



Interim report

KLP GROUP
4Q 2018



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KLP GROUP

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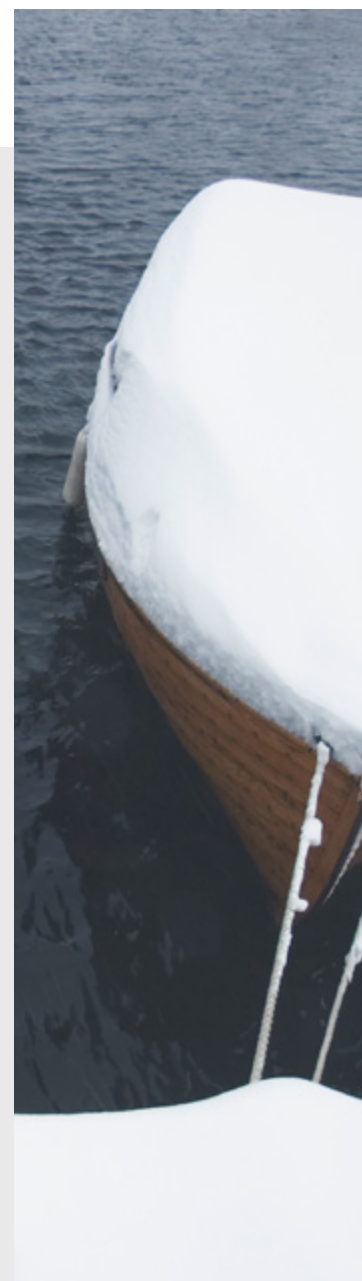
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Report for the fourth quarter of 2018

WEAKER RESULTS IN FOURTH QUARTER OF 2018

- KLP delivered a returns result of NOK 5.2 billion for the whole of 2018
- The book return for 2018 was 3.5 per cent, while value-adjusted profit came to 1.5 per cent
- Investments in property and long-term bonds contributed most to the results in the fourth quarter and throughout the year

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 675.6 billion, an increase of NOK 23.4 billion so far this year.

The Group's total comprehensive income was NOK 2,866 (1,393)¹ million in the year to date.

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 558.7 billion, NOK 507.6 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE FOURTH QUARTER OF 2018

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 5.2 (6.8) billion for the year. The value-adjusted return on the common portfolio was 1.5 per cent and the book return was 3.5 per cent in 2018.

Risk result

The risk result was good in the fourth quarter. The risk events in the stock are within expectations for the year, with profits totalling NOK 380 (471) million in the fourth quarter and NOK 958 (897) million for the year. It is planned to allocate half of the risk result to the risk equalisation fund, the rest being returned to the customers' premium fund.

Administration result

The company's administration result shows a surplus of NOK 137 (141) million for the year. Insurance-related operating costs came to NOK 329 (292) million in the fourth quarter and NOK 1,097 (1,001) million for the year.

Total income

Total profit for the Company was NOK 1.8 (1.5) billion for the year. The customer result was NOK 5.7 (7.1) billion.

NOK MILLIONS	Customers	Company	Total
Returns result	5 048	159	5 207
Risk result	480	478	958
Interest guarantee premium		758	758
Administration result		137	137
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		1 109	1 109
Tax	216	-216	0
Equity allocated to customers 216		-21	-21
Income after Q4/2018	5 744	1 780	7 524
Income after Q4/2017	7 124	1 465	8 588

Financial strength and capital-related matters

KLP's total assets grew by NOK 23.9 billion in 2018 and now amount to NOK 558.7 billion. The premium reserve increased by NOK 27.3 billion in the same period.

The securities adjustment fund decreased by NOK 9.2 billion in the fourth quarter, and by NOK 8.8 billion to NOK 33.4 billion for the year.

Without applying transitional rules, the company's solvency capital coverage (SCR) is 263 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 311 per cent. KLP's target 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.

¹ Tall i parentes angir verdi for tilsvarende periode i 2017

Key figures

PER CENT	2018	2017
Book returns *	3.5	3.9
Value-adjusted returns *	1.5	6.7
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	0.5	6.7
Capital adequacy, Solvency II	263	242
Capital adequacy, Solvency II, with transitional measures	311	322

* The returns figures apply to the common portfolio

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 38.7 (32.1) billion at the end of the year.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 6.8 per cent last year and amounted to NOK 18.4 (17.2) billion at 31 December.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 515.9 (495.6) billion and were invested as shown below:

ASSETS	2018		2017	
	Proportion	Return	Proportion	Return
All figures in per cent				
Shares	21.4 %	-3.6 %	22.5 %	16.5 %
Short-term bonds	18.4 %	-0.8 %	19.2 %	3.2 %
Long-term/HTM bonds	29.1 %	3.7 %	27.1 %	4.0 %
Lending	12.1 %	2.3 %	11.6 %	2.2 %
Property	12.7 %	7.3 %	12.3 %	8.9 %
Other financial assets	6.3 %	1.1 %	7.3 %	1.5 %

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 21.4 per cent at the end of the fourth quarter. The total return on shares and alternative investments was minus 9.0 per cent in the fourth quarter and minus 3.6 per cent for the year. In 2018, KLP's global shares produced a return of minus 6.2 percent, while the Norwegian equity portfolio yielded a return of minus 5.8 percent.

Short-term bonds and the money market

Short-term bonds accounted for 18.4 per cent and money-

market instruments 6.3 per cent of the assets in the common portfolio as at 31 December. Norwegian, European and US ten-year government rates all fell slightly through the fourth quarter. KLP's global government bond index achieved a currency-hedged return of 1.9 per cent in the fourth quarter, while the return on the Norwegian government bond index was 1.2 per cent. Global credit margins increased slightly during the quarter, while KLP's global credit bond index produced no return in the fourth quarter.

In total, short-term bonds achieved returns of 0.4 per cent in the fourth quarter, while money market returns were 0.2 per cent.

Bonds held to maturity

Investment in bonds held to maturity made up around 29.1 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 5.0 billion as at 31 December. The portfolio is well diversified and consists of securities issued by highly creditworthy institutions. The return measured at amortised cost was 3.7 per cent in 2018.

Property

Property investments, including Norwegian and international property funds, made up 12.7 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 1,479 million in 2018. If the effect of currency hedging on foreign properties is included, the change in value amounts to an increase of NOK 1,857 million. Property investments in the common portfolio achieved a return of 7.3 per cent.

Lending

Lending in the common portfolio totals NOK 62.0 billion. This is split between NOK 59.0 billion in loans to municipalities and their enterprises and NOK 3.0 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 293 million at the end of the quarter. The return for the year was 2.25 per cent.

Returns on the corporate portfolio

The corporate portfolio covers the 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 4.2 per cent in 2018.

Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The ongoing municipal and regional reform is expected to have only a moderate effect on KLP's customer base.

Of the relevant municipal mergers taking place on 1 January 2020, 14 municipal/county authorities are affected by the fact that one of the parties has its own pension fund. Today, most of the country's municipalities and county councils have their pension schemes with KLP. Several of these municipalities have now decided to merge with municipalities that have their own pension fund. In two of these cases (Moss and Øygarden) the new municipality has decided to have a pension scheme with KLP.

In March 2018, an agreement was reached between the Ministry of Labour and Social Affairs, LO, Unio, YS, Akademikerne, KS and Spekter on occupational pensions for public sector employees. It is agreed that old age pensions should be defined as a mark-up scheme. The Ministry sent out a consultation note on 17 October 2018 with proposals for necessary legislative changes and a deadline for replies of 9 January 2019. The final draft law is expected to be submitted to the Storting during April. The changes in the pension scheme for public-sector employees will be introduced from 1 January 2020.

A new pension guide was developed and launched in 2018, which answers the most important questions about personal pensions and enables our members to make wise choices.

In 2018, KLP was voted Norwegian champion for customer experience in an industry-independent survey conducted by KPMG. KLP received a high score for good customer experience, and came out top in integrity and trust, in the international context too.

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.

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.

This company had total assets of NOK 5.6 billion as at 31 December. This is an increase of NOK 731 million since 31 December 2017. 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 3.4 billion. The fourth quarter was marked by turbulence in the equity markets and negative returns. This also affected the development of the defined-contribution pension portfolio. 239 new business customers entered into pension agreements with the company in 2018, and we have received 4,020 pension capital certificates from other life insurance companies.

KLP Bedriftspensjon achieved a book return on the common portfolio of 4.5 per cent and a value-adjusted return of 3.0 per cent in 2018. Customers with defined-contribution pensions achieved an average return of minus 3.8 per cent in the same period.

The returns result was NOK 28.1 million in 2018. The securities adjustment fund stood at NOK 8 million as of 31 December. After the fourth quarter, KLP Bedriftspensjon had total comprehensive income of NOK -21.1 million.

Return on customer assets

COMMON PORTFOLIO	2018	2017
Common portfolio		
Book returns	4.5 %	8.3 %
Value-adjusted returns	3.0 %	5.6 %
Defined-contribution pensions with investment options	-3.8 %	11.9 %
Profile KLP90	-4.3 %	17.1 %
Profile KLP70	-3.2 %	14.0 %
Profile KLP50	-2.6 %	11.0 %
Profile KLP30	-1.6 %	7.8 %
KLP Optimal Livsfase ¹	-5.4 %	17.5 %
KLP Nåtid	0.5 %	N/A
KLP Kort Horisont	-1.0 %	N/A
KLP Lang Horisont	-3.1 %	N/A
KLP Framtid	-5.4 %	N/A
Profile KLPPM	1.3 %	1.5 %

¹ Return for profile with 100% equities

Non-life insurance

The pre-tax operating profit was NOK 17.5 (164.2) million. The result is primarily characterised by a weak financial result. The 2018 insurance result was also weak, but adjustment of previous years' reserves made a considerable positive contribution. For the fourth quarter in isolation, the profit was NOK -88.1 (+11.5) million.

The total premium volume for the company was NOK 1,397 million at the end of 2018. KLP Skadeforsikring had fall in premiums at the beginning of the year. This year's premiums earned are thus marginally lower than in 2017, at NOK 6 million. However, the results of the tendering procedures in the fourth quarter mean that the company enters 2019 with substantially higher premiums than in January 2018. The company is still experiencing declining price levels for new sales and renewals of existing contracts.

There is good growth of 10.3 per cent in the retail market over the last year, and more than nine out of ten new customers are members.

Four major claims were submitted in 2018, with a total estimated claim cost of NOK 85 million. The company has seen an increase in the number of medium-sized claims (from NOK 2 to 10 million). These represent total payments of NOK 168 million.

Reversal of previous years' claims is still positive, and this year NOK 142.6 million has so far been taken to income, equivalent to 7.6 per cent of the reserves at the beginning of the year.

Key figures for the company

PER FJERDE KVARTAL	2018	2017
Claims ratio*	79.9	84.2
Cost ratio*	24.6	21.8
Total cost ratio*	104.5	106.0

*for egen regning

Net financial income in 2018 was NOK 72.0 (238.1) million, representing a return of 1.8 (5.6) per cent. For the fourth quarter in isolation, the return was minus 0.7 per cent, equivalent to NOK -32.7 (+77.6) million.

Interest-bearing investments have had weak returns in 2018, at minus 0.1 per cent. Nevertheless, the fourth quarter showed a slight improvement, with a marginally positive return.

The equity portfolio had a return of minus 6.5 per cent to the end of the year, and minus 12.1 per cent for the fourth quarter in isolation. The company's long-term bonds have had a yield of 3.7 per cent. The return on property investments was also positive, at 7.5 per cent, including the effect of revaluation of real estate assets. The company's financial position is still good with a solvency margin (SCR) of 243 per cent, down from 251 per cent in the third quarter.

Asset and fund management

KLP Kapitalforvaltning provides securities management in the KLP Group. It had a total of NOK 495 billion under management at the end of the fourth quarter, of which NOK 64 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP funds in the fourth quarter came to NOK 1.9 billion. External customers had net new subscriptions of NOK 1.6 billion.

KLP Kapitalforvaltning achieved a pre-tax income of NOK -9.9 million in the fourth quarter and NOK 16.7 million for the year.

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 33.5 (30.8) billion. Mortgage loans in the retail market and public-sector loans totalled NOK 16.7 billion and 16.8 billion respectively.

KLP Banken manages NOK 3.0 billion in mortgage loans and NOK 58.7 billion in loans to public-sector borrowers and other businesses. Total mortgage loans in the retail market increased by NOK 2.3 (1.7) billion in 2018. Managed mortgages for KLP decreased by NOK 273 million in the same period.

Credit cards are included in the banking business. Outstanding loans to retail customers amounted to NOK 66 (58) million at the end of the fourth quarter. 7,700 members are credit card customers of the bank.

The lending volume in the public sector market on KLP Banken's balance sheet increased by 3 percent in 2018, but on average, the lending volume was lower than the previous year. Loans to public-sector borrowers managed on behalf of KLP increased by NOK 5.1 billion in the same period, which represents a growth rate of 11 per cent. Managed loans to foreign debtors in other currencies decreased by NOK 0.1 billion in the same period.

Overdue payments and defaulted mortgage loans are at a stable low level. Loans in default in excess of 90 days account for 0.20 per cent of total mortgage loans as at the end of the fourth quarter. Impairment losses of NOK 1.6 million on mortgages and NOK 4.4 million on credit cards have been recognised in the Bank's accounts at the end of the fourth quarter. Total losses increased through the year. This is mainly related to increased business from credit cards. There were also calculated loss provisions under new accounting regulations (IFRS 9) from 2018 with a recognised value of NOK 0.8 million in the period. There were no losses related to public-sector loans.

External financing of the KLP Banken Group consists of deposits and bonds. Deposit growth in 2018 was NOK 1.0 billion and total deposits amounted to NOK 10.7 billion at the end of the fourth quarter. Of this amount, NOK 8.7 billion was deposits from retail customers, and NOK 1.9 billion was deposits from municipalities and enterprises. Liabilities created on issuance of securities totalled NOK 24.0 billion at the end of the quarter.

At the end of the fourth quarter, the KLP Banken Group had a pre-tax operating profit of NOK 81.8 (103.1) million, of which the profit for the fourth quarter was NOK 10.8 (21.4) million. Broken down by area, the pre-tax profit was NOK 46.7 (42.2) million from the retail market and NOK 35.1 (60.7) million from the public-sector market.

Net interest income for the KLP Banken Group as of the fourth quarter was NOK 248.5 (241.6) million. The change is mainly due to growth in outstanding mortgages as net margins on average have been lower than the previous year. Net interest income from public-sector lending is NOK 16.6 million lower at the end of the fourth quarter compared with the same period last year.

CORPORATE SOCIAL RESPONSIBILITY

The chairman of KLP Kapitalforvaltning, Håvard Gulbrandsen, participated in the debate at the UN climate conference in Poland. The discussion concerned the ways in which investors can influence investments in a more climate-friendly direction.

KLP's position in the debate favoured imposing a fair but high enough carbon price in all key countries and regions so the polluter pays a proper price for the impact CO₂ has on the climate.

In December, the KLP list was updated. KLP included two companies that had ceased undesirable operations in Western Sahara. Four new companies that earn a large proportion of their income from coal were also excluded. In the fourth quarter, the Climate Foundation in cooperation with KLP launched a report on how companies can start work on climate risk analysis.

Among the owners, twelve new projects have been launched in KLP's working environment network 2019-2021. The areas covered by the projects are full-time culture, management, prevention of violence, preventing threats in the workplace, and attendance. The goal is to achieve a good working environment, so people stay at work rather than becoming sick or incapacitated. This is good both for customers and for KLP as a company.

Damage prevention in the non-life company is specifically aimed at reducing the number of fires in municipal rental housing. Good cooperation with various agencies in the municipality is essential to good results in the preventive work, with KLP contributing its expertise.

KLP supports the municipal project Smart Oppvekst ('Growing up smart'), which focuses on developing good social skills and self-esteem in children and young people. In the long run, KLP hopes this will also reduce the risk of vandalism, burglary, violence and arson.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

The stock market has recovered part of the fall in the fourth quarter, while long-term interest rates remain unchanged since the new year.

The company is financially robust and has good solvency. Supplementary reserves and the securities adjustment fund are both buffers that can be used to cover fluctuations in returns. Building solid buffers in good times is an important part of the company's long-term strategy for a stable management of customer funds.

Oslo, 13 February 2019

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringselskap

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Deputy chair

Marit Torgersen

Karianne Melleby

Odd Haldgeir Larsen

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 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
3	Premium income for own account	8 083	8 968	40 921	34 590
	Current return on financial assets	3 582	3 353	14 989	14 184
	Net interest income banking	66	68	249	244
	Net value changes on financial instruments	- 19 045	7 132	-14 500	22 050
8	Net income from investment properties	1 217	2 073	4 993	4 953
4	Other income	261	269	1 107	1 040
	Total net income	5 836	21 862	47 760	77 061
	Claims for own account	- 5 051	- 4 688	-20 015	-18 665
	Change in technical provisions	- 4 421	- 7 091	-28 096	-24 425
5	Net costs subordinated loan and hybrid Tier 1 securities	- 552	- 254	-483	-527
6	Operating expenses	- 548	- 533	-1 872	-1 673
7	Other expenses	- 279	- 257	-1 075	-992
	Unit holder's value change in consolidated securities funds	6 697	- 2 860	4 022	-8 648
	Total expenses	- 4 153	-15 681	-47 520	-54 931
	Operating profit/loss	- 9 989	6 181	240	22 130
	To/from securities adjustment fund – life insurance	9 200	- 6 154	8 862	-13 904
	To supplementary reserves – life insurance	- 2 813	- 1 201	-2 792	-1 188
	Assets allocated to insurance customers - life insurance	4 187	849	-3 469	-4 564
	Pre-tax income	585	-325	2 840	2 474
	Cost of taxes ¹	877	441	- 125	-1 143
	Income	1 462	116	2 715	1 332
19	Actuarial loss and profit on post employment benefit obligations	- 22	78	- 22	-30
	Adjustments of the insurance obligations	1	- 9	1	2
	Tax on items that will not be reclassified to profit or loss	5	- 17	5	7
	Items that will not be reclassified to profit or loss	- 16	52	- 16	-21
	Revaluation real property for use in own operation	138	39	222	110
8	Currency translation foreign subsidiaries	931	505	- 238	937
	Adjustments of the insurance obligations	- 931	- 505	238	-937
	Tax on items that will be reclassified to profit or loss	- 35	- 10	-56	-27
	Items that will be reclassified to income when particular specific conditions are met	104	29	167	82
	Total other comprehensive income	88	81	150	61
	Total comprehensive income	1 550	197	2 866	1 393
	¹ Unit holders share of taxes in consolidated securities fund	- 46	- 48	-229	-181

Financial position statement

KLP GROUP

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
	Deferred tax assets	65	68
	Other intangible assets	274	313
	Tangible fixed assets	1 900	1 715
	Investments in associated companies and joint venture	1 508	773
8.11	Investment property	67 570	63 519
9.14	Debt instruments held to maturity	31 053	31 131
9.14	Debt instruments classified as loans and receivables	141 549	121 377
9.11.14	Lending local government, enterprises & retail customers at fair value through profit / loss	855	1 016
9.14	Lending local government, enterprises and retail customers	94 909	87 005
9.11.14	Debt instruments at fair value through profit or loss	166 344	172 427
9.11	Equity capital instruments at fair value through profit/loss	159 968	161 736
9.11.14	Financial derivatives	944	1 529
9	Receivables	2 213	4 056
9	Assets in defined contribution-based life insurance	3 396	2 684
14	Cash and bank deposits	3 009	2 820
	TOTAL ASSETS	675 558	652 167
	Owners' equity contributed	14 554	13 125
	Retained earnings	19 303	16 439
	TOTAL OWNERS' EQUITY	33 857	29 564
9.10	Hybrid Tier 1 securities	1 662	1 534
9.10	Subordinated loan capital	6 029	5 977
19	Pension obligations	880	797
15	Technical provisions - life insurance	509 284	490 803
9.15	Provisions in life insurance with investment option	3 396	2 684
	Premiums, claims and contingency fund provisions - non-life insurance	2 325	2 364
9.10	Covered bonds issued	23 025	21 451
9.10	Debt to credit institutions	2 794	4 587
9.10	Liabilities to and deposits from customers	10 662	9 669
9.11	Financial derivatives	6 809	4 760
	Deferred tax	1 102	1 733
16	Other current liabilities	6 033	5 919
	Unit holders `s interest in consolidated securites funds	67 701	70 325
	TOTAL LIABILITIES	641 701	622 603
	TOTAL EQUITY AND LIABILITIES	675 558	652 167
	Contingent liabilities	20 532	15 483

Changes in Owners' equity

KLP GROUP

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2018	13 125	16 439	29 564
Income		2 715	2 715
Items that will not be reclassified to income		- 16	- 16
Items that will be reclassified to income later when particular conditions are met		167	167
Total other comprehensive income		150	150
Total comprehensive income		2 866	2 866
Owners' equity contribution received (net)	1 428		1 428
Total transactions with the owners	1 428		1 428
Owners' equity 31 December 2018	14 553	19 304	33 857

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2016	11 726	16 097	27 823
Deferred tax on the risk equalization fund, the natural perils pool fund and the guarantee scheme ¹		- 1 028	- 1 028
Principle change ²		- 24	- 24
Owners' equity 1 January 2017	11 726	15 046	26 772
Income		1 332	1 332
Items that will not be reclassified to income		- 21	- 21
Items that will be reclassified to income later when particular conditions are met		82	82
Total other comprehensive income		61	61
Total comprehensive income		1 393	1 393
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	16 439	29 564

¹ Under Section 3-2 of the Norwegian Regulations on annual accounts for life insurance companies, the parent company of the KLP Group is not subject to deferred tax on the risk equalisation fund. The same is true under Section 3-4 of the Norwegian Regulations on annual accounts for non-life insurance companies concerning deferred tax on provisions to the natural perils pool fund and the guarantee scheme. KLP has previously applied the same principle to its consolidated financial statements. After a renewed assessment, KLP has concluded that it is correct to raise provisions for deferred taxes on the risk equalisation fund, the natural perils pool fund and the guarantee scheme in the consolidated financial statements. Deferred taxes on the risk equalisation fund, the natural perils pool fund and the guarantee scheme amount to NOK 977 million, NOK 40 million and NOK 11 million respectively as at 31 December 2016. This correction has been made to the opening balance, so the change in deferred taxes through the year is reflected in tax expenses for 2017 for the KLP Group.

² For further information, see note 2.1.1.c) in the Annual Report

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2018 -31.12.2018	01.01.2018 -30.09.2018	01.01.2018 -30.06.2018	01.01.2018 -31.03.2018	01.01.2017 -31.12.2017
Net cash flow from operational activities	-25 067	-14 692	-9 378	-8 888	-27 849
Net cash flow from investment activities ¹	-39	-27	-23	-14	-79
Net cash flow from financing activities ²	25 295	15 125	10 552	9 425	27 781
Net changes in cash and bank deposits	189	405	1 152	523	-148
Holdings of cash and bank deposits at start of period	2 820	2 820	2 820	2 820	2 968
Holdings of cash and bank deposits at end of period	3 009	3 225	3 972	3 343	2 820

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 1 January 2018 – 31 December 2018. 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 2017. 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.

NEW TAX RULES

With effect from the 2018 income year, the tax rules for both non-life insurance and life insurance businesses have changed.

For the life insurance business, the new rules mean that the taxation of income and expenses related to assets in the collective portfolio and the investment selection portfolio shall be made in accordance with accounting legislation. The principle will apply to both financial assets and other types of assets. Provisions for risk equalisation funds were previously tax deductible in the company accounts when determining taxable income, but this deduction has now been revoked in these accounts.

In accordance with the transitional provisions for the life insurance business, tax values of assets and liabilities in the customer portfolios on 31.12.2017 shall be juxtaposed with accounting values as of 31.12.2018. This means that unrealised profit and loss on assets shall be taken to income in 2018. Net taxable income related to profit and loss on unrealised assets in 2018, which exceeds the company's carry-forward losses, can be entered in the profit and loss account and recognised as income at 20% per year. Furthermore, the transitional provisions state that the funds allocated for the

risk equalisation fund as of 31.12.2017 should first be taxed on the liquidation of the business that has given rise to the provision. The group presents the accounts during continued operations, and assumes that the present value of the liability will be 0.

In previous rules and practices, non-life insurance companies have been able to claim deductions for provisions for insurance funds or other funds necessary to cover or secure contractually assumed liabilities with regard to the insured. The companies have thus been able to claim deductions for:

- Unearned premiums (and unexpired risk)
- Future, unresolved claims
- Security with regard to possible, but not probable liability (security provision)
- Provisions for the natural disaster fund and guarantee scheme

With effect from the 2018 income year, deductions for provisions are limited to:

- Provision for unearned gross premium
- Provision for unexpired risk
- Gross provision for claims

According to the new rules deductions will no longer be made for provisions for the natural disaster fund and guarantee scheme. These funds are subject to transitional rules, so that the total provisions for these funds at the end of the 2017 income year can be deposited in a separate account, where the account is first taxed on the liquidation of the non-life insurance business.

The group presents the accounts during continued operations, and assumes that the present value of the liability will be 0.

Furthermore, there is an optional transition rule which means that the difference between the provisions for the income year 2017 and 2018 is not recognised as income in 2018, but is transferred to a separate account for provisions with deferred income recognition. If the difference becomes negative, the amount is deducted in its entirety. The account shall constitute a separate tax position and is recognised as income on a straight-line basis by 10% each income year with effect from 2018. The KLP Group has chosen to make use of this transitional rule.

Overall, the new tax rules for non-life insurance and life insurance business in the group will result in a reversal of deferred tax of NOK 1.091 million.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life		Group pensions private	
	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	38 633	32 328	1 041	997
Premium income for own account from other Group companies	94	89	0	0
Net financial income from investments	8 583	32 157	-85	343
Other income from external customers	1 074	1 016	3	2
Other income from other Group companies	61	235	0	0
Total income	48 446	65 825	959	1 343
Claims for own account	-18 847	-17 386	-155	-199
Insurance provisions for own account	-27 343	-23 358	-753	-1 064
Costs borrowing	-483	-527	0	0
Operating costs excluding depreciation	-1 049	-951	-64	-59
Depreciation	-73	-74	-3	-3
Other expenses	-1 068	-992	0	0
Return to financial instruments attributable to minority interests				
Total expenses	-48 864	-43 289	-975	-1 325
Operating profit/loss	-419	22 536	-16	18
Funds credited to insurance customers ²	2 843	-20 551	-5	-42
Pre-tax income	2 425	1 985	-21	-24
Cost of taxes	-624	-492	0	0
Income	1 801	1 493	-21	-24
Change in other comprehensive income (excluded cost of taxes)	-21	-28	0	-1
Total comprehensive income	1 780	1 465	-21	-25
Assets	558 719	534 784	5 601	4 869
Liabilities	524 884	504 158	5 099	4 346

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 – Continues

NOK MILLIONS	Non-life insurance		Banking	
	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	1 246	1 266	0	0
Premium income for own account from other Group companies	22	21	0	0
Net financial income from investments	74	243	235	237
Other income from external customers	1	1	17	12
Other income from other Group companies	0	0	58	57
Total income	1 343	1 531	309	306
Claims for own account	-1 014	-1 080	0	0
Insurance provisions for own account	1	-4	0	0
Costs borrowing	0	0	0	0
Operating costs excluding depreciation	-311	-281	-211	-197
Depreciation	-2	-2	-8	-4
Other expenses	0	0	-8	-3
Return to financial instruments attributable to minority interests				
Total expenses	-1 326	-1 366	-228	-203
Operating profit/loss	18	164	82	103
Funds credited to insurance customers ²	0	0	0	0
Pre-tax income	18	164	82	103
Cost of taxes	-13	-19	-19	-25
Income	5	145	63	78
Change in other comprehensive income (excluded cost of taxes)	-1	-3	-1	-1
Total comprehensive income	3	141	62	77
Assets	4 495	4 594	37 093	34 986
Liabilities	2 721	2 822	34 951	32 904

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 – Continues

NOK MILLIONS	Asset management		Other	
	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
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	5	3	0	0
Other income from external customers	0	0	10	9
Other income from other Group companies	478	456	0	0
Total income	482	459	10	9
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	-462	-402	-12	-9
Depreciation	-3	-10	0	0
Other expenses	0	0	0	0
Return to financial instruments attributable to minority interests				
Total expenses	-466	-413	-12	-9
Operating profit/loss	17	47	-2	-1
Funds credited to insurance customers ²	0	0	0	0
Pre-tax income	17	47	-2	-1
Cost of taxes	-3	-10	1	0
Income	14	37	-2	-1
Change in other comprehensive income (excluded cost of taxes)	-2	-4	0	0
Total comprehensive income	12	33	-2	-1
Assets	465	468	9	12
Liabilities	200	214	4	5

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 – Continues

NOK MILLIONS	Eliminations		Total	
	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Premium income for own account from external customers ¹	0	0	40 921	34 590
Premium income for own account from other Group companies	-117	-110	0	0
Net financial income from investments	-3 080	8 446	5 732	41 430
Other income from external customers	2	0	1 107	1 040
Other income from other Group companies	-596	-748	0	0
Total income	- 3 790	7 589	47 760	77 061
Claims for own account	0	0	-20 015	-18 665
Insurance provisions for own account	0	0	-28 096	-24 425
Costs borrowing	0	0	-483	-527
Operating costs excluding depreciation	360	346	-1 750	-1 554
Depreciation	-33	-26	-122	-119
Other expenses	2	3	-1 075	-992
Return to financial instruments attributable to minority interests	4 022	-8 648	4 022	-8 648
Total expenses	4 352	-8 326	-47 520	-54 931
Operating profit/loss	561	-737	240	22 130
Funds credited to insurance customers ²	-238	937	2 600	-19 656
Pre-tax income	323	200	2 840	2 474
Cost of taxes	483	-617	-175	-1 163
Income	805	-417	2 665	1 311
Change in other comprehensive income (excluded cost of taxes)	227	119	201	81
Total comprehensive income	1 032	-298	2 866	1 393
Assets	69 175	72 453	675 558	652 167
Liabilities	73 843	78 155	641 701	622 603

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 six areas: public sector occupational pension/group life; enterprise (defined benefit) and defined contribution pension; non-life insurance; banking, asset management and other. 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 retail market.

BANKING

KLP's banking business embraces the companies KLP Bank-holding 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, creditcards, 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 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Contribution service pension	7 932	10 482	40 468	35 492
Reinsurance premiums ceded	-18	-18	-72	-61
Transfer of premium reserves from others	168	-1 496	524	-841
Total premium income for own account	8 083	8 968	40 921	34 590

NOTE 4 Other income

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Supplement contractual early retirement scheme (ERS)	273	252	1 053	981
Other income	- 12	18	55	60
Total other income	261	269	1 107	1 040

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
SUBORDINATED LOANS				
Interest costs ¹	-69	-70	-249	-283
Value changes	-264	-129	-46	-298
Net costs subordinated loans	-333	-199	-295	-581
PERPETUAL HYBRID TIER 1 SECURITIES				
Interest costs	-17	-16	-61	-61
Value changes	-202	-39	-127	116
Net costs perpetual hybrid tier 1 securities	-219	-55	-188	54
Net costs subordinated loan and hybrid Tier 1 securities	-552	-254	-483	-527

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. The subordinated loan is issued in euros and the perpetual hybrid Tier 1 securities are issued in Japanese yen.

NOTE 6 Operating expenses

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Personnel costs	327	298	1 049	937
Depreciation and writedowns	34	45	122	131
Other operating expenses	186	190	701	604
Total operating expenses	548	533	1 872	1 673

NOTE 7 Other expenses

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Supplement contractual early retirement scheme (ERS)	273	248	1 053	977
Other expenses	6	8	22	15
Total other expenses	279	257	1 075	992

NOTE 8 Investment property

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017- 31.12.2017
Net rental income	710	458	2 719	2 555
Net value adjustment	507	1 485	1 911	2 269
Realised gains	0	129	362	129
Net income from investment properties	1 217	2 073	4 993	4 953
Currency translate foreign subsidiaries (taken to other comprehensive income)	931	505	- 238	937
Net income from investment properties included currency translate	2 148	2 577	4 754	5 899

NOK MILLIONS	31.12.2018	31.12.2017
Investment property 01.01.	63 519	59 497
Value adjustment, including currency translation	1 673	3 206
Net additions	2 360	838
Other changes	19	-22
Investment property 31.12.	67 570	63 519

NOTE 9 Fair value of financial assets and liabilities

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

This category includes:

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This category includes:

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

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

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

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

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)/Reuters
- 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 prices 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	31.12.2018		31.12.2017	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	7 258	7 747	6 380	7 093
Foreign hold-to-maturity bonds	23 795	24 380	24 752	26 205
Total debt instruments held to maturity	31 053	32 127	31 131	33 298
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST				
Norwegian bonds	45 414	47 228	39 092	41 777
Foreign bonds	96 106	98 645	81 825	87 465
Norwegian certificates	0	0	200	200
Foreign certificates	0	0	200	200
Other receivables	29	29	59	59
Total debt instruments classified as loans and receivables	141 549	145 902	121 377	129 700
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	855	855	1 016	1 016
Total loans to local government, enterprises & retail customers	855	855	1 016	1 016

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

NOK MILLIONS	31.12.2018		31.12.2017	
	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST				
Loans secured by mortgage	19 674	19 680	17 673	17 685
Loans to local government sector or enterprises with local government guarantee	67 150	67 495	61 441	62 083
Loans abroad secured by mortgage and local government guarantee	8 016	8 049	7 829	7 872
Loans creditcard	69	69	62	62
Total loans to local government, enterprises & retail customers	94 909	95 293	87 005	87 702
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	58 737	58 737	59 289	59 289
Norwegian certificates	7 521	7 521	11 154	11 154
Foreign bonds	85 580	85 580	85 144	85 144
Foreign certificates	14 507	14 507	16 839	16 839
Investments with credit institutions	166 344	166 344	172 427	172 427
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	146 865	146 865	150 221	150 221
Equity funds	12 199	12 199	10 641	10 641
Property funds	45	45	119	119
Alternative investments	858	858	756	756
Total equity capital instruments	159 968	159 968	161 736	161 736
RECEIVABLES				
Receivables related to direct business	1 123	1 123	1 026	1 026
Receivables related to reinsurance agreements	63	63	118	118
Reinsurance share of gross claims reserve	0	0	0	0
Receivables related to securites	603	603	2 161	2 161
Prepaid rent related to real estate activities	166	166	116	116
Other receivables	258	258	636	636
Total other loans and receivables including receivables from policyholders	2 213	2 213	4 056	4 056

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

NOK MILLIONS	31.12.2018		31.12.2017	
	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST				
Hybrid Tier 1 securities	1 662	1 332	1 534	1 463
Subordinated loan capital	6 029	6 302	5 977	6 849
Debt to credit institutions	1 015	1 015	1 603	1 603
Covered bonds issued	23 025	23 179	21 451	21 457
Liabilities and deposits from customers	10 662	10 662	9 669	9 669
Total financial liabilities	42 392	42 489	40 235	41 042
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions	1 779	1 779	2 983	2 983
Total financial liabilities	1 779	1 779	2 983	2 983
Assets in life insurance with investment option	3 396	3 396	2 684	2 684
Provisions in life insurance with investment option	3 396	3 396	2 684	2 684

NOK MILLIONS	31.12.2018		31.12.2017	
	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Forward exchange contracts	133	6 107	631	3 849
Interest rate swaps	155	702	368	903
Interest rate and currency swaps	657	0	530	0
Share option	0	0	0	7
Total financial derivatives	944	6 809	1 529	4 760

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2018	Book value 31.12.2017
FIXED - TERM SUBORDINATED LOAN						
Kommunal Landspensjonskasse	5 163	EUR	Fixed ¹	2045	6 029	5 977
Total subordinated loan capital	5 163				6 029	5 977
HYBRID TIER 1 SECURITIES						
Kommunal Landspensjonskasse	984	JPY	Fixed ²	2034	1 662	1 534
Total hybrid Tier 1 securities	984				1 662	1 534
COVERED BONDS						
KLP Kommunekreditt AS	0	NOK	Floating	2018	0	1 097
KLP Kommunekreditt AS	1 171	NOK	Floating	2019	1 172	4 505
KLP Kommunekreditt AS	3 300	NOK	Floating	2020	3 314	2 509
KLP Kommunekreditt AS	750	NOK	Fixed	2020	752	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 014	4 012
KLP Kommunekreditt AS	600	NOK	Fixed	2021	602	602
KLP Kommunekreditt AS	4 000	NOK	Floating	2022	4 007	3 104
KLP Kommunekreditt AS	2 500	NOK	Floating	2023	2 506	0
KLP Kommunekreditt AS	500	NOK	Fixed	2027	508	508
KLP Boligkreditt AS	408	NOK	Floating	2019	408	600
KLP Boligkreditt AS	2 000	NOK	Floating	2020	2 007	2 006
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 506	1 703
KLP Boligkreditt AS	1 200	NOK	Floating	2023	1 201	0
Other					30	55
Total covered bonds	22 929				23 025	21 451

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 has an interest change date in 2025.

² The loan has an interest change date in 2034.

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2018	Book value 31.12.2017
DEBT TO CREDIT INSTITUTIONS						
KLP Banken AS	0	NOK	Fixed	2018	0	202
KLP Banken AS	0	NOK	Floating	2018	0	458
KLP Banken AS	613	NOK	Floating	2019	614	814
KLP Banken AS	200	NOK	Floating	2020	201	0
KLP Banken AS	200	NOK	Floating	2022	200	0
KLP Funds	0	NOK	Fixed	2018	0	1 089
KLP Funds	509	NOK	Fixed	2019	509	0
KLP Funds	0	NOK/EUR/USD	Floating	2018	0	1 346
KLP Funds	621	NOK/EUR/USD	Floating	2019	621	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2018	0	679
Kommunal Landspensjonskasse	650	NOK/EUR/USD	Floating	2019	650	0
Other					0	-2
Total liabilities to credit institutions	2 792				2 794	4 587
LIABILITIES AND DEPOSITS FROM CUSTOMERS ³						
Retail	8 716	NOK			8 716	7 691
Business	1 914	NOK			1 914	1 956
Foreign	32	NOK			32	22
Liabilities to and deposits from customers	10 662				10 662	9 669
Total financial liabilities	42 529				44 172	43 218

³ There is no contractual maturity date on deposits.

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

Deposits belongs to KLP Banken AS.

NOTE 11 Fair value hierarchy

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	67 570	67 570
Land/plots	0	0	903	903
Real estate fund	0	0	2 887	2 887
Buildings	0	0	63 780	63 780
Lending at fair value	0	855	0	855
Bonds and other fixed-income securities	44 655	107 176	0	151 830
Certificates	5 222	2 298	0	7 521
Bonds	26 193	104 877	0	131 070
Fixed-income funds	13 240	0	0	13 240
Loans and receivables	12 747	1 766	0	14 514
Shares and units	143 025	3 957	12 986	159 968
Shares	141 269	3 054	2 542	146 865
Equity funds	1 756	0	61	1 816
Property funds	0	45	0	45
Special funds	0	858	0	858
Private Equity	0	0	10 383	10 383
Financial derivatives	0	944	0	944
Total assets at fair value	200 427	114 699	80 556	395 681
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	6 809	0	6 809
Debt to credit institutions ¹	1 270	509	0	1 779
Total financial liabilities at fair value	1 270	7 317	0	8 588

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 1 015 million per 31.12.2018.

NOTE 11 Fair value hierarchy – cont.

31.12.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	63 519	63 519
Land/plots	0	0	982	982
Real estate fund	0	0	2 454	2 454
Buildings	0	0	60 083	60 083
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	73 956	400 226
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	4 760	0	4 760
Debt to credit institutions	2 025	1 089	0	3 113
Total financial liabilities at fair value	2 025	5 848	0	7 873

NOTE 11 Fair value hierarchy – cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 31.12.2018	Book value 31.12.2017
Opening balance 1 January	63 519	59 497
Net acquisition cost	2 360	838
Unrealised changes	1 673	3 206
Other changes	19	-22
Closing balance 31.12.	67 570	63 519
Realised gains/losses	363	129

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 31.12.2018	Book value 31.12.2017
Opening balance 1 January	10 438	8 573
Sold	-2 414	-1 715
Bought	2 607	1 699
Unrealised changes	2 356	1 881
Closing balance 31.12.	12 986	10 438
Realised gains/losses	1 279	445
Closing balance 31.12.	80 556	73 956

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 4 028 million as of 31.12.2018.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 3 396 millions in financial assets valued at fair value at Level 1. Per 31.12.2018 the NOK 3 396 millions consist of NOK 2 194 millions in shares and units in Level 1, NOK 1 195 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 143 million in stocks has been moved from Level 1 to Level 2 and NOK 710 millions from Level 2 to Level 1. This is due to changes in liquidity.

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.

31.12.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	252	1 010	6 444	0	7 706
Perpetual hybrid Tier 1 securities ¹	0	63	252	315	1 520	2 151
Debt to and deposits from customers (without defined maturity)	10 662	0	0	0	0	10 662
Covered bonds issued	0	1 547	21 844	616	0	24 006
Payables to credit institutions	1 930	540	412	0	0	2 882
Financial derivatives	5 291	4 231	313	-96	-295	9 445
Accounts payable	38	0	0	0	0	38
Contingent liabilities (without defined maturity)	20 532	0	0	0	0	20 532
Total	38 453	6 634	23 832	7 279	1 226	77 423

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 330 million, payables to credit institutions maturing within one month are reduced with NOK 1 176 million and derivatives maturing between 1 to 12 months are reduced with NOK 860 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 75 057 million.

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	169	0	0	0	0	169
Contingent liabilities (without defined maturity)	15 483	0	0	0	0	15 483
Total	31 533	4 702	23 129	7 565	1 270	68 198

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 197 million, payables to credit institutions maturing within one month are reduced with NOK 288 million and derivatives maturing between 1-12 months are reduced with NOK 169 million. Total amount of the financial liabilities for the Group are after these adjustments 67 544 million.

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

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 AS 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

31.12.2018 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 01.01.2018 - 31.12.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	3	6	-1	84	-290	-4	-202	-207
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-50	-55	-1 439	-1 904	-1 718	346	-4 819	-4 276
Fixed income fund holdings	-831	0	0	0	0	0	-831	-831
Lending and receivables	-1	-1	0	0	0	145	143	117
Lending	0	0	0	0	0	630	630	630
Cash and bank deposits	0	0	0	0	0	30	30	30
Contingent liabilities ¹	0	0	0	0	0	101	101	101
Total assets	-880	-50	-1 440	-1 820	-2 007	1 249	-4 947	-4 435
LIABILITIES								
Deposit	0	0	0	0	0	-107	-107	-107
Liabilities created on issue of securities	0	0	0	0	0	-240	-240	-240
Financial derivatives classified as liabilities	-1	3	69	29	0	19	119	119
Hybrid capital, subordinated loans	0	0	0	54	89	0	143	143
Debt to credit institutions	0	0	0	0	0	-38	-38	-38
Total liabilities	-1	3	69	84	89	-366	-122	-122
Total before tax	-881	-47	-1 371	-1 736	-1 918	883	-5 069	-4 557
Total after tax	-661	-35	-1 028	-1 302	-1 439	662	-3 802	-3 418

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

NOTE 13 Interest rate risk – cont.

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	-652	-2	-901	-1 445	-1 451	640	-3 812	-3 354

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

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

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

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

The following securities are included in the note; securities

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

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

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

NOTE 14 Credit risk

31.12.2018 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	28 743	0	31	0	0	0	2 279	31 053	31 053
Debt instruments classified as loans and receivables at amortized cost	116 292	0	664	0	0	0	24 593	141 549	141 549
Debt instruments at fair value - fixed-return securities	113 232	884	3 764	7 845	0	0	12 866	138 591	126 139
Fixed-income funds	0	0	0	0	0	0	13 240	13 240	13 240
Loans and receivables	14 235	0	0	279	0	0	0	14 514	11 406
Financial derivatives classified as assets	944	0	0	0	0	0	0	944	904
Cash and bank deposits	2 949	0	0	60	0	0	0	3 009	3 009
Lending	0	0	67 663	0	17 621	2 072	8 408	95 764	95 764
Total	276 394	884	72 122	8 185	17 621	2 072	61 386	438 664	423 063

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Investment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	12 745	3 957	8 432	3 608	28 743
Debt instruments classified as loans and receivables at amortized cost	21 830	18 988	55 903	19 570	116 292
Debt instruments at fair value - fixed-return securities	40 206	9 156	34 665	29 205	113 232
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 331	11 903	0	14 235
Financial derivatives classified as assets	0	112	832	0	944
Cash and bank deposits	0	263	2 686	0	2 949
Lending	0	0	0	0	0
Total	74 782	34 808	114 421	52 383	276 394

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.

31.12.2017 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	2 820
Lending	0	0	62 329	0	14 928	2 694	8 069	88 021	88 021
Total	257 625	1 003	74 180	7 415	14 928	2 694	59 458	417 304	399 949

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.

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 61 billion per 31.12.2018. 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	31.12.2018		31.12.2017	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
10 LARGEST COUNTERPARTIES				
Counterparty 1	13 491	13 322	15 988	15 820
Counterparty 2	8 766	8 475	8 274	8 137
Counterparty 3	8 475	8 475	8 137	8 067
Counterparty 4	6 860	5 896	7 427	5 579
Counterparty 5	5 966	5 785	5 746	5 577
Counterparty 6	5 285	4 962	5 642	5 511
Counterparty 7	4 766	4 699	4 698	4 698
Counterparty 8	4 750	4 698	4 361	3 959
Counterparty 9	4 698	4 696	3 999	3 360
Counterparty 10	3 686	3 577	3 131	3 122
Total	66 743	64 584	67 404	63 830

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	31.12.2018	31.12.2017
Premium reserves - ordinary tariff	435 267	407 702
Premium funds, buffer funds and pensioners' surplus funds	12 098	15 043
Supplementary reserves	28 418	25 646
Securities adjustment fund	33 447	42 309
Other provisions	54	104
Technical provisions in life insurance	509 284	490 803

NOK MILLIONS	31.12.2018	31.12.2017
Premium reserves	3 377	2 675
Deposit funds	20	9
Provisions in life insurance with investment options	3 396	2 684

NOTE 16 Other current liabilities

NOK MILLIONS	31.12.2018	31.12.2017
Short-term payables trade in securities	2 292	2 799
Incurred not assessed taxes	655	256
Advance tax-deduction pension scheme	420	394
Accounts payable	373	169
Pre-called contribution to insurance	1 434	111
Other current liabilities	859	2 189
Total other current liabilities	6 033	5 919

NOTE 17 SCR ratio

The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

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

association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is basically limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 243 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 287 per cent.

	31.12.2018	31.12.2017
Solvency II - SCR ratio	243 %	224 %

NOK BILLIONS	31.12.2018	31.12.2017	31.12.2018	31.12.2017
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT				
Assets, book value	566	542	Best estimate	507
Added values - hold-to-maturity portfolio/loans and receivables	5	10	Risk margin	13
Added values - other lending	0	1	Hybrid Tier 1 securities/Subordinated loan capital	8
Other added/lesser values	0	0	Other liabilities	9
Deferred tax asset	0	0	Deferred tax liabilities	2
Total assets - solvency II	572	552	Total liabilities - solvency II	539
			Excess of assets over liabilities	33
			- Deferred tax asset	0
			- Risk equalisation fund	-5
			+ Hybrid Tier 1 securities	2
			Tier 1 basic own funds	29
			Total eligible tier 1 own funds	29
			Subordinated loans	6
			Risk equalisation fund	-5
			Tier 2 basic own funds	2
			Ancillary own funds	11
			Tier 2 ancillary own funds	11
			Deduction for max. eligible tier 2 own funds	-5
			Total eligible tier 2 own funds	7
			Deferred tax asset	0
			Total eligible tier 3 own funds	0
			Solvency II total eligible own funds	36
			Solvency capital requirement (SCR)	15
			Solvency II- SCR ratio	243 %
				224 %

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

31.12.2018 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount	Adjusted for the unit holders' interests in consolidated securities fund
					Security in cash	Security in securities		
ASSETS								
Financial derivatives	944	0	944	-293	-632	0	23	23
Repos	0	0	0	0	0	0	0	0
Total	944	0	944	-293	-632	0	23	23
LIABILITIES								
Financial derivatives	6 809	0	6 809	-293	-1 313	-8 083	0	0
Repos	509	0	509	0	0	0	509	509
Total	7 318	0	7 318	-293	-1 313	-8 083	509	509

31.12.2017 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount	Adjusted for the unit holders' interests in consolidated securities fund
					Security in cash	Security in securities		
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	457
Repos	1 089	0	1 089	0	0	0	1 089	1 089
Total	5 849	0	5 849	-941	-1 080	-4 362	1 547	1 547

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	31.12.2018	31.12.2017
Capitalized net liability 01.01.	797	712
Capitalized pension costs	151	140
Capitalized financial costs	26	24
Actuarial gains and losses (Estimate deviation)	22	30
Premiums / contributions received	-117	-109
Capitalized net liability 31.12.	880	797

ASSUMPTIONS	31.12.2018	31.12.2017
Discount rate	2.60%	2.40%
Salary growth	2.75%	2.50%
The National Insurance basic amount (G)	2.50%	2.25%
Pension increases	1.73%	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 22 million increase in the liability as of 31.12.2018. The change is charged to «Other comprehensive income» in the income statement.

NOTE 20 Incident after the end of the reporting period

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 has believed the redemption price is too low, and has taken legal action to clarify the value.

The court of assessment has ruled in the case, and the redemption price for the shares is set at NOK 147,13 per share. The judgement is not legally binding upon presentation of the quarterly accounts.

Key figures - Accumulated

NOK MILLIONS	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
KLP GROUP								
Profit before tax	2 840	2 255	1 516	880	2 474	2 799	1 946	779
Total assets	675 558	691 571	668 577	649 547	652 167	641 486	627 805	612 441
Owners' equity	33 857	32 307	30 386	30 158	29 564	29 363	27 646	27 180
Solvency SCR ratio	243 %	249 %	231 %	233 %	224 %	210 %	204 %	203 %
Number of employees in the Group	1 016	990	980	966	961	956	955	941
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	2 425	1 438	1 287	812	1 985	1 295	1 084	475
Premium income for own account	38 727	31 259	21 989	6 334	32 417	23 989	15 158	6 483
- of which inflow of premium reserve	5	5	5	5	298	208	208	177
Insurance customers' funds incl. acc. profit	18 847	14 110	9 473	4 844	17 386	13 044	8 751	4 459
- of which funds with guaranteed returns	497	497	497	424	212	211	211	188
Net investment common portfolio	515 905	509 046	502 991	495 146	495 607	480 375	476 229	469 414
Net investment choice portfolio	2 423	2 478	2 487	2 351	2 375	2 329	2 293	2 244
Insurance funds incl. earnings for the year	507 600	514 393	506 479	487 732	489 159	477 463	469 952	461 095
- of which funds with guaranteed interest	445 799	439 939	437 311	402 945	421 286	411 325	408 413	403 030
Solvency capital requirement (SCR)	36 106	36 854	34 417	34 131	33 511	34 597	32 610	32 462
Solvency SCR ratio	263 %	274 %	253 %	255 %	242 %	223 %	216 %	214 %
Riskprofit	958	578	393	193	897	426	272	100
Return profits	5 207	6 086	5 046	2 931	6 769	5 487	1567	139
Administration profit	137	115	22	29	141	143	51	32
Solvency capital	109 451	120 680	115 445	109 209	116 656	115 446	108 843	105 303
Book return on common portfolio	3.5 %	3.1 %	2.3 %	1.2 %	3.9 %	3.1 %	1.5 %	0.6 %
Value-adjusted return on common portfolio	1.5 %	2.9 %	1.3 %	-0.4 %	6.7 %	4.6 %	3.0 %	1.7 %
Return on unit-linked portfolio	0.6 %	3.1 %	1.3 %	-0.9 %	7.4 %	5.0 %	3.2 %	1.8 %
Return on corporate portfolio	4.2 %	3.1 %	2.3 %	1.6 %	4.0 %	3.0 %	2.2 %	0.9 %

Key figures - Accumulated – cont.

NOK MILLIONS	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
KLP SKADEFORSIKRING AS								
Profit before tax	17.5	105.6	36.5	-12.5	164.2	152.6	114.9	49.6
Gross premium due	1 338.2	994.5	655.7	324.1	1 344.3	997.7	652.6	320.4
Premium income for own account	1 268.4	942.3	620.9	306.7	1 286.8	954.7	623.9	304.5
Owners' equity	1 775.0	1 860.0	1 807.0	1 767.9	1 771.9	1 828.5	1 806	1 739
Claims ratio	79.9 %	77.2 %	78.1 %	77.2 %	84.2 %	80.6 %	77.0 %	81.1 %
Combined-ratio	104.5 %	100.1 %	103.2 %	101.7 %	106.0 %	101.0 %	98.9 %	103.0 %
Return on assets under management	1.8 %	2.4 %	1.3 %	-0.2 %	5.6 %	3.8 %	2.5 %	1.4 %
Solvency capital requirement (SCR)	1 759	1 840	1 795	1 771	1 764	1 873	1 877	1 848
Solvency SCR ratio	243 %	251 %	240 %	237 %	233 %	257 %	264 %	264 %
Annual premium in force – retail market	587.9	564.1	547.8	539.6	526.4	510.5	488.2	462.0
Annual premium in force – public sector market	809.0	797.8	797.7	791.5	889.6	873.6	865.2	851.4
Net new subscriptions (accumulated within the year)	119.8	43.8	27.3	10.0	50.3	103.6	72.8	32.5
KLP BEDRIFTSPENSJON AS								
Profit before tax	-20.8	-24.1	-16.7	-8.5	-24.5	-23.4	-17.4	-12.1
Premium income for own account	1 041.3	731.8	474.4	247.5	996.7	770.4	569.9	320.8
- of which premium reserve added	519.6	350.4	217.2	118.4	543.1	447	351.6	209.8
Insurance customers' funds including accumulated profit	5 080	5 100	4 764	4 491	4 328	4 048	3 796	3 581
- of which funds with guaranteed returns	1 492	1 498	1 498	1 483	1 442	1 425	1 425	1 422
Returns profit	28.1	25.3	19.9	11.5	77.8	16.1	4.5	-2.6
Risk result	3.4	-7.9	-2.5	0.3	-0.6	-3.1	-2.4	-4.1
Administration losses	-38.9	-28.6	-21.8	-11.2	-38.8	-28	-20	-9.1
Solvency capital requirement (SCR)	234	211	217	209	195	268	285	29
Solvency SCR ratio	150 %	133 %	128 %	126 %	107 %	147 %	185 %	33 %
Solvency capital	646.3	642	665.8	674.4	721.3	708.7	716.6	483.3
Book capital return on common portfolio	4.5 %	3.6 %	2.6 %	1.4 %	8.3 %	3.3 %	1.8 %	0.6 %
Value-adjusted capital return on common portfolio	3.0 %	2.4 %	1.4 %	0.4 %	5.6 %	3.7 %	2.4 %	1.2 %
Return on defined unit-linked contribution pensions	-3.8 %	4.5 %	1.1 %	-2.6 %	11.9 %	8.3 %	4.4 %	1.8 %
Return on corporate portfolio	1.1 %	1.0 %	0.5 %	0.0 %	2.3 %	1.8 %	1.3 %	0.7 %

Key figures - Accumulated – cont.

NOK MILLIONS	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
KLP BANKEN GROUP								
Profit/loss before tax	81.8	71.1	43.0	23.7	103.1	81.7	47.9	23.2
Net interest income	248.5	183.2	122.6	64.6	241.6	173.9	108.5	51.4
Other operating income	75.4	56.0	37.4	18.3	68.2	50.7	33.6	16.8
Operating expenses and depreciation	-226.9	-160.7	-114.4	-58.1	-203.4	-143.2	-97.8	-48.6
Net realized/unrealized changes in financial instruments to fair value	-15.1	-7.4	-2.7	-1.1	-3.4	0.3	3.5	3.7
Contributions	10 662	10 531	10 218	9 733	9 669	9 401	9 138	8 939
Housing mortgages granted	16 716	16 243	15 764	15 147	14 441	14 003	13 730	13 376
Loan(s) with public guarantee(s)	16 759	16 206	16 282	16 091	16 322	17 015	17 166	17 282
Defaulted loans	56	32	21	27	22	17	26	28
Borrowing on the issuance of securities	24 040	23 496	23 084	23 341	22 924	23 223	23 762	23 241
Total assets	37 089	36 468	35 817	35 404	34 981	34 855	35 140	34 383
Average total assets	36 035	35 725	35 399	35 192	34 682	34 619	34 761	34 383
Owners' equity	2 138	2 130	2 108	2 094	2 078	1 910	1 887	1 868
Net interest rate	0.69 %	0.51 %	0.35 %	0.18 %	0.70 %	0.50 %	0.31 %	0.15 %
Profit/loss from general operations before tax	0.23 %	0.20 %	0.12 %	0.07 %	0.30 %	0.24 %	0.14 %	0.07 %
Return on owners' equity before tax	3.83 %	4.56 %	4.14 %	4.57 %	5.57 %	5.89 %	5.18 %	5.02 %
Capital adequacy	20.1 %	19.9 %	20.2 %	20.6 %	21.1 %	19.5 %	19.3 %	19.3 %
Number of private customers	62 502	60 697	59 204	57 568	54 568	52 510	50 885	49 038
Of this members of KLP	44 693	43 267	41 698	40 317	38 382	37 044	35 983	34 703
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	16.7	26.6	-0.9	-2.1	46.7	50.7	26.6	17.5
Total assets under management	494 542	498 246	483 636	483 074	488 947	473 995	463 558	455 577
Assets managed for external customers	63 696	68 975	58 980	63 989	70 878	64 883	62 128	58 210



Sustainability Report

Q4 2018

Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS	31.12.2018	31.12.2017	31.12.2016	Contributes towards UN Sustainable Development Goal:
EMPLOYEE STATISTICS				
Employees of KLP	990	961	950	n/a
Total sickness absence	4.2 %	4.6 %	4.5 %	3.
ENVIRONMENT				
Number of flights	3027	3107	3294	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO2e)	533	534	550	13. 12.
Energy consumption in KLP's own offices (KWh/m2)	148	130	147	9. 13.
Energy consumption in KLP's property portfolio (KWh/m2)	200	190	197	9. 13.
ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION				
Companies excluded from investments	189	174	162	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	106 (98%)	115 (97 %)	111 (96%)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	6408 (97%)	2617 (91 %)	2627 (90%)	n/a
Companies KLP has had direct dialogue with	125	192	214	All SDGs

Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in the 4 th quarter						Contributes towards UN Sustainable Development Goal:	Contributes towards UN Sustainable Development Goal:
	2018	2017	31.12.2018	31.12.2017	31.12.2016			
CLIMATE-FRIENDLY INVESTMENTS								
Renewable energy in Norway (MNOK)	225	-1 524	23 014	22 282	22 034	7.	7.	
Renewable energy in Europe and the USA (MNOK)	274	125	1 644	1 088	652	7.	7.	
Renewable energy in developing countries (MNOK)	-27	64	483	381	257	7. 9. 17.	7. 9. 17.	
Lending for power; water, drainage and renovation (MNOK)	-537	-42	2 588	3 173	3 084	7.	7.	
International power companies (mNOK)	0	n/a	1 200	n/a	n/a	7.	9.	
Buildings with environmental qualities in the property portfolio (MNOK value)	174	803	11 985	10 115	9 154	9.	9.	
Green bonds (MNOK)	32	32	792	735	593	n/a	n/a	
Other Climate-Friendly investments (mNOK)	0	230	230	n/a	n/a	n/a	n/a	
Total (mNOK)	1 609	-542	41 935	37 774	35 774	n/a		
As a proportion of KLP's investments	1 %	0 %	8 %	7 %	7 %	n/a		
Fossil energy (market value in MNOK)	-1 579	967	10 214	11 215	9 693	n/a	n/a	
Fossil energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	2 %	2 %	2 %	n/a	n/a	
Renewable energy (market value in MNOK)	-65	-1 377	27 728	26 924	26 027	7.	7.	
Renewable energy (as a proportion of KLPs assets under management MNOK)	0 %	-1 %	5 %	4 %	5 %	7.	7.	
Buildings with environmental qualities in the property portfolio (MNOK value)	174	803	11 985	10 115	9 177	9.	9.	
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	0 %	1 %	18 %	16 %	15 %	9.	9.	
FINANCE IN DEVELOPING COUNTRIES								
Banking and finance in developing countries	-26	81	570	530	421	1. 5. 8. 17.	1. 5. 8. 17.	
SEED INVESTMENTS								
Seed investments in Norway (mNOK)	2	n/a	4	n/a	n/a	8	8	
DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY								
LENDING BUSINESS								
Loans for roads and transport (MNOK)	447	322	8 543	9 411	7 065	9	9	
Loans for public property (MNOK)	137	92	4 798	4 060	3 264	9	9	
Loans to public sector and businesses (MNOK)	2 150	1 529	51 425	45 087	44 012	n/a	n/a	

Notes to the Sustainability Report

EMPLOYEE STATISTICS

It is important that our employees have a good working environment. KLP's employees and their collective skills are a key resource for KLP. KLP is continually working to reduce employees' sickness absence.

UN SUSTAINABLE DEVELOPMENT GOALS:

The figures show how KLP contributes towards United Nations Sustainable Development Goal (SDG) 3, good health and well-being.

Sickness absence is self-certified and doctor-certified sickness absence. Short-term sickness absence is defined as 1-3 days. Long-term absence is 4 days or more.

TARGET:

KLP's goal is to have less than 4 per cent sickness absence.

DEFINITION:

Number of employees including employees on leave of absence and employees who work part-time.

ENVIRONMENT

KLP works to reduce the environmental impact of its own operations.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes towards the following UN Sustainable development Goals:

- Target 9, *Industry, Innovation and Infrastructure*. More specifically indicator 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 12, *Responsible Consumption and Production*.
- Target 13, *Climate Action*

TARGET:

- Halve greenhouse gas emissions from own operations by 2030, based on emissions in 2010.
- Reduce energy consumption in the property portfolio to 180 kWh per square metre.

DEFINITION:

Corporate air travel:

Number of flights is based on data provided by our travel agent. The number of flights are return flights. Greenhouse gas emissions from KLP's corporate air travel is calculated based on number of kilometres flown, and our travel agent provides the data.

Energy consumption in KLP's own offices:

Energy consumption is a major source of KLP's greenhouse gas emissions. The energy consumption in KLP's own office premises are not temperature-corrected, but shows actual consumption. 'Own office premises' are the offices where

employees of the KLP Group work. The energy data is obtained from our energy monitoring system.

Energy consumption in KLP's property portfolio:

The data reported is average 12-month temperature-corrected specified energy consumptions for properties operated by KLP.

"In-house operated buildings" means those properties KLP owns and for which KLP has the responsibility for operation and maintenance, and where KLP has the opportunity to implement environmental measures and measure their effects. These are buildings in Oslo, Trondheim, Copenhagen and Stockholm. All these buildings have energy monitoring systems in which energy and water consumption is recorded and monitored. The figures only include buildings where the tenant's energy consumption is also measured, providing us with an overview of the total energy consumption of the buildings. Energy consumption in kWh/m² per year for KLP's in-house operated buildings is temperature-corrected.

The company has a large portfolio of buildings, which also changes over time. The individual buildings can also change their consumption patterns over shorter or longer periods, e.g. in connection with changes of tenant. There are various reasons why it may sometimes be impossible to obtain correct energy data, such as meter faults or figures reported too late by our sub-contractors. Hence, the reporting will only include buildings operated by KLP itself, where operating conditions are consistent for the last 12 months before the reporting date. In effect, the buildings included in the reporting might vary slightly from year to year. Nevertheless, we believe that this will portray the correct trends in the energy consumption of the company's property portfolio.

ENGAGING COMPANIES AND INDUSTRIES FOR MORE SUSTAINABLE OPERATION

KLP is a committed investor and owner. We vote at general assemblies, and have direct dialogue with companies on ESG matters in our efforts to influence individual companies, industries and markets.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes to several UN Sustainable Development Goals:

- Target 3.a: Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries.
- Target 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour.
- Target 12.6: Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
- Target 16.2: End abuse, exploitation, trafficking and all forms of violence against and torture of children, 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.5: Substantially reduce corruption and bribery in all their forms.

TARGET:

- KLP aims to vote at 75 per cent of general meetings internationally, and 90 per cent of general meetings in Norway.
- KLP aimed to monitor 240 companies in 2017.

INCREASE CLIMATE-FRIENDLY INVESTMENTS

KLP's investments promote many different dimensions of sustainable development, but KLP intends to focus particularly on climate in the future. KLP aims to manage its capital in a climate-friendly direction by setting specific targets for selected investments.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes to several UN Sustainable Development Goals:

- Goal 7, Affordable and Clean Energy, including target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services, and 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- Goal 9, Industry, Innovation and Infrastructure, particularly target 9.a: Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support, and 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 17.3: Mobilise additional financial resources for developing countries from multiple sources.

DEFINITION:

Companies excluded from investments shows the total number of companies KLP has excluded from its investments as of the end of the year, based on breaches of KLP's guidelines for responsible investment.

The number of companies KLP has had direct dialogue with refers to companies that KLP has been in direct contact with during the year on social, environmental, or governance matters. The dialogue varies in scope, subject-matter and time frame. This is a form of exercising ownership in which KLP engages in dialogue with companies to discuss their handling of social responsibility issues, and communicate our expectations as an investor and owner. In 2018, KLPs strategy has been to engage deeper and more thoroughly with the companies we are in dialogue with. As such, even though the number of engagements has gone down, we still believe this kind of engagement strategy will be more beneficial over time. Both for KLP as an investor and for the companies.

TARGET:

- Increase KLP's climate-friendly investments by NOK 6 billion per year.

DEFINITION:

Market value of the investments in NOK millions is stated.

Renewable energy:

Renewable energy in Norway covers equity and bond investments in Norwegian energy and grid companies. Energy companies are classified as electricity producers, with power generation stemming from hydroelectric power, wind power or bio-fuels.

Renewable energy in Europe and North America covers investments in new renewable energy projects. Investments are done through a fund manager specialising in energy (Copenhagen Infrastructure Partners).

Renewable energy in developing countries covers investments in new renewable energy projects. Investments are made partly as direct investments in cooperation with Norfund, and partly as fund investments through the fund manager Climate Investor One. The investments are part of KLP's portfolio for development investments, which is one of the measures in the *Guidelines for KLP as a responsible investor*. The purpose is to achieve both financial returns and benefits to society. The investments are based on commercial risk- and return assessments, but also emphasise positive returns on social and environmental parameters.

Lending for energy, water, drainage and renovation:

These are loans to public-sector enterprises, companies and projects in Norway within the energy sector, and in water, drainage and sanitation.

International power companies

Investments in international power companies entail power companies who mainly generate power from renewable energy sources. However, we have not included these companies in the indicators for renewable energy as they do generate a minor part of the electricity from other sources.

Green bonds:

The market value includes bonds that are classified as green and are not already included in KLP's investments in renewable energy in Norway above. Including these, KLP's total investment in green bonds is NOK 1.6 billion.

Other climate-friendly investments:

Climate-friendly investments that are not covered by the aforementioned main categories are combined in this

indicator. For instance, KLP has invested in a Swedish forest fund, investing in forest-properties in Sweden, Finland and the Baltics.

Fossil energy:

The figure is the market value of KLP's investments in companies classified as oil and gas companies, including exploration, production and refining. Transport and oil servicing companies are not included.

Buildings with environmental qualities:

Market value of buildings with environmental qualities in KLP's property portfolio. There are a multitude of ways define a building with environmental qualities. For KLP, the specific qualities used in this definition are; that the building is BREEAM-certified with a minimum rating of 'very good', that it has energy class B or better, that it produces its own energy through solar panels, or that the building has won a Norwegian property prize where environmental performance is a key evaluation parameter. An overall assessment has been made, and the buildings classified as buildings with environmental qualities have meet one or more of these criteria.

Proportion of total portfolio:

The proportion represents the investment as a percentage of KLP's assets under management.

Investments in publicly traded companies that KLP invests in through our index-tracking or global bond portfolios are kept outside this definition of climate-friendly investments (except for green bonds).

FINANCE IN DEVELOPING COUNTRIES:

Underdeveloped financial institutions and lack of access to capital impede efforts to reduce poverty in developing countries. KLP wants its investment in finance in developing countries to contribute to economic growth and better living conditions.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators show how KLP contributes to several UN Sustainable Development Goals:

- Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, appropriate technology and financial services, including microfinance.
- Target 5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources.
- Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
- Target 17.3: Mobilise additional financial resources for developing countries from multiple sources.

TARGET:

Not defined.

DEFINITION:

Investments in banking and finance in developing countries are KLP's investments in the Norwegian Microfinance Initiative (NMI) and NorFinance. NorFinance is an investment company owned by KLP together with others, including Norfund. The investments are part of the KLP's portfolio for development investments, which is one of the measures in the *Guidelines for KLP as a responsible investor*. The purpose is to achieve both financial returns and benefits to society.

SEED INVESTMENTS:

KLP aims to contribute to local innovation and new employment opportunities in Norway. By investing in innovation, we hope KLP can stimulate the development of new businesses and new jobs in Norway.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicator supports many SDGs. The most central is SDG 8 Decent work and economic growth, and target 8.3; Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

TARGET:

Not defined.

DEFINITION:

Seed investments. In the 2nd quarter 2018 KLP committed to invest 75 mNOK in SINTEF's Venture V, a seed investment fund that will invest in startups coming out of the research and development community in Trondheim, Norway. Hence, in our Q2 report, we reported the total committed sum of 75 mNOK. However, as of Q4 2018, 4 mNOK have been transferred, and we are therefore reporting on the transferred sum.

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY:

KLP aims to develop products and services related to our core business which respond to some of the sustainability challenges our customers and owners have, and which benefit society as a whole..

LENDING BUSINESS:

KLP's lending is to a large degree lending to Norwegian municipalities and other public companies. The loans are important for local development, and create benefits to society as a whole.

UN SUSTAINABLE DEVELOPMENT GOALS:

The indicators support the UN Sustainable Development Goal 9, *Industry, Innovation and infrastructure*, particularly target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure.

TARGET:

Increase lending for this type of purpose.

DEFINISJON:

Loans for public-sector property are loans for e.g. school buildings, town halls and other municipal buildings. Lending to the public sector and businesses covers the financing of various types of investment by municipal and county authorities such as kindergartens, nursing homes, schools etc.



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q4 2018

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
3	Premium income	7 469	8 427	38 727	32 417
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	1 873	3 115	3 872	5 565
	Interest income and dividends etc. on financial assets	2 415	1 952	9 975	10 871
	Value changes on investments	-12 518	3 941	-10 421	13 450
	Gains and losses realized on investments	889	1 041	3 595	924
	Net income from investments in the common portfolio	-7 341	10 050	7 021	30 810
	Net income from investments in the investment option portfolio	-59	54	14	164
	Other insurance-related income	273	252	1 055	984
4	Claims	-4 736	-4 342	-18 847	-17 386
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	1 894	-14 187	-21 503	-38 615
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	14	-12	-58	-95
	Funds assigned to insurance contracts - contractual liabilities	3 306	393	-2 939	-5 199
5	Insurance-related operating expenses	-329	-292	-1 097	-1 001
	Other insurance-related costs	-274	-250	-1 059	-980
	Technical profit/loss	217	93	1 315	1 098
	Net income from investments in the corporate portfolio	428	291	1 456	1 261
	Other income	2	3	6	12
	Administration costs and other costs associated with the corporate portfolio	-98	-99	-353	-386
	Non-technical profit/loss	332	196	1 109	887
	Profit/loss pre-tax	549	289	2 425	1 985
	Tax	-190	-173	-627	-496
	Profit/loss before other comprehensive income	359	115	1 797	1 489
11	Actuarial gains and losses on defined benefits pension schemes - employee benefits	-15	54	-15	-19
	Proportion of other comprehensive income on application of the equity method	-7	25	-7	-12
	Adjustment of the insurance liabilities	1	-9	1	2
	Tax on other comprehensive income	4	-13	4	5
	Total other comprehensive income	-18	55	-18	-24
	TOTAL COMPREHENSIVE INCOME	342	171	1 780	1 465

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
	ASSETS		
	ASSETS IN THE CORPORATE PORTFOLIO		
	Intangible assets	173	226
7	Investment properties	924	1 003
	Shares and holdings in property subsidiaries	1 985	1 831
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 694	4 641
6	Financial assets valued at amortized cost	18 175	16 233
6.7	Financial assets valued at fair value	12 705	10 995
	Receivables	742	986
	Other assets	992	888
	Total assets in the corporate portfolio	40 392	36 802
	ASSETS IN THE CUSTOMER PORTFOLIOS		
	Shares and holdings in property subsidiaries	62 092	58 605
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	1 507	771
6	Financial assets valued at amortized cost	212 596	189 962
6.7	Financial assets valued at fair value	239 711	246 268
	Total investment in the common portfolio	515 905	495 607
	Shares and holdings in property subsidiaries	307	290
6	Financial assets at amortized costs	876	802
6.7	Financial assets at fair value	1 240	1 283
	Total investments in the investment option portfolio	2 423	2 375
	Total assets in the customer portfolios	518 327	497 982
	TOTAL ASSETS	558 719	534 784

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
OWNERS' EQUITY AND LIABILITIES			
	Owners' equity contributed	14 554	13 125
	Retained earnings	19 281	17 501
	Total owners' equity	33 835	30 626
6	Subordinated loan capital etc.	7 691	7 511
	Premium reserve etc.	431 153	403 902
	Supplementary reserves	28 206	25 399
	Securities adjustment fund	33 439	42 277
	Premium funds, defined contribution funds, pension regulation funds etc.	12 383	15 206
	Total insurance liabilities - contractual liabilities	505 182	486 785
	Pension capital etc.	1 941	1 849
	Supplementary reserves	100	140
	Premium funds, defined contribution funds, pension regulation funds etc.	378	385
	Total insurance liabilities - special investment portfolio	2 419	2 374
11	Pension obligations	565	520
	Current tax liabilities	426	2
	Deferred tax liabilities	481	226
9	Liabilities	7 895	6 442
	Accrued costs and prepaid income	225	299
	TOTAL OWNERS' EQUITY AND LIABILITIES	558 719	534 784
OFF-BALANCE SHEET ITEMS			
	Contingent liabilities	19 142	14 597

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2018	13 125	4 154	13 347	30 626
Income before other profit/loss components		639	1 158	1 797
Actuarial gains and losses on defined benefits pension schemes - employee benefits			-15	-15
Proportion of other comprehensive income on application of the equity method			-7	-7
Adjustment of the insurance liabilities			1	1
Tax on other comprehensive income			4	4
Total other comprehensive income			-18	-18
Total comprehensive income		639	1 141	1 780
Owners equity contribution received	1 429			1 429
Total transactions with owners	1 429			1 429
Own funds 31 December 2018	14 554	4 794	14 488	33 835

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	1 241	1 489
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	1 218	1 465
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	13 347	30 626

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2018 -31.12.2018	01.01.2018 -30.09.2018	01.01.2018 -30.06.2018	01.01.2018 -31.03.2018	01.01.2017 -31.12.2017
Net cashflow from operational activities	-1 304	-1 461	287	-12	-728
Net cashflow from investment activities ¹	-12	-12	-12	-10	-49
Net cashflow from financing activities ²	1 429	1 428	-13	-14	731
Net changes in cash and bank deposits	112	-45	262	-35	-45
Holdings of cash and bank deposits at start of period	842	842	842	842	887
Holdings of cash and bank deposits at end of period	954	796	1 104	807	842

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 2018.

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 2017, unless stated otherwise.

The interim financial statements do not contain all the information required of complete annual financial statements, and the interim financial statement should be read in the context of the annual financial statements for 2017, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at klp.no

ACCOUNTING ESTIMATES

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

NEW TAX RULES

With effect from the 2018 income year, the tax rules for life insurance and pension firms have changed. The new rules mean that taxation of income and expenses related to assets in the collective portfolio and the investment selection portfolio

shall be made in accordance with accounting legislation. The principle will apply to both financial assets and other types of assets.

Provisions for risk equalisation funds were previously tax deductible when determining taxable income. Under the new rules, tax deductions no longer apply and provisions will be taxable with effect from the 2018 income year. A transitional provision has been introduced which regulates that untaxed funds in a risk equalisation fund as of 31.12.2017 shall be set aside in a separate account and taxed upon the liquidation of the business that has given rise to the provision.

In accordance with the transitional provisions, tax values on assets and liabilities in customer portfolios on 31.12.2017 shall be juxtaposed with accounting values as at 31.12.2018. This means that unrealised profit and loss on assets shall be taken to income in 2018. Net taxable income related to profit and loss on unrealised assets in 2018, which exceeds the company's carry-forward losses, can be entered in the profit and loss account and recognised as income at 20% per year.

At the start of 2018, KLP had an accumulated carry-forward loss of NOK 60.2 billion, and interim differences related to financial assets in the collective portfolio and the investment selection portfolio of NOK 61.9 billion. Of the difference between these totalling NOK 1.8 billion, NOK 0.4 billion will be included in the basis for calculating tax payable, and the remaining NOK 1.4 billion will be included in the basis for deferred tax. For 2017, the NOK 1.8 billion was included in the basis for deferred tax, and the change in the tax rules thus has no effect on the company's equity.

NOTE 2 Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 31. December 2018.

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Value adjustment incl. foreign exchange	1 581	1 963	1 704	3 151
Foreign exchange effect on hedging	-943	-462	377	-734
Net value adjustment incl. exchange hedging	638	1 501	2 081	2 417

NOTE 3 Premium income

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Gross premiums due	7 470	8 342	38 724	32 122
Reinsurance premiums ceded	0	-3	-2	-3
Transfer of premium reserves from others	-1	89	5	298
Total premium income	7 469	8 427	38 727	32 417

NOTE 4 Claims

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Claims paid	4 736	4 341	18 350	17 174
Transfers of premium reserves to others	0	1	497	212
Total claims	4 736	4 342	18 847	17 386

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q4 2018	Q4 2017	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017
Personnel costs	200	181	639	598
Depreciation	18	23	73	74
Other operating expenses	111	88	384	329
Total insurance-related operating expenses	329	292	1 097	1 001

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.

31.12.2018 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	686	751	6 247	6 666	23	24	6 955	7 440
Accrued not due interest	20	20	155	155	0	0	175	175
Foreign hold-to-maturity bonds	6 331	6 493	17 086	17 502	57	63	23 474	24 058
Accrued not due interest	42	42	235	235	1	1	278	278
Total investments held to maturity	7 078	7 305	23 722	24 558	81	88	30 882	31 950
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 580	3 634	39 654	41 357	190	202	43 425	45 192
Accrued not due interest	59	59	777	777	4	4	840	840
Foreign bonds	7 358	7 411	84 691	87 139	590	605	92 640	95 154
Accrued not due interest	99	99	1 472	1 472	11	11	1 582	1 582
Total bonds classified as loans and receivables	11 097	11 203	126 594	130 745	795	821	138 487	142 769
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	2 976	2 979	0	0	2 976	2 979
Lending with public sector guarantee	0	0	51 074	51 330	0	0	51 074	51 330
Loans abroad secured by mortgage and local government guarantee	0	0	7 971	8 005	0	0	7 971	8 005
Accrued not due interest	0	0	257	257	0	0	257	257
Total other loans and receivables	0	0	62 279	62 572	0	0	62 279	62 572
Total financial assets at amortized cost	18 175	18 508	212 596	217 874	876	908	231 647	237 291
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	601	601	6 843	6 843	0	0	7 445	7 445
Foreign shares	0	0	23 108	23 108	0	0	23 108	23 108
Total shares	601	601	29 951	29 951	0	0	30 552	30 552
Property funds	0	0	2 326	2 326	0	0	2 326	2 326
Norwegian equity funds	0	0	63 747	63 747	599	599	64 346	64 346
Foreign equity funds	0	0	11 533	11 533	0	0	11 533	11 533
Total equity fund units	0	0	77 605	77 605	599	599	78 204	78 204
Norwegian alternative investments	0	0	2 592	2 592	16	16	2 608	2 608
Foreign alternative investments	0	0	858	858	0	0	858	858
Total alternative investments	0	0	3 451	3 451	16	16	3 466	3 466
Total shares and units	601	601	111 007	111 007	615	615	112 223	112 223

NOTE 6 Fair value of financial assets and liabilities – continues

31.12.2018 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	7 155	7 155	32 582	32 582	0	0	39 737	39 737
Foreign bonds	156	156	19 373	19 373	0	0	19 529	19 529
Accrued not due interest	40	40	360	360	0	0	400	400
Norwegian fixed-income funds	2 229	2 229	50 749	50 749	576	576	53 554	53 554
Foreign fixed-income funds	0	0	13 237	13 237	0	0	13 237	13 237
Norwegian certificates	358	358	5 758	5 758	0	0	6 116	6 116
Accrued not due interest	1	1	5	5	0	0	6	6
Total bonds and other fixed-income securities	9 939	9 939	122 064	122 064	576	576	132 579	132 579
Norwegian loans and receivables	1 374	1 374	2 844	2 844	10	10	4 228	4 228
Foreign loans and receivables	140	140	3 440	3 440	39	39	3 619	3 619
Total loans and receivables	1 514	1 514	6 284	6 284	49	49	7 847	7 847
DERIVATIVES								
Interest rate swaps	651	651	55	55	0	0	706	706
Forward exchange contracts	0	0	70	70	0	0	70	70
Total financial derivatives classified as assets	651	651	126	126	0	0	777	777
Other financial assets	0	0	229	229	0	0	229	229
Total financial assets valued at fair value	12 705	12 705	239 711	239 711	1 240	1 240	253 656	253 656
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	490	490	0	0	490	490
Forward exchange contracts	1	1	3 384	3 384	16	16	3 401	3 401
Total financial derivatives classified as liabilities	1	1	3 874	3 874	16	16	3 891	3 891
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	6 029	6 302	0	0	0	0	6 029	6 302
Hybrid Tier 1 securities	1 662	1 332	0	0	0	0	1 662	1 332
Total subordinated loan capital etc.	7 691	7 634	0	0	0	0	7 691	7 634
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	1	1	0	0	1	1
Foreign call money ¹	628	628	12	12	9	9	648	648
Total liabilities to credit institutions	628	628	13	13	9	9	650	650

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

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
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 loan	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								
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
Share options	0	0	0	0	0	0	0	0
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
Interest rate futures	0	0	0	0	0	0	0	0
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 7 Fair value hierarchy

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other fixed-income securities	2 276	7 663	0	9 939
Certificates	0	359	0	359
Bonds	47	7 304	0	7 351
Fixed-income funds	2 229	0	0	2 229
Loans and receivables	746	768	0	1 514
Shares and units	0	598	4	601
Shares	0	598	4	601
Financial derivatives	0	651	0	651
Other financial assets	0	0	0	0
Total corporate portfolio	3 022	9 680	4	12 705
COMMON PORTFOLIO				
Bonds and other fixed-income securities	86 443	35 621	0	122 064
Certificates	3 969	1 794	0	5 763
Bonds	18 487	33 828	0	52 315
Fixed-income funds	63 987	0	0	63 987
Loans and receivables	5 435	849	0	6 284
Shares and units	91 686	4 116	15 205	111 007
Shares	26 850	620	2 481	29 951
Equity funds	64 836	0	61	64 897
Property funds	0	45	2 281	2 326
Special funds	0	3 451	0	3 451
Private Equity	0	0	10 383	10 383
Financial derivatives	0	126	0	126
Other financial assets	0	229	0	229
Total common portfolio	183 565	40 941	15 205	239 711

NOTE 7 Fair value hierarchy – continues

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other fixed-income securities	576	0	0	576
Fixed-income funds	576	0	0	576
Loans and receivables	49	0	0	49
Shares and units	599	16	0	615
Equity funds	599	0	0	599
Special funds	0	16	0	16
Financial derivatives	0	0	0	0
Other financial assets	0	0	0	0
Total investment option portfolio	1 224	16	0	1 240
Total financial assets valued at fair value	187 810	50 637	15 209	253 656
CORPORATE PORTFOLIO				
Investment property	0	0	924	924
Total investment property	0	0	924	924
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	1	0	1
Debt to credit institutions	628	0	0	628
Total corporate portfolio	628	1	0	629
COMMON PORTFOLIO				
Financial derivatives	0	3 874	0	3 874
Debt to credit institutions	13	0	0	13
Total common portfolio	13	3 874	0	3 887
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	16	0	16
Debt to credit institutions	9	0	0	9
Total investment option portfolio	9	16	0	25
Total financial liabilities at fair value	650	3 891	0	4 541

NOTE 7 Fair value hierarchy – continues

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

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 31.12.2018	Book value 31.12.2017
Opening balance 01.01.	3	47
Sold	0	-84
Bought	0	3
Unrealised changes	1	37
Closing balance 31.12.	4	3
Realised gains/losses	-48	83

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 31.12.2018	Book value 31.12.2017
Opening balance 01.01.	1 640	1 375
Sold	0	-19
Bought	339	129
Unrealised changes	503	155
Closing balance 31.12.	2 481	1 640
Realised gains/losses	0	-27

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 31.12.2018	Book value 31.12.2017
Opening balance 01.01.	75	84
Sold	-15	-6
Bought	0	0
Unrealised changes	1	-3
Closing balance 31.12.	61	75
Realised gains/losses	0	0

CHANGES IN LEVEL 3 PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 31.12.2018	Book value 31.12.2017
Opening balance 01.01.	10 837	8 661
Sold	-2 403	-1 621
Bought	2 261	1 985
Unrealised changes	1 969	1 811
Closing balance 31.12.	12 664	10 837
Realised gains/losses	1 326	389

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.12.2018	Book value 31.12.2017
Opening balance 01.01.	1 003	1 003
Sold	-499	0
Bought	0	0
Unrealised changes	70	41
Other	350	-41
Closing balance 31.12.	924	1 003
Realised gains/losses	362	-41
Total Level 3	16 133	13 556

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 807 million as of 31.12.2018 on the assets in level 3.

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

In this quarter NOK 10 million has been moved from Level 2 to Level 1 and NOK 33 million from level 1 to level 2. The amount are related to equity instruments and are due to change in liquidity.

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

31.12.2018 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	777	0	777	-126	-633	0	23
Total	777	0	777	-126	-633	0	23
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	126	0	126	-126	-4	0	0
Total assets – corporate portfolio	651	0	651	0	-628	0	23
Total assets – investment option portfolio	0	0	0	0	-1	0	0
Total	777	0	777	-126	-633	0	23
LIABILITIES							
Financial derivatives	3 891	0	3 891	-126	-5	-5 247	13
Total	3 891	0	3 891	-126	-5	-5 247	13
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	3 874	0	3 874	-126	-1	-5 247	0
Total liabilities – corporate portfolio	1	0	1	0	0	0	1
Total liabilities – investment option portfolio	16	0	16	0	-4	0	12
Total	3 891	0	3 891	-126	-5	-5 247	13

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

31.12.2017 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	1 095	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

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	31.12.2018	31.12.2017
Short-term liabilities securities	1 442	711
Advance tax-deduction pension scheme	418	392
Accounts payable	21	7
Derivatives	3 891	3 395
Debt to credit institutions	650	679
Liabilities related to direct insurance	1 442	1 228
Other short-term liabilities	31	29
Total liabilities	7 895	6 442

NOTE 10 SCR ratio

NOK BILLIONS	31.12.2018	31.12.2017		31.12.2018	31.12.2017
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT					
Assets, book value	559	535	Best estimate	500	487
Added values - hold-to-maturity portfolio/loans and receivables	6	10	Risk margin	13	13
Added values - other lending	0	1	Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	9	7
Deferred tax asset	0	0	Deferred tax liabilities	2	1
Total assets - solvency II	564	545	Total liabilities - solvency II	532	516
			Excess of assets over liabilities	32	29
			- Deferred tax asset	0	0
			- Risk equalisation fund	-5	-4
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	29	27
			Total eligible tier 1 own funds	29	27
			Subordinated loans	7	6
			Risk equalisation fund	5	4
			Tier 2 basic own funds	12	10
			Ancillary own funds	11	10
			Tier 2 ancillary own funds	11	10
			Deduction for max. eligible tier 2 own funds	-16	-14
			Total eligible tier 2 own funds	7	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	36	34
			Market risk	6	6
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	15	15
			Diversification life risk	-4	-4
			Diversification general	-3	-3
			Operational risk	2	2
			Loss absorbing ability deferred tax	-2	-1
			Solvency capital requirement (SCR)	14	14
			Linear minimum capital requirement (MCR_linear)	6	6
			Minimum	3	3
			Maximum	6	6
			Minimum capital requirement (MCR)	6	6
			Solvency II- SCR ratio	263 %	242 %

The Solvency II balance sheet includes assets and liabilities at fair value. For assets that have a different value in the accounts change in balance value are added. There are no observable market values for KLP's insurance liabilities, which are thus calculated by way of a best estimate based on actuarial assumptions. In addition there is a risk margin that is to reflect a third party's capital costs by taking over these liabilities.

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2,5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 263 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 311 per cent.

	31.12.2018	31.12.2017
Solvency II - SCR ratio	263 %	242 %

NOTE 11 Pension obligations

NOK MILLIONS	31.12.2018	31.12.2017
Capitalized net liability 01.01.	520	474
Capitalized pension costs	91	87
Capitalized financial costs	16	16
Actuarial gains and losses	15	19
Premiums / contributions received	-78	-75
Capitalized net liability 31.12.	565	520

ASSUMPTIONS	31.12.2018	31.12.2017
Discount rate	2.60 %	2.40 %
Salary growth	2.75 %	2.50 %
The National Insurance basic amount (G)	2.50 %	2.25 %
Pension increases	1.73 %	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 15 million as of 31.12.2018. The change is recognized in other comprehensive income in the income statement.

NOTE 12 Incident after the end of the reporting period

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 has believed the redemption price is too low, and has taken legal action to clarify the value.

The court of assessment has ruled in the case, and the redemption price for the shares is set at NOK 147,13 per share. The judgement is not legally binding upon presentation of the quarterly accounts.

**HEAD OFFICE**

Dronning Eufemias gate 10, Oslo, Norway

Switchboard: +47 55 54 85 00

Fax: +47 22 03 36 00

REGIONAL OFFICE

Zander Kaaes gate 7, Bergen

Switchboard: +47 55 54 85 00

Fax: +47 55 54 85 90

SEND MAIL TO

Kommunal Landspensjonskasse,

P.O. Box 400 Sentrum, 0103 Oslo, Norway

Online: klp.no/kontakt

Web: english.klp.no

Organization no.: 938 708 606