

Interim report Q4 2013

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



ALP



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Interim report – fourth quarter 2013

A historic result for KLP

- In 2013 KLP achieved a value-adjusted return of 6.7 per cent. Book result was 6.4 per cent. The corporate portfolio achieved a return of 5.7 per cent.
- Surplus to customers was at record levels at NOK 10.4 billion. Of this, NOK 4.5 billion have been allocated to complete the increase in longevity reserves, and NOK 5.4 billion has been transferred to the clients' premium fund.
- 48 local authorities and 48 enterprises have chosen KLP as their public sector occupational pension scheme provider from 2014: this represents a volume in the order of NOK 20 billion.

At the end of 2013 the Group had total assets of NOK 369.8 billion (331.8), and an operating profit of NOK 6.9 billion (7.7). The Group's net result was NOK 869 million (1 101).

The Group's capital adequacy amounted to 10.0 per cent (10.3) and core capital adequacy 8.4 per cent (8.5) at the end of the quarter.

Commentaries on the various operations follow below.

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP)

KLP is a life insurance company with public sector occupational pensions as its main product. The Company is a mutual company which means that the public sector occupational pension customers are also the owners of the Company. KLP is the parent company in the KLP Group that delivers a wide range of financial products and services aimed at the public sector and public sector employees.

KLP – a customer-owned company in development

During 2013 the market for public sector occupational pensions was characterized by the other providers of insurance schemes giving notice that they were withdrawing from the market. KLP was chosen as provider by 47 municipalities and one county. Six among the municipalities will make the transfer with effect from 1 July 2014. The sum of transfers represent an increase in the premium reserve of about NOK 20 billion and 100,000 new members from 2014.

Results of the fourth quarter 2013

Returns result

Value-adjusted financial income on the pension customers' assets was NOK 18.9 billion (16.5). After allocations of NOK 1.1 billion (4.3) to the securities adjustment fund, the financial income taken to book amounts to NOK 17.8 billion

(12.2). Guaranteed interest totalled NOK 7.9 billion (7.2). KLP thus achieved a returns result (its customers' share) of NOK 9.8 billion (5.0). Of this NOK 5.9 billion (2.1) is transferred to the premium fund, mainly in occupational schemes that have adequate longevity reserves. The remainder of the returns result, as well as parts of the year's risk result and risk equalisation fund, in total NOK 4.5 billion (2.9) is used to finance increased longevity reserves. This is a provisional allocation that requires the approval of the Financial Supervisory Authority of Norway.

The common portfolio achieved a value-adjusted return of 2.1 per cent (1.3) for the quarter, 6.7 per cent (6.7) for the year.

Book return was 2.9 per cent (1.8) for the quarter, 6.4 per cent (5.0) for the year. If added values in long-term bonds and fixed-interest lending are taken into account, the value-adjusted return was 2.2 per cent (1.4) for the quarter and 6.4 per cent (7.5) for the year.

Risk result

The risk result indicate how developments have been in the insurance stock in relation to the assumptions adopted in the annual setting of premium. The risk result was NOK 235 million (258). Of this, NOK 184 million (183) is being used to strengthen the longevity reserves.

Administration result

The Company's administration result for the year was NOK 156 million. This is NOK 52 million higher than in 2012.

Other income elements

Net income from investments in the corporate portfolio was NOK 165 million (34) for the quarter: NOK 759 million (523) for the year.

KLP manages financial strength and risk in such a way that the interest guarantee premium can be kept at a low level. Book income from the interest guarantee premium was NOK 89 million (76) for the quarter, NOK 336 million (292) for the year.

The total result for the Company's owners' equity was NOK 71 million (416) for the quarter, NOK 847 million (1068) for the year.

Income:

NOK millions	Income to customers	Income to the Company	Total 2013
Returns result	9 845	32	9 876
Risk result	184	51	235
Interest guarantee premium		336	336
Administration result		156	156
Net income from corporate portfolio		759	759
Return RUF credited to customers	385	-385	-
Other income elements		-102	-102
TOTAL INCOME	10 413	847	11 260
ALLOCATION OF INCOME			
To supplementary reserves	-	-	-
To increases in reserves	4 529	-	4 529
To premium fund	5 884	-	5 884
To the risk equalisation fund	-	-320	-320
To owners' equity fund	-	1 168	1 168
Total allocations 2013	10 413	847	11 260
Total allocations 2012	5 455	1 068	6 523

Key figures:

Per cent	Q4 2013	Q4 2012	31.12 2013	31.12 2012
Capital return I ¹	2,9	1,8	6,4	5,0
Capital return II ²	2,1	1,3	6,7	6,7
Capital return III ³	2,2	1,4	6,4	7,5
<i>The return figures apply to the common portfolio</i>				
Capital adequacy ratio			10,3	10,6
Solvency margin ratio			228,8	233,2
Insurance-related operating expenses				
as % of average premium reserve			0,29	0,35

¹ Book return² Value adjusted return³ Value adjusted return included HTM bonds/bonds booked at amortized costs**Financial strength and capital-related matters**

Total KLP assets at the end of the fourth quarter were NOK 339.6 billion (299.7 billion).

KLP's capital adequacy at the end of the fourth quarter was 10.3 per cent (10.6) and core capital adequacy was 8.7 per cent (8.8).

Solvency margin adequacy is maintained at a very strong level of 228.8 per cent (233.2 per cent).

At the end of the quarter KLP had total solvency capital of NOK 46.5 billion (44.1 billion), corresponding to 16.1 (17.4) per cent of the insurance funds with interest guarantee. Solvency capital was increased by NOK 2.4 billion during 2013.

The Company's financial strength is assessed as strong in relation to the risk profile and the authorities' requirements.

Premium income

The premium income for the quarter was NOK 5373 million, a reduction of NOK 1467 million from the fourth quarter 2012. For the whole of 2013 premium income was NOK 30,860 (29,025) million. The annual pay settlement and the adjustment of the national insurance basic amount ("G") contributed to lower growth in KLP's pension obligations in 2013 than in 2012. KLP was therefore able to invoice lower premiums to finance this obligation growth. Other premium income increased compared to 2012. Overall there was moderate growth in premium income.

Claims/benefits

Pensions paid and other claims amounted to NOK 3026 million (2736) during the fourth quarter, NOK 11,886 million (10,882) for the year.

Management of the common portfolio

The assets in the common portfolio amounted to NOK 316 billion (279) and as at 31 December 2013 were invested as shown below.

Assets	Proportion 31.12.13	Return 2013	Proportion 31.12.12	Return 2012
All figures in per cent				
Shares	16,9	25,3	16,2	13,9
Short-term bonds	20,9	0,9	22,2	8,8
Long-term/HTM bonds	28,7	4,8	30,6	4,9
Lending	10,9	3,5	11,0	3,9
Property	12,5	7,1	11,5	6,2
Other financial assets	10,1	2,5	8,5	3,5

Equities

Total investments, including share derivatives made up 16.9 per cent (16.2) of the assets in the common portfolio.

The equity markets strengthened during the fourth quarter and the return on shares during 2013 was very good.

Short-term bonds

Short-term bonds and money market instruments made up 20.9 per cent (22.2) of the assets in the common portfolio as of December 31st 2013.

Increasing interest rates through 2013 restricted the return on short-term bonds in the short-term, but provided the basis for better returns going forward.

Bonds at amortized cost

Investments in bonds held to amortized cost made up 28.7 per cent (30.6) of the common portfolio as at 31 December 2013. Added value not brought to book was NOK 5.0 billion (3.0) as at 31 December 2013. The portfolio is well diversified and comprises securities issued by highly creditworthy institutions.

Property

Property investments represented 12.5 per cent (11.5) of the common portfolio on 31 December 2013. KLP conducts a thorough values review of its property holdings each quarter.

The net value of the property portfolio has been adjusted upwards by NOK 524 million (279) over the year, of which NOK 118 million (16) during the fourth quarter. Value adjusted return in the fourth quarter was 1.7 per cent (1.3) and 7.0 per cent (6.2) over the year. During 2013 six properties were taken over for a total price of NOK 5.4 billion, of which NOK 4.6 billion during the fourth quarter.

Lending

KLP's lending portfolio stood at NOK 33.8 billion, an increase of NOK 3.8 billion over the year. The portfolio comprises NOK 26.9 billion (21.2) in lending to Norwegian local government administrations and other employers, and NOK 7.0 billion (9.0) in mortgage-secured housing loans. The lending portfolio is characterized by high credit quality, without loss on local government lending and very modest loss provisions on housing mortgages.

Return on the corporate portfolio

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

The corporate portfolio is managed with a long-term investment horizon aiming at stable returns and growth in the owners' equity. The investments in the corporate portfolio achieved a return of 1.4 per cent (0.5) during the fourth quarter and 5.7 per cent (4.5) for the whole of 2013.

Product and market matters

During 2013 fourteen local authorities and five enterprises with a total of over NOK 6 billion in premium reserves transferred to KLP. During 2013 the last remaining provider of public sector occupational pensions, insured schemes, apart from KLP, decided to withdraw from this market. This resulted in major transfer activity, and as at 1 January KLP received 41 local authorities and one county as new members. A further six will transfer on 1 July. In addition 48 enterprises with public sector occupational pension schemes will make the transfer. In total KLP will receive premium reserves in excess of NOK 20 billion through transfers in 2014.

The business areas of the subsidiaries

Private occupational pensions

Through KLP Bedriftspensjon AS, KLP offers defined benefit and defined contribution pensions to businesses not covered by a pay agreement on public sector occupational pensions.

KLP Bedriftspensjon has concluded agreements with five new defined benefit occupational pension customers during 2013 before the Company decided to discontinue offering such schemes.

KLP Bedriftspensjon concluded agreements with 297 new defined contribution pension customers during 2013, whilst 19 customers chose to transfer out. The company's total assets amounted to NOK 1792.2 million (1316.2 million) at the end of 2013.

KLP Bedriftspensjon achieved a value-adjusted return in the common portfolio of 2.0 per cent (1.5) in the fourth quarter and 6.2 per cent (6.7) for the year.

The company achieved a result of NOK - 22.9 million for 2013 (-25.1 million), and was supplied with NOK 60 million in equity capital in line with the growth in the company's financial position.

Non-life insurance

KLP Skadeforsikring AS is a significant provider of non-life insurance to municipalities and county administrations. In addition the company has a growing number of customers within municipal enterprises and businesses in related sectors. KLP Skadeforsikring is quality accredited in accordance with the ISO 9001 standard.

For the fourth quarter 2013 KLP Skadeforsikring AS had a pre-tax profit of NOK 49.2 million (6.8) and for the year, NOK 189.9 million (105.2).

The financial returns for the period were satisfactory with a total return of 1.9 per cent (1.4) and 6.5 per cent (6.5) for the year.

The general claims costs picture is positive and the company's total claims ratio was 77.5 (81.4) for the year. The result of reserve adjustments of claims notified before 2013 has been included in this. Taking account only of the business written during 2013 the claims ratio was 86.7, of which the claims ratio for the Public Sector/Corporate market was 89.8 per cent and the Retail market 74.9 per cent. Despite measures taken, parts of the vehicle insurance portfolio continue to show low profitability and improvement in this risk group will remain in focus during 2014.

Released reserves associated with previous insurance years had a positive impact on the result of about NOK 35 million.

The company has maintained a good capital base with solid buffers and, as at 31 December 2013, had a capital adequacy ratio of 40.0 per cent (34.1) against the authorities' minimum limit of 8 per cent.

Securities management

KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS comprise the Group's securities and management operation. In total NOK 287 billion was under management at the end of 2013. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and subsidiaries in the KLP Group.

Assets managed increased by NOK 35 billion from 2012. Net new subscription in KLP's securities funds from investors external to the Group and private customers amounted to NOK 2.4 billion in 2012. The management mandates are won in competition with both Norwegian and foreign management operations.

KLP Kapitalforvaltning AS achieved pre-tax profit for the year of NOK 19.7 million (11.0) and KLP Fondsforvaltning AS achieved pre-tax profit for the year of NOK 12.9 million (10.4).

Banking business

KLP's banking business is carried out by the subsidiary group KLP Bankholding through the companies KLP Banken AS and KLP Kommunekreditt AS. The banking business offers current accounts, saving accounts, online banking, debit cards, credit cards, ordinary housing mortgages, framework loans (lines of credit secured in home equity), home purchase bridging loans, loans for leisure homes and the seniors' loan, LittExtra.

The KLP Bankholding Group manages a local government lending portfolio of NOK 43.5 billion (40.8) and a housing mortgage portfolio of NOK 11.2 billion (10.5).

In 2013 the banking business achieved an annual income before tax of NOK 87.0 million, against NOK 83.4 million in 2012.

Group activities

Corporate responsibility

KLP has ambitious goals regarding its responsibilities towards society, the environment and ethics. This involves establishing concrete targets both for conduct and for the reduction of consumption and emissions. KLP Kapitalforvaltning engages in dialogue with companies and excludes those who breach the Group's ethical guidelines. As active owners, the Group attaches importance to participating in general meetings and using its voting rights to influence the companies in line with KLP's ownership principles.

Future prospects

KLP will through 2014 and 2015 experience a substantial growth both in the number of clients and in the number of members with pension rights. Considerable efforts have been made to prepare for receiving the new clients on a proper, good manner, while maintaining high standards of service towards the present clients.

It is a pleasure to be able to confirm that the increase in longevity reserves (K2013) is in place at the start of 2014. With reserves compliant with the new longevity assumptions, the Company will be able to press ahead with its established strategy of applying future surplus returns to building clients' financial buffers as well as of returning surpluses to the clients' premium reserves, in accordance with established practice.

Uncertainties remain with regard to the global economic development, and how the financial markets will develop. KLP has solid financial buffers and consequently may have a long-term perspective in its investment policy in order to aim for predictable and stable returns.

Oslo, 26 February 2014

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringselskap

Arne Øren
Chair

Liv Kari Eskeland
Deputy Chair

Marit Torgersen

Herlof Nilssen

Jan Helge Gulbrandsen

Anita Krohn Traaseth

Susanne Torp-Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Income statement Group

KLP Group

Note	NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
5	Premium income for own account	5 657	7 043	31 883	29 946
	Current return on financial assets	3 573	2 644	9 886	9 121
	Net interest income banking	34	62	122	166
	Net value changes on financial instruments	1 816	245	6 916	5 956
10	Net income from investment properties	868	523	2 490	2 206
6	Other income	174	165	696	663
	Total net income	12 122	10 683	51 992	48 058
	Claims for own account	-3 194	-2 928	-12 503	-11 457
	Change in technical reserves	-6 959	-8 673	-30 324	-27 344
7	Net costs subordinated loan and hybrid Tier 1 securities	-31	235	-390	234
8	Operating expenses	-319	-313	-1 191	-1 131
9	Other expenses	-176	-167	-660	-651
	Total expenses	-10 679	-11 844	-45 068	-40 349
	Operating profit/loss	1 443	-1 161	6 924	7 709
	To/from securities adjustment fund – life insurance	2 216	1 095	-1 148	-4 342
	To supplementary reserves – life insurance	-1	0	1	0
	Assets allocated to insurance customers – life insurance	-3 749	269	-5 884	-2 370
	Pre-tax income	-91	203	-107	997
	Cost of taxes	-44	-5	-47	-7
	Income	-135	197	-154	990
	Actuarial loss on post employment benefit obligations	-112	329	-112	329
	Adjustments of the insurance obligations	10	-33	10	-33
	Items that will not be reclassified to profit or loss	-102	296	-102	296
	Revaluation real property for use in own operation	5	2	24	23
	Currency translation foreign subsidiaries	321	-87	1 101	-208
	Items that will be reclassified subsequently to profit or loss when specific conditions are met	326	-85	1 125	-185
	Total other comprehensive income	224	211	1 023	111
	Total comprehensive income	89	409	869	1 101

Balance sheet

KLP Group

Note	NOK millions	31.12.13	31.12.12
	Intangible assets	377	365
	Tangible fixed assets	1 040	1 033
	Investments in affiliated companies	4	6
10	Investment property	39 744	32 322
11, 16	Debt instruments held to maturity	31 758	37 283
11, 16	Debt instruments classified as loans and receivables	67 272	55 917
11, 13, 16	Lending local government, enterprises & retail customers at fair value through profit/loss	2 121	2 254
11, 16	Lending local government, enterprises and retail customers	53 260	49 874
11, 13, 16	Debt instruments at fair value through profit or loss	112 215	103 375
11, 13	Equity capital instruments at fair value through profit or loss	54 298	42 410
11, 13, 16	Financial derivatives	1 368	1 541
11, 13, 19	Receivables	2 826	1 754
11	Assets in defined contribution-based life insurance	578	300
	Cash and bank deposits	2 896	3 350
	TOTAL ASSETS	369 757	331 783
	Owners' equity contributed	7 659	6 891
	Retained earnings	7 609	6 739
	TOTAL OWNERS' EQUITY	15 268	13 630
11, 12	Hybrid Tier 1 securities	919	974
11, 12	Subordinated loan capital	3 151	2 891
	Pension obligations	623	469
17	Technical provisions - life insurance	313 227	276 798
11, 17	Provisions in life insurance with investment option	578	300
	Premiums, claims and contingency fund provisions - non-life insurance	2 623	2 626
11, 12	Covered bonds issued	17 217	20 370
11, 12	Debt to credit institutions	3 248	4 799
11, 12	Liabilities to and deposits from customers	4 407	2 946
11, 13	Financial derivatives	1 666	721
	Deferred tax	93	50
20	Other current liabilities	6 737	5 208
	TOTAL LIABILITIES	354 489	318 153
	TOTAL EQUITY AND LIABILITIES	369 757	331 783
	Contingent liabilities	8 539	4 460

Changes in Owner's equity

KLP Group

2013 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2013	6 891	6 739	13 630
Income	0	-154	-154
Items that will not be reclassified to profit or loss	0	-102	-102
Items that will be reclassified to subsequently to profit or loss when specific conditions are met	0	1 125	1 125
Total other comprehensive income	0	1 023	1 023
Total comprehensive income	0	869	869
Owners' equity contribution received	774	0	774
Owners' equity contribution repaid	-6	0	-6
Total transactions with the owners	768	0	768
Owners' equity 31 December 2013	7 659	7 609	15 268

2012 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2011	6 217	5 847	12 064
Changing in accounting principles, pension corridor	0	-209	-209
Owners' equity 1 January 2012	6 217	5 638	11 855
Income	0	990	990
Items that will not be reclassified to profit or loss	0	296	296
Items that will be reclassified to subsequently to profit or loss when specific conditions are met	0	-185	-185
Total other comprehensive income	0	111	111
Total comprehensive income	0	1 101	1 101
Owners' equity contribution received	677	0	677
Owners' equity contribution repaid	-4	0	-4
Total transactions with the owners	673	0	673
Owners' equity 31 December 2012	6 891	6 739	13 630

Statement of cash flows

KLP Group

NOK millions	01.01.2013- 31.12.2013	01.01.2013- 30.09.2013	01.01.2013- 30.06.2013	01.01.2013- 31.03.2013	01.01.2012- 31.12.2012
Net cash flow from operational activities	2 595	1 880	1 691	1 288	-1 063
Net cash flow from investment activities ¹	-88	-57	-41	-20	-81
Net cash flow from financing activities ²	-2 961	-2 290	-2 303	-2 083	673
Net changes in cash and bank deposits	-454	-466	-653	-814	-471
Holdings of cash and bank deposits at start of period	3 350	3 350	3 350	3 350	3 820
Holdings of cash and bank deposits at end of period	2 896	2 883	2 697	2 535	3 350

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the Accounts

KLP Group

Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Group financial statements for Kommunal Landspensjonskasse (KLP) and subsidiaries for the period 1 January 2013 - 31 December 2013. The accounts have not been audited.

The Group interim accounts are presented in accordance with internationally EU-approved accounting standards (IAS/IFRS) and have been prepared following the same principles as for the annual financial statements for 2012 unless otherwise indicated. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2012. These may be obtained on application to KLP's head office in Dronning Eufemias gate 10, Oslo, or at www.klp.no

Standards, changes and interpretations of existing standards that have come into effect for the 2013 reporting year:

IAS 1 - Financial information

There is now a requirement that items in other comprehensive income are to be divided into two groups: those that are later to be reclassified through profit or loss and those that are not to be reversed in the income statement. There are no changes affecting which items are to be included in other comprehensive income.

IFRS 7 - Financial instruments - information

Information is to be provided showing the effect net presentation of financial assets and liabilities has on the company's financial position. The information requirement applies to financial instruments shown net in accordance with IAS 32, as well as financial instruments that may be subject to net settlement, regardless of presentation in accordance with IAS 32.

IFRS 13 - Fair value measurement

This standard defines what is meant by fair value when the term is used in IFRS, provides a general description of how fair value is to be determined and the supplementary information required when fair value is used. The standard does not expand the scope of recognition at fair value. For practical purposes the standard contains change in the note requirements pursuant to IAS 34, and that are included in the Group's Notes 11 and 13. The standard generally expands on calculation of fair value contained in the note requirements in accordance with IFRS 7.

IAS 19 - Employee benefits

The changes in this standard require that all estimate deviations that are actuarial gains and losses are to be recognised in other comprehensive income in the period in which they arise. There is therefore an immediate recognition against income of all costs of previous periods' accumulation on change in the scheme. Removal of the "corridor" solution may produce significantly more volatility in other comprehensive income and owners' equity since the estimate changes are taken directly to other comprehensive income. Other plan changes with retroactive effect and that are not conditional on future employment are recognised immediately in income, which may have major effects in certain periods.

Another change in the standard is that there is a move from interest costs on the liability and expected returns on pension assets to a net interest sum in which discount interest is used on net pensions liability. In accordance with previous rules the discount interest rate was used to calculate the cost of interest based on gross pension liability, and an expected returns interest rate was used to calculate interest income based on gross assets. The concept of expected return on assets has thus been removed. Expected return will generally be higher than the discount rate and the change thus means that the company will take a lower return to income on its pension assets than previously and thus have lower profit. The difference between actual return on the assets and the return calculated using the discount interest rate will be treated as estimate deviation to be recognised in other comprehensive income.

The changes in the standard have obligatory application from the fiscal year starting 1 January 2013, with retrospective application on the 31 December 2012 figures. The table below provides a specification of the effect on the amounts that the standard has had:

Amounts in NOK 1000	Original 31.12.12	Effect 2012 IAS 19	Change 31.12.12
PROFIT AND LOSS			
Operating cost	-150	19	-132
Current return from financial assets	0	-23	-23
Tax effects ²	0	0	0
Return for the period	-150	-4	-155
OTHER RESULT ELEMENTS FOR THE PERIOD			
Actuarial gains on defined benefit pensions - employee benefits	0	329	329
Tax on other result elements ²	0	0	0
Extended result	0	329	329
Total result	-150	325	175

Amounts in NOK 1000	Original 31.12.12	Effect 2012 IAS 19	Change 31.12.12
BALANCE			
Equity capital	13 547		13 547
Resetting of corridor 01.01.2012		-209	-209
Total result		325	325
Equity capital 31.12.2012	13 547	116	13 663
Pension liabilities	569		569
Resetting of corridor 01.01.2012		225	225
Total result		-325	-325
Pension liabilities 31.12.2012 ¹	569	-100	469
Insurance provisions in life insurance	276 781	-16	276 765
Deferred tax/-tax benefit ²	0	0	0

¹ Including pension liabilities for employees in KLP Eiendom Holding Group booked in the common portfolio

² Taxes will not be affected.

IAS 34 - Interim reporting

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

There are no other new or amended IFRSs or IFRIC interpretations that have come into force for 2013 that have a significant effect on the financial statements.

Amendment of the comparison figures

Certain reclassifications have been carried out in the financial statements in regard to previous periods and comparison figures have been converted accordingly. This means that certain lines and notes are not directly comparable with the financial statements for 2012.

Change in the standard for employee benefits has involved changes in the comparison figures since the standard has been introduced with retrospective effect for the 2012 figures. These changes are shown in the table below the section IAS 19 Employee benefits. The schedule below shows total changes that have been made:

Line in accounts (Figures in NOK million)	Modified amount
PROFIT AND LOSS	
Current return on financial assets	(-) 23
Net change in value of financial assets	+ 117
Other revenues	(-) 117
Operating cost	18
Items which will not be reclassified to result at a later stage	296
Sum: effects on the total result	292
BALANCE SHEET	
Retained earnings	83
Pension liabilities	-100
Insurance provisions in life insurance	17
Sum: effects on assets/liabilities and debt	83/(-83)

Note 2 ESTIMATES

In preparing the interim financial statements and application of the Group's accounting principles management has exercised its judgement and used estimates and assumptions that affect the financial statement figures. Actual figures may therefore deviate from estimates used.

In a letter dated 8 March 2013 from the Financial Supervisory Authority of Norway (FSA) the introduction of a new mortality table, K2013, has been decided for group pension insurance in life insurance companies and pension schemes. It appears that the new mortality tables will apply to retirement and survivor pensions, and ought also to apply similarly to disability pension and premium and contribution exemption linked to active members of the pension schemes.

The reserves provision requirement stemming from the new mortality tables will be substantial and escalatory periods are permitted. Such escalatory periods will apply starting from 2014 and ought not to last longer than five years. At the same time there will be a requirement that, as a minimum, the strengthening of reserves is to be on a straight-line basis over the period.

To cover the increased requirements for reserves, at least 20 per cent of the gross reserves increase should be covered by the company during the period 2014-2018, whilst the remaining reserves increase can be covered by available surplus of returns and risk results on approval by the Financial Supervisory Authority of Norway. The increase in reserves is to be completed by 2018.

However in public sector schemes the increase in reserves is reduced somewhat through insured benefits being longevity-adjusted as a result of public sector occupational pensions' harmonisation with pension reform. Of the companies in the KLP Group it is considered that the parent company, KLP, has completed its total increase in reserves by the end of 2013. The reserves increase requirement has been met through available returns surplus and the risk result. Formal approval by the Financial Supervisory Authority of Norway concerning the increase in reserves for KLP is awaited.

Please see Note 17 for more information about the Group's increase in reserves in regard to new mortality tables.

Pension obligations - own employees

The present value of the Company's net pension liability in regard to its employees depends on a range of economic and demographic assumptions. The Group complies with the "Guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB). Updated

guidance published on 6 January 2014 has been used as the basis for updated measurement of best-estimate accrued obligations and assets as at 31 December 2013.

In accounting for pension schemes in accordance with IAS 19 and Norwegian Accounting Standard (NAS) 6 a range of actuarial assumptions must be specified. This specification involves significant elements of judgement and practical approaches. Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liabilities are the discount rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic amount (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The Group uses the option given by the "Guidance for determining pension assumptions" to use the interest rate for covered bonds (OMF) as the discount interest rate based on the belief that a liquid market exists for covered bonds of long duration. In this evaluation account is taken of market volume; bid/ask spread; price reliability; trading volume and frequency; and issuance volume. As at 31 December 2013 a discount interest rate of 4.0 per cent has been used.

The assumptions on future salary growth and future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 3.75 per cent (salary growth) and 3.5 per cent (G and pensions adjustment) respectively. The pension adjustment for the local government pension scheme should be the same as the G-adjustment.

New mortality assumptions have been used in measuring accrued pension liability (best estimate) as at 31 December 2013. The Company has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

Future take-up of contractual early retirement scheme (AFP) has been assumed at 45 per cent, i.e. 45 per cent will take AFP on reaching the age of 62.

Note 3 KEY FIGURES – ACCUMULATED

NOK millions	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012 ¹	Q3 2012	Q2 2012	Q1 2012
KLP Group								
Profit before tax	-107	-16	-7	-31	997	794	611	353
Total assets	369 757	375 434	376 232	341 348	331 783	323 634	312 665	315 057
Owners' equity	15 268	15 100	14 149	13 874	13 630	13 167	12 519	12 079
Capital adequacy	10,0 %	10,0 %	9,7 %	10,2 %	10,3 %	10,4 %	10,4 %	10,5 %
Number of employees in the Group	856	849	839	825	808	809	801	796
Kommunal Landspensjonskasse								
Profit before tax	950	776	527	263	772	652	442	235
Premium income for own account	30 860	25 487	20 475	10 428	29 025	22 186	15 159	6 158
- of which inflow of premium reserve	5 932	5 988	5 888	5 925	1 549	1 601	1 550	1 683
Insurance customers' funds incl. acc. profit	11 886	8 860	5 808	2 930	10 822	8 102	5 394	2 783
- of which funds with guaranteed returns	178	178	177	165	148	147	146	142
Net investment common portfolio	316 194	315 910	316 305	288 541	278 731	259 084	254 584	262 615
Net investment choice portfolio	1 744	1 686	1 635	1 584	1 556	1 499	1 463	1 447
Insurance funds incl. earnings for the year	310 314	302 208	296 686	287 628	275 843	267 187	258 734	251 509
- of which funds with guaranteed interest	278 240	271 477	267 717	257 981	248 608	240 217	234 561	226 698
Tier 1 and Tier 2 capital	18 036	16 953	16 240	16 132	16 087	15 498	14 928	14 891
Risk profit	235	147	66	90	258	118	82	64
Return profits	9 863	3 468	2 135	899	5 051	2 399	1 183	1 202
Administration profit	156	119	81	30	89	62	49	8
Solvency capital	47 225	50 640	45 492	48 408	44 134	47 579	41 680	41 336
Solvency margin ratio	229 %	224 %	219 %	229 %	233 %	234 %	232 %	239,1 %
Capital adequacy	10,3 %	10,4 %	10,1 %	10,6 %	10,6 %	10,8 %	10,9 %	11,0 %
Core capital ratio	8,7 %	8,6 %	8,2 %	8,7 %	8,8 %	8,8 %	8,7 %	8,8 %
Book return on common portfolio	6,4 %	3,4 %	2,2 %	1,1 %	5,0 %	3,2 %	1,9 %	1,2 %
Value-adjusted return on common portfolio	6,7 %	4,5 %	2,8 %	2,2 %	6,7 %	5,3 %	3,1 %	2,7 %
Return on unit-linked portfolio	8,8 %	5,5 %	3,2 %	2,6 %	7,2 %	6,0 %	3,4 %	3,4 %
Return on corporate portfolio	5,7 %	4,3 %	3,0 %	1,0 %	4,5 %	4,0 %	2,6 %	1,4 %
KLP Skadeforsikring AS								
Profit before tax	189,9	140,7	78,2	51,8	105,2	98,6	71,2	23,2
Gross premium due	832,2	712,8	610,4	436,2	750,3	667,4	590,7	427,2
Premium income for own account	728,2	535,0	350,3	171,9	658,9	485,9	325,0	161,4
Owners' equity	787,7	712,8	670,8	640,4	595,3	540,1	535,0	512,1
Claims ratio	77,5 %	76,3 %	79,6 %	84,0 %	81,4 %	82,0 %	78,9 %	102,9 %
Combined-ratio	103,7 %	101,4 %	103,9 %	109,5 %	107,8 %	107,6 %	103,3 %	130,2 %
Return on assets under management	6,5 %	4,6 %	2,9 %	2,1 %	6,5 %	5,1 %	3,0 %	2,4 %
Capital adequacy	40,0 %	31,6 %	32,0 %	30,9 %	34,1 %	27,7 %	29,0 %	29,8 %
Tier 1 and Tier 2 capital	614,6	580,7	578,5	577,7	566,6	451,3	452,6	452,5
Annual premium in force – retail market	226,5	204,8	191,7	175,5	161,7	150,8	141,5	130,0
Annual premium in force – public sector market	612,6	594,3	585,5	595,5	584,4	579,5	577,4	562,5
Net new subscriptions (accumulated within the year)	138,9	71,6	43,6	21,0	75,4	43,7	31,2	13,7

Note 3 KEY FIGURES – ACCUMULATED (CONT.)

NOK millions	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012 ¹	Q3 2012	Q2 2012	Q1 2012
KLP Bedriftspensjon AS								
Loss before tax	-22,9	-14,6	-10,4	-6,1	-25,1	-13,5	-8,1	-5,1
Premium income for own account	385,5	274,3	180,1	115,3	352,3	308,2	274,9	66,6
- of which premium reserve added	197,9	144,6	95,4	75,4	226,1	219,4	219,9	39,2
Insurance customers' funds including accumulated profit	1 677,8	1 556,6	1 442,3	1 385,4	1 238,2	1 187,1	1 139,4	941,8
- of which funds with guaranteed returns	1 017,5	992,4	941,1	928,3	881,0	848,5	842,0	662,8
Returns profit	7,6	6,1	5,9	4,2	15,0	8,1	4,7	5,4
Risk result	2,3	2,2	1,4	1,9	2,6	3,5	2,9	0,3
Administration losses	-32,3	-22,0	-15,2	-8,7	-33,2	-22,6	-14,0	-7,4
Tier 1 and Tier 2 capital	84,8	97,4	97,4	41,7	48,5	49,9	60,4	43,0
Solvency capital	189,8	184,9	183,9	133,3	131,1	132,7	122,0	94,8
Solvency margin ratio	250 %	250 %	250 %	129 %	157 %	164 %	194 %	182 %
Capital adequacy	16,6 %	16,6 %	17,6 %	7,7 %	9,6 %	9,5 %	11,9 %	11,2 %
Book capital return on common portfolio	4,0 %	3,0 %	1,8 %	1,2 %	5,2 %	3,6 %	2,3 %	1,6 %
Value-adjusted capital return on common portfolio	6,2 %	4,2 %	2,6 %	1,8 %	6,7 %	5,2 %	3,1 %	2,3 %
Return on defined unit-linked contribution pensions	13,5 %	8,4 %	4,7 %	4,6 %	12,0 %	10,1 %	4,9 %	6,1 %
Return on corporate portfolio	3,1 %	2,1 %	1,4 %	1,2 %	6,4 %	5,3 %	3,0 %	1,9 %
KLP Banken Group								
Profit/loss before tax	87,0	77,2	68,9	9,3	83,4	85,8	34,1	26,4
Net interest income	122,0	88,0	54,7	24,3	86,3	60,0	35,2	12,8
Other operating income	65,9	47,5	31,7	16,2	83,6	67,8	51,5	29,5
Operating expenses and depreciation	-144,7	-104,9	-64,0	-34,7	-137,7	-94,1	-60,3	-33,4
Net realized/unrealized changes in financial instruments to fair value	43,8	46,6	46,5	3,5	51,1	52,1	7,6	17,5
Contributions	4 407	4 165	3 957	3 459	2 946	2 553	2 324	2 115
Housing mortgages granted	4 484	4 134	3 615	1 883	1 530	1 550	1 597	1 653
Loan(s) with public guarantee(s)	16 833	17 891	18 675	20 174	20 345	21 915	22 191	24 734
Defaulted loans	9,7	12,4	13,2	6,9	7	5,9	5,7	11,8
Borrowing on the issuance of securities	19 982	20 699	21 333	21 718	23 708	24 443	24 868	25 864
Other borrowing	1	0	0	0	0	0	200	450
Total assets	26 016	26 611	26 983	27 019	28 282	28 668	28 960	29 932
Average total assets	27 149	27 447	27 632	27 650	29 993	30 186	29 752	30 238
Owners' equity	1 292	1 286	1 280	1 223	1 219	1 221	1 184	1 175
Net interest rate	0,45 %	0,32 %	0,20 %	0,09 %	0,29 %	0,20 %	0,12 %	0,04 %
Profit/loss from general operations before tax	0,32 %	0,28 %	0,25 %	0,03 %	0,28 %	0,28 %	0,11 %	0,09 %
Profit/loss from general operations excl. fair value assessments before tax	0,16 %	0,11 %	0,08 %	0,02 %	0,11 %	0,11 %	0,09 %	0,03 %
Return on owners' equity before tax	7,15 %	6,35 %	5,66 %	0,76 %	6,84 %	7,03 %	2,88 %	2,25 %
Capital adequacy	18,4 %	18,3 %	18,2 %	20,4 %	19,1 %	18,6 %	18,2 %	17,2 %
Number of private customers	27 287	26 215	25 263	27 727	24 744	22 676	21 144	18 715
Of this members of KLP	18 181	17 316	16 261	15 703	14 309	13 000	11 769	10 539
KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS								
Profit/loss before tax	32,6	22,9	9,3	-0,4	21,4	14,0	6,2	0,1
Total assets under management	287 077	276 349	269 922	267 845	239 478	222 776	216 113	214 399
Assets managed for external customers	28 171	25 813	24 452	23 432	21 153	19 087	17 713	16 134

¹For Quarter 4 2012 the pre-tax results, equity and total asset figures are restated in accordance with the modifications to IAS 19. Other Key Figures are not adjusted.

Note 4 SEGMENT INFORMATION

NOK millions	Group pensions pub. sect./group life		Group pensions private		Non-life insurance		Banking	
	The year 2013	The year 2012	The year 2013	The year 2012	The year 2013	The year 2012	The year 2013	The year 2012
Premium income f.o.a. from external customers ¹	30 788	28 940	385	356	709	650	0	0
Premium income f.o.a. from other Group companies ¹	72	85	0	0	19	9	0	0
Net financial income from investments	19 764	16 646	119	84	226	217	166	777
Other income from external customers	992	838	0	0	2	1	8	5
Other income from other Group companies	0	0	0	0	0	0	58	79
Total income	51 616	46 510	505	441	955	877	232	860
Claims f.o.a.	-11 886	-10 882	-49	-38	-567	-537	0	0
Insurance provisions f.o.a.	-29 907	-26 917	-412	-371	-4	-55	0	0
Costs borrowing	-390	234	0	0	0	0	0	-612
Costs borrowing from other Group companies	0	0	0	0	0	0	0	-26
Operating expenses ex. depreciation	-754	-756	-39	-40	-190	-172	-143	-135
Depreciation	-74	-69	-1	0	-4	-4	-2	-2
Other expenses	-660	-651	0	0	0	0	0	0
Total expenses	-43 671	-39 041	-502	-450	-765	-768	-145	-775
Operating profit/loss	7 945	7 469	3	-10	190	109	87	85
Funds credited to insurance customers ²	-7 006	-6 696	-25	-16	0	0	0	0
Pre-tax income	939	772	-22	-25	190	109	87	85
Cost of taxes	0	0	0	0	-38	-17	-11	-23
Income after tax	939	772	-22	-25	152	92	75	61
Change in other comprehensive income	-92	296	-1	0	-11	27	-2	6
Total comprehensive income	847	1 068	-23	-25	141	119	73	68
Assets	339 592	299 708	1 792	1 317	3 753	3 599	26 011	28 273
Liabilities	324 504	286 235	1 689	1 249	2 779	2 774	24 717	27 050

Note 4 SEGMENT INFORMATION (CONT.)

NOK millions	Asset management		Other		Eliminations		Total	
	The year 2013	The year 2012	The year 2013	The year 2012	The year 2013	The year 2012	The year 2013	The year 2012
Premium income f.o.a. from external customers ¹	0	0	0	0	0	0	31 883	29 946
Premium income f.o.a. from other Group companies ¹	0	0	0	0	-91	-94	0	0
Net financial income from investments	4	6	0	0	-864	-281	19 414	17 448
Other income from external customers	0	0	9	8	-703	-557	308	296
Other income from other Group companies	330	288	0	0	0	0	388	367
Total income	333	294	9	8	-1 658	-932	51 992	48 058
Claims f.o.a.	0	0	0	0	0	0	-12 503	-11 457
Insurance provisions f.o.a.	0	0	0	0	0	0	-30 324	-27 344
Costs borrowing	0	0	0	0	0	612	-390	234
Costs borrowing from other Group companies	0	0	0	0	0	26	0	0
Operating expenses ex. depreciation	-299	-269	-7	-7	324	330	-1 107	-1 053
Depreciation	-2	-2	0	0	0	0	-84	-78
Other expenses	0	0	0	0	1	0	-660	-651
Total expenses	-301	-271	-7	-7	325	969	-45 068	-40 349
Operating profit/loss	33	23	1	1	-1 334	37	6 924	7 709
Funds credited to insurance customers ²	0	0	0	0	0	0	-7 031	-6 712
Pre-tax income	33	23	1	1	-1 334	37	-107	997
Cost of taxes	-5	-6	0	0	8	40	-47	-7
Income after tax	27	17	1	1	-1 326	77	-154	990
Change in other comprehensive income	0	32	0	0	1 129	-252	1 023	111
Total comprehensive income	27	49	1	1	-197	-175	869	1 101
Assets	297	252	12	12	-1 700	-1 378	369 757	331 783
Liabilities	133	122	3	3	664	720	354 489	318 153

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

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

Note 4 SEGMENT INFORMATION (CONT.)

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

Public sector occupational pension and group life

Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pension

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

Non-life insurance

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

Banking

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

Asset management

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

Other

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

Note 5 PREMIUM INCOME FOR OWN ACCOUNT

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
Gross premiums due	5 922	7 106	26 149	28 236
Reinsurance premiums ceded	-16	-16	-62	-63
Transfer of premium reserved from others ¹	-250	-47	5 796	1 773
Total premium income	5 657	7 043	31 883	29 946

¹ "Transfer og Premium Reserves from " for Quarter 4 is negative. This is due to the fact that KLP will only upon final accounting for transfers in of new clients receive information pertinent to the client's relevant distribution between premium reserves, supplementary reserves and premium fund respectively. Upon the final accounting there will consequently be a restating from premium reserves to premium fund and supplementary reserves.

Note 6 OTHER INCOME

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
Supplement contractual early retirement scheme (AFP)	169	159	651	642
Other income/expenses	5	6	45	21
Total other income	174	165	696	663

Note 7 SUBORDINATED LOAN AND PERPETUAL HYBRID TIER 1 SECURITIES

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
SUBORDINATED LOAN				
Interest costs ¹	-41	-36	-157	-143
Value changes	-32	96	-244	248
Total subordinated loan	-73	60	-400	105
PERPETUAL HYBRID TIER 1 SECURITIES				
Interest costs	-11	-10	-45	-42
Value changes	54	185	55	171
Total Perpetual hybrid Tier 1 securities	42	175	10	129
Net costs subordinated loan and hybrid Tier 1 securities	-31	235	-390	234

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

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

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

Note 8 OPERATING EXPENSES

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
Staff costs	198	204	726	701
Depreciation	25	24	103	97
Other operating expenses	96	85	362	333
Total operating expenses	319	313	1 191	1 131

Note 9 OTHER EXPENSES

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
Supplement contractual early retirement scheme (AFP)	169	159	650	641
Other expenses	7	8	10	10
Total other expenses	176	167	660	651

Note 10 INVESTMENT PROPERTY

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
RESULT: NET INCOME FROM INVESTMENT PROPERTIES				
Net rental income etc.	508	406	1 862	1 692
Adjustment of prior years income	320	0	320	0
Unrealized/realized gains swaps ¹	0	65	0	271
Net value adjustment	361	-35	1 409	36
Currency transl. foreign subsidiaries (other comprehensive income)	-321	87	-1 101	208
Net income from investment properties	868	523	2 490	2 206

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

NOK millions	31.12.13	31.12.12
BALANCE: INVESTMENT PROPERTY		
Investment property 01.01	32 322	28 726
Value adjustment including currency translation	1 409	36
Net additions	6 003	3 534
Other changes	10	26
Investment property 31.12	39 744	32 322

Note 11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

a) Shares (listed)

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

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

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

b) Shares (unlisted)

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

Broadly this means the following:

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

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

c) Foreign fixed income securities

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

- JP Morgan
- Barclays Capital Indices
- Bloomberg
- Reuters

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

d) Norwegian fixed income securities - government

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

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

e) Norwegian fixed income securities - other than government

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

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

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

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

g) Futures/FRA/IRF

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

h) Options

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

i) Interest rate swaps

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

j) Loans secured by mortgage

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

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

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

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

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

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

l) Investments with credit institutions

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

m) Fair value of debt to credit institutions

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

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

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

o) Fair value of subordinated loan capital

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

p) Fair value of hybrid Tier 1 securities issued

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

q) Fair value of covered bonds issued

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

r) Private Equity

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

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

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

NOK millions	31.12.13		31.12.12	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	12 359	13 144	17 609	18 686
Foreign hold-to-maturity bonds	19 400	20 484	19 674	20 882
Total debt instruments held to maturity	31 758	33 628	37 283	39 568
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST				
Norwegian bond loans	25 007	26 389	24 362	23 891
Foreign bond loans	42 237	44 485	31 555	33 601
Other receivables	29	29	0	0
Total debt instruments classified as loans and receivables	67 272	70 903	55 917	57 491
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	2 121	2 121	2 254	2 254
Total loans to local government, enterprises & retail customers	2 121	2 121	2 254	2 254
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS - AT AMORTIZED COST				
Loans secured by mortgage	11 286	11 505	9 750	9 779
Loans to local government sector or enterprises with local government guarantee	41 975	42 519	40 124	40 418
Total lending	53 260	54 024	49 874	50 198
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	66 015	66 015	57 741	57 741
Norwegian certificates	10 019	10 019	7 195	7 195
Foreign bonds	24 293	24 293	22 320	22 320
Investments with credit institutions	11 888	11 888	16 119	16 119
Total debt instruments at fair value through profit/loss	112 215	112 215	103 375	103 375
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	17 104	17 104	19 587	19 587
Equity funds	36 600	36 600	21 315	21 315
Property funds	658	658	614	614
Alternative investments	-65	-65	894	894
Total equity capital instruments at fair value	54 298	54 298	42 410	42 410
OTHER LOANS AND RECEIVABLES INCLUDING RECEIVABLES FROM POLICYHOLDERS - AT AMORTIZED COST				
Receivables related to direct business	2 366	2 366	1 555	1 555
Receivables related to reinsurance agreements	100	100	187	187
Reinsurance share of unearned gross premium	17	17	0	0
Reinsurance share of gross claims reserve	11	11	12	12
Other receivables	332	332	0	0
Total other loans and receivables including receivables from policyholders	2 826	2 826	1 754	1 754

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

NOK millions	31.12.13		31.12.12	
	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST				
Hybrid Tier 1 securities	919	919	974	986
Subordinated loan capital	3 151	3 234	2 891	2 906
Total financial liabilities	4 070	4 153	3 865	3 892
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions	3 248	3 248	4 799	4 799
Covered bond issued	17 217	17 217	20 370	20 370
Liabilities to and deposits from customers	4 407	4 407	2 946	2 946
Total financial liabilities	24 872	24 872	28 115	28 115
Assets in life insurance with investment option (Unit-linked)	578	578	300	300

NOK millions	31.12.13		31.12.12	
	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Forward exchange contracts	575	1 011	737	150
Interest rate swaps	622	589	666	571
Interest rate and currency swaps	52	65	0	0
Share options	120	0	137	0
Total financial derivatives	1 368	1 666	1 541	721

Note 12 BORROWING

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.13	Book value 31.12.12
PERPETUAL SUBORDINATED LOAN CAPITAL						
Kommunal Landspensjonskasse	2 372	EUR	Fixed ¹	Perpetual	2 599	2 276
Kommunal Landspensjonskasse	554	JPY	Fixed ²	Perpetual	552	615
Total subordinated loan capital	2 926				3 151	2 891
HYBRID TIER 1 SECURITIES						
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	919	974
Total hybrid Tier 1 securities	984				919	974
COVERED BONDS						
KLP Kommunekreditt AS	0	SEK	Floating	2013	0	1 070
KLP Kommunekreditt AS	0	NOK	Floating	2013	0	1 104
KLP Kommunekreditt AS	999	NOK	Floating	2014	1 001	4 010
KLP Kommunekreditt AS	473	SEK	Floating	2015	474	429
KLP Kommunekreditt AS	4 300	NOK	Floating	2015	4 304	4 304
KLP Kommunekreditt AS	2 500	NOK	Fixed	2015	2 555	2 555
KLP Kommunekreditt AS	3 000	NOK	Floating	2016	3 009	3 011
KLP Kommunekreditt AS	1 000	NOK	Fixed	2017	1 015	3 013
KLP Kommunekreditt AS	3 000	NOK	Floating	2017	3 009	0
KLP Kommunekreditt AS	1 000	NOK	Floating	2018	1 003	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	752	752
Amortization and value adjustments					95	122
Total covered bonds	17 022				17 217	20 370
DEBT TO CREDIT INSTITUTIONS						
KLP Banken AS	0	NOK	Floating	2013	0	1 826
KLP Banken AS	0	NOK	Fixed	2013	0	302
KLP Banken AS	1 050	NOK	Floating	2014	1 052	0
KLP Banken AS	600	NOK	Floating	2015	609	602
KLP Banken AS	600	NOK	Floating	2016	602	301
KLP Banken AS	300	NOK	Fixed	2017	301	308
KLP Banken AS	200	NOK	Fixed	2018	202	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2013	0	1 461
Kommunal Landspensjonskasse	472	NOK/EUR/USD	Floating	2014	483	0
Above/under par					-1	0
Total liabilities to credit institutions	3 222				3 248	4 799
LIABILITIES TO AND DEPOSITS FROM CUSTOMERS ⁴						
Retail	3 700	NOK			3 700	2 734
Business	707	NOK			707	212
Total liabilities to credit institutions	4 407				4 407	2 946
Total financial liabilities	28 561				28 942	31 981

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

¹ The loan has an interest change date in 2017

² The loan has an interest change date in 2016

³ The loan has an interest change date in 2034

⁴ There is no contractual maturity date on deposits

Note 13 FAIR VALUE HIERARCHY

31.12.13 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Lending at fair value	0	2 121	0	2 121
Bonds and other fixed-income securities	61 185	38 770	0	99 955
Certificates	3 877	5 216	0	9 092
Bonds	12 217	33 555	0	45 772
Fixed-income funds	45 090	0	0	45 090
Loans and receivables	6 946	5 315	0	12 261
Shares and units	48 182	1 761	4 355	54 298
Shares	15 881	255	689	16 825
Equity funds	32 301	0	0	32 301
Property funds	0	658	0	658
Special funds	0	848	0	848
Private Equity	0	0	3 666	3 666
Financial derivatives	0	1 368	0	1 368
Total financial assets valued at fair value	116 312	49 335	4 355	170 002
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	1 666	0	1 666
Debt to credit institutions ¹	483	0	0	483
Total financial liabilities at fair value	483	1 666	0	2 149

Note 13 FAIR VALUE HIERARCHY (CONT.)

31.12.12 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Lending at fair value	0	2 254	0	2 254
Bonds and other fixed-income securities	51 054	36 145	0	87 198
Certificates	148	6 138	0	6 287
Bonds	13 571	29 097	0	42 669
Fixed-income funds	37 334	909	0	38 243
Loans and receivables	12 012	4 165	0	16 176
Shares and units	38 116	1 123	3 171	42 410
Shares	18 851	229	359	19 438
Equity funds	18 652	0	0	18 652
Property funds	614	0	0	614
Special funds	0	894	0	894
Private Equity	0	0	2 812	2 812
Financial derivatives	0	1 541	0	1 541
Total financial assets valued at fair value	101 181	45 227	3 171	149 580
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	721	0	721
Debt to credit institutions ¹	1 461	0	0	1 461
Total financial liabilities at fair value	1 461	721	0	2 182

Note 13 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3, shares unlisted	Book value 31.12.13	Book value 31.12.12
Opening balance 1 January	359	351
Sold	0	-9
Bought	342	0
Unrealised changes	-12	17
Closing balance 31 December	689	359
Realised gains/losses	0	3

Changes in Level 3, Private Equity	Book value 31.12.13	Book value 31.12.12
Opening balance 1 January	2 812	2 180
Sold	-598	-413
Bought	888	874
Unrealised changes	563	171
Closing balance 31 December	3 666	2 812
Realised gains/losses	13	51
Total Level 3 31 December	4 355	3 171

¹ The line Debt to credit institutions in the financial position statement includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the financial position. The liabilities measured at amortized cost amounted to NOK 2 765 million on 31 December 2013.

Note 13 FAIR VALUE HIERARCHY (CONT.)

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

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

Level 1:

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

Level 2:

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

Level 3:

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. On a general basis, a change in the pricing of 5 % produces a change in the value of NOK 218 million as of 31 December 2013 and NOK 159 millions as of 31 December 2012.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 578 million in financial assets measured at fair value. On 31 December 2013 the NOK 578 million were included with NOK 277 million in shares and units in Level 1 and NOK 300 million in debt instruments at fair value.

Note 14 LIQUIDITY RISK

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

31.12.13 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	154	3 385	0	0	3 539
Perpetual hybrid Tier 1 securities	0	44	177	221	1 322	1 764
Debt to and deposits from customers (without defined maturity)	4 407	0	0	0	0	4 407
Covered bonds issued	0	1 245	16 092	819	0	18 157
Receivables from credit institutions	483	1 061	1 798	0	0	3 342
Financial derivatives	705	806	683	123	78	2 395
Accounts payable	692	0	0	0	0	692
Contingent liabilities	8 539	0	0	0	0	8 539
Total	14 827	3 310	22 136	1 162	1 400	42 836

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

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

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

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

Note 15 INTEREST RATE RISK

31.12.13 NOK millions	Up to 3 months	From 3 mnts. to 12 mnts.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow	Total
ASSETS							
Mutual funds shares ¹	-1	0	0	0	0	3	3
Financial derivatives classified as assets	0	11	-147	-134	-97	-80	-447
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6
Bonds and other fixed-return securities	-30	-65	-308	-311	-266	205	-776
Fixed income fund holdings	-2 166	0	0	0	0	21	-2 146
Shares in Non-UCIT funds	-6	0	0	0	0	5	-1
Lending and receivables	-1	-8	-4	0	0	92	79
Lending	0	0	0	0	0	147	147
Total assets	-2 204	-61	-460	-446	-363	399	-3 135
LIABILITIES							
Deposit	0	0	0	0	0	-44	-44
Liabilities created on issue of securities	0	0	86	50	0	-154	-19
Financial derivatives classified as liabilities	-16	8	176	86	-15	10	249
Hybrid capital, subordinated loans	0	0	0	55	16	0	72
Call Money	0	0	0	0	0	-6	-6
Total liabilities	-16	8	262	191	1	-194	251
Total, before and after tax	-2 220	-54	-198	-255	-362	205	-2 884

Note 15 INTEREST RATE RISK (CONT.)

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

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

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

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

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

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

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

Note 16 CREDIT RISK

31.12.13 NOK millions	AAA	AA	A	BBB	NR / NIG	Total
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Banks	0	510	1 703	0	50	2 263
Finance- and credit enterprises	0	542	0	0	0	542
Public sector guarantee	3 320	0	0	0	81	3 402
Government and government guarantee within OECD	12 964	220	0	806	0	13 989
Public sector enterprises and covered bonds	2 730	535	0	0	1 455	4 719
Other	0	449	3 106	0	3 289	6 843
Total	19 014	2 255	4 809	806	4 875	31 758
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Banks	0	1 042	7 238	0	642	8 921
Finance- and credit enterprises	0	1 243	0	0	260	1 503
Public sector guarantee	508	0	0	0	219	727
Government and government guarantee within OECD	11 029	3 860	1 521	2 045	0	18 455
Public sector enterprises and covered bonds	6 241	1 609	1 373	0	2 402	11 626
Other	0	4 196	5 505	1 003	15 336	26 040
Total	17 779	11 950	15 637	3 048	18 859	67 272
DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS						
Banks	0	445	1 908	51	10 820	13 224
Finance- and credit enterprises	11	625	474	0	398	1 507
Public sector guarantee	854	56	0	0	1 914	2 823
Government and government guarantee within OECD	8 435	4 953	0	0	0	13 387
Public sector enterprises and covered bonds	1 993	738	0	0	7 520	10 252
Other	0	537	1 108	122	11 903	13 670
Total	11 293	7 353	3 490	173	32 555	54 864
FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS						
Denmark	0	0	493	0	0	493
Finland	0	48	0	0	0	48
France	0	0	40	0	0	40
Norway	0	0	179	0	0	179
UK	0	0	134	0	0	134
Sweden	0	0	481	0	0	481
Germany	0	0	0	0	0	0
USA	0	0	-7	0	0	-7
Sum	0	48	1 320	0	0	1 368

Note 16 CREDIT RISK (CONT.)

31.12.13 NOK millions	AAA	AA	A	BBB	NR / NIG	Totalt
DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS						
Public sector guarantee	0	0	0	0	1 699	1 699
Government and government guarantee within OECD	0	0	0	0	4 295	4 295
Other	0	0	23 807	0	15 290	39 097
Total	0	0	23 807	0	21 284	45 090
DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES						
Denmark	0	0	1 400	0	0	1 400
Finland	0	59	0	0	0	59
Norway	0	974	4 289	0	2 882	8 145
UK	0	0	1 936	0	0	1 936
Sweden	0	61	213	0	0	273
USA	0	0	448	0	0	448
Total	0	1 093	8 285	0	2 882	12 260
Total securities	48 086	22 700	57 347	4 027	80 455	212 614
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS ¹		0 %	20 %	35 %	100 %	Totalt
Public sector		0	38 169	0	2 008	40 177
Enterprises		844	811	4	2 063	3 722
Private individuals		0	0	9 189	2 294	11 483
Total		844	38 980	9 193	6 365	55 381
31.12.12						
NOK millions	AAA	AA	A	BBB	NR / NIG	Totalt
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Banks	0	1 023	786	0	305	2 113
Finance- and credit enterprises	0	510	0	0	1 024	1 534
Public sector guarantee	1 356	0	0	0	50	1 406
Government and government guarantee within OECD	19 837	0	0	839	0	20 676
Public sector enterprises and covered bonds	2 699	535	0	0	1 459	4 692
Other	0	475	3 098	0	3 288	6 862
Total	23 892	2 543	3 884	839	6 125	37 283
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Banks	0	1 042	4 406	0	61	5 509
Finance- and credit enterprises	510	259	520	0	0	1 288
Public sector guarantee	1 111	0	0	0	818	1 929
Government and government guarantee within OECD	14 356	0	0	2 045	0	16 401
Public sector enterprises and covered bonds	6 761	1 610	860	0	2 402	11 633
Other	0	2 003	2 121	836	14 197	19 157
Total	22 738	4 913	7 907	2 881	17 478	55 917

Note 16 CREDIT RISK (CONT.)

31.12.12 NOK millions	AAA	AA	A	BBB	NR / NIG	Totalt
DEBT INSTRUMENTS AT FAIR VALUE - BONDS AND OTHER SECURITIES WITH FIXED RETURNS						
Banks	0	443	3 572	57	9 949	14 021
Finance- and credit enterprises	11	568	453	0	265	1 297
Public sector guarantee	855	55	0	0	1 750	2 660
Government and government guarantee within OECD	8 394	3 009	0	0	0	11 402
Public sector enterprises and covered bonds	1 881	409	0	0	6 528	8 817
Other	0	287	634	114	9 723	10 758
Total	11 140	4 771	4 658	171	28 215	48 955
FINANCIAL DERIVATIVES CLASSIFIED AS ASSETS						
Denmark	0	0	345	0	0	345
Finland	0	269	0	0	0	269
Norway	0	0	380	0	0	380
UK	0	0	213	0	0	213
Sweden	0	0	333	0	0	333
USA	0	0	0	0	0	0
Total	0	269	1 272	0	0	1 541
DEBT INSTRUMENTS AT FAIR VALUE - FIXED INCOME FUND UNITS						
Government and government guarantee within OECD	0	0	0	0	121	121
Other	0	0	20 920	0	17 202	38 122
Total	0	0	20 920	0	17 323	38 243
DEBT INSTRUMENTS AT FAIR VALUE - LOANS AND RECEIVABLES						
Denmark	0	0	597	0	0	597
Finland	0	20	0	0	0	20
Norway	0	0	4 893	0	3 171	8 064
UK	0	0	2 949	0	0	2 949
Sweden	0	3 632	608	0	0	4 240
Germany	0	0	3	0	0	3
USA	0	0	303	0	0	303
Total	0	3 653	9 353	0	3 171	16 176
Total securities	57 769	16 149	47 993	3 891	72 312	198 115
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS ¹						
		0 %	20 %	35 %	100 %	Totalt
Public sector	0	0	38 055	0	1 524	39 579
Enterprises	0	0	1 046	4	923	1 973
Private individuals	0	0	0	10 228	348	10 576
Total	0	0	39 101	10 232	2 795	52 128

Note 16 CREDIT RISK (CONT.)

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

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

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

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

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

31.12.13 NOK millions	Acquisition cost	Unrealized gain/loss	Of which due to currency	Market value	Book value 31.12.2013
SPAIN					
Fixed income securities at amortized cost	780	51	0	831	780
Total Spain	780	51	0	831	780
ITALY					
Fixed income securities at amortized cost	2 000	102	0	2 102	2 000
Total Italy	2 000	102	0	2 102	2 000
Total exposure PIIGS	2 780	153	0	2 933	2 780

In Spain, pure government debt was NOK 0 million and government guaranteed securities NOK 831 million. In Italy, pure government debt was NOK 2 102 million and government guaranteed securities NOK 0 (market value) as at 31 December 2013.

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

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

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

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

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

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

The overview shows government debt the KLP Group holds against selected countries, and the rating. The countries in the table are selected on the basis of the profile they have gained as exposed economies in the Eurozone, and in the continuing unease about debt. The debt unease is primarily based on the fear of default in government debt. The KLP Group has no government securities in Greece, Ireland or Portugal as at 31 December 2013. The securities measured at amortized cost have not been written down.

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

NOK millions	31.12.13	31.12.12
Premium reserves - ordinary tarif	271 771	246 417
Premium reserves - longevity reserving	9 084	4 486
Premium funds, buffer funds and pensioners' surplus funds	3 291	1 595
Supplementary reserves	12 524	12 403
Securities adjustment fund	10 447	9 300
Other provisions	222	220
Profit/loss allocated to insurance contracts	5 887	2 377
Insurance-related provisions in life insurance incl. investment options	313 227	276 798

NOK millions	31.12.13	31.12.12
Premium reserves - ordinary tarif	571	293
Deposit funds	6	7
Reserving life insurance with investment options	578	300

Reserves increase K 2013	
NOK millions	
Estimated gross reserves increase for new tariff K2013	9 139
Reserves increase as at 31 December 2012	4 546
Reserves in 2013 ¹	4 538
Total reserves increase as at 31 December 2013	9 084
Remaining reserves increase requirement	55

¹ The longevity reserving in 2013 is subject to the approval of the proposed allocation of the year's result by the Financial Supervisory Authority of Norway.

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

31.12.13 NOK millions	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 368	0	1 368	-606	-477	220
Total	1 368	0	1 368	-606	-477	220
LIABILITIES						
Financial derivatives	1 666	0	1 666	-606	-1 071	-76
Total	1 666	0	1 666	-606	-1 071	-76

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

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

Note 19 ACCOUNTS RECEIVABLES

NOK millions	31.12.13	31.12.12
Short-term receivable trade in securities	320	196
Premium receivable	1 092	207
Reinsurance share of gross outstanding claims provisions	102	185
Other receivable	1 312	1 166
Total receivable	2 826	1 754

Note 20 OTHER SHORT TERM LIABILITIES

NOK millions	31.12.13	31.12.12
Short-term liabilities securities	3 960	3 696
Advance tax-deduction pension scheme	241	214
Accounts payable	692	691
Pre-called contribution to insurance	67	440
Other short-term liabilities	1 776	166
Total other short-term liabilities	6 737	5 208



Non-financial accounts

KLP Group

Non-financial accounts

KLP Group

Note	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2012	2011	2010
ENVIRONMENT							
1	Energy consumption kWh KLP-huset	3 487 989	2 580 817	1 874 683	1 134 254	3 795 878	5 367 259
1	Energy consumption kWh own offices Trondheim	254 063	174 612	130 298	80 688	221 703	357 159
1	Energy consumption kWh own office Bergen	507 026	348 151	263 310	163 615	445 918	541 337
	Kilo CO ₂ -equivalent from aircrafts	609 203	468 406	310 689	151 659	387 429	300 370
EMPLOYEES							
	Number of employees	856	849	839	825	808	775
	Percentage reported sickness absence 12 month rolling	3,87 %	3,75 %	4,20 %	4,50 %	4,20 %	4,39 %
	Percentage reported sickness absence quarter	4,11 %	2,79 %	4,00 %	4,50 %		
SOCIAL RESPONSIBLE INVESTMENTS							
	Number of exclusions of companies from the investment portfolio (total)	69	64	64	64	64	59
	Number of exclusions of companies from the investment portfolio (accumulated this year)	9	3	3	0	1	3
	Number of companies reinstated in the investment portfolio	4	3	3	0	1	3
2	Number of general meetings in Norwegian companies in which KLP has voted	95 (95 %)	85 (96 %)	78 (98 %)	3 (100 %)	113 (92 %)	130
2	Number of general meetings in foreign companies in which KLP has voted	2259 (76 %)	1918 (74 %)	1688 (73 %)	203 (54 %)	2099 (75 %)	1 533
	Number of companies KLP has been in dialogue with	41	34	25	9	143	96

Note 1 ENERGY CONSUMPTION

1 kwh approximates to NOK 1 and 117 g CO₂ equivalents at "Nordic mix". New and improved details regarding reporting of CO₂ aircraft engine emissions are available. This makes comparisons with previous years inaccurate.

Note 2 SOCIAL RESPONSIBLE INVESTMENTS

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



Accounts

Kommunal Landspensjonskasse

Income statement

Kommunal Landspensjonskasse

Note	NOK million	Q4 2013	Q4 2012	01.01.13- 31.12.13	01.01.12- 31.12.12
4	Premium income	5 373	6 840	30 860	29 025
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	1 104	384	3 395	1 828
	Interest income/dividends on financial assets	3 378	2 501	9 116	8 443
	Value changes on investments	-1 562	-1 485	2 187	3 716
	Gains and losses realised on investments	3 240	2 033	4 077	2 424
	Net income from investments in the common portfolio	6 159	3 434	18 775	16 412
	Net income of the investment option portfolio	52	21	138	105
	Other insurance-related income	188	165	682	651
	Claims	-3 026	-2 736	-11 886	-10 882
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-4 565	-7 448	-30 848	-31 101
	Changes in insurance liabilities investment option portfolio	-39	-88	-193	-146
	Funds assigned to insurance contracts - contractual liabilities	-3 749	265	-5 884	-2 366
5	Insurance-related operating expenses	-210	-203	-807	-801
	Other insurance-related costs	-174	-164	-656	-647
	Technical profit/loss	8	86	191	250
	Net income from investments in the corporate portfolio	232	97	979	735
	Other income	8	7	17	15
	Administration costs and other costs associated with the corporate portfolio	-75	-70	-238	-228
	Non-technical profit/loss	165	34	759	523
	Profit/loss pre-tax	173	120	950	772
	Tax	0	0	0	0
	Profit/loss before other comprehensive income	173	120	950	772
	Actuarial loss on post employment benefit obligations	-79	229	-79	229
	Items that will not be reclassified to profit or loss	-79	229	-79	229
	Shares of P/L components by use of the equity method	-33	100	-33	100
	Adjustments of the insurance obligations	10	-33	10	-33
	Items that will be reclassified to profit or loss when special conditions are met	-23	67	-23	67
	Other comprehensive income	-102	296	-102	296
	TOTAL COMPREHENSIVE INCOME	71	416	847	1 068

Balance sheet

Kommunal Landspensjonskasse

Note	NOK million	31.12.13	31.12.12
ASSETS			
ASSETS IN THE CORPORATE PORTFOLIO			
	Intangible assets	321	303
	Buildings and other fixed properties	947	964
	Shares and holdings in subsidiaries and other entities	3 910	3 639
6	Investments	8 942	7 530
6	Financial assets valued at fair value	5 416	5 420
	Receivables	1 712	1 145
	Other assets	406	403
	Total assets in the corporate portfolio	21 654	19 405
ASSETS IN THE CUSTOMER PORTFOLIOS			
	Shares and holdings in property subsidiaries	38 383	30 456
6	Financial assets valued at amortised cost	121 557	113 474
6, 7	Financial assets valued at fair value	156 254	134 817
	Total assets in the common portfolios	316 194	278 747
	Shares and holdings in property subsidiaries	236	186
6	Financial assets at amortised costs	597	568
6, 7	Financial assets at fair value	912	802
	Total assets in investment portfolio	1 745	1 556
	ASSETS	339 592	299 708
OWNERS' EQUITY AND LIABILITIES			
	Owners' equity contributed	7 659	6 891
	Retained earnings	7 429	6 582
	Subordinated loan capital etc.	4 070	3 865
10	Insurance obligations in life insurance - contractual liabilities	310 314	274 311
10	Insurance liabilities investment option portfolio	1 813	1 548
	Provision for liabilities	425	323
9	Liabilities	7 822	6 136
	Accrued costs and prepaid income	59	52
	OWNERS' EQUITY AND LIABILITIES	339 592	299 708
	Contingent liabilities	8 086	4 410

Changes in Owner's equity

Kommunal Landspensjonskasse

2013 NOK million	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
Own funds 1 January 2013	6 891	490	6 092	13 473
Result	0	-320	1 270	950
Items that will not be reclassified to profit or loss	0	0	-79	-79
Items that will be reclassified to profit or loss when special conditions are met	0	0	-23	-23
Total comprehensive income	0	-320	1 168	847
Equity paid-in	774	0	0	774
Equity reimbursed	-6	0	0	-6
Total transactions with owners	768	0	0	768
Own funds 31 December 2013	7 659	170	7 260	15 089

2012 NOK million	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
Own funds 31 December 2011	6 217	431	5 293	11 941
Change in accounting principle, KLP	0	0	-163	-163
Change in accounting principle, subsidiaries	0	0	-46	-46
Own funds 01.01.2012	6 217	431	5 084	11 732
Result	0	60	713	772
Items that will not be reclassified to profit or loss	0	0	229	229
Items that will be reclassified to profit or loss when special conditions are met	0	0	67	67
Total comprehensive income	0	60	1 009	1 068
Equity paid-in	677	0	0	677
Equity reimbursed	-4	0	0	-4
Total transactions with owners	673	0	0	673
Own funds 31 December 2012	6 891	490	6 092	13 473

Statement of cash flows

Kommunal Landspensjonskasse

NOK million	01.01.2013- 31.12.2013	01.01.2013- 30.09.2013	01.01.2013- 30.06.2013	01.01.2013- 31.03.2013	01.01.2012- 31.12.2012
Net cashflow from operational activities	-667	-631	217	9	-543
Net cashflow from investment activities	-85	-56	-41	-19	-70
Net cashflow from financing activities	768	709	1	0	673
Net changes in cash and bank deposits	17	23	177	-10	60
Holdings of cash and bank deposits at start of period	348	348	348	348	288
Holdings of cash and bank deposits at end of period	365	371	525	338	348

Notes to the Accounts

Kommunal Landspensjonskasse

Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) for the period 1 January 2013 - 31 December 2013. The accounts have not been audited.

The interim financial statements are presented in accordance with Regulation 1241 of 16 December 1998: Regulations on annual accounts etc. for insurance companies (the Annual Accounts Regulations) and IAS 34 Interim reporting as approved by the EU. The interim financial statements have been prepared in accordance with the same principles as for the annual financial statements for 2012 unless otherwise indicated.

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2012. These may be obtained on application to KLP's head office in Dronning Eufemias gate 10, Oslo, or at www.klp.no

Change in accounting principles:

IAS 1 Financial information

There is a requirement that items in other comprehensive income are to be divided into two groups: those that are later to be reclassified through profit or loss and those that are not to be reversed in the income statement. There are no changes affecting which items are to be included in other comprehensive income.

IFRS 7 Financial instruments - information

Information is to be provided showing the effect net presentation of financial assets and liabilities has on the company's financial position. The information requirement applies to financial instruments shown net in accordance with IAS 32, as well as financial instruments that may be subject to net settlement, regardless of presentation in accordance with IAS 32.

IFRS 13 Fair value measurement

This standard defines what is meant by fair value when the term is used in IFRS. It further provides a general description of how fair value is to be determined and the supplementary information required when fair value is used. The standard does not expand the scope of recognition at fair value. For practical purposes the standard contains change in the note requirements pursuant to IAS 34, and that are included in the Company's Notes 6 and 7. The standard generally expands on calculation of fair value contained in the note requirements in accordance with IFRS 7.

IAS 19 Employee benefits

The changes in this standard require that all estimate deviations that are actuarial gains and losses are to be recognised in other comprehensive income in the period in which they arise. There is therefore an immediate recognition against income of all costs of previous periods' accumulation on change in the scheme. Removal of the "corridor" solution may produce significantly more volatility in other comprehensive income and equity since the estimate changes are taken directly to other comprehensive income. Other plan changes with retroactive effect and that are not conditional on future employment are recognised immediately in income, which may have major effects in certain periods.

Another change in the standard is that there is a move from interest costs on the liability and expected returns on pension assets to a net interest sum in which discount interest is used on net pensions liability. In accordance with previous rules the discount interest rate was used to calculate the cost of interest based on gross pension liability, and an expected returns interest rate was used to calculate interest income based on gross assets. The concept of expected return on assets has thus been removed. Expected return will generally be higher than the discount interest rate and the change thus means that the company will take a lower return to income on its pension assets than previously and thus have lower profit. The difference between actual return on the assets and the return calculated using the discounted interest rate will be treated as estimate deviation to be recognised in other comprehensive income.

The changes in the standard have obligatory application from the fiscal year starting 1 January 2013, with retrospective application on the 31 December 2012 figures. The table below provides a specification of the effect the standard has had on the amounts:

Amounts in NOK 1000	Original 31.12.12	Effect 2012 IAS 19	Change 31.12.12
PROFIT AND LOSS			
Operating cost	-89	13	-76
Current return from financial assets	0	-16	-16
Tax effects ¹	0	0	0
Return for the period	-89	-3	-92
OTHER RESULT ELEMENTS FOR THE PERIOD			
Actuarial gains on defined benefit pensions - employee benefits	0	229	229
Tax on other result elements ¹	0	0	0
Extended result	0	229	229
Total result	-89	226	137

Amounts in NOK 1000	Original 31.12.12	Effect 2012 IAS 19	Change 31.12.12
BALANCE			
Equity capital	13 390		13 390
Resetting of corridor 01.01.2012		-163	-163
Total result		226	226
EQUITY CAPITAL 31.12.2012	13 390	63	13 453
Pension liabilities	386		386
Resetting of corridor 01.01.2012		163	163
Total result 2012		-226	-226
Pension liabilities 31.12.2012	386	-63	323
Deferred tax/-tax benefit ¹	0	0	0

¹Taxes will not be affected

IAS 34 Interim reporting

There is a requirement on supplementary information on fair value of financial instruments. In practice all the requirements in IFRS 7 and IFRS 13 regarding fair value are also to apply to the interim financial statements.

There are no other new or changed IFRSs or IFRIC interpretations that have come into force for 2013 that have a significant effect on the financial statements.

Amendment of the comparison figures

Certain reclassifications have been carried out in the financial statements in regard to previous periods and comparison figures have been converted accordingly. This means that certain lines and notes are not directly comparable with the financial statements for 2012.

Change in the standard for employee benefits has involved changes in the comparison figures since the standard has been introduced with retrospective effect for the 2012 figures. These changes are shown in the table in the section above. The schedule below shows total changes that have been made in the financial statement lines:

Line in accounts (Figures in NOK million)	Modified amount
PROFIT AND LOSS	
Insurance related operating cost	12
Management cost related to the Corporate portfolio	-16
Other profit and loss items	296
BALANCE SHEET	
Shares in subsidiaries and affiliated companies	20
Shares and parts in property companies	17
Retained earnings	83
Insurance related liabilities in Life Insurance - Contractual	17
Provisions for liabilities	-63

Note 2 ESTIMATES

In preparing the interim financial statements and application of the Company's accounting principles management has exercised its judgement and used estimates and assumptions that affect the financial statement figures. Actual figures may therefore deviate from estimates used.

In a letter dated 8 March 2013 from the Financial Supervisory Authority of Norway it is decided to introduce a new mortality table, K2013, for group pension insurance in life insurance companies and pension schemes. It appears that the new mortality tables will apply to retirement and survivor pensions, and ought also to apply similarly to disability pension and premium and contribution exemption linked to active members of the pension schemes.

The reserves provision requirement stemming from the new mortality tables is substantial and escalatory periods are permitted. However in public sector schemes the increase in reserves is reduced somewhat through insured benefits being longevity-adjusted as a result of public sector occupational pensions' harmonisation with pension reform. KLP considers it has completed its total increase in reserves already by the end of 2013. The reserves increase requirement has been met through available returns surplus and the risk result. At the time of writing, formal approval by the Financial Supervisory Authority of Norway of the increase in reserves is awaited. Please see Note 10 for more information about the Company's increase in reserves in regard to new mortality tables.

Pension obligations - own employees

The present value of the Company's net pension liability in regard to its employees depends on a range of economic and demographic assumptions. The Company complies with the "Guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB). Updated guidance published on 6 January 2014 has been used as the basis for updated measurement of best-estimate accrued liability and assets as at 31 December 2013.

In accounting for pension schemes in accordance with IAS 19 and Norwegian Accounting Standard (NAS) 6 a range of actuarial assumptions must be specified. This specification involves significant elements of judgement and practical approaches. Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liabilities are the discount interest rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic amount (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The Company uses the option given by the "Guidance for determining pension assumptions" to use the interest rate for covered bonds (OMF) as the discount interest rate based on the belief that a liquid market exists for covered bonds of long duration. In this evaluation account is taken of market volume; bid/ask spread; price reliability; trading volume and frequency; and issuance volume. As at 31 December 2013 a discount interest rate of 4.0 per cent has been used.

The assumptions on future salary growth and future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 3.75 per cent (salary growth) and 3.5 per cent (G and pensions adjustment) respectively. The pension adjustment for the local government pension scheme should be the same as the G-adjustment.

New mortality assumptions have been used in measuring accrued pension liability (best estimate) as at 31 December 2013. The Company has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

Future take-up of contractual early retirement scheme (AFP) has been assumed at 45 per cent, i.e. 45 per cent will take AFP on reaching the age of 62.

Note 3 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 31 December 2013.

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
Value adjustment incl. foreign exchange	361	-38	1 414	39
Foreign exchange effect on hedging	-244	57	-890	265
Net value adjustment incl. exchange hedging	118	19	524	305

Note 4 PREMIUM INCOME

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
Gross premiums due	5 431	6 893	24 931	27 481
Reinsurance premiums ceded	-1	-2	-3	-5
Transfer of premium reserved from others	-57	-52	5 932	1 549
Total premium income	5 373	6 840	30 860	29 025

Note 5 INSURANCE-RELATED OPERATING EXPENSES

NOK millions	Q4 2013	Q4 2012	The year 2013	The year 2012
Staff costs	134	143	484	477
Depreciation	17	17	74	69
Other operating expenses	58	56	250	268
Total insurance related expenses	210	203	807	801

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

a) Shares (listed)

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

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

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

b) Shares (unlisted)

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

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

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

c) Foreign fixed interest securities

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

- JP Morgan
- Barclays Capital Indices
- Bloomberg
- Reuters

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

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

d) Norwegian fixed interest securities - government

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

e) Norwegian fixed interest securities - other than government

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

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

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

g) Futures/FRA/IRF

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

h) Options

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

i) Interest rate swaps

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

j) Loans secured by mortgage

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

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

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

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

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

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

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

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

l) Investments with credit institutions

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

m) Fair value of subordinated loan capital

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

n) Fair value of hybrid Tier 1 securities issued

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

o) Private Equity

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

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

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS - AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	731	787	10 822	11 520	69	73	11 622	12 381
Accrued not due interest	23	23	253	253	1	1	277	277
Foreign hold-to-maturity bonds	2 933	3 054	15 828	16 772	84	90	18 845	19 915
Accrued not due interest	51	51	308	308	2	2	360	360
Total investments held to maturity	3 738	3 915	27 212	28 853	156	166	31 105	32 934
BONDS AT AMORTIZED COST								
Norwegian bond loans	1 323	1 322	22 183	23 826	129	137	23 635	25 284
Accrued not due interest	36	36	602	602	3	3	641	641
Foreign bond loans	3 762	3 904	36 772	37 640	302	318	40 836	41 862
Accrued not due interest	83	83	801	801	7	7	891	891
Total bonds classified as loans and receivables	5 204	5 345	60 358	62 869	441	464	66 002	68 678
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	7 830	7 838	0	0	7 830	7 838
Lending with public sector guarantee	0	0	25 986	26 285	0	0	25 986	26 285
Accrued not due interest	0	0	172	172	0	0	172	172
Total other loans and receivables	0	0	33 988	34 294	0	0	33 988	34 294
Total financial assets at amortized cost	8 942	9 260	121 557	126 016	597	630	131 095	135 906
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	262	262	3 814	3 814	0	0	4 076	4 076
Foreign shares	0	0	13 029	13 029	0	0	13 029	13 029
Total shares and units	262	262	16 843	16 843	0	0	17 105	17 105
Property funds	0	0	658	658	0	0	658	658
Norwegian equity funds	0	0	30 756	30 756	444	444	31 200	31 200
Foreign equity funds	0	0	3 932	3 932	0	0	3 932	3 932
Total equity fund units	0	0	35 346	35 346	444	444	35 790	35 790
Norwegian alternative investments	0	0	1 757	1 757	13	13	1 770	1 770
Foreign alternative investments	0	0	4	4	0	0	4	4
Total alternative investments	0	0	1 761	1 761	13	13	1 774	1 774

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

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS								
Norwegian bonds	3 137	3 137	25 775	25 775	0	0	28 912	28 912
Foreign bonds	163	163	12 616	12 616	0	0	12 779	12 779
Accrued not due interest	33	33	434	434	0	0	467	467
Norwegian fixed-income funds	732	732	30 880	30 880	433	433	32 045	32 045
Foreign fixed-income funds	0	0	11 307	11 307	0	0	11 307	11 307
Accrued not due interest	0	0	0	0	0	0	0	0
Norwegian certificates	650	650	8 031	8 031	0	0	8 681	8 681
Accrued not due interest	6	6	46	46	0	0	51	51
Foreign certificates	0	0	0	0	0	0	0	0
Accrued not due interest	0	0	0	0	0	0	0	0
Total bonds and other fixed-income securities	4 721	4 721	89 088	89 088	433	433	94 242	94 242
Norwegian loans and receivables	247	247	9 344	9 344	11	11	9 602	9 602
Foreign loans and receivables	121	121	2 467	2 467	8	8	2 595	2 595
Total loans and receivables	368	368	11 811	11 811	19	19	12 198	12 198
DERIVATIVES								
Interest rate swaps	49	49	475	475	0	0	524	524
Share options	0	0	119	119	1	1	120	120
Forward exchange contracts	0	0	511	511	2	2	514	514
Total financial derivatives classified as assets	50	50	1 105	1 105	3	3	1 158	1 158
Other financial assets	16	16	301	301	0	0	317	317
Total financial assets valued at fair value	5 416	5 416	156 254	156 254	912	912	162 582	162 582
Total investments	14 357	14 676	277 811	282 271	1 509	1 542	293 678	298 488
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	323	323	0	0	323	323
Interest futures	0	0	0	0	0	0	0	0
Interest rate- and currency swaps	65	65	309	309	1	1	375	375
Forward exchange contracts	0	0	697	697	4	4	701	701
Total financial derivatives classified as liabilities	65	65	1 330	1 330	5	5	1 400	1 400

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

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	3 151	3 234	0	0	0	0	3 151	3 234
Hybrid Tier 1 securities	919	919	0	0	0	0	919	919
Total subordinated loan capital etc.	4 070	4 153	0	0	0	0	4 070	4 153
DEBT TO CREDIT INSTITUTIONS								
Norwegian call money	0	0	0	0	0	0	0	0
Foreign call money	6	6	477	477	0	0	482	482
Total debt to credit institutions	6	6	477	477	0	0	482	482

31.12.12 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	727	768	15 634	17 307	74	79	16 435	18 155
Accrued not due interest	24	24	506	506	2	2	531	531
Foreign hold-to-maturity bonds	2 426	2 596	16 570	17 829	84	91	19 080	20 515
Accrued not due interest	42	42	323	323	2	2	367	367
Total investments held to maturity	3 218	3 430	33 033	35 965	161	173	36 413	39 568
BONDS								
Norwegian bond loans	1 188	1 249	21 928	22 032	142	149	23 258	23 430
Accrued not due interest	27	27	431	431	3	3	462	461
Foreign bond loans	3 017	3 224	27 208	29 341	256	275	30 481	32 840
Accrued not due interest	79	79	676	676	6	6	761	761
Total bonds classified as loans and receivables	4 311	4 579	50 243	52 480	407	433	54 961	57 492
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	9 036	9 048	0	0	9 036	9 048
Lending with public sector guarantee	0	0	20 987	21 337	0	0	20 987	21 337
Accrued not due interest	0	0	174	174	0	0	174	174
Total other loans and receivables	0	0	30 198	30 559	0	0	30 198	30 559
Total financial assets at amortized cost	7 530	8 008	113 474	119 005	568	606	121 572	127 619

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

31.12.12 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	223	223	2 953	2 953	0	0	3 176	3 176
Foreign shares	0	0	14 952	14 952	0	0	14 952	14 952
Total shares and units	223	223	17 905	17 905	0	0	18 128	18 128
Property funds	0	0	634	634	0	0	634	634
Norwegian equity funds	0	0	17 084	17 084	311	311	17 395	17 395
Foreign equity funds	0	0	2 525	2 525	0	0	2 525	2 525
Total equity fund units	0	0	20 243	20 243	311	311	20 554	20 554
Norwegian alternative investments	327	327	1 398	1 398	0	0	1 724	1 724
Foreign alternative investments	0	0	5	5	0	0	5	5
Total alternative investments	327	327	1 402	1 402	0	0	1 729	1 729
DEBT INSTRUMENTS								
Norwegian bonds	3 417	3 417	24 138	24 138	0	0	27 555	27 555
Foreign bonds	165	165	10 256	10 256	0	0	10 420	10 420
Accrued not due interest	39	39	479	479	0	0	518	518
Norwegian fixed-income funds	0	0	24 386	24 386	431	431	24 817	24 817
Foreign fixed-income funds	0	0	11 720	11 720	0	0	11 720	11 720
Accrued not due interest	0	0	0	0	0	0	0	0
Norwegian certificates	918	918	4 570	4 570	0	0	5 488	5 488
Accrued not due interest	12	12	62	62	0	0	74	74
Foreign certificates	0	0	0	0	0	0	0	0
Accrued not due interest	0	0	0	0	0	0	0	0
Total bonds and other fixed-income securities	4 552	4 552	75 611	75 611	431	431	80 593	80 593
Norwegian loans and receivables	476	476	12 321	12 321	20	20	12 818	12 818
Foreign loans and receivables	123	123	3 192	3 192	21	21	3 336	3 336
Total loans and receivables	599	599	15 513	15 513	41	41	16 153	16 153
DERIVATIVES								
Interest rate swaps	71	71	536	536	1	1	608	608
Share options	0	0	278	278	2	2	279	279
Forward exchange contracts	0	0	468	468	1	1	469	469
Total financial derivatives classified as assets	71	71	1 282	1 282	3	3	1 356	1 356
Other financial assets	10	10	72	72	8	8	90	90
Total financial assets valued at fair value	5 420	5 420	134 817	134 817	802	802	141 039	141 039
Total investments	12 949	13 428	248 291	253 822	1 370	1 408	262 611	268 658

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

31.12.12 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
LIABILITIES								
DERIVATIVES								
Interest rate swaps	10	10	212	212	0	0	222	222
Interest rate futures (IRF)	0	0	0	0	0	0	0	0
Interest rate and currency swaps	0	0	81	81	1	1	82	82
Forward exchange contracts	0	0	59	59	0	0	59	59
Total financial derivatives classified as liabilities	10	10	352	352	1	1	363	363
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	2 891	2 906	0	0	0	0	2 891	2 906
Hybrid Tier 1 securities	974	986	0	0	0	0	974	986
Total subordinated loan capital etc.	3 865	3 892	0	0	0	0	3 865	3 892
DEBT TO CREDIT INSTITUTIONS								
Norwegian call money	0	0	878	878	0	0	878	878
Foreign call money	126	126	456	456	0	0	582	582
Total debt to credit institutions	126	126	1 334	1 334	1	1	1 461	1 461

Note 7 FAIR VALUE HIERARCHY

31.12.13 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	766	3 954	0	4 721
Certificates	0	656	0	656
Bonds	35	3 298	0	3 333
Fixed-income funds	732	0	0	732
Loans and receivables	292	76	0	368
Shares and units	0	254	8	262
Shares	0	254	8	262
Equity funds	0	0	0	0
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	50	0	50
Other financial assets	0	16	0	-13
Total corporate portfolio	1 058	4 350	8	5 416
COMMON PORTFOLIO				
Bonds and other fixed-income securities	57 541	28 956	0	86 496
Certificates	3 715	4 361	0	8 076
Bonds	12 102	26 722	0	38 825
Fixed-income funds	42 187	0	0	42 187
Loans and receivables	6 572	5 239	0	11 811
Shares and units	47 183	2 420	4 347	53 950
Shares	15 881	1	681	16 843
Equity funds	31 302	0	0	31 408
Property funds	0	658	0	658
Special funds	0	1 761	0	1 761
Private Equity	0	0	3 666	3 281
Financial derivatives	0	1 105	0	1 105
Other financial assets	0	301	0	301
Total common portfolio	111 760	40 148	4 347	156 254

Note 7 FAIR VALUE HIERARCHY (CONT.)

31.12.13 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	433	0	0	433
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	433	0	0	433
Loans and receivables	19	0	0	19
Shares and units	444	13	0	457
Shares	0	0	0	0
Equity funds	444	0	0	444
Property funds	0	0	0	0
Special funds	0	13	0	13
Private Equity	0	0	0	0
Financial derivatives	0	3	0	3
Other financial assets	0	0	0	0
Total investment option portfolio	896	16	0	912
Total financial assets valued at fair value	113 714	44 485	4 355	162 553
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	65	0	65
Debt to credit institutions	6	0	0	6
Total corporate portfolio	6	65	0	71
COMMON PORTFOLIO				
Financial derivatives	0	1 330	0	1 330
Debt to credit institutions	477	0	0	477
Total common portfolio	477	1 330	0	1 807
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	5	0	5
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	5	0	5
Total financial liabilities at fair value	483	1 400	0	1 883

Note 7 FAIR VALUE HIERARCHY (CONT.)

31.12.12 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	379	4 173	0	4 552
Certificates	0	930	0	930
Bonds	379	3 243	0	3 621
Fixed-income funds	0	0	0	0
Loans and receivables	478	122	0	599
Shares and units	0	182	6	189
Shares	0	182	6	189
Equity funds	0	0	0	0
Property funds	0	0	0	0
Special funds	0	0	0	0
Private Equity	0	0	0	0
Financial derivatives	0	71	0	71
Other financial assets	0	10	0	10
Total corporate portfolio	856	4 558	6	5 420
COMMON PORTFOLIO				
Bonds and other fixed-income securities	49 222	26 389	0	75 611
Certificates	0	4 632	0	4 632
Bonds	13 115	21 757	0	34 872
Fixed-income funds	36 106	0	0	36 106
Loans and receivables	11 369	4 145	0	15 513
Shares and units	37 325	1 849	3 165	42 339
Shares	18 851	46	353	19 398
Equity funds	17 860	0	0	20 524
Property funds	614	0	0	614
Special funds	0	1 803	0	1 803
Private Equity	0	0	2 812	0
Financial derivatives	0	1 282	0	1 282
Other financial assets	0	72	0	72
Total common portfolio	97 915	33 737	3 165	134 817

Note 7 FAIR VALUE HIERARCHY (CONT.)

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

Note 7 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 January	6	11
Sold	0	0
Bought	0	0
Unrealised changes	2	-4
Closing balance 31 December	8	6
Realised gains/losses	0	0

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

Changes in Level 3 shares, unlisted Common portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 January	353	340
Sold	0	-9
Bought	342	0
Unrealised changes	-13	22
Closing balance 31 December	681	353
Realised gains/losses	0	3

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

Changes in Level 3 shares, Private Equity Common portfolio	Book value 31.12.2013	Book value 31.12.2012
Opening balance 1 January	2 812	2 180
Sold	-598	-413
Bought	888	874
Unrealised changes	563	171
Closing balance 31 December	3 666	2 812
Realised gains/losses	13	51
Total Level 3	4 355	3 171

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

Note 7 FAIR VALUE HIERARCHY (CONT.)

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

Level 1:

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

Level 2:

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

Level 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. On a general basis, a change in the pricing of 5 % produces a change in the value of NOK 218 million as at 31 December 2013 and NOK 159 million as at 31 December 2012 for assets in Level 3.

Securities have not been moved between the levels in the fair value hierarchy at 31 December 2013. The values at the end of the reporting period provide the basis for any movement between the levels.

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

31.12.13 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 158	0	1 158	-395	-483	214
Total	1 158	0	1 158	-395	-483	214
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	1 105	0	1 105	-466	-477	162
Total assets – corporate portfolio	50	0	50	73	-6	51
Total assets – investment option portfolio	3	0	3	-1	0	2
Total	1 158	0	1 158	-395	-483	214
LIABILITIES						
Financial derivatives	1 400	0	1 400	-467	-1 075	-208
Total	1 400	0	1 400	-467	-1 075	-208
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	1 330	0	1 330	-466	-1 071	-207
Total liabilities – corporate portfolio	65	0	65	0	0	0
Total liabilities – investment option portfolio	5	0	5	-1	-4	-1
Total	1 400	0	1 400	-467	-1 075	-208

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

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

Note 9 OTHER SHORT TERM LIABILITIES

NOK millions	31.12.13	31.12.12
Short-term liabilities securities	3 960	3 644
Advance tax-deduction pension scheme	240	214
Accounts payable	10	10
Derivatives	1 400	363
Debt to credit institutions	483	1 461
Liabilities related to direct insurance	1 703	438
Other short-term liabilities	26	6
Total other short-term liabilities	7 822	6 136

Note 10 INSURANCE LIABILITIES

NOK millions	31.12.13	31.12.12
Premium reserve - ordinary tariff	269 261	244 148
Premium reserve - longevity reinforcement	8 979	4 460
Premium fund, buffer fund and pensioners' surplus fund	3 223	1 549
Supplementary reserves	12 412	12 293
Securities adjustment fund	10 412	9 288
Other provisions	219	212
Unallocated result - insurance contracts in the common portfolio	5 808	2 361
Insurance liabilities in life insurance - contractual liabilities	310 314	274 311
Premium reserve - ordinary tariff	1 530	1 361
Premium reserve - longevity reinforcement	70	60
Premium fund, buffer fund and pensioners' surplus fund	47	40
Supplementary reserves	83	83
Unallocated result - insurance contracts in the unit-linked portfolio	83	5
Insurance-related provisions - investment option portfolio	1 813	1 548

Reserves increase NOK millions	
Estimated gross reserves increase for new tariff K 2013	9 049
Reserves increase as at 31 December 2012	4 520
Additional reserves increase in 2013 ¹	4 529
Total reserves increase as at 31 December 2013	9 049
Remaining reserves increase requirement	0

¹ The longevity reserving in 2013 is subject to the approval of the proposed allocation of the year's result by the Financial Supervisory Authority of Norway.



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