

KLP



Interim report

KOMMUNAL LANDSPENSJONSKASSE
Q4 2016

Innhold

KLP GROUP

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Interim report fourth quarter 2016

A GOOD FOURTH QUARTER OF 2016 CONTRIBUTES TO A GOOD ANNUAL RESULT FOR KLP

- Value-adjusted return on the common portfolio of 1.4 per cent in the fourth quarter and 5.8 per cent for the year.
- The book return on the common portfolio was 1.0 per cent for the fourth quarter, and 4.5 per cent for the year.
- Good growth and profitability in subsidiaries
- A solid result for the year contributes more than NOK 4 billion to the customers' premium fund

KLP – A CUSTOMER-OWNED GROUP

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

At the end of the fourth quarter, the Group had total assets of NOK 596 billion, reflecting growth of NOK 53 billion for the year.

The operating profit was NOK 19.6 billion (26.6)¹ for the year, and NOK 3.9 billion for the fourth quarter. The Group's total profit is NOK 1 billion for the quarter and NOK 2.9 billion in total for 2016.

Kommunal Landspensjonskasse gjensidig forsikringsselskap
Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse (KLP). Out of KLP's total assets of NOK 496.7 billion, NOK 452.4 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE FOURTH QUARTER 2016

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 8.1 billion (2.1). For the fourth quarter, the returns result was NOK 1.3 billion. Financial income from management of customer assets amounted to NOK 24.7 billion (15.5), including NOK 6.2 billion in the fourth quarter. The value-adjusted return on the common portfolio was 5.8 per cent and the book return was 4.5 per cent in 2016.

Risk result

The risk result was good in the fourth quarter. The risk events in the stock are within expectations for the year, with profits totalling NOK 784 million, of which NOK 309 million came in the fourth quarter. It is planned to allocate NOK 390 million of the risk profit to the risk equalisation fund, the rest being returned to the customers' premium fund.

Administration result

The company's administration result is a loss of NOK 50 million (profit of NOK 264 million) at the end of the year, of which the loss in the quarter was NOK 185 million. The decrease in the administration result is mainly due to non-recurring effects related to write-down of IT investments. Insurance-related operating costs came to NOK 472 million (245) in the quarter.

Total income

Total income for the Company was NOK 2.9 billion (4.5) so far this year, of which NOK 1 billion came in the fourth quarter. The customer result was NOK 8.3 billion (20.7) for the year to date, and NOK 1.5 billion for the quarter.

NOK MILLION	Customers	Company	Total
Returns result	7,944	150	8,094
Risk result	394	390	784
Interest guarantee premium		690	690
Administration result		-50	-50
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		945	945
Tax		773	773
Other profit/loss elements		-24	-24
Income for Q4/2016	8,339	2,874	11,213
Income for Q4/2015	20,650	4,519	25,169

Financial strength and capital-related matters

KLP's total assets show growth during the year of NOK 38.8 billion and amount to NOK 496.7 billion. Insurance obligations increased by NOK 40.0 billion in 2016 and now amount to NOK 452.4 billion.

¹Figures in brackets give values for the corresponding period in 2015

The securities adjustment fund has increased by NOK 6.9 billion to NOK 28.3 billion. This is due to high returns in the equities market and increased added value on interest-bearing instruments after interest rates fell during the year.

The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital under Solvency II at an amount equivalent to 2.5 per cent of the premium reserve. This stood at NOK 9.6 billion at the end of the fourth quarter.

Without applying transitional rules, the Company's capital adequacy according to Solvency II is 209 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 308 per cent. KLP's goal is capital adequacy of at least 150 per cent without applying transitional rules. The solvency estimates are well above that goal and underline the Company's strong capital position.

Key figures

PER CENT	2016	2015
Book returns	4.5	3.6
Value-adjusted returns	5.8	4.0
Value-adjusted, including added values in hold-to-maturity bonds and lending	5.4	2.8
The returns figures apply to the common portfolio		
Capital adequacy, Solvency II	209	187
Capital adequacy, Solvency II, with transitional rules	304	274

Premium income

Premium income excluding premium reserves received on transfers amounts to NOK 7.4 billion (6.8) for the quarter and NOK 33.6 billion (29.5) for the year.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 7.9 per cent and amounted to NOK 16.3 billion (15.1) for the year.

Management of the common portfolio

The assets in the common portfolio totalled NOK 460.3 billion (421.8) and were invested as shown below:

ASSETS	Share	Return	Share	Return
All figures in per cent	2016	2016	2015	2015
Shares	20.1%	7.3%	19.8%	6.0%
Short-term bonds	20.0%	3.5%	20.6%	2.0%
Long-term/HTM bonds	26.8%	4.3%	26.9%	4.5%
Lending	11.6%	2.4%	12.3%	2.7%
Property	12.5%	12.5%	12.8%	11.0%
Other financial assets	8.9%	1.7%	7.6%	0.9%

Shares

Total exposure in shares, including share derivatives, was 20.1 per cent at the end of the fourth quarter. The total return on shares for the year is 7.3 per cent, without currency effects. If we take account of currency effects, the return is 9.8 per cent.

For the fourth quarter, the return was 6.5 per cent. For global shares, the return on shares was 6.0 per cent, while Norwegian shares gave a return of 11.0 per cent.

KLP's portfolio of Norwegian shares achieved an added return of 1.8 per cent in the fourth quarter, while KLP's global share portfolio achieved a return 1.0 per cent lower than the reference index.

Short-term bonds and the money market

Short-term bonds accounted for 20.0 per cent and money-market instruments 8.9 per cent of the assets in the common portfolio as at 31 December. Norwegian and global government interest rates increased during the fourth quarter, while credit premiums declined slightly during the quarter. The global government-bond index achieved a currency-hedged return of minus 2.9 per cent in the fourth quarter, while the Norwegian government bond index gave a return of minus 1.4 per cent. KLP's global credit bond index had a currency-hedged return of minus 2.4 per cent for the quarter.

For short-term bonds in total, KLP achieved a negative return of 1.9 per cent for the quarter, while money market returns were 0.3 per cent. The overall return in 2016 is 3.5 per cent for short-term bonds and 1.7 per cent for the money market.

Bonds held to maturity

Investment in bonds held to maturity accounted for around 27 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 9.3 billion as at 31 December. The portfolio is well diversified and consists of securities issued by highly creditworthy institutions. The return on investment measured at amortised cost was 1.0 per cent in the fourth quarter, and 4.3 per cent for 2016.

Property

Property investments, including Norwegian and international property funds, made up 12.5 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 2.1 million in 2016. If the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 3.8 billion in 2016. Property investments in the common portfolio achieved a return of 12.5 per cent for the year.

Lending

Lending in the common portfolio totals NOK 52.7 billion. This is split between NOK 49.5 billion in loans to municipalities and their enterprises and NOK 3.2 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 520 million as at 31 December. The return for the year is 2.4 per cent.

Returns on the corporate portfolio

The corporate portfolio comprises placement of owners' equity and subordinated loans/hybrid Tier 1 and Tier 2 securities.

The corporate portfolio is managed with a low-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 4.7 per cent for the year.

Market conditions for pensions

KLP has achieved strong growth in recent years, and is now finding the market for public-sector occupational pensions to be more stable. The ongoing regional and local government reform may affect KLP's customer base, and the Company is monitoring this closely.

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

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

The Group's investment in private occupational pensions is handled through its subsidiary KLP Bedriftspensjon AS.

The Company had total assets of NOK 3.6 billion as at 31 December, an increase of NOK 0.6 billion since the start of the year. The increase is mainly linked to defined contribution pensions, which now total NOK 1.7 billion. 386 new business customers had entered into pension agreements with KLP Bedriftspensjon as of 31 December, and 1,230 pension capital certificates had been transferred to that company.

KLP Bedriftspensjon achieved a book return on the common portfolio of 5.3 per cent and a value-adjusted return of 5.8 per cent. Customers with defined-contribution pensions achieved a 7.0 per cent return for the same period.

The returns result was NOK 31 million as of 31 December.

The Company has applied to the Financial Supervisory Authority of Norway to be allowed seven years as from 1.1.2014 to increase its reserves to the new K2013 calculation framework. After conversion to the new basis for calculation as of 1 January 2015, the total reserve requirement was equivalent to NOK 92 million. KLP Bedriftspensjon AS has to cover a minimum of 20 per cent of the total reserve upgrade requirement. As of 31.12.2016, KLP Bedriftspensjon has allocated the full reserve requirement of NOK 92 million for the upgrade. All contracts are fully reserved according to the K2013 calculation framework.

The Company had a net loss of NOK 27.6 million at 31 December.

Return on customer assets

	2016	2015
COMMON PORTFOLIO		
Book returns	5.3%	4.8%
Value-adjusted returns	5.8%	4.7%
Defined-contribution pensions with investment options	7.0%	2.1%
Profile KLP90	9.8%	3.4%
Profile KLP70	8.5%	3.0%
Profile KLP50	7.1%	2.4%
Profile KLP30	5.6%	2.0%
Profile KLPPM	1.8%	1.5%

Non-life insurance

The fourth quarter produced pre-tax profits of NOK 69.8 million, with continued growth in all segments and a high proportion of members among the retail customers. The profit before tax for 2016 was NOK 255.4 million (183.4). Gross premiums written increased during the year by 13.9 per cent, to NOK 1,267 million.

A major property claim of NOK 50 million was reported in the fourth quarter. The ten largest provisions for the year totalled NOK 169 million.

Reversal of previous years' claims is still positive, and this year NOK 119 million was taken to income as an adjustment to earlier years' reserves.

Financial returns in the fourth quarter were 1.3 per cent, and totalled 6.1 per cent for the year.

Key figures for the Company:

AS OF Q4	2016	2015
Claim ratio*	75.9	77.7
Cost ratio*	22.8	21.1
Total cost ratio*	98.7	98.8

* For own account

Net financial income for the year was NOK 248.8 million (169.2). The financial markets experienced weak, but positive development in the fourth quarter, and returns in the quarter were 0.3 per cent. The cumulative return on shares was 9.4 per cent. The return on bonds was 3.4 per cent. The return on property was 14.5 per cent, due to positive value adjustments on the Company's two property investments.

As a result of changes in the rules, the contingency reserves are no longer required, and provisions of NOK 540 million as of 31 December 2015 have been transferred to equity. This means that the buffer against negative fluctuations in profits is now in the Company's equity. In reporting profit for the quarter, the Company has maintained the principle of adding deferred tax of 25 per cent to this amount. However, it is still unclear whether or not deferred tax should be included as a result of winding-up.

The rules relating to minimum capital adequacy requirements have also been revoked. The Company reports its financial strength based on meeting the minimum requirements for capital adequacy under the Solvency II rules. At the end of 2016 the capital adequacy (SCR) was 261 per cent, compared to the regulatory requirement of 100.

Asset and fund management

KLP Kapitalforvaltning AS carries out securities management in the KLP Group. It had a total of NOK 442 billion under management at the end of 2016, of which NOK 54 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP securities funds in 2016 amounted to NOK 10.9 billion, of which NOK 6.2 billion came from customers external to the Group.

KLP Kapitalforvaltning AS made a profit before tax of NOK 18.2 million in 2016.

Bank

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

As of 31 December 2016, the KLP Banken Group had loans to customers totalling NOK 29.7 billion (26.4). Mortgage loans in the retail market and public-sector loans totalled NOK 12.7 and 17.0 billion, respectively. Growth in 2016 was NOK 2.0 billion in mortgage loans and NOK 1.7 billion in public-sector loans. In view of the capital situation and more stringent capital requirements the growth in lending on the Bank's balance sheet was slightly negative in the fourth quarter. In December, the Bank's owner contributed new equity of NOK 250 million.

Overdue payments and defaulted mortgage loans are still at a low level. Loans in default in excess of 90 days account for 0.18 per cent of total mortgage loans as at the end of the fourth quarter. For the previous quarter, the equivalent figure was 0.19 per cent. No loan loss provisions were made for new exposures in the last quarter, although a group write-down of NOK 0.7 million was made. The total recognised loss for 2016 is NOK 1.1 million (1.0).

Deposit growth in 2016 totalled NOK 1.3 billion and deposits totalled NOK 8.7 billion at year-end. Of this amount, NOK 7.0 billion is deposits from retail customers, and NOK 1.7 billion is deposits from municipalities and companies. For the fourth quarter, the total growth in deposits was NOK 0.3 billion.

The KLP Banken Group achieved a pre-tax operating profit of NOK 91.2 million (49.6) for 2016, of which NOK 0.6 million in the fourth quarter. The Bank's results for the public-sector and retail business areas were NOK 62.6 million and NOK 31.9 million, respectively. The improvement in the result from the previous year is mainly related to the growth in lending and stable margins. Favourable returns on the Bank's securities other than loans also contributed to the improvement in result. The KLP Banken Group achieved a net profit on financial instruments of NOK 11.1 million (-34.1) in 2016.

CORPORATE SOCIAL RESPONSIBILITY

In December, KLP Eiendom adopted the immediate measures for "forward-looking building owners" in the new roadmap for the property sector. The roadmap is intended to be a recommendation to Norwegian owners and administrators of commercial properties concerning the long-term and short-term choices they should make in order to contribute to a sustainable society in 2050. This is an initiative from Grønn Byggallianse (Green Building Alliance) and Norsk Eiendom (Norwegian Properties), and the roadmap is also a contribution to the Norwegian Government's Green Competitiveness Committee. Work is continuing on the certification of KLP-Huset in accordance with the "BREEAM In-Use" standard, which is an environmental certification scheme for buildings in operation.

During the fourth quarter, KLP responded to several media enquiries concerning the Dakota Access Pipeline in the USA. KLP is carefully assessing this matter.

In December, KLP published an updated KLP list. The list shows that we have included a company that was previously excluded, since they now do not produce tobacco. The company has excluded nine new companies: four for coal-based activities, one for corruption, two for breaches of other ethical standards, and two for tobacco.

The non-life activity is focused on the challenges related to municipal rental properties for residential use. Ongoing seminars on this topic take place in several municipalities. The feedback shows that customers find these seminars worthwhile.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

There were relatively small movements in the market after 31 December. On the other hand, there is uncertainty related to the outcome of political events such as Brexit in the UK and a new president of the USA.

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

Together with our owners and customers, we aim to improve our products and services so they feel even better served.

Oslo, 17 February 2017

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy Chair

Marit Torgersen

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Ingjerd Blekeli Spiten

Lars Vorland

Susanne Torp-Hansen
Elected by and from among
the employees

Freddy Larsen
Elected by and from among
the employees

Income statement

KLP GROUP

NOTE	NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
3	Premium income for own account	7 618	7 161	38 497	40 236
	Current return on financial assets	3 210	3 066	13 489	13 076
	Net interest income banking	47	54	196	187
	Net value changes on financial instruments	2 539	5 229	10 476	1 010
8	Net income from investment properties	2 363	2 022	6 726	4 816
4	Other income	241	229	945	926
	Return to financial instruments attributable to minority interests	-1 914	-2 171	-3 061	-1 949
	Total net income	14 103	15 590	67 269	58 302
	Claims for own account	-4 396	-4 045	-17 370	-16 161
	Change in technical provisions	-4 832	14 620	-27 973	-11 740
5	Net costs subordinated loan and hybrid Tier 1 securities	22	-295	382	-1 490
6	Operating expenses	-697	-397	-1 756	-1 429
7	Other expenses	-253	-230	-957	-884
	Total expenses	-10 156	9 653	-47 675	-31 704
	Operating profit/loss	3 947	25 242	19 594	26 598
	To/from securities adjustment fund – life insurance	-2 328	-4 029	-6 876	-1 951
	To supplementary reserves – life insurance	-4 033	-3 130	-4 026	-3 073
	Assets allocated to insurance customers - life insurance	2 777	-14 834	-6 244	-16 435
	Pre-tax income	364	3 249	2 449	5 138
	Cost of taxes ¹	584	-349	359	-927
	Income	948	2 900	2 808	4 211
19	Actuarial loss and profit on post employment benefit obligations	66	102	-32	195
	Adjustments of the insurance obligations	-11	-10	0	-20
	Tax on items that will not be reclassified to profit or loss	-14	-21	8	-44
	Items that will not be reclassified to profit or loss	42	70	-24	132
	Revaluation real property for use in own operation	4	75	95	172
	Currency translation foreign subsidiaries	261	444	-1 625	1 319
	Adjustments of the insurance obligations	-261	-444	1 625	-1 319
	Tax on items that will be reclassified to profit or loss	-1	-17	-24	-43
	Items that will be reclassified to income when particular specific conditions are met	3	58	72	129
	Total other comprehensive income	45	129	47	261
	Total comprehensive income	993	3 029	2 855	4 472
	¹ Cost of taxes is included in the minority's share.	-36	-31	-172	-164

Balance sheet

KLP GROUP

NOTE	NOK MILLIONS	31.12.2016	31.12.2015
	Deferred tax assets	372	33
	Other intangible assets	324	526
	Tangible fixed assets	1 604	1 346
	Investments in associated companies and joint venture	532	368
8,11	Investment property	59 497	56 436
9,14	Debt instruments held to maturity	32 791	35 318
9,14	Debt instruments classified as loans and receivables	106 720	94 987
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	1 381	1 845
9,14	Lending local government, enterprises and retail customers	81 541	75 766
9,11,14	Debt instruments at fair value through profit or loss	171 021	152 493
9,11	Equity capital instruments at fair value through profit/loss	130 704	115 493
9,11,14	Financial derivatives	1 815	1 292
9	Receivables	3 173	3 751
9	Assets in defined contribution-based life insurance	1 674	1 183
	Cash and bank deposits	2 968	2 424
	Total assets	596 113	543 262
	Owners' equity contributed	11 726	10 422
	Retained earnings	16 097	13 242
	Total owners' equity	27 823	23 665
9,10	Hybrid Tier 1 securities	1 650	1 564
9,10	Subordinated loan capital	6 220	9 541
19	Pension obligations	712	634
15	Technical provisions - life insurance	453 943	413 799
15	Provisions in life insurance with investment option	1 674	1 183
	Premiums, claims and contingency fund provisions - non-life insurance	2 245	2 142
9,10	Covered bonds issued	21 095	18 987
9,10	Debt to credit institutions	5 050	5 099
9,10	Liabilities to and deposits from customers	8 688	7 426
9,11	Financial derivatives	5 871	7 993
	Deferred tax	403	835
16	Other current liabilities	4 823	4 255
	The minority's share of liabilities	55 916	46 140
	Total liabilities	568 290	519 597
	Total equity and liabilities	596 113	543 262
	Contingent liabilities	14 196	14 346

Changes in Owners' equity

KLP GROUP

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

2015 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2014 ¹	9 173	8 385	17 558
Change in principle, dissolution of the contingency reserve in non-life insurance		387	387
Owners' equity 1 January 2015		8 772	17 945
Income		4 211	4 211
Items that will not be reclassified to income		132	132
Items that will be reclassified to income when particular conditions are met		129	129
Total other comprehensive income		261	261
Total comprehensive income		4 472	4 472
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	13 242	23 665

¹ Owners equity 31 December 2014 has been changed due to a reclassification of funds in non-life insurance by NOK 86 millions.

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2016 - 31.12.2016	01.01.2016 - 30.09.2016	01.01.2016 - 30.06.2016	01.01.2016 - 31.03.2016	01.01.2015 - 31.12.2015
Net cash flow from operational activities	-26 580	-18 932	-10 631	-5 259	-18 131
Net cash flow from investment activities ¹	-94 ³	-130	-94	-34	-162
Net cash flow from financing activities ²	27 219	20 164	11 889	5 524	18 461
Net changes in cash and bank deposits	544	1 101	1 163	231	167
Holdings of cash and bank deposits at start of period	2 424	2 424	2 424	2 424	2 257
Holdings of cash and bank deposits at end of period	2 968	3 525	3 587	2 655	2 424

¹ Payments on the purchase of tangible fixed assets.

² Net receipts of owners' equity contribution, rising of new loans and repayment of debt. And also payments from minority interests.

³ There has been a reclassification of capitalized IT projects in the fourth quarter of 2016.

Notes to the accounts

KLP GROUP

NOTE 1 Accounting principles –and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2016 – 31.12.2016. The accounts have not been audited.

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

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

The interim financial statements do not contain all the information required of complete financial statements, and this interim financial report should be read in the context of the annual financial statements for 2015. The annual financial statements are available at KLP's website klp.no.

As a result of the amendments made to the Insurance Activity Act with effect from 1 January 2016, the Group has dissolved the book contingency reserves and changed the comparative figures. This has had the following effects on the Group financial statements:

FINANCIAL POSITION STATEMENT NOK MILLIONS	Q4 2015	01.01.2015 -31.12.2015
Changes in insurance reserves	10	10
Tax expense	8	8
Income	18	18

BALANCE SHEET NOK MILLIONS	Changed OB 01.01.2015	31.12.2015
Retained earnings	387	405
Premiums- and claim provisions- non-life insurance	-530	-540
Deferred tax/deferred tax asset	143	135

ACCOUNTING ESTIMATES

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

In January 2017, The Norwegian Accounts Foundations published an updated version of the guidelines for pension criteria as of 31 December 2016, which shows some changes in the parameters from 31 December 2015. The stated calculation criteria are uncertain, and the Group have determined the criteria itself, based on a specific assessment of its pension schemes. This gives the following changes in the parameters:

ASSUMPTIONS	31.12.2016	31.12.2015	Change
Discount rate	2.60 %	2.70 %	-0.10 %
Salary growth	2.50 %	2.50 %	0.00 %
The National Insurance basic amount (G)	2.25 %	2.25 %	0.00 %
Pension increases	1.48 %	1.48 %	0.00 %
Social security contribution rate	14.10 %	14.10 %	0.00 %
Capital activity tax	5.00 %	5.00 % ¹	0.00 %

¹ A 5 per cent capital activity tax is calculated on that part of the liability that at 31 December 2015 had not been paid out.

The effect of the change in parameters has increased the Group's pension obligation by NOK 32 million.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life		Group pensions private		Non-life insurance	
	01.01.16 -31.12.16	01.01.15 -31.12.15	01.01.16 -31.12.16	01.01.15 -31.12.15	01.01.16 -31.12.16	01.01.15 -31.12.15
Premium income for own account from external customers ¹	36 773	38 736	574	486	1 150	1 015
Premium income for own account from other Group companies	81	53	0	0	0	20
Net financial income from investments	24 994	17 572	192	78	253	173
Other income from external customers	938	919	3	2	1	1
Other income from other Group companies	338	263	0	0	0	0
Return to financial instruments attributable to minority interests						
Total income	63 124	57 542	769	566	1 404	1 209
Claims for own account	-16 387	-15 283	-112	-84	-871	-801
Insurance provisions f.o.a.	-27 373	-11 266	-599	-452	-2	-3
Costs borrowing	382	-1 490	0	0	0	0
Operating costs excluding depreciation	-911	-875	-52	-43	-269	-219
Depreciation	-261	-80	-2	-1	-6	-3
Other expenses	-960	-884	0	0	0	0
Total expenses	-45 510	-29 877	-764	-580	-1 148	-1 026
Operating profit/loss	17 613	27 665	5	-15	255	183
Funds credited to insurance customers ²	-15 488	-22 789	-33	-9	0	0
Pre-tax income	2 125	4 876	-28	-24	255	183
Cost of taxes	781	-533	0	0	-52	-46
Income	2 906	4 343	-28	-24	203	137
Change in other comprehensive income	-33	175	0	0	-2	26
Total comprehensive income	2 874	4 519	-28	-24	201	164
Assets	496 663	457 858	3 571	2 943	4 489	4 128
Liabilities	468 878	434 249	3 263	2 632	2 773	2 455

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	
	01.01.16 -31.12.16	01.01.15 -31.12.15	01.01.16 -31.12.16	01.01.15 -31.12.15	01.01.16 -31.12.16	01.01.15 -31.12.15
Premium income for own account from external customers ¹	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	205	152	4	4	0	0
Other income from external customers	10	10	0	0	8	8
Other income from other Group companies	57	58	299	303	0	0
Return to financial instruments attributable to minority interests						
Total income	272	220	303	307	8	8
Claims for own account	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	-176	-167	-280	-253	-7	-8
Depreciation	-4	-3	-6	-8	0	0
Other expenses	-1	-1	0	0	0	0
Total expenses	-181	-171	-285	-261	-7	-8
Operating profit/loss	91	49	18	46	0	0
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	91	49	18	46	0	0
Cost of taxes	-22	-15	-4	-19	0	0
Income	69	33	15	27	0	0
Change in other comprehensive income	-1	7	-2	18	0	0
Total comprehensive income	68	40	12	44	0	0
Assets	34 388	31 299	414	394	12	11
Liabilities	32 533	29 787	192	185	3	3

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Eliminations		Total	
	01.01.16 -31.12.16	01.01.15 -31.12.15	01.01.16 -31.12.16	01.01.15 -31.12.15
Premium income for own account from external customers ¹	0	0	38 497	40 236
Premium income for own account from other Group companies	-81	-73	0	0
Net financial income from investments	5 240	1 110	30 888	19 089
Other income from external customers	-14	-14	945	926
Other income from other Group companies	-694	-624	0	0
Return to financial instruments attributable to minority interests	-3 061	-1 949	-3 061	-1 949
Total income	1 389	-1 550	67 269	58 302
Claims for own account	0	6	-17 370	-16 161
Insurance provisions f.o.a.	0	-19	-27 973	-11 740
Costs borrowing	0	0	382	-1 490
Operating costs excluding depreciation	244	231	-1 451	-1 334
Depreciation	-26	0	-305	-95
Other expenses	5	1	-957	-884
Total expenses	222	219	-47 675	-31 704
Operating profit/loss	1 612	-1 330	19 594	26 598
Funds credited to insurance customers ²	-1 625	1 338	-17 146	-21 460
Pre-tax income	-13	8	2 449	5 138
Cost of taxes	-360	-400	344	-1 014
Income	-373	-392	2 792	4 124
Change in other comprehensive income	101	121	63	347
Total comprehensive income	-272	-271	2 855	4 472
Assets	56 576	77 927	596 113	543 262
Liabilities	60 648	80 072	568 290	519 597

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

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

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

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

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

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

BANKING

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

ASSET MANAGEMENT

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

OTHER

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

NOTE 3 Premium income for own account

NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Contribution service pension / AFP	7 838	7 177	35 083	30 849
Reinsurance premiums ceded	-23	-11	-19	-10
Transfer of premium reserves from others ¹	-196	-5	3 434	9 397
Total premium income	7 618	7 161	38 497	40 236

¹ Transfer of premium reserves from others for the fourth quarter 2015 is negative. This is due to the fact that the Group 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 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Supplement contractual early retirement scheme (ERS)	238	221	927	868
Other income	3	8	19	58
Total other income	241	229	945	926

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
SUBORDINATED LOANS				
Interest costs ¹	-68	-110	-303	-314
Value changes	-10	-106	832	-804
Net costs subordinated loans	-78	-217	529	-1 117
PERPETUAL HYBRID TIER 1 SECURITIES				
Interest costs	-17	-16	-61	-61
Value changes	117	-62	-86	-312
Net costs perpetual hybrid tier 1 securities	100	-79	-147	-372
Net costs subordinated loan and hybrid Tier 1 securities	22	-295	382	-1 490

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 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Personnel costs	269	257	882	862
Depreciation ¹	209	39	305	118
Other operating expenses	219	102	570	449
Other operating expenses	697	397	1 756	1 429

¹ The increase in depreciation and amortization in fourth quarter of 2016 is due to write-downs of previously capitalized investments.

NOTE 7 Other expenses

NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Supplement contractual early retirement scheme (ERS)	241	222	929	868
Other expenses	13	8	28	16
Total other expenses	253	230	957	884

NOTE 8 Investment property

NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Net rental income	619	688	2 737	2 518
Net value adjustment	2 005	1 779	2 364	3 618
Currency translate foreign subsidiaries	-261	-444	1 625	-1 319
Net income from investment properties	2 363	2 022	6 726	4 816

NOK MILLIONS	31.12.2016	31.12.2015
BALANCE SHEET: INVESTMENT PROPERTY		
Investment property 01.01.	56 436	44 467
Value adjustment	2 364	3 618
Net additions	724	8 317
Other changes	-28	34
Investment property 31.12.	59 497	56 436

NOTE 9 Fair value of financial assets and liabilities

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

This category includes:

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This category includes:

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

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

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

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

NOTE 9 Fair value of financial assets and liabilities – cont.**The following sources are used:**

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-income securities – government

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

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

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

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

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

e) Receivables on credit institutions

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

OTHER LOANS AND RECEIVABLES/LOANS TO MUNICIPALITIES, COMPANIES AND PERSONAL CUSTOMERS**f) Loans to municipalities and enterprises with municipal guarantee**

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

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

As far as possible, 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 Group has chosen the Oslo Stock Exchange as its small cap index (OSESX) as an approach for unlisted shares.

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

NOTE 9 Fair value of financial assets and liabilities – cont.**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. Bloomberg is used as a price source. Prices are also obtained from another source in order to check that Bloomberg's prices are correct. Reuters acts as a secondary source.

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

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

DEBT TO CREDIT INSTITUTIONS**o) Placements with credit institutions and deposits**

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

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

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOK MILLIONS	31.12.2016		31.12.2015	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	8 339	9 248	10 922	11 838
Foreign hold-to-maturity bonds	24 452	25 771	23 897	25 492
Norwegian certificates	0	0	499	499
Total debt instruments held to maturity	32 791	35 019	35 318	37 830

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

NOK MILLIONS	31.12.2016		31.12.2015	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST				
Norwegian bonds	33 018	35 785	30 091	32 967
Foreign bonds	72 879	77 806	64 873	70 172
Norwegian certificates	790	787	0	0
Other receivables	33	33	23	23
Total debt instruments classified as loans and receivables	106 720	114 411	94 987	103 162
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	1 381	1 381	1 845	1 845
Total loans to local government, enterprises & retail customers	1 381	1 381	1 845	1 845
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST				
Loans secured by mortgage	15 953	15 969	14 136	14 172
Loans to local government sector or enterprises with local government guarantee	56 484	57 135	51 458	52 303
Loans abroad secured by mortgage and local government guarantee	9 105	9 143	10 172	10 133
Total loans to local government, enterprises & retail customers	81 541	82 247	75 766	76 608
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	58 661	58 661	48 258	48 258
Norwegian certificates	12 519	12 519	9 877	9 877
Foreign bonds	82 933	82 933	76 939	76 939
Foreign certificates	161	161	0	0
Investments with credit institutions	16 747	16 747	17 419	17 419
Total debt instruments at fair value through profit/loss	171 021	171 021	152 493	152 493
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	121 240	121 240	107 102	107 102
Equity funds	8 688	8 688	7 703	7 703
Property funds	287	287	370	370
Alternative investments	489	489	318	318
Total equity capital instruments at fair value	130 704	130 704	115 493	115 493
RECEIVABLES				
Receivables related to direct business	1 019	1 019	1 004	1 004
Receivables related to reinsurance agreements	119	119	74	74
Reinsurance share of gross claims reserve	1	1	10	10
Receivables related to securites	1 763	1 763	2 445	2 445
Other receivables	272	272	217	217
Total other loans and receivables including receivables from policyholders	3 173	3 173	3 751	3 751

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

NOK MILLIONS	31.12.2016		31.12.2015	
	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES				
Hybrid Tier 1 securities	1 650	1 283	1 564	1 588
Subordinated loan capital	6 220	6 554	9 541	9 506
Debt to credit institutions	2 356	2 356	2 915	2 915
Covered bonds issued	21 095	21 095	18 987	18 987
Liabilities and deposits from customers	8 688	8 688	7 426	7 426
Total financial liabilities	40 010	39 977	40 433	40 421
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions	2 694	2 694	2 184	2 184
Total financial liabilities	2 694	2 694	2 184	2 184
Assets in life insurance with investment option	1 674	1 674	1 183	1 183
Provisions in life insurance with investment option	1 674	1 674	1 183	1 183

NOK MILLIONS	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Forward exchange contracts	795	4 534	177	6 378
Interest rate swaps	375	1 338	496	1 615
Interest rate and currency swaps	645	0	614	0
Share options	0	0	6	0
Total financial derivatives	1 815	5 871	1 292	7 993

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2016	Book value 31.12.2015
PERPETUAL SUBORDINATED LOAN CAPITAL						
Kommunal Landspensjonskasse	0	EUR	Fixed	Perpetual	0	2 995
Kommunal Landspensjonskasse	554	JPY	Fixed ¹	Perpetual	706	704
FIXED - TERM SUBORDINATED LOAN						
Kommunal Landspensjonskasse	5 163	EUR	Fixed ²	2045	5 514	5 841
Total subordinated loan capital	5 717				6 220	9 541
HYBRID TIER 1 SECURITIES						
Kommunal Landspensjonskasse	984	JPY	Fixed ³	2034	1 650	1 564
Total hybrid Tier 1 securities	984				1 650	1 564
COVERED BONDS						
KLP Kommunekreditt AS	0	NOK	Floating	2016	0	2 174
KLP Kommunekreditt AS	315	NOK	Fixed	2017	319	644
KLP Kommunekreditt AS	595	NOK	Floating	2017	596	4 008
KLP Kommunekreditt AS	3 970	NOK	Floating	2018	3 975	4 005
KLP Kommunekreditt AS	4 500	NOK	Floating	2019	4 506	4 505
KLP Kommunekreditt AS	2 500	NOK	Floating	2020	2 510	0
KLP Kommunekreditt AS	750	NOK	Fixed	2020	752	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 014	0
KLP Kommunekreditt AS	600	NOK	Fixed	2021	602	0
KLP Boligkreditt AS	43	NOK	Floating	2017	43	602
KLP Boligkreditt AS	600	NOK	Floating	2019	600	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 007	452
KLP Boligkreditt AS	1 100	NOK	Floating	2021	1 103	1 203
Other					67	42
Total covered bonds	20 973				21 095	18 987

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

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2016	Book value 31.12.2015
DEBT TO CREDIT INSTITUTIONS						
KLP Banken AS	0	NOK	Floating	2016	0	802
KLP Banken AS	300	NOK	Fixed	2017	308	308
KLP Banken AS	443	NOK	Floating	2017	443	500
KLP Banken AS	200	NOK	Fixed	2018	202	202
KLP Banken AS	500	NOK	Floating	2018	502	502
KLP Banken AS	900	NOK	Floating	2019	902	600
KLP Funds	0	NOK	Fixed	2016	0	1 433
KLP Funds	1 064	NOK	Fixed	2017	1 064	0
KLP Funds	0	NOK/EUR/USD	Floating	2016	0	49
KLP Funds	744	NOK/EUR/USD	Floating	2017	744	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2016	0	700
Kommunal Landspensjonskasse	885	NOK/EUR/USD	Floating	2017	885	0
KLP Banken AS	0	NOK/EUR/USD	Floating	2016	0	3
KLP Banken AS	1	NOK/EUR/USD	Floating	2017	1	0
Other					-1	0
Total liabilities to credit institutions	5 037				5 050	5 099
LIABILITIES AND DEPOSITS FROM CUSTOMERS						
Retail	6 938	NOK			6 938	6 030
Business	1 729	NOK			1 729	1 397
Foreign	21	NOK			21	0
Liabilities to and deposits from customers	8 688				8 688	7 426
Total financial liabilities	41 398				42 704	42 617

⁴ There is no contractual maturity date on deposits.

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

NOTE 11 Fair value hierarchy

31.12.2016 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	59 497	59 497
Land/plots	0	0	982	982
Real estate fund	0	0	1 831	1 831
Buildings	0	0	56 684	56 684
Lending at fair value	0	1 381	0	1 381
Bonds and other fixed-income securities	45 368	108 901	0	154 269
Certificates	7 377	5 303	0	12 680
Bonds	25 058	103 598	0	128 656
Fixed-income funds	12 933	0	0	12 933
Loans and receivables	15 071	1 681	0	16 752
Shares and units	117 819	4 312	8 573	130 704
Shares	116 268	3 536	1 436	121 240
Equity funds	1 552	0	84	1 636
Property funds	0	287	0	287
Special funds	0	489	0	489
Private Equity	0	0	7 052	7 052
Financial derivatives	0	1 815	0	1 815
Total assets at fair value	178 258	118 090	68 069	364 418
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	5 871	0	5 871
Debt to credit institutions ¹	1 648	1 064	0	2 712
Total financial liabilities at fair value	1 648	6 936	0	8 584

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 2 338 million per 31.12.2016

NOTE 11 Fair value hierarchy – cont.

31.12.2015 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
Certificates	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	1 433	0	2 184
Total financial liabilities at fair value	751	9 426	0	10 177

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 2 338 million per 31.12.2016

NOTE 11 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 31.12.2016	Book value 31.12.2015
Opening balance 1 January	8 009	6 310
Sold	-1 288	-1 460
Bought	2 034	2 270
Unrealised changes	-182	889
Closing balance 31.12.	8 573	8 009
Realised gains/losses	377	182

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 31.12.2016	Book value 31.12.2015
Opening balance 1 January	56 436	44 467
Net acquisition cost	724	3 618
Unrealised changes	2 364	8 317
Other changes	-28	34
Closing balance 31.12.	59 497	56 436
Realised gains/losses	0	0
Closing balance 31.12.	68 069	64 445

NOTE 11 Fair value hierarchy – cont.

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

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. Everything related to investment property is included in Level 3. 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 3 403 million as of 31.12.2016 and NOK 3 222 million as of 31.12.2015.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 1 674 millions in financial assets valued at fair value at Level 1. Per 31.12.2016 the NOK 1 674 millions are included with NOK 893 millions in shares and units in Level 1, NOK 769 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 162 millions in stocks has been moved from Level 1 to Level 2 and NOK 837 millions from Level 2 to Level 1. This is due to changes in liquidity. For debt instruments there has been moved NOK 481 million from level 2 to level 1. Lack of available information in the system on certain securities in previous periods are the cause of this change.

No movements in or out of level 3 in the period.

NOTE 12 Liquidity risk

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

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

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 296 million, payables to credit institutions maturing within one month are reduced with NOK 231 million and derivatives maturing between 1 to 12 months are reduced with NOK 180 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 64 969 million.

31.12.2015 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	3 309	1 708	6 995	0	12 012
Perpetual hybrid Tier 1 securities ¹	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

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 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.

NOTE 12 Liquidity risk – cont.

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

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

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

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

NOTE 13 Interest rate risk

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

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

NOTE 13 Interest rate risk – cont.

31.12.2015 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 01.01.2015 - 31.12.2015	Total	Total adjusted for minority's share
ASSETS								
Financial derivatives classified as assets	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 securities	-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
Lending and receivables	0	-2	0	0	0	158	156	144
Lending	0	0	0	0	0	423	423	423
Cash and bank deposits	0	0	0	0	0	25	25	25
Contingent liabilities ¹	0	0	0	0	0	51	51	51
Total assets	-733	-76	-1 257	-1 905	-1 594	860	-4 705	-4 244
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 liabilities	-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	619	-4 351	-3 906
Total after tax	-540	-42	-779	-1 148	-1 119	452	-3 176	-2 852

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

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

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

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

The following securities are included in the note;

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

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

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

NOTE 14 Credit risk

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

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.

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

NOTE 14 Credit risk – cont.

30.12.2015 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	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	35 318
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 securities	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 assets	1 292	0	0	0	0	0	0	1 292	1 263
Cash and bank deposits	2 424	0	0	0	0	0	0	2 424	2 424
Lending	0	0	54 022	0	12 154	1 932	9 504	77 611	77 611
Total	227 603	553	59 102	11 030	12 154	1 932	51 752	364 126	353 585

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.

SPESIFICATION OF INVESTMENT GRADE 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 cost	22 492	16 959	32 460	4 136	76 046
Debt instruments at fair value - fixed-return securities	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 assets	0	174	1 118	0	1 292
Cash and bank deposits	0	32	2 392	0	2 424
Lending	0	0	0	0	0
Total	83 085	36 483	86 001	22 035	227 603

NOTE 14 Credit risk – cont.

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

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

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes.

The Group can be said to have a high concentration of debt instruments directed at the Norwegian public sector, however this does not imply concentration risk in the ordinary meaning since the counterparty risk is considered to be minimal.

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. Other is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 56 billion per 31.12.2016. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category.

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

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

NOK MILLIONS	31.12.2016		31.12.2015	
	Consolidated	Adjusted for the minority holding	Consolidated	Adjusted for the minority holding
10 LARGEST COUNTERPARTIES				
Counterparty 1	16 787	16 359	14 247	13 712
Counterparty 2	10 871	10 189	10 180	9 602
Counterparty 3	8 551	8 551	9 091	9 091
Counterparty 4	6 865	6 343	6 247	6 247
Counterparty 5	6 678	5 454	6 118	5 816
Counterparty 6	5 428	5 334	5 907	4 347
Counterparty 7	5 010	4 951	4 566	3 526
Counterparty 8	4 698	4 698	3 419	3 327
Counterparty 9	3 601	3 235	3 378	3 283
Counterparty 10	3 566	3 205	3 325	3 247
Total	72 056	68 319	66 478	62 199

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	31.12.2016	31.12.2015
Premium reserves - ordinary tariff	383 803	356 199
Premium funds, buffer funds and pensioners' surplus funds	17 216	15 540
Supplementary reserves	24 472	20 322
Securities adjustment fund	28 404	21 529
Other provisions	48	209
Technical provisions in life insurance including investment choice	453 943	413 799

NOK MILLIONS	31.12.2016	31.12.2015
Premium reserves	1 665	1 175
Deposit funds	8	8
Provisions in life insurance with investment options	1 674	1 183

NOTE 16 Other current liabilities

NOK MILLIONS	31.12.2016	31.12.2015
Short-term payables trade in securities	2 636	480
Incurred not assessed taxes	202	236
Advance tax-deduction pension scheme	382	329
Accounts payable	676	681
Pre-called contribution to insurance	131	106
Other current liabilities	795	2 424
Total other current liabilities	4 823	4 255

NOTE 17 SCR ratio

NOK BILLIONS	31.12.2016	31.12.2015		31.12.2016	31.12.2015
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	502	462	Best estimate	456	417
Added values - hold-to-maturity portfolio/loans and receivables	10	11	Risk margin	13	13
Added values - other lending	1	1	Hybrid Tier 1 securities/ Subordinated loan capital	8	11
Value adjustment reinsurance assets	0	0	Other liabilities	9	11
Intangibles	0	0	Deferred tax liabilities	0	0
Deferred tax asset	1	0			
Total assets - solvency II	513	474	Total liabilities - solvency II	486	452
			Excess of assets over liabilities	27	23
			- Deferred tax asset	-1	0
			- Risk equalisation fund	-4	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	24	20
			Total eligible tier 1 own funds	24	20
			Subordinated loans	7	10
			Risk equalisation fund	4	4
			Tier 2 basic own funds	11	13
			Ancillary own funds	10	9
			Tier 2 ancillary own funds	10	9
			Deduction for max. eligible tier 2 own funds	-12	-14
			Total eligible tier 2 own funds	8	8
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	31	27
			Solvency capital requirement (SCR)	16	15
			Minimum capital requirement (MCR)	6	4
			Solvency II SCR ratio	198 %	181 %

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

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 197 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 289 per cent.

	31.12.2016	31.12.2015
Solvency II SCR ratio	198 %	181 %

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

31.12.16 NOK MILLIONS				Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Net amount	Total adjusted for minority's share
ASSETS							
Financial derivatives	1 815	0	1 815	-1 125	-836	23	23
Repos	0	0	0	0	0	0	0
Total	1 815	0	1 815	-1 125	-836	23	23
LIABILITIES							
Financial derivatives	5 871	0	5 871	-1 125	-3 611	1 197	975
Repos	1 065	0	1 065	0	0	1 065	1 065
Total	6 936	0	6 936	-1 125	-3 611	2 262	2 039

31.12.15 NOK MILLIONS				Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	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
LIABILITIES							
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

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 Pension obligations

NOK MILLIONS	31.12.2016	31.12.2015
Capitalized net liability 01.01.	634	755
Capitalized pension costs	135	141
Capitalized financial costs	22	23
Actuarial gains and losses (Estimate deviation)	32	-195
Premiums / contributions received	-112	-89
Capitalized net liability 31.12.	712	634

ASSUMPTIONS	31.12.2016	31.12.2015
Discount rate	2.60 %	2.70 %
Salary growth	2.50 %	2.50 %
The National Insurance basic amount (G)	2.25 %	2.25 %
Pension increases	1.48 %	1.48 %
Social security contribution rate	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 % ¹

¹ A 5 per cent capital activity tax is calculated on that part of the liability that at 31 December 2015 had not been paid out.

The effect of changes in the assumptions is NOK 32 million increase in the liability 31.12.2016. The change is charged to «Other comprehensive income» in the income statement.

Key figures - Accumulated

NOK millions	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
KLP GROUP								
Profit before tax	2 449	2 085	1 378	578	5 138	1 889	1 302	606
Total assets	596 113	588 940	577 072	553 123	543 262	526 731	526 044	513 221
Owners' equity	27 823	26 827	25 049	23 997	23 665	20 620	18 992	18 466
Solvency SCR ratio ⁴	198 %	197 %	180 %	181% ²	11.7 %	11.0 %	11.0 %	9.1 %
Number of employees in the Group	946	949	952	942	939	920	914	906
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	2 125	1 858	1 196	464	4 876	1 613	1 196	549
Premium income for own account	36 854	29 715	19 674	7 556	38 789	31 985	25 548	15 948
- of which inflow of premium reserve	3 250	3 529	1 736	1 838	9 247	9 273	9 594	10 035
Insurance customers' funds incl. acc. profit	16 387	12 202	8 039	4 004	15 287	11 418	7 574	3 771
- of which funds with guaranteed returns	124	124	124	104	147	147	147	126
Net investment common portfolio	460 289	447 945	444 205	427 791	421 835	405 551	409 164	403 452
Net investment choice portfolio	2 184	2 199	2 105	2 060	2 050	2 020	2 056	1 978
Insurance funds incl. earnings for the year	452 375	444 748	434 146	419 099	412 363	405 343	406 927	398 314
- of which funds with guaranteed interest	395 562	391 495	385 763	375 583	370 559	368 390	352 857	345 233
Solvency capital requirement (SCR) ⁴	31 338	30 604	28 544	28 100	28 340	26 161	25 364	20 172
Solvency SCR ratio ⁴	209 %	208 %	189 %	187% ³	12 %	11 %	11 %	9 %
Riskprofit I	784	475	278	152	498	473	294	180
Riskprofit II ¹	i/a	i/a	i/a	i/a	19 644	i/a	i/a	i/a
Return profits	8 094	6 759	3 952	2 023	3 452	2 134	2 607	1 332
Administration profit	-50	135	65	20	264	197	132	58
Solvency capital	98 856	103 885	96 744	94 955	84 577	80 101	79 171	80 217
Book return on common portfolio	4.5 %	3.5 %	2.2 %	1.1 %	3.6 %	2.6 %	2.0 %	1.0 %
Value-adjusted return on common portfolio	5.8 %	4.4 %	2.7 %	1.0 %	4.0 %	2.0 %	2.3 %	2.2 %
Return on unit-linked portfolio	6.2 %	4.4 %	2.5 %	0.9 %	4.0 %	1.7 %	2.5 %	2.3 %
Return on corporate portfolio	4.7 %	4.0 %	2.7 %	1.0 %	4.8 %	3.2 %	2.4 %	1.3 %

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

² Reported 190% in first quarter, but corrected to 181% after the first quarter interim report.

³ Reported 197% in first quarter, but corrected to 187% after the first quarter interim report.

⁴ Capital adequacy regulations for Solvency I was used to 31.12.2015. From 01.01.2016 is regulations for Solvency II used.

Key figures - Accumulated

NOK millions	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
KLP SKADEFORSIKRING AS								
Profit before tax	255.4	185.6	116.3	49.5	183.1	46.3	15.6	-58.3
Gross premium due	1 207.5	894.9	588.9	290.3	1 086.8	806.9	529.0	259.3
Premium income for own account	1 150.1	851.9	560.5	276.4	1 035.1	768.4	503.4	246.7
Owners' equity	1 715.8	1 808.9	1 755.2	1 705.7	1 672.2	1 540.4	1 512.8	1 456.4
Claims ratio	75.9 %	80.6 %	80.0 %	76.9 %	77.7 %	86.1 %	93.7 %	131.6 %
Combined-ratio	98.7 %	101.6 %	101.7 %	100.2 %	98.8 %	106.4 %	114.0 %	153.8 %
Return on assets under management	6.1 %	4.9 %	3.1 %	1.3 %	4.4 %	2.5 %	2.3 %	1.9 %
Solvency capital requirement (SCR) ⁴	1 762	1 805	1 789	1 910	1 060	884	883	884
Solvency SCR ratio ⁴	261 %	275 %	278 %	285 %	49 %	41 %	40 %	42 %
Annual premium in force – retail market	435.2	408.7	387.4	367.5	354.4	344.3	329.9	312.7
Annual premium in force – public sector market	832.2	826.2	822.8	813.2	762.2	769.7	763.9	756.6
Net new subscriptions (accumulated within the year)	135.2	83.0	52.0	21.9	112.1	64.1	47.3	26.4
KLP BEDRIFTSPENSJON AS								
Profit before tax	-27.6	-9.4	-6.9	-4.7	-24.2	-15.6	-6.8	-7.1
Premium income for own account	574.3	383.8	249.1	134.2	485.6	378.1	235.7	113.2
- of which premium reserve added	185.0	101.9	65.3	40.9	149.7	128.3	72.7	34.4
Insurance customers' funds including accumulated profit	3 241.0	3 026.8	2 873.4	2 748.1	2 618.6	2 491.3	2 405.1	2 330.1
- of which funds with guaranteed returns	1 389.7	1 357.6	1 350.6	1 342.9	1 293.4	1 274.6	1 389.4	1 383.4
Returns profit	31.0	13.2	8.6	2.5	22.8	13.1	10.0	5.5
Risk result	6.0	3.8	-0.0	0.6	-1.8	-1.4	3.1	-2.0
Administration losses	-32.5	-18.6	-12.8	-7.6	-27.5	-19.3	-13.5	-7.1
Solvency capital requirement (SCR) ⁴	87	101	89	73	295.2	96.6	103.6	104.5
Solvency SCR ratio ⁴	79 %	98 %	69 %	57 %	35 %	13 %	14 %	15 %
Solvency capital	479.4	516.9	516.3	480.0	461.0	254.4	258.0	295.4
Book capital return on common portfolio	5.3 %	3.3 %	2.2 %	1.0 %	4.8 %	3.4 %	2.4 %	1.3 %
Value-adjusted capital return on common portfolio	5.8 %	4.4 %	2.8 %	1.1 %	4.7 %	2.8 %	2.5 %	2.0 %
Return on defined unit-linked contribution pensions	7.0 %	4.4 %	1.8 %	-0.2 %	2.1 %	-0.9 %	2.5 %	3.3 %
Return on corporate portfolio	2.4 %	2.3 %	1.7 %	1.1 %	0.9 %	0.5 %	0.7 %	0.8 %

Key figures - Accumulated

NOK millions	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
KLP BANKEN GROUP								
Profit/loss before tax	91.2	90.7	58.0	19.9	49.6	34.4	14.8	-1.8
Net interest income	194.3	149.4	100.3	50.9	187.1	133.1	81.4	38.4
Other operating income	66.4	49.3	32.1	15.5	67.9	51.0	34.1	17.2
Operating expenses and depreciation	-179.5	-126.1	-89.1	-53.0	-170.2	-122.1	-86.8	-46.3
Net realized/unrealized changes in financial instruments to fair value	11.1	18.5	14.9	6.5	-34.1	-27.7	-14.1	-11.6
Contributions	8 688	8 454	8 252	7 884	7 426	7 279	7 305	7 128
Housing mortgages granted	12 717	12 812	12 294	11 311	10 713	10 438	9 604	9 439
Loan(s) with public guarantee(s)	17 246	17 336	16 048	15 783	15 646	15 808	15 591	15 951
Defaulted loans	22	24	28	33	29	27	34	26
Borrowing on the issuance of securities	23 451	24 455	23 799	22 283	21 902	19 941	20 777	21 553
Total assets	34 379	34 949	34 145	32 200	31 294	29 267	29 814	30 470
Average total assets	32 837	33 122	32 720	31 747	30 525	29 511	29 785	30 112
Owners' equity	1 850	1 598	1 574	1 545	1 508	1 495	1 278	1 266
Net interest rate	0.59 %	0.45 %	0.31 %	0.16 %	0.61 %	0.45 %	0.27 %	0.13 %
Profit/loss from general operations before tax	0.28 %	0.27 %	0.18 %	0.06 %	0.16 %	0.12 %	0.06 %	-1.01 %
Return on owners' equity before tax	6.05 %	8.02 %	7.69 %	5.28 %	3.40 %	2.30 %	1.32 %	-0.14 %
Capital adequacy	18.3 %	16.8 %	16.5 %	17.5 %	17.6 %	17.9 %	15.1 %	15.6 %
Number of private customers	46 801	45 246	43 566	42 287	39 759	38 248	37 335	35 677
Of this members of KLP	33 173	32 066	31 070	29 501	27 448	26 337	25 586	24 270
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	18.2	16.3	1.8	-4.9	46.1	44.7	27.0	10.3
Total assets under management	441 943	431 741	417 789	408 451	398 471	382 580	383 411	391 040
Assets managed for external customers	54 003	49 434	46 509	44 526	44 797	40 892	40 388	41 023



Interim Financial Statements

NON-FINANCIAL ACCOUNTS
Q4 2016

Non-financial accounts

NOTE	Per Q4 2016	Per Q3 2016	Per Q2 2016	Per Q1 2016	2015	2014	
SOCIAL RESPONSIBLE INVESTMENTS							
1	Number of companies excluded from the investment portfolio	162	159	159	124	124	99
1	Number of new exclusions of companies from the investment portfolio	14	0	36	0	20	31
	Number of companies reinstated in the investment portfolio	1	0	1	0	4	1
	Number of general meetings in Norwegian companies at which KLP has voted (in %)	111 (96%)	102 (96%)	88 (96%)	8 (73%)	97 (91%)	105 (93%)
	Number of general meetings in foreign companies at which KLP has voted (in %)	2 627 (90%)	2 335 (89%)	2 046 (89%)	297 (66%)	2445 (83%)	2439 (82%)
2	Number of companies KLP has monitored	214	171	123	86	176	109
	Market value for investments in renewable energy in Norway (NOK millions)	22 468	23 122	22 092	21 194	20 189	19 876
	Market value for investments in renewable energy in developing countries (NOK millions)	258	238	252	250	226	131
	Market value for investments in banking and finance in developing countries (NOK millions)	410	261	248	229	229	201
	Market value for investments in European infrastructure funds (NOK millions)	652	487	484	443		
EMPLOYEES							
	Number of employees	950	949	952	942	939	899
	Reported sickness absence 12 month rolling	4.5 %	4.2 %	4.5 %	5.3 %	4.2 %	4.7 %
ENVIRONMENT							
3	Energy consumption kWh KLP's offices in KLP Huset (KLP Building)	3 571 611	2 548 901	1 860 138	1 116 600	3 329 181	3 452 909
4	Energy consumption kWh own offices Trondheim	248 910	176 657	133 584	82 656	232 662	230 936
5	Energy consumption kWh own offices Bergen	380 949	239 876	190 873	139 011	400 865	416 813
6	Kilo CO2-equivalent emissions from corporate air-travel	550 170	432 879	289 517	136 564	650 557	652 324
6	Number of corporate air-travel flights (Round trips)	3 294	2 536	1 755	865.5	3 622.5	3 588

NOTE 1 Excluded companies

In 2014 there was introduced a new criteria for exclusion; coal based business. This has increased the number of excluded companies in KLP's investment portfolio.

NOTE 2 Dialogue

Number of companies KLP has been in contact with, in the given period, regarding social, environmental or governing challenges. This includes companies that has taken the initiative to communicate how they are facing challenges towards being social responsible, as well as companies KLP has approached, due to information that has caused concern.

NOTE 3 Energy consumption KLP Oslo

KLP utilizes an energy management system called Optima. Data on our energy consumption is transferred automatically to the system. If the system is unable to connect to any given power meter, estimates are generated for that given meter. The office building "KLP huset" has multiple power meters, where disconnections to the system may occur. For the non-financial accounts, the best data at hand is used. Delayed or otherwise disconnected power meters could therefore result in quarterly reported data being changed retroactively.

NOTE 4 Energy consumption regional office Trondheim

"KLP Eiendom", KLP's real-estate subsidiary started handling the daily operations of the building where the KLP Bank is located in Trondheim as of 01.01.2016. Due to some transitional difficulties, KLP's share of shared areas energy consumption was estimated based on historical values. As these values have later become available, the energy consumption has been updated with the best available data.

NOTE 5 Energy consumption regional office Bergen

KLP's regional office in Bergen relocated in the second quarter of 2016 to a new, energy efficient office-building. Hence, the reported electricity consumption is lower at this location for the second half of 2016. After the relocation, there has been a number of difficulties relating to energy consumption data. However, these issues have been resolved, and energy figures have been updated for the entire year.

NOTE 6 Emissions from air travel

In 2016, KLP deployed measures in order to reduce air travel and associated emissions. The number of corporate flights has been reduced by 9% in 2016 compared to 2015. The GHG-emissions related to air-travels have been reduced by 15.4% over the same period of time.



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q4 2016

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
3	Premium income	7 139	6 803	36 854	38 789
	Income from investments in subsidiaries, associated enterprises and jointly controlled enterprises	2 501	2 350	4 616	5 832
	Interest income and dividends etc. on financial assets	2 109	2 008	8 432	8 469
	Value changes on investments	-1 064	4 867	6 014	7 082
	Gains and losses realised on investments	2 569	-1 330	5 528	-5 955
	Net income from investments in the common portfolio	6 115	7 895	24 588	15 428
	Net income of the investment option portfolio	37	45	127	77
	Other insurance-related income	239	223	933	888
4	Claims	-4 188	-3 865	-16 387	-15 287
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-10 989	7 455	-38 434	-16 528
	Changes in insurance liabilities loan taken to profit/loss investment option portfolio	-32	64	-108	-9
	Funds assigned to insurance contracts - contractual liabilities	2 571	-15 213	-4 319	-17 508
5	Insurance-related operating expenses	-472	-245	-1 140	-922
	Other insurance-related costs	-244	-225	-934	-874
	Technical profit/loss	177	2 937	1 180	4 054
	Net income from investments in the corporate portfolio	194	461	1 354	1 232
	Other income	8	4	7	13
	Administration costs and other costs associated with the corporate portfolio	-112	-139	-416	-422
	Non-technical profit/loss	90	327	945	822
	Profit/loss pre-tax	267	3 264	2 125	4 876
	Tax	688	-285	773	-489
	Profit/loss before other comprehensive income	954	2 979	2 898	4 387
11	Actuarial gains and losses on defined benefit plans - employee benefits	39	61	-27	124
	Tax on items that will not be reclassified to profit/loss	-10	-15	7	-31
	Items that will not be reclassified to profit/loss	29	46	-20	93
	Share of other comprehensive income using the equity method	28	41	-5	71
	Adjustments of the insurance obligations	-11	-10	0	-20
	Tax on items that will be reclassified to profit/loss	-4	-8	1	-13
	Items that will be reclassified to profit/loss when specific conditions are met	13	23	-4	39
	Other comprehensive income	42	69	-24	132
	TOTAL COMPREHENSIVE INCOME	996	3 048	2 874	4 519

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.12.2016	31.12.2015
	ASSETS		
	ASSETS IN THE CORPORATE PORTFOLIO		
	Intangible assets	253	454
7	Investment property	1 003	893
	Shares and holdings in property subsidiaries	1 779	1 673
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 125	3 738
6	Financial assets valued at amortized cost	13 808	16 304
6,7	Financial assets valued at fair value	11 052	9 458
	Receivables	902	759
	Tax assets	336	0
	Other assets	933	693
	Total assets in the corporate portfolio	34 190	33 973
	ASSETS IN THE CUSTOMER PORTFOLIOS		
	Shares and holdings in property subsidiaries	55 076	53 386
	Shares and holdings in associated enterprises and jointly controlled entities	528	364
6	Financial assets valued at amortized cost	175 588	162 588
6,7	Financial assets valued at fair value	229 097	205 497
	Total investments in the common portfolio	460 289	421 835
	Shares and holdings in property subsidiaries	272	264
6	Financial assets at amortized costs	738	678
6,7	Financial assets at fair value	1 174	1 108
	Total investments in investment portfolio	2 184	2 050
	Total assets in the customer portfolios	462 473	423 885
	TOTAL ASSETS	496 663	457 858

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.12.2016	31.12.2015
OWNERS' EQUITY AND LIABILITIES			
	Owners' equity contributed	11 726	10 422
	Retained earnings	16 060	13 186
	Total owners' equity	27 785	23 609
6	Subordinated loan capital etc.	7 870	11 105
	Premium reserve	380 658	353 401
	Supplementary reserves	24 292	20 170
	Securities adjustment fund	28 337	21 472
	Premium fund, deposits fund and pensioners' surplus fund	16 907	15 284
	Total insurance liabilities - contractual liabilities	450 194	410 327
	Premium reserve	1 766	1 684
	Supplementary reserves	133	114
	Premium fund, deposits fund and pensioners' surplus fund	283	238
	Total insurance liabilities - special investment portfolio	2 181	2 036
11	Pension obligations	474	423
	Deferred tax liabilities	0	446
9	Liabilities	8 001	9 793
	Accrued costs and prepaid income	157	120
	TOTAL OWNERS' EQUITY AND LIABILITIES	496 663	457 858
OFF-BALANCE SHEET ITEMS			
	Contingent liabilities	13 319	13 721

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2016 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2016	10 422	3 364	9 822	23 609
Profit/loss before other comprehensive income		543	2 355	2 898
COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT/LOSS				
Actuarial gains and losses on defined benefit plans - employee benefits			-27	-27
Tax on items that will not be reclassified to profit/loss			7	7
Total items that will not be reclassified to profit/loss			-20	-20
COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT/LOSS				
Share of other comprehensive income using the equity method			-5	-5
Adjustments of the insurance obligations			0	0
Tax on items that will be reclassified to profit/loss			1	1
Total items that will be reclassified to profit/loss when specific conditions are met			-4	-4
Total other comprehensive income			-24	-24
Total comprehensive income		543	2 331	2 874
Owners equity contribution received (net)	1 303			1 303
Total transactions with owners	1 303			1 303
Own funds 31 December 2016	11 726	3 907	12 153	27 785

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2015 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 31 December 2014	9 173	528	7 754	17 454
Change in principle, dissolution of the contingency reserve in KLP Skadeforsikring AS			387	387
Own funds 1 January 2015	9 173	528	8 140	17 841
Profit/loss before other comprehensive income		2 836	1 551	4 387
COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT/LOSS				
Actuarial gains and losses on defined benefit plans - employee benefits			124	124
Tax on items that will not be reclassified to profit/loss			-31	-31
Total items that will not be reclassified to profit/loss			93	93
COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT/LOSS				
Share of other comprehensive income using the equity method			71	71
Adjustments of the insurance obligations			-20	-20
Tax on items that will be reclassified to profit/loss			-13	-13
Total items that will be reclassified to profit/loss when specific conditions are met			39	39
Total other comprehensive income			132	132
Total comprehensive income		2 836	1 682	4 519
Owners equity contribution received (net)	1 249			1 249
Total transactions with owners	1 249			1 249
Own funds 31 December 2015	10 422	3 364	9 822	23 609

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2016 -31.12.2016	01.01.2016 -30.09.2016	01.01.2016 -30.06.2016	01.01.2016 -31.03.2016	01.01.2015 -31.12.2015
Net cashflow from operational activities	1 857	1 649	3 167	6	-6 062
Net cashflow from investment activities ¹	-66 ³	-117	-89	-30	-130
Net cashflow from financing activities ²	-1 557	-1 535	-2 834	2	6 412
Net changes in cash and bank deposits	233	-2	244	-22	219
Holdings of cash and bank deposits at start of period	654	654	654	654	434
Holdings of cash and bank deposits at end of period	887	651	898	632	654

¹ Payments on the purchase of tangible fixed assets.

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

³ There has been a reclassification of capitalized IT projects in fourth quarter of 2016.

Notes to the accounts

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles- and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 31 December 2016. The accounts have not been audited.

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

The interim financial statements do not contain all the information required of complete annual financial statements, and these interim financial statements should be read in the context of the annual financial statements for 2015, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at klp.no.

As a result of the amendments made to the Insurance Activity Act with effect from 1 January 2016, the KLP subsidiary KLP Skadeforsikring AS has dissolved that company's contingency reserves. KLP recognise their investments in subsidiaries in accordance with the equity method, and the change to the subsidiary is consequently treated as a change in principle at KLP. The change has had the following effect on KLP's financial statements and comparative figures:

FINANCIAL POSITION STATEMENT NOK MILLIONS	Q4 2015	01.01.2015 -31.12.2015
Net income from investments in the corporate portfolio	18	18

BALANCE SHEET NOK MILLIONS	Changed OB 01.01.2015	31.12.2015
Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	387	405
Retained earnings	387	405

ACCOUNTING ESTIMATES

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

In January 2017, The Norwegian Accounts Foundations published an updated version of the guidelines for pension criteria as of 31. December 2016, which shows some changes in the parameters from 31 December 2015. The stated calculation criteria are uncertain, and KLP have determined the criteria itself, based on a specific assessment of its pension schemes. This gives the following changes in the parameters:

ASSUMPTIONS	31.12.2016	31.12.2015	Change
Discount rate	2.60 %	2.70 %	-0.10 %
Salary growth	2.50 %	2.50 %	0.00 %
The National Insurance basic amount (G)	2.25 %	2.25 %	0.00 %
Pension increases	1.48 %	1.48 %	0.00 %
Social security contribution rate	14.10 %	14.10 %	0.00 %
Capital activity tax	5.00 %	5.00 % ¹	0.00 %

¹ A 5 per cent capital activity tax is calculated on that part of the liability that at 31 December 2015 had not been paid out.

The effect of the change in parameters has increased the Company's pension obligation by NOK 27 millions.

NOTE 2 Value-adjustment investment property

The portfolio of investment properties including investment properties owned via subsidiaries has been valued as at 31. December 2016.

NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Value adjustment incl. foreign exchange	1 987	1 829	2 393	3 748
Foreign exchange effect on hedging	-184	-335	1 763	-1 097
Net value adjustment incl. exchange hedging	1 803	1 494	4 156	2 651

NOTE 3 Premium income

NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Gross premiums due	7 418	6 830	33 606	29 543
Reinsurance premiums ceded	0	-1	-1	-2
Transfer of premium reserves from others ¹	-279	-26	3 250	9 247
Total premium income	7 139	6 803	36 854	38 789

¹ Transfer of premium reserves from others for the fourth quarter 2015 and 2016 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 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Claims paid	4 188	3 865	16 263	15 139
Transfers of premium reserves to others	0	0	124	147
Total claims	4 188	3 865	16 387	15 287

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q4 2016	Q4 2015	01.01.2016 -31.12.2016	01.01.2015 -31.12.2015
Personnel costs	155	159	549	554
Depreciation ¹	195	25	261	80
Other operating expenses ²	122	61	331	289
Total insurance-related operating expenses	472	245	1 140	922

¹ The increase in depreciation and amortization in fourth quarter of 2016 is due to write-downs of previously capitalized investments.

² The increase in other operating expenses in fourth quarter of 2016 is mainly due to recognition of IT projects in the income statement.

NOTE 6 Fair value of financial assets and liabilities

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

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

NOTE 6 Fair value of financial assets and liabilities – cont.

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

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

NOTE 6 Fair value of financial assets and liabilities – cont.

31.12.2015 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 certificates	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 loans and receivables	6 291	6 745	86 621	94 167	543	595	93 455	101 507
OTHER LOANS AND RECEIVABLES								
Secured loan	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 cost	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	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.

31.12.2015 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	4 189	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 funds	2 141	2 141	43 236	43 236	599	599	45 976	45 976
Foreign fixed-income funds	0	0	12 224	12 224	0	0	12 224	12 224
Norwegian certificates	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 securities	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 derivatives classified as assets	614	614	492	492	1	1	1 107	1 107
Other financial assets	29	29	2 262	2 262	1	1	2 292	2 292
Total financial assets valued 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 derivatives classified as liabilities	2	2	6 404	6 404	16	16	6 421	6 421
SUBORDINATED LOAN CAPITAL								
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
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	0	0	0	0	0	0
Foreign call money ¹	572	572	127	127	0	0	699	699
Total liabilities to credit institutions	573	573	127	127	0	0	700	700

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

NOTE 7 Fair value hierarchy

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

NOTE 7 Fair value hierarchy – cont.

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

NOTE 7 Fair value hierarchy — cont.

31.12.2015 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
Certificates	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 assets	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
Certificates	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 assets	0	2 262	0	2 262
Total common portfolio	159 134	37 755	8 608	205 497

NOTE 7 Fair value hierarchy – cont.

31.12.2015 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 assets	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	700	6 421	0	7 121

NOTE 7 Fair value hierarchy – cont.

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 31.12.2016	Book value 31.12.2015
Opening balance 01.01.	45	6
Sold	0	0
Bought	0	0
Unrealised changes	2	39
Closing balance 31.12.	47	45
Realised gains/losses	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 31.12.2016	Book value 31.12.2015
Opening balance 01.01.	1 369	1 213
Sold	-51	-264
Bought	65	619
Unrealised changes	-7	-199
Closing balance 31.12.	1 375	1 369
Realised gains/losses	12	-24

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 31.12.2016	Book value 31.12.2015
Opening balance 01.01.	76	70
Sold	0	-8
Bought	0	0
Unrealised changes	9	13
Closing balance 31.12.	84	76
Realised gains/losses	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 31.12.2016	Book value 31.12.2015
Opening balance 01.01.	7 164	5 008
Sold	-1 108	-1 188
Bought	2 739	2 285
Unrealised changes	-133	1 059
Closing balance 31.12.	8 661	7 164
Realised gains/losses	326	182

NOTE 7 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.12.2016	Book value 31.12.2015
Opening balance 01.01.	893	890
Sold	0	0
Bought	0	0
Unrealised changes	161	3
Other	-52	0
Closing balance 31.12.	1 003	893
Realised gains/losses	52	0
Total level 3	11 171	9 546

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 559 million as of 31.12.2016.

NOTE 7 Fair value hierarchy – cont.

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 10 million has been moved from Level 1 to Level 2 and NOK 136 million has been moved from Level 2 to Level 1; these amounts are related to equity instruments and are due to change in liquidity. NOK 481 million in interest bearing securities has been moved from level 2 to level 1. The reason behind the change is the lack of certain selection criterions in previous periods.

There has been no movements in or out of level 3 in the 4th quarter.

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

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

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

31.12.2015 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	1 107	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

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	31.12.2016	31.12.2015
Short-term liabilities securities	2 095	98
Advance tax-deduction pension scheme	380	327
Accounts payable	2	9
Derivatives	4 074	6 421
Debt to credit institutions	885	700
Liabilities related to direct insurance	537	2 210
Other short-term liabilities	28	28
Total liabilities	8 001	9 793

NOTE 10 SCR ratio

NOK BILLIONS	31.12.2016	31.12.2015		31.12.2016	31.12.2015
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	497	457	Best estimate	450	413
Added values - held-to-maturity portfolio/loans and receivables	9	10	Risk margin	13	12
Added values - other lending	1	1	Hybrid Tier 1 securities/ Subordinated loan capital	8	11
Other added/lesser values	0	0	Other liabilities	9	10
Deferred tax asset	1	0	Deferred tax liabilities	0	0
Total assets - solvency II	507	468	Total liabilities - solvency II	480	446
			Excess of assets over liabilities	27	22
			- Deferred tax asset	-1	0
			- Risk equalisation fund	-4	-3
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	24	20
			Total eligible tier 1 own funds	24	20
			Subordinated loans	7	10
			Risk equalisation fund	4	3
			Tier 2 basic own funds	11	13
			Ancillary own funds	10	9
			Tier 2 ancillary own funds	10	9
			Deduction for max. eligible tier 2 own funds	-13	-14
			Total eligible tier 2 own funds	7	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	31	27
			Market risk	6	7
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	15	14
			Diversification life risk	-4	-4
			Diversification general	-3	-3
			Operational risk	2	2
			Loss absorbing ability deferred tax	0	0
			Solvency capital requirement (SCR)	15	15
			Linear minimum capital requirement (MCR_linear)	5	4
			Minimum	4	4
			Maximum	7	7
			Minimum capital requirement (MCR)	5	4
			Solvency II SCR ratio	209 %	187 %

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 209 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 304 per cent.

	31.12.2016	31.12.2015
Solvency II SCR ratio	209 %	187 %

NOTE 11 Pension obligations

NOK MILLIONS	31.12.2016	31.12.2015
Capitalized net liability 01.01.	423	503
Capitalized pension costs	77	83
Capitalized financial costs	14	15
Actuarial gains and losses	27	-124
Premiums / contributions received	-67	-54
Capitalized net liability 31.12.	474	423

ASSUMPTIONS	31.12.2016	31.12.2015
Discount rate	2.60 %	2.70 %
Salary growth	2.50 %	2.50 %
The National Insurance basic amount (G)	2.25 %	2.25 %
Pension increases	1.48 %	1.48 %
Social security contribution rate	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 % ¹

¹ A 5 per cent capital activity tax is calculated on that part of the liability that at 31 December 2015 had not been paid out.

The effect of changes in pension assumptions increases the pension liability for employees with NOK 27 million as of 31.12.2016. The change is recognized in other comprehensive income in the income statement.

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