



Interim report

KLP GROUP
Q3 2018



Table of contents

KLP GROUP

REPORT FOR THE THIRD QUARTER OF 2018	4
INCOME STATEMENT	9
FINANCIAL POSITION STATEMENT	10
CHANGES IN OWNERS' EQUITY	11
STATEMENT OF CASH FLOWS	13
NOTES	14
— Note 1 Accounting principles –and estimates	14
— Note 2 Segment information	15
— Note 3 Premium income for own account	19
— Note 4 Other income	19
— Note 5 Subordinated loans and perpetual hybrid tier 1 securities	19
— Note 6 Operating expenses	20
— Note 7 Other expenses	20
— Note 8 Investment property	20
— Note 9 Fair value of financial assets and liabilities	21
— Note 10 Borrowing	26
— Note 11 Fair value hierarchy	28
— Note 12 Liquidity risk	33
— Note 13 Interest rate risk	35
— Note 14 Credit risk	38
— Note 15 Technical provisions in life insurance	42
— Note 16 Other current liabilities	42
— Note 17 SCR ratio	43
— Note 18 Presentation of assets and liabilities that are subject to net settlement	44
— Key figures - Accumulated	46

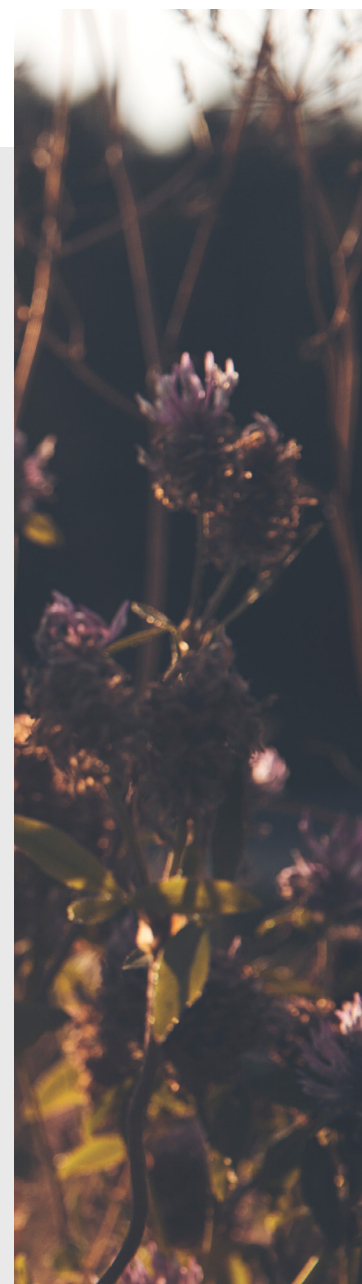
Table of contents

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT	49
NOTES TO THE SUSTAINABILITY REPORT	52

KOMMUNAL LANDSPENSJONSKASSE

INTERIM FINANCIAL STATEMENTS	57
INCOME STATEMENT	58
STATEMENT OF FINANCIAL POSITION	59
CHANGES IN OWNERS' EQUITY	61
STATEMENT OF CASH FLOWS	62
NOTES TO THE FINANCIAL STATEMENTS	63
— Note 1 Accounting principles and -estimates	63
— Note 2 Value-adjustment investment property	64
— Note 3 Premium income	64
— Note 4 Claims	64
— Note 5 Insurance-related operating expenses	64
— Note 6 Fair value of financial assets and liabilities	65
— Note 7 Fair value hierarchy	71
— Note 8 Presentation of assets and liabilities that are subject to net settlement	79
— Note 9 Liabilities	81
— Note 10 SCR ratio	82



Report for the third quarter of 2018

SOLID RESULTS IN THE THIRD QUARTER OF 2018

- KLP delivered a returns result of NOK 6.1 billion
- Reported book return of 3.1 per cent (value-adjusted 2.9 per cent) so far this year
- Investments in real estate and shares contributed most to profits in the third quarter

KLP – A CUSTOMER-OWNED GROUP

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

At the end of the third quarter, the Group had total assets of NOK 691.6 billion, an increase of NOK 39.4 billion so far this year.

The Group's total comprehensive income was NOK 1,316 (1,196) million in the year to date.

Kommunal Landspensjonskasse gjensidig forsikringsselskap

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse (KLP). Out of KLP's total assets of NOK 563.5 billion, NOK 514.4 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE THIRD QUARTER OF 2018

Returns result

KLP achieved a returns result (returns in excess of average guaranteed rate of return) of NOK 6.1 (5.4) billion in the year to date. The value-adjusted return on the common portfolio was 2.9 per cent and the book return was 3.1 per cent so far this year.

Risk result

The risk result was good in the third quarter. The risk events in the stock are within expectations for the year, with profits totalling NOK 185 (154) million in the third quarter and NOK 578 (426) million this year. It is planned to allocate half of the risk result to the risk equalisation fund, the rest being returned to the customers' premium fund.

Administration result

The company's administration result shows a surplus of NOK 115 (143) million in the year to date. Insurance-related operating costs came to NOK 223 (202) million in the third quarter and NOK 768 (709) million in the year to date.

Total income

Total profit for the Company was NOK 1.4 (1.3) billion in the year to date. The customer result was NOK 6.2 (5.6) billion.

NOK MILLIONS	Customers	Company	Total
Returns result	5,956	129	6,086
Risk result	289	289	578
Interest guarantee premium		565	565
Administration result		115	115
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		778	778
Tax		-438	-438
Income after Q3/2018	6,245	1,438	7,683
Income after Q3/2017	5,581	1,295	6,875

Financial strength and capital-related matters

KLP's total assets show growth of NOK 28.7 billion in the year to date and amount to NOK 563.5 billion. The premium reserve increased by NOK 22.8 billion in the same period.

The securities adjustment fund grew by NOK 4.2 billion in the third quarter, but so far this year it has increased by NOK 358 million to NOK 42.6 billion.

Without applying transitional rules, the company's solvency capital coverage (SCR) is 274 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 321 per cent. KLP's target is capital adequacy of at least 150 per cent without applying transitional rules. Capital adequacy is well over this target and reflects the Company's financial strength.

¹ Figures in brackets give values for the corresponding period in 2017

Key figures

PER CENT	2018 year to date	2017 year to date	2017
Book returns	3.1	3.1	3.9
Value-adjusted returns	2.9	4.6	6.7
Value-adjusted incl. added value in hold-to-maturity bonds and lending	1.9	4.6	6.7
Capital adequacy, Solvency II	274	223	242
Capital adequacy, Solvency II, with transitional measures	321	322	352

* The returns figures apply to the common portfolio

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 31.3 (23.8) billion at the end of the third quarter. The changes are primarily due to an increase in the adjustment premium.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 6.1 per cent last year and amounted to NOK 13.6 (12.8) billion so far this year.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 509.0 (480.4) billion and were invested as shown below:

ASSETS	Q3/2018		Q3/2017	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	23.5%	5.7%	21.7%	11.1%
Short-term bonds	18.5%	-1.1%	19.8%	2.6%
Long-term/HTM bonds	27.7%	2.8%	27.0%	3.0%
Lending	11.9%	1.7%	11.5%	1.7%
Property	12.3%	5.6%	12.4%	5.1%
Other financial assets	6.0%	0.9%	7.5%	1.3%

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 23.5 per cent at the end of the third quarter. The return on shares was 3.8 per cent for the third quarter, and 5.7 per cent so far this year. KLP's global equities have produced a return of 3.8 per cent in the year to

date, while the Norwegian equity portfolio has yielded a return of 13.6 per cent.

Short-term bonds and the money market

Short-term bonds accounted for 18.5 per cent and money-market instruments 6.0 per cent of the assets in the common portfolio as at 30 September. Norwegian, European and US ten-year government rates all rose slightly through the third quarter. KLP's global government bond index achieved a currency-hedged return of minus 0.8 per cent in the third quarter, while the Norwegian government bond index gave a return of minus 0.5 per cent. Global credit margins fell slightly during the quarter, and KLP's global credit bond index had a currency-hedged return of 0.4 per cent for the third quarter.

In total, KLP achieved returns 0.1 per cent for the third quarter, while money market returns were 0.3 per cent.

Bonds held to maturity

Investment in bonds held to maturity made up around 27.7 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 5.1 billion as at 30 September. The portfolio is well diversified and consists of securities issued by highly creditworthy institutions. The return measured at amortised cost is 2.8 per cent for the year to date.

Property

Property investments, including Norwegian and international property funds, made up 12.3 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 138 million at the end of the third quarter. There has been a revaluation of property in both Sweden and Denmark, but since the Norwegian krone has strengthened, the increase in Denmark and Sweden has been more or less neutralised by the surge in the Norwegian currency so far this year. On the other hand, if the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 1,458 million. Property investments in the common portfolio achieved a return of 5.6 per cent so far this year.

Lending

Lending in the common portfolio totals NOK 60.1 billion. This is split between NOK 57.0 billion in loans to municipalities and their enterprises and NOK 3.0 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 312 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 covers the placement of owners' equity and subordinated loans/hybrid Tier 1 and Tier 2 securities.

The corporate portfolio is managed with a low-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 3.1 per cent at 30 September.

Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The ongoing municipal and regional reform is expected to have only a moderate effect on KLP's customer base. Of the relevant municipal mergers taking place on 01.01.2020, 14 municipal/county authorities are affected by the fact that one of the parties has its own pension fund.

In the spring an agreement was reached between the Ministry of Labour and Social Affairs, LO, Unio, YS, Akademikerne, KS and Spekter on occupational pensions for public sector employees. It is agreed that old age pensions should be defined as a mark-up scheme. The Ministry sent out a consultation note on 17 October with proposals for necessary legislative changes and a deadline for replies of 9 January 2019.

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

In the corporate segment, there is continued interest in switching to a defined-contribution scheme. KLP has succeeded in winning some of the customers who have chosen this scheme.

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

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

The company had total assets of NOK 5.7 billion as at 30 September. This is an increase of NOK 802 million since the start of the year. The increase is mainly linked to an increase in pension capital certificates, growth in the company's defined contribution pension portfolio, which now totals NOK 3.4 billion, and good returns. 175 new business customers have entered into pension agreements so far in 2018, and we have received 2,931 pension capital certificates from other life insurance companies.

KLP Bedriftspensjon AS achieved a book return on the common portfolio of 3.6 per cent and a value-adjusted return of 2.4 per cent. Customers with defined-contribution pensions achieved an average 4.5 per cent return for the same period.

The returns result was NOK 25.2 million in the third quarter. The securities adjustment fund stood at NOK 12 million as of

30 September. After the third quarter, the company achieved total comprehensive income of NOK -24.1 million. The result is affected by a corrections to the model for claims reserves.

Return on customer assets

COMMON PORTFOLIO	3rd quarter 2018	3rd quarter 2017	Year
Book returns	36%	3.3%	8.3%
Value-adjusted returns	2.4%	3.7%	5.6%
Defined-contribution pensions with investment options	4.5%	8.3%	11.9%
Profile KLP90	8.0%	12.2%	17.1%
Profile KLP70	6.3%	10.1%	14.0%
Profile KLP50	4.0%	8.0%	11.0%
Profile KLP30	2.3%	5.8%	7.8%
KLP Optimal Livsfase ¹	5.2%	11.3%	17.5%
KLP Nåtid	0.1%	N/A	N/A
KLP Kort Horisont	1.0%	N/A	N/A
KLP Lang Horisont	3.0%	N/A	N/A
KLP Framtid	5.0%	N/A	N/A
Profile KLPPM	0.9%	1.3%	1.5%

¹ Return for profile with 100% equities

Non-life insurance

The pre-tax operating profit was NOK 105.6 (152.6) million. The results are characterised by a weak insurance result, but with a positive result from adjustments to previous years' reserves and a satisfactory financial performance. For the third quarter in isolation, the profit was NOK 69.2 (37.7) million.

The company had fall in premiums at the beginning of the year. Accrued premiums are thus marginally lower than in the third quarter of 2017, equivalent to NOK 3 million. The company is still seeing falling price levels on new sales and renewals of existing contracts. There is good growth of 14.5 per cent in the retail market over the last twelve months, and more than nine out of ten new customers are members.

Three major claims have been reported so far this year, estimated at NOK 23.8, 21.5 and 14.3 million respectively. The first two claims were fires in municipally owned buildings, while the last concerned a waste processing plant.

Reversal of previous years' claims is still positive, and this year NOK 126.3 million has so far been taken to income, equivalent to 6.7 per cent of the reserves at the beginning of the year.

Key figures for the company

AS OF Q3	2018	2017	Whole of 2017
Claim ratio*	77.2	80.6	84.2
Cost ratio*	22.9	20.5	21.8
Total cost ratio*	100.1	101.0	106.0

* for own account

Net financial income so far in 2018 was NOK 104.7 (160.5) million, equivalent to a return of 2.4 (3.8) per cent. For the third quarter in isolation, the return was 1.1 per cent, equivalent to NOK 49.6 (53.9) million.

Interest-bearing investments have had weak returns so far this year, at -0.1 per cent. Nevertheless, the third quarter showed a slight improvement of 0.3 per cent.

The equity portfolio had a return of 6.3 per cent to the end of the third quarter, and 4.9 per cent for the third quarter in isolation. The company's long-term bonds have had a yield of 2.7 per cent. The return on property investments was also positive, at 5.6 per cent, including the effect of revaluation of real estate assets.

The company's financial position is still good with a solvency capital margin (SCR) of 251 per cent, up from 240 per cent at the end of the second quarter.

Asset and fund management

KLP Kapitalforvaltning AS provides securities management in the KLP Group. It had a total of NOK 498 billion under management at the end of the third quarter, of which NOK 69 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP securities funds in the third quarter amounted to NOK 80 billion, of which NOK 320 billion came from external customers.

KLP Kapitalforvaltning achieved a pre-tax income of NOK 27.5 million in the third quarter and NOK 26.5 million for the year to date.

Bank

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

As of 30 September, the KLP Banken Group had loans to customers totalling NOK 32.4 (31.0) billion. Mortgage loans in the retail market and public-sector loans totalled NOK 16.0 billion and 16.5 billion respectively.

KLP Banken manages NOK 3.0 billion in mortgage loans and NOK 57.1 billion in loans to public-sector borrowers and other businesses.

Total mortgage loans in the retail market increased by NOK 1.5 (1.3) billion so far this year. Managed mortgages for KLP have decreased by NOK 220 million so far this year.

Credit cards are included in the banking business. Outstanding loans to retail customers amounted to NOK 66 (55) million at the end of the third quarter. 7,600 members are credit card customers of the bank.

Lending volume in the public market is more or less unchanged so far this year, but has been lower than in 2017. Loans to public-sector borrowers managed on behalf of KLP increased by NOK 3.5 billion in the same period. Managed loans to foreign debtors in other currencies decreased by NOK 0.2 billion so far this year.

Overdue payments and defaulted mortgage loans are still at a low level, but have increased slightly in 2018. Loans in default in excess of 90 days account for 0.30 per cent of total lending as at the end of the third quarter. Losses of NOK 0.9 million on mortgages and NOK 2.7 million on credit cards have been recognised in the Bank's accounts so far in 2018. There were also calculated loss provisions of NOK 1.4 million. There were no losses related to public-sector loans.

The KLP Banken Group's external financing consists of deposits and bonds. Deposit growth so far in 2018 totals NOK 0.8 billion and deposits now total NOK 10.5 billion. Of this amount, NOK 8.5 billion is deposits from retail customers, and the rest is deposits from municipalities and enterprises. Liabilities created on issuance of securities totalled NOK 23.5 billion at the end of the quarter.

The KLP Banken Group had a pre-tax operating profit of NOK 71.1 (81.7) million at the end of the third quarter. Broken down by area, profits were NOK 36.8 (31.9) million in the retail market and NOK 34.4 (49.8) million in the public-sector market. After tax, the consolidated profit NOK 54.1 (59.4) million.

CORPORATE SOCIAL RESPONSIBILITY

KLP Eiendom is continuing to invest in socially responsible construction projects and properties in the company's portfolio. KLP Eiendom is developing a new office project in

Copenhagen which includes a bridge-building partnership with Ørestad school. The pupils will use the construction project as a teaching platform in languages, physics, maths and design. The aim is to train more employees for the building industry.

KLP Banken now offers 'green mortgages' to members of KLP who have energy-friendly homes, or who choose to take steps to make their homes more energy-friendly.

KLP has significant investments in renewable energy, both at home and abroad. The company focuses especially on increasing renewable energy capacity. In the third quarter, three new renewable energy plants were completed: a wind farm in Kenya, a solar energy facility in Honduras and a biomass plant in the UK. In recent years, KLP and its partners have contributed to eight new renewable energy plants that will produce electricity for 6.3 million people.

In collaboration with Folketrygdfondet (the Norwegian government pension fund), DNB and Storebrand, KLP has had talks with companies on the Oslo Stock exchange about climate risk. The aim is to understand how ready companies are to recognise how climate change can pose a financial risk, and to encourage them to report on this in the future.

KLP has excluded JBS SA and Luthai Textile Co. Ltd. from its investment universe, for the suspicion of gross corruption and for violations of employment rights respectively. It was also decided to exclude Tri-State Generation and Transmission Association Inc. and PacifiCorp, based on the exclusion criterion of coal-based operations.

KLP has run breakfast seminars in Oslo, Bergen, Trondheim and Tromsø on the topic of health-promoting management. Fully-booked seminars and good feedback have prompted us to try streaming via the web so more people can participate.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

The market has been characterised by some large movements in the stock market and higher long-term interest rates since the quarter-end.

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

Oslo, 31. October 2018

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Egil Johansen
Chair

Jenny Følling
Deputy chair

Marit Torgersen

Karianne Melleby

Odd Haldgeir Larsen

Lars Vorland

Susanne Torp-Hansen
Elected by and from
among the employees

Freddy Larsen
Elected by and from
among the employees

Income statement

KLP GROUP

NOTE	NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
3	Premium income for own account	9 819	9 334	32 838	25 623	34 590
	Current return on financial assets	3 578	3 308	11 407	10 831	14 184
	Net interest income banking	34	66	141	175	244
	Net value changes on financial instruments	6 557	5 680	4 588	14 919	22 050
8	Net income from investment properties	717	901	3 776	2 880	4 953
4	Other income	302	280	847	771	1 040
	Total net income	21 007	19 569	53 596	55 199	77 061
	Claims for own account	- 4 907	- 4 610	-14 965	-13 977	-18 665
	Change in technical provisions	- 6 909	- 6 670	-23 675	-17 335	-24 425
5	Net costs subordinated loan and hybrid Tier 1 securities	27	147	69	-273	-527
6	Operating expenses	- 360	- 321	-1 325	-1 140	-1 673
7	Other expenses	- 272	- 248	-796	-736	-992
	Unit holder's value change in consolidated securities funds	- 2 553	- 2 027	-2 676	-5 788	-8 648
	Total expenses	- 14 975	-13 729	-43 367	-39 249	-54 931
	Operating profit/loss	6 032	5 841	10 229	15 950	22 130
	To/from securities adjustment fund – life insurance	- 4 192	- 660	-339	-7 751	-13 904
	To supplementary reserves – life insurance	0	0	21	13	-1 188
	Assets allocated to insurance customers - life insurance	- 1 101	- 4 328	-7 656	-5 413	-4 564
	Pre-tax income	739	854	2 255	2 799	2 474
	Cost of taxes ¹	- 274	- 421	-1 002	-1 584	-1 143
	Income	465	433	1 253	1 216	1 332
	Actuarial loss and profit on post employment benefit obligations	0	- 109	0	-109	-30
	Adjustments of the insurance obligations	0	11	0	11	2
	Tax on items that will not be reclassified to profit or loss	0	24	0	24	7
	Items that will not be reclassified to profit or loss	0	-73	0	-73	-21
	Revaluation real property for use in own operation	22	9	84	71	110
8	Currency translation foreign subsidiaries	62	- 298	-1 170	432	937
	Adjustments of the insurance obligations	- 62	298	1 170	-432	-937
	Tax on items that will be reclassified to profit or loss	- 5	- 2	-21	-18	-27
	Items that will be reclassified to income when particular specific conditions are met	16	6	63	53	82
	Total other comprehensive income	16	-66	63	-20	61
	Total comprehensive income	481	366	1 316	1 196	1 393
	¹ Unit holders share of taxes in consolidated securities fund	- 71	- 41	-183	-133	-181

Financial position statement

KLP GROUP

NOTE	NOK MILLIONS	30.09.2018	30.09.2017	31.12.2017
	Deferred tax assets	420	72	68
	Other intangible assets	278	322	313
	Tangible fixed assets	1 771	1 675	1 715
	Investments in associated companies and joint venture	928	637	773
8,11	Investment property	64 744	61 359	63 519
9,14	Debt instruments held to maturity	30 229	32 471	31 131
9,14	Debt instruments classified as loans and receivables	133 486	114 084	121 377
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	902	1 064	1 016
9,14	Lending local government, enterprises and retail customers	92 027	84 915	87 005
9,11,14	Debt instruments at fair value through profit or loss	162 101	173 288	172 427
9,11	Equity capital instruments at fair value through profit/loss	171 398	151 130	161 736
9,11,14	Financial derivatives	3 209	2 617	1 529
9	Receivables	23 446	12 792	4 056
9	Assets in defined contribution-based life insurance	3 406	2 432	2 684
14	Cash and bank deposits	3 225	2 630	2 820
	TOTAL ASSETS	691 571	641 486	652 167
	Owners' equity contributed	14 553	13 121	13 125
	Retained earnings	17 754	16 242	16 439
	TOTAL OWNERS' EQUITY	32 307	29 363	29 564
9,10	Hybrid Tier 1 securities	1 475	1 510	1 534
9,10	Subordinated loan capital	5 696	6 345	5 977
	Pension obligations	837	857	797
15	Technical provisions - life insurance	516 087	479 079	490 803
9,15	Provisions in life insurance with investment option	3 406	2 432	2 684
	Premiums, claims and contingency fund provisions - non-life insurance	2 477	2 468	2 364
9,10	Covered bonds issued	22 635	21 737	21 451
9,10	Debt to credit institutions	4 436	6 428	4 587
9,10	Liabilities to and deposits from customers	10 531	9 401	9 669
9,11	Financial derivatives	530	2 635	4 760
	Deferred tax	2 770	2 276	1 733
16	Other current liabilities	15 605	9 317	5 919
	Unit holders 's interest in consolidated securites funds	72 780	67 639	70 325
	TOTAL LIABILITIES	659 264	612 123	622 603
	TOTAL EQUITY AND LIABILITIES	691 571	641 486	652 167
	Contingent liabilities	15 362	15 987	15 483

Changes in Owners' equity

KLP GROUP

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2018	13 125	16 439	29 564
Income		1 253	1 253
Items that will not be reclassified to income		0	0
Items that will be reclassified to income later when particular conditions are met		63	63
Total other comprehensive income		63	63
Total comprehensive income		1 316	1 316
Owners' equity contribution received (net)	1 428		1 428
Total transactions with the owners	1 428		1 428
Owners' equity 30 September 2018 ¹	14 553	17 754	32 307

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

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2016	11 726	16 097	27 823
Deferred tax on the risk equalization fund, the natural perils pool fund and the guarantee scheme ²		- 1 028	- 1 028
Principle change ³		- 24	- 24
Owners' equity 1 January 2017	11 726	15 046	26 772
Income		1 216	1 216
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		1 196	1 196
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	16 242	29 363

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

³ For further information, see note 2.1.1.c) in the Annual Report.

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

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

³ For further information, see note 2.1.1.c) in the Annual Report.

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2018 -30.09.2018	01.01.2018 -30.06.2018	01.01.2018 -31.03.2018	01.01.2017 -31.12.2017	01.01.2017 -30.09.2017
Net cash flow from operational activities	-14 692	-9 378	-8 888	-27 849	-26 243
Net cash flow from investment activities ¹	-27	-23	-14	-79	-53
Net cash flow from financing activities ²	15 125	10 552	9 425	27 781	25 958
Net changes in cash and bank deposits	405	1 152	523	-148	-338
Holdings of cash and bank deposits at start of period	2 820	2 820	2 820	2 968	2 968
Holdings of cash and bank deposits at end of period	3 225	3 972	3 343	2 820	2 630

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 1 January 2018 – 30 September 2018. The accounts have not been audited.

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

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

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

ACCOUNTING ESTIMATES

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

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	Q3 2018	Q3 2017	01.01.2017 -31.12.2017	Q3 2018	Q3 2017	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	31 182	23 916	32 328	732	770	997
Premium income for own account from other Group companies	76	73	89	0	0	0
Net financial income from investments	14 990	21 615	32 157	184	229	343
Other income from external customers	825	769	1 016	2	2	2
Other income from other Group companies	137	205	235	0	0	0
Total income	47 210	46 578	65 825	917	1 001	1 343
Claims for own account	-14 110	-13 044	-17 386	-126	-167	-199
Insurance provisions for own account	-22 915	-16 547	-23 358	-760	-785	-1 064
Costs borrowing	69	-273	-527	0	0	0
Operating costs excluding depreciation	-730	-675	-951	-47	-43	-59
Depreciation	-55	-51	-74	-2	-2	-3
Other expenses	-793	-736	-992	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-38 535	-31 326	-43 289	-936	-997	-1 325
Operating profit/loss	8 675	15 252	22 536	-18	5	18
Funds credited to insurance customers ²	-6 799	-13 556	-20 551	-6	-27	-42
Pre-tax income	1 876	1 696	1 985	-24	-22	-24
Cost of taxes	-438	-305	-492	0	0	0
Income	1 438	1 392	1 493	-24	-22	-24
Change in other comprehensive income (excluded cost of taxes)	0	-97	-28	0	-1	-1
Total comprehensive income	1 438	1 295	1 465	-24	-23	-25
Assets	563 532	527 465	534 784	5 671	4 592	4 869
Liabilities	530 040	497 013	504 158	5 172	4 067	4 346

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 – Continues

NOK MILLIONS	Non-life insurance			Banking		
	Q3 2018	Q3 2017	01.01.2017 -31.12.2017	Q3 2018	Q3 2017	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	924	937	1 266	0	0	0
Premium income for own account from other Group companies	19	18	21	0	0	0
Net financial income from investments	108	164	243	175	173	237
Other income from external customers	1	1	1	12	9	12
Other income from other Group companies	0	0	0	43	43	57
Total income	1 051	1 119	1 531	230	224	306
Claims for own account	-728	-766	-1 080	0	0	0
Insurance provisions for own account	1	-3	-4	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-218	-196	-281	-153	-139	-197
Depreciation	-1	-2	-2	-3	-3	-4
Other expenses	0	0	0	-4	-2	-3
Return to financial instruments attributable to minority interests						
Total expenses	-946	-967	-1 366	-160	-144	-203
Operating profit/loss	106	153	164	71	81	103
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	106	153	164	71	81	103
Cost of taxes	-17	-28	-19	-17	-19	-25
Income	88	124	145	54	62	78
Change in other comprehensive income (excluded cost of taxes)	0	-10	-3	0	-3	-1
Total comprehensive income	88	114	141	54	59	77
Assets	4 694	4 651	4 594	36 473	34 859	34 986
Liabilities	2 834	2 823	2 822	34 338	32 945	32 904

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 – Continues

NOK MILLIONS	Asset management			Other		
	Q3 2018	Q3 2017	01.01.2017 -31.12.2017	Q3 2018	Q3 2017	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	0	0	0	0	0	0
Premium income for own account form other Group companies	0	0	0	0	0	0
Net financial income from investments	4	3	3	0	0	0
Other income from external customers	0	0	0	7	5	9
Other income from other Group companies	358	268	456	0	0	0
Total income	363	271	459	7	5	9
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	-334	-216	-402	-9	-5	-9
Depreciation	-3	-4	-10	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-336	-220	-413	-9	-5	-9
Operating profit/loss	27	51	47	-2	0	-1
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	27	51	47	-2	0	-1
Cost of taxes	-7	-10	-10	0	0	0
Income	20	41	37	-1	0	-1
Change in other comprehensive income (excluded cost of taxes)	0	-10	-4	0	0	0
Total comprehensive income	20	31	33	-1	0	-1
Assets	473	454	468	9	11	12
Liabilities	199	202	214	3	3	5

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 – Continues

NOK MILLIONS	Eliminations			Total		
	Q3 2018	Q3 2017	01.01.2017 -31.12.2017	Q3 2018	Q3 2017	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	0	0	0	32 838	25 623	34 590
Premium income for own account from other Group companies	-95	-92	-110	0	0	0
Net financial income from investments	4 450	6 620	8 446	19 912	28 805	41 430
Other income from external customers	0	-14	0	847	771	1 040
Other income from other Group companies	-539	-515	-748	0	0	0
Total income	3 816	5 999	7 589	53 596	55 199	77 061
Claims for own account	0	0	0	-14 965	-13 977	-18 665
Insurance provisions for own account	0	0	0	-23 675	-17 335	-24 425
Costs borrowing	0	0	0	69	-273	-527
Operating costs excluding depreciation	254	222	346	-1 237	-1 052	-1 554
Depreciation	-24	-26	-26	-88	-88	-119
Other expenses	1	2	3	-796	-736	-992
Return to financial instruments attributable to minority interests	-2 676	-5 788	-8 648	-2 676	-5 788	-8 648
Total expenses	-2 445	-5 590	-8 326	-43 367	-39 249	-54 931
Operating profit/loss	1 371	409	-737	10 229	15 950	22 130
Funds credited to insurance customers ²	-1 170	432	937	-7 974	-13 150	-19 656
Pre-tax income	202	841	200	2 255	2 799	2 474
Cost of taxes	-545	-1 215	-617	-1 023	-1 577	-1 163
Income	-343	-374	-417	1 232	1 222	1 311
Change in other comprehensive income (excluded cost of taxes)	84	96	119	84	-26	81
Total comprehensive income	-259	-279	-298	1 316	1 196	1 393
Assets	80 719	69 455	72 453	691 571	641 486	652 167
Liabilities	86 677	75 071	78 155	659 264	612 123	622 603

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

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

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

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

BANKING

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

ASSET MANAGEMENT

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

OTHER

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

NOTE 3 Premium income for own account

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Contribution service pension	9 711	9 253	32 536	25 011	35 492
Reinsurance premiums ceded	-25	-15	-54	-43	-61
Transfer of premium reserves from others	133	95	356	655	-841
Total premium income	9 819	9 334	32 838	25 623	34 590

NOTE 4 Other income

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Supplement contractual early retirement scheme (ERS)	270	246	780	729	981
Other income	32	34	67	42	60
Total other income	302	280	847	771	1 040

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
SUBORDINATED LOANS					
Interest costs ¹	-62	-68	-180	-212	-283
Value changes	35	123	218	-169	-298
Net costs subordinated loans	-27	55	39	-382	-581
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-15	-15	-45	-45	-61
Value changes	69	108	75	155	116
Net costs perpetual hybrid tier 1 securities	54	93	30	109	54
Net costs subordinated loan and hybrid Tier 1 securities	27	147	69	-273	-527

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.

The 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 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Personnel costs	202	178	722	639	937
Depreciation and writedowns	35	30	88	86	131
Other operating expenses	124	112	514	415	604
Other operating expenses	360	321	1 325	1 140	1 673

NOTE 7 Other expenses

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Supplement contractual early retirement scheme (ERS)	270	246	780	729	977
Other expenses	2	2	15	7	15
Total other expenses	272	248	796	736	992

NOTE 8 Investment property

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Net rental income	641	794	2 010	2 097	2 555
Net value adjustment	76	107	1 404	783	2 269
Realised gains	0	0	362	0	129
Net income from investment properties	717	901	3 776	2 880	4 953
Currency translate foreign subsidiaries (taken to other comprehensive income)	62	-298	-1 170	432	937
Net income from investment properties included currency translate	778	603	2 606	3 312	5 889

NOK MILLIONS	30.09.2018	30.09.2017	31.12.2017
Investment property 01.01.	63 519	59 497	59 497
Value adjustment, including currency translation	234	1 216	3 206
Net additions	1 045	681	838
Other changes	-54	-35	-22
Investment property 30.09./31.12.	64 744	61 359	63 519

NOTE 9 Fair value of financial assets and liabilities

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

This category includes:

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This category includes:

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

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

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

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-income securities – government

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

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

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

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

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

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

e) Receivables on credit institutions

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

f) Loans to municipalities and enterprises with municipal guarantee

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

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

j) Private Equity

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

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

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

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

NOTE 9 Fair value of financial assets and liabilities – cont.**DEBT TO CREDIT INSTITUTIONS****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	30.09.2018		30.09.2017		31.12.2017	
	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	7 300	7 804	7 728	8 481	6 380	7 093
Foreign hold-to-maturity bonds	22 929	23 507	24 743	26 219	24 752	26 205
Total debt instruments held to maturity	30 229	31 311	32 471	34 700	31 131	33 298
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	43 128	43 891	34 562	37 457	39 092	41 777
Foreign bonds	90 335	93 860	78 844	84 409	81 825	87 465
Norwegian certificates	0	0	638	638	200	200
Foreign certificates	0	0	0	0	200	200
Other receivables	23	23	40	40	59	59
Total debt instruments classified as loans and receivables	133 486	137 775	114 084	122 543	121 377	129 700
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	902	902	1 064	1 064	1 016	1 016
Total loans to local government, enterprises & retail customers	902	902	1 064	1 064	1 016	1 016

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

NOK MILLIONS	30.09.2018		30.09.2017		31.12.2017	
	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	19 256	19 264	17 277	17 290	17 673	17 685
Loans to local government sector or enterprises with local government guarantee	64 998	65 373	59 589	60 281	61 441	62 083
Loans abroad secured by mortgage and local government guarantee	7 704	7 730	7 993	8 037	7 829	7 872
Loans creditcard	68	68	55	55	62	62
Total loans to local government, enterprises & retail customers	92 027	92 434	84 915	85 663	87 005	87 702
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	58 839	58 839	60 410	60 410	59 289	59 289
Norwegian certificates	7 855	7 855	11 323	11 323	11 154	11 154
Foreign bonds	82 489	82 489	84 521	84 521	85 144	85 144
Foreign certificates	12 918	12 918	17 034	17 034	16 839	16 839
Investments with credit institutions	162 101	162 101	173 288	173 288	172 427	172 427
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	159 333	159 333	140 445	140 445	150 221	150 221
Equity funds	11 184	11 184	9 869	9 869	10 641	10 641
Property funds	53	53	172	172	119	119
Alternative investments	827	827	644	644	756	756
Total equity capital instruments	171 398	171 398	151 130	151 130	161 736	161 736
RECEIVABLES						
Receivables related to direct business	13 713	13 713	8 634	8 634	1 026	1 026
Receivables related to reinsurance agreements	61	61	119	119	118	118
Reinsurance share of gross claims reserve	17	17	14	14	0	0
Receivables related to securites	9 432	9 432	3 638	3 638	2 161	2 161
Prepaid rent related to real estate activities	221	221	247	247	116	116
Other receivables	3	3	140	140	636	636
Total other loans and receivables including receivables from policyholders	23 446	23 446	12 792	12 792	4 056	4 056

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

NOK MILLIONS	30.09.2018		30.09.2017		31.12.2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	1 475	1 339	1 510	1 380	1 534	1 463
Subordinated loan capital	5 696	6 215	6 345	7 008	5 977	6 849
Debt to credit institutions	861	861	1 486	1 486	1 603	1 603
Covered bonds issued	22 635	22 640	21 737	21 737	21 451	21 457
Liabilities and deposits from customers	10 531	10 531	9 401	9 401	9 669	9 669
Total financial liabilities	41 196	41 585	40 478	41 012	40 235	41 042
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	3 575	3 575	4 942	4 942	2 983	2 983
Total financial liabilities	3 575	3 575	4 942	4 942	2 983	2 983
Assets in life insurance with investment option	3 406	3 406	2 432	2 432	2 684	2 684
Provisions in life insurance with investment option	3 406	3 406	2 432	2 432	2 684	2 684

NOK MILLIONS	30.09.2018		30.09.2017		31.12.2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	2 320	317	1 752	1 352	631	3 849
Interest rate swaps	425	212	359	1 283	368	903
Interest rate and currency swaps	465	0	505	0	530	0
Share option	0	1	0	0	0	7
Total financial derivatives	3 209	530	2 617	2 635	1 529	4 760

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
PERPETUAL SUBORDINATED LOAN CAPITAL							
Kommunal Landspensjonskasse	0	JPY	Fixed ¹	Perpetual	0	683	0
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ²	2045	5 696	5 662	5 977
Total subordinated loan capital	5 163				5 696	6 345	5 977
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	1 475	1 510	1 534
Total hybrid Tier 1 securities	984				1 475	1 510	1 534
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2017	0	419	0
KLP Kommunekreditt AS	175	NOK	Floating	2018	175	1 534	1 097
KLP Kommunekreditt AS	3 331	NOK	Floating	2019	3 334	4 505	4 505
KLP Kommunekreditt AS	3 050	NOK	Floating	2020	3 062	2 509	2 509
KLP Kommunekreditt AS	750	NOK	Fixed	2020	777	777	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 014	4 012	4 012
KLP Kommunekreditt AS	600	NOK	Fixed	2021	610	610	602
KLP Kommunekreditt AS	4 000	NOK	Floating	2022	4 006	2 503	3 104
KLP Kommunekreditt AS	500	NOK	Fixed	2027	505	505	508
KLP Boligkreditt AS	417	NOK	Floating	2019	417	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 007	2 006	2 006
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 505	1 703	1 703
KLP Boligkreditt AS	1 200	NOK	Floating	2023	1 201	0	0
Other					22	55	55
Total covered bonds	22 523				22 635	21 737	21 451

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.

¹ The loan was redeemed in the fourth quarter of 2017.

² The loan has an interest change date in 2025.

³ The loan has an interest change date in 2034.

⁴ There is no contractual maturity date on deposits.

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	200	NOK	Fixed	2018	207	207	202
KLP Banken AS	0	NOK	Floating	2018	0	465	458
KLP Banken AS	653	NOK	Floating	2019	654	814	814
KLP Funds	0	NOK	Fixed	2017	0	1 090	0
KLP Funds	503	NOK	Fixed	2018	503	0	1 089
KLP Funds	0	NOK/EUR/USD	Floating	2017	0	1 721	0
KLP Funds	1 538	NOK/EUR/USD	Floating	2018	1 538	0	1 346
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2017	0	2 127	0
Kommunal Landspensjonskasse	1 532	NOK/EUR/USD	Floating	2018	1 532	0	679
KLP Banken AS	0	NOK	Floating	2017	0	5	0
KLP Banken AS	3	NOK	Floating	2018	3	0	0
Other					0	0	-2
Total liabilities to credit institutions	4 428				4 436	6 428	4 587
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴							
Retail	8 512	NOK			8 512	7 543	7 691
Business	1 991	NOK			1 991	1 828	1 956
Foreign	27	NOK			27	30	22
Liabilities to and deposits from customers	10 531				10 531	9 401	9 669
Total financial liabilities	43 628				44 772	45 421	43 218

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

30.09.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	64 744	64 744
Land/plots	0	0	833	833
Real estate fund	0	0	2 681	2 681
Buildings	0	0	61 231	61 231
Lending at fair value	0	902	0	902
Bonds and other fixed-income securities	44 219	105 001	0	149 219
Certificates	7 044	811	0	7 855
Bonds	23 874	104 190	0	128 064
Fixed-income funds	13 301	0	0	13 301
Loans and receivables	11 276	1 605	0	12 882
Shares and units	154 209	4 789	12 400	171 398
Shares	152 457	3 909	2 968	159 333
Equity funds	1 752	0	65	1 817
Property funds	0	53	0	53
Special funds	0	827	0	827
Private Equity	0	0	9 367	9 367
Financial derivatives	0	3 209	0	3 209
Total assets at fair value	209 704	115 507	77 144	402 355
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	530	0	530
Debt to credit institutions ¹	3 072	503	0	3 575
Total financial liabilities at fair value	3 072	1 033	0	4 105

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 861 million per 30.09.2018.

NOTE 11 Fair value hierarchy – cont.

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.

NOTE 11 Fair value hierarchy – cont.

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

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, INVESTMENT PROPERTY	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
Opening balance 1 January	63 519	59 497	59 497
Net acquisition cost	1 045	681	816
Unrealised changes	234	1 216	3 206
Other changes	-54	-35	0
Closing balance 30.09. / 31.12.	64 744	61 359	63 519
Realised gains/losses	363	0	129

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
Opening balance 1 January	10 438	8 573	8 573
Sold	-1 841	-1 298	-1 715
Bought	1 924	1 124	1 699
Unrealised changes	1 879	1 265	1 881
Closing balance 30.09. / 31.12.	12 400	9 664	10 438
Realised gains/losses	1 109	336	445
Closing balance 30.09. / 31.12.	77 144	71 022	73 956

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 3 857 million as of 30.09.2018.

The investment option portfolio is not included in the table.

The investment option portfolio has NOK 3 406 millions in financial assets valued at fair value at Level 1. Per 30.09.2018 the NOK 3 406 millions consist of NOK 2 235 millions in shares and units in Level 1, NOK 1 155 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 638 million in stocks has been moved from Level 1 to Level 2 and NOK 364 millions from Level 2 to Level 1. This is due to changes in liquidity.

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.

30.09.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	241	965	6 157	0	7 363
Perpetual hybrid Tier 1 securities ¹	0	89	237	297	1 392	2 014
Debt to and deposits from customers (without defined maturity)	10 531	0	0	0	0	10 531
Covered bonds issued	0	1 746	22 327	619	0	24 692
Payables to credit institutions	748	423	238	0	0	1 409
Financial derivatives	827	960	185	-95	-166	1 711
Accounts payable	78	0	0	0	0	78
Contingent liabilities (without defined maturity)	15 362	0	0	0	0	15 362
Total	27 545	3 459	23 952	6 978	1 226	63 160

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 35 million, payables to credit institutions maturing within one month are reduced with NOK 0.3 million and derivatives maturing between 1 to 12 months are reduced with NOK 14 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 63 110 million.

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	83	0	0	0	0	83
Contingent liabilities (without defined maturity)	15 987	0	0	0	0	15 987
Total	30 170	4 547	23 108	7 290	1 270	66 386

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 within one month are reduced with NOK 226 million and derivatives maturing between 1 to 12 months are reduced with NOK 124 millions. Total amount of the financial liabilities for the Group are after these adjustments NOK 65 878 million.

NOTE 12 Liquidity risk – Continues

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

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

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

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

Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning AS 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

30.09.2018 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2018 - 30.09.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	2	-3	9	158	-305	-3	-141	-133
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-47	-77	-1 346	-1 969	-1 692	264	-4 867	-4 298
Fixed income fund holdings	-803	0	0	0	0	0	-803	-803
Lending and receivables	-1	-1	0	0	0	109	107	87
Lending	0	0	0	0	0	462	462	462
Cash and bank deposits	0	0	0	0	0	24	24	24
Contingent liabilities ¹	0	0	0	0	0	34	34	34
Total assets	-849	-81	-1 337	-1 811	-1 997	891	-5 183	-4 627
LIABILITIES								
Deposit	0	0	0	0	0	-78	-78	-78
Liabilities created on issue of securities	0	0	0	0	0	-176	-176	-176
Financial derivatives classified as liabilities	-1	0	40	-28	2	15	28	29
Hybrid capital, subordinated loans	0	0	0	50	70	0	121	121
Debt to credit institutions	0	0	0	0	0	-21	-21	-21
Total liabilities	-1	0	40	23	72	-260	-126	-125
Total before tax	-850	-81	-1 297	-1 788	-1 925	632	-5 309	-4 752
Total after tax	-637	-60	-973	-1 341	-1 444	474	-3 982	-3 564

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

NOTE 13 Interest rate risk – cont.

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	-667	-70	-888	-1 457	-1 385	449	-4 018	-3 540

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

NOTE 13 Interest rate risk – cont.

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

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.

NOTE 13 Interest rate risk – cont.

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

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

NOTE 14 Credit risk

30.09.2018 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	27 925	0	31	0	0	0	2 273	30 229	30 229
Debt instruments classified as loans and receivables at amortized cost	109 182	0	591	0	0	0	23 713	133 486	133 486
Debt instruments at fair value - fixed-return securities	110 389	1 042	3 830	8 672	0	0	11 941	135 873	123 227
Fixed-income funds	0	0	0	0	0	0	13 300	13 300	13 300
Loans and receivables	12 814	0	0	114	0	0	0	12 928	10 716
Financial derivatives classified as assets	3 209	0	0	0	0	0	0	3 209	2 501
Cash and bank deposits	3 225	0	0	0	0	0	0	3 225	3 225
Lending	0	0	65 043	0	17 228	2 043	8 614	92 929	92 929
Total	266 744	1 042	69 495	8 785	17 228	2 043	59 841	425 179	409 612

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	12 601	3 539	8 505	3 280	27 925
Debt instruments classified as loans and receivables at amortized cost	19 491	18 390	52 476	18 825	109 182
Debt instruments at fair value - fixed-return securities	40 354	8 955	33 374	27 707	110 389
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	1 168	11 645	0	12 814
Financial derivatives classified as assets	0	277	2 932	0	3 209
Cash and bank deposits	50	270	2 905	0	3 225
Lending	0	0	0	0	0
Total	72 497	32 599	111 837	49 811	266 744

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.

30.09.2017 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	8 149	85 979	85 979
Total	254 298	767	67 512	7 141	14 576	2 651	64 122	411 068	393 525

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Total Invest- ment 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.

31.12.2017 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	28 893	0	31	0	0	0	2 207	31 131	31 131
Debt instruments classified as loans and receivables at amortized cost	92 315	0	6 281	100	0	0	22 680	121 377	121 318
Debt instruments at fair value - fixed-return securities	115 270	1 003	5 539	7 266	0	0	13 018	142 095	128 012
Fixed-income funds	0	0	0	0	0	0	13 485	13 485	13 485
Loans and receivables	16 847	0	0	0	0	0	0	16 847	13 755
Financial derivatives classified as assets	1 525	0	0	4	0	0	0	1 529	1 407
Cash and bank deposits	2 775	0	0	45	0	0	0	2 820	2 820
Lending	0	0	62 329	0	14 928	2 694	8 069	88 021	88 021
Total	257 625	1 003	74 180	7 415	14 928	2 694	59 458	417 304	399 949

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

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 60 billion per 30.09.2018. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category.

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

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

NOK MILLIONS	30.09.2018		30.09.2017		31.12.2017	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
10 LARGEST COUNTERPARTIES						
Counterparty 1	15 275	15 134	16 017	15 862	15 988	15 820
Counterparty 2	9 080	8 673	12 713	12 120	8 274	8 137
Counterparty 3	8 291	8 291	8 554	8 218	8 137	8 067
Counterparty 4	7 966	5 592	8 218	6 608	7 427	5 579
Counterparty 5	5 717	5 512	5 293	5 228	5 746	5 577
Counterparty 6	5 437	5 373	5 102	5 054	5 642	5 511
Counterparty 7	4 672	4 672	4 672	4 672	4 698	4 698
Counterparty 8	4 635	4 597	4 034	3 670	4 361	3 959
Counterparty 9	3 594	3 456	3 481	3 168	3 999	3 360
Counterparty 10	3 354	3 342	3 302	3 118	3 131	3 122
Total	68 021	64 642	71 386	67 718	67 404	63 830

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

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

NOTE 15 Technical provisions in life insurance

NOK MILLIONS	30.09.2018	30.09.2017	31.12.2017
Premium reserves - ordinary tariff	430 425	400 354	407 702
Premium funds, buffer funds and pensioners' surplus funds	11 343	12 449	15 043
Supplementary reserves	25 624	24 472	25 646
Securities adjustment fund	42 647	36 155	42 309
Other provisions	59	50	104
Profit/loss allocated to insurance contracts	5 989	5 599	0
Technical provisions in life insurance	516 087	479 079	490 803

NOK MILLIONS	30.09.2018	30.09.2017	31.12.2017
Premium reserves	3 388	2 423	2 675
Deposit funds	18	9	9
Provisions in life insurance with investment options	3 406	2 432	2 684

NOTE 16 Other current liabilities

NOK MILLIONS	30.09.2018	30.09.2017	31.12.2017
Short-term payables trade in securities	12 080	4 550	2 799
Incurred not assessed taxes	201	224	256
Advance tax-deduction pension scheme	363	344	394
Accounts payable	357	166	169
Pre-called contribution to insurance	1 981	3 258	111
Other current liabilities	622	776	2 189
Total other current liabilities	15 605	9 317	5 919

NOTE 17 SCR ratio

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

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 249 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 301 per cent.

	30.09.2018	31.12.2017
Solvency II - SCR ratio	249 %	224 %

NOK BILLIONS	30.09.2018	31.12.2017		30.09.2018	31.12.2017
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	571	542	Best estimate	514	493
Added values - hold-to-maturity portfolio/loans and receivables	5	10	Risk margin	13	13
Added values - other lending	0	1	Hybrid Tier 1 securities/Subordinated loan capital	7	8
Other added/lesser values	0	0	Other liabilities	8	8
Deferred tax asset	0	0	Deferred tax liabilities	2	1
Total assets - solvency II	577	552	Total liabilities - solvency II	544	524
			Excess of assets over liabilities	32	29
			- Deferred tax asset	0	0
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	1	2
			Tier 1 basic own funds	30	26
			Total eligible tier 1 own funds	30	26
			Subordinated loans	7	6
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	11
			Ancillary own funds	11	10
			Tier 2 ancillary own funds	11	10
			Deduction for max. eligible tier 2 own funds	-15	-13
			Total eligible tier 2 own funds	7	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	36	33
			Solvency capital requirement (SCR)	15	15
			Solvency II- SCR ratio	249 %	224 %

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

30.09.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund

ASSETS

Financial derivatives	3 209	0	3 209	-529	-2 491	-264	95	81
Repos	0	0	0	0	0	0	0	0
Total	3 209	0	3 209	-529	-2 491	-264	95	81

LIABILITIES

Financial derivatives	530	0	530	-530	-22	-29	0	0
Repos	503	0	503	0	0	0	503	503
Total	1 033	0	1 033	-530	-22	-29	503	503

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	0	531	525
Repos	1 090	0	1 090	0	0	0	1 090	1 090
Total	3 724	0	3 724	-1 394	-841	0	1 621	1 615

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

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

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.

Key figures - Accumulated

NOK MILLIONS	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
KLP GROUP								
Profit before tax	2 255	1 516	880	2 474	2 799	1 946	779	2 449
Total assets	691 571	668 577	649 547	652 167	641 486	627 805	612 441	596 113
Owners' equity	32 307	30 386	30 158	29 564	29 363	27 646	27 180	27 823
Solvency SCR ratio	249 %	231 %	233 %	224 %	210 %	204 %	203 %	198 %
Number of employees in the Group	990	980	966	961	956	955	941	946
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	1 438	1 287	812	1 993	1 295	1 084	475	2 125
Premium income for own account	31 259	21 989	6 334	32 417	23 989	15 158	6 483	36 854
- of which inflow of premium reserve	5	5	5	298	208	208	177	3 250
Insurance customers' funds incl. acc. profit	14 110	9 473	4 844	17 386	13 044	8 751	4 459	16 387
- of which funds with guaranteed returns	497	497	424	212	211	211	188	124
Net investment common portfolio	509 046	502 991	495 146	495 607	480 375	476 229	469 414	460 289
Net investment in investment option portfolio	2 478	2 487	2 351	2 375	2 329	2 293	2 244	2 184
Insurance funds incl. earnings for the year	514 393	506 479	487 732	489 159	477 463	469 952	461 095	452 375
- of which funds with guaranteed interest	439 939	437 311	402 945	421 286	411 325	408 413	403 030	399 562
Solvency capital requirement (SCR)	36 854	34 417	34 131	33 511	34 597	32 610	32 462	31 338
Solvency SCR ratio	274 %	253 %	255 %	242 %	223 %	216 %	214 %	209 %
Riskprofit	578	393	193	599	426	272	100	784
Return profits	6 086	5 046	2 931	6 769	5 487	1567	139	8 094
Administration profit	115	22	29	141	143	51	32	-50
Solvency capital	120 680	115 445	109 209	116 656	115 446	108 843	105 303	98 856
Book return on common portfolio	3,1 %	2,3 %	1,2 %	3,9 %	3,1 %	1,5 %	0,6 %	4,4 %
Value-adjusted return on common portfolio	2,9 %	1,3 %	-0,4 %	6,7 %	4,6 %	3,0 %	1,7 %	5,8 %
Return on investment option portfolio	3,1 %	1,3 %	-0,9 %	7,4 %	5,0 %	3,2 %	1,8 %	6,2 %
Return on corporate portfolio	3,1 %	2,3 %	1,6 %	4,0 %	3,0 %	2,2 %	0,9 %	4,7 %

Key figures - Accumulated – cont.

NOK MILLIONS	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
KLP SKADEFORSIKRING AS								
Profit before tax	105,6	36,5	-12,5	164,2	152,6	114,9	49,6	255,4
Gross premium due	994,5	655,7	324,1	1 344,3	997,7	652,6	320,4	1207,5
Premium income for own account	942,3	620,9	306,7	1 286,8	954,7	623,9	304,5	1150,1
Owners' equity	1 860,0	1 807,0	1 767,9	1 771,9	1 828,5	1 806	1 739	1 715,8
Claims ratio	77,2 %	78,1 %	77,2 %	84,2 %	80,6 %	77,0 %	81,1 %	75,9 %
Combined-ratio	100,1 %	103,2 %	101,7 %	106,0 %	101,0 %	98,9 %	103,0 %	98,7 %
Return on assets under management	2,4 %	1,3 %	-0,2 %	5,6 %	3,8 %	2,5 %	1,4 %	6,1 %
Solvency capital requirement (SCR)	1 840	1 795	1 771	1 764	1 873	1 877	1 848	1 762
Solvency SCR ratio	251 %	240 %	237 %	233 %	257 %	264 %	264 %	261 %
Annual premium in force – retail market	564,1	547,8	539,6	526,4	510,5	488,2	462,0	435,2
Annual premium in force – public sector market	797,8	797,7	791,5	889,6	873,6	865,2	851,4	832,2
Net new subscriptions (accumulated within the year)	84,9	35,1	17,6	50,3	103,6	72,8	32,5	135,2
KLP BEDRIFTSPENSJON AS								
Profit before tax	-24,1	-16,7	-8,5	-24,5	-23,4	-17,4	-12,1	-27,6
Premium income for own account	731,8	474,4	247,5	996,7	770,4	569,9	320,8	574,3
- of which premium reserve added	350,4	217,2	118,4	543,1	447	351,6	209,8	185,0
Insurance customers' funds including accumulated profit	5 100	4 764	4 491	4 328	4 048	3 796	3 581	3 241
- of which funds with guaranteed returns	1 498	1 498	1 483	1 442	1 425	1 425	1 422	1 390
Returns profit	25,3	19,9	11,5	77,8	16,1	4,5	-2,6	31,0
Risk result	-7,9	-2,5	0,3	-0,6	-3,1	-2,4	-4,1	6,0
Administration losses	-28,6	-21,8	-11,2	-38,8	-28	-20	-9,1	-32,5
Solvency capital requirement (SCR)	211	217	209	195	268	285	29	11
Solvency SCR ratio	133 %	128 %	126 %	107 %	147 %	185 %	33 %	22 %
Solvency capital	642	665,8	674,4	721,3	708,7	716,6	483,3	479,4
Book capital return on common portfolio	3,6 %	2,6 %	1,4 %	8,3 %	3,3 %	1,8 %	0,6 %	5,3 %
Value-adjusted capital return on common portfolio	2,4 %	1,4 %	0,4 %	5,6 %	3,7 %	2,4 %	1,2 %	5,7 %
Return on defined unit-linked contribution pensions	4,5 %	1,1 %	-2,6 %	11,9 %	8,3 %	4,4 %	1,8 %	7,0 %
Return on corporate portfolio	1,0 %	0,5 %	0,0 %	2,3 %	1,8 %	1,3 %	0,7 %	2,4 %

Key figures - Accumulated – cont.

NOK MILLIONS	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
KLP BANKEN GROUP								
Profit/loss before tax	71,1	43,0	23,7	103,1	81,7	47,9	23,2	91,2
Net interest income	183,2	122,6	64,6	241,6	173,9	108,5	51,4	194,3
Other operating income	56,0	37,4	18,3	68,2	50,7	33,6	16,8	66,4
Operating expenses and depreciation	-160,7	-114,4	-58,1	-203,4	-143,2	-97,8	-48,6	-179,5
Net realized/unrealized changes in financial instruments to fair value	-7,4	-2,7	-1,1	-3,4	0,3	3,5	3,7	11,1
Contributions	10 531	10 218	9 733	9 669	9 401	9 138	8 939	8 688
Housing mortgages granted	16 243	15 764	15 147	14 441	14 003	13 730	13 376	12 717
Loan(s) with public guarantee(s)	16 206	16 282	16 091	16 322	17 015	17 166	17 282	17 246
Defaulted loans	32	21	27	22	17	26	28	22
Borrowing on the issuance of securities	23 496	23 084	23 341	22 924	23 223	23 762	23 241	23 451
Total assets	36 468	35 817	35 404	34 981	34 855	35 140	34 383	34 382
Average total assets	35 725	35 399	35 192	34 682	34 619	34 761	34 383	32 838
Owners' equity	2 130	2 108	2 094	2 078	1 910	1 887	1 868	1 850
Net interest rate	0,51 %	0,35 %	0,18 %	0,70 %	0,50 %	0,31 %	0,15 %	0,59 %
Profit/loss from general operations before tax	0,20 %	0,12 %	0,07 %	0,30 %	0,24 %	0,14 %	0,07 %	0,28 %
Return on owners' equity before tax	4,56 %	4,14 %	4,57 %	5,57 %	5,89 %	5,18 %	5,02 %	6,05 %
Capital adequacy	19,9 %	20,2 %	20,6 %	21,1 %	19,5 %	19,3 %	19,3 %	19,0 %
Number of private customers	60 697	59 204	57 568	54 568	52 510	50 885	49 038	46 801
Of this members of KLP	43 267	41 698	40 317	38 382	37 044	35 983	34 703	33 173
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	26,6	-0,9	-2,1	46,7	50,7	26,6	17,5	18,2
Total assets under management	498 246	483 636	483 074	488 947	473 995	463 558	455 577	441 943
Assets managed for external customers	68 975	58 980	63 989	70 878	64 883	62 128	58 210	54 003



Sustainability Report

Q3 2018

Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS	30.09.2018	30.09.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
EMPLOYEE STATISTICS					
Employees of KLP	990	956	961	950	n/a
Total sickness absence	4,1 %	4,4 %	4,6 %	4,5 %	3.
ENVIRONMENT					
Number of flights	2 293	2 342	3 107	3 294	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO ₂ e)	413	398	534	550	13. 12.
Energy consumption in KLP's own offices (KWh/m ²)	122	125	130	147	9. 13.
Energy consumption in KLP's property portfolio (KWh/m ²)	200	191	190	197	9. 13.
ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION	30.09.2018	30.09.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
Companies excluded from investments	187	176	174	162	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	95 (98%)	106 (98%)	115 (97 %)	111 (96%)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	5618 (97%)	2336 (91%)	2617 (91 %)	2627 (90%)	n/a
Companies KLP has had direct dialogue with	93	176	192	214	All SDGs

Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in the3rd quarter						
	2018	2017	30.09.2018	30.09.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
CLIMATE-FRIENDLY INVESTMENTS							
Renewable energy in Norway (MNOK)	201	1700	22 789	23 806	22 282	22 034	7.
Renewable energy in Europe and the USA (MNOK)	-463	75	1 370	963	1 088	652	7.
Renewable energy in developing countries (MNOK)	65	3	510	317	381	257	7. 9. 17.
Lending for power; water, drainage and renovation (MNOK)	-23	-22	3 125	3 215	3 173	3 084	7.
International power companies (mNOK)	1 200	n/a	1 200	n/a	n/a	n/a	
Buildings with environmental qualities in the property portfolio (MNOK value)	36	-43	10 343	9 312	10 115	9 154	9.
Green bonds (MNOK)	-6	15	759	703	735	593	n/a
Other Climate-Friendly investments (mNOK)	0	n/a	230	n/a	n/a	n/a	n/a
Totalt (mNOK)	1 009	1 728	40 326	38 316	37 774	35 774	n/a
As a proportion of KLP's investments	0 %	0 %	7 %	7 %	7 %	7 %	n/a
Fossil energy (market value in MNOK)	362	469	11 793	10 248	11 215	9 693	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	2 %	2 %	2 %	2 %	n/a
Renewable energy (market value in MNOK)	-221	1 756	27 793	28 301	26 924	26 027	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	5 %	5 %	4 %	5 %	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	36	-43	10 343	9 312	10 115	9 177	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	0 %	0 %	16 %	15 %	16 %	15 %	9.
FINANCE IN DEVELOPING COUNTRIES							
Banking and finance in developing countries	41	-14	596	449	530	421	1. 5. 8. 17.
SEED INVESTMENTS							
Seed investments in Norway (mNOK)	0	n/a	2	n/a	n/a	n/a	8
DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in the3rd quarter						
	2018	2017	30.09.2018	30.09.2017	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
LENDING BUSINESS							
Loans for roads and transport (MNOK)	-8	830	8 096	9 089	9 411	7 065	9
Loans for public property (MNOK)	124	501	4 661	3 968	4 060	3 264	9
Loans to public sector and businesses (MNOK)	2 199	9	49 275	43 558	45 087	44 012	n/a

Notes to the Sustainability Report

EMPLOYEE STATISTICS

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

DEFINITION:

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

ENVIRONMENT

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

DEFINITION:

Corporate air travel:

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

Energy consumption in KLP's own offices:

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

employees of the KLP Group work. The energy data is obtained from our energy monitoring system.

Energy consumption in KLP's property portfolio:

The data reported is average 12-month temperature-corrected specified energy consumptions for properties operated by KLP.

"In-house operated buildings" means those properties KLP owns and for which KLP has the responsibility for operation and maintenance, and where KLP has the opportunity to implement environmental measures and measure their effects. These are buildings in Oslo, Trondheim, Copenhagen and Stockholm. All these buildings have energy monitoring systems in which energy and water consumption is recorded and monitored. The figures only include buildings where the tenant's energy consumption is also measured, providing us with an overview of the total energy consumption of the buildings. Energy consumption in kWh/m² per year for KLP's in-house operated buildings is temperature-corrected.

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

ENGAGING COMPANIES AND INDUSTRIES FOR MORE SUSTAINABLE OPERATION

KLP is a committed investor and owner. We vote at general assemblies, and have direct dialogue with companies on ESG matters in our efforts to influence individual companies, industries and markets.

UN SUSTAINABLE DEVELOPMENT GOALS:

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

- Target 3.a: Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries.
- Target 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour.
- Target 12.6: Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
- Target 16.2: End abuse, exploitation, trafficking and all forms of violence against and torture of children, 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.5: Substantially reduce corruption and bribery in all their forms.

TARGET:

- KLP aims to vote at 75 per cent of general meetings internationally, and 90 per cent of general meetings in Norway.
- KLP aimed to monitor 240 companies in 2017.

DEFINITION:

Companies excluded from investments shows the total number of companies KLP has excluded from its investments as of the end of the year, based on breaches of KLP's guidelines for responsible investment.

The number of companies KLP has had direct dialogue with refers to companies that KLP has been in direct contact with during the year on social, environmental, or governance matters. The dialogue varies in scope, subject-matter and time frame. This is a form of exercising ownership in which KLP engages in dialogue with companies to discuss their handling of social responsibility issues, and communicate our expectations as an investor and owner. In 2018, KLPs strategy has been to engage deeper and more thoroughly with the companies we are in dialogue with. As such, even though the number of engagements has gone down, we still believe this kind of engagement strategy will be more beneficial over time. Both for KLP as an investor and for the companies.

INCREASE CLIMATE-FRIENDLY INVESTMENTS

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

DEFINITION:

Market value of the investments in NOK millions is stated.

Renewable energy:

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

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

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

Lending for energy, water, drainage and renovation:

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

International power companies

Investments in international power companies entail power companies who mainly generate power from renewable energy sources. However, we have not included these companies in the indicators for renewable energy as they do generate a minor part of the electricity from other sources.

Green bonds:

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

Other climate-friendly investments:

Climate-friendly investments that are not covered by the aforementioned main categories are combined in this

indicator. In the 2nd quarter 2018, KLP invested 230 mNOK in a Swedish forest fund, investing in forest-properties in Sweden, Finland and the Baltics.

Fossil energy:

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

Buildings with environmental qualities:

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

Proportion of total portfolio:

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

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

FINANCE IN DEVELOPING COUNTRIES:

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

Not defined.

DEFINITION:

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

SEED INVESTMENTS:

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

Not defined.

DEFINITION:

Seed investments. In the 2nd quarter 2018 KLP committed to invest 75 mNOK in SINTEF's Venture V, a seed investment fund that will invest in startups coming out of the research and development community in Trondheim, Norway. Hence, in our Q2 report, we reported the total committed sum of 75 mNOK. However, as of Q3 2018, only 2,25 mNOK have been transferred, and we are therefore reporting on the transferred sum. Q3 is the first quarter where we have available data for the amount transferred in addition to the sum committed.

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

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

LENDING BUSINESS:

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

Increase lending for this type of purpose.

DEFINISJON:

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



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q3 2018

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
3	Premium income	9 270	8 832	31 259	23 989	32 417
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	711	439	1 999	2 449	5 565
	Interest income and dividends etc. on financial assets	1 927	4 527	7 560	8 920	10 871
	Value changes on investments	4 911	118	2 097	9 508	13 450
	Gains and losses realized on investments	332	2 035	2 706	-118	924
	Net income from investments in the common portfolio	7 880	7 119	14 363	20 760	30 810
	Net income from investments in the investment option portfolio	43	40	73	110	164
	Other insurance-related income	271	245	781	732	984
4	Claims	-4 638	-4 293	-14 110	-13 044	-17 386
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-10 817	-7 115	-23 398	-24 428	-38 615
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-7	-23	-72	-83	-95
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-5 199
	Unallocated profit to insurance contracts	-1 094	-3 949	-6 245	-5 592	0
5	Insurance-related operating expenses	-223	-202	-768	-709	-1 001
	Other insurance-related costs	-270	-246	-785	-730	-980
	Technical profit/loss	415	408	1 098	1 005	1 098
	Net income from investments in the corporate portfolio	258	292	1 028	970	1 261
	Other income	1	3	4	8	12
	Administration costs and other costs associated with the corporate portfolio	-86	-91	-254	-286	-386
	Non-technical profit/loss	174	204	778	692	887
	Profit/loss pre-tax	588	612	1 876	1 696	1 985
	Tax	-72	-129	-438	-323	-496
	Profit/loss before other comprehensive income	516	483	1 438	1 374	1 489
	Actuarial gains and losses on defined benefits pension schemes - employee benefits	0	-72	0	-72	-19
	Proportion of other comprehensive income on application of the equity method	0	-36	0	-36	-12
	Adjustment of the insurance liabilities	0	11	0	11	2
	Tax on other comprehensive income	0	18	0	18	5
	Total other comprehensive income	0	-79	0	-79	-24
	TOTAL COMPREHENSIVE INCOME	516	404	1 438	1 295	1 465

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2018	30.09.2017	31.12.2017
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	189	235	226
7	Investment properties	854	993	1 003
	Shares and holdings in property subsidiaries	1 846	1 783	1 831
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 778	4 528	4 641
6	Financial assets valued at amortized cost	17 789	15 796	16 233
6,7	Financial assets valued at fair value	12 123	11 656	10 995
	Receivables	13 228	8 383	986
	Tax asset	363	44	0
	Other assets	837	1 344	888
Total assets in the corporate portfolio		52 008	44 760	36 802
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	60 062	55 675	58 605
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	938	636	771
6	Financial assets valued at amortized cost	202 410	182 348	189 962
6,7	Financial assets valued at fair value	245 637	241 717	246 268
Total investment in the common portfolio		509 046	480 375	495 607
	Shares and holdings in property subsidiaries	297	275	290
6	Financial assets at amortized costs	869	785	802
6,7	Financial assets at fair value	1 313	1 270	1 283
Total investments in the investment option portfolio		2 478	2 329	2 375
Total assets in the customer portfolios		511 524	482 704	497 982
TOTAL ASSETS		563 532	527 465	534 784

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2018	30.09.2017	31.12.2017
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	14 553	13 121	13 125
	Retained earnings	18 940	17 331	17 501
	Total owners' equity	33 492	30 452	30 626
6	Subordinated loan capital etc.	7 170	7 855	7 511
	Premium reserve etc.	426 751	397 098	403 902
	Supplementary reserves	25 379	24 291	25 399
	Securities adjustment fund	42 635	36 079	42 277
	Premium funds, defined contribution funds, pension regulation funds etc.	10 937	12 155	15 206
	Unallocated profit to customers	6 212	5 510	0
	Total insurance liabilities - contractual liabilities	511 914	475 133	486 785
	Pension capital etc.	1 915	1 844	1 849
	Supplementary reserves	140	135	140
	Premium funds, defined contribution funds, pension regulation funds etc.	391	281	385
	Unallocated profit to customers	33	71	0
	Total insurance liabilities - special investment portfolio	2 479	2 330	2 374
	Pension obligations	544	564	520
	Current tax liabilities	3	13	2
	Deferred tax liabilities	1 024	0	226
9	Liabilities	6 838	11 058	6 442
	Accrued costs and prepaid income	68	60	299
	TOTAL OWNERS' EQUITY AND LIABILITIES	563 532	527 465	534 784
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	14 065	14 986	14 597

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2018	13 125	4 154	13 347	30 626
Income before other profit/loss components		418	1 020	1 438
Actuarial gains and losses on defined benefits pension schemes - employee benefits			0	0
Proportion of other comprehensive income on application of the equity method			0	0
Adjustment of the insurance liabilities			0	0
Tax on other comprehensive income			0	0
Total other comprehensive income			0	0
Total comprehensive income (unallocated)		418	1 020	1 438
Owners equity contribution recieved	1 428			1 428
Total transactions with owners	1 428			1 428
Own funds 30 September 2018 ¹	14 553	4 572	14 367	33 492

¹ As a result of new mortality assumptions with effect from 01.01.2018 in KLP's pension schemes for nurses and hospital doctors, KLP increased its provisions for these pension schemes in 2017. The increased provision was financed with money from the returns and risk results for the relevant pension schemes in 2017, and from the risk equalisation fund. The company is required by the decision of the Financial Supervisory Authority of Norway to cover 20% of the increased provision by transfers from the company's equity to the premium funds for the two pension schemes. These amount to NOK 210 million and will be allocated to customers in the annual appropriation for 2018.

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 31 December 2016	11 726	3 907	12 153	27 785
Principle change equity method			-24	-24
Own funds 1 January 2017	11 726	3 907	12 130	27 762
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	13 092	30 452

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

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

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2018 -30.09.2018	01.01.2018 -30.06.2018	01.01.2018 -31.03.2018	01.01.2017 -31.12.2017	01.01.2017 -30.09.2017
Net cashflow from operational activities	-1 461	287	-12	-728	-952
Net cashflow from investment activities ¹	-12	-12	-10	-49	-34
Net cashflow from financing activities ²	1 428	-13	-14	731	1 395
Net changes in cash and bank deposits	-45	262	-35	-45	410
Holdings of cash and bank deposits at start of period	842	842	842	887	887
Holdings of cash and bank deposits at end of period	796	1 104	807	842	1 296

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 financial statements

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles and -estimates

ACCOUNTING PRINCIPLES

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

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

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

ACCOUNTING ESTIMATES

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

NOTE 2 Value-adjustment investment property

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

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Value adjustment incl. foreign exchange	39	-228	122	1 188	3 151
Foreign exchange effect on hedging	60	348	1 320	-272	-734
Net value adjustment incl. exchange hedging	100	120	1 443	916	2 417

NOTE 3 Premium income

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Gross premiums due	9 270	8 832	31 255	23 781	32 122
Reinsurance premiums ceded	0	0	-2	0	-3
Transfer of premium reserves from others	0	0	5	208	298
Total premium income	9 270	8 832	31 259	23 989	32 417

NOTE 4 Claims

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Claims paid	4 638	4 292	13 614	12 833	17 174
Transfers of premium reserves to others	0	1	497	211	212
Total claims	4 638	4 293	14 110	13 044	17 386

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q3 2018	Q3 2017	01.01.2018 -30.09.2018	01.01.2017 -30.09.2017	01.01.2017 -31.12.2017
Personnel costs	127	116	439	417	598
Depreciation	18	17	55	51	74
Other operating expenses	78	68	273	241	329
Total insurance-related operating expenses	223	202	768	709	1 001

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.

30.09.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	680	747	6 247	6 681	23	24	6 951	7 451
Accrued not due interest	21	21	199	199	1	1	220	220
Foreign hold-to-maturity bonds	6 075	6 202	16 519	16 963	57	62	22 651	23 227
Accrued not due interest	23	23	210	210	1	1	235	235
Total investments held to maturity	6 799	6 993	23 176	24 053	81	88	30 056	31 134
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 820	3 867	37 317	37 984	192	199	41 330	42 050
Accrued not due interest	54	54	655	655	2	2	711	711
Foreign bonds	7 039	7 102	79 406	82 825	583	604	87 028	90 531
Accrued not due interest	77	77	1 387	1 387	10	10	1 474	1 474
Total bonds classified as loans and receivables	10 990	11 100	118 765	122 851	787	815	130 543	134 765
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 030	3 035	0	0	3 030	3 035
Lending with public sector guarantee	0	0	49 451	49 733	0	0	49 451	49 733
Loans abroad secured by mortgage and local government guarantee	0	0	7 664	7 690	0	0	7 664	7 690
Accrued not due interest	0	0	324	324	0	0	324	324
Total other loans and receivables	0	0	60 469	60 781	0	0	60 469	60 781
Total financial assets at amortized cost	17 789	18 093	202 410	207 685	869	903	221 068	226 680
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	473	473	7 723	7 723	0	0	8 196	8 196
Foreign shares	0	0	25 737	25 737	0	0	25 737	25 737
Total shares	473	473	33 460	33 460	0	0	33 933	33 933
Property funds	0	0	2 309	2 309	0	0	2 309	2 309
Norwegian equity funds	0	0	68 116	68 116	653	653	68 769	68 769
Foreign equity funds	0	0	10 581	10 581	0	0	10 581	10 581
Total equity fund units	0	0	81 007	81 007	653	653	81 660	81 660
Norwegian alternative investments	0	0	2 692	2 692	16	16	2 708	2 708
Foreign alternative investments	0	0	827	827	0	0	827	827
Total alternative investments	0	0	3 519	3 519	16	16	3 536	3 536
Total shares and units	473	473	117 986	117 986	670	670	119 128	119 128

NOTE 6 Fair value of financial assets and liabilities – continues

30.09.2018 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	7 277	7 277	32 588	32 588	0	0	39 865	39 865
Foreign bonds	156	156	17 178	17 178	0	0	17 334	17 334
Accrued not due interest	32	32	291	291	0	0	323	323
Norwegian fixed-income funds	2 193	2 193	49 680	49 680	566	566	52 439	52 439
Foreign fixed-income funds	0	0	13 300	13 300	0	0	13 300	13 300
Accrued not due interest	30	30	1 080	1 080	10	10	1 120	1 120
Norwegian certificates	235	235	5 966	5 966	0	0	6 201	6 201
Accrued not due interest	1	1	1	1	0	0	3	3
Total bonds and other fixed-income securities	9 925	9 925	120 085	120 085	575	575	130 585	130 585
Norwegian loans and receivables	1 132	1 132	2 178	2 178	12	12	3 322	3 322
Foreign loans and receivables	118	118	3 462	3 462	32	32	3 613	3 613
Total loans and receivables	1 251	1 251	5 640	5 640	44	44	6 935	6 935
DERIVATIVES								
Interest rate swaps	474	474	241	241	0	0	715	715
Forward exchange contracts	1	1	1 139	1 139	8	8	1 148	1 148
Total financial derivatives classified as assets	475	475	1 380	1 380	8	8	1 863	1 863
Other financial assets	0	0	545	545	16	16	561	561
Total financial assets valued at fair value	12 123	12 123	245 637	245 637	1 313	1 313	259 072	259 072
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	18	18	0	0	18	18
Forward exchange contracts	0	0	231	231	1	1	232	232
Total financial derivatives classified as liabilities	0	0	249	249	1	1	250	250
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 696	6 215	0	0	0	0	5 696	6 215
Hybrid Tier 1 securities	1 475	1 339	0	0	0	0	1 475	1 339
Total subordinated loan capital etc.	7 170	7 554	0	0	0	0	7 170	7 554
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	444	444	0	0	444	444
Foreign call money ¹	485	485	592	592	11	11	1 087	1 087
Total liabilities to credit institutions	485	485	1 036	1 036	11	11	1 532	1 532

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

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
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 loan	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

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

NOTE 6 Fair value of financial assets and liabilities – continues

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

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

NOTE 7 Fair value hierarchy

30.09.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 270	7 655	0	9 925
Certificates	0	236	0	236
Bonds	46	7 419	0	7 465
Fixed-income funds	2 224	0	0	2 224
Loans and receivables	539	711	0	1 251
Shares and units	0	469	4	473
Shares	0	469	4	473
Financial derivatives	0	475	0	475
Other financial assets	0	0	0	0
Total corporate portfolio	2 810	9 309	4	12 123
COMMON PORTFOLIO				
Bonds and other fixed-income securities	85 948	34 137	0	120 085
Certificates	5 636	331	0	5 967
Bonds	16 252	33 806	0	50 057
Fixed-income funds	64 060	0	0	64 060
Loans and receivables	4 895	746	0	5 640
Shares and units	99 070	4 294	14 623	117 986
Shares	29 804	721	2 935	33 460
Equity funds	69 266	0	65	69 330
Property funds	0	53	2 256	2 309
Special funds	0	3 519	0	3 519
Private Equity	0	0	9 367	9 367
Financial derivatives	0	1 380	0	1 380
Other financial assets	0	545	0	545
Total common portfolio	189 913	41 101	14 623	245 637

NOTE 7 Fair value hierarchy – continues

30.09.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	575	0	0	575
Fixed-income funds	575	0	0	575
Loans and receivables	44	0	0	44
Shares and units	653	16	0	670
Equity funds	653	0	0	653
Special funds	0	16	0	16
Financial derivatives	0	8	0	8
Other financial assets	0	16	0	16
Total investment option portfolio	1 272	40	0	1 313
Total financial assets valued at fair value	193 995	50 451	14 627	259 072
CORPORATE PORTFOLIO				
Investment property	0	0	854	854
Total investment property	0	0	854	854
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	485	0	0	485
Total corporate portfolio	485	0	0	485
COMMON PORTFOLIO				
Financial derivatives	0	249	0	249
Debt to credit institutions	1 036	0	0	1 036
Total common portfolio	1 036	249	0	1 285
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	1	0	1
Debt to credit institutions	11	0	0	11
Total investment option portfolio	11	1	0	12
Total financial liabilities at fair value	1 532	250	0	1 782

NOTE 7 Fair value hierarchy – continues

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

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

NOTE 7 Fair value hierarchy – continues

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

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
Opening balance 01.01.	3	47	47
Sold	0	-84	-84
Bought	0	3	3
Unrealised changes	1	37	37
Closing balance 30.09./31.12.	4	3	3
Realised gains/losses	-48	83	83

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
Opening balance 01.01.	1 640	1 375	1 375
Sold	0	-19	-19
Bought	519	13	129
Unrealised changes	776	101	155
Closing balance 30.09./31.12.	2 935	1 470	1 640
Realised gains/losses	0	-27	-27

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
Opening balance 01.01.	75	84	84
Sold	-15	-6	-6
Bought	0	0	0
Unrealised changes	5	-3	-3
Closing balance 30.09./31.12.	65	75	75
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
Opening balance 01.01.	10 837	8 661	8 661
Sold	-1 830	-1 204	-1 621
Bought	1 416	1 501	1 985
Unrealised changes	1 200	1 221	1 811
Closing balance 30.09./31.12.	11 623	10 180	10 837
Realised gains/losses	1 156	280	389

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 30.09.2018	Book value 30.09.2017	Book value 31.12.2017
Opening balance 01.01.	1 003	1 003	1 003
Sold	-499	0	0
Bought	0	0	0
Unrealised changes	10	30	41
Other	341	-41	-41
Closing balance 30.09./31.12.	854	993	1 003
Realised gains/losses	362	41	-41
Total Level 3	15 481	12 720	13 556

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 774 million as of 30.09.2018 on the assets in level 3.

With regard to transferring securities between the levels, a limit is set for the number of trading days and the amount of

NOTE 7 Fair value hierarchy – continues

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 50 million has been moved from Level 2 to Level 1 and NOK 1.5 million from level 1 to level 2. The amount are related to equity instruments and are due to change in liquidity.

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

30.09.2018 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 862	0	1 862	-245	-1 525	0	107
Total	1 862	0	1 862	-245	-1 525	0	107
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 379	0	1 379	-244	-1 034	0	104
Total assets – corporate portfolio	475	0	475	0	-485	0	1
Total assets – investment option portfolio	8	0	8	0	-6	0	2
Total	1 862	0	1 862	-245	-1 525	0	107
LIABILITIES							
Financial derivatives	250	0	250	-245	-1	-27	0
Total	250	0	250	-245	-1	-27	0
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	249	0	249	-244	0	-27	0
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	1	0	1	0	-1	0	0
Total	250	0	250	-245	-1	-27	0

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

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	-587	-403	156
Total	1 698	0	1 698	-564	-587	-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	-587	-403	156

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

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

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	30.09.2018	30.09.2017	31.12.2017
Short-term liabilities securities	2 639	3 585	711
Advance tax-deduction pension scheme	361	343	392
Accounts payable	40	34	7
Derivatives	250	1 698	3 395
Debt to credit institutions	1 532	2 126	679
Liabilities related to direct insurance	2 002	3 258	1 228
Other short-term liabilities	14	13	29
Total liabilities	6 838	11 058	6 442

NOTE 10 SCR ratio

NOK BILLIONS	30.09.2018	31.12.2017		30.09.2018	31.12.2017
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	563	535	Best estimate	507	487
Added values - hold-to-maturity portfolio/loans and receivables	6	10	Risk margin	13	13
Added values - other lending	0	1	Hybrid Tier 1 securities/Subordinated loan capital	7	8
Other added/lesser values	0	0	Other liabilities	7	7
Deferred tax asset	0	0	Deferred tax liabilities	2	1
Total assets - solvency II	569	546	Total liabilities - solvency II	536	516
			Excess of assets over liabilities	33	29
			- Deferred tax asset	0	0
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	1	2
			Tier 1 basic own funds	30	27
			Total eligible tier 1 own funds	30	27
			Subordinated loans	7	6
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	10
			Ancillary own funds	11	10
			Tier 2 ancillary own funds	11	10
			Deduction for max. eligible tier 2 own funds	-15	-14
			Total eligible tier 2 own funds	7	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	37	34
			Market risk	6	6
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	15	15
			Diversification life risk	-4	-4
			Diversification general	-3	-3
			Operational risk	2	2
			Loss absorbing ability deferred tax	-2	-1
			Solvency capital requirement (SCR)	13	14
			Linear minimum capital requirement (MCR_linear)	6	6
			Minimum	3	3
			Maximum	6	6
			Minimum capital requirement (MCR)	6	6
			Solvency II- SCR ratio	274 %	242 %

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 274 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 321 per cent.

	30.09.2018	31.12.2017
Solvency II - SCR ratio	274 %	242 %

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