



Interim report

KLP GROUP
Q3 2019



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KLP GROUP

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Report for the third quarter of 2019

KLP DELIVERS A GOOD RESULT FOR THE YEAR TO DATE

- The value-adjusted return so far this year was 6.6 per cent, while the book return came to 2.7 per cent.
- KLP delivers a returns result of NOK 4.6 billion after the third quarter.
- KLP has launched four new Nordic Swan-branded funds.

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 third quarter of 2019, the Group had total assets of NOK 744.6 billion, an increase of NOK 69.0 billion since the beginning of the year.

The Group's total comprehensive income was NOK 654 (482) million in the third quarter and NOK 1.7 (1.3) billion in the year to date.

Kommunal Landspensjonskasse

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse. Out of KLP's total assets of NOK 610.6 billion, NOK 554.4 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE THIRD QUARTER OF 2019

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 4.6 (6.0) billion in the year to date. The value-adjusted profit on the common portfolio was 1.9 per cent, while the book return was 0.7 per cent in the third quarter; the figures for the year to date are 6.6 per cent and 2.7 per cent respectively.

Risk result

The risk events in the stock are altogether within expectations for the year, but may vary from quarter to quarter. The profit was NOK 404 million in the quarter and NOK 940 (578) million for the year to date. Lower provisions for future disability payments is the main reason for the increase.

Administration result

The Company's administration result shows a surplus of NOK 192 (115) million in the year to date. Insurance-related operating costs came to NOK 783 (768) million so far this year.

Total income

Total profit for the Company was NOK 1.7 (1.4) billion in the year to date. The customer result is NOK 5.1 (6.2) billion so far this year.

NOK MILLIONS	Customers	Company	Total
Returns result	4,590	129	4,720
Risk result	470	470	940
Interest guarantee premium		355	355
Administration result		192	192
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		1,003	1,003
Tax		-409	-409
Other profit/loss elements		-45	-45
Income after Q3/2019	5,060	1,695	6 755
Income after Q3/2018	6,245	1,438	7,683

Financial strength and capital-related matters

KLP's total assets show growth of NOK 51.9 billion in the year to date and amount to NOK 610.6 billion. The premium reserve increased by NOK 23.0 billion to NOK 454.1 billion in the same period.

So far this year the securities adjustment fund has increased by NOK 21.0 billion to NOK 54.5 billion.

Without applying transitional rules, the Company's solvency capital ratio (SCR) is 274 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 362 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.

Key figures

PER CENT	At 30.09.2019	At 30.09.2018
Book returns *	2.7	3.1
Value-adjusted returns *	6.6	2.9
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	7.4	1.9
Capital adequacy, Solvency II	274	274
Capital adequacy, Solvency II, with transitional measures	362	321

* The returns figures apply to the common portfolio

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 32.2 (31.3) billion at the end of the quarter.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, have increased by 6.9 per cent in the last twelve months and amounted to NOK 15.1 (14.1) billion at 30 September.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 551.7 (509.1) billion and were invested as shown below:

ASSETS	At 30.09.2019		At 30.09.2018	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	24.7%	15.6%	23.5%	5.7%
Short-term bonds	17.9%	8.1%	18.5%	-1.1%
Long-term/HTM bonds	28.1%	2.7%	27.7%	2.8%
Lending	12.3%	1.8%	11.9%	1.7%
Property	12.1%	4.6%	12.3%	5.6%
Other financial assets	4.8%	1.4%	6.0%	0.9%

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 24.7 per cent at the end of the third quarter. The total return on shares and alternative investments was 3.2 per cent in the third quarter and 15.6 per cent after the first nine months of the year. After three quarters, KLP's global equities show a return of 18.5 per cent, while the return in the Norwegian equity portfolio was 10.2 per cent in the same period.

Short-term bonds and the money market

Short-term bonds accounted for 17.9 per cent and money-market instruments 4.8 per cent of the assets in the common

portfolio as at 30 September. As in the preceding quarters, Norwegian, European and US ten-year government rates also fell through the third quarter which contributed to positive returns. KLP's global government bond index achieved a currency-hedged return of 2.8 per cent in the quarter, while the return on the Norwegian government bond index was 0.8 per cent. Global credit margins were more or less unchanged through the quarter. KLP's global credit bond index had a return of 2.5 per cent in the third quarter and 10.2 per cent over the first nine months of the year.

In total, short-term bonds achieved returns of 2.1 per cent in the third quarter, and 8.1 per cent at 30 September. The money market return was 0.5 per cent for the quarter, and 1.4 per cent at 30 September.

Long-term bonds

Investment in bonds held to maturity made up around 28.1 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 10.8 billion as at 30 September. The portfolio is well diversified and consists of securities issued by creditworthy borrowers. The return measured at amortised cost was 0.9 per cent in the third quarter and 2.7 per cent at 30 September.

Property

Property investments, including Norwegian and international property funds, made up 12.1 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 928 million to the end of the third quarter, after currency hedging in foreign properties. Property investments in the common portfolio achieved a return of 4.6 per cent in the first nine months.

Lending

Lending in the common portfolio totals NOK 67.0 billion. This is split between NOK 64.0 billion in loans to the public sector and NOK 3.1 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 621 million as at 30 September. After the third quarter, the return was NOK 1.8 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 moderate-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 3.4 per cent at the end of the third quarter, of which 0.9 per cent fell in the third quarter.

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. Today, the Company expects an inflow of approx. NOK 2.7 billion and an outflow of approx. NOK 5.6 billion in 2020.

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

This Company had total assets of NOK 6.8 billion as at 30 September. This is an increase of NOK 1.2 billion since 31.12.2018. 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 4.5 billion. There was also a positive development in the equity markets, which also impacts the development of the defined-contribution pension portfolio. 289 new business customers entered into pension agreements with the Company in the first nine months, and we have received 3,491 pension capital certificates from other life insurance companies.

Customers with defined-contribution pensions achieved an average return of 12.6 per cent at 30 September. KLP Bedriftspensjon achieved a book return on the common portfolio of 2.4 per cent and a value-adjusted return of 2.9 per cent at 30 September.

The returns result was NOK 8.4 million at 30 September, and the securities adjustment fund stood at NOK 16 million. KLP Bedriftspensjon had total comprehensive income of NOK -8.6 billion at 30 September, an improvement of NOK 16.7 million on the same period last year.

Return on customer assets

COMMON PORTFOLIO	At 30.09.2019	At 30.09.2018
Book returns	2.4%	3.6%
Value-adjusted returns	2.9%	2.4%
Defined-contribution pensions with investment options	12.6%	4.5%
Profile KLP90	16.2%	8.0%
Profile KLP70	13.4%	6.3%
Profile KLP50	10.7%	4.0%
Profile KLP30	8.0%	2.3%
KLP Optimal Livsfase ¹	17.5%	5.2%
KLP Nåtid	3.8%	0.1%
KLP Kort Horisont	6.2%	1.0%
KLP Lang Horisont	11.7%	3.0%
KLP Framtid	17.3%	5.0%
Profil KLPPM	1.2%	0.9%

¹ Return for profile with 100% equities

Non-life insurance

The pre-tax operating profit was NOK 140.5 (105.6) million. The results are characterised by a weak insurance result, but with a positive result from adjustments to previous years' reserves and a good financial performance. For the third quarter in isolation, the profit was NOK 2.2 (69.2) million.

Gross premiums due increased by 15.2 per cent compared to the same time last year and amount to NOK 1,336 million. The retail market shows a growth rate of 16.3 per cent, while the public sector and corporate market shows a growth rate of 14.6 per cent.

On 22 July the Company received a fire claim from the municipality of Vindafjord, where a multi-purpose hall was completely destroyed. The claim has been posted to the accounts at NOK 95 million. The Company's reinsurance will reduce the accounting effects down to NOK 30 million. During the year, the Company has also been notified of four more major claims totalling NOK 122 million, of which the reinsurers will cover NOK 47 million.

Reversal of previous years' claims is still positive, and this year NOK 120 million has so far been taken to income, equivalent to 7 per cent of the reserves at the beginning of the year.

Key figures for the Company:

AT THIRD QUARTER	At 30.09.2019	At 30.09.2018
Claims ratio	90.8	80.5
Cost ratio	17.8	19.5
Total cost ratio	108.6	100.1

Net financial income after three quarters was NOK 233 (105) million, equivalent to 5.3 (2.4) per cent. For the third quarter in isolation, the return was 1.4 per cent, equivalent to NOK 61.5 (49.6) million.

The Company's financial position is still good with a solvency capital ratio (SCR) of 246 per cent.

Asset and fund management

KLP Kapitalforvaltning provides securities management in the KLP Group. It had a total of NOK 545 billion under management at the end of the first half-year, of which NOK 78 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 were NOK 600 million in the third quarter, and NOK 3.7 billion for the first three quarters of the year. External customers had net new subscriptions of NOK 1.1 billion in the third quarter and NOK 3.5 billion for the first three quarters.

KLP Kapitalforvaltning had a profit before tax of NOK 45.2 million after the first three quarters of 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 30 September, the KLP Banken Group had outstanding loans to customers totalling NOK 34.3 (32.5) billion. Mortgage loans in the retail market and public-sector loans totalled NOK 16.5 billion and 17.8 billion respectively.

KLP Banken manages NOK 3.1 billion in mortgage loans and NOK 64.0 billion in loans to public-sector borrowers and other businesses.

Total mortgage loans in the retail market have increased by NOK 1,132 (1,548) million so far in 2019. Managed mortgages for KLP increased by NOK 99 million in the same period.

Credit cards are included in the banking business. Outstanding loans to retail customers amounted to NOK 67 (65) million at the end of the third quarter. 7,600 credit cards have been issued, of which about 85 per cent are actively used.

Lending volume to the public-sector market on KLP Banken's balance sheet has decreased by NOK 0.2 billion so far in 2019. Loans to public-sector borrowers managed on behalf of KLP increased by NOK 4.4 billion in the year to date. Managed loans to foreign debtors, mainly in other currencies, increased by NOK 0.6 billion in the same period.

Overdue payments and defaulted mortgage loans are at a stable low level. Loans in default over 90 days account for 0.24 (0.30) per cent of total mortgage lending. Losses on credit cards amount to roughly 10 per cent of the outstanding loans. Impairment losses on mortgages, credit cards and debit cards of NOK 6.2 (5.0) million were recognised in the Bank's accounts at the end of the quarter. There were no losses related to public-sector loans.

The KLP Banken Group's external financing consists of deposits and bonds. Deposit growth so far this year totals NOK 1.0 billion and deposits totalled NOK 11.7 (10.5) billion at 30 September. Of this amount, NOK 9.7 billion is deposits from retail customers, and NOK 2.0 billion is deposits from municipalities and enterprises. Liabilities created on issuance of securities totalled NOK 25.5 (23.5) billion at the end of the quarter.

The KLP Banken Group had a pre-tax operating profit of NOK 77.3 (71.1) million at the end of the third quarter. Broken

down by area, the pre-tax profit was NOK 55.6 (36.8) million from the retail market and NOK 21.7 (34.4) million from the public-sector market.

CORPORATE SOCIAL RESPONSIBILITY

KLP has launched four new Nordic Swan-branded funds. Two fixed income funds and two equity funds. These funds follow stringent criteria for companies in the portfolio, in terms of those to be excluded and those to be included in the fund. There are also criteria for monitoring companies and for transparency and reporting on the Fund's activities.

In September, KLP arranged a seminar on the challenges associated with responsible scrapping of ships. The seminar addressed up the issues related to scrapping of ships in India in a responsible manner, and the laws and regulations that apply to the companies.

As a consequence of the Amazon wildfires, KLP has been in discussions with companies in Brazil to understand how they are applying their policies and procedures to help limit deforestation in that country. KLP has clearly stated its view that the rainforest must be safeguarded.

KLP's green loans, which were launched in the spring, have been well received. Green loans totalling NOK 600 million have been granted so far. These are split 60 per cent to the water and waste sector and 40 per cent to climate-friendly new building projects.

In Trondheim, KLP has renovated the iconic Max building. A number of smart measures such as a locally-produced laminar facade, large areas of solar cells and innovative smart building solutions have resulted in an attractive and energy-efficient structure. By renovating the building rather than demolishing and rebuilding, greenhouse gas emissions have been reduced by around 60 per cent. The building was awarded BREEAM-NOR certification of 'Outstanding' in the design phase.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

Major changes have been made within public sector occupational pensions, which contribute to increased complexity for our customers and members also. KLP is therefore investing heavily in systems development to deliver the best quality services to these groups, while also seeking to keep costs down by developing a new and modern pension platform.

KLP won the first tender for an insured solution in seven years when the new Øygarden municipality chose KLP as its provider of public sector occupational pensions from the new year. Given our focus on developing systems, it is particularly gratifying to see that KLP scored highest on systems, service and expertise.

Oslo, 30. oktober 2019

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Egil Johansen
Chair

Jenny Følling
Deputy Chair

Cathrine M. Lofthus

Karianne Melleby

Odd Haldgeir Larsen

Øivind Brevik

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	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
3	Premium income for own account	10 915	9 819	34 021	32 838	40 921
	Current return on financial assets	3 897	3 578	12 055	11 407	14 989
	Net interest income banking	72	61	210	183	249
	Net value changes on financial instruments	7 585	6 531	32 430	4 546	- 14 500
8	Net income from investment properties	831	717	3 003	3 776	4 993
4	Other income	272	302	834	847	1 107
	Total net income	23 571	21 008	82 554	53 596	47 760
	Claims for own account	- 5 485	- 4 907	-16 148	-14 965	- 20 015
	Change in technical provisions	- 7 528	- 6 909	-24 279	-23 675	- 28 096
5	Net costs subordinated loan and hybrid Tier 1 securities	- 384	27	-456	69	- 483
6	Operating expenses	- 366	- 360	-1 287	-1 325	- 1 872
7	Other expenses	- 282	- 272	-839	-796	- 1 075
	Unit holder's value change in consolidated securities funds	- 1 920	- 2 553	-10 152	-2 676	4 022
	Total expenses	- 15 965	- 14 975	-53 162	-43 367	- 47 520
	Operating profit/loss	7 606	6 033	29 393	10 229	240
	To/from securities adjustment fund – life insurance	- 6 440	- 4 192	-21 097	-339	8 862
	To supplementary reserves – life insurance	0	0	16	21	- 2 792
	Assets allocated to insurance customers - life insurance	- 326	- 1 101	-5 793	-7 656	- 3 469
	Pre-tax income	841	740	2 518	2 255	2 840
	Cost of taxes ¹	- 221	- 274	-929	-1 002	- 125
	Income	620	466	1 589	1 253	2 715
	Actuarial loss and profit on post employment benefit obligations	0	0	-60	0	- 22
	Adjustments of the insurance obligations	0	0	5	0	1
	Tax on items that will not be reclassified to profit or loss	0	0	14	0	5
	Items that will not be reclassified to profit or loss	0	0	-41	0	- 16
	Revaluation real property for use in own operation	46	22	192	84	222
8	Currency translation foreign subsidiaries	275	62	- 543	-1 170	- 238
	Adjustments of the insurance obligations	- 275	- 62	543	1 170	238
	Tax on items that will be reclassified to profit or loss	- 12	- 5	-48	-21	- 56
	Items that will be reclassified to income when particular specific conditions are met.	35	16	144	63	167
	Total other comprehensive income	35	16	103	63	150
	Total comprehensive income	654	482	1 692	1 316	2 866
	¹ Unit holders share of taxes in consolidated securities fund	- 63	- 71	-180	-183	- 229

Financial position statement

KLP GROUP

NOTE	NOK MILLIONS	30.09.2019	30.09.2018	31.12.2018
	Deferred tax assets	59	420	65
	Other intangible assets	422	278	274
	Tangible fixed assets	2 062	1 771	1 900
	Investments in associated companies and joint venture	3 293	928	1 508
8,11	Investment property	69 910	64 744	67 570
9,14	Debt instruments held to maturity	30 223	30 229	31 053
9,14	Debt instruments classified as loans and receivables	144 563	133 486	141 549
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	716	902	855
9,14	Lending local government, enterprises and retail customers	100 942	92 027	94 909
9,11,14	Debt instruments at fair value through profit or loss	170 177	162 101	166 344
9,11	Equity capital instruments at fair value through profit/loss	194 312	171 398	159 968
9,11,14	Financial derivatives	1 384	3 209	944
9	Receivables	18 351	23 446	2 213
9	Assets in defined contribution-based life insurance	4 521	3 406	3 396
14	Cash and bank deposits	3 632	3 225	3 009
	TOTAL ASSETS	744 567	691 571	675 558
	Owners' equity contributed	15 785	14 553	14 554
	Retained earnings	20 996	17 754	19 303
	TOTAL OWNERS' EQUITY	36 781	32 307	33 857
9,10	Hybrid Tier 1 securities	1 894	1 475	1 662
9,10	Subordinated loan capital	5 973	5 696	6 029
	Pension obligations	967	837	880
15	Technical provisions - life insurance	556 081	516 087	509 284
9,15	Provisions in life insurance with investment option	4 521	3 406	3 396
	Premiums, claims and contingency fund provisions - non-life insurance	2 728	2 477	2 325
9,10	Covered bonds issued	24 324	22 635	23 025
9,10	Debt to credit institutions	2 735	4 436	2 794
9,10	Liabilities to and deposits from customers	11 649	10 531	10 662
9,11	Financial derivatives	3 133	530	6 809
	Deferred tax	1 545	2 770	1 083
16	Other current liabilities	9 513	15 605	6 053
	Unit holders' s interest in consolidated securites funds	82 723	72 780	67 701
	TOTAL LIABILITIES	707 786	659 264	641 701
	TOTAL EQUITY AND LIABILITIES	744 567	691 571	675 558
	Contingent liabilities	24 189	15 362	20 532

Changes in Owners' equity

KLP GROUP

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2019	14 554	19 303	33 857
Income		1 589	1 589
Items that will not be reclassified to income		-41	-41
Items that will be reclassified to income later when particular conditions are met		144	144
Total other comprehensive income		103	103
Total comprehensive income		1 692	1 692
Owners' equity contribution received (net)	1 231		1 231
Total transactions with the owners	1 231		1 231
Owners' equity 30 September 2019	15 785	20 996	36 781

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2018	13 125	16 439	29 564
Income		1 253	1 253
Items that will not be reclassified to income		0	0
Items that will be reclassified to income later when particular conditions are met		63	63
Total other comprehensive income		63	63
Total comprehensive income		1 316	1 316
Owners' equity contribution received (net)	1 428		1 428
Total transactions with the owners	1 428		1 428
Owners' equity 30 September 2018	14 553	17 754	32 307

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)	1 429		1 429
Total transactions with the owners	1 429		1 429
Owners' equity 31 December 2018	14 554	19 303	33 857

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2019 -30.09.2019	01.01.2019 -30.06.2019	01.01.2019 -31.03.2019	01.01.2018 -31.12.2018	01.01.2018 -30.09.2018
Net cash flow from operational activities	-11 415	-9 427	-5 649	-25 067	-14 692
Net cash flow from investment activities ¹	-215	-153	-50	-39	-27
Net cash flow from financing activities ²	12 253	9 998	6 087	25 295	15 125
Net changes in cash and bank deposits	623	418	387	189	405
Holdings of cash and bank deposits at start of period	3 009	3 009	3 009	2 820	2 820
Holdings of cash and bank deposits at end of period	3 632	3 426	3 396	3 009	3 225

¹ Payments on the purchase of tangible fixed assets.

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

Notes

KLP GROUP

NOTE 1 Accounting principles –and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2019 – 30.09.2019. 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.

Other accounting principles and calculations are the same in the interim financial statement as in the last annual report.

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 2018. The annual financial statements are available 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.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers ¹	32 079	31 182	38 633	870	732	1 041
Premium income for own account from other Group companies	78	76	94	0	0	0
Net financial income from investments	35 511	14 990	8 583	520	184	-85
Other income from external customers	808	825	1 074	4	2	3
Other income from other Group companies	192	137	61	0	0	0
Total income	68 669	47 210	48 446	1 394	917	959
Claims for own account	-15 077	-14 110	-18 847	-159	-126	-155
Insurance provisions for own account	-23 027	-22 915	-27 343	-1 174	-760	-753
Costs borrowing	-456	69	-483	0	0	0
Operating costs excluding depreciation	-678	-730	-1 049	-48	-47	-64
Depreciation	-49	-55	-73	-2	-2	-3
Other expenses	-918	-793	-1 068	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-40 206	-38 535	-48 864	-1 384	-936	-975
Operating profit/loss	28 463	8 675	-419	10	-18	-16
Funds credited to insurance customers ²	-26 314	-6 799	2 843	-18	-6	-5
Pre-tax income	2 149	1 876	2 425	-8	-24	-21
Cost of taxes	-399	-438	415	0	0	0
Income	1 750	1 438	2 840	-8	-24	-21
Change in other comprehensive income (excluded cost of taxes)	-55	0	-21	-1	0	0
Total comprehensive income	1 695	1 438	2 818	-9	-24	-21
Assets	610 652	563 532	558 719	6 779	5 671	5 601
Liabilities	573 891	530 040	524 884	6 286	5 172	5 099

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Non-life insurance			Banking		
	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers ¹	1 072	924	1 246	0	0	0
Premium income for own account from other Group companies	19	19	22	0	0	0
Net financial income from investments	234	108	74	183	175	236
Other income from external customers	1	1	1	14	12	17
Other income from other Group companies	0	0	0	44	43	58
Total income	1 325	1 051	1 343	241	230	311
Claims for own account	-913	-728	-1 014	0	0	0
Insurance provisions for own account	-78	1	1	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-191	-218	-311	-156	-153	-211
Depreciation	-4	-1	-2	-4	-3	-8
Other expenses	0	0	0	-5	-4	-8
Return to financial instruments attributable to minority interests						
Total expenses	-1 185	-946	-1 326	-166	-160	-228
Operating profit/loss	141	106	18	76	71	83
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	141	106	18	76	71	83
Cost of taxes	-34	-17	40	-18	-17	-19
Income	107	88	58	58	54	64
Change in other comprehensive income (excluded cost of taxes)	-6	0	-1	-1	0	-2
Total comprehensive income	101	88	56	57	54	62
Assets	4 979	4 694	4 490	39 616	36 473	37 093
Liabilities	3 103	2 834	2 715	37 417	34 338	34 951

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Asset management			Other		
	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers ¹	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	4	4	5	0	0	0
Other income from external customers	0	0	0	8	7	10
Other income from other Group companies	387	358	478	0	0	0
Total income	392	363	482	8	7	10
Claims for own account	0	0	0	0	0	0
Insurance provisions for own account	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-343	-334	-462	-9	-9	-12
Depreciation	-4	-3	-3	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-346	-336	-466	-9	-9	-12
Operating profit/loss	45	27	17	-2	-2	-2
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	45	27	17	-2	-2	-2
Cost of taxes	-10	-7	-3	0	0	1
Income	35	20	14	-1	-1	-2
Change in other comprehensive income (excluded cost of taxes)	-6	0	-2	0	0	0
Total comprehensive income	29	20	12	-1	-1	-2
Assets	502	473	465	8	9	9
Liabilities	208	199	200	4	3	4

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Eliminations			Total		
	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers ¹	0	0	0	34 021	32 838	40 921
Premium income for own account from other Group companies	-97	-95	-117	0	0	0
Net financial income from investments	11 246	4 450	-3 081	47 699	19 912	5 732
Other income from external customers	0	0	2	834	847	1 107
Other income from other Group companies	-624	-539	-596	0	0	0
Total income	10 525	3 816	-3 792	82 554	53 596	47 760
Claims for own account	0	0	0	-16 148	-14 965	-20 015
Insurance provisions for own account	0	0	0	-24 279	-23 675	-28 096
Costs borrowing	0	0	0	-456	69	-483
Operating costs excluding depreciation	206	254	360	-1 220	-1 237	-1 750
Depreciation	-4	-24	-33	-68	-88	-122
Other expenses	85	1	2	-839	-796	-1 075
Return to financial instruments attributable to minority interests	-10 152	-2 676	4 022	-10 152	-2 676	4 022
Total expenses	-9 865	-2 445	4 352	-53 162	-43 367	-47 520
Operating profit/loss	660	1 371	559	29 393	10 229	240
Funds credited to insurance customers ²	-542	-1 170	-238	-26 874	-7 974	2 600
Pre-tax income	118	202	321	2 518	2 255	2 840
Cost of taxes	-503	-545	-609	-964	-1 023	-175
Income	-386	-343	-288	1 555	1 232	2 665
Change in other comprehensive income (excluded cost of taxes)	206	84	228	137	84	201
Total comprehensive income	-180	-259	-60	1 692	1 316	2 866
Assets	82 031	80 719	69 180	744 567	691 571	675 558
Liabilities	86 878	86 677	73 848	707 786	659 264	641 701

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	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Contribution service pension	10 843	9 711	33 667	32 536	40 468
Reinsurance premiums ceded	-13	-25	-40	-54	-72
Transfer of premium reserves from others	85	133	395	356	524
Total premium income	10 915	9 819	34 021	32 838	40 921

NOTE 4 Other income

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Supplement contractual early retirement scheme (ERS)	282	270	828	780	1 053
Other income ¹	- 11	32	6	67	55
Total other income	272	302	834	847	1 107

¹ Other income includes investment from associated companies, so the results can be both negative and positive.

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 - 31.12.2018
SUBORDINATED LOANS					
Interest costs ¹	-66	-62	-190	-180	-249
Value changes	-117	35	-4	218	-46
Net costs subordinated loans	-183	-27	-193	39	-295
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-17	-15	-48	-45	-61
Value changes	-184	69	-216	75	-127
Net costs perpetual hybrid tier 1 securities	-201	54	-263	30	-188
Net costs subordinated loan and hybrid Tier 1 securities	-384	27	-456	69	-483

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 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 security are issued in Japanese yen.

NOTE 6 Operating expenses

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Personnel costs	210	202	749	722	1 049
Depreciation and writedowns	31	35	92	88	122
Other operating expenses	125	124	446	514	701
Other operating expenses	366	360	1 287	1 325	1 872

NOTE 7 Other expenses

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Supplement contractual early retirement scheme (ERS)	282	270	828	780	1 053
Other expenses	0	2	11	15	22
Total other expenses	282	272	839	796	1 075

NOTE 8 Investment property

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Net rental income	760	641	2 187	2 010	2 719
Net value adjustment	26	76	771	1 404	1 911
Realised gains	44	0	44	362	362
Net income from investment properties	831	717	3 003	3 776	4 993
Currency translate foreign subsidiaries (taken to other comprehensive income)	275	62	- 543	-1 170	-238
Net income from investment properties included currency translate	1 105	778	2 460	2 606	4 754

NOK MILLIONS	30.09.2019	30.09.2018	31.12.2018
Investment property 01.01.	67 570	63 519	63 519
Value adjustment, including currency translation	228	234	1 673
Net additions	2 075	1 045	2 360
Other changes	38	-54	19
Investment property 30.09./31.12.	69 910	64 744	67 570

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

Most of the 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. Direct investments in Private Equity are treated in the same way as with current stocks, but valuation can be daily, quarterly or yearly. In cases where it's possible to obtain information on what co-investments are priced within the funds, it will be considered in the valuation process. Other direct investments are valued based on either cost prices, reported market values from companies or available trading prices.

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.

NOTE 9 Fair value of financial assets and liabilities – cont.**n) FX-swaps**

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

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

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

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

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOK MILLIONS	30.09.2019		30.09.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Norwegian hold-to-maturity bonds	6 759	7 356	7 300	7 804	7 258	7 747
Foreign hold-to-maturity bonds	23 464	25 155	22 929	23 507	23 795	24 380
Total debt instruments held to maturity	30 223	32 511	30 229	31 311	31 053	32 127
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	43 820	46 207	43 128	43 891	45 414	47 228
Foreign bonds	100 694	106 083	90 335	93 860	96 106	98 645
Other receivables	49	49	23	23	29	29
Total debt instruments classified as loans and receivables	144 563	152 339	133 486	137 775	141 549	145 902
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	716	716	902	902	855	855
Total loans to local government, enterprises & retail customers	716	716	902	902	855	855

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

NOK MILLIONS	30.09.2019		30.09.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST						
Loans secured by mortgage	20 803	20 819	19 256	19 264	19 674	19 680
Loans to local government sector or enterprises with local government guarantee	71 488	72 131	64 998	65 373	67 150	67 495
Loans abroad secured by mortgage and local government guarantee	8 584	8 627	7 704	7 730	8 016	8 049
Loans creditcard	67	67	68	68	69	69
Total loans to local government, enterprises & retail customers	100 942	101 643	92 027	92 434	94 909	95 293
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	57 534	57 534	58 839	58 839	58 737	58 737
Norwegian certificates	7 765	7 765	7 855	7 855	7 521	7 521
Foreign bonds	92 643	92 643	82 489	82 489	85 580	85 580
Investments with credit institutions	12 235	12 235	12 918	12 918	14 507	14 507
Total debt instruments	170 177	170 177	162 101	162 101	166 344	166 344
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	178 716	178 716	159 333	159 333	146 865	146 865
Equity funds	14 296	14 296	11 184	11 184	12 199	12 199
Property funds	39	39	53	53	45	45
Alternative investments	1 261	1 261	827	827	858	858
Total equity capital instruments	194 312	194 312	171 398	171 398	159 968	159 968
RECEIVABLES						
Receivables related to direct business	13 724	13 724	13 713	13 713	1 123	1 123
Receivables related to reinsurance agreements	129	129	61	61	63	63
Reinsurance share of gross claims reserve	13	13	17	17	0	0
Receivables related to securites	3 559	3 559	9 432	9 432	603	603
Prepaid rent related to real estate activities	212	212	221	221	166	166
Other receivables	713	713	3	3	258	258
Total other loans and receivables including receivables from policyholders	18 351	18 351	23 446	23 446	2 213	2 213

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

NOK MILLIONS	30.09.2019		30.09.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	1 894	1 676	1 475	1 339	1 662	1 332
Subordinated loan capital	5 973	6 833	5 696	6 215	6 029	6 302
Debt to credit institutions	1 202	1 202	861	861	1 015	1 015
Covered bonds issued	24 324	24 454	22 635	22 640	23 025	23 179
Liabilities and deposits from customers	11 649	11 649	10 531	10 531	10 662	10 662
Total financial liabilities	45 042	45 814	41 196	41 585	42 392	42 489
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	1 532	1 532	3 575	3 575	1 779	1 779
Total financial liabilities	1 532	1 532	3 575	3 575	1 779	1 779
Assets in life insurance with investment option	4 521	4 521	3 406	3 406	3 396	3 396
Provisions in life insurance with investment option	4 521	4 521	3 406	3 406	3 396	3 396

NOK MILLIONS	30.09.2019		30.09.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	330	2 297	2 320	317	133	6 107
Interest rate swaps	161	739	425	212	155	702
Interest rate and currency swaps	893	97	465	0	657	0
Share option	0	1	0	1	0	0
Total financial derivatives	1 384	3 133	3 209	530	944	6 809

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ¹	2045	5 973	5 696	6 029
Total subordinated loan capital	5 163				5 973	5 696	6 029
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ²	2034	1 894	1 475	1 662
Total hybrid Tier 1 securities	984				1 894	1 475	1 662
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2018	0	175	0
KLP Kommunekreditt AS	178	NOK	Floating	2019	178	3 334	1 172
KLP Kommunekreditt AS	1 555	NOK	Floating	2020	1 563	3 062	3 314
KLP Kommunekreditt AS	680	NOK	Fixed	2020	705	777	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 018	4 014	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	610	610	602
KLP Kommunekreditt AS	5 000	NOK	Floating	2022	5 013	4 006	4 007
KLP Kommunekreditt AS	5 000	NOK	Floating	2023	5 015	0	2 506
KLP Kommunekreditt AS	500	NOK	Fixed	2027	505	505	508
KLP Boligkreditt AS	0	NOK	Floating	2019	0	417	408
KLP Boligkreditt AS	664	NOK	Floating	2020	667	2 007	2 007
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 508	2 505	2 506
KLP Boligkreditt AS	2 000	NOK	Floating	2023	2 002	1 201	1 201
KLP Boligkreditt AS	1 500	NOK	Floating	2024	1 500	0	0
Other					40	22	30
Total covered bonds	24 177				24 324	22 635	23 025

¹ The loan has an interest change date in 2025.

² The loan has an interest change date in 2034.

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 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Fixed	2018	0	207	0
KLP Banken AS	0	NOK	Floating	2019	0	654	614
KLP Banken AS	300	NOK	Fixed	2020	300	0	0
KLP Banken AS	300	NOK	Floating	2020	301	0	201
KLP Banken AS	200	NOK	Floating	2021	200	0	0
KLP Banken AS	200	NOK	Floating	2022	200	0	200
KLP Banken AS	200	NOK	Floating	2024	200	0	0
KLP Fond	0	NOK	Fixed	2018	0	503	0
KLP Fond	0	NOK	Fixed	2019	0	0	509
KLP Fond	0	NOK/EUR/USD	Floating	2018	0	1 538	0
KLP Fond	604	NOK/EUR/USD	Floating	2019	604	0	621
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2018	0	1 532	0
Kommunal Landspensjonskasse	928	NOK/EUR/USD	Floating	2019	928	0	650
KLP Banken AS	0	NOK/EUR/USD	Floating	2018	0	3	0
Other					0	0	0
Total covered bonds	2 732				2 735	4 436	2 794
LIABILITIES AND DEPOSITS FROM CUSTOMERS ³							
Retail	9 699	NOK			9 699	8 512	8 716
Business	1 923	NOK			1 923	1 991	1 914
Foreign	27	NOK			27	27	32
Liabilities to and deposits from customers	11 649				11 649	10 531	10 662
Total financial liabilities	44 704				46 575	44 772	44 172

¹ The loan has an interest change date in 2025.

² The loan has an interest change date in 2034.

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

30.09.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	69 910	69 910
Land/plots	0	0	928	928
Real estate fund	0	0	3 025	3 025
Buildings	0	0	65 957	65 957
Lending at fair value	0	716	0	716
Bonds and other fixed-income securities	45 302	112 635	0	157 937
Certificates	4 976	2 789	0	7 765
Bonds	25 562	109 846	0	135 409
Fixed-income funds	14 763	0	0	14 763
Loans and receivables	10 340	1 900	0	12 240
Shares and units	175 003	4 805	14 504	194 312
Shares	173 053	3 505	2 158	178 716
Equity funds	1 951	0	35	1 985
Property funds	0	39	0	39
Special funds	0	1 261	0	1 261
Private Equity	0	0	12 311	12 311
Financial derivatives	0	1 384	0	1 384
Total assets at fair value	230 645	121 440	84 414	436 499
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	3 133	0	3 133
Debt to credit institutions ¹	1 532	0	0	1 532
Total financial liabilities at fair value	1 532	3 133	0	4 666

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 1 202 million per 30.09.2019.

NOTE 11 Fair value hierarchy – cont.

30.09.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	64 744	64 744
Land/plots	0	0	833	833
Real estate fund	0	0	2 681	2 681
Buildings	0	0	61 231	61 231
Lending at fair value	0	902	0	902
Bonds and other fixed-income securities	44 219	105 001	0	149 219
Certificates	7 044	811	0	7 855
Bonds	23 874	104 190	0	128 064
Fixed-income funds	13 301	0	0	13 301
Loans and receivables	11 276	1 605	0	12 882
Shares and units	154 209	4 789	12 400	171 398
Shares	152 457	3 909	2 968	159 333
Equity funds	1 752	0	65	1 817
Property funds	0	53	0	53
Special funds	0	827	0	827
Private Equity	0	0	9 367	9 367
Financial derivatives	0	3 209	0	3 209
Total assets at fair value	209 704	115 507	77 144	402 355
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	530	0	530
Debt to credit institutions ¹	3 072	503	0	3 575
Total financial liabilities at fair value	3 072	1 033	0	4 105

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 1 202 million per 30.09.2019.

NOTE 11 Fair value hierarchy – cont.

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
CHANGES IN LEVEL 3, INVESTMENT PROPERTY				
	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018	
Opening balance 1 January	67 570	63 519	63 519	
Sold	-291	-314	-452	
Bought	2 366	1 359	2 831	
Unrealised changes	228	234	1 673	
Other changes	37	-54	0	
Closing balance 30.09. / 31.12.	69 910	64 744	67 570	
Realised gains/losses	362	363	363	
CHANGES IN LEVEL 3, FINANCIAL ASSETS				
	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018	
Opening balance 1 January	12 986	10 438	10 438	
Sold	-2 953	-1 841	-2 414	
Bought	2 818	1 924	2 607	
Unrealised changes	1 653	1 879	2 356	
Closing balance 30.09. / 31.12.	14 504	12 400	12 986	
Realised gains/losses	803	1 109	1 279	
Closing balance 30.09. / 31.12.	84 414	77 144	80 556	

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 1 202 million per 30.09.2019.

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 4 221 million as of 30.09.2019.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 4 519 million in financial assets valued at fair value at Level 1. Per 30.09.2019 the NOK 4 519 million consist of NOK 3 118 million in shares and units in Level 1, NOK 1 401 million 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 third quarter NOK 128 million in stocks moved from Level 1 to Level 2 and NOK 551 millions moved 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.

30.09.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	253	1 010	6 196	0	7 459
Perpetual hybrid Tier 1 securities ¹	0	99	265	331	1 548	2 243
Debt to and deposits from customers (without defined maturity)	11 649	0	0	0	0	11 649
Covered bonds issued	0	1 682	23 291	605	0	25 578
Payables to credit institutions	235	321	930	0	0	1 485
Financial derivatives	2 968	1 533	78	-158	-363	4 058
Accounts payable	81	0	0	0	0	81
Contingent liabilities (without defined maturity)	24 189	0	0	0	0	24 189
Total	39 122	3 888	25 574	6 973	1 185	76 741

If the minority interests are taken out of account, derivatives maturing within one month are reduced by NOK 282 million, payables to credit institutions maturing within one month are reduced by NOK 162 million and derivatives maturing between 1 to 12 months are reduced by NOK 61 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 76 235 million.

30.09.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	241	965	6 157	0	7 363
Perpetual hybrid Tier 1 securities ¹	0	89	237	297	1 392	2 014
Debt to and deposits from customers (without defined maturity)	10 531	0	0	0	0	10 531
Covered bonds issued	0	1 746	22 327	619	0	24 692
Payables to credit institutions	748	423	238	0	0	1 409
Financial derivatives	827	960	185	-95	-166	1 711
Accounts payable	78	0	0	0	0	78
Contingent liabilities (without defined maturity)	15 362	0	0	0	0	15 362
Total	27 545	3 459	23 952	6 978	1 226	63 160

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 by NOK 35 million, payables to credit institutions maturing within one month are reduced by NOK 0,3 million and derivatives maturing between 1 to 12 months are reduced by NOK 14 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 63 110 million.

NOTE 12 Liquidity risk – cont.

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	50	0	0	0	0	50
Contingent liabilities (without defined maturity)	20 532	0	0	0	0	20 532
Total	38 465	6 634	23 832	7 279	1 226	77 435

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 by NOK 282 million, payables to credit institutions maturing within one month are reduced by NOK 1 176 million, derivatives maturing between 1 to 12 months are reduced by NOK 860 million, while derivatives maturing between 1 to 5 years increased by NOK 0.3 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 75 070 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

30.09.2019 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 01.01.2019 -30.09.2019	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	6	0	14	-24	-296	-9	-309	-303
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	0	0	0
Bonds and other fixed-return securities	-48	-60	-1 459	-1 924	-2 182	231	-5 441	-4 756
Fixed income fund holdings	-1 055	0	0	0	0	0	-1 055	-1 055
Lending and receivables	-1	0	0	0	0	106	105	74
Lending	0	0	0	0	0	505	505	505
Cash and bank deposits	0	0	0	0	0	27	27	27
Contingent liabilities ¹	0	0	0	0	0	83	83	83
Total assets	-1 098	-60	-1 445	-1 948	-2 478	944	-6 085	-5 424
LIABILITIES								
Deposit	0	0	0	0	0	-87	-87	-87
Liabilities created on issue of securities	0	0	0	0	0	-191	-191	-191
Financial derivatives classified as liabilities	-1	-2	57	2	0	9	65	65
Hybrid capital, subordinated loans	0	0	0	59	107	0	166	166
Debt to credit institutions	0	0	0	0	0	-20	-20	0
Total liabilities	-1	-2	57	61	107	-289	-67	-47
Total before tax	-1 099	-62	-1 389	-1 887	-2 371	655	-6 153	-5 471
Total after tax	-824	-47	-1 041	-1 415	-1 778	491	-4 614	-4 103

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

NOTE 13 Interest rate risk – cont.

30.09.2018 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 -30.09.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	2	-3	9	158	-305	-3	-141	-133
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-47	-77	-1 346	-1 969	-1 692	264	-4 867	-4 298
Fixed income fund holdings	-803	0	0	0	0	0	-803	-803
Lending and receivables	-1	-1	0	0	0	109	107	87
Lending	0	0	0	0	0	462	462	462
Cash and bank deposits	0	0	0	0	0	24	24	24
Contingent liabilities ¹	0	0	0	0	0	34	34	34
Total assets	-849	-81	-1 337	-1 811	-1 997	891	-5 183	-4 627
LIABILITIES								
Deposit	0	0	0	0	0	-78	-78	-78
Liabilities created on issue of securities	0	0	0	0	0	-176	-176	-176
Financial derivatives classified as liabilities	-1	0	40	-28	2	15	28	29
Hybrid capital, subordinated loans	0	0	0	50	70	0	121	121
Debt to credit institutions	0	0	0	0	0	-21	-21	-21
Total liabilities	-1	0	40	23	72	-260	-126	-125
Total before tax	-850	-81	-1 297	-1 788	-1 925	632	-5 309	-4 752
Total after tax	-637	-60	-973	-1 341	-1 444	474	-3 982	-3 564

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

NOTE 13 Interest rate risk – cont.

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.

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

30.09.2019 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	28 293	0	31	0	0	0	1 899	30 223	30 223
Debt instruments classified as loans and receivables at amortized cost	121 157	0	976	631	0	0	21 799	144 563	144 563
Debt instruments at fair value - fixed-return securities ²	112 471	1 184	4 732	14 252	0	0	11 922	144 561	129 335
Fixed-income funds	0	0	0	0	0	0	14 763	14 763	13 240
Loans and receivables	11 630	0	0	611	0	0	0	12 240	9 915
Financial derivatives classified as assets	1 384	0	0	0	0	0	0	1 384	1 326
Cash and bank deposits	3 571	0	0	61	0	0	0	3 632	3 632
Lending	0	0	72 387	0	18 623	2 199	8 450	101 658	101 658
Total	278 506	1 184	78 126	15 554	18 623	2 199	58 833	453 024	433 892

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Investment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	13 156	3 884	9 290	1 963	28 293
Debt instruments classified as loans and receivables at amortized cost	20 619	19 971	58 504	22 064	121 157
Debt instruments at fair value - fixed-return securities	41 495	9 704	28 757	32 515	112 471
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	3 862	7 768	0	11 630
Financial derivatives classified as assets	0	338	1 046	0	1 384
Cash and bank deposits	0	229	3 343	0	3 571
Lending	0	0	0	0	0
Total	75 270	37 987	108 706	56 542	278 506

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.

² In the column "other", we have included an additional investment that is exposed to credit risk but is not reconcilable against the line "Debt instruments at fair value through profit or loss" in the balance sheet. The value of the investment is NOK 1 387 million per 30.09.2019

NOTE 14 Credit risk – cont.

30.09.2018 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	27 925	0	31	0	0	0	2 273	30 229	30 229
Debt instruments classified as loans and receivables at amortized cost	109 182	0	591	0	0	0	23 713	133 486	133 486
Debt instruments at fair value - fixed-return securities ²	110 389	1 042	3 830	8 672	0	0	13 434	137 366	124 720
Fixed-income funds	0	0	0	0	0	0	13 300	13 300	13 300
Loans and receivables	12 814	0	0	114	0	0	0	12 928	10 716
Financial derivatives classified as assets	3 209	0	0	0	0	0	0	3 209	2 501
Cash and bank deposits	3 225	0	0	0	0	0	0	3 225	3 225
Lending	0	0	65 043	0	17 228	2 043	8 614	92 929	92 929
Total	266 744	1 042	69 495	8 785	17 228	2 043	61 334	426 672	411 105

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Invest- ment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	12 601	3 539	8 505	3 280	27 925
Debt instruments classified as loans and receivables at amortized cost	19 491	18 390	52 476	18 825	109 182
Debt instruments at fair value - fixed-return securities	40 354	8 955	33 374	27 707	110 389
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	1 168	11 645	0	12 814
Financial derivatives classified as assets	0	277	2 932	0	3 209
Cash and bank deposits	50	270	2 905	0	3 225
Lending	0	0	0	0	0
Total	72 497	32 599	111 837	49 811	266 744

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..

² In the column "other", we have included an additional investment that is exposed to credit risk but is not reconcilable against the line "Debt instruments at fair value through profit or loss" in the balance sheet. The value of the investment is NOK 1 387 million per 30.09.2019

NOTE 14 Credit risk – cont.

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 ²	113 232	884	3 764	7 845	0	0	14 207	139 932	127 481
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	67 665	0	17 619	2 072	8 408	95 764	95 764
Total	276 394	884	72 125	8 185	17 619	2 072	62 728	440 005	424 405

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					
	AAA	AA	A	BBB	Sum Invest- ment grade
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..

² In the column "other", we have included an additional investment that is exposed to credit risk but is not reconcilable against the line "Debt instruments at fair value through profit or loss" in the balance sheet. The value of the investment is NOK 1 387 million per 30.09.2019

NOTE 14 Credit risk – cont.

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

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

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

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

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. Other is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 59 billion per 30.09.2019. 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		30.09.2019		30.09.2018		31.12.2018	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	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	10 982	10 446	15 275	15 134	13 491	13 322	
Counterparty 2	9 166	9 166	9 080	8 673	8 766	8 475	
Counterparty 3	7 043	6 771	8 291	8 291	8 475	8 475	
Counterparty 4	7 002	6 583	7 966	5 592	6 860	5 896	
Counterparty 5	5 878	5 714	5 717	5 512	5 966	5 785	
Counterparty 6	4 850	4 772	5 437	5 373	5 285	4 962	
Counterparty 7	4 788	4 672	4 672	4 672	4 766	4 699	
Counterparty 8	4 672	4 663	4 635	4 597	4 750	4 698	
Counterparty 9	4 033	3 565	3 594	3 456	4 698	4 696	
Counterparty 10	3 700	3 557	3 354	3 342	3 686	3 577	
Total	62 115	59 909	68 021	64 642	66 743	64 584	

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	30.09.2019	30.09.2018	31.12.2018
Premium reserves - ordinary tariff	458 150	430 425	435 267
Premium funds, buffer funds and pensioners' surplus funds	10 236	11 343	12 098
Supplementary reserves	28 403	25 624	28 418
Securities adjustment fund	54 441	42 647	33 447
Other provisions	61	59	54
Profit/loss allocated to insurance contracts	4 790	5 989	0
Technical provisions in life insurance	556 081	516 087	509 284

NOK MILLIONS	30.09.2019	30.09.2018	31.12.2018
Premium reserves	4 506	3 388	3 377
Deposit funds	15	18	20
Provisions in life insurance with investment options	4 521	3 406	3 396

NOTE 16 Other current liabilities

NOK MILLIONS	30.09.2019	30.09.2018	31.12.2018
Short-term payables trade in securities	5 695	12 080	2 292
Incurred not assessed taxes	650	201	655
Advance tax-deduction pension scheme	388	363	420
Accounts payable	188	357	373
Pre-called contribution to insurance	1 737	1 981	1 434
Other current liabilities	855	622	878
Total other current liabilities	9 513	15 605	6 053

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 limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 248 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 306 per cent.

	30.09.2019	30.09.2018	31.12.2018
Solvency II - SCR ratio	248 %	249 %	243 %

NOK BILLIONS	30.09.2019	30.09.2018	31.12.2018		30.09.2019	30.09.2018	31.12.2018
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT							
Assets, book value	620	571	566	Best estimate	559	514	507
Added values - hold-to-maturity portfolio/loans and receivables	10	5	5	Risk margin	15	13	13
Added values - other lending	1	0	0	Hybrid Tier 1 securities/ Subordinated loan capital	8	7	8
Other added/lesser values	0	0	0	Other liabilities	11	8	9
Deferred tax asset	0	0	0	Deferred tax liabilities	2	2	2
Total assets - solvency II	630	577	572	Total liabilities - solvency II	596	544	539
				Excess of assets over liabilities	34	32	33
				- Deferred tax asset	0	0	0
				- Risk equalisation fund	-6	-4	-5
				+ Hybrid Tier 1 securities	2	1	2
				Tier 1 basic own funds	31	30	29
				Total eligible tier 1 own funds	31	30	29
				Subordinated loans	7	7	6
				Risk equalisation fund	6	4	-5
				Tier 2 basic own funds	13	11	2
				Ancillary own funds	11	11	11
				Tier 2 ancillary own funds	11	11	11
				Deduction for max. eligible tier 2 own funds	-17	-15	-5
				Total eligible tier 2 own funds	7	7	7
				Deferred tax asset	0	0	0
				Total eligible tier 3 own funds	0	0	0
				Solvency II total eligible own funds	38	36	36
				Solvency capital requirement (SCR)	15	15	15
				Solvency II- SCR ratio	248 %	249 %	243 %

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

30.09.2019 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund

ASSETS

Financial derivatives	1 384	0	1 384	-481	-931	0	2	2
Repos	0	0	0	0	0	0	0	0
Total	1 384	0	1 384	-481	-931	0	2	2

LIABILITIES

Financial derivatives	3 133	0	3 133	-481	-208	-2 590	97	97
Repos	0	0	0	0	0	0	0	0
Total	3 133	0	3 133	-481	-208	-2 590	97	97

30.09.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund

ASSETS

Financial derivatives	3 209	0	3 209	-529	-2 491	-264	95	81
Repos	0	0	0	0	0	0	0	0
Total	3 209	0	3 209	-529	-2 491	-264	95	81

LIABILITIES

Financial derivatives	530	0	530	-530	-22	-29	0	0
Repos	503	0	503	0	0	0	503	503
Total	1 033	0	1 033	-530	-22	-29	503	503

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

31.12.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
ASSETS								
Financial derivatives	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

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.

Key figures - Accumulated

NOK MILLIONS	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
KLP GROUP								
Profit before tax	2 518	1 678	953	2 840	2 255	1 516	880	2 474
Total assets	744 567	736 852	699 017	675 558	691 571	668 577	649 547	652 167
Owners' equity	36 781	34 893	34 457	33 857	32 307	30 386	30 158	29 564
Solvency SCR ratio	248%	239 %	245 %	243 %	249 %	231 %	233 %	224 %
Number of employees in the Group	1 001	998	993	990	990	980	966	961
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	2 149	1 457	808	2 425	1 876	1 287	812	1 985
Premium income for own account	32 157	21 834	6 705	38 727	31 259	21 989	6 334	32 417
- of which inflow of premium reserve	0	0	0	5	5	5	5	298
Insurance customers' funds incl. acc. profit	15 077	10 028	5 022	18 847	14 110	9 473	4 844	17 386
- of which funds with guaranteed returns	288	288	248	497	497	497	424	212
Net investment common portfolio	551 696	541 802	529 900	515 905	509 046	502 991	495 146	495 607
Net investment choice portfolio	2 592	2 589	2 491	2 423	2 478	2 487	2 351	2 375
Insurance funds incl. earnings for the year	554 350	542 589	524 095	507 600	514 393	506 479	487 732	489 159
- of which funds with guaranteed interest	466 523	461 642	449 226	445 799	439 939	437 311	424 503	421 286
Solvency capital requirement (SCR)	38 238	36 410	36 510	36 106	36 854	34 417	34 131	33 511
Solvency SCR ratio	274 %	264 %	270 %	263 %	274 %	253 %	255 %	242 %
Riskprofit	940	536	207	958	578	393	193	897
Return profits	4 720	4 338	2 157	5 207	6 086	5 046	2 931	6 769
Administration profit	173	80	48	137	115	22	29	141
Solvency capital	139 677	132 050	123 125	108 825	120 680	115 445	109 209	116 656
Book return on common portfolio	2,7 %	2,0 %	1,0 %	3,5 %	3,1 %	2,3 %	1,2 %	3,9 %
Value-adjusted return on common portfolio	6,6 %	4,8 %	3,1 %	1,5 %	2,9 %	1,3 %	-0,4 %	6,7 %
Return on unit-linked portfolio	7,4 %	5,4 %	3,7 %	0,6 %	3,1 %	1,3 %	-0,9 %	7,4 %
Return on corporate portfolio	3,4 %	2,6 %	1,3 %	4,2 %	3,1 %	2,3 %	1,6 %	4,0 %

Key figures - Accumulated – continued

NOK MILLIONS	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
KLP SKADEFORSIKRING AS								
Profit before tax	140,5	138,4	109,5	17,5	105,6	36,5	-12,5	164,2
Gross premium due	1 131,1	741,2	363,4	1 338,2	994,5	655,7	324,1	1 344,3
Premium income for own account	1 090,9	714,4	350,0	1 268,4	942,3	620,9	306,7	1 286,8
Owners' equity	1 875,9	1 874,2	1 852,6	1 775,0	1 860,0	1 807,1	1 767,9	1 771,9
Claims ratio	90,8 %	85,7 %	80,7 %	83,5 %	80,5 %	81,7 %	80,6 %	87,1 %
Combined-ratio	108,6 %	104,8 %	99,4 %	104,5 %	100,1 %	103,2 %	101,7 %	106,0 %
Return on assets under management	5,3 %	3,9 %	2,5 %	1,8 %	2,4 %	1,3 %	-0,2 %	5,6 %
Solvency capital requirement (SCR)	1 882	1 854	1 823	1 759	1 840	1 795	1 771	1 764
Solvency SCR ratio	246 %	248 %	246 %	243 %	251 %	240 %	237 %	233 %
Annual premium in force – retail market	651,1	630,5	609,6	587,9	564,1	547,8	539,6	526,4
Annual premium in force – public sector market	910,6	901,3	892,8	809,0	797,8	797,7	791,5	889,6
Net new subscriptions (accumulated within the year)	93,4	72,4	44,7	119,8	43,8	27,3	10,0	50,3
KLP BEDRIFTSPENSJON AS								
Profit before tax	-8,6	-10,7	-0,7	-20,8	-24,1	-16,7	-8,5	-24,5
Premium income for own account	869,8	624,7	361,4	1 041,3	731,8	474,4	247,5	996,7
- of which premium reserve added	394,6	309,6	202,1	519,6	350,4	217,2	118,4	543,1
Insurance customers' funds including accumulated profit	6 264	5 985	5 684	5 080	5 100	4 764	4 491	4 328
- of which funds with guaranteed returns	1 550	1 551	1 535	1 492	1 498	1 498	1 483	1 442
Returns profit	8,4	5,7	3,3	28,1	25,3	19,9	11,5	77,8
Risk result	0,8	-2,0	1,7	3,4	-7,9	-2,5	0,3	-0,6
Administration losses	-26,8	-19,2	-9,6	-38,9	-28,6	-21,8	-11,2	-38,8
Solvency capital requirement (SCR)	202	204	235	233	211	217	209	197
Solvency SCR ratio	123 %	124 %	140 %	147 %	133 %	128 %	126 %	111 %
Solvency capital	692,5	676,3	672,4	646,3	642	665,8	674,4	721,3
Book capital return on common portfolio	2,4 %	1,6 %	0,8 %	4,5 %	3,6 %	2,6 %	1,4 %	8,3 %
Value-adjusted capital return on common portfolio	2,9 %	2,0 %	1,1 %	3,0 %	2,4 %	1,4 %	0,4 %	5,6 %
Return on defined unit-linked contribution pensions	12,6 %	9,5 %	7,4 %	-3,8 %	4,5 %	1,1 %	-2,6 %	11,9 %
Return on corporate portfolio	2,5 %	1,8 %	1,0 %	1,1 %	1,0 %	0,5 %	0,0 %	2,3 %

Key figures - Accumulated – continued

NOK MILLIONS	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
KLP BANKEN GROUP								
Profit/loss before tax	77,3	50,6	24,0	83,4	71,1	43,0	23,7	103,1
Net interest income	209,4	138,1	66,0	248,5	183,2	122,6	64,6	241,6
Other operating income	58,4	38,5	18,9	75,4	56,0	37,4	18,3	68,2
Operating expenses and depreciation	-167,8	-114,4	-57,5	-226,9	-160,7	-114,4	-58,1	-203,4
Net realized/unrealized changes in financial instruments to fair value	-22,7	-11,6	-3,4	-13,5	-7,4	-2,7	-1,1	-3,4
Contributions	11 649	11 465	11 031	10 662	10 531	10 218	9 733	9 669
Housing mortgages granted	17 746	17 351	17 038	16 716	16 243	15 764	15 147	14 441
Loan(s) with public guarantee(s)	16 524	16 293	16 660	16 759	16 206	16 282	16 091	16 322
Defaulted loans	69	60	62	56	32	21	27	22
Borrowing on the issuance of securities	25 528	24 858	24 655	24 040	23 496	23 084	23 341	22 924
Total assets	39 611	38 861	38 586	37 089	36 468	35 817	35 404	34 981
Average total assets	38 350	37 975	37 837	36 035	35 725	35 399	35 192	34 682
Owners' equity	2 195	2 174	2 154	2 138	2 130	2 108	2 094	2 078
Net interest rate	0,55 %	0,36 %	0,17 %	0,69 %	0,51 %	0,35 %	0,18 %	0,70 %
Profit/loss from general operations before tax	0,20 %	0,13 %	0,06 %	0,23 %	0,20 %	0,12 %	0,07 %	0,30 %
Return on owners' equity before tax	4,82 %	4,73 %	4,50 %	3,83 %	4,56 %	4,14 %	4,57 %	5,57 %
Capital adequacy	19,1 %	19,6 %	19,0 %	20,1 %	19,9 %	20,2 %	20,6 %	21,1 %
Number of private customers	69 147	66 879	64 729	62 502	60 697	59 204	57 568	54 568
Of this members of KLP	49 814	48 135	46 453	44 693	43 267	41 698	40 317	38 382
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	45,2	19,2	-2,1	16,7	26,6	-0,9	-2,1	46,7
Total assets under management	544 395	530 531	520 816	494 542	498 246	483 636	483 074	488 947
Assets managed for external customers	77 736	71 301	70 628	63 696	68 975	58 980	63 989	70 878



Sustainability Report

Q3 2019

Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS	30.09.2019	30.09.2018	30.09.2017	Contributes towards UN Sustainable Development Goal:
EMPLOYEE STATISTICS				
Employees of KLP	1001	990	956	n/a
Total sickness absence	3,9 %	4,1 %	4,4 %	3.
ENVIRONMENT				
Number of flights (segments)	4 783	4 744	4 965	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO2e)	654	675	618	13. 12.
Energy consumption in KLP's own offices (KWh/m2)	124	122	125	9. 13.
Energy consumption in KLP's property portfolio (KWh/m2)	193	200	191	9. 13.
ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION				
Companies excluded from investments	352	187	176	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	89 (98%)	95 (98%)	106 (98%)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	6590 (97%)	5618 (97%)	2336 (91%)	n/a
Companies KLP has had direct dialogue with	127	93	176	All SDGs

Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in the 3rd quarter					
	2019	2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018	Contributes towards UN Sustainable Development Goal:
CLIMATE-FRIENDLY INVESTMENTS						
Renewable energy in Norway (MNOK)	63	201	21 823	22 789	23 014	7.
Renewable energy in Europe and the USA (MNOK)	119	-463	2 157	1 370	1 644	7.
Renewable energy in developing countries (MNOK)	91	65	638	510	483	7. 9. 17.
Lending for power; water, drainage and renovation (MNOK)	285	-23	2 796	3 125	2 588	7.
International power companies (mNOK)	33	1200	2 497	1 200	1200	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	48	36	12 028	10 343	10 517	9.
Green bonds (MNOK)	15	-6	930	759	792	n/a
Other Climate-Friendly investments (mNOK)	37	n/a	177	230	230	n/a
Total (MNOK)	692	1 009	43 046	40 326	40 467	n/a
As a proportion of KLP's investments	0 %	0 %	7 %	7 %	7 %	n/a
Fossil energy (market value in MNOK)	-61	362	10 750	11 793	10 214	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	2 %	2 %	2 %	n/a
Renewable energy (market value in MNOK)	3 055	-221	29 911	27 793	27 728	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	5 %	5 %	5 %	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	49	36	12 028	10 343	10 517	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	0 %	0 %	17,5 %	16 %	16 %	9.
FINANCE IN DEVELOPING COUNTRIES						
Banking and finance in developing countries (mNOK)	76	41	684	596	570	1. 5. 8. 17.
SEED INVESTMENTS						
Seed investments in Norway (mNOK)	2	0	7	2	4	8

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in the 3rd quarter					
	2019	2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018	Contributes towards UN Sustainable Development Goal:
LENDING BUSINESS						
Loans for roads and transport (MNOK)	-62	-8	8 682	8 096	8 543	9
Loans for public property (MNOK)	-6	124	4 724	4 661	4 798	9
Loans to public sector and businesses (MNOK)	1 655	2 199	55 267	49 275	51 425	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.

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. In 2019, our travel agent changed their methodology for reporting number of flights. Instead of reporting the number of flights as return flights, as was done previously, number of flights are now reported as flight stretches. A return flight can consist of multiple stretches, for example a flight from Oslo – London – New York – London – Oslo would previously count as 1 return flight, whereas this flight consists of 5 stretches. Hence, the reported numbers can not be directly compared to previously reported numbers. However, the updated reporting is of higher quality.

Greenhouse gas emissions from KLPs corporate air travel is calculated based on number of kilometres flown, and our travel agent provides the data. With the change in reporting on flights from our travel agent, the greenhouse gas emissions factor was also updated. Our travel agent is now using figures from DEFRA, 2015. Previously, the same GHG emission factor was used for all flights, whereas the DEFRA methodology distinguishes between short, medium and long haul flights and has multiple factors. Hence, the reported numbers can

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.

not be directly compared to previously reported numbers. However, the updated reporting is of higher quality.

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.

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.

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.

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 to 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 met 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. Here we are 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
Q3 2019

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
3	Premium income	10 324	9 270	32 157	31 259	38 727
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	951	711	2 002	1 999	3 884
	Interest income and dividends etc. on financial assets	2 314	1 927	6 922	7 560	9 963
	Value changes on investments	5 640	4 911	24 565	2 097	-10 421
	Gains and losses realized on investments	676	332	473	2 706	3 595
	Net income from investments in the common portfolio	9 581	7 880	33 962	14 363	7 021
	Net income from investments in the investment option portfolio	48	43	178	73	14
	Other insurance-related income	283	271	830	781	1 055
4	Claims	-5 049	-4 638	-15 077	-14 110	-18 847
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-13 634	-10 817	-44 145	-23 398	-21 503
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-26	-7	-82	-72	-58
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-2 939
	Unallocated profit to insurance contracts	-550	-1 094	-5 066	-6 245	0
5	Insurance-related operating expenses	-227	-223	-783	-768	-1 097
	Other insurance-related costs	-282	-270	-828	-785	-1 059
	Technical profit/loss	467	415	1 146	1 098	1 315
	Net income from investments in the corporate portfolio	314	258	1 270	1 028	1 456
	Other income	4	1	10	4	6
	Administration costs and other costs associated with the corporate portfolio	-94	-86	-277	-254	-353
	Non-technical profit/loss	224	174	1 003	778	1 109
	Profit/loss pre-tax	692	588	2 149	1 876	2 425
	Tax	-42	-72	-409	-438	-627
	Income before other income and expenses	650	516	1 740	1 438	1 797
	Actuarial gains and losses on defined benefits pension schemes	0	0	-40	0	-15
	Proportion of other comprehensive income on application of the equity method	0	0	-21	0	-7
	Adjustment of the insurance liabilities	0	0	5	0	1
	Tax on other income and expenses that will not be reclassified to profit or loss	0	0	10	0	4
	Total other income and expenses that will not be reclassified to profit or loss	0	0	-45	0	-18
	TOTAL COMPREHENSIVE INCOME	650	516	1 695	1 438	1 780

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2019	30.09.2018	31.12.2018
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	319	189	173
7	Investment properties	949	854	924
	Shares and holdings in property subsidiaries	2 966	1 846	1 985
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 871	4 778	4 694
6	Financial assets valued at amortized cost	18 273	17 789	18 175
6,7	Financial assets valued at fair value	14 555	12 123	12 705
	Receivables	13 229	13 228	742
	Tax asset	0	363	0
11	Right-of-use assets	229	0	0
	Other assets	893	837	992
Total assets in the corporate portfolio		56 286	52 008	40 392
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	49 633	60 062	47 296
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	3 312	938	1 521
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	14 234	0	14 782
6	Financial assets valued at amortized cost	221 269	202 410	212 596
6,7	Financial assets valued at fair value	263 248	245 637	239 711
Total investment in the common portfolio		551 696	509 046	515 905
	Shares and holdings in property subsidiaries	245	297	234
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	71	0	73
6	Financial assets at amortized costs	889	869	876
6,7	Financial assets at fair value	1 387	1 313	1 240
Total investments in the investment option portfolio		2 592	2 478	2 423
Total assets in the customer portfolios		554 287	511 524	518 327
TOTAL ASSETS		610 573	563 532	558 719

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2019	30.09.2018	31.12.2018
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	15 785	14 553	14 554
	Retained earnings	19 281	17 501	19 281
	Total comprehensive income unallocated	1 695	1 438	0
	Total owners' equity	36 761	33 492	33 835
6	Subordinated loan capital etc.	7 867	7 170	7 691
	Premium reserve etc.	454 104	426 751	431 153
	Supplementary reserves	28 191	25 379	28 206
	Securities adjustment fund	54 476	42 635	33 439
	Premium funds, defined contribution funds, pension regulation funds etc.	10 013	10 937	12 383
	Unallocated profit to customers	4 922	6 212	0
	Total insurance liabilities - contractual liabilities	551 706	511 914	505 182
	Pension capital etc.	2 018	1 915	1 941
	Supplementary reserves	100	140	100
	Premium funds, defined contribution funds, pension regulation funds etc.	389	391	378
	Unallocated profit to customers	138	33	0
	Total insurance liabilities - special investment portfolio	2 645	2 479	2 419
	Pension obligations	620	544	565
	Current tax liabilities	429	3	426
	Deferred tax liabilities	874	1 024	481
11	Lease liabilities	234	0	0
9	Liabilities	9 355	6 838	7 895
	Accrued costs and prepaid income	83	68	225
	TOTAL OWNERS' EQUITY AND LIABILITIES	610 573	563 532	558 719
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	22 359	14 065	19 142

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2019	14 554	4 793	14 488	33 835
Income before other income and expenses		599	1 140	1 740
Actuarial gains and losses on defined benefits pension schemes			-40	-40
Proportion of other comprehensive income on application of the equity method			-21	-21
Adjustment of the insurance liabilities			5	5
Tax on other income and expenses that will not be reclassified to profit or loss			10	10
Total other income and expenses that will not be reclassified to profit or loss			-45	-45
Total comprehensive income (unallocated)		599	1 095	1 695
Owners equity contribution recieved	1 231			1 231
Total transactions with owners	1 231			1 231
Own funds 30 September 2019	15 785	5 393	15 583	36 761

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 income and expenses		418	1 020	1 438
Actuarial gains and losses on defined benefits pension schemes			0	0
Proportion of other comprehensive income on application of the equity method			0	0
Adjustment of the insurance liabilities			0	0
Tax on other income and expenses that will not be reclassified to profit or loss			0	0
Total other income and expenses that will not be reclassified to profit or loss			0	0
Total comprehensive income (unallocated)		418	1 020	1 438
Owners equity contribution recieved	1 428			1 428
Total transactions with owners	1 428			1 428
Own funds 30 September 2018	14 553	4 572	14 367	33 492

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 income and expenses		639	1 158	1 797
Actuarial gains and losses on defined benefits pension schemes			-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 income and expenses that will not be reclassified to profit or loss			4	4
Total other income and expenses that will not be reclassified to profit or loss			-18	-18
Total comprehensive income		639	1 141	1 780
Owners equity contribution recieved	1 429			1 429
Total transactions with owners	1 429			1 429
Own funds 31 December 2018	14 554	4 793	14 488	33 835

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2019 -30.09.2019	01.01.2019 -30.06.2019	01.01.2019 -31.03.2019	01.01.2018 -31.12.2018	01.01.2018 -30.09.2018
Net cashflow from operational activities	-1 056	412	-24	-1 304	-1 461
Net cashflow from investment activities ¹	-198	-138	-39	-12	-12
Net cashflow from financing activities ²	1 151	-55	-35	1 429	1 428
Net changes in cash and bank deposits	-103	220	-98	112	-45
Holdings of cash and bank deposits at start of period	954	954	954	842	842
Holdings of cash and bank deposits at end of period	851	1 173	856	954	796

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 – 30 September 2019. 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 2018, 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 2018, which is available 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.

NOTE 2 Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 30. September 2019.

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Value adjustment incl. foreign exchange	318	39	245	122	1 704
Foreign exchange effect on hedging	-162	60	762	1 320	377
Net value adjustment incl. exchange hedging	156	100	1 006	1 443	2 081

NOTE 3 Premium income

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Gross premiums due	10 325	9 270	32 158	31 255	38 724
Reinsurance premiums ceded	-1	0	-1	-2	-2
Transfer of premium reserves from others	0	0	0	5	5
Total premium income	10 324	9 270	32 157	31 259	38 727

NOTE 4 Claims

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Claims paid	5 049	4 638	14 788	13 614	18 350
Transfers of premium reserves to others	0	0	288	497	497
Total claims	5 049	4 638	15 077	14 110	18 847

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q3 2019	Q3 2018	01.01.2019 -30.09.2019	01.01.2018 -30.09.2018	01.01.2018 -31.12.2018
Personnel costs	141	127	480	439	639
Depreciation ¹	42	18	125	55	73
Other operating expenses ¹	44	78	179	273	384
Total insurance-related operating expenses	227	223	783	768	1 097

¹ As a result of the implementation of IFRS 16 Leases, the rental cost is classified as depreciation as of 01.01.2019.

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.

30.09.2019 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	1 029	1 120	5 385	5 883	23	24	6 437	7 027
Accrued not due interest	23	23	165	165	1	1	188	188
Foreign hold-to-maturity bonds	6 309	6 700	16 815	18 107	57	64	23 181	24 870
Accrued not due interest	23	23	215	215	1	1	240	240
Total investments held to maturity	7 384	7 866	22 580	24 370	82	89	30 045	32 325
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 450	3 578	38 326	40 508	184	198	41 960	44 284
Accrued not due interest	51	51	663	663	2	2	716	716
Foreign bonds	7 308	7 607	90 788	95 732	611	641	98 708	103 979
Accrued not due interest	79	79	1 531	1 531	10	10	1 621	1 621
Total bonds classified as loans and receivables	10 889	11 315	131 308	138 434	807	851	143 004	150 600
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 075	3 088	0	0	3 075	3 088
Lending with public sector guarantee	0	0	55 438	56 005	0	0	55 438	56 005
Loans abroad secured by mortgage and local government guarantee	0	0	8 531	8 574	0	0	8 531	8 574
Accrued not due interest	0	0	337	337	0	0	337	337
Total other loans and receivables	0	0	67 381	68 004	0	0	67 381	68 004
Total financial assets at amortized cost	18 273	19 181	221 269	230 808	889	940	240 431	250 929
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	5	5	6 866	6 866	0	0	6 871	6 871
Foreign shares	0	0	28 220	28 220	0	0	28 220	28 220
Total shares	5	5	35 086	35 086	0	0	35 091	35 091
Property funds	0	0	2 429	2 429	0	0	2 429	2 429
Norwegian equity funds	0	0	78 409	78 409	770	770	79 179	79 179
Foreign equity funds	0	0	13 496	13 496	0	0	13 496	13 496
Total equity fund units	0	0	94 334	94 334	770	770	95 104	95 104
Norwegian alternative investments	0	0	2 676	2 676	16	16	2 692	2 692
Foreign alternative investments	0	0	1 261	1 261	0	0	1 261	1 261
Total alternative investments	0	0	3 936	3 936	16	16	3 952	3 952
Total shares and units	5	5	133 355	133 355	787	787	134 147	134 147

NOTE 6 Fair value of financial assets and liabilities– continues

30.09.2019 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	7 577	7 577	30 681	30 681	0	0	38 258	38 258
Foreign bonds	228	228	20 697	20 697	0	0	20 924	20 924
Accrued not due interest	35	35	327	327	0	0	362	362
Norwegian fixed-income funds	2 844	2 844	50 263	50 263	500	500	53 607	53 607
Foreign fixed-income funds	0	0	14 760	14 760	0	0	14 760	14 760
Accrued not due interest	8	8	98	98	3	3	109	109
Norwegian certificates	914	914	4 516	4 516	0	0	5 429	5 429
Accrued not due interest	5	5	2	2	0	0	8	8
Fixed income securities	11 610	11 610	121 345	121 345	503	503	133 459	133 459
Norwegian loans and receivables	1 584	1 584	1 850	1 850	53	53	3 487	3 487
Foreign loans and receivables	452	452	3 298	3 298	41	41	3 791	3 791
Total loans and receivables	2 037	2 037	5 148	5 148	94	94	7 279	7 279
DERIVATIVES								
Interest rate swaps	903	903	63	63	0	0	966	966
Forward exchange contracts	0	0	187	187	1	1	188	188
Total financial derivatives classified as assets	903	903	250	250	1	1	1 154	1 154
Other financial assets	0	0	3 149	3 149	2	2	3 151	3 151
Total financial assets valued at fair value	14 555	14 555	263 248	263 248	1 387	1 387	279 190	279 190
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	553	553	0	0	553	553
Forward exchange contracts	0	0	1 176	1 176	13	13	1 189	1 189
Total financial derivatives classified as liabilities	0	0	1 729	1 729	13	13	1 742	1 742
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 973	6 833	0	0	0	0	5 973	6 833
Hybrid Tier 1 securities	1 894	1 676	0	0	0	0	1 894	1 676
Total subordinated loan capital etc.	7 867	8 509	0	0	0	0	7 867	8 509
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	4	4	3	3	6	6
Foreign call money ¹	901	901	14	14	7	7	922	922
Total liabilities to credit institutions	901	901	18	18	9	9	928	928

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

NOTE 6 Fair value of financial assets and liabilities– continues

30.09.2018 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	680	747	6 247	6 681	23	24	6 951	7 451
Accrued not due interest	21	21	199	199	1	1	220	220
Foreign hold-to-maturity bonds	6 075	6 202	16 519	16 963	57	62	22 651	23 227
Accrued not due interest	23	23	210	210	1	1	235	235
Total investments held to maturity	6 799	6 993	23 176	24 053	81	88	30 056	31 134
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 820	3 867	37 317	37 984	192	199	41 330	42 050
Accrued not due interest	54	54	655	655	2	2	711	711
Foreign bonds	7 039	7 102	79 406	82 825	583	604	87 028	90 531
Accrued not due interest	77	77	1 387	1 387	10	10	1 474	1 474
Total bonds classified as loans and receivables	10 990	11 100	118 765	122 851	787	815	130 543	134 765
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	3 030	3 035	0	0	3 030	3 035
Lending with public sector guarantee	0	0	49 451	49 733	0	0	49 451	49 733
Loans abroad secured by mortgage and local government guarantee	0	0	7 664	7 690	0	0	7 664	7 690
Accrued not due interest	0	0	324	324	0	0	324	324
Total other loans and receivables	0	0	60 469	60 781	0	0	60 469	60 781
Total financial assets at amortized cost	17 789	18 093	202 410	207 685	869	903	221 068	226 680
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	473	473	7 723	7 723	0	0	8 196	8 196
Foreign shares	0	0	25 737	25 737	0	0	25 737	25 737
Total shares	473	473	33 460	33 460	0	0	33 933	33 933
Property funds	0	0	2 309	2 309	0	0	2 309	2 309
Norwegian equity funds	0	0	68 116	68 116	653	653	68 769	68 769
Foreign equity funds	0	0	10 581	10 581	0	0	10 581	10 581
Total equity fund units	0	0	81 007	81 007	653	653	81 660	81 660
Norwegian alternative investments	0	0	2 692	2 692	16	16	2 708	2 708
Foreign alternative investments	0	0	827	827	0	0	827	827
Total alternative investments	0	0	3 519	3 519	16	16	3 536	3 536
Total shares and units	473	473	117 986	117 986	670	670	119 128	119 128

NOTE 6 Fair value of financial assets and liabilities– continues

30.09.2018 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	7 277	7 277	32 588	32 588	0	0	39 865	39 865
Foreign bonds	156	156	17 178	17 178	0	0	17 334	17 334
Accrued not due interest	32	32	291	291	0	0	323	323
Norwegian fixed-income funds	2 193	2 193	49 680	49 680	566	566	52 439	52 439
Foreign fixed-income funds	0	0	13 300	13 300	0	0	13 300	13 300
Accrued not due interest	30	30	1 080	1 080	10	10	1 120	1 120
Norwegian certificates	235	235	5 966	5 966	0	0	6 201	6 201
Accrued not due interest	1	1	1	1	0	0	3	3
Fixed income securities	9 925	9 925	120 085	120 085	575	575	130 585	130 585
Norwegian loans and receivables	1 132	1 132	2 178	2 178	12	12	3 322	3 322
Foreign loans and receivables	118	118	3 462	3 462	32	32	3 613	3 613
Total loans and receivables	1 251	1 251	5 640	5 640	44	44	6 935	6 935
DERIVATIVES								
Interest rate swaps	474	474	241	241	0	0	715	715
Forward exchange contracts	1	1	1 139	1 139	8	8	1 148	1 148
Total financial derivatives classified as assets	475	475	1 380	1 380	8	8	1 863	1 863
Other financial assets	0	0	545	545	16	16	561	561
Total financial assets valued at fair value	12 123	12 123	245 637	245 637	1 313	1 313	259 072	259 072
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	18	18	0	0	18	18
Forward exchange contracts	0	0	231	231	1	1	232	232
Total financial derivatives classified as liabilities	0	0	249	249	1	1	250	250
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 696	6 215	0	0	0	0	5 696	6 215
Hybrid Tier 1 securities	1 475	1 339	0	0	0	0	1 475	1 339
Total subordinated loan capital etc.	7 170	7 554	0	0	0	0	7 170	7 554
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	444	444	0	0	444	444
Foreign call money ¹	485	485	592	592	11	11	1 087	1 087
Total liabilities to credit institutions	485	485	1 036	1 036	11	11	1 532	1 532

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

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
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
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 7 Fair value hierarchy

30.09.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 898	8 712	0	11 610
Certificates	0	919	0	919
Bonds	47	7 793	0	7 840
Fixed-income funds	2 851	0	0	2 851
Loans and receivables	839	1 198	0	2 037
Shares and units	0	0	5	5
Shares	0	0	5	5
Financial derivatives	0	903	0	903
Other financial assets	0	0	0	0
Total corporate portfolio	3 737	10 813	5	14 555
COMMON PORTFOLIO				
Fixed-income securities	87 943	33 402	0	121 345
Certificates	3 551	967	0	4 518
Bonds	19 271	32 435	0	51 705
Fixed-income funds	65 122	0	0	65 122
Loans and receivables	4 627	521	0	5 148
Shares and units	111 802	4 701	16 852	133 355
Shares	32 244	726	2 117	35 086
Equity funds	79 559	0	35	79 593
Property funds	0	39	2 390	2 429
Special funds	0	3 936	0	3 936
Private Equity	0	0	12 311	12 311
Financial derivatives	0	250	0	250
Other financial assets	0	3 149	0	3 149
Total common portfolio	204 372	42 024	16 852	263 248

NOTE 7 Fair value hierarchy – continues

30.09.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	503	0	0	503
Fixed-income funds	503	0	0	503
Loans and receivables	94	0	0	94
Shares and units	770	16	0	787
Equity funds	770	0	0	770
Special funds	0	16	0	16
Financial derivatives	0	1	0	1
Other financial assets	0	2	0	2
Total investment option portfolio	1 368	19	0	1 387
Total financial assets valued at fair value	209 477	52 856	16 857	279 190
CORPORATE PORTFOLIO				
Investment property	0	0	949	949
Total investment property	0	0	949	949
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	901	0	0	901
Total corporate portfolio	901	0	0	901
COMMON PORTFOLIO				
Financial derivatives	0	1 729	0	1 729
Debt to credit institutions	18	0	0	18
Total common portfolio	18	1 729	0	1 746
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	13	0	13
Debt to credit institutions	9	0	0	9
Total investment option portfolio	9	13	0	23
Total financial liabilities at fair value	928	1 742	0	2 670

NOTE 7 Fair value hierarchy – continues

30.09.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 270	7 655	0	9 925
Certificates	0	236	0	236
Bonds	46	7 419	0	7 465
Fixed-income funds	2 224	0	0	2 224
Loans and receivables	539	711	0	1 251
Shares and units	0	469	4	473
Shares	0	469	4	473
Financial derivatives	0	475	0	475
Other financial assets	0	0	0	0
Total corporate portfolio	2 810	9 309	4	12 123
COMMON PORTFOLIO				
Fixed-income securities	85 948	34 137	0	120 085
Certificates	5 636	331	0	5 967
Bonds	16 252	33 806	0	50 057
Fixed-income funds	64 060	0	0	64 060
Loans and receivables	4 895	746	0	5 640
Shares and units	99 070	4 294	14 623	117 986
Shares	29 804	721	2 935	33 460
Equity funds	69 266	0	65	69 330
Property funds	0	53	2 256	2 309
Special funds	0	3 519	0	3 519
Private Equity	0	0	9 367	9 367
Financial derivatives	0	1 380	0	1 380
Other financial assets	0	545	0	545
Total common portfolio	189 913	41 101	14 623	245 637

NOTE 7 Fair value hierarchy – continues

30.09.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	575	0	0	575
Fixed-income funds	575	0	0	575
Loans and receivables	44	0	0	44
Shares and units	653	16	0	670
Equity funds	653	0	0	653
Special funds	0	16	0	16
Financial derivatives	0	8	0	8
Other financial assets	0	16	0	16
Total investment option portfolio	1 272	40	0	1 313
Total financial assets valued at fair value	193 995	50 451	14 627	259 072
CORPORATE PORTFOLIO				
Investment property	0	0	854	854
Total investment property	0	0	854	854
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	485	0	0	485
Total corporate portfolio	485	0	0	485
COMMON PORTFOLIO				
Financial derivatives	0	249	0	249
Debt to credit institutions	1 036	0	0	1 036
Total common portfolio	1 036	249	0	1 285
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	1	0	1
Debt to credit institutions	11	0	0	11
Total investment option portfolio	11	1	0	12
Total financial liabilities at fair value	1 532	250	0	1 782

NOTE 7 Fair value hierarchy – continues

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
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				
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				
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

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018
Opening balance 01.01.	4	3	3
Sold	0	0	0
Bought	2	0	0
Unrealised changes	-1	1	1
Closing balance 30.09./31.12.	5	4	4
Realised gains/losses	0	-48	-48

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018
Opening balance 01.01.	2 481	1 640	1 640
Sold	-1 418	0	0
Bought	760	519	339
Unrealised changes	294	776	503
Closing balance 30.09./31.12.	2 117	2 935	2 481
Realised gains/losses	321	0	0

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018
Opening balance 01.01.	61	75	75
Sold	-9	-15	-15
Bought	0	0	0
Unrealised changes	-17	5	1
Closing balance 30.09./31.12.	35	65	61
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018
Opening balance 01.01.	12 664	10 837	10 837
Sold	-1 533	-1 830	-2 403
Bought	2 048	1 416	2 261
Unrealised changes	1 522	1 200	1 969
Closing balance 30.09./31.12.	14 701	11 623	12 664
Realised gains/losses	495	1 156	1 326

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 30.09.2019	Book value 30.09.2018	Book value 31.12.2018
Opening balance 01.01.	924	1 003	1 003
Sold	0	-499	-499
Bought	0	0	0
Unrealised changes	61	10	70
Other	-36	341	350
Closing balance 30.09./31.12.	949	854	924
Realised gains/losses	0	362	362
Total Level 3	17 807	15 481	16 133

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 890 million as of 30.09.2019 on the assets in level 3.

NOTE 7 Fair value hierarchy – continues

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

In this quarter, NOK 120 million have been moved from Level 1 to Level 2. The amounts are related to equity instruments and are due to change in liquidity. There has been no other movements between the different levels in KLP.

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

30.09.2019 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 154	0	1 154	-251	-909	0	2
Total	1 154	0	1 154	-251	-909	0	2
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	250	0	250	-250	-8	0	0
Total assets – corporate portfolio	903	0	903	0	-901	0	2
Total assets – investment option portfolio	1	0	1	-1	0	0	0
Total	1 154	0	1 154	-251	-909	0	2
LIABILITIES							
Financial derivatives	1 742	0	1 742	-251	-8	-1 618	107
Total	1 742	0	1 742	-251	-8	-1 618	107
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	1 729	0	1 729	-250	0	-1 618	97
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	13	0	13	-1	-8	0	9
Total	1 742	0	1 742	-251	-8	-1 618	107

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

30.09.2018 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	1 862	0	1 862	-245	-1 525	0	107
Total	1 862	0	1 862	-245	-1 525	0	107
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 379	0	1 379	-244	-1 034	0	104
Total assets – corporate portfolio	475	0	475	0	-485	0	1
Total assets – investment option portfolio	8	0	8	0	-6	0	2
Total	1 862	0	1 862	-245	-1 525	0	107
LIABILITIES							
Financial derivatives	250	0	250	-245	-1	-27	0
Total	250	0	250	-245	-1	-27	0
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	249	0	249	-244	0	-27	0
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	1	0	1	0	-1	0	0
Total	250	0	250	-245	-1	-27	0

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

31.12.2018 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
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

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	30.09.2019	30.09.2018	31.12.2018
Short-term liabilities securities	4 498	2 639	1 442
Advance tax-deduction pension scheme	386	361	418
Accounts payable	48	40	21
Derivatives	1 742	250	3 891
Debt to credit institutions	928	1 532	650
Liabilities related to direct insurance	1 737	2 002	1 442
Other liabilities	17	14	31
Total liabilities	9 355	6 838	7 895

NOTE 10 SCR ratio

NOK BILLIONS	30.09.2019	30.09.2018	31.12.2018		30.09.2019	30.09.2018	31.12.2018
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT							
Assets, book value	610	563	559	Best estimate	550	507	500
Added values - hold-to-maturity portfolio/loans and receivables	10	6	6	Risk margin	14	13	13
Added values - other lending	0	0	0	Hybrid Tier 1 securities/Subordinated loan capital	8	7	8
Other added/lesser values	0	0	0	Other liabilities	11	7	9
Deferred tax asset	0	0	0	Deferred tax liabilities	2	2	2
Total assets - solvency II	621	569	564	Total liabilities - solvency II	586	536	532
				Excess of assets over liabilities	35	33	32
				- Deferred tax asset	0	0	0
				- Risk equalisation fund	-5	-4	-5
				+ Hybrid Tier 1 securities	2	1	2
				Tier 1 basic own funds	31	30	29
				Total eligible tier 1 own funds	31	30	29
				Subordinated loans	6	7	7
				Risk equalisation fund	5	4	5
				Tier 2 basic own funds	12	11	12
				Ancillary own funds	11	11	11
				Tier 2 ancillary own funds	11	11	11
				Deduction for max. eligible tier 2 own funds	-16	-15	-16
				Total eligible tier 2 own funds	7	7	7
				Deferred tax asset	0	0	0
				Total eligible tier 3 own funds	0	0	0
				Solvency II total eligible own funds	38	37	36
				Market risk	6	6	6
				Diversification market risk	-2	-2	-2
				Counterparty risk	0	0	0
				Life risk	15	15	15
				Diversification life risk	-4	-4	-4
				Diversification general	-3	-3	-3
				Operational risk	2	2	2
				Loss absorbing ability deferred tax	-2	-2	-2
				Solvency capital requirement (SCR)	14	13	14
				Linear minimum capital requirement (MCR_linear)	8	6	6
				Minimum	3	3	3
				Maximum	6	6	6
				Minimum capital requirement (MCR)	6	6	6
				Solvency II- SCR ratio	274 %	274 %	263 %

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 274 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 362 per cent.

	30.09.2019	30.09.2018	31.12.2018
Solvency II - SCR ratio	274 %	274 %	263 %

NOTE 11 Leases

IFRS 16 *Leases* was implemented 01.01.2019 using the modified retrospective approach, without requiring comparative figures. The entire effect of the transition has been taken against the opening balance of 01.01.2019 and comparative figures for 2018 have therefore not been restated.

NOK MILLIONS	30.09.2019
RIGHT-OF-USE ASSETS	Property
Opening balance 01.01.	305
Depreciation	-76
Closing balance 30.09.	229

NOK MILLIONS	30.09.2019
LEASE LIABILITIES	Property
Opening balance 01.01.	305
Repayments	-71
Closing balance 30.09.	234

NOK MILLIONS	Q3 2019	01.01.2019 -30.09.2019
	Property	
Interest expense lease liabilities	2	6

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