

Interim report

Q4 2015



[INCOME STATEMENT](#)

[BALANCE SHEET](#)

[NOTES](#)



Contents

Report from the Board of directors	3
Accounts for KLP Group	9
Income statement	9
Balance sheet	10
Changes in Owners' equity	11
Statement of cash flows	12
Notes to the accounts	13
Note 1 Accounting principles and estimates	13
Note 2 Segment information	14
Note 3 Premium income for own account	17
Note 4 Other income	17
Note 5 Subordinated loan and Perceptual hybrid Tier 1 securities	18
Note 6 Operating expenses	18
Note 7 Other expenses	18
Note 8 Investment property	19
Note 9 Fair value of financial assets and liabilities	19
Note 10 Borrowing	23
Note 11 Fair value hierarchy	25
Note 12 Liquidity risk	28
Note 13 Interest rate risk	29
Note 14 Credit risk	31
Note 15 Technical provisions in life insurance	33
Note 16 Freed-up reserves	34
Note 17 Capital	35
Note 18 Presentation of assets and liabilities that are subject to net settlement	36
Note 19 Other current liabilities	37
Note 20 Pension obligations - own employees	37
Key figures - accumulated	38
Non - financial accounts - KLP Group	40
Note 1 Dialogue	41
Note 2 Energy consumption	41
Accounts Kommunal Landspensjonskasse	42
Income statement	43
Balance sheet	44
Changes in Owners' equity	45
Statement of cash flows	46
Notes to the Accounts	47
Note 1 Accounting principles and estimates	47
Note 2 Value-adjustment investment propoerty	47
Note 3 Premium income	48
Note 4 Claims	48
Note 5 Insurance-related operating expenses	48
Note 6 Fair value of financial assets and liabilities	48
Note 7 Fair value hierarchy	55
Note 8 Presentation of assets and liabilities that are subject to net settlement	61
Note 9 Liabilities	62
Note 10 Insurance liabilities	62
Note 11 Freed-up reserves	63
Note 12 Capital	63
Note 13 Pension obligations - own employees	65
Note 14 Tax	66

Interim Report Q4-2015

A good fourth quarter

- The value-adjusted return for the common portfolio amounted to 2.0 per cent for the quarter and 4.0 per cent for year as a whole.
- Book return for the common portfolio increased by 1.0 per cent for the quarter and amounted to 3.6 per cent for 2015.
- In addition to the ordinary result, substantial reserves are freed up to strengthen solvency and to be returned to the customers' premium fund.
- Continuing unsettled financial markets underline the importance of having solid financial buffers.

KLP – a customer-owned group

The KLP Group is made up of the following companies: KLP, the parent company, KLP Banken, KLP Skadeforsikring (the non-life operation), KLP Kapitalforvaltning (the asset management operation), KLP Bedriftspensjon (the corporate pensions operation), KLP Forsikringsservice (the insurance service operation), and KLP Eiendom (the property operation).

At the end of the fourth quarter, the Group had total assets of NOK 543 billion following growth of NOK 52 billion in 2015.

The operating profit was NOK 25.2 billion (6.4) in the fourth quarter, and NOK 26.6 billion (18.1) for 2015. Freed-up premium reserves of NOK 19.6 billion in the fourth quarter are the most important contribution to the good result. A good value increase in the equity and property markets has also contributed in a positive way to the operating result in the fourth quarter. The Group's comprehensive income of NOK 3.5 billion (-281 million) for the quarter is satisfactory, with NOK 5.0 billion for 2015 (863 million).

Subsidiaries' profit contributions (pre-tax)

NOK millions	Q4		The year	
	2015	2014	2015	2014
KLP Bank Holding	15	-2	49	28
KLP Skadeforsikring	127	136	173	304
KLP Bedriftspensjon	-9	-7	-24	-23
KLP Kapitalforvaltning	1	14	46	56
KLP Forsikringsservice	0	1	0	1

Kommunal Landspensjonskasse gjensidig forsikringsselskap

The pension schemes in the public sector are offered and administered by Kommunal Landspensjonskasse (KLP), the Group's parent company. Out of the Group's total assets of NOK 543 billion, NOK 412 billion makes up pension funds belonging to this group of customers.

Result for the fourth quarter 2015

Returns result

In the fourth quarter 2015 KLP achieved a returns result (returns in excess of average guaranteed rate of return) of NOK 1.3 billion (3.7), whereas for 2015 returns amounted to NOK 3.5 billion (5.1). Financial income from customer assets made up NOK 15.5 billion (23.4), of which NOK 7.9 billion in the fourth quarter. The value-adjusted return on the common portfolio was 4.0 per cent for 2015, and book return was 3.6 per cent.

Risk profit

The risk profit was satisfactory in 2015. The risk events in the stock are all together within expectations for the year, the profit totalling NOK 498 million. It is set for NOK 248 million of the risk profit to be allocated to the risk equalisation fund, the rest being returned to the customers' premium fund. Moreover, reserves of NOK 19.6 billion have been freed up as a result of new disability rates, changes in disability financing and particular conditions in the nurse scheme. It is set for NOK 14.9 billion of these funds to be used for solvency-promoting measures such as reducing the average guaranteed rate of return and transferring to the risk equalisation fund. The remaining NOK 4.7 billion will be returned to the customers' pension fund.

Administration profit

The Company's administration result is a profit of NOK 67 million (84) for the fourth quarter and NOK 264 million (345) at the end of the year. Insurance-related operating costs made up 0.26 per cent of the premium reserve.

Total profit/loss

The total result for the Company was NOK 3.6 billion (-465 million) for the fourth quarter and NOK 5.0 billion (852 million) for the year as a whole. The customer profit was NOK 18.3 billion for the quarter and NOK 20.7 billion (7.0) for the year.

NOK millions	Customers	Company	Total
Returns profit	3 373	79	3 452
Risk profit	250	248	498
Risik profit II	17 076	2 567	19 644
Interest rate guarantee premium		826	826
Administration profit		264	264
Net income from investments in the corporate portfolio and other income			
Costs non-technical accounts	804	804	0
Returned contributions from customers for building up company reserves	-50	50	0
Tax		14	14
Other elements of profit/loss		195	195
Profit after Q4-201	20 650	5 047	25 697
Profit after Q4-201	6 959	852	7 810

¹ Changes in disability financing, new disability rates and particular circumstances in the nurse scheme free up NOK 19,644 million from premium reserves - contractual and investment choice. The assets are recognised in the accounts for strengthening customers' premium funds, reducing the basic interest rate and strengthening the risk equalisation fund.

Allocation of profit

	Customers	Company	Total
To supplementary reserves	3 121		3 121
To premium fund	5 138		5 138
To buffer allocation (inv. options)	2		2
To premium reserve	12 389		12 389
To risk equalisation fund		2 836	2 836
To equity fund		2 211	2 211
Total allocated 2015	20 650	5 047	25 697
Total allocated 2014	6 959	852	7 810

Disability reform

The adaptation of the disability benefits in public sector occupational pension to a new disability benefit/pension under the National Insurance Scheme came into force on 1 January 2015. From that date KLP also changed its disability tariffs. The first-mentioned element reduces the occupational pension scheme's disability benefits considerably, while at the same time the National Insurance benefits for the disabled

are substantially increased. New disability tariffs reflect a lower disability frequency than before which reduces premium and premium reserves for a given benefit. The two elements mentioned both reduce the size of premium reserves, so that substantial amounts are freed up. Particular historical conditions in the Pension scheme for nurses have the same effect. The total freed-up funds amount to NOK 19.6 billion. Following the approval of the Financial Supervisory Authority of Norway (FSA of N) NOK 12.4 billion of that amount is to be reallocated for conversion of the premium reserve at a lower average guaranteed rate of return. This brings a reduction in the average average guaranteed rate of return of 0.15 percentage points, which means that the interest rate will drop to slightly below 2.7 per cent. The remaining part of the freed-up amount will partly be used to increase the risk equalisation fund to an adequate level and partly to strengthen the customers' premium fund.

Financial solvency and capital matters

The life company's total assets increased by NOK 42.5 billion in 2015, making up NOK 457.5 billion. Insurance obligations increased by NOK 33.8 billion over the year, making up NOK 412.4 billion. During 2015, NOK 9.2 billion was received in reserves transferred-in, whilst NOK 0.1 billion was ceded.

In the course of the year, the securities adjustment fund increased by NOK 2.0 billion to NOK 21.5 billion. This is mainly due to the increase in value of the equity portfolio. The returns profit for the year was NOK 3.5 billion. It is recommended that it be allocated to supplementary reserves, which would thus amount to NOK 20.2 billion.

At the end of the quarter, KLP had total solvency capital of NOK 87.4 billion, which is the equivalent of 23.6 per cent of insurance funds with interest-rate guarantee

Capital adequacy at KLP at the end of the quarter was 12.2 per cent (9.5) and core capital adequacy was 8.6 per cent (8.1). The solvency margin under Solvency I increased during the last quarter of the year from 24.5 per cent to 28.0 per cent.

On 1 January 2016 the new Solvency II requirements became effective. At the same time the requirements for capital adequacy, core capital adequacy and Solvency I were revoked.

The FSA has approved that KLP's right to call capital from its owners, as laid down in its Articles of Association, may be counted as supplementary capital under Solvency II. The company can count an amount equivalent to 2.5 per cent of the premium reserve as Tier II capital, equal to NOK 8.8 billion at the start of 2016.

Without using transitional rules the Company's solvency ratio under Solvency II is 187 per cent. Accounting for the transitional arrangement for technical provisions this means that the solvency ratio will be 274 per cent. KLP's goal is to have a solvency ratio of at least 130 per cent. The solvency estimates are well above that goal and underline the Company's strong capital position.

The Board of Directors considers the Company's solvency as being good relative to the composition of the financial position the current market conditions and regulatory requirements.

Key figures

Per cent	Q4		The year	
	2015	2014	2015	2014
Book returns	0.8	1.7	3.6	4.3
Value-adjusted returns	2.0	2.0	4.0	6.9
Value-adjusted returns, including added values, in hold-to-maturity bonds and lending	1.6	3.1	2.8	9.5
<i>The returns figures apply to the common portfolio</i>				
Capital adequacy			12.2	9.5
Solvency ratio			280	228

Premium income

Premium income excluding premium reserves received on transfers-in amounts to NOK 6.8 billion for the quarter (8.7), and NOK 29.5 billion (32.3) at the year-end. It is the single premiums that finance growth in the obligations that follow from the regulation of the National Insurance Basic Amount (G) and members' pay increases that contribute to the decline. The single premium amounted to NOK 7.9 billion in 2015, whereas the equivalent single premium in 2014 was NOK 13.0 billion.

Claims/benefit

Pensions paid and other claims, excluding premium reserves ceded on transfer out, increased by 11 per cent and amounted to NOK 15.1 billion (13.6) at the year-end.

Management of the common portfolio

Total assets of the common portfolio at year end was NOK 421.8 billion (388.0) and were invested as shown in the following:

All figures in	31.12.2015	2015	31.12.2014	2014
Assets	Proportion	Return	Proportion	Return
Shares	19.8 %	6.0 %	20.4 %	13.0 %
Short-term bonds	20.6 %	2.0 %	21.4 %	8.4 %
Long-term/HTM bonds	26.9 %	4.5 %	27.6 %	4.7 %
Lending	12.3 %	2.7 %	10.9 %	3.2 %
Property	12.8 %	11.0 %	11.1 %	6.9 %
Other financial assets	7.6 %	0.9 %	8.7 %	2.4 %

Shares

Total exposure in shares including share derivatives made up around 20 per cent at the year-end. In the fourth quarter KLP's global index increased by 6.3 per cent, whereas the Oslo Stock Exchange (OSEBX) rose by 4.9 per cent. KLP's return on shares in the fourth quarter (the whole of 2015) was 7.8 (4.7) per cent for global shares and 5.7 (5.4) per cent for Norwegian shares respectively.

Short-term bonds and the money market

Short-term bonds made up slightly less than 21 per cent, whereas money-market instruments made up 7.6 per cent of the assets in the common portfolio as at 31 December 2015.

Government rates both globally and in Norway rose somewhat over the quarter as did the credit premiums in the Norwegian bonds market. The credit premiums in KLP's global bonds portfolio remained more or less unchanged. The global government-bond index achieved a currency-hedged return of minus 0.3 per cent in the fourth quarter, whereas the Norwegian government-bond index had a 0.2 per cent return. KLP's global credit bond index had a currency-hedged return of 0.3 per cent for the quarter. In total, KLP achieved returns of 0.3 per cent for the quarter and 2.0 per cent for the whole of 2015.

Bonds held-to-maturity

Investment in bonds held-to-maturity made up around 27 per cent of the common portfolio as at 31 december 2015. Unrecognised added values in the portfolio fell somewhat through the fourth quarter and amounted to NOK 9.9 billion as at 31 December 2015. The portfolio is well diversified and consists of securities issued by highly creditworthy institutions. The return measured at amortised cost in the fourth quarter was 1.1 per cent.

Property

Property investments including Norwegian and international property funds made up 12.8 per cent of the common portfolio. Property values in the common portfolio were regulated upward by NOK 3.5 billion at year-end. If the effect of the currency hedging on foreign properties is included, the regulation upward for the year totals NOK 2.4 billion. Property investments in the common portfolio achieved a return of 11.0 per cent in 2015.

Lending

Lending in the common portfolio totals NOK 51.2 billion. This is split between NOK 47.7 billion in lending to municipalities and other enterprises, and NOK 3.4 billion in secured mortgage loans. High quality characterises the lending portfolio with no losses for municipal loans and very modest provision for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 607 million as at 31 December 2015.

Returns on the corporate portfolio

The corporate portfolio comprises placement of owners' equity and borrowed tier I and tier II capital.

The corporate portfolio is managed with a low-risk long-term investment with the object of stable returns and growth in the equity. Investments in the corporate portfolio achieved a return of 4.8 per cent at year-end, of which 1.63 per cent in the fourth quarter.

Framework conditions

The Solvency II- regulatory framework is made effective from 1 January 2016 with the introduction of the Financial Undertakings Act (finansforetaksloven) and related regulations. The capital requirements under the new regulatory framework are stricter than before, but KLP nevertheless retains its strong capital position. The work on changing the organisation of risk management to include second-line control functions is in its final stage. Reporting to the regulatory authorities is extensive, but KLP did trial reporting in 2015 with satisfactory results.

The business areas of the subsidiaries

Private occupational pension

The Group's focus on private occupational pension is carried out through its subsidiary KLP Bedriftspensjon AS.

There is a high degree of market activity at KLP Bedriftspensjon, which has satisfactory growth in volume. The Company had total assets of NOK 2.9 billion as at 31 December 2015, which was an increase of NOK 0.7 billion over the year. The increase is by and large linked to defined contribution pensions, which now total NOK 1.2 billion. Pension funds with guaranteed return total NOK 1.4 billion. Moreover, total assets have increased as a result of capital increases of NOK 0.2 billion during 2015.

347 new customers have entered into pension agreements with KLP Bedriftspensjon, and 697 pension capital certificates have been transferred to that company.

KLP Bedriftspensjon achieved a book return on the common portfolio of 4.8 per cent and a value-adjusted return of 4.7 per cent. Customers with defined contribution pensions achieved a 2.1 per cent return for the same period.

The return on profit was NOK 9.8 million in the fourth quarter and NOK 22.9 million for the year as a whole.

The Company has asked permission from the Financial Supervisory Authority to spend seven years building up reserves to the new mortality basis K2013. NOK 68 million had been set aside at the year-end for building up reserves, NOK 10 million of which was transferred from owners' equity.

For contracts where reserves have been fully built up before the expiry of the seven-year reserve-building period, KLP Bedriftspensjon's contribution from owners' equity will be added to the customers' contracts over a period of up to three years.

The Company had a pre-tax loss of NOK 8.5 million for the quarter, and a loss of NOK 24.2 million to date this year (-22.7).

Return on customer assets

Per cent	31.12.2015	Q4 2015	31.12.2014
The common portfolio			
Book returns	4.8 %	1.4 %	4.6 %
Value-adjusted returns	4.7 %	1.9 %	6.1 %
Defined contribution pensions with investment options			
Profile KLP90	3.4 %	5.3 %	8.9 %
Profile KLP70	3.0 %	4.2 %	8.9 %
Profile KLP50	2.4 %	3.1 %	9.2 %
Profile KLP30	2.0 %	2.0 %	8.4 %
Profile KLPPM	1.5 %	0.6 %	2.3 %

Non-life insurance

The operating profit before tax as at 31 December 2015 was NOK 172.9 million (304.2). The profit for the fourth quarter was NOK 126.5 million.

The profit for the year is marked by three major fire claims the first quarter, with a total claim cost for own account of NOK 73.4 million. Several medium-sized claims related to municipal buildings-for-rent were also reported to the Company. Natural perils show a loss of NOK 34.1 million.

Reversal of previous years' claims is still positive, and this year NOK 150.6 million was taken to income as an adjustment of earlier years' reserves.

Net financial income for 2015 was NOK 168.4 million (235.0). This equates to a return of 1.9 per cent for the quarter, and 4.4 per cent for the year. The main reason for the good return for the quarter was value adjustments of the Company's property investments.

Key figures for the Company

As at the fourth quarter	2015	2014
Claim ratio ¹	77.7	68.8
Cost ratio ¹	21.1	23.1
Total cost ratio ¹	98.8	91.9

¹ For own account

The public sector market

The stock premium increased this year by 22.6 per cent, which means NOK 93.0 million (23.7).

During the quarter a new claim was reported, amounting to more than NOK 5 million, whilst in the first quarter two major property claims were reported with a combined claim cost of NOK 122.5 million. Reinsurance will cover NOK 59.5 million of that.

The corporate market

The stock premium increased by 18.2 per cent compared with the position at the year-end, equivalent to NOK 39.7 million (-6.8). There is keen competition in this segment, and the increase in sales is satisfactory.

No new claims in excess of NOK 5 million were reported during the quarter, whilst in the second quarter property loss with a claim cost of NOK 23.0 million was reported. Reinsurance will cover NOK 12.6 million of that.

The retail market

The stock premium increased by 20.7 per cent, equivalent to NOK 58.7 million (69.2). Net new sales are nevertheless somewhat weaker than expected. 87 per cent of this year's sales represented members.

Five major property claims were registered, with a total cost of NOK 23.7 million. All these major claims occurred during the first quarter.

Solvency

The Company's contingency reserves totalled NOK 540 million. That is an increase of NOK 10 million since the beginning of the year.

Capital adequacy was 48.9 per cent as against 44.0 per cent at year-end 2014. Measured relative to Solvency II, which came into force in 2016, the solvency ratio is 226 per cent, more than twice as much solvency capital as the new regulatory framework requires.

The Company's ambition is to be a competitive supplier to all public sector customers. There is considerable focus on risk-reducing measures and information, particularly on businesses subjected to risk such as municipal homes for rent where the Company continues to observe a high frequency of claims.

Asset and fund management

KLP Kapitalforvaltning AS carries out the management of securities at the KLP Group. In total NOK 398 billion was managed at the end of 2015 (370), of which NOK 44.8 billion came from external customers. The majority of the assets are managed on behalf of Kommunal Landspensjonskasse and the subsidiaries in the KLP Group.

Net new subscriptions to the KLP securities funds in the fourth quarter 2015 amounted to NOK 1.5 billion, of which NOK 1.7 billion came from customers external to the Group, and consequently NOK 200 million came from withdrawals from KLP. For the whole of 2015, net new subscriptions amounted to NOK 9.6 billion, of which NOK 6.0 billion came from customers external to the Group.

KLP Kapitalforvaltning achieved a pre-tax profit of NOK 46.1 million in 2015. For the corresponding period in 2014 the total profit was NOK 56.3 million.

The fourth quarter saw the start-up of two new index funds/index trackers, both of which have Europe as their investment area.

Banking

The KLP Banken Group's objective is the financing of mortgage loans for members of KLP's pension schemes (PM), and loans to municipalities, county administrations and enterprises that carry out assignments for the public sector (OM). The lending business is financed by way of deposits, loans from the securities market and owners' equity. In addition, lending financed through pension assets at KLP is managed.

KLP Banken has 26,200 customers in the retail market who are members, which is an increase of nearly 4,000 in the course of 2015. The proportion of members is about 69 per cent in relation to deposits and loans combined.

The volume of mortgage loans for own account and managed loans increased by NOK 1.4 billion during the same period to NOK 14.1 billion as at 31 December. Of this, NOK 10.7 billion was financed by the Bank's parent company and the subsidiary KLP Boligkreditt AS, which is an increase of NOK 0.3 billion in the fourth quarter. 2015 had the highest growth-for-the-year since the bank was established in 2010.

During 2015, public sector loans financed through bor-

rowing from the securities market were reduced by NOK 0.6 billion, of which NOK 0.1 billion in the fourth quarter. This activity still contributes a considerable part of the bank's profit. However, in 2015 the contribution from Private Market (PM) was positive for the first time and it was somewhat greater than the Public Market (OM) profit. The management of public sector loans financed through pension assets at KLP increased by NOK 5.0 billion in 2015, but fell in the fourth quarter by NOK 0.5 billion. The Banken also manages loans for KLP in foreign currencies to the equivalent of NOK 10.1 billion.

In 2015 deposits grew by NOK 1.2 billion in total, and by NOK 0.3 billion in the fourth quarter. Total deposits accounted for NOK 7.4 billion as at 31 December, of which deposits from retail customers made up NOK 6.0 billion and deposits from municipalities and enterprises totalled NOK 1.4 billion.

Overdue payments and defaulted mortgage loans are still at a low level. Default in excess of 90 days accounts for 0.27 per cent of total lending as at 31 December. The portfolio has an extremely low degree of confirmed losses.

The KLP Banken Group had a pre-tax operating profit of NOK 49.6 million in 2015, of which the fourth-quarter profit reached NOK 15.3 million. This is on account of good growth in net interest income, but also on account of a considerable decline in the value of the bank's investment in securities. The total net interest income at the Banken was NOK 187.1 million in 2015, of which NOK 54.0 million was earned in the fourth quarter. The net loss on financial instruments was NOK 34.1 million in 2015, of which NOK 6.4 million in the fourth quarter.

Corporate Social Responsibility (CSR)

KLP makes stringent demands on companies involved in coal production. The threshold for exclusion has been lowered from 50 per cent to 30 per cent of revenues from coal-based activities. The result of this is that a further twenty companies are now excluded for investment by KLP. Further information about this is to be found at the Company's website.

In the course of 2015, KLP has sold shares and bonds worth approximately NOK 1.5 billion in 42 coal companies altogether.

KLP is cooperating with several Nordic companies to reduce greenhouse gas (GHG) emissions from the energy sector and the car industry.

KLP has urged companies to avoid poor handling of scrap ships (beaching). KLP has contacted all the companies in our investment scheme that may be linked to beaching (the scrapping of ships on beaches) in Bangladesh, India or Pakistan in recent years. During the fourth quarter, KLP employees held eleven courses on personal finance at six asylum reception centres. A total of 252 residents who have been granted residence permits and are waiting for a place to live have attended the course. The course is part of KLP's cooperation with Norwegian People's Aid (Norsk Folkehjelp) to make refugees better equipped for a new life in Norwegian society.

Future prospects

At the start of 2016, there has been a strong negative development in stockmarkets and commodities markets. This means there is a danger that low interest rates will prevail for a long period ahead. Against this backdrop, the Company will continue to prioritise a strengthening of financial buffers and good service.

Members of KLP's pension scheme are to have plenty of advantage of the Company's other products within banking, funds and

non-life insurance. An important aim going forward is that KLP will take good care of all members

KLP will continue to provide competitive returns and good service in dialogue with our owners and customers, while working purposefully to be cost-effective to the benefit of municipalities, health enterprises and corporate customers.

Oslo, 18th February 2016

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy chair

Marit Torgersen

Jan Helge Gulbrandsen

Cathrine Klouman

Lars Vorland

Susanne Torp-Hansen
Elected by and from
the employees

Freddy Larsen
Elected by and from
the employees

Income statement

KLP Group

Note	NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
3	Premium income for own account	7 161	8 157	40 236	63 611
	Current return on financial asset	3 066	3 325	13 076	12 185
	Net interest income banking	54	41	187	133
	Net value changes on financial instrument	5 229	4 972	1 010	13 809
8	Net income from investment properties	2 022	2 029	4 816	4 054
4	Other income	229	258	926	871
	Return to financial instruments attributable to minority interest	-2 171	-1 408	-1 949	-3 343
	Total net income	15 590	17 375	58 302	91 321
	Claims for own account	-4 045	-3 830	-16 161	-18 643
	Change in technical provisions	14 610	-5 920	-11 751	-51 848
5	Net costs subordinated loan and hybrid Tier 1 securities	-295	-607	-1 490	-807
6	Operating expenses	-397	-363	-1 429	-1 167
7	Other expenses	-230	-222	-884	-800
	Total expenses	9 642	-10 941	-31 715	-73 265
	Operating profit/los	25 232	6 434	26 588	18 056
	To/from securities adjustment fund – life insurance	-4 029	-1 234	-1 951	-9 130
	To supplementary reserves – life insurance	-3 130	-3 415	-3 073	-3 415
	Assets allocated to insurance customers – life insurance	-14 834	-1 937	-16 435	-4 322
	Pre-tax income	3 239	-153	5 128	1 189
	Cost of taxes ¹	189	-91	-389	-324
	Income	3 427	-244	4 739	865
	Actuarial loss and profit on post employment benefit obligatio	102	-81	195	-218
	Adjustments of the insurance obligations	-10	6	-20	20
	Tax on items that will not be reclassified to profit or lo	-25	53	-44	53
	Items that will not be reclassified to profit or lo	67	-22	132	-144
	Revaluation real property for use in own operation	75	38	172	195
	Currency translation foreign subsidiaries	444	-267	1 319	-678
	Adjustments of the insurance obligations	-444	267	-1 319	678
	Tax on items that will be reclassified to profit or lo	-20	-53	-43	-53
	Items that will be reclassified subsequently to profit or loss when specific conditions are me	55	-15	129	142
	Total other comprehensive income	122	-37	261	-2
	Total comprehensive income	3 549	-281	5 000	863
	¹ Cost of taxes is included in the minority's share.	-31	-40	-164	-114

Balance sheet

KLP Group

Note	NOK millions	31.12.15	31.12.14
	Deferred tax assets	134	88
	Other intangible assets	526	448
	Tangible fixed asset	1 346	1 198
	Investments in associated companies and joint venture	368	248
8,11	Investment property	56 436	44 467
9,14	Debt instruments held to maturity	35 318	30 620
9,14	Debt instruments classified as loans and receivable	94 987	86 974
9,11,14	Lending local government, enterprises & retail customers at fair value through profit/los	1 845	2 269
9,14	Lending local government, enterprises and retail customers	75 766	64 741
9,11,14	Debt instruments at fair value through profit or los	152 493	152 489
9,11	Equity capital instruments at fair value through profit or los	115 493	101 123
9,11,14	Financial derivatives	1 292	1 785
9	Receivables	3 751	1 345
9	Assets in defined contribution-based life insurance	1 183	842
	Cash and bank deposits	2 424	2 257
	TOTAL ASSETS	543 363	490 894
	Owners' equity contributed	10 422	9 173
	Retained earnings	13 385	8 385
	TOTAL OWNERS' EQUITY	23 807	17 558
9,10	Hybrid Tier 1 securities	1 564	1 253
9,10	Subordinated loan capital	9 541	3 423
20	Pension obligations	634	755
15	Technical provisions - life insurance	413 799	379 912
15	Provisions in life insurance with investment option	1 183	842
	Premiums, claims and contingency fund provisions - non-life insurance	2 682	2 555
9,10	Covered bonds issued	18 987	18 468
9,10	Debt to credit institutions	5 099	5 220
9,10	Liabilities to and deposits from customers	7 426	6 251
9,11	Financial derivatives	7 993	11 549
	Deferred tax	254	170
19	Other current liabilities	4 255	5 971
	The minority's share of liabilities	46 139	36 968
	TOTAL LIABILITIES	519 556	473 336
	TOTAL EQUITY AND LIABILITIES	543 363	490 894
	Contingent liabilities	14 346	13 256

Changes in Owners' equity

KLP Group

2015 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2015	9 173	8 385	17 558
Income		4 739	4 739
Items that will not be reclassified to income		132	132
Items that will be reclassified to income late when particular conditions are met		129	129
Total other comprehensive income		261	261
Total comprehensive income		5 000	5 000
Owners' equity contribution received (net)	1 249		1 249
Total transactions with the owners	1 249		1 249
Owners' equity 31 December 2015	10 422	13 385	23 807

2014 NOK millions	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2014¹	7 659	7 523	15 182
Income		865	865
Items that will not be reclassified to income		-144	-144
Items that will be reclassified to income late when particular conditions are met		142	142
Total other comprehensive income		-2	-2
Total comprehensive income		863	863
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	8 385	17 558

¹ Owners equity 1 January 2014 has been changed due to a reclassification of funds in the subsidiary KLP Skadeforsikring AS by NO 86 millions.

Statement of cash flows

KLP Group

NOK millions	01.01.2015- 31.12.2015	01.01.2015- 30.09.2015	01.01.2015- 30.06.2015	01.01.2015- 31.03.2015	01.01.2014- 31.12.2014
Net cash flow from operational activitie	-6 463	-4 314	758	1 198	-3 819
Net cash flow from investment activities ¹	-162	-107	-75	-30	-162
Net cash flow from financing activitie ²	6 793	4 743	4 445	-105	3 342
Net changes in cash and bank deposits	168	321	5 127	1 063	-639
Holdings of cash and bank deposits at start of period	2 257	2 257	2 257	2 257	2 896
Holdings of cash and bank deposits at end of period	2 424	2 578	7 384	3 320	2 257

¹ Payments on the purchase of tangible fixed assets² Net receipts of owners' equity contribution, rising of new loans and repayment of debt.

Notes to the accounts

KLP Group

Note 1 ACCOUNTING PRINCIPLES- AND ESTIMATES

Accounting principles

The financial statements in this interim report show the Group and the company financial statement for Kommunal Landspensjon - kasse (KLP) for the period 1 January 2015 - 31 December 2015.

The auditor has not conducted a review of the report.

The interim financial statements for the group are presented in accordance with IAS 34 Interim reporting as approved by the EU.

The interim financial statements have been prepared in accordance with the same principles as for the annual financial statement for 2014 unless otherwise indicated.

The interim financial statements do not contain all the information required of full annual financial statements and this interim report ought to be read in conjunction with the annual financial statements for 2014. These may be obtained on application to KLP's head office in Dronning Eufemias gate 10, Oslo, or at klp.no.

Accounting estimates

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

Pension obligation own employees

In January 2016, The Norwegian Accounts Foundations published an updated version of the guidelines for pension criteria, where there are some change in the parameters from 30 September 2015 and 31 December 2014. The stated calculation criteria are uncertain, and the Group must determine the criteria itself, based on a specific assessment of its pension schemes.

Assumptions	31.12.2014	30.09.2015	31.12.2015	Change in Q4 2015	Change in 2015
PENSION OBLIGATION OWN EMPLOYEES					
Discount rate	2.30 %	2.50 %	2.70 %	0.20 %	0.40 %
Salary growth	2.75 %	2.50 %	2.50 %	0.00 %	-0.25 %
The National Insurance basic amount (G)	2.50 %	2.25 %	2.25 %	0.00 %	-0.25 %
Pension increases	1.73 %	1.48 %	1.48 %	0.00 %	-0.25 %
Social security contribution rate	14.10 %	14.10 %	14.10 %	0.00 %	0.00 %

The effect of the change in parameters has reduced the Company's pension obligation by NOK 102 million in Q4 and NOK 195 million for the year.

Note 2 SEGMENT INFORMATION

NOK millions	Group pensions pub. sect. & group life		Group pensions private		Non-life insurance	
	The year 2015	The year 2014	The year 2015	The year 2014	The year 2015	The year 2014
Premium income f.o.a. from external customers ¹	38 736	62 379	486	410	1 015	823
Premium income f.o.a. from other Group companies	53	76	0	0	20	19
Net financial income from investment	17 572	25 204	80	139	173	240
Other income from external customers	1 157	1 224	2	2	1	1
Other income from other Group companies	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
Total income	57 518	88 882	567	551	1 209	1 083
Claims f.o.a.	-15 277	-17 996	-84	-66	-801	-581
Insurance provisions f.o.a.	-11 285	-51 405	-452	-441	-14	-1
Costs borrowing	-1 490	-807	0	0	0	0
Operating costs excluding depreciation	-875	-692	-43	-42	-219	-193
Depreciation	-80	-79	-1	-1	-3	-4
Other expenses	-884	-799	0	0	0	0
Total expenses	-29 890	-71 777	-580	-550	-1 037	-779
Operating profit/los	27 627	17 105	-13	1	173	304
Funds credited to insurance customers ²	-22 789	-16 146	-9	-23	0	0
Pre-tax income	4 838	959	-22	-23	173	304
Cost of taxes	14	35	0	0	-54	-64
Income	4 852	994	-22	-23	119	240
Change in other comprehensive income	195	-143	1	-2	26	-16
Total comprehensive income	5 047	852	-22	-25	145	223
Assets	457 554	415 030	2 943	2 270	4 128	3 945
Liabilities	433 804	397 576	2 632	2 167	2 861	2 824

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

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

Note 2 SEGMENT INFORMATION (CONT.)

NOK millions	Banking		Asset management		Other	
	The year 2015	The year 2014	The year 2015	The year 2014	The year 2015	The year 2014
Premium income f.o.a. from external customers ¹	0	0	0	0	0	0
Premium income f.o.a. from other Group companies	0	0	0	0	0	0
Net financial income from investment	152	118	4	6	0	0
Other income from external customers	10	10	0	0	8	8
Other income from other Group companies	58	58	303	419	0	0
Return to financial instruments attributable to minority interests						
Total income	220	186	307	424	8	8
Claims f.o.a.	0	0	0	0	0	0
Insurance provisions f.o.a.	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-167	-155	-253	-366	-8	-7
Depreciation	-3	-3	-8	-2	0	0
Other expenses	0	0	0	0	0	0
Total expenses	-170	-158	-261	-368	-8	-7
Operating profit/los	50	28	46	56	0	1
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	50	28	46	56	0	1
Cost of taxes	-15	-7	-15	-14	0	0
Income	34	21	31	42	0	0
Change in other comprehensive income	7	-4	0	0	0	0
Total comprehensive income	41	16	31	42	0	0
Assets	31 290	29 589	394	360	11	11
Liabilities	29 776	28 499	185	176	3	4

Note 2 SEGMENT INFORMATION (CONT.)

NOK millions	Eliminations		Total	
	The year 2015	The year 2014	The year 2015	The year 2014
Premium income f.o.a. from external customers ¹	0	0	40 236	63 611
Premium income f.o.a. from other Group companies	-73	-95	0	0
Net financial income from investment	1 108	4 474	19 088	30 181
Other income from external customers	-252	-375	926	871
Other income from other Group companies	-361	-477	0	0
Return to financial instruments attributable to minority interest	-1 949	-3 343	-1 949	-3 343
Total income	-1 527	186	58 302	91 321
Claims f.o.a.	0	0	-16 161	-18 643
Insurance provisions f.o.a.	0	0	-11 751	-51 848
Costs borrowing	0	0	-1 490	-807
Operating costs excluding depreciation	231	376	-1 334	-1 079
Depreciation	0	0	-96	-89
Other expenses	0	0	-884	-800
Total expenses	231	376	-31 715	-73 265
Operating profit/los	-1 295	562	26 588	18 056
Funds credited to insurance customers ²	1 339	-698	-21 459	-16 867
Pre-tax income	43	-136	5 128	1 189
Cost of taxes	-406	-273	-476	-324
Income	-362	-409	4 652	865
Change in other comprehensive income	119	164	348	-2
Total comprehensive income	-244	-245	5 000	863
Assets	47 043	39 689	543 363	490 894
Liabilities	50 294	42 005	519 556	473 250

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

Public sector occupational pension and group life

Kommunal Landspensjonskasse offers group public sector occupational pensions.

Enterprise (defined benefit) and defined contribution pens

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

Non-life insurance

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

Banking

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

Asset management

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

Other

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

Note 3 PREMIUM INCOME FOR OWN ACCOUNT

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
Contribution service pension / AFP	7 177	8 952	30 849	27 326
Reinsurance premiums ceded	-11	-11	-10	-12
Transfer of premium reserves from others ¹	-5	-784	9 397	36 298
Total premium income	7 161	8 157	40 236	63 611

¹ "Transfer of premium reserves from others" for the fourth quarter of 2014 and 2015 is negative. This is due to the fact that KLP will only upon final settlement for transfers of new clients receive information pertinent to the clients relevant distribution between premium reserves, supplementary reserves and premium fund respectively. Upon the final settlement there will consequently be restating from premium reserves to premium funds and supplementary reserves.

Note 4 OTHER INCOME

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
Supplement contractual early retirement scheme (AFP)	221	211	868	775
Other income	8	47	58	95
Total other income	229	258	926	871

Note 5 SUBORDINATED LOAN AND PERPETUAL HYBRID TIER 1 SECURITIES

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
SUBORDINATED LOANS				
Interest costs ¹	-110	-53	-314	-165
Value changes	-106	-325	-804	-259
Net costs subordinated loans	-217	-378	-1 117	-424
PERPETUAL HYBRID TIER 1 SECURITIES				
Interest costs	-16	-15	-61	-49
Value changes	-62	-214	-312	-333
Net costs perpetual hybrid tier 1 securities	-79	-229	-372	-382
Net costs subordinated loan and hybrid Tier 1 securities	-295	-607	-1 490	-807

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

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

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

Note 6 OPERATING EXPENSES

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
Personnel costs ¹	257	185	862	605
Depreciation	39	27	118	109
Other operating expenses	102	150	449	454
Other operating expenses	397	363	1 429	1 167

¹ In 2014 a plan change was incorporated into the pension liability. The effect of the change was decrease in pension liability of NOK 124 million.

Note 7 OTHER EXPENSES

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
Supplement contractual early retirement scheme (AFP)	222	211	868	775
Other expenses	8	11	16	25
Total other expenses	230	222	884	800

Note 8 INVESTMENT PROPERTY

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
INCOME STATEMENT: NET INCOME FROM INVESTMENT PROPERTIES				
Net rental income etc.	688	516	2 518	2 033
Net value adjustment	1 779	1 265	3 618	1 343
Currency transl. foreign subsidiaries	- 444	248	- 1 319	678
Net income from investment properties	2 022	2 029	4 816	4 054

NOK millions	31.12.15	31.12.14
BALANCE SHEET: INVESTMENT PROPERTY		
Investment property 01.01	44 467	39 744
Value adjustment	3 618	1 343
Net additions	8 317	3 357
Other changes	34	23
Investment property 31.12	56 436	44 467

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial instruments measured at amortised cost

This category includes:

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

Financial instruments not measured at fair value area are measured at amortised cost by using the effective interest rate method. The internal rate of exchange is determined by

discounting contractual cash flows over their expected term. The cash flows include arrangement/up-front fees and direct transaction costs as well as any residual value on the expiry of the expected term. Amortised cost is the present value of these cash flows discounted by the internal rate of interest. This note contains information about the fair value of the financial instruments that are measured at amortised cost.

Financial instruments measured at fair value

This category includes:

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

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

Investments held to maturity

Bonds classified as loans and receivables

Debt instruments measured at fair value

a) Foreign fixed-income securities

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

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

b) Norwegian fixed-income securities – government

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

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

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

Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves and curves for Norwegian savings banks, municipalities and energy. Savings banks have various spread curves based on total assets. In addition to Nordic Bond Pricing, Norwegian banks distribute spreads for a selection of issuers. Spread curves can be used based on data from the four sources. Such spread curves are generally to be based on an equal-weighted average from the four banks.

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

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

e) Receivables on credit institutions

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

Other loans and receivables/loans to municipalities, companies and personal customers

f) Loans to municipalities and enterprises with municipal guarantee

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

against each other and against the previous observation received as well as other market information.

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

g) Loans secured by mortgage

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

Equity instruments

h) Shares (listed)

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

The last price traded has key priority. If the last price traded is outside of the bid/offer price in the market, the price is adjusted accordingly. This means that if the last price traded is below the offer price, the price is adjusted upward to the offer price

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

If it is above the bid price, it is adjusted downward to the bid price. If the price picture is considered to be outdated, the price is adjusted in accordance with a market index. The Company has chosen the Oslo Stock Exchange as its small cap index (OSESX) as an approach for unlisted shares.

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

j) Private Equity

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

Derivatives

k) Futures/FRA/IRF

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

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

Debt to credit institutions

o) Placements with credit institutions

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

Subordinated loan capital, other debt issued, and deposits from customers

p) Fair value of subordinated loans

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

Note 9 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 liabilities

NOK millions	31.12.2015		31.12.2014	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY				
- AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	10 922	11 838	10 384	11 831
Foreign hold-to-maturity bonds	23 897	25 492	20 236	22 331
Norwegian certificate	499	499	0	0
Total debt instruments held to maturity	35 318	37 830	30 620	34 162
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES				
- AT AMORTIZED COST				
Norwegian bonds	30 091	32 967	27 640	31 527
Foreign bonds	64 873	70 172	59 307	66 576
Other receivables	23	23	27	27
Total debt instruments classified as loans and receivable	94 987	103 162	86 974	98 130
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS				
AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	1 845	1 845	2 269	2 269
Total loans to local government, enterprises & retail customers	1 845	1 845	2 269	2 269
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS - AT AMORTIZED COST				
Loans secured by mortgage	14 136	14 172	12 787	12 808
Loans to local government sector or enterprises with local government guarantee	51 458	52 303	46 765	48 103
Loans abroad secured by mortgage and local government guarantee	10 172	10 133	5 189	5 228
Total loans to local government, enterprises & retail customers	75 766	76 608	64 741	66 139
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	48 258	48 258	51 342	51 342
Norwegian certificate	9 877	9 877	6 641	6 641
Foreign bonds	76 939	76 939	72 998	72 998
Investments with credit institutions	17 419	17 419	21 508	21 508
Total debt instruments at fair value through profit/loss	152 493	152 493	152 489	152 489
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE				
THROUGH PROFIT OR LOSS				
Shares	107 102	107 102	94 366	94 366
Equity funds	7 703	7 703	6 184	6 184
Property funds	370	370	493	493
Alternative investments	318	318	81	81
Total equity capital instruments at fair value	115 493	115 493	101 123	101 123
RECEIVABLES				
Receivables related to direct business	1 004	1 004	1 013	1 013
Receivables related to reinsurance agreements	74	74	19	19
Reinsurance share of gross claims reserve	10	10	10	10
Other receivables	2 662	2 662	303	303
Total other loans and receivables including receivables from policyholders	3 751	3 751	1 345	1 345

Note 9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT.)

NOK millions	31.12.2015		31.12.2014	
	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST				
Hybrid Tier 1 securities	1 564	1 588	1 253	1 262
Subordinated loan capital	9 541	9 506	3 423	3 508
Debt to credit institutions	2 915	2 915	3 219	3 219
Covered bonds issued	18 987	18 987	18 468	18 468
Liabilities and deposits from customers	7 426	7 426	6 251	6 251
Total financial liability	40 433	40 421	32 614	32 708
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions	2 184	2 184	2 001	2 001
Total financial liability	2 184	2 184	2 001	2 001
Assets in life insurance with investment option	1 183	1 183	842	842
Provisions in life insurance with investment option	1 183	1 183	842	842

NOK millions	31.12.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Forward exchange contracts	177	6 378	455	10 236
Interest rate swaps	496	1 615	591	1 313
Interest rate and currency swaps	614	0	312	0
Share options	6	0	427	0
Total financial derivative	1 292	7 993	1 785	11 549

Note 10 BORROWING

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2015	Book value 31.12.2014
PERPETUAL SUBORDINATED LOAN CAPITAL						
Kommunal Landspensjonskasse	2 372	EUR	Fixed ¹	Perpetual	2 995	2 825
Kommunal Landspensjonskasse	554	JPY	Fixed ²	Perpetual	704	599
PERPETUAL SUBORDINATED LOAN CAPITAL						
Kommunal Landspensjonskasse	5 163	EUR	Fixed ³	2045	5 841	0
Kommunal Landspensjonskasse	8 089				9 541	3 423
HYBRID TIER 1 SECURITIES						
Kommunal Landspensjonskasse	984	JPY	Fixed ⁴	2034	1 564	1 253
Total hybrid Tier 1 securities	984				1 564	1 253

¹ The loan has an interest change date in 2016.² The loan has an interest change date in 2017.³ The loan has an interest change date in 2025.⁴ The loan has an interest change date in 2034.

Note 10 BORROWING (CONT.)

NOK millions	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2015	Book value 31.12.2014
COVERED BONDS						
KLP Kommunekreditt AS	0	NOK	Floating	2015	0	1 301
KLP Kommunekreditt AS	0	NOK	Fixed	2015	0	554
KLP Kommunekreditt AS	2 170	NOK	Floating	2016	2 174	3 370
KLP Kommunekreditt AS	635	NOK	Fixed	2017	644	1 014
KLP Kommunekreditt AS	4 000	NOK	Floating	2017	4 008	4 011
KLP Kommunekreditt AS	4 000	NOK	Floating	2018	4 005	3 506
KLP Kommunekreditt AS	4 500	NOK	Floating	2019	4 505	2 001
KLP Kommunekreditt AS	750	NOK	Fixed	2020	752	752
KLP Boligkreditt AS	600	NOK	Floating	2017	602	603
KLP Boligkreditt AS	600	NOK	Floating	2019	600	601
KLP Boligkreditt AS	450	NOK	Floating	2020	452	0
KLP Boligkreditt AS	1 200	NOK	Floating	2021	1 203	602
Value adjustments					42	154
Total covered bonds	18 905				18 987	18 468
DEBT TO CREDIT INSTITUTIONS						
KLP Banken AS	0	NOK	Floating	2015	0	603
KLP Banken AS	800	NOK	Floating	2016	802	803
KLP Banken AS	300	NOK	Fixed	2017	308	308
KLP Banken AS	500	NOK	Floating	2017	500	501
KLP Banken AS	200	NOK	Fixed	2018	202	203
KLP Banken AS	500	NOK	Floating	2018	502	503
KLP Banken AS	600	NOK	Floating	2019	600	300
KLP Banken AS	3	NOK	Floating	2016	3	0
KLP Alfa Global Rente	0	NOK	Fixed	2015	0	1 282
KLP Alfa Global Rente	1 433	NOK	Fixed	2016	1 433	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2015	0	718
Kommunal Landspensjonskasse	700	NOK/EUR/USD	Floating	2016	700	0
Other KLP-funds	49	NOK/EUR/USD	Floating	2016	49	0
Other	0				0	0
Total liabilities to credit institutions	5 084				5 099	5 220
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁵						
Retail	6 030	NOK			6 030	5 062
Business	1 397	NOK			1 397	1 189
Liabilities to and deposits from customers	7 426				7 426	6 251
Total financial liability	40 488				42 617	34 615

⁵ There is no contractual maturity date on deposits.

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

Note 11 FAIR VALUE HIERARCHY

31.12.15 NOK millions	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	56 436	56 436
Land/plots	0	0	872	872
Real estate fund	0	0	773	773
Buildings	0	0	54 791	54 791
Lending at fair value	0	1 845	0	1 845
Bonds and other fixed-income securities	44 703	90 360	0	135 064
Certificate	6 974	2 903	0	9 877
Bonds	25 506	87 458	0	112 964
Fixed-income funds	12 224	0	0	12 224
Loans and receivables	16 407	1 022	0	17 429
Shares and units	103 716	3 768	8 009	115 493
Shares	102 582	3 080	1 439	107 102
Equity funds	1 133	0	76	1 209
Property funds	0	370	0	370
Special funds	0	318	0	318
Private Equity	0	0	6 494	6 494
Financial derivatives	0	1 292	0	1 292
Total assets at fair value	164 827	98 288	64 445	327 560
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	7 993	0	7 993
Debt to credit institutions ¹	751	1 434	0	2 185
Total financial liabilities at fair value	751	9 427	0	10 178

¹ The line "Debt to credit institutions" includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 2 914 million per 31.12.2015

Note 11 FAIR VALUE HIERARCHY (CONT.)

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
Certificate	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	6 310	101 123
Shares	90 117	3 017	977	94 110
Equity funds	1 105	0	0	1 105
Property funds	0	493	0	493
Special funds	0	81	0	81
Private Equity	0	0	5 334	5 334
Financial derivatives	0	1 785	0	1 785
Total assets at fair value	192 685	58 670	50 778	302 133
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	11 549	0	11 549
Debt to credit institutions ¹	719	1 283	0	2 001
Total financial liabilities at fair value	719	12 832	0	13 550

Changes in Level 3, Financial Assets	Book value 31.12.2015	Book value 31.12.2014
Opening balance 1 January	6 310	4 623
Sold	-1 460	-677
Bought	2 270	1 299
Unrealised changes	889	1 065
Closing balance 31.12.	8 009	6 310
Realised gains/losses	182	182

Note 11 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3, Investment Property	Book value 31.12.2015	Book value 31.12.2014
Opening balance 1 January	44 467	39 744
Net acquisition cost	3 618	3 357
Unrealised changes	8 317	1 343
Other changes	34	23
Closing balance 31.12.	56 436	44 467
Realised gains/losses	0	0
Closing balance 31.12.	64 445	50 778

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

The tables «Changes in level 3» shows changes in level 3 classified instruments in the period indicated

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

Nivå 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.

Nivå 2:

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

Nivå 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 3 222 million as of 31.12.2015 and NOK 2 539 million as of 31.12.2014. Investment property comes under this Note since there are more extensive requirements for information regarding fair value that now also apply to investment property valued at fair value in the Group. Everything related to investment property is included in Level 3.

The investment option portfolio is not included in the table.

The investment option portfolio has NOK 1 183 million in financial assets valued at fair value at Level 1. Per 31.12.2015 the NOK 1 183 millions are included with NOK 583 millions in shares and units in Level 1, NOK 590 millions in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

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

In the fourth quarter NOK 30 millions in stocks has been moved from Level 1 to Level 2 and NOK 232 millions from Level 2 to Level 1. For debt instruments there has been no changes in the fourth quarter. When moving between levels the value at the period end defines the amount. NOK 76 millions has been moved to investment property in level 3 during the fourth quarter.

Note 12 LIQUIDITY RISK

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

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

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

31.12.14 NOK millions	Within 1 month	1-12 months	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 derivatives maturing between 5-10 years with NOK 58 millions. 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 65 619 million.

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

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

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

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

Note 13 INTEREST RATE RISK

31.12.15 NOK millions	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.15- 31.12.15	Total	Total adjusted for minority's share
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	0	0	0
Alternative investments	0	0	0	0	0	0	0	0
Financial derivatives classified as asset	36	11	-116	-164	-294	-57	-585	-546
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	6
Bonds and other fixed-return securitie	-39	-85	-1 141	-1 741	-1 300	253	-4 053	-3 618
Fixed income fund holdings	-730	0	0	0	0	0	-730	-730
Special investment fund	0	0	0	0	0	0	0	0
Lending and receivables	0	-2	0	0	0	158	156	144
Lending	0	0	0	0	0	423	423	423
Total assets	-733	-76	-1 257	-1 905	-1 594	784	-4 781	-4 320
LIABILITIES								
Deposit	0	0	0	0	0	-74	-74	-74
Liabilities created on issue of securities	0	1	59	0	0	-224	-165	-165
Financial derivatives classified as liabilitie	-7	18	132	254	2	64	463	447
Hybrid capital, subordinated loans	0	0	0	79	58	0	137	137
Debt to credit institutions	0	0	0	0	0	-7	-7	-7
Total liabilities	-7	18	191	333	60	-241	354	337
Total before tax	-740	-58	-1 067	-1 572	-1 534	543	-4 427	-3 983
Total after tax	-540	-42	-779	-1 148	-1 119	396	-3 232	-2 907

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

Note 13 INTEREST RATE RISK (CONT.)

31.12.14 NOK millions	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.15- 31.12.15	Total	Total adjusted for minority's share
ASSETS								
Mutual funds shares ¹	0	0	0	0	0	14	14	9
Financial derivatives classified as asset	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 securitie	-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	479	479	479
Total assets	-680	-43	-1 195	-1 766	-1 524	781	-4 427	-4 122
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 liabilitie	-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	573	-4 158	-3 914
Total after tax	-500	-21	-724	-1 122	-1 087	418	-3 035	-2 858

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 instrument if interest rates had been one percent higher at the end of the period. The column changes in cash flow shows the change in cash flows if the interest had been one percent higher over the year being reported on. The sum of these results reflects the overall effect that the scenario has 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 Group's total interest rate risk is limited as a significant portion of the investments are bonds with fixed interest rates that are classified as held to maturity and loans and receivables, or fixed rate lending, measured at amortized cost. A change in market interest rate does not affect profit or loss for these assets.

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

Note 14 CREDIT RISK

31.12.15 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and financ	Mortgage > 80% ¹	Mortgage < 80% ¹	Other	Total	Total adjusted for minority holding
Debt instruments held to maturity at amortized cost	32 117	0	31	5	0	0	3 165	35 318	35 243
Debt instruments classified as loans and receivables at amortized cost	76 046	0	522	253	0	0	18 165	94 987	94 987
Debt instruments at fair value - fixed-return securitie	98 801	553	4 527	10 265	0	0	8 694	122 840	113 182
Fixed-income funds	0	0	0	0	0	0	12 224	12 224	12 224
Loans and receivables	16 922	0	0	507	0	0	0	17 429	16 576
Financial derivatives classified as asset	1 292	0	0	0	0	0	0	1 292	1 263
Lending	0	0	54 022	0	12 154	1 932	9 504	77 611	77 611
Total	225 179	553	59 102	11 030	12 154	1 932	51 752	361 702	351 085

Specification of investment grad NOK millions	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	18 157	2 558	7 691	3 711	32 117
Debt instruments classified as loans and receivables at amortized cos	22 492	16 959	32 460	4 136	76 046
Debt instruments at fair value - fixed-return securitie	42 436	14 153	28 244	13 969	98 801
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 608	14 096	219	16 922
Financial derivatives classified as asset	0	174	1 118	0	1 292
Lending	0	0	0	0	0
Total	83 085	36 451	83 609	22 035	225 179

31.12.14 NOK millions	Investment grade AAA to BBB	Lower Rating	Public sector guarantee	Banking and financ	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 securitie	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 asset	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

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

Note 14 CREDIT RISK (CONT.)

Specification of investment grade NOK millions	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
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	6 244	12 202	0	18 447
Financial derivatives classified as asset	0	177	1 608	0	1 785
Lending	0	0	0	0	0
Total	52 096	45 504	77 929	14 650	190 179

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

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

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

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. «Other» is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 51,8 billion per 31.12.2015. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the «Other» category.

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

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

Note 14 CREDIT RISK (CONT.)

NOK millions	31.12.15		31.12.14	
	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding
10 LARGEST COUNTERPARTIES				
Counterparty 1	14 247	13 712	11 623	11 583
Counterparty 2	10 180	9 602	9 745	9 441
Counterparty 3	9 091	9 091	6 749	6 749
Counterparty 4	6 247	6 247	5 490	5 490
Counterparty 5	6 118	5 816	5 420	4 773
Counterparty 6	5 907	4 347	4 748	4 704
Counterparty 7	4 566	3 526	3 563	3 438
Counterparty 8	3 419	3 327	3 226	3 195
Counterparty 9	3 378	3 283	3 164	3 164
Counterparty 10	3 325	3 247	3 137	2 994
Total	66 478	62 199	56 866	55 531

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

Note 15 TECHNICAL PROVISIONS IN LIFE INSURANCE

NOK millions	31.12.2015	31.12.2014
Premium reserves - ordinary tariff	356 199	332 416
Premium funds, buffer funds and pensioners' surplus fund	15 540	10 511
Supplementary reserves	20 322	17 150
Securities adjustment fund	21 529	19 578
Other provisions	209	257
Technical provisions in life insurance including investment choice	413 799	379 912

NOK millions	31.12.2015	31.12.2014
Premium reserves	1 175	833
Deposit funds	8	9
Provisions in life insurance with investment options	1 183	842

Note 16 FREED-UP RESERVES

As a result of new rules on disability benefits in public sector occupational pensions, the Group freed up reserves in 2015. Changes in disability financing, a new disability tariff and particular conditions in the nurse scheme freed up NOK 19 644 million from premium reserves contractua and investment choices. Assets in the Group accounts have been used to strengthen the customers' premium fund, reduce the base rate and strengthen the risk equalisation fund.

NOK millions	
FREED-UP RESERVES	
Changes in disability financing	10 270
New disability rate	5 135
Particular conditions of the nurse scheme	4 239
Total	19 644

NOK millions		31.12.15
USE OF FREED-UP RESERVES		
To premium fund		4 687
To reduction of base rate		12 389
To risk equalisation fund		2 567
Total		19 644

Note 17 CAPITAL

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

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

limited upwards to 50 per cent of SCR. Subordinated loans with first interest rate changes in 2016 and 2017 may therefore be redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Group's SCR ratio is 181 per cent, which is well over the Group's target of at least 130 per cent. With the transitional measure provisions on technical provisions the SCR ratio is 266 per cent.

	31.12.2015
Capital adequacy	11.7 %
Core capital adequacy	8.3 %
Solvency I	266 %
Solvency II	181 %

NOK billions	31.12.2015	31.12.2015
SIMPLIFIED SOLVENCY II BALANCE SHEET		
Assets, book value	462	Best estimate 417
Added values - hold-to-maturity portfolio / loans and receivables	11	Risk margin 13
Added values - other lending	1	Deferred tax liabilities 0
Other added / lesser values	0	Hybrid Tier 1 securities / Subordinated loan capital 11
		Risk equalisation fund 3
		Other liabilities 11
Total assets	474	Total liabilities 455
		Hybrid Tier 1 securities 2
		Tier 1 basic own funds 20
		Subordinated loan capital 10
		Risk equalisation fund 4
		Tier 2 basic own funds 13
		Ancillary own funds 9
		Tier 2 ancillary own funds 9
		Deduction for max. eligible own funds -14
		Total eligible tier 2 own funds 8
		Solvency II total eligible own funds 27
		Solvency capital requirement (SCR) 15
		Minimum capital requirement (MCR) 4
		Solvency II SCR ratio 181 %

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

31.12.15 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	Total adjusted for minority's share
ASSETS							
Financial derivatives	1 292	0	1 292	-649	-647	58	58
Repos	0	0	0	0	0	0	0
Total	1 292	0	1 292	-649	-647	58	58
ASSETS							
Financial derivatives	7 993	0	7 993	-649	-4 447	2 909	2 563
Repos	1 434	0	1 434	0	0	1 434	1 434
Total	9 427	0	9 427	-649	-4 447	4 343	3 997

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	Total adjusted for minority's share
ASSETS							
Financial derivatives	1 785	0	1 785	-1 093	-602	144	53
Repos	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
Repos	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

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

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

Note 19 OTHER CURRENT LIABILITIES

NOK millions	31.12.15	31.12.14
Short-term payables trade in securities	168	207
Advance tax-deduction pension scheme	329	287
Accounts payable	681	670
Pre-called contribution to insurance	106	96
Other current liabilities	2 972	4 711
Total other current liabilities	4 255	5 971

Note 20 PENSION OBLIGATIONS – OWN EMPLOYEES

NOK millions	31.12.15	31.12.14
Capitalized net liability 01.01.	755	623
Capitalized pension costs	141	-6
Capitalized financial cost	23	25
Actuarial gains and losses (Estimate deviation)	-195	218
Premiums / contributions received	-89	-106
Capitalized net liability 31.12.	634	755

Assumptions	31.12.15	31.12.14
Discount rate	2,70 %	2,30 %
Salary growth	2,50 %	2,75 %
The National Insurance basic amount (G)	2,25 %	2,50 %
Pension increases	1,48 %	1,73 %
Social security contribution rate	14,10 %	14,10 %

The effect of changes in the assumptions is a NOK 195 million decrease in the liability in 2015. The change is charged to «Other comprehensive income» in the income statement.

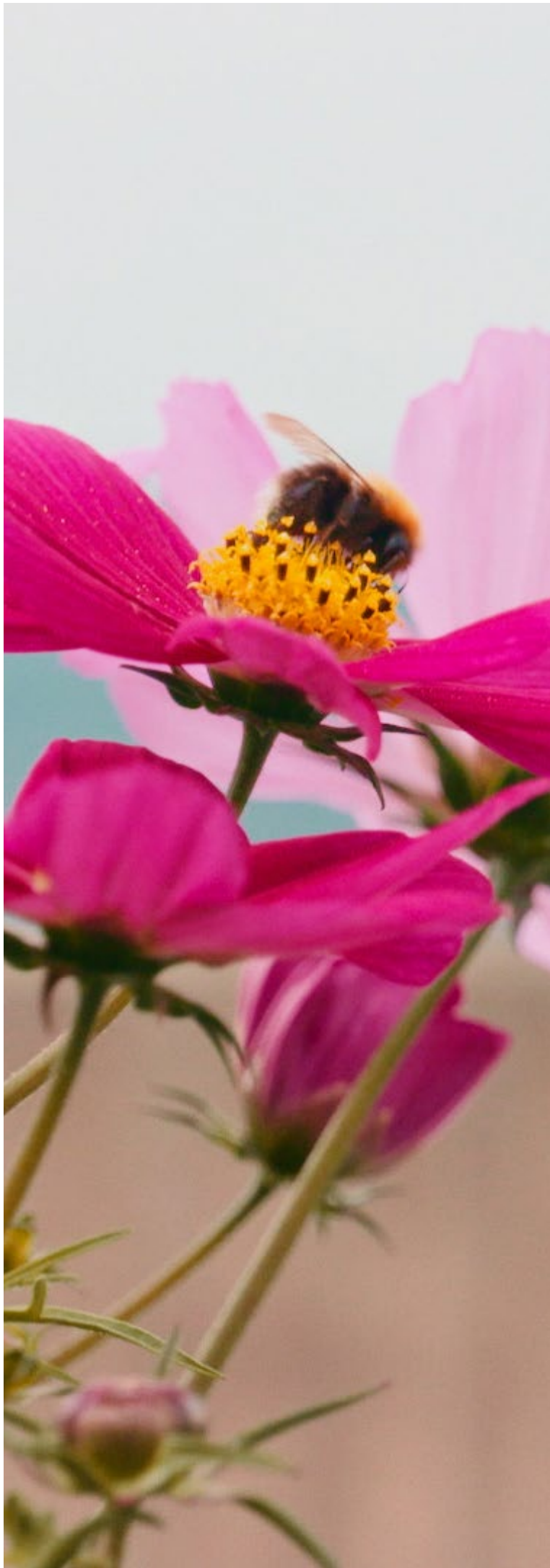
Key figure – Accumulated

NOK millions	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
KLP Group								
Profit before ta	5 128	1 889	1 334	665	1 189	1 430	799	379
Total assets	543 363	526 731	526 044	513 221	490 894	470 331	442 463	421 491
Owners' equity	23 807	20 233	18 718	18 209	17 558	17 893	16 032	15 645
Capital adequacy	11.7 %	11.0 %	11.0 %	9.1 %	9.2 %	9.2 %	9.2 %	9.8 %
Number of employees in the Group	939	920	914	906	899	886	877	863
Kommunal Landspensjonskasse								
Profit before ta	4 858	1 613	1 161	592	959	1 439	839	319
Premium income for own account	38 789	31 985	25 548	15 948	62 454	54 570	37 414	26 192
– of which inflow of premium reserv	9 247	9 273	9 594	10 035	30 175	30 970	21 072	21 580
Insurance customers' funds incl. acc. profi	15 277	11 397	7 574	3 771	17 996	14 292	10 597	7 222
– of which funds with guaranteed returns	147	147	147	126	4 364	4 213	4 106	4 106
Net investment common portfolio	421 835	405 551	409 164	403 452	387 982	363 999	346 495	336 616
Net investment choice portfolio	2 050	2 020	2 056	1 978	1 958	1 890	1 850	1 809
Insurance funds incl. earnings for the year	412 363	405 343	406 927	398 314	378 602	367 814	350 962	335 180
– of which funds with guaranteed interest	354 905	357 269	352 857	345 233	331 240	325 401	310 159	300 475
Tier 1 and Tier 2 capital	28 340	26 161	25 364	20 172	19 951	19 393	18 115	18 159
Risk profit	498	473	294	180	701	422	78	54
Risk profit II ¹	19 644	0	0	0	0	0	0	0
Return profit	3 452	2 134	2 607	1 332	5 059	1 390	1 220	604
Administration profi	264	197	132	58	345	261	123	36
Solvency capital	87 443	80 101	79 171	80 217	73 909	64 842	59 459	52 469
Solvency margin ratio (Solvency I)	280 %	245 %	241 %	222 %	228 %	213 %	209 %	215 %
Capital adequacy	12.2 %	11.4 %	11.3 %	9.5 %	9.5 %	9.6 %	9.6 %	10.1 %
Core capital ratio	8.6 %	7.9 %	7.7 %	8.1 %	8.1 %	8.1 %	8.0 %	8.5 %
Book return on common portfolio	3.6 %	2.6 %	2.0 %	1.0 %	4.3 %	2.6 %	1.8 %	0.9 %
Value-adjusted return on common portfolio	4.0 %	2.0 %	2.3 %	2.2 %	6.9 %	4.9 %	3.6 %	1.4 %
Return on unit-linked portfolio	4.0 %	1.7 %	2.5 %	2.3 %	6.7 %	4.7 %	3.5 %	1.1 %
Return on corporate portfolio	4.8 %	3.2 %	2.4 %	1.3 %	7.3 %	5.3 %	4.0 %	1.2 %
KLP Skadeforsikring AS								
Profit before ta	172.8	46.3	19.5	1.2	304.2	168.2	137.2	13.6
Gross premium due	1 113.3	958.8	828.7	633.2	921.3	781.9	667.1	490.0
Premium income for own account	1 035.1	768.4	503.4	246.7	841.9	622.8	410.0	201.9
Owners' equity	1 082.0	967.1	940.5	934.1	907.7	883.0	873.1	791.5
Claims ratio	77.7 %	86.1 %	93.7 %	131.6 %	68.8 %	76.1 %	71.8 %	91.5 %
Combined-ratio	98.8 %	106.4 %	114.0 %	153.8 %	91.9 %	97.9 %	95.7 %	116.6 %
Return on assets under management	4.4 %	2.5 %	2.3 %	1.9 %	6.5 %	4.6 %	3.5 %	1.4 %
Capital adequacy	48.9 %	41.4 %	40.0 %	41.8 %	44.0 %	37.8 %	37.0 %	37.1 %
Tier 1 and Tier 2 capital	1 059.9	884.2	882.7	884.4	895.4	771.1	771.5	770.5
Annual premium in force – retail market	354.4	344.3	329.9	312.7	295.7	274.2	259.0	242.7
Annual premium in force – public sector market	762.2	769.7	763.9	756.6	629.5	634.6	649.9	644.7
Net new subscriptions (accumulated within the year)	112.1	64.1	47.3	26.4	57.0	41.1	16.5	20.7

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

Key figure – Accumulated (Cont.)

NOK millions	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
KLP Bedriftspensjon AS								
Profit before ta	-24.2	-15.6	-6.8	-7.1	-22.7	-15.7	-9.3	-5.6
Premium income for own account	485.6	378.1	235.7	113.2	409.9	324.8	258.2	191.4
- of which premium reserve added	149.7	128.3	72.7	34.4	149.3	138.5	135.1	132.7
Insurance customers' funds including accumulated profit	2 618.6	2 491.3	2 405.1	2 330.1	2 152.2	2 055.3	1 997.1	1 899.5
- of which funds with guaranteed returns	1 293.4	1 274.6	1 389.4	1 383.4	1 310.3	1 153.7	1 137.8	1 133.4
Returns profit	22.8	13.1	10.0	5.5	17.3	11.5	12.0	1.8
Risk result	-1.8	-1.4	3.1	-2.0	5.2	3.3	3.2	3.0
Administration losses	-27.5	-19.3	-13.5	-7.1	-30.7	-22.1	-14.5	-7.6
Tier 1 and Tier 2 capital	295.2	96.6	103.6	104.5	84.5	92.6	100.3	79.2
Solvency capital	461.0	254.4	258.0	295.4	265.4	239.8	235.4	197.8
Solvency margin ratio	445 %	164 %	181 %	184 %	167 %	184 %	188 %	161 %
Capital adequacy	35.4 %	12.7 %	14.2 %	14.5 %	12.7 %	14.2 %	15.6 %	12.9 %
Book capital return on common portfolio	4.8 %	3.4 %	2.4 %	1.3 %	4.6 %	3.5 %	2.7 %	1.0 %
Value-adjusted capital return on common portfolio	4.7 %	2.8 %	2.5 %	2.0 %	6.1 %	4.3 %	3.2 %	1.2 %
Return on defined unit-linked contribution pension	2.1 %	-0.9 %	2.5 %	3.3 %	8.8 %	6.9 %	6.1 %	1.7 %
Return on corporate portfolio	0.9 %	0.5 %	0.7 %	0.8 %	3.6 %	2.5 %	1.9 %	0.8 %
KLP Banken Konsern								
Profit before ta	49.6	34.4	17.1	-1.8	28.3	29.9	28.7	10.4
Net interest income	187.1	133.1	81.4	38.4	133.1	92.4	64.0	31.4
Other operating income	67.9	51.0	34.1	17.2	68.0	50.6	33.7	16.7
Operating expenses and depreciation	-170.2	-122.1	-84.5	-46.3	-157.4	-105.3	-69.8	-38.2
Net realized/unrealized changes in financial instruments to fair value	-34.1	-27.7	-14.1	-11.6	-14.4	-6.7	6.3	3.9
Contributions	7 426.2	7 279	7 305	7 128	6 251	5 486	5 079	4 706
Housing mortgages granted	10 713.1	10 438	9 604	9 439	8 608	6 527	5 840	4 817
Loan(s) with public guarantee(s)	15 646.3	15 808	15 591	15 951	16 338	16 045	16 314	16 560
Defaulted loans	29.3	27	34	26	26	18	8	10
Borrowing on the issuance of securities	21 901.7	19 941	20 777	21 553	21 687	20 244	19 604	19 753
Other borrowing	0	0	0	0	0	0	0	1
Total assets	31 285	29 267	29 814	30 470	29 755	27 674	26 446	26 104
Average total assets	30 520	29 511	29 785	30 112	27 881	26 842	26 228	26 057
Owners' equity	1 509	1 495	1 280	1 266	1 285	1 289	1 290	1 279
Net interest rate	0.61 %	0.45 %	0.27 %	0.13 %	0.48 %	0.34 %	0.23 %	0.12 %
Profit/loss from general operations before ta	0.16 %	0.12 %	0.06 %	-1.01 %	0.10 %	0.12 %	0.12 %	0.05 %
Return on owners' equity before tax	3.92 %	2.67 %	1.32 %	-0.14 %	2.24 %	2.40 %	2.42 %	1.07 %
Capital adequacy	17.3 %	17.9 %	15.1 %	15.6 %	16.7 %	18.4 %	20.1 %	20.2 %
Number of private customers	39 759	38 248	37 335	35 677	33 104	30 822	29 670	28 623
Of this members of KLP	27 448	26 337	25 586	24 270	22 291	20 627	19 808	19 145
KLP Kapitalforvaltning AS								
Profit before ta	46.1	44.7	30.5	22.1	56.3	42.8	11.7	-13.8
Total assets under management	398 471	382 580	383 411	391 040	370 840	344 133	326 200	314 584
Assets managed for external customers	44 797	40 892	40 388	41 023	36 130	31 129	30 151	28 157



Non-financial accounts

KLP Group

Non-financial accounts

KLP Group

Note	Per Q4 2015	Per Q3 2015	Per Q2 2015	Per Q1 2015	2014	2013	2012	2011
SOCIAL RESPONSIBLE INVESTMENTS								
Number of exclusions of companies from the investment portfolio (total)	124	108	108	99	99	69	64	64
Number of exclusions of companies from the investment portfolio (accumulated this year)	20	0	10	0	31	9	1	6
Number of companies reinstated in the investment portfolio	4	0	1	0	1	4	1	1
Number of general meetings in Norwegian companies in which KLP has voted (in %)	97 (91%)	92 (92%)	80 (92%)	5 (83%)	105 (93%)	95 (95%)	113 (92%)	130
Number of general meetings in foreign companies in which KLP has voted (in %)	2448 (83%)	2165 (82%)	1908 (82%)	282 (62%)	2439 (82%)	2259 (76%)	2099 (75%)	1662
1 Number of companies KLP has been in dialogue with	176	116	70	24	109	41	143	96
Market value for investments in renewable energy in Norway (mnok)	20 189	21 036	20 632	20 269	19 876	18 865		
Market value for investments in renewable energy in developing countries (mnok)	226	200	187	136	131	36		
Market for investment banking and finance in developing countries (mnok)	229	220	224	203	201	8		
EMPLOYEES								
Number of employees	939	920	914	906	899	856	808	775
Percentage reported sickness absence 12 month rolling	4.2 %	4.2 %	4.2 %	4.5 %	4.7 %	3.9 %	4.2 %	4.6 %
Percentage reported sickness absence quarter	4.3 %	3.7 %	3.6 %	4.5 %				
ENVIRONMENT								
2 Energy consumption kWh KLP-huset	3 276 544	2 406 113	1 770 235	1 015 186	3 452 909	3 487 989	3 795 878	3 489 425
2 Energy consumption kWh own offices Trondheim	232 399	172 955	128 761	75 463	230 936	254 063	221 703	165 135
2 Energy consumption kWh own office Berge	413 699	297 208	248 205	156 124	416 813	507 026	445 918	460 518
2 Kilo CO ₂ -equivalent from aircrafts	650 557	511 119	379 207	198 676	652 324	609 203	387 429	333 081

NOTE 1 DIALOGUE

Number of companies that KLP has contacted regarding social, environmental and governance challenges related to their operations. The figures includes both companies that have taken the initiative to communicate how they address corporate responsibility challenges in a positive way, as well as cases in which KLP has initiated contact due to concerns regarding the company's activities.

NOTE 2 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 was induced and available in 2013. This makes comparisons with previous years inaccurate. Energy consumption for Trondheim pr. 2 quarter is revised up due to previous error reporting.



Accounts

Kommunal Landspensjonskasse

Income statement

Kommunal Landspensjonskasse

Note	NOK millions	Q4 2015	Q4 2014	Year 2015	Year 2014
3	Premium income	6 803	7 884	38 789	62 454
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	2 350	1 685	5 832	3 192
	Interest income/dividends on financial asset	2 008	2 139	8 469	8 257
	Value changes on investments	4 867	234	7 082	8 358
	Gains and losses realised on investments	-1 330	3 251	-5 955	3 630
	Net income from investments in the common portfolio	7 895	7 309	15 428	23 436
	Net income of the investment option portfolio	45	38	77	120
	Other insurance-related income	223	253	888	855
4	Claims	-3 880	-3 705	-15 277	-17 996
	Changes in insurance liabilities taken to P/L - contractual liabilities	7 404	-10 627	-16 604	-64 067
	Changes in insurance liabilities taken to P/L investment option portfolio	130	-70	57	-92
	Funds assigned to insurance contracts - contractual liabilities	-15 213	-1 470	-17 508	-3 414
5	Insurance-related operating expenses	-245	-215	-922	-752
	Other insurance-related costs	-225	-221	-874	-797
	Technical profit/los	2 937	-824	4 054	-253
	Net income from investments in the corporate portfolio	443	419	1 213	1 446
	Other income	4	7	13	16
	Administration costs and other costs associated with the corporate portfolio	-139	-82	-422	-250
	Non-technical profit/los	309	344	804	1 212
	Profit/loss pre-ta	3 245	-480	4 858	959
14	Tax	262	68	58	35
	Profit/loss before other comprehensive incom	3 508	-412	4 916	994
	Actuarial profit/loss post employment benefit obligatio	61	-54	124	-147
	Tax on items that will not be reclassified to profit or lo	-15	15	-31	40
	Items that will not be reclassified to profit or lo	46	-40	93	-107
	Shares of P/L components by use of the equity method	41	-42	71	-71
	Adjustments of the insurance obligations	-10	23	-20	23
	Tax on items that will be reclassified to profit or lo	-8	5	-13	13
	Items that will be reclassified to P/L when specific conditions are m	23	-14	39	-35
	Other comprehensive income	69	-53	132	-143
	TOTAL COMPREHENSIVE INCOME	3 576	-465	5 047	852

Balance sheet

Kommunal Landspensjonskasse

Note	NOK millions	31.12.2015	31.12.2014
ASSETS			
ASSETS IN THE CORPORATE PORTFOLIO			
	Intangible assets	454	391
7	Investment property	893	890
	Shares and holdings in property subsidiaries	1 673	1 471
	Shares and holdings in other subsidiaries	3 333	2 694
6	Financial assets valued at amortized cost	16 304	9 694
6,7	Financial assets valued at fair value	9 458	8 489
	Receivables	759	894
14	Deferred tax assets	101	88
	Other assets	693	479
	Total assets in the corporate portfolio	33 669	25 090
ASSETS IN THE CUSTOMER PORTFOLIOS			
	Shares and holdings in property subsidiaries	53 386	42 396
	Shares and holdings in associated enterprises and jointly controlled entities	364	244
6	Financial assets valued at amortized cost	162 588	147 393
6,7	Financial assets valued at fair value	205 497	197 949
	Total assets in the common portfolios	421 835	387 982
	Shares and holdings in property subsidiaries	264	257
6	Financial assets at amortized costs	678	654
6,7	Financial assets at fair value	1 108	1 047
	Total assets in investment portfolio	2 050	1 958
	TOTAL ASSETS	457 554	415 030
OWNERS' EQUITY AND LIABILITIES			
	Owners' equity contributed	10 422	9 173
	Risk equalization fund	3 364	528
	Retained earnings	9 964	7 754
6	Subordinated loan capital etc.	11 105	4 676
10	Insurance liabilities in life insurance - contractual liabilities	410 393	376 681
10	Insurance liabilities investment option portfolio	1 970	1 921
	Provision for liabilities	423	503
6,9	Liabilities	9 793	13 638
	Accrued costs and prepaid income	120	157
	TOTAL OWNERS' EQUITY AND LIABILITIES	457 554	415 030
OFF-BALANCE SHEET ITEMS			
	Contingent liabilities	13 721	12 748

Changes in Owners' equity

Kommunal Landspensjonskasse

2015 NOK millions	Paid-up equity	Risk equalization fund	Retained earnings	Total equity
Own funds 1 January 2015	9 173	528	7 754	17 454
Profit/loss before other comprehensive income		2 836	2 079	4 916
Other comprehensive income			132	132
Total comprehensive income		2 836	2 211	5 047
Owners equity contribution recieved (net)	1 249			1 249
Total transactions with owners	1 249			1 249
Own funds 31 December 2015	10 422	3 364	9 964	23 751

2014 NOK millions	Paid-up equity	Risk equalization fund	Retained earnings	Total equity
Own funds 1 January 2014	7 659	170	7 260	15 089
Profit/loss before other comprehensive income		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

Statement of cash flows

Kommunal Landspensjonskasse

NOK millions	01.01.2015- 31.12.2015	01.01.2015- 30.09.2015	01.01.2015- 30.06.2015	01.01.2015- 31.03.2015	01.01.2014- 31.12.2014
Net cashflow from operational activitie	-6 133	-6 267	-4 713	79	-1 276
Net cashflow from investment activities	-130	-82	-53	-16	-145
Net cashflow from financing activitie	6 483	6 464	5 275	6	1 514
Net changes in cash and bank deposits	219	115	509	69	92
Holdings of cash and bank deposits at start of period	434	434	434	434	342
Holdings of cash and bank deposits at end of period	654	549	943	504	434

¹ Payments on the purchase of tangible fixed assets

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

Notes to the accounts

Kommunal Landspensjonskasse

Note 1 ACCOUNTING PRINCIPLES AND ESTIMATES

Accounting principles

The financial statements in this interim report show the accounts for Kommunal Landspensjonskasse (KLP) for the period 1 January 2015 – 31 December 2015. The auditor has not conducted a review of the report.

The interim financial statement is presented in accordance with Regulation 1241 of 16 December 1998: Regulations on annual accounts etc. for insurance companies (the Annual Accounts Regulations) and IAS 34 Interim reporting as approved by the EU. The interim financial statement have been prepared in accordance with the same principles as for the annual financial statements for 2014 unless otherwise indicated. There are no changes in the accounting principles for the fourth quarter of any major significance for the presented interim accounts (Q4-15).

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 2014. These may be obtained on application to KLP's head office in Dronning Eufemias gate 10, Oslo, or at klp.no.

This interim financial statement shows a preliminary allocation of the company's results. The final year end allocation of results will be approved in the company's board meeting of 30 March 2016.

Accounting estimates

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

Pension obligation own employees

In January 2016, The Norwegian Accounts Foundations published an updated version of the guidelines for pension criteria, where there are some change in the parameters from 30 September 2015 and 31 December 2014. The stated calculation criteria are uncertain, and KLP must determine the criteria itself, based on a specific assessment of its pension schemes.

Assumptions	31.12.2014	30.09.2015	31.12.2015	Change in Q4 2015	Change in the year
Discount rate	2.30 %	2.50 %	2.70 %	0.20 %	0.40 %
Salary growth	2.75 %	2.50 %	2.50 %	0.00 %	-0.25 %
The National Insurance basic amount (G)	2.50 %	2.25 %	2.25 %	0.00 %	-0.25 %
Pension increases	1.73 %	1.48 %	1.48 %	0.00 %	-0.25 %
Social security contribution rate	14.10 %	14.10 %	14.10 %	0.00 %	0.00 %

The effect of the change in parameters has reduced the Company's pension obligation by NOK 61 million in Q4 and NOK 124 million for the year.

Note 2 VALUE-ADJUSTMENT INVESTMENT PROPERTY

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 31 December 2015.

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
Value adjustment incl. foreign exchange	1 839	1 298	3 758	1 518
Foreign exchange effect on hedging	-335	-1 107	-1 097	-686
Net value adjustment incl. exchange hedging	1 504	191	2 661	832

Note 3 PREMIUM INCOME

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
Gross premiums due	6 830	8 681	29 543	32 283
Reinsurance premiums ceded	-1	-1	-2	-3
Transfer of premium reserves from others ¹	-26	-795	9 247	30 175
Total premium income	6 803	7 884	38 789	62 454

¹ Transfer of premium reserves from others for the fourth quarter 2014 and 2015 is negative. This is due to the fact that KLP will only upon final settlement for transfers of new clients receive information pertinent to the clients relevant distribution between premium reserves, supplementary reserves and premium fund respectively. Upon the final settlement there will consequently be restating from premium reserves to premium funds and supplementary reserves

Note 4 CLAIMS

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
Claims paid	3 865	3 645	15 139	13 629
Change in claim reserves	15	-92	-10	4
Transfers of premium reserves to others	0	151	147	4 364
Total claims	3 880	3 705	15 277	17 996

Note 5 INSURANCE-RELATED OPERATING EXPENSES

NOK millions	Q4 2015	Q4 2014	The year 2015	The year 2014
Personnel costs ¹	159	146	554	433
Depreciation	25	19	80	79
Other operating expenses	61	50	289	240
Total insurance-related operating expenses	245	215	922	752

¹ In 2014 a plan change was incorporated into the pension liability. The effect of the change was a decrease in pension liability of NOK 77,7 million.

Note 6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial instruments measured at amortised cost

This category includes:

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

Financial instruments not measured at fair value are measured at amortised cost by using the effective interest rate method. The internal rate of return is determined by discounting the contractual cash flows over the expected term.

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

Cash flows include arrangement fees/front-end fees and direct transaction costs as well as any residual value on expiry of the expected term. Amortised cost is the present value of these cash flows discounted by the internal rate of return. This note provides information on the fair value of financial instruments measured at amortised cost.

Financial instruments measured at fair value

This category includes:

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

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

Investments held to maturity

Bonds classified as loans and receivables

Debt instruments measured at fair value

a) Foreign fixed-income securities

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

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-income securities - government

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

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

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

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

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

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

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

Other loans and receivables

e) Loans to municipalities and enterprises with municipal guarantee

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

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

f) Loans secured by mortgage

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

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

Equity instruments

g) Shares (listed)

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

h) Shares (unlisted)

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

This basically means the following:

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

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

i) Private Equity

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

Derivatives

j) Futures/FRA/IRF

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

k) Options

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

l) Interest-rate swaps

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

m) FX-swaps

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

Debt to credit institutions

n) Placements with credit institutions

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

Subordinated loan capital

o) Fair value of subordinated loans

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

p) Fair value of subordinated bond/perpetual bond issued

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

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

31.12.15 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	840	915	9 477	10 298	65	68	10 382	11 281
Accrued not due interest	24	24	211	211	1	1	236	236
Foreign hold-to-maturity bonds	9 074	9 076	14 347	15 919	69	79	23 490	25 074
Accrued not due interest	75	75	223	223	1	1	299	299
Norwegian certificate	0	0	499	499	0	0	499	499
Total investments held to maturity	10 013	10 089	24 758	27 151	136	149	34 907	37 389
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	1 894	2 030	26 655	29 314	152	169	28 702	31 513
Accrued not due interest	44	44	709	709	3	3	756	756
Foreign bonds	4 275	4 593	58 107	62 994	379	415	62 761	68 002
Accrued not due interest	78	78	1 150	1 150	8	8	1 236	1 236
Total bonds classified as loan and receivables	6 291	6 745	86 621	94 167	543	595	93 455	101 507
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 389	3 415	0	0	3 389	3 415
Lending with public sector guarantee	0	0	37 471	38 065	0	0	37 471	38 065
Loans abroad secured by mortgage and local government guarantee	0	0	10 132	10 094	0	0	10 132	10 094
Accrued not due interest	0	0	217	217	0	0	217	217
Total other loans and receivables	0	0	51 209	51 791	0	0	51 209	51 791
Total financial assets at amortized cos	16 304	16 834	162 588	173 109	678	744	179 571	190 687
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	415	415	5 094	5 094	0	0	5 509	5 509
Foreign shares	0	0	18 300	18 300	0	0	18 300	18 300
Total shares and units	415	415	23 394	23 394	0	0	23 808	23 808
Property funds	0	0	1 040	1 040	0	0	1 040	1 040
Norwegian equity funds	0	0	48 175	48 175	446	446	48 620	48 620
Foreign equity funds	0	0	7 301	7 301	0	0	7 301	7 301
Total equity fund units	0	0	56 516	56 516	446	446	56 962	56 962
Norwegian alternative investments	0	0	2 062	2 062	14	14	2 076	2 076
Foreign alternative investments	0	0	318	318	0	0	318	318
Total alternative investments	0	0	2 380	2 380	14	14	2 394	2 394

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

31.12.15 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	4 189	4 189	24 982	24 982	0	0	29 172	29 172
Foreign bonds	641	641	21 143	21 143	0	0	21 785	21 785
Accrued not due interest	31	31	413	413	0	0	444	444
Norwegian fixed-income fund	2 141	2 141	43 236	43 236	599	599	45 976	45 976
Foreign fixed-income fund	0	0	12 224	12 224	0	0	12 224	12 224
Norwegian certificate	470	470	6 374	6 374	0	0	6 844	6 844
Accrued not due interest	4	4	9	9	0	0	14	14
Total bonds and other fixed-income securitie	7 476	7 476	108 383	108 383	599	599	116 458	116 458
Norwegian loans and receivables	597	597	6 148	6 148	20	20	6 765	6 765
Foreign loans and receivables	327	327	5 923	5 923	27	27	6 277	6 277
Total loans and receivables	925	925	12 071	12 071	47	47	13 042	13 042
DERIVATIVES								
Interest rate swaps	614	614	350	350	0	0	964	964
Share options	0	0	6	6	0	0	6	6
Forward exchange contracts	0	0	136	136	1	1	137	137
Total financial derivative classified as asset	614	614	492	492	1	1	1 107	1 107
Other financial asset	29	29	2 262	2 262	1	1	2 292	2 292
Total financial assets value at fair value	9 458	9 458	205 497	205 497	1 108	1 108	216 063	216 063
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	1 134	1 134	0	0	1 134	1 134
Forward exchange contracts	2	2	5 270	5 270	16	16	5 287	5 287
Total financial derivative classified as liability	2	2	6 404	6 404	16	16	6 421	6 421
SUBORDINATED LOAN CAPITAL								
Perpetual subordinated loan capital	9 541	9 506	0	0	0	0	9 541	9 506
Hybrid Tier 1 securities	1 564	1 588	0	0	0	0	1 564	1 588
Total subordinated loan capital etc.	11 105	11 094	0	0	0	0	11 105	11 094
DEBT TO CREDIT INSTITUTIONS								
Norwegian call money	0	0	0	0	0	0	0	0
Foreign call money	572	572	127	127	0	0	699	699
Total debt to credit institutions	573	573	127	127	0	0	700	700

Note 6 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	18 510	87	100	19 765	21 839
Accrued not due interest	55	55	256	256	2	2	312	312
Total investments held to maturity	3 937	4 163	26 058	29 304	139	158	30 134	33 625
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	59 640	365	413	57 449	64 639
Accrued not due interest	88	88	1 108	1 108	8	8	1 203	1 203
Total bonds classified as loan and receivables	5 756	6 400	79 360	89 646	515	585	85 631	96 631
OTHER LOANS AND RECEIVABLES								
Mortgage	0	0	4 076	4 090	0	0	4 076	4 090
Lending with public sector guarantee	0	0	32 526	33 474	0	0	32 526	33 474
Loans abroad secured by mortgage and local government guarantee	0	0	5 169	5 208	0	0	5 169	5 208
Accrued not due interest	0	0	205	205	0	0	205	205
Total other loans and receivables	0	0	41 976	42 977	0	0	41 976	42 977
Total financial assets at amortized cos	9 694	10 563	147 393	161 928	654	743	157 741	173 233
ASSETS - AT FAIR VALUE THROUGH PROFIT OR LOSS								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	329	329	4 630	4 630	0	0	4 959	4 959
Foreign shares	0	0	19 605	19 605	0	0	19 605	19 605
Total shares and units	329	329	24 236	24 236	0	0	24 564	24 564
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 6 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								
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 fund	1 765	1 765	41 640	41 640	599	599	44 004	44 004
Foreign fixed-income fund	0	0	12 172	12 172	0	0	12 172	12 172
Norwegian certificate	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 securitie	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 derivative classified as asset	312	312	1 208	1 208	7	7	1 527	1 527
Other financial asset	16	16	101	101	0	0	117	117
Total financial assets value at fair value	8 489	8 489	197 949	197 949	1 047	1 047	207 485	207 485
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 derivative classified as liability	10	10	8 363	8 363	27	27	8 400	8 400
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

Note 7 FAIR VALUE HIERARCHY

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

Note 7 FAIR VALUE HIERARCHY (CONT.)

31.12.15 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	599	0	0	599
Fixed-income funds	599	0	0	599
Loans and receivables	47	0	0	47
Shares and units	446	14	0	459
Equity funds	446	0	0	446
Special funds	0	14	0	14
Financial derivatives	0	1	0	1
Other financial asset	0	1	0	1
Total investment option portfolio	1 092	16	0	1 108
Total financial assets valued at fair value	163 745	43 666	8 653	216 063
CORPORATE PORTFOLIO				
Investment property	0	0	893	893
Total investment property	0	0	893	893
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	2	0	2
Debt to credit institutions	573	0	0	573
Total corporate portfolio	573	2	0	575
COMMON PORTFOLIO				
Financial derivatives	0	6 404	0	6 404
Debt to credit institutions	127	0	0	127
Total common portfolio	127	6 404	0	6 531
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	16	0	16
Debt to credit institutions	0	0	0	0
Total investment option portfolio	0	16	0	16
Total financial liabilities at fair value	699	6 421	0	7 121

Note 7 FAIR VALUE HIERARCHY (CONT.)

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	1 805	5 402	0	7 206
Certificate	0	562	0	562
Bonds	40	4 840	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 asset	0	16	0	16
Total corporate portfolio	2 213	6 270	6	8 489
COMMON PORTFOLIO				
Bonds and other fixed-income securities	70 443	34 633	0	105 076
Certificate	2 314	1 608	0	3 922
Bonds	14 317	33 025	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	6 292	75 784
Shares	22 047	975	1 213	24 236
Equity funds	44 102	0	70	44 172
Property funds	0	493	0	493
Special funds	0	1 875	0	1 875
Private Equity	0	0	5 008	5 008
Financial derivatives	0	1 208	0	1 208
Other financial asset	0	101	0	101
Total common portfolio	149 392	42 265	6 292	197 949

Note 7 FAIR VALUE HIERARCHY (CONT.)

31.12.14 NOK millions	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	599	0	0	599
Fixed-income funds	599	0	0	599
Loans and receivables	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
Other financial asset	0	0	0	0
Total investment option portfolio	1 027	20	0	1 047
Total financial assets valued at fair value	152 632	48 556	6 298	207 485
CORPORATE PORTFOLIO				
Investment property	0	0	890	890
Total investment property	0	0	890	890
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

Note 7 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3 shares, unlisted Corporate portfolio	Book value 31.12.2015	Book value 31.12.2014
Opening balance 01.01	6	8
Sold	0	0
Bought	0	0
Unrealised changes	39	-2
Closing balance 31.12.	45	6
Realised gains/losses	0	0

Changes in Level 3 shares, unlisted Common portfolio	Book value 31.12.2015	Book value 31.12.2014
Opening balance 01.01	1 213	930
Sold	-264	0
Bought	619	138
Unrealised changes	-199	146
Closing balance 31.12.	1 369	1 213
Realised gains/losses	-24	0

Changes in Level 3 equity funds, unlisted Common portfolio	Book value 31.12.2015	Book value 31.12.2014
Opening balance 01.01	70	105
Sold	-8	-61
Bought	0	0
Unrealised changes	13	26
Closing balance 31.12.	76	70
Realised gains/losses	0	40

Changes in Level 3, private equity Common portfolio	Book value 31.12.2015	Book value 31.12.2014
Opening balance 01.01	5 008	3 564
Sold	-1 188	-613
Bought	2 285	1 161
Unrealised changes	1 059	896
Closing balance 31.12.	7 164	5 008
Realised gains/losses	182	142

Note 7 FAIR VALUE HIERARCHY (CONT.)

Changes in Level 3, investment property Corporate portfolio	Book value 31.12.2015	Book value 31.12.2014
Opening balance 01.01	890	947
Sold	0	-2
Bought	0	4
Unrealised changes	3	-59
Closing balance 31.12.	893	890
Realised gains/losses	0	0
Total Level 3	9 546	7 188

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 477 million as of 31.12.2015.

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

In this quarter NOK 31.3 million has been moved from Level 2 to Level 1, everything related to equity instruments. When moving between levels the value at the period end defines the amount. There has been reclassifications between the different categories within level 3, between private equity, unlisted equity funds and unlisted shares. Overall, level 3 consist of the same assets as stated in earlier periods.

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

31.12.15 NOK millions	Gross financia assets/liabilities	Gross assets/ liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 107	0	1 107	-368	-700	43
Total	1 107	0	1 107	-368	-700	43
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	492	0	492	-367	-127	1
Total assets – corporate portfolio	614	0	614	0	-573	42
Total assets – investment option portfolio	1	0	1	-1	0	0
Total	1 107	0	1 107	-368	-700	43
LIABILITIES						
Financial derivatives	6 421	0	6 421	-368	-4 442	1 628
Total	6 421	0	6 421	-368	-4 442	1 628
PORTFOLIO ALLOCATION OF LIABILITIES						
Total liabilities – common portfolio	6 404	0	6 404	-367	-4 432	1 620
Total liabilities – corporate portfolio	2	0	2	0	0	2
Total liabilities – investment option portfolio	16	0	16	-1	-9	6
Total	6 421	0	6 421	-368	-4 442	1 628

31.12.14 NOK millions	Gross financia 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	291
Total	1 527	0	1 527	-733	-715	291
PORTFOLIO ALLOCATION OF ASSETS						
Total assets – common portfolio	1 208	0	1 208	-730	-527	164
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	291
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

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

Note 9 LIABILITIES

NOK millions	31.12.15	31.12.14
Short-term liabilities securities	98	106
Advance tax-deduction pension scheme	327	286
Accounts payable	9	18
Derivatives	6 421	8 400
Debt to credit institutions	700	715
Liabilities related to direct insurance	2 210	4 066
Other short-term liabilities	28	47
Total liabilities	9 793	13 638

Note 10 INSURANCE LIABILITIES

NOK millions	31.12.15	31.12.14
Premium reserve - ordinary tariff	353 287	329 601
Premium fund, buffer fund and pensioners' surplus fun	15 284	10 322
Supplementary reserves	20 170	17 013
Securities adjustment fund	21 472	19 522
Other provisions	179	223
Insurance liabilities in life insurance - contractual liabilities	410 393	376 681
Premium reserve - ordinary tariff	1 618	1 639
Premium fund, buffer fund and pensioners' surplus fun	238	191
Supplementary reserves	114	91
Insurance-related provisions - investment option portfolio	1 970	1 921

Note 11 FREED-UP RESERVES

As a result of new rules on disability benefits in public sector occupational pensions, KLP freed up reserves in 2015. Changes in disability financing, a new disability tariff and particular conditions in the nurse scheme freed up NOK 19 644 million from premium reserves contractual and investment choices. Assets in KLP accounts have been used to strengthen the customers' premium fund, reduce the base rate and strengthen the risk equalisation fund.

NOK millions	
FREED-UP RESERVES	
Changes in disability financing	10 270
New disability rate	5 135
Particular conditions of the nurse scheme	4 239
Total	19 644

NOK millions		31.12.15
USE OF FREED-UP RESERVES		
To premium fund	4 687	
To reduction of base rate	12 389	
To risk equalisation fund	2 567	
Total	19 644	

Note 12 CAPITAL

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

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

Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR. Subordinated loans with first interest rate changes in 2016 and 2017 may therefore be redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 187 per cent, which is well over the Company's target of at least 130 per cent. With the transitional measure on technical provisions the SCR ratio is 274 per cent.

	31.12.2015
Capital adequacy	12.2 %
Core capital adequacy	8.6 %
Solvency I	280 %
Solvency II	187 %

Note 12 CAPITAL (CONT.)

NOK billions	31.12.2015		31.12.2015
SIMPLIFIED SOLVENCY II BALANCE SHEET			
Assets, book value	457	Best estimate	413
Added values - hold-to-maturity portfolio/ loans and receivables	10	Risk margin	12
Added values - other lending	1	Deferred tax liabilities	0
Other added/lesser values	0	Hybrid Tier 1 securities/Subordinated loan capital	11
		Risk equalisation fund	3
		Other liabilities	10
Total assets	468	Total liabilities	450
		Hybrid Tier 1 securities	2
		Tier 1 basic own funds	20
		Subordinated loans	10
		Risk equalisation fund	3
		Tier 2 basic own funds	13
		Ancillary own funds	9
		Tier 2 ancillary own funds	9
		Deduction for max. eligible tier 2 own funds	-15
		Total eligible tier 2 own funds	7
		Solvency II total eligible own funds	27
		Solvency capital requirement (SCR)	14
		Minimum capital requirement (MCR)	4
		Solvency II SCR ratio	187 %

Note 13 PENSION OBLIGATIONS – OWN EMPLOYEES

NOK millions	31.12.15	31.12.14
Capitalized net liability/(asset) 01.01.	503	425
Pension costs taken to profit/los	83	-15
Financial costs taken to profit/los	15	17
Actuarial gains and losses incl. social security contributions	-124	147
Social security contributions paid in premiums/supplements	-7	-9
Premiums/supplements paid-in incl. admin	-48	-62
Capitalized net liability/(asset) 31.12.	423	503

Assumptions	31.12.15	31.12.14
Discount rate	2.70 %	2.30 %
Salary growth	2.50 %	2.75 %
The National Insurance basic amount (G)	2.25 %	2.50 %
Pension increases	1.48 %	1.73 %
Social security contribution rate	14.10 %	14.10 %

The effect of changes in the assumptions is a NOK 124 million reduction in the liability
The change is recognized in other comprehensive income in the income statement.

Note 14 TAX

NOK millions	2015	2014
Accounting income before tax	4 838	959
Items of other comprehensive income before tax	195	-195
DIFFERENCES BETWEEN ACCOUNTING AND TAX INCOME		
Reversal of value reduction/increase, financial asset	-14 692	-12 063
Book gain on realization of shares and other securities	-4 798	-4 108
Tax gain on realization of shares and other securities	4 982	4 120
Other permanent difference	-1 145	-461
Share of taxable income in partnerships	0	250
Change in differences affecting relationship between book and taxable income	-1 788	233
Taxable income	-12 409	-11 264
Group contribution received with tax effect	345	1 839
Surplus/deficit for the year is transferred to carryforward deficit	-12 063	-9 425
Deficit carryforward allowable from previous year	-26 325	-16 900
Change for the year in carryforward deficit	-12 063	-9 425
Total carryforward deficit and allowance as at 31.12	-38 389	-26 325
RECONCILIATION OF BASIS FOR DEFERRED TAX		
TAX-INCREASING TEMPORARY DIFFERENCES		
Fixed assets	0	8
Buildings	0	0
Securities	40 182	26 856
Total tax-increasing temporary difference	40 183	26 864
TAX-REDUCING TEMPORARY DIFFERENCES		
Long-term liabilities	-1 773	-655
Profit and loss account	5	0
Financial instruments	-8	0
Pension obligation	-423	-503
Total tax-reducing temporary difference	-2 199	-1 159
Net temporary difference	37 984	25 705
Carryforward deficit	-38 389	-26 325
Basis for deferred tax assets	-405	-620
25% deferred tax assets	-101	-167
Corrected error earlier years	0	80
Capitalized deferred tax assets	-101	-88
Capitalized deferred tax assets at 31.12.	101	88

**Send mail to:**

Kommunal Landspensjonskasse,
P.O. Box 400 Sentrum, 0103 Oslo, Norway
Web: english.klp.no
Organization no.: 938 708 606

Head Office

Visiting address:
Dronning Eufemias gate 10, Oslo, Norway
Switchboard: 05554
Fax: +47 22 03 36 00