

Interim report

Q4 2014



INCOME STATEMENT

BALANCE SHEET

NOTES



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Interim report Q4 2014

A good year for KLP with large inward transfers and good results

- 58 local authorities and 203 enterprises with a combined total of more than NOK 30 billion in insurance funds transferred their public sector occupational pension schemes to KLP during 2014.
- KLP achieved a value-adjusted return for the quarter of 2.0 per cent and 6.9 per cent for the year.
- Book return was 1.7 per cent for the quarter and 4.3 per cent for the year.
- Good results make it possible to transfer the Company's remaining share of longevity reserves to the customers' supplementary reserves, further strengthen the financial buffer capital and build up owners' equity.

KLP Group

At the end of 2014 the Group had total assets of NOK 490.9 billion and an operating profit of NOK 18.0 billion (7.1). During the fourth quarter the operating result amounted to NOK 6.4 billion (1.6).

The Group's total comprehensive income in the fourth quarter was marked by the parent company, KLP, refunding the whole of its remaining share of increased longevity reserves to the customer contracts with strengthened reserves. This was a charge against profits for the quarter of NOK 1.2 billion (NOK 1.6 billion in total during 2014). Total comprehensive income for the fourth quarter was thus NOK -282 million (224). The overall result for the year amounted to NOK 862 million (869).

The Group's capital adequacy ratio was 9.2 per cent (10) and core capital adequacy was 7.8 per cent (8.4) at the end of the quarter.

Commentaries on the various operations follow below.

Kommunal Landspensjonskasse Mutual insurance company (KLP)

KLP is a life insurance company with public sector occupational pensions as its main product. The Company is a mutual company in which the public sector occupational pension customers are also the owners of the Company. KLP is the parent company in the KLP Group which provides a broad selection of financial products and services directed at the public sector and its employees.

KLP – a rapidly-growing customer-owned company

During 2014 the market for public sector occupational pensions was marked by the other providers of insured schemes withdrawing from the market. In total 58 local authorities and

203 public sector enterprises have transferred to KLP during 2014. In total the inward transfer means an increase in the premium reserves of NOK 31 billion and 156,000 additional KLP members with pension rights. A further 15 local authorities have announced their transfer to KLP during 2015. As a result, KLP will have 418 of 446 municipalities and county administrations as public sector occupational pension customers.

Results after the fourth quarter 2014

Returns result

Value-adjusted financial income on the pension customers' assets was NOK 7.3 billion (6.2) during the quarter. For the whole of 2014 the financial income was NOK 23.4 billion (18.8). After allocations of NOK 9.1 billion to the securities adjustment fund, the financial income taken to book amounts to NOK 14.4 billion. Guaranteed interest totalled NOK 9.3 billion. KLP thus achieved a returns result (its customers' share) of NOK 5.1 billion (9.8).

The common portfolio achieved a value-adjusted return of 2.0 per cent for the quarter, 6.9 per cent for the year.

Book return was 1.7 per cent for the quarter: 4.3 per cent for the year. If added values in long-term bonds and fixed interest lending are taken into account, the value-adjusted return was 3.1 per cent for the quarter and 9.5 per cent for the year.

The Company achieved a result of NOK 852 million in 2014 (847) after allocations of NOK 1 559 billion from the Company to the customer contracts with increased reserves. Good profit contribution from non-life insurance, securities investments, upward revaluation of Company buildings as well as the administration result and risk result, contributed to a good result in the corporate portfolio.

¹ Figures in brackets refer to corresponding values from the previous year

Risk result

The risk result is an expression of 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 279 million for the quarter (88): NOK 701 million for the year (235). The risk surplus was higher than budgeted. This results partly from the margins in the longevity assumptions in the new mortality tariff for collective pension insurance (K2013) so far being greater than the official estimate had indicated. In addition the favourable development we have had in disability over the last 6-8 years is continuing.

Administration result

The Company's administration result was NOK 84 million for the quarter (37): NOK 345 million for the year (156). The good result is because of planned changes having been incorporated that reduce the costs of own employee pensions, as well as the growth in costs having been lower than the growth in income which has accompanied the increased business over the year.

Other result elements

Net income from investments in the corporate portfolio was NOK 419 million for the quarter (232): NOK 1 446 million for the year (979). Good value development on the KLP-Huset building and bond investments explain the good result.

Book income from the interest guarantee premium was NOK 158 million for the quarter (90): NOK 601 million for the year (336). The increase during 2014 was a result of increased premium rates and increased business volume.

RESULT

The total result for the Company's owners' equity was NOK -465 million for the quarter (71) and NOK 852 million for the year (847). During the fourth quarter the corporate result was reduced by NOK 1 212 million in connection with transfer from Company to customers.

NOK millions	Result to customers	Result to the Company	Total 2014
Returns result	5 051	8	5 059
Risk result	349	351	701
Interest guarantee premium		601	601
Administration result		345	345
Net income from corporate portfolio		1 212	1 212
Refunded increases in reserves	1 559	-1 559	-
Tax		88	88
Other result elements		-195	-195
Total result	6 959	852	7 810

NOK millions	Result to customers	Result to the Company	Total 2014
ALLOCATION OF RESULT			
To supplementary reserves	3 542		3 542
To premium fund	3 375		3 375
To buffer reserves	42		42
To the risk equalization fund		358	358
To owners' equity fund		494	494
Total allocations 2014	6 959	852	7 810
Total allocations 2013	10 413	847	11 260

KEY FIGURES

Per cent	Q4 2014	Q3 2013	31.12 2014	31.12 2013
Capital return I	1.7	2.9	4.3	6.4
Capital return II	2.0	2.1	6.9	6.7
Capital return III	3.1	2.2	9.5	6.4
<i>The return figures apply to the common portfolio</i>				
Capital adequacy ratio			9.5	10.3
Solvency margin ratio			228.1	228.8
Insurance-related operating costs as % of average premium reserve			0.25	0.31

FINANCIAL STRENGTH AND CAPITAL-RELATED MATTERS

In the course of the year KLP's total assets have grown by NOK 75.4 billion to NOK 415.0 billion.

KLP's capital adequacy ratio at the end of the fourth quarter was 9.5 per cent (10.3) and the core capital adequacy ratio was 8.1 per cent (8.7).

Solvency margin adequacy under Solvency I remains at a high level of 228.1 per cent (228.8).

At the end of the quarter KLP had total solvency capital of NOK 73.9 billion (46.9 billion), corresponding to 21.6 per cent (16.2) of the insurance funds with interest guarantee. Solvency capital was increased by NOK 34.5 billion during 2014.

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

To strengthen further the Company's own funds (Tier 2 capital) and to be able to make use of the opportunity to redeem existing subordinated loans in 2016 and 2017, the Board of Directors has given senior management authority to take up a new subordinated loan.

PREMIUM INCOME

The premium income for the quarter was NOK 7 884 million, an increase of NOK 2 511 million over the fourth quarter 2013. For the whole of 2014 premium income was NOK 62 454 (30 860) million of which NOK 30 175 million was premium reserves received on inward transfer (5 932). The annual wage adjustment and adjustment of the national insurance basic amount («G») contributed to lower growth in KLP's pension obligations in 2014 than in 2013. KLP was therefore able to invoice lower premiums to finance this obligation growth. Other premium income increased compared to 2013. Overall there was moderate growth in premium income.

CLAIMS/BENEFITS

Pensions paid and other claims amounted to NOK 3 705 million during the fourth quarter (3 026): NOK 17 996 million for the year (11 886). Of this NOK 4 364 million (178) was transfer of insurance funds belonging to insurance contracts transferred out of KLP.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 388.0 billion (316.2) and as at 31 December 2014 were invested as shown below:

Assets All figures in per cent	Proportion 31.12.2014	Return 2014	Proportion 31.12.2013	Return 2013
Shares	20.4	13.0	16.9	25.3
Short-term bonds	21.4	8.4	20.9	0.9
Long-term/HTM bonds	27.6	4.7	28.7	4.8
Lending	10.9	3.2	10.9	3.5
Property	11.1	6.9	12.5	7.1
Other financial assets	8.7	2.4	10.1	2.5

Shares

Total exposure in shares including share derivatives amounted to 20.4 per cent. The development in the equity market during the fourth quarter was volatile, but the portfolio achieved a return of 4.1 per cent during the quarter and 13 per cent for the whole year.

Short-term bonds

Short-term bonds amounted to 21.4 per cent of the assets in the common portfolio as at 31 December 2014.

The interest rates continued to fall during the fourth quarter and the portfolio produced a return of 2.4 per cent during the quarter and 8.4 per cent for the whole of 2014.

Bonds at amortized cost

Investments in bonds held at amortized cost amounted to 27.6 per cent of the common portfolio as at 31 December 2014. Added value not brought to book was NOK 14.6 billion as at 31 December 2014. The portfolio is well diversified and comprises securities issued by highly creditworthy institutions.

Property

Property investments represented 11.1 per cent (11.1 per cent with the property fund) of the common portfolio on 31 December 2014. KLP conducts a thorough values review of its property holdings each quarter.

Over the year the return requirement for property in Norway has shown a downward trend, including through the fourth quarter. In its value review at the end of the quarter, KLP chose to place weight on the increased uncertainty in the Norwegian economy and has therefore added a risk supplement of 0.1 per cent on the property values in this market.

The net value of the properties in the common portfolio has been adjusted upwards by NOK 1 354 million over the year, of which NOK 1 265 million during the fourth quarter including foreign exchange changes on foreign properties. Foreign exchange changes are hedged using derivatives. If foreign-exchange hedging is taken into account, the value adjustment was NOK 158 million for the quarter: NOK 667 million for the year. Value-adjusted return in the fourth quarter was 1.7 per cent and 6.9 per cent over the year. With purchases and completions of own projects, net additions in the property portfolio reached NOK 3 335 million during 2014.

KLP opened the Fornebu S shopping centre during the fourth quarter. Fornebu S received the award BREEAM Outstanding as visible proof of the building's energy and environmental qualities.

Lending

At the end of the year KLP's lending portfolio stood at NOK 42.0 billion, an increase of NOK 8.0 billion over the year. The portfolio comprises NOK 37.7 billion in loans to local government administrations and enterprises, and NOK 4.1 billion in mortgage-secured housing loans. The lending portfolio is characterized by high quality, without loss on local government lending and very modest loss provisions on housing mortgages. The portfolio of loans is administered by KLP Banken.

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 1.9 per cent during the fourth quarter and 7.3 per cent for the whole of 2014.

The business areas of the subsidiaries

Private occupational pensions

KLP offers defined contribution based occupational pensions through KLP Bedriftspensjon AS to enterprises in the public and private sectors.

KLP Bedriftspensjon concluded agreements with 207 new defined contribution pension customers during 2014, whilst 18 customers chose to transfer out. The company's total assets amounted to NOK 2 270 million at the end of 2014 (1 792).

KLP Bedriftspensjon achieved a value-adjusted return in the common portfolio of 1.8 per cent in the fourth quarter and 6.1 per cent for the year.

The company achieved a result of NOK -24.7 million for 2014 (-22.9), and was supplied with NOK 25 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 large number of customers within municipal enterprises and businesses in related sectors, in addition to a growing portfolio of retail market customers.

For the fourth quarter 2014 KLP Skadeforsikring AS had a pre-tax profit of NOK 136 million (49) and for the year, NOK 304 million (190).

The financial returns for the period were satisfactory with a total return of 1.9 per cent: 6.5 per cent for the year.

The general claims costs picture is positive and the company's total claims ratio was 68.8 for the year. Ignoring reserve adjustments of claims occurring before 2014, the claims ratio was 86.4, of which the claims ratio for the public sector/corporate market was 88.9 per cent and the retail market 80.6 per cent.

Released reserves associated with previous insurance years had a positive impact on the result by as much as NOK 148 million.

The company has maintained a good capital base with solid buffers and, as at 31 December 2014, had a capital adequacy ratio of 44.0 per cent against the authorities' minimum limit of 8 per cent.

Securities management

KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS comprise the Group's securities and asset management operation. In total NOK 371 billion was under management at the end of 2014. The majority of the assets managed are managed on behalf of Kommunal Landspensjonskasse and subsidiaries in the KLP Group.

Assets managed increased by NOK 84 billion from 2013. Net new subscription in KLP's securities funds from investors external to the Group and retail customers amounted to NOK 3.8 billion in 2014. 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 38.9 million (19.7) and KLP Fondsforvaltning AS achieved pre-tax profit for the year of NOK 17.4 million (12.9).

In the fourth quarter 2014 it was resolved to merge KLP Kapitalforvaltning AS and KLP Fondsforvaltning AS. The recently enacted Norwegian Act concerning Management of Alternative Investment Funds allows the companies' investment services to be conducted through one company, providing potential business efficiencies through a merger. The Financial Supervisory Authority of Norway approved the merger on 19 December 2014 and the merger was executed formally on 12 January 2015. The merged company will continue operations under the name KLP Kapitalforvaltning AS.

Banking business

KLP's banking business is carried out by the subsidiary group KLP Bankholding through the companies KLP Banken AS, KLP Kommunekreditt AS and KLP Boligkreditt AS. The KLP Banken Group's object is financing and management of loans to municipalities, county administrations and companies carrying out public sector tasks, and providing favourable terms and conditions for financial services such as housing mortgages and deposits to those who have their pensions with KLP.

KLP Boligkreditt AS was formed as a new subsidiary in spring 2014. The company is licensed to issue covered bonds in a security pool comprising home loans. The first borrowing emission was carried out during the third quarter. During the second half-year KLP Boligkreditt AS has bought home loans for NOK 1.2 billion from KLP and for NOK 2.0 billion from KLP Banken. At year-end home loans represent NOK 3.0 billion in the financial position statement. The company achieved a pre-tax profit of NOK 2.8 million.

KLP's banking business manages lending totalling NOK 66.1 billion, divided between NOK 53.5 billion to the public sector and enterprises, and NOK 12.6 billion in home loans.

Growth in managed lending during 2014 was NOK 11.1 billion (20.2 per cent). NOK 41.6 billion of managed lending is financed by KLP and NOK 24.9 billion by the banking group.

In 2014 the banking business achieved pre-tax profit of NOK 28.3 million, against NOK 86.7 million in 2013. NOK 50 million of the 2013 profit was linked to a discrete income item resulting from a legal settlement.

Group activities

Corporate social responsibility

KLP wishes to contribute to sustainable development. KLP is therefore investing NOK 500 million in increased power production based on renewable energy sources such as sun, wind and water in emerging economies. At the same time, in the fourth quarter, KLP decided to sell its investments in coal-mining companies and energy companies that have a substantial part of their income from coal. There is openness about the 27 companies this encompassed.

KLP also wishes to communicate its expectations for those companies of which KLP is a co-owner, that they will report their greenhouse gas emissions and their ambitions to reduce them.

KLP has invested in renewable energy industry in three African countries through cooperation with the Norwegian Investment Fund for Developing Countries (Norfund), and in December the first investment was made in a solar energy park in Honduras, Central America. KLP is also participating in a joint investment venture for the purpose of investing in banks in emerging economies. The aim is to achieve good returns through these investments and to contribute to a sustainable development.

Future prospects

KLP is experiencing strong growth in the number of customers and members with pension entitlements. Inward transfers and new customers will also characterise the operation in 2015. KLP has a unique opportunity to exploit the economies of scale accompanying this major growth in a way that will benefit new and existing customers through good service and efficient operation to a very competitive price. The Company is therefore continuing its work in automation and rationalization of case processing.

It is pleasing to be able to confirm that the increase in longevity reserves (K2013) was in place at the start of 2014. With reserves in line with the new longevity assumptions, the Company can use future returns results to strengthen customer buffers and return profits to the customers' premium fund as has previously been the practice.

The KLP Group's products directed at members are winning ever more acceptance and it is expected that this development will continue during 2015. The investment in the enterprise market will be intensified with a view to building a larger and more robust portfolio.

Great uncertainty continues regarding economic development both globally and in Norway. This was reinforced by the fall in the price of oil during the fourth quarter. The uncertainty surrounding both offshore and onshore oil activity is marked, at the same time as both lower oil prices and a weaker Norwegian krone may provide growth stimulus internationally and for Norwegian land-based industry. The extremely low interest rate will be challenging over time.

However, KLP has good financial buffers and can therefore have a long-term view in its management to ensure predictability and stable results.

Oslo, 25 February 2015

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy Chair

Marit Torgersen

Jan Helge Gulbrandsen

Anita Krohn Traaseth

Tom Tvedt

Susanne Torp-Hansen
Elected by and from the employees

Freddy Larsen
Elected by and from the employees

Income statement

KLP Group

Note	NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
4	Premium income for own account	8 157	5 655	63 611	31 883
	Current return on financial assets	3 325	4 194	12 185	12 349
	Net interest income banking	41	34	133	122
	Net value changes on financial instruments	4 972	3 222	13 809	9 217
9	Net income from investment properties	2 029	868	4 054	2 490
5	Other income	258	194	871	696
	The minorities share on financial instruments	-1 408	-1 846	-3 343	-4 605
	Total net income	17 375	12 321	91 321	52 152
	Claims for own account	-3 830	-3 194	-18 643	-12 503
	Change in technical reserves	-6 002	-6 958	-51 930	-30 324
6	Net costs subordinated loan and hybrid Tier 1 securities	-607	-31	-807	-390
7	Operating expenses	-363	-319	-1 167	-1 191
8	Other expenses	-222	-176	-800	-659
	Total expenses	-11 024	-10 677	-73 347	-45 068
	Operating profit/loss	6 352	1 644	17 974	7 084
	To/from securities adjustment fund – life insurance	-1 234	2 216	-9 130	-1 148
	To supplementary reserves – life insurance	-3 582	-1	-3 581	1
	Assets allocated to insurance customers – life insurance	-1 689	-3 451	-4 074	-4 781
	Pre-tax income	-153	409	1 189	1 157
	Cost of taxes ¹	-91	-88	-324	-208
	Income	-244	321	864	949
	Actuarial loss on post employment benefit obligations	-81	-112	-218	-112
	Adjustments of the insurance obligations	272	-289	698	-1 094
	Tax on items that will not be reclassified to profit or loss	-129	0	-129	0
	Items that will not be reclassified to profit or loss	61	-401	350	-1 206
	Revaluation real property for use in own operation	38	5	195	24
	Currency translation foreign subsidiaries	-267	298	-678	1 101
	Tax on items that will be reclassified to profit or loss	130	0	130	0
	Items that will be reclassified subsequently to profit or loss when specific conditions are met	-99	304	-352	1 125
	Total other comprehensive income	-37	-98	-2	-80
	Total comprehensive income	-282	224	862	869

¹ Cost of taxes is included in the minority's share at NOK 114 million (76 million) so far this year.

Balance sheet

KLP Group

Note	NOK millions	31.12.14	31.12.13
	Deferred tax assets	88	0
	Other intangible assets	448	377
	Tangible fixed assets	1 198	1 040
	Investments in affiliated companies	4	4
9,12	Investment property	44 467	39 744
10,15	Debt instruments held to maturity	30 620	31 758
10,15	Debt instruments classified as loans and receivables	86 974	67 272
10,12,15	Lending local government, enterprises & retail customers at fair value through profit/loss	2 269	2 121
10,15	Lending local government, enterprises and retail customers	64 741	53 260
10,12,15	Debt instruments at fair value through profit or loss	152 489	122 398
10,12	Equity capital instruments at fair value through profit or loss	101 367	73 239
10,12,15	Financial derivatives	1 785	1 661
10	Receivables	1 345	2 924
10	Assets in defined contribution-based life insurance	842	578
	Cash and bank deposits	2 257	2 880
	TOTAL ASSETS	490 894	399 257
	Owners' equity contributed	9 173	7 659
	Retained earnings	8 471	7 609
	TOTAL OWNERS' EQUITY	17 644	15 268
10,11	Hybrid Tier 1 securities	1 253	919
10,11	Subordinated loan capital	3 423	3 151
19	Pension obligations	755	623
16	Technical provisions - life insurance	379 912	313 227
10,16	Provisions in life insurance with investment option	842	578
	Premiums, claims and contingency fund provisions - non-life insurance	2 555	2 623
10,11	Covered bonds issued	18 468	17 217
10,11	Debt to credit institutions	5 220	3 249
10,11	Liabilities to and deposits from customers	6 251	4 407
10,12	Financial derivatives	11 549	1 948
	Deferred tax	170	98
18	Other current liabilities	5 885	7 200
	Minority interests classified as liabilities	36 968	28 750
	TOTAL LIABILITIES	473 251	383 989
	TOTAL EQUITY AND LIABILITIES	490 894	399 257
	Contingent liabilities	13 256	8 539

Changes in Owner's equity

KLP Group

2014 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2014	7 659	7 609	15 268
Income		864	864
Items that will not be reclassified to profit or loss		350	350
Items that will be reclassified subsequently to profit or loss when specific conditions are met		-352	-352
Total other comprehensive income		-2	-2
Total comprehensive income		862	862
Owners' equity contribution received (net)	1 514		1 514
Total transactions with the owners	1 514		1 514
Owners' equity 31 December 2014	9 173	8 471	17 644

2013 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2013	6 891	6 739	13 630
Income		949	949
Items that will not be reclassified to profit or loss		-1 206	-1 206
Items that will be reclassified subsequently to profit or loss when specific conditions are met		1 125	1 125
Total other comprehensive income		-80	-80
Total comprehensive income		869	869
Owners' equity contribution received (net)	768		768
Total transactions with the owners	768		768
Owners' equity 31 December 2013	7 659	7 609	15 268

Statement of cash flows

KLP Group

NOK millions	01.01.2014- 31.12.2014	01.01.2014- 30.09.2014	01.01.2014- 30.06.2014	01.01.2014- 31.03.2014	01.01.2013- 31.12.2013
Net cash flow from operational activities	-3 802	-983	110	504	2 579
Net cash flow from investment activities ¹	-162	-105	-69	-31	-88
Net cash flow from financing activities ²	3 342	1 593	-270	-235	-2 961
Net changes in cash and bank deposits	-622	505	-229	239	-470
Holdings of cash and bank deposits at start of period	2 880	2 880	2 880	2 880	3 350
Holdings of cash and bank deposits at end of period	2 257	3 385	2 651	3 119	2 880

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the accounts

KLP Group

Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Group and the company financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January 2014 - 31 December 2014.

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

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

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

Accounting principles

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

IFRS 10 Consolidated Financial Statements

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

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

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

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

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

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

There is no changes in the consolidation procedures.

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

In 2014 there has been reclassifications which cause changes to the 2013 comparison figures.

Note 1 ACCOUNTING PRINCIPLES (CONT.)

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

KLP Group Statement of comprehensive income NOK millions	Adjustment: The year 2013
Current returns from financial assets	2 464
Net value changes on financial instruments	2 301
Minority share of profit	-4 605
Total net income	160
Operating profit/loss	160
Assets allocated to insurance customers - life insurance	1.103
Pre-tax income	1.264
Cost of taxes	-160
Total comprehensive income	1.103
Adjustments of insurance liabilities	-1.103
Items that will not be reclassified to profit or loss	-1.103
Total other comprehensive income	-1.103
Income	0

KLP Group Statement of financial position NOK millions	Adjustment: 31.12.2013
Debt instruments at fair value through profit or loss	10 182
Equity instruments at fair value through profit or loss	18 942
Financial derivatives	293
Receivables	98
Cash and deposits	-16
Total assets	29 500
Minority interests classified as liabilities	28 750
Debt to credit institutions	1
Financial derivatives	282
Deferred tax	4
Other current liabilities	463
Total liabilities	29 500

IFRS 11 Joint arrangements

This standard is to be applied by all enterprises that are party to a joint arrangement. A joint arrangement is an arrangement of which two or more parties have joint control, (i.e.that) the parties are bound by a contractual arrangement (and that) the contractual arrangement gives two or more of those parties joint control of the (jointly controlled) arrangement.

Note 2 KEY FIGURES - ACCUMULATED

NOK millions	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
KLP Group								
Profit before tax	1 189	1 342	799	378	1 157	748	-206	262
Total assets	490 894	470 331	442 463	421 491	399 257	402 258	407 980	366 888
Owners' equity	17 644	17 893	16 032	15 645	15 268	15 100	14 150	13 874
Capital adequacy	9,2 %	9,2 %	9,2 %	9,8 %	10,0 %	10,0 %	9,7 %	10,2 %
Number of employees in the Group	899	886	877	863	856	849	839	825
Kommunal Landspensjonskasse								
Profit before tax	959	1 439	800	319	950	776	527	263
Premium income for own account	62 454	54 570	37 414	26 192	30 860	25 487	20 475	10 428
- of which inflow of premium reserve	30 175	30 970	21 072	21 580	5 932	5 988	5 888	5 925
Insurance customers' funds incl. acc. profit	17 996	14 292	10 597	7 222	11 886	8 860	5 808	2 930
- of which funds with guaranteed returns	4 364	4 213	4 106	4 106	178	178	177	165
Net investment common portfolio	387 982	363 999	346 495	336 599	316 194	315 910	316 305	288 541
Net investment choice portfolio	1 958	1 890	1 850	1 809	1 744	1 686	1 635	1 584
Insurance funds incl. earnings for the year	378 602	367 814	350 962	335 180	312 127	303 906	298 324	289 216
- of which funds with guaranteed interest	331 240	325 401	310 159	300 475	279 840	273 039	269 223	259 581
Tier 1 and Tier 2 capital	19 951	19 393	18 115	18 159	18 036	16 953	16 240	16 132
Risk profit	701	422	78	54	235	147	66	90
Return profits	5 059	1 390	1 220	604	9 863	3 468	2 135	899
Administration profit	345	261	123	36	156	119	81	30
Solvency capital	73 909	64 842	59 459	52 469	46 897	50 640	45 492	48 408
Solvency margin ratio	228 %	213 %	209 %	215 %	229 %	224 %	219 %	229 %
Capital adequacy	9,5 %	9,6 %	9,6 %	10,1 %	10,3 %	10,4 %	10,1 %	10,6 %
Core capital ratio	8,1 %	8,1 %	8,0 %	8,5 %	8,7 %	8,6 %	8,2 %	8,7 %
Book return on common portfolio	4,3 %	2,6 %	1,8 %	0,9 %	6,4 %	3,4 %	2,2 %	1,1 %
Value-adjusted return on common portfolio	6,9 %	4,9 %	3,6 %	1,4 %	6,7 %	4,5 %	2,8 %	2,2 %
Return on unit-linked portfolio	6,7 %	4,7 %	3,5 %	1,1 %	8,8 %	5,5 %	3,2 %	2,6 %
Return on corporate portfolio	7,3 %	5,3 %	4,0 %	1,2 %	5,7 %	4,3 %	3,0 %	1,0 %
KLP Skadeforsikring AS								
Profit before tax	304,2	168,2	137,2	13,6	189,9	140,7	78,2	51,8
Gross premium due	921,3	781,9	667,1	490,0	832,2	712,8	610,4	436,2
Premium income for own account	841,9	622,8	410,0	201,9	728,2	535,0	350,3	171,9
Owners' equity	907,7	883,0	873,1	791,5	787,7	712,8	670,8	640,4
Claims ratio	68,8 %	76,1 %	71,8 %	91,5 %	77,5 %	76,3 %	79,6 %	84,0 %
Combined-ratio	91,9 %	97,9 %	95,7 %	116,6 %	103,7 %	101,4 %	103,9 %	109,5 %
Return on assets under management	6,5 %	4,6 %	3,5 %	1,4 %	6,5 %	4,6 %	2,9 %	2,1 %
Capital adequacy	44,0 %	37,9 %	37,0 %	37,1 %	40,0 %	31,6 %	32,0 %	30,9 %
Tier 1 and Tier 2 capital	895,4	770,1	771,5	770,5	614,6	580,7	578,5	577,7
Annual premium in force - retail market	295,7	274,2	259,0	242,7	226,5	204,8	191,7	175,5
Annual premium in force - public sector market	629,5	634,6	649,9	644,7	612,6	594,3	585,5	595,5
Net new subscriptions (accumulated within the year)	57,0	41,1	16,5	20,7	138,9	71,6	43,6	21,0

Note 2 KEY FIGURES – ACCUMULATED (CONT.)

NOK millions	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
KLP Bedriftspensjon AS								
Loss before tax	-24,7	-15,7	-9,3	-5,6	-22,9	-14,6	-10,4	-6,1
Premium income for own account	409,9	324,8	258,2	191,4	385,5	274,3	180,1	115,3
- of which premium reserve added	149,3	138,5	135,1	132,7	197,9	144,6	95,4	75,4
Insurance customers' funds including accumulated profit	2 152,2	2 055,3	1 997,1	1 899,5	1 677,8	1 556,6	1 442,3	1 385,4
- of which funds with guaranteed returns	1 310,3	1 153,7	1 137,8	1 133,4	1 017,5	992,4	941,1	928,3
Returns profit	17,3	11,5	12,0	1,8	7,6	6,1	5,9	4,2
Risk result	5,2	3,3	3,2	3,0	2,3	2,2	1,4	1,9
Administration losses	-30,7	-22,1	-14,5	-7,6	-32,3	-22,0	-15,2	-8,7
Tier 1 and Tier 2 capital	84,5	92,6	100,3	79,2	84,8	97,4	97,4	41,7
Solvency capital	265,4	239,8	235,4	197,8	189,8	184,9	183,9	133,3
Solvency margin ratio	167 %	184 %	188 %	161 %	198 %	225 %	250 %	129 %
Capital adequacy	12,7 %	14,2 %	15,6 %	12,9 %	14,7 %	16,6 %	17,6 %	7,7 %
Book capital return on common portfolio	4,6 %	3,5 %	2,7 %	1,0 %	4,0 %	3,0 %	1,8 %	1,2 %
Value-adjusted capital return on common portfolio	6,1 %	4,3 %	3,2 %	1,2 %	6,2 %	4,2 %	2,6 %	1,8 %
Return on defined unit-linked contribution pensions	8,8 %	6,9 %	6,1 %	1,7 %	13,5 %	8,4 %	4,7 %	4,6 %
Return on corporate portfolio	3,6 %	2,5 %	1,9 %	0,8 %	3,1 %	2,1 %	1,4 %	1,2 %
KLP Banken Group								
Profit/loss before tax	28,3	31,0	30,9	13,8	86,7	77,2	68,9	9,3
Net interest income	133,1	92,4	60,8	31,4	122,1	88,0	54,7	24,3
Other operating income	68,0	50,6	33,7	16,7	65,9	47,5	31,7	16,2
Operating expenses and depreciation	-157,4	-105,3	-69,8	-38,2	-144,7	-104,9	-64,0	-34,7
Net realized/unrealized changes in financial instruments to fair value	-14,4	-6,7	6,3	3,9	43,8	46,6	46,5	3,5
Contributions	6 251	5 486	5 079	4 706	4 407	4 165	3 957	3 459
Housing mortgages granted	8 608	6 527	5 840	4 817	4 484	4 134	3 615	1 883
Loan(s) with public guarantee(s)	16 338	16 045	16 314	16 560	16 833	17 891	18 675	20 174
Defaulted loans	0	18	8	10	10	12	13	7
Borrowing on the issuance of securities	21 687	20 244	19 604	19 753	19 982	20 699	21 333	21 718
Other borrowing	0	0	0	1	1	0	0	0
Total assets	29 758	27 674	26 446	26 104	26 010	26 611	26 983	27 019
Average total assets	27 883	26 842	26 228	26 057	27 146	27 447	27 632	27 650
Owners' equity	1 285	1 289	1 290	1 279	1 290	1 286	1 280	1 223
Net interest rate	0,48 %	0,34 %	0,23 %	0,12 %	0,45 %	0,32 %	0,20 %	0,09 %
Profit/loss from general operations before tax	0,10 %	0,12 %	0,12 %	0,05 %	0,32 %	0,28 %	0,25 %	0,03 %
Return on owners' equity before tax	2,24 %	2,40 %	2,42 %	1,07 %	7,15 %	6,35 %	5,66 %	0,76 %
Capital adequacy	16,7 %	18,4 %	20,1 %	20,2 %	19,6 %	18,3 %	18,2 %	20,4 %
Number of private customers	33 104	30 822	29 670	28 623	27 287	26 215	25 263	27 727
Of this members of KLP	22 291	20 627	19 808	19 145	18 181	17 316	16 261	15 703
KLP Kapitalforvaltning AS og KLP Fondsfvaltning AS								
Profit/loss before tax	56,3	42,8	11,7	-14,0	32,6	22,9	9,3	-0,4
Total assets under management	370 840	344 133	326 200	314 584	287 077	276 349	269 922	267 845
Assets managed for external customers	36 130	31 129	30 151	28 157	28 171	25 813	24 452	23 432

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

Time series result - by quarter NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
Total income	17 198	12 321	91 278	52 152
Total expenses	-17 351	-11 912	-90 089	-50 995
Consolidated group profit before tax	-153	409	1 189	1 157
RESULTS BY SEGMENT				
Life insurance ¹	-301	340	799	847
Non-life	136	49	304	190
Banking	-3	9	28	87
Asset management	14	10	56	33
Other business	1	0	1	1
Consolidated group profit before tax	-153	409	1 189	1 157
Other comprehensive income (life-insurance)	-37	-98	-2	-80

¹ Result after transfer of NOK 1 211 million in Q4 2014 from the Company to its customers for reimbursement of strengthening of longevity reserves. The amount for the year 2014 is NOK 1 559 million.

Note 4 PREMIUM INCOME FOR OWN ACCOUNT

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
Gross premiums due	8 952	5 595	33 300	25 691
Reinsurance premiums ceded	-11	63	-12	62
Transfer of premium reserves from others ¹	-784	-3	30 324	6 129
Total premium income	8 157	5 655	63 611	31 883

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

Note 5 OTHER INCOME

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
Supplement contractual early retirement scheme (AFP)	211	169	775	651
Other income/expenses	47	25	95	45
Total other income	258	194	871	696

Note 6 SUBORDINATED LOAN AND PERPETUAL HYBRID TIER 1 SECURITIES

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
SUBORDINATED LOAN				
Interest costs ¹	-53	-41	-165	-157
Value changes	-325	-32	-259	-244
Total subordinated loan	-378	-73	-424	-400
PERPETUAL HYBRID TIER 1 SECURITIES				
Interest costs	-15	-11	-49	-45
Value changes	-214	54	-333	55
Total Perpetual hybrid Tier 1 securities	-229	42	-382	10
Net costs subordinated loan and hybrid Tier 1 securities	-607	-31	-807	-390

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 7 OPERATING EXPENSES

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
Staff costs	260	198	736	726
Depreciation	27	25	109	103
Other operating expenses	76	96	322	362
Total operating expenses	363	319	1 167	1 191

Note 8 OTHER EXPENSES

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
Supplement contractual early retirement scheme (AFP)	211	169	775	650
Other expenses	11	7	25	9
Total other expenses	222	176	800	659

Note 9 INVESTMENT PROPERTY

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
INCOME STATEMENT: NET INCOME FROM INVESTMENT PROPERTIES				
Net rental income etc.	527	508	2 073	1 862
Adjustment of prior years income	0	320	0	320
Net value adjustment	1 255	361	1 303	1 409
Currency transl. foreign subsidiaries (other comprehensive income)	248	- 321	678	- 1 101
Net income from investment properties	2 029	868	4 054	2 490

NOK millions	2014	2013
BALANCE SHEET: INVESTMENT PROPERTY		
Investment property 01.01	39 744	32 322
Value adjustment including currency translation	1 303	1 409
Net additions	3 357	6 003
Other changes	63	10
Investment property 31.12	44 467	39 744

Note 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

a) Shares (listed)

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

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

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

b) Shares (unlisted)

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

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

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

c) Foreign fixed income securities

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

- Barclays Capital Indices
- Bloomberg
- Reuters

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

d) Norwegian fixed income securities - government

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

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

e) Norwegian fixed interest securities - non-government

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

The yield curve spreads are received from Nordic Bond Pricing. These are based on yield curve spreads collected from several 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.

g) Futures/FRA/IRF

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

h) Options

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

i) Interest rate swaps

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

j) Loans secured by mortgage

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

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

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

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

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

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

l) Investments with credit institutions

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

m) Fair value of debt to credit institutions

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

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

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

o) Fair value of subordinated loan capital

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

p) Fair value of hybrid Tier 1 securities issued

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

q) Fair value of covered bonds issued

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

r) Private Equity

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

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

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

NOK millions	31.12.14		31.12.13	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	10 384	11 831	12 359	13 144
Foreign hold-to-maturity bonds	20 236	19 223	19 400	20 484
Total debt instruments held to maturity	30 620	31 054	31 758	33 628
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST				
Norwegian bonds	27 640	31 527	25 007	26 389
Foreign bonds	59 307	69 685	42 237	44 485
Other receivables	27	27	29	29
Total debt instruments classified as loans and receivables	86 974	101 239	67 272	70 903
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	2 269	2 269	2 121	2 121
Total loans to local government, enterprises & retail customers	2 269	2 269	2 121	2 121
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS - AT AMORTIZED COST				
Loans secured by mortgage	16 536	18 168	11 286	11 505
Loans to local government sector or enterprises with local government guarantee	48 205	48 602	41 975	42 519
Total lending	64 741	66 770	53 260	54 024
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	51 342	51 342	43 752	43 752
Norwegian certificates	6 641	6 641	9 617	9 617
Foreign bonds	72 998	72 998	53 661	53 661
Investments with credit institutions	21 508	21 508	15 368	15 368
Total debt instruments at fair value through profit/loss	152 489	152 489	122 398	122 398
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	94 610	94 610	68 269	68 269
Equity funds	6 184	6 184	4 308	4 308
Property funds	493	493	658	658
Alternative investments	81	81	4	4
Total equity capital instruments at fair value	101 367	101 367	73 239	73 239
RECEIVABLES				
Receivables related to direct business	1 013	1 013	2 366	2 366
Receivables related to reinsurance agreements	19	19	100	100
Reinsurance share of unearned gross premium	0	0	17	17
Reinsurance share of gross claims reserve	10	10	11	11
Other receivables	303	303	431	431
Total other loans and receivables including receivables from policyholders	1 345	1 345	2 924	2 924

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

NOK millions	31.12.14		31.12.13	
	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST				
Hybrid Tier 1 securities	1 253	1 262	919	919
Subordinated loan capital	3 423	3 508	3 151	3 234
Debt to credit institutions ¹	3 219	3 219	2 765	2 765
Covered bonds issued	18 468	18 468	17 217	17 217
Liabilities and deposits from customers	6 251	6 251	4 407	4 407
Total financial liabilities	32 614	32 708	28 459	28 542
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions ¹	2 001	2 001	485	485
Total financial liabilities	2 001	2 001	485	485
Assets in life insurance with investment option	842	842	578	578
Provisions in life insurance with investment option	842	842	578	578

¹ "Debt to credit institutions" include liabilities measured at fair value and amortized cost.

NOK millions	31.12.14		31.12.13	
	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Forward exchange contracts	455	10 236	822	1 233
Interest rate swaps	591	1 313	667	650
Interest rate and currency swaps	312	0	52	65
Interest rate future	427	0	120	0
Total financial derivatives	1 785	11 549	1 661	1 948

Note 11 BORROWING

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2014	Book value 31.12.2013
PERPETUAL SUBORDINATED LOAN CAPITAL						
Kommunal Landspensjonskasse	2 372	EUR	Fixed ¹	Perpetual	2 825	2 599
Kommunal Landspensjonskasse	554	JPY	Fixed ²	Perpetual	599	552
Total subordinated loan capital	2 926				3 423	3 151
HYBRID TIER 1 SECURITIES						
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	1 253	919
Total hybrid Tier 1 securities	984				1 253	919

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.

Note 11 BORROWING (CONT.)

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2014	Book value 31.12.2013
COVERED BONDS						
KLP Kommunekreditt AS	0	NOK	Floating	2014	0	1 001
KLP Kommunekreditt AS	0	SEK	Floating	2015	0	474
KLP Kommunekreditt AS	1 300	NOK	Floating	2015	1 301	4 304
KLP Kommunekreditt AS	542	NOK	Fixed	2015	554	2 555
KLP Kommunekreditt AS	3 360	NOK	Floating	2016	3 370	3 009
KLP Kommunekreditt AS	1 000	NOK	Fixed	2017	1 014	1 015
KLP Kommunekreditt AS	4 000	NOK	Floating	2017	4 011	3 009
KLP Kommunekreditt AS	3 500	NOK	Floating	2018	3 506	1 003
KLP Kommunekreditt AS	2 000	NOK	Floating	2019	2 001	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	752	752
KLP Boligkreditt AS	600	NOK	Floating	2017	603	0
KLP Boligkreditt AS	600	NOK	Floating	2019	601	0
KLP Boligkreditt AS	600	NOK	Floating	2021	602	0
Value adjustments					154	95
Total covered bonds	18 252				18 468	17 217
DEBT TO CREDIT INSTITUTIONS						
KLP Banken AS	0	NOK	Floating	2014	0	1 052
KLP Banken AS	600	NOK	Floating	2015	603	609
KLP Banken AS	800	NOK	Floating	2016	803	602
KLP Banken AS	300	NOK	Fixed	2017	308	301
KLP Banken AS	500	NOK	Floating	2017	501	0
KLP Banken AS	200	NOK	Fixed	2018	203	202
KLP Banken AS	500	NOK	Floating	2018	503	0
KLP Banken AS	300	NOK	Floating	2019	300	0
KLP Alfa Global Rente	1 282	NOK	Fixed	2015	1 282	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2014	0	483
Kommunal Landspensjonskasse	719	NOK/EUR/USD	Floating	2015	719	0
Total liabilities to credit institutions	5 201				5 220	3 249
LIABILITIES TO AND DEPOSITS FROM CUSTOMERS ⁴						
Retail	5 062	NOK			5 062	3 700
Business	1 189	NOK			1 189	707
Liabilities to and deposits from customers	6 251				6 251	4 407
Total financial liabilities	33 613				34 615	28 942

⁴ There is no contractual maturity date on deposits

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

Note 12 FAIR VALUE HIERARCHY

31.12.14 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	44 467	44 467
Land/plots	0	0	869	869
Buildings	0	0	43 598	43 598
Lending at fair value	0	2 269	0	2 269
Bonds and other fixed-income securities	83 231	47 722	0	130 953
Certificates	4 047	2 593	0	6 641
Bonds	67 012	45 129	0	112 140
Fixed-income funds	12 172	0	0	12 172
Loans and receivables	18 232	3 303	0	21 536
Shares and units	91 222	3 591	6 554	101 367
Shares	90 117	3 017	977	94 110
Equity funds	1 105	0	0	1 105
Special funds	0	81	0	81
Private Equity	0	0	5 578	5 578
Financial derivatives	0	1 785	0	1 785
Total assets valued at fair value	192 685	58 670	51 022	302 377
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	11 549	0	11 549
Debt to credit institutions ¹	719	1 283	0	2 002
Total financial liabilities at fair value	719	12 832	0	13 550

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 3 209 million on 31 December 2014.

Note 12 FAIR VALUE HIERARCHY (CONT.)

31.12.13 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	39 744	39 744
Land/plots	0	0	932	932
Buildings	0	0	38 812	38 812
Lending at fair value	0	2 121	0	2 121
Bonds and other fixed-income securities	61 301	45 710	0	107 011
Certificates	3 985	5 600	0	9 585
Bonds	46 009	40 110	0	86 119
Fixed-income funds	11 307	0	0	11 307
Loans and receivables	9 840	5 547	0	15 387
Shares and units	67 605	918	4 717	73 239
Shares	66 683	256	689	67 627
Equity funds	923	0	79	1 001
Property funds	0	658	0	658
Special funds	0	4	0	4
Private Equity	0	0	3 949	3 949
Financial derivatives	0	1 661	0	1 661
Total assets valued at fair value	138 746	55 957	44 460	239 163
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives liabilities	0	1 948	0	1 948
Debt to credit institutions ¹	485	0	0	485
Total financial liabilities at fair value	485	1 948	0	2 433

Changes in Level 3, Financial Assets	Book value 2014	Book value 2013
Opening balance 1 January	4 717	3 262
Sold	-674	-632
Bought	1 472	1 271
Unrealised changes	1 041	817
Closing balance 31 December	6 554	4 717
Realised gains/losses	182	30

Note 12 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3, Investment Property	Book value 2014	Book value 2013
Opening balance 1 January	39 744	32 322
Net acquisition cost	1 140	6 003
Unrealised changes	1 303	1 409
Other changes	2 281	10
Closing balance 31 December	44 467	39 744
Realised gains/losses	0	0
Closing balance 31 December	51 022	44 460

Unrealised changes and realized gains / losses reflected on the line «Net value changes on financial instruments» in the consolidated income statement. The tables «Changes in level 3» shows changes in level 3 classified instruments in the period indicated.

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

Level 1:

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

Level 2:

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

Level 3:

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

Valuations related to items in the various levels are described in Note 10. For description of the pricing of investment property please see the annual financial statements.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 2 551 million as of 31.12.2014 and NOK 2 223 million as of 31.12.2013. Investment property comes under this Note since there are more extensive requirements for information regarding fair value that now also apply to investment property valued at fair value in the Group. Everything related to investment property is included in Level 3.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 841 million in financial assets valued at fair value at Level 1. Per 31.12.2014 the NOK 841 millions are included with NOK 398 millions in shares and units in Level 1, and NOK 443 millions in debt instruments at fair value in Level 1.

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

By fourth quarter this year NOK 36 millions has been moved from Level 1 to Level 2 and NOK 213 millions from Level 2 to Level 1. When moving between levels the value at the period end defines the amount. There has been no changes in Level 3 in this period. All changes in levels applies to shares and are due to changes in liquidity; based on rules related to number of trading days and level of turnover.

As a result of IRS 10 there will be variance between what is reported here and what has been reported previously since this note is based on a fully consolidated financial position statement in accordance with the new regulations on consolidating entities where there is control.

Note 13 LIQUIDITY RISK

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

31.12.14 NOK millions	Within 1 month	1-12 month	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan	0	167	3 506	0	0	3 673
Perpetual hybrid Tier 1 securities	0	55	218	273	1 448	1 994
Debt to and deposits from customers (without defined maturity)	6 251	0	0	0	0	6 251
Covered bonds issued	0	2 190	15 789	1 474	0	19 453
Payables to credit institutions	8 294	680	2 747	0	0	11 721
Financial derivatives	6 200	3 288	1 779	199	-45	11 420
Accounts payable	670	0	0	0	0	670
Contingent liabilities	13 256	0	0	0	0	13 256
Total	35 952	6 379	24 040	1 946	1 402	68 437

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 1 959 million and derivatives maturing between 1-12 months are reduced by NOK 639 million, derivatives maturing between 1-5 years with NOK 47 million and maturing between 5-10 år with NOK 58 million. Call money maturing within one month are reduced with NOK 118 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 65 619 million.

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

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

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

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

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

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

Note 14 INTEREST RATE RISK

31.12.14 NOK millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.14- 31.12.14	Total	Total adjusted for minority's share
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	14	14	9
Financial derivatives classified as assets	21	10	-100	-95	-226	-79	-469	-404
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	6
Bonds and other fixed-return securities	-40	-77	-1 095	-1 669	-1 298	241	-3 937	-1 207
Fixed income fund holdings	-639	0	0	0	0	28	-611	-3 092
Special investment fund	-20	28	0	-3	0	9	14	8
Lending and receivables	-2	-4	0	0	0	84	78	78
Lending	0	0	0	0	0	185	185	185
Total assets	-680	-43	-1 195	-1 766	-1 524	487	-4 722	-4 416
LIABILITIES								
Deposit	0	0	0	0	0	-62	-62	-62
Liabilities created on issue of securities	0	4	42	47	0	-215	-122	-122
Financial derivatives classified as liabilities	-5	11	161	110	2	75	355	293
Hybrid capital, subordinated loans	0	0	0	72	33	0	105	105
Debt to credit institutions	0	0	0	0	0	-6	-6	-6
Total liabilities	-5	15	203	229	35	-208	269	208
Total before tax	-685	-28	-992	-1 537	-1 488	279	-4 452	-4 209
Total after tax	-500	-21	-724	-1 122	-1 087	203	-3 250	-3 072

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.

Note 14 INTEREST RATE RISK (CONT.)

31.12.13 NOK millions	Up to 3 months	From 3 mnts. to 12 mnths.	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cashflow 01.01.13- 31.12.13		Total adjusted for minority's share
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	7	7	3
Alternative investments	0	0	0	0	0	0	0	0
Financial derivatives classified as assets	2	11	-158	-130	-122	-42	-439	-447
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	6
Bonds and other fixed-return securities	-36	-84	-898	-1 032	-767	205	-2 612	-776
Fixed income fund holdings	-582	0	0	0	0	27	-556	-2 146
Special investment fund	-38	-38	4	-5	0	7	-70	-1
Lending and receivables	-1	-8	-4	0	0	92	79	79
Lending	0	0	0	0	0	147	147	147
Total assets	-656	-119	-1 055	-1 167	-889	449	-3 437	-3 135
LIABILITIES								
Deposit	0	0	0	0	0	-44	-44	-44
Liabilities created on issue of securities	0	0	86	50	0	-154	-19	-19
Financial derivatives classified as liabilities	-16	8	176	86	2	71	326	249
Hybrid capital, subordinated loans	0	0	0	55	16	0	72	72
Debt to credit institutions	0	0	0	0	0	-6	-6	-6
Total liabilities	-16	8	262	191	18	-134	329	251
Total before tax	-672	-111	-793	-976	-871	315	-3 108	-2 884
Total after tax	-491	-81	-579	-713	-636	230	-2 269	-2 105

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

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

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

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

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

Note 15 CREDIT RISK

31.12.14 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and finance	Mortgage > 80% ¹	Mortgage < 80% ¹	Other	Total	Total adjusted for minority holding
Debt instruments held to maturity at amortized cost	25 973	0	81	1 380	0	0	3 185	30 620	30 620
Debt instruments classified as loans and receivables at amortized cost	65 097	0	524	3 783	0	0	17 570	86 974	86 947
Debt instruments at fair value - fixed-return securities	78 877	96	3 098	25 502	0	0	11 207	118 780	110 194
Fixed-income funds	0	0	0	0	0	0	12 172	12 172	12 172
Loans and receivables	18 447	0	0	3 090	0	0	0	21 536	20 579
Financial derivatives classified as assets	1 785	0	0	0	0	0	0	1 785	1 730
Lending	0	0	49 708	0	11 165	1 505	4 632	67 010	67 010
Total	190 179	96	53 411	33 755	11 165	1 505	48 766	338 878	329 252

Specification of investment grade	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	13 457	1 988	9 723	806	25 973
Debt instruments classified as loans and receivables at amortized cost	16 803	15 601	29 821	2 872	65 097
Debt instruments at fair value -fixed-return securities	21 836	21 495	24 574	10 972	78 877
Loans and receivables	0	6 244	12 202	0	18 447
Financial derivatives classified as assets	0	177	1 608	0	1 785
Total	52 096	45 504	77 929	14 650	190 179

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

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

Note 15 CREDIT RISK (CONT.)

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

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

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

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

The Notes only show Standard & Poor's ratings. The KLP Group also uses ratings from Moody's Investor Services and Fitch ratings

and all three are equal as a basis for investments in fixed-income securities. The table shows exposure towards the rating categories used by S & P where AAA is associated with securities with the highest creditworthiness. «Other» is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 44 billion on 31 December 2014. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the «Other» category.

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

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

NOK millions	31.12.14		31.12.13	
	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding
10 LARGEST COUNTERPARTIES				
Counterparty 1	11 623	11 583	11 615	11 031
Counterparty 2	9 745	9 441	9 425	9 384
Counterparty 3	6 749	6 749	8 523	8 523
Counterparty 4	5 490	5 490	4 925	4 904
Counterparty 5	5 420	4 773	4 785	4 698
Counterparty 6	4 748	4 704	3 798	3 399
Counterparty 7	3 563	3 438	3 414	3 297
Counterparty 8	3 226	3 195	3 318	3 294
Counterparty 9	3 164	3 164	2 968	2 968
Counterparty 10	3 137	2 994	2 815	2 815
Total	56 866	55 531	55 586	54 313

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

Note 16 TECHNICAL PROVISIONS IN LIFE INSURANCE

NOK millions	31.12.14	31.12.13
Premium reserves - ordinary tarif	332 416	280 855
Premium funds, buffer funds and pensioners' surplus funds	10 511	9 179
Supplementary reserves	17 150	12 524
Securities adjustment fund	19 578	10 447
Other provisions	257	222
Technical provisions in life insurance including investment choice	379 912	313 227

NOK millions	31.12.14	31.12.13
Premium reserves	833	571
Deposit funds	9	6
Provisions in life insurance with investment options	842	578

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

31.12.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net			Total adjusted for mino- rity's share
				Financial instruments	Security in cash	Net amount	
ASSETS							
Financial derivatives	1 785	0	1 785	-1 093	-602	144	53
Repo	0	0	0	0	0	0	0
Total	1 785	0	1 785	-1 093	-602	144	53
LIABILITIES							
Financial derivatives	11 549	0	11 549	-1 093	-6 893	3 563	3 077
Repo	1 283	0	1 283	0	0	1 283	1 283
Total	12 832	0	12 832	-1 093	-6 893	4 846	4 360

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

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

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

Note 18 OTHER CURRENT LIABILITIES

NOK millions	31.12.14	31.12.13
Short-term payables trade in securities	207	3 978
Advance tax-deduction pension scheme	287	241
Accounts payable	670	692
Pre-called contribution to insurance	96	67
Other current liabilities	4 625	2 221
Total receivables	5 885	7 200

Note 19 PENSION OBLIGATIONS - OWN EMPLOYEES

NOK millions	2014	2013	Economic assumptions	31.12.14	31.12.13
Capitalized net liability/(asset) 01.01	623	469	Discount rate	2,30 %	4,00 %
Pension costs taken to profit/loss	-6	108	Salary growth	2,75 %	3,75 %
Financial costs taken to profit/loss	25	23	The National Insurance basic amount (G)	2,50 %	3,50 %
Actuarial gains and losses incl. social security contributions	218	112	Pension increases	1,73 %	2,72 %
Social security contributions paid in premiums/supplements	-13	-11	Expected return	2,30 %	4,00 %
Premiums/supplements paid-in incl. admin	-93	-78	Social security contribution rate	14,10 %	14,10 %
Capitalized net liability 31.12	755	623			

The effect of changes in the assumptions is a NOK 218 million increase in the liability. The change is charged to «Other comprehensive income» in the income statement.

A plan change has also been incorporated into the pension liability as at 31 December 2014. The effect of the plan change is a reduction of the liability by NOK 124 million. The plan change has been recognized as a reduction of the cost of pension and insurance related operating costs in the income statement



Non-financial accounts
KLP Group

Non-financial accounts

KLP Group

Note	Per Q4 2014	Per Q3 2014	Per Q2 2014	Per Q1 2014	2013	2012	2011
SOCIAL RESPONSIBLE INVESTMENTS							
2							
2							
3							
EMPLOYEES							
ENVIRONMENT							
4,5							
5							
5							
5							

NOTE 1 INVESTMENT PORTFOLIO

KLP has excluded 27 companies with a high share of revenues from coal and coal production, 3 companies for an unacceptable risk of complicity in human rights and labour rights violations (POSCO, Daewoo International and OlamInternational), and one company for violations of other ethical norms (Agrium, Inc.).

NOTE 2 GENERAL MEETINGS

This shows both the percent and absolute number of all general meetings at which KLP has voted.

NOTE 3 DIALOGUE

Number of companies that KLP has contacted regarding social, environmental and governance challenges related to their operations. This is a form of active ownership in which KLP engages in dialogue to determine how companies handle such challenges, to communicate KLP's expectations, and to encourage improvement.

NOTE 4 ENERGY CONSUMPTION (DEVIATION KLP HOUSE)

The high level of energy consumption at the KLP office building in Q4 is due to a correction for the period Q1-Q3. The correction amounts to 193,308 kWh.

NOTE 5 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.



Accounts

Kommunal Landspensjonskasse

Income statement

Kommunal Landspensjonskasse

Note	NOK million	Q4 2014	Q4 2013	The year 2014	The year 2013
3	Premium income	7 884	5 373	62 454	30 860
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	1 602	1 104	3 109	3 395
	Interest income/dividends on financial assets	2 139	3 378	8 257	9 116
	Value changes on investments	271	-1 562	8 395	2 187
	Gains and losses realised on investments	3 251	3 240	3 630	4 077
	Net income from investments in the common portfolio	7 263	6 159	23 391	18 775
	Net income of the investment option portfolio	38	52	120	138
	Other insurance-related income	253	188	855	682
	Claims	-3 705	-3 026	-17 996	-11 886
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-10 643	-4 565	-64 084	-30 848
	Changes in insurance liabilities investment option portfolio	-70	-39	-92	-181
	Funds assigned to insurance contracts - contractual liabilities	-1 407	-3 749	-3 352	-5 884
4	Insurance-related operating expenses	-215	-210	-752	-807
	Other insurance-related costs	-221	-174	-797	-656
	Technical profit/loss	-824	8	-253	191
	Net income from investments in the corporate portfolio	419	232	1 446	979
	Other income	7	8	16	17
	Administration costs and other costs associated with the corporate portfolio	-82	-75	-250	-238
	Non-technical profit/loss	344	165	1 212	759
	Profit/loss pre-tax	-480	173	959	950
11	Tax	35	0	35	0
	Profit/loss before other comprehensive income	-445	173	994	950
	Actuarial profit/loss post employment benefit obligations	-54	-79	-147	-79
11	Tax on items that will not be reclassified to profit or loss	40	0	40	0
	Items that will not be reclassified to profit or loss	-15	-79	-107	-79
	Shares of P/L components by use of the equity method	-42	-33	-71	-33
	Adjustments of the insurance obligations	23	10	23	10
11	Tax on items that will be reclassified to profit or loss	13	0	13	0
	Items that will be reclassified to profit or loss when specific conditions are met	-6	-23	-35	-23
	Other comprehensive income	-20	-102	-143	-102
	TOTAL COMPREHENSIVE INCOME	-465	71	852	847

Balance sheet

Kommunal Landspensjonskasse

Note	NOK millions	31.12.14	31.12.13
ASSETS			
ASSETS IN THE CORPORATE PORTFOLIO			
	Intangible assets	391	321
	Investment property	890	947
	Shares and holdings in property subsidiaries	1 471	1 393
	Shares and holdings in other subsidiaries	2 694	2 517
5	Financial assets valued at amortized cost	9 694	8 942
5,6	Financial assets valued at fair value	8 489	5 416
	Receivables	894	1 712
	Other assets	567	390
	Total assets in the corporate portfolio	25 090	21 638
ASSETS IN THE CUSTOMER PORTFOLIOS			
	Shares and holdings in property subsidiaries	42 396	38 383
5	Financial assets valued at amortized cost	147 393	121 557
5,6	Financial assets valued at fair value	198 193	156 270
	Total assets in the common portfolios	387 982	316 210
	Shares and holdings in property subsidiaries	257	236
5	Financial assets at amortized costs	654	597
5,6	Financial assets at fair value	1 047	912
	Total assets in investment portfolio	1 958	1 745
	TOTAL ASSETS	415 030	339 592
OWNERS' EQUITY AND LIABILITIES			
	Owners' equity contributed	9 173	7 659
	Retained earnings	8 281	7 429
5	Subordinated loan capital etc.	4 676	4 070
9	Insurance obligations in life insurance - contractual liabilities	376 681	310 314
9	Insurance liabilities investment option portfolio	1 921	1 813
10	Provision for liabilities	503	425
8	Liabilities	13 638	7 822
	Accrued costs and prepaid income	157	59
	TOTAL OWNERS' EQUITY AND LIABILITIES	415 030	339 592
OFF-BALANCE SHEET ITEMS			
	Contingent liabilities	12 748	8 086

Changes in Owner's equity

Kommunal Landspensjonskasse

2014 NOK millions	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
Own funds 1 January 2014	7 659	170	7 260	15 089
Unallocated profit		358	637	994
Other comprehensive income			-143	-143
Total comprehensive income		358	494	852
Owners equity contribution recieved (net)	1 514			1 514
Total transactions with owners	1 514			1 514
Own funds 31 December 2014	9 173	528	7 754	17 454

2013 NOK millions	Paid-up equity	Risk equali- zation fund	Retained earnings	Total equity
Own funds 1 January 2013	6 891	490	6 092	13 473
Unallocated profit		-320	1 270	950
Other comprehensive income			-102	-102
Total comprehensive income		-320	1 168	847
Owners equity contribution recieved (net)	768			768
Total transactions with owners	768			768
Own funds 31 December 2013	7 659	170	7 260	15 089

Statement of cash flows

Kommunal Landspensjonskasse

NOK millions	01.01.2014- 31.12.2014	01.01.2014- 30.09.2014	01.01.2014- 30.06.2014	01.01.2014- 31.03.2014	01.01.2013- 31.12.2013
Net cashflow from operational activities	-1 276	-748	417	98	-689
Net cashflow from investment activities	-145	-92	-59	-30	-85
Net cashflow from financing activities	1 514	1 305	-33	58	768
Net changes in cash and bank deposits	92	464	324	126	-6
Holdings of cash and bank deposits at start of period	342	342	342	342	348
Holdings of cash and bank deposits at end of period	434	806	666	468	342

Notes to the Accounts

Kommunal Landspensjonskasse

Note 1 ACCOUNTING PRINCIPLES

The financial statements in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) for the period 1 January 2014 - 31. December 2014. The auditor has not conducted a review of the report.

The interim financial statements are presented in accordance with Regulation 1241 of 16 December 1998: Regulations on annual accounts etc. for insurance companies (the Annual Accounts Regulations). The interim financial statements have been prepared in accordance with the same principles as for the annual financial statements for 2013

unless otherwise indicated. There are no changes in the accounting principles for the fourth quarter of any major significance for the interim accounts (Q4-14) presented.

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

Note 2 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 31 December 2014.

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
Value adjustment incl. foreign exchange	1 298	361	1 518	1 414
Foreign exchange effect on hedging	-1 107	-244	-686	-890
Net value adjustment incl. exchange hedging	191	118	832	524

Note 3 PREMIUM INCOME

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
Gross premiums due	8 681	5 431	32 283	24 931
- Reinsurance premiums ceded	-1	-1	-3	-3
Transfer of premium reserved from others ¹	-795	-57	30 175	5 932
Total premium income	7 884	5 373	62 454	30 860

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

Note 4 INSURANCE-RELATED OPERATING EXPENSES

NOK millions	Q4 2014	Q4 2013	The year 2014	The year 2013
Staff costs	146	134	433	484
Depreciation	24	17	79	74
Other operating expenses	45	58	240	250
Total insurance related expenses	215	210	752	807

Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

a) Shares (listed)

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

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

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

b) Shares (unlisted)

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

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

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

c) Foreign fixed interest securities

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

- Barclays Capital Indices
- Bloomberg
- Reuters

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

d) Norwegian fixed interest securities - government

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

e) Norwegian fixed interest securities - non-government

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

The yield curve spreads are received from Nordic Bond Pricing. These are based on yield curve spreads collected from several different market operators and converted to an average curve.

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

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

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

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

For guaranteed loans, fair value is calculated as a discounted cash flow based on the same interest-rate curves as the direct loans, but the credit margin is initially based on the initial margin.

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

l) Investments with credit institutions

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

m) Fair value of subordinated loan capital

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

n) Fair value of hybrid Tier 1 securities issued

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

o) Private Equity

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

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

31.12.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS - AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	730	855	9 054	10 339	50	56	9 834	11 250
Accrued not due interest	23	23	200	200	1	1	223	223
Foreign hold-to-maturity bonds	3 130	3 230	16 549	15 401	87	100	19 765	18 731
Accrued not due interest	55	55	256	256	2	2	312	312
Total investments held to maturity	3 937	4 163	26 058	26 196	139	158	30 134	30 517
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	1 495	1 686	24 620	28 217	138	161	26 253	30 064
Accrued not due interest	40	40	682	682	3	3	725	725
Foreign bonds	4 133	4 586	52 951	62 748	365	413	57 449	67 747
Accrued not due interest	88	88	1 108	1 108	8	8	1 203	1 203
Total bonds classified as loans and receivables	5 756	6 400	79 360	92 755	515	585	85 631	99 739
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	4 076	4 090	0	0	4 076	4 090
Lending with public sector guarantee	0	0	37 695	38 643	0	0	37 695	38 643
Accrued not due interest	0	0	205	205	0	0	205	205
Total other loans and receivables	0	0	41 976	42 938	0	0	41 976	42 938
Total financial assets at amortized cost	9 694	10 563	147 393	161 889	654	743	157 741	173 194
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	329	329	4 874	4 874	0	0	5 203	5 203
Foreign shares	0	0	19 605	19 605	0	0	19 605	19 605
Total shares and units	329	329	24 479	24 479	0	0	24 808	24 808
Property funds	0	0	493	493	0	0	493	493
Norwegian equity funds	0	0	43 422	43 422	400	400	43 822	43 822
Foreign equity funds	0	0	5 758	5 758	0	0	5 758	5 758
Total equity fund units	0	0	49 673	49 673	400	400	50 073	50 073
Norwegian alternative investments	0	0	1 794	1 794	13	13	1 807	1 807
Foreign alternative investments	0	0	81	81	0	0	81	81
Total alternative investments	0	0	1 875	1 875	13	13	1 888	1 888

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

31.12.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	4 636	4 636	28 626	28 626	0	0	33 262	33 262
Foreign bonds	203	203	18 232	18 232	0	0	18 434	18 434
Accrued not due interest	41	41	484	484	0	0	525	525
Norwegian fixed-income funds	1 765	1 765	41 640	41 640	599	599	44 004	44 004
Foreign fixed-income funds	0	0	12 172	12 172	0	0	12 172	12 172
Norwegian certificates	557	557	3 910	3 910	0	0	4 467	4 467
Accrued not due interest	5	5	12	12	0	0	17	17
Total bonds and other fixed-income securities	7 206	7 206	105 076	105 076	599	599	112 882	112 882
Norwegian loans and receivables	461	461	8 120	8 120	11	11	8 593	8 593
Foreign loans and receivables	165	165	7 660	7 660	17	17	7 842	7 842
Total loans and receivables	626	626	15 780	15 780	28	28	16 434	16 434
DERIVATIVES								
Interest rate swaps	312	312	415	415	1	1	727	727
Share options	0	0	424	424	3	3	427	427
Forward exchange contracts	0	0	370	370	3	3	373	373
Total financial derivatives classified as assets	312	312	1 208	1 208	7	7	1 527	1 527
Other financial assets	16	16	101	101	0	0	117	117
Total financial assets valued at fair value	8 489	8 489	198 193	198 193	1 047	1 047	207 729	207 729
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	748	748	0	0	748	748
Forward exchange contracts	10	10	7 615	7 615	27	27	7 652	7 652
Total financial derivatives classified as liabilities	10	10	8 363	8 363	27	27	8 400	8 400

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

31.12.14 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	3 423	3 508	0	0	0	0	3 423	3 508
Hybrid Tier 1 securities	1 253	1 262	0	0	0	0	1 253	1 262
Total subordinated loan capital etc.	4 676	4 770	0	0	0	0	4 676	4 770
DEBT TO CREDIT INSTITUTIONS								
Foreign call money	186	186	527	527	2	2	715	715
Total debt to credit institutions	186	186	527	527	2	2	715	715

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 CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	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 bonds	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 loan	0	0	7 830	7 838	0	0	7 830	7 838
Lending with public sector guarantee	0	0	25 986	26 285	0	0	25 986	26 285
Accrued not due interest	0	0	172	172	0	0	172	172
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

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

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
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
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
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
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	9 360	9 360	11	11	9 618	9 618
Foreign loans and receivables	121	121	2 467	2 467	8	8	2 595	2 595
Total loans and receivables	368	368	11 827	11 827	19	19	12 214	12 214
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	156 270	156 270	912	912	162 598	162 598

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

31.12.13 NOK millions	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	323	323	0	0	323	323
Interest rate and currency swaps	65	65	309	309	1	1	375	375
Forward exchange contracts	0	0	697	697	4	4	701	701
Total financial derivatives classified as liabilities	65	65	1 330	1 330	5	5	1 400	1 400
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								
Foreign call money	6	6	477	477	0	0	482	482
Total debt to credit institutions	6	6	477	477	0	0	482	482

Note 6 FAIR VALUE HIERARCHY

31.12.14 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	1 829	5 378	0	7 206
Certificates	0	562	0	562
Bonds	64	4 816	0	4 880
Fixed-income funds	1 765	0	0	1 765
Loans and receivables	384	242	0	626
Shares and units	0	323	6	329
Shares	0	323	6	329
Financial derivatives	0	312	0	312
Other financial assets	0	16	0	16
Total corporate portfolio	2 213	6 270	6	8 489

Note 6 FAIR VALUE HIERARCHY (CONT.)

31.12.14 NOK millions	Level 1	Level 2	Level 3	Total
COMMON PORTFOLIO				
Bonds and other fixed-income securities	74 181	30 895	0	105 076
Certificates	2 314	1 608	0	3 922
Bonds	18 055	29 287	0	47 342
Fixed-income funds	53 812	0	0	53 812
Loans and receivables	12 800	2 980	0	15 780
Shares and units	66 149	3 343	6 536	76 028
Shares	22 047	975	958	23 980
Equity funds	44 102	0	0	44 102
Property funds	0	493	0	493
Special funds	0	1 875	0	1 875
Private Equity	0	0	5 578	5 578
Financial derivatives	0	1 208	0	1 208
Other financial assets	0	101	0	101
Total common portfolio	153 130	38 528	6 536	198 193
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	599	0	0	599
Fixed-income funds	599	0	0	599
Loans and receivables	28	0	0	28
Shares and units	400	13	0	413
Equity funds	400	0	0	400
Special funds	0	13	0	13
Financial derivatives	0	7	0	7
Total investment option portfolio	1 027	20	0	1 047
Total financial assets valued at fair value	156 370	44 818	6 542	207 729
INVESTMENT PROPERTY				
Corporate portfolio	0	0	2 361	2 361
Common portfolio	0	0	42 396	42 396
Investment option portfolio	0	0	257	257
Total investment property	0	0	45 013	45 013

Note 6 FAIR VALUE HIERARCHY (CONT.)

31.12.14 NOK millions	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	10	0	10
Debt to credit institutions	186	0	0	186
Total corporate portfolio	186	10	0	196
COMMON PORTFOLIO				
Financial derivatives	0	8 363	0	8 363
Debt to credit institutions	527	0	0	527
Total common portfolio	527	8 363	0	8 890
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	27	0	27
Debt to credit institutions	2	0	0	2
Total investment option portfolio	2	27	0	29
Total financial liabilities at fair value	715	8 400	0	9 115
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
Financial derivatives	0	50	0	50
Other financial assets	0	16	0	16
Total corporate portfolio	1 058	4 350	8	5 416

Note 6 FAIR VALUE HIERARCHY (CONT.)

31.12.13 NOK millions	Level 1	Level 2	Level 3	Total
COMMON PORTFOLIO				
Bonds and other fixed-income securities	58 004	31 083	0	89 088
Certificates	3 715	4 361	0	8 076
Bonds	12 102	26 722	0	38 825
Fixed-income funds	42 187	0	0	42 187
Loans and receivables	6 588	5 239	0	11 827
Shares and units	46 493	3 110	4 347	53 950
Shares	15 191	691	681	16 563
Equity funds	31 302	0	0	31 302
Property funds	0	658	0	658
Special funds	0	1 761	0	1 761
Private Equity	0	0	3 666	3 666
Financial derivatives	0	1 105	0	1 105
Other financial assets	0	301	0	301
Total common portfolio	111 086	40 838	4 347	156 270
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	433	0	0	433
Bonds	433	0	0	433
Loans and receivables	19	0	0	19
Shares and units	444	13	0	457
Shares	444	0	0	444
Special funds	0	13	0	13
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	113 040	45 204	4 355	162 598
INVESTMENT PROPERTY				
Corporate portfolio	0	0	2 340	2 340
Common portfolio	0	0	38 383	38 383
Investment option portfolio	0	0	236	236
Total investment property	0	0	40 958	40 958

Note 6 FAIR VALUE HIERARCHY (CONT.)

31.12.13 NOK millions	Level 1	Level 2	Level 3	Total
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

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 2014	Book value 2013
Opening balance 1 January	8	6
Sold	0	0
Bought	0	0
Unrealised changes	-2	2
Closing balance 31 December	6	8
Realised gains/losses	0	0

Changes in Level 3 shares, unlisted Common portfolio	Book value 2014	Book value 2013
Opening balance 1 January	681	353
Sold	0	0
Bought	136	342
Unrealised changes	141	-13
Closing balance 31 December	958	681
Realised gains/losses	0	0

Note 6 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3 shares, Private Equity Common portfolio	Book value 2014	Book value 2013
Opening balance 1 January	3 666	2 812
Sold	-674	-598
Bought	1 336	888
Unrealised changes	1 250	563
Closing balance 31 December	5 578	3 666
Realised gains/losses	182	13

Changes in Level 3, Investment Property Corporate portfolio	Book value 2014	Book value 2013
Opening balance 1 January	2 340	2 325
Sold	-65	-61
Bought	4	7
Unrealised changes	82	69
Closing balance 31 December	2 361	2 340
Realised gains/losses	0	-18

Changes in Level 3, Investment Property Common portfolio	Book value 2014	Book value 2013
Opening balance 1 January	38 383	30 439
Sold	0	0
Bought	1 790	5 019
Other	-909	0
Unrealised changes	3 132	2 924
Closing balance 31 December	42 396	38 383
Realised gains/losses	0	0

Changes in Level 3, Investment Property Investment option portfolio	Book value 2014	Book value 2013
Opening balance 1 January	236	186
Sold	0	0
Bought	10	31
Other	-6	0
Unrealised changes	17	19
Closing balance 31 December	257	236
Realised gains/losses	0	0

Total Level 3	51 555	45 313
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Unrealized changes are reflected in the line «Value changes on investments» in the corporate portfolio in the income statement.

The amounts in the level distribution can in turn be found in the financial position statement under various portfolios' allocation of financial instruments at fair value, investment property and shares and units in property subsidiaries (here referred to generically as investment property). Unrealized changes are reflected in the line «Value changes on investments in the common portfolio result». The significant change in Level 3 is due to investment property being included in the note.

Note 6 FAIR VALUE HIERARCHY (CONT.)

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

Note 5 provides information on fair value of assets and liabilities measured at amortized cost. The level-based distribution of these items will be as follows: assets classified as hold to maturity will be included in Level 1, lending, and loans and receivables will be included in Level 2. Liabilities, measured at amortized cost, will be distributed as follows: subordinated loan capital distributed at Levels 1 and Level 2, the hybrid Tier 1 securities will be distributed at Level 2, debt to credit institutions will be distributed at Levels 1. For information concerning pricing of these interest-bearing securities see Note 5.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance. A sensitivity analysis for investment property is available in the annual report. On a general basis, a change in the pricing of 5 % produces a change in the value of NOK 2 578 millions as at 31.12.2014 for assets in Level 3. Investment property comes under this note since there are more extensive requirements

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

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

In the period between 30.09.2014 til 31.12.2014 KLP moved NOK 2 millions from Level 1 to Level 2, and NOK 36 millions from Level 2 to Level 1. There has been no changes in Level 3 in the period. All changes in levels applies to shares and are due to changes in liquidity; based on rules related to number of trading days and level of turnover.

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

31.12.14 NOK millions	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 527	0	1 527	-733	-715	130
Total	1 527	0	1 527	-733	-715	130
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	1 208	0	1 208	-730	-527	3
Total assets – corporate portfolio	312	0	312	0	-186	125
Total assets – investment option portfolio	7	0	7	-3	-2	2
Total	1 527	0	1 527	-733	-715	130
LIABILITIES						
Financial derivatives	8 400	0	8 400	-733	-6 888	794
Total	8 400	0	8 400	-733	-6 888	794
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	8 363	0	8 363	-730	-6 859	790
Total liabilities – corporate portfolio	10	0	10	0	-9	0
Total liabilities – investment option portfolio	27	0	27	-3	-20	4
Total	8 400	0	8 400	-733	-6 888	794

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

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

Note 8 OTHER SHORT TERM LIABILITIES

NOK millions	31.12.14	31.12.13
Short-term liabilities securities	106	3 960
Advance tax-deduction pension scheme	286	240
Accounts payable	18	10
Derivatives	8 400	1 400
Debt to credit institutions	715	483
Liabilities related to direct insurance	4 066	1 703
Other short-term liabilities	47	26
Total other short-term liabilities	13 638	7 822

Note 9 INSURANCE LIABILITIES

NOK millions	31.12.14	31.12.13
Premium reserve - ordinary tariff	329 601	278 240
Premium fund, buffer fund and pensioners' surplus fund	10 306	9 031
Supplementary reserves	17 029	12 412
Securities adjustment fund	19 522	10 412
Other provisions	223	219
Insurance liabilities in life insurance - contractual liabilities	376 681	310 314
Premium reserve - ordinary tariff	1 639	1 600
Premium fund, buffer fund and pensioners' surplus fund	191	130
Supplementary reserves	91	83
Insurance-related provisions - investment option portfolio	1 921	1 813

Note 10 PENSION OBLIGATIONS - OWN EMPLOYEES

NOK millions	2014	2013	Economic assumptions	31.12.14	31.12.13
Capitalized net liability/(asset) 01.01	425	323	Discount rate	2,30 %	4,00 %
Pension costs taken to profit/loss	-15	63	Salary growth	2,75 %	3,75 %
Financial costs taken to profit/loss	17	15	The National Insurance basic amount (G)	2,50 %	3,50 %
Actuarial gains and losses incl. social security contributions	147	79	Pension increases	1,73 %	2,72 %
Social security contributions paid in premiums/supplements	-9	-7	Expected return	2,30 %	4,00 %
Premiums/supplements paid-in incl admin	-62	-47	Social security contribution rate	14,10 %	14,10 %
Capitalized net liability 31.12	503	425			

The effect of changes in the assumptions is a NOK 147 million increase in the liability. The change is charged to "Other comprehensive income" in the income statement.

A plan change has also been incorporated into the pension liability as at 31 December 2014. The effect of the plan change is a reduction of the liability by NOK 84 million. The plan change has been recognized as a reduction of the cost of pension and insurance-related operating costs in the income statement.

Note 11 TAX

NOK millions	2014	2013
Book profit/loss before taxes	959	950
Other comprehensive income	-195	-102
DIFFERENCES BETWEEN ACCOUNTING AND TAX INCOME		
Reversal of value reduction/increase, financial assets	-12 063	-5 962
Book gain on realization	-4 108	-4 365
Tax gain on realization of shares and other securities	4 120	3 694
Other permanent differences	388	317
Change in differences affecting relationship between book and taxable income	233	399
Taxable income	-10 666	-5 070
Group contribution received with tax effect	1 845	2 713
Surplus/deficit for the year is transferred to carryforward deficit	-8 821	-2 356
Deficit carryforward allowable from previous years	-16 900	-14 544
Corrected from previous years	-378	0
Change for the year in carryforward deficit	-8 821	-2 356
Total carryforward deficit and allowance as at 31.12.	-26 098	-16 900

NOK millions	2014	2013
RECONCILIATION OF BASIS FOR DEFERRED TAX		
TAX-INCREASING TEMPORARY DIFFERENCES		
Fixed assets	8	26
Securities	26 925	16 133
Total tax-increasing temporary differences	26 933	16 159
TAX-REDUCING TEMPORARY DIFFERENCES		
Long-term debt	-655	-160
Pension obligations	-503	-425
Total tax-reducing temporary differences	-1 159	-586
Net temporary differences	25 774	15 573
Carryforward deficit	-26 098	-16 900
Basis for deferred tax assets	-324	-1 327
27% deferred tax assets	-88	-358
Write-down of deferred tax assets	0	358
Book value deferred tax assets	-88	0

Deferred tax assets is classified as liabilities in the balance sheet.



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