 %	6.2 %	4.4 %	2.5 %	0.9 %	4.0 %
Return on corporate portfolio	3.0 %	2.2 %	0.9 %	4.7 %	4.0 %	2.7 %	1.0 %	4.8 %

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

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

Key figures - Accumulated – cont.

NOK MILLIONS	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
KLP SKADEFORSIKRING AS								
Profit before tax	152.6	114.9	49.6	255.4	185.6	116.3	49.5	183.1
Gross premium due	997.7	652.6	320.4	1207.5	894.9	588.9	290.3	1086.8
Premium income for own account	954.7	623.9	304.5	1150.1	851.9	560.5	276.4	1035.1
Owners' equity	1 828.5	1 806	1 739	1 715.8	1808.9	1755.2	1705.7	1672.2
Claims ratio	80.6 %	77.0 %	81.1 %	75.9 %	80.6 %	80.0 %	76.9 %	77.7 %
Combined-ratio	101.0 %	98.9 %	102.9 %	98.7 %	101.6 %	101.7 %	100.2 %	98.8 %
Return on assets under management	3.8 %	2.5 %	1.4 %	6.1 %	4.9 %	3.1 %	1.3 %	4.4 %
Solvency capital requirement (SCR) ²	1 873	1 877	1 848	1 762	1 805	1 789	1 910	1 060
Solvency SCR ratio ²	257 %	264 %	264 %	261 %	275 %	278 %	285 %	49 %
Annual premium in force – retail market	510.5	488.2	462.0	435.2	408.7	387.4	367.5	354.4
Annual premium in force – public sector market	873.6	865.2	851.4	832.2	826.2	822.8	813.2	762.2
Net new subscriptions (accumulated within the year)	103.6	72.8	32.5	135.2	83.0	52.0	21.9	112.1
KLP BEDRIFTSPENSJON AS								
Profit before tax	-23.4	-17.4	-12.1	-27.6	-9.4	-6.9	-4.7	-24.2
Premium income for own account	770.4	569.9	320.8	574.3	383.8	249.1	134.2	485.6
- of which premium reserve added	447	351.6	209.8	185.0	101.9	65.3	40.9	149.7
Insurance customers' funds including accumulated profit	4 048	3 796	3 581	3 241	3 027	2 873	2 748	2 619
- of which funds with guaranteed returns	1 425	1 425	1 422	1 390	1 358	1 351	1 343	1 293
Returns profit	16.1	4.5	-2.6	31.0	13.2	8.6	2.5	22.8
Risk result	-3.1	-2.4	-4.1	6.0	3.8	-0.0	0.6	-1.8
Administration losses	-28	-20	-9.1	-32.5	-18.6	-12.8	-7.6	-27.5
Solvency capital requirement (SCR) ²	268	285	29	11	101	89	73	295
Solvency SCR ratio ²	147 %	185 %	33 %	22 % ³	98 %	69 %	57 %	35 %
Solvency capital	708.7	716.6	483.3	479.4	516.9	516.3	480.0	461.0
Book capital return on common portfolio	3.3 %	1.8 %	0.6 %	5.3 %	3.5 %	2.2 %	1.0 %	4.8 %
Value-adjusted capital return on common portfolio	3.7 %	2.4 %	1.2 %	5.7 %	4.4 %	2.8 %	1.1 %	4.7 %
Return on defined unit-linked contribution pensions	8.3 %	4.4 %	1.8 %	7.0 %	4.4 %	1.8 %	-0.2 %	2.1 %
Return on corporate portfolio	1.8 %	1.3 %	0.7 %	2.4 %	2.3 %	1.7 %	1.1 %	0.9 %

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

³ There have been a correction of the calculation of Solvency II per 31.12.2016. The new calculations give a SCR ratio of 22% versus 77% as earlier reported.

Key figures - Accumulated – cont.

NOK MILLIONS	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
KLP BANKEN GROUP								
Profit/loss before tax	81.7	47.9	23.2	91.2	90.7	58.0	24.8	49.6
Net interest income	173.9	108.5	51.4	194.3	149.4	100.3	50.9	187.1
Other operating income	50.7	33.6	16.8	66.4	49.3	32.1	15.5	67.9
Operating expenses and depreciation	-143.2	-97.8	-48.6	-179.5	-126.1	-89.1	-48.0	-170.2
Net realized/unrealized changes in financial instruments to fair value	0.3	3.5	3.7	11.1	18.5	14.9	6.5	-34.1
Contributions	9 401	9 138	8 939	8 688	8 454	8 252	7 884	7 426
Housing mortgages granted	14 003	13 730	13 376	12 717	12 812	12 294	11 311	10 713
Loan(s) with public guarantee(s)	17 015	17 166	17 282	17 246	17 336	16 048	15 783	15 646
Defaulted loans	17	26	28	22	24	28	33	29
Borrowing on the issuance of securities	23 223	23 762	23 241	23 451	24 455	23 799	22 283	21 902
Total assets	34 855	35 140	34 383	34 382	34 949	34 145	32 204	31 294
Average total assets	34 619	34 761	34 383	32 838	33 122	32 720	30 995	30 525
Owners' equity	1 910	1 887	1 868	1 850	1 598	1 574	1 549	1 508
Net interest rate	0.50 %	0.31 %	0.15 %	0.59 %	0.45 %	0.31 %	0.16 %	0.61 %
Profit/loss from general operations before tax	0.24 %	0.14 %	0.07 %	0.28 %	0.27 %	0.18 %	0.08 %	0.16 %
Return on owners' equity before tax	5.89 %	5.18 %	5.02 %	6.05 %	8.02 %	7.69 %	6.58 %	3.40 %
Capital adequacy	19.5 %	19.3 %	19.3 %	19.0 %	16.8 %	16.5 %	17.5 %	17.6 %
Number of private customers	52 510	50 885	49 038	46 801	45 246	43 566	42 287	39 759
Of this members of KLP	37 044	35 983	34 703	33 173	32 066	31 070	29 501	27 448
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	50.7	26.6	17.5	18.2	16.3	1.8	-4.9	46.1
Total assets under management	473 995	463 558	455 577	441 943	431 741	417 789	408 451	398 471
Assets managed for external customers	64 883	62 128	58 210	54 003	49 434	46 509	44 526	44 797



Interim Financial Statements

NON-FINANCIAL ACCOUNTS
Q3 2017

Non-financial accounts

KLP GROUP

NOTE	Change in the 3rd quarter		Change this year		30.09.2017	30.09.2016	31.12.2016	31.12.2015	31.12.2014
	2017	2016	2017	2016					
SOCIAL RESPONSIBLE INVESTMENTS									
1	Number of companies excluded from the investment portfolio								
	0	0	14	35	176	159	162	124	99
	Number of general meetings in Norwegian companies at which KLP has voted (in %)								
	89	80	106 (98%)	102 (96%)	106 (98%)	102 (96%)	111 (96%)	97 (91%)	105 (93%)
	Number of general meetings in foreign companies at which KLP has voted (in %)								
	1284	1749	2336 (91%)	2335 (89%)	2336 (91%)	2335 (89%)	2627 (90%)	2445 (83%)	2439 (82%)
2	Number of companies KLP has monitored								
	49	48	176	171	176	171	214	176	109
	Market value of investments in renewable energy in Norway (NOK millions)								
	1 710	1 030	1790	2 933	24 258	23 122	22 468	20 189	19 876
	Market value of investments in renewable energy in developing countries (NOK millions)								
	0	-14	56	12	314	238	258	226	131
	Market value of investments in banking and finance in developing countries (NOK millions)								
	28	13	53	32	463	261	410	229	201
	Market value of investments in European infrastructure funds (NOK millions)								
	126	N/A	301	N/A	953	487	652		
EMPLOYEES									
	Number of employees								
	1	-3	6	10	956	949	950	939	899
	Reported sickness absence 12 month rolling								
	0.0 %	-0.3 %	-0.1 %	0.0 %	4.4 %	4.2 %	4.5 %	4.2 %	4.7 %
ENVIRONMENT									
3	Energy consumption kWh KLP's offices in KLP Huset (KLP Building)								
	514 234	688 764	2 188 512	2 548 840	2 188 512	2 548 840	3 571 611	3 329 181	3 452 909
4	Energy consumption kWh own offices Trondheim								
	35 851	43 109	157 102	176 657	157 102	176 657	248 910	232 662	230 936
5	Energy consumption kWh own offices Bergen								
	99 277	49 003	317 380	239 876	317 380	239 876	380 949	400 865	416 813
6	Kilo CO2-equivalent from aircrafts								
	113 100	143 362	398 103	432 879	398 103	432 879	550 170	650 557	652 324
6	Number of return tickets (corporate airtravel)								
	640	780	2 342	2 536	2 342	2 536	3 294	3 623	3 588

NOTE 1 Excluded companies

No new companies have been excluded or reincluded in the investment portfolio in the third quarter. The change in number of excluded companies is a net figure consisting of: number of new exclusions of companies from the investment portfolio minus the number of companies reinstated in the 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 main office Oslo

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

NOTE 4 Energy consumption regional office Trondheim

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

monitoring online system. As mentioned in the fourth quarter report for 2016, there were difficulties obtaining energy data for the common areas in the building where KLP Banken is located during the first and second quarter of 2016. This was due to a change of property management from Basale to KLP Eiendom. Hence, the common area energy fixtures were estimated. This has caused repercussions for the non-finansial accounts for the second quarter 2017. Energy consumption as of 30.06.2016 is reported at 119 706, whereas the correct figure is 133 548. Change in the second quarter is reported at 37 050, whereas the correct figure is 50 893. The error is solely affecting the second quarter report for 2017. The annual report for 2016 was not affected, and contains accurate figures.

NOTE 5 Energy consumption regional office Bergen

KLP's regional office in Bergen utilizes Caverion's 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 6 Emissions from air travel

In 2016, KLP deployed measures in order to reduce air travel and associated emissions. For the first three quarters of 2017 combined, the number of return flights have been reduced by 8%, and CO2 emissions from corporate air travel have been reduced by 8% compared to the same period in 2016. For the third quarter isolated, number of flights have been reduced by 18% and CO2 emissions from corporate air travel have been reduced by 21%.



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q3 2017

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
3	Premium income	8 832	10 041	23 989	29 715	36 854
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	439	566	2 449	2 114	4 616
	Interest income and dividends etc. on financial assets	4 527	2 005	8 920	6 323	8 432
	Value changes on investments	118	3 764	9 508	7 078	6 014
	Gains and losses realized on investments	2 035	939	-118	2 958	5 528
	Net income from investments in the common portfolio	7 119	7 274	20 760	18 473	24 588
	Net income from investments in the investment option portfolio	40	39	110	90	127
	Other insurance-related income	245	238	732	694	933
4	Claims	-4 293	-4 164	-13 044	-12 199	-16 387
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-7 115	-9 711	-24 428	-27 445	-38 434
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-23	-19	-83	-76	-108
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-4 319
	Unallocated profit to insurance contracts	-3 949	-2 862	-5 592	-6 891	0
5	Insurance-related operating expenses	-202	-212	-709	-668	-1 140
	Other insurance-related costs	-246	-236	-730	-690	-934
	Technical profit/loss	408	388	1 005	1 003	1 180
	Net income from investments in the corporate portfolio	292	367	970	1 160	1 354
	Other income	3	-2	8	-1	7
	Administration costs and other costs associated with the corporate portfolio	-91	-91	-286	-304	-416
	Non-technical profit/loss	204	274	692	855	945
	Profit/loss pre-tax	612	662	1 696	1 858	2 125
	Tax	-129	-169	-323	91	775
	Profit/loss before other comprehensive income	483	493	1 374	1 949	2 899
11	Actuarial gains and losses on defined benefits pension schemes - employee benefits	-72	-7	-72	-66	-27
	Proportion of other comprehensive income on application of the equity method	-36	-4	-36	-33	-5
	Adjustment of the insurance liabilities	11	1	11	10	0
	Tax on other comprehensive income	18	2	18	16	7
	Total other comprehensive income	-79	-8	-79	-72	-26
	TOTAL COMPREHENSIVE INCOME	404	485	1 295	1 877	2 874

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	235	497	253
7	Investment properties	993	991	1 003
	Shares and holdings in property subsidiaries	1 790	1 744	1 779
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 544	4 026	4 125
6	Financial assets valued at amortized cost	15 796	13 177	13 808
6,7	Financial assets valued at fair value	11 656	11 950	11 052
	Receivables	8 383	10 014	902
	Tax asset	44	0	336
	Other assets	1 344	699	933
Total assets in the corporate portfolio		44 784	43 098	34 190
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	55 675	52 665	55 076
	Shares and holdings in associated enterprises and jointly controlled entities	635	385	528
6	Financial assets valued at amortized cost	182 348	167 726	175 588
6,7	Financial assets valued at fair value	241 717	227 170	229 097
Total investment in the common portfolio		480 375	447 945	460 289
	Shares and holdings in property subsidiaries	275	260	272
6	Financial assets at amortized costs	785	731	738
6,7	Financial assets at fair value	1 270	1 208	1 174
Total investments in the investment option portfolio		2 329	2 199	2 184
Total assets in the customer portfolios		482 704	450 145	462 473
TOTAL ASSETS		527 488	493 243	496 663

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	13 121	11 723	11 726
	Retained earnings	17 354	15 064	16 060
	Total owners' equity	30 475	26 787	27 785
6	Subordinated loan capital etc.	7 855	7 914	7 870
	Premium reserve etc.	397 098	376 071	380 658
	Supplementary reserves	24 291	20 259	24 292
	Securities adjustment fund	36 079	26 001	28 337
	Premium funds, defined contribution funds, pension regulation funds etc.	12 155	13 431	16 907
	Unallocated profit to customers	5 510	6 827	0
	Total insurance liabilities - contractual liabilities	475 133	442 588	450 194
	Pension capital etc.	1 844	1 756	1 766
	Supplementary reserves	135	114	133
	Premium funds, defined contribution funds, pension regulation funds etc.	281	237	283
	Unallocated profit to customers	71	53	0
	Total insurance liabilities - special investment portfolio	2 330	2 160	2 181
11	Pension obligations	564	500	474
	Tax liabilities	13	338	0
9	Liabilities	11 058	12 900	8 001
	Accrued costs and prepaid income	60	55	157
	TOTAL OWNERS' EQUITY AND LIABILITIES	527 488	493 243	496 663
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	14 986	13 589	13 319

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2017	11 726	3 907	12 153	27 785
Income before other profit/loss components		333	1 041	1 374
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-72	-72
Proportion of other comprehensive income on application of the equity method			-36	-36
Adjustment of the insurance liabilities			11	11
Tax on other comprehensive income			18	18
Total other comprehensive income			-79	-79
Total comprehensive income (unallocated)		333	962	1 295
Owners equity contribution recieved	1 395			1 395
Total transactions with owners	1 395			1 395
Own funds 30 September 2017	13 121	4 239	13 115	30 475

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	10 422	3 364	9 822	23 609
Income before other profit/loss components		354	1 596	1 949
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-66	-66
Proportion of other comprehensive income on application of the equity method			-33	-33
Adjustment of the insurance liabilities			10	10
Tax on other comprehensive income			16	16
Total other comprehensive income			-72	-72
Total comprehensive income (unallocated)		354	1 524	1 877
Owners equity contribution recieved	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

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	10 422	3 364	9 822	23 609
Income before other profit/loss components		543	2 356	2 899
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-27	-27
Proportion of other comprehensive income on application of the equity method			-5	-5
Adjustment of the insurance liabilities			0	0
Tax on other comprehensive income			7	7
Total other comprehensive income			-26	-26
Total comprehensive income		543	2 331	2 874
Owners equity contribution recieved	1 303			1 303
Total transactions with owners	1 303			1 303
Own funds 31 December 2016	11 726	3 907	12 153	27 785

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2017 -30.09.2017	01.01.2017 -30.06.2017	01.01.2017 -31.03.2017	01.01.2016 -31.12.2016	01.01.2016 -30.09.2016
Net cashflow from operational activities	-952	100	3	1 857	1 649
Net cashflow from investment activities ¹	-34	-21	-13	-66	-117
Net cashflow from financing activities ²	1 395	45	37	-1 557	-1 535
Net changes in cash and bank deposits	410	124	26	233	-2
Holdings of cash and bank deposits at start of period	887	887	887	654	654
Holdings of cash and bank deposits at end of period	1 296	1 011	913	887	651

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 2017. The accounts have not been audited.

The interim financial statements are presented in accordance with Regulations no. 1824 of 18 December 2015: The Regulations governing the annual financial statements for life insurance companies (the Financial Reporting Regulations) and IAS 34 Interim Financial Reporting. The interim financial statements have been prepared in accordance with the same principles as the annual financial statements for 2016, unless stated otherwise.

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

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 2017, which shows some changes in the parameters from 31 December 2016. The stated calculation criteria are uncertain, and KLP have determined the criteria itself, based on a specific assessment of its pension schemes. This changes are shown in the table below:

ASSUMPTIONS	30.09.2017	31.12.2016	Change
Discount rate	2.30 %	2.60 %	-0.30 %
Salary growth	2.50 %	2.50 %	0.00 %
The National Insurance basic amount (G)	2.25 %	2.25 %	0.00 %
Pension increases	1.48 %	1.48 %	0.00 %
Social security contribution rate	14.10 %	14.10 %	0.00 %
Capital activity tax	5.00 %	5.00 %	0.00 %

The effect of the change in parameters has increased the Company's pension obligation by NOK 72 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 2017.

NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Value adjustment incl. foreign exchange	-228	-20	1 188	407	2 393
Foreign exchange effect on hedging	348	859	-272	1 947	1 763
Net value adjustment incl. currency hedging	120	839	916	2 353	4 156

NOTE 3 Premium income

NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Gross premiums due	8 832	8 248	23 781	26 188	33 606
Reinsurance premiums ceded	0	0	0	-1	-1
Transfer of premium reserves from others	0	1 793	208	3 529	3 250
Total premium income	8 832	10 041	23 989	29 715	36 854

NOTE 4 Claims

NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Claims paid	4 292	4 164	12 833	12 076	16 263
Transfers of premium reserves to others	1	0	211	124	124
Total claims	4 293	4 164	13 044	12 199	16 387

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q3 2017	Q3 2016	01.01.2017 -30.09.2017	01.01.2016 -30.09.2016	01.01.2016 -31.12.2016
Personnel costs	116	127	417	394	549
Depreciations and write downs	17	22	51	66	261
Other operating expenses	68	62	241	208	331
Total insurance-related operating expenses	202	212	709	668	1 140

NOTE 6 Fair value of financial assets and liabilities

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

30.09.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	561	649	6 712	7 369	32	34	7 305	8 052
Accrued not due interest	19	19	250	250	1	1	270	270
Foreign hold-to-maturity bonds	6 043	6 212	18 202	19 494	77	85	24 322	25 792
Accrued not due interest	23	23	271	271	2	2	296	296
Total investments held to maturity	6 645	6 904	25 436	27 385	112	122	32 193	34 411
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	2 670	2 823	30 142	32 795	170	188	32 983	35 806
Accrued not due interest	39	39	597	597	2	2	638	638
Foreign bonds	6 233	6 524	69 439	74 604	492	527	76 164	81 655
Accrued not due interest	71	71	1 289	1 289	9	9	1 369	1 369
Norwegian certificates	136	136	500	500	0	0	636	636
Accrued not due interest	2	2	0	0	0	0	2	2
Total bonds classified as loans and receivables	9 151	9 595	101 968	109 785	673	726	111 792	120 106
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 288	3 296	0	0	3 288	3 296
Lending with public sector guarantee	0	0	43 413	43 936	0	0	43 413	43 936
Loans abroad secured by mortgage and local government guarantee	0	0	7 958	8 001	0	0	7 958	8 001
Accrued not due interest	0	0	285	285	0	0	285	285
Total other loans and receivables	0	0	54 944	55 519	0	0	54 944	55 519
Total financial assets at amortized cost	15 796	16 498	182 348	192 689	785	848	198 928	210 036
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	471	471	6 966	6 966	0	0	7 438	7 438
Foreign shares	0	0	22 421	22 421	0	0	22 421	22 421
Total shares	471	471	29 388	29 388	0	0	29 859	29 859
Property funds	0	0	2 253	2 253	0	0	2 253	2 253
Norwegian equity funds	0	0	59 396	59 396	583	583	59 979	59 979
Foreign equity funds	0	0	9 360	9 360	0	0	9 360	9 360
Total equity fund units	0	0	71 009	71 009	583	583	71 592	71 592
Norwegian alternative investments	0	0	2 709	2 709	16	16	2 725	2 725
Foreign alternative investments	0	0	644	644	0	0	644	644
Total alternative investments	0	0	3 353	3 353	16	16	3 369	3 369
Total shares and units	471	471	103 749	103 749	600	600	104 820	104 820

NOTE 6 Fair value of financial assets and liabilities – continues

30.09.2017 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	6 307	6 307	33 752	33 752	0	0	40 058	40 058
Foreign bonds	161	161	21 074	21 074	0	0	21 235	21 235
Accrued not due interest	27	27	326	326	0	0	354	354
Norwegian fixed-income funds	2 161	2 161	45 580	45 580	577	577	48 318	48 318
Foreign fixed-income funds	0	0	13 392	13 392	0	0	13 392	13 392
Accrued not due interest	72	72	2 531	2 531	22	22	2 626	2 626
Norwegian certificates	351	351	7 893	7 893	0	0	8 245	8 245
Accrued not due interest	2	2	6	6	0	0	8	8
Total bonds and other fixed-income securities	9 082	9 082	124 554	124 554	600	600	134 236	134 236
Norwegian loans and receivables	1 281	1 281	3 904	3 904	25	25	5 210	5 210
Foreign loans and receivables	297	297	4 597	4 597	34	34	4 929	4 929
Total loans and receivables	1 578	1 578	8 501	8 501	60	60	10 139	10 139
DERIVATIVES								
Interest rate swaps	524	524	157	157	0	0	681	681
Forward exchange contracts	0	0	1 388	1 388	7	7	1 395	1 395
Total financial derivatives classified as assets	524	524	1 545	1 545	7	7	2 076	2 076
Other financial assets	1	1	3 367	3 367	3	3	3 372	3 372
Total financial assets valued at fair value	11 656	11 656	241 717	241 717	1 270	1 270	254 642	254 642
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	971	971	0	0	971	971
Forward exchange contracts	0	0	723	723	3	3	726	726
Total financial derivatives classified as liabilities	0	0	1 695	1 695	3	3	1 698	1 698
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	6 345	7 008	0	0	0	0	6 345	7 008
Hybrid Tier 1 securities	1 510	1 380	0	0	0	0	1 510	1 380
Total subordinated loan capital etc.	7 855	8 388	0	0	0	0	7 855	8 388
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	0	0	0	0	0	0
Foreign call money ¹	568	568	1 548	1 548	10	10	2 126	2 126
Total liabilities to credit institutions	568	568	1 548	1 548	11	11	2 126	2 126

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

NOTE 6 Fair value of financial assets and liabilities – continues

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
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 loan	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								
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
Total shares and units	412	412	85 791	85 791	472	472	86 676	86 676

NOTE 6 Fair value of financial assets and liabilities – continues

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	7 268
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	1 259	0	0	0	0	1 781	1 259
Total subordinated loan capital etc.	7 914	7 628	0	0	0	0	7 914	7 628
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 – continues

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

NOTE 6 Fair value of financial assets and liabilities – continues

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

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

NOTE 7 Fair value hierarchy

30.09.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 281	6 801	0	9 082
Certificates	0	354	0	354
Bonds	48	6 447	0	6 495
Fixed-income funds	2 233	0	0	2 233
Loans and receivables	924	654	0	1 578
Shares and units	0	469	3	471
Shares	0	469	3	471
Financial derivatives	0	524	0	524
Other financial assets	0	1	0	1
Total corporate portfolio	3 205	8 449	3	11 656
COMMON PORTFOLIO				
Bonds and other fixed-income securities	84 548	40 006	0	124 554
Certificates	6 270	1 629	0	7 899
Bonds	16 775	38 377	0	55 152
Fixed-income funds	61 503	0	0	61 503
Loans and receivables	7 766	735	0	8 501
Shares and units	86 621	5 404	11 725	103 749
Shares	26 039	1 879	1 470	29 388
Equity funds	60 581	0	75	60 657
Property funds	0	172	2 081	2 253
Special funds	0	3 353	0	3 353
Private Equity	0	0	8 099	8 099
Financial derivatives	0	1 545	0	1 545
Other financial assets	0	3 367	0	3 367
Total common portfolio	178 935	51 057	11 725	241 717

NOTE 7 Fair value hierarchy – continues

30.09.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	600	0	0	600
Fixed-income funds	600	0	0	600
Loans and receivables	60	0	0	60
Shares and units	583	16	0	600
Equity funds	583	0	0	583
Special funds	0	16	0	16
Financial derivatives	0	7	0	7
Other financial assets	0	3	0	3
Total investment option portfolio	1 243	27	0	1 270
Total financial assets valued at fair value	183 383	59 533	11 727	254 642
CORPORATE PORTFOLIO				
Investment property	0	0	993	993
Total investment property	0	0	993	993
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	568	0	0	568
Total corporate portfolio	568	0	0	568
COMMON PORTFOLIO				
Financial derivatives	0	1 695	0	1 695
Debt to credit institutions	1 548	0	0	1 548
Total common portfolio	1 548	1 695	0	3 243
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	3	0	3
Debt to credit institutions	11	0	0	11
Total investment option portfolio	11	3	0	13
Total financial liabilities at fair value	2 126	1 698	0	3 824

NOTE 7 Fair value hierarchy – continues

30.09.2016 NOK MILLIONS	Level 1	Level 2	Nivå 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 – continues

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 – continues

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

NOTE 7 Fair value hierarchy – continues

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

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
Opening balance 01.01.	47	45	45
Sold	-84	0	0
Bought	3	0	0
Unrealised changes	37	0	2
Closing balance 30.09. / 31.12.	3	45	47
Realised gains/losses	83	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
Opening balance 01.01.	1 375	1 369	1 369
Sold	-19	-6	-51
Bought	13	61	65
Unrealised changes	101	93	-7
Closing balance 30.09. / 31.12.	1 470	1 518	1 375
Realised gains/losses	-27	0	12

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
Opening balance 01.01.	84	76	76
Sold	-6	0	0
Bought	0	0	0
Unrealised changes	-3	0	9
Closing balance 30.09. / 31.12.	75	75	84
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS, COMMON PORTFOLIO	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
Opening balance 01.01.	8 661	7 164	7 164
Sold	-1 204	-806	-1 108
Bought	1 501	1 318	2 739
Unrealised changes	1 221	-279	-133
Closing balance 30.09. / 31.12.	10 180	7 397	8 661
Realised gains/losses	280	220	326

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 30.09.2017	Book value 30.09.2016	Book value 31.12.2016
Opening balance 01.01.	1 003	893	893
Sold	0	0	0
Bought	0	0	0
Unrealised changes	30	150	161
Other	-41	-52	-52
Closing balance 30.09. / 31.12.	993	991	1 003
Realised gains/losses	41	52	52
Total Level 3	12 720	10 026	11 171

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

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

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

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 636 million as of 30.09.2017.

NOTE 7 Fair value hierarchy – continues

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

The values at the end of the reporting period provide the basis for any movement between the levels.

In this quarter NOK 17 million has been moved from Level 1 to Level 2, and NOK 0.9 million from Level 2 to Level 1. The amount are related to equity instruments and are due to change in liquidity. No other movements between levels has been done during the third quarter.

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

30.09.2017 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	2 076	0	2 076	-564	-1 480	0	58
Total	2 076	0	2 076	-564	-1 480	0	58
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 545	0	1 545	-563	-937	0	46
Total assets – corporate portfolio	524	0	524	0	-534	0	11
Total assets – investment option portfolio	7	0	7	-1	-10	0	0
Total	2 076	0	2 076	-564	-1 480	0	58
LIABILITIES							
Financial derivatives	1 698	0	1 698	-564	-586	-403	156
Total	1 698	0	1 698	-564	-586	-403	156
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	1 695	0	1 695	-563	-585	-403	155
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	3	0	3	-1	-1	0	1
Total	1 698	0	1 698	-564	-586	-403	156

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

30.09.2016 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	2 359	0	2 359	-843	-1 433	0	274
Total	5 340	0	5 340	-948	-4 227	0	274
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	4 527	0	4 527	-947	-3 360	0	238
Total assets – corporate portfolio	798	0	798	0	-812	0	34
Total assets – investment option portfolio	15	0	15	-1	-56	0	2
Total	5 340	0	5 340	-948	-4 227	0	274
LIABILITIES							
Financial derivatives	1 580	0	1 580	-948	-649	0	22
Total	1 580	0	1 580	-948	-649	0	22
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	1 578	0	1 578	-947	-649	0	22
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	2	0	2	-1	0	0	0
Total	1 580	0	1 580	-948	-649	0	22

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

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

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

NOTE 9 LIABILITIES

NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
Short-term liabilities securities	3 585	5 098	2 095
Advance tax-deduction pension scheme	343	326	380
Accounts payable	34	33	2
Derivatives	1 698	1 580	4 074
Debt to credit institutions	2 126	4 236	885
Liabilities related to direct insurance	3 258	1 613	537
Other short-term liabilities	13	14	28
Total liabilities	11 058	12 900	8 001

NOTE 10 SCR ratio

NOK BILLIONS	30.09.2017	31.12.2016		30.09.2017	31.12.2016
SIMPLIFIED SOLVENCY II					
FINANCIAL POSITION STATEMENT					
Assets, book value	527	497	Best estimate	476	450
Added values - hold-to-maturity portfolio/loans and receivables	11	9	Risk margin	14	13
Added values - other lending	1	1	Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	12	9
Deferred tax asset	0	1	Deferred tax liabilities	0	0
Total assets - solvency II	539	507	Total liabilities - solvency II	509	480
			Excess of assets over liabilities	30	27
			- Deferred tax asset	0	-1
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	27	24
			Total eligible tier 1 own funds	27	24
			Subordinated loans	7	7
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	11
			Ancillary own funds	10	10
			Tier 2 ancillary own funds	10	10
			Deduction for max. eligible tier 2 own funds	-13	-13
			Total eligible tier 2 own funds	8	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	35	31
			Market risk	6	6
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	16	15
			Diversification life risk	-4	-4
			Diversification general	-3	-3
			Operational risk	2	2
			Loss absorbing ability deferred tax	0	0
			Solvency capital requirement (SCR)	16	15
			Linear minimum capital requirement (MCR_linear)	7	5
			Minimum	4	4
			Maximum	7	7
			Minimum capital requirement (MCR)	7	5
			Solvency II- SCR ratio	223 %	209 %

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 223 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 322 per cent.

	30.09.2017	31.12.2016
SOLVENCY II- SCR RATIO	223 %	209 %

NOTE 11 Pension obligations

NOK MILLIONS	30.09.2017	30.09.2016	31.12.2016
Capitalized net liability 01.01.	474	423	423
Capitalized pension costs	65	53	77
Capitalized financial costs	12	8	14
Actuarial gains and losses	72	66	27
Premiums / contributions received	-59	-50	-67
Capitalized net liability 30.09./31.12.	564	500	474

ASSUMPTIONS	30.09.2017	30.09.2016	31.12.2016
Discount rate	2.30 %	2.10 %	2.60 %
Salary growth	2.50 %	2.25 %	2.50 %
The National Insurance basic amount (G)	2.25 %	2.00 %	2.25 %
Pension increases	1.48 %	1.24 %	1.48 %
Social security contribution rate	14.10 %	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %	5.00 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 72 million as of 30.09.2017. The change is recognized in other comprehensive income in the income statement.

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