



Interim report

KLP GROUP
Q4 2017



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KLP GROUP

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KOMMUNAL LANDSPENSJONSKASSE

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Interim report fourth quarter 2017

GOOD CAPITAL APPRECIATION FROM THE COMPANY'S INVESTMENTS IN 2017

- Value-adjusted return on the common portfolio of 2.1 per cent in the fourth quarter and 6.7 per cent for the year.
- The book return on the common portfolio was 0.8 per cent for the fourth quarter and 3.9 per cent for the year.
- Good growth and increased profitability in the subsidiaries
- The profit for the year accounts for over NOK 5.2 billion of the customers' premium fund – three times the planned equity contribution

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 652,2 billion, a growth of NOK 10,7 billion in the fourth quarter, and NOK 56,1 billion for the year.

The operating profit for the year amounted to NOK 22.1 (19.6) billion¹. The Group's total comprehensive income was NOK 1.5 billion for the year.

Kommunal Landspensjonskasse gjensidig forsikringselskap
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 534.8 billion, NOK 489.2 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE FOURTH QUARTER 2017

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return to its customers) of NOK 1.2 billion in the fourth quarter, and NOK 6.6 (7.9) billion for the year. The value-adjusted return on the common portfolio was 6.7 per cent and the book return was 3.9 per cent in 2017.

Risk result

The risk result came to NOK 173 million in the fourth quarter and NOK 599 in the whole of 2017. It is planned to allocate NOK 76 million of the risk result to the risk equalisation fund, and to return NOK 523 million to the customers' premium fund.

Administration result

The Company's administration result shows a loss of NOK 2 million in the fourth quarter and NOK 141 (51) million in the course of the year. Insurance-related operating costs came to NOK 292 million in the quarter and NOK 1.0 (1.1) billion in 2017 as a whole

Total income

Total profit for the Company came to NOK 179 million in the fourth quarter and NOK 1.5 (2.9) billion for the year.

The customer result was NOK 1.5 billion for the quarter and NOK 7.1 (8.3) billion for the year.

| NOK MILLIONS | Customers | Company | Total |
|---|-----------|---------|--------|
| Returns result | 6,601 | 168 | 6,769 |
| Risk result | 523 | 76 | 599 |
| Interest guarantee premium | | 711 | 711 |
| Administration result | | 141 | 141 |
| Net income from investments in the corporate portfolio and other income/costs in non-technical accounts | | 896 | 896 |
| Tax | | -496 | -496 |
| Other profit/loss elements | | -24 | -24 |
| Income for Q4/2017 | 7,124 | 1,473 | 8,596 |
| Income for Q4/2016 | 8,339 | 2,874 | 11,213 |

Financial strength and capital-related matters

KLP's total assets show growth during the fourth quarter of NOK 7.3 billion and now amount to NOK 534.8 billion. Insurance obligations increased by NOK 36.8 billion in 2017 and now amount to NOK 489.2 billion.

The securities adjustment fund increased by NOK 6,2 billion in the quarter, to NOK 42.3 billion. 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 in an amount equivalent to 2.5 per cent of the premium reserve. This stood at NOK 10.1 billion at the end of the fourth quarter.

Without applying transitional rules, the Company's capital adequacy according to Solvency II is 22.4 per cent. Taking

¹ Figures in brackets give values for the corresponding period in 2016

account of the transitional arrangement for technical provisions, capital adequacy is 322 per cent. KLP's goal is capital adequacy of at least 150 per cent without applying transitional rules. Capital adequacy is well over this target and reflects the Company's good financial strength.

Key figures

| PER CENT | 2017 | 2016 |
|--|------|------|
| Book returns * | 3.9 | 4.4 |
| Value-adjusted returns * | 6.7 | 5.8 |
| Value-adjusted incl. added value in hold-to-maturity bonds and lending * | 6.7 | 5.4 |
| Capital adequacy, Solvency II | 224 | 209 |
| Capital adequacy, Solvency II, with transitional measures | 322 | 304 |

* The returns figures apply to the common portfolio

Premium income

Premium income excluding premium reserves received on transfers amounts to NOK 8.3 billion for the fourth quarter and NOK 32.1 (33.6) billion for the year.

Ongoing savings and risk premiums have grown by 6.5 per cent and total NOK 22.8 billion for the year. Premiums to cover accrued commitments arising from annual salary and basic pension adjustments were recognised in the amount of NOK 8.0 (11.0) billion at 31 December. Received premium reserves amount to NOK 0.3 (3.3) billion for the year.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 5.6 per cent and amounted to NOK 17.2 (16.3) billion for the year.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 495.6 (460.3) billion and were invested as shown below:

| ASSETS | 2017 | | 2016 | |
|-------------------------|------------|--------|------------|--------|
| | Proportion | Return | Proportion | Return |
| All figures in per cent | | | | |
| Shares | 22.5% | 16.5% | 20.1% | 7.3% |
| Short-term bonds | 19.2% | 3.2% | 20.0% | 3.5% |
| Long-term/HTM bonds | 27.1% | 4.0% | 26.8% | 4.3% |
| Lending | 11.6% | 2.2% | 11.6% | 2.4% |
| Property | 12.3% | 8.9% | 12.5% | 12.5% |
| Other financial assets | 7.3% | 1.5% | 8.9% | 1.7% |

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 22.5 per cent at the end of the fourth quarter. The total return on shares and alternative investments was 4.6 per cent in the fourth quarter and 16.5 per cent for the year. In 2017, global shares had a return of 17.1 per cent, while the return for Norwegian shares was 19.1 per cent.

Short-term bonds and the money market

Short-term bonds accounted for 19.2 per cent and money-market instruments 7.3 per cent of the assets in the common portfolio as at 31 December. Norwegian government and swap rates were at around the same level on 31 December as on 30 September. KLP's global government bond index achieved a currency-hedged return of 0.6 per cent in the fourth quarter, while the Norwegian government bond index had a quarterly return of 0.2 per cent. Global credit risk premiums fell slightly during the quarter, and KLP's global credit bond index had a currency-hedged return of 0.8 per cent for the quarter.

In total, KLP achieved returns of 0.6 per cent for the fourth quarter, while money market returns were 0.2 per cent.

Bonds held to maturity

Investment in bonds held to maturity made up 27.1 per cent of the common portfolio at the end of the year. Unrecognised added values in the common portfolio amounted to NOK 9.6 billion as at 31 December. The portfolio is well diversified and consists of securities issued by creditworthy institutions. The return measured at amortised cost was 4.0 per cent in 2017.

Property

Property investments, including Norwegian and international property funds, made up 12.4 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 3,153 million in 2017. If the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 2,419 million. Property investments in the common portfolio achieved a return of 8.9 per cent in 2017.

Lending

Lending in the common portfolio totals NOK 57.0 billion. This is split between NOK 46.0 billion in loans to municipalities and their enterprises, NOK 7.8 billion in currency loans with export guarantees secured on residential property in Europe, and NOK 3.3 billion in secured mortgage loans in Norwegian kroner. 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 533 million at the end of the quarter. The return for the year is 2.2 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 4.0 per cent for the year.

Market conditions for pensions

KLP has stable underlying growth in the premium reserve. 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 continued interest in switching to a defined-contribution scheme. KLP has succeeded in winning some of the customers who have chosen this scheme. KLP is Norway's leading provider of pensions to the public sector. KLP aims to be the preferred provider of defined contribution pensions to companies affiliated to the public sector.

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

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

The Company had total assets of NOK 4.9 billion as at 31 December. This is an increase of NOK 1.3 billion since the start of the year. The increase is mainly linked to an increase in pension capital certificates and growth in the Company's defined contribution pension portfolio, which now totals NOK 2.7 billion. 414 new business customers entered into pension agreements with KLP Bedriftspensjon in 2017, and we received transfers on over 6,200 pension capital certificates.

KLP Bedriftspensjon achieved a book return on the common portfolio of 8.3 per cent and a value-adjusted return of 5.6 per cent. Customers with defined-contribution pensions achieved an average 11.9 per cent return for the same period.

KLP Bedriftspensjon achieved a returns result of NOK 77.8 million in 2017. During the fourth quarter, changes were made to the common portfolio by reducing short-term investments in order to increase exposure to long-term bonds. Good returns in the equity markets in 2017 helped to ensure that the securities adjustment fund increased through the year until the Company reduced its equity exposure in December and realised valuation reserves. The securities adjustment fund totalled NOK 31.0 million at 31 December, down from NOK 66.8 million at 31.12.2016. The Company made a net loss of NOK 25.2 million in 2017.

Return on customer assets

| COMMON PORTFOLIO | 2017 | 2016 |
|---|--------|-------|
| Book returns | 8.30% | 5.30% |
| Value-adjusted returns | 5.60% | 5.70% |
| Defined-contribution pensions with investment options | 11.90% | 7.00% |
| Profile KLP90 | 17.10% | 9.80% |
| Profile KLP70 | 14.00% | 8.50% |
| Profile KLP50 | 11.00% | 7.10% |
| Profile KLP30 | 7.80% | 5.60% |
| Profile KLPPM | 1.50% | 1.80% |
| KLP Optimal Livsfase | 17.40% | n/a |

¹ Return for profile with 100% equities

From 2017, the Company has started offering a new savings profile for defined-contribution pension customers – KLP Optimal Livsfase. This is a savings profile that gives a combination of equities and interest-bearing instruments based on age.

As of 31 December, the solvency capital ratio without using the transitional measures is 107 per cent.

Non-life insurance

The year 2017 produced a pre-tax operating profit of NOK 164.2 (255.4) million. For the fourth quarter in isolation, the profit was NOK 11.6 (69.8) million. There is continued growth in all segments and a high proportion of members among the retail customers. Premiums due increased during the year by 8.1 per cent to NOK 1,370 million.

A major fire was reported in the fourth quarter with claims costs estimated at NOK 22.0 million. In total, five large individual claims were filed in the year with a total value of NOK 94.9 million.

In 2017, Southern Norway was hit by storms and heavy precipitation. As a result, a number of private homes and commercial buildings suffered serious damage after several rivers burst their banks and the water got into many buildings. Claims payments after these events are estimated at around NOK 500 million. The Company's costs arising from these claims are estimated at approx. NOK 25 million.

Storms 'Ylva', 'Aina' and 'Birk' together caused damage amounting to almost NOK 200 million, of which the Company is picking up around NOK 10 million.

Reversal of previous years' claims is still positive, and NOK 76.2 million was taken to income in 2017. The fourth quarter contributed NOK 25.2 million.

The financial return was 5.6 per cent for 2017.

Key figures for the Company

| AS OF Q4 | 2017 | 2016 |
|--------------------------|--------------|-------------|
| Claim ratio* | 84.2 | 75.9 |
| Cost ratio* | 21.8 | 22.8 |
| Total cost ratio* | 106.0 | 98.7 |

* For own account

Net financial income for 2017 was NOK 238.1 (249.0) million, or 5.6 (6.1) per cent. The equity portfolio had a total return of 17.8 per cent. Also in 2017, the value of the Company's two real estate investments was written up. The portfolio yielded a return of 8.9 per cent.

Financial income in the fourth quarter was NOK 77.6 (50.6) million, or 1.8 (1.2) per cent. In this quarter too, all investment classes made a positive contribution, with the equity portfolio giving the highest return at 5.5 per cent. The return on property was 5.3 per cent in the quarter.

The Company's financial position is still good with a solvency capital ratio (SCR) of 230 (261) per cent.

Asset and fund management

KLP Kapitalforvaltning AS represents the Group's asset management operation in securities and funds management. It had a total of NOK 489 billion under management at the end of 2017. The majority of the assets are managed on behalf of KLP and its subsidiaries in the KLP Group. Asset management increased by NOK 4.7 billion over 2016. Net new subscription in KLP's securities funds from investors external to the Group and retail customers amounted to NOK 5.3 billion in 2017. During the year, the share savings scheme (ASK) started, and a new and improved arrangement for individual retirement savings (IPS) entered into force. KLP Kapitalforvaltning offers both these products.

KLP Kapitalforvaltning manages a total of NOK 70.9 billion for customers outside KLP. The management mandates are won in competition with both Norwegian and foreign management operations.

KLP Kapitalforvaltning AS made a profit before tax of NOK 46.7 million in 2017.

Bank

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

The Bank also manages lending financed through pension assets held by KLP.

As of 31 December, the KLP Banken Group had loans to customers totalling NOK 30.8 (30.0) billion. Mortgage loans in the retail market and public-sector loans totalled NOK 14.5 billion and 16.3 billion respectively. KLP Banken manages NOK 3.3 billion in mortgage loans for KLP and NOK 53.8 billion in loans to public borrowers and other businesses.

Total mortgages in the retail market grew by NOK 1.7 (1.8) billion in 2017. Managed mortgage loans for KLP have increased by NOK 54 million since the start of last year.

Credit card operations on the bank's own balance-sheet were established in May 2017. Outstanding loans to retail customers amounted to NOK 61 million at year-end.

Lending in the public-sector market was reduced by NOK 0.9 billion in the bank group through the year. Loans to public-sector borrowers managed on behalf of the parent company KLP increased by NOK 5.5 billion in the same period. Managed loans to foreign debtors in other currencies decreased by NOK 1.3 billion in the same period.

Overdue payments and defaulted mortgage loans have remained at a low level. Loans in default in excess of 90 days account for 0.13 per cent of total mortgage loans as at the end of the fourth quarter. Impairment losses of NOK 1.1 million on mortgages and NOK 2.0 million on credit cards have been recognised in 2017. There were no losses or loss provisions related to public-sector loans.

The KLP Banken Group's external financing consists of deposits, certificates and bonds. Deposit growth in 2017 totalled NOK 1.0 billion and deposits totalled NOK 9.7 billion. Of this amount, NOK 7.7 billion is deposits from retail customers, and NOK 2.0 billion is deposits from municipalities and companies. Liabilities created on issuance of securities totalled NOK 22.9 billion at the end of the year.

The KLP Banken Group achieved a pre-tax operating profit of NOK 21.4 million in the fourth quarter and NOK 103.1 (91.2) billion for the year. Broken down by area, profits for the year were NOK 42.4 million in the retail market and NOK 60.7 million in the public-sector market. After tax, the Company's income for the year was NOK 77.2 (68.3) million.

CORPORATE SOCIAL RESPONSIBILITY

In December, KLP adopted a new corporate social responsibility strategy. The pillars of KLP's work on corporate social responsibility are to be open about how the Company works, how to collaborate with others, and how to help KLP's customers and owners to improve the work around corporate social responsibility.

In the fourth quarter, KLP announced updates to the KLP list. KLP included four companies (AGL Energy, Alstom, Chevron and L-3 Technologies) and excluded three new companies (two coal companies and one tobacco company). KLP also updated the guidelines for responsible investments during the quarter. The new guidelines extend KLP's ban on investment in companies that receive more than 30 per cent of their income from coal-based business to include oil sand extraction. That means that KLP excludes companies that have total revenues of more than 30 percent from one or more of these sources.

The issue of violence and threats in the workplace is a current concern to the municipalities, and is receiving attention. The local government sector is particularly susceptible within health and social services. That is why KLP is working with the HSE manager in Fredrikstad municipality and Fagakademiet to run courses on how the municipalities can work to reduce the risk of this happening.

The municipalities also come to KLP to learn about fire prevention, and we work closely with the municipalities to reduce the risk of fire, with particular focus on the challenges in municipal rented housing. In collaboration with NBLF, DSB, the National Office of Building Technology and Administration and the Norwegian Fire Protection Association, KLP has produced a 'Handbook for riskreduction in municipal rented housing' and a 'Guide to systematic safety work for building owners'; these have now been revised.

A year ago, in December 2016, KLP Eiendom signed up to the ten urgent actions in the roadmap for the real estate sector to 2050. The roadmap is a recommendation from the Green Construction Alliance and the Norwegian Property Federation to owners and managers of commercial buildings as to the choices they should make in the short and long term in order for the property sector to contribute to a sustainable society in 2050. In order to contribute to this, KLP has implemented

the urgent actions in the new environmental action plan for the period 2018-2022.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

Interest rates have risen somewhat since the fourth quarter.

KLP has decided to exclude companies that have significant revenues from oil sand. At the same time KLP will increase investments in renewable energy corresponding to what is withdrawn from coal and oil sand.

The Ministry of Labour and Social Affairs has agreed with the employers and employees organisations to start the process of drawing up a pension solution for government employees. The objective for the government is a scheme that provides greater flexibility when people change jobs and makes it more worthwhile to work after the age of 62. The plan is to finalise the negotiations by 1 March with a consultation deadline of 1 July 2018. KLP is not involved in the negotiations, but is helping to identify the effects of different outcomes for different pension groups.

The Chair of the Board, Liv Kari Eskeland, has been elected to the Storting, and has informed the nomination committee in KLP that her position is up for election at the next general meeting. Board member Ingjerd Blekeli Spiten has taken up a new post in another financial group and has stepped down from her position on the Board of KLP.

Financial strength in the Company is considered strong. 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 maintaining stable asset management, particularly when interest rates are low.

Oslo, 16 February 2018

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringselskap

Liv Kari Eskeland
Chair

Egil Johansen
Deputy Chair

Marit Torgersen

Jan Helge Gulbrandsen

Tom Tvedt

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 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|------|--|-----------------|-----------------|---------------------------|---------------------------|
| 3 | Premium income for own account | 8 968 | 7 618 | 34 590 | 38 497 |
| | Current return on financial assets | 3 353 | 3 210 | 14 184 | 13 489 |
| | Net interest income banking | 68 | 47 | 244 | 196 |
| | Net value changes on financial instruments | 7 132 | 2 539 | 22 050 | 10 476 |
| 8 | Net income from investment properties | 2 073 | 2 363 | 4 953 | 6 726 |
| 4 | Other income | 269 | 241 | 1 040 | 945 |
| | Total net income | 21 862 | 16 018 | 77 061 | 70 330 |
| | Claims for own account | - 4 688 | - 4 396 | -18 665 | -17 370 |
| | Change in technical provisions | - 7 091 | - 4 832 | -24 425 | -27 973 |
| 5 | Net costs subordinated loan and hybrid Tier 1 securities | - 254 | 22 | -527 | 382 |
| 6 | Operating expenses | - 533 | - 697 | -1 673 | -1 756 |
| 7 | Other expenses | - 257 | - 253 | -992 | -957 |
| | Unit holder's value change in consolidated securities funds | - 2 860 | - 1 914 | -8 648 | -3 061 |
| | Total expenses | - 15 681 | - 12 071 | -54 931 | -50 736 |
| | Operating profit/loss | 6 181 | 3 947 | 22 130 | 19 594 |
| | To/from securities adjustment fund – life insurance | - 6 154 | - 2 328 | -13 904 | -6 876 |
| | To supplementary reserves – life insurance | - 1 201 | - 4 033 | -1 188 | -4 026 |
| | Assets allocated to insurance customers - life insurance | 849 | 2 777 | -4 564 | -6 244 |
| | Pre-tax income | - 325 | 364 | 2 474 | 2 449 |
| | Cost of taxes ¹ | 422 | 584 | -1 070 | 359 |
| | Income | 96 | 948 | 1 404 | 2 808 |
| 19 | Actuarial loss and profit on post employment benefit obligations | 78 | 66 | -30 | -32 |
| | Adjustments of the insurance obligations | - 9 | - 11 | 2 | 0 |
| | Tax on items that will not be reclassified to profit or loss | - 17 | - 14 | 7 | 8 |
| | Items that will not be reclassified to profit or loss | 52 | 42 | -21 | -24 |
| | Revaluation real property for use in own operation | 39 | 4 | 110 | 95 |
| | Currency translation foreign subsidiaries | 505 | 261 | 937 | -1 625 |
| | Adjustments of the insurance obligations | - 505 | - 261 | -937 | 1 625 |
| | Tax on items that will be reclassified to profit or loss | - 10 | - 1 | -27 | -24 |
| | Items that will be reclassified to income when particular specific conditions are met | 29 | 3 | 82 | 72 |
| | Total other comprehensive income | 81 | 45 | 61 | 47 |
| | Total comprehensive income | 177 | 993 | 1 465 | 2 855 |
| | ¹ Unit holders share of taxes in consolidated securities fund. | - 48 | - 36 | -181 | -172 |

Balance sheet

KLP GROUP

| NOTE | NOK MILLIONS | 31.12.2017 | 31.12.2016 |
|---------|--|----------------|----------------|
| | Deferred tax assets | 50 | 372 |
| | Other intangible assets | 332 | 324 |
| | Tangible fixed assets | 1 715 | 1 604 |
| | Investments in associated companies and joint venture | 773 | 532 |
| 8,11 | Investment property | 63 519 | 59 497 |
| 9,14 | Debt instruments held to maturity | 31 131 | 32 791 |
| 9,14 | Debt instruments classified as loans and receivables | 121 377 | 106 720 |
| 9,11,14 | Lending local government, enterprises & retail customers at fair value through profit / loss | 1 016 | 1 381 |
| 9,14 | Lending local government, enterprises and retail customers | 86 943 | 81 541 |
| 9,11,14 | Debt instruments at fair value through profit or loss | 172 427 | 171 021 |
| 9,11 | Equity capital instruments at fair value through profit/loss | 161 736 | 130 700 |
| 9,11,14 | Financial derivatives | 1 529 | 1 815 |
| 9 | Receivables | 4 118 | 3 173 |
| 9 | Assets in defined contribution-based life insurance | 2 684 | 1 674 |
| | Cash and bank deposits | 2 820 | 2 968 |
| | TOTAL ASSETS | 652 167 | 596 113 |
| | Owners' equity contributed | 13 125 | 11 726 |
| | Retained earnings | 17 539 | 16 097 |
| | TOTAL OWNERS' EQUITY | 30 664 | 27 823 |
| 9,10 | Hybrid Tier 1 securities | 1 534 | 1 650 |
| 9,10 | Subordinated loan capital | 5 977 | 6 220 |
| 19 | Pension obligations | 797 | 712 |
| 15 | Technical provisions - life insurance | 490 803 | 453 943 |
| 9,15 | Provisions in life insurance with investment option | 2 684 | 1 674 |
| | Premiums, claims and contingency fund provisions - non-life insurance | 2 364 | 2 245 |
| 9,10 | Covered bonds issued | 21 451 | 21 095 |
| 9,10 | Debt to credit institutions | 4 587 | 5 050 |
| 9,10 | Liabilities to and deposits from customers | 9 669 | 8 688 |
| 9,11 | Financial derivatives | 4 760 | 5 871 |
| | Deferred tax | 633 | 403 |
| 16 | Other current liabilities | 5 919 | 4 823 |
| | Unit holders`s interest in consolidated securites funds | 70 325 | 55 916 |
| | TOTAL LIABILITIES | 621 503 | 568 290 |
| | TOTAL EQUITY AND LIABILITIES | 652 167 | 596 113 |
| | Contingent liabilities | 15 480 | 14 196 |

Changes in Owners' equity

KLP GROUP

| 2017 NOK MILLIONS | Owners' equity contributed | Retained earnings | Total equity contributed |
|--|-------------------------------|----------------------|-----------------------------|
| Owners' equity 31 December 2016 | 11 726 | 16 097 | 27 823 |
| Income | | 1 404 | 1 404 |
| Items that will not be reclassified to income | | -21 | -21 |
| Items that will be reclassified to income when particular conditions are met | | 82 | 82 |
| Total other comprehensive income | | 61 | 61 |
| Total comprehensive income | | 1 465 | 1 465 |
| Change in deferred tax changed directly to owners equity | | -24 | -24 |
| Owners' equity contribution received (net) | 1 399 | | 1 399 |
| Total transactions with the owners | 1 399 | | 1 399 |
| Owners' equity 31 December 2017 | 13 125 | 17 539 | 30 664 |

| 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 |

Statement of cash flows

KLP GROUP

| NOK MILLIONS | 01.01.2017 -31.12.2017 | 01.01.2017 -30.09.2017 | 01.01.2017 -30.06.2017 | 01.01.2017 -31.03.2017 | 01.01.2016 -31.12.2016 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Net cash flow from operational activities | -27 849 | -26 243 | -15 960 | -7 922 | -26 580 |
| Net cash flow from investment activities ¹ | -79 | -53 | -36 | -29 | -94 |
| Net cash flow from financing activities ² | 27 781 | 25 958 | 15 635 | 7 521 | 27 219 |
| Net changes in cash and bank deposits | -148 | -338 | -362 | -429 | 544 |
| Holdings of cash and bank deposits at start of period | 2 968 | 2 968 | 2 968 | 2 968 | 2 424 |
| Holdings of cash and bank deposits at end of period | 2 820 | 2 630 | 2 606 | 2 539 | 2 968 |

¹ Payments on the purchase of tangible fixed assets.

² Net receipts of owners' equity contribution, rising of new loans and repayment of debt. And also payments from unit holders in consolidated securities funds.

Notes

KLP GROUP

NOTE 1 Accounting principles –and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2017 – 31.12.2017. 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 2016. The annual financial statements are available at KLP's website klp.no.

ACCOUNTING ESTIMATES

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

In January 2018, The Norwegian Accounts Foundations published an updated version of the guidelines for pension criteria as of 31 December 2017, which shows some changes in the parameters from 31 December 2016. The stated calculation criteria are uncertain, and the Group have determined the criteria itself, based on a specific assessment of its pension schemes. The changes are shown in the table below:

| ASSUMPTIONS | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|---------|
| Discount rate | 2,40 % | 2,60 % | -0,20 % |
| 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 % | 0,00 % |

The effect of the change in parameters has increased the Group's pension obligation by NOK 30 million.

NOTE 2 Segment information

| NOK MILLIONS | Group pensions pub. sect. & group life | | Group pensions private | |
|---|---|---------------------------|---------------------------|---------------------------|
| | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
| Premium income for own account from external customers ¹ | 32 328 | 36 773 | 997 | 574 |
| Premium income for own account from other Group companies | 89 | 81 | 0 | 0 |
| Net financial income from investments | 32 157 | 24 994 | 343 | 192 |
| Other income from external customers | 1 016 | 938 | 2 | 3 |
| Other income from other Group companies | 243 | 338 | 0 | 0 |
| Total income | 65 833 | 63 124 | 1 343 | 769 |
| Claims for own account | -17 386 | -16 387 | -199 | -112 |
| Insurance provisions for own account | -23 358 | -27 373 | -1 064 | -599 |
| Costs borrowing | -527 | 382 | 0 | 0 |
| Operating costs excluding depreciation | -951 | -911 | -59 | -52 |
| Depreciation | -74 | -261 | -3 | -2 |
| Other expenses | -992 | -960 | 0 | 0 |
| Return to financial instruments attributable to minority interests | 0 | 0 | 0 | 0 |
| Total expenses | -43 289 | -45 510 | -1 325 | -764 |
| Operating profit/loss | 22 544 | 17 613 | 18 | 5 |
| Funds credited to insurance customers ² | -20 551 | -15 488 | -42 | -33 |
| Pre-tax income | 1 993 | 2 125 | -24 | -28 |
| Cost of taxes | -492 | 781 | 0 | 0 |
| Income | 1 502 | 2 906 | -24 | -28 |
| Change in other comprehensive income (excluded cost of taxes) | -28 | -33 | -1 | 0 |
| Total comprehensive income | 1 473 | 2 874 | -25 | -28 |
| Assets | 534 793 | 496 663 | 4 869 | 3 571 |
| Liabilities | 504 158 | 468 878 | 4 346 | 3 263 |

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 | Non-life insurance | | Banking | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
| Premium income for own account from external customers ¹ | 1 266 | 1 135 | 0 | 0 |
| Premium income for own account from other Group companies | 21 | 15 | 0 | 0 |
| Net financial income from investments | 243 | 253 | 237 | 205 |
| Other income from external customers | 1 | 1 | 12 | 10 |
| Other income from other Group companies | 0 | 0 | 57 | 57 |
| Total income | 1 531 | 1 404 | 306 | 272 |
| Claims for own account | -1 080 | -871 | 0 | 0 |
| Insurance provisions for own account | -4 | -2 | 0 | 0 |
| Costs borrowing | 0 | 0 | 0 | 0 |
| Operating costs excluding depreciation | -281 | -269 | -197 | -176 |
| Depreciation | -2 | -6 | -4 | -4 |
| Other expenses | 0 | 0 | -3 | -1 |
| Return to financial instruments attributable to minority interests | 0 | 0 | 0 | 0 |
| Total expenses | -1 366 | -1 148 | -203 | -181 |
| Operating profit/loss | 164 | 255 | 103 | 91 |
| Funds credited to insurance customers ² | 0 | 0 | 0 | 0 |
| Pre-tax income | 164 | 255 | 103 | 91 |
| Cost of taxes | -11 | -48 | -25 | -22 |
| Income | 153 | 207 | 78 | 69 |
| Change in other comprehensive income (excluded cost of taxes) | -3 | -2 | -1 | -1 |
| Total comprehensive income | 150 | 205 | 77 | 68 |
| Assets | 4 594 | 4 489 | 34 986 | 34 388 |
| Liabilities | 2 822 | 2 777 | 32 904 | 32 533 |

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 | Asset management | | Other | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
| Premium income for own account from external customers ¹ | 0 | 0 | 0 | 0 |
| Premium income for own account from other Group companies | 0 | 0 | 0 | 0 |
| Net financial income from investments | 3 | 4 | 0 | 0 |
| Other income from external customers | 0 | 0 | 9 | 8 |
| Other income from other Group companies | 456 | 299 | 0 | 0 |
| Total income | 459 | 303 | 9 | 8 |
| Claims for own account | 0 | 0 | 0 | 0 |
| Insurance provisions for own account | 0 | 0 | 0 | 0 |
| Costs borrowing | 0 | 0 | 0 | 0 |
| Operating costs excluding depreciation | -402 | -280 | -9 | -7 |
| Depreciation | -10 | -6 | 0 | 0 |
| Other expenses | 0 | 0 | 0 | 0 |
| Return to financial instruments attributable to minority interests | 0 | 0 | 0 | 0 |
| Total expenses | -413 | -285 | -9 | -7 |
| Operating profit/loss | 47 | 18 | -1 | 0 |
| Funds credited to insurance customers ² | 0 | 0 | 0 | 0 |
| Pre-tax income | 47 | 18 | -1 | 0 |
| Cost of taxes | -10 | -4 | 0 | 0 |
| Income | 37 | 15 | -1 | 0 |
| Change in other comprehensive income (excluded cost of taxes) | -4 | -2 | 0 | 0 |
| Total comprehensive income | 33 | 12 | -1 | 0 |
| Assets | 468 | 414 | 12 | 11 |
| Liabilities | 214 | 192 | 5 | 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 | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
| Premium income for own account from external customers ¹ | 0 | 15 | 34 590 | 38 497 |
| Premium income for own account from other Group Comapies | -110 | -96 | 0 | 0 |
| Net financial income from investments | 8 446 | 5 240 | 41 430 | 30 888 |
| Other income from external customers | 0 | -14 | 1 040 | 945 |
| Other income from other Group companies | -756 | -694 | 0 | 0 |
| Total income | 7 581 | 4 450 | 77 061 | 70 330 |
| Claims for own account | 0 | 0 | -18 665 | -17 370 |
| Insurance provisions for own account | 0 | 0 | -24 425 | -27 973 |
| Costs borrowing | 0 | 0 | -527 | 382 |
| Operating costs excluding depreciation | 346 | 244 | -1 554 | -1 451 |
| Depreciation | -26 | -26 | -119 | -305 |
| Other expenses | 3 | 5 | -992 | -957 |
| Return to financial intruments attributable to minority interests | -8 648 | -3 061 | -8 648 | -3 061 |
| Total expenses | -8 326 | -2 839 | -54 931 | -50 736 |
| Operating profit/loss | -745 | 1 612 | 22 130 | 19 594 |
| Funds credited to insurance customers ² | 937 | -1 625 | -19 656 | -17 146 |
| Pre-tax income | 192 | -13 | 2 474 | 2 449 |
| Cost of taxes | -553 | -360 | -1 091 | 344 |
| Income | -361 | -373 | 1 384 | 2 792 |
| Change in other comprehensive income (excluded cost of taxes) | 119 | 101 | 81 | 63 |
| Total comprehensive income | -242 | -272 | 1 465 | 2 855 |
| Assets | 72 445 | 56 576 | 652 167 | 596 113 |
| Liabilities | 76 775 | 60 648 | 621 224 | 568 290 |

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 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|--|--------------|--------------|---------------------------|---------------------------|
| Contribution service pension | 10 458 | 7 838 | 35 421 | 35 083 |
| Reinsurance premiums ceded | 6 | -23 | 10 | -19 |
| Transfer of premium reserves from others | -1 496 | -196 | -841 | 3 434 |
| Total premium income | 8 968 | 7 618 | 34 590 | 38 497 |

NOTE 4 Other income

| NOK MILLIONS | Q4 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|--|------------|------------|---------------------------|---------------------------|
| Supplement contractual early retirement scheme (ERS) | 252 | 238 | 981 | 927 |
| Other income | 18 | 3 | 60 | 19 |
| Total other income | 269 | 241 | 1 040 | 945 |

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

| NOK MILLIONS | Q4 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|---|-------------|------------|---------------------------|---------------------------|
| SUBORDINATED LOANS | | | | |
| Interest costs ¹ | -70 | -68 | -283 | -303 |
| Value changes | -129 | -10 | -298 | 832 |
| Net costs subordinated loans | -199 | -78 | -581 | 529 |
| PERPETUAL HYBRID TIER 1 SECURITIES | | | | |
| Interest costs | -16 | -17 | -61 | -61 |
| Value changes | -39 | 117 | 116 | -86 |
| Net costs perpetual hybrid tier 1 securities | -55 | 100 | 54 | -147 |
| Net costs subordinated loan and hybrid Tier 1 securities | -254 | 22 | -527 | 382 |

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 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|--|------------|------------|---------------------------|---------------------------|
| Personnel costs | 298 | 269 | 937 | 882 |
| Depreciation and writedowns ¹ | 40 | 209 | 126 | 305 |
| Other operating expenses | 195 | 219 | 609 | 570 |
| Total operating expenses | 533 | 697 | 1 673 | 1 756 |

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 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|--|------------|------------|---------------------------|---------------------------|
| Supplement contractual early retirement scheme (ERS) | 248 | 241 | 977 | 929 |
| Other expenses | 8 | 13 | 15 | 28 |
| Total other expenses | 257 | 253 | 992 | 957 |

NOTE 8 Investment property

| NOK MILLIONS | Q4 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|--|--------------|--------------|---------------------------|---------------------------|
| Net rental income | 587 | 619 | 2 684 | 2 737 |
| Net value adjustment | 1 485 | 1 744 | 2 269 | 3 989 |
| Net income from investment properties | 2 073 | 2 363 | 4 953 | 6 726 |
| Currency translate foreign subsidiaries | 505 | 261 | 937 | -1 625 |
| Net income from investment properties included currency translate | 2 577 | 2 624 | 5 889 | 5 101 |

| NOK MILLIONS | 31.12.2017 | 31.12.2016 |
|--|---------------|---------------|
| Book value investment property 01.01. | 59 497 | 56 436 |
| Value adjustment | 3 206 | 2 364 |
| Net additions | 838 | 724 |
| Other changes | -22 | -28 |
| Book value investment property 31.12. | 63 519 | 59 497 |

NOTE 9 Fair value of financial assets and liabilities – Group

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

This category includes:

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This category includes:

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

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

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

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-income securities – government

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

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

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

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

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

e) Receivables on credit institutions

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

f) Loans to municipalities and enterprises with municipal guarantee

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

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

j) Private Equity

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

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

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

l) Options

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

m) Interest-rate swaps

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

n) FX-swaps

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

NOTE 9 Fair value of financial assets and liabilities – cont.**DEBT TO CREDIT INSTITUTIONS****o) Placements with credit institutions and deposits**

Placements with credit institutions are made as short-term deposits. Fair value is calculated by discounting contractual cash flows by market rate including a relevant risk margin on the reporting date. Deposits are 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 | 31.12.2017 | | 31.12.2016 | |
|---|----------------|----------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value |
| DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST | | | | |
| Norwegian hold-to-maturity bonds | 6 380 | 7 093 | 8 339 | 9 248 |
| Foreign hold-to-maturity bonds | 24 752 | 26 205 | 24 452 | 25 771 |
| Total debt instruments held to maturity | 31 131 | 33 298 | 32 791 | 35 019 |
| DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST | | | | |
| Norwegian bonds | 39 092 | 41 777 | 33 018 | 35 785 |
| Foreign bonds | 81 825 | 87 465 | 72 879 | 77 806 |
| Norwegian certificates | 200 | 200 | 790 | 787 |
| Foreign certificates | 200 | 200 | 0 | 0 |
| Other receivables | 59 | 59 | 33 | 33 |
| Total debt instruments classified as loans and receivables | 121 377 | 129 700 | 106 720 | 114 411 |
| LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS | | | | |
| Loans to local government sector or enterprises with local government guarantee | 1 016 | 1 016 | 1 381 | 1 381 |
| Total loans to local government, enterprises & retail customers | 1 016 | 1 016 | 1 381 | 1 381 |

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

| NOK MILLIONS | 31.12.2017 | | 31.12.2016 | |
|--|----------------|----------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value |
| LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST | | | | |
| Loans secured by mortgage | 17 673 | 17 685 | 15 953 | 15 969 |
| Loans to local government sector or enterprises with local government guarantee | 61 441 | 62 083 | 56 484 | 57 135 |
| Loans abroad secured by mortgage and local government guarantee | 7 829 | 7 872 | 9 105 | 9 143 |
| Total loans to local government, enterprises & retail customers | 86 943 | 87 640 | 81 541 | 82 247 |
| DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | |
| Norwegian bonds | 59 289 | 59 289 | 58 661 | 58 661 |
| Norwegian certificates | 11 154 | 11 154 | 12 519 | 12 519 |
| Foreign bonds | 85 144 | 85 144 | 82 933 | 82 933 |
| Foreign certificates | 0 | 0 | 161 | 161 |
| Investments with credit institutions | 16 839 | 16 839 | 16 747 | 16 747 |
| Total debt instruments | 172 427 | 172 427 | 171 021 | 171 021 |
| EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | |
| Shares | 150 221 | 150 221 | 121 236 | 121 236 |
| Equity funds | 10 641 | 10 641 | 8 688 | 8 688 |
| Property funds | 119 | 119 | 287 | 287 |
| Alternative investments | 756 | 756 | 489 | 489 |
| Total equity capital instruments | 161 736 | 161 736 | 130 700 | 130 700 |
| RECEIVABLES | | | | |
| Receivables related to direct business | 1 026 | 1 026 | 753 | 753 |
| Receivables related to reinsurance agreements | 118 | 118 | 119 | 119 |
| Reinsurance share of gross claims reserve | 0 | 0 | 1 | 1 |
| Receivables related to securites | 2 161 | 2 161 | 1 763 | 1 763 |
| Prepaid rent related to real estate activities | 116 | 116 | 106 | 106 |
| Other receivables | 697 | 697 | 431 | 431 |
| Total other loans and receivables including receivables from policyholders | 4 118 | 4 118 | 3 173 | 3 173 |

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

| NOK MILLIONS | 31.12.2017 | | 31.12.2016 | |
|---|---------------|---------------|---------------|---------------|
| | Book value | Fair value | Book value | Fair value |
| FINANCIAL LIABILITIES | | | | |
| Hybrid Tier 1 securities | 1 534 | 1 463 | 1 650 | 1 292 |
| Subordinated loan capital | 5 977 | 6 849 | 6 220 | 6 554 |
| Debt to credit institutions | 1 603 | 1 603 | 2 356 | 2 356 |
| Covered bonds issued | 21 451 | 21 451 | 21 095 | 21 095 |
| Liabilities and deposits from customers | 9 669 | 9 669 | 8 688 | 8 688 |
| Total financial liabilities | 40 235 | 41 036 | 40 010 | 39 986 |
| FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | |
| Debt to credit institutions | 2 983 | 2 983 | 2 694 | 2 694 |
| Total financial liabilities | 2 983 | 2 983 | 2 694 | 2 694 |
| Assets in life insurance with investment option | 2 684 | 2 684 | 1 674 | 1 674 |
| Provisions in life insurance with investment option | 2 684 | 2 684 | 1 674 | 1 674 |

| NOK MILLIONS | 31.12.2017 | | 31.12.2016 | |
|---|--------------|--------------|--------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | |
| Forward exchange contracts | 631 | 3 849 | 795 | 4 534 |
| Interest rate swaps | 368 | 903 | 375 | 1 338 |
| Interest rate and currency swaps | 530 | 0 | 645 | 0 |
| Total financial derivatives | 0 | 7 | 0 | 0 |
| Total financial derivatives | 1 529 | 4 760 | 1 815 | 5 871 |

NOTE 10 Borrowing

| NOK MILLIONS | Nominal in NOK | Currency | Interest | Due date | Book value 31.12.2017 | Book value 31.12.2016 |
|--|----------------|----------|--------------------|-------------|-----------------------|-----------------------|
| PERPETUAL SUBORDINATED LOAN CAPITAL | | | | | | |
| Kommunal Landspensjonskasse | 0 | JPY | Fixed ¹ | Evigvarende | 0 | 706 |
| FIXED - TERM SUBORDINATED LOAN | | | | | | |
| Kommunal Landspensjonskasse | 5 163 | EUR | Fixed ² | 2045 | 5 977 | 5 514 |
| Total subordinated loan capital | 5 163 | | | | 5 977 | 6 220 |
| HYBRID TIER 1 SECURITIES | | | | | | |
| Kommunal Landspensjonskasse | 984 | JPY | Fixed ³ | 2034 | 1 534 | 1 650 |
| Total hybrid Tier 1 securities | 984 | | | | 1 534 | 1 650 |
| COVERED BONDS | | | | | | |
| KLP Kommunekreditt AS | 0 | NOK | Fixed | 2017 | 0 | 319 |
| KLP Kommunekreditt AS | 0 | NOK | Floating | 2017 | 0 | 596 |
| KLP Kommunekreditt AS | 1 096 | NOK | Floating | 2018 | 1 097 | 3 975 |
| KLP Kommunekreditt AS | 4 500 | NOK | Floating | 2019 | 4 505 | 4 506 |
| KLP Kommunekreditt AS | 2 500 | NOK | Floating | 2020 | 2 509 | 2 510 |
| KLP Kommunekreditt AS | 750 | NOK | Fixed | 2020 | 752 | 752 |
| KLP Kommunekreditt AS | 4 000 | NOK | Floating | 2021 | 4 012 | 4 014 |
| KLP Kommunekreditt AS | 600 | NOK | Fixed | 2021 | 602 | 602 |
| KLP Kommunekreditt AS | 3 100 | NOK | Floating | 2022 | 3 104 | 0 |
| KLP Kommunekreditt AS | 500 | NOK | Fixed | 2027 | 508 | 0 |
| KLP Boligkreditt AS | 0 | NOK | Floating | 2017 | 0 | 43 |
| KLP Boligkreditt AS | 600 | NOK | Floating | 2019 | 600 | 600 |
| KLP Boligkreditt AS | 2 000 | NOK | Floating | 2020 | 2 006 | 2 007 |
| KLP Boligkreditt AS | 1 700 | NOK | Floating | 2021 | 1 703 | 1 103 |
| Other | | | | | 55 | 67 |
| Total covered bonds | 21 346 | | | | 21 451 | 21 095 |

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 31.12.2017 | Book value 31.12.2016 |
|---|----------------|-----------------|----------|----------|-----------------------|-----------------------|
| DEBT TO CREDIT INSTITUTIONS | | | | | | |
| KLP Banken AS | 0 | NOK | Fixed | 2017 | 0 | 308 |
| KLP Banken AS | 0 | NOK | Floating | 2017 | 0 | 443 |
| KLP Banken AS | 200 | NOK | Fixed | 2018 | 202 | 202 |
| KLP Banken AS | 457 | NOK | Floating | 2018 | 458 | 502 |
| KLP Banken AS | 813 | NOK | Floating | 2019 | 814 | 902 |
| KLP Funds | 0 | NOK | Fixed | 2017 | 0 | 1 064 |
| KLP Funds | 1 089 | NOK | Fixed | 2018 | 1 089 | 0 |
| KLP Funds | 0 | NOK/EUR/ USD | Floating | 2017 | 0 | 744 |
| KLP Funds | 1 346 | NOK/EUR/ USD | Floating | 2018 | 1 346 | 0 |
| Kommunal Landspensjonskasse | 0 | NOK/EUR/ USD | Floating | 2017 | 0 | 885 |
| Kommunal Landspensjonskasse | 679 | NOK/EUR/ USD | Floating | 2018 | 679 | 0 |
| KLP Banken AS | 0 | NOK/EUR/ USD | Floating | 2017 | 0 | 1 |
| Other | | | | | -2 | -1 |
| Total liabilities to credit institutions | 4 584 | | | | 4 587 | 5 050 |
| LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴ | | | | | | |
| Retail | 7 691 | NOK | | | 7 691 | 6 938 |
| Business | 1 956 | NOK | | | 1 956 | 1 729 |
| Foreign | 22 | NOK | | | 22 | 21 |
| Liabilities to and deposits from customers | 9 669 | | | | 9 669 | 8 688 |
| Total financial liabilities | 41 745 | | | | 43 218 | 42 704 |

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

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

² The loan has an interest change date in 2025.

³ The loan has an interest change date in 2034.

⁴ There is no contractual maturity date on deposits.

NOTE 11 Fair value hierarchy

| 31.12.2017 NOK MILLIONS | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|---------------|----------------|
| ASSETS BOOKED AT FAIR VALUE | | | | |
| Investment property | 0 | 0 | 63 511 | 63 511 |
| Land/plots | 0 | 0 | 982 | 982 |
| Real estate fund | 0 | 0 | 2 454 | 2 454 |
| Buildings | 0 | 0 | 60 076 | 60 076 |
| Lending at fair value | 0 | 1 016 | 0 | 1 016 |
| Bonds and other fixed-income securities | 45 303 | 110 287 | 0 | 155 590 |
| Certificates | 7 834 | 3 320 | 0 | 11 154 |
| Bonds | 23 984 | 106 967 | 0 | 130 952 |
| Fixed-income funds | 13 485 | 0 | 0 | 13 485 |
| Loans and receivables | 15 418 | 1 419 | 0 | 16 837 |
| Shares and units | 145 905 | 5 393 | 10 438 | 161 736 |
| Shares | 144 045 | 4 518 | 1 658 | 150 221 |
| Equity funds | 1 861 | 0 | 75 | 1 935 |
| Property funds | 0 | 119 | 0 | 119 |
| Special funds | 0 | 756 | 0 | 756 |
| Private Equity | 0 | 0 | 8 705 | 8 705 |
| Financial derivatives | 0 | 1 529 | 0 | 1 529 |
| Total assets at fair value | 206 627 | 119 643 | 73 949 | 400 219 |
| LIABILITIES BOOKED AT FAIR VALUE | | | | |
| Financial derivatives | 0 | 4 760 | 0 | 4 760 |
| Debt to credit institutions ¹ | 2 025 | 1 089 | 0 | 3 113 |
| Total financial liabilities at fair value | 2 025 | 5 848 | 0 | 7 873 |

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 1 473 million per 31.12.2017.

NOTE 11 Fair value hierarchy – cont.

| 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 | 117 815 | 4 312 | 8 573 | 130 700 |
| Shares | 116 264 | 3 536 | 1 436 | 121 236 |
| 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 | 178 254 | 118 090 | 68 069 | 364 414 |
| 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 1 473 million per 31.12.2017.

NOTE 11 Fair value hierarchy – cont.

| CHANGES IN LEVEL 3, FINANCIAL ASSETS | Book value 31.12.2017 | Book value 31.12.2016 |
|--------------------------------------|--------------------------|--------------------------|
| Opening balance 1 January | 8 573 | 8 009 |
| Sold | -1 715 | -1 288 |
| Bought | 1 699 | 2 034 |
| Unrealised changes | 1 881 | -182 |
| Closing balance 31.12. | 10 438 | 8 573 |
| Realised gains/losses | 445 | 377 |

| CHANGES IN LEVEL 3, INVESTMENT PROPERTY | Book value 31.12.2017 | Book value 31.12.2016 |
|---|--------------------------|--------------------------|
| Opening balance 1 January | 59 497 | 56 436 |
| Net acquisition cost | 841 | 724 |
| Unrealised changes | 2 938 | 2 364 |
| Other changes | 236 | -28 |
| Closing balance 31.12. | 63 511 | 59 497 |
| Realised gains/losses | 0 | 0 |
| Closing balance 31.12. | 73 949 | 68 069 |

NOTE 11 Fair value hierarchy – cont.

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

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 3 697 million as of 31.12.2017 and NOK 3 403 million as of 31.12.2016.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 2 684 millions in financial assets valued at fair value at Level 1. Per 31.12.2017 the NOK 2 432 millions consist of NOK 1 679 millions in shares and units in Level 1, NOK 995 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 360 million in stocks has been moved from Level 1 to Level 2 and NOK 942 millions from Level 2 to Level 1. This is due to changes in liquidity. For debt instruments there has been no movements.

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.

| 31.12.2017 NOK MILLIONS | Within 1 month | 1-12 months | 1-5 years | 5-10 years | Over 10 years | Total |
|--|----------------|--------------|---------------|--------------|---------------|---------------|
| Subordinated loan ¹ | 0 | 250 | 1 002 | 6 644 | 0 | 7 897 |
| Perpetual hybrid Tier 1 securities ¹ | 0 | 60 | 238 | 298 | 1 466 | 2 062 |
| Debt to and deposits from customers (without defined maturity) | 9 669 | 0 | 0 | 0 | 0 | 9 669 |
| Covered bonds issued | 0 | 999 | 20 641 | 630 | 0 | 22 269 |
| Payables to credit institutions | 2 225 | 677 | 817 | 0 | 0 | 3 719 |
| Financial derivatives | 3 987 | 2 716 | 431 | -7 | -196 | 6 931 |
| Accounts payable | 162 | 0 | 0 | 0 | 0 | 162 |
| Contingent liabilities | 15 483 | 0 | 0 | 0 | 0 | 15 483 |
| Total | 31 525 | 4 702 | 23 129 | 7 565 | 1 270 | 68 191 |

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 197 million, payables to credit institutions maturing within one month are reduced with NOK 288 million and derivatives maturing between 1 to 12 months are reduced with NOK 169 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 67 537 million.

| 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 1-12 months are reduced by NOK 180 million. Total amount of the financial liabilities for the Group are after these adjustments 69 946 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

| 31.12.2017 NOK MILLIONS | | | | | | | | |
|--|----------------|----------------------------|------------------------|--------------------------|---------------|--|---------------|---|
| | Up to 3 months | From 3 months to 12 months | From 1 year to 5 years | From 5 years to 10 years | Over 10 years | Changes in cash flow 01.01.2017 - 31.12.2017 | Total | Adjusted for the unit holders' interests in consolidated securities funds |
| ASSETS | | | | | | | | |
| Financial derivatives classified as assets | 0 | 51 | 5 | -36 | -240 | -27 | -248 | -237 |
| "Debt instruments classified as loans and receivables – at amortised cost" | 0 | 0 | 0 | 0 | 0 | 7 | 7 | 7 |
| Bonds and other fixed-return securities | -55 | -60 | -1 275 | -2 099 | -1 732 | 371 | -4 851 | -4 221 |
| Fixed income fund holdings | -813 | 0 | 0 | 0 | 0 | 0 | -813 | -813 |
| Lending and receivables | 0 | -3 | 0 | 0 | 0 | 130 | 126 | 102 |
| Lending | 0 | 0 | 0 | 0 | 0 | 611 | 611 | 611 |
| Cash and bank deposits | 0 | 0 | 0 | 0 | 0 | 28 | 28 | 28 |
| Contingent liabilities ¹ | 0 | 0 | 0 | 0 | 0 | 44 | 44 | 44 |
| Total assets | -869 | -12 | -1 271 | -2 135 | -1 972 | 1 163 | -5 096 | -4 479 |
| LIABILITIES | | | | | | | | |
| Deposit | 0 | 0 | 0 | 0 | 0 | -97 | -97 | -97 |
| Liabilities created on issue of securities | 0 | 1 | 0 | 0 | 0 | -229 | -228 | -228 |
| Financial derivatives classified as liabilities | -1 | 8 | 70 | 149 | -35 | 41 | 232 | 225 |
| Hybrid capital, subordinated loans | 0 | 0 | 0 | 59 | 73 | 0 | 132 | 132 |
| Debt to credit institutions | 0 | 0 | 0 | 0 | 0 | -26 | -26 | -26 |
| Total liabilities | -1 | 9 | 70 | 208 | 38 | -310 | 14 | 6 |
| Total before tax | -870 | -3 | -1 201 | -1 927 | -1 934 | 853 | -5 083 | -4 472 |
| Total after tax | -661 | -2 | -913 | -1 465 | -1 470 | 648 | -3 863 | -3 399 |

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

NOTE 13 Interest rate risk – cont.

| 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 | Adjusted for the unit holders' interests in consolidated securities funds |
| 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 | -1 190 | -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.

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

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

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

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

NOTE 13 Interest rate risk – cont.

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

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

NOTE 14 Credit risk

| 31.12.2017 NOK MILLIONS | | | | | | | | | |
|--|--------------------------------|--------------|-------------------------|------------------|-----------------------------|-----------------------------|---------------|----------------|--|
| | Investment grade AAA to BBB | Lower rating | Public sector guarantee | Bank and finance | Mortgage < 80% ¹ | Mortgage > 80% ¹ | Other | Total | Adjusted for the unit holders' interests in consolidated securities fund |
| Debt instruments held to maturity at amortized cost | 28 893 | 0 | 31 | 0 | 0 | 0 | 2 207 | 31 131 | 31 131 |
| Debt instruments classified as loans and receivables at amortized cost | 92 315 | 0 | 6 281 | 100 | 0 | 0 | 22 680 | 121 377 | 121 318 |
| Debt instruments at fair value - fixed-return securities | 115 270 | 1 003 | 5 539 | 7 266 | 0 | 0 | 13 018 | 142 095 | 128 012 |
| Fixed-income funds | 0 | 0 | 0 | 0 | 0 | 0 | 13 485 | 13 485 | 13 485 |
| Loans and receivables | 16 847 | 0 | 0 | 0 | 0 | 0 | 0 | 16 847 | 13 755 |
| Financial derivatives classified as assets | 1 525 | 0 | 0 | 4 | 0 | 0 | 0 | 1 529 | 1 407 |
| Cash and bank deposits | 2 775 | 0 | 0 | 45 | 0 | 0 | 0 | 2 820 | 1 996 |
| Lending | 0 | 0 | 62 329 | 0 | 14 928 | 2 694 | 8 007 | 87 959 | 87 959 |
| Total | 257 625 | 1 003 | 74 180 | 7 415 | 14 928 | 2 694 | 59 397 | 417 242 | 399 062 |

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

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

NOTE 14 Credit risk – cont.

| 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 | Adjusted for the unit holders' interests in consolidated securities fund |
| 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 |

| SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS | | | | | |
|--|---------------|---------------|---------------|---------------|------------------------|
| | AAA | AA | A | BBB | Total Investment grade |
| 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 |

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

NOTE 14 Credit risk – cont.

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

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

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

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

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. Other is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 59 billion per 31.12.2017. 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 | 31.12.2017 | | 31.12.2016 | |
|----------------------------------|---------------|--|---------------|--|
| | Consolidated | Adjusted for the unit holders' interests in consolidated securities fund | Consolidated | Adjusted for the unit holders' interests in consolidated securities fund |
| 10 LARGEST COUNTERPARTIES | | | | |
| Counterparty 1 | 15 988 | 15 820 | 16 787 | 16 359 |
| Counterparty 2 | 8 274 | 8 137 | 10 871 | 10 189 |
| Counterparty 3 | 8 137 | 8 067 | 8 551 | 8 551 |
| Counterparty 4 | 7 427 | 5 579 | 6 865 | 6 343 |
| Counterparty 5 | 5 746 | 5 577 | 6 678 | 5 454 |
| Counterparty 6 | 5 642 | 5 511 | 5 428 | 5 334 |
| Counterparty 7 | 4 698 | 4 698 | 5 010 | 4 951 |
| Counterparty 8 | 4 361 | 3 959 | 4 698 | 4 698 |
| Counterparty 9 | 3 999 | 3 360 | 3 601 | 3 235 |
| Counterparty 10 | 3 131 | 3 122 | 3 566 | 3 205 |
| Total | 67 404 | 63 830 | 72 056 | 68 319 |

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 | 31.12.2017 | 31.12.2016 |
|---|----------------|----------------|
| Premium reserves - ordinary tariff | 407 702 | 383 803 |
| Premium funds, buffer funds and pensioners' surplus funds | 15 043 | 17 216 |
| Supplementary reserves | 25 646 | 24 472 |
| Securities adjustment fund | 42 309 | 28 404 |
| Other provisions | 104 | 48 |
| Technical provisions in life insurance | 490 803 | 453 943 |

| MILLIONER KRONER | 31.12.2017 | 31.12.2016 |
|---|--------------|--------------|
| Premium reserves | 2 675 | 1 665 |
| Deposit funds | 9 | 8 |
| Provisions in life insurance with investment options | 2 684 | 1 674 |

NOTE 16 Other current liabilities

| NOK MILLIONS | 31.12.2017 | 31.12.2016 |
|---|--------------|--------------|
| Short-term payables trade in securities | 2 799 | 2 636 |
| Incurring not assessed taxes | 256 | 202 |
| Advance tax-deduction pension scheme | 169 | 382 |
| Accounts payable | 741 | 676 |
| Pre-called contribution to insurance | 111 | 131 |
| Other current liabilities | 1 843 | 795 |
| Total other current liabilities | 5 919 | 4 823 |

NOTE 17 SCR ratio

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 are not measured at fair value, the difference between the statutory account value and fair value are added to the Solvency II balance sheet. 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. One subordinated loan was redeemed in October 2017. Because of the regulatory limitation of tier 2 capital, the loan was 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 299 per cent.

| NOK BILLIONS | 31.12.2017 | 31.12.2016 | | 31.12.2017 | 31.12.2016 |
|---|------------|------------|--|--------------|--------------|
| SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT | | | | | |
| Assets, book value | 542 | 502 | Best estimate | 493 | 456 |
| Added values - hold-to-maturity portfolio/loans and receivables | 10 | 10 | Risk margin | 14 | 13 |
| Added values - other lending | 1 | 1 | Hybrid Tier 1 securities/Subordinated loan capital | 8 | 8 |
| Other added/lesser values | 0 | 0 | Other liabilities | 8 | 9 |
| Deferred tax asset | 0 | 1 | Deferred tax liabilities | 0 | 0 |
| Total assets - solvency II | 552 | 513 | Total liabilities - solvency II | 523 | 486 |
| | | | Excess of assets over liabilities | 30 | 27 |
| | | | - Deferred tax asset | 0 | -1 |
| | | | - Risk equalisation fund | -4 | -4 |
| | | | + Hybrid Tier 1 securities | 2 | 2 |
| | | | Tier 1 basic own funds | 27 | 24 |
| | | | Total eligible tier 1 own funds | 27 | 24 |
| | | | Subordinated loans | 6 | 7 |
| | | | Risk equalisation fund | 4 | 4 |
| | | | Tier 2 basic own funds | 11 | 11 |
| | | | Ancillary own funds | 10 | 10 |
| | | | Tier 2 ancillary own funds | 10 | 10 |
| | | | Deduction for max. eligible tier 2 own funds | -12 | -12 |
| | | | 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 | 35 | 31 |
| | | | Solvency capital requirement (SCR) | 17 | 16 |
| | | | Solvency II- SCR ratio | 209 % | 198 % |

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

| 31.12.2017 NOK MILLIONS | | | | | Related amounts not presented net | | | |
|----------------------------|--|--|---------------|--------------------------|--------------------------------------|---------------------------|---------------|--|
| | Gross financial assets/ liabilities | Gross assets /liabilities presented net | Book value | Financial instruments | Security in cash | Security in securities | Net amount | Adjusted for the unit holders' interests in consolidated securities fund |
| ASSETS | | | | | | | | |
| Financial derivatives | 1 529 | 0 | 1 529 | -941 | -729 | 0 | 8 | 15 |
| Repos | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1 529 | 0 | 1 529 | -941 | -729 | 0 | 8 | 15 |
| LIABILITIES | | | | | | | | |
| Financial derivatives | 4 760 | 0 | 4 760 | -941 | -1 080 | -4 362 | 457 | 467 |
| Repos | 1 089 | 0 | 1 089 | 0 | 0 | 0 | 1 089 | 1 090 |
| Total | 5 849 | 0 | 5 849 | -941 | -1 080 | -4 362 | 1 547 | 1 557 |

| 31.12.2016 NOK MILLIONS | | | | | Related amounts not presented net | | | |
|----------------------------|--|--|---------------|--------------------------|--------------------------------------|---------------------------|---------------|--|
| | Gross financial assets/ liabilities | Gross assets /liabilities presented net | Book value | Financial instruments | Security in cash | Security in securities | Net amount | Adjusted for the unit holders' interests in consolidated securities fund |
| ASSETS | | | | | | | | |
| Financial derivatives | 1 815 | 0 | 1 815 | -1 125 | -836 | 0 | 23 | 23 |
| Repos | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1 815 | 0 | 1 815 | -1 125 | -836 | 0 | 23 | 23 |
| LIABILITIES | | | | | | | | |
| Financial derivatives | 5 871 | 0 | 5 871 | -1 125 | -3 611 | -1 565 | 62 | 72 |
| Repos | 1 065 | 0 | 1 065 | 0 | 0 | 0 | 1 065 | 1 065 |
| Total | 6 936 | 0 | 6 936 | -1 125 | -3 611 | -1 565 | 1 127 | 1 137 |

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 and repo agreements in the financial position statement. Repos are a part of the line "Debt to credit institutions" in the balance sheet.

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 | 31.12.2017 | 31.12.2016 |
|---|------------|------------|
| Capitalized net liability 01.01. | 712 | 634 |
| Capitalized pension costs | 140 | 135 |
| Capitalized financial costs | 24 | 22 |
| Actuarial gains and losses (Estimate deviation) | 30 | 32 |
| Premiums / contributions received | -109 | -112 |
| Capitalized net liability 31.12. | 797 | 712 |

| ASSUMPTIONS | 31.12.2017 | 31.12.2016 |
|---|------------|------------|
| Discount rate | 2,40% | 2,60% |
| 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 % |

The effect of changes in the assumptions is NOK 30 million increase in the liability as of 31.12.2017. The change is charged to «Other comprehensive income» in the income statement.

NOTE 20 Contingent assets

The Group's holding of shares in Hafslund ASA (5,327,265 A shares and 4,042,483 B shares) was redeemed in November 2017 when the company was taken over by the City of Oslo. At the time of redemption, the last observed prices were NOK 103,50 per share for Hafslund A and NOK 105,00 per share for Hafslund B; they were redeemed at a price of NOK 96,75 per share. The Group believes the redemption price is too low, and has taken legal action to clarify the value. In the accounts presented on 31.12.2017, the redemption price of NOK 96,75 per share was used when deducting the shares, as the outcome of the legal proceedings is uncertain.

Key figures - Accumulated

| NOK MILLIONS | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| KLP GROUP | | | | | | | | |
| Profit before tax | 2 474 | 2 799 | 1 946 | 779 | 2 449 | 2 085 | 1 378 | 578 |
| Total assets | 652 167 | 641 486 | 627 805 | 612 438 | 596 113 | 588 940 | 577 072 | 553 123 |
| Owners' equity | 30 664 | 30 506 | 28 753 | 28 254 | 27 823 | 26 827 | 25 049 | 23 997 |
| Solvency SCR ratio | 209 % | 210 % | 204 % | 203 % | 198 % | 197 % | 180 % | 181 % |
| Antall ansatte i konsernet | 961 | 956 | 955 | 941 | 946 | 949 | 952 | 942 |
| KOMMUNAL LANDSPENSJONSKASSE | | | | | | | | |
| Profit before tax | 1 993 | 1 295 | 1 084 | 475 | 2 125 | 1 858 | 1 196 | 464 |
| Premium income for own account | 32 417 | 23 989 | 15 158 | 6 483 | 36 854 | 29 715 | 19 674 | 7 556 |
| - of which inflow of premium reserve | 298 | 208 | 208 | 177 | 3 250 | 3 529 | 1 736 | 1 838 |
| Insurance customers' funds incl. acc. profit | 17 386 | 13 044 | 8 751 | 4 459 | 16 387 | 12 199 | 8 035 | 4 001 |
| - of which funds with guaranteed returns | 212 | 211 | 211 | 188 | 124 | 124 | 124 | 104 |
| Net investment common portfolio | 495 607 | 480 375 | 476 229 | 469 414 | 460 289 | 447 945 | 444 205 | 375 536 |
| Net investment choice portfolio | 2 375 | 2 329 | 2 293 | 2 244 | 2 184 | 2 199 | 2 105 | 2 060 |
| Insurance funds incl. earnings for the year | 489 159 | 477 463 | 469 952 | 461 095 | 452 375 | 444 749 | 434 146 | 419 099 |
| - of which funds with guaranteed interest | 421 286 | 411 325 | 408 413 | 403 030 | 399 562 | 391 448 | 385 763 | 375 583 |
| Solvency capital requirement (SCR) | 34 890 | 34 597 | 32 610 | 32 462 | 31 338 | 30 604 | 28 544 | 28 100 |
| Solvency SCR ratio | 224 % | 223 % | 216 % | 214 % | 209 % | 208 % | 189 % | 187 % |
| Riskprofit | 599 | 426 | 272 | 100 | 784 | 475 | 278 | 152 |
| Return profits | 6 769 | 5 487 | 1567 | 139 | 8 094 | 6 759 | 3 952 | 2 023 |
| Administration profit | 141 | 143 | 51 | 32 | -50 | 135 | 65 | 20 |
| Solvency capital | 116 656 | 115 446 | 108 843 | 105 303 | 98 856 | 103 885 | 96 744 | 94 955 |
| Book return on common portfolio | 3,9 % | 3,1 % | 1,5 % | 0,6 % | 4,4 % | 3,5 % | 2,2 % | 1,1 % |
| Value-adjusted return on common portfolio | 6,7 % | 4,6 % | 3,0 % | 1,7 % | 5,8 % | 4,4 % | 2,7 % | 1,0 % |
| Return on unit-linked portfolio | 7,4 % | 5,0 % | 3,2 % | 1,8 % | 6,2 % | 4,4 % | 2,5 % | 0,9 % |
| Return on corporate portfolio | 4,0 % | 3,0 % | 2,2 % | 0,9 % | 4,7 % | 4,0 % | 2,7 % | 1,0 % |

Key figures - Accumulated – cont.

| NOK MILLIONS | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|---|------------|------------|------------|------------|------------------|------------|------------|------------|
| KLP SKADEFORSIKRING AS | | | | | | | | |
| Profit before tax | 164,2 | 152,6 | 114,9 | 49,6 | 255,4 | 185,6 | 116,3 | 49,5 |
| Gross premium due | 1 344,3 | 997,7 | 652,6 | 320,4 | 1 207,5 | 894,9 | 588,9 | 290,3 |
| Premium income for own account | 1 286,8 | 954,7 | 623,9 | 304,5 | 1 150,1 | 851,9 | 560,5 | 276,4 |
| Owners' equity | 1 771,9 | 1 828,5 | 1 806 | 1 739 | 1 715,8 | 1 808,9 | 1 755,2 | 1 705,7 |
| Claims ratio | 84,2 % | 80,6 % | 77,0 % | 81,1 % | 75,9 % | 80,6 % | 80,0 % | 76,9 % |
| Combined-ratio | 106,0 % | 101,0 % | 98,9 % | 102,9 % | 98,7 % | 101,6 % | 101,7 % | 100,2 % |
| Return on assets under management | 5,6 % | 3,8 % | 2,5 % | 1,4 % | 6,1 % | 4,9 % | 3,1 % | 1,3 % |
| Solvency capital requirement (SCR) | 1 764 | 1 873 | 1 877 | 1 848 | 1 762 | 1 805 | 1 789 | 1 910 |
| Solvency SCR ratio | 233 % | 257 % | 264 % | 264 % | 261 % | 275 % | 278 % | 285 % |
| Annual premium in force – retail market | 526,4 | 510,5 | 488,2 | 462,0 | 435,2 | 408,7 | 387,4 | 367,5 |
| Annual premium in force – public sector market | 889,6 | 873,6 | 865,2 | 851,4 | 832,2 | 826,2 | 822,8 | 813,2 |
| Net new subscriptions (accumulated within the year) | 50,3 | 103,6 | 72,8 | 32,5 | 135,2 | 83,0 | 52,0 | 21,9 |
| KLP BEDRIFTSPENSJON AS | | | | | | | | |
| Profit before tax | -24,5 | -23,4 | -17,4 | -12,1 | -27,6 | -9,4 | -6,9 | -4,7 |
| Premium income for own account | 996,7 | 770,4 | 569,9 | 320,8 | 574,3 | 383,8 | 249,1 | 134,2 |
| - of which premium reserve added | 543,1 | 447 | 351,6 | 209,8 | 185,0 | 101,9 | 65,3 | 40,9 |
| Insurance customers' funds including accumulated profit | 4 328 | 4 048 | 3 796 | 3 581 | 3 241 | 3 027 | 2 873 | 2 748 |
| - of which funds with guaranteed returns | 1 442 | 1 425 | 1 425 | 1 422 | 1 390 | 1 358 | 1 351 | 1 343 |
| Returns profit | 77,8 | 16,1 | 4,5 | -2,6 | 31,0 | 13,2 | 8,6 | 2,5 |
| Risk result | -0,6 | -3,1 | -2,4 | -4,1 | 6,0 | 3,8 | -0,0 | 0,6 |
| Administration losses | -38,8 | -28 | -20 | -9,1 | -32,5 | -18,6 | -12,8 | -7,6 |
| Solvency capital requirement (SCR) | 195 | 268 | 285 | 29 | 11 | 101 | 89 | 73 |
| Solvency SCR ratio | 107 % | 147 % | 185 % | 33 % | 22% ¹ | 98 % | 69 % | 57 % |
| Solvency capital | 723,2 | 708,7 | 716,6 | 483,3 | 479,4 | 516,9 | 516,3 | 480,0 |
| Book capital return on common portfolio | 8,3 % | 3,3 % | 1,8 % | 0,6 % | 5,3 % | 3,5 % | 2,2 % | 1,0 % |
| Value-adjusted capital return on common portfolio | 5,6 % | 3,7 % | 2,4 % | 1,2 % | 5,7 % | 4,4 % | 2,8 % | 1,1 % |
| Return on defined unit-linked contribution pensions | 11,9 % | 8,3 % | 4,4 % | 1,8 % | 7,0 % | 4,4 % | 1,8 % | -0,2 % |
| Return on corporate portfolio | 2,3 % | 1,8 % | 1,3 % | 0,7 % | 2,4 % | 2,3 % | 1,7 % | 1,1 % |

Key figures - Accumulated – cont.

| NOK MILLIONS | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|--|------------|------------|------------|------------|------------|---------|------------|------------|
| KLP BANKEN KONSERN | | | | | | | | |
| Profit/loss before tax | 1031 | 81,7 | 47,9 | 23,2 | 91,2 | 90,7 | 58,0 | 24,8 |
| Net interest income | 241,6 | 173,9 | 108,5 | 51,4 | 194,3 | 149,4 | 100,3 | 50,9 |
| Other operating income | 68,2 | 50,7 | 33,6 | 16,8 | 66,4 | 49,3 | 32,1 | 15,5 |
| Operating expenses and depreciation | -203,4 | -143,2 | -97,8 | -48,6 | -179,5 | -126,1 | -89,1 | -48,0 |
| Net realized/unrealized changes in financial instruments to fair value | -3,4 | 0,3 | 3,5 | 3,7 | 11,1 | 18,5 | 14,9 | 6,5 |
| Contributions | 9 669 | 9 401 | 9 138 | 8 939 | 8 688 | 8 454 | 8 252 | 7 884 |
| Housing mortgages granted | 14 441 | 14 003 | 13 730 | 13 376 | 12 717 | 12 812 | 12 294 | 11 311 |
| Loan(s) with public guarantee(s) | 16 322 | 17 015 | 17 166 | 17 282 | 17 246 | 17 336 | 16 048 | 15 783 |
| Defaulted loans | 22 | 17 | 26 | 28 | 22 | 24 | 28 | 33 |
| Borrowing on the issuance of securities | 22 924 | 23 223 | 23 762 | 23 241 | 23 451 | 24 455 | 23 799 | 22 283 |
| Total assets | 34 981 | 34 855 | 35 140 | 34 383 | 34 382 | 34 949 | 34 145 | 32 204 |
| Average total assets | 34 682 | 34 619 | 34 761 | 34 383 | 32 838 | 33 122 | 32 720 | 30 995 |
| Owners' equity | 2 078 | 1 910 | 1 887 | 1 868 | 1 850 | 1 598 | 1 574 | 1 549 |
| Net interest rate | 0,70 % | 0,50 % | 0,31 % | 0,15 % | 0,59 % | 0,45 % | 0,31 % | 0,16 % |
| Profit/loss from general operations before tax | 0,30 % | 0,24 % | 0,14 % | 0,07 % | 0,28 % | 0,27 % | 0,18 % | 0,08 % |
| Return on owners' equity before tax | 5,57 % | 5,89 % | 5,18 % | 5,02 % | 6,05 % | 8,02 % | 7,69 % | 6,58 % |
| Capital adequacy | 21,1 % | 19,5 % | 19,3 % | 19,3 % | 19,0 % | 16,8 % | 16,5 % | 17,5 % |
| Number of private customers | 54 568 | 52 510 | 50 885 | 49 038 | 46 801 | 45 246 | 43 566 | 42 287 |
| Of this members of KLP | 38 382 | 37 044 | 35 983 | 34 703 | 33 173 | 32 066 | 31 070 | 29 501 |
| KLP KAPITALFORVALTNING AS | | | | | | | | |
| Profit/loss before tax | 46,7 | 50,7 | 26,6 | 17,5 | 18,2 | 16,3 | 1,8 | -4,9 |
| Total assets under management | 488 947 | 473 995 | 463 558 | 455 577 | 441 943 | 431 741 | 417 789 | 408 451 |
| Assets managed for external customers | 70 878 | 64 883 | 62 128 | 58 210 | 54 003 | 49 434 | 46 509 | 44 526 |

¹There have been a correction of the calculation av Solvency II per 31.12.2016. The new calculations give a SCR ratio of 22% versus 79% as earlier reported.



Interim Financial Statements

NON-FINANCIAL ACCOUNTS
Q4 2017

Non-financial accounts

KLP GROUP

| NOTE | Change in the 4th quarter | | Change this year | | | | | |
|---------------------------------------|---|-----------|------------------|-------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2017 | 2016 | 31.12.2017 | 31.12.2016 | 31.12.2015 | 31.12.2014 |
| SOCIAL RESPONSIBLE INVESTMENTS | | | | | | | | |
| 1 | Number of companies excluded from the investment portfolio | | | | | | | |
| | -2 | 3 | 12 | 38 | 174 | 162 | 124 | 99 |
| | Number of general meetings in Norwegian companies at which KLP has voted (in %) | | | | | | | |
| | 9 | 9 | 115 (97%) | 111 (96%) | 115 (97%) | 111 (96%) | 97 (91%) | 105 (93%) |
| | Number of general meetings in foreign companies at which KLP has voted (in %) | | | | | | | |
| | 281 | 292 | 2 617 (91%) | 2 627 (90%) | 2 617 (91%) | 2 627 (90%) | 2 445 (83%) | 2 439 (82%) |
| 2 | Number of companies KLP has monitored | | | | | | | |
| | 67 | 43 | 243 | 214 | 243 | 214 | 176 | 109 |
| | Market value of investments in renewable energy in Norway (NOK millions) | | | | | | | |
| | -1 542 | -655 | 249 | 2 279 | 22 716 | 22 468 | 20 189 | 19 876 |
| | Market value of investments in renewable energy in developing countries (NOK millions) | | | | | | | |
| | 67 | 20 | 123 | 32 | 380 | 258 | 226 | 131 |
| | Market value of investments in banking and finance in developing countries (NOK millions) | | | | | | | |
| | 68 | 149 | 121 | 181 | 531 | 410 | 229 | 201 |
| | Market value of investments in European infrastructurefunds (NOK millions) | | | | | | | |
| | 135 | 165 | 436 | 652 | 1 088 | 652 | N/A | N/A |
| EMPLOYEES | | | | | | | | |
| | Number of employees | | | | | | | |
| | 5 | 1 | 11 | 11 | 961 | 950 | 939 | 899 |
| | Reported sickness absence 12 month rolling | | | | | | | |
| | 0,2 % | 0,3 % | 0,1 % | 0,3 % | 4,6 % | 4,5 % | 4,2 % | 4,7 % |
| ENVIRONMENT | | | | | | | | |
| 3 | Energy consumption kWh KLP's offices in KLP Huset (KLP Building) | | | | | | | |
| | 842 500 | 1 022 771 | 3 031 012 | 3 571 611 | 3 031 012 | 3 571 611 | 3 329 181 | 3 452 909 |
| 3 | Energy consumption kWh own offices Trondheim | | | | | | | |
| | 64 724 | 72 253 | 221 826 | 248 910 | 221 826 | 248 910 | 232 662 | 230 936 |
| 4 | Energy consumption kWh own offices Bergen | | | | | | | |
| | 120 615 | 141 073 | 437 995 | 380 949 | 437 995 | 380 949 | 400 865 | 416 813 |
| 5 | Kilo CO2-equivalent from aircrafts | | | | | | | |
| | 136 150 | 117 291 | 534 253 | 550 170 | 534 253 | 550 170 | 650 557 | 652 324 |
| 5 | Number of return tickets (corporate airtravel) | | | | | | | |
| | 765 | 758 | 3 107 | 3 294 | 3 107 | 3 294 | 3 623 | 3 588 |

NOTE 1 EXCLUDED COMPANIES

In the fourth quarter, the number of excluded companies has decreased. The change in number of excluded companies is a net figure consisting of: number of new exclusions of companies from the investment portofolio minus the number of companies reinstated in the investment portofolio. The new excluded companies in the fourth quarter are; Albioma, Arch Coal Inc and Scandinavian Tobacco Group. The re-included companies in the fourth quarter are; AGL Energy, Alstom, Chevron og L-3 Technologies. Moreover, two previously excluded companies (Agrium og Potash) have fused, leading to a decrease in the number of excluded companies.

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**MAIN OFFICE OSLO AND REGIONAL OFFICE TRONDHEIM**

KLP uses Optima energy monitoring system. The system provides automatic reading of electricity consumption. Fictional/generated values are used if problems occur with the readings. . KLP will allways use the most updated numbers available. The electricity consumption may be changed back in time due to delayed updates. For KLPs regional office in Trondheim, certain data is gathered directly from our energy provider, Trønder Energi's own energy monitoring online system.

NOTE 4 ENERGY CONSUMPTION REGIONAL OFFICE BERGEN

KLP's regional office in Bergen utilizes Caverion's energy monitoring system. The system provides automatic reading of electricity consumption. Fictional/generated values are used if problems occur with the readings. KLP Huset has dozens of meters where such errors may occur. KLP use the most updated numbers available. The electricity consumption may be changed back in time due to delayed updates.

NOTE 5 EMISSIONS FROM AIR TRAVEL

In 2016, KLP deployed measures in order to reduce air travel and associated emissions. In 2017, number of return flights have been reduced by 6%, and CO2 emissions from corporate air travel have been reduced by 3% compared to 2016.



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q4 2017

Income statement

KOMMUNAL LANDSPENSJONSKASSE

| NOTE | NOK MILLIONS | Q4 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|------|---|---------------|--------------|---------------------------|---------------------------|
| 3 | Premium income | 8 427 | 7 139 | 32 417 | 36 854 |
| | Income from investments in subsidiaries, associated enterprises and jointly controlled entities | 3 115 | 2 501 | 5 565 | 4 616 |
| | Interest income and dividends etc. on financial assets | 1 952 | 2 109 | 10 871 | 8 432 |
| | Value changes on investments | 3 941 | -1 064 | 13 450 | 6 014 |
| | Gains and losses realized on investments | 1 041 | 2 569 | 924 | 5 528 |
| | Net income from investments in the common portfolio | 10 050 | 6 115 | 30 810 | 24 588 |
| | Net income from investments in the investment option portfolio | 54 | 37 | 164 | 127 |
| | Other insurance-related income | 252 | 239 | 984 | 933 |
| 4 | Claims | -4 342 | -4 188 | -17 386 | -16 387 |
| | Changes in insurance liabilities taken to profit/loss - contractual liabilities | -14 187 | -10 989 | -38 615 | -38 434 |
| | Changes in insurance liabilities taken to profit/loss - individual investment option portfolio | -12 | -32 | -95 | -108 |
| | Funds assigned to insurance contracts - contractual liabilities | 393 | 2 571 | -5 199 | -4 319 |
| 5 | Insurance-related operating expenses | -292 | -472 | -1 001 | -1 140 |
| | Other insurance-related costs | -250 | -244 | -980 | -934 |
| | Technical profit/loss | 93 | 177 | 1 098 | 1 180 |
| | Net income from investments in the corporate portfolio | 300 | 194 | 1 270 | 1 354 |
| | Other income | 3 | 8 | 12 | 7 |
| | Administration costs and other costs associated with the corporate portfolio | -99 | -112 | -386 | -416 |
| | Non-technical profit/loss | 204 | 90 | 896 | 945 |
| | Profit/loss pre-tax | 297 | 267 | 1 993 | 2 125 |
| | Tax | -173 | 684 | -496 | 775 |
| | Profit/loss before other comprehensive income | 123 | 950 | 1 497 | 2 899 |
| 11 | Actuarial gains and losses on defined benefits pension schemes - employee benefits | 54 | 39 | -19 | -27 |
| | Proportion of other comprehensive income on application of the equity method | 25 | 28 | -12 | -5 |
| | Adjustment of the insurance liabilities | -9 | -11 | 2 | 0 |
| | Tax on other comprehensive income | -13 | -10 | 5 | 7 |
| | Total other comprehensive income | 55 | 46 | -24 | -26 |
| | TOTAL COMPREHENSIVE INCOME | 179 | 996 | 1 473 | 2 874 |

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

| NOTE | NOK MILLIONS | 31.12.2017 | 31.12.2016 |
|------|---|----------------|----------------|
| | ASSETS | | |
| | ASSETS IN THE CORPORATE PORTFOLIO | | |
| | Intangible assets | 226 | 253 |
| 7 | Investment properties | 1 003 | 1 003 |
| | Shares and holdings in property subsidiaries | 1 831 | 1 779 |
| | Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities | 4 641 | 4 125 |
| 6 | Financial assets valued at amortized cost | 16 233 | 13 808 |
| 6,7 | Financial assets valued at fair value | 10 995 | 11 052 |
| | Receivables | 994 | 902 |
| | Tax asset | 0 | 336 |
| | Other assets | 888 | 933 |
| | Total assets in the corporate portfolio | 36 811 | 34 190 |
| | ASSETS IN THE CUSTOMER PORTFOLIOS | | |
| | Shares and holdings in property subsidiaries | 58 605 | 55 076 |
| | Shares and holdings in associated enterprises and jointly controlled entities | 771 | 528 |
| 6 | Financial assets valued at amortized cost | 189 962 | 175 588 |
| 6,7 | Financial assets valued at fair value | 246 268 | 229 097 |
| | Total investment in the common portfolio | 495 607 | 460 289 |
| | Shares and holdings in property subsidiaries | 290 | 272 |
| 6 | Financial assets valued at amortized costs | 802 | 738 |
| 6,7 | Financial assets valued at fair value | 1 283 | 1 174 |
| | Total investments in the investment option portfolio | 2 375 | 2 184 |
| | Total assets in the customer portfolios | 497 982 | 462 473 |
| | TOTAL ASSETS | 534 793 | 496 663 |

Balance sheet

KOMMUNAL LANDSPENSJONSKASSE

| NOTE | NOK MILLIONS | 31.12.2017 | 31.12.2016 |
|---------------------------------------|--|----------------|----------------|
| OWNERS' EQUITY AND LIABILITIES | | | |
| | Owners' equity contributed | 13 125 | 11 726 |
| | Retained earnings | 17 510 | 16 060 |
| | Total owners' equity | 30 635 | 27 785 |
| 6 | Subordinated loan capital etc. | 7 511 | 7 870 |
| | Premium reserve etc. | 403 902 | 380 658 |
| | Supplementary reserves | 25 399 | 24 292 |
| | Securities adjustment fund | 42 277 | 28 337 |
| | Premium funds, defined contribution funds, pension regulation funds etc. | 15 206 | 16 907 |
| | Total insurance liabilities - contractual liabilities | 486 785 | 450 194 |
| | Pension capital etc. | 1 849 | 1 766 |
| | Supplementary reserves | 140 | 133 |
| | Premium funds, defined contribution funds, pension regulation funds etc. | 385 | 283 |
| | Total insurance liabilities - special investment portfolio | 2 374 | 2 181 |
| 11 | Pension obligations | 520 | 474 |
| | Tax liabilities | 228 | 0 |
| 9 | Liabilities | 6 442 | 8 001 |
| | Accrued costs and prepaid income | 299 | 157 |
| | TOTAL OWNERS' EQUITY AND LIABILITIES | 534 793 | 496 663 |
| OFF-BALANCE SHEET ITEMS | | | |
| | Contingent liabilities | 14 594 | 13 319 |

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

| 2017 NOK MILLIONS | Owners' equity contributed | Retained earnings | | Total owners' equity |
|---|-------------------------------|---------------------------|----------------------------|-------------------------|
| | | Risk equalization fund | Other retained earnings | |
| Own funds 31 December 2016 | 11 726 | 3 907 | 12 153 | 27 785 |
| Principle change equity method | | | -24 | -24 |
| Own funds 1 January 2017 | 11 726 | 3 907 | 12 130 | 27 762 |
| Income before other profit/loss components | | 248 | 1 249 | 1 497 |
| Actuarial gains and losses on defined benefits pension schemes - employee benefits | | | -19 | -19 |
| Proportion of other comprehensive income on application of the equity method | | | -12 | -12 |
| Adjustment of the insurance liabilities | | | 2 | 2 |
| Tax on other comprehensive income | | | 5 | 5 |
| Total other comprehensive income | | | -24 | -24 |
| Total comprehensive income | | 248 | 1 226 | 1 473 |
| Owners equity contribution received | 1 399 | | | 1 399 |
| Total transactions with owners | 1 399 | | | 1 399 |
| Own funds 31 December 2017 | 13 125 | 4 154 | 13 355 | 30 635 |

| 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 |
| Income before other profit/loss components | | 543 | 2 356 | 2 899 |
| Actuarial gains and losses on defined benefits pension schemes - employee benefits | | | -27 | -27 |
| Proportion of other comprehensive income on application of the equity method | | | -5 | -5 |
| Adjustment of the insurance liabilities | | | 0 | 0 |
| Tax on other comprehensive income | | | 7 | 7 |
| Total other comprehensive income | | | -26 | -26 |
| Total comprehensive income | | 543 | 2 331 | 2 874 |
| Owners equity contribution received | 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 |

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

| NOK MILLIONS | 01.01.2017 -31.12.2017 | 01.01.2017 -30.09.2017 | 01.01.2017 -30.06.2017 | 01.01.2017 -31.03.2017 | 01.01.2016 -31.12.2016 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Net cashflow from operational activities | -728 | -952 | 100 | 3 | 1 857 |
| Net cashflow from investment activities ¹ | -49 | -34 | -21 | -13 | -66 |
| Net cashflow from financing activities ² | 731 | 1 395 | 45 | 37 | -1 557 |
| Net changes in cash and bank deposits | -45 | 410 | 124 | 26 | 233 |
| Holdings of cash and bank deposits at start of period | 887 | 887 | 887 | 887 | 654 |
| Holdings of cash and bank deposits at end of period | 842 | 1 296 | 1 011 | 913 | 887 |

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the financial statements

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles and -estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 31 December 2017. 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 2016, 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 2016, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at klp.no.

KLP has changed the principle for recognising the share of the profits from subsidiaries reported by the equity method. The profit share used to be reported as profit before tax; this now been changed to reporting as profit after tax. This is because the Company has started to capitalise deferred taxes. The change is limited to the subsidiaries in the corporate portfolio. In the financial statements, this is treated as a change of principle, and has an effect on equity of NOK 24 million.

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 2018, The Norwegian Accounts Foundations published an updated version of the guidelines for pension criteria as of 31 December 2017, which shows some changes in the parameters from 31 December 2016. The stated calculation criteria are uncertain, and KLP have determined the criteria itself, based on a specific assessment of its pension schemes. These changes are shown in the table below:

| ASSUMPTIONS | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|---------|
| Discount rate | 2,40 % | 2,60 % | -0,20 % |
| 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 % | 0,00 % |

The effect of the change in parameters has increased the Company's pension obligation by NOK 19 million.

NOTE 2 Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 31. December 2017.

| NOK MILLIONS | Q4 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|--|--------------|--------------|---------------------------|---------------------------|
| Value adjustment incl. foreign exchange | 1 963 | 1 987 | 3 151 | 2 393 |
| Foreign exchange effect on hedging | -462 | -184 | -734 | 1 763 |
| Net value adjustment incl. exchange hedging | 1 501 | 1 803 | 2 417 | 4 156 |

NOTE 3 Premium income

| NOK MILLIONS | Q4 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|---|--------------|--------------|---------------------------|---------------------------|
| Gross premiums due | 8 342 | 7 418 | 32 122 | 33 606 |
| Reinsurance premiums ceded | -3 | 0 | -3 | -1 |
| Transfer of premium reserves from others ¹ | 89 | -279 | 298 | 3 250 |
| Total premium income | 8 427 | 7 139 | 32 417 | 36 854 |

¹ Transfer of premium reserves from others for the fourth quarter 2016 was 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 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|---|--------------|--------------|---------------------------|---------------------------|
| Claims paid | 4 341 | 4 188 | 17 174 | 16 263 |
| Transfers of premium reserves to others | 1 | 0 | 212 | 124 |
| Total claims | 4 342 | 4 188 | 17 386 | 16 387 |

NOTE 5 Insurance-related operating expenses

| NOK MILLIONS | Q4 2017 | Q4 2016 | 01.01.2017 -31.12.2017 | 01.01.2016 -31.12.2016 |
|---|------------|------------|---------------------------|---------------------------|
| Personnel costs | 181 | 155 | 598 | 549 |
| Depreciations and write downs | 23 | 195 | 74 | 261 |
| Other operating expenses | 88 | 122 | 329 | 331 |
| Total insurance-related operating expenses | 292 | 472 | 1 001 | 1 140 |

NOTE 6 Fair value of financial assets and liabilities

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

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

NOTE 6 Fair value of financial assets and liabilities – continues

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

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

NOTE 6 Fair value of financial assets and liabilities – continues

| 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 |
| 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 loan | 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 | | | | | | | | |
| 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 |
| Total shares and units | 434 | 434 | 93 531 | 93 531 | 519 | 519 | 94 484 | 94 484 |

NOTE 6 Fair value of financial assets and liabilities – continues

| 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 | | | | | | | | |
| 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 | 1 292 | 0 | 0 | 0 | 0 | 1 650 | 1 292 |
| Total subordinated loan capital etc. | 7 870 | 7 846 | 0 | 0 | 0 | 0 | 7 870 | 7 846 |
| 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 7 Fair value hierarchy

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

NOTE 7 Fair value hierarchy – continues

| 31.12.2017 NOK MILLIONS | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|---------------|----------------|
| INVESTMENT OPTION PORTFOLIO | | | | |
| Bonds and other fixed-income securities | 603 | 0 | 0 | 603 |
| Fixed-income funds | 603 | 0 | 0 | 603 |
| Loans and receivables | 35 | 0 | 0 | 35 |
| Shares and units | 628 | 16 | 0 | 645 |
| Equity funds | 628 | 0 | 0 | 628 |
| Special funds | 0 | 16 | 0 | 16 |
| Financial derivatives | 0 | 0 | 0 | 0 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Total investment option portfolio | 1 267 | 17 | 0 | 1 283 |
| Total financial assets valued at fair value | 191 565 | 54 428 | 12 553 | 258 547 |
| CORPORATE PORTFOLIO | | | | |
| Investment property | 0 | 0 | 1 003 | 1 003 |
| Total investment property | 0 | 0 | 1 003 | 1 003 |
| FINANCIAL LIABILITIES BOOKED AT FAIR VALUE | | | | |
| CORPORATE PORTFOLIO | | | | |
| Financial derivatives | 0 | 0 | 0 | 0 |
| Debt to credit institutions | 618 | 0 | 0 | 618 |
| Total corporate portfolio | 618 | 0 | 0 | 618 |
| COMMON PORTFOLIO | | | | |
| Financial derivatives | 0 | 3 384 | 0 | 3 384 |
| Debt to credit institutions | 60 | 0 | 0 | 60 |
| Total common portfolio | 60 | 3 384 | 0 | 3 444 |
| INVESTMENT OPTION PORTFOLIO | | | | |
| Financial derivatives | 0 | 11 | 0 | 11 |
| Debt to credit institutions | 0 | 0 | 0 | 0 |
| Total investment option portfolio | 0 | 11 | 0 | 12 |
| Total financial liabilities at fair value | 679 | 3 395 | 0 | 4 074 |

NOTE 7 Fair value hierarchy – continues

| 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 – continues

| 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 – continues

| CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO | Book value 31.12.2017 | Book value 31.12.2016 |
|---|--------------------------|--------------------------|
| Opening balance 01.01. | 47 | 45 |
| Sold | -84 | 0 |
| Bought | 3 | 0 |
| Unrealised changes | 37 | 2 |
| Closing balance 31.12. | 3 | 47 |
| Realised gains/losses | 83 | 0 |

| CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO | Book value 31.12.2017 | Book value 31.12.2016 |
|--|--------------------------|--------------------------|
| Opening balance 01.01. | 1 375 | 1 369 |
| Sold | -19 | -51 |
| Bought | 129 | 65 |
| Unrealised changes | 155 | -7 |
| Closing balance 31.12. | 1 640 | 1 375 |
| Realised gains/losses | -27 | 12 |

| CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO | Book value 31.12.2017 | Book value 31.12.2016 |
|--|--------------------------|--------------------------|
| Opening balance 01.01. | 84 | 76 |
| Sold | -6 | 0 |
| Bought | 0 | 0 |
| Unrealised changes | -3 | 9 |
| Closing balance 31.12. | 75 | 84 |
| Realised gains/losses | 0 | 0 |

| CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO | Book value 31.12.2017 | Book value 31.12.2016 |
|--|--------------------------|--------------------------|
| Opening balance 01.01. | 8 661 | 7 164 |
| Sold | -1 621 | -1 108 |
| Bought | 1 985 | 2 739 |
| Unrealised changes | 1 811 | -133 |
| Closing balance 31.12. | 10 837 | 8 661 |
| Realised gains/losses | 389 | 326 |

NOTE 7 Fair value hierarchy – continues

| CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO | Book value 31.12.2017 | Book value 31.12.2016 |
|---|--------------------------|--------------------------|
| Opening balance 01.01. | 1 003 | 893 |
| Sold | 0 | 0 |
| Bought | 0 | 0 |
| Unrealised changes | 41 | 161 |
| Other | -41 | -52 |
| Closing balance 31.12. | 1 003 | 1 003 |
| Realised gains/losses | -41 | 52 |
| Total Level 3 | 13 556 | 11 171 |

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 678 million as of 31.12.2017.

NOTE 7 Fair value hierarchy – continues

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 52 million has been moved from Level 1 to Level 2, and NOK 19 million from Level 2 to Level 1. The amount are related to equity instruments and are due to change in liquidity. No other movements between levels has been done during the fourth quarter.

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

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

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

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

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 | 31.12.2017 | 31.12.2016 |
|---|--------------|--------------|
| Short-term liabilities securities | 711 | 2 095 |
| Advance tax-deduction pension scheme | 392 | 380 |
| Accounts payable | 7 | 2 |
| Derivatives | 3 395 | 4 074 |
| Debt to credit institutions | 679 | 885 |
| Liabilities related to direct insurance | 1 228 | 537 |
| Other short-term liabilities | 29 | 28 |
| Total liabilities | 6 442 | 8 001 |

NOTE 10 SCR ratio

| NOK BILLIONS | 31.12.2017 | 31.12.2016 | | 31.12.2017 | 31.12.2016 |
|---|------------|------------|--|--------------|--------------|
| SIMPLIFIED SOLVENCY II | | | | | |
| FINANCIAL POSITION STATEMENT | | | | | |
| Assets, book value | 535 | 497 | Best estimate | 487 | 450 |
| Added values - hold-to-maturity portfolio/loans and receivables | 10 | 9 | Risk margin | 14 | 13 |
| Added values - other lending | 1 | 1 | Hybrid Tier 1 securities/Subordinated loan capital | 8 | 8 |
| Other added/lesser values | 0 | 0 | Other liabilities | 7 | 9 |
| Deferred tax asset | 0 | 1 | Deferred tax liabilities | 0 | 0 |
| Total assets - solvency II | 546 | 507 | Total liabilities - solvency II | 516 | 480 |
| | | | Excess of assets over liabilities | 30 | 27 |
| | | | - Deferred tax asset | 0 | -1 |
| | | | - Risk equalisation fund | -4 | -4 |
| | | | + Hybrid Tier 1 securities | 2 | 2 |
| | | | Tier 1 basic own funds | 27 | 24 |
| | | | Total eligible tier 1 own funds | 27 | 24 |
| | | | Subordinated loans | 6 | 7 |
| | | | Risk equalisation fund | 4 | 4 |
| | | | Tier 2 basic own funds | 10 | 11 |
| | | | Ancillary own funds | 10 | 10 |
| | | | Tier 2 ancillary own funds | 10 | 10 |
| | | | Deduction for max. eligible tier 2 own funds | -13 | -13 |
| | | | Total eligible tier 2 own funds | 8 | 7 |
| | | | Deferred tax asset | 0 | 0 |
| | | | Total eligible tier 3 own funds | 0 | 0 |
| | | | Solvency II total eligible own funds | 35 | 31 |
| | | | Market risk | 6 | 6 |
| | | | Diversification market risk | -2 | -2 |
| | | | Counterparty risk | 0 | 0 |
| | | | Life risk | 16 | 15 |
| | | | Diversification life risk | -4 | -4 |
| | | | Diversification general | -3 | -3 |
| | | | Operational risk | 2 | 2 |
| | | | Loss absorbing ability deferred tax | 0 | 0 |
| | | | Solvency capital requirement (SCR) | 16 | 15 |
| | | | Linear minimum capital requirement (MCR_linear) | 6 | 5 |
| | | | Minimum | 4 | 4 |
| | | | Maximum | 7 | 7 |
| | | | Minimum capital requirement (MCR) | 6 | 5 |
| | | | Solvency II- SCR ratio | 224 % | 209 % |

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 are not measured at fair value, the difference between the statutory account value and fair value are added to the Solvency II balance sheet. 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. One subordinated loan was redeemed in October 2017. Because of the regulatory limitation of tier 2 capital, the loan was redeemed without impacting the SCR ratio.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 224 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 322 per cent.

NOTE 11 Pension obligations

| NOK MILLIONS | 31.12.2017 | 31.12.2016 |
|---|------------|------------|
| Capitalized net liability 01.01. | 474 | 423 |
| Capitalized pension costs | 87 | 77 |
| Capitalized financial costs | 16 | 14 |
| Actuarial gains and losses | 19 | 27 |
| Premiums / contributions received | -75 | -67 |
| Capitalized net liability 31.12. | 520 | 474 |

| ASSUMPTIONS | 31.12.2017 | 31.12.2016 |
|---|------------|------------|
| Discount rate | 2,40% | 2,60% |
| 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% |

The effect of changes in pension assumptions increases the pension liability for employees with NOK 19 million as of 31.12.2017. The change is recognized in other comprehensive income in the income statement.

NOTE 12 Contingent assets

KLP's holding of shares in Hafslund ASA (5,327,265 A shares and 4,042,483 B shares) was redeemed in November 2017 when the company was taken over by the City of Oslo. At the time of redemption, the last observed prices were NOK 103,50 per share for Hafslund A and NOK 105,00 per share for Hafslund B; they were redeemed at a price of

NOK 96,75 per share. KLP believes the redemption price is too low, and has taken legal action to clarify the value. In the accounts presented on 31.12.2017, the redemption price of NOK 96,75 per share was used when deducting the shares, as the outcome of the legal proceedings is uncertain.

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