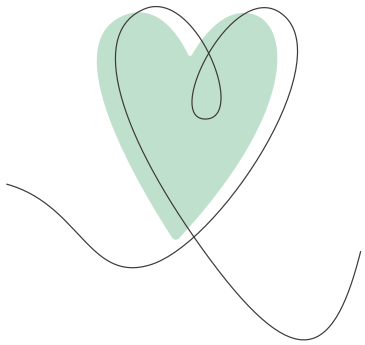
KLP

Annual Report 2018



KLP – on the side of the community

Kommunal Landspensjonskasse (KLP) is the pension company for the Norwegian local government and healthcare sector, with 457,000 members, over 290,000 retirees and 229,000 former members with pension rights. We started out in 1949 as a partnership of small municipalities across the country to provide good pensions in a strong community. Today, KLP is the preferred pension provider for the Norwegian local government and healthcare sectors, one of Norway's largest finance companies and a mainstay of the Norwegian welfare system. We are an unusual finance company because we are owned by our customers. All of our wealth creation benefits our customers. As the pension provider for the Norwegian local government and healthcare sector, it is important for KLP to deliver good returns on the pension money that we manage, offer user-friendly solutions for both members and employers, as well as maintain our low cost level.

KLP IS A PROFITABLE COMMUNITY

When KLP makes a profit, we either use this to boost our financial strength, or we give it to our owners. In both cases, the result is that they have to pay less. We have the lowest possible costs, so they get as much as possible for schools and nursing homes or other priority tasks that our owners are responsible for. The way in which KLP runs its business therefore has a direct impact on how the owners discharge their social obligations.

BENEFITS FOR THE PRESENT AND FUTURE GENERATIONS

KLP’s social responsibility is to provide secure and competitive pensions in a responsible and sustainable manner. Our work is based on international standards such as UN Conventions, and we are open about how we work and invest. Responsible business practice is the key to sustainable development. The aim is to make a difference. This means that as well as safeguarding the pension money for the future, we do so in a way that creates a secure future — for people living now and the coming generations.

KLP

Annual Report 2018

The way in which KLP runs its business has a direct impact om how the owners discharge their social obligations.

Photo:
Ole Jørgen Gangsøy
Employed in KLP

Contents

PREFACE

Ready for fresh competition

Competitors have announced a comeback on the market for public-sector pensions. We are well prepared.

After several years of strong returns, 2018 was marked by more volatile stock markets and rising interest rates in Norway. The return on customer funds in 2018 was 1.5 per cent. So it is a good thing that we have used much of our surplus over the last ten years to strengthen the group's capital. That means we can draw on our reserves, post a return of 3.5 per cent for last year and give NOK 2.9 billion back to our customers.

As the pension provider for the Norwegian local government and healthcare sectors, it is important for KLP is to deliver a good return on the pension assets that we manage. Although we delivered modest results last year, the return was amongst the best out of those who manage public sector occupational pensions. It is also important for KLP to offer user-friendly solutions for both members and employers, as well as maintaining our low cost levels.

This will even more important going forward with a changing pension system. Last year, the social partners and the Government agreed to reform public-sector occupational pensions. And this summer the Storting is expected to pass the amendments that will take effect from 1 January 2020. This places a great responsibility on us to provide complete and accurate information to different groups of future pensioners in the coming years.

Once again, it looks as if the municipalities will soon have several pension providers to choose from. DNB and Storebrand have both announced that they are interested in making a comeback into the market for public-sector pensions, albeit with certain caveats. Even after our competitors withdrew from the market, KLP went on working to improve our services in close consultation with our customers. So we find ourselves well prepared to take on the others.

We have already started a comprehensive effort to build the pension platform of the future. That means that we are investing heavily to take advantage of the opportunities that technology offers. This development will go on for many years, and should provide a better customer experience in the form of the best digital pension advice service for both employers and members. The work enables us to continue providing the best service and maintaining the efficiency that will keep costs down. How we intend to take KLP into the future.

It is a very responsible job to manage NOK 676 billion on behalf of the community. Because KLP wants to contribute to sustainable development, we signed up to the UN Global Compact back in 2003, which is about corporate social responsibility in the business world. This means that KLP has undertaken to observe ten principles which include safeguarding human rights and the climate. As a major investor, we also try to persuade the companies that we invest in to follow the same principles. We find this produces results.

Photo: Nicolas Tourrenc

Climate is a key word here. I feel a great personal responsibility and commitment to help limit global warming and all the irreversible damage it will entail. It is good to know that we are being urged on in this work by our customers and owners. KLP has decided to continue to increase its climate-related investments by NOK 6 billion every year. These include large and small investments in Norway and abroad, in forestry, solar power and wind energy, to name just a few. In 2018, for example, we invested in the solar energy company Otovo, which helps home-owners to install solar panels on the roof. We are also working with other investors to get the companies we invest in to make ambitious plans to contribute to a better climate.

The climate is not the only area where we are closely engaged. We have looked into the UN's 17 sustainable development goals and defined five areas where we believe we can make a difference. One of these relates to efforts to promote decent working conditions. In the autumn of 2018 we lobbied Nordic American Tankers (NAT) to ensure that the ships they sold would not end their days on a beach in Asia. When the work did not bear fruit, we decided to exclude NAT from KLP's investment universe at the beginning of 2019. Now and again, you have to put your foot down.

I hope that you find the annual report helpful, that you will get to know KLP and our various companies better, and that you will find answers to any questions you may have, and perhaps find inspiration to help you in your own work.

Best wishes,

SVERRE THORNES
Group CEO

I feel a great personal responsibility and commitment to help limit global warming.

”

Photo:
Vidar Stenseth
Employed in KLP

PHOTOGRAPHY COMPETITION

KLP in pictures

KLP’s annual reports are illustrated with photos from our annual photography competition. The topic of this year’s competition was: *This is KLP*. The pictures are intended to illustrate why KLP exists, and what KLP means for our members. Our staff submitted 166 great entries to the competition. You can enjoy some of them in this report.

By using pictures from everyday life and holidays, KLP shows its core values to the members in a recognizable way.

PHOTOGRAPHER OLAV ERIK STORM,
HEAD OF THE JURY FOR KLPS PHOTOGRAPHY COMPETITION.

Photo:
Marianne Wright Pedersen
Employed in KLP

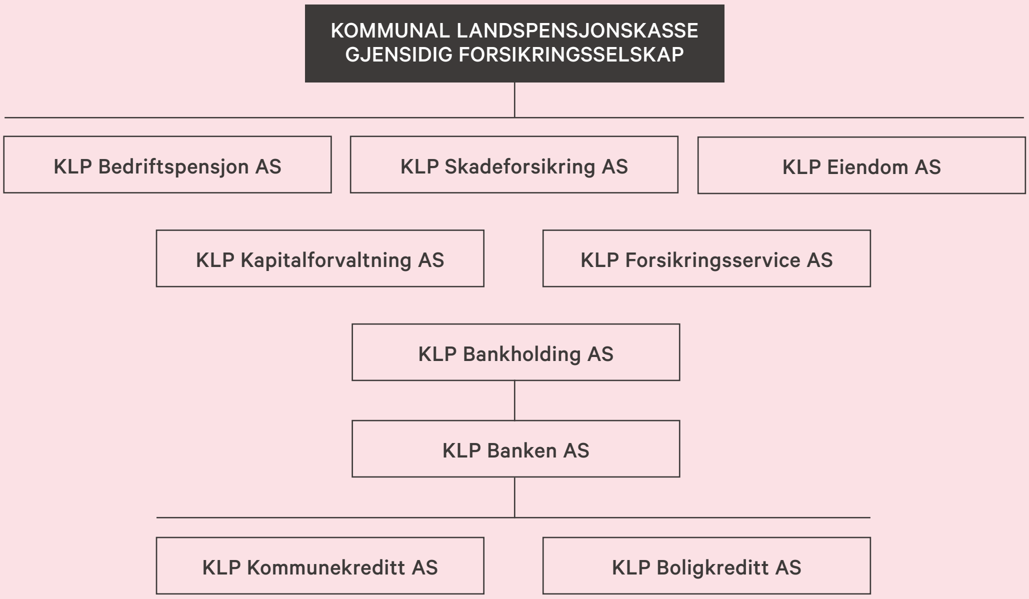
”

The photos give a picture of the life that most of us live, and where KLP has its basic idea and profile.

PHOTOGRAPHER OLAV ERIK STORM,
HEAD OF THE JURY FOR KLPS PHOTOGRAPHY COMPETITION.

Photo:
Karoline Baltzersen
Employed in KLP

ORGANISATION CHART



KLP aims to deliver secure and competitive pension, financial and insurance services to the public sector, enterprises associated with the public sector and their employees.

OUR BUSINESS CONCEPT

KLPS CUSTOMERS WITH PUBLIC SECTOR OCCUPATIONAL PENSIONS

399	2450	26	15
Municipalities	Businesses	Health enterprises including regional health firms	County authorities

This is KLP

KLP is the pension company for the Norwegian local government and healthcare sector, and is owned by municipalities, businesses and health enterprises with public-sector occupational pensions.

The Company provides services within pensions, banking, fund management and insurance to customers in the public sector. KLP had total assets of NOK 676 billion at the end of 2018.

KLP PROVIDES SECURITY FOR THE DAYS TO COME

The fact that the customers own KLP is very important: all wealth creation goes to the owners. The Company's mission is to deliver the best possible services at the lowest possible price. One of the most important things KLP does is to ensure that the owners receive the best return on their pension funds.

Pensions are KLP's core product and largest activity. We have long experience of pensions and are always working to understand what is important to our customers and to provide good customer experiences both today and for the days to come.

We know that pensions can seem complicated, so we make a conscious effort to simplify the difficult things and to be a helpful guide when it comes to pensions.

OUR OVERALL GOAL

KLP aims to be the preferred provider of pensions to the public sector. To achieve this goal, we have to provide competitive returns on the pension funds that we manage, and we need to run an efficient operation with the lowest administrative costs on the market. At the same time, the need for information on pensions, both for employers and employees, is very great and must be met effectively with access to good personal service and excellent online solutions.

KLP's customers for public-sector occupational pensions are also the company's owners. This should be clear from the way in which solutions, products and communication build on this close relationship in a way that lifts KLP above other competitors. KLP aims to be a leader in corporate social responsibility and sustainability.

CORPORATE FORM

KLP is the collective name for the parent company, Kommunal Landspensjonskasse, a mutual insurance company with six wholly-owned subsidiaries organised as limited companies:

- KLP Banken AS
- KLP Bedriftspensjon AS
- KLP Eiendom AS
- KLP Forsikringsservice AS
- KLP Kapitalforvaltning AS
- KLP Skadeforsikring AS

The mutual company model helps to ensure that customers' interests come first. The Company has no external investors who have to be paid for providing equity to the business.

KLP'S CORE BUSINESS

Pensions and life insurance constitute the core business of the KLP Group. A large proportion of the public sector is required by collective agreements to have an occupational pension scheme for the staff. KLP is the largest provider of public-sector occupational pension schemes to municipalities, county administrations, health enterprises and companies associated with the public sector.

THIS YEAR'S RESULTS

KLP is maintaining its position as the leading provider of public-sector occupational pensions in our market. In 2018, two municipal customers chose to liquidate their own pension fund in connection with the municipal merger and moves to KLP 1 December 2020.
A few companies affiliated to the public sector choose alternative solutions for public-sector occupational pensions.

As a result of growth in the public sector, the number of members in the pension scheme is increasing. At the beginning of 2019 there were 980,000 members and pensioners in the scheme. This represents an increase of 31,000 from last year.

In 2018, KLP achieved a pre-tax profit of NOK 2424,6million. Net profit for the year totalled NOK 1779,8 million. The year ended with turbulence in the financial markets. The Company delivered a financial result with a 1,5 per cent value-adjusted return` and a book return of 3.5 per cent in the common portfolio.

FUTURE CHALLENGES AND GOALS

KLP aims to be the preferred pension provider to the public sector and businesses affiliated to it. The main product that KLP offers is public-sector occupational pensions. If customers want other pension schemes, we can offer this

Open
Clear
Responsible
Committed

KLP'S VALUES

THIS YEAR'S RESULTS - KLP

2424.6	1.5 %	3.5 %
Pre-tax profit (NOK million).	Valueadjusted return.	Book return.

Your best partner for the days to come.

KLP'S VISION

through our subsidiaries. Our biggest challenge is to work for continued competitiveness. In order to retain our strong position, it is important to deliver well in the areas of returns, costs and service. In 2018, KLP started a comprehensive effort to build the digital pension platform of the future. This will provide a better (digital) customer experience for both employer customers and members, ensure efficiency and maintain low costs in the future. Public-sector occupational pensions are changing. Read more about this under 'Amended public-sector occupational pensions'.

NEW MEMBERSHIP STRATEGY TO EXTEND OUR REACH

To be perceived as the best for pensions, KLP must provide value to individuals who have their pensions with the company. In 2018 we therefore prepared a new membership strategy for the group. Pensions are affected by choices we make throughout our lives, and KLP's ambition is to build a relationship with its members in all phases of life. A relationship where KLP gains an insight into the needs and preferences of its members in different phases of life and adapts its communication and offerings to members within pensions, banking, investment management and insurance.

KLP's offering to members is about how we ensure that our members have a better understanding of their pensions, not to mention the other benefits that come with a pension from KLP. In 2018, KLP had a net growth in members with personal products of 17 per cent from 2017. The proportion of members who logged into our digital pension advisor increased by 20 per cent over the same period.

BEST FOR CUSTOMER EXPERIENCE

The public see KLP as one of the strongest brands. In June, KLP was voted Norwegian champion in KPMG's major survey of customer experience among well-known brands. KLP also shone in an international context. The survey shows that integrity and trust are becoming increasingly important to the customer experience because they form the foundation for a good and stable customer relationship. The survey helps explain why KLP has the most loyal customers in Norway.

KLP also regularly conducts its own customer surveys for all business areas. Customers tell us that they are consistently very happy with the experience when dealing with KLP. And we want to improve in the areas where they say they are not completely satisfied.

The vast majority of municipal and county authorities are KLP customers. KLP's head office is in Oslo. KLP also has an office in Bergen, which looks after life insurance and pension services. The property company has offices in Oslo, Trondheim, Copenhagen and Stockholm. The bank has offices in Trondheim and Oslo.

The KLP story

KLP was founded by The Union of Norwegian Cities and the Norwegian Association of Rural Municipalities to offer occupational pensions to municipal employees.

1949

The Union of Norwegian Cities and the Norwegian Association of Rural Municipalities (forerunners to the Norwegian Association of Local and Regional Authorities - KS) decide to establish Kommunal Lands-pensjonkasse. KLP is established as a managed pension scheme under Norsk Kollektiv Pensjonskasse.

1950

KLP establishes a gender and age-neutral premium system. After this, everyone pays the same percentage in premiums regardless of gender and age.

1961

KLP fights for the introduction of a pension scheme for municipal nurses, with the same rights as in the Norwegian Public Service pension fund. The Act establishing the scheme comes into force in 1962.

1967

The Norwegian parliament, the Storting, passes a resolution to introduce National Insurance.

1974

KLP obtains its own licence as an insurance company and establishes a joint local authority pension scheme.

Pension rights for all.

The Transfer Agreement, which KLP contributes to, safeguards pension rights for people changing jobs within the public sector.

1984

KLP expands its product range with group life and accident insurance for local authority employees.

1985

KLP has total assets of NOK 15 billion under management.

1986

KLP succeeds in getting pensions index-linked in line with the National Insurance basic amount ('G').

1987

KLP takes over management of the Norwegian System of Patient Injury Compensation (NPE) on behalf of the Ministry of Social Affairs and owners of public healthcare institutions.

1988

Private contractual pensions, better known as AFPs, are introduced for employees in the private sector.

1990

KLP establishes a scheme with equity contributions under the Norwegian Insurance Act.

1992

70 per cent of municipal and county employees have their pension schemes in KLP.

KLP emerges unscathed from the financial crisis and the 'yuppie era'. The company changes strategy and builds up solid financial buffers.

1996

Fiercer competition for local authority pension schemes.

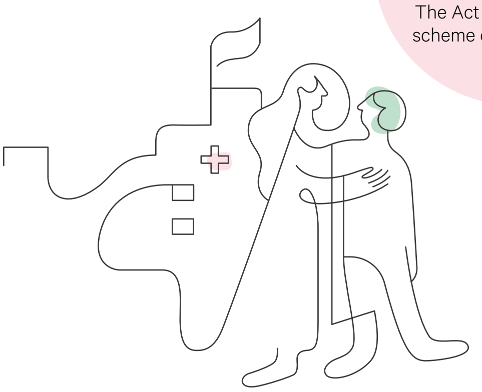
1998

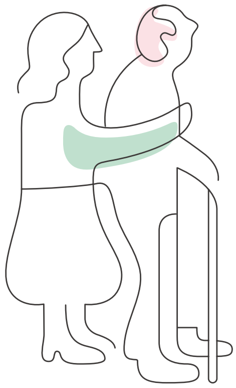
Today's governance model is established. KLP's owners now elect representatives to the general meeting.

1999

KLP acquires 20 per cent of Norges Kommunalbank from the state after getting the green light from Parliament.

KLP establishes KLP Kapital-forvaltning AS, then known as KLP Aktiv Forvaltning ASA.





2001

KLP excludes tobacco producers from the investment portfolio at the instigation of large customer groups within the healthcare sector.

2003

Banking Act Commission delivers reports on competition in local government occupational pension provision and on gender and age neutrality in group pension schemes.

2004

KLP's premium system becomes part of the industry norm and is incorporated into the new Insurance Act.

KLP signs the UN Global Compact, an initiative from Kofi Annan to get companies to take greater responsibility for the environment, human rights, workers' rights and combating corruption.

KLP considers turning into a limited company, but does not get sufficient support at the general meeting.

2005

KLP publishes its first social responsibility report.

2006

KLP establishes its subsidiary KLP Bedriftspensjon AS, which offers defined contribution and company pensions to businesses not bound by a collective agreement on municipal pension provision.

KLP launches its own comprehensive strategy for corporate social responsibility.

2008

KLP Skadeforsikring enters the retail market and offers private non-life insurance.

The Norwegian Insurance Act is amended. A distinction is made between customer assets and corporate assets.

2009

KLP takes over Kommunekreditt Norge AS after the financial crisis.

2010

KLP launches KLP Banken, aimed at members with pension schemes in KLP.

2011

Public-sector occupational pensions are adapted to reflect the changes in the Norwegian pension reform.

Seven municipalities and one county council choose to put their occupational pension provision out to tender. At the end of the procedure, seven out of eight choose KLP to provide their public-sector occupational pensions.

2013

KLP's principal competitors in the market for public sector occupational pensions opt to withdraw.

2014

The Storting adopts new disability pensions in the public sector from 1 January 2015.

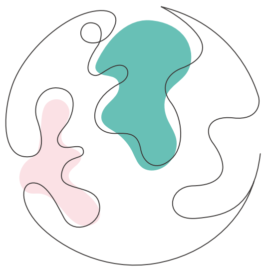
KLP celebrates 65 years as the pension company for the whole of Norwegian local government.

2016

New Solvency II regulations.

2018

KLP pulls out of oil sands.



Development over the last five years

NOK MILLIONS	2018	2017	2016	2015	2014
KLP GROUP					
Pre-tax income	2 840	2 474	2 449	5 138	1 189
Total assets	675 558	652 167	596 113	543 262	490 894
Owners' equity	33 857	29 564	27 823	23 665	17 558
Solvency II SCR ratio	243 %	224 %	198 %	-	-
Capital adequacy ratio	-	-	-	11.5 %	9.2 %
Number of employees	990	961	950	939	899
KOMMUNAL LANDSPENSJONSKASSE					
Pre-tax income	2 425	1 985	2 125	4 876	959
Premium income (without premium reserves transferred in)	38 723	32 119	33 605	29 541	32 280
Net transfers in/out of premium reserves and other funds	-510	130	3 587	10 354	28 677
Income to customers	5 528	7 124	8 339	20 650	6 959
of which supplementary reserves	2 805	1 137	4 011	3 122	3 568
of which to Premium Fund	2 723	5 202	4 324	5 138	3 391
Insurance funds	505 182	489 159	452 375	412 363	378 602
Total assets	558 719	534 784	496 663	457 858	415 030
Owners' equity	33 835	30 626	27 785	23 609	17 454
Solvency capital	108 825	116 648	98 856	84 577	73 909
"Solvency capital measured against insurance funds with interest guarantee "	24.4 %	27.7 %	24.7 %	22.8 %	21.6 %
Solvency II SCR ratio	263 %	242 %	209 %	-	-
Capital adequacy ratio	-	-	-	12.0 %	9.5 %
Return on the common portfolio:					
- book return	3.5 %	3.9 %	4,4 %	3.6 %	4.3 %
- value-adjusted return	1.5 %	6.7 %	5.8 %	4.0 %	6.9 %
- value-adjusted return including surplus value on assets recognize at amortized cost	0.5 %	6.7 %	5.4 %	2.8 %	9.5 %
Return investment options portfolio	0.6 %	7.5 %	6.2 %	4.0 %	6.7 %
Insurance-related administration costs measured against average customer funds	0.24 %	0.23 %	0.28 %	0.25 %	0.23 %
Number of premium-paying members	547 219	451 443	446 895	435 363	418 133
Number of pensioners	293 726	278 459	262 877	247 300	230 241
Number of employees	561	534	528	533	524

Development over the last five years - cont.

NOK MILLIONS	2018	2017	2016	2015	2014
KLP BEDRIFTSPENSJON AS					
Pre-tax income	-21	-25	-27	-24	-23
Premium income (without premium reserves transferred in)	522	454	389	336	261
Net inward/outward transfer of premium reserves	461	418	137	129	140
Income to customers	20	17	33	18	24
Total assets	5 601	4 869	3 571	2 943	2270
Solvency II SCR ratio	149.9 %	110.8 %	22.0 %	-	-
Capital adequacy ratio	-	-	-	35.4 %	12.7 %
KLP SKADEFORSIKRING AS					
Pre-tax income	18	164	255	183	304
Annual premium (Gross premiums)	1 373	1 370	1 268	1 113	921
Total assets	4 495	4 594	4 489	4 128	3 945
Combined ratio	104.5 %	106.0 %	98.7 %	98.8 %	98.1 %
Solvency II SCR ratio	242.5 %	232.8 %	260.9 %	-	-
Capital adequacy ratio	-	-	-	48.9 %	44.0 %
KLP BANKEN KONSERN					
Pre-tax income	83	103	91	50	29
Deposits	10 662	9 669	8 688	7 426	6 251
Lending *	33 474	30 763	29 962	26 359	24 946
Capital adequacy ratio	20.1 %	21.3 %	19.0 %	17.6 %	16.9 %

* Incl. interest accrued but not due

NOK MILLIONS	2018	2017	2016	2015	2014
KLP KAPITALFORVALTNING					
Pre-tax income	17	47	18	46	56
Assets for management in totalt	494 542	488 947	441 943	398 471	370 840
Of which assets for management from external customers	63 136	70 878	54 003	44 797	36 130

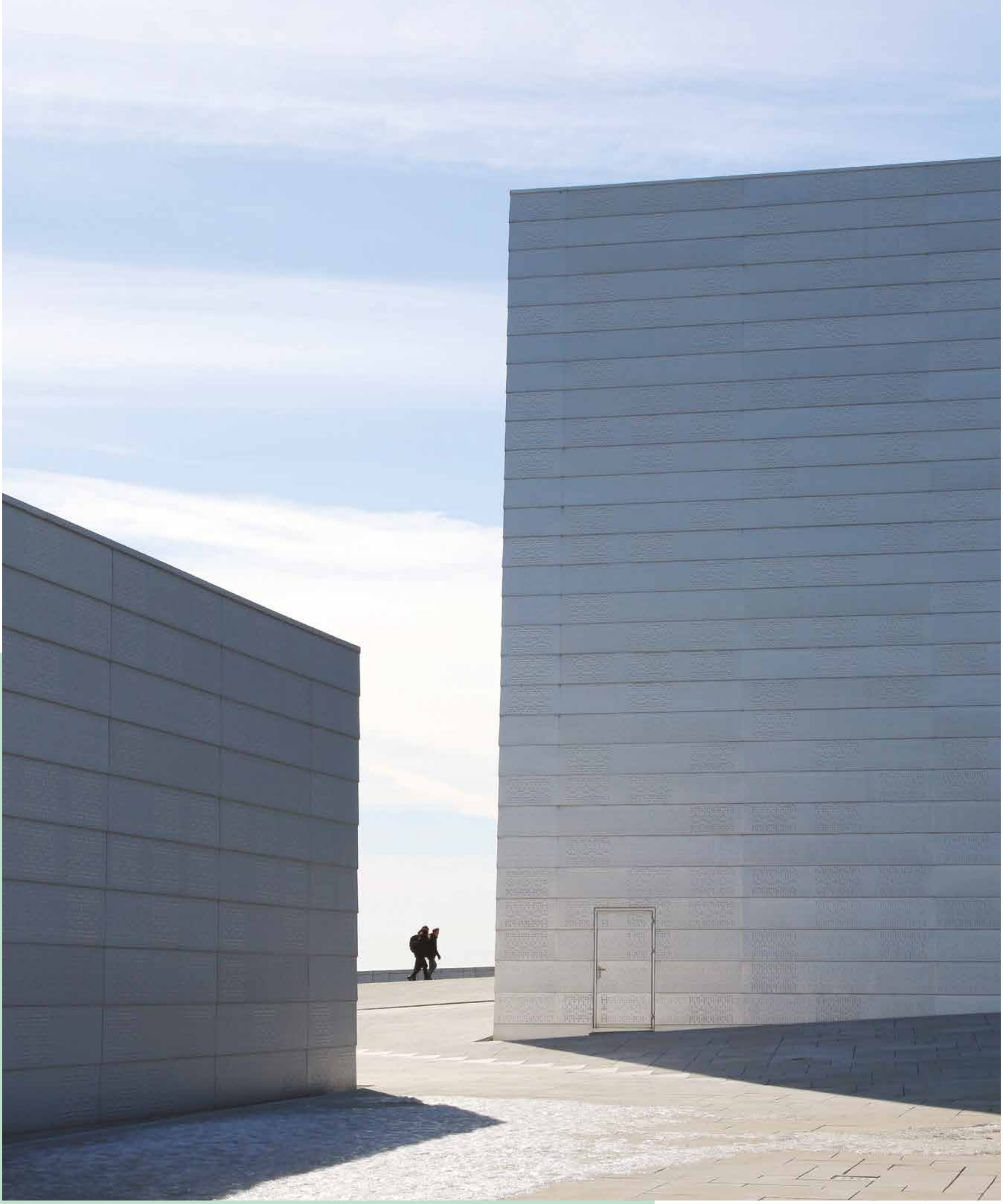
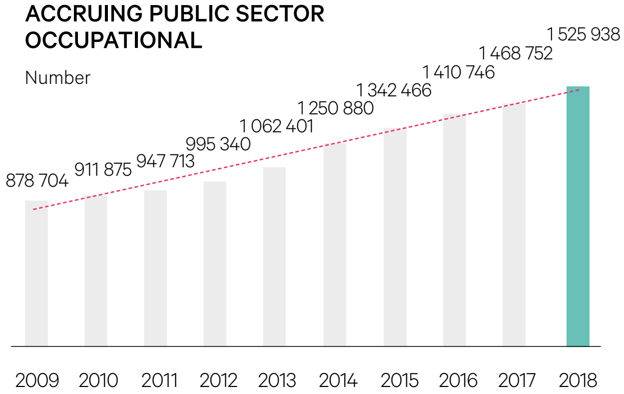


Photo:
Marianne Wright Pedersen
Employed in KLP

Growth and profitability

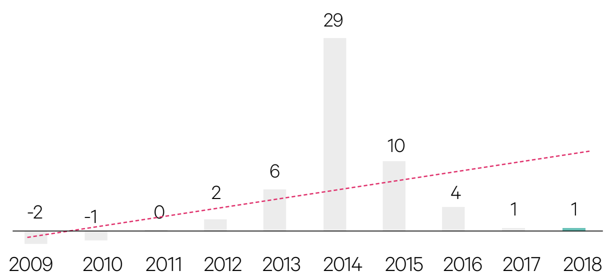
ACCRUING PUBLIC SECTOR OCCUPATIONAL

Number



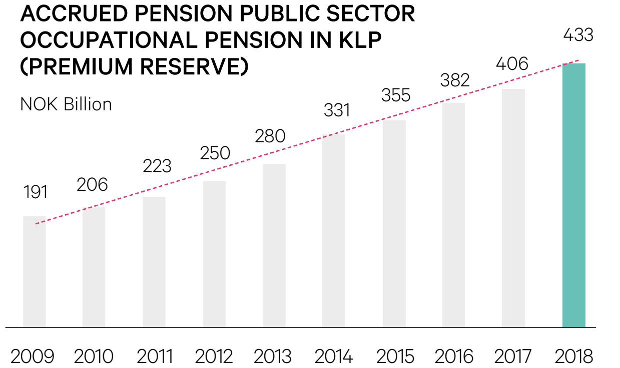
NET TRANSFERS IN TO LIFE INSURANCE

NOK Billion



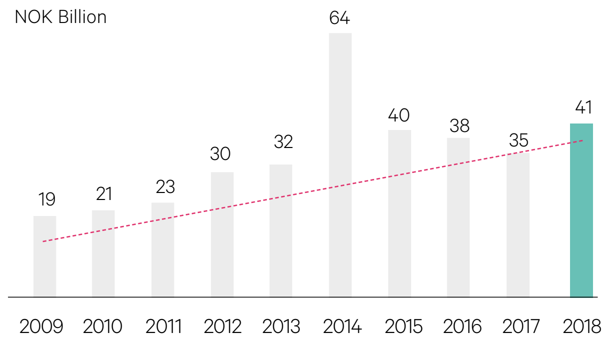
ACCRUED PENSION PUBLIC SECTOR OCCUPATIONAL PENSION IN KLP (PREMIUM RESERVE)

NOK Billion



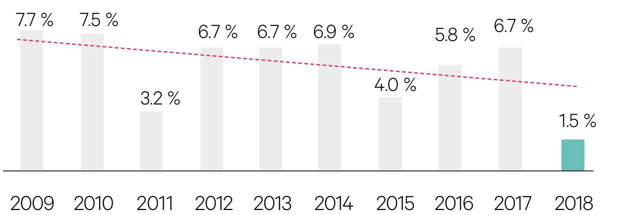
NET TRANSFERS IN TO LIFE INSURANCE

NOK Billion



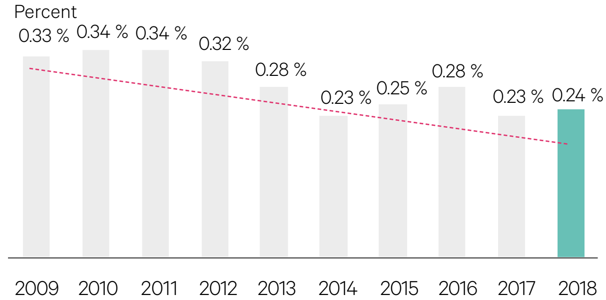
VALUE-ADJUSTED RETURNS ON PENSION FUNDS COMMON PORTFOLIO PUBLIC SECTOR OCCUPATIONAL PENSION

Percent



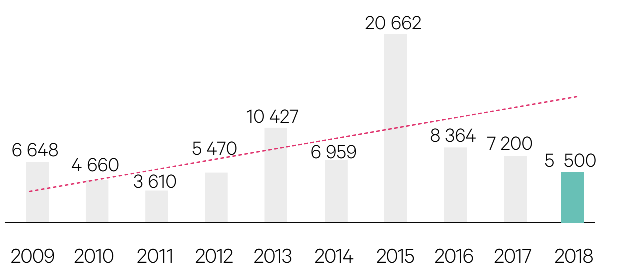
COST RATIO PUBLIC SECTOR OCCUPATIONAL PENSION

Percent



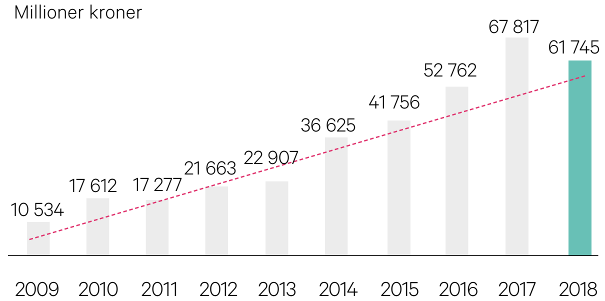
PROFIT/LOSS ALLOCATED TO INSURANCE CUSTOMERS

NOK Millon



CUSTOMER BUFFERS (SUPPLEMENTARY RESERVE AND SECURITIES ADJUSTMENT FUND)

Millioner kroner



KLP in figures

NUMBER OF CUSTOMERS (PUBLIC SECTOR OCCUPATIONAL PENSION)

	2018	2017	2016	2015	2014
Municipalities	399	399	403	402	387
County administrations	15	15	16	16	16
Health enterprises	26	25	24 *	29	25
Enterprises (with Public sektor occupational pension)	2 450	2 500	2 500	2 500	2 500
Active employees (members)	457 000	451 000	447 000	435 000	418 000
Deferred entitlements**	229 000	220 000	210 000	200 000	167 000
Pensions	294 000	278 000	263 000	241 000	231 000

* Inkl. regional health enterprises.
** Individuals previously employed for more than 3 years by employers with public sector occupational pension.

PUBLIC SECTOR OCCUPATIONAL PENSION

	2018	2017	2016	2015	2014
Accrued pension rights (NOK billion)	420 *	394 *	371 *	345 *	321 *
Premium invoiced (NOK billion)	38.8	31.9	32.6	26.5	33.2
Pensions paid (NOK billion)	17.4	16.2	15.4	14.1	12.5
Operating expenses (NOK million)	1 097	1 001	1 140 **	922	752
Number of employees with the life company	459	445	451	453	444

* The figures have previously included a provision for administrative reserves, but have now been changed since these are funds in the premium reserve that are to cover the costs of payments of pensions without pension benefits being reduced.
** IT impairment makes up NOK 165 million

PRIVATE-SECTOR OCCUPATIONAL PENSIONS

	2018	2017	2016	2015	2014
Agreements/contracts	2 811	2 572	2 249	2 033	1 815
Pension capital certificate	27 341	21 913	14 728	10 602	7 518

294,000

KLP-pensioners.

457,000

members.

PENSIONS AS AT 31 DECEMBER 2018

	2018
NUMBER OF PENSION PAYOUT BY PENSION TYPE	
Special old-age pension	6 132
AFP 62-64	5 529
AFP 65-66	6 428
Retirement pension	169 714
Spouse's pension	25 429
Child's pension	2 002
Disability pension	64 026

* A member may have several pension payments.

AVERAGE ANNUAL PENSION PAYOUT BY PENSION TYPE

	2018
Special old-age pension	292 000
AFP 62-64	223 000
AFP 65-66	267 000
Retirement pension	76 000
Spouse's pension	50 000
Child's pension	67 000
Disability pension	50 000

AGE DISTRIBUTION AGGREGATED FOR ALL SEGMENTS AND RISK GROUPS

ALDER	ANDEL
0-19	1.95 %
20-24	7.30 %
25-29	9.87 %
30-34	10.19 %
35-39	10.56 %
40-44	11.30 %
45-49	12.62 %
50-54	12.41 %
55-59	11.64 %
60-64	9.32 %
65-69	2.53 %
70+	0.31 %

76,000

average annual retirement pension payout.

9.32 %

proportion in the age category 60-64 years old.

KLP in figures - cont.

BREAKDOWN OF WHERE OUR MEMBERS WORK

MUNICIPALITIES

AGE	SHARE
0-19	2.57 %
20-24	8.83 %
25-29	9.78 %
30-34	9.86 %
35-39	10.29 %
40-44	10.97 %
45-49	12.60 %
50-54	12.26 %
55-59	11.33 %
60-64	8.88 %
65-69	2.34 %
70+	0.30 %

301,139

members working in the municipalities.

COUNTY ADMINISTRATIONS

AGE	SHARE
0-19	1.46 %
20-24	2.98 %
25-29	5.96 %
30-34	8.38 %
35-39	9.73 %
40-44	11.24 %
45-49	14.56 %
50-54	15.26 %
55-59	13.97 %
60-64	12.12 %
65-69	4.03 %
70+	0.32 %

16,622

members working in the County administrations.

HEALTH ENTERPRISES

AGE	SHARE
0-19	0.13 %
20-24	4.74 %
25-29	12.10 %
30-34	12.20 %
35-39	12.00 %
40-44	12.53 %
45-49	12.18 %
50-54	11.72 %
55-59	11.00 %
60-64	8.89 %
65-69	2.27 %
70+	0.23 %

96,620

members working at health enterprises.

ENTERPRISES

AGE	SHARE
0-19	1.79 %
20-24	4.70 %
25-29	7.82 %
30-34	8.93 %
35-39	9.65 %
40-44	10.91 %
45-49	13.04 %
50-54	13.76 %
55-59	13.79 %
60-64	11.56 %
65-69	3.52 %
70+	0.52 %

46,157

members working for enterprises.

BANKING

	2018	2017	2016	2015	2014
New lending (NOK billion)	21.1	16.8	16.3	14.3	11.8
Lending for own account (NOK billion)	33.5	30.8	29.7	25.9	24.5
Lending managed for KLP (NOK billion)	61.7	57.0	52.7	51.0	41.7
Number of active customers *	62 500 (71 % members)	54 568 (70 % members)	46 801 (71 % members)	39 759 (69 % members)	33 104 (69 % members)

* Active members

PROPERTY

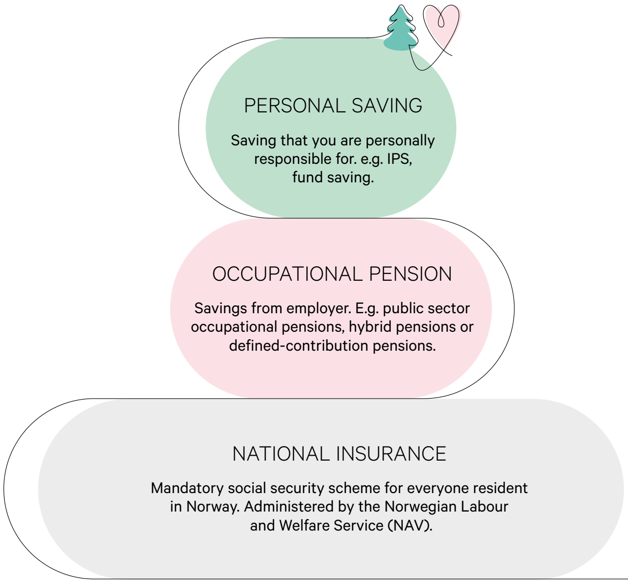
	2018	2017	2016	2015	2014
Property value (NOK billion)	66.5	62.7	59.2	56.9	45.7
Value-adjusted operating profit including property funds (per cent)	8.2	8.8	12.7	11.2	7,3
Economic occupancy ratio (per cent)	96.3	96.6	96.0	95.4	95.4

ASSET MANAGEMENT

	2018	2017	2016	2015	2014
Total asset under management (NOK billion)	495	490	440	399	371
Asset management customersexternal to the Group (NOK billion)	64	68	54	45	36
Number of customers KLP Kapitalforvaltning	100 000	70 000	57 000	48 000	38 000

NON-LIFE INSURANCE

	2018	2017	2016	2015	2014
Number of customers in the public sector/corporate market					
Municipalities	318	337	337	318	315
County administrations	13	13	14	14	14
Health enterprises	14	15	29	29	31
Enterprises	2 659	3 625	3 168	2 885	2 864
Numbers of customers in the retail market	55 440	48 767	45 249	33 250	28 000



Public sector occupational pensions for beginners

What most people associate with public sector occupational pensions is an agreement that can give you 66 per cent of your salary in pension, including national insurance. Occupational pension + national insurance = 66 per cent of final salary.

The occupational pension is a pension scheme that your employer pays for. People who work in the public sector have a public sector occupational pension. This is called a gross scheme because there is a close relationship between the occupational pension and the national insurance system. You will always receive an old-age pension paid out of national insurance, and the occupational pension will pay the remainder, up to 66 per cent of your final salary. The final salary is the salary you are on when you retire. The occupational pension is calculated by taking 66 per cent of the salary and subtracting your calculated national insurance pension. This calculation is called coordination and is slightly more complicated than that.

YOU MUST HAVE FULL ACCRUAL FOR A FULL PENSION

To earn the right to a total pension of 66 per cent, you must have worked full-time in the public sector for 30 years when you retire. To be a little more precise, you must have been in a job with the right to a public sector occupational pension. If you have less than 30 years, you will receive a proportion of the occupational pension.

LONGEVITY ADJUSTMENT PRODUCES A LOWER PENSION

In the pension reform, a longevity adjustment was introduced. As we are living longer than before, the pension has to be spread over more years. The longevity adjustment applies both to national insurance and to public sector occupational pensions. The old-age pension gets a little lower for each year-group if they want to start drawing pension from the same date as previous cohorts. You can work beyond age 67 (the retirement age) to compensate for the longevity adjustment, or accept that your pension will be slightly lower as a percentage of salary.

INDIVIDUAL GUARANTEE PROVIDES THE OLDEST WITH FULL ENTITLEMENT

If you have full entitlement and were born in 1958 or before, you will have an individual guarantee. If your old-age pension after longevity adjustment and coordination is less than 66 per cent, you get a guarantee supplement that will assure you of 66 per cent anyway. For the 1959-1962 year-groups, this guarantee is to be phased out, while the 1963-1967 year groups will receive compensation based on their pension basis, accrual before 2011 and year-group.

YOU MAY GET LESS FROM YOUR OCCUPATIONAL PENSION IF YOU WORK AFTER AGE 67

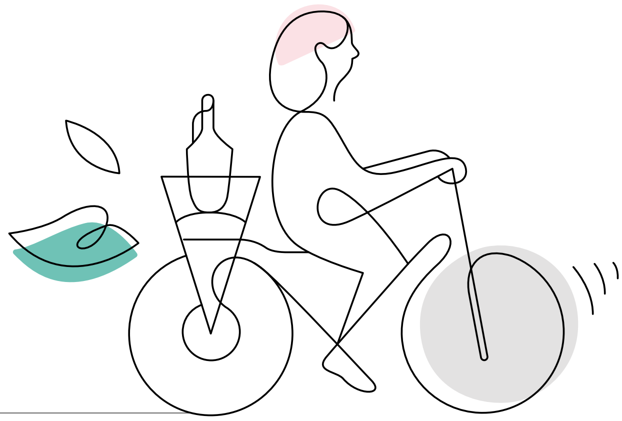
Some people will get nothing from the public sector occupational pension if they work well beyond 67. Many people will get less than they would have done if they had retired at 67. The simple explanation is that they get more in retirement pension from the national insurance scheme (NAV) and that this pension gives them 66% of their salary in retirement. They then get less from the public sector occupational pension (KLP).

CHANGES IN PUBLIC-SECTOR OCCUPATIONAL PENSIONS FOR THOSE BORN IN 1963 OR LATER

All those who have a public sector occupational pension and were born in 1963 or after will accrue public sector occupational pension rights under changed rules from 2020. They will also receive a new life-long AFP. Many will receive pensions both under today’s rules and under the new rules in the future. The Storting has to finalise the details of the agreement before it is passed.

”

As we are living longer than before, the pension has to be spread over more years.



Amendments in public sector occupational pensions

See what the amended qualifying rules for old-age pensions in the public sector occupational pension scheme will be.

From 2020, anyone born in 1963 or after will accrue pension entitlements under the amended rules for public sector occupational pensions and enter the new AFP (contractual pension) scheme. Public sector occupational pensions will be better aligned with the national insurance scheme (Folketrygden) and AFPs in the private sector. It should be worthwhile to work longer and it should be easier to change jobs between the public and private sectors. Many people will earn entitlements in both the current and future pension schemes.

The Storting is expected to debate the Government bill in the summer of 2019.

WHO WILL RECEIVE AN OCCUPATIONAL PENSION UNDER THE AMENDED RULES?

- Those born in 1963 and after will receive the amended occupational pension. You will accrue pension rights under the amended qualification rules from 2020 and retain any entitlement from the previous scheme.

- Those born in the years 1954 to 1962 will retain occupational pensions under the current rules. The new coordination rules govern how public sector occupational pensions are calculated in conjunction with the new national insurance scheme.

- Those born in 1953 or earlier remain entirely under the old rules both for occupational pensions and for the national insurance scheme.

PROFITABLE TO WORK LONGER

With today’s rules you have little to gain from staying in work once you have full entitlement (30 years) in the public sector occupational pension scheme. With the changing qualification rules, you accrue old-age pension for every year you work until you turn 75. You can draw your pension from age 62 and also work alongside, without your employment income reducing your pension. However, the longer you wait to draw your pension and the longer you work, the higher your annual pension will be. You will accrue pension under the amended rules as a percentage of your salary. Under the new rules, pension earned after 2020 will be independent of the national insurance scheme. In other words, KLP will not make deductions for benefits from the national insurance scheme as is done with the current coordination rules.

HOW DO YOU ACCRUE RETIREMENT PENSION?

From 2020, your pension entitlement will in practice be very similar to the national insurance rules for those born in 1963 and after. It is the rates that will change:

- The old-age pension is accrued by paying 5.7 per cent of your annual salary into a pension pot for the occupational pension. This applies up to 7.1 G (currently NOK 687,869).

- For any salary you earn between 7.1 and 12 G (currently NOK 1,162,596), you will get a rate of 23.8 per cent. The rate is high because you do not accrue any entitlement in the national insurance scheme beyond 7.1 G.

The pension pot is converted into an annual pension by applying the ‘annuity divisor’ from the national insurance scheme. Annuity divisors reflect the remaining life expectancy of your year-group when you start to draw your pension. The pension will be paid for the rest of your life.

HOW WILL CONTRACTUAL PENSIONS (AFPS) BE DEALT WITH UNDER THE AMENDED RULES?

One of the most important changes is that the contractual pension (AFP) scheme for public-sector employees will change into a life-long pension. The new AFP will be in addition to any pension from national insurance, occupational pension and/or employment income. This is the same principle that applies in the private sector.

Today's AFP for public-sector employees is an early retirement pension you receive only from 62 to 67. It is reduced by employment income. Those born in 1962 or earlier will be entitled to the current AFP.

The new AFP will be accrued from age 13 to 61, and you can start drawing it from age 62 to 70. It is earned by transferring 4.21 per cent of salary up to 7.1 G into a pension pot. Pay from both the private and public sectors is included, with the AFP pot converted to pension by applying the annuity divisor on the start date, as with the occupational pension. The longer you wait to draw your AFP, the higher the annual payment.

The new AFP in the public sector is essentially similar to the AFP in the private sector. It is also easier to switch between public and private sector jobs with AFP without losing the right to your AFP. If you switch from a public to a private sector job without an AFP, you could still forfeit the right to AFP.
If there are changes in the AFP in the private sector there may also be changes in the new AFP in the public sector.

WHAT HAPPENS IF YOU DON'T RECEIVE AN AFP?

The AFP is a qualification scheme which, among other things, requires you to stay in a job with an AFP system in order to have the right to an AFP. Those who do not meet the requirements lose the right to AFP. Those who do not receive AFP in either the public or private sector can receive a 'conditional occupational pension' instead. The rate for accrual is 3 per cent, and only the qualifying time from the public sector counts. The 1963 year group is the first to qualify for this, and accrual starts from 2020. It has not been decided whether persons who are unfit for work are entitled to a conditional occupational pension.

WHAT HAPPENS NEXT?

The proposal for amended public sector occupational pension is based on the agreement that the parties signed up to in March 2018. This winter, the Government circulated a proposal for consultation. The Government's bill is likely to come before the Storting in the summer of 2019.

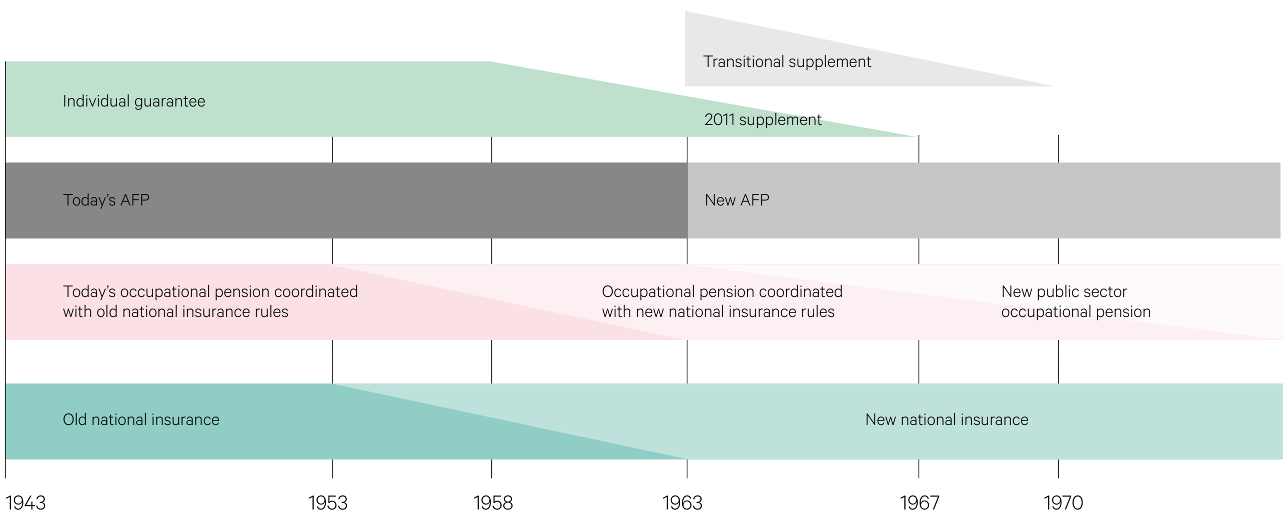
STEP 1: National insurance

Old national insurance provision consists of basic pension and supplementary pension. It will be phased out gradually from the 1954 to the 1962 year-group. At the same time, the new national insurance scheme will be phased in. Those born in 1963 or later will receive the full old-age pension from the new national insurance scheme. New national insurance entitlements take the form of a pot accrued over all years in work.

STEP 2: Current public sector occupational pensions mean the gross pension scheme of 66%.

This has to be added together (coordinated) with old or new national insurance, with the same allocation as you get from the national insurance scheme. Those born in 1963 or later will be subject to amended rules for accruing and calculating old-age pension from 2020. Gradually, more and more of the occupational pension for younger year-groups will come from the new method of calculation called a mark-up pension. But it will still be many decades before the current occupational pension is phased out.

TIMELINE FOR NEW NATIONAL INSURANCE AND NEW PUBLIC SECTOR OCCUPATIONAL PENSIONS



STEP 3: Current and new AFP.
Today's AFP is an early retirement pension that can be paid out from 62 to 67 years of age. To put it simply, it assumes that you are not working. The new AFP will be a lifetime retirement pension which can be drawn flexibly from age 62 onwards. It will resemble the AFP in the private sector and you can work at the same time as receiving AFP.

STEP 4: Individual guarantee to be phased out.
Those born in 1958 or earlier who have a full entitlement (30 years) in the public sector when they retire will have an individual guarantee of 66 per cent. If the old-age pension from the national insurance scheme and the public sector occupational pension, after longevity adjustment and coordination, add up to less than 66 per cent, they will receive a guarantee supplement that assures them of 66 per cent anyway. The guarantee will take the form of a guarantee supplement. This guarantee supplement will be phased out for the 1959-1962 year-groups. The 1963-1967 year-groups will receive a compensation payment called the 2011 supplement, because they will not receive any of the guarantee that the older year-groups enjoy. This compensation supplement will also be gradually phased out.

STEP 5: Transitional supplement
Those born in the years 1963-1970 will receive a small transitional supplement if they stop working before age 67. The supplement will be gradually phased out. It may be regarded as a bridge from the old to the amended system.

COMPETITION FOR PUBLIC-SECTOR OCCUPATIONAL PENSIONS
Public-sector occupational pensions are currently provided by KLP and by municipal and county authorities with their own pension funds. As part of the municipal mergers, some local authorities have decided to move their current pension management with KLP over to their own pension funds. Other municipalities have chosen to go the opposite way.

On 1 January 2020, amended rules for public-sector occupational pensions will come into force. In that connection, companies that offered such pensions up to 2013 have announced that they intend to return to this market. These companies had a substantial market share before that date, but found it tough to grow further and so opted to withdraw.

This market has therefore been formally open for competition, after 2013 too. However, there have been no companies offering the public-sector occupational pensions. In practice, therefore, KLP has been the only provider apart from in-house pension funds to offer this product to the Norwegian local government and healthcare sector.

When the other providers withdrew from the market, many municipalities risked being left without a pension provider. KLP's owners therefore invited these municipalities to join KLP's customer community. All of the municipalities concerned took up the offer and moved pension commitments of around NOK 50 billion to KLP. KLP also differs from other providers in that we are customer-owned, and return our profits to the municipalities. This provides more money for schools, nursing homes and other important social tasks.

KLP is building new digital services in order to continue offering the best service to our members and employers. It will also ensure efficiency so that we can continue to have low costs. KLP also aims to provide the best return on pension capital.

If we are to beat our competitors, we must continue to be the best. We feel well-equipped for any new competition.

”

On 1 January 2020, amended rules for public sector occupational pensions will come into force.

Value chain for KLP's principal product, public-sector occupational pensions

PENSIONS ARE SAVINGS
The value chain in KLP's business model starts with the customers paying premiums to the Company. KLP ensures that correct savings are set aside and ensures secure and responsible management of the savings capital up until it is time to pay it out.

The premium is largely covered by the employer. Occupationally active members have two per cent of salary deducted by their employer as a contribution to the pension scheme.

The premium is in effect a saving for future pensions. After the annual salary and national insurance settlements, the employer contributes an adjustment premium to adjust pension entitlements upwards for the occupationally active and pensioners.

The savings assets (accumulated pension) are principally invested in shares, property, bonds and lending.

KLP guarantees to give a minimum return on pension savings each year. For 2018, this guarantee averaged 2.5 per cent. Returns in excess of this belong to the insurance customers and are allocated either to supplementary reserves or to the premium fund. The premium fund assets may be used to pay future pension premiums.

If the return is lower than the guaranteed return, at the end of the year funds from supplementary reserves can be added. If this is insufficient, the Company is liable from its owners' equity.

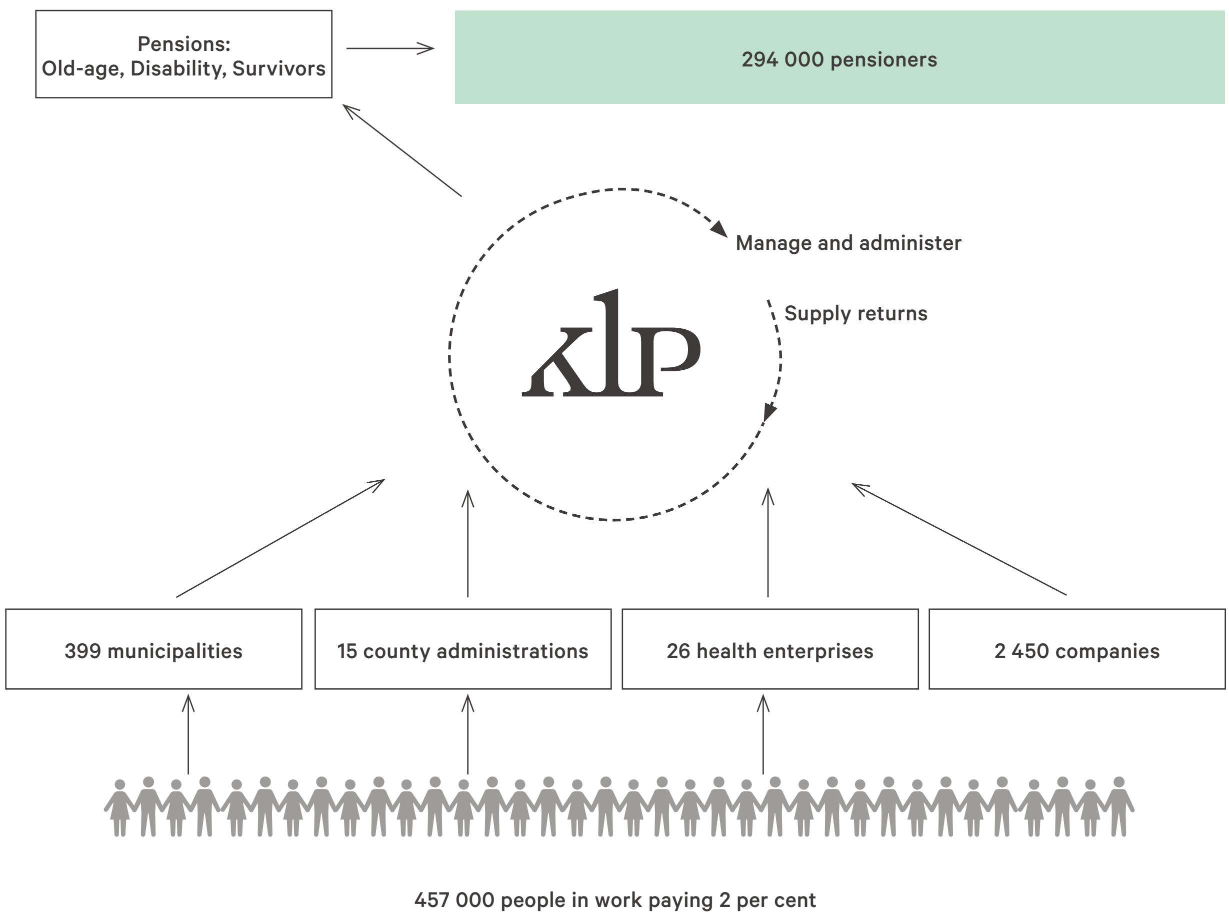


Photo:
Anne-Therese Sande
Employed in KLP

Milestones in KLP 2018

KLP list excludes four companies on grounds of serious environmental damage and human rights abuses

FEBRUARY

5.3 million people receive KLP's Facebook posts on snow clearing from roof

The parties agree on the amended public-sector occupational pension

MARCH

KLP Municipal Conference

KLP launches its new digital pension guide

KLP names the winner of this year's Job Satisfaction Prize

KLP becomes a member of the finance initiative within the UN Environment Programme

MAY

KLP implements the GDPR throughout the enterprise

KLP chosen as partner by Oslo, the European Green Capital 2019

Finance industry agrees on climate roadmap

KLP participates in 'Arendal week'

KLP has the most satisfied business customers in the insurance industry for the eighth year in a row

KLP launches the KLP Kontrast pension product

KLP AksjeGlobal Mer Samfunnsansvar becomes Norway's first Nordic Swan certified fund.

KLP participates in climate summit debate at the UN Climate Conference

JUNE

AUGUST

DECEMBER

KPMG names KLP as Norwegian champion for customer experience

KLP Banken launches Green Mortgages

KLP list excludes four companies on grounds of coal-based operations

KLP invests NOK 120 million in new fund to promote the welfare of particularly poor women in developing countries

DNB and Storebrand announce their return to the public sector occupational pension market.

KLP'S SUBSIDIARIES

KLP Banken AS

KLP Bedriftspensjon AS

KLP Eiendom AS

KLP Forsikringsservice AS

KLP Kapitalforvaltning AS

KLP Skadeforsikring AS

See results and read more about KLP's subsidiaries at klp.no

KLP's subsidiaries

KLP's other business areas and subsidiaries support KLP's main product, pensions. The subsidiaries contribute to increased growth and profitability by providing competitive retail market products and services to members.

THE KLP BANKEN GROUP

KLP Banken AS is a wholly owned subsidiary of KLP and is an online bank for retail customers which offers particularly good terms to KLP's members and pensioners. KLP Banken AS also finances loans to municipalities, county authorities and companies working for the public sector. The bank and its subsidiaries KLP Kommunekreditt AS and KLP Boligkreditt AS have their head office in Trondheim as well as offices in Oslo. The Group has about 70 employees.

The bank manages loans totalling NOK 95.0 billion – NOK 61.7 billion financed by KLP and NOK 33.3 billion on its own balance sheet. KLP Banken has 62,000 retail customers, of whom about 71 per cent are members of KLP. Lending to public-sector borrowers encompasses almost 2,000 businesses and municipalities, of which 84 per cent are owners of KLP.

This year's results

In 2018 the banking business achieved a pre-tax profit of NOK 83.4 million, against NOK 103.1 million in 2017. Profit after tax was NOK 62.2 million, against NOK 77.2 million the year before.

Competitive situation

The Bank has seen good growth in the retail market products in 2018, but the market share is still small across the country as a whole. In public-sector lending, on the other hand, the Bank and KLP together are a major player. All of the main product areas, including managed lending for KLP, have had higher growth than market estimates, thereby achieving increased market share.

Future challenges and goals

A large proportion of the population are included in the Bank's target group, and the potential for enhancing KLP Banken's position in this segment is considered to be good.

New technologies and new players from other industries are challenging the banking industry. KLP Banken aims to exploit tried and tested technology in order to offer relevant, customer-friendly and efficient services to our customers. This brings a need for substantial IT investments in the years to come, but it will be a significant prerequisite if KLP Banken's growth and profitability goals are to be reached.

KLP Banken will continue its efforts to develop profitable banking products while maintaining the focus on providing members with good and predictable conditions.

KLP Kommunekreditt AS is Norway's only mortgage company issuing bonds with collateral in a lending portfolio consisting of loans to the public sector. The presence of the Bank's subsidiary KLP Kommunekreditt AS, together with KLP, in the market for public-sector lending contributes to competition and so improves access to long-term financing on favourable terms.

In the retail market, KLP Banken has a business goal of 64,000 members by 2021, an average growth of 6,500 over the next three years. The business goal is to achieve total lending to the public sector market of NOK 77 billion by 2021, a growth of NOK 3,5 billion in the next three years.

KLP BEDRIFTSPENSJON AS

KLP Bedriftspensjon AS is a wholly owned subsidiary of KLP. The company offers defined-contribution pensions and manages pension capital certificates for public and private sector enterprises. The company was established in 2006. The company also manages a portfolio of company pensions. KLP Bedriftspensjon AS leverages the Group's competitive advantage in the form of high pension and fund management expertise, low costs and a clear ethical profile in its management. The company offers defined-contribution pensions to public-sector enterprises which can choose defined-contribution pensions as an alternative to a public pension scheme.

This year's results

The company had total assets of NOK 5.6 billion at 31.12.2018. This is an increase of NOK 732 million.

The increase is mainly linked to an increase in pension capital certificates and growth in the company's defined contribution pension portfolio, which now totals NOK 3.4 billion.

The company had a net growth rate of 239 business customers in 2018, and received transfers on over 4,000 pension capital certificates.

In 2018 the company launched four new savings profiles for customers with defined-contribution pensions. These are four profiles that give members access to savings profiles without any reduction in shares with increasing age.

Competitive situation
KLP Bedriftspensjon is growing in sales of private-sector occupational pensions to businesses. Defined-contribution pension schemes, including pension capital certificates, are the dominant solution for private pension saving in Norway. The market for private-sector occupational pensions is marked by strong competition, especially in the segment for larger companies and businesses, and we notice our competitors positioning to introduce their own pension accounts. Employees who have pension capital certificates in KLP should be aware that they can ask for them not to be transferred out.

Future challenges and goals
As of 31.12.2018, the company was managing private occupational pensions for 2800 businesses with a total of 53,000 occupationally active individuals and pensioners.

The market for private occupational pensions is characterised by stiff competition, particularly in the segment for large enterprises/undertakings.

KLP aims to be the preferred supplier of defined-contribution pensions to companies affiliated to the public sector.

KLP EIENDOM AS

KLP Eiendom AS is a wholly owned subsidiary of KLP and manages properties with a market value of NOK 66.5 billion.

The company is one of Scandinavia's biggest players in the management, development and operation of property. The property portfolio of 2.0 million square metres consists of shopping centres, hotels and office buildings as well as vacant plots and projects.

KLP Eiendom AS is KLP's channel for investment in the property market. The company has operations in Norway, Sweden, Denmark, Luxembourg and London, and has offices in Oslo, Trondheim, Luxembourg, Stockholm and Copenhagen.

The properties in the portfolio have excellent locations, a high standard of construction and effective utilisation of space.

This year's results
Direct property investments
KLP Eiendom had revenues of NOK 3.2 billion from directly owned property in 2018, and the common portfolio's direct real estate investments amounted to 12.1 per cent of financial assets in the portfolio at the end of the year. Property investments and management are carried out only on behalf of the companies within the Group and have thus primarily contributed to returns on invested capital for life insurance customers. The value-adjusted time-weighted return was 8.4 per cent in 2018 (7.5 per cent in the common portfolio).

Excluding foreign exchange contracts, the property values were written up by NOK 1.7 billion gross in 2018 (of which the write-up in the common portfolio amounted to NOK 1.4 billion).

Indirect Investments in property – property funds
The value of KLP's investments in

”

The subsidiaries contribute to increased growth and profitability by providing competitive retail market products and services to members.

Norwegian and international property funds amounted to NOK 2.3 billion at the end of 2018. Investments in property funds by the common portfolio represented 0.5 per cent of financial assets in the portfolio at the end of the year.

The competitive situation

KLP's real estate business is driven by changes in the market value of commercial property and developments in the rental market. Property is still seen as an attractive investment in the Nordic region. There is every chance that real estate will still be an attractive investment, with fierce competition for the best properties, although trends in interest rates affect the attractiveness of the real estate sector.

With a good project portfolio, good properties and competent staff, KLP Eiendom is well equipped to face these challenges.

KLP FORSIKRINGSSERVICE AS

KLP Forsikringsservice AS (KLP FS) offers a wide range of pension fund services through its own and the Group's specialist expertise in public sector pension schemes.

This year's results

KLP FS is a leading supplier of actuarial services to municipal pension funds, and is the principal actuary for 10 out of the 23 pension funds established by municipalities and county councils. Throughout the year, KLP FS has maintained its position as one of Norway's leading providers of actuarial services to municipal pension funds.

The competitive situation

On 1 January 2020, a number of municipal mergers will take place. Some of these involve municipalities with their own pension funds. This means that they can choose between their own pension fund and an insured solution, and also choose between service providers for their pension funds. Several municipal mergers are expected in the coming years with further competition between the providers. KLP FS is well-equipped for this competition, by virtue of the expertise of its own employees and its access to resources elsewhere in the KLP group.

Future challenges and goals

KLP FS aims to remain a leading supplier of actuarial services to pension funds and, over time, to gain a position as a provider of total solutions for the operation of new and existing funds that are put out to tender.

KLP KAPITALFORVALTNING AS

KLP Kapitalforvaltning AS is a wholly owned subsidiary of KLP which manages approx. NOK 495 billion for businesses in KLP and external customers. The company is one of Norway's largest asset management companies and Norway's leading index manager.

Since 2002, the company has had a responsible investment strategy to contribute to long-term value creation and sustainable development. Among other things, this means that 189 companies have been excluded from KLP's investments under guidelines for responsible investment. KLP Kapitalforvaltning AS has 65 employees.

The asset management operation in KLP Kapitalforvaltning is organised into three areas, each with a different approach to its investment operations: index-tracking management, active management and private equity.

At the end of the year, KLP Kapitalforvaltning was managing 47 funds, broken down into four combination funds, ten fixed-income funds, one active equity fund, five factor funds, 25 index-tracking equity funds and two special funds.

This year's results

The asset management business generated income before tax of NOK 13.9 million in 2018. NOK 64 billion was being managed on behalf of external investors and retail customers at the end of 2018. In total the funds have around 100,000 unitholders. Institutional customers are by far the largest group measured by total assets. Our customers are served directly or via collaborative partners.

The competitive situation

KLP Kapitalforvaltning has a solid position in both the institutional and the private fund markets.

Customer surveys in both the retail and institutional markets show that the KLP funds and KLP enjoy the confidence of customers and have delivered results in line with expectations. The company keeps a close eye on its competitors and is seeing increased activity from new challengers in the index fund market. We will continue to provide competitive, efficient and responsible asset management services to maintain this good market position.

Future challenges and goals

The market outlook for the Company is assessed as good. Over time there will be growth in the KLP Group's total assets, the bulk of which is expected to be invested in products provided by KLP Kapitalforvaltning. Stable good results from the index-tracking service and increased interest from external customers are providing the basis for further growth in the assets under management. Good asset management results from the company's added return strategies are making it likely that actively managed funds will also be in demand among both internal and external customers.

KLP Kapitalforvaltning has a business goal of increasing its total assets.

Another goal is to increase the number of retail customers in the KLP funds. We aim to reduce operating costs in relation to capital under management.

KLP SKADEFORSIKRING AS

KLP Skadeforsikring AS provides insurance to municipalities, county authorities, companies affiliated to the public sector and other selected groups. The company also offers insurance to the retail (personal insurance) market with special advantages for members of the Group's pension schemes.

This year's results

As a result of weak financial returns, the operating result was lower than expected, but the company saw good growth in the insurance portfolio, especially in the public-sector market. For the retail market, the growth was 10.3 per cent, equivalent to NOK 55 million. In 2018, the proportion of retail customers who are KLP members increased to 87.4 percent. Profit before tax was NOK 17.5 (164.1) million in 2018.

2018 was marked by increasing numbers of fire claims in municipal rental housing and from waste collection and disposal companies. KLP Skadeforsikring received 29 claims relating to municipal rental housing during the year, with payments totalling NOK 57 million. The company has seen an increase in the number of medium-sized claims (from NOK 2 to 10 million). These represent total payments of NOK 168 (108) million. Only 4 (5) claims were over NOK 10 million, with total claims provisions of NOK 85 (95) million.

The competitive situation

At the beginning of 2019, KLP Skadeforsikring was the market leader in insurance services for municipal and county authorities. The market share will increase as a result of good sales results in 2018, which will only take effect from 1 January 2019. The market share within private insurance has been rising since it started up in 2008, and was 1.5 per cent at the end of 2018. The company had the second highest growth in the Norwegian insurance market in 2018. Overall, for all customer segments, the company's market share at the end of 2018 was 2.0 per cent.

Future challenges and goals

The Company is still a major player in the public-sector market, and will be working in 2019 to defend/increase its market share of over 32 per cent. The Company also retains its ambition to strengthen its position in the corporate market, particularly focusing on segments such as hotels, wholesale and other service industries.

In the retail market there is also strong competition, with 16 per cent annual mobility in the market. This places great demands on us to be the best on price, service, competence and digital solutions. The Company wants a large proportion of its members to choose KLP as their insurance Company, and is directing all of its marketing activities at this target group.

KLP Skadeforsikring has good solvency and stable earnings. Several customer surveys in 2018 show that the Company's customers in all market segments are very satisfied. The Company has put substantial resources into developing good digital self-service solutions for all customer groups, and is focused on streamlining work processes. The Company is therefore well equipped to face the harsh competition in the market.

Photo:
Vidar Stenseth
Employed in KLP

LEIF MAGNE ANDERSEN
Managing Director, KLP Banken

Leif Magne Andersen joined KLP as Managing Director of KLP Banken on 1 December 2011. He has worked in Postbanken and theDnB NOR system since 1997 where one of his roles was Regional Director for retail market investment. Before that he worked as head of department at Intentia and he also has a background with Norwegian Defence. Andersen has an Executive MBA in Strategic Management from the Norwegian School of Economics (NHH).

GUNNAR GJØRTZ
Managing Director, KLP Eiendom

Gunnar Gjørtz has been Managing Director of KLP Eiendom since 1 January 2011. Before that, he was deputy managing director of the same company. Gjørtz's background includes appointments as Finance Director at NetCom, Løvenskiold Vækerø and at Hafslund. Gjørtz also spent four years in the UK and France with the Franco-Belgian group Suez Lyonnaise des Eaux, and was also finance director of the then listed company Nora Eiendom which was acquired by KLP in 1995. He graduated in Business Administration from Handelsakademiet i Oslo (now BI - the Norwegian School of Management).

GRO MYKING
Executive Vice President Communication and Markets

Gro Myking joined KLP as Executive Vice President Communication and Markets on 1 February 2016. She was marketing director at Posten Norge AS from 2007-2016. Myking was previously executive vice president, markets, in the Hakon Group/ICA Norge, and ran her own consultancy company. She has Board experience from several major Norwegian companies. Myking has a degree in Economics from the Norwegian School of Economics.

TORE TENOLD
Managing Director of KLP Skadeforsikring

Tore Tenold joined KLP as Managing Director of KLP Skadeforsikring on 1 October 2012. He was Managing Director of Sparebank1 Skadeforsikring AS, and previously worked at Aktiv Forsikring and Vesta Forsikring. Tenold graduated from the Police Academy, university and the Insurance College.

SVERRE THORNES
KLP Group CEO

Sverre Thornes has been CEO of KLP since January 2008. Prior to that, he was Executive Vice President responsible for life insurance, and from 2001 to 2006, Thornes headed KLP Kapitalforvaltning. He joined KLP as a fixed income manager in 1995, and has broad experience of insurance and asset management. Thornes has a BA in Business Administration from the American College in Paris.

Photo: Nicolas Tourrenc

The senior Group management of KLP

From left: Leif Magne Andersen, Gunnar Gjørtz, Gro Myking, Tore Tenold, Sverre Thornes, Aage E. Schaanning, Marianne Sevaldsen, Kirsten Grutle, Håvard Gulbrandsen and Rune Hørnes.

AAGE ELMENHORST SCHAANNING Group Chief Financial Officer/Executive Vice President, Finance

Aage Schaanning has been CFO of KLP since 2008. Schaaning headed KLP Kapitalforvaltning from 2006-2008. He previously worked with borrowing, finance management and administration in BNbank and Kredittkassen before joining KLP in 2001 as investment director in KLP Kapitalforvaltning. Schaanning has a MBA from the University of Colorado and is an Authorised Financial Analyst.

MARIANNE SEVALDSEN Executive Vice President, Life

Marianne Sevaldsen has been Executive Vice President for the Life Division of KLP since 2013. She came from a position as business director in Sandnes Sparebank. Sevaldsen is a lawyer specialising in insurance and company law.

KIRSTEN GRUTLE Executive Vice President HR and Internal Services

Kirsten Grutle started as Executive Vice President for HR and internal services in KLP on 1 September 2011, coming from a position as HR director at Accenture Norway. She previously worked for Telenor, EDB Business Partner and Accenture. Grutle graduated from the University of Bergen.

HÅVARD GULBRANDSEN Managing Director of KLP Kapitalforvaltning

Håvard Gulbrandsen has been Managing Director of KLP Kapitalforvaltning since 1 September 2009. He came from a position as Head of Asset Strategies Equities / Head of Core Corporate Governance in Norges Bank Investment Management, and previously worked as a fixed income manager at Storebrand Kapitalforvaltning and investment director at DnB Investor AS. Gulbrandsen has an MSc in Management Sciences from the University of Warwick (1988), and a Master in Finance & Investments (1989) and is an Authorised Financial Analyst (1992).

RUNE HØRNES Executive Vice President IT

Rune Hørnes joined KLP as Executive Vice President for IT on 1 October 2016. He came from a position as head of IT (CIO) at Storebrand, where he held various positions since 2005. In the time before Storebrand, Hørnes was senior manager at Accenture, in banking and insurance. He has long and broad experience from working at the intersection of business strategy, IT, organisation and work processes. Hørnes has a degree in Economics from the Norwegian School of Economics in Bergen.

Management, Board of Directors and committees in KLP

Kommunal Landspensjonskasse gjensidige forsikringsselskap (KLP) is owned by customers with public sector occupational pensions with the Company. The owners are municipalities, county administrations and health enterprises, and companies associated with the public sector.

KLP's Articles of Association and applicable legislation provide the framework for appropriate corporate governance and clear division of roles between the directing bodies and executive management. The Company has not issued any negotiable equity instruments, so KLP is not listed on the Oslo Børs (the Norwegian stock exchange) or any other marketplace. KLP has listed bonds on the London Stock Exchange (KLP Banken has bonds listed on the Oslo Stock Exchange).

KLP has a broad ownership structure. Delegates to the General Meeting are appointed through election meetings in the relevant constituencies, to which all owners are invited. Voting rights are calculated on the basis of the individual member's share of the previous year's ordinary premium. The largest owner represents about 3 per cent of the votes. At the General Meeting each individual delegate has one vote.

The Company's Board of Directors includes owner representatives, representatives of employees' trade unions, a member without links to these, and representatives of KLP's employees.

KLP complies with the Norwegian Code of Practice for Corporate Governance (NUES) to the extent this is compatible with the mutual form of the Company. The Norwegian Code of Practice for Corporate Governance sets out generally accepted principles for corporate governance. See separate section on NUES for KLP's report relating to NUES recommendations.

The Board of Directors undertakes an annual review of the Company's corporate governance. A further aim is to contribute to good corporate governance in the companies in which KLP has holdings.

GROUP SENIOR MANAGEMENT

Group senior management is made up of the CEO, the Executive Vice President Life, the Group Chief Financial Officer/Executive Vice President Finance, the Executive Vice President Communication and Markets, the Executive Vice President IT, the Executive Vice President HR, and the Managing Directors of KLP's subsidiaries KLP Banken AS, KLP Eiendom AS and KLP Kapitalforvaltning AS. KLP Bedriftspensjon AS and KLP Forsikringsservice AS are represented by the Executive Vice President Life. See separate presentation from Group senior management.

KLP is likely to face great changes in the way in which we work. New technology will enable us to work more efficiently. We will need expertise to make use of new technologies and to be open to new ways of working.

THE GENERAL MEETING

The General Meeting is the Company's highest authority and comprises elected representatives of the Company's owners. 173 delegates from a total of 22 constituencies were registered for the General Meeting for 2018.

17 of the constituencies comprise county administrations and municipalities in each county. The four regional health enterprises and their subsidiaries each form one constituency. The companies together form one constituency. In each constituency an election meeting is held to elect delegates to the General Meeting.

The General Meeting approves the annual report and accounts for the Company and the Group, including the allocation of profits or provision for loss. The tasks of the General Meeting also include electing 24 of the 45 members of the Corporate Assembly and approving the remuneration of the Corporate Assembly.

THE CORPORATE ASSEMBLY

The Corporate Assembly has 15 members elected by and from the employees of KLP. 24 members are elected by the General Assembly and 6 by the employee organisations or their negotiating associations. The role of the Corporate Assembly is to supervise the management of the Company by the Board and the CEO. Another task of the Corporate Assembly is to select five directors and the chair and deputy chair of the Board.

THE BOARD OF DIRECTORS OF KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

The Board of Directors is a collective body responsible for the interests of the Company and its owners. The Board is to monitor the Company's compliance with regulations and licence requirements.

The Board provides for appropriate organisation of the business, determines plans and budgets, keeps abreast of the Company's financial position and obligations and ensures that the business, accounts and asset management are subject to satisfactory control. The Board is required to supervise the executive management and the Company's business generally.

The Board of Directors comprises eight members who are elected for a term of two years in such a way that half are up for election each year. Five Board members with up to the same number of deputies are elected by the members of the Corporate Assembly who are elected by the General Meeting. Two members with deputies are elected by and from KLP's employees. One member and a deputy are nominated by the employee organisation or negotiating alliance with most members in the pension schemes. Two observers are also nominated from those organisations that are second and third in terms of the number of members. The Group Chief Executive Officer is not a member of the Board of Directors.

See also the Board of Directors' annual report with an introduction to the directors.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

The Board of Directors has three subcommittees: a remuneration committee, an audit committee and a risk committee. The committees do not make decisions on behalf of the Board, but present their assessments and recommendations to the Board.

REMUNERATION COMMITTEE

The remuneration committee is a preparatory and advisory working committee for the Board's deliberations on remuneration questions. In 2011 the Financial Supervisory Authority of Norway gave permission for a joint remuneration committee in the KLP Group. On this basis the committee also functions as the remuneration committee for the boards of directors in the KLP Group that are required by law to have remuneration committees. The committee's responsibilities include ensuring the requirements laid down in law and in the regulations on remuneration schemes in financial institutions, investment firms and asset management companies are complied with in those companies in the KLP Group that are subject to these regulations.
Members: Jenny Følling, Susanne Torp-Hansen, Odd Haldgeir Larsen, Leif Ola Rød and Tom Tvedt (deputy)

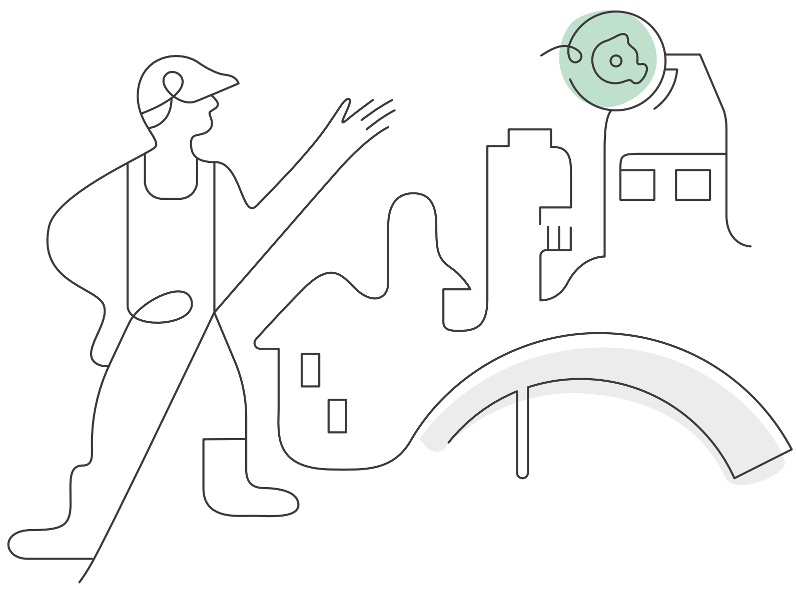
AUDIT COMMITTEE

The audit committee is a preparatory and advisory working committee for the Board. The committee was set up in accordance with the requirements for an audit committee pursuant to the Norwegian Financial Institutions Act. The committee helps to quality-assure the Board's work associated with financial reporting, audit, risk management and internal audit.
Members: Marit Torgersen (Chair), Karianne Melleby, Lars Vorland, Freddy Larsen and Tom Tvedt (deputy)

RISK COMMITTEE

The committee acts as a risk committee for the Board of Directors of KLP and its Group-level responsibilities.

The principal tasks of the risk committee are to assist the Board in monitoring and managing the Company's overall risk and assessing whether the Company's management and control systems are appropriate to the level of risk and the scope of the overall business of the Group.



The committee also ensures that the Company has good systems for internal control and risk management (compliance), and that the second-line functions (risk, compliance and actuarial) work properly.

The committee also ensures that there is a satisfactory organisation with a clear organisation structure, and an appropriate division of responsibilities and tasks between executing and monitoring functions.

The risk committee assists the Board in preparing Board actions in other matters to do with risk management. *Members:* Marit Torgersen (Chair), Karianne Melleby, Lars Vorland, Freddy Larsen and Tom Tvedt (deputy)

NOTE:
The Election Committee is laid down in the Articles of Association and recommends candidates for election to the following offices:

- The members of the Corporate Assembly elected by the General Meeting, as well as the chair and deputy chair of the Corporate Assembly.
- The members of the Board of Directors elected by the Supervisory Board members elected by the General Meeting as well as its chair and deputy chair.
- The corporate assembly has adopted instructions for the work of the nomination committee.

Members: Ole John Østenstad (Chair), Steinar Marthinsen, Anita Eidsvold Grønli, Inger Torunn Klosbøle and Janne Fardal Kristoffersen (deputy).

BUSINESS AND RISK MANAGEMENT AND CONTROL

The risk management system in KLP is aligned with the European capital adequacy regulations, Solvency II. The various functions are divided in accordance with the principle of three lines of defence. The primary responsibility for good risk management lies with the first line, the operational entities. The second line comprises the risk management function, the actuarial function and the compliance function. The third line is Internal Audit. A risk management committee has also been established, as an advisory body to the CEO.

The risk management and actuarial function is part of a department that head by the Risk Director. The department is responsible for monitoring the risk management system and oversees the risks to which the business is or may be exposed. Both this department and Compliance report directly to the CEO to ensure sufficient independence. The heads of the second-line control functions also have the right and the duty to report to the Board on matters which are their responsibilities.

This year, in accordance with Solvency II, KLP will report in detail on risk management and control in a separate public report, the Solvency and Financial Position Report (SFCR).

Internal and external audit bodies
Group Internal Audit carries out independent assessments of whether the Company's most important risks are adequately handled and controlled. Internal Audit also evaluates the appropriateness and effectiveness of the Group's governance and audit processes. Internal Audit operates in accordance with instructions laid down by the Board of Directors and reports to the Board. In addition to the Company's internal control bodies, the Company is subject to the professional supervision of the Financial Supervisory Authority of Norway (FSA of N). The FSA of N checks that financial institutions are run responsibly and in accordance with legislation.

The KLP Group's external auditor is elected by the general meeting. The Auditor participates in meetings of the Board of Directors where the annual financial statements are adopted. Annual meetings are held between external auditors and the Board of Directors without the presence of the Group CEO or other management.

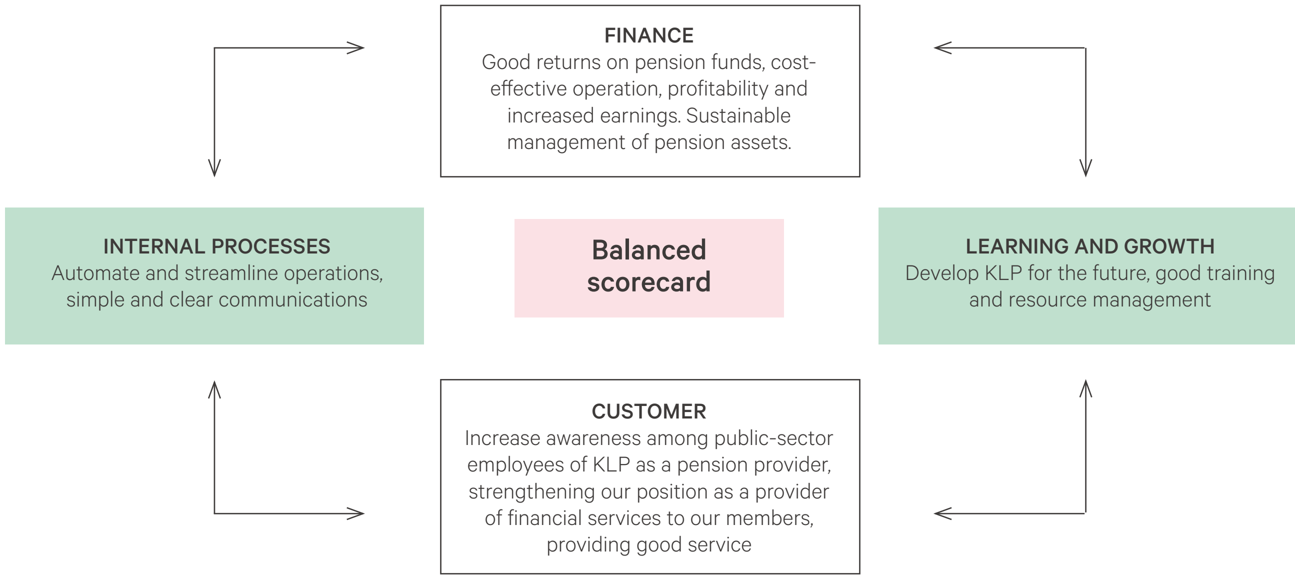
Internal governance and control
The Board of Directors has laid down special Board Directives and Instructions for the Group Chief Executive Officer. The Group CEO's instructions govern implementation of the executive management of KLP. KLP's Group CEO is chair of the boards of directors of KLP Skadeforsikring AS; KLP Kapitalforvaltning AS; KLP Eiendom AS; KLP Bankholding AS; KLP Banken AS, and KLP Forsikringsservice AS.

KLP has ethical guidelines for employees and elected representatives. The Group CEO has laid down special regulations for employees' trading in securities for own account. These regulations are of particular importance to employees of KLP Kapitalforvaltning AS and employees of KLP with particular insight into the investment operation.

”

KLP is owned by customers with public sector occupational pensions with the Company.

Balanced scorecard



KLP uses the 'balanced scorecard' to measure performance in the four dimensions: Finance, Customer, Internal processes and Learning and Growth. The balanced scorecard is intended to ensure that the Group's strategy is implemented, and is used by the organisation from departmental level and upwards. The Group's business plan defines the central business goals which are operationalised and followed up via score cards.

Significant negative variances from the targets raise a requirement to submit a deviation analysis with a description of the measures that have been initiated to improve target achievement. Reporting is carried out quarterly.

THE FINANCIAL PERSPECTIVE (WEIGHT 35 PER CENT)

The KLP group did not achieve its financial targets in 2018. Nervous financial markets and reduced margins in banking and non-life insurance pulled the results and performance down. Cost consumption also hit to the financial targets as more IT development activities than expected were expensed directly instead of being capitalised in the balance sheet. The level of activity in the new change program for KLP's IT Systems was also higher than expected. One of KLP's financial goals is to place more and more of the pension assets under management in climate-friendly investments. KLP managed a substantial increase, but did not quite reach the target.

THE CUSTOMER PERSPECTIVE (WEIGHT 30 PER CENT)

The Group achieved its targets within the customer dimension. Awareness of KLP a pension provider among its target group of public-sector employees has never been higher, and the newly developed pension adviser was used far more than anticipated. Customer growth is on target, except for the corporate segment where there is slightly lower than hoped-for growth in companies that have more than one customer relationship with the group. The customer centres were close to meeting the service targets that had been set.

INTERNAL PROCESSES (WEIGHT 20 PER CENT)

The Group has improved its target attainment on internal processes compared with last year and achieved several of its objectives. The actions taken have enhanced our capacity to execute IT development projects even though the results are still somewhat below the target. In 2017, the group did not achieve its goal of simpler and clearer customer communication. A goal was therefore set for 2018 to implement measures to improve customer communication, which the group succeeded in doing.

LEARNING AND GROWTH (WEIGHT 15 PER CENT)

KLP's main product, public-sector occupational pensions, is changing and technological development is accelerating. In 2018, KLP aimed to establish a vision for the KLP of the future with regard to modernisation and automation of processes and technology. This work has been completed as intended. There were further goals related to training and resource management to cover as much as possible of the need for new skills without having to increase the number of employees. Work has therefore been done on competence mapping, skills development, restructuring and internal mobility. Good results were achieved even though the target was not attained.

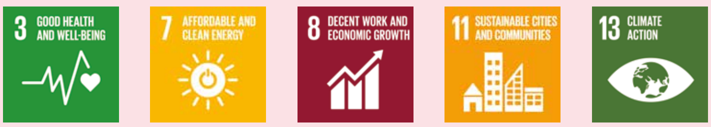
What is KLP's social responsibility?

Our social mission is to provide secure and competitive financial and insurance services to the public sector. Our social responsibility, on the other hand, is about fulfilling this social mission in a way that produces returns and a predictable financial future for our customers and their employees, while also benefiting the environment and society.

In practical terms, we do this in four ways

1. Integrating social responsibility into all our operations.
2. Increasing investments that promote sustainable development and support our financial goals.
3. Pushing companies and industries towards more sustainable operations.
4. Developing products and services that contribute to positive development in society.

WE ARE COMMITTED TO ALL OF THE UN'S SUSTAINABILITY GOALS. WE WANT TO DELIVER SPECIFICALLY ON THESE:



KLP's ambition is to be a leader in corporate social responsibility, and we aim to help towards a sustainable society. That is why we use the UN Sustainable Development Goals as a framework for our work on social responsibility. The Goals provide a common direction for countries, businesses and civil society. We all have a responsibility to contribute. We use the Goals to challenge ourselves, and we encourage companies in our investment portfolio to integrate them into their strategy.

Why is KLP so concerned about the climate?

Our customers with public-sector occupational pension schemes own us. These are health enterprises, municipal and county administrations, and businesses affiliated to the public sector. Simply put, KLP is owned by the community. We are there to provide a secure retirement for almost 1 million Norwegians.

Climate change and climate policy are likely to have a big impact on the economy and society in the coming decades. That includes KLP, our owners and members. That is why KLP is concerned about what is happening to the climate and how we can best adapt to the major climate and environmental challenges facing the world.

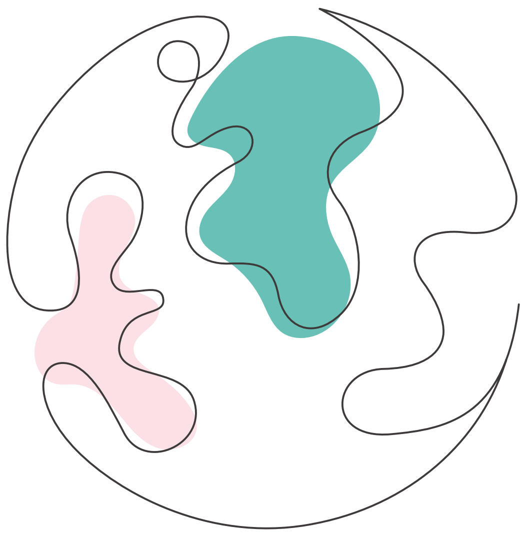
2018 was the year we really noticed that climate change had arrived. The special report from the UN Intergovernmental Panel on Climate Change (IPCC) on 1.5 degrees of warming was a wake-up call for many people. The conclusion from this is clear; if we do not change our behaviour faster than we are doing, there will be serious consequences. Many of the effects of this warming will be irreversible. So it is pleasing to see that the report shows it is possible to limit the warming to 1.5 degrees, but this will require very big changes and global efforts. We must all do what we can.

In the last year, we have given special attention to climate change, where we believe pension capital can make a real difference. A significant proportion of KLP's investments are therefore in renewable energy and other climate-friendly activities. We aim to increase our climate-friendly investments by NOK 6 billion each year to accelerate the transition to a low-carbon society. While we are continually increasing our investments in renewable energy, we are also reducing our investments in fossil energy.

We use our power as owners systematically and actively to influence companies and businesses to operate more sustainably, in line with the UN Sustainable Development Goals. We make active efforts to influence the companies we invest in to do what they can to reduce their environmental impact, and to act responsibly. As an investor it is important to us that companies are now beginning to understand and analyse their climate risk.

At KLP, we are determined to be a driver for industry initiatives that promote sustainable value creation in order to raise standards across whole industries, not just in individual companies. We are a driver for the business community to reduce its climate footprint and report on climate risk. That is why we produced the report on 'How to address climate risk' with the Norwegian Climate Foundation last year, to provide an introduction to how businesses can assess climate risk.

> ”
> We aim to increase our climate-friendly investments by NOK 6 billion each year to accelerate the transition to a low-carbon society.



Our goals

How we influenced things in 2018

GOAL 1
Integrate social responsibility into all of our operations

In 2018, we initiated a climate risk mapping for our own business. This is to assess how climate change can affect KLP as a company, and what consequences this will have. Hence, this year we are reporting in line with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). TCFD is a framework for how companies should report on their exposure to climate risk. Read more about this from page 60.
UN Sustainable Development Goal 13

As a property developer, KLP in Copenhagen has kicked off a large office building project, which not only deals with the building itself, but also the areas around it. This could then be a vibrant neighbourhood for local residents too. In the construction period, KLP is working with nearby schools to interest pupils in construction and engineering.
UN Sustainable Development Goal 11

GOAL 2
Increase investments that promote sustainable development and support our financial goals

We have given special attention to climate change, where we believe pension capital can make a real difference. A significant proportion of KLP's investments are therefore in renewable energy and other climate-friendly activities. We made several new investments in 2018, including Stena Renewable and loans for electric ferries for Fjord1.
UN Sustainable Development Goal 13

We do this because it is financially reasonable. At the same time, by managing the investments for this type of project, we can directly contribute to speeding up the transition to a low-carbon society.
UN Sustainable Development Goal 7

GOAL 3
Push companies and industries towards more sustainable operations

Our behaviour as owners is an important part of the way in which we work with our investments. In 2018, we had discussions with Hydro, and showed that, as an investor, we cannot ignore the issues they have had in Alunorte, Brazil. We also tried to influence Nordic American Tankers (NAT), but to no avail.

Climate is a priority topic for us as owners, and we are concerned that companies we invest in should understand their climate risk too. That is why we published the report on 'How to address climate risk', with advice and tips for companies, in cooperation with the Norwegian Climate Foundation.
UN Sustainable Development Goal 13

GOAL 4
Develop products and services that contribute to improvements in society

KLP is constantly working with our employer customers on ways to create the most health-promoting workplaces. Society benefits from keeping people healthy and in work, and this also increases the individual's quality of life. So the work of creating healthier and better working conditions for our members is an important part of our social responsibility.
UN Sustainable Development Goal 3

The non-life company has continued to focus on the challenges of municipal rental housing. The main theme is the importance of good cooperation between the various agencies in the municipality, because this can help to reduce the risk of fire and other damage in municipal rental housing. The information days have been organised in collaboration with the Norwegian Association of Fire Officers, which provides resources from its local teams.
UN Sustainable Development Goal 11

In 2018, we launched two green products into the retail market: Norway's first global Nordic Swan certified fund The Fund consists of companies that are good at sustainability and corporate social responsibility. The Bank launched a new product – green mortgages – which offers discounts to stimulate more climate-efficient housing.
UN Sustainable Development Goal 13

How we can influence things in the future

All of our value creation is for our owners – the municipalities and the Norwegian healthcare sector. KLP's profits are used to secure future pensions, but a lot is also returned to our owners. This allows them to use the funds for their most important tasks, such as schools, nursing homes and community development.

We will continue to take a more holistic view of the community around our building projects, by making good green urban spaces that benefit the community and our towns.

We need to be visible in the debate, and will take steps to enhance people's knowledge of pensions and life choices, and participate actively in the pension debate.

6 billion NOK increase in climate friendly investments each year

This is about influencing others in our role as an investor and as a buyer,

by focusing our ownership behaviour on industries of great importance to the Norwegian economy. We aim to be a driver for publicly traded companies to report on climate risk and strategy, and to influence relevant industries and markets by being an active advisor and participant in industry organisations and other collaborative forums.

We aim to be a driver for industry initiatives that promote sustainable value creation, to raise the standard in industries, not just in individual companies. We are a driver for the business community to reduce its climate footprint and report on climate risk.

As a major property manager and builder, we lay down requirements for our contractors and their subcontractors to maintain responsible working conditions and sustainability on construction sites.

We are owned by municipalities and Norwegian health enterprises, and we are there to safeguard the future of their employees. We use our size and power to give our owners and members good and affordable products.

All of our fund products are the result of investments KLP itself makes, and KLP's pension money makes up the lion's share of all the funds we have established. By inviting customers to invest with us, they get the opportunity to participate in the investments at low prices. At the same time, customers have the assurance that the investments will follow the same principles of social responsibility that KLP always applies.

"By inviting customers to invest with us, they get the opportunity to participate in the investments at low prices.

See separate chapter on KLPs work on climate risk.

The Employee Account

KLP is working on sickness absence, and focusing on competence management and continuous improvement.

SICKNESS ABSENCE

KLP's aim is to have less than 4 per cent sickness absence. Sickness absence for 2018 totalled 4.21 per cent, compared to 4.56 per cent in 2017. Long-term absence over 16 days accounted for 2.43 per cent and short-term absence under 16 days for 1.78 percent. Long-term absence has fallen while short-term absence has increased. KLP is at roughly the same level as the industry as a whole.

There is a considerable focus on systematic and targeted efforts to address and follow up on employees reporting sick. A fully digitised system for monitoring sick leave was introduced in 2018, simplifying follow-up by managers. HR has run training for managers in the use of the system and in absence monitoring in general.

STRATEGIC SKILLS MANAGEMENT

In 2018, KLP continued to focus on strategic skills management, where the various business areas have defined their primary skills development needs in initiated appropriate development measures. This work will continue in 2019.

ETHICAL GUIDELINES

The guidelines form the overall framework for how KLP and its staff should behave towards each other as colleagues, and towards customers, suppliers and other business associates. The guidelines are meant to be clear, but they cannot provide all the answers. The ethical guidelines for KLP were revised in 2018. To make the guidelines better known and more useful to individuals, we have presented various dilemmas that individual employees can consider in light of their role. Compliance measurement will be included in the staff survey in 2019.

MANAGEMENT DEVELOPMENT - FROM WORDS TO DEEDS

An important goal for management development at KLP is to produce managers with the attitudes, behaviour and skills to implement changes and to develop colleagues, themselves and KLP's business. Values and principles of good leadership at KLP have been drawn up and are reinforced in the management model, and during 2018 we have been ably assisted by AFF/NHH as we have addressed these issues at management gatherings, in leadership groups and individually. This collaboration will continue into 2019. In 2019, we will continue a leadership programme for 24 managers as well as management conferences and tailored programmes for various management groups. KLP also runs staff surveys focusing on job satisfaction and management. The survey in 2018 returned good results, but we hope to improve them further in 2019 local workshops and fresh initiatives.

CONTINUOUS CUSTOMER-FOCUSED IMPROVEMENT

KLP aims always to deliver products and services that customers are happy with. Provision should be simple and efficient and give value to the customer.

> A fully digitised system for monitoring sick leave was introduced in 2018, simplifying follow-up by managers.

In 2018, we continued to run several improvement projects based on the Lean philosophy/methodology, built around customer focus and customer value. Staff involvement and systematic problem-solving are also important. Through round-table meetings and good improvement structures, we are experiencing very good results and will continue this work in 2019.

DIVERSITY AND EQUALITY IN 2018

It has been demonstrated that diverse groups make better decisions than homogeneous ones, and research also shows that companies that score highly on diversity are more likely to have better financial results. KLP aims to be an attractive workplace where all employees are given equal opportunities, regardless of age, sex, disability, political convictions, sexual orientation, gender identity, gender expression and ethnic background. As a provider of pensions and financial services to employees in the municipalities, KLP has to mirror the community and its customers and be a workplace characterised by equality and diversity in which all employees respect the ideas of equality and justice.

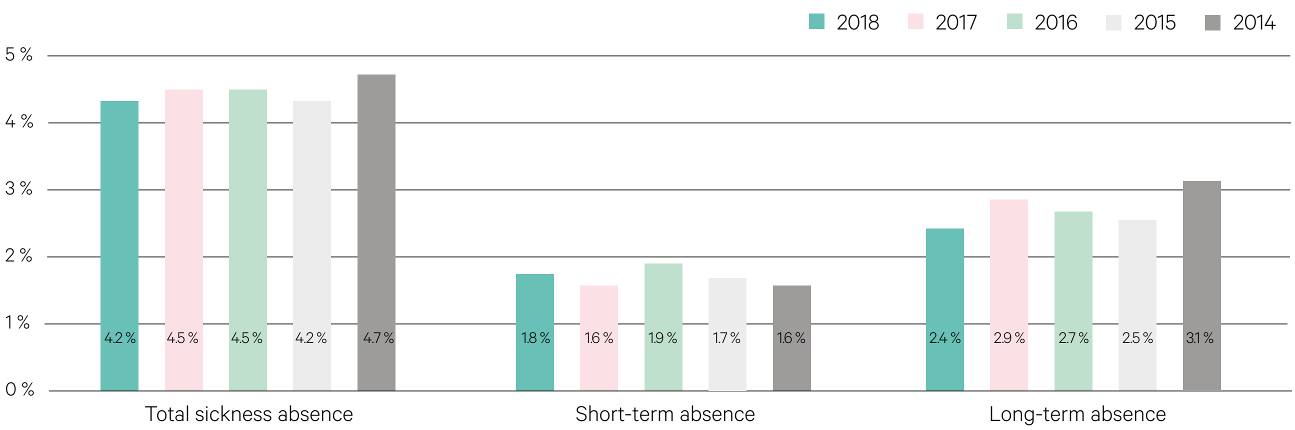
The equality and diversity committee at KLP is working on goals and actions for this work. In 2018, KLP ran several internal lunchtime seminars for employees, focusing on gender and equality (Sigtona Halrynjo and Helene Uri) and sexual orientation and gender identity ('Pink competence' with FRI – the National Association for Lesbians, Gays, Bisexuals and Transgender People). KLP also placed equality and diversity on the agenda at external events. In advance of the local government conference, a report on part-time work among KLP's members was produced and the conference covered the topic of women and part-time work. Together with Finance Norway, KLP arranged a breakfast seminar with participants from the finance industry. The topic was diversity in finance, and why diversity is important to us as an employer. In connection with the talk, HR made a company visit to Telenor Open Mind, which is a work training program for persons with disabilities or people with an immigrant background from non-EU countries.

International Women's Day on 8 March was marked internally with a stand and a quiz. In June, KLP changed its profile photo on social media to the KLP profile with rainbow colours in honour of Pride.

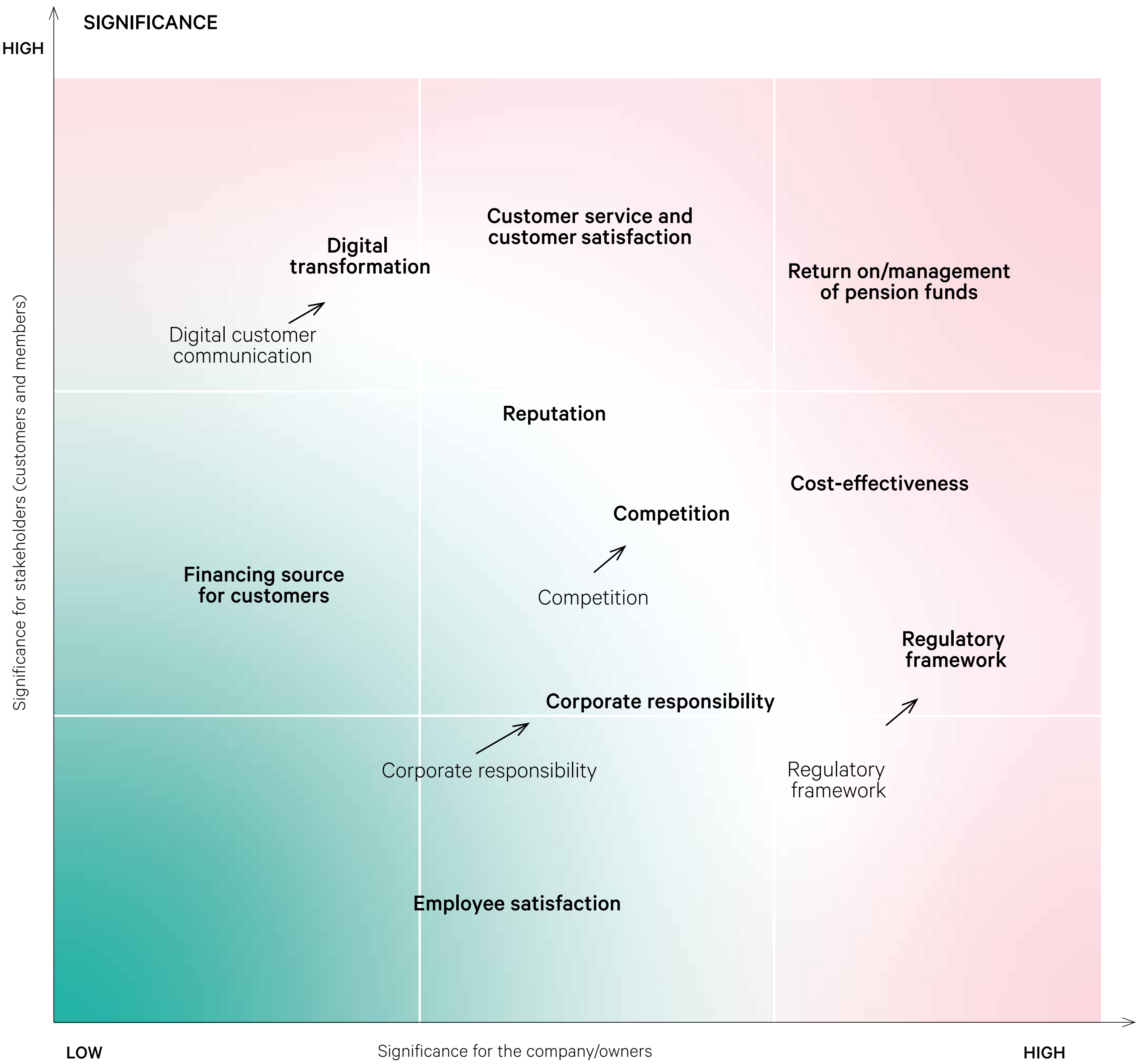
In 2019, we will be working on equality through an annual action plan with activities related to attitudes, recruitment, equal pay, network meetings and celebrations.

Read more about employees, equality and actual remuneration to men and women in the sustainability report.

TREND IN SICKNESS ABSENCE IN KLP OVER THE PAST 3 YEARS



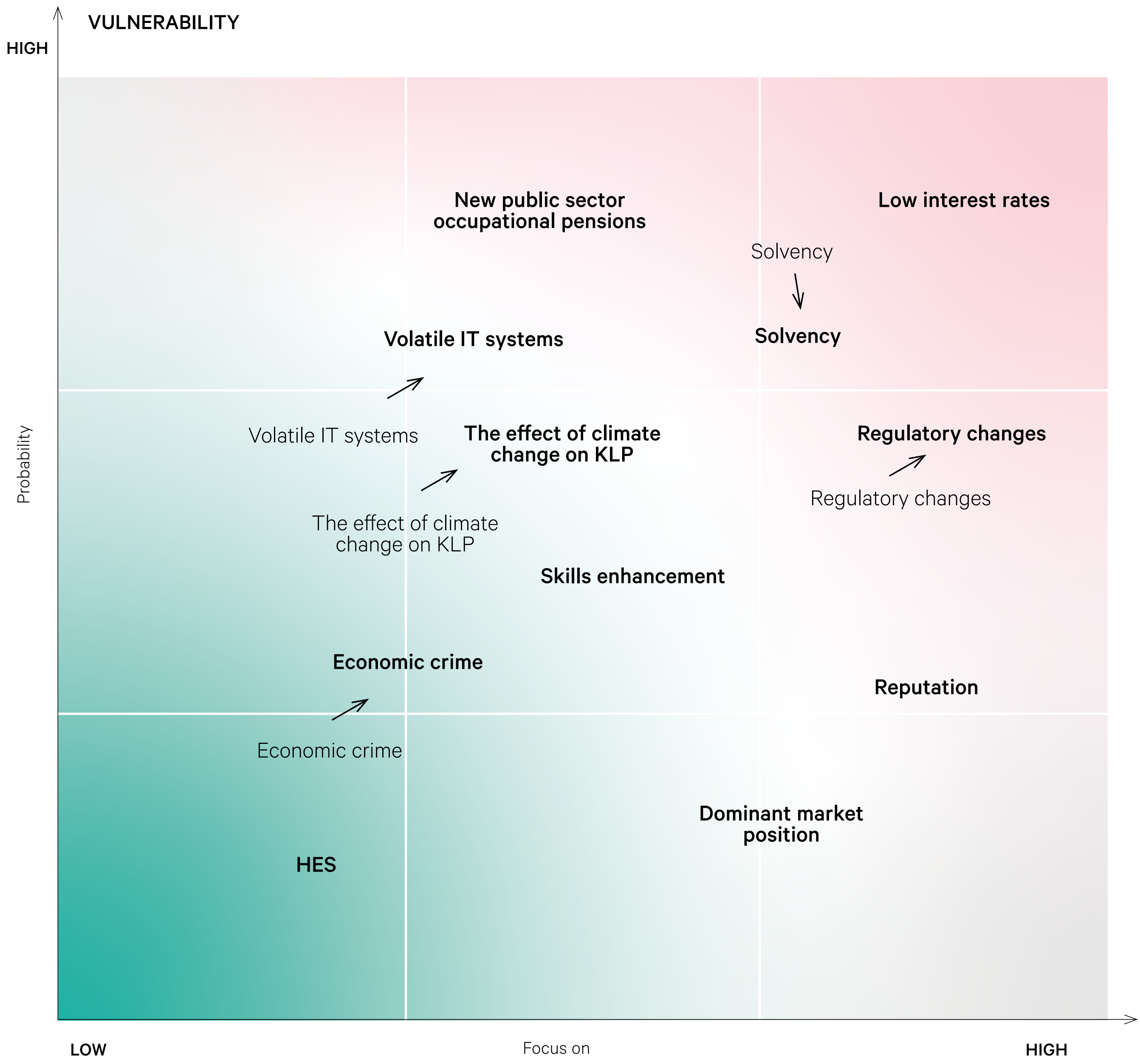
Materiality analysis



KLP does a review every year of topics that have a significant impact on the Company's customers and owners in a Materiality Analysis. These are important strategic topics that both the board of directors and the senior management work on through the year.

SUBJECT	DESCRIPTION
Return on and management of pension funds	KLP manages large assets in pension funds. It is important that these are managed safely and securely so that our customers' future pensions are safeguarded. At the same time KLP endeavours to achieve good returns on the assets to reduce an increase in equity contributions.
Cost-effectiveness	KLP operates effectively and efficiently so that its costs are kept low. KLP's cost-effectiveness benefits its customers since the charges elements in the premiums can be kept at a low level.
Customer service and customer satisfaction	Good service and satisfied customers are important if KLP is to be the public sector's preferred pension provider. How satisfied our pension, insurance and banking customers are is measured regularly.
Reputation	KLP's product range comprises pensions and other financial services of importance for its customers' and members' finances. As a provider of such products, the confidence of our customers and of the market is essential. Good reputation is therefore crucial
Regulatory framework	KLP's business is subject to comprehensive regulations that are constantly developing. KLP must at all times stay up-to-date and contribute to the development of the regulations in order best to safeguard customers and owners.
Corporate responsibility	KLP as an institution and the member groups addressed by the Company place much weight on corporate responsibility and sustainable development. KLP's operating and asset management are therefore designed so the business contributes to such development.
Digital transformation	Digital developments are creating space for new services and business models and are changing both our behaviour patterns and our expectations in terms of digital experience. New technology also gives us new ways to improve the efficiency of our operations.
Financing source for customers	KLP is a significant provider of loans to its public sector customers. In addition, members are offered home loans on advantageous terms. This is a good way for KLP to support its customers and their business.
Employee satisfaction	Motivated and satisfied employees are essential for good customer service, reputation and productivity. It is therefore important for the staff to enjoy their work
Competition	KLP operates in an open market exposed to competition. Changes in the local government sector and the system of public-sector occupational pensions may change the competitive situation in the future.

Vulnerability analysis



The vulnerability map shows how certain risk topics impact on the Company. The arrows illustrate changes from the year before.

RISK	DESCRIPTION	MANAGEMENT
Low interest rates	KLP has provided a returns guarantee on its customers' pension funds. With a low interest-rate level it is demanding to fulfil this guarantee.	KLP aims to achieve stable good returns by maintaining an investment portfolio with moderate levels of risk. Solid buffers provide a good foundation for delivering guaranteed returns in the future, even at low interest rates.
Solvency	Solvency is essential to risk-taking, expected returns and stability in the contributions to KLP's pension schemes.	Planning of capital needs and tailoring risk-taking. The Company strengthens its solvency through for example building financial buffers when times are good.
Dominant market posisiton	Currently KLP is alone in offering public sector occupational pensions with insured schemes.	Exploit economies of scale by offering comprehensive service at a low price. Among other things, KLP has competition from pension funds.
Climate changes	KLP's business could be impacted by changes in climate and the targets and measures global society sets for sustainable development.	KLP is engaged in various national and international initiatives as a driver for solutions to the 2°C target. A range of measures, on the investment side for instance, has been initiated. KLP's measures are described in detail in the section entitled "Corporate responsibility".
IT systems	KLP's business is largely based on IT, both in customer communication and in internal processing. The IT systems contain sensitive and business-critical data.	There are emergency plans for operational interruption, catastrophe exercises, dialogue between business and IT on developmental matters, and updated security solutions.
Regulatory changes	The regulations are in constant change and generally there are high levels of formal requirements of the industry. Additionally, pensions are an area under development where adjustments are expected in public sector occupational pensions in the future.	Good dialogue with the parties to public sector occupational pensions, in which KLP is also a contributor in consultation matters. KLP has a broad network for capturing new changes and processes concerning regulations that affect the pension scheme.
Reputation	KLP delivers important services in pensions and other financial services. The confidence of its customers and the market is essential to the Company.	Strict ethical guidelines with procedures for audit, training and dilemma training, in addition to predictability and good business culture, all help to safeguard KLP's reputation.
Economic crime	As a manager of substantial financial investments, KLP will be vulnerable to economic crime.	Strict security measures have been implemented within all business areas and IT platforms. Continuous monitoring of systems and activities is an important measure for avoiding economic crime.
New public sector occupational pensions	KLP's main product is public sector occupational pension. Changes in pension schemes for public sector employees will have an impact on the Company.	New public sector occupational pensions are being negotiated between employers and employee organisations. KLP is following develop-ments closely.
HES	Among other things, KLP's insurance risk covers disability. If KLP helps to reduce the risk of disability, this will mean lower costs for KLP's customers.	KLP's HES team assists customers with targeted preventive measures to reduce sickness absence and disability etc.
Skills enhancement	Technological developments and the changing needs of customers and markets will result in a reduced need for staff in some parts of our business and an increased need in others.	Through its skills strategy, KLP will develop its organisation in accordance with this and with the main objectives of KLP. The skills strategy shall give us control over what kind of skills KLP has, in both the short and the long term, and shall include a plan for how to fill the gap between the skills we have and the skills we need.

KLP ANNUAL REPORT 2018

Photo:
Anne Westad
Employed in KLP

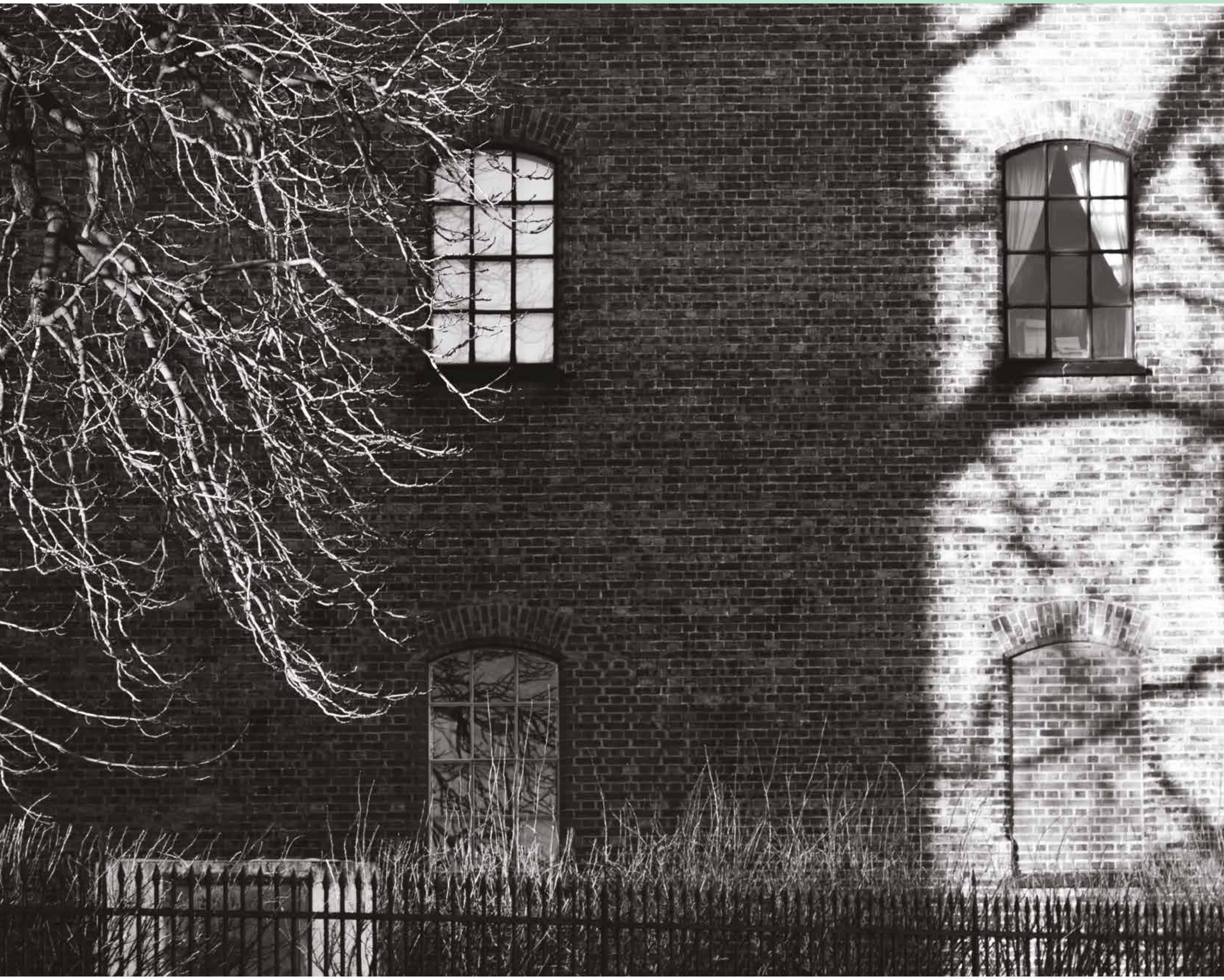


Photo:
Vidar Stenseth
Employed in KLP

Risk management and internal control in KLP

To ensure that KLP delivers secure and competitive financial and insurance services to its customers, and to safeguard the interests of the owners and the company's holdings, a system of risk management and internal control has been established.

The Board of Directors of KLP has adopted a policy for risk management and internal control. In KLP, good risk management and internal control are all about ensuring effective goal attainment. By identifying and analysing relevant risks, the company can take effective measures to manage and control risks that could hinder goal attainment. This is a continuous process, and part of all decisions on significant changes in the business.

THE OVERALL RESPONSIBILITY

The Board of Directors bears the overall responsibility for ensuring that KLP has established appropriate and effective processes for risk management and internal control. The Board determines the overall risk appetite and ensures that the management of significant risks is appropriately organised. This also means maintaining independent monitoring to ensure that the risks are handled in accordance with the overall risk appetite.

It is the responsibility of the Group CEO to ensure that the Board's policies for management and control are implemented in the business. KLP has a risk management committee which acts as an advisory body to the CEO on all matters relating to KLP's total risk exposure. The committee addresses the general willingness to take risks, the overall risk strategy and risk exposure, broken down into all the major risk factors in the parent company's business, including owner risk associated with the subsidiaries.

CONTROL FUNCTIONS

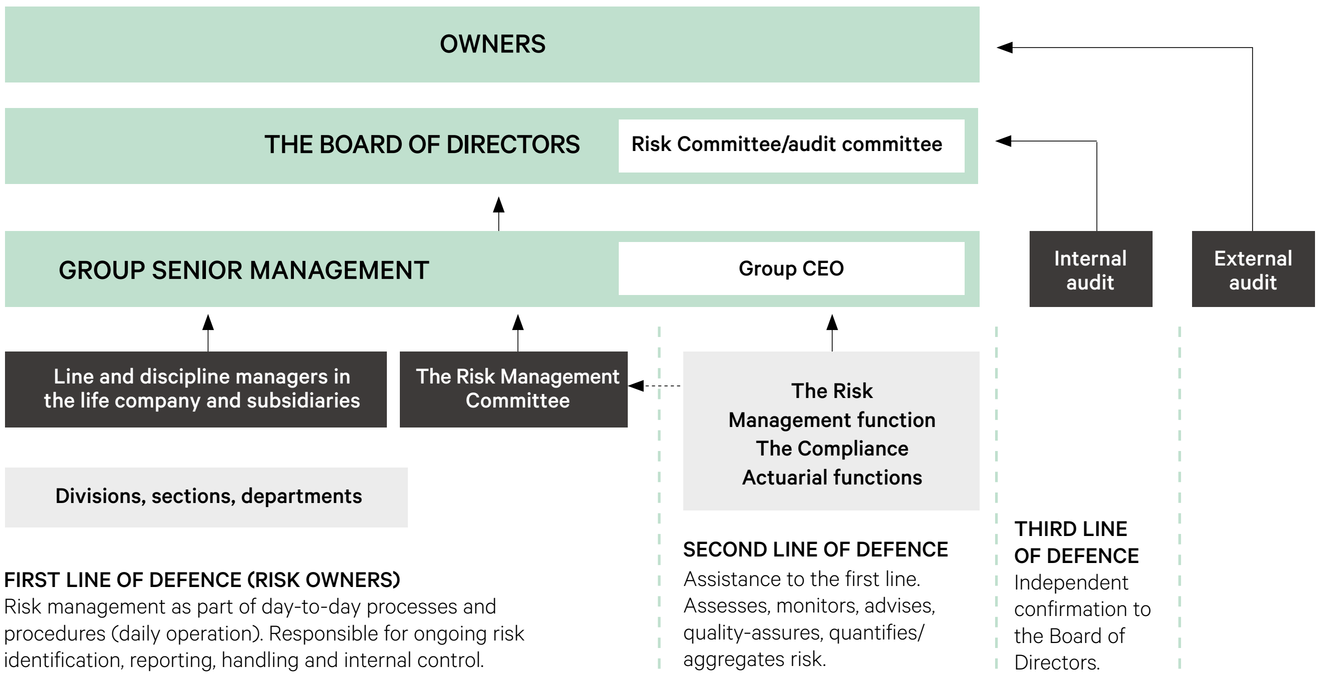
KLP's risk management function monitors the company's total risk and risk handling, and ensures that the risk management committee and the Board of Directors of KLP are always sufficiently informed of the Group's overall risk profile. The risk management function assesses whether the assumptions used in the company's risk calculations are reasonable, and assists the management in refining and implementing an overall framework for KLP's risk management, ensuring that this complies with external and internal requirements.

KLP's compliance function assists the management by ensuring that KLP does not incur any sanctions, financial losses or loss of reputation because of failure to comply with laws, regulations and standards ("compliance risk"). The compliance function assists the management in identifying, assessing and reporting on compliance risks and gives advice to management, the Board and the staff on compliance with the relevant rules for the business.

The actuarial function is responsible for coordinating the calculations of the technical provisions, and ensuring that methods, models and assumptions used in calculating technical provisions are appropriate. Best estimates should also be compared with KLP's past experience. The data used in the calculations should be assessed in terms of adequacy and quality. The actuarial function should also comment on KLP's re-insurance programme and contribute to the effective implementation of the risk management system.

The risk management, compliance and actuarial functions make their own independent assessments of the risk level in the company and the adequacy of established risk-reduction measures.

The company's internal audit group carries out independent assessments of actuarial, financial and operational risks. After discussion with the Board of Directors and management, key risk areas are evaluated and tested with a



view to satisfactory management and control. The internal auditors' reports and recommendations are presented to, and followed up by, the management and the Board. Internal audit helps to give the Board and management confidence that the company has appropriate risk management, internal control and corporate governance. The internal auditors submit an overall report to the Board each year on KLP's risk management, internal control and corporate governance.

ROLES AND RESPONSIBILITIES

Roles and responsibilities related to risk management and internal control in KLP can be summed up with a simple model of corporate governance providing three lines of defence. The primary responsibility for risk management lies in the first line, which is made up of managers and staff in the business areas. The compliance, risk management and actuarial functions are defined as second-line functions in KLP. The second line monitors, assesses, advises on, aggregates and reports on the risk situation. The third line of defence includes independent confirmation from the internal auditors that the first and second lines of defence are working properly. In addition to the three internal lines of defence, the external auditors provide independent feedback to the company's owners.

MONITORING

KLP's managers, at all levels, constantly monitor the risks associated with their target area, provide for the creation and implementation of key controls and follow up on any unwanted incidents within their area. The second-line functions assist the managers, monitor the risk level in KLP's key risk areas, and focus especially on risk areas that are not being handled in line with the Board's risk appetite.

ORGANISATION AND IMPLEMENTATION OF FINANCIAL REPORTING

KLP publishes four quarterly reports in addition to the annual report. KLP's quarterly and annual reports are drawn up by the group accounts department, which reports to the CFO. The work is divided in such a way that valuations of assets and liabilities are made outside the group accounts department. Before each set of accounts is presented, meetings are held between the group accounts department and central technical functions to identify risk factors, market issues etc. that could have a bearing on the accounts. Reconciliation and control procedures have been established to assure the quality of financial reporting.

KLP's business is required by law to be audited, and external auditors carry out a full audit of the annual accounts. The Board of Directors of KLP has appointed its own audit committee to prepare for the Board's discussion of the accounts, with the emphasis on monitoring the financial reporting process and the key principles and valuations underlying the accounts. The company's external auditors take part in the audit committee's discussion of the accounts. The audit committee assesses and monitors the independence of the auditors.

The company's Risk committee prepares the boards assessment of risk and capital needs. The Risk committee overlooks that the company follows its guidelines and that risk management is being followed up.

In addition to quarterly and annual accounts, monthly operational reports are produced with comparisons against budgets and analyses of developments.

Since 2014, KLP has reduced investments in sectors with high greenhouse gas emissions, such as coal and oil sands, and increased our climate friendly investments, particularly in renewable energy.

KLP HAS THE FOLLOWING OBJECTIVES FOR THE WORK ON CLIMATE RISK GOING FORWARD

1 Increase climate-friendly investments by NOK 6 billion per year.

2 Increase knowledge of climate risk internally.

3 Integrate climate risk into established risk management processes in a more systematic way.

4 Address climate risk in the ORSA process, KLPS own assessment of risk and solvency, in 2019.

5 Better integration of climate risk into investment processes.

6 Set climate goals for the investment portfolio.

7 Develop our own scenarios and assess the identified climate risks and opportunities that we consider to be material against these.

In 2018, KLP initiated a mapping of climate risk in all parts of the business. The aim is to raise the level of competence on climate in the company, while also identifying how climate risk can be integrated into the company's risk management process.

KLP's work on climate risk

In 2018, KLP initiated a mapping of climate risk in all parts of the business.

KLP'S WORK ON CLIMATE RISK
KLP has been actively working with climate risk for more than ten years, not least by encouraging companies in our investment portfolio to report on their greenhouse gas emissions and climate strategy. Since 2014, KLP has reduced investments in sectors with high greenhouse gas emissions, such as coal and oil sands, and increased our climate-friendly investments, particularly in renewable energy. This has been motivated by the desire to make a positive climate contribution, while reducing our exposure to potential financial risk from climate change.

For the first time, KLP is reporting here on its work on climate risk according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). TCFD is a working group on climate risk established by the G20 countries' Financial Stability Board, whose recommendations are fast establishing themselves as a market standard for climate risk reporting. The TCFD recommends that companies should report on how climate risk is integrated into: 1. Governance, 2. Strategy, 3. Risk management; and 4. Metrics and targets.

In 2018, KLP initiated a mapping of climate risk in all parts of the business. The aim is to raise the level of competence on climate in the company, while also identifying how climate risk can be integrated into the company's risk management process. Climate risk is a new and challenging area that needs time to mature. This year's TCFD report describes how KLP has started out on this process.

1. GOVERNANCE
Every year, a strategy process is conducted by the Board, which sets out the overall objectives and strategies. The Board also defines Group-wide strategies such as capital management and social responsibility strategies where climate is a concern. This ensures that climate-related issues are addressed each year at Board level within the established strategic processes. The Board has discussed KLP's initial climate risk mapping, how we intend to work on climate risk in the coming years, as well as the TCFD report. The Board and the boards risk committee will be continually involved.

The KLP Group uses scorecards as a tool to follow up on the corporate strategy. Scorecard reporting is used to update the

KEY ELEMENTS OF THE TCFD'S REPORTING RECOMMENDATIONS.
Translated from TCFD Final Recommendations 2017

GOVERNANCE
The organization's governance around climate-related risks and opportunities.

STRATEGY
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

RISK MANAGEMENT
Processes by which the organization identifies, assesses, and manages climate-related risks.

METRICS AND TARGETS
The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Board each quarter on progress, including selected climate-related objectives.

At KLP, Group senior management conducts an annual process on how to implement the strategy defined by the board. The strategy for corporate social responsibility, where climate-related issues are addressed, is part of this process. The executive directors are responsible for implementing objectives and actions in their respective business areas. The development is monitored through each business area's scorecard, and both the Board and senior management are updated each quarter. This ensures that management every year addresses climate-related issues.

2. RISK MANAGEMENT

KLP's risk management policy specifies that all significant risk factors must be assessed. We recognise that climate risk is a major uncertainty factor for KLP, thus we are working on the best way to integrate climate risk into the established risk management processes. At this point, climate risk analysis is a separate process, which is intended to form the basis for how we work on climate risk in the future.

In 2018, KLP started a climate risk analysis within all of the Group's business areas. The goal is to gain a deeper understanding of the effects climate-related developments could have on our business and strategy, as well as qualitatively identify risk factors. In an effort to build the most complete risk profile, we have also assessed indirect risk factors that could affect our owners.

The analysis is mainly aimed at increasing our knowledge and expertise on climate as a financial risk, to give us a better understanding of the climate risks KLP face and how we might be able to manage it. Our approach to analysing climate risk can be seen in Figure 1.

The analysis aims to identify matters that are crucial to the company's ability to achieve its goal, in relation to the following problem statement: Could climate-related developments affect KLP's ability to deliver secure and competitive pension, financial, and insurance services?

KLP has identified risk factors for the Group's business areas: life insurance and the investment portfolio with banking, real estate and securities management, as well as non-life insurance. The risk factors have been assessed against KLP's risk targets, and assessed against various climate scenarios. The outcome of this exercise is both to raise the level of knowledge in the company and to generate an initial list of risk factors that KLP will continue to analyse. Important work in the near future will be assessing the risk profile in different climate scenarios. This will form the basis for recommendations on risk management, monitoring and further learning in the company.

As part of our efforts to raise the level of knowledge of climate risk, we have participated in a collaborative project under the auspices of the UN Environment Programme Finance Initiative (UNEP FI) with the aim of developing models and tools for climate risk analysis for major international investment portfolios. KLP is taking part in this because we believe in the value of cooperation, and we want to contribute to learning and standardisation in relation to climate risk analysis in the finance industry in Norway and around the world. This is a challenge shared by all investors with broad market portfolios.

3. STRATEGY

KLP has been working to reduce our environmental impact for several years – both in our own operations and indirectly through our investments. This has resulted in a solid understanding of the topic at all levels in the organisation, and a common awareness that climate change could potentially have a major impact on long-term returns for KLP. However, it is difficult to determine KLP's exposure to climate risk. Climate risk is about assessing how future climatic conditions and climate-related policies could evolve, and what effects these might have on the company's results. Understanding the dynamics in the markets shaped by extreme weather, migration crises or restrictive climate policy in the future is hard to quantify. KLP will therefore work systematically over time to raise awareness of climate risk, in order to identify, analyse and report appropriately in the future.

Climate risk and opportunities may affect KLP directly on our own operations, or indirectly through our investments and our owners. KLP will probably be affected in both ways at the same time, through several different climate risk and opportunity factors with mutual influence on each other. The work on climate risk is at such an early stage, both for KLP and for the industry as a whole, that we do not intend to report on specific risk and opportunity factors. For us, climate risk analyses are not yet about right answers with double underlining, but about capturing the range of possible ways in which future climate change could affect our business.

In the case of KLP's investments, it is particularly hard to point to specific material risk factors, as our investments are likely to be influenced in every possible way, both positively and negatively. A fundamental principle in KLP's capital management strategy is to have diverse portfolios. The company is invested in which around 6,000 companies, which includes most sectors and geographical locations. This investment strategy is meant to provide us with broad exposure to the global market, as opposed to investment decisions based on an active view of the market. This entails certain restrictions when it comes to adjusting the portfolio based on climate risk, while there is a deliberate risk-spreading strategy which can also be said to apply to climate risk; we have a stake in both potential 'winners' and 'losers' in various climate scenarios. Active ownership is important in this context, and KLP has been in dialogue with companies for many years on their understanding of, and work with climate risk. The companies affected need to make their own climate risk assessments, define their approach to risk management, and report externally in an appropriate manner. The companies must demonstrate their understanding of whether they can remain profitable, or find new business opportunities as a result of climate change. As an asset owner, KLP will be monitoring this going forward.

In our own business, we can see from the initial analysis that market changes, whether based on altered conditions or changing customer preferences, are the factor that carries the most risk but also offers the greatest opportunities for KLP. In this context, further efforts to increase our insight into customer preferences and market changes, and analyse climate risk within the related drivers, will be increasingly important in the future. As a customer owned company, KLP enjoys close customer relations in the climate work, where both customer preferences and owner interests are a naturally integrated. This demonstrates the possibilities inherent in KLP's ownership structure in terms of the work on climate risk and opportunities.

4. OBJECTIVES AND METHODS

In line with the TCFD's vision, we recognize that it may take several years before we are able to analyse climate risk in a comprehensive manner. As the quality of methods and climate risk analyses improves, we will be capable of setting targets that are more precise and implement other types of action.

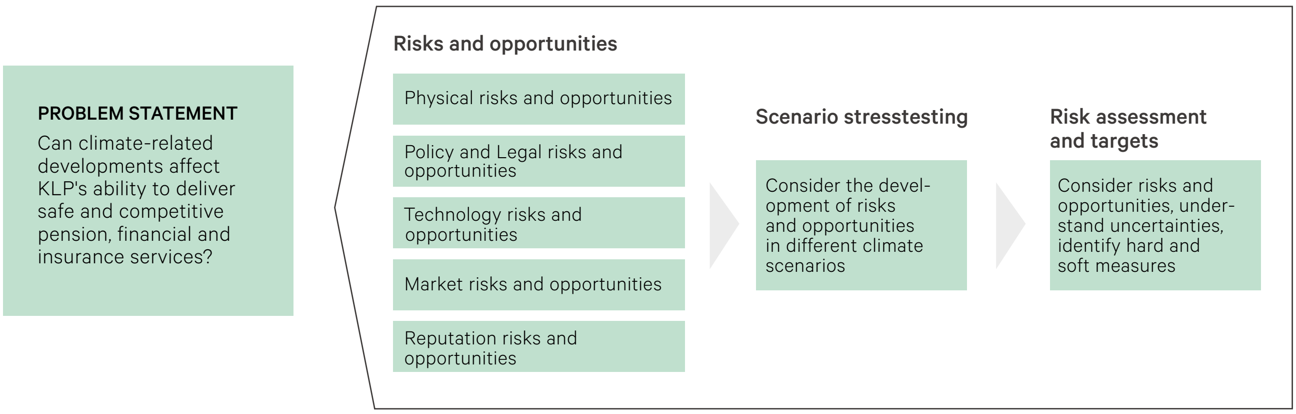
Figures for greenhouse gas emissions, as well as better and more widespread reporting of these, are important if we are to reduce emissions and try to counteract climate change. At the same time, we believe that companies' emissions reporting provides a relatively narrow basis for assessing climate risk. Emissions data should therefore be viewed alongside or in conjunction with other indicators as part of a broader assessment of different types of climate risk. We are not yet certain of the most valid indicators for reporting on climate risk, or how climate risk can best be measured. At this stage, we are therefore reporting on emissions indicators according to the TCFD's recommendations, but we will continue our efforts to assess how climate risk can best be measured and quantified.

For carbon measurement of investments and climate accounting figures, see Sustainability Accounts.

KLP has the following objectives for the work on climate risk going forward:

1. *Increase climate-friendly investments by NOK 6 billion per year.*
2. *Increase knowledge of climate risk internally.*
3. *Integrate climate risk into established risk management processes in a more systematic way.*
4. *Address climate risk in the ORSA process, KLPS own assessment of risk and solvency, in 2019.*
5. *Better integration of climate risk into investment processes.*
6. *Set climate goals for the investment portfolio.*
7. *Develop our own scenarios and assess KLPs material climate risks and opportunities against these.*

KLP'S APPROACH TO ANALYSING CLIMATE RISK
The approach is based on the recommendations from the TCFD



Norwegian Code of Practice for Corporate Governance (NUES)

KLP's articles of association and the applicable legislation provide guidelines for the company's corporate governance, and define a clear division of roles between governing bodies and the managing director. The board of directors carries out an annual review of corporate governance in KLP.

KLP's basic values are described by way of the company's vision of being "the best partner for the days to come" and the core values Open, Clear, Responsible and Committed. These provide shared goals and direction for KLP's progress and strategic priorities. The vision expresses the goals and ambitions of the business. The vision is discussed in more detail in the annual report and on the company's website.

KLP aims to deliver secure and competitive financial and insurance services to the public sector, enterprises associated with the public sector and their employees.

The business idea defines which customers KLP exists to serve, and who its products and services are developed for. KLP aims to maintain a good balance between competitive prices for its customers and a satisfactory return for them as owners. These are qualities which help to ensure that KLP is perceived as the company's vision suggests.

1. REPORTING ON CORPORATE GOVERNANCE

No deviation from the code of practice.

In most areas, KLP follows the Code of Practice for Corporate Governance as described in the principles set out by the Norwegian Corporate Governance board (NUES). Differences from NUES generally arise where individual provisions do not fit KLP's mutual status.

It has also drawn up ethical guidelines which cover things like confidentiality, impartiality and benefits, and a procedure for warning of possible breaches of these. KLP also has guidelines for equality and diversity.

2. BUSINESS

No deviation from the code of practice.

KLP's principal objective is to address the needs of its members within public-sector occupational pensions, and this is assessed by the board of directors in their annual review of the strategy process. The articles of association are reproduced in full on the Group's website. The market is updated on KLP's goals and strategies through the quarterly results presentations and reports published on the company's web pages.

Corporate social responsibility is an important part of KLP's activities and basic values. KLP aims to contribute to a sustainable public sector and to integrate CSR into all of its business processes. One example of this is the way in which KLP integrates CSR into its capital management and strives to be one of the leading players in this area. KLP's work on CSR is based on the Group's affiliation to the UN Global Compact and the UN's Principles for Responsible Investment.

KLP reports every quarter on non-financial key indicators under the headings of society, environment, human capital and responsible investments.

3. EQUITY AND DIVIDENDS

Deviation from the code of practice.

KLP is a mutual insurance company whose principal objective is to contribute to prudent management of its members' pension resources at the lowest possible cost. Dividend policy is not relevant in this context because the customers own the mutual company. The articles of association state that the members are obliged to pay equity contributions in so far as this is necessary to provide KLP with satisfactory financial strength. KLP's financial strength, capital position and solvency are discussed in more detail in the annual report from the board of directors.

The provision in the Companies Act on mandates to the board of directors is not relevant to KLP. In KLP, it is the board which sets and announces the rates for equity contributions which are “necessary to provide KLP with satisfactory financial strength”. For the Nurses’ Pension Scheme, it is the board of the pension scheme which decides on the equity contributions and the Ministry of Labour and Social Affairs which approves them.

The board of KLP evaluates the company’s capital requirements on an ongoing basis, in the light of the company’s objectives, strategy and risk profile. The board adopts an annual appropriation of profits which is designed to ensure that the company has sufficient financial strength. The company is a mutual company and, as such, does not deal in dividends but in appropriation of profits.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Deviation from the code of practice.

Individual elements of the Code are not directly transferable to KLP as a mutual company, but we follow the general intent of the Code. The difference is mainly due to the fact that the company has no negotiable equity instruments.

5. SHARES AND NEGOTIABILITY

Deviation from the code of practice.

This point is not relevant as KLP has no negotiable equity instruments.

6. GENERAL MEETING

Deviation from the code of practice.

KLP has chosen a solution where the general meeting consists of elected delegates and deputies. The company is divided into constituencies (election districts). The county administration together with the municipalities in that county each make up one constituency, apart from the municipality of Oslo which is part of the Akershus constituency. The four regional health enterprises and their subsidiaries each make up a constituency. The other members of the company (corporate members) make up a constituency. The number of delegates elected from the individual constituencies is related to the premium volume paid in from each constituency. The recommendation in the Code to arrange for voting by proxy is therefore irrelevant to KLP.

The notice calling the meeting and the support information on the resolutions to be considered, including the recommendations of the nomination committee, are sent to the elected delegates no later than 14 days before the meeting is to be held. The deadline is longer than the minimum required by the Limited Companies Act, which is one week. The practice within KLP, however, is that an early reminder of the scheduled date of the general meeting is sent out to the delegates at the beginning of the year, and it is also mentioned at electoral and owners’ meetings.

The chair of the board of directors, the group CEO, the chair of the corporate assembly, the nomination committee and the auditors are entitled and r equired to be present at the ordinary general meeting.

KLP’s general meeting is opened and chaired by the chair of the corporate assembly.

7. NOMINATION COMMITTEE

Deviation from the code of practice.

The rules for the nomination committee are set out in the company’s articles of association. The corporate assembly chooses the members of the nomination committee, including the chair, and determines the fees to be paid to the members of the committee. This differs from the Code, which recommends that the general meeting should elect a nomination committee.

The composition of the nomination committee is in line with the Code. All the members are independent of the board of directors and executive personnel. The different groups of owners are represented on the committee. Appointments to all of the company’s corporate bodies should be calculated to achieve a reasonable balance between the sexes.

Details of the nomination committee, its composition and tasks are given in the annual report and on the company’s website.

The nomination committee proposes candidates for the corporate assembly to be elected by the general meeting, as well as the chair and deputy chair of the corporate assembly. It also proposes the members of the board of directors to be elected by the members of the corporate assembly who are elected by the general meeting. The nomination committee is also required to make recommendations on the remuneration of the members of the corporate assembly, the board of directors and the nomination committee. In this process, the nomination committee actively consults with the company’s various owner groupings.

The members of the nomination committee are elected for a term of two years. They may be re-elected twice.

The nomination committee provides written justifications for its recommendations The chair of the nomination committee also reports orally on these justifications to the bodies to which elections are being held.

8. BOARD, COMPOSITION AND INDEPENDENCE

No deviation from the code of practice.

The recommendation on broad representation from company members in the corporate assembly is implemented by the statutes. In the statutes, the members of the corporate assembly elected by the general meeting should be reflect the company’s interest groups, customer structure and social function.

Five board members with and two deputies are elected by the corporate assembly which is elected by the general meeting. The composition of the board of directors is such that the board as a whole can address the interests of the members and the company, and the company's need for expertise, capacity and diversity. It is felt that the provision adequately addresses the provisions in the Code on independence of executive personnel, material business contacts and members of the company with equivalent influence to principal shareholders. Please refer to more detailed discussion in section 9 below.

The chair and vice-chair of the board of directors are elected by the corporate assembly.

The members of the board of directors are appointed for two years. There is no provision stating how long a board member may remain in office, but in recent years, the nomination committee has suggested that board members should not normally stay longer than eight years.

The board of directors is considered to be independent in terms of the Code. The external members of the board of directors are independent of executive personnel. No board members have any relationship to members of KLP who represent more than 10 per cent of the votes at the general meeting. All board members are independent of material business contacts.

9. THE WORK OF THE BOARD OF DIRECTORS

No deviation from the code of practice.

The board has issued instructions for the board itself and the CEO. These were last revised in December 2018.

The board of directors has three sub-committees: the remuneration committee, the risk committee and the audit committee. Each year, the board appoints at least three members and possibly a deputy to the sub-committees from among the members of the board, and appoints the chairs of the committees.

The board of directors evaluates its own work at least once a year. In this connection, the board is required to evaluate its own work and competence related to the company's risk management and internal control. The results of this evaluation are presented to the nomination committee, which uses them in its work.

Each year, the board is required to evaluate the work of the working committees as part of its self-assessment. The sub-committees also conduct an annual self-assessment.

The board held ten regular board meetings and an extraordinary board meeting in 2018.

The recommendation concerning independent consideration of matters of a material character in which the chairman of the board has been personally involved is considered to be covered by the provision on impartiality in the instructions to the board of directors.

10. RISK MANAGEMENT AND INTERNAL CONTROL

No deviation from the code of practice.

KLP has a well-established system of risk management and internal control adapted to the scope and nature of the company's activities. The system for risk management and internal control is described in a separate section of the annual report. Internal control also includes the company's basic values and guidelines on ethics and corporate social responsibility. The company's ethical guidelines are a separate reporting item for internal control to the board of directors in connection with the board's annual review of the major risk areas and internal control.

11. REMUNERATION OF THE BOARD OF DIRECTORS

No deviation from the code of practice.

The remuneration of the board of directors reflects the board's responsibility, expertise and time commitment and the complexity of the company's activities.

12. REMUNERATION OF EXECUTIVE PERSONNEL

No deviation from the code of practice.

KLP is not covered by the rules on the remuneration of executive personnel in exchange-listed companies. As a finance company, the board of KLP adopts guidelines for the remuneration of all employees in the company, including special rules on salaries payable to executive personnel.

KLP has no exchange-listed equity instruments and does not grant share options or bonuses to its staff. The presentation and adoption of the company's guidelines on the remuneration of executive personnel are put to the general meeting.

More information on remuneration of senior executives can be found in the annual report and at klp.no.

13. INFORMATION AND COMMUNICATIONS

No deviation from the code of practice.

The board of directors has established guidelines for the company's reporting of financial and other information, and the company's contact with member-owners other than through general meetings. The published documentation is accessible from the company's web pages. KLP also has contact with members outside the general meeting, including electoral meetings, owners' meetings, resource group meetings etc. All reporting is based on openness and consideration of the requirement for equal treatment of the players in the securities market and the rules on good exchange practice.

14. TAKE-OVERS

Deviation from the code of practice.

We differ here because this is not relevant to KLP as a mutual company.

15. AUDITOR
No deviation from the code of practice.

The auditor is elected by the general meeting and conducts financial audits. KLP has appointed PwC as its auditor.

The auditor submits an audit report in connection with the annual accounts, and a statement on simplified audit checks on the quarterly accounts where these have been subjected to such a control. The auditor also gives an independent opinion of non-financial accounts drawn up by KLP and included in KLP's annual report.

The auditor attends meetings of the audit committee, as well as the board meeting at which the annual accounts are discussed. The audit committee assesses the independence of the auditor each year.

The board of directors of KLP has established guidelines for the purchase of additional services etc. from auditors. The guidelines help to ensure that the auditor's independence is safeguarded.

The auditor attends the meeting of the corporate assembly and the general meeting where the annual accounts are discussed, and other meetings where necessary.

In 2018, the board of directors had one meeting with the auditor without the administration present. The board's audit committee held three meetings with the auditor without the administration present.

The remuneration of the auditor is determined by the corporate assembly.

Statement

Pursuant to section 3-3b, second sentence, of the Accounting Act

The following is a summary of the matters KLP has to report on in accordance with Section 3-3b, second paragraph, of the Accounting Act. The points follow the numbering in the provision.

The second paragraph nos 1, 2, 3, 5 and 6 do not apply to reporting entities that have not issued shares or equity certificates listed on a regulated market or on a multilateral trading facility, cf. Securities Trading Act Chapter 2 Section 2-3, fourth paragraph. KLP here refers to the NUES statement in relation to all points even though only 4.7 and 8 apply to the company:

1. Principles of corporate governance in KLP have been prepared in line with Norwegian law, and based on the Norwegian Code of Practice for Corporate Governance, published by the Norwegian Corporate Governance Committee (NUES).

2. The recommendation from the Norwegian Corporate Governance Committee is available at www.nues.no.

3. Any deviation from the recommendation is commented on below each point in the notes above.

4. A description of the main elements of KLP's internal control and risk management systems related to the financial reporting process is given in section 10 above.

5. Statutes that relate to provisions of Chapter 5 of the Public Limited Liability Companies Act concerning the general meeting are discussed in section 6 above.

6. The composition of the corporate bodies, and a description of the main elements of current instructions and guidelines, follow in sections 6, 7, 8 and 9 above.

7. Statute provisions governing the appointment and replacement of directors are discussed in section 8 above.

8. Statute provisions and authorisations that empower the board to decide to buy back or issue Treasury shares are discussed in section 3 above.

Photo:
Anders Eidsnes
Employed in KLP

Photo:
Anne Tømmerdal Kristoffersen
Employed in KLP

KLP

Annual Report 2018

Photo:
Ole Jørgen Gangsøy
Employed in KLP

Photo:
Vidar Stenseth
Employed in KLP

> ***KLP enjoys strong customer satisfaction among its clients. In an independent survey conducted by KPMG, KLP came out as a clear winner on all drivers for good costumer experience among Norwegian companies.***

KLP

Annual Report 2018

In 2018, Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) achieved a moderate rate of return which still gives a profit to its customers. The value-adjusted return was 1.5 per cent. Book returns were 3.5 per cent. This is above the 2.5 per cent which is the return that the company has promised to its customers. The company's financial strength is good and solvency capital requirement (SCR) was 263 per cent at year-end.

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) is the parent company of the KLP Group. KLP was established by and for the public sector to service this market's need for occupational pension schemes. Its head office is in Oslo.

THE GROUP'S INCOME

The Group's total comprehensive income was NOK 2.9 (1.4) [1] billion.

In the course of 2018, the owners' equity in the Group increased by NOK 4.3 billion to NOK 33.9 billion. Of this, NOK 1.4 billion came from owners' equity contributions.

The Group's total assets under management increased by NOK 23.4 billion to NOK 675.6 billion at the end of 2018.

THE PARENT COMPANY'S RESULTS

KLP is a mutual life insurance company which manages pension assets and insurance risks related to life expectancy, death and disability on behalf of its member companies. Profits from this business go to customers, while the company's equity covers the risk in case of a deficit. The company's profits are generated from the management of its own funds, made up of the corporate portfolio, margins in the premium element to cover costs, and collection of premiums reflecting the value of the return guarantee, with margin, on the pension assets. As a mutual undertaking, it is important for KLP to keep prices down so the payments from member companies are as low as possible.

KLP produces results for its members in the capacity of customers and of owners of the company.

The results for the year were characterised by:

- A fall in the equity markets
- Good returns on property investments
- Slightly increasing interest rates in Norway and abroad
- Positive trends in incapacity with a high rate of re-entry into work
- Satisfactory margins for longevity
- Volume growth in the subsidiaries

PROFIT CONTRIBUTIONS FROM THE VARIOUS BUSINESS AREAS

NOK MILLIONS	2018	2017
Public-sector occupational pensions	2 818	1 403
Private occupational pensions	-21	-25
Non-life insurance	56	139
Bank	62	77
Capital management	12	33
Other	-2	-1
Eliminations	-60	-234
Total	**2 866**	**1 393**

THE PARENT COMPANY'S RESULTS

NOK MILLIONS	Profit to customers	Profit to the company	Total 2018
Returns result	5 048	159	5 207
Risk result	480	478	958
Interest guarantee premium		758	758
Administration result		137	137
Net income from corporate portfolio		1 109	1 109
Tax		-624	-624
Contributions from the company to boost the occupational schemes	216	-216	0
Other profit/loss elements		-21	-21
Total income	**5 744**	**1 780**	**7 524**

[1] Figures in brackets give values for the corresponding period in 2017.

The total recognised income attributed to other profit/loss elements, before allocation between the pension customers and the company, was NOK 7.5 (8.6) billion in 2018.

RETURNS RESULT

The financial income from managing the pension funds amounts to NOK 7.0 (31.0) billion, corresponding to a return of 1.5 per cent. NOK 8.8 billion of previously unrealised value increases on financial instruments were also returned to the securities adjustment fund. In total, this amounts to NOK 15.8 billion, corresponding to a book return of 3.5 per cent. This year's financial income thus exceeds the guaranteed return of NOK 10.6 billion or about 2.5 per cent. The returns result is thus NOK 5.2 (6.8) billion.

KLP has a goal of delivering long-term, competitive returns in the customer portfolios, and stable returns in the corporate portfolio. This is achieved by spreading funds across different investment types and geographical areas.

The investments in the common portfolio are distributed between the various categories of financial assets . Only real estate investments and investments in hold-to-maturity/long-term bonds achieved yields above the 2.5 per cent return guarantee in 2018.

RISK RESULT

The risk result is an expression of how mortality and disability have developed in the insured population in relation to the assumptions used in the annual setting of premiums.

Of the risk result NOK 531 (247) million is concerned with disability risk. The good result is largely due to a large number of those previously unfit returning to work in KLP's customer base. NOK 402 (694) million is associated with longevity, and shows that there is still a good margin in the premium tariffs used by KLP. The remainder of the disability result of NOK 27 (-43) is associated with mortality.

The group life schemes in KLP show a risk result of NOK -2.6 (-3) million.

ADMINISTRATION RESULT

The administration result shows a surplus of NOK 137 million, against NOK 141 million in 2017. The stable result means that KLP has good cost control and a satisfactory margin for cost coverage.

KLP has economies of scale as a result of its high market share in public-sector occupational pensions and can thus maintain good service at a very competitive price. KLP's cost level in 2018 equals 0.25 per cent of the premium reserve at 31.12.2018.

NET INCOME FROM THE CORPORATE PORTFOLIO

The corporate portfolio, which is invested in bonds, property, shares in subsidiaries and other strategic shareholdings, achieved a return of 4.2 (4.0) per cent in 2018. Investment on real estate is the main reason for the good return.

ALLOCATION OF INCOME

The customer result for the year was NOK 5.7 billion. This was used to strengthen customers' supplementary reserves by NOK 2.8 billion, while NOK 2.9 billion is being allocated to the customers' premium fund. As the securities adjustment fund was reduced through 2018, the Board of Directors is satisfied that the customer result allows for strengthening of additional provisions to reduce the impact on buffer capital. Interest rates are still low compared to the interest rate guarantee, and strengthening the additional provisions ensures good long-term management

INVESTMENTS IN THE COMMON PORTFOLIO

NOK BILLIONS	Allocation 31.12.2018 [1]	Return 2018	Allocation 31.12.2017 [1]	Return 2017
Equities	109.2	-3.6 %	110.3	16.5 %
Short-term bonds	94.9	-0.8 %	93.9	3.2 %
Liquidity/money markets	31,.0	1.1 %	35.8	1.5 %
Long-term/HTM bonds	148.6	3.7 %	132.6	4.0 %
Lending	62.0	2.3 %	57.0	2.2 %
Property	64.7	7.3 %	60.4	8.9 %
Total	**510.4**		**490.1**	

[1] The figures presented in the table show net exposure, whereas the official figures from the statement of financial position are presented gross. Differences may therefore arise between the figures in this table and the financial statements.

of the pension assets. At the same time, it is important for customers to benefit from the fact that KLP has retained return results in good times to ensure stable transfers of profits into the premium fund even in years with lower returns.

KLP uses the option to set off up to half of the year's risk result to the risk equalisation fund. The risk equalisation fund also receives its own returns. Other profits to the company are posted to other retained earnings and help to maintain solvency.

The Board of KLP considers that the income statement and the statement of financial position for 2018 with notes, statements of cash flows and of changes in owners' equity, provide good information on the operation through the year and the financial position at the end of the year. The accounts have been drawn up on the assumption of a going concern and the Board confirms that the conditions for this are in place. The Board considers the risk to the company's business to be reasonable. The company financial statements for KLP are presented in accordance with the Norwegian Annual Accounts Regulation for life insurance companies. The consolidated financial statements have been presented in accordance with international accounting standards (IFRS/IAS), as approved for use within the EU/EEA.

THE BUSINESS AREAS

Pensions

Public-sector occupational pensions

Pension schemes within the public sector are offered and managed by the Group's parent company, KLP. Of the Group's total assets of NOK 675.6 billion, NOK 518.3 billion represent pension assets belonging to this customer group.

The competitive situation

KLP is the only player to offer public-sector occupational pensions as a broad-based insured scheme. The competition now arises from the fact that customers can opt to establish their own pension fund or to join an intermunicipal pension fund outside of KLP. There are signs that other private life insurers are considering entering the market when the public-sector occupational pension product changes from 2020. KLP offers management of pension funds through its subsidiary, KLP Forsikringsservice AS.

A municipal and regional reform is in progress with the aim of merging into fewer and larger entities. This may place the management of pension schemes on the agenda, especially in municipalities and regions where one of the parties has its own pension fund. This could cause some to wind up their pension funds in order to join KLP's insured scheme, while others might leave the insured scheme with KLP to enter a pension fund. So far, the impact on KLP's balance sheet has been limited.

Good solvency, strong results over time and high customer satisfaction have provided a basis for strengthening KLP's position in the market for public-sector occupational pensions.

Operation and administration

We can expect to see continuing organic growth in KLPs premium volume as a result of increased employment among our customers. This will in turn lead to an increase in the year-groups taking out pensions in the future.

Timeliness and quality in individual pension processing are among of KLP's most important tasks. The company has therefore embarked on a reform programme with a budget of NOK 1.5

ALLOCATION OF INCOME

NOK MILLIONS	Result to customers	Result to the company	Total for 2018
To supplementary reserves	2 805		2 805
To premium fund	2 939		2 939
To risk equalisation fund	-	639	639
To other retained earnings	-	1 141	1 141
Total allocations 2018	**5 744**	**1 780**	**7 524**
Total allocations 2017	8 339	1 465	8 588

billion over the next five years. The reform programme will upgrade IT systems and automate work processes in a way that provides better service and lower costs. So it is pleasing to see that customer satisfaction surveys confirm that KLP's customers are happy, so we have a good platform from which to launch the reform programme. In 2018, 258,072 people received retirement pensions from KLP.

Private occupational pensions

KLP offers private occupational pensions, including management of pension capital certificates, through its subsidiary KLP Bedriftspensjon AS. The primary market consists of companies with links to the public sector. The company also has customers in the private sector. The portfolio of defined-contribution pensions including pension capital certificates amounted to NOK 3,396 (2,684) million at 31.12.2018, while defined-benefit pensions including paid-up polices amounted to NOK 1,684 (1,644) million.

The portfolio of defined-contribution pension customers showed a net increase of 239 (323) new customers, of which 131 (119) moved from other life insurance companies. There were 49 (42) customers who transferred from KLP Bedriftspensjon AS. In all, NOK 520 (543) million moved to the company from other life insurers. Transfers of premium reserves and pension capital etc. to other insurance companies amounted to NOK 72 (125) million.

A good number of pension capital certificates continued move into the company through the year. In total, 4,020 (6,244) pension capital certificates transferred to KLP Bedriftspensjon AS, while 305 moved from KLP Bedrifts-pensjon AS.

As of 31.12.2018, the company was managing private occupational pensions for 2,811 businesses with a total of 58,000 occupationally active individuals and pensioners. The market for private occupational pensions is characterised by stiff competition, particularly in the segment for large enterprises/undertakings.

The funds for defined-contribution pension customers were reduced by 3.8 per cent in 2018 due to fall in the equity markets combined with low returns in the fixed-income market. However, the funds invested in private defined-benefit pension schemes achieved a return of 3.0 per cent. Taking account of the reversal of previous unrealised price increases on financial assets from the securities adjustment fund, the yield was 4.5 per cent. The guaranteed return was 2.9 per cent. The portfolio had an equity element of 2.7 per cent at the end of 2018, so exposure to the fall in the equity markets towards the end of the year was limited.

At year-end, solvency capital requirement was 150 per cent without applying transitional rules; with the transitional rules for technical provisions, solvency capital requirement was 308 (299) per cent.

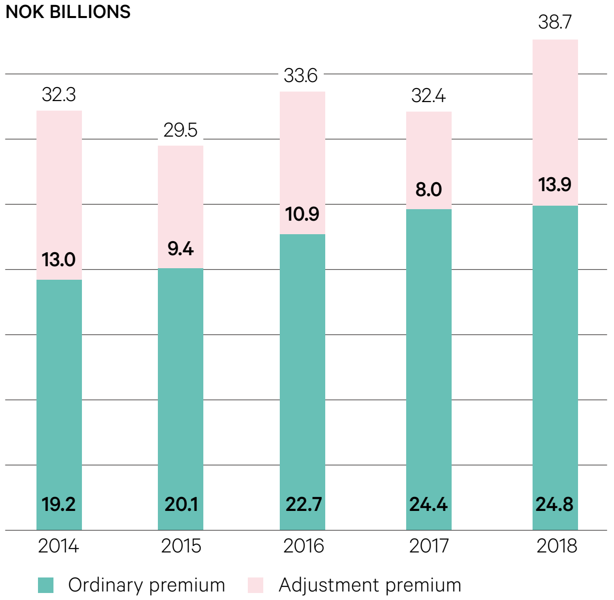
The company made a net loss of NOK 21.1 (25.2) million.

Non-life insurance

The main purpose of the non-life insurance business is to strengthen KLP's position in the public-sector market. This is achieved by being a full supplier of insurance solutions to this market, to companies affiliated to the public sector, and to members of the group's pension schemes. At the

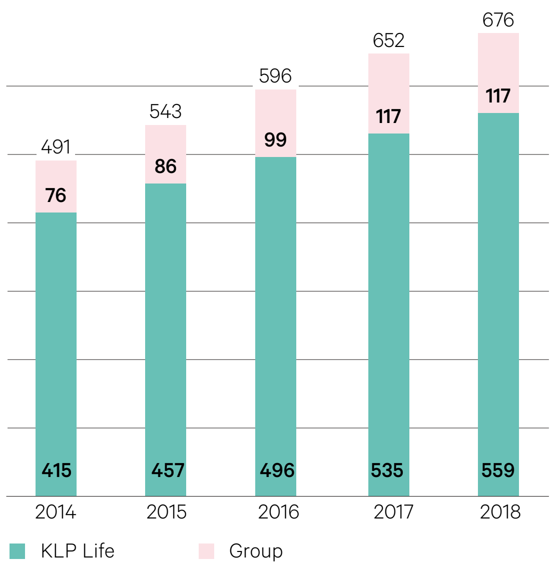
PREMIUM FIGURES FOR PENSIONS

NOK BILLIONS



ASSETS UNDER MANAGEMENT

NOK BILLIONS



start of 2019, KLP's non-life insurance business is again the market leader in the public-sector, with a market share of 32.4 per cent.

Profit before tax was NOK 17.5 (164.2) million. The insurance result for events occurring in 2018 was NOK 112.7 million, a decrease from NOK 127.1 million in 2017. During the year, the company experienced an increase in medium-sized claims, especially in property insurance. Only four (five) claims were over NOK 10 million, with total claim provisions of NOK 85 (95) million. The number of medium-sized claims, in the range from NOK 2 to 10 million, increased, with a total payout of NOK 168 (108) million. The company's total claims ratio therefore increased in 2018 to 79.9 per cent overall. If we disregard reserve adjustments to claims occurring before 2018, the claims ratio was 91.1 per cent, of which the claims ratio for the Public Sector/ Corporate market was 99.5 per cent and for the Retail market 80.1 per cent.

Reserves for previously reported claims were reduced by NOK 142.6 million for all sectors combined. The liquidation difference amounts to 7.6 per cent of claims provisions at the start of 2019. The dissolutions are largely related to the personal injury products, but there has also been a significant reduction in previous years of natural damage provisions.

Total return on assets managed was 1.8 (5.6) per cent. The equity portfolio had a total return of minus 6.5 per cent, of which the fourth quarter alone was negative by 12.1 per cent. Fixed-income investments in the short and long-term portfolios produced returns of minus 0.1 and 3.7 per cent respectively. Also in 2018, the value of the company's two real estate investments was written up.

The company's financial position is considered to be good, with a solvency capital requirement (SCR) of 243 per cent at the end of the year.

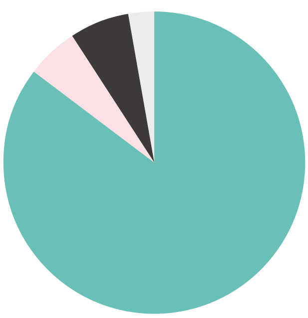
Bank

KLP's banking business is carried out by the subsidiary group KLP Bankholding through the following companies: KLP Banken AS, KLP Kommunekreditt AS and KLP Boligkreditt AS. The purpose of KLP's banking business is to offer mortgages and other banking services to municipal and county authorities and companies working for the public sector. The bank aimsto provide reliable and user-friendly financial services on favourable terms, for the benefit of customers and their employees. The bank also manages lending for KLP's common portfolio.

The bank's loan and deposit products are tailored for the target group in the public sector and primarily aimed at individuals affiliated to KLP's pension schemes. The Group's total lending under management at the end of 2018 was NOK 95.0 billion. Of this, NOK 33.3 billion was financed by the banking group and the remainder by KLP. The loans were divided between NOK 19.6 billion in mortgages to private individuals and NOK 75.4 billion in loans to public-sector enterprises. Net lending, including managed loans for KLP, increased by NOK 7.5 billion in 2018.

The banking group manages mortgages on its own account in KLP Banken AS and through KLP Boligkreditt AS. It also manages mortgages for KLP. The mortgage portfolios gathered had a historically high growth of NOK 2.0 (1.7) billion in 2018.

INSURANCE OBLIGATIONS
Contractual



- Premium reserve NOK 433 billions
- Supplementary reserves NOK 28 billions
- Securities adjustment fund NOK 33 billions
- Other provisions to insurance funds NOK 13 billions

Excl. special Investment portfolio and NOK 2 billion.
Special investment portfolio to be added.

KLP Banken AS offers a credit card product to retail customers. At the end of 2018, drawn credit in the portfolio amounted to NOK 66.4 (57.9) million, across 7,400 (6,500) credit cards issued.

Through 2018 the number of active deposit customers in the private market area increased from around 53,000 to over 60,000. Among the deposit customers, 72 (70) per cent were members of the pension schemes. Deposits from retail customers totalled NOK 8.7 (7.7) billion at the end of 2018.

KLP Banken AS also offers deposit products for municipalities and businesses. At the end of 2018 deposits from these customers came to NOK 1.9 (2.0) billion, which is 18 (20) per cent of total deposits. The bank's total deposits increased from NOK 9.7 to 10.7 billion during 2018.

The KLP Group's lending to the public sector is managed by KLP Banken AS. On the banking business's own balance sheet, loans to public borrowers are registered in the subsidiary KLP Kommunekreditt AS. KLP Banken AS also manages lending to the public sector on behalf of KLP. Total lending to public-sector borrowers stood at NOK 67.7 (62.1) billion at the end of 2018, an increase of NOK 5.6 (4.6) billion in 2018. Of this, lending for own account amounted to NOK 16.6 (16.1) billion. New loans amounting to NOK 13.5 (9.3) billion were paid out in 2018 to the public sector by companies within the KLP Group.

The current capital requirement, including capital buffers, is 14,1 per cent core capital adequacy and 17.6 per cent capital adequacy. KLP Banken AS has a buffer of at least 0.5 per cent of the actual capital requirement for Pillar I and Pillar II risks, so the bank's capital target is 18.1 per cent. By the end of 2018, capital adequacy was 20.1 (21.3) per cent.

The KLP Banken Group's result before tax and other comprehensive income was NOK 83.4 (103.1) million. Of this NOK 46.7 (42.4) million came from the retail market and NOK 35.1 (60.7) million from the public sector. The return on the bank's equity was 3.9 (5.6) per cent before tax.

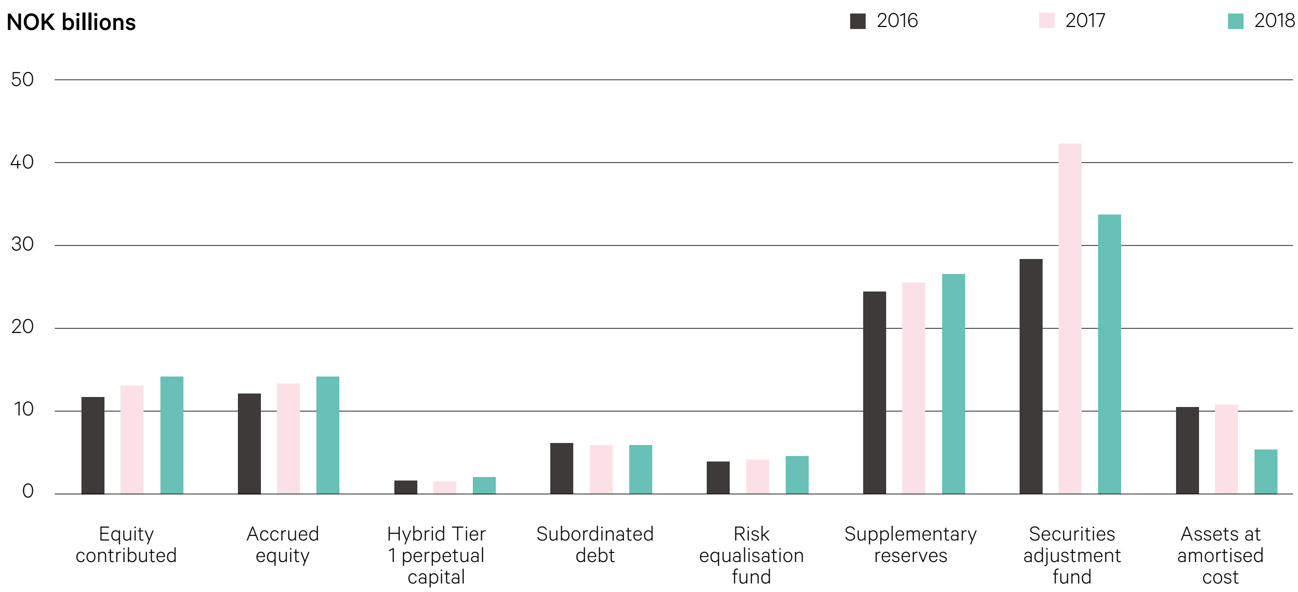
Capital management

KLP Kapitalforvaltning AS is the Group's asset management operation in securities and fund management. It had a total of NOK 495 (489) billion under management at the end of 2018. The majority of the assets are managed on behalf of KLP and its subsidiaries in the KLP Group. KLP Kapitalforvaltning AS also offers fund products to members and other external investors.

Asset management increased by NOK 6 (47) billion over 2017. Net new subscription in KLP's securities funds from investors external to the Group and retail customers amounted to NOK 570 (5.3 bn) million in 2018. KLP Kapitalforvaltning manages a total of NOK 64 (71) billion for customers outside KLP.

During 2018, three new securities funds were established, so the company was managing 47 securities funds at the end of 2018. One of the new funds is 'KLP AksjeGlobal med Samfunnsansvar', which emphasises social responsibility in the companies it invests in. The fund is the first in Norway to be granted Nordic Swan certification. The Nordic Swan label means that the fund has to meet stringent requirements for social responsibility.

SOLVENCY CAPITAL
NOK billions



KLP Kapitalforvaltning AS made a profit before tax of NOK 16.7 (46.7) million in 2018.

Property
All management and development of the KLP Group's own properties is carried out through the wholly owned subsidiary KLP Eiendom AS. The company is one of Scandinavia's largest property operators and has operations in Norway, Sweden, Denmark, Luxembourg and the United Kingdom. The KLP Group's properties have good locations, a high building standard and efficient space utilisation. The property company attaches weight to energy-saving and the environment, and is environmentally accredited in accordance with ISO 14001 in Norway, Sweden and Denmark.

The property portfolio has grown substantially in recent years, and accounts for 12.7 per cent of the collective assets. Investments in property have contributed with good returns.

The property market maintained a strong price level through 2018. Rents also remained at a high level, and sometimes even increased – especially in Stockholm and Oslo.

Property management is carried out only on behalf of the companies within the Group and has thus primarily contributed to returns on invested capital for the life insurance customers. Operating profit from property, including shares in external real estate funds, for the common portfolio of public-sector occupational pensions was 7.3 per cent.

Consultancy and services
KLP Forsikringsservice AS provides insurance-related services to the municipal and county council pension funds. These services are based on the expertise and the systems developed for KLP's pension business.

KLP Forsikringsservice AS has a relatively new concept for the provision of a broad spectrum of services to local government pension funds. The company offers and provides services such as actuaries for pension funds established by municipalities and energy companies.

Financial strength and capital-related matters
Under the Norwegian Financial Enterprises Act, KLP is subject to the Solvency II regulations. Under these rules, a capital requirement is calculated from the total risk exposure the company has within insurance risk, market risk, operational risk, transfer risk etc. Buffer capital in the form of the securities adjustment fund, additional provisions and the risk equalisation fund, reduces the capital requirement. Any remaining capital requirements must be covered by the solvency capital. Solvency is the difference between the fair value of the company's assets and liabilities. For assets that are recognised at a different value in the accounts, the value is adjusted to represent true value in the Solvency II balance. For KLP's insurance obligations, there are no observable market values. These are therefore calculated using a best estimate based on actuarial assumptions. There is also a risk margin to reflect the capital costs that would be incurred by a third party in assuming the obligations.

The buffer capital was slightly reduced through the year after particularly weak growth in the equity market in the fourth quarter. The securities adjustment fund has decreased by NOK 8.8 billion to NOK 33.4 (42.3) billion. At the same time, the supplementary reserves increased by NOK 2.8 billion to NOK 28.2 (25.4) billion.

COMMON PORTFOLIO

The risk capacity was nevertheless maintained at a level that indicates that expected returns can be kept above the annual interest guarantee in the solvency calculation. The risk equalisation fund was increased by NOK 639 million to NOK 4,793 million.

The solvency capital was increased by receipt of the planned and advertised annual owners' equity contribution of NOK 1.4 billion, and the result for the year added NOK 1.8 billion to equity.

KLP's mutual status and creditworthy owners provide assurance that the company can fulfil its future obligations. This is reflected under the Solvency II regulations, where this can be counted as solvency capital under more detailed rules. The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital in an amount equal to 2.5 per cent of the company's premium reserve. Today's approval applies up to 31.12.2019.

As the capital is not paid-up, it ranks as capital under Tier 2 or supplementary capital. Solvency II divides the solvency capital into three levels according to loss-absorption capacity, where Tier 1 is the best and typically consists of paid-up capital that is free from restrictions in terms of covering any loss in the enterprise. Tier 2 capital may not exceed 50 per cent of the capital requirement. As KLP's premium reserve grew throughout the year, the supplementary capital increased by NOK 0.7 billion to NOK 10.8 billion. The company thus has more capital than can be used in the calculation as 50 per cent of the capital requirement amounts to NOK 6.9 billion.

The solvency requirement for KLP was unchanged for 2018 at NOK 13.8 billion. The eligible solvency capital increased by NOK 2.6 billion to NOK 36.1 billion. This is because the value of the assets increased by more than the liabilities. KLP's financial strength thus improved throughout the year. Without applying transitional rules, the company's solvency capital requirement (SCR) was 263 (242) per cent at year end. Taking account of the transitional arrangement for technical provisions, solvency capital requirement was 311 (352) per cent. Solvency capital requirement was thus well above the internal target of 150 per cent and the regulatory requirement of 100 per cent. For the Group, the solvency capital requirement was 243 (224) per cent.

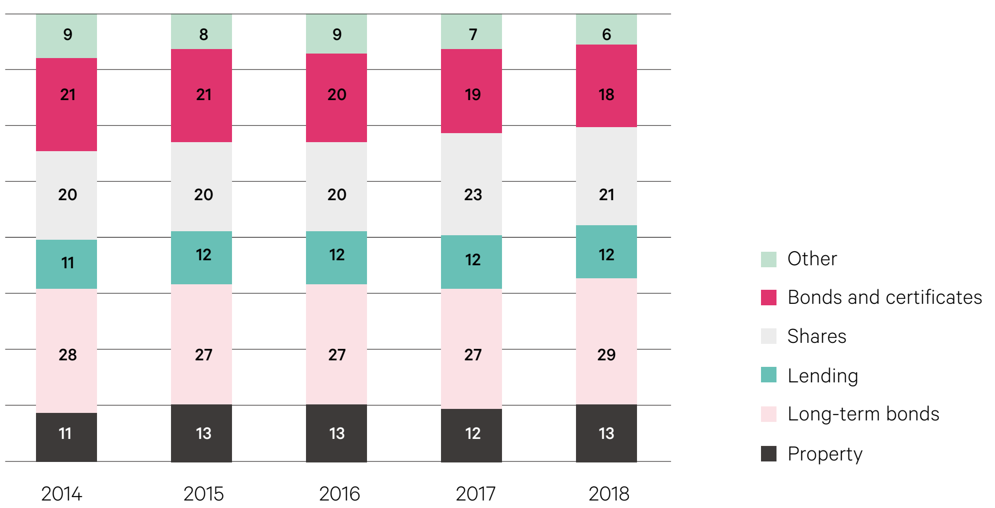
KLP's financial strength is rated at A2 by Moody's Investor Service and A- by Standard & Poor's, both with supplementary information on expected stable ratings for KLP.

Risk

Monitoring and management of risk is a prerequisite for good value creation and security for pension assets. Identification, assessment and management of the risk factors, both to insurance and to financial management, are therefore key aspects of KLP's business. The risk profile is monitored within the individual operational entities and is assessed both by company and combined at Group level.

KLP carries out an annual 'Own Risk and Solvency Assessment' (ORSA). The self-assessment conducted in 2018 concluded that the company's risk management and solvency were consistently good in all areas. The control functions for risk management and actuarial functions are part of the Risk Management and Control section. More information on risk is published in KLPs Solvency and Financial Condition Report (SFCR).

COMMON PORTFOLIO IN KLP
Assets (% of financial assets)



Underwriting risk

KLP's principal activity is public-sector occupational pension provision. This industry is characterised by predictability and, to a limited degree, by individual events that may affect results significantly. Developments in the incidence of disability and life expectancy affect the risk profile.

KLP uses the K2013 mortality assumptions (tariffs). These were in line with observed mortality rates in the insured population up to and including 2009, as well as the expected future increase in longevity based on Statistics Norway's projections. KLP uses a higher tariff than K2013 for the pension scheme for nurses and the pension scheme for hospital doctors because the people insured in these schemes have greater observed longevity than other groups. The margins in the life expectancy assumptions are still considered to be satisfactory in the joint schemes. In the occupational schemes, KLP increased the margins in the longevity and mortality assumptions by transferring a total of NOK 1.2 billion to these schemes in 2017. The results in 2018 have shown that this was necessary, especially in the doctors' scheme.

KLP introduced new disability tariffs from 01.01.2015 in line with updated risk history. This year's result shows that there are an increasing number of people re-entering work, and the margins on the disability tariff have increased.

In the field of non-life insurance, the pricing of insurance risks is based on historical claims information, the risk of major claims and reinsurance costs. The company has a large proportion of long-tail business, a factor which, together with a large proportion of business exposed to large claims, contributes to a higher insurance risk than the market generally. This is reflected in a high solvency capital requirement.

In order to mitigate this risk, further growth is sought within the retail market and the small-and medium-sized business market. Over time, this will have a stabilising effect on risk and results.

The reinsurance programme limits the company's own expense per claim event.

Return risk

KLP guarantees an annual minimum return on the management of its customers' pension assets linked to defined-benefit schemes. For this guarantee, KLP will charge an annual interest guarantee premium. The interest guarantee premium is priced on the basis of KLP's solvency, the investment risk that KLP takes, the general trend in interest rates, and any margin. The interest guarantee premium is priced anew each year, which helps to limit the risk associated with the return guarantee. With the good solvency that has been built up in KLP, the interest guarantee premium could still be kept low.

Financial risk

Each year KLP works out a strategy for how the pension assets are to be invested. The investment strategy emphasises exploitation of the company's risk-bearing ability within a framework that dictates stability and the long-term view in asset management. Limits are defined for various financial risks such as credit risk, counterparty exposure, foreign exchange risk, use of derivatives and liquidity risk. A credit policy is also laid down for the Group, and credit limits for total exposure to individual counterparties are set by the Group's Credit Committee.

The financial risk is continuously monitored to ensure the risk is matched to

”

The company's financial strength is strong and solvency capital requirement (SCR) was 263 per cent without applying transitional rules.

the risk capability within the limits set in the investment strategy. With today's low interest rates, there is no risk that would render the company unable to withstand several years of weak returns without losing the ability to take financial risks.

The responsibility for operational risk management and asset allocation lies with a special organisational unit, Strategic Asset Allocation. This unit directs KLP's management strategy through mandates and ensures that asset management is within limits set by the Board of Directors. An independent control unit headed by the CRO (Chief Risk Officer) is responsible for monitoring and reporting whether the management of the company's assets is being conducted within the limits set, applicable mandates and guidelines provided by the Board.

Liquidity risk

KLP has good liquidity, with substantial holdings of liquid securities that can be sold at short notice. Quarterly, advance premium collection with 30-day payment terms ensures regular replenishment of liquidity throughout the year. The premium payments are intended to cover commitments that only fall due several years into the future. The true liquidity position thus amounts to more than the balance on the current account, which is the definition of cash and cash equivalents in the cash flow statement.

Operational risk

KLP's operational risks are associated with undesirable events as a result of failure in internal working processes, employee error, dishonest acts and criminality or external events. All processes throughout the value chain are exposed to various types of operational risk. KLP has developed procedures for identifying, monitoring and taking necessary measures to reduce the risk of undesirable events. It is a daily management responsibility at all levels to identify and follow up those deviations that occur.

Group senior management carries out an annual examination of significant operational risks in the business and these are delegated with ownership to an operational manager in the Group senior management team. The Board of Directors annually reviews the risk assessments and documentation on management and control measures established together with a total risk overview. Procedures have been established for independent controls and reporting at various levels. Tasks and functions are distributed so that conflicts of interest are avoided and responsibilities made clear.

Internal audit

The company's independent Internal Audit function carries out assessments of actuarial, financial and operational risks. Following consultation with the Board and Group senior management, assessment and testing are conducted of areas that are significant and exposed to risk with a view to satisfactory management and control. The result, with any recommendations on necessary measures to be taken, is presented to Group senior management and the Board and is followed up. This is further described in KLP's annual report in the section on 'Risk management and internal control'.

Compliance with statutes and regulations

KLP's Compliance section supports Group management, the Board of Directors and the employees by ensuring compliance with statutes, regulations, industry standards, internal guidelines and ethical standards. The head of the section reports to the Group CEO and the Board of Directors, and the section has both an advisory and monitoring function to ensure that substantial risks of inadequate compliance are managed effectively in KLP. A more detailed description of the company's adherence to good corporate governance is given in the annual report, in the section on NUES and in the description of risk management and internal control.

Data protection and information security in KLP

The new Norwegian Personal Data Act came into force on 20 July 2018. The new law implements the EU General Data Protection Regulation (GDPR) in Norway and transposes the GDPR into Norwegian law. The new rules give businesses new obligations, and individuals (customers, members and staff) new rights.

As part of the alignment with the GDPR, KLP has implemented a Group-wide

”

Accountability and sustainability are fundamental to KLP as a pension provider. Social responsibility is integrated into all business processes.

project aimed at ensuring that the requirements in the new regulations are met and documented throughout the Group. In KLP's IT systems, work has been done on 'built-in privacy' solutions by implementing technical and organisational measures that ensure compliance with the Regulation. Apart from the necessary measures concerning the technology in KLP's systems, compliance with the data protection rules is a matter of corporate culture. The company is working on further culture-building and training activities related to information security and data protection within KLP. The aim is that further development and planned digitalisation in KLP should safeguard the privacy and rights of its members, customers and employees for whom the company manages personal data.

Communication and Markets

In 2018 KLP strengthened its position as the pension company for Norwegian local government and healthcare. Knowledge of KLP as a pension provider increased and reached the highest measured level to date in the fourth quarter. The communication emphasises that KLP is a customer-owned company and that it has no private interests beyond those of its customers. KLP highlights that the company is on the side of the public-sector employers and their staff.

KLP's 'campaign for society's heroes' has helped to create awareness of the many people who work evenings, nights, weekends and holidays, not to mention their families who 'lend them out' at times when most would like to have the family together. Surveys show that this communication is well received, and creates a positive impression of KLP as a pension company.

In the media, KLP has strengthened its visibility. The company is gaining more and more recognition as a pension expert and spokesperson in pension-related matters through several major articles in which KLP has a central role. The Communication and Market department work to make KLP's communication simple and understandable for the company's customers and members. In 2018, clear language activities have been conducted for all employees in KLP so the organisation can improve its service towards its customers. Evaluations of this communication show that KLP is increasingly living up to the criteria for clear language.

The digital contact points with our customers are gaining in importance and must be simple and easy to use. A new pension guide was developed and launched in 2018, which answers the most important questions about personal pensions and enables members to make wise choices. There has been an increase of 35 per cent in the use of the new pension guide compared to the previous pension calculator.

In 2018, KLP was voted Norwegian champion for customer experience in a global, industry-independent survey conducted by KPMG. KLP received a high score on all drivers for good customer experience, and came out as a clear winner on integrity and trust, in the international context too. This is a great motivation for KLP's employees in their efforts to look after the company's customers and members.

Focus on technology and digitalisation

KLP faces a number of business opportunities and challenges over the next few years. These can be summarised as follows:

- A new public-sector occupational pension scheme will be in place.
- A need for streamlining, both to meet the expected increase in competition and to effectively manage higher volumes (number of retirees).
- The local government reform involves discussions on the pension schemes in the new merged counties and municipalities.
- New technological possibilities mean that KLP can use our strong position to create value-added services for our customers and members.

KLP's most important task is to maintain the company's leading position as pension provider to the public sector and companies affiliated to it, through competitive returns, low costs and good customer service.

KLP's IT division is now in the throes of an internal restructuring that will enable the company to better deliver on technological opportunities and challenges. Technological change is central to the Group-wide programme to help strengthen KLP's position in the market. In order to succeed with this strategy, KLP needs a future-oriented pension platform that facilitates low costs as well as good service. The company's new pension platform will be a combination of today's solutions and new and modernised components. The pension platform will contribute to a higher degree of automation and greater efficiency than today. The pension platform will also facilitate new and more appropriate operating concepts.

KLP faces challenges related to data protection and information security. The threats to society in general and to the financial industry in particular are growing, and are affecting an ever-expanding area. The sources of these threats are becoming more and more advanced and well organised. They have increased access to development resources and infrastructure to achieve their objectives. The best way to mitigate the risks that KLP faces is to maintain good skills in this area and to understand the threats and challenges that we face. This requires a digital security expertise and a security culture throughout the organisation, along with appropriate technical measures. IT security concerns KLP at all levels. Security should support the business concept and the vision. IT security should support KLP's strategy and ensure risk-conscious business processes and ensure that the company's unique brand is protected.

Corporate social responsibility
KLP aims to provide secure and competitive pensions in a responsible and sustainable manner. KLP has been the pension company for local government and healthcare providers in Norway for 70 years, and has a long-term perspective going forward too. Accountability and sustainability are therefore fundamental to KLP as a pension provider.

KLP's ambition is to be a leader in corporate social responsibility and to help the world to achieve the UN sustainability goals in areas relevant to the business. KLP has undertaken to contribute to sustainable development by signing the UN Global Compact and the UN Principles for Responsible Investment (PRI).

For corporate social responsibility, there are four overall objectives:

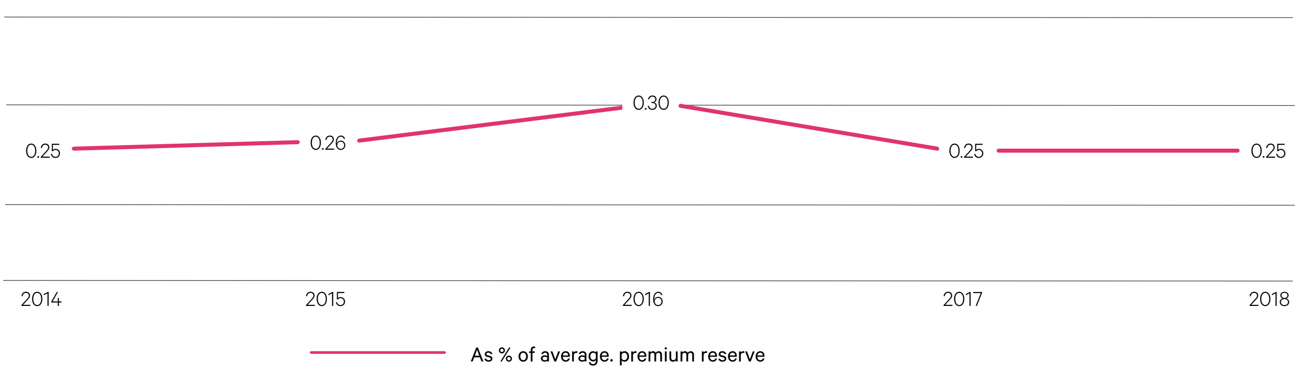
Increase investments that promote sustainable development and support our financial goals
KLP's objective in its management is to generate the highest possible return, while striving to contribute as much as possible to the UN sustainability goals. KLP has therefore set a itself a target to increase sustainable investments by NOK 6 billion per year. These are mainly investments in renewable energy, which will provides KLP with long-term and stable cash flows. In the year just ended, for example, the company have invested in forests, wind power, generation and grid companies, district heating and cooling systems, and a global solar fund. NOK 5.1 billion went into climate-friendly investments, and constant efforts are being made to find new investment opportunities. In total, KLP has over NOK 42 billion in climate-friendly investments, of which almost NOK 28 billion has been invested in renewable energy. Direct investments in renewable energy make up 5 per cent of KLP's investment portfolio, compared to 2 per cent invested in fossil energy.

In 2018, KLP established a portfolio of investments in incubator funds linked to Norwegian universities, to further support this goal.

KLP has allocated funds to a separate portfolio for development investments, the main purpose of which is to achieve a development effect in line with the UN sustainability goals in developing countries. The portfolio should also provide competitive financial returns. This also invests in renewable energy, as well as banks and MFIs. Increased capacity in renewable energy and access to financial services in developing countries have been highlighted as key factors in achieving the UN sustainability goals. The Nordic Microfinance Initiative (NMI), which KLP helped to found, celebrated its ten-year birthday in 2018. KLP also committed funding for investments in a new fund from NMI. NMI's Investments has provided around 9 million people access to financial services.

Pushing companies and industries towards more sustainable operations
KLP aims to use the potential in our role as an investor and owner, and as a buyer, to be a driver for more sustainable operations. KLP had dialogue with 125 companies in 2018. These discussions cover many topics, but climate change is a priority as we try to raise awareness of climate as a financial risk in companies included in our portfolio. As part of this

ADMINISTRATION COSTS
Percent



effort, KLP published the report 'How can we address climate risk? Advice and suggestions for companies and industries faced with climate change and tighter climate policy' together with the Norwegian Climate Foundation.

KLP is gaining recognition as a responsible investor and owner, and wants to inspire other investors to work actively towards the same objectives as KLP. An example of this was KLP's participation in a panel debate during the UN climate negotiations in Poland on ways in which the finance industry can contribute to the green transformation. The German environment minister, the OECD, the World Bank and the United Nations Environmental Programme also participated. KLP's position is that the most effective climate policy measure to move companies and markets in a climate-friendly direction is to impose a fair and sufficiently high price on carbon.

KLP has adopted new principles for responsible supplier behaviour and is working to introduce a new way of dealing with social responsibility issues in our supply chain.

Developing products and services that contribute to positive development in society

Two new products that were developed and launched in 2018 are green mortgages and a Nordic Swan certified mutual fund. Green mortgages are offered to members of KLP who have energy-friendly homes, or who choose to take Ennova-supported measures to make their homes more energy-friendly. KLP's Nordic Swan certified fund meets the requirements of the Nordic region's official eco-label, while tracking the index closely. The fund invests in companies that have a good record for corporate social responsibility, and has even more stringent exclusion criteria than other KLP funds in the areas of fossil energy and weapons.

An important service KLP offers through KLP Skadeforsikring is claims prevention, where the emphasis is on systematic security management for municipal buildings. A priority area is municipal rental housing, where good management and constant efforts to reduce the risk of fire and damage are crucial. This will give municipalities safer housing and bring financial gain.

KLP is also actively urging its employer customers to provide health-promoting workplaces, given the high cost of disability and sickness absence. The research findings show that it pays to spend on the working environment, as this has an effect on reducing sickness absence. That is why KLP offers a health and safety network for its employer customers, and helps them to improve the working environment.

Further information on the goals and outcomes of KLP's social responsibility work is published in the sustainability accounts in the annual report, and at klp.no.

EMPLOYEES AND HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Employees

The company's employees are the most important factor for KLP to achieve its targets, therefore health, safety and well-being of the employees is important if injuries and undesirable effects are to be avoided. The aim is to facilitate a good physical and psychosocial working environment characterised by job satisfaction. These are important prerequisites for good quality work, better results for the business, greater competitiveness, customer confidence and individual enthusiasm for work. No serious occupational accidents were reported in 2018.

KLP has a target to keep sickness absence below 4.0 per cent. Sickness absence decreased from 4.9 per cent in 2017 to 4.2 per cent in 2018. The company has made systematic and targeted efforts to address and follow up on employees reporting sick. An all-digital hospital monitoring system has been introduced to make it easier for managers to follow the procedures for follow-up of long-term illness.

The number of people leaving KLP is considered to be low,with a 7.1 per cent turnover of employees in 2018.

The employee survey for 2018 shows that KLP still scores very high on job satisfaction and commitment. New conflict resolution policies have been produced to guide both managers and employees on when and how such issues in the psychosocial work environment are to be addressed.

Equal opportunities and diversity

KLP aims to be an attractive workplace where all employees and qualified candidates are given equal opportunities, regardless of age, gender, disability, political convictions, sexual orientation, gender identity, gender expression and ethnic background.

KLP has continued its partnership with FRI (the National Association for Lesbians, Gays, Bisexuals and Transgender People) to run the course on 'Pink Competence'. The aim is to give staff and managers good advice and ideas on how to talk confidently about sexual orientation and gender expression in the workplace. KLP aims to be an inclusive workplace where people can be themselves. KLP is also a member of the Network for LGBT people (the collective term for lesbian/gay/bisexual/transgender persons) in the workplace, which consists of employers who wish to engage with this issue related to working life.

The induction programme for new employees takes them through KLP's core values, ethical guidelines and policy for equal opportunities and diversity.

KLP has conducted analyses and proposed measures to increase women's pay relative to men's. These efforts are designed to get a better gender balance in all types of job, and particularly to get more women managers and specialists. Specific targets have been set for the proportion of each gender at the various management levels, in specialist positions and on the leadership development programmes. The target is to have at least 40 per cent of each gender amongst the Group's managers. Today, only two of the top management categories in KLP are falling below this target. The objective here is to raise women's pay to 95 per cent of men's by 2020. Other initiatives are related to recruiting and capturing female candidates in recruitment processes, changing employee attitudes and identifying and developing talented individuals. KLP has arranged internal and external lectures and seminars on equality, jobs and careers, part time working, diversity, language and gender, and International Women's Day on 8 March will be celebrated.

Remuneration principles

KLP's aim is to offer its employees good, market-matching salary and employment terms and conditions. The subsidiary KLP Kapitalforvaltning AS operates in markets where part of the salary is based on profits achieved and therefore offers salaries that are partly performance-based to employees who have direct profit responsibility. In accordance with the regulations, payment of this remuneration is spread over several years and is partly linked to the growth in value in selected mutual funds, because KLP as a mutual company does not have its own exchange-listed equity instruments. Performance-related pay has not been introduced elsewhere in the Group.

External environment

The world is facing major sustainability issues. Climate change has had a visible impact in many parts of the world and the temperature increase needs to be limited to 1.5 degrees to prevent serious climate change. KLP's impact on the external environment and climate results from our own activities as well as indirectly through our collaborative partners and suppliers and via investments in companies and property. KLP has ambitious aims to reduce this footprint. As regards the company's own operations, KLP has an overall environmental objective of halving greenhouse gas emissions by 2030 from 2010 levels. KLP is well on the way to achieving this reduction target. The main focus in 2018 has been on flights, which were reduced by 3 per cent compared with the previous year. In all, the number of flights has been reduced by 17 per cent, or around 600 flights, since the work began three years ago.

Regulatory framework

Changes in the public-sector occupational pension scheme

For several years, the Ministry of Labour and Social Affairs, together with the social partners, has had a process aimed at a new long-term model for retirement pensions in public-sector occupational pension schemes. The Ministry set out the following requirements for a future model: total years' accumulation, lifetime pension, guaranteed adjustment of accrued rights and pensions at payout time, as well as gender and age-neutral premiums. Transitional rules and protection of accrued rights are other core issues. The Government and the social partners agreed on a new pension scheme on 3 March 2018. A bill based on the agreement has been out for consultation and is now under review in the Ministry of Labour and Social Affairs before being passed to the Storting for final debate.

The aim of a new old age pension model is that it should give better support during working life and provide for greater mobility between the public and private sectors. Through this process KLP has contributed assessments and estimates of the consequences of the various options. The company is organisationally ready to implement a new model.

The public-sector pension schemes are anchored partly in law and partly in collective agreements between the employer and employee organisations.

Local government reform

In June 2017, the Storting adopted a new local government structure and regional reform. This decision means that from 2020, there will be 356 municipalities and 11 regions in Norway. Some municipalities and regions have already merged from January 2018. Before the local government reform, Norway had 428 municipalities and 19 counties. Population growth and increased competence and capacity requirements are the main reasons for changed municipal and regional structures.

The government wants to facilitate more municipal mergers. Among other things, the aim is to provide a revenue system that allows for good, equal services throughout the country, contributing to the necessary changes in the local government structure.

Today, most of the country's municipalities and county councils have their pension schemes with KLP. Several of these municipalities have now decided to merge with municipalities that have their own pension funds. In two of these cases, the new municipality has decided to have a pension scheme in KLP, while the remainder have retained their existing schemes. Such mergers can also make new municipalities big enough to allow some of them to consider establishing their own pension funds. These factors may affect the market in for public-sector occupational pensions.

OTHER MATTERS

Changes in KLP's Board of Directors

Jenny Følling, Odd Haldgeir Larsen and Karianne Melleby came in as new board members in KLP in May 2018. Egil Johansen took over as Chairman of the Board after Liv Kari Eskeland resigned. Jan Helge Gulbrandsen also stepped down from the Board.

Owner relations

KLP prizes good dialogue with its owners. This provides the company with important input to strategic questions and useful feedback on day-to-day operations. As before, KLP arranged owner meetings around the country in 2018 too. The company also attended directors' meetings in the health nterprises. Resource group meetings for local authority chief executives were also held.

Corporate governance

KLP's Articles of Association and applicable legislation provide the framework for corporate governance and clear division of roles between the governing bodies and executive management. The Board of Directors of KLP carries out an annual review of corporate governance. As KLP has not issued any equity instruments and so is not exchange-traded, there will be no differences from the Norwegian Code of Practice for Corporate Governance (NUES) as set out in a separate section of the annual report. Election procedures for the corporate assembly are tailored to the direct form of ownership through important stakeholder groups having assured representation on the corporate assembly, in accordance with the company's Articles of Association.

The Board of Directors has established an Audit Committee, a Remuneration Committee and a Risk Committee. The Board undertakes an annual assessment of its own business and competence.

The way forward

The company's vision is for KLP to be the best partner for the days to come. This is a picture of how the company wants owners and customers to see KLP strengthening their finances, easing their everyday lives, helping to make customers attractive employers and contributing to a more sustainable public sector. The key to this work are the values: Open, Clear, Responsible and Committed, which all staff should reflect in their dealings with the company's customers and colleagues.

KLP aims be a pension provider which differentiates itself from other companies operating in the same markets. KLP's mutual status provides the best starting point for ensuring that any value added will benefit the member businesses. When the company runs at a profit, this is either used to boost its financial strength or given to member companies in the form of lower costs. The result is reduced payments to KLP. This leaves more money for schools and hospitals, or other priority tasks that our member companies are responsible for. The way in which KLP runs its business therefore has a direct impact on how they discharge their social obligations.

KLP's main goal is to be Norway's leading provider of pensions to the public sector. KLP aims to deliver secure and competitive pension, financial and insurance services to the public sector, enterprises associated with it, and their employees. KLP's most important task is therefore to provide pensions with a competitive rate of return over time, the lowest costs and a high level of service. The company's pension experts have over 10,000 individual pension discussions each year and the customer service desk takes more than 200,000 phone calls.

Managing large assets on behalf of the community carries an obligation. KLP's management of savings is very important to the company's customers and owners, but also indirectly to many more people in Norway and abroad. By making capital available, KLP enables companies to grow and create new products and jobs. With this comes increased social responsibility. KLP is fortunate to have committed owners who provide clear direction for how KLP should use the capital responsibly in its investments. Corporate social responsibility is on the agenda for the company every day and in every part of the business.

KLP is a knowledge-based company with almost 1,000 employees. Applying this knowledge adds value. Moreover, KLP can and should become more visible as a pension expert so the company's broad expertise can also benefit others. Pensions have been a hot topic in the media and in the general public debate in recent years. As an expert in this area, KLP will work actively to improve access to knowledge and expertise on pensions and savings. KLP aims to be perceived as a credible and skilled

”

KLP's mutual status provides the best starting point for ensuring that any value added will benefit the member businesses.

pension adviser – the company's goal is to be the best.

Major structural changes in the local government sector and changes in our main product, public-sector occupational pensions, each place demands on KLP's strategic readiness and ability to get better and more efficient. Risk assessments and monitoring are carried out in order to identify the impact that this could have on KLP's operations, and measures to address this development.

Today's position enables KLP to continue as a good supplier of new public-sector occupational pensions. This is subject to the ability to deliver well in multiple areas. KLP is currently developing new and more efficient technological solutions and adapting its skills to stay competitive. The company is striving bring costs down even further. A good overall customer experience is being developed on the basis of what provides the best customer value. Customers expect self-service solutions and seamless processes with user-friendly interfaces and short response times.

The world is facing major sustainability issues at the local and global level. KLP is part of this picture, and these challenges involve both risks and opportunities. KLP will actively use the powers of influence that the company has, as Norway's largest life insurance company, in the work for a more sustainable environment. The desire to make a difference in social responsibility and sustainability is central to KLP's daily operations. An active engagement with society, the environment and responsible investments should contribute to a good development in a long-term perspective. Social responsibility is integrated into all business processes through e.g. responsible management of pension assets, work on ethics and high environmental standards in buildings that KLP owns. KLP has socially engaged owners who want the company to both ensure a good predictable return and also to lead the industry in social responsibility. In particular, the owners want KLP to help ensure that global warming is limited.

KLP has undertaken to invest in new production capacity for renewable energy in developing countries. Up to 2018, the investments brought renewable energy to 6.1 million people. KLP has also made significant investments in new renewable energy projects in Europe and the USA, as well as in existing energy production and distribution in Norway. Here, too, the company has an ambition to increase investment further. In 2018, NOK 5.1 billion was invested in climate-friendly measures, while the goal going forward is NOK 6 billion per year.

With good solvency, KLP is well-placed to further develop the business in a way that will continue to generate good long-term value for customers, owners and their employees.

Oslo, 20 March 2019
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

EGIL JOHANSEN
Chair

JENNY FØLLING
Deputy Chair

MARIT TORGERSEN

KARIANNE MELLEBY

ODD HALDGEIR LARSEN

LARS VORLAND

SUSANNE TORP-HANSEN
Elected by and from the employees

FREDDY LARSEN
Elected by and from the employees

SVERRE THORNES
Group CEO

Photo:
Anne Tømmerdal Kristoffersen
Employed in KLP

EGIL JOHANSEN
Chair of the board of directors

Egil Johansen was elected as first permanent deputy member in 2011. In 2014 he was elected as a director and deputy chairman of the Board. He is the project manager/chief administrative officer in the new Tønsberg municipality.
He was previously county chief administrative officer in Vestfold, and has also been chief administrative officer in Porsgrunn and Re. Johansen has also worked for the Ministry of Petroleum and Energy and the Aker group. Johansen has a degree in economics from the Norwegian School of Economics.

JENNY FØLLING
Deputy Chair

Jenny Følling is the county mayor of Sogn and Fjordane. She was previously deputy mayor of Sogn and Fjordane, Mayor of Gaulaer and has held several other positions in the local government sector. Følling trained as an agricultural consultant at Vestfold Agricultural School and has also studied regional and landscape planning at the colleges in Volda and Sogndal.

MARIT TORGERSEN
Board member

Marit Torgersen is director of digitisation and infrastructure at the Inland Norway University of Applied Sciences. She has a background as Director of Corporate staff at Eidsiva Energi and assistant IT director at Norges Bank in Oslo. She holds a master's degree in information systems and organisational change from the London School of Economics. She also has a degree in information technology from Trondheim College of Engineering and has a BA from the college system in economics, administration and IT.

KARIANNE MELLEBY
Board member

Karianne Melleby is Director of Corporate Partnerships at StartupLab. She has held a number of managerial positions in Telenor and also has management experience from DnB. In both companies, digitalisation and change management have been key elements of her work.
Melleby has a master's degree in business and economics from BI 2000, and also studied at the London Business School and the IMD Business School in Switzerland.

ODD HALDGEIR LARSEN
Board member

Odd Haldgeir Larsen was elected as a member of the Board of KLP in May 2018. He is vice-chair of Fagforbundet (the Norwegian Union of Municipal and General Employees) and represents the employee organisation with the most members of KLP.

The Board of Directors of KLP

Photo: Nicolas Tourrenc

From Left: Lars Vorland, Susanne Torp-Hansen, Freddy Larsen, Egil Johansen, Jenny Følling, Odd Haldgeir Larsen, Karianne Melleby and Erik Orskaug.

Absent: Marit Torgersen, Tom Tvedt, Lizzie Ruud Thorkildsen.

LARS VORLAND
Board member

Lars Vorland, CEO of Health Nord RHF, was elected as a new Board member of KLP in April 2015. Vorland is a Bachelor of Medicine (1975), PhD (1982), Master of Public Health (1989) and MD (1999). Vorland has long experience as a doctor, and has been a departmental consultant at the University Hospital of Northern Norway for almost 25 years. He was a divisional director at the National Institute of Public Health before becoming CEO of Helse Nord RHF in January 2004. Vorland has also been a research scientist at the University of California and is Professor of Medicine at the University of Tromsø.

FREDDY LARSEN
Board member

Freddy Larsen was elected to the Board of KLP as an employee representative in May 2009. He has been an employee of KLP since 1986 and works as a business architect in the Business Analysis group at the Bergen office. Freddy Larsen has previous professional experience from the Alcohol and Drug Addiction Service and Technical Services in Askøy municipality from 1985-1986.

SUSANNE TORP-HANSEN
Board member

Susanne Torp-Hansen was elected to the Board of KLP as an employee representative in May 2013. She has been employed at KLP since 1999 and works in the Training department within the Life division. She is the senior employee representative at KLP. Her education includes law studies at Oslo University and information and organisation studies at BI Norwegian Business School.

TOM TVEDT
1st permanent deputy member

Tom Tvedt is president of the Norwegian Olympic and Paralympic Committee and Confederation of Sports. He was mayor of Randaberg from 1999 to 2007 and county mayor of Rogaland from 2007 to 2011. Tvedt has extensive experience within the private, municipal and county administration sector. He was elected to the county council in Rogaland for the period 2015-2019.

LIZZIE RUUD THORKILDSEN

Lizzie Ruud Thorkildsen is observer to the boarder. She is the head of Delta.

ERIK ORSKAUG
Erik Orskaug observer to the boarder. He is chief economist in the employee organization UNIO.


SO

ANNUAL REPORT 2018

KLP Group Accounts

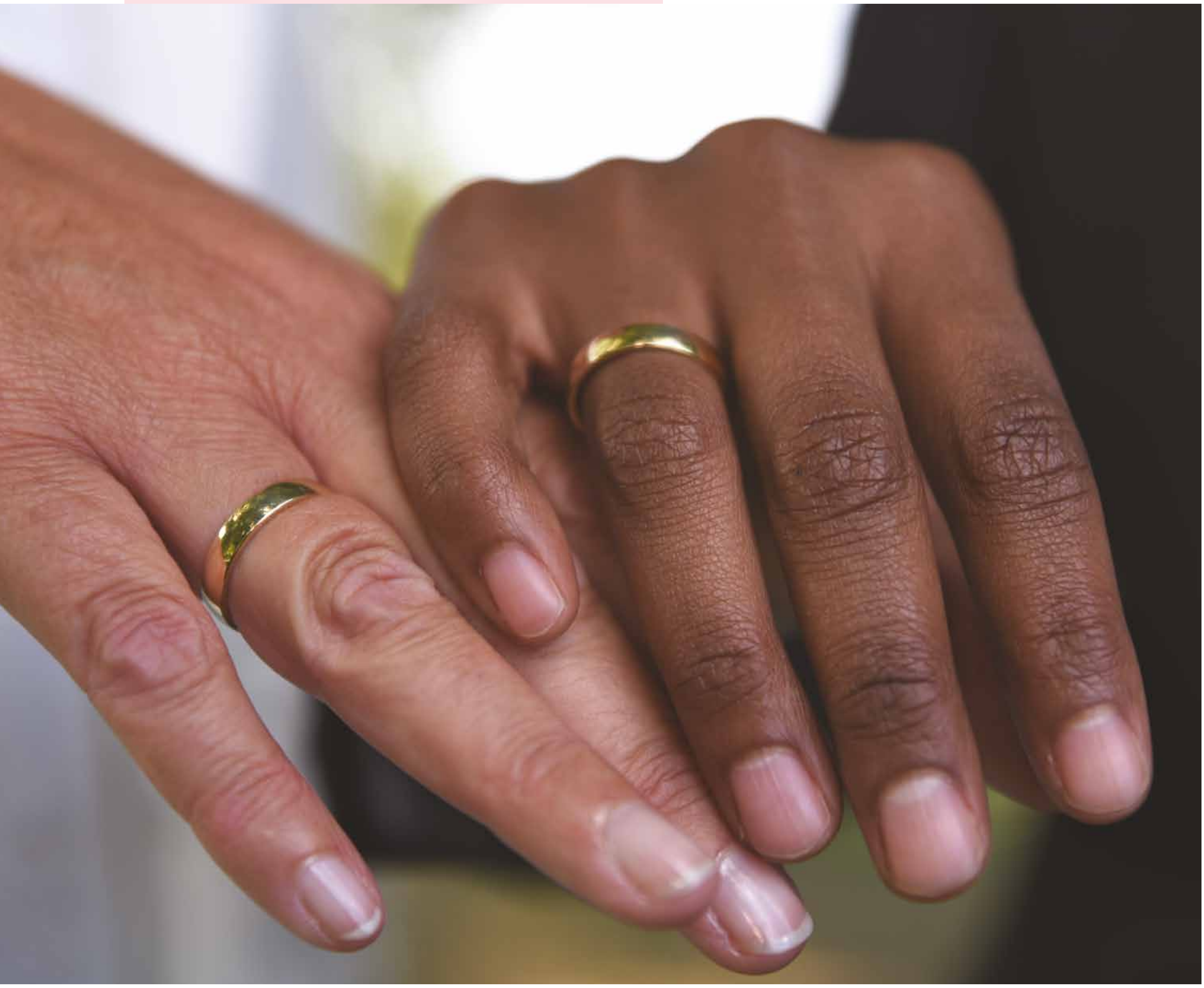
Photo:
Anne Tømmerdal Kristoffersen
Employed in KLP

Photo:
Ole Jørgen Gangsøy
Employed in KLP

Contents

KLP GROUP

Photo:
Vidar Stenseth
Employed in KLP



Income Statement

KLP GROUP

NOTE	NOK MILLIONS	2018	2017
21	Premium income for own account	40 921	34 590
5	Current return on financial assets	14 989	14 184
5	Net interest income banking	249	244
5	Net value changes on financial instruments	-14 500	22 050
16	Net income from investment properties	4 993	4 953
33	Other income	1 107	1 040
	Total net income	**47 760**	**77 061**
21	Claims for own account	-20 015	-18 665
21	Change in technical provisions	-28 096	-24 425
	Net costs subordinated loan and hybrid Tier 1 securities	-483	-527
32	Operating expenses	-1 872	-1 673
33	Other expenses	-1 075	-992
	Unit holder's value change in consolidated securites funds	4 022	-8 648
	Total expenses	**-47 520**	**-54 931**
	Operating profit/loss	**240**	**22 130**
21	To/from securities adjustment fund – life insurance	8 862	-13 904
21	To supplementary reserves – life insurance	-2 792	-1 188
21	Assets allocated to insurance customers - life insurance	-3 469	-4 564
	Pre-tax income	**2 840**	**2 474**
23	Cost of taxes [1]	-125	-1 143
	Income	**2 715**	**1 332**
28	Actuarial loss and profit on post employment benefit obligations	-22	-30
21	Adjustments of the insurance obligations	1	2
23	Tax on items that will not be reclassified to profit or loss	5	7
	Items that will not be reclassified to profit or loss	***-16***	***-21***
	Revaluation real property for use in own operation	222	110
16	Currency translation foreign subsidiaries	- 238	937
21	Adjustments of the insurance obligations	238	-937
23	Tax on items that will be reclassified to profit or loss	-56	-27
	Items that will be reclassified to income when particular specific conditions are met	***167***	***82***
	Total other comprehensive income	**150**	**61**
	Total comprehensive income	**2 866**	**1 393**
	[1] Unit holders share of taxes in consolidated securities fund	-229	-181

Balance Sheet

KLP GROUP

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
23	Deferred tax assets	65	68
25	Other intangible assets	274	313
22	Tangible fixed assets	1 900	1 715
17	Investments in associated companies and joint venture	1 508	773
7,16	Investment property	67 570	63 519
6,13	Debt instruments held to maturity	31 053	31 131
6,13	Debt instruments classified as loans and receivables	141 549	121 377
6,7,13,15	Lending local government, enterprises & retail customers at fair value through profit / loss	855	1 016
6,13,15	Lending local government, enterprises and retail customers at amortized cost	94 909	87 005
6,7,13	Debt instruments at fair value through profit or loss	166 344	172 427
6,7	Equity capital instruments at fair value through profit/loss	159 968	161 736
6,7,13,14	Financial derivatives	944	1 529
6	Receivables	2 213	4 056
6,8	Assets in defined contribution-based life insurance	3 396	2 684
	Cash and bank deposits	3 009	2 820
	TOTAL ASSETS	**675 558**	**652 167**

Balance Sheet

KLP GROUP

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
	Owners' equity contributed	14 554	13 125
36	Retained earnings	19 303	16 439
	TOTAL OWNERS' EQUITY	**33 857**	**29 564**
6,18,19,20,38	Hybrid Tier 1 securities	1 662	1 534
6,18,20,38	Subordinated loan capital	6 029	5 977
28	Pension obligations	880	797
21	Technical provisions - life insurance	509 284	490 803
6,21	Provisions in life insurance with investment option	3 396	2 684
21	Premiums, claims and contingency fund provisions - non-life insurance	2 325	2 364
6,20,38	Covered bonds issued	23 025	21 451
6,20,38	Debt to credit institutions	2 794	4 587
6,20	Liabilities to and deposits from customers	10 662	9 669
6,7,14	Financial derivatives	6 809	4 760
23	Deferred tax	1 083	1 733
34	Other current liabilities	6 053	5 919
	Unit holders`s interest in consolidated securites funds	67 701	70 325
	TOTAL LIABILITIES	**641 701**	**622 603**
	TOTAL EQUITY AND LIABILITIES	**675 558**	**652 167**
35	Contingent liabilities	20 532	15 483

Oslo, 20 March 2019
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

EGIL JOHANSEN
Chair

JENNY FØLLING
Deputy Chair

MARIT TORGERSEN

KARIANNE MELLEBY

ODD HALDGEIR LARSEN

LARS VORLAND

SUSANNE TORP-HANSEN
Elected by and from
the employees

FREDDY LARSEN
Elected by and from
the employees

SVERRE THORNES
Group CEO

Changes in Owners' Equity

KLP GROUP

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2018	13 125	16 439	29 564
Income		**2 715**	**2 715**
Items that will not be reclassified to income		-16	-16
Items that will be reclassified to income later when particular conditions are met		167	167
Total other comprehensive income		**150**	**150**
Total comprehensive income		**2 866**	**2 866**
Owners' equity contribution received (net)	1 429		1 429
Total transactions with the owners	**1 429**		**1 429**
Owners' equity 31 December 2018	**14 554**	**19 303**	**33 857**

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 31 December 2016	11 726	16 097	27 823
Deffered tax on the risk equilization fund, the natural perils pool fund and the guarantee scheme		- 1 028	- 1 028
Principle change		- 24	- 24
Owners' equity 1 January 2017	**11 726**	**15 046**	**26 772**
Income		**1 332**	**1 332**
Items that will not be reclassified to income		- 21	- 21
Items that will be reclassified to income later when particular conditions are met		82	82
Total other comprehensive income		**61**	**61**
Total comprehensive income		**1 393**	**1 393**
Owners' equity contribution received (net)	1 399		1 399
Total transactions with the owners	**1 399**		**1 399**
Owners' equity 31 December 2017	**13 125**	**16 439**	**29 564**

Statement of Cash Flows

KLP GROUP

NOK MILLIONS	2018	2017
CASHFLOW FROM OPERATING ACTIVITES		
Direct insurance premiums received	34 595	27 233
Reinsurance premiums paid	-72	-61
Direct insurance claims and benefits paid	-18 846	-17 405
Reinsurance settlement received for claims and insurance benefits	-17	-192
Payments received on transfer	533	711
Payments made on transfer	-567	-336
Payments to other suppliers for products and services	-1 810	-1 555
Payments to staff, pension schemes, employer's social security contribution etc.	-1 080	-942
Interest paid	-758	-832
Interest received	10 940	10 775
Dividend received	3 074	6 663
Tax and public charges paid	-475	-467
Payment from property business	3 502	3 095
Net receipts/payments of loans to customers etc.	-7 191	-4 655
Net receipts on customer deposits banking	992	980
Receipts on the sale of shares	26 562	20 251
Payments on the purchase of shares	-16 434	-42 516
Receipts on the sale of bonds and certificates	85 985	91 918
Payments on the purchase of bonds and certificates	-107 421	-104 476
Receipts on the sale of property	817	529
Payments on the purchase of property	-2 783	-1 401
Payments to investments in assets with investment option	-810	311
Net cash flow from purchase/sale of other short-term securities	50	283
Net cash flows from operating activities	**8 786**	**-12 405**

Statement of Cash Flows

KLP GROUP

NOK MILLIONS	2018	2017
CASH FLOW FROM INVESTMENT ACTIVITIES		
Payments on the purchase of tangible fixed assets etc.	-47	-79
Net cash flows from investment activities	**-47**	**-79**
CASH FLOWS FROM FINANCING ACTIVITIES		
The minority's share of operational activities	-10 899	12 052
Payments on subordinated loan capital	0	-668
Receipts on loans from credit institutions	6 500	4 074
Disbursements on loans from credit institutions	-5 575	-4 537
Receipts of owners' equity contributions	1 442	1 405
Payments on repayment of owners' equity contributions	-14	-6
Net cash flows from financing activities	**-8 545**	**12 320**
Net changes in cash and bank deposits	**194**	**-164**
Effect of exchange rate changes on cash and cash equivalents	-6	16
Holdings of cash and bank deposits at start of period	2 820	2 968
Holdings of cash and bank deposits at end of period	**3 009**	**2 820**

Notes to the Accounts

KLP GROUP

NOTE 1 General information

Kommunal Landspensjonskasse gjensidige forsikringsselskap (the Company) and its subsidiaries (together the Group) provide pension, financial, banking and insurance services to private individuals, municipalities and county administrations, health enterprises and to enterprises both in the public and private sectors.

The largest product area is group pensions insurance. Within pension insurance the Group offers local government occupational pensions, defined benefit pensions and defined contribution pensions. In addition the Group offers group life and non-life insurance, banking services, fund and asset management.

Kommunal Landspensjonskasse (KLP) is a mutual insurance company registered and domiciled in Norway. The Company has its head office in Dronning Eufemias gate 10, Oslo. The Group's annual financial statements may be accessed at klp.no.

The Group has subordinated loans listed on the London Stock Exchange and part of the Groups' issued covered bonds are listed on Oslo Stock Exchange.

NOTE 2 Summary of the most important accounting principles

Below follows a description of the most important accounting principles used in the consolidated financial statements. These principles have been used consistently for all periods presented.

2.1 FUNDAMENTAL PRINCIPLES

The consolidated financial statements for KLP have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU with certain supplements resulting from the Norwegian Accounting Act and the Regulations on annual accounts for insurance companies.

The annual financial statements have been prepared based on the principle of historic cost, with the following exceptions:

- Investment properties valued at fair value through profit and loss
- Investment property for own use is revalued to fair value
- Financial assets and liabilities (including derviatives) are value at fair value through profit and loss
- Financial assets and liabilities are valued in accordance with the rules on fair value hedging

In preparing the annual financial statements management must make accounting estimates and discretionary evaluations. This will affect the value of the Group's assets and liabilities, income and expenses recognized in the financial statements. Actual figures may deviate from estimates used. Areas in which discretionary valuations and estimates have been used that are of material significance for the Group are described in Note 3.

All sums are presented in NOK millions without decimals unless otherwise stated.

The financial statements have been prepared in accordance with the going concern assumption.

2.1.1 Changes in accounting principles and disclosures

(a) New and changed standards

IFRS 9 Financial instruments, which covers the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting, with a new impairment model for financial assets. Financial assets are classified into three categories:

- Amortised cost
- Fair value with value changes through profit or loss
- Fair value with value changes through other comprehensive income

The measurement category is decided on initial recognition. Classification depends on the company's/group's business model for managing its financial instruments and the characteristics of the individual instrument's cash flows. The standard will be effective from 2018. The provisions in IFRS 4 *Insurance Contracts* give companies/groups with insurance-dominated operations two alternative temporary exceptions from the new requirements in IFRS 9. The exceptions arise out of concerns that IFRS 9 comes into force before the new standard on *insurance Contracts,* IFRS 17.

1) Companies/groups with insurance-dominated operations are allowed, but not obliged, to apply the current rules for financial instruments (IAS 39) when drawing up IFRS accounts for the financial years 2018, 2019 and 2020. To be regarded as an insurance-dominated undertaking, the requirement is that

the insurance liability must constitute at least 90 % of the total liabilities, or at least 80 % on condition that the undertaking is not involved in significant activities that are not related to insurance. To calculate whether the condition is met, figures for 31.12.2016 should be used.

For the KLP Group, 93.9% of the business is considered to be related to insurance, so the criterion for applying temporary exceptions is fulfilled. This is shown in the table below.

The KLP Group will make use of this temporary exception and will therefore not implement IFRS 9 before 01.01.2021.

2) Groups with insurance activities which wish to implement IFRS 9 may elect to reclassify items between profit and loss and other income and expenses (other comprehensive income) in accordance with the rules under IFRS 4 for the financial years 2018, 2019 and 2020. The method allows differences in valuation between IAS 39 and IFRS 9 to be eliminated on selected financial assets.

The Group has not chosen to make use of this temporary exception.

IFRS 15 Revenue from Contracts with Customers. The new standard deals with revenue recognition. The standard calls for analysis of the customer contract, identifying the individual performance obligations. A performance obligation may be a good or service. Income is recognised when a customer acquires control over a good or service, and thus has the opportunity to decide on the use of, and may receive the advantages from, the good or the service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and associated interpretations. The transition to IFRS 15 has not had any substantial effect on the group's accounting numbers.

Otherwise, there are no other IFRSs or IFRIC interpretations not yet in force that are expected to have a significant impact on the financial statements.

b) Standards, changes and interpretations of existing standards that have not come into effect and where the Group has not chosen advanced application.

IFRS 16 *Leases*
As of 1 January 2019 the group will implement the accounting standard IFRS 16 Leases. The standard will result in almost all leases being reported on the financial position statement, as the difference between operating and financial leases has been removed. Under the new standard, the right to use a leased item is an asset and the obligation to pay rent is a liability that must be reported on the financial position statement. The exceptions are short-term leases of low value. The accounting treatment for lessors will not be significantly changed.

The Group has analysed all leasing agreements to make sure they meet the criteria for leases according to IFRS 16, and the Groups leases, which falls under the new standard, are intercompany, and will be eliminated at the Group level. The changeover to IFRS 16 is

INSURANCERELATED LIABILITIES

NOK MILLION	
Hybrid Tier 1 securities	1 650
Subordinated loan capital	6 220
Pension obligations	712
Technical provisions - life insurance	453 943
Provisions in life insurance with investment option	1 674
Premiums, claims and contingency fund provisions - non-life insurance	2 245
Financial derivatives	5 871
Deferred tax	403
Other current liabilities	4 823
Unit holders' interest in consolidated securites funds	55 916
Total Insurancerelated liabilities	**533 456**
Total liabilities	**568 290**
Share of insurancerelated liabilities	**93.9 %**

therefore not expected to have a material impact on the Group's accounts.

The IASB has published the standard IFRS 17 Insurance Contracts, the accounting standard that will replace the existing IFRS 4. The new standard is considered complex, and substantial resources will be used to implement the standard. The group is conciderering the consequences by adopting the new standard for life insurance business. The standard is present not approved by EU, and will at the earliest be implemented in 2022.

Otherwise, there are no other IFRSs or IFRIC interpretations not yet in force that are expected to have a significant impact on the financial statements.

2.1.2 Changes in financial statements in comparison with previous periods
The Group has made a reclassification between two lines in the annual accounts. The changes has not any P/L effect, and is shown in the table below.

2.2 CONSOLIDATION PRINCIPLES
2.2.1 Subsidiaries
All entities in which the Group has decisive influence/control are considered subsidiaries. Control is normally achieved through ownership of more than half of the voting capital. The effect of potential voting rights that can be exercised or converted at the end of the reporting period is included in the assessment of control. Subsidiaries are consolidated from the date on which the Group takes over control and they are omitted from consolidation when that control ceases.

In accordance with the changed definition of control in IFRS 10, a large portion of KLP's investments in securities fund are consolidated in the Groups financial statements. KLP/Group has laid wait upon the following factors in assessing whether there is an obligation to consolidate:

- The Group takes the initiative for the securities fund and defines investment strategy, management fees etc. for the securities fund's byelaws
- The Group undertakes the management within the operating scope of the securities fund's byelaws
- The Group receives all management fees in the fund
- The Group exploits synergies is by undertaking management itself (except for certain "funds of funds")
- The Group has substantial ownership interest in the fund (usually more than 20 per cent)

Applying definition in IFRS 10 makes discretionary evaluations necessary. In the Group's financial statements, such funds are 100 per cent consolidated in the balance-sheet where non-controlling ownership interests (minority shares in the Securities Fund) are included in the accounting item 'Unit holders' interest in consolidated securities funds'.The minority's share of the mutual funds are in the financial statement classified as liabilities.

Purchase of subsidiaries is recognized in accordance with the purchase method. Acquisition cost is set at the same as fair value of assets provided by way of consideration for the purchase, equity instruments issued and liabilities assumed on transfer of control. The identifiable assets and liabilities of the acquired company are valued at fair value. If cost of acquisition exceeds fair value of identifiable net assets in the subsidiary, the excess is capitalized as goodwill. If the cost of acquisition is lower, the difference is taken to profit/loss on the date of acquisition.

Internal Group transactions and accounts between Group companies are eliminated. Where Group companies present accounts in accordance with principles other than those of the Group, these are converted to correspond to the Group's accounting principles before they are consolidated. The Group's accounts are presented in NOK and those of subsidiaries in foreign currency are translated to NOK at the exchange rate prevailing at the end of the reporting period. On consolidation of income statement items in foreign currency, average foreign exchange rates are used.

2.2.2 Associated companies.
Associated companies are entities in which the Group has substantial influence without having control. Normally substantial influence is reached through a holding of 20 - 50 per cent of voting capital. In addition to owning at least 20 per cent of the voting capital the Group

CHANGES IN FINANCIAL STATEMENTS

NOK MILLION	Original amount 31 December 2017	Change	Adjusted amount 31.12.2017
BALANCE SHEET			
Lending local government, enterprises and retail customers	86 943	62	87 005
Receivables	4 118	-62	4 056

has substantial influence through board representation or in some other way in all companies defined as associated companies.

On the date of acquisition investments in associated companies are taken to account at cost of acquisition. The equity capital method is used for accounting in subsequent periods. This means that the Group's share of profit or loss in associated companies is taken to profit/loss and is added to the capitalized value together with owners' equity changes not taken to profit/loss. The Group does not take a share of the loss to profit/loss if this involves the capitalized value of the investment becoming negative unless the Group has assumed liabilities on behalf of the associated company.

Where necessary accounting principles in associated companies are changed to achieve harmonization with the Group's accounting principles.

2.2.3 Joint arrangements

Joint arrangements are investments in which the Group has joint control with another company. "Joint control" is the contractually agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require unanimity between the parties sharing control.

According to IFRS 11, investments in joint arrangements are to be classified either as joint operating arrangements or joint ventures, depending on the contractual rights and obligations of each individual investor. The Group has considered its joint arrangements and reached the conclusion that they are joint ventures.

On the date of acquisition investments in joint arrangements are recognized at cost of acquisition. The equity capital method is used for accounting in subsequent periods. This means that the Group's share of profit or loss in joint arrangements is taken to profit/loss and is added to the capitalized value together with owners' equity changes not taken to profit/loss. The Group does not take a share of the loss to profit/loss if this involves the capitalized value of the investment becoming negative unless the Group has assumed liabilities on behalf of the joint arrangement.

Where necessary accounting principles in associated companies and joint ventures are changed to achieve harmonization with the Group's accounting principles.

2.2.4 Structured units

Some funds have been consolidated in the Group's financial statement because they are consider to meet the definition of IFRS 10. These funds are in total owned by parent company KLP.

2.3 BUSINESS SEGMENTS

The Group's business segments have been defined in relation to business areas where risk and returns are differentiated from each other. The Group's business segments are grouped into public sector occupational pension and group life, enterprise (defined benefit) and defined contribution pension, non-life insurance, banking, asset management and other business. The segments are described in detail in Note 4.

2.4 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

2.4.1 Functional currency and presentational currency

The consolidated financial statements are presented in NOK, which is the functional currency of the parent company.

2.4.2 Transactions and financial position statement items

Transactions in foreign currency have been translated to NOK by using the exchange rate on the date of the transaction. Exchange-rate gains and losses on transactions in foreign currency are recognized through profit or loss. This also applies to translation of money items (assets and liabilities) at the end of the reporting period.

Translation differences on monetary items are included as part of the gain and loss on valuation at fair value. Translation differences associated with non-monetary items, such as shares at fair value through profit and loss, are included as an element of value change taken to profit/loss.

2.4.3 Group companies

Entities that are consolidated and have functional currency other than the presentation currency are treated as follows:

- The financial position is translated at the exchange rate at the end of the reporting period
- The statement of income is translated at average exchange rate (if the average does not in general provide a reasonable estimate against use of the transaction rate, the transaction rate is used)
- Translation differences are taken to other comprehensive income.

2.5 TANGIBLE FIXED ASSETS

In the main, the Group's tangible fixed assets comprise office machinery, inventory, art and real estate used by the Group in its business.

Real estate used by the Group is revalued at fair value based on periodic valuations carried out by the Group, with deductions for depreciation. Valuation review is carried out regularly. The principles for valuation of properties are the same for investment property and are described in detail in connection with the principles for accounting treatment of investment property.

Other tangible fixed assets are recognized at cost of acquisition including costs that can be attributed directly to the fixed asset, with deduction for write-downs.

Subsequent costs relating to fixed assets are capitalized as part of the fixed asset if it is likely that the expenditure will contribute to future financial benefit for the Group and the cost can be measured reliably. Repair and maintenance are recog-

nized through profit or loss during the period in which the expenses are incurred.

Depreciation is by straight-line so the acquisition cost of fixed assets or their reassessed value is depreciated to residual value over expected life, which is:

Buildings	50 years
Office machinery	3 – 5 years
Vehicles	5 years
Inventory	3 – 5 years

Buildings are divided into components if substantial parts have significantly different lifetimes. Each component is depreciated in accordance with that component's life.

The utilisable life of tangible fixed assets is assessed annually. Where there are indications of impairment in excess of residual value, the recoverable sum is calculated. If the recoverable sum is lower than the residual value, write-down is carried out to the recoverable sum.

2.6 INVESTMENT PROPERTY

Real estate not used by the Group is classified as investment property. If a property is partially used by the Group and partially leased to external tenants, the part that is leased to external tenants is classified as investment property if it can be subdivided out.

Investment property comprises buildings and sites, and is valued at fair value at the end of the reporting period. The Group uses a valuation model to estimate market value.

The valuation method is based on discounting of the property's expected net cash flow by the market's return requirements.

In the first instance, the market rent at currently applicable terms is used in calculating net cash flow whereas for periods after the expiry of contracts an estimated market rent is used. In addition an income deduction is taken into account for expected vacancy, expected maintenance/improvement costs and normal operating costs.

The expected cash is discounted by a return requirement that is determined on the basis of the risk-free interest rate (10-year Norwegian Government Bond interest rate) adjusted by a supplement for estimated 20-year risk-free interest rate. The estimate on the 20-year interest rate corresponds to the slope of the swap curve between 10 and 20 years. The risk-free interest is then accorded a general property risk to find the return requirement for prime properties. Finally a risk premium is added that is determined on the basis of the willingness of the investors in the property market to accept risk taking account of matters specific to the property such as for example geography, property type, contracts, tenants and technical state of the property.

A set selection of the Group property stock, the pilot portfolio, is valued quarterly by external, independent and qualified valuers. In the event of significant deviation from our own valuation of fair value the differences are analysed and the valuation model's parameters are adjusted if this proves necessary. Changes in fair value are taken to profit/loss in the line "Net income from investment properties".

If an investment property is occupied by the Group, the property is reclassified as a tangible fixed asset. Fair value on the date of reclassification provides the cost price for the reclassified property.

If a property the Group has used is leased externally, the property is reclassified as investment property. Any difference between book value and fair value on the date of reclassification is taken to owners' equity as a revaluation.

2.7 INTANGIBLE ASSETS

The Group's intangible assets mainly comprise capitalized IT systems. Directly attributable costs capitalized on the purchase of a new IT system comprise those paid to the system supplier, as well as external consultancy support and internally accrued costs of having the system installed and readied for use.

On further development of IT systems both external and internal costs are capitalized in accordance with the above. System changes regarded as maintenance are taken to expenses as they occur.

Once an IT system is operational the capitalized costs are depreciated by straight line over the expected life. In the event of subsequent capitalization because of further development this is depreciated over the originally set life unless the expenditure increases the total expected life of the system.

If there are indications that the book value of a capitalized IT system is higher than the recoverable sum an impairment test is carried out. If the book value is higher than the recoverable sum (present value on continued use/ownership), the asset is written down to the recoverable sum.

2.8 FINANCIAL INSTRUMENTS

2.8.1 Classification

Financial instruments are classified on first recognition in one of the following categories:

Financial assets

a) Financial assets at fair value through profit or loss
b) Lending and receivables recognized at amortized cost
c) Investments held to maturity recognized at amortized cost

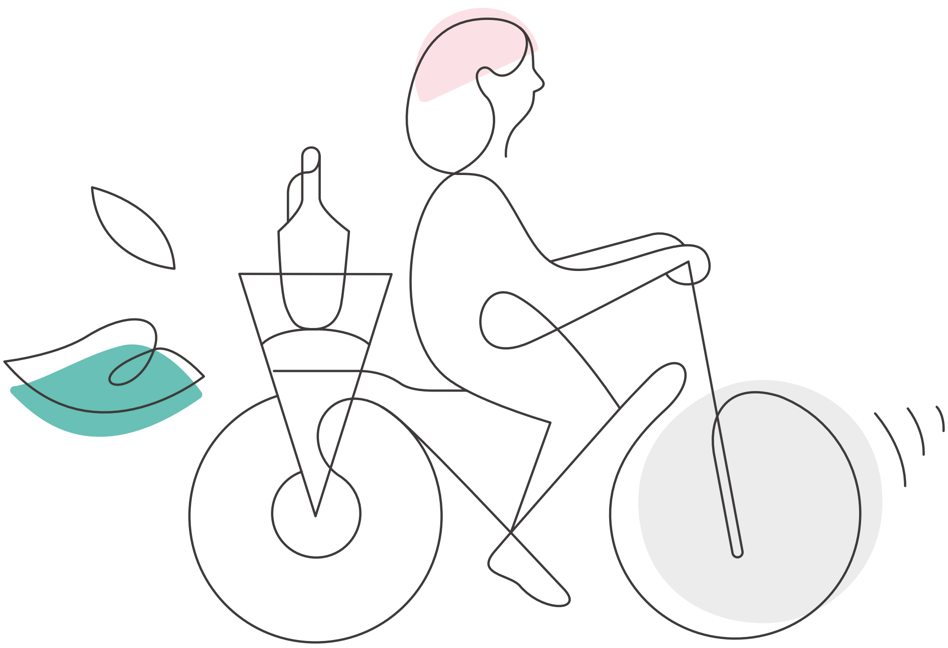
Financial liabilities

a) Financial liabilities at fair value through profit/loss.
d) Other financial liabilities recognized at amortized cost

a) Financial assets and liabilities at fair value through profit or loss

Within this category it may be mandatory or chosen to recognize attribution at fair value with value changes through profit or loss.

- Financial assets held for trading are assets acquired primarily with a view to providing a profit from short-term price fluctuations. The Group's derivatives are included in this category unless they are included as an element of accounting hedging in accordance with the rules on hedge accounting.
- Financial instruments and liabilities opted to be recognized at fair value



with value changes through profit or loss are classified in this category if the financial instruments are either managed as a group, and where their earnings are assessed and reported to management on the basis of fair value, or if the classification eliminates or reduces accounting inconsistencies in measurement.

The financial assets include shares and units/holdings, bonds, certificates and lending whilst the financial liabilities cover debt to credit institutions and derivatives.

b) Lending and receivables recognized at amortized cost
Lending and receivables are financial assets, with the exception of derivatives, with set or determinable payments, and that are not traded in an active market, with the exception of:

- Those which it is the Group's intention to sell on a short-term basis or which it has earmarked at fair value via the income statement (profit/loss)
- Those which the Group has earmarked as available for sale
- Those from which the holder will probably not be able to recover its whole original investment, other than weakened creditworthiness, and which are to be classified as available for sale.

Lending and receivables at amortized cost comprise:
- Loans and receivables linked to investment business
- Other loans and receivables including receivables from policyholders.

Loans and receivables in the investment business include debt instruments classified as loans and receivables i.e. bonds that are not priced in an active market as well as lending to local authorities, enterprises and retail customers.

c) Financial assets held to maturity at amortized cost
Financial assets held to maturity comprise financial assets that are not derivatives and that have set or determinable payments and a defined date of maturity and that the Group has the intention and the ability to hold to maturity with the exception of:

- Those the enterprise classifies on first recognition at fair value through profit or loss
- Those that the enterprise has earmarked as being available for sale
- Those that meet the definition of loans and receivables.

The category includes bonds recognized at amortized cost.

d) Other financial liabilities recognized at amortized cost
The category covers subordinated loans, covered bonds issued and debt to as well as deposits from customers.

2.8.2 Recognition and measurement
Purchases and sales of financial instruments are recognized at fair value on the trading date, i.e. when the Group has committed itself to buy or sell that financial instrument. Direct costs of purchase are included in acquisition cost except for purchase costs associated with financial instruments at fair value through profit or loss. For these instruments, purchase costs are taken to expenses directly. Recognition of financial assets ceases when the Group is no longer entitled to receive the cash flow from the asset or the Group has transferred all risk and entitlements associated with its ownership. Recognition of financial liabilities ceases when the underlying obligation in the contract has been met, been cancelled or expired.

a) Value measurement at fair value
The principles for calculating fair value related to the various instruments are shown in Note 6.

b) Value measurement at amortized cost
Financial instruments not measured at fair value are measured at amortized cost using the effective interest rate method. The internal rate of return is set through discounting contractual cash flows over expected duration. The cash flows include setting-up charges and direct transaction costs as well as any residual value on expiry of the expected duration. Amortized cost is the present value of these cash flows discounted by the internal rate of return.

c) Write-down of financial assets valued at amortized cost
In assessing whether there is impairment in value of a financial asset, weight is attached to whether the issuer/debtor has significant financial difficulties and whether there is breach of contract, including default. An assessment is made of whether it is probable the debtor will be bankrupted, whether there is an active market for the asset because of financial difficulties, or whether measurable reduction is being seen in expected cash flow from a group of financial assets. The assessment is based exclusively on historical data: future events are not considered, regardless of the degree of probability.

If there is objective proof of impairment, write-down is carried out. The write-down is calculated by comparing the new, anticipated cash flows with the original cash flows discounted by the original effective interest rate (assets with fixed interest) or by the effective interest rate at the time of measurement (assets with variable interest). The write-down reduces the asset's capitalized value and is included in the statement of income under "Current returns from financial assets".
Loss assessment and loss write-down is carried out quarterly on individual loans. Loans with unpaid repayments older than 90 days or credits with overdrafts older than 90 days are examined at the end of the reporting period.
In addition continuous assessment is carried out of other lending engage-

ments where there is objective proof of impairment.

Lending is also assessed by group. If there is objective proof of impairment in a group of loans, write-down is carried out.

2.8.3 Presentation in the financial position statement and income statement

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are recognized in the financial position statement either as "Lending local government, enterprises & retail customers at fair value through profit/loss", "Debt instruments at fair value through profit or loss" or "Equity instruments at fair value through profit or loss". Interest income and share dividend are included in the line “Net return on financial assets". For the banking business, interest income is included in the line "Net interest income banking". Other value changes are included in the line "Net return on financial assets"

b) Loans and receivables at amortized cost
Loans and receivables at amortized cost are presented in the financial position statement either as "Debt instruments classified as loans and receivables", “Loans to local authorities, enterprises and retail customers", “Receivables" or "Cash and bank deposits". Interest income is included in the line “Net return on financial assets". For the banking business, interest income is included in the line "Net interest income banking". Value changes that can be linked to objective indications of impairment as well as foreign exchange changes are included in the line "Net return on financial assets".

c) Financial assets held to maturity
Financial assets held to maturity comprise bonds noted in an active market and are presented in the financial position statement as "Debt instruments held to maturity". Interest income in accordance with the effective interest rate method is included in the line "Net return on financial assets". Value changes that can be linked to objective indications of impairment as well as unrealized foreign exchange changes are included in the line "Net return on financial assets".

d) Liabilities to and deposits from customers
Liabilities to and deposits from customers are recognized at fair value in the financial position statement when the deposit has been recorded as transferred to the customer's account. In subsequent periods, liability to and deposits from customers with variable interest rates are accounted for at amortized cost in accordance with the effective interest rate method. The costs of interest are included in the line "Net interest income banking"

e) Subordinated loan issued
Subordinated loan is taken to account at fair value on subscription. On subsequent measurement subordinated loan is recognized at amortized cost using the effective interest rate method. The method is used to allocate the interest costs over a relevant period and is posted over income in the line "Interest costs and value change subordinated loan and hybrid Tier 1 securities". Subordinated loan in foreign currency is translated to NOK at the end of the reporting period. Value change as a result of the foreign exchange change is posted through income and included in the line "Interest costs and value change subordinated loan and hybrid Tier 1 securities".

f) Hybrid Tier 1 securities issued
Hybrid Tier 1 securities are recognized at nominal on date of issue and valued subsequently at amortized cost. For hybrid Tier 1 securities hedged against exchange and interest rate changes (fair value hedging), book value is adjusted on value change in hedged risk. The value change is posted through income in the line "Net costs subordinated loan and hybrid Tier 1 securities".

g) Covered bonds issued
In the first instance covered bonds issued are recognized at fair value, i.e. nominal adjusted for any premium/discount on issue. On subsequent valuation the bonds are valued at amortized cost by the effective interest method. The costs of interest are included in the line "Net interest income banking" in the income statement.

Bonds issued with fixed interest are recognized in accordance with the rules on fair value hedging inasmuch as they are hedged against change in interest rate level.

h) Liabilities to credit institutions
Liabilities to credit institutions are capitalized at market value on take-up. On subsequent measurement fair value is used when this eliminates or reduces accounting inconsistency. The interest costs are included in the line "Net interest income banking" whereas other value changes are included in the line "Net value change on financial instruments" in the income statement.

i) Unit holders' interest in consolidated securites funds
Minority unit holders in the consolidated securities fund may ask to redeem their holdings, and as a result, the minority share of the funds is classified as a debt on the accounting line ‘Unit holders’ interest in consolidated securities funds’. The minority portion of value changes in securities funds is posted through profit and loss and included in the line ‘Change of value for unit holders in consolidated securities funds’.

j) Derivatives and hedging
Financial derivatives are capitalized at fair value at the time they are contracted. On subsequent measurement the derivatives are recognized at fair value and are presented as an asset if the value is positive and a liability if the value is negative. Recognition of associated gains and losses depends on whether the derivative has been identified as an accounting hedge instrument

and in which type of accounting hedge the derivative is included.
For derivatives not included in accounting hedge relationships, gains and losses are recognized through profit or loss as they arise in the line for "Net value change on financial instruments". These are included in the category "Financial assets at fair value through profit or loss".

In two cases the Group has used accounting hedging (hedge accounting). In one case the hedge accounting is used on hedging of hybrid Tier 1 securities issued (the hedging object) against value changes resulting from changes in interest rates and exchange rates (fair value hedging). The hedging instrument is a combined interest rate and currency swap (CIRCUS). The hedge relationship is documented and the effectiveness of the hedging is measured continuously. In the second instance is fair value hedging of fixed interest lending. The hedge relationship is documented and its effectiveness is measured continuously.

Change in fair value of the hedging instrument is included in the income statement at the line for "Net value change on financial instruments". Value changes in the hedging object that can be attributed to the hedge risk are booked as a correction of the hedging object's capitalized value and included in the income statement at the line for "Net costs subordinated loan and hybrid Tier 1 securities" and "Net interest income banking". In those instances in which a security has inbuilt derivatives that are not separated out, the value of the derivative will be included in the security's value as a whole.

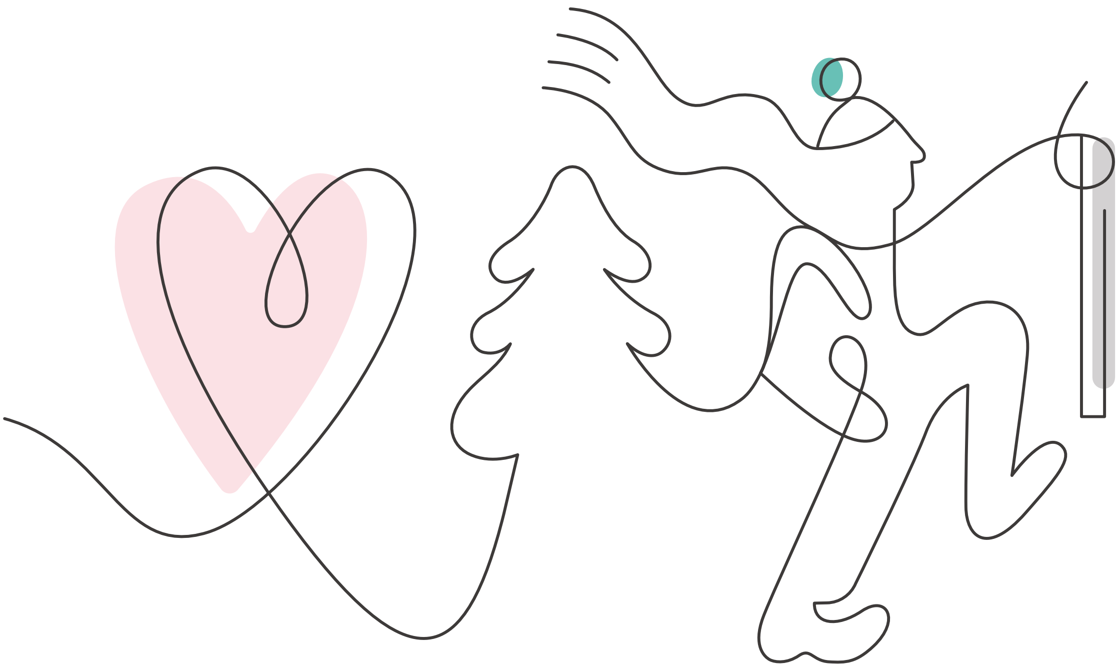
2.9 NETTING
Financial assets and financial liabilities are only netted to the extent there is a legal entitlement to net asset against liability, and that it is the intention to carry out netting, as well as the maturity date of the asset corresponding with the date the liability is due payment.

2.10 CASH AND CASH EQUIVALENTS
Cash and bank deposits are defined as receivables from credit institutions without termination date. The amount does not include receivables from credit institutions that are linked to purchase and sale of securities in the management of the securities portfolios.

2.11 THE GROUP'S OWNERS' EQUITY
The Group owners' equity is divided into two main elements:

2.11.1 Owners' equity contributed
The Group's parent company is a mutual company owned by its customers. This means that customers participating in KLP's "Fellesordninger" (Joint Pensions - schemes for public sector occupational pensions) pay an owners' equity contribution on registration. The owners' equity contribution is set in proportion to the relative size of the customer measured in premium reserves.

The owners' equity contribution may be used to cover losses or deficits in current operation. It may only be repaid in connection with transfer of a customer's business from the Company after approval by the board of directors and in advance from the Financial Supervisory Authority of Norway. The member's share of the actual combined owners' equity contribution at the termination date calculated proportionately to the member's share of the Company's total premium reserves is subject to possible repayment.



Distribution of returns on owners' equity contributions depends on the Company's results.

The owners' equity contribution may not be traded.

2.11.2 Retained earnings
The Group's retained earnings comprise the risk equalization fund, the natural perils fund, the revaluation fund and other retained earnings.

Ordinary company law rules apply for any distribution or use of retained earnings. Use of the risk equalization fund must be according the rules of The insurance act.

2.12 RECOGNITION OF INCOME
2.12.1 Premium income
Premium income is taken to income by the amount falling due during the accounting year. Accrual of premiums earned is dealt with through provisions against unearned premiums. Reserves transferred in for the year are recognized through the income statement and included in the premium income. The share of the period's gross premium income accruing to reinsurers in connection with reinsurance is shown as a deduction from gross premium income.

2.12.2 Interest income/expenses
Interest income and interest expenses associated with all interest-bearing financial instruments is and valued at amortized cost are taken to income using the effective interest rate method. Setting-up fees for lending are included in the amortization and taken to income over the loan's expected duration.

Interest income for fixed-income financial investments measured at fair value is classified as "Net return on financial assets". For the banking business the interest income is included in the line "Net interest income banking", whereas other value changes are classified as "Net value change on financial instruments".

2.12.3 Rental income and other income
Income from leasing of real estate is taken to income by straight line accrual over the duration of the lease. The income is included in the line "Net income from investment properties". Fees for asset management are taken to income in proportion to the management carried out for the period up to the end of the reporting period. The income is included in the line "Other income". Other services are taken to income by straight line over the contract period.

2.13 TAX
The Group conducts taxable business. With effect from the 2018 income year, the tax rules for both non-life insurance and life insurance businesses have changed.

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

In accordance with the transitional provisions for the life insurance business, tax values of assets and liabilities in the customer portfolios on 31.12.2017 shall be juxtaposed with accounting values as of 31.12.2018. This means that unrealised profit and loss on assets shall be taken to income in 2018. Net taxable income related to profit and loss on unrealised assets in 2018, which exceeds the company's carry-forward losses, can be entered in the profit and loss account and recognised as income at 20% per year. Furthermore, the transitional provisions state that the funds allocated for the risk equalisation fund as of 31.12.2017 should first be taxed on the liquidation of the business that has given rise to the provision. The group consider that the risk equalization fund never will be taxable and has therefore not calculated any deferred tax on the position. Taxable income in 2018 (technical result) related to the common- or investment option portfolio (customers portolios) can be entered in the company's profit and loss accounts (taken to profit/loss by 20 per cent yearly).

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

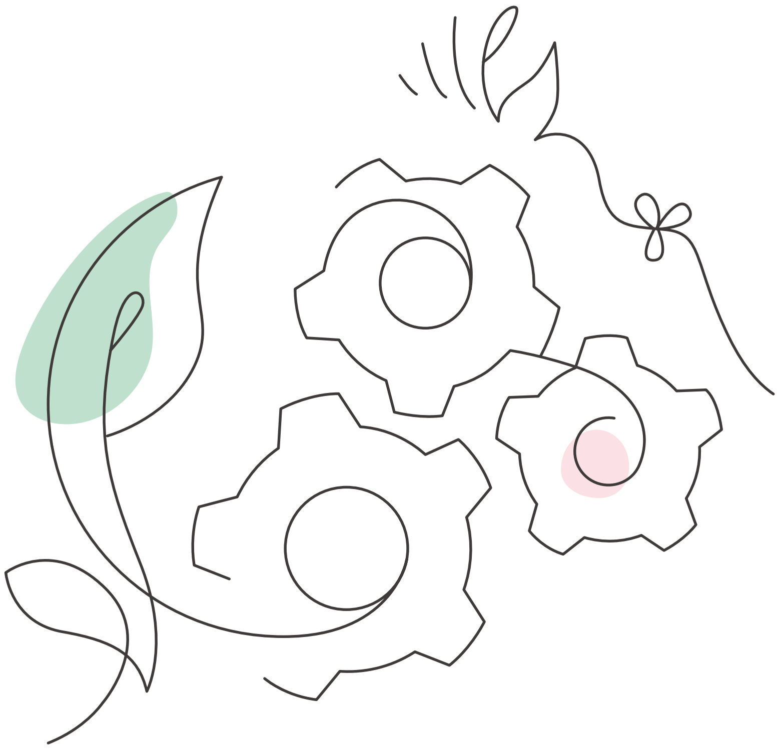
- Unearned premiums (and unexpired risk)
- Future, unresolved claims
- Security with regard to possible, but not probable liability (security provision)
- Provisions for the natural disaster fund and guarantee scheme

With effect from the 2018 income year, deductions for provisions are limited to:
- Provision for unearned gross premium
- Provision for unexpired risk
- Gross provision for claims

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

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

Furthermore, there is an optional transition rule which means that the difference between the provisions for the income year 2017 and 2018 is not recognised as income in 2018, but is trans-



ferred to a separate account for provisions with deferred income recognition. If the difference becomes negative, the amount is deducted in its entirety. The account shall constitute a separate tax position and is recognised as income on a straight-line basis by 10% each income year with effect from 2018. The KLP Group has chosen to make use of this transitional rule.

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

For other business in the group,there have been no changes in the tax rules.

Differences between accounting and tax valuations of assets and liabilities that will reverse at a later date provide the basis for calculating deferred tax assets or deferred tax liabilities in the financial statements. Deferred tax assets and deferred tax liabilities are netted inasmuch as they are assessed during the same period.

In presenting the consolidated financial statements, capitalization and of Norwegian deferred tax is considered at Group level. Deferred tax and tax assets are calculated as differences between the accounting and taxation value of assets and liabilities. Deferred tax asset are capitalized to the extent it can be shown probable that the companies in the Group will have sufficient taxable profit to exploit the tax asset. In assessing the probability, emphasis is placed on historic earnings and expected future taxable income.

For foreign subsidiaries, tax payable and deferred tax/deferred tax assets are taken to account in accordance with local tax rules. The tax cannot be set off against the parent company's deficit to be carried forward using Group contributions with tax effect. In the consolidated financial statements' financial position statement this tax is shown at the lines for "Deferred tax" and "Deffered tax assets". In the income statement the tax cost is shown as "Cost of taxes".

The Group includes some companies covered and some not covered by financial tax. In reporting deferred tax/tax assets in the consolidated financial statements, we therefore use the corporation tax rate applicable to the individual company within the Group.

The cost of taxes is further specified in Note 23.

2.14 INSURANCE CONTRACTS

In accordance with IFRS 4 significant insurance risk must be associated with the contract for it to be able to be defined as an insurance contract. The insurance products the Group offers satisfy the requirement for significant insurance risk and are recognized in accordance with IFRS 4. In accordance with IFRS 4, the insurance contracts are valued as a whole as an insurance contract even though this contains a financial element.

Adequacy testing has been carried out to check that the level of the liabilities on the insurance contracts recognized in the accounts is proportionate to the insurance customers' contractual entitlements. The Group's reserves satisfy the requirements of this test and IFRS 4 therefore imposes no further requirements for reserves. The Group has therefore used applicable Norwegian regulations to account for insurance contracts.

NOTE 2 Summary of the most important accounting principles - cont.

2.14.1 Sectors
The Group offers products to its customers in the following sectors:
a) Group pension (public sector and private)
b) Group life
c) Non-life insurance

a) Group pensions (public sector) comprise mainly defined benefits local government schemes covering retirement pension, survivor pension, disability pension and premium suspension while unfit for work.

The group pension schemes are based on straight line accumulation. This means that the individual's accumulated benefits always amount to the proportionate part of the benefits to which they would be entitled in the event of continued service up to pensionable age. The proportionate part is the result of the ratio between the period of service the individual has already accumulated and the total period of service the individual would achieve by continued service to pensionable age, although the latter figure may not exceed 40 years in calculating the proportionate part. The schemes are based on the final salary principle. Adjustment of current pensions in line with adjustment in Norwegian National Insurance as well as adjustment of deferred entitlements in line with the National Insurance basic sum ("grunnbeløpet" or "G") is part of the pension scheme's defined benefits. The schemes' benefits are stipulated according to the applicable rules for public-sector occupational pension, which, inter alia, include coordination with National Insurance benefits for retirement pension in order to ensure a defined gross level of pension.

The indexation of current pensions and accumulated pension entitlements is financed entirely by a special indexation premium. Some public sector peculiarities are not prefunded and are financed through single premiums at start-up and possibly through subsequent changes to the pension (guaranteed gross premium).

The net premium reserve in the pension schemes is set as a net single payment premium for the accumulated age, disability and survivors' pensions. In addition, an administration reserve has been set aside based on the Group's actual costs involved in the payment of pensions.

The premium reserve also comprises allocations to insured events that have occurred but are not yet settled, including a qualifying-period provision for disability risks.

In addition to the guaranteed future gross benefits scheme described above, group benefits-based defined benefit pensions (net scheme) and defined contribution pensions are offered.

Defined contribution pension is a pension scheme where the customer pays a contribution in accordance with an agreed contribution plan for the members' future retirement pensions. The defined contribution pension scheme has a related risk benefit which as at 31 December 2018 consisted of contribution exemption and disability pension without open policy earnings, both with a qualifying period of 12 months. For the risk benefits, there is a qualifying period provision (IBNR/RBNS) with a 12-month risk premium.

Provision for life insurance with investment options is made up of the customers' savings paid-in and added returns.

(b) Group life is mainly concentrated on local government group life and teacher group life covering only mortality/whole of life risk. Other cover exists for a small number of customers. In addition there is debt group life that covers whole life risk and for a large number of existing customers also covers disability risk.

The technical insurance provisions in group life insurance are based on risk theory methods. The claims reserve includes provisions for the expected payments on insured events that have occurred but are not yet settled regardless of whether or not these have been reported.

c) In non-life insurance the following products are offered:

Occupational Injury, Personal Accident and Accident
Insurance contracts cover the customers' employees for occupational injury within the scope of the Occupational Injury Act and the Basic Collective Agreement for the Civil Service. In addition, insurance contracts are taken out covering employees for accidents during leisure time. Insurance contracts are also taken out covering accidents in spare time and for school pupils during school time.

Fire-Combined
Insurance contracts covering damage to customers' property and any loss incurred by the customer in the event of damage to or loss of the property. The product also includes mandatory natural disaster cover. The risk for the Company is reduced through taking reinsurance contracts covering compensation in excess of a certain amount per claim.

Motor Vehicle
Insurance contracts covering damage occurring through use of the customers' motor vehicles. The risk for the Company is reduced through taking reinsurance contracts covering compensation in excess of a certain amount per claim.

Third-party liability
Insurance contracts that cover damage incurred by third parties as a result of the customers' activities. The cover applies both for property claims and personal injuries.

Travel
Insurance contracts that cover customers for injury and loss arising during travel.

Child insurance
Insurance contracts that cover expenses related to accidents or serious illness and loss of income (disability pension).

Group life
Insurance contracts that cover the customer in the event of death and disability.

The risk for the Group is reduced by taking out reinsurance contracts covering payments in excess of a set amount per claim in all of the sectors mentioned above except for group life.The Group is at all times to have technical reserves fully covering the technical liability and other risk emanating from the insurance business. In all cases and at all times, the Group's reserves are to meet the minimum requirement for reserves under regulation or law.

2.14.2 Provisions in insurance funds
The Group's most important insurance funds are described below:

a) Premium reserve
The premium reserve represents the actuarial cash value of pension entitlements accumulated on the date of calculation. The premium reserve also includes administration reserve in accordance with the Group's calculation base, as well as provisions for incurred, not yet settled insurance claims, including waiting period provisions for disability risk.

b) Supplementary reserves
Supplementary reserves are presented in the income statement in the line "To supplementary reserves - life insurance" as obligatory reserves. Supplementary reserves are allocated to the customers conditionally and may be used to cover any shortfall in returns. Any negative return cannot be covered from supplementary reserves.

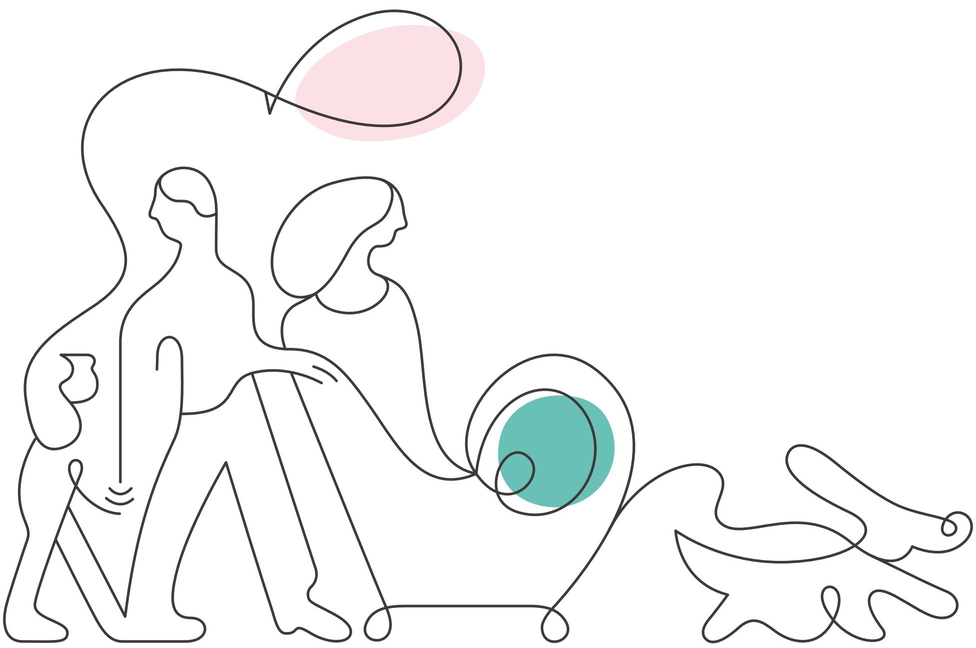
c) Premium fund
The premium fund contains premiums paid in advance and any surplus assets allocated to the individual customer's premium fund accounts. Premium fund assets may be used to cover future premiums.

d) Securities adjustment fund
The securities adjustment fund is defined in Norwegian insurance legislation and is associated with the common portfolio in life insurance.
The securities adjustment fund comprises net unrealized gains associated with short-term financial assets. If net valuation reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through profit or loss.

Unrealized securities valuation reserves associated with short-term financial assets in foreign currency that can be ascribed to foreign exchange rate changes are not allocated to the securities adjustment fund if the investment is hedged against exchange rate changes. Foreign exchange rate changes linked to the hedging instrument are thus not allocated to the securities adjustment fund either but are taken directly to profit or loss.

2.14.3 Base interest rate
The Group's defined benefit insurance contracts in the group pension sector contain a returns guarantee (base interest rate). The returns guarantee must be met annually.

From 1 January 2015 all new accumulation was carried out at the base interest rate of 2.0 per cent. In the period 1 January 2012 to 31 December 2014, the accumulations were 2.5 percent. Accumulation



before this was between 3.0 per cent for most of the contracts. A small proportion of the contracts have some accumulation at 2.75 per cent , 3.4 per cent and 4.0 per cent.

In 2018, the total average interest guarantee in the group pensions (public sector) segment amounted to 2, 48 per cent and in the group pension (private) segment, 2.89 per cent.

2.14.4 Mortality and disability

Different assumptions are used for public sector and private group pension for disability risk. Both sets of assumptions have been developed at the Group based on its own population.

The price tariffs for mortality are equal to the calculation base K2013 with safety margins in accordance with the minimum standard laid down by the Financial Supervisory Authority of Norway. When it comes to the Pension Scheme for Nurses and the Joint Scheme for hospital doctors, a somewhat stronger basis is used.

2.15 RESULT ELEMENTS - LIFE INSURANCE

2.15.1 Returns result

Returns result of varieties on insurance contracts with returns guarantee. Returns result comprises actual return achieved less guaranteed return (base interest rate). A positive returns result is credited to the customer, whereas a negative returns result must be covered from the customers' supplementary reserves and/or from owners' equity. The Company invoices a special premium element (interest guarantee premium) to guarantee the interest guarantee. This premium element is included in the Group's/Company's results.

No returns guarantee is given in defined-contribution-based life insurance and the financial return is ascribed to the customer regardless of return achieved.

2.15.2 Risk result

The risk result is an expression of the difference between mortality and disability in the insured population during the period in question relative to what is assumed in the Company’s price tariff. A positive risk result is returned to the customers, but it is possible to withhold up to half of a positive risk result in risk equalization funds. The risk equalization fund may only be used to cover subsequent risk result losses and may amount to a maximum of 150 per cent of risk premium for the year.

Any negative risk result must be covered by the risk equalization fund or owners' equity.

2.15.3 Administration result

The administration result is a result of how the Company's actual expenses deviate from the premium tariff. The administration result is credited entirely to the Company.

2.16 PAID-UP POLICIES

For free-standing policies (paid-up policies) there is profit sharing so that at least 80 per cent of the return achieved on the assets managed accrues to the customers and a maximum of 20 per cent accrues to the Company.

2.17 SURPLUS FUNDS SET ASIDE TO CUSTOMERS

Surplus assets credited to the customer contracts are set aside in the customers' premium fund and included as part of the insurance liabilities at the end of the reporting period.

2.18 PENSION OBLIGATIONS - OWN EMPLOYEES

The Group's pension obligations are partially insurance-covered through KLP's public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises ("Fellesordningen"). Pension liability beyond these schemes is covered through operation. Pension costs are treated in accordance with IAS 19. The Company has a defined benefits based pension scheme for its employees

The accounting liability for defined benefit schemes is the present value of the obligation on the reporting date, with deduction for fair value of the pension assets. The gross obligation is calculated using the straight-line method. The gross obligation is discounted to present value using the interest rates on Norwegian high-quality bonds. Gains and losses arising on recalculation of the obligation as a result of known deviation and changes in actuarial assumptions are charged to owners' equity via other comprehensive income during the period in which they arise. The effect of changes in the scheme's benefits is taken to profit/loss immediately.

Presentation of the pension costs in the income statement is in accordance with IAS 1. This standard allows the option of classifying the net interest element either as an operating cost or as a financial cost. The option the Group adopts must be followed consistently for later periods. The Group has presented the pension cost under the accounting line “Operating expenses " and interest element under the accounting line "Current return on financial assets". The estimate deviation has been classified under "Items that will not be reclassified to income" in the accounting line "Actuarial gains and losses on defined benefits pension schemes".

The joint pension scheme (Fellesordningen) is a multi-enterprise scheme, i.e. the technical insurance risk is spread between all of the local authorities and enterprises participating in the scheme. The financial and actuarial assumptions underlying the calculation of net pensions liabilities are thus based on assumptions that are representative of the whole group.

NOTE 3 Important accounting estimates and valuations

The Group prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

It must be expected that the estimates will deviate from the final outcome and the areas where there is significant risk of substantial change in capitalized values in future periods are discussed below.

3.1 INSURANCE CONTRACTS

The biggest insurance risk in the Group is the risk of incorrect estimation of life expectancy. In determining the premium tariffs, the Group uses its own analyses of its policy-holders and analyses of the entire Norwegian population. Uncertainty over future life expectancy, which is based on estimates far ahead in time, provides a similar risk of a charge against equity capital because of the need for higher provisions, to cover payment over a longer period of time. There will also be insurance risk linked to disability, but this risk is considerably lower. Uncertainty in calculating probabilities of disability may, as with increased longevity, result in decreased profit for owners, but here there is more scope for adjusting premiums, given that disability pensions have a shorter time horizon for the payments.

Insurance risks linked to mortality are considerably lower and must be seen in relation to insurance risks related to longevity. Increased mortality will result in a negative risk result for the risk of death, but will be counterbalanced by a positive risk result for longevity. The insurance benefits for spouse and child pensions, which make up the risk result for death, are also considerably lower than the benefits for old-age pensions (longevity risk).

Calculations of insurance provisions in the collective pension insurance sector are based on assumptions of disability risk based on KLP's experience from its own insured population. For the other risk elements, including longevity risk, the assumptions from the K2013 calculation base are used with the contingency margins set by the Financial Supervisory Authority of Norway (FSA of N).

In public sector occupational pensions average premium is invoiced for the different pension schemes so that the technical net premium is equalized between the customers included in the scheme. The annual net premium for KLP retirement, disability and survivor pension based on a salary of NOK 460,000 would, for the various individual ages and genders, is shown below.

In calculating technical provisions in the group life sector and public sector occupational pensions, provisions are made for claims incurred but not finally settled. The provisions are set using statistical models. The models take account of experience based on reported changes in the insurance population.

In calculating technical provisions in the non-life insurance industry individual claim provisions are made for all reported but not settled claims (RBNS). The provisions are continuously adjusted as claims are processed. All open claims should have a special assessment at least once a year.

Provision for claims incurred but not yet reported to the Company (IBNR) is made using statistical models. The models take account of the historic reporting pattern in the different risk groups.

In non-life insurance, measurements and adjustments are also made of the total claim provisions (RBNS+IBNR) so the total level of provision is measured against changes in risk elements such as claim frequency, major claim occurrence, population mix and population size. The claims provisions are assessed at the expectation level, i.e. they contain no contingency margins. Claim provision is not discounted.

The claims reserve includes a provision for future indirect claims-handling expenses (also referred to as unallocated loss adjustment expenses - ULAE). This is estimated based on the magnitude of RBNS and IBNR.

The provision for unearned premiums is the pro rata portion of premiums payable accrued after the accounting close.

The sensitivity overview is specified in detail in Note 9.

3.2 INVESTMENT PROPERTIES

Buildings and other real estate are valued at fair value as defined in IFRS 13. Fair value means the amount for which buildings and other real estate can be sold in an arm's-length transaction between well-informed, voluntary parties. There is not considered to be an active market for trading the Group's investment properties.

As at 31 December 2018 buildings and real estate were valued using the Group's internal valuation model. The model is based on discounting of an estimated 20-year cash flow and the discounting rate used corresponds to the normal market's return requirement for similar properties. For the Norwegian properties as at 31 December 2018, a discounting factor was used in the interval 5.60 – 8.60 per cent: for the Group's Swedish properties it was 5.60 – 6.90 per cent; and for the Danish properties, 6.75 -7.69 per cent.

The following main components are included in future cash folows:

- Currently applicable terms and conditions, contract expiry and assumed market rent
- Vacant areas with assumed market rent
- Parking income, parking area and number of places

ANNUAL NET PREMIUM

MEN

AGE	30 years	45 years	60 years
Amount	19 303 NOK	32 934 NOK	40 940 NOK

WOMEN

AGE	30 years	45 years	60 years
Amount	24 737 NOK	39 223 NOK	44 388 NOK

- Estimated annual inflation
- Annual rent adjustment as a percentage of inflation
- General vacancy
- Normal annual operating costs
- Normal annual communal costs per square metre
- Upgrading costs per square metre on new lease
- Any further upgrading costs (year and amount)
- Number of months vacancy on each contract expiry
- Assumed final value Year 20
- Nominal return requirement

As part of the valuation, yield assessments are also carried out for the individual property and for the total portfolio. In addition to valuation using KLP Eiendom's value assessment model, external valuations are obtained for a selection of the properties. These are used to determine own calculation parameters and to quality-assure the internal valuations.

Minor changes in the return requirement will have relatively heavy impact on property values and it is also assumed that major changes in the "Assumed market rent" will also affect the accounting figures the most.

The sensitivity analysis below shows how the value of one of the Group's centrally located office properties in Oslo changes with certain changes in key parameters in the Group's valuation model. The analysis shows change in value (given as percentage change) for a given change in a parameter on the assumption that all other parameters stay unchanged. In reality there are interdependencies between several variables, so that a change in one parameter will be accompanied by change in one or more other parameters. The sensitivity figures given do not capture such relationships with other variables and are shown only for illustrative purposes. The effects of changes in parameters will vary somewhat from property to property.

In the analysis above the return requirement means the interest rate used in discounting future cash flows in the model. Market rent is understood as expected rent in the event of renegotiation of existing contracts or on change of tenant. Exit yield means the yield that is used to calculate the final value in the valuation model's final analysis period (Year 20).

3.3 FAIR VALUE OF FINANCIAL ASSETS

The majority of the Group's assets recognised at fair value through profit and loss are assets traded on an active market, so the market value can be determined with a high degree of confidence. In the case of the Group's pricing of unlisted securities, there will be uncertainty in this regard. This is especially true of securities which are priced on the basis of non-observable assumptions. Different valuation techniques are used to determine the fair value of these investments. Unlisted fixed-income securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models.

The pricing methods and the accounts figures are discussed in more detail in Note 6.

3.4 LOSSES ON FINANCIAL ASSETS

Financial assets not measured at fair value are assessed for impairment at the end of the reporting period. The Group's lending portfolio is valued individually for loans on which default has been observed. If there is an objective event at the end of the reporting period that has influence on future cash flows, the loan is written down. In addition, lending with uniform risk profile is valued quarterly by group. This is described in more detail in Note 2.

When it comes to the Group's portfolio of long-term bonds, including long-term bonds held to maturity, the need for write-down is assessed individually each quarter. The write-down requirements are calculated as the difference in value of the original expected cash flows and the new expected cash flows. There will be uncertainty in calculating the new expected cash flows.

THE SENSITIVITY ANALYSIS

	Change in parameter	Change in value
Return Requirement	+100 bps -100 bps	-12 % 14 %
Market Rent	+10 % -10 %	7 % -7 %
Exit yield	+100 bps -100 bps	-10 % 17 %
Inflation	+50 bps -50 bps	7 % -6 %

NOTE 4 Segment Information

NOK MILLIONS	Group pensions pub. sect. & group life		Group pensions private		Non-life insurance		Banking	
	2018	2017	2018	2017	2018	2017	2018	2017
Premium income for own account from external customers [1]	38 633	32 328	1 041	997	1 246	1 266	0	0
Premium income for own account from Group companies	94	89	0	0	22	21	0	0
Net financial income from investments	8 583	32 157	-85	343	74	243	236	237
Other income from external customers	1 074	1 016	3	2	1	1	17	12
Other income from other Group companies	61	235	0	0	0	0	58	57
Total income	**48 446**	**65 825**	**959**	**1 343**	**1 343**	**1 531**	**311**	**306**
Claims for own account	-18 847	-17 386	-155	-199	-1 014	-1 080	0	0
Insurance provisions for own account	-27 343	-23 358	-753	-1 064	1	-4	0	0
Costs borrowing	-483	-527	0	0	0	0	0	0
Operating costs excluding depreciation	-1 049	-951	-64	-59	-311	-281	-211	-197
Depreciation	-73	-74	-3	-3	-2	-2	-8	-4
Other expenses	-1 068	-992	0	0	0	0	-8	-3
Return to financial intruments attributable to minority interests								
Total expenses	**-48 864**	**-43 289**	**-975**	**-1 325**	**-1 326**	**-1 366**	**-228**	**-203**
Operating profit/loss	**-419**	**22 536**	**-16**	**18**	**18**	**164**	**83**	**103**
Funds credited to insurance customers [2]	2 843	-20 551	-5	-42	0	0	0	0
Pre-tax income	**2 425**	**1 985**	**-21**	**-24**	**18**	**164**	**83**	**103**
Cost of taxes	415	-554	0	0	40	-22	-19	-25
Income	**2 840**	**1 432**	**-21**	**-24**	**58**	**143**	**64**	**78**
Change in other comprehensive income (excluded cost of taxes)	-21	-28	0	-1	-1	-3	-2	-1
Total comprehensive income	**2 818**	**1 403**	**-21**	**-25**	**56**	**139**	**62**	**77**
Assets	558 719	534 784	5 601	4 869	4 495	4 594	37 093	34 986
Liabilities	524 884	505 197	5 099	4 346	2 721	2 875	34 951	32 904

[1] Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies.
[2] Funds transferred to the insurance customers include transfers to the premium fund, provisions to the securities adjustment fund, provisions to supplementary reserves and other provisions of surplus funds to the insurance customers.

NOTE 4 Segment Information - cont.

NOK MILLIONS	Asset management		Other		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Premium income for own account from external customers [1]	0	0	0	0	0	0	40 921	34 590
Premium income for own account from Group companies	0	0	0	0	-117	-110	0	0
Net financial income from investments	5	3	0	0	-3 081	8 446	5 732	41 430
Other income from external customers	0	0	10	9	2	0	1 107	1 040
Other income from other Group companies	478	456	0	0	-596	-748	0	0
Total income	**482**	**459**	**10**	**9**	**-3 792**	**7 589**	**47 760**	**77 061**
Claims for own account	0	0	0	0	0	0	-20 015	-18 665
Insurance provisions for own account	0	0	0	0	0	0	-28 096	-24 425
Costs borrowing	0	0	0	0	0	0	-483	-527
Operating costs excluding depreciation	-462	-402	-12	-9	360	346	-1 750	-1 554
Depreciation	-3	-10	0	0	-33	-26	-122	-119
Other expenses	0	0	0	0	2	3	-1 075	-992
Return to financial intruments attributable to minority interests					4 022	-8 648	4 022	-8 648
Total expenses	**-466**	**-413**	**-12**	**-9**	**4 352**	**-8 326**	**-47 520**	**-54 931**
Operating profit/loss	**17**	**47**	**-2**	**-1**	**559**	**-737**	**240**	**22 130**
Funds credited to insurance customers [2]	0	0	0	0	-238	937	2 600	-19 656
Pre-tax income	**17**	**47**	**-2**	**-1**	**321**	**200**	**2 840**	**2 474**
Cost of taxes	-3	-10	1	0	-609	-553	-175	-1 163
Income	**14**	**37**	**-2**	**-1**	**-288**	**-353**	**2 665**	**1 311**
Change in other comprehensive income (excluded cost of taxes)	-2	-4	0	0	228	119	201	81
Total comprehensive income	**12**	**33**	**-2**	**-1**	**-60**	**-234**	**2 866**	**1 393**
Assets	465	468	9	12	69 175	72 453	675 558	652 167
Liabilities	200	214	4	5	73 843	77 063	641 701	622 603

[1] Premium income covers premiums earned for own account including savings premium and transferred premium reserves from other companies.
[2] Funds transferred to the insurance customers include transfers to the premium fund, provisions to the securities adjustment fund, provisions to supplementary. reserves and other provisions of surplus funds to the insurance customers.

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

PUBLIC SECTOR OCCUPATIONAL PENSION AND GROUP LIFE

Kommunal Landspensjonskasse offers group public sector occupational pensions.

ENTERPRISE (DEFINED BENEFIT) AND DEFINED CONTRIBUTION PENSION

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

NON-LIFE INSURANCE

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

BANKING

KLP's banking business embraces the companies KLP Bankholding AS and its wholly-owned subsidiaries: KLP Banken AS, KLP Kommunekreditt AS and KLP Boligkreditt AS. The banking business covers services such as deposits and lending to the retail market, credit cards, 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 Forsikringsservice AS which offers a broad specter of services to local authority pension funds.

NOTE 5 Net income from financial instruments

NOK MILLIONS	2018	2017
Interest income bank deposits	54	49
Interest income derivatives	-190	34
Interest income debt instruments fair value	3 421	3 451
Total interest income financial assets at fair value	**3 286**	**3 534**
Interest income fixed-income securities amortized cost	5 846	5 515
Interest income lending amortized cost	1 332	1 221
Total interest income financial assets at amortized cost	**7 178**	**6 735**
Dividend/interest shares and holdings/units	4 587	3 913
Oher income and expenses	-62	2
Total other current expenses and income	**4 525**	**3 915**
Net return on financial assets	**14 989**	**14 184**
Interest income lending fair value	223	226
Total interest income financial assets at fair value	**223**	**226**
Interest income lending amortized cost	524	510
Total interest income financial assets at amortized cost	**524**	**510**
Interest costs debt to credit institutions	-79	-94
Interest costs covered bonds	-297	-271
Interest costs debt to and deposits from customers	-135	-128
Oher income and expenses	13	0
Total other income and expenses banking	**-498**	**-493**
Net interest income banking [1]	**249**	**244**
Value changes shares and units	-13 293	15 791
Value change derivatives	-4 352	950
Value change debt instruments at fair value	-2 005	-3 174
Value change lending fair value	37	17
Value change borrowing fair value	0	0
Total value change financial instruments at fair value	**-19 614**	**13 584**
Value change loans at amortized cost	175	124
Other unrealized values	-78	-51
Total other unrealized values	**98**	**73**
Net unrealized gain on financial instruments	**-19 516**	**13 657**

[1] Net interest income banking is income and costs linked to banking activity.

The note specifies net income from financial instruments. Value changes resulting from change in credit risk are not included in this table because of system limitations.

NOTE 5 Net income from financial instruments - cont.

NOK MILLIONS	2018	2017
Realized shares and holdings/units	5 526	4 889
Realized derivatives	-2 870	165
Realized debt instruments at fair value	1 473	3 545
Total realized financial instruments at fair value	**4 129**	**8 600**
Realized bonds at amortized cost [2]	933	-172
Realized loans at amortized cost	0	0
Total realized financial instruments at amortized cost	**933**	**-172**
Other financial income and costs	-46	-34
Total other financial income	**-46**	**-34**
Net realized gain on financial instruments	**5 016**	**8 394**
Net value changes on financial instruments	**-14 500**	**22 050**
Total net income from financial instruments	**739**	**36 478**

[2] Realized values on bonds at amortized cost come from realized gain/loss on foreign exchange. currency are hedged, resulting in minimal net effect of exchange rate changes (reflected in value change/realized derivatives). See Notes 9 and 12 for more information.

NOTE 6 Fair value of financial assets and liabilites

Fair value is to be a representative price based on what the equivalent asset or liabilites 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
- Liabilites to and deposits from customers
- 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 liabilites)
- Debt to credit institutions (liabilites)

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 respecitvely). Then comes Bloomberg based on Bloomberg's pricing service Business Valuator Accredited in Litigation (BVAL). BVAL has verified prices from Bloomberg. Reuters has last priority.

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

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

d) Fixed-income securities issued by foreign enterprises but denominated in NOK
Fair value is calculated on the same general principles as those applying for Norwegian fixed-income securities described above.

e) Receivables on credit institutions
The fair value of these is considered as being approximately the same as the book value since the terms and conditions of the contract are continually

revised in accordance with changes in the market rates.

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)/Reuters
- Morgan Stanley Capital International (MSCI)
- Bloomberg

The following sources are used for foreign shares:
- Morgan Stanley Capital International (MSCI) (primary source)
- Reuters
- Bloomberg

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

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

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

NOTE 6 Fair value of financial assets and liabilites - cont.

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

DERIVATIVES

k) Futures/FRA/IRF
All futures contracts for KLP are traded on the stock exchange. Bloomberg is used as a prices source. Prices are also obtained from another source in order to check that Bloombergs' prices are correct. Reusters acts as a secondary source.

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

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

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

DEBT TO CREDIT INSTITUTIONS

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

SUBORDINATED LOAN CAPITAL, OTHER DEBT ISSUED, AND DEPOSITS FROM CUSTOMERS

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

q) Fair value of subordinated bond/perpetual bond issued
Fair value in this category is determined on the basis of internal valuation models based on external observable data.

r) Covered bonds issued
Fair value in this category is determined on the basis of internal valuation models based on observable data.

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

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

NOTE 6 Fair value of financial assets and liabilites - cont.

NOK MILLIONS	31.12.2018		31.12.2017	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	7 258	7 747	6 380	7 093
Foreign hold-to-maturity bonds	23 795	24 380	24 752	26 205
Total debt instruments held to maturity	**31 053**	**32 127**	**31 131**	**33 298**
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES– AT AMORTIZED COST				
Norwegian bonds	45 414	47 228	39 092	41 777
Foreign bonds	96 106	98 645	81 825	87 465
Norwegian certificates	0	0	200	200
Foreign certificates	0	0	200	200
Other receivables	29	29	59	59
Total debt instruments classified as loans and receivables	**141 549**	**145 902**	**121 377**	**129 700**
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	855	855	1 016	1 016
Total loans to local government, enterprises & retail customers	**855**	**855**	**1 016**	**1 016**
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST				
Loans secured by mortgage	19 674	19 680	17 673	17 685
Loans to local government sector or enterprises with local government guarantee	67 150	67 495	61 441	62 083
Loans abroad secured by mortage and local government guarantee	8 016	8 049	7 829	7 872
Loans creditcard	69	69	62	62
Total loans to local government, enterprises & retail customers	**94 909**	**95 293**	**87 005**	**87 702**
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	58 737	58 737	59 289	59 289
Norwegian certificates	7 521	7 521	11 154	11 154
Foreign bonds	85 580	85 580	85 144	85 144
Investments with credit institutions	14 507	14 507	16 839	16 839
Total debt instruments	**166 344**	**166 344**	**172 427**	**172 427**
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	146 865	146 865	150 221	150 221
Equity funds	12 199	12 199	10 641	10 641
Property funds	45	45	119	119
Alternative investments	858	858	756	756
Total equity capital instruments	**159 968**	**159 968**	**161 736**	**161 736**

NOTE 6 Fair value of financial assets and liabilites - cont..

NOK MILLIONS	31.12.2018		31.12.2017	
	Book value	Fair value	Book value	Fair value
RECEIVABLES				
Receivables related to direct business	1 123	1 123	1 026	1 026
Receivables related to reinsurance agreements	63	63	118	118
Reinsurance share of gross claims reserve	0	0	0	0
Receivables related to securites	603	603	2 161	2 161
Prepaid rent related to real estate activites	166	166	116	116
Other receivables	258	258	636	636
Total other loans and receivables including receivables from policyholders	**2 213**	**2 213**	**4 056**	**4 056**
FINANCIAL LIABILITIES - AT AMORTIZED COST				
Hybrid Tier 1 securities	1 662	1 332	1 534	1 463
Subordinated loan capital	6 029	6 302	5 977	6 849
Debt to credit institutions	1 015	1 015	1 603	1 603
Covered bonds issued	23 025	23 179	21 451	21 457
Liabilities and deposits from customers	10 662	10 662	9 669	9 669
Total financial liabilities	**42 392**	**42 489**	**40 235**	**41 042**
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions	1 779	1 779	2 983	2 983
Total financial liabilities	**1 779**	**1 779**	**2 983**	**2 983**
Assets in life insurance with investment option	**3 396**	**3 396**	**2 684**	**2 684**
Provisions in life insurance with investment option	**3 396**	**3 396**	**2 684**	**2 684**

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

NOTE 7 Fair value hierarchy

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

[1] The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 1 015 million per 31.12.2018 and NOK 1 473 million per 31.12.2017

31.12.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	63 519	63 519
Land/plots	0	0	982	982
Real estate fund	0	0	2 454	2 454
Buildings	0	0	60 083	60 083
Lending at fair value	0	1 016	0	1 016
Bonds and other fixed-income securities	45 303	110 287	0	155 590
Certificates	7 834	3 320	0	11 154
Bonds	23 984	106 967	0	130 952
Fixed-income funds	13 485	0	0	13 485

NOTE 7 Fair value hierarchy - cont.

31.12.2017 NOK MILLIONS	Level 1	Level 2	Level 3	Total
Loans and receivables	15 418	1 419	0	16 837
Shares and units	145 905	5 393	10 438	161 736
Shares	144 045	4 518	1 658	150 221
Equity funds	1 861	0	75	1 935
Property funds	0	119	0	119
Special funds	0	756	0	756
Private Equity	0	0	8 705	8 705
Financial derivatives	0	1 529	0	1 529
Total assets at fair value	**206 627**	**119 643**	**73 956**	**400 226**
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	4 760	0	4 760
Debt to credit institutions [1]	2 025	1 089	0	3 113
Total financial liabilities at fair value	**2 025**	**5 848**	**0**	**7 873**

[1] The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 1 015 million per 31.12.2018 and NOK 1 473 million per 31.12.2017

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 2018	Book value 2017
Opening balance 01.01	63 519	59 497
Sold	-452	-396
Bought	2 831	1 212
Unrealised changes	1 673	3 206
Other changes	0	0
Closing balance 31.12.	**67 570**	**63 519**
Realised gains/losses	363	129

CHANGES IN LEVEL 3, SHARES	Book value 2018	Book value 2017
Opening balance 01.01	1 658	1 436
Sold	-1	-116
Bought	372	147
Unrealised changes	513	190
Closing balance 31.12.	**2 542**	**1 658**
Realised gains/losses	-47	56

CHANGES IN LEVEL 3, EQUITY FUNDS	Book value 2018	Book value 2017
Opening balance 01.01	75	84
Sold	-15	-6
Bought	0	0
Unrealised changes	1	-3
Closing balance 31.12.	**61**	**75**
Realised gains/losses	0	0

NOTE 7 Fair value hierarchy - cont.

CHANGES IN LEVEL 3, PRIVATE EQUITY	Book value 2018	Book value 2017
Opening balance 01.01	8 705	7 052
Sold	-2 399	-1 593
Bought	2 235	1 552
Unrealised changes	1 842	1 694
Closing balance 31.12.	**10 383**	**8 705**
Realised gains/losses	1 326	389
Closing balance 31.12.	**80 556**	**73 956**

Unrealised changes and *realised gains / losses* are reflected on the line "Net value changes on financial instruments" in the consolidated income statement. *Unrealised changes* and *realised gains / losses for investment property* are reflected on the line "Net income from investment properties".

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.

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property can be found in note 3. A change in the variables of the pricing of securities is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 4 028 million as of 31.12.2018 and NOK 3 698 million as of 31.12.2017. Everything related to investment property is included in Level 3.

During the period from 01.01.2018 to 31.12.2018, a net movement of NOK 302 millions in stocks has been moved from Level 1 to Level 2 and NOK 1 612 millions from Level 2 to Level 1. This is due to changes in liquidity, based on the guidelines above. NOK 127 millions in debt instruments has been moved from level 2 to level 1, due to previously unlisted securities became listed during 2018. NOK 0.02 million in stocks was moved from level 3 due to re-classification in the balance sheet. There have been no other movements between the different levels in 2018.

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.

Valuations related to items in the various levels are described in Note 6, investment property is described in note 3.

Fair value of assets and liabilities measured at amortized cost are given in note 6. The level placements for these debt instruments are as follows: assets classified as held to maturity would be level 1 and loan and receivables would be level 2. Liabilities measured at amortized cost, subordinated loan would be level 1 and hybrid tier 1 capital would be level 2 and debt to credit institutions would be level 1. Information on pricing of these liabilities can be found in note 6.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 3 396 millions in financial assets valued at fair value at Level 1. Per 31.12.2018 the NOK 3 396 millions are included with NOK 2 194 millions in shares and units in Level 1, NOK 1 195 millions in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

NOTE 8 Assets in defined-contribution-based life insurance

NOK MILLIONS	Organization number	Number units	Rate	Fair value 31.12.2018	Average return per unit %	Average return per unit whole NOK	Fair value 31.12.2017
UNITS IN EQUITY FUNDS							
KLP Aksjeglobal Indeks II	987570199	24 037	2 185.41	53	-8.39 %	-200	811
KLP Aksjenorge Indeks	988425958	654	2 470.50	2	-1.85 %	-47	375
KLP Aksje fremvoksende markeder indeks I	996715426	3 519	1 811.50	6	-10.00 %	-201	0
KLP Framtid	918126767	1 865 796	1 113.04	2 077	-5.63 %	-66	493
Baillie Gifford Worldwide Glob Alpha Fund NOK Acc		116 100	143.56	17	-13.95 %	-23	0
Quoniam FS SICAV GlobEq MinRisk KLP I		43 031	927.12	40	-10.98 %	-114	0
Total units in equity funds		**2 053 138**		**2 194**			**1 679**
UNITS IN FIXED-INCOME FUNDS							
KLP Obligasjon 5 år	979518315	804	1 281.09	1	1.24 %	16	438
KLP Obligasjon Global I	989753746	1 268	1 107.33	1	-2.23 %	-26	471
KLP Kredittobligasjon	993511757	4 172	1 052.46	4	0.99 %	11	0
KLP Nåtid	918126740	1 136 246	984.08	1 118	0.23 %	2	17
Quoniam FS SICAV GlobCredit MinRisk KLP I		2 358	994.82	2	0.16 %	2	0
Total units in fixed-income funds		**1 144 848**		**1 127**			**927**
UNITS IN MONEY MARKET FUNDS							
KLP Pengemarked	979518218	67 826	998.46	68	1.18 %	12	68
Total units in money market funds		**67 826**		**68**			**68**
Total units in securities funds				**3 389**			**2 673**
Bank deposits				5			7
Other assets				2			3
Total assets in defined-contribution-based life insurance				**3 396**			**2 684**

PER CENT	1. quarter	2. quarter	3. quarter	4. quarter
Returns per quarter	-2.55 %	3.78 %	3.30 %	-7.91 %

The return on the holdings is the value change of the sum deposited and takes account of transactions during the period. This is termed money-weighted return. The return on the fund is the total return for the fund, also known as time-weighted return

If there are no transactions during the period, the return on the holding and the fund is the same.

NOTE 9 Risk management

Through its activity, the Group is exposed to both insurance risk and financial risk. The aim of the overarching risk management for the Group is that the financial risk is managed in such a way that the Group is able at all times to meet the liabilities the insurance contracts impose on the business. The Board of Directors sets the overarching risk strategies that are put into practice at the senior management level.

Risk strategy is implemented and monitored by the line organization, with periodic reporting. Any breaches in risk lines and limits are reported as they occur, with a description of measures taken to regularize the situation. Units outside the line organization monitor that the risk-taking is carried out within the authorisations the line has.

9.1 INSURANCE RISK

An insurance contract ia according to IFRS 4 defined as "A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". The uncertainty at the portfolio level is additionally affected by factors such as changes in law and court decisions. Insurance results will be more stable and predictable the more contracts there are in the portfolio

The Group's insurance business is divided into the following sectors: group pension public sector; group pension private; and non-life insurance. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas risk of death/whole life is somewhat less weighty. Guidelines have been prepared for non-life insurance for regarding the kind of risks the Company accepts in its portfolio. Basically it accepts risks from customers who are within the Group's primary target groups in non-life insurance provided the scope of the insurance lies within the standard products the Group offers. The total insurance risk will also be less where the portfolio has geographical dispersion and is spread over different insurance products.

In non-life insurance, insurance risk is generally managed through provisions for future expected claims under existing contracts, pricing of the risk element in insurance premium, and through reinsurance contracts. In addition, more specific measures have been taken according to the insurance cover offered.

Insurance risk is generally managed through close monitoring of the risk incidence and if appropriate subsequent change in the tariffs. The Group is safeguarded against extreme events through catastrophe reinsurance.

9.1.1 Insurance provisions

Insurance provisions are set at the level of expectation. In addition, provisions are made to the risk equalization fund in group pension in order to meet unexpected fluctuations in claims incidence.

For disability risk in the group pension sector, assumptions used are based on KLP's disability data. For the other risk elements in group pension the assumptions from the K2013 calculation base are used with contingency margins in accordance with the minimum standard set by the FSA of N in 2013. In the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors the same formulae and the same parameters are used otherwise, but with a strengthened contingency margin because of significantly longer lifetimes in these schemes.

9.1.2 Setting the premium

Development in the Group's insurance risk is continuously monitored. Risk result and future expectations of development in insured risk are based on observations and/or theoretic risk models that create the basis for pricing of the risk element in the premium. The premiums are set annually, except for premiums in the non-life insurance sector. Here the premium is assessed continuously, but premiums that are invoiced customers apply for one year at a time.

In the sector for group pension, public sector the Group has a large population, which provides a high degree of predictability and stability in its tariffs. Normally they will therefore stay the same for several years at a time. In non-life insurance, premium is differentiated based on the individual customer's risk.

In the non-life insurance business, guidelines have been drawn up for the types of risk that the Company accepts in its portfolio. Risks are generally accepted from customers from within the Company’s primary target groups, provided that the scope of the cover falls within the standard products the Company offers. Premiums are differentiated based on the individual customer’s risk. In borderline cases, special decision procedures are followed before the risk can be taken on.

9.1.3 Reinsurance and reinsurance programmes

a) Group pension public sector/private

The way the insurance contracts are set, current risk is generally within the limits of the Group's risk-bearing ability. The need for reinsurance is therefore limited.

The Group has taken out a catastrophe reinsurance contract for group pension public sector. The agreement covers up to NOK 300 million in excess of the Company's NOK 50 million for own account for events that lead to more than 10 people dying or becoming disabled. When it comes to group pension, private, this contract covers up to

NOTE 9 Risk management - cont.

NOK 20 million in excess of the Company's NOK 5 million for own account for events that lead to more than three people dying or becoming disabled. The contracts do not cover events that result from epidemics, war and terrorism.

b) Non-life insurance

The reinsurance contracts cover all claims over a certain sum per event/accident. Guidelines have been set to minimise counterparty risk in the reinsurance contracts in non-life insurance. A maximum limit is set for the individual reinsurer and a minimum level is defined for the reinsurers' credit ratings.

9.1.4 Concentration risk in non-life insurance

There is a continuous assessment of the concentration risk. The Group reduces including concentration risk through reinsurance cover that limits the Group's own account per claim. To reduce credit risk against reinsurers, only reinsurance companies with satisfactory credit ratings are used. Each individual reinsurance contract is also divided between several independent reinsurers.

9.1.5 Sensitivity calculations

9.1.5.1 Sensitivity calculations in group public sector and private pensions

The effect of an immediate 20 per cent increase in the incidence of disability would, with current numbers be NOK 204 million (of which NOK 8 million in group pension, private) on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in the incidence of disability would be an increase of NOK 1,136 million (of which NOK 14 million in group pension, private).

An immediate 10 per cent reduction in mortality would, with current numbers, mean a negative effect of NOK 189 million (NOK 1 million in group pension, private) on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be an increase of NOK 9,698 million (of which NOK 31 million in group pension, private).

The Group's large numbers within group public sector pensions help to stabilize the insurance risk and the claim estimates. Deviations are related primarily to non-insurable magnitudes that do not affect the result.

9.1.5.2 Sensitivity calculations in non-life insurance

The table below shows the profit/loss effect of a 1 per cent change in costs, premium levels, claim payments and claims reserve:

1 per cent change in the costs	NOK 3.1 millions
1 per cent change in premium level	NOK 13.4 millions
1 per cent change in claim payments	NOK 10.3 millions
1 per cent change in claims reserves	NOK 18.6 millions

9.2 FINANCIAL RISK

The Group's financial goal is to achieve a competitive and stable return, at the same time as solvency satisfies external and internal requirements. The Group has a long-term investment strategy in which risk-taking is at all times matched to the Group's ability to bear risk. The focus in asset management is cost effectiveness, a long-term perspective and broadly diversified portfolios with the goal of achieving competitive and stable returns for our customers and owners over time.

The Group's financial risk comprises liquidity risk, market risk and credit risk.

9.2.1 Liquidity risk

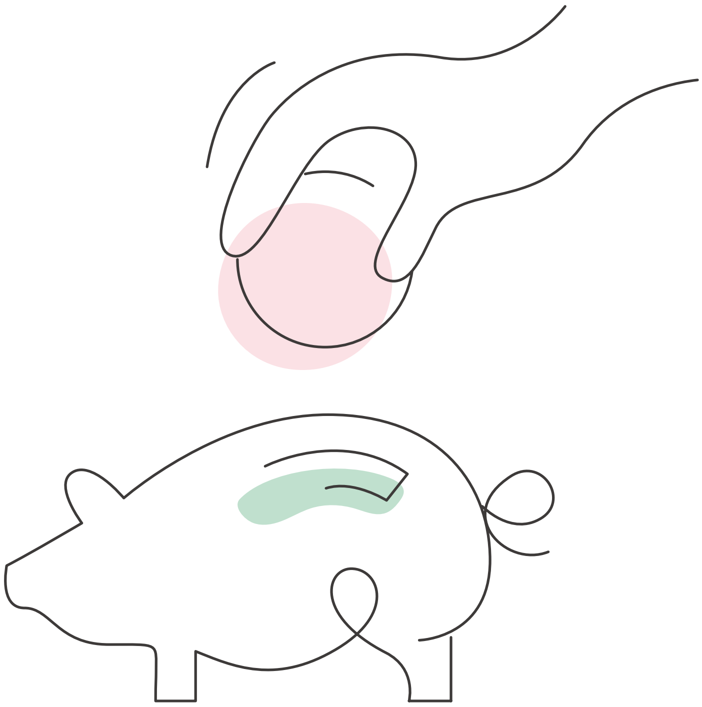
Liquidity risk is the risk that the Group does not have sufficient liquidity to cover short-term debt, uncalled residual liabilities that may fall due and current operations without substantial extra costs arising in the form of price falls on assets that have to be realized.
The liquidity strategy contains various requirements and limits in order to comply with the desired liquidity risk profile. In addition division of responsibilities and contingency planning are covered. The liquidity strategy is operated at the senior management level and the liquidity is managed internally in accordance with mandates.

Uncalled residual liability of NOK 20,532 million comprises mainly committed, not paid in sums against private equity and approved loans that have not been paid out. The total is specified in detail in Note 35 Conditional obligations. The agreements govern solvency requirements among other things, so that the drawing can be approved for payment.

9.2.2 Market risk

Market risk is the risk of losses resulting from changes in market prices of various assets such as shares, bonds, property and other securities. The market risk depends on how large an exposure there is to the various assets and on the volatility in the market prices. Developments in the Norwegian and international securities markets generally have major significance for the Group's results.

Risk of a fall in the value of various assets is the biggest financial risk in the short term. Of the risk concerning assets, equity exposure is the largest financial risk factor, but also the market risk associated with interest, credit (spread) and property has a significant loss potential. The Group's interest rate risk associated with a prolonged low interest rate level is however limited. With the current formulation of the rules, technical provisions are not affected by changes in market interest rates. On the liabilities' future transition to market value, annual pricing of the interest rate guarantee will mean that



the customers will bear the risk of the interest rate level being lower than the base interest rate. Since the Group mainly provides pension schemes to the public sector, the Group will price the interest rate guarantee right up until the insured dies, which means the interest rate risk arising from the insurance obligations is limited.

The Group exchange rate hedges the majority of international exposure. Financial hedging of currency exposure is done through derivatives. As a rule, all of the Group's fixed-income investments and property investments in foreign currency are hedged back to NOK. For equity investments in foreign currencies, the hedging rate in 2018 was between 60 and 80 per cent, with permissible fluctuations between 50 and 80 per cent.

All equity and interest rate exposures are included in a risk measurement system that enables simulation and monitoring of equity and interest rate risk across the portfolios. Active risk is managed through specifying a benchmark with the index for each portfolio.

To reduce the risk of negative results from asset management, the Group uses CPPI rules for customer portfolios for daily monitoring the market risk. This strategy helps to ensure that the risk is adjusted to the Group's risk capacity. The CPPI rules gives a return profile, which fits the overall target to protect owners' equity and preserve the risk capacity over time. In addition, the Group has a high proportion of long-term (hold-to-maturity) bonds and fixed-interest lending that contributes to stability in returns.

Derivatives are principally used for risk reduction for cost and time-effective implementation of changes in risk and for currency hedging.

Through the life company, the equity risk is by far the largest market risk in the Group. As measured by stress tests, this is in excess of 50 per cent. The rest of the market risk is spread equally between property risk, interest rate and credit risk. The fact that large parts of the interest rate and credit exposure are posted at amortised cost changes the relative picture of market risk. Equity and property risk then make up more than 80 per cent of the total market risk

Sensitivity analysis - market risk
In connection with KLP's own risk and solvency assessment (ORSA), several scenario analyses and forecasts for capital adequacy have also been carried out this year. Given KLPs ambition to build reserves (supplementary reserves and securities adjustment fund) up to 2,5 times the yearly interest rate gurantee, KLP is esteemed to be well capitalized, and the capital adequacy and capital forecasts shows that KLP will be well capitalized through the whole forecast period (2022). In scenarios with negative market development it is presumed that KLP according to internal rules will reduce the allocation in shares in the

common portfolio. These scenarios also shows how the ancillary own funds (Group 2) will contribute in situations with low reserves so that the capital adequacy not will be reduces below the target ratio of 150 per cent.

Calculation of solvency margin (SCR ratio)
The European rules for calculation of solvency margin, SCR ratio, main target is to protect and ensure the interest of the insurance customers. The Group performs quarterly calculations of the SCR ratio.

According to the standard method of calculation in Solvency II, the Group has a solvency capital coverage of 263 per cent, which is slightly higher than at the end of 2017 when it stood at 224 per cent. The solvency capital coverage is well above the Group's target of 150 per cent. The regulatory minimum requirement is 100 per cent.

Several sensitivity analyses linked to solvency capital coverage have been carried out. The solvency capital is calculated to increase by 9 percentage per 50 basis points interest rate increase, and to be reduced by 4 percentage per 50 basis points interest rate decrease. This may be considered low, at least compared to private occupational pensions, and is mainly due to the fact that public-sector occupation pensions avoid the problem of paid-up policies. A 25 per cent fall in the stock market reduces capital adequacy by something over 50 percentage points when the rules are taken into account. This is a significant drop, but the level of capital adequacy will still be above the level at which action has to be considered.

Previous estimates have shown that, with the safety margins in the Company's tariffs and with the current level in the risk equalisation fund, solvency capital coverage is not very sensitive to changes in longevity and disability risk.

9.2.3 Credit- and concentration risk
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.

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. 30 per cent of the Group's total credit exposure is invested with issuers with an AA- rating or better. Taken into account, the exposure to local municipals and assume AA- rating or better, the credit exposure increases to 46 per cent. The Group has a separate international government bonds portfolio and the element of government bonds is also substantial in the Norwegian bonds portfolio.

The Group has a lending portfolio of high quality, with limited credit risk and historically very low losses. In the main, the Group provides loans secured on housing with a loan-to-value ratio of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to NOK 19.7 billion. The value of the mortgages represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.

The Group has limited concentration risk. Because no exposures exceed the threshold values defined in the Solvency II regulations, the Group has no capital requirements for concentration risk under the standard method. The way in which the fixed interest and equity portfolios are managed will generally help to limit concentration risk through extensive use of index management. The Group sets explicit limits for lending which restrict concentration on specific individuals and groups. Sector concentration is monitored via monthly and quarterly reporting.

Although the Group's investments are well diversified, there is a clear preponderance of investments in Norway. This is a deliberate and a natural consequence of dealing mainly with public-sector occupational pensions.

9.3 TOTAL MAXIMUM EXPOSURE TO CREDIT RISK FOR THE GROUP
The Group's total maximum exposure to credit risk comprises book values of financial assets and liabilities (see note 13 for more information regarding the Group's credit risk). The book classes of securities are specified in detail in Note 6 Fair value of financial assets and liabilities.

NOTE 10 Liquidity risk

The table in this note specifies the Company's financial liabilities classified according to maturity structure. The amounts in the table are non-discounted contractual cash flows.

2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Hybrid tier 1 securities [1]	0	63	252	315	1 520	2 151
Subordinated loans	0	252	1 010	6 444	0	7 706
Covered bonds issued	0	1 547	21 844	616	0	24 006
Debt to credit institutions	1 930	540	412	0	0	2 882
Liabilities to and deposits from customers	10 662	0	0	0	0	10 662
Accounts payable	50	0	0	0	0	50
Contingent liabilities	20 532	0	0	0	0	20 532
Total	**33 175**	**2 402**	**23 518**	**7 375**	**1 520**	**67 990**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	5 291	4 231	313	-96	-295	9 445
Total financial derivatives	**5 291**	**4 231**	**313**	**-96**	**-295**	**9 445**

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 330 million, payables to credit institutions maturing within one month are reduced with NOK 1 176 million, derivatives maturing between 1 to 12 months are reduced with NOK 860 million, while derivates 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.

2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Hybrid tier 1 securities [1]	0	60	238	298	1 466	2 062
Subordinated loans	0	250	1 002	6 644	0	7 897
Covered bonds issued	0	999	20 641	630	0	22 269
Debt to credit institutions	2 225	677	817	0	0	3 719
Liabilities to and deposits from customers	9 669	0	0	0	0	9 669
Accounts payable	162	0	0	0	0	162
Contingent liabilities	15 483	0	0	0	0	15 483
Total	**27 538**	**1 985**	**22 698**	**7 572**	**1 466**	**61 260**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	3 987	2 716	431	-7	-196	6 931
Total financial derivatives	**3 987**	**2 716**	**431**	**-7**	**-196**	**6 931**

[1] In regards to the loans that are perpetual, estimated cash streams are up to expected maturity at the interest adjustment date.

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

NOTE 10 Liquidity risk - cont.

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

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

Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning has the day-to-day responsibility and reports on 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 for the Group annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

The biggest obligations in the Group are those related to insurance, essentially applying to pension obligations. These obligations are fully founded and the liquidity management is handled in the same way as other obligations. Please see the table below, which shows the expected payment profile based on the assumptions for the period.

EXPECTED PAYMENT PROFILE PENSION OBLIGATIONS

2018
NOK MILLIONS

Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	16 715	69 945	113 263	289 361	334 369	310 503	214 687	159 179	1 508 022

2017
NOK MILLIONS

Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	17 099	70 508	112 221	281 135	321 069	295 129	202 424	147 903	1 447 488

The payment profile for insurance liabilities is based on non-discounted values and applies to life insurance and non-life insurance.

Insurance liabilities related to the life insurance businesses are discounted in the financial statements and show the present value at the end of the reporting period. The claims reserves are not discounted in the non-life insurance financial statements.

NOTE 11 Interest rate risk

31.12.2018 NOK MILLIONS	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Change in cash flows 01.01.2018-31.12.2018	Total	Adjusted for the minority holding
ASSETS								
Financial derivatives classified as assets	3	6	-1	84	-290	-4	-202	-207
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	1	1	1
Bonds and other fixed-income securities	-50	-55	-1 439	-1 904	-1 718	346	-4 819	-4 276
Fixed-income fund units	-831	0	0	0	0	0	-831	-831
Loans and receivables	-1	-1	0	0	0	145	143	117
Lending	0	0	0	0	0	630	630	630
Cash and 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								
Deposits	0	0	0	0	0	-107	-107	-107
Liabilities created on issuance of securities	0	0	0	0	0	-240	-240	-240
Financial derivatives classified as liabilities	-1	3	69	29	0	19	119	119
Hybrid Tier 1 securities and subordinated loan capital	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 in this context is accepted, not paid out lending.

NOTE 11 Interest rate risk - cont.

31.12.2017 NOK MILLIONS	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Change in cash flows 01.01.2017-31.12.2017	Total	Adjusted for the minority holding
ASSETS								
Financial derivatives classified as assets	0	51	5	-36	-240	-27	-248	-237
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	7	7	7
Bonds and other fixed-income securities	-55	-60	-1 275	-2 099	-1 732	371	-4 851	-4 221
Fixed-income fund units	-813	0	0	0	0	0	-813	-813
Loans and receivables	0	-3	0	0	0	130	126	102
Lending	0	0	0	0	0	611	611	611
Cash and deposits	0	0	0	0	0	28	28	28
Contingent liabilities [1]	0	0	0	0	0	44	44	44
Total assets	**-869**	**-12**	**-1 271**	**-2 135**	**-1 972**	**1 163**	**-5 096**	**-4 479**
LIABILITIES								
Deposits	0	0	0	0	0	-97	-97	-97
Liabilities created on issuance of securities	0	1	0	0	0	-229	-228	-228
Financial derivatives classified as liabilities	-1	8	70	149	-35	41	232	225
Hybrid Tier 1 securities and subordinated loan capital	0	0	0	59	73	0	132	132
Debt to credit institutions	0	0	0	0	0	-26	-26	-26
Total liabilities	**-1**	**9**	**70**	**208**	**38**	**-310**	**14**	**6**
Total before tax	**-870**	**-3**	**-1 201**	**-1 927**	**-1 934**	**853**	**-5 083**	**-4 472**
Total after tax	**-652**	**-2**	**-901**	**-1 445**	**-1 451**	**640**	**-3 812**	**-3 354**

[1] Contingent liabilities in this context is accepted, not paid out lending.

The note shows the effect on income of an increase in market interest rate of one per cent, for fair value risk and variable interest rate risk.

Change in fair value (fair value risk) is shown in the five first columns, sorted in accordance with maturity of the securities, and is calculated on the change in fair value of fixed-income instruments had the interest rate been 1 per cent higher at the end of the period. The column "Change in cash flows" (variable interest rate risk) shows the change in cash flows had the interest rate been 1 per cent higher throughout the year reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would have had on the Group during the period being reported on.

Fair value risk applies to fixed interest rate securities where the market value of the security fluctuates conversely to the market interest rate. Variable interest rate risk applies to securities at variable interest rates, where the market value remains stable, but where change in the market interest rate is reflected in changed current income.

Fixed-income securities with the following characteristics and classifications, are covered by this Note; securities at fair value through profit or loss (variable and fixed interest rate terms), investments held to maturity (only those with variable interest rate terms) and loans and receivables (only those with variable interest rate terms). The Group has no fixed-income securities classified as available for sale.

Fixed rate assets, recognized at amortized cost, do not cause any effects in the income statement when the market rate changes. The same goes for issued debt with a fixed rate, measured at amortized cost.

Insurance contracts with a guaranteed return does not change the accounting value when interest rates change. Changes in interest rate has no impact on the guaranteed return, but will have an impact on the achieved returns to cover the return guarantee. This is because insurance funds partly invests in debt instruments whose cash flows contribute to cover the customers return guarantee.

NOTE 12 Currency risk

31.12.2018	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position	Net position in NOK adjusted for the minorities share
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	NOK	
US dollar	13 446	-47	6 891	-18 331	8.659	20 337	-18 378	16 960	6 371
Swedish kroner	15 749	0	18 209	-27 924	0.977	33 958	-27 924	5 893	4 639
Euro	4 017	-131	1 741	-5 206	9.899	5 758	-5 336	4 176	1 952
British Pound	1 681	0	1 057	-2 417	11.028	2 737	-2 417	3 529	2 356
Japanese yen	132 725	-306	83 551	-177 250	0.079	216 276	-177 556	3 056	1 777
Hong Kong dollar	3 412	0	1 241	-2 889	1.106	4 653	-2 889	1 951	1 012
Danish kroner	7 140	-8	4 519	-10 271	1.326	11 658	-10 279	1 830	1 153
Canadian dollar	1 053	0	539	-1 308	6.340	1 592	-1 308	1 804	1 370
Swiss franc	417	0	193	-466	8.784	610	-466	1 261	703
Australian dollar	663	0	396	-862	6.096	1 059	-862	1 202	896
Indian rupi	8 105	0	0	0	0.124	8 105	0	1 005	685
Korean won	203 998	0	0	-88 900	0.008	203 998	-88 900	893	425
Taiwan new dollar	5 040	0	0	-2 120	0.282	5 040	-2 120	823	413
South African rand	1 337	0	0	0	0.602	1 337	0	805	565
Brazilian real	331	0	0	0	2.234	331	0	739	511
Other currencies								2 791	2 101
Total short-term foreign currency positions								**48 718**	**26 928**
Danish kroner	1 237	0	0	0	1.326	1 237	0	1 641	1 641
Japanese yen	15 881	-11 073	0	0	0.079	15 881	-11 073	379	379
Swedish kroner	1 495	0	0	-1 485	0.977	1 495	-1 485	9	9
Canadian dollar	0	0	0	-1	6.340	0	-1	-4	-4
Australian dollar	0	0	0	-1	6.096	0	-1	-6	-6
US dollar	1 846	-91	38	-1 826	8.659	1 884	-1 917	-281	-281
Euro	613	-615	0	-58	9.899	613	-672	-587	-587
British Pound	26	0	0	-84	11.028	26	-84	-641	-641
Total long-term foreign currency positions								**511**	**511**
Total pre-tax currency positions								**49 229**	**27 439**
Total currency positions after tax								**36 922**	**20 579**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the actual currency risk the KLP Group had at the end of the period in NOK. The net position exclued the minority share shows the real currency risk the Group has at the end of the period, because the column is directly related to actual ownership and risk in the Group. Other sums are in local currency. The table shows a hedging ratio for foreign currency at 87 and 85 per cent for 2018 and 2017 respectively.

NOTE 12 Currency risk - cont.

31.12.2017	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position	Net position in NOK adjusted for the minorities share
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	NOK	
US dollar	13 889	-1 454	6 920	-16 744	8.179	21 210	-18 198	24 638	13 186
Euro	4 013	-352	1 762	-5 037	9.822	5 949	-5 389	5 503	3 278
Japanese yen	141 139	-194	64 018	-164 795	0.073	205 157	-164 989	2 917	1 462
Swedish kroner	4 273	0	10 533	-23 313	0.999	25 797	-23 314	2 481	524
Hong Kong dollar	3 713	0	945	-2 539	1.046	4 657	-2 539	2 217	1 305
British Pound	1 217	-1	1 113	-2 582	11.065	2 783	-2 583	2 213	1 199
Korean won	222 321	0	0	0	0.008	222 321	0	1 699	1 208
Canadian dollar	1 048	0	548	-1 355	6.528	1 596	-1 355	1 574	1 069
Australian dollar	746	0	402	-927	6.397	1 148	-927	1 415	960
Taiwan new dollar	4 768	0	0	0	0.275	4 768	0	1 311	932
Swiss franc	433	0	221	-526	8.393	654	-526	1 076	561
Danish kroner	1 464	-229	3 885	-8 039	1.319	9 071	-8 267	1 060	171
Indian rupi	7 492	0	0	0	0.128	7 492	0	960	683
South African rand	1 318	0	0	0	0.661	1 318	0	871	619
Brazilian real	291	0	0	0	2.466	291	0	717	510
Other currencies								2 427	1 782
Total short-term foreign currency positions								**53 078**	**29 450**
Danish kroner	895	-70	0	0	1.319	895	-70	1 088	1 088
Japanese yen	16 113	-10 096	0	0	0.073	16 113	-10 096	437	437
Swedish kroner	450	0	0	-450	0.999	450	-450	0	0
Canadian dollar	0	0	0	0	6.528	0	0	-2	-2
US dollar	1 888	-98	0	-1 798	8.179	1 888	-1 896	-64	-64
British Pound	27	0	0	-61	11.065	27	-61	-379	-379
Euro	612	-615	0	-58	9.822	612	-673	-598	-598
Total long-term foreign currency positions								**482**	**482**
Total pre-tax currency positions								**53 561**	**29 933**
Total currency positions after tax								**40 170**	**22 450**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the actual currency risk the KLP Group had at the end of the period in NOK. The net position exclued the minority share shows the real currency risk the Group has at the end of the period, because the column is directly related to actual ownership and risk in the Group. Other sums are in local currency. The table shows a hedging ratio for foreign currency at 87 and 85 per cent for 2018 and 2017 respectively.

The Group currency-hedges the majority of investments made in foreign currency. Financial hedging of currency exposure is done through derivatives. In principle all of the Group's fixed-income investments and property investments in foreign currency are hedged back to NOK with the objective of 100 per cent hedging.

For equity investments in global markets, a somewhat lower hedging ratio is set in 2018. At 31 December 2018, the hedging ratio for equities in developed markets and the most liquid currencies in emerging markets was 60 per cent with possible fluctuations between 50-70 percent. Other currencies, i.e.,

NOTE 12 Currency risk - cont.

less liquid currencies in developed markets and currencies in emerging markets with the exception of the most liquid currencies, are not currency hedged. The reason for this is that these currencies do not have a large enough market and / or liquidity that it is appropriate to hedge currency. This reduction in the hedging of shares, as well as unsecured foreign equity funds, increases the net positions in foreign currencies.

If all currency positions were to change by 1 per cent at the same time and in the same direction this would affect the pre-tax result by NOK 492 million. For 2017 the effect on the pre-tax result of a 1 per cent change in the foreign exchange rates would have been NOK 536 million.

NOTE 13 Credit risk

31.12.2018 NOK MILLIONS	Investment grade	Lower rating	Public sector guarantee	Bank and finance	[1] Mortgage < 80%	[1] Mortgage > 80%	Other	Total	Adjusted for the unit holders' in consolidated securites funds
Debt instruments held to maturity at amortized cost	28 743	0	31	0	0	0	2 279	31 053	31 053
Debt instruments classified as loans and receivables at amortized cost	116 292	0	664	0	0	0	24 593	141 549	141 549
Debt instruments at fair value - fixed-return securities	113 232	884	3 764	0	0	7 845	14 207	139 932	127 781
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**	**340**	**17 619**	**9 917**	**62 728**	**440 005**	**424 405**

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

NOK MILLIONS	AAA	AA	A	BBB	Total Investment grade
SPECIFICATION OF INVESTMENT 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**

NOTE 13 Credit risk - cont.

31.12.2017 NOK MILLIONS	Invest-ment grade	Lower rating	Public sector guaran-tee	Bank and finance	[1] Mort-gage < 80%	[1] Mort-gage > 80%	Other	Total	Adjusted for the unit holders' in consolidated securites funds
Debt instruments held to maturity at amortized cost	28 893	0	31	0	0	0	2 207	31 131	31 131
Debt instruments classified as loans and receivables at amortized cost	92 315	0	6 281	100	0	0	22 680	121 377	121 318
Debt instruments at fair value - fixed-return securities	115 270	1 003	5 539	7 266	0	0	14 342	143 420	129 337
Fixed-income funds	0	0	0	0	0	0	13 485	13 485	13 485
Loans and receivables	16 847	0	0	0	0	0	0	16 847	13 755
Financial derivatives classified as assets	1 525	0	0	4	0	0	0	1 529	1 407
Cash and bank deposits	2 775	0	0	45	0	0	0	2 820	1 996
Lending	0	0	62 329	0	14 928	2 694	8 007	88 021	88 021
Total	**257 625**	**1 003**	**74 180**	**7 415**	**14 928**	**2 694**	**60 783**	**418 628**	**400 449**

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

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

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.

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

NOTE 13 Credit risk - cont.

bonds: this amounted to NOK 61 billion per 31.12.2018. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category.

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

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

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

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

PREMIUM RECEIVABLES AND RECEIVABLES IN CONNECTION WITH REINSURANCE

NOK MILLIONS	2018	2017
Premium receivables	733	947
Write-downs of premium receivables	0	0
Total	**733**	**947**

KLP's premium receivables are primarily in regard to the public sector and the credit risk is considered low. In addition the main group pension/public sector industry is linked to the Transfer agreement for the public sector. This transfer agreement has a security scheme intended to help to secure pension rights accrued with employers who cease to exist or do not pay premiums when due in accordance with detailed rules. The Group may thus apply for cover for unpaid demands in this industry from the security arrangement if the demand falls within the security arrangement's regulations.

NOTE 14 Presentation of assets and liabilities that are subject to net settlement

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

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

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.

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

NOTE 15 Mortgage loans and other lending

NOK MILLIONS	Local government administration	State and local authority owned enterprises [1]	Private organizations and enterprises	Employees, pensioners and similar	Total 31.12.2018	Total 31.12.2017
Akershus	2 714	29	492	3 257	6 492	5 950
Aust-Agder	2 118	26	3	212	2 359	2 021
Buskerud	10 115	795	103	1 231	12 244	11 817
Finnmark	1 262	370	0	350	1 982	1 675
Hedmark	3 526	445	71	752	4 793	4 117
Hordaland	4 156	842	141	1 484	6 622	7 268
Møre og Romsdal	4 662	229	178	728	5 797	5 634
Nordland	5 099	539	35	822	6 495	4 766
Nord-Trøndelag	0	0	0	230	230	2 161
Oppland	2 264	111	29	538	2 942	2 733
Oslo	29	0	1 709	2 075	3 813	3 417
Rogaland	2 706	145	105	1 687	4 643	4 319
Sogn og Fjordane	2 658	7	76	301	3 042	2 554
Sør-Trøndelag	0	0	0	947	947	5 376
Telemark	965	93	98	339	1 495	1 906
Troms	2 222	91	260	821	3 394	3 143
Vest-Agder	1 603	46	6	366	2 022	1 833
Vestfold	3 631	147	48	1 174	4 999	4 544
Østfold	2 547	171	13	2 274	5 006	4 388
Svalbard og Jan Mayen	7 707	156	129	2	7 994	109
Foreign	0	0	8 016	0	8 016	7 794
Not allocated	0	0	0	82	82	62
Accrued interests	224	13	29	20	286	312
Value adjustment					68	123
Total	**60 208**	**4 254**	**11 541**	**19 693**	**95 764**	**88 021**

[1] This category covers local authority business operations, as well as enterprises owned by central and local government.

The Group has a lending portfolio of high quality, with limited credit risk and historically very low losses. In the main the Group provides loans secured on housing with a loan-to-value ratio of less than 80 per cent, loans to local authorities and loans with government (central/local) guarantees. Lending secured through mortgages on housing amounts to about NOK 19.7 billion. The sector diversification of Group lending is very small, since a very high proportion of the loans are provided for the public sector. However the concentration risk this suggests can hardly be perceived as a real risk since the loans are covered by government (central/local) guarantee, representing an extremely low counterparty risk.

In the financial position statement the two lending-related lines must be taken into account to find amounts corresponding to those in the note.

NOTE 15 Mortgage loans and other lending - cont.

NOK MILLIONS	2018	2017
INDIVIDUAL WRITE-DOWNS ON LOANS AT AMORTIZED COST		
Number of loans [1]	5	10
Total principal before write-downs	6.6	7.4
Write-downs	1.3	3.0
Total principal after write-downs	**5.4**	**4.4**
INDIVIDUAL WRITE-DOWNS		
Write-down on individual loans 01.01.	3.0	2.0
Known losses for the period where individual write-down has been carried out previously	-3.3	-0.1
Write-down on individual loans for the period	2.0	1.3
Reversal of write-down on individual loans for the period	-0.5	-0.2
Write-down on individual loans 31.12.	**1.3**	**3.0**
GROUP WRITE-DOWNS		
Write-down on group of loans 01.01.	0.7	0.8
Write-down on group of loans for the period	3.7	-0.1
Write-down on group of loans 31.12.	**4.4**	**0.7**

NOK MILLIONS	2018 Remaining debt	2017 Remaining debt
LOANS OVERDUE, NOT WRITTEN DOWN		
Overdue		
30-90 days	66	61
over 90 days	63	16
Total overdue loans	**129**	**77**

[1] The numbers are absolute figures, the amounts are given in NOK million. Defaulted loans are loans measured at amortized cost.

NOTE 16 Investment properties

NOK MILLIONS	2018	2017
Net rental income	2 717	2 550
Net financial income/costs	3	5
Net realized gains/losses	362	129
Change in fair value	1 911	2 269
Net income from investment properties	**4 993**	**4 953**
Currency translation foreign subsidiaries, taken to other comprehensive income	-238	937
Net income from investment properties currency translation	**4 754**	**5 889**

NOK MILLIONS	2018	2017
Book value 01.01.	63 519	59 497
Addition through purchase	1 887	463
Additions through reclassification	944	748
Reductions through sale	-452	-396
Net write-up/down resulting from change in fair value including currency translation	1 673	3 206
Book value 31.12.	**67 570**	**63 519**

NOTE 17 Investments in associated companies and joint ventures

NOK MILLIONS	Organization number	Holding %	Owners equity on first aquisition	Aquisition cost	Book value 31.12.17	Additions/ disposals	Value adjustment	Profit / loss share	Equity transactions	Dividend	Book value 31.12.18
Norfinance AS Fridtjof Nansens plass 4 0160 OSLO	912764729	46.5 %	92.30	325.03	390.68	6.00	0.00	22.75	0.00	-3.76	415.67
Norsk Pensjon AS Hansteens gate 2 0253 Oslo	890050212	25.0 %	5.00	2.50	1.64	0.00	0.00	0.13	0.00	0.00	1.77
Fylkeshuset AS, Fylkeshuset 6404 Molde	930591114	48.0 %	0.05	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.05
KLP Norfund Investments IS Fridtjof Nansens plass 4 0160 OSLO	999548636	49.0 %	0.05	443.30	380.47	155.17	0.00	2.74	0.00	-77.45	460.93
Copenhagen Infrastructure III GP APS Nørregade 21 1165 København K., Danmark		33.3 %	0.02	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.02
Stena Renewable AB Rosenlundsg.3 Box 7123 402 33 Göteborg		30.0 %	600.17	600.17	0.00	600.17	0.00	29.80	0.00	0.00	629.96
Total in associated companies and joint ventures				**1 371.06**	**772.87**	**761.34**	**0.00**	**55.42**	**0.00**	**-81.22**	**1 508.41**

All shares have equal voting proportions.
KLP Norfund Investment IS is a joint venture, while the remaining companies are associated companies.

NOTE 18 Subordinated loan capital and hybrid Tier 1 securities

2018 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2018	Due date
BORROWINGS [1]				
June 2015	EUR 600	5 163	6 029	2045
Total subordinated loan capital		**5 163**	**6 029**	
April 2004	JPY 15 000	984	1 662	Perpetual
Total hybrid tier 1 securities		**984**	**1 662**	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 691**	

2017 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2017	Due date
BORROWINGS [1]				
June 2015	EUR 600	5 163	5 977	2045
Total subordinated loan capital		**5 163**	**5 977**	
April 2004	JPY 15 000	984	1 534	Perpetual
Total hybrid tier 1 securities		**984**	**1 534**	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 511**	

[1] Interest costs on the two subordinated loans were NOK 249 million (NOK 283 million) and NOK 61 million (NOK 61 million) for the hybrid Tier 1 securities in 2018. Figures in brackets are 2017 figures.
[2] Amount in local currency (millions)

EUR 600
The interest on the loan is fixed at 4.25 per cent p.a. The loans was issued the 10th of June 2015 and is due in 2045. The loan can be redeemed by KLP after 10 years, and at every interest payment date that follows. The loan is currency hedged with EUR denominated bonds as shown in the table below. This arrangement is not subject to hedge accounting.

JPY 15 000
The interest on the loan is fixed USD-interest of 5.07 per cent p.a. The loan is perpetual but the Group has the right to redeem the loan on 28 April 2034. If KLP does not exercise its redemption right in 2034, the loan will switch to variable interest. The credit margin then increases by 1 percentage point to 6-month JPY LIBOR-interest + a margin of 3.30 per cent p.a. To hedge the interest and exchange risk associated with the loan a combined interest rate and currency swap has been agreed in which KLP pays 3-month NIBOR-interest + a margin of 2.65 per cent p.a. and receives USD-interest of 5.07 per cent p.a. This hedging arrangement is shown in Note 19.

NOTE 18 Subordinated loan capital and hybrid Tier 1 securities - Cont.

2018 NOK MILLIONS	Nominal currency ²	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2018	Due date
Bonds	EUR 596	5 152	32	716	5 899	2025
Total hedging transactions		**5 152**	**32**	**716**	**5 899**	

2017 NOK MILLIONS	Nominal currency ²	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2017	Due date
Bonds	EUR 596	5 152	31	665	5 849	2025
Total hedging transactions		**5 152**	**31**	**665**	**5 849**	

[1] Interest costs on the two subordinated loans were NOK 249 million (NOK 283 million) and NOK 61 million (NOK 61 million) for the hybrid Tier 1 securities in 2018. Figures in brackets are 2017 figures.
[2] Amount in local currency (millions).

NOTE 19 Hedge accounting

31.12.2018 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value 31.12.2018
KOMMUNAL LANDSPENSJONSKASSE			
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-678	-1 662
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	657	657
Hedge effectiveness as at 31.12.2018		**98 %**	
Hedge effectiveness through the year		**98 %**	
KLP BANKHOLDING GROUP			
HEDGED OBJECT			
Loans to retail customers fixed interest in NOK	133	6	139
HEDGING INSTRUMENT			
Interest rate swap loans to retail customers fixed int. rate NOK	136	-7	-7
Hedge effectiveness as at 31.12.2018		**111 %**	
Hedge effectiveness through the year		**111 %**	

NOTE 19 Hedge accounting - Cont.

31.12.2017 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value 31.12.2017
KOMMUNAL LANDSPENSJONSKASSE			
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-551	-1 534
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	530	530
Hedge effectiveness as at 31.12.2017		**98 %**	
Hedge effectiveness through the year		**98 %**	
KLP BANKHOLDING GROUP			
HEDGED OBJECT			
Loans to retail customers fixed interest in NOK	159	10	169
HEDGING INSTRUMENT			
Interest rate swap loans to retail customers fixed int. rate NOK	161	-10	-10
Hedge effectiveness as at 31.12.2017		**105 %**	
Hedge effectiveness through the year		**105 %**	

The note shows the financial instruments in the Group subject to hedge accounting, with associated hedging instruments. As at 31 December 2018 the Group has three hedge relationships: one in Kommunal Landspensjonskasse and two in KLP Bankholding Group. The hedge effectiveness stands at 98 and 111 per cent on the hedge relationships as at 31 December 2018, which means relatively small effects on everything subject to hedge accounting in the Group.

HYBRID TIER 1 SECURITIES IN FOREIGN CURRENCY WITH FIXED INTEREST

The hybrid Tier 1 securities loan is hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is brought to account in accordance with the rules on fair value hedging. In practice the hedging involves a swap of currency terms (JPY 15 billion against NOK 0.984 billion) and interest terms (fixed interest at 5.07 per cent against NIBOR +2.6475 per cent) on the borrowing and the combined interest and currency swap respectively. The hedge effectiveness is measured by looking at the change in fair value of the hedged object and the hedging instrument.

The hedge effectiveness is valued retrospectively each month and is then considered effective if the change in fair value between hedged object and hedging instrument lies within the bracket 80 per cent to 125 per cent.

LENDING WITH FIXED INTEREST

The hedging of lending is done with an interest rate swap in which the Group pays variable and receives fixed. The hedging is brought to book in accordance with the rules on fair value hedging and the purpose of this hedging is to hedge the interest-rate risk on the lending. The hedged object and the hedging instrument are struck on the same terms and conditions. The hedge effectiveness is measured by comparing accumulated value change on the hedging instrument to accumulated value change on the hedged object.

The hedge effectiveness is assessed retrospectively each month and is then considered effective if the change in fair value between hedging object an d hedging instrument lies within the bracket 80 per cent to 125 per cent.

OTHER HEDGING RELATIONSHIPS

Other hedging relationships in this context involves KLP Banken AS Group and have a effectiveness of 100%. For more details - see note 7 and 9 in KLP Banken AS Group's annual report for 2018.

GENERAL

Fair value hedging means that the hedged value development of the hedged object is recognized through profit or loss. Correspondingly the value change on the hedging instrument is recognized in profit/loss.

See also Note 2 for a detailed description of the hedge accounting in the accounts.

NOTE 20 Borrowing

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

[1] The loan has an interest change date in 2025.
[2] The loan has an interest change date in 2034.

NOTE 20 Borrowing - cont.

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

[3] There is no contractual maturity date on deposits.

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

NOTE 21 Technical matters

INSURANCE LIABILITIES DISTRIBUTED BY MAIN SECTORS

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans	Group annuity and pension insurance, including group annuity and pension insurance for association members	Accident insurance and other non-life sectors	Group life	Total 31.12.2018	Total 31.12.2017	Change 2018
Premium reserve and pension capital							
Supplementary reserves	28 306	111	0	0	28 418	25 646	2 772
Securities adjustment fund	33 439	8	0	0	33 447	42 309	-8 862
Premium fund	12 761	54	0	0	12 815	15 631	-2 816
Other technical provisions for the non-life insurance operation	0	0	2 261	80	2 341	2 378	-37
Total insurance liabilities 31.12.2018	**507 584**	**5 080**	**2 261**	**80**	**515 005**	**495 852**	**19 154**
Total insurance liabilities 31.12.2017	489 146	4 328	2 298	80		495 852	

INSURANCE LIABILITIES PER SUBSEGMENT

Subsegment of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options	Occupational pensions schemes with investment options	Total 31.12.2018	Total 31.12.2017	Change 2018
Premium reserve and pension capital				405 737	27 341
Supplementary reserves	28 206	100	28 306	25 539	2 767
Securities adjustment fund	33 439		33 439	42 277	-8 838
Premium fund	12 383	378	12 761	15 591	-2 830
Total insurance liabilities 31.12.2018	**505 165**	**2 419**	**507 584**	**489 146**	**18 439**
Total insurance liabilities 31.12.2017	486 771	2 375		489 146	

Sub-sectors in group annuity and pension insurance, including group annuity and pension insurance for association members

NOK MILLIONS	Company pension schemes without investment options	Paid-up policies without investment options	Defined contribution pension schemes with investment options	Pension capital certificates with investment options	Total 31.12.2018	Total 31.12.2017	Change 2018
Premium reserve and pension capital	597	932	1 956	1 421	4 906	4 152	755
Supplementary reserves	38	73	0	0	111	106	5
Securities adjustment fund	2	5	0	0	8	31	-23
Premium fund	29	6	20	0	54	39	15
Total insurance liabilities 31.12.2018	**667**	**1 017**	**1 975**	**1 421**	**5 080**	**4 328**	**752**
Total insurance liabilities 31.12.2017	639	1 005	1 595	1 089		4 328	

NOTE 21 Technical matters - cont.

Insurancre liabilities in main sector accident insurance and other non-life sectors, and group life - main sectors without subsegments

NOK MILLIONS	Accident insurance and other non-life sectors	Group life	Total 31.12.2018	Total 31.12.2017	Change 2018
Premium reserve	390	31	421	383	37
Claims reserve	1 871	49	1 920	1 994	-74
Total technical provisions for the non-life insurance operation 31.12.2018	**2 261**	**80**	**2 341**	**2 378**	**-37**
Total technical provisions for the non-life insurance operation as at 31.12.2017	2 298	80		2 378	-37

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities under contracts with contractual obligations

NOK MILLIONS	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium fund	Technical provisions for the non-life insurance operation	Total 2018	Total 2017
Insurance liabilities 01.01	405 375	25 506	42 309	15 236	2 367	490 792	454 005
Changes in insurance liabilities taken to income							
Net reserves taken to profit/loss	27 299	-20	-8 862	266	-39	18 644	37 620
Surplus on returns result	0	2 845	0	2 004	0	4 849	6 638
Risk result assigned to insurance contracts	0	0	0	478	0	478	519
Other assignment of surplus	0	8	0	18	0	26	76
Total changes taken to profit/loss	**27 299**	**2 833**	**-8 862**	**2 766**	**-39**	**23 997**	**44 852**
Adjustment of the insurance liabilities	0	0	0	238	0	238	-930
Changes in insurance liabilities not taken to profit/loss							
Transfer between funds/allocated to premium payment	8	-3	0	-5 807	0	-5 803	-7 096
Receipts/payments on transfer	-2	-17	0	-16	0	-35	-38
Total changes not taken to profit/loss	**5**	**-20**	**0**	**-5 823**	**0**	**-5 838**	**-7 134**
Total changes in insurance liabilities	**27 304**	**2 812**	**-8 862**	**-2 819**	**-39**	**18 397**	**36 788**
Insurance liabilities 31.12	**432 683**	**28 318**	**33 447**	**12 418**	**2 325**	**509 190**	**490 793**

NOTE 21 Technical matters - cont.

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options

NOK MILLIONS	Premium reserve	Supple-mentary reserves	Premium fund	Total 2018	Total 2017
Insurance liabilities 01.01	4 524	140	394	5 058	3 855
Changes in insurance liabilities taken to income					
Net reserves taken to profit/loss	799	0	7	805	1 104
Surplus on returns result	0	-40	-1	-41	112
Risk result assigned to insurance contracts	0	0	2	2	2
Other assignment of surplus	0	0	0	0	1
Total changes taken to profit/loss	**799**	**-40**	**13**	**772**	**1 206**
Adjustment of the insurance liabilities	0	0	1	1	-5
Changes in insurance liabilities not taken to profit/loss					
Transfer between funds/allocated to premium payment	-5	0	-18	-24	-15
Receipts/payments on transfers	1	0	13	14	4
Total changes not taken to profit/loss	**-5**	**0**	**-5**	**-10**	**-11**
Total changes in insurance liabilities	**794**	**-40**	**4**	**757**	**1 204**
Insurance liabilities 31.12	**5 318**	**100**	**397**	**5 815**	**5 059**

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options continued

NOK MILLIONS	Technical provisions for the non-life insurance operation			
	Accident insurance and other non-life sectors	Group life	Total 2018	Total 2017
Insurance liabilities 01.01	2 298	80	2 378	2 255
Changes in insurance liabilities taken to income				
Net reserves taken to profit/loss	-37	0	-37	123
Surplus on returns result				
Risk result assigned to insurance contracts	0	0	0	0
Other assignment of surplus	0	0	0	0
Total changes taken to profit/loss	**-37**	**0**	**-37**	**123**
Changes in insurance liabilities not taken to profit/loss				
Transfer between funds/allocated to premium payment	0	0	0	0
Receipts/payments on transfers	0	0	0	0
Total changes not taken to profit/loss	**0**	**0**	**0**	**0**
Total changes in insurance liabilities	**-37**	**0**	**-37**	**123**
Insurance liabilities 31.12	**2 261**	**80**	**2 341**	**2 378**

NOTE 21 Technical matters - cont.

Technical accounts by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Accident insurance and other non-life sectors	
	2018	2017	2018	2017	2018	2017
Premium income	38 724	32 413	1 041	997	1 138	1 140
Net income from investments	7 035	30 973	-90	334	0	0
Other insurance-related income	1 055	984	5	3	2	2
Claims	-18 844	-17 384	-155	-199	-888	-926
Change insurance liabilities	-21 559	-38 707	-738	-1 089	0	0
Funds assigned to insurance contracts	-2 939	-5 199	-20	-17	0	0
Insurance-related operating expenses	-1 096	-1 001	-67	-62	-282	-255
Other insurance-related costs	-1 059	-980	-4	-1	0	0
Technical result	**1 318**	**1 100**	**-28**	**-34**	**-29**	**-38**

Technical accounts by main sectors continued

NOK MILLIONS	Group life		Total	
	2018	2017	2018	2017
Premium income	134	150	41 037	34 700
Net income from investments	1	0	6 945	31 308
Other insurance-related income	0	0	1 062	990
Claims	-131	-163	-20 017	-18 672
Change insurance liabilities	0	0	-22 297	-39 796
Funds assigned to insurance contracts	0	0	-2 959	-5 216
Insurance-related operating expenses	-31	-26	-1 476	-1 343
Other insurance-related costs	0	0	-1 063	-981
Technical result	**-28**	**-38**	**1 233**	**989**

NOTE 21 Technical matters - cont.

Technical accounts by sub-sectors - main sector accident insurance and other non-life sectors and main sector group llife and has no sub-sectors

Subsegments of group pension insurance for municipalities, including institutions with similar pension plans.

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2018	2017	2018	2017	2018	2017
Premium income	38 575	32 281	149	132	38 724	32 413
Net income from investments	7 021	30 809	14	164	7 035	30 973
Other insurance-related income	1 050	980	4	5	1 055	984
Claims	-18 758	-17 302	-86	-82	-18 844	-17 384
Change insurance liabilities	-21 501	-38 612	-58	-95	-21 559	-38 707
Funds assigned to insurance contracts	-2 937	-5 095	-2	-104	-2 939	-5 199
Insurance-related operating expenses	-1 091	-996	-5	-5	-1 096	-1 001
Other insurance-related costs	-1 054	-976	-5	-4	-1 059	-980
Technical result	**1 307**	**1 088**	**11**	**11**	**1 318**	**1 100**

Sub-sectors in group annuity and pension insurance, including group annuity and pension insurance for association members

NOK MILLIONS	Company pension schemes without investment options		Risk coverage		Paid-up policies without investment options	
	2018	2017	2018	2017	2018	2017
Premium income	49	63	44	35	0	0
Net income from investments	17	29	3	6	29	53
Other insurance-related income	5	3	0	0	0	0
Claims	-22	-37	-7	-8	-41	-35
Change insurance liabilities	-28	-56	-33	-32	29	13
Funds assigned to insurance contracts	-9	-8	-1	-1	-10	-7
Insurance-related operating expenses	-7	-6	-1	0	-11	-11
Other insurance-related costs	-4	-1	0	0	0	0
Technical result	**2**	**-13**	**6**	**0**	**-3**	**13**

NOTE 21 Technical matters - cont.

Sub-sectors in group annuity and pension insurance, including group annuity and pension insurance for association members continued

NOK MILLIONS	Defined contribution pension schemes with investment options		Pension capital certificates with investment options		Total	
	2018	2017	2018	2017	2018	2017
Premium income	663	799	285	99	1 041	997
Net income from investments	-81	247	-59	27	-90	334
Other insurance-related income	0	0	0	0	5	3
Claims	-43	-72	-43	-48	-155	-199
Change insurance liabilities	-532	-936	-175	-78	-738	-1 089
Funds assigned to insurance contracts	0	0	0	0	-20	-17
Insurance-related operating expenses	-37	-35	-11	-10	-67	-62
Other insurance-related costs	0	0	0	0	-4	-1
Technical result	**-30**	**-34**	**-3**	**-10**	**-28**	**-34**

Result analysis by main sectors

NOK MILLIONS	Group pension insurance for municipali-ties, including institutions with similar pension plans	Group annuity and pension insurance, including group annuity and pension insurance for association members	Accident insurance and other non-life sectors	Group life	Total 2018	Total 2017
RETURNS RESULT TO CUSTOMERS						
Returns result	5 047	26	0	0	5 074	6 678
Risk result excluding profit element - customer share	478	2	0	0	479	523
Total result to insurance customers	**5 527**	**28**	**0**	**0**	**5 555**	**7 201**
Increased reserves because of greater longevity	0	0	0	0	0	784
Transferred to supplementary reserves	2 805	8	0	0	2 813	1 198
Allocated to the customers' premium fund	2 723	20	0	0	2 743	5 218
Total result allocated to customers	**5 528**	**28**	**0**	**0**	**5 555**	**7 201**
RESULT TO INSURANCE PROVIDERS						
Share of returns result	158	2	0	0	160	170
Risk result excluding profit element	482	2	0	0	484	376
Administration result	137	-39	0	0	98	102
Consideration for interest guarantee and profit element	758	7	0	0	765	716
Other	0	0	-29	-28	-57	-78
Rebooking from equity	-216	0	0	0	-216	-298
Result to insurance provider	**1 318**	**-28**	**-29**	**-28**	**1 233**	**989**

NOTE 21 Technical matters - cont.

Result analysis by sub segments - main sector accident insurance and other non-life sectors and main sector group llife and has no sub-sectors

Subsegments of group pension insurance for municipalities, including institutions with similar pension plans.

NOK MILLIONS	Defined contribution pension schemes with investment options	Pension capital certificates with investment options	Total 2018	Total 2017
RETURNS RESUTLAT TO CUSTOMERS				
Returns result	5 088	-40	5 047	6 602
Risk result excluding profit element - customer share	476	2	478	521
Total result to insurance customers	**5 563**	**-38**	**5 525**	**7 124**
Increased reserves because of greater longevity	0	0	0	784
Transferred to/from supplementary reserves	2 845	-40	2 805	1 137
Allocated to the customers' premium fund	2 721	2	2 723	5 202
Total result allocated to customers	**5 566**	**-38**	**5 528**	**7 124**
RESULT TO INSURANCE PROVIDERS				
Share of returns result	158	0	158	168
Risk result excluding profit element	480	2	482	378
Administration result	137	1	137	141
Consideration for interest guarantee and profit element	750	8	758	711
Other	0	0	0	0
Rebooking from equity	-216	0	-216	-298
Result to insurance provider	**1 307**	**11**	**1 318**	**1 100**

Claims by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Accident insurance and other non-life sectors	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Claims paid in accordance with insurance agreements	-18 345	-17 168	-83	-71	-888	-926
Claims paid in accordance with repurchase	0	0	0	0	0	-9
Total	**-18 345**	**-17 168**	**-83**	**-71**	**-888**	**-934**

Claims by main sectors continued

NOK MILLIONS	Group life		Total	
	2018	**2017**	**2018**	**2017**
Claims paid in accordance with insurance agreements	-131	-163	-19 445	-18 328
Claims paid in accordance with repurchase	0	0	0	-9
Total	**-131**	**-163**	**-19 446**	**-18 337**

NOTE 21 Technical matters - cont.

Transfer by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Group life	
	2018	2017	2018	2017	2018	2017
FUNDS TRANSFERRED IN						
Premium reserve	5	298	520	543	0	0
Funds received taken through profit or loss	2	24	15	3	0	**0**
Premium fund	2	22	0	0	0	**0**
Supplementary reserves to fund	**9**	**344**	**534**	**546**	**0**	**0**
Number of contracts	1	1	131	120	0	0
FUNDS TRANSFERRED OUT						
Premium reserve	439	190	72	125	0	0
Strengthening reserves	21	13	0	0	0	**0**
Supplementary reserves	37	9	0	0	0	0
Funds paid out taken through profit or loss	**497**	**212**	**72**	**125**	**0**	**0**
Premium fund	22	2	1	2	0	0
Total funds paid out	**518**	**214**	**73**	**127**	**0**	**0**
Number of contracts	9	4	46	42	0	0

New subscription

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Group life	
	2018	2017	2018	2017	2018	2017
New subscription	10	7	82	72	8	5
Number of contracts	59	38	108	414	753	70

NOTE 22 Tangible fixed assets

NOK MILLIONS	2018				2017			
	Property for own use	Vehicles	Machines/ inventory	2018	Property for own use	Vehicles	Machines/ inventory	2017
Book value 01.01.	1 628	1	86	1 715	1 525	1	79	1 604
Acquisition cost 01.01.	1 099	12	312	1 424	1 082	12	291	1 385
Accum. Depreciation prev. years	-201	-11	-227	-440	-171	-11	-212	-394
Accum. Value adjustm. prev. years	730	0	0	730	614	0	0	614
Acquisition	1	0	11	12	22	0	26	49
Assets held for disposal	0	0	-4	-4	-5	0	-5	-9
Value adjustements	222	0	0	222	110	0	0	110
Depreciation	-33	0	-12	-45	-31	0	-15	-46
Currency impact	0	0	0	0	7	0	1	8
Acquisition cost 31.12.	1 100	13	319	1 432	1 099	12	312	1 424
Accumulated depriciation 31.12.	-234	-12	-240	-485	-201	-11	-227	-440
Accumulated value adjustment 31.12.	952	0	0	952	730	0	1	731
Book value 31.12.	**1 818**	**1**	**81**	**1 900**	**1 628**	**1**	**86**	**1 715**
Economic life	50 years	5 years	3 - 5 years		50 years	5 years	3 - 5 years	
Depreciation method	Straight-line	Balance/ Straight-line	Balance/ Straight-line		Straight-line	Balance/ Straight-line	Balance/ Straight-line	

NOTE 23 Tax

NOK MILLIONS	2018	2017
Pre-tax income	2 840	2 474
Other comprehensive income excl. tax	201	81
DIFFERENCES BETWEEN ACCOUNTING AND TAX INCOME		
Unit holders value change in consolidated securities funds	-4 022	8 648
Reversal of value reduction, financial assets	200	3 624
Reversal of value increase financial assets	19 388	-15 957
Refunding of value increase properties	0	-3 206
Accounting loss on realization of shares and other securities	2 413	1 312
Book gain on realization of shares and other securities	-8 200	-6 383
Tax gain on realization of shares and other securities	49	1 426
Refunding of 3% tax-free income i.a.w. the exemption method	0	37
Share of taxable income in partnerships	26	0
Share of accounting income in partnerships	0	-3 405
Liquidation of security reserve	54	0
Other permanent differences	-1 447	-2 483
Correction of carryforward deficit that can not be compensated	-2 016	0
Correction of pay-as-you-earn tax	- 804	0
Change in differences affecting relationship between book and taxable income	-6 542	-677
Taxable income	**2 139**	**-14 508**
Surplus/deficit for the year is transferred to carryforward deficit	**0**	**-14 508**
Taxable income, bacic for payable tax	**2 139**	**0**
Deficit carryforward allowable from previous years	-65 820	-54 005
Difference between the calculated and the undisclosed tax base	538	2 694
Change for the year in carryforward deficit	-2 016	-14 508
Surplus value financial instrument in common portofolio	61 918	0
Transition regulation 01.01.2018	**1 799**	**0**
Total carryforward deficit and allowance 31.12.	**-5 379**	**-65 820**

NOTE 23 Tax - cont.

NOK MILLIONS	2018	2017
RECONCILIATION OF BASIS FOR DEFERRED TAX		
TAX-INCREASING TEMPORARY DIFFERENCES		
Fixed assets	0	2
Gains and losses account	3	3
Buildings and other real estate	1 186	22 176
Financial instruments	0	107
Risk equilization fund	4 156	4 156
Natural disaster fund	164	164
Guarantee scheme	49	49
Reinsurance	4	0
Security reserve	486	0
Securities	1 444	43 330
Shares in partnerships	245	220
Lending to customers and credit enterprises	60	34
Claims provisions	67	0
80% of technical result	1 052	0
Total tax-increasing temporary differences	**8 825**	**70 781**
TAX-REDUCING TEMPORARY DIFFERENCES		
Fixed assets	-64	0
Gains and losses account	0	-55
Long-term receivables	-1 329	-1 152
Financial instruments	-17	0
Pension obligation	-790	-797
Borrowing	0	-16
Other liabilities	-46	-66
Securities	-3	-26
Adjusted for 20% of transition regulation 01.01.2018	-392	0
Hedging	-35	0
Other differences	-2	-1
Total tax-reducing temporary differences	**-2 678**	**-2 112**
Net temporary differences	**6 147**	**68 669**
Difference not included in the basis for deferred taxes [1]	-4 373	0
Transition regulation 01.01.2018	1 799	0
Other differences that are not included in the calculation of deferred tax [2]	-4 175	0
Carryforward deficit	-5 379	-65 820
Basis for deferred tax and tax assets	**-1 805**	**2 849**
25% deferred tax assets	-451	712
Write-down of deferred tax assets	1 470	953
Net deffered tax and tax assets	**1 018**	**1 665**

[1] Accourdning to the new rules deductiongs will no longer be made for provisions for risk equilization fund, natural disaster fund and guarantee scheme. These funds are subject to transitional rules, so that the total provisions for these funds at the end of the 2017 income year can be deposited in a separate account, where the account is first taxed on the liquidation of the non-life insurance business. The group presents the accounts during continued operations, and assumes that the present value of the liability will be 0.

[2] In connection with new tax rules for common portfolios in life insurance, the taxable value had been adjusted up to the accounting value. In the case of shares owned by a parent company in a company that possesses a common portfolio, this involves an adjustment upwards of the taxable value to the fair value. This upward adjustment includes all shares in the property portfolio, in addition to those properties located abroad. The adjustment has been made against the carry-forward deficit in 2018, while the excess has been recognised against the profit and loss account (referred to above as 'transitional rule 01/01/2018'). In order to avoid the provision for tax on the same added value twice, the element of the added value originating from properties abroad has been removed from the basis for deferred tax in the accounts.

NOTE 23 Tax - cont.

NOK MILLIONS	2018	2017
BOOK DEFFERED TAX AND TAX ASSETS		
- Of which deferred capitalized tax assets	65	68
- Of which capitalized referred tax assets extempt from equalisation	1 083	1 733
Deffered tax direct to Owners equity 01.01.2017	0	1 051
Change in deferred tax assets taken to profit/loss	-4	-304
Change in deferred tax taken to profit/loss	650	-279
Tax payable taken to profit/loss	-535	-378
Withholding tax taken to profit/loss	-287	-202
Cost of taxes	**-175**	**-1 163**
TAX TAKEN TO PROFIT/LOSS		
Cost of taxes	-125	-1 143
Tax on items that will not be reclassified against the comprehensive income statement	5	7
Tax on items that will be reclassified to income later	-56	-27
Total tax taken to profit/loss	**-175**	**-1 163**

NOTE 24 Transferred assets with restrictions

TRANSFERRED ASSETS THAT ARE STILL CAPITALISED

All assets transferred are recognised in the financial position statement if the Group is still exposed to changes in the fair value of the asset. This applies to repurchase agreements and agreements concerning securities lending.

Repurchase agreements are a form of borrowing with collateral, whereby the Group sells securities with an agreement to repurchase those securities at a predetermined price. Cash received is recognised as a deposit (debt). Securities transferred in connection with the repurchase agreement are not deducted in the financial position statement.

Agreements regarding securities lending are transactions whereby the group lends securities to a counterparty and receives a commission for it.

Since both repurchase agreements and securities lending result in the securities being returned to the Group, the risk of value changes rests with the Group. However, the securities are not available to the Group while being transferred.

The securities still reported in the financial position statement, and related debt, are assessed at fair value.

NOK MILLIONS	31.12.2018	31.12.2017
REPURCHASE AGREEMENTS		
Certificates and bonds	512	1 092
SECURITIES LENDING		
Shares	7 882	6 846
Total assets transferred that are still capitalised	**8 394**	**7 938**

NOTE 24 Transferred assets with restrictions - cont.

LIABILITIES RELATED TO THE ASSETS

NOK MILLIONS	31.12.2018	31.12.2017
REPURCHASE AGREEMENTS		
Paid in by credit institutions	509	1 089
SECURITIES LENDING		
Paid in by credit institutions	608	1 232
Certificates and bonds	7 674	5 950
Total liabilities	**8 792**	**8 270**

All the assets in the table above are subject to resale or collateral with the counterparty.

ASSETS TRANSFERRED THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES

The Group receives collateral under reverse repurchase agreements and agreements related to securities borrowing, which it is permitted to sell or pledge under the agreement. Transactions are carried out in accordance with standard agreements employed by the parties in the financial market. The agreements normally require additional collateral if the values fall below a predetermined level. According the agreements, the recipient of the collateral has the unlimited right to sell or pledge the collateral in return for providing corresponding collateral on the date of settlement.

SECURITIES RECEIVED THAT ARE PERMITTED TO BE SOLD OR PLEDGED

NOK MILLIONS	31.12.2018	31.12.2017
SECURITIES BORROWING		
Shares	409	603
Of which sold or pledged	409	603
Total assets transferred and still capitalised	**409**	**603**

Adjusted for the unit holders' interests in consolidated securites funds, meaning that only the KLP Group de facto ownership and risks are taken into account; assets are reduced by NOK 3 384 million and liabilities associated to the assets are reduced by NOK 3 014 million as of 31.12.2018.

NOTE 25 Intangible assets

NOK MILLIONS	IT-systems	Other	2018	IT-systems	Other	2017
Book value 01.01.	290	23	313	309	16	324
Acquisition cost 01.01.	1 366	16	1 391	1 302	16	1 318
Total additions	31	10	41	64	10	73
of which internally developed	10	0	10	10	0	10
of which bought	21	10	31	53	10	63
Disposals	0	0	0	0	0	0
Acquisition cost 31.12.	1 407	25	1 432	1 366	25	1 391
Accumulated depreciation and write-dows prev.years	-1 078	0	-1 078	-993	0	-993
Ordinary depreciation for the year	-77	-3	-80	-77	-3	-80
Impairment	0	0	0	-4	0	-4
Accumulated depreciation and write-downs 31.12.	-1 155	-3	-1 158	-1 075	-3	-1 078
Book value 31.12.	**251**	**23**	**274**	**290**	**23**	**313**
Depreciation period			3 to 10 years			3 to 10 years

NOTE 26 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 the Groups' 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 243 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 287 per cent.

	31.12.2018	31.12.2017
SOLVENCY II - SCR RATIO	243 %	224 %

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2018	31.12.2017
Assets, book value	566	542
Added values - hold-to-maturity portfolio/loans and receivables	5	10
Added values - other lending	0	1
Other added/lesser values	0	0
Deferred tax asset	0	0
Total assets - solvency II	**572**	**552**

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2018	31.12.2017
Best estimate	507	493
Risk margin	13	13
Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other liabilities	9	8
Deferred tax liabilities	2	1
Total liabilities - solvency II	**539**	**524**
Excess of assets over liabilities	33	29
- Deferred tax asset	0	0
- Risk equalisation fund	-5	-4
+ Hybrid Tier 1 securities	2	2
Tier 1 basic own funds	**29**	**26**
Total eligible tier 1 own funds	**29**	**26**

NOTE 26 SCR ratio - cont.

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2018	31.12.2017
Subordinated loans	6	6
Risk equalisation fund	-5	4
Tier 2 basic own funds	**2**	**11**
Ancillary own funds	11	10
Tier 2 ancillary own funds	**11**	**10**
Deduction for max. eligible tier 2 own funds	-5	-13
Total eligible tier 2 own funds	**7**	**7**
Deferred tax asset	0	0
Total eligible tier 3 own funds	**0**	**0**
Solvency II total eligible own funds	**36**	**33**
Solvency capital requirement (SCR)	**15**	**15**
Solvency II- SCR ratio	**243 %**	**224 %**

NOTE 27 Return on capital for life insurance companies

KOMMUNAL LANDSPENSJONSKASSE PER CENT	2018	2017	2016	2014	2013
TOTAL OF COMMON PORTFOLIO					
Return I - Book 1 [1]	3.5	3.9	4.4	3.6	4.3
Return II - Value-adjusted [2]	1.5	6.7	5.8	4.0	6.9
SUB-PORTFOLIOS OF THE COMMON PORTFOLIO					
Balanced portfolio 1					
Return I - Book [1]	3.5	3.9	4.5	3.6	4.2
Return II - Value-adjusted [2]	1.4	6.7	5.8	4.0	7.0
Balanced portfolio 2					
Return I - Book [1]	3.5	4.0	4.4	3.7	4.7
Return II - Value-adjusted [2]	1.5	6.8	5.8	3.9	6.9
Moderate portfolio					
Return I - Book [1]	3.8	3.1	4.2	3.6	4.5
Return II - Value-adjusted	1.7	6.0	5.5	3.7	6.5
INVESTMENT OPTION PORTFOLIO	0.6	7.5	6.2	4.0	6.7
CORPORATE PORTFOLIO	4.2	4.0	4.7	4.7	7.3

[1] Return I = Book return
[2] Return II = Value-adjusted return. This is the book return +/-unrealized value changes charged to the securities adjustment fund

NOTE 27 Return on capital for life insurance companies - cont.

KLP BEDRIFTSPENSJON AS PER CENT	2018	2017	2016	2015	2014
TOTAL OF COMMON PORTFOLIO					
Return I - Book [1]	4.5	8.3	5.3	4.8	4.6
Return II - Value-adjusted [2]	3.0	5.6	5.7	4.7	6.1
INVESTMENT OPTION PORTFOLIO	-3.8	11.9	7.0	2.1	8.8
SUB-PORTFOLIOS OF THE INVESTMENT OPTION PORTFOLIO [3]					
Return II - Value-adjusted [2]					
Profil 90 [4]	-4.3	17.1	9.8	3.4	8.9
Profil 70 [4]	-3.2	14.0	8.5	3.0	8.9
Profil 50 [4]	-2.6	11.0	7.1	2.4	9.2
Profil 30 [4]	-1.6	7.8	5.6	2.0	8.4
KLP Optimal Livsfase [5]	-5,5	17,5	N/A	N/A	N/A
KLP Nåtid	0,5	N/A	N/A	N/A	N/A
KLP Kort Horisont	-0,5	N/A	N/A	N/A	N/A
KLP Lang Horisont	-3,1	N/A	N/A	N/A	N/A
KLP Framtid	-5,4	N/A	N/A	N/A	N/A
Profil KLP Pengemarked	1.3	1.5	1.8	1.5	2.3
CORPORATE PORTFOLIO	1.1	2.3	2.4	0.9	3.6

[1] Return I = Book return
[2] Return II = Value-adjusted return. This is the book return +/-unrealized value changes charged to the securities adjustment fund
[3] A represetnative selection of portfolios
[4] Sub-portifolio's proportion of equities in per cent
[5] Return for protfolio with 100 % equity

NOTE 28 Pensions obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen") The Group also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined-benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ('obligatorisk tjenestepension', or OTP). The Group has a contractual early retirement (AFP) scheme. The accounting treatment of pension obligations is described in more detail in Notes 2.

NOK MILLIONS	Joint scheme	Via operation	2018	Joint scheme	Via operation	2017
PENSION COSTS						
Present value of accumulation for the year	124.5	10.8	135.2	116.6	9.9	126.6
Administration cost	3.2	0.0	3.2	3.0	0.0	3.0
Social security contributions - Pension costs	18.0	1.5	19.5	16.9	1.4	18.3
Corporate activity tax - Pension costs	5.6	0.5	6.0	5.2	0.4	5.6
Pension costs incl. social security, corporate activity tax and administration cost taken to income	**151.2**	**12.7**	**163.9**	**141.7**	**11.7**	**153.5**
NET FINANCIAL COSTS						
Interest cost	45.6	5.1	50.6	43.6	4.9	48.6
Interest income	-32.5	0.0	-32.5	-30.9	0.0	-30.9
Management costs	2.9	0.0	2.9	2.6	0.0	2.6
Net interest cost	16.0	5.1	21.0	15.3	4.9	20.3
Social security contributions - net interest cost	2.3	0.7	3.0	2.2	0.7	2.9
Corporate activity tax - net interest cost	0.7	0.2	0.9	0.7	0.2	0.9
Net interest cost including social security contributions and corporate activity tax	**18.9**	**6.0**	**24.9**	**18.2**	**5.9**	**24.0**
ESTIMATE DEVIATION PENSIONS						
Actuarial gains (losses)	12.4	6.5	18.9	13.6	11.9	25.5
Social security contributions	1.7	0.9	2.7	1.9	1.7	3.6
Corporate activity tax	0.6	0.3	0.9	0.6	0.6	1.2
Actuarial gains (losses) including social security contributions and corporate activity tax	**14.7**	**7.7**	**22.4**	**16.2**	**14.1**	**30.3**
Total pension costs including interest costs and estimate deviation	**184.8**	**26.5**	**211.3**	**176.1**	**31.7**	**207.8**
PENSION OBLIGATIONS						
Gross accrued pension obligations	1 945.8	219.9	2 165.6	1 786.7	204.0	1 990.7
Pension assets	1 423.8	0.0	1 423.8	1 318.2	0.0	1 318.2
Net liability before social security costs	522.0	219.9	741.8	468.4	204.0	672.5
Social security contributions	68.4	28.5	96.9	61.4	26.6	88.0
Corporate activity tax	28.5	12.3	40.8	25.5	11.3	36.8
Gross accrued obligations incl. social security costs and corporate activity tax	2 042.6	260.7	2 303.3	1 873.6	241.9	2 115.5
Net liability incl. social security costs and corporate activity tax	**618.8**	**260.7**	**879.5**	**555.4**	**241.9**	**797.3**
RECONCILIATION PENSION OBLIGATION						
Capitalized net liability/(assets) 01.01.	555.4	241.9	797.3	494.8	217.0	711.8
Pension costs taken to profit/loss	151.2	12.7	163.9	141.7	11.7	153.5
Financial costs taken to profit/loss	18.9	6.0	24.9	18.2	5.9	24.0
Actuarial gains and losses included social security contributions and corporate activity tax	14.7	7.7	22.4	16.2	14.1	30.3
Social security contributions paid in premiums/supplement	-19.7	-0.9	-20.6	-13.7	-0.8	-14.6
Capital activity tax contribution paid in premiums/supplement	-4.5	-0.3	-4.8	-4.3	-0.3	-4.6
Premium/supplement paid-in including admin	-97.2	-6.5	-103.6	-97.5	-5.7	-103.2
Capitalized net liability/(assets) 31.12. this year	**618.8**	**260.7**	**879.5**	**555.4**	**241.9**	**797.3**

NOTE 28 Pensions obligations, own employees - cont.

NOK MILLIONS	Joint scheme	Via operation	2018	Joint scheme	Via operation	2017
CHANGE IN PENSION OBLIGATIONS						
Gross pension assets 01.01.	1 874.4	241.9	2 116.3	1 651.2	217.0	1 868.2
Present value of accumulation for the year	124.5	10.8	135.2	116.6	9.9	126.6
Interest cost	45.6	5.1	50.6	43.6	4.9	48.6
Actuarial losses (gains) gross pension obligation	17.8	7.7	25.5	79.3	14.1	93.5
Social security contributions - pension costs	18.0	1.5	19.5	16.9	1.4	18.3
Social security contributions - net interest cost	2.3	0.7	3.0	2.2	0.7	2.9
Social security contributions paid in premiums/supplement	-14.4	-0.9	-15.4	-13.7	-0.8	-14.6
Corporate activity tax - pension costs	5.6	0.5	6.0	5.2	0.4	5.6
Corporate activity tax - net interest cost	0.7	0.2	0.9	0.7	0.2	0.9
Corporate activity tax paid in premiums/supplement	-4.5	-0.3	-4.8	-4.3	-0.3	-4.6
Payments	-26.4	-6.5	-32.9	-24.1	-5.7	-29.8
Gross pension obligation 31.12.	**2 043.4**	**260.7**	**2 304.1**	**1 873.6**	**241.9**	**2 115.5**
CHANGE IN PENSION ASSETS						
Pension assets 01.01	1 319.0	0.0	1 319.0	1 156.4	0.0	1 156.4
Interest income	32.5	0.0	32.5	30.9	0.0	30.9
Actuarial (loss) gain on pension assets	3.1	0.0	3.1	63.1	0.0	63.1
Administration cost	-3.2	0.0	-3.2	-3.0	0.0	-3.0
Financing cost	-2.9	0.0	-2.9	-2.6	0.0	-2.6
Premium/supplement paid-in including admin	102.5	6.5	108.9	97.5	5.7	103.2
Payments	-26.4	-6.5	-32.9	-24.1	-5.7	-29.8
Pension assets 31.12	**1 424.6**	**0.0**	**1 424.6**	**1 318.2**	**0.0**	**1 318.2**
PENSION SCHEME'S OVER-/UNDER-FINANCING						
Present value of the defined benefits pension obligation	2 043.4	260.7	2 304.1	1 873.6	241.9	2 115.5
Fair value of the pension assets	1 424.6	0.0	1 424.6	1 318.2	0.0	1 318.2
Net pensions liability	**618.8**	**260.7**	**879.5**	**555.4**	**241.9**	**797.3**

PER CENT	31.12.2018	31.12.2017
FINANCIAL ASSUMPTIONS (COMMON TO ALL PENSION SCHEMES)		
Discount rate	2.60 %	2.40 %
Salary growth	2.75 %	2.50 %
The National Insurance basic amount (G)	2.50 %	2.25 %
Pension increases	1.73 %	1.48 %
Social security contribution	14.10 %	14.10 %
Corporate activity tax	5.00 %	5.00 %

The assumptions as at 31 December 2017 have been applied to measurement of the cost of pension for 2018, whilst for calculation of the pension obligation on 31 December 2018, the assumptions and membership numbers as at 31 December 2018 have been applied. The assumptions are based on the market situation as at 31 December 2018 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

Note 28 Pensions obligations, own employees - cont.

ACTUARIAL ASSUMPTIONS

KLP'S JOINT PENSION SCHEME FOR LOCAL AUTHORITIES AND ENTERPRISES ("FELLESORDNINGEN")

An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme.

KLP has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

WITHDRAWAL OF CONTRACTUAL EARLY RETIREMENT (AFP) (PER CENT IN RELATION TO REMAINING EMPLOYEES)

The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 42.5 per cent who retire with an AFP pension. It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

VOLUNTARY TERMINATION FOR "FELLESORDNING" (IN %)						
Age (in years)	<24	25-29	30-39	40-49	50-55	>55
Turnover	25 %	15 %	7.5 %	5 %	3 %	0 %

Pensions via operations

AFP/early retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for "Fellesordningen".

NUMBER	Joint scheme	Via operation	2018	Joint scheme	Via operation	2017
MEMBERSHIP STATUS						
Number active	976	59	1 035	950	63	1 013
Number deferred (previous employees with deferred entitlements)	757	37	794	652	37	689
Number of pensioners	259	54	313	229	50	279

	2018	2017
COMPOSITION OF THE PENSION ASSETS		
Property	12.7 %	12.3 %
Lending	12.1 %	11.6 %
Shares	21.4 %	22.5 %
Long-term/HTM bonds	29.1 %	27.1 %
Short-term bonds	18.4 %	19.2 %
Liquidity/money market	6.3 %	7.3 %
Total	**100.0 %**	**100.0 %**

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 1.5 per cent in 2018 and 6.7 per cent in 2017.

Expected payment into benefits plans after cessation of employment for the period 1 January 2019 – 31 December 2019 is NOK 129.3 million.

NOTE 28 Pensions obligations, own employees - cont.

SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2018	
The discount rate is reduced by 0.5 %	Increase
Gross pension obligation	9.66 %
Accumulation for the year	14.40 %
Salary growth increases by 0.25 %	Increase
Gross pension obligation	1.42 %
Accumulation for the year	3.19 %
Mortality is strengthened by 10 %	Increase
Gross pension obligation	2.50 %
Accumulation for the year	1.90 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes insome assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial position statement.

The duration in the Joint scheme is estimated at 17.1 years.

NOTE 29 Number of employees

	2018	2017
Number of permanent employees 31.12.	990	961
Number of temporary employees 31.12.	26	30
Total number of employees 31.12. [1]	**1 016**	**991**
Number of full time equivalents permanent employees	968	920
Number of full time equivalents temporary employees	25	29
Total number of full time equivalents [1]	**993**	**949**

[1] The Group has, in addition 197 employees/full time equivalents related to hoteloperations in London, the arrangement is temporary.

NOTE 30 Salary and obligations towards senior management etc.

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines.

Senior employees are defined as the senior management team of the Kommunal Landspensjonskasse Group. This comprises the Group Chief Executive Officer, the KLP Group executive vice presidents and managing directors of certain subsidiaries.

Senior employees who were members of the Group senior management before 1 May 2013, are pensionable at the age of 65, but may choose to canage this to aged 70. None of those senior management have chosen to avail themselves of the opportunity to change the retirement age as of 31.12.2018. Persons who were appointed to Group senior management as of 1 May 2013, are pensionable at the age of 70.

All employees of the KLP Group in Norway are registered in KLP's pension scheme for municipalities and companies. The employees earn pension rights in this scheme for salaries up to 12G. Employees in the KLP Group with salaries above 12 G and for lower retirement age than 67 years, also earn pension benefits for salaries above 12G. Full retirement pension in this additional cover amounts to 66% of salary above 12G, and is achieved after at least 30 years of earnings in the scheme. Employees with a special agreement for a lower pension age than 67 years are ensured an old-age pension corresponding to 66% of all pensionable salary up to 67 years. This add-on was closed May 2, 2013 and does not apply to employees who started after that date. Nor does the scheme apply to employees who were employed at this time in KLP, but who only receive salary above 12G after this date.

The Group CEO has severance pay corresponding to one year's salary including supplementary benefits in the event of termination of employment. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for members of its Board of Directors.

One of the senior employees had an agreement on performance pay (bonus) in addition to salary. The scheme was terminated with effect form 1 July 2013 and none of the senior employees have such an arrangement any more. Bonus earned up until the date of termination is preserved and has a payment period stretching over three years.

All employees in the Group may take up loans with KLP on lending terms and conditions for staff. No senior employee has terms and conditions that deviate from this. Loans to external members of the Board of Directors/external members of the Corporate Assembly are only made on general lending terms and conditions.

Fees to Board members are determined by the Corporate Assembly. Fees to deputies and observers are not stated.

All benefits are shown without the addition of social security contributions and capital activity tax. For Board members elected by and among the employees stated that only about compensation and loans that can be linked to their directorship.

Attention is drawn otherwise to the description of the main principles on determination of remuneration in the KLP Group that may be found at klp.no.

NOTE 30 Salary and obligations towards senior management etc. - cont.

2018 NOK THOUSANDS	Salary, fees etc.	Bonus	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2018	Payments plan [1]
SENIOR EMPLOYEES							
Sverre Thornes, Group CEO	4 016	-	201	1 496	11 939	2.30-2.40	A45
Marianne Sevaldsen	2 724	-	167	1 157	4 439	2.30	A43
Aage E. Schaanning	3 498	-	163	1 255	5 779	2.30	HC
Gro Myking	2 011	-	160	487	-	-	-
Rune Hørnes	2 533	-	160	380	-	-	-
Kirsten Grutle	1 627	-	137	523	-	-	-
Tore Tenold	2 961	-	159	1 020	1 973	2.20	HC
Håvard Gulbrandsen	3 188	-	175	1 095	5 069	2.30-2.40	HC
Gunnar Gjørtz	3 127	-	165	1 187	4 600	2.30	HC
Leif Magne Andersen	2 110	-	162	765	4 230	2.30-2.40	A42/A44
THE BOARD OF DIRECTORS [2]							
Liv Kari Eskeland, Chair up to 7th of May (4 of 5) [3]	196	-	-	-	-	-	-
Egil Johansen, Chair from 8th of May (11 av 11)	369	-	-	-	-	-	-
Lars Vorland (9 of 11	253	-	-	-	-	-	-
Jan Helge Gulbrandsen (5 of 5) [3]	127	-	-	-	-	-	-
Marit Torgersen (8 of 11)	281	-	-	-	-	-	-
Jenny Følling (5 of 6)	132	-	-	-	-	-	-
Odd Haldgeir Larsen (6 of 6)	114	-	-	-	-	-	-
Karianne Melleby (5 of 6)	127	-	-	-	-	-	-
Susanne Torp-Hansen, elected by and from the employees (11 of 11)	225	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees (11 of 11)	270	-	-	-	-	-	-
CORPORATE ASSEMBLY							
Total Corporate Assembly, including employee representatives	674	-	-	-	40 712	-	-
EMPLOYEES							
Loan to employees in the Group at subsidiezed interest rate	-	-	-	-	748 095	-	-
Loan to employees in the Group at ordinary terms and conditions	-	-	-	-	350 366	-	-

[1] A=Annuity loand, last peyment, HC = Housing Credit
[2] The numbers in brackets represents the number of meetings attended by the total number of meetings held during the period in which the person has been on the board.
[3] The individual has stepped down from the appointment during the year.

NOTE 30 Salary and obligations towards senior management etc. - cont.

2017 NOK THOUSANDS	Salary, fees etc.	Bonus	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2018	Payments plan [1]
SENIOR EMPLOYEES							
Sverre Thornes, Group CEO	3 900	-	205	1 457	13 556	2.10-2.35	A45/A47
Marianne Sevaldsen	2 655	-	167	1 140	4 439	2.10	A43
Aage E. Schaanning	3 413	-	167	1 223	5 991	2.10	HC
Gro Myking	1 933	-	160	480	-	-	-
Rune Hørnes	2 288	-	160	372	-	-	-
Kirsten Grutle	1 549	-	120	505	4 066	2.10-2.35	A46
Tore Tenold	2 889	-	156	955	2 497	2.10	HC
Håvard Gulbrandsen	3 111	122	176	1 048	4 962	2.10-2.35	HC
Gunnar Gjørtz	3 038	-	164	1 145	3 698	2.10	HC
Leif Magne Andersen	2 059	-	164	713	4 403	2.10-2.35	A42/A44
THE BOARD OF DIRECTORS [2]							
Liv Kari Eskeland, chair (10 of 10)	361	-	-	-	-	-	-
Egil Johansen (10 of 10)	322	-	-	-	-	-	-
Lars Vorland (8 of 10)	217	-	-	-	-	-	-
Jan Helge Gulbrandsen (9 of 10)	217	-	-	-	-	-	-
Marit Torgersen (10 of 10)	252	-	-	-	-	-	-
Ingjerd Blekli Spiten (9 of 10)	252	-	-	-	-	-	-
Susanne Torp-Hansen, elected by and from the employees (6 of 10)	209	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees (10 of 10)	252	-	-	-	-	-	-
CORPORATE ASSEMBLY							
Total Corporate Assembly, including employee representatives	599	-	-	-	40 082	-	-
EMPLOYEES							
Loan to employees in the Group at subsidiezed interest rate	-	-	-	-	835 722	-	-
Loan to employees in the Group at ordinary terms and conditions	-	-	-	-	476 088	-	-

[1] A=Annuity loand, last peyment, HC = Housing Credit
[2] The numbers in brackets represents the number of meetings attended by the total number of meetings held during the period in which the person has been on the board.

NOK THOUSANDS	2018	2017
The period costs related to lending terms and conditions for employees.	2 557	3 834

NOTE 31 Auditor`s fee

NOK MILLIONS	2018	2017
Ordinary audit	7.4	6.8
Certification services	0.6	1.2
Tax advisory services	1.1	1.2
Non-audit services	1.6	0.9
Total auditor's fee	**10.7**	**10.1**

The sums above include VAT.

NOTE 32 Operating expenses

NOK MILLIONS	2018	2017
Personnel costs	1 049	937
Depreciation and writedowns	122	131
Other operating expenses	701	604
Other operating expenses	**1 872**	**1 673**

NOTE 33 Other income and -expenses

NOK MILLIONS	2018	2017
Supplement contractual early retirement scheme (ERS)	1 053	981
Other income	55	60
Total other income	**1 107**	**1 040**

NOK MILLIONS	2018	2017
Payments service pension early retirement scheme (ERS)	1 053	977
Other expenses	22	15
Total other expenses	**1 075**	**992**

NOTE 34 Other current liabilities

NOK MILLIONS	31.12.2018	31.12.2017
Short-term payables trade in securities	2 292	2 799
Incurred not assessed taxes	655	256
Advance tax-deduction pension scheme	420	394
Accounts payable	373	169
Pre-called contribution to insurance	1 434	111
Other current liabilities	878	2 189
Total other current liabilities	**6 053**	**5 919**

NOTE 35 Contingent liabilities

NOK MILLIONS	31.12.2018	31.12.2017
KLP guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	10 340	9 515
Approved, not paid out KLP Group loan pledge	10 190	5 966
Total contingent liabilities	**20 532**	**15 483**

NOTE 36 Retained earnings

NOK MILLIONS	Revaluation fund	Risk equilization fund	Nat.per. pool fund	Other retained earnings	Retained earnings
Capitalized value 01.01.2017	692	3 907	160	10 287	15 046
INCOME		249	4	1 078	1 332
OTHER COMPREHENSIVE INCOME					
Items that will not be later reclassified to income				-21	-21
Items that will be reclassified to income later when particular conditions are met	110			-27	82
Capitalized value 31.12.2017	**802**	**4 156**	**164**	**11 317**	**16 439**
INCOME		641	-122	2 196	2 715
OTHER COMPREHENSIVE INCOME					
Items that will not be later reclassified to income				-16	-16
Items that will be reclassified to income later when particular conditions are met	222			-56	167
Capitalized value 31.12.2018	**1 024**	**4 797**	**42**	**13 441**	**19 303**

NOTE 37 Incident after the end of the reporting period

The Group's holding of shares in Hafslund ASA (5,327,265 A shares and 4,042,483 B shares) was redeemed in November 2017 when the company was taken over by the City of Oslo. At the time of redemption, the last observed prices were NOK 103.50 per share for Hafslund A and NOK 105.00 per share for Hafslund B; they were redeemed at a price of NOK 96.75 per share. The Group has believed the redemption price is too low, and has taken legal action to clarify the value. The court of assessment has ruled in the case, and the redemption price for the shares is set at NOK 147.13 per share. The judgement is appealed, and not legally binding upon presentation of the annual accounts.

NOTE 38 Change in liabilities from financing activities

NOK MILLIONS	31.12.2017	Cash flow from financing activities	Cash flow from operating activities	Non-cash changes	31.12.2018
Subordinated loan capital	5 977	0	0	53	6 029
Hybrid Tier 1 securities	1 534	0	0	127	1 662
Debt to credit institutions	4 587	925	-1 333	-1 385	2 794
Covered bonds issued	21 451	0	0	1 574	23 025
Total liabilities from financing activities	**33 549**	**925**	**-1 333**	**368**	**33 510**

NOTE 39 Change in fair value IFRS 9

31.12.2018 NOK MILLIONS	Financial assets at amortized cost[1] Passed SPPI
Fair value 31.12.2017	161 307
Bought	36 305
Sold	-2 658
Held to maturity	-14 692
Change in fair value	-3 909
Fair value 31.12.2018	**176 353**

31.12.2018 NOK MILLIONS	Financial assets valued at fair value
Fair value 31.12.2017	263 967
Bought	98 251
Sold	-98 706
Change in fair value	-4 206
Fair value 31.12.2018	**259 306**

[1] Investments held to maturity and bonds classified as loans and receivables.

NOTE 39 Change in fair value IFRS 9 - cont.

31.12.2018 NOK MILLIONS	Other loans and receivables at amortized cost Passed SPPI	Other loans and receivables at amortized cost Not passed SPPI	Other loans and receivables at amortized cost Total
Fair value 31.12.2017	57 774	0	57 774
Bought	27 881	117	27 998
Sold	-23 488	0	-23 488
Change in fair value	282	6	288
Fair value 31.12.2018	**62 448**	**124**	**62 572**

In accordance with the notes requirements, the entity has conducted an SPPI test on the portfolio at amortizied cost.
The preliminary assessment is that all investments except one loan passes the test.
Also refers to note 5 Fair value of financial assets and liabilities and note 11 Credit risk.

Photo:
Ole Jørgen Gangsøy
Emplyed in KLP

ANNUAL REPORT

KLP Sustainability Statement

Corporate social responsibility is a focal area in the corporate strategy, with the following strategic objectives:

Integrating social responsibility into all our operations

Increasing investments that promote sustainable development and support our financial goals

Pushing companies and industries for a more sustainable operation

Developing products and services that contribute to positive development in society

Photo:
Marianne Wright Pedersen
Employed in KLP

Contents

STRATEGIC OBJECTIVE

Integrating social responsibility into all our operations

EMPLOYEE STATISTICS

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Employees of KLP	990	961	950	939	n/a	n/a
Part-time employees of KLP	6.9 %	7.6 %	%	%	n/a	n/a
Temporary employees	26	30	38	37	n/a	n/a
Turnover among employees	7.1 %	6.0 %	4.7 %	4.0 %	n/a	n/a
Total salary to employees (NOK thousands)	785 965	743 833	718 199	683 285	n/a	n/a
Average salary, women (NOK thousands)	685	660	641	621	8.	8.5
Average salary, men (NOK thousands)	836	808	781	768	8.	8.5

HEALTH AND ABSENCE FROM ILNESS

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Short-term sickness absence	1.8 %	1.6 %	1.9 %	1.7 %	3.	n/a
Long-term sickness absence	2.4 %	2.9 %	2.7 %	2.5 %	3.	n/a
Total sickness absence	**4.2 %**	**4.6 %**	**4.5 %**	**4.2 %**	**3.**	**n/a**
Gender breakdown of sickness absence (women/men)	5.4/3.2 %	6.5/3.7 %	6.7/2.7 %	5.6/2.8 %	3.	n/a
Number of personal injuries	1	0	0	1	8.	8.8

4.2 %

Total sickness absence in 2018.

990

Emplyees of KLP in 2018.

Notes to the Sustainability Statement

EMPLOYEE STATISTICS

Definition

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

Turnover is the proportion of people who have left KLP. Employees who have changed jobs internally within the KLP Group are not included.

Total salary to employees refers to total actual salary taken to expenses, minus fees to external entities. Benefits in kind are not included. Information concerning salary relates only to Norway.

Average salary by gender is calculated as contractual salary based on full-time employment, and is not corrected for the proportion of employees working part-time.

HEALTH AND ABSENCE FROM ILLNESS

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. KLP also supports SDG 8, decent work and economic growth, and especially target 8.8: Protect labour rights and promote safe and secure working environments for all workers.

Target

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

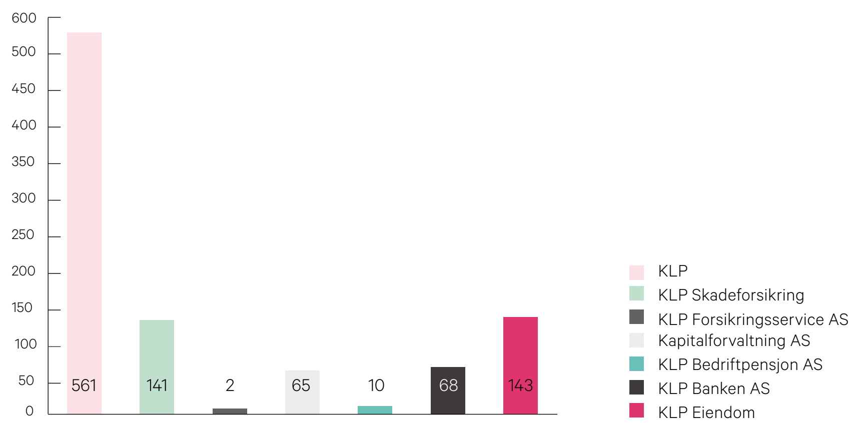
Definition

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.

Personal injuries are self-reported injuries and injuries reported as actual and possible occupational injuries to KLP's non-life insurance company.

> 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.

EMPLOYEES IN THE KLP-GROUP



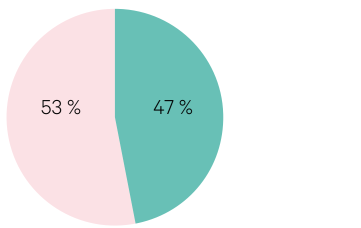
DIVERSITY AND EQUALITY

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Gender distribution among employees (women/men)	47/53 %	47/53 %	47/53 %	48/52 %	8.	8.5
Gender distribution management level 1 (women/men)	30/70 %	30/70 %	30/70 %	13/87 %	5.	5.5
Gender distribution management level 2 (women/men)	40/60 %	43/57 %	35/65 %	33/67 %	5.	5.5
Gender distribution management level 3 (women/men)	43/57 %	43/57 %	48/52 %	48/52 %	5.	5.5
Gender distribution, all management levels total (women/men)	42/58 %	42/58 %	n/a	n/a	5.	5.5
Gender distribution on the Board (women/men)	50/50 %	50/50 %	50/50 %	50/50 %	5.	5.5
Gender distribution in the highest paid positions (non-management positions above earnings-table)	20/80 %	16/84 %	n/a	n/a	5.	5.5
Women's earning in relation to men's (all employees at KLP)	82 %	82 %	82 %	81 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 1	69 %	69 %	68 %	92 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 2	84 %	84 %	88 %	88 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 3	89 %	89 %	91 %	92 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's in the highest paid positions (non-management positions above earnings-table)	93 %	90 %	n/a	n/a	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's, remaining employees (not including any management levels or highest paid positions)	93 %	94 %	n/a	n/a	5. 8.	5.1, 5.5, 8.5
Gender distribution, absence for sick children (women/men)	50/50 %	51/49 %	51/49 %	52/48 %	5.	5.1, 5.4
Gender distribution, parental leave taken (women/men)	73/27 %	64/36 %	n/a	n/a	5.	5.1, 5.4
Proportion of female employees working part-time	12 %	18 %	14 %	15 %	5.	5.1, 5.4
Proportion of male employees working part-time	3 %	5 %	2 %	1 %	5. 8.	5.1, 8.5
Average retirement age, occupational and old-age pensions (years)	66.6	66.9	n/a	n/a	n/a	n/a

50/50 %

Gender distribution on the Board (women/men).

GENDER DISTRIBUTION AMONG EMPLOYEES



Women's earnings in relation to men's 82 %

DIVERSITY AND EQUALITY

KLP works to integrate diversity and equality perspectives into the business and has goals and measures in several areas. We seek qualified employees regardless of age, gender, disability, political persuasion, sexual orientation and ethnic background.

UN Sustainable Development Goals

Shows how KLP contributes to Sustainability Goal 5, Gender equality. Especially targets 5.1: End all forms of discrimination against all women and girls, 5.4: Promote shared responsibility within the household and the family, and 5.5: Ensure women's full and effective participation and equal opportunities for leadership. The figures also illustrate KLP's contribution towards sustainability target 8.5; By 2030, achieve equal pay for work of equal value.

Target

- KLP's intermediate objective is that women's salaries should be 90 per cent of men's by the end of 2018 and 95 per cent by 2020.
- KLP has a goal of 40 per cent of each gender in total among the number of managers.

Definition

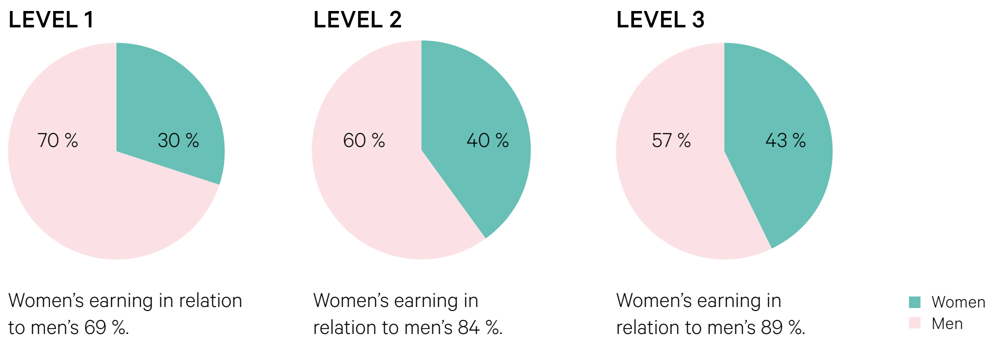
KLP defines leaders at three different levels. Management Level 1 is group management, including the CEO. Management Level 2 represents the managers who report directly to a Group Vice President (member of group management). Management level 3 are the managers who report to managers at level 2.

Women's income compared to men's is defined in the same way as average salary by gender and is calculated from contractual salaries based on full-time employment. The targets indicate our stance on the gender wage gap. There has only been a minor improvement in women's income compared to men's at KLP, which is in line with the general development in the financial services sector. Analysis carried out by KLP found that the main reason for the wage-gap between women and men comes from an underrepresentation of women in the highest paid positions (both leader- and expert positions). To achieve the long-term goal of equal pay for women and men, it is essential to increase the proportion of women in such positions. However, a change of this magnitude will require long-term efforts. We will continue our efforts in recruiting processes, especially when it comes to expert-positions, and establish new intermediate targets for our work.

The gender distributions for absence with sick children, and for parental leave taken are based on number of days of absence from work for these reasons.

> KLP works to integrate diversity and equality perspectives into the business. Hence, we have set targets with related measures in several areas.

GENDER DISTRIBUTION AND EARNINGS



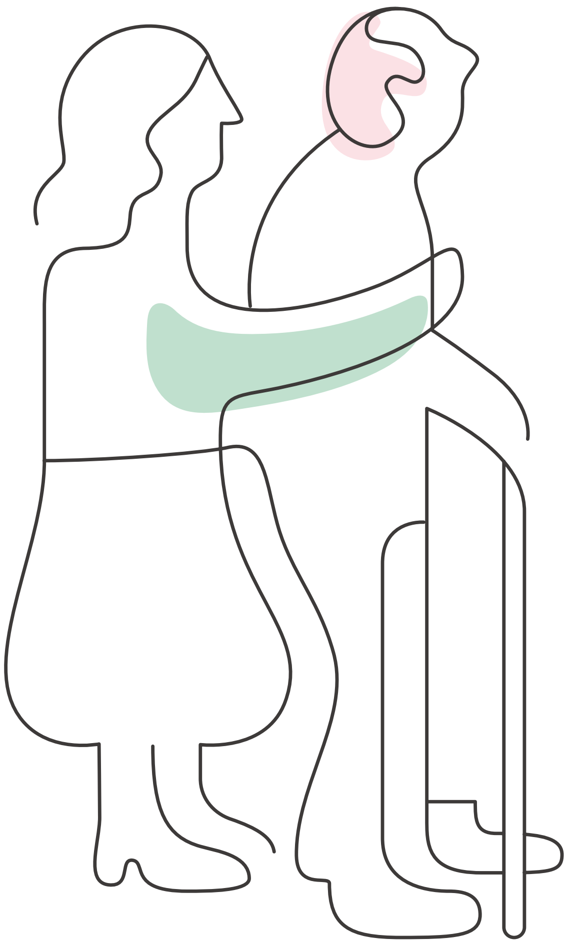
Women's earning in relation to men's 69 %.

Women's earning in relation to men's 84 %.

Women's earning in relation to men's 89 %.

INCREASE KNOWLEDGE OF PENSIONS

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Number of personal consultations related to pensions	9 972	9 776	10 263	9 477	n/a	n/a
Participants in the 'Good to know' course on pensions	177	1 101	n/a	1 215	n/a	n/a
Media stories about pensions with spokespersons from KLP	53	77	n/a	n/a	n/a	n/a



INCREASE KNOWLEDGE OF PENSIONS

KLP aims to be the pension expert which best protects its customers. This requires us to help increase knowledge of pensions, so our customers and members can make good choices for the days to come. We will do this, among other things, by providing good guidance to individuals and by disseminating knowledge of pensions in the media.

Definition

The so-called 'Verdt å vite' courses, providing our customers with valuable knowledge on pensions, are led by KLP for our customers. The topics covered in the course are employees' pension rights, reporting to KLP, training in KLP's online solutions, and what will happen with public sector occupational pensions in the future. The courses are an important part of the effort to increase KLPs customers' knowledge of pensions. KLP arrange the courses every other year.

> KLP aims to be the pension expert which best protects its customers. This requires us to help increase knowledge of pensions, so our customers and members can make good choices for the days to come. We will do this, among other things, by providing good guidance to individuals and by disseminating knowledge of pensions in the media.

9972

Number of personal consultations related to pensions.

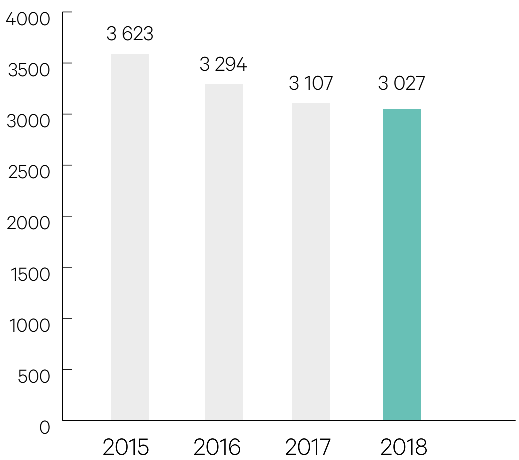
53

Media stories about pensions with spokespersons from KLP.

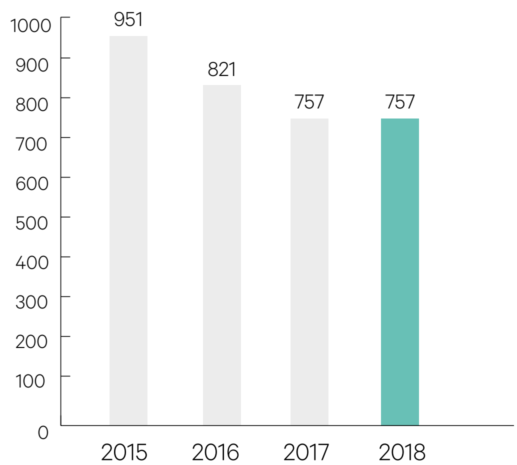
ENVIRONMENT

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Greenhouse gas emissions from KLP's own operations (tonnes CO2e)	757	757	821	951	13. 12.	n/a
Greenhouse gas emissions from KLP's property portfolio (tonnes CO2e)	10 613	10 534	10 697	11 390	9.	9.4
Number of flights	3 027	3 107	3 294	3 623	13. 12.	n/a
Energy consumption in KLP's own offices (KWh/m2)	129	130	147	137	9. 13.	9.4
Energy consumption in KLP's property portfolio (KWh/m2)	200	191	197	203	9.	9.4
Quantity of waste in KLP's own offices (tonnes)	132	128	141	100	11. 12.	11.6, 12.5
Recycling rate at source in KLP's own offices	64 %	68 %	61 %	68 %	11. 12.	11.6, 12.5
Quantity of waste in KLP's property portfolio (tonnes)	5 760	5 826	5 279	4 955	11. 12.	11.6, 12.5
Recycling rate at source in KLP's property portfolio	54 %	55 %	57 %	54 %	11. 12.	11.6, 12.5
Water consumption in KLP's property portfolio (millions of litres)	442	453	469	442	6.	6.4
Renewable energy production in KLP's property portfolio (MWh)	195	187	182	185	7. 9.	7.2, 9.4

NUMBER OF FLIGHTS



GREENHOUSE GAS EMISSIONS FROM KLP'S OWN OPERATIONS (TONNES)



ENVIRONMENT

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

UN Sustainable Development Goals

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

- Target 6.4: Substantially increase water-use efficiency across all sectors.
- Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- Target 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 11.6: By 2030, reduce the adverse environmental impact of cities, including by paying special attention to air quality and waste management.
- Target 12.5: By 2030, substantially reduce waste generation.

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.
- The degree of sorting of waste should average over 65 per cent and not drop below 50 per cent in every property in the property portfolio.

The greenhouse gas emissions from our own operations have stabilized on the same level as last year. The main reason for this is increased energy consumption due to large variations in temperature throughout the year. Moreover, we have decreased our emissions quite substantially over the last years, and are on track towards our target of a 50% reduction by 2030. As of today, we have decreased our emissions by 31% from our 2010 base-line.

The energy consumption in our property portfolio has also increased, based on the same reasons as above. Thus, our target of 180 kWh per square meter has not been reached.

The target of 65% on waste from our property portfolio has not been reached, and has decreased slightly to 54 %.

Definition

Greenhouse gas emissions

Greenhouse gas emissions include energy consumption, transport, waste and other activities of KLP's operations in Oslo, Trondheim and Bergen. Emissions are converted into tonnes of CO_2 equivalents, in line with the standard from the Greenhouse Gas Protocol Initiative.

Greenhouse gas emissions from KLP's property portfolio are based on the same methodology as above, and include energy consumption, waste and general operation of the properties.

Corporate air travel

Number of flights is based on data provided by our travel agent. The number of flights are return flights.

Energy consumption

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.

"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 a meter faults or figures reported too late by our subcontractors. 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.

Waste

Waste generation from KLPs own offices are based on the best available data. For KLPs main office in Oslo, this means that data on mixed waste, as well as paper and cardboard waste has been weighed specifically on location. For other types of waste, a waste allocation methodology provided by our waste management provider is used. Our waste management provider is responsible for the data. For KLPs regional offices in Trondheim and Bergen, the waste data is provide by our office services provider.

Waste generation in KLPs property portfolio includes KLP Eiendom's in-house operated buildings, except for the buildings in Stockholm, where waste is not weighed on location as it is used for energy generation.

The degree of waste sorting shows the proportion of waste sorted at source. A greater proportion of sorted waste can be recycled, and is less harmful to the environment.

Water consumption

Actual water consumption in millions of litres in KLP's in-house operated buildings.

Renewable energy production in KLP's property portfolio

Shows KWh of renewable energy produced locally on KLP's properties.

TAX AND INCOME BY COUNTRY

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Employees - FTEs	973	8	9	0	16.	16.4, 16.6
Investments in property (Mnok)	983	7	1 115	0	16.	16.4, 16.6
Income	46 805	437	255	263	16.	16.4, 16.6
Accounting income before taxes	1 719	883	250	-12	16.	16.4, 16.6
Actual income tax payable for the financial year	0	0	2	0	16.	16.4, 16.6

REPORTING TO AUTHORITIES AND SUPERVISORY BODIES

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Reports to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) about suspicious transactions according to the rules in the Norwegian Money Laundering Act	1	1	n/a	n/a	16.	16.4, 16.6
Privacy violations reported to the Norwegian Data Inspectorate	39	26	n/a	n/a	16.	16.6

”

Financial institutions are required to report to authorities and supervisory bodies on important areas such as money laundering and privacy. This is central to the finance industry’s social responsibility and KLP wants to highlight this by reporting on our notifications.

TAX AND INCOME BY COUNTRY

A responsible business is open about its tax practices. Therefore, KLP reports in a country-by-country format on tax in the countries where we operate.

UN Sustainable Development Goals

The indicators show how KLP contributes to the United Nations Sustainable Development Goal 16: Peace, Justice and Strong Institutions, particularly targets 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.5: Substantially reduce corruption and bribery in all their forms.

Target

Objective not defined or not relevant.

Definition

KLP reports tax and income broken down across the countries in which KLP operates entities with a controlling influence. Therefore, tax and income from investments in foreign securities are reported within the country breakdown as Norwegian unless KLP has controlling influence over the investment so that there is a Group relationship. The amount includes KLP's withholding tax in fund investments. In practice, KLP's business abroad is investments in property.

Tax here refers to income tax. Tax in the form of indirect tax is not included in the figures reported.

REPORTING TO AUTHORITIES AND SUPERVISORY BODIES

Financial institutions are required to report to authorities and supervisory bodies on important areas such as money laundering and privacy. This is central to the finance industry's social responsibility and KLP wants to highlight this by reporting on our notifications.

UN Sustainable Development Goals

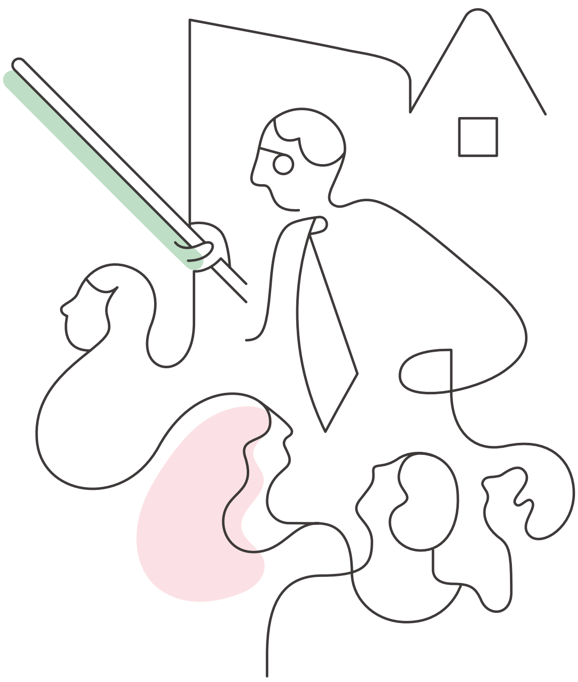
Exemplifies KLPs contribution to UN sustainable Development Goals, target 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.6: Develop effective, accountable and transparent institutions at all levels.

Target

Objective not defined or not relevant.

Definition

Reporting to authorities and supervisory bodies pertain to reports to Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) on suspicious transactions under the money laundering law as well as reports to the authorities of tying or freezing funds under the sanctions regulations.



STRATEGIC OBJECTIVE

Increasing investments that promote sustainable development and support our financial goals

INCREASE CLIMATE-FRIENDLY INVESTMENTS

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Renewable energy in Norway (MNOK)	23 013	22 282	22 034	20 038	7.	7.2
Renewable energy in Europe and the USA (MNOK)	1 644	1 088	652	388	7.	7.2
Renewable energy in developing countries (MNOK)	483	381	257	226	7. 9 17.	7.1, 7.2, 9.a, 17.3
Lending for power; water, drainage and renovation (MNOK)	2 588	3 173	n/a	n/a	n/a	n/a
International power companies (MNOK)	2 405	n/a	n/a	n/a	7.	n/a
Buildings with environmental qualities in the property portfolio (MNOK value)	11 985	10 115	n/a	n/a	9.	9.4
Green bonds (MNOK)	792	735	593	485	n/a	n/a
Other climate-friendly investments (MNOK)	124	n/a	n/a	n/a	n/a	n/a
Total (MNOK)	**43 033**	**37 774**	**23 536**	**21 137**		
As a proportion of KLP's assets under management	8 %	7 %	n/a	n/a	n/a	n/a
Fossil energy (market value in MNOK)	10 443	11 215	9 693	7 230	7.	7.1, 7.2
Fossil energy (as a proportion of KLPs assets under management MNOK)	2 %	2 %	2 %	2 %	7.	7.1, 7.2
Renewable energy (market value in MNOK)	27 727	23 751	22 943	20 652	7.	7.1, 7.2
Renewable energy (as a proportion of KLPs assets under management MNOK)	5 %	4 %	5 %	5 %	7.	7.1, 7.2
Buildings with environmental qualities in the property portfolio (m2)	283 980	236 678	n/a	n/a	9.	9.4
Buildings with environmental qualities in the property portfolio (share of the portfolio in m2)	16 %	14 %	n/a	n/a	9.	9.4
Buildings with environmental qualities in the property portfolio (MNOK value)	11 985	10 115	n/a	n/a	9.	9.4
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	18 %	16 %	n/a	n/a	9.	9.4

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.

Climate-friendly investments were increased by 5,3 billion in 2018. Slightly below target, but we are constantly searching for investments with the required environmental attributes.

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.

Other climate-friendly investments

Climate-friendly investments that are not covered by the aforementioned main categories are combined in this indicator. For instance, KLP has invested in a Swedish forest fund, investing in forest-properties in Sweden, Finland and the Baltics.

Fossil energy

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

Buildings with environmental qualities

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

Proportion of total portfolio

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

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

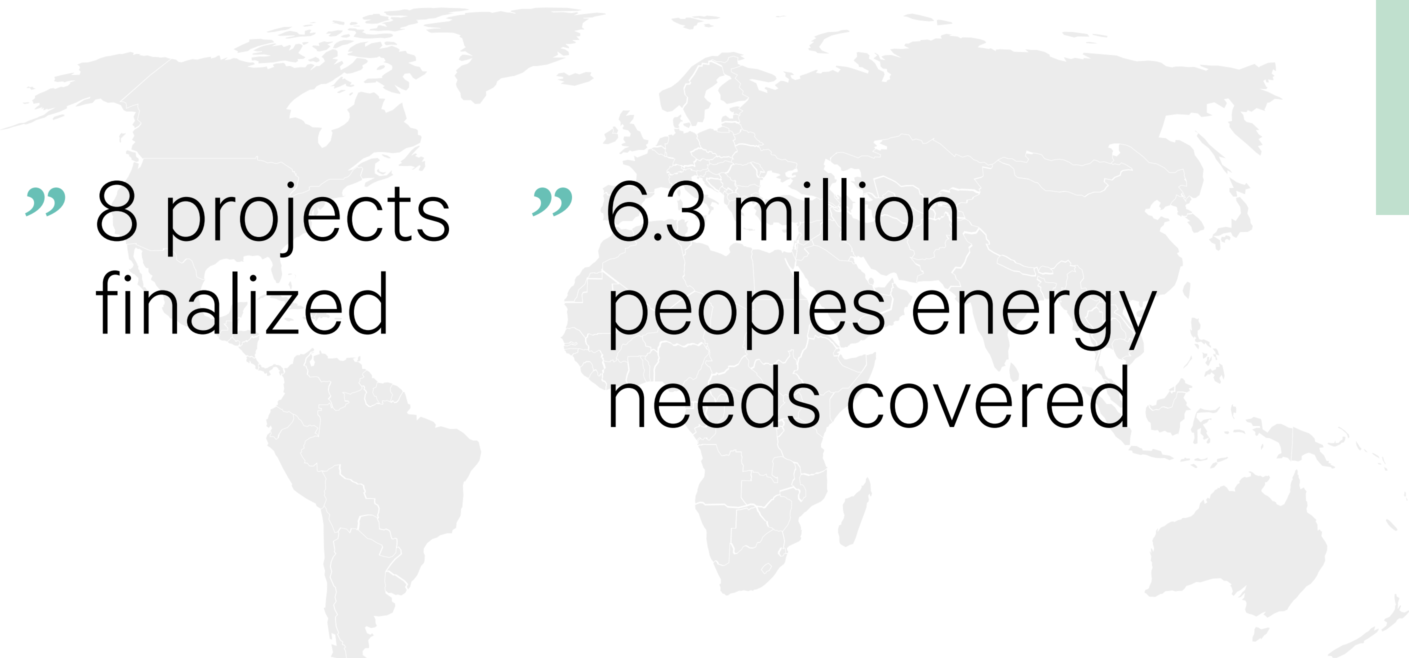
NEW CAPACITY, RENEWABLE ENERGY

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Number of completed renewable energy projects	8	5	n/a	n/a	7.	7.1, 7.2
New renewable energy capacity brought to the market (MWH)	945	573,5	n/a	n/a	7.	7.1, 7.2
The number of residents' energy needs covered by the new capacity	6 255 616	642 830	n/a	n/a	7.	7.1, 7.2
CO2 emissions avoided as a result of the new capacity (tonnes)	949 036	780 786	n/a	n/a	7. 13.	7.1, 7.2

”

KLP has a goal of investing in new renewable energy projects to increase production capacity, and contribute to a cleaner energy mix worldwide.

NEW RENEWABLE ENERGY CAPACITY FINANCED BY KLP



” 8 projects finalized

” 6.3 million peoples energy needs covered

SOUTH-AMERICA
2 solar energy parks
85 megawatts
240 000 residents
energy needs covered

AFRICA
3 solar energy parks
1 wind-park
434 megawatts
5, 8 residents
energy needs covered

EUROPE
1 wind-park
Bioenergy plant
427 megawatts
200 000 residents
energy needs covered

NEW CAPACITY, RENEWABLE ENERGY
KLP has a goal of investing in new renewable energy projects to increase production capacity, and contribute to a cleaner energy mix worldwide.

UN Sustainable Development Goals:
The indicators show how KLP contributes to several of the targets within UN Sustainable Development 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.

Target
Continuous increase in the number of projects and installed capacity.

Definition
The number of completed projects, and their total installed capacity, has been accumulated since the start of the investments (2013 for the portfolio for developing countries and 2015 for Europe and North America). The figures refer to the projects as a whole; not adjusted for KLP's stake in the projects.

The number of residents' energy needs covered by the new capacity
The renewable energy projects that KLP has invested in generate electricity corresponding to a given number of inhabitants' energy needs in the countries where the energy farms are in operation. The calculation is based on the average capacity of the respective technologies derived from the UN Climate Panel, and the average electricity consumption per capita in the relevant country, taken from the World Bank statistical database. The figures for Rwanda are based on data from world-data.org and the CIA World Factbook.

CO2 emissions avoided as a result of the new capacity
The emissions theoretically avoided if the same amount of electricity was generated by the country's average electricity generation. The figures are taken from the International Energy Agency (IEA). For Rwanda, the figures are based on the authorities' own reporting to the UN Climate Convention, and cross-referenced against data from the African Carbon Forum.

NUMBER OF RESIDENTS THEORETICAL ENERGY NEEDS COVERED = 6 255 616

One "person" = 62 550 residents

CO2 EMISSIONS AVOIDED

949,036 tonnes

As a result of the new capacity.

CARBON MEASUREMENT OF INVESTMENTS

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Weighted average carbon intensity for the equity portfolio (tCO2e/MNOK)	24,1	31,6	29,5	36,3	13.	n/a
Carbon intensity in the equity portfolio (tCO2e/MNOK revenue)	27,1	26,7	27,3	32,7	13.	n/a
Carbon footprint for the equity portfolio (tCO2e/MNOK invested)	16,4	16,5	19,6	23,7	13.	n/a

FINANCE IN DEVELOPING COUNTRIES

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Banking and finance in developing countries (MNOK)	570	530	421	243	8. 17.	8.3, 8.10, 17.3
Borrowers in developing countries through the Nordic Microfinance Initiative (figures in millions)	8,1	6,6	6,0	4,6	8. 1.	8.3, 8.10, 1.4
Gender distribution among borrowers (women/men)	95/5 %	95/5 %	95/5 %	86/14 %	1. 5.	1.4, 5.a
Distribution rural/urban among borrowers	77/23 %	71/29 %	68/32 %	69/31 %	1.	1.4

”

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.

CARBON MEASUREMENT OF INVESTMENTS

To raise awareness of the climate impact of investments and to highlight developments over time, KLP measures and reports the carbon footprint and intensity of the investments.

UN Sustainable Development Goals

The indicators show how KLP contributes toward UN Sustainable Development Goal 13, Climate Action.

Target

Not defined. KLP does not use carbon measurements as a control parameter or as a basis for decision-making, but the indicators give us interesting information and developments are monitored.

Definition

The weighted average carbon-intensity shows the exposure of the equity portfolio to carbon-intensive companies. As the method refers to exposure, not ownership, it does not measure the impact of the portfolio on climate change.

The carbon intensity maps the CO_2 emissions of companies in KLP's equity portfolio relative to their earnings, to measure the overall carbon intensity of the equity portfolio.

The carbon footprint of KLPs funds is calculated from data provided by an analysis company specialising in this. The emission figures apply to the latest reported and analysed fiscal years. The analysis company provides estimates for companies that have not reported on carbon emissions.

KLP reports on the indicators weighted average carbon-intensity, carbon footprint and carbon-intensity, because this provides a good overall picture of the impact of the investments on carbon emissions and carbon risk. The reporting covers KLPs investments in equities.

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.

Borrowers in developing countries through the Nordic Microfinance Initiative (NMI) are active borrowers through the microfinance institutions that the NMI has invested in. The figure relates to the microfinance institutions as a whole; not adjusted for NMIs' stake in individual microfinance institutions.

STRATEGIC OBJECTIVE

Engaging companies and industries for a more sustainable operation

AS AN INVESTOR

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Companies excluded from investments	189	174	162	124	Alle	3.a, 8.7, 12.6, 16.2, 16.4, 16.5
Companies re-included in the investments	2	5	1	4	Alle	n/a
General meetings of Norwegian companies at which KLP has voted (number/percentage)	106 (98 %)	115 (97 %)	111 (96 %)	97 (91 %)	n/a	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	6 408 (97 %)	2 617 (91 %)	2 627 (90 %)	2 445 (83 %)	n/a	n/a
General meeting items where KLP has voted against management recommendations	18 %	11 %	10 %	10 %	n/a	n/a
Companies KLP has had direct dialogue with	103	192	138	125	Alle	3.a, 8.7, 12.6, 16.2, 16.4, 16.5,
Companies KLP has had dialogue with via service providers	108	124	169	160	Alle	3.a, 8.7, 12.6, 16.2, 16.4, 16.5,

”

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

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

As a responsible investor and owner, KLP has discussions with companies on many topics related to the UN Sustainability Goals. KLP's exclusion criteria are also in accordance with the Sustainable Development Goals.
Some examples of SDG targets:

- 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 assemblies internationally, and 90 per cent of general assemblies in Norway.
- KLP aimed to engage with 240 companies in 2018.

We have voted at 98% of the general assemblies in Norwegian companies, and 97% of the general assemblies in international companies. As such, our target has been reached by a good margin.

When it comes to engagement with companies, we have been in dialogue with 2019 companies, directly or through our service providers, during 2018. It has been a conscious decision to engage with fewer companies, and rather seek to target our engagements with companies of specific strategic importance, or on thematic subjects, we are particularly interested in. We believe that this will lead to the best long term outcomes.

Definition

The number of exclusions 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 reinstated refers to those whose exclusion was reversed in the course of the year. The number of companies KLP has had discussions with refers to companies that KLP has been in contact with during the year on social, environmental, or governance matters – KLP directly and via a service provider KLP uses for this purpose. Follow-up by KLP and by the service provider varies in scope, subject-matter and time frame. This is a form of exercising ownership in which KLP engages in dialogue with companies to clarify how they handle social responsibility issues, and also communicates its expectations as an investor and owner.

106

General meetings of Norwegian companies at which KLP has voted.

18 %

General meeting items where KLP has voted against management recommendations.

STRATEGIC OBJECTIVE

Developing products and services that contribute to positive development in society

PARTNERSHIP WITH OUR CUSTOMERS

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Projects on health promoting work with customers	25	12	27	40	3.	n/a
Courses run on health-promoting workplaces	145	100	106	163	3.	n/a
Courses on injury prevention	81	45	107	95	11.	11.5
Participants in the course on injury prevention	2 812	1600	2000	1900	11.	11.5

LENDING BUSINESS

	2018	2017	2016	2015	UN Sustainability Goals	SDG targets
Loans for roads and transport (MNOK)	8 543	9 411	n/a	n/a	n/a	n/a
Loans for public property (MNOK)	4 798	4 060	n/a	n/a	n/a	n/a
Loans to public sector and businesses (MNOK)	51 425	45 087	n/a	n/a	n/a	n/a

INJURY-PREVENTION

2812

Participants in the course on injury prevention.

HSE WORK WITH OUR CUSTOMERS

145

Courses run on health-promoting workplaces.

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.

UN Sustainable Development Goals

Shows how KLP contributes to Sustainable Development Goal 11, Sustainable Cities and Communities, particularly target 11.5: By 2030, significantly reduce the number of deaths and the number of people affected by disasters, including water-related disasters. These indicators also exemplify KLPs contribution towards UN Sustainable Development Goal 3, Good health and well-being.

Target

- Run 50 courses on damage prevention within insurance.
- Support 28 projects on health promoting workplaces.

In 2018, we have arranged 81 courses on damage prevention through our insurance company. A solid increase from last year, and well above our target.

We have supported 25 projects on health promoting workplaces. This entails a doubling from last year. Yet, we are still not quite there to reach our target.

Definition

Projects on healh promoting workplaces

The purpose of the projects on health promoting workplaces is to share knowledge and create tools to decrease absence from illness among our customers. The number of projects has been purposely reduced over the recent years. By reducing the number of projects, we are capable of working more holistically on certain projects and increase the financial support for each project. We believe that this approach will have deeper, more long-term effects. The results and experiences from the projects are shared widely with our customers.

Courses on damage prevention

Courses on damage prevention are courses where KLP Skadeforsikring provides training on fire safety. KLP Skadeforsikring has worked with the Norwegian Association of Fire Officers on the design and implementation of the courses. KLP Skadeforsikring also works with KLP's HSE training department and the courses may include training on HSE risk analysis. The courses help to prevent injuries

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.

Definition

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.

> ”
>
> 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.

To: Board of Directors in Kommunal Landspensjonskasse Gjensidige Forsikringsselskap

Independent statement regarding the sustainability metrics of Kommunal Landspensjonskasse Gjensidige Forsikringsselskap

We have examined the sustainability metrics in the sustainability statement of Kommunal Landspensjonskasse Gjensidige Forsikringsselskap (KLP).

The sustainability metrics include tables presenting sustainability indicators that KLP measure and monitor. The tables are available in KLP's annual report for 2018 under the chapter "Sustainability statement". KLP has developed the sustainability metrics and explained their methodology which is available in the table notes. These are the criteria which we used in our assessment. We have also assessed the basis of the measurements and verified the calculations.

Tasks and Responsibility of Management
Management is responsible for the sustainability metrics, and that it is prepared in accordance with the criteria. This responsibility includes designing, implementing and maintaining an internal control that maintains the sustainability metrics. Management is also responsible for the selection and collection of information presented.

Our independence and quality control
We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 [NORWEGIAN] - Quality control for firms that perform auditing and simplified confirmations of financial statements, and other assurance and related services and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

Tasks and Responsibility of Auditor
Our responsibility is to express an opinion on the subject matter based on our control.

We have performed controls and will issue our statement in accordance with the Standard on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information" with limited assurance.

Our work involves performing procedures to obtain evidence that the subject matter is prepared in accordance with the criteria. The procedures selected depend on our judgement, including assessments of the risks that the subject matter contains information which is of material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the subject matter. Therefore, we design audit procedures that are appropriate to the circumstances, but will not to express an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the subject matter.

PricewaterhouseCoopers AS,
org.no.: NO 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

pwc

Our work includes interviews with representatives responsible for the significant areas related to the sustainability report. This includes HR, compliance, responsible investments, bank and property management to assess internal controls and routines related to reporting of sustainability metrics. Additionally, this includes gathering and assessing relevant information supporting the presentation of sustainability metrics as well as verify calculations of sustainability metrics based on risk of errors.

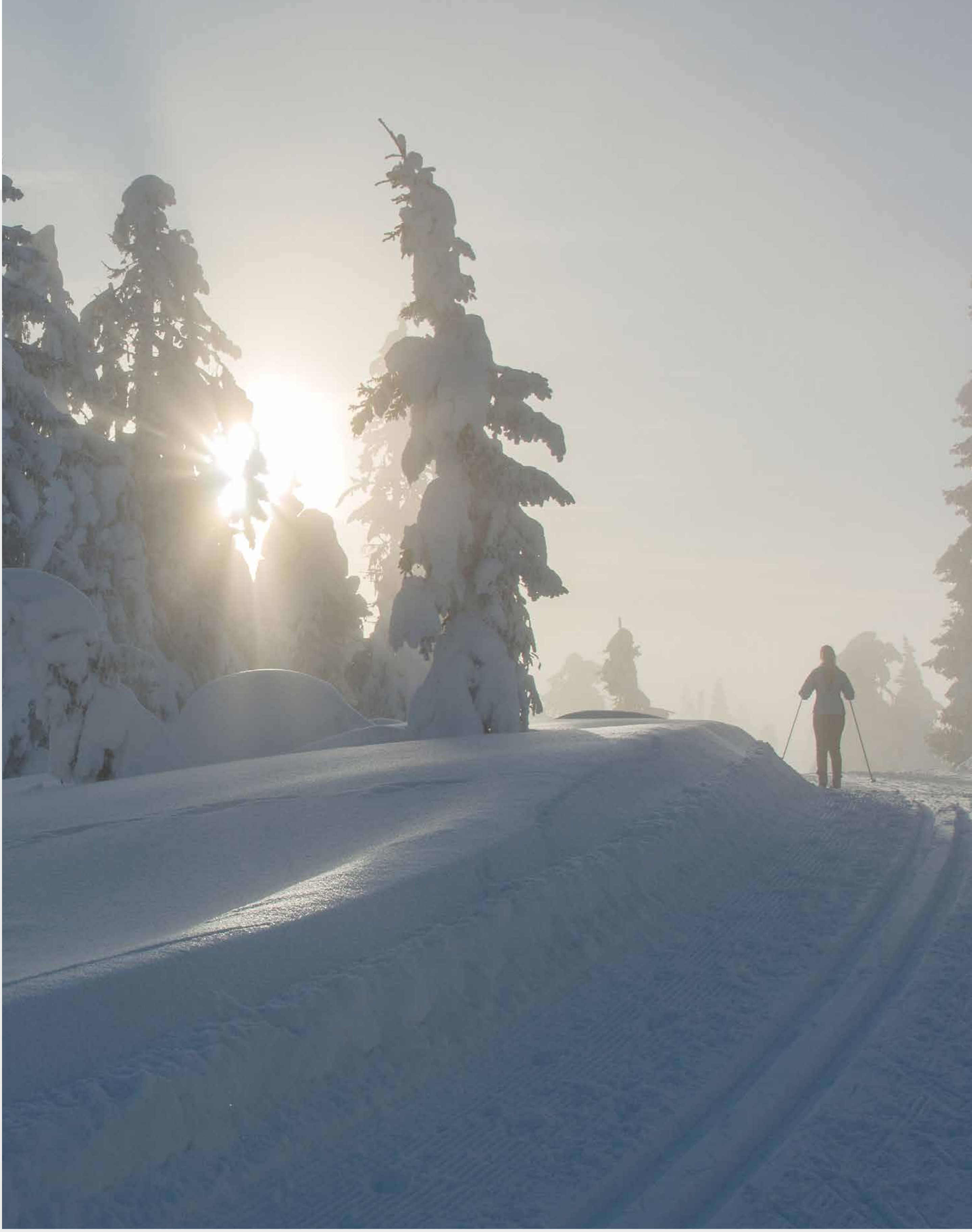
In our opinion, sufficient evidence has been obtained, and we consider that our work provides an appropriate basis to conclude with a limited level of assurance on the sustainability report.

Conclusion
Based on our work, nothing has come to our attention that gives us reason to believe that the sustainability metrics include material misstatements or that the sustainability metrics are not prepared in accordance with the criteria.

Oslo, March 20th 2019
PricewaterhouseCoopers AS

Eli Moe-Helgesen
State authorized public accountant (unsigned)

(This translation from Norwegian has been made for information purposes only)

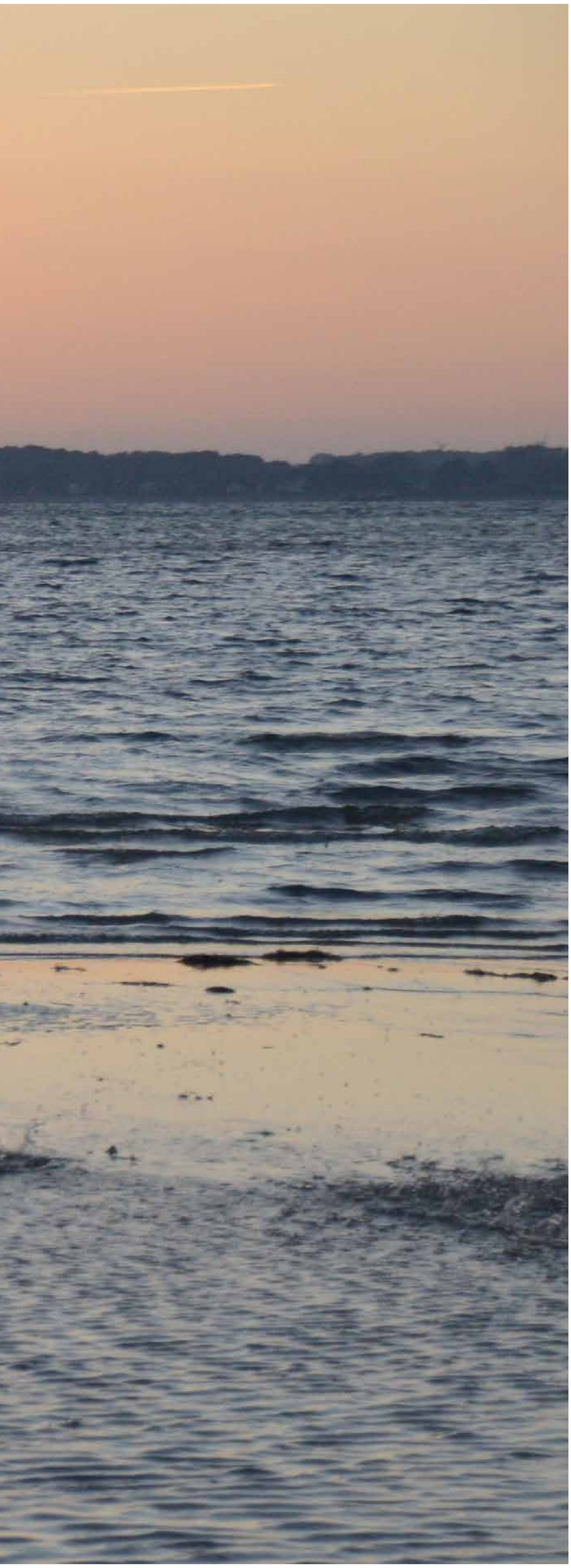


ANNUAL REPORT 2018

Kommunal Landspensjons-kasse Accounts

Photo:
Øyvind Garsjø
Employed in KLP

Photo:
Karoline Balterzen
Employed in KLP



Contents

KOMMUNAL LANDSPENSJONSKASSE

Photo:
Jenny Marie Wiggen
Employed in KLP

Income Statement

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	2018	2017
	Premiums due, gross	38 724	32 122
	Reinsurance premiums ceded	-2	-3
	Transfer of premium reserve and pension capital etc. from other insurance companies/pension funds	5	298
19	**Total premium income for own account**	**38 727**	**32 417**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	3 884	5 565
	Interest income and dividends etc on financial assets	9 963	10 871
	Value changes on investments	-10 421	13 450
	Gains and losses realized on investments	3 595	924
4	**Total net income from investments in the common portfolio**	**7 021**	**30 810**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	19	27
	Interest income and dividends etc on financial assets	46	56
	Value changes on investments	-55	63
	Gains and losses realized on investments	4	18
4	**Total net income from investments in the investment option portfolio**	**14**	**164**
33	**Other insurance-related income**	**1 055**	**984**
	Claims paid, gross	-18 350	-17 174
	Transfer of premiuim reserve and pension capital etc. to other insurance companies /pension funds	-497	-212
19	**Total claims**	**-18 847**	**-17 386**
	Change in premium reserve etc., gross	-27 252	-23 276
	Change in supplementary reserves	-2 825	-1 119
	Change in securities adjustment fund	8 838	-13 940
	Changes in premium funds, defined contribution funds, and pension regulation funds etc.	-265	-280
19	**Total changes in insurance liabilities taken to profit/loss - contractual liabilities**	**-21 503**	**-38 615**
	Changes in pension capital etc.	-92	-82
	Changes in premium funds, defined contribution funds and pension regulation funds etc.	-7	-5
	Change in other provisions	40	-8
19	**Total changes in insurance liabilities taken to profit/loss – individual investment option portfolio**	**-58**	**-95**
	Surplus on returns result	-2 243	-4 679
	Risk result assigned to insurance contracts	-480	-521
	Other allocation of profit	-216	0
19	**Total funds assigned to insurance contracts - contractual liabilities**	**-2 939**	**-5 199**

Income Statement

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	2018	2017
	Administration costs	-194	-187
24	Sales costs	-136	-130
	Insurance-related administration costs (incl. commission for reinsurance received)	-768	-685
	Total insurance-related operating expenses	**-1 097**	**-1 001**
33	**Other insurance-related costs**	**-1 059**	**-980**
19	**Technical result**	**1 315**	**1 098**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	281	364
	Interest income and dividends etc. on financial assets	734	690
17	Net operating income from property	99	41
	Value changes on investments	-3	-192
	Gains and losses realized on investments	345	358
4	**Total net income from investments in the corporate portfolio**	**1 456**	**1 261**
	Other income	**6**	**12**
	Administration costs	-14	-13
	Other expenses	-338	-372
	Total administration costs and other costs associated with the corporate portfolio	**-353**	**-386**
	Non-technical profit/loss	**1 109**	**887**
	Income before tax	**2 425**	**1 985**
26	Tax	-627	-496
	Income before other income and expenses	**1 797**	**1 489**
	Actuarial gains and losses on defined benefits pension schemes	-15	-19
	Proportion of other comprehensive income on application of the equity method	-7	-12
	Adjustment of the insurance liabilities	1	2
26	Tax on other income and expenses that will not be reclassified to profit or loss	4	5
	Total other income and expenses that will not be reclassified to profit or loss	**-18**	**-24**
	TOTAL COMPREHENSIVE INCOME	**1 780**	**1 465**
	ALLOCATIONS AND TRANSFERS		
	Transferred to other retained earnings	-1 141	-1 218
	Transferred to/from the risk equalization fund	-639	-248
	Total profit/loss allocation and transfer	**-1 780**	**-1 465**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
	ASSETS IN THE CORPORATE PORTFOLIO		
18	**Other intangible assets**	**173**	**226**
	Investments in the corporate portfolio		
6,17	**Investment properties**	**924**	**1 003**
14	Shares and holdings in property subsidiaries	1 985	1 831
14	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 694	4 641
14	**Total subsidiaries, associated enterprises and jointly controlled entities**	**6 679**	**6 471**
5,11	Investments held to maturity	7 078	6 906
5,11	Loans and receivables	11 097	9 327
5,11	**Total financial assets valued at amortized cost**	**18 175**	**16 233**
5,6,15	Shares and units	601	527
5,6,11	Fixed income securities	9 939	9 002
5,6,11	Loans and receivables	1 514	939
5,6,11	Financial derivatives	651	527
5,6	**Total financial assets valued at fair value**	**12 705**	**10 995**
	Total investments in the corporate portfolio	**38 483**	**34 702**
	Receivables related to direct business	540	673
30	Intra-Group receivables	82	184
	Other receivables	120	130
	Total receivables	**742**	**986**
	Plant and equipment	39	47
	Bank deposits	954	842
	Total other assets	**992**	**888**
	Total assets in the corporate portfolio	**40 392**	**36 802**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
	ASSETS IN THE CUSTOMER PORTFOLIOS		
	INVESTMENTS IN THE COMMON PORTFOLIO		
14	Shares and holdings in property subsidiaries	47 296	58 605
14	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	1 521	771
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	14 782	0
	Total subsidiaries, associated enterprises and jointly controlled entities	**63 599**	**59 377**
5,11	Investments held to maturity	23 722	23 947
5,11	Loans and receivables	188 873	166 016
5,11	**Total financial assets valued at amortized cost**	**212 596**	**189 962**
5,6,15	Shares and units	111 007	112 186
5,6,11	Fixed income securities	122 064	125 233
5,6,11	Loans and receivables	6 284	7 569
5,6,11	Financial derivatives	126	567
5,6	Other financial assets	229	713
5,6	**Total financial assets valued at fair value**	**239 711**	**246 268**
	Total investments in the common portfolio	**515 905**	**495 607**
	INVESTMENTS IN THE INVESTMENT OPTION PORTFOLIO		
14	Shares and holdings in property subsidiaries	234	290
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	73	0
	Total subsidiaries, associated enterprises and jointly controlled entities	**307**	**290**
5,11	Investments held to maturity	81	86
5,11	Loans and receivables	795	716
5,11	**Total financial assets valued at amortized cost**	**876**	**802**
5,6,15	Shares and units	615	645
5,6,11	Fixed income securities	576	603
5,6,11	Loans and receivables	49	35
5,6,11	Financial derivatives	0	0
5,6	**Total financial assets valued at fair value**	**1 240**	**1 283**
	Total investments in the investment option portfolio	**2 423**	**2 375**
	Totalt assets in the customer portfolios	**518 327**	**497 982**
	TOTALT ASSETS	**558 719**	**534 784**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
	OWNERS' EQUITY AND LIABILITIES		
	Other owners' equity contributed	14 554	13 125
	Total owners' equity contributed	**14 554**	**13 125**
	Risk equalization fund	4 793	4 154
	Other retained earnings	14 488	13 347
	Total retained earnings	**19 281**	**17 501**
5,21	Other subordinated loan capital	6 029	5 977
5,20,21	Hybrid Tier 1 securities	1 662	1 534
5,21	**Total subordinated loan capital etc.**	**7 691**	**7 511**
	Premium reserve etc.	431 153	403 902
	Supplementary reserves	28 206	25 399
16	Securities adjustment fund	33 439	42 277
	Premium funds, defined contribution funds, pension regulation funds etc.	12 383	15 206
19	**Total insurance liabilities - contractual liabilities**	**505 182**	**486 785**
	Pension capital etc.	1 941	1 849
	Supplementary reserves	100	140
	Premium funds, defined contribution funds, pension regulation funds etc.	378	385
19	**Total insurance liabilities - special investment portfolio**	**2 419**	**2 374**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE	NOK MILLIONS	31.12.2018	31.12.2017
25	Pension obligations etc.	565	520
26	Current tax liabilities	426	2
26	Deferred tax liabilities	481	226
	Total provision for liabilities	**1 473**	**748**
	Liabilities related to direct insurance	1 442	1 228
5,6	Liabilities to credit institutions	650	679
5,6,12	Financial derivatives	3 891	3 395
31	Other liabilities	1 912	1 139
	Total liabilities	**7 895**	**6 442**
	Other accrued costs and pre-paid income	225	299
	Total accrued costs and pre-paid income	**225**	**299**
	TOTAL EQUITY AND LIABILITIES	**558 719**	**534 784**
	OFF-BALANCE-SHEET ITEMS		
34	Contingent liabilities	19 142	14 597

Oslo, 20 March 2019
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

EGIL JOHANSEN
Chair

JENNY FØLLING
Deputy Chair

MARIT TORGERSEN

KARIANNE MELLEBY

ODD HALDGEIR LARSEN

LARS VORLAND

SUSANNE TORP-HANSEN
Elected by and from the employees

FREDDY LARSEN
Elected by and from the employees

SVERRE THORNES
Group CEO

Changes in Owners' Equity

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

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**

2017 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 31 December 2016	11 726	3 907	12 153	27 785
Principle change equity method			-24	-24
Own funds 1 January 2017	**11 726**	**3 907**	**12 130**	**27 762**
Income before other income and expenses		248	1 241	1 489
Actuarial gains and losses on defined benefits pension schemes			-19	-19
Proportion of other comprehensive income on application of the equity method			-12	-12
Adjustment of the insurance liabilities			2	2
Tax on other income and expenses that will not be reclassified to profit or loss			5	5
Total other income and expenses that will not be reclassified to profit or loss			**-24**	**-24**
Total comprehensive income		**248**	**1 218**	**1 465**
Owners equity contribution recieved	1 399			1 399
Total transactions with owners	**1 399**			**1 399**
Own funds 31 December 2017	**13 125**	**4 154**	**13 347**	**30 626**

Statement of Cash Flows

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOK MILLIONS	2018	2017
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Direct insurance premiums received	32 678	25 450
Reinsurance premiums paid	-2	-3
Direct insurance claims and benefits paid	-17 791	-16 583
Payments received on transfer	13	168
Payments made on transfer	-495	-210
Payments to other suppliers for products and services	-809	-732
Payments to staff, pension schemes, employer's social security contribution etc.	-566	-525
Interest paid	-283	-308
Interest received	7 926	7 773
Dividend and group contribution received	18 576	5 628
Tax and public charges paid	-8	-12
Receipts to the property business	40	40
Net receipts/payments of loans to customers etc.	-4 327	-3 705
Receipts on the sale of shares	11 377	3 551
Payments on the purchase of shares	-12 334	-6 752
Net cash flow from receivables on subsidiaries	-14 813	0
Receipts on the sale of bonds and certificates	65 749	68 770
Payments on the purchase of bonds and certificates	-86 789	-83 538
Payments on sale of property	499	0
Net cash flow from purchase/sale of other short-term securities	54	262
Net cash flows from operating activities	**-1 304**	**-728**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments on the purchase of tangible fixed assets etc.	-12	-49
Net cash flows from investment activities	**-12**	**-49**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on repayments of subordinated loan capital	0	-668
Receipts of owners' equity contributions	1 442	1 405
Payments on repayment of owners' equity contributions	-14	-6
Net cash flows from financing activities	**1 429**	**731**
Net changes in cash and bank deposits	112	-45
Holdings of cash and bank deposits at start of period	842	887
Holdings of cash and bank deposits at end of period	**954**	**842**

Notes to the Accounts

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE 1 General information

Kommunal Landspensjonskasse gjensidige forsikringsselskap (the Company) provides pension and insurance services to municipalities and county administrations, health enterprises and to enterprises in both the public and private sector.

The largest product area is group pensions insurance. Within pension insurance, the Company offers local government occupational pensions.

Kommunal Landspensjonskasse (KLP) is a mutual insurance company registered and domiciled in Norway. The Company has its head office in Dronning Eufemiasgate 10, Oslo.

The Company has subordinated loans listed on the London Stock Exchange.

The annual financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap are available on the Company's website, klp.no.

The Company's annual financial statements for 2018 were adopted by the Companys' Board of Directors on March 20th 2019.

NOTE 2 Summary of the most important accounting principles

Below follows a description of the most important accounting principles that have been used in the Company accounts.

2.1 FUNDAMENTAL PRINCIPLES

The annual financial statements are presented in accordance with Regulation No. 1824 of 18 December 2015: «Regulations for annual accounts for insurance companies» (Annual Accounts Regulations). This means that the Company's annual financial statements have been prepared in accordance with international accounting standards (EU–approved IFRS/IAS) with those additions resulting from the Norwegian Annual Accounts Regulations.

The annual financial statements have been prepared based on the principle of historic cost, with the following exceptions:

- Investment properties valued at fair value through profit and loss
- Financial assets and liabilities(including derviatives) are value at fair value through profit and loss
- Ownership interest in subsidiaries and associated companies valued in accordance with the owners' equity method
- Financial assets and liabilities are valued in accordance with the rules on fair value hedging.

In preparing the annual financial statements management must make accounting estimates and discretionary evaluations. This will affect the value of the Company's assets and liabilities, income and expenses recognized in the financial statements. Actual figures may deviate from estimates used. Areas in which discretionary valuations and estimates of material significance for the Company have been shown are described in Note 3.

All sums are presented in NOK millions without decimals unless otherwise stated.

The financial statements have been prepared in accordance with the going concern assumption.

2.1.1 Changes in accounting principles and disclosures

(a) New and changed standards adopted by the Company

No new IFRS/IFRC standards, changes or interpretations that came into effect during 2018 have been adopted that have had significant effect on the Company's accounts.

b) Standards, changes and interpretations of existing standards that have not come into effect and where the Group has not chosen advanced application.

On 20 December 2018, the Financial Supervisory Authority of Norway passed new regulations to the «Regulations for annual accounts for insurance companies». Life insurance companies are not allowed, according to the new regulations, to implement the new international standard IFRS 9 for financial Instruments, but must continue to account its financial instruments according to IAS 39.

IFRS 16 Leases will result in almost all leases being reported on the financial position statement, as the difference between operating and financial leases has been removed. Under the new standard, the right to use a leased item is an asset and the obligation to pay rent is a liability that must be reported on the financial position statement. The exceptions are short-term leases of low value. The accounting treatment for lessors will not be significantly changed. The Company will begin applying the standard as of 2019.The company has analysed all leasing agreements to make sure they meet the criteria for leases according to IFRS 16, and there are four leases that falls under the new standard. The company has also chosen a modified retrospective approach and is taking the whole effect of the transition against the opening balance at 1 January 2019.

The discount rate used to determine the present value of assets and liabilities is the best estimate of the marginal loan interest to the company/group. The calculated effect of IFRS 16 on the opening balance at 1 January 2019 will be an estimated increase of NOK 306.6 million in assets and liabilities.

IFRS 15 Revenue from Contracts with Customers. The new standard deals with revenue recognition. The standard calls for analysis of the customer contract, identifying the individual performance obligations. A performance obligation may be a good or service. Income is recognised when a customer acquires control over a good or service, and thus has the opportunity to decide on the use of, and may receive the advantages from, the good or the service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and associated interpretations. The transition to IFRS 15 has not had any substantial effect on the group's accounting numbers.

The IASB has published the standard IFRS 17 Insurance Contracts, the accounting standard that will replace the existing IFRS 4. The new standard are considered complex, and substantial resources will be used to implement the standard. KLP is concidering the consequences by adopting the new standard. The standard is at this time not present approved by EU, and will at the earliest be implemented in 2022.

Otherwise there are no other IFRSs or IFRIC interpretations not yet in force that are expected to have a significant impact on the financial statements.

2.1.2 Changes in financial statements in comparison with previous periods

No changes have been made to the financial statements compared to previous periods.

2.1.3 New tax rules

With effect from the 2018 income year, the tax rules for life insurance and pension firms have changed. The new rules mean that taxation of income and expenses related to assets in the collective portfolio and the investment selection portfolio shall be made in accordance with accounting legislation. The principle will apply to both financial assets and other types of assets. It will therefore be the technical result as it appears from the accounts, which will form the basis for the taxation. In the future, there will be no permanent or temporary differences associated with the customer portfolios for tax purposes.

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

Unrealized profit and loss on assets which previously have given asymmetric effects, should be taken to profit/loss in 2018, but can be co-ordinated by accumulated surplus deficit. Net taxable income arising from profit and loss on unrealized assests in 2018, which is higher than the comanys surplus deficit, can be accounted for in a profit/loss account wchich must be taken to income with a rate of 20 per cent annualy.

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

The tax rules for the corporate portfolio remain unchanged. The remaining part of the company's carryforward deficit can be used to set of any taxable profit in the corporate portfolio.

In presenting the company's financial statements, capitalization of deferred tax is considered. Deferred tax and tax assets are calculated as differences between the accounting and taxation value of assets and liabilities. Deferred tax asset are capitalized to the extent it can be shown probable that the company will have sufficient taxable profit to exploit the tax asset in the future. In assessing the probability, emphasis is placed on historic earnings and expected future taxable income.

The company is a part of a financial services group and a tax group. With exception for the limitations pursuant to the Financial Institutions Act, any tax-related surplus may be submitted in their entirety to parent company and subsidiaries as group contribution with tax effect.

2.2 SUBSIDIARIES

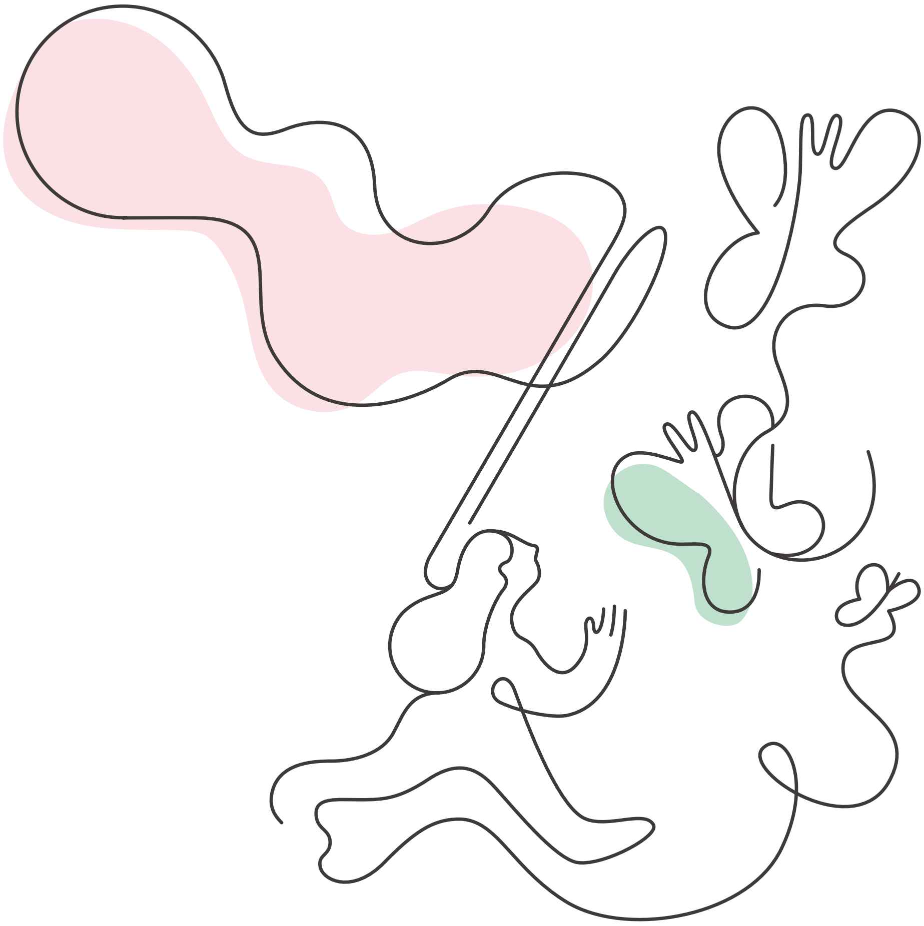
All entities in which the Company has deciding influence/control are considered subsidiaries. Deciding influence is normally achieved through ownership of more than half of the voting capital. The effect of potential voting rights that can be exercised or converted at the end of the reporting period is included in the assessment of control. Subsidiaries have been consolidated in accordance with the equity capital method. This means that the Company's share of profit or loss in subsidiaries is taken to profit/loss and is added to the financial position statement value together with owners' equity changes not taken to profit/loss. The Company does not take a share of the loss to profit/loss if this involves the financial position statement value of the investment becoming negative unless the Company has assumed liabilities on behalf of the subsidiary.

Purchase of subsidiaries is recognized in accordance with the purchase method . Acquisition cost is set at the same as fair value of assets provided by way of consideration for the purchase, equity instruments issued and liabilities assumed on transfer of control. The identifiable assets and liabilities of the acquired company are valued at fair value. If cost of acquisition exceeds fair value of identifiable net assets in the subsidiary, the excess is capitalized as goodwill. If the cost of acquisition is lower, the difference is taken to profit/loss on the date of acquisition.

The Company's financial statements are presented in NOK and those of subsidiaries in foreign currency are converted to NOK at the exchange rate at the end of the reporting period.

2.3 CONSOLIDATED FINANCIAL STATEMENTS

KLP reports the group financial statements in accordance with the international accounting standards IFRS/IAS. The consolidated financial statements are shown for themselves in a separate presentation and a full set of notes has been prepared for the Group including description of accounting principles used.



NOTE 3 Important accounting estimates and valuations

The Company prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

It must be expected that the estimates will deviate from the final outcome and the areas where there is significant risk of substantial changes in capitalized values in future periods are discussed below.

3.1 INSURANCE CONTRACTS

The largest insurance risk for KLP is the risk of incorrect estimation of life expectancy. In determining the premium tariffs, KLP uses its own analyses of its policy-holders and analyses of the entire Norwegian population. Uncertainty over future life expectancy, which is based on estimates far ahead in time, provides a similar risk of a charge against equity capital because of the need for higher provisions, to cover payment over a longer period of time.

There will also be insurance risk linked to disability, but this risk is considerably lower. Uncertainty in calculating probabilities of disability may, as with increased longevity, result in decreased profit for owners, but here there is more scope for adjusting premiums, given that disability pensions have a shorter time horizon for the payments.

Insurance risks linked to mortality are considerably lower and must be seen in relation to insurance risks related to longevity. Increased mortality will result in a negative risk result for the risk of death, but will be counterbalanced by a positive risk result for longevity. The insurance benefits for spouse and child pensions, which make up the risk result for death, are also considerably lower than the benefits for old-age pensions (longevity risk).

In calculating technical provisions in the public sector group pension sector, assumptions on disability risk are based on KLP's disability data for the period 2009 - 2013. For the other risk elements, including longevity risk, the assumptions from the K2013 calculation base are used with the contingency margins set by the FSA of N. Disability- and morality- risks are checked towards the tariffs every year to intercept changes in the risk picture.

KLP invoices average premium for the different pension schemes so that the technical net premium is proportionate between the customers included in the scheme. Had this not been done the annual net premium for KLP retirement, disability and survivor pension based on a salary of NOK 460,000 would, for the various individual ages and genders, amount to the figures stated in the table below.

In calculating technical provisions in the public sector occupational pensions, provisions are made for claims incurred but not finally settled. The provisions are set using statistical models.
For sensitivity analysis regarding insurance contracts, see note 7 section 7.1.4.

3.2 FAIR VALUE OF FINANCIAL ASSETS

The majority of the KLP's assets recognised at fair value through profit and loss are assets traded on an active market, so the market value can be determined with a high degree of confidence.

In the case of the Group's pricing of unlisted securities, there will be uncertainty in this regard. This is especially true of securities which are priced on the basis of non-observable assumptions. Different valuation techniques are used to determine the fair value of these investments. Unlisted fixed-income securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models. Please see note 5 and 6 for more information about the pricing methods and the accounting.

3.3 SHARES AND HOLDINGS IN PROPERTY SUBSIDIARIES

The underlying values in shares and holdings in property subsidiaries are related to investments in property. See the Groups note 3 section 3.2 for more information of principles for valuation and sensitivity regarding property.

ANNUAL NET PREMIUM

MEN

AGE	30 years	45 years	60 years
Amount	NOK 19 303	NOK 32 934	NOK 40 940

WOMEN

AGE	30 years	45 years	60 years
Amount	NOK 24 737	NOK 39 223	NOK 44 388

NOTE 4 Net income from financial instruments

2018 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	156	1 445	7	1 608
Profit/loss subsidiaries	125	2 417	12	2 554
Profit/loss associated enterprises and jointly controlled entities	0	22	0	22
Total income from investments in subsidiaries, associated enterprises and joint ventures	**281**	**3 884**	**19**	**4 184**
Interest banking	5	45	0	51
Interest financial derivatives	25	-141	0	-116
Interest bonds and other fixed-income securities	179	2 515	13	2 707
Total interest income financial instruments at fair value	**209**	**2 420**	**13**	**2 643**
Interest bonds amortized cost	446	5 287	32	5 765
Interest lending	0	1 351	0	1 351
Total interest income financial instruments at amortized cost	**446**	**6 638**	**32**	**7 117**
Dividend/interest shares and units	78	897	0	975
Other income and expenses	0	9	1	9
Total net interest income and dividend etc. on financial assets	**734**	**9 963**	**46**	**10 744**
Value adjustment property	60	0	0	60
Rental income property	39	0	0	39
Total net income from investment property	**99**	**0**	**0**	**99**
Value changes shares and units	68	-8 007	-52	-7 990
Value change bonds and other fixed-income securities	-32	-444	0	-476
Value change financial derivatives	124	-2 128	-3	-2 007
Value change loans and receivables	10	-16	0	-6
Total value change financial instruments at fair value	**170**	**-10 595**	**-55**	**-10 480**
Value change bonds	0	0	0	0
Value change lending	0	174	0	174
Total value change financial instruments at amortized cost	**0**	**174**	**0**	**174**
Value change on subordinated loans and hybrid funds	-173	0	0	-173
Total value changes on investments	**-3**	**-10 421**	**-55**	**-10 479**

NOTE 4 Net income from financial instruments - cont.

2018 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Realized shares and units	-48	3 243	7	3 202
Realized bonds and other fixed-income securities	-16	683	2	669
Realized financial derivatives	1	-1 300	-6	-1 305
Realized loans and receivables	-10	81	1	71
Total realized financial instruments at fair value	**-73**	**2 707**	**3**	**2 637**
Realized bonds at amortized cost [1]	56	876	1	933
Realized loans at amortized cost [1]	0	0	0	0
Total realized financial instruments at amortized cost	**56**	**876**	**1**	**933**
Other financial costs and income	362	12	0	374
Total realized gains and losses on investments [2]	**345**	**3 595**	**4**	**3 944**
Total net income from investments	**1 456**	**7 021**	**14**	**8 492**

[1] Realized values on bonds at amortized cost come from realized added/reduced values on foreign exchange.
[2] The majority of this amount is derived from sales of leasehold.

2017 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	69	2 990	15	3 074
Profit/loss subsidiaries	296	2 486	12	2 794
Profit/loss associated enterprises and jointly controlled entities	0	88	0	88
Total income from investments in subsidiaries, associated enterprises and joint ventures	**364**	**5 565**	**27**	**5 956**
Interest banking	11	54	0	65
Interest financial derivatives	42	7	0	50
Interest bonds and other fixed-income securities	208	3 702	23	3 934
Total interest income financial instruments at fair value	**262**	**3 764**	**24**	**4 049**
Interest bonds amortized cost	395	5 052	32	5 479
Interest lending	0	1 237	0	1 237
Total interest income financial instruments at amortized cost	**395**	**6 289**	**32**	**6 716**
Dividend/interest shares and units	39	795	0	834
Other income and expenses	-5	24	1	19
Total net interest income and dividend etc. on financial assets	**690**	**10 871**	**56**	**11 618**
Value adjustment property	0	0	0	0
Rental income property	41	0	0	41
Total net income from investment property	**41**	**0**	**0**	**41**

NOTE 4 Net income from financial instruments - cont.

2017 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Value changes shares and units	72	13 662	63	13 797
Value change bonds and other fixed-income securities	6	-728	0	-722
Value change financial derivatives	-115	395	1	281
Value change loans and receivables	28	-3	0	24
Total value change financial instruments at fair value	**-9**	**13 326**	**63**	**13 380**
Value change lending	0	124	0	124
Total value change financial instruments at amortized cost	**0**	**124**	**0**	**124**
Value change on subordinated loans and hybrid funds	-182	0	0	-182
Total value changes on investments	**-192**	**13 450**	**63**	**13 321**
Realized shares and units	83	1 093	21	1 197
Realized bonds and other fixed-income securities	-5	486	0	482
Realized financial derivatives	2	-33	-5	-37
Realized loans and receivables	-44	3	1	-40
Total realized financial instruments at fair value	**35**	**1 550**	**18**	**1 603**
Realized bonds at amortized cost [1]	437	-609	0	-172
Realized loans at amortized cost [1]	0	0	0	0
Total realized financial instruments at amortized cost	**437**	**-609**	**0**	**-172**
Other financial costs and income	-114	-17	0	-131
Total realized gains and losses on investments	**358**	**924**	**18**	**1 299**
Total net income from investments	**1 261**	**30 810**	**164**	**32 235**

[1] Realized values on bonds at amortized cost come from realized added/reduced values on foreign exchange.

NOTE 5 Fair value of financial assets and liabilities

For information regarding pricing of financial assets and liabilities see note 6 Fair value of financial assets and liabilities in the consolidated financial statement.

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

NOTE 5 Fair value of financial assets and liabilities - cont.

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 5 Fair value of financial assets and liabilities - cont.

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

NOTE 5 Fair value of financial assets and liabilities - cont.

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

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

NOTE 6 Fair value hierarchy

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 6 Fair value hierarchy - cont.

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 6 Fair value hierarchy - cont.

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

NOTE 6 Fair value hierarchy - cont.

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

NOTE 6 Fair value hierarchy - cont.

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

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

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

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

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

NOTE 6 Fair value hierarchy - cont.

Unrealized changes are reflected in the line «Value changes on investments» in the different portfolios in the income statement.

The amounts in the level distribution can in turn be found in the financial position statement under various portfolios' allocation of financial instruments at fair value and investment property.

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

LEVEL 1

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

LEVEL 2

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

LEVEL 3

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

Valuations related to items in the various levels are described in note 6 for the Group. For description of the pricing of investment property please see note 3 in the Group's annual report.

The fair value of assets and liabilities measured at amortized cost are stated in note 5. 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 inlcuded in level 2 and debt to credit institutions are included in level 1.

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 807 million as of 31.12.2018.

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.

During 2018 NOK 62 million has been moved from Level 1 to Level 2, and NOK 214 million from Level 2 to Level 1. The amount are related to equity instruments and are due to change in liquidity. NOK 127 millions in debt instruments has been moved from level 2 to level 1 when previously unlisted securities became listed in 2018. NOK 0.02 million in stocks is moved from level 3 due to re-classification in the balance sheet. There has been no other movements between the different levels in 2018.

NOTE 7 Risk management

Through its activity, KLP is exposed to both insurance risk and financial risk. For the Company overall risk management aims to handle financial risk in such a way that the Company can at all times meet the liabilities the insurance contracts place on the business. The Board of Directors sets the overarching risk strategies that are put into practice at the senior management level.

Risk strategy is implemented and monitored by the line organization, with periodic reporting. Any breaches in risk lines and limits are reported as they occur, with a description of measures taken to regularize the situation. Entities outside the line organization monitor that the risk-taking is carried out within the authorizations the line has.

7.1 INSURANCE RISK

An insurance contract ia according to IFRS 4 defined as «A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder». The uncertainty at the portfolio level is additionally affected by factors such as changes in law and court decisions. Insurance results will be more stable and predictable the more contracts there are in the portfolio.

The Company's insurance business is in the group pension sector. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas mortality/whole life risk is somewhat less weighty.

Insurance risk in the group pension sector is generally managed through close monitoring of the risk incidence and if appropriate subsequent change in the tariffs. The Company is safeguarded against extreme events through catastrophe reinsurance.

7.1.1 Insurance provisions

Insurance provisions are set at the level of expectation, with a supplement of contingency margins. In addition provisions are made in a risk equalization fund within group pensions to meet unexpected fluctuations in claim incidence.

For disability risk in the group pension sector, assumptions used are based on the Company's disability data from 2009 - 2013. For the other risk elements in group pension the assumptions from the K2013 calculation base are used with contingency margins in accordance with the minimum standard set by the FSA of N in 2013. In the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors the same formulae and the same parameters are used otherwise, but with a strengthened contingency margin because of significantly longer lifetime in these schemes.

7.1.2 Premium setting

Development in the Company's insurance risk is continuously monitored. Risk result and future expectations of development in insured risk based on observations and/or theoretic risk models create the basis for pricing of the risk element in the premium. The premiums are set annually. The group insurance sector has a high degree of predictability and stability in its premiums. Normally they will therefore stay the same for several years at a time.

7.1.3 Reinsurance and reinsurance programme

The way the insurance contracts are set, current risk is generally within the limits of the Company's risk-bearing ability. The need for reinsurance is therefore limited.

KLP has taken out a catastrophe insurance agreement. The agreement covers up to NOK 300 million in excess of the Company's NOK 50 million for own account for events that lead to more than 10 people dying or becoming disabled. The agreement does not cover events resulting from epidemics, war and terrorism.

7.1.4 Sensitivity calculations in group pension

The effect of an immediate 20 per cent increase in the incidence of disability would, with current numbers, involve a negative effect of NOK 196 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in the incidence of disability would be an increase of NOK 1,122 million.

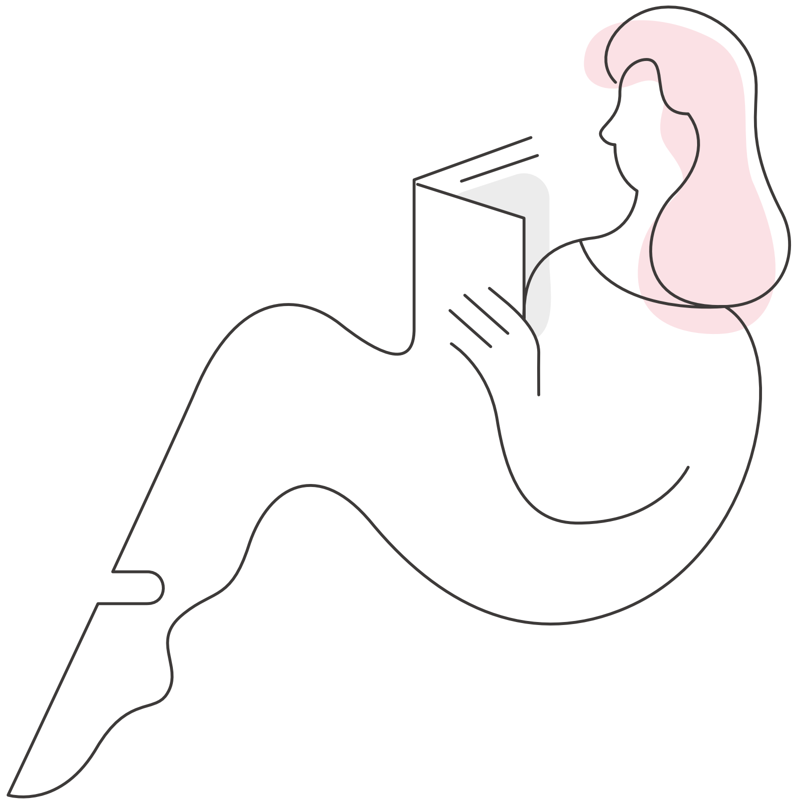
An immediate 10 per cent reduction in mortality would, with current numbers, mean a negative effect of NOK 188 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be an increase of NOK 9,667 million.

The Company's large numbers within group public sector pensions help to stabilize the insurance risk and the claim estimates. Deviations are related primarily to non-insurable magnitudes that do not affect the result.

7.2 FINANCIAL RISK

The Company's financial goal is to achieve a competitive and stable return, at the same time as the Company's solvency satisfies external and internal requirements. The Company has a long-term investment strategy in which risk-taking is at all times matched to the Company's ability to bear risk. The focus in asset management is cost effectiveness, a long-term perspective and broadly diversified portfolios with the goal of achieving competitive and stable returns for our customers and owners over time.

KLP's financial risk comprises liquidity risk, market risk and credit risk.



7.2.1 Liquidity risk
Liquidity risk is the risk that the Company does not have adequate liquidity to cover short-term debt/residual liabilities not called in and current operations without substantial extra costs arising in the form of price falls on assets that have to be realized. The liquidity strategy contains various requirements and limits in order to comply with the desired liquidity risk profile. In addition division of responsibilities and contingency planning are covered. The liquidity strategy is operated at the senior management level and the liquidity is managed internally in accordance with mandates.

The need for liquidity in KLP is first and foremost associated with payments to pensioners and meeting current operating costs. Liquidity is also required for providing security in connection with currency and derivative trades. The KLP liquidity need is primarily satisfied by contractual receipts from customers. At all times the Company has a liquidity holding sufficient to meet current costs, including pension payments. In the event of liquidity needs beyond the current liquidity holdings, liquidity can normally be released through the sale of liquid financial assets.

KLP's aims to have liquidity buffers corresponding to 3 months' liquidity needs. This is measured through the following ratio:

Liquid assets/short-term liquidity requirement
Liquid assets are defined as liquidity holdings and expected receipts (to the liquidity portfolio) for the next three months, whilst short-term liquidity requirements are defined as liabilities falling due within three months and other unknown requirements for liquidity within three months.

Not-called-in residual obligations of NOK 19,142 million comprise committed, not paid in sums against private equity property funds and approved lending that has not been paid out. In addition, KLP has given a NOK 2 million guarantee to a associated enterprise.The total is specified in detail in Note 34 Contingent liabilities.

7.2.2 Market risk
Market risk is the risk of losses as a result of changes in market prices of various assets such as shares, bonds, property and other securities. The market risk depends on how large an exposure there is to the various assets

and on the volatility in the market prices. Developments in the Norwegian and international securities markets generally have major significance for KLP's results.

Risk of a fall in the value of various assets is the biggest financial risk in the short term. Of the risk in regard to assets, equity exposure is the largest financial risk factor, but also the market risk associated with interest, credit (spread) and property has a significant loss potential. KLP's interest rate risk associated with a prolonged low interest rate level is however limited. With the current formulation of the rules, technical provisions are not affected by changes in market interest rates. On the future transition to market value for the liabilities, annual pricing of the interest guarantee will mean the customers bear the risk of the interest rate level being lower than the basic interest rate. Since KLP provides pension schemes exclusively to the public sector, KLP will price the return guarantee right up until the insured dies, which means the return guarantee arising from the insurance obligations is limited.

KLP exchange-rate hedges the majority of international exposure. Financial hedging of currency exposure is done through derivatives. In principle all of KLP's fixed-income investments and property investments in foreign currency are hedged back to NOK. For equity investments in foreign currency the objective for 2018 has been a 60-70 per cent hedging ratio with permitted fluctuations between 60 and 80 per cent.

All equity and interest rate exposures are included in a risk measurement system that enables simulation and monitoring of equity and interest rate risk across the portfolios. Active risk is managed through defined benchmarks relative to the index for each portfolio.

To reduce the risk of negative results from asset management the Company uses CPPI rules for customer portfolios for daily monitoring the market risk. This strategy helps to ensure that the risk is adjusted to the Company's risk capacity. The CPPI rules gives a return profilewich fits the overall target to protect owners' equity and preserve the risk capacity over time.In addition KLP has a high proportion of long-term (hold-to-maturity) bonds and fixed-interest lending that contributes to stability in returns.

In KLP's asset management, derivatives are principally used for risk reduction for cost and time-effective implementation of changes in risk and for currency hedging.

Calculation of solvency margin (SCR ratio)

The new European rules for calculation of solvency margin, SCR ratio, main target is to protect and ensure the interest of the insurance customers. Solvency II was introduced from 1 January 2016, and KLP performs quarterly calculations of the SCR ratio.

At the end of 2018 about 21 per cent of KLP's assets were placed in equities (measured by exposure) and 13 per cent placed in property. Other assets were placed in fixed-income current and fixed assets, including lending.

The SCR ratio in 2018 was 263 per cent, which is higher than by the end of 2017 when the ratio was 242 percent. The ratio is well over the Company's target of at least 150 percent in 2018. The minimum target set by the authorities is 100 per cent.

The Company's' total eligible tier 1 capital is 36.1 billion. The solvency capital requirement, as described in note 32, is NOK 13.8 billion. The SCR ratio in 2018 was 263 per cent.

Several sensitivity analyses linked to solvency capital coverage have been carried out. Interest rate sensitivity is calculated at 9 percentage points in capital coverage per 50 basis points interest rate increase and 4 percentage points in capital coverage per 50 basis points interest rate decrease. This may be considered low, at least compared to private occupational pensions, and is mainly due to the fact that public-sector occupation pensions avoid the problem of paid-up policies. A 25 per cent fall in the stock market reduces capital adequacy by something under 50 percentage points when the rules are taken into account. This is a significant drop, but the level of capital adequacy will still be above the level at which action has to be considered.

Previous calculations has shown that with the reserve margins within the Company's tariffs and by the level of todays risk equalization fund, the solvency capital is marginal influenced by changes in longevity risk and mortality/whole life risk.

7.2.3 Credit- and concentration risk

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.

KLP has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. Of the total credit exposure, 30 per cent are rated AA- or higher. If lending to municipal with assumed rating of AA, the total it 46 per cent. KLP has a separate international government bonds portfolio that represented about 18 per cent of the portfolio of short-term bonds at the end of the year.

NOTE 7 Risk management - cont.

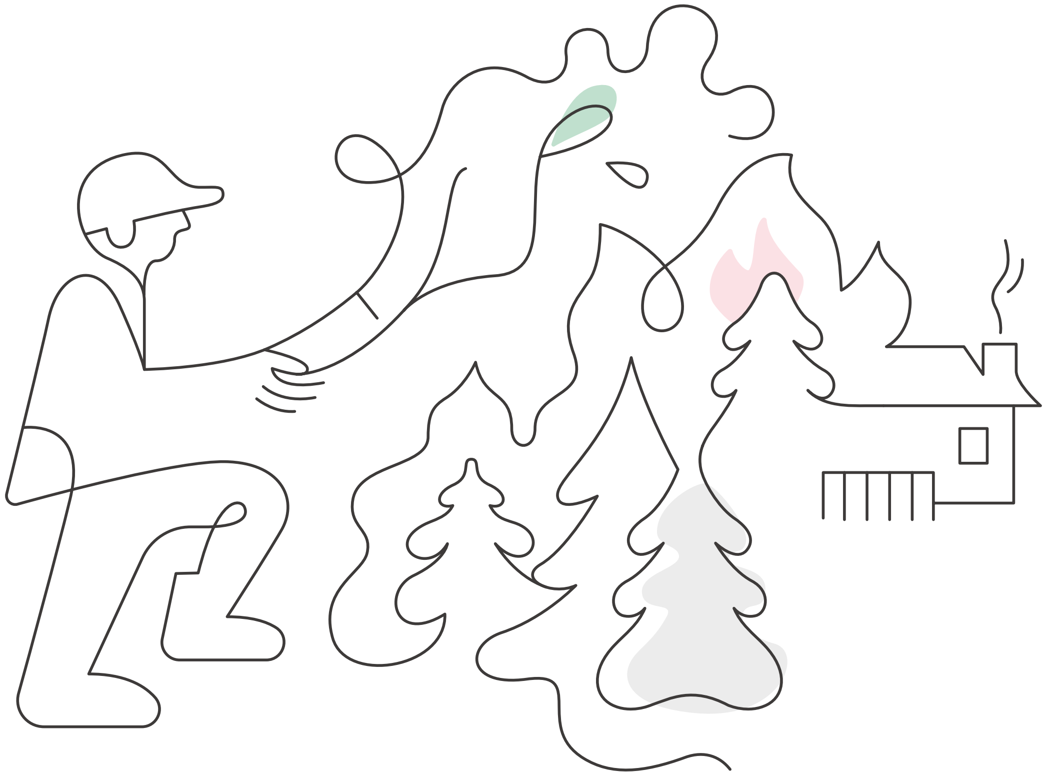
KLP has a lending portfolio of high quality, with limited credit risk and historically very low losses. In the main KLP provides loans secured on housing with a mortgage level of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to about NOK 3.0 billion. The value of the mortgages represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.

KLP has limited concentration risk. Because no exposures exceed the threshold values defined in the Solvency II regulations, KLP has no capital requirements for concentration risk under the standard method. The way in which the fixed interest and equity portfolios are managed will generally help to limit concentration risk through extensive use of index management. KLP sets explicit limits for lending which restrict concentration on specific individuals and groups. Sector concentration is monitored via monthly and quarterly reporting.

Although the KLP's investments are well diversified, there is a clear preponderance of investments in Norway. This is a deliberate and a natural consequence of dealing mainly with public-sector occupational pensions.

7.3.TOTAL MAXIMUM EXPOSURE TO CREDIT RISK

The Company's total maximum exposure to credit risk comprises book values. The book classes of securities are specified in detail in Note 5 Fair value of financial assets and liabilities.



NOTE 8 Liquidity risk

The table below specifies the Company's financial liabilities classified according to maturity structure. The amounts in the table are non-discounted contractual cash flows.

2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loans	0	252	1 010	6 444	0	7 706
Hybrid Tier 1 securities [1]	0	63	252	315	1 520	2 151
Accounts payable	21	0	0	0	0	21
Liabilities to credit institutions	22	0	0	0	0	22
Contingent liabilities	19 142	0	0	0	0	19 142
Total	**19 185**	**315**	**1 262**	**6 759**	**1 520**	**29 042**
FINANCIAL DERIVATIVES						
Financial deriviatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	3 862	2 960	119	-97	-296	6 548
Total financial derivatives	**3 862**	**2 960**	**119**	**-97**	**-296**	**6 548**
Total	**23 047**	**3 276**	**1 381**	**6 662**	**1 225**	**35 590**

2017 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loans	0	250	1 002	6 644	0	7 897
Hybrid Tier 1 securities [1]	0	60	238	298	1 466	2 062
Accounts payable	7	0	0	0	0	7
Liabilities to credit institutions	697	0	0	0	0	697
Contingent liabilities	14 597	0	0	0	0	14 597
Total	**15 301**	**310**	**1 240**	**6 942**	**1 466**	**25 259**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	3 201	2 323	181	-78	-198	5 429
Total financial derivatives	**3 201**	**2 323**	**181**	**-78**	**-198**	**5 429**
Total	**18 501**	**2 633**	**1 422**	**6 864**	**1 269**	**30 689**

[1] Some of the loans are perpetual. The cash streams are estimated up to expected maturity by interest adjustment date.

NOTE 8 Liquidity risk - cont.

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

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

EXPECTED PAYMENT PROFILE PENSION OBLIGATIONS

2018
NOK MILLIONS

Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	16 086	69 228	112 984	289 173	334 322	308 646	214 686	159 178	1 504 303

2017
NOK MILLIONS

Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	16 405	69 319	111 282	279 431	319 360	291 726	201 466	147 412	1 436 400

The payment profile shows anticipated payment dates for KLP's future pension obligations and is based on non-discounted values.

The insurance liabilities in the accounts are discounted and show the present value at the end of the reporting period.

NOTE 9 Interest rate risk

2018 NOK MILLIONS	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	Over 10 years	Change in cash flows	Total
ASSETS							
Equity fund units [1]	0	0	0	0	0	11	12
Alternative investments	1	0	0	0	0	20	22
Financial derivatives classified as assets	0	2	8	-55	-181	-18	-243
Debt instruments classified as loans and receivables – as amortized cost	0	0	0	0	0	1	1
Bonds and other fixed-income securities	-40	-35	-521	-485	-595	280	-1 396
Fixed-income fund units	-3 594	0	0	0	0	37	-3 558
Loans and receivables	-1	-1	0	0	0	75	73
Cash and deposit	0	0	0	0	0	9	9
Lending	0	0	0	0	0	342	342
Contingent liabilities [2]	0	0	0	0	0	87	87
Total assets	**-3 633**	**-34**	**-514**	**-540**	**-775**	**844**	**-4 651**
LIABILITIES							
Financial derivatives classified as liabilities	2	0	6	0	0	-1	7
Hybrid Tier 1 securities, subordinated loans	0	0	0	54	89	0	143
Liabilities to credit institutions	0	0	0	0	0	-25	-25
Total liabilities	**2**	**0**	**6**	**54**	**89**	**-26**	**125**
Total before taxes	**-3 631**	**-34**	**-508**	**-485**	**-687**	**818**	**-4 526**
Total after taxes	**-2 723**	**-25**	**-381**	**-364**	**-515**	**614**	**-3 395**

[1] Equity fund units covers that part of the fund that is not shares, but that comprises assets covered by interest rate risk: surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.
[2] Contingent liabilities in this context are accepted, not paid out lending.

NOTE 9 Interest rate risk - cont.

2017 NOK MILLIONS	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	Over 10 years	Change in cash flows	Total
ASSETS							
Equity fund units [1]	-1	0	0	0	0	11	11
Alternative investments	55	0	0	0	0	28	83
Financial derivatives classified as assets	0	2	19	-78	-177	-40	-274
Debt instruments classified as loans and receivables – as amortized cost	0	0	0	0	0	7	7
Bonds and other fixed-income securities	-44	-43	-424	-480	-548	299	-1 241
Fixed-income fund units	-3 622	0	0	0	0	36	-3 586
Loans and receivables	0	-3	0	0	0	87	84
Cash and deposit	0	0	0	0	0	9	9
Lending	0	0	0	0	0	350	350
Contingent liabilities [2]	0	0	0	0	0	37	37
Total assets	**-3 611**	**-44**	**-405**	**-558**	**-725**	**825**	**-4 519**
LIABILITIES							
Financial derivatives classified as liabilities	2	1	10	0	-6	7	13
Hybrid Tier 1 securities, subordinated loans	0	0	0	59	73	0	132
Liabilities to credit institutions	0	0	0	0	0	-25	-25
Total liabilities	**2**	**1**	**10**	**59**	**67**	**-19**	**119**
Total before taxes	**-3 609**	**-43**	**-396**	**-500**	**-659**	**806**	**-4 400**
Total after taxes	**-2 707**	**-32**	**-297**	**-375**	**-494**	**605**	**-3 300**

[1] Equity fund units covers that part of the fund that is not shares, but that comprises assets covered by interest rate risk: surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.
[2] Contingent liabilities in this context are accepted, not paid out lending.

The note shows the effect on income of an increase in market interest rate of 1 per cent, for fair value risk and variable interest rate risk.

Change in fair value (fair value risk) is shown in the five first columns and is calculated on the change in fair value of interest-bearing instruments if the interest rate had been 1 per cent higher at the end of the period. The column «Change in cash flows» (variable interest rate risk) shows the change in cash flows had the interest rate been 1 per cent higher throughout the year being reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would have had on the Company during the period being reported on.

Fair value risk applies to fixed interest rate securities where the market value of the security fluctuates conversely to the market interest rate. Variable interest rate risk applies to securities at variable interest rates, where the market value remains stable, but where change in the market interest rate is reflected in changed current incomes.

The following fixed-income securities are covered by this Note; securities at fair value through profit or loss (variable and fixed interest rate terms), investments held to maturity (only those with variable interest rate terms) and loans and receivables (only those with variable interest rate terms). The Company has no fixed-income securities classified as available for sale.

Fixed rate assets, recognized at amortized cost, do not cause any effects in the income statement when the market rate changes. The same goes for issued debt with a fixed rate, measured at amortized cost.

Insurance contracts with a guaranteed return does not change the accounting value when interest rates change. Changes in interest rate has no impact on the guaranteed return, but will have an impact on the achieved returns to cover the return guarantee. This is because insurance funds partly invests in debt instruments whose cash flows contribute to cover the customers return guarantee.

NOTE 10 Currency risk

31.12.2018	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/ NOK	Assets	Liabilities	NOK
US dollar	9 713	-47	6 570	-15 551	8,66	16 282	-15 598	5 924
Swedish krona	14 129	0	18 178	-27 570	0,98	32 307	-27 570	4 626
British Pound	1 352	0	1 037	-2 182	11,03	2 389	-2 182	2 276
Euro	3 140	-96	1 692	-4 552	9,90	4 832	-4 647	1 828
Japanese yen	88 481	-306	78 472	-145 100	0,08	166 954	-145 406	1 701
Canadian dollar	832	0	528	-1 149	6,34	1 360	-1 149	1 336
Danish kroner	6 474	-8	4 506	-10 110	1,33	10 981	-10 117	1 145
Hong Kong dollar	2 257	0	1 232	-2 616	1,11	3 488	-2 616	964
Australian dollar	506	0	393	-756	6,10	899	-756	868
Indian rupi	5 391	0	0	0	0,12	5 391	0	669
Swiss franc	233	0	178	-334	8,78	410	-334	667
South African rand	918	0	0	0	0,60	918	0	553
Other currencies								3 356
Total short-term foreign currency positions								**25 915**
Australian dollar	0	0	0	-1	6,10	0	-1	-6
Danish kroner	1 237	0	0	0	1,33	1 237	0	1 641
Japanese yen	15 881	-11 073	0	0	0,08	15 881	-11 073	379
Swedish krona	1 495	0	0	-1 485	0,98	1 495	-1 485	9
Canadian dollar	0	0	0	-1	6,34	0	-1	-4
US dollar	1 846	-91	38	-1 826	8,66	1 884	-1 917	-281
British Pound	26	0	0	-84	11,03	26	-84	-641
Euro	613	-615	0	-58	9,90	613	-672	-587
Total long-term foreign currency positions								**511**
Total pre-tax currency positions								**26 425**
Total currency positions after tax								**19 819**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the currency risk in NOK at the end of the period while other figures are shown in their local currency. The hedge efficiency of currency is 92 per cent and 90 per cent for 2018 and 2017. "Other currencies" include short-term net positions below NOK 500 million.

NOTE 10 Currency risk - cont.

31.12.2017	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/ NOK	Assets	Liabilities	NOK
US dollar	10 259	-1 454	6 915	-14 109	8,18	17 174	-15 563	13 174
Euro	3 199	-279	1 743	-4 336	9,82	4 942	-4 615	3 212
Japanese yen	90 449	-190	63 794	-134 063	0,07	154 243	-134 253	1 451
Hong Kong dollar	2 556	0	944	-2 263	1,05	3 500	-2 263	1 295
Korean won	157 298	0	0	0	0,01	157 298	0	1 202
British Pound	1 343	-1	1 099	-2 337	11,06	2 442	-2 339	1 139
Canadian dollar	815	0	546	-1 198	6,53	1 361	-1 198	1 063
Swedish krona	13 493	0	10 511	-22 957	1,00	24 005	-22 957	1 047
Australian dollar	573	0	402	-826	6,40	975	-826	955
Taiwan new dollar	3 373	0	0	0	0,27	3 373	0	927
Indian rupi	5 301	0	0	0	0,13	5 301	0	679
South African rand	933	0	0	0	0,66	933	0	616
Swiss franc	248	0	220	-402	8,39	468	-402	558
Brazilian real	206	0	0	0	2,47	206	0	507
Other currencies								2 020
Total short-term foreign currency positions								**29 845**
Danish kroner	895	-70	0	0	1,32	895	-70	1 088
Japanese yen	16 113	-10 096	0	0	0,07	16 113	-10 096	437
Swedish krona	450	0	0	-450	1,00	450	-450	0
Canadian dollar	0	0	0	0	6,53	0	0	-2
US dollar	1 888	-98	0	-1 798	8,18	1 888	-1 896	-64
British Pound	27	0	0	-61	11,06	27	-61	-379
Euro	612	-615	0	-58	9,82	612	-673	-598
Total long-term foreign currency positions								**482**
Total pre-tax currency positions								**30 328**
Total currency positions after tax								**22 746**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the currency risk in NOK at the end of the period while other figures are shown in their local currency. The hedge efficiency of currency is 92 per cent and 90 per cent for 2018 and 2017. "Other currencies" include short-term net positions below NOK 500 million.

KLP currency-hedges the majority of investments made in foreign currency. Financial hedging of currency exposure is done through derivatives. In principle all of the KLP's fixed-income investments and property investments in foreign currency are hedged back to NOK with the objective of 100 per cent hedging.

For equity investments in global markets, a somewhat lower hedging ratio is set in 2018. At 31 December 2018, the hedging ratio for equities in developed markets and the most liquid currencies in emerging markets was 60 per cent with possible fluctuations between 50-70 percent. Other currencies, ie, less liquid currencies in developed markets and currencies in emerging markets with the exception of the most liquid currencies, are not currency hedged. The reason for this is that these currencies do not have a large enough market and /or liquidity that it is appropriate to hedge currency. This reduction in the hedging of shares, as well as unsecured foreign equity funds, increases the net positions in foreign currencies.

If all currency positions change by 1 per cent at the same time and in the same direction this would affect the pre-tax result by NOK 264 million. For 2017 the corresponding effect on income was NOK 303 million.

NOTE 11 Credit risk

31.12.2018 NOK MILLIONS	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	[1] Mortgage < 80%	[1] Mortgage > 80%	Other	Total
Debt instruments held to maturity at amortized cost	28 602	0	0	0	0	0	2 279	30 881
Debt instruments classified as loans and receivables at amortized cost	114 686	0	531	0	0	0	23 270	138 487
Debt instruments at fair value - fixed income securities	46 106	0	2 732	5 421	0	0	11 530	65 788
Fixed-income funds short-term	0	0	6 083	0	0	0	62 049	68 133
Loans and receivables	7 604	0	0	243	0	0	0	7 847
Financial derivatives classified as assets	777	0	0	0	0	0	0	777
Cash and deposits	954	0	0	0	0	0	0	954
Lending	0	0	50 891		2 641	340	8 408	62 279
Total	**198 729**	**0**	**60 237**	**5 664**	**2 641**	**340**	**107 536**	**375 145**

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

SPECIFICATION OF INVESTMENT GRADE	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	12 628	3 939	8 432	3 603	28 602
Debt instruments classified as loans and receivables at amortized cost	21 463	18 816	54 300	20 107	114 686
Debt instruments at fair value - fixed income securities	28 162	4 279	12 744	921	46 106
Fixed-income funds short-term	0	0	0	0	0
Loans and receivables	0	646	6 958	0	7 604
Financial derivatives classified as assets	0	29	748	0	777
Cash and deposits	0	0	954	0	954
Lending	0	0	0	0	0
Total	**62 253**	**27 709**	**84 137**	**24 630**	**198 729**

NOTE 11 Credit risk - cont.

31.12.2017 NOK MILLIONS	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	[1] Mortgage < 80%	[1] Mortgage > 80%	Other	Total
Debt instruments held to maturity at amortized cost	28 731	0	0	0	0	0	2 207	30 939
Debt instruments classified as loans and receivables at amortized cost	90 446	0	6 170	100	0	0	22 101	118 817
Debt instruments at fair value - fixed income securities	48 208	0	3 859	4 866	0	0	11 506	68 440
Fixed-income funds short-term	0	0	6 041	0	0	0	61 682	67 723
Loans and receivables	8 401	0	0	141	0	0	0	8 542
Financial derivatives classified as assets	1 095	0	0	0	0	0	0	1 095
Cash and deposits	842	0	0	0	0	0	0	842
Lending	0	0	45 989	0	2 883	371	7 998	57 241
Total	**177 723**	**0**	**62 059**	**5 107**	**2 883**	**371**	**105 495**	**353 639**

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

SPECIFICATION OF INVESTMENT GRADE	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	12 356	3 984	8 686	3 705	28 731
Debt instruments classified as loans and receivables at amortized cost	15 844	18 667	43 245	12 690	90 446
Debt instruments at fair value - fixed income securities	30 015	4 692	12 377	1 123	48 208
Fixed-income funds short-term	0	0	0	0	0
Loans and receivables	0	3 822	4 580	0	8 401
Financial derivatives classified as assets	0	4	1 091	0	1 095
Cash and deposits	0	0	842	0	842
Lending	0	0	0	0	0
Total	**58 215**	**31 168**	**70 820**	**17 519**	**177 723**

Credit risk means the risk that a counterparty may not be able to meet its obligations to KLP. In this table the credit risk is measured using rating agencies' estimates of the level of credit worthiness of the various issuers of fixed-income securities. Assets that are not rated are placed in other categories that describe credit risk, for example 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.

KLP has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. KLP has a high concentration of debt instruments directed at the Norwegian public sector.

The ratings 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

NOTE 11 Credit risk - cont.

the highest creditworthiness . All three rating agencies are equal as the basis for investments in fixed income securities and the lowest rating of the three is used. The column classified as "Other" is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 108 billion on 31 December 2018. KLP 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).

NOK MILLIONS	31.12.2018	31.12.2017
TEN LARGEST COUNTERPARTIES		
Counterparty 1	8 281	8 112
Counterparty 2	7 573	8 060
Counterparty 3	5 618	6 323
Counterparty 4	4 698	5 191
Counterparty 5	4 662	4 922
Counterparty 6	4 382	4 698
Counterparty 7	4 213	3 595
Counterparty 8	4 211	3 091
Counterparty 9	3 425	3 043
Counterparty 10	3 295	3 032
Total	**50 358**	**50 067**

The table above shows the ten largest counterparties to which KLP has exposure. The amounts stated are book value. The majority of the ten largest counterparties are either finance institutions or counterparties covered by a public sector guarantee (central or local government guarantee).

PREMIUM RECEIVABLES AND RECEIVABLES IN CONNECTION WITH REINSURANCE

NOK MILLIONS	2018	2017
Premium receivables	540	673
Write-downs of premium receivables	0	0
Total	**540**	**672**

KLP's premium receivables are primarily in regard to the public sector and the credit risk is considered low. In addition the main group pension/public sector industry is linked to the "Transfer agreement for the public sector". This transfer agreement has a security scheme intended to help to secure pension rights accrued with employers who cease to exist or do not pay premiums when due in accorance with detailed rules. The Company may thus apply for cover for unpaid demands in this industry from the security arrangement if the demand falls within the security arrangement's regulations.

NOTE 12 Presentation of assets and liabilities that are subject to net settlement

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**

NOTE 12 Presentation of assets and liabilities that are subject to net settlement - cont.

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

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

NOTE 13 Mortgage loans and other lending

NOK MILLIONS	Local government administration	State and local authority owned enterprises [1]	Private organizations and enterprises	Employees, pensioners and similar	Total 31.12.2018	Total 31.12.2017
Akershus	2 012	29	444	548	3 034	2 842
Aust-Agder	1 787	16	3	40	1 846	1 500
Buskerud	8 901	650	73	175	9 799	10 020
Finnmark	329	63	0	55	446	717
Hedmark	2 129	445	66	77	2 717	2 090
Hordaland	3 515	626	141	238	4 519	5 281
Møre og Romsdal	3 858	107	178	150	4 292	3 959
Nordland	3 593	105	32	130	3 860	2 170
Nord-Trøndelag	0	0	0	28	28	1 335
Oppland	1 616	72	5	79	1 773	1 656
Oslo	29	0	1 709	303	2 040	1 774
Rogaland	2 016	131	92	228	2 468	2 327
Sogn og Fjordane	1 629	1	76	46	1 753	1 390
Svalbard	5 936	200	59	0	6 195	75
Sør-Trøndelag	0	0	0	142	142	3 274
Telemark	826	93	62	51	1 032	1 480
Troms	1 627	79	192	166	2 064	1 891
Vest-Agder	1 151	31	6	57	1 244	1 059
Vestfold	2 176	144	48	180	2 548	2 459
Østfold	1 811	145	13	281	2 250	1 925
Foreign	0	0	8 016	0	8 016	7 794
Not allocated	0	0	0	0	0	0
Accrued interest	173	8	28	5	213	224
Total	**45 114**	**2 944**	**11 241**	**2 980**	**62 279**	**57 241**

[1] This category covers local authority business operations, as well as enterprises owned by central and local government

KLP has a lending portfolio of high-quality, with limited credit risk and historically very low losses. In the main KLP provides loans secured on housing with a loan-to-value ratio less than 80 per cent, loans to local authorities and loans with government (central/local) guarantees. Lending secured through mortgages on housing amounts to NOK 3 billion. The sector diversification of KLP lending is very small, since a very high proportion of the loans are to the public sector. The concentration risk this suggests is however hardly realistic since the loans are covered by public sector guarantee, which involves an extremely low counterparty risk. In addition, KLP have a NOK 15 billion intra-group loan that is included in "Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities".

NOTE 13 Mortgage loans and other lending - cont.

NOK MILLIONS	2018	2017
INDIVIDUAL WRITE-DOWNS ON LOANS AT AMORTIZED COST		
Number of loans	1	5
Total principal before write-downs	0.77	0.96
Write-downs	0.29	0.45
Total principal after write-downs	**0.48**	**0.51**
INDIVIDUAL WRITE-DOWNS		
Write-down on individual loans 01.01.	0.45	0.50
Known losses for the period where individual write-down has been carried out previously	-0.02	0.00
Write-down on individual loans for the period	0.00	0.09
Reversal of write-down on individual loans for the period	-0.15	-0.14
Write-down on individual loans	**0.29**	**0.45**
GROUP WRITE-DOWNS		
Write-down on group of loans 01.01.	0.04	0.08
Write-down on group of loans for the period	0.01	-0.04
Write-down on group of loans 31.12.	**0.05**	**0.04**

LOANS OVERDUE, NOT WRITTEN DOWN

NOK MILLIONS	2018 Remaining debt	2017 Remaining debt
OVERDUE		
30-90 days	10	17
over 90 days	7	1
Total overdue loans	**17**	**18**

The numbers are absolute figures and the amounts are given in NOK million. Defaulted loans are loans measured at amortized cost. All write-downs are in regard to housing mortgage lending.

NOTE 14 Shares and holdings in subsidiaries, associated enterprises and jointly controlled entities

NOK MILLIONS	Organization number	Holding %	OE on first acquisition	Acquisition cost	Book value 31.12.17	Additions/ disposals	Value adjustment	Profit/ loss share	Equity transaction[1]	Dividend	Book value 31.12.18
SHARES IN THE CORPORATE PORTFOLIO PROPERTY SUBSIDIARIES											
KLP Huset AS Dronning Eufemiasgate 10 0191 Oslo	889828382	100 %	0.00	0.10	1 830.53	0.00	155.95	64.62	-66.46	0.00	1 984.64
Total shares and units in property subsidiaries in the corporate portfolio			**0.00**	**0.10**	**1 830.53**	**0.00**	**155.95**	**64.62**	**-66.46**	**0.00**	**1 984.64**
SHARES IN THE CORPORATE PORTFOLIO											
SUBSIDIARIES (EXCL. PROPERTY)											
KLP Skadeforsikring AS Dronning Eufemiasgate 10 0191 Oslo	970896856	100 %	58.67	78.67	1 771.89	0.00	0.00	3.07	0.00	0.00	1 774.96
KLP Bedriftspensjon AS Dronning Eufemiasgate 10 0191 Oslo	990329389	100 %	50.00	50.00	522.57	0.00	0.00	-21.11	0.00	0.00	501.45
KLP Kapitalforvaltning AS Dronning Eufemiasgate 10 0191 Oslo	968437666	100 %	6.55	14.00	253.97	0.00	0.00	13.90	-2.70	0.00	265.16
KLP Forsikringsservice AS Dronning Eufemiasgate 10 0191 Oslo	967696676	100 %	0.05	0.10	7.41	0.00	0.00	-1.88	-0.03	0.00	5.50
KLP Bankholding AS Dronning Eufemiasgate 10 0191 Oslo	993749532	100 %	15.10	15.10	2 083.01	0.00	0.00	62.15	0.00	0.00	2 145.16
Total shares and units in subsidiaries (excl. property) in the corporate portfolio			**130.37**	**157.87**	**4 638.84**	**0.00**	**0.00**	**56.13**	**-2.74**	**0.00**	**4 692.24**
ASSOCIATED ENTERPRISES IN THE CORPORATE PORTFOLIO											
Norsk Pensjon AS Hansteens gate 2 0253 Oslo	890050212	25 %	5.00	2.50	1.64	0.00	0.00	0.13	0.00	0.00	1.77
Fylkeshuset AS, Molde Fylkeshuset 6404 Molde	930591114	48 %	0.05	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.05
Total shares and units in associated enterprises in the corporate portfolio			**5.05**	**2.55**	**1.69**	**0.00**	**0.00**	**0.13**	**0.00**	**0.00**	**1.82**
Total shares and units in other subsidiaries, associated enterprises and jointly controlled entities in the corporate portfolio			**135.42**	**160.41**	**4 640.53**	**0.00**	**0.00**	**56.26**	**-2.74**	**0.00**	**4 694.05**
Total subsidiaries, associated enterprises and jointly controlled entities			**135.42**	**160.51**	**6 471.06**	**0.00**	**155.95**	**120.88**	**-69.19**	**0,00**	**6 678.69**

[1] The column equity transaction include group contribution

NOTE 14 Shares and holdings in subsidiaries, associated enterprises and jointly controlled entities - cont.

NOK MILLIONS	Organi-zation number	Hold-ing %	OE on first acquisition	Acquisi-tion cost	Book value 31.12.17	Addi-tions/ dispos-als	Value adjust-ment	Profit/ loss share	Equity trans-action[1]	Divi-dend	Book value 31.12.18
PROPERTY SUBSIDIARIES											
SHARES IN THE COMMON AND INVESTMENT OPTION PORTFOLIOS											
KLP Eiendom AS Dronning Eufemiasgate 10 0191 Oslo	988394750	100 %	0.10	0.14	58 894.87	0.00	-13 602.60	2 428.71	-191.05	0.00	47 529.93
Total shares and units in property subsidiaries in the common and investment option portfolios			**0.10**	**0.14**	**58 894.87**	**0.00**	**-13 602.60**	**2 428.71**	**-191.05**	**0.00**	**47 529.93**
SUBSIDIARIES IN THE COMMON PORTFOLIO											
Copenhagen Infrastructure Partners III GP APS Nørregade 21 1165 København K. Denmark		100 %	0.06	1.52	0.16	1.38	0.00	0.01	0.00	0.00	1.54
Copenhagen Infrastructure Partners II GP APS Nørregade 21 1165 København K. Denmark		100 %	8.88	12.52	0.00	12.52	0.00	0.22	0.00	0.00	12.74
Total shares and units in subsidiaries in the common portfolio			**8.94**	**14.04**	**0.16**	**13.90**	**0.00**	**0.23**	**0.00**	**0.00**	**14.29**
JOINTLY CONTROLLED ENTITIES IN THE COMMON PORTFOLIO											
KLP Norfund Investments IS Fridtjof Nansens plass 4 0160 OSLO	999548636	49 %	0.05	443.30	380.47	155.17	0.00	2.74	0.00	-77.45	460.93
Total shares and units in jointly controlled entities in the common portfolio			**0.05**	**443.30**	**380.47**	**155.17**	**0.00**	**2.74**	**0.00**	**-77.45**	**460.93**
ASSOCIATED ENTERPRISES IN THE COMMON PORTFOLIO											
Norfinance AS Fridtjof Nansens plass 4 0160 OSLO	912764729	46,5 %	92.30	325.03	390.68	6.00	0.00	22.75	0.00	-3.76	415.67
Copenhagen Infrastructure III GP APS Nørregade 21 1165 København K. Denmark		33,3 %	0.02	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.02
Stena Renewable AB Rosenlundsg.3 Box 7123 402 33 Göteborg Sweden		30 %	600.17	600.17	0.00	600.17	0.00	29.80	0.00	0.00	629.96
Total shares and units in associated enterprises in the common portfolio			**692.48**	**925.21**	**390.71**	**606.17**	**0.00**	**52.55**	**0.00**	**-3.76**	**1 045.66**
Total shares and units in other subsidiaries, associated enterprises and jointly controlled entities in the common portfolio			**701.47**	**1382.55**	**771.34**	**775.24**	**0.00**	**55.52**	**0.00**	**-81.22**	**1 520.88**

[1] The column equity transaction include group contribution

All shares and other holdings have equal voting proportions.

NOTE 15 Shares and equity fund units

NOK MILLIONS	Organisation number	Volume	Market value
NORWAY			
BETONMASTHÆHRE	989467263	33 400	8
NMI GP IV AS		6 000	0
NORDIC CREDIT RATING AS	911721287	10 000	2
OTOVO AS	915501680	238 806	20
TOPCO AS (OSLOFJORD VARME)		180	276
TOTAL, UNSPECIFIED			**307**
EUROPRIS ASA	997639588	2 172 767	50
KONGSBERG AUTOMOTIVE ASA	942593821	12 270 182	94
XXL ASA	995306158	414 989	11
TOTAL, CONSUMABLES			**155**
ARCUS ASA	987470569	849 707	35
ATLANTIC SAPPHIRE AS	895436232	257 000	17
AUSTEVOLL SEAFOOD ASA	929975200	272 501	29
LEROY SEAFOOD GROUP ASA	975350940	1 880 942	124
MARINE HARVEST	964118191	1 634 471	299
ORKLA	910747711	2 069 541	141
TOTAL, CONSUMER GOODS			**644**
2VK INVEST AS	986977376	2 690 000	1
AKER BP ASA	989795848	788 000	172
AKER SOLUTIONS HOLDING ASA	913748174	544 957	22
BONHEUR ASA	830357432	404 040	38
EQUINOR ASA	923609016	3 814 816	701
OCEAN YIELD ASA	991844562	628 840	37
ODFJELL DRILLING LTD	984669151	580 000	12
PANORO ENERGY ASA	994051067	705 203	8
PETROLEUM GEO-SERVICES	916235291	1 801 884	21
READ WELL SERVICES HOLDING (a-aksje) AS	995280221	113 939	2
READ WELL SERVICES HOLDING (b-aksje) AS	995280221	990 546	18
TGS NOPEC GEOPHYSICAL CO ASA	976695372	229 468	48
TOTAL, ENERGY			**1 080**
AKER ASA-A SHARES	886581432	313 110	145
DNB ASA	981276957	2 939 713	406
GJENSIDIGE FORSIKRING ASA	995568217	12 485	2
NORDIC MICROFINANCE INITIATIVE	993147044	6 124 367	10
NORWEGIAN FINANCE HOLDING AS	991281924	500 000	34
NORWEGIAN MICROFINANCE INITIATIVE	917763399	8 118 127	13
OSLO BORS VPS HOLDING ASA	983268617	4 300 200	598
STOREBRAND ASA	916300484	2 700 000	166
TOTAL, FINANCIAL			**1 372**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organisation number	Volume	Market value
BERGENBIO ASA	992219688	892 886	24
NORDIC NANOVECTOR ASA	994297422	122 935	6
PHOTOCURE	967598593	679 994	33
REDCORD AS	960304977	7 100	0
TARGOVAX AS	996162095	675 464	5
TOTAL, HEALTHCARE			**67**
KONGSBERG GRUPPEN ASA	943753709	197 909	23
MASTER MARINE AS	879342732	2 596 133	0
MPC CONTAINER SHIPS AS	918494316	740 000	23
NORWEGIAN AIR SHUTTLE AS	965920358	234 071	41
WALLENIUS WILHELMSEN LOGISTI	995216604	901 926	27
WILH. WILHELMSEN HOLDING ASA	995277905	197 906	32
WILH. WILHELMSEN HOLDING ASA-B AKSJE	995277905	13 570	2
TOTAL, INDUSTRY			**147**
EVRY AS	934382404	1 987 885	62
HIDDN SOLUTIONS ASA	979867654	43 907	0
NORDIC SEMICONDUCTOR ASA	966011726	3 879 076	112
Q-FREE ASA	935487242	4 204 716	32
TOTAL, IT			**205**
ELKEM ASA	911382008	1 479 565	33
MAGSEIS AS	994547852	3 411 771	51
NORSK HYDRO ASA	914778271	5 931 336	233
YARA INTERNATIONAL	986228608	941 484	314
TOTAL, RAW MATERIALS			**630**
OLAV THON EIENDOM	914594685	119 700	17
TOTAL, PROPERTY			**17**
SCHIBSTED	933739384	28 666	8
SCHIBSTED ASA-B SHS	933739384	404 130	106
TELENOR	982463718	2 249 896	377
TOTAL, TELECOM			**491**
ISTAD AS		13 000	103
LOFOTKRAFT AS	986347801	10 290	122
RINGERIKS-KRAFT AS	976957628	150	257
TRONDER ENERGI AS	980417824	1 153 846	865
TRONDER ENERGI NETT AS	978631029	2 716 194	298
TUSSA KRAFT AS	916929641	454	488
TOTAL, DISTRIBUTION			**2 132**
TOTAL NORWAY			**7 247**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
FOREIGN		
BGP HOLDINGS	1 374 296	0
NORVESTOR HOLDING AS / CRAYON	5 200 000	0
SOLGAARDEN SA	137	2
TOTAL, UNSPECIFIED		**2**
21ST CENTURY FOX B	28 492	12
ABC-MART INC	2 200	1
ACCOR	13 675	5
ADIDAS	14 034	25
ADVANCE AUTO PARTS	6 100	8
AISIN SEIKI CO	12 600	4
AMAZON.COM	31 179	406
ARAMARK	20 000	5
ARISTOCRAT LEISURE	50 433	7
ASICS CORP	11 600	1
AUTOLIV INC	5 700	3
AUTOZONE	2 255	16
BARRATT DEVELOPMENTS	65 931	3
BMW STAMM	24 578	17
BMW VORZUG	3 485	2
BENESSE HOLDINGS INC	4 800	1
BERKELEY GROUP HOLDINGS	8 306	3
BEST BUY CO	20 384	9
PRICELINE.COM	3 611	54
BORGWARNER INC	14 300	4
BRIDGESTONE CORP	46 100	15
BURBERRY GROUP	29 812	6
BURLINGTON STORES INC	5 900	8
CBS CORP B	31 129	12
CHIPOTLE MEXICAN GRILL INC	2 000	7
RICHEMONT (FIN) UNIT A	39 807	22
MICHELIN	13 182	11
COMPASS GROUP	111 826	20
CONTINENTAL	8 508	10
CROWN LTD	27 117	2
D.R. HORTON	27 600	8
DAIMLERCHRYSLER	72 223	33
DARDEN RESTAURANTS	10 700	9
DELIVERY HERO AG	6 800	2
DELPHI AUTOMOTIVE PLC	21 009	11
DENSO CORP	35 700	14

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
DISCOVERY COMMUNICATIONS-A	9 300	2
DISCOVERY COMMUNICATIONS-C	23 662	5
DOLLAR GENERAL CORP	21 262	20
DOLLAR TREE INC	16 251	13
DOLLARAMA INC	24 600	5
DOMINO'S PIZZA ENTERPRISES L	4 300	1
DOMINO'S PIZZA INC	3 470	7
DON QUIJOTE CO LTD	8 800	5
DUFRY AG-REG	3 976	3
EBAY	77 474	19
ELECTROLUX B	16 302	3
ESSILOR INTERNATIONAL	20 895	23
EXPEDIA	8 750	9
FAST RETAILING CO	4 200	19
FAURECIA	7 344	2
FERRARI NV	10 934	9
FIAT CHRYSLER AUTOMOBILES NV	80 827	10
FLIGHT CENTRE LTD	1 856	0
FORD MOTOR CO	266 508	18
FUJI HEAVY INDUSTRIES	43 000	8
GALAXY ENTERTAINMENT GRP	191 000	10
GAP	16 001	4
GARMIN	7 500	4
GENERAL MOTORS CO	93 089	27
GENTING SINGAPORE LTD	421 300	3
GENUINE PARTS CO	9 875	8
GILDAN ACTIVEWEAR	15 100	4
GRUBHUB INC	8 000	5
GVC HOLDINGS PLC	46 969	3
HENNES & MAURITZ B	66 717	8
BLOCK (H&R)	14 935	3
HANESBRANDS INC	26 000	3
HARLEY-DAVIDSON	13 244	4
HARVEY NORMAN HOLDINGS	49 210	1
HASBRO	7 400	5
HERMES INTERNATIONAL	2 343	11
HIKARI TSUSHIN INC	1 400	2
HILTON WORLDWIDE HOLDINGS IN	21 933	14
HOME DEPOT	87 328	130
HONDA MOTOR CO	129 200	29
HUGO BOSS-PFD	4 348	2
HUSQVARNA B	33 815	2
IIDA GROUP HOLDINGS CO LTD	10 500	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
INDITEX	81 288	18
INTERCONTINENTAL HOTELS	12 520	6
ISETAN CO	23 200	2
ISUZU MOTORS	39 500	5
ITV	248 691	3
J FRONT RETAILING CO LTD	14 700	1
JARDINE CYCLE & CARRIAGE	8 888	2
KINGFISHER	151 621	3
KOHLS CORP	13 194	8
KOITO MFG	6 800	3
LIMITED BRANDS	18 116	4
LAS VEGAS SANDS CORP	32 601	15
LEAR CORP	5 100	5
LEGGETT & PLATT	8 800	3
LENNAR CORP-A	21 700	7
LIBERTY MEDIA CORP-LIBERTY-C	17 000	5
LIVE NATION ENTERTAINMENT IN	12 900	6
LKQ CORP	20 200	4
LOWE'S COS	64 799	52
LULULEMON ATHLETICA INC	7 300	8
LVMH	20 819	53
MACY'S	21 656	6
MAGNA INTERNATIONAL A	27 288	11
MARKS & SPENCER GROUP	136 770	4
MARRIOTT INT'L A	22 510	21
MARUI GROUP CO LTD	13 400	2
MATTEL	22 176	2
MAZDA MOTOR CORP	49 700	4
MCDONALD'S CORP	59 049	91
MCDONALD'S HOLDINGS CO JAPAN	4 500	2
MELCO RESORTS & ENTERT-ADR	20 900	3
MERCADOLIBRE INC	3 300	8
MERLIN ENTERTAINME	44 455	2
MGM CHINA HOLDINGS LTD	79 600	1
MGM RESORTS INTERNATIONAL	40 600	9
MICHAEL KORS HOLDINGS LTD	12 600	4
MINTH GROUP LTD	82 000	2
MITSUBISHI MOTORS CORP	40 000	2
MOHAWK INDUSTRIES	5 200	5
MONCLER SPA	13 300	4
NAMCO BANDAI HOLDINGS	18 300	7
NETFLIX INC	32 396	75
NEWELL RUBBERMAID	32 518	5

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
NEXT	12 128	5
NGK SPARK PLUG CO	11 300	2
NIKE B	99 872	64
NIKON CORP	25 200	3
NISSAN MOTOR CO	178 500	12
NITORI CO	6 700	7
NOKIAN RENKAAT	6 369	2
NORDSTROM	9 500	4
NORWEGIAN CRUISE LINE HOLDIN	13 100	5
NVR INC	250	5
O'REILLY AUTOMOTIVE INC	7 006	21
ORIENTAL LAND CO	16 000	14
PADDY POWER BETFAIR PLC	6 662	5
PANASONIC CORP	161 000	13
PANDORA A/S	7 688	3
PERSIMMON PLC	27 246	6
PEUGEOT SA	48 757	9
PIRELLI	29 700	2
POLARIS INDUSTRIES INC	4 200	3
PORSCHE AUTOMOBIL HOLDING SE	9 967	5
PPR	5 476	22
PROSIEBEN SAT.1 MEDIA AG-PFD	20 227	3
PULTE GROUP INC	17 566	4
PUMA	456	2
PVH CORP	5 500	4
LIBERTY INTERACTIVE A	28 859	5
RAKUTEN	77 900	5
RALPH LAUREN CORP	4 000	4
RENAULT	14 226	8
RESTAURANT BRANDS INTERN	17 948	8
RINNAI CORP	1 900	1
ROSS STORES	29 427	21
ROYAL CARIBBEAN CRUISES	13 308	11
RTL GROUP	2 367	1
RYOHIN KEIKAKU CO LTD	2 300	5
SANDS CHINA LTD	160 800	6
SANKYO CO (6417)	4 300	1
SEB SA	1 800	2
SEGA SAMMY HOLDINGS	10 400	1
SEKISUI CHEMICAL CO	24 900	3
SEKISUI HOUSE	51 600	7
SHANGRI-LA ASIA	106 000	1
SHARP CORP	10 000	1

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SHIMAMURA CO	1 500	1
SHIMANO	6 200	8
SJM HOLDINGS LTD	163 000	1
SODEXHO ALLIANCE	6 266	6
SONY CORP	93 700	39
STANLEY ELECTRIC CO	8 400	2
STARBUCKS CORP	108 601	61
STARS GROUP INC/THE	17 400	2
START TODAY CO LTD	12 300	2
SUMITOMO ELECTRIC IND	64 700	7
SUMITOMO RUBBER IND	13 200	1
SUZUKI MOTOR CORP	26 400	12
TABCORP HOLDINGS	128 005	3
TAKASHIMAYA CO	7 000	1
TAPESTRY INC	18 300	5
TARGET CORP	39 911	23
TAYLOR WIMPEY	209 265	3
TECHTRONIC INDUSTRIES CO	87 000	4
TESLA MOTORS INC	9 500	27
GOODYEAR TIRE & RUBBER	17 800	3
SWATCH GROUP INH	2 309	6
SWATCH GROUP NAM	4 319	2
TIFFANY & CO	8 300	6
TJX COS	96 222	37
TOHO CO	8 100	3
TOYODA GOSEI CO	6 200	1
TOYOTA INDUSTRIES CORP	10 800	4
TOYOTA MOTOR CORP	174 991	88
TRACTOR SUPPLY COMPANY	8 700	6
TUI AG-DI	30 018	4
TWENTY-FIRST CENTURY FOX	84 727	35
ULTA BEAUTY INC	4 100	9
UNDER ARMOUR INC-CLASS A	11 800	2
UNDER ARMOUR INC-CLASS C	11 883	2
USS CO	15 900	2
VAIL RESORTS INC	2 500	5
VALEO SA	16 974	4
VF CORP	24 700	15
VIACOM B (NEW)	27 177	6
VIVENDI	78 442	16
VOLKSWAGEN VORZUG	13 559	19
VOLKSWAGEN STAMM	2 394	3
DISNEY (WALT)	115 054	109

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
WAYFAIR INC- CLASS A	5 000	4
WESFARMERS	99 724	20
WHIRLPOOL CORP	5 140	5
WHITBREAD	16 550	8
WYNN MACAU LTD	123 400	2
WYNN RESORTS	5 400	5
YAMADA DENKI CO	38 500	2
YAMAHA CORP	12 700	5
YAMAHA MOTOR CO	27 400	5
YOKOHAMA RUBBER CO LTD	8 000	1
YUE YUEN INDUSTRIAL	53 500	1
YUM BRANDS	24 882	20
ZALANDO SE	10 677	2
TOTAL CONSUMER DISCRETIONARY		**2 753**
A2 MILK CO LTD	54 200	3
AEON CO	60 200	10
AJINOMOTO CO	56 100	9
ALIMENTATION COUCHE-T. B	41 717	18
ANHEUSER-BUSCH INBEV SA/NV	72 079	41
ARCHER-DANIELS-MIDLAND	56 121	20
ASAHI GROUP HOLDINGS LTD	40 100	13
ASSOCIATED BRITISH FOODS	34 480	8
BARRY CALLEBAUT AG-REG	182	2
BEIERSDORF	6 699	6
BROWN-FORMAN CORP B	29 115	12
BUNGE	15 700	7
CALBEE INC	5 400	1
CAMPBELL SOUP CO (US)	20 348	6
CARLSBERG B	11 385	10
CARREFOUR	53 458	8
CASINO ORD	4 730	2
LINDT AND SPRUENGLI NAMEN	9	6
LINDT & SPRUENGLI PART	121	6
CHURCH & DWIGHT CO INC	16 800	10
COCA-COLA AMATIL	73 196	4
COCA-COLA EUROPEAN PARTNERS	18 700	7
COCA-COLA HBC AG-CDI	16 546	4
COCA-COLA WEST COMPANY LIMITED	14 000	4
COLES GROUP LTD	99 724	7
COLGATE-PALMOLIVE	60 659	31
CONAGRA FOODS INC	41 339	8
CONSTELLATION BRANDS A	17 300	24
COSTCO WHOLESALE CORP	42 806	76

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
COTY INC-CL A	30 000	2
DAIRY FARM INTL HLDGS LTD	25 100	2
DANONE	62 446	38
DAVIDE CAMPARI-MILANO SPA	71 951	5
DIAGEO	228 513	70
EMPIRE CO LTD 'A'	12 900	2
ESSITY AKTIEBOLAG-B	44 938	10
ESTEE LAUDER COS A	16 428	19
COLRUYT	5 739	4
FAMILYMART CO	7 900	9
GENERAL MILLS	58 230	20
WESTON (GEORGE)	6 699	4
GOLDEN AGRI-RESOURCES LTD	492 400	1
HEINEKEN HOLDING	11 642	8
HEINEKEN NV	24 852	19
HENKEL AG & CO KGAA	12 553	12
HENKEL AG & CO KGAA	8 646	7
HERSHEY CO (THE)	15 200	14
HORMEL FOODS CORP	31 300	12
ICA GRUPPEN AB	6 302	2
INGREDION INC	7 100	6
SAINSBURY (J)	174 012	5
J.M.SMUCKER	12 200	10
JERONIMO MARTINS SGPS	20 713	2
KAO CORP	35 500	23
KELLOGG CO	24 600	12
KERRY GROUP A	16 118	14
KIKKOMAN CORP	13 000	6
KIMBERLY-CLARK CORP	26 423	26
KIRIN HOLDINGS CO	84 600	15
KOBAYASHI PHARMACEUTICAL CO	3 600	2
AHOLD (KON.)	125 089	27
KOSE CORP	2 000	3
KRAFT HEINZ CO/THE	57 696	21
KROGER CO	85 776	20
LAMB WESTON HOLDINGS INC	15 000	10
LAWSON	6 000	3
LION CORP	17 000	3
LOBLAW COMPANIES LTD	20 737	8
LOREAL	18 910	38
MCCORMICK & CO NV	11 521	14
MEIJI HOLDINGS CO LTD	13 600	10
METRO A	23 307	7

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
METRO WHOLESALE & FOOD SPECI	14 240	2
MOLSON COORS BREWING B	20 600	10
KRAFT FOODS A	141 249	49
MONSTER BEVERAGE CORP	41 487	18
NESTLE	285 405	200
NIPPON MEAT PACKERS	7 600	2
NISSHIN SEIFUN GROUP	20 105	4
NISSIN FOODS HOLDINGS CO LTD	5 900	3
PEPSICO	134 141	128
PERNOD RICARD	21 775	31
PIGEON CORP	10 100	4
POLA ORBIS HOLDINGS INC	6 000	1
PROCTER & GAMBLE CO	187 435	149
RECKITT BENCKISER GROUP PLC	48 378	32
REMY COINTREAU	2 983	3
SAPUTO	28 200	7
SEVEN AND I HOLDINGS CO	73 540	28
SHISEIDO CO	32 800	18
SUNDRUG CO LTD	4 400	1
SUNTORY BEVERAGE & FOOD LTD	17 200	7
SYSCO CORP	48 467	26
TESCO	930 175	20
CLOROX CO	9 618	13
COCA-COLA CO	385 466	158
TOYO SUISAN KAISHA	11 700	4
TREASURY WINE ESTATES LTD	71 159	6
TSURUHA HOLDINGS INC	4 400	3
TYSON FOODS A	29 000	13
UNI-CHARM CORP	33 900	10
UNILEVER NV CERT	10 191	5
UNILEVER PLC	196 280	89
WALGREEN CO	78 032	46
WELCIA HOLDINGS CO LTD	5 400	2
WH GROUP LTD	943 000	6
WILMAR INTERNATIONAL	168 800	3
MORRISON WM SUPERMARKETS	245 621	6
WOOLWORTHS LTD	121 736	22
YAKULT HONSHA CO	7 600	5
YAMAZAKI BAKING CO	10 000	2
TOTAL, CONSUMABLES		**2 042**
ANADARKO PETROLEUM CORP	45 830	17
ANTERO RESOURCES CORP	14 400	1
APACHE CORP	32 504	7

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ARC RESOURCES LTD	25 659	1
ATLANTICA TENDER DRILLING LT	4 709 536	9
BAKER HUGHES A GE CO	36 581	7
BORR DRILLING LTD	154 203	3
BP	1 572 379	86
BW LPG LTD	1 065 081	28
CABOT OIL & GAS CORP	40 300	8
CALTEX AUSTRALIA	19 661	3
CAMECO CORP	29 400	3
CENOVUS ENERGY INC	88 130	5
CHENIERE ENERGY INC	17 000	9
CHEVRON CORP	152 800	144
CIMAREX ENERGY CO	8 500	5
CONCHO RESOURCES INC	16 200	14
CONOCOPHILLIPS	91 987	50
CONTINENTAL RESOURCES INC/OK	6 500	2
DEVON ENERGY CORP	44 244	9
DIAMONDBACK ENERGY INC	12 900	10
ENAGAS	22 997	5
ENCANA CORP	87 130	4
ENI	216 940	29
EOG RESOURCES	46 500	35
EXXON MOBIL CORP	337 063	199
FLEX LNG LTD	256 559	3
FRONTLINE LTD	203 889	10
GALP ENERGIA SGPS SA-B SHRS	43 411	6
HALLIBURTON CO	73 600	17
HELMERICH AND PAYNE	8 100	3
HESS	24 000	8
HOLLY CORP	14 100	6
HUSKY ENERGY	26 336	2
IDEMITSU KOSAN CO	6 200	2
IMPERIAL OIL	22 066	5
INDEPENDENT TANKERS CORP LTD	1 539 877	0
INPEX CORPORATION	93 900	7
INTER PIPELINE LTD	38 577	5
JX HOLDINGS INC	257 955	12
KEYERA CORP	12 902	2
KINDER MORGAN INC	171 241	23
VOPAK	5 938	2
LUNDIN PETROLEUM	14 040	3
MARATHON OIL CORP	69 100	9
NATIONAL OILWELL VARCO	28 663	6

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
NESTE OIL	8 652	6
NOBLE ENERGY	41 100	7
OCCIDENTAL PETROLEUM	59 984	32
OIL SEARCH	133 276	6
OKEANIS ECO TANKERS CORP	515 000	28
OMV AG	10 350	4
ONEOK INC	34 000	16
ORIGIN ENERGY	131 061	5
PARSLEY ENERGY INC-CLASS A	16 400	2
PEMBINA PIPELINE CORP	43 309	11
PIONEER NATURAL RES.	13 900	16
PLAINS GP HOLDINGS LP-CL A	15 608	3
PRAIRIESKY ROYALTY LTD	23 435	3
REPSOL YPF	111 703	16
ROYAL DUTCH SHELL B	601 967	155
ROYAL DUTCH SHELL PLC-A SHS	56 516	14
SANTOS	191 976	6
SCHLUMBERGER	105 046	33
SEADRILL LTD	72 921	6
SEVEN GENERATIONS ENERGY - A	22 600	2
SHELF DRILLING LTD	425 520	19
SHOWA SHELL SEKIYU K.K	14 300	2
SNAM SPA	182 638	7
SUBSEA 7 SA	1 788 334	151
SUNCOR ENERGY	129 955	31
TARGA RESOURCES CORP	21 900	7
TECHNIPFMC PLC	35 700	6
TENARIS SA	34 366	3
TOTAL	197 645	90
TOURMALINE OIL CORP	21 200	2
TRANSCANADA CORP	73 514	23
VALERO ENERGY CORP	38 235	25
VERMILION ENERGY INC	8 569	2
WASHINGTON H. SOUL PATTINSON	14 712	2
WILLIAMS COS	97 143	19
WOOD GROUP (JOHN) PLC	67 728	4
WOODSIDE PETROLEUM	71 596	14
WORLEYPARSONS	34 510	2
TOTAL, ENERGY		**1 604**
3I GROUP PLC	81 910	7
ABN AMRO GROUP NV-CVA	25 541	5
ACOM CO	18 600	1
ADMIRAL GROUP PLC	12 955	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
AEGON	136 673	6
AEON CREDIT SERVICE CO	5 500	1
AFFILIATED MANAGERS GROUP	3 500	3
AFLAC	59 544	23
AGEAS	14 188	5
AGNC INVESTMENT CORP	22 800	3
AIA GROUP LTD	920 860	66
AIB GROUP PLC	80 919	3
ALLEGHANY CORP	1 100	6
ALLIANZ	33 777	59
ALLSTATE CORP	28 509	20
ALLY FINANCIAL INC	28 800	6
AMERICAN EXPRESS	54 174	45
AMERICAN FINANCIAL GROUP INC	5 000	4
AMERICAN INT'L GROUP	71 047	24
AMERIPRISE FINANCIAL	11 570	10
AMP LTD	229 635	3
AMUNDI SA	5 859	3
ANNALY CAPITAL MANAGEMENT IN	85 000	7
AON CORP	19 673	25
AOZORA BANK	6 400	2
ARCH CAPITAL GROUP	31 800	7
ARTHUR J GALLAGHER & CO	10 900	7
ASHIKAGA HOLDINGS CO LTD	54 990	1
ASSICURAZIONI GENERALI	94 696	14
ASSURANT	4 400	3
ASX	12 385	4
ATHENE HOLDING LTD-CLASS A	10 100	3
ANZ BANKING GROUP	214 034	32
AVIVA	293 541	12
AXA EQUITABLE HOLDINGS INC	21 200	3
AXA SA	141 843	26
BALOISE-HOLDING AG	3 147	4
BANCO BILBAO VIZCAYA ARGENTA	503 946	23
BANCO DE SABADELL SA	442 411	4
BANCO ESPIRITO SANTO	190 970	0
BSCH BCO SANTANDER CENTR	1 239 868	49
BANK HAPOALIM BM	67 159	4
BANK IRELAND	82 407	4
BANK LEUMI LE-ISRAEL	88 887	5
BANK OF AMERICA CORP	716 210	153
BANK EAST ASIA	75 224	2
BANK KYOTO	5 200	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
BANK MONTREAL	48 552	27
BANK NEW YORK MELLON	80 881	33
BANK NOVA SCOTIA	91 001	39
BANK OF QUEENSLAND LTD	28 669	2
BANKIA SAU	69 290	2
BANKINTER	39 786	3
BARCLAYS	1 276 682	21
BB&T CORP	61 207	23
BENDIGO AND ADELAIDE BANK LTD	37 745	2
BERKSHIRE HATHAWAY B	95 751	169
BLACKROCK INC	9 008	31
BNP PARIBAS	81 979	32
BOC HONG KONG HOLDINGS	305 700	10
BRIGHTHOUSE FINANCIAL INC	6 336	2
BROOKFIELD ASSET MAN A	63 029	21
CAIXABANK	269 807	8
CANADIAN IMPERIAL BANK	33 308	21
CAPITAL ONE FINANCIAL	37 288	24
CBOE HOLDINGS INC	7 000	6
CHALLENGER FINANCIAL SVC	38 000	2
SCHWAB (CHARLES) CORP	84 830	31
CHIBA BANK	45 000	2
ACE	34 716	39
CI FINANCIAL INCOME FUND	15 500	2
CINCINNATI FINL CORP	10 400	7
CIT GROUP INC	10 700	4
CITIGROUP	195 026	88
CITIZENS FINANCIAL GROUP	42 800	11
CHICAGO MERCANTILE EXCH	27 720	45
CNP ASSURANCES	11 687	2
COMERICA	11 400	7
COMMERZBANK	87 323	5
COMMONWEALTH BANK	134 476	59
BANK YOKOHAMA	74 000	2
CREDIT AGRICOLE	90 820	8
CREDIT SAISON CO	10 600	1
CREDIT SUISSE	180 029	17
DAI-ICHI LIFE INSURANCE	82 900	11
DAIWA SECURITIES GROUP	109 900	5
DANSKE BANK	52 104	9
DBS GROUP HOLDINGS	140 484	21
DEUTSCHE BANK NAMEN	158 910	11
DEUTSCHE BOERSE AG	14 704	15

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
DIRECT LINE INSURANCE GROUP	87 441	3
DISCOVER FINANCIAL SERVICES	30 844	16
E*TRADE FINANCIAL CORP	20 000	8
EAST WEST BANCORP INC	10 000	4
EATON VANCE CORP	8 500	3
ERSTE GROUP BANK AG	25 712	7
EURAZEO	2 594	2
EVEREST RE GROUP	3 000	6
EXOR NV	6 300	3
FAIRFAX FINANCIAL HLDGS	1 832	7
FIDELITY NAT'L FINANCIAL	16 700	5
FIFTH THIRD BANCORP	51 705	11
FIRST REPUBLIC BANK/CA	12 200	9
FRANKLIN RESOURCES	30 204	8
FUKUOKA FINANCIAL GROUP	8 400	1
GOLDMAN SACHS GROUP	26 074	38
GREAT WEST LIFECO	19 848	4
GROUPE BRUXELLES LAMBERT	5 146	4
HANG SENG BANK	50 800	10
HANNOVER RUECKVERSICH.	3 965	5
HARGREAVES LANSDOWN PLC	15 860	3
HONG KONG EXCH.&CLEARING	83 993	21
HSBC HOLDINGS (GB)	1 482 324	106
HUNTINGTON BANCSHARES INC	79 100	8
IA FINANCIAL CORP INC	5 479	2
IGM FINANCIAL	7 300	1
INDUSTRIVARDEN C	10 187	2
ING GROEP	292 564	27
ING US INC	15 500	5
INSURANCE AUSTRALIA GRP.	202 674	9
INTACT FINANCIAL CORP	8 700	5
INTERCONTINENTAL	44 695	29
INTESA SANPAOLO ORD	1 118 330	21
INVESCO LTD	28 858	4
INVESTEC PLC	39 906	2
KINNEVIK B	15 645	3
INVESTOR B	32 764	12
JAPAN EXCHANGE GROUP INC	35 400	5
JAPAN POST BANK CO LTD	25 500	2
JAPAN POST HOLDINGS CO LTD	105 000	10
JPMORGAN CHASE & CO	255 015	216
JULIUS BAER GROUP LTD	15 398	5
KBC GROUPE	20 408	11

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
KEYCORP	79 000	10
LEGAL & GENERAL GROUP	444 529	11
LEUCADIA NATIONAL CORP	21 200	3
LINCOLN NATIONAL CORP	16 682	7
LLOYDS BANKING GROUP PLC	5 194 247	30
LOEWS CORP	19 300	8
LONDON STOCK EXCHANGE	26 981	12
LUNDBERGFORETAGEN AB, L E SER. B	7 600	2
M & T BANK CORP	11 016	14
MACQUARIE BANK	24 103	16
MANULIFE FINANCIAL CORP	153 107	19
MAPFRE	70 142	2
MARKEL CORP	900	8
MARSH AND MCLENNAN COS	36 354	25
MEDIBANK PRIVATE LTD	176 403	3
MEDIOBANCA	40 060	3
METLIFE	69 698	25
MITSUBISHI UFJ FIN GRP	949 298	40
MITSUBISHI UFJ LEASE FIN	37 700	2
MIZRAHI TEFAHOT BANK LTD	10 489	2
MIZUHO FINANCIAL GROUP	1 808 417	24
MOODYS CORP	13 376	16
MORGAN STANLEY	102 287	35
MS&AD INSURANCE GROUP HOLDINGS	39 920	10
MSCI INC	6 200	8
MUENCHENER RUECKVERSICH.	11 482	22
NASDAQ OMX GROUP/THE	7 500	5
NATIONAL AUSTRALIA BANK	214 781	31
NATIONAL BANK OF CANADA	27 192	10
NATIXIS	60 903	2
NKSJ HOLDINGS INC	28 800	8
NN GROUP NV	23 496	8
NOMURA HOLDINGS	270 600	9
NORDEA BANK ABP	219 573	16
NORTHERN TRUST CORP	16 550	12
ONEX CORPORATION	5 400	3
ORIX CORP	95 500	12
OCBC BANK	231 088	17
PARGESA HOLDING INH	2 771	2
PARTNERS GROUP HOLDING AG	1 096	6
PEOPLES UNITED FINANCIAL	22 400	3
PNC FINL SERVICES GROUP	37 428	38
POSTE ITALIANE SPA	30 561	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
POWER CORP OF CANADA	24 698	4
POWER FINANCIAL CORP	16 100	3
PRINCIPAL FINANCIAL GRP	19 500	7
PROGRESSIVE CORP	42 352	22
PRUDENTIAL FINANCIAL	31 202	22
PRUDENTIAL	189 065	29
QBE INSURANCE GROUP	95 252	6
RAIFFEISEN BANK INTERNATIONAL	9 818	2
RAYMOND JAMES FINANCIAL INC	8 340	5
REGIONS FINANCIAL (NEW)	87 341	10
REINSURANCE GROUP OF AMERICA	4 000	5
RENAISSANCERE HOLDINGS	2 900	3
RESONA HOLDINGS	185 942	8
ROYAL BANK OF CANADA	108 542	64
ROYAL BANK OF SCOTLAND	283 296	7
RSA INSURANCE GROUP PLC	64 641	4
S&P GLOBAL INC	19 339	28
SAMPO OYJ-A SHS	32 557	12
SBI HOLDINGS	14 070	2
SCHRODERS	8 983	2
SCOR	9 679	4
SEI INVESTMENTS COMPANY	9 800	4
SEVEN BANK LTD	29 100	1
SHINSEI BANK	10 900	1
SHIZUOKA BANK	34 000	2
SIGNATURE BANK	3 300	3
SINGAPORE EXCHANGE	48 400	2
SKAND.ENSKILDA BANKEN A	122 934	10
SOCIETE GENERALE	56 549	16
SONY FINANCIAL HOLDINGS	9 900	2
ST JAMES'S PLACE PLC	32 674	3
STANDARD CHARTERED	258 692	17
STANDARD LIFE	158 985	4
STATE STREET CORP	30 243	17
SUMITOMO MITSUI FINL GRP	97 971	28
SUMITOMO MITSUI TRUST HOLDINGS	23 876	8
SUN LIFE FINANCIAL	44 898	13
SUNCORP GROUP LTD	108 212	8
SUNTRUST BANKS	37 448	16
SVB FINANCIAL GROUP	3 500	6
SVENSKA HANDELSBANKEN-A SHS	110 671	11
SWEDBANK	66 989	13
SWISS LIFE HOLDING	2 132	7

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SWISS RE LTD	23 783	19
SYNCHRONY FINANCIAL	64 010	13
T&D HOLDINGS	38 100	4
PRICE (T. ROWE) GROUP	18 923	15
TD AMERITRADE HOLDING CO	18 100	8
HARTFORD FINANCIAL SVCS	30 711	12
TOKIO MARINE HOLDINGS INC	51 279	21
TOKYO CENTURY CORP	3 200	1
TORCHMARK CORP	8 400	5
TORONTO-DOMINION BANK	139 318	60
TRAVELERS COS	21 310	22
TRYG A/S	8 165	2
US BANCORP	116 732	46
UBS NAMEN	289 096	31
UNICREDIT SPA	155 185	15
UNITED OVERSEAS BANK	95 723	15
UNUM GROUP	16 666	4
BERKLEY (W.R.) CORP	6 500	4
WELLS FARGO & CO	343 362	137
WENDEL	2 001	2
WESTPAC BANKING	252 349	38
WILLIS GROUP HOLDINGS PLC	10 368	14
YAMAGUCHI FINANCIAL GROUP IN	15 000	1
ZIONS BANCORPORATION	13 000	5
ZURICH FINL SERVICES	11 155	29
TOTAL, FINANCIAL		**3 751**
ABBOTT LABORATORIES	132 200	83
ABBVIE INC	113 436	91
ABIOMED INC	3 100	9
AGILENT TECHNOLOGIES	25 821	15
ALEXION PHARMACEUTICALS INC	16 400	14
ALFRESA HOLDINGS	10 700	2
ALIGN TECHNOLOGY INC	5 400	10
ALKERMES PLC	9 300	2
ALLERGAN PLC	24 984	29
ALNYLAM PHARMACEUTICALS INC	7 000	4
AMERISOURCEBERGEN	12 884	8
AMGEN	49 823	84
ANTHEM INC	19 896	45
ASAHI INTECC CO LTD	8 300	3
ASTELLAS PHARMA	156 220	17
ASTRAZENECA	92 879	60
AURORA CANNABIS INC	60 800	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
BAXTER INTERNATIONAL	38 417	22
BAYER	70 084	42
BECTON DICKINSON	19 681	38
BEIGENE LTD-ADR	2 900	4
BIOGEN IDEC	16 294	42
BIOMARIN PHARMACEUTICAL INC	13 100	10
BIOMERIEUX	3 852	2
BOSTON SCIENTIFIC CORP	104 027	32
BRISTOL-MYERS SQUIBB CO	121 710	55
CANOPY GROWTH CORP	18 100	4
CARDINAL HEALTH	23 333	9
CELGENE CORP	57 368	32
CENTENE CORP	15 500	15
CERNER CORP	21 200	10
CHUGAI PHARMACEUTICAL CO	14 600	7
CIGNA CORP	30 808	51
COCHLEAR	3 412	4
COLOPLAST B	10 388	8
CONVATEC GROUP PLC	70 000	1
COOPER COS INC/THE	3 200	7
CSL LIMITED	34 716	39
CVS/CAREMARK	96 977	55
DAIICHI SANKYO CO	49 775	14
DAINIPPON SUMITOMO PHARM	11 200	3
DANAHER CORP	46 496	42
DAVITA	11 500	5
DENTSPLY SIRONA INC	15 500	5
DEXCOM INC	7 500	8
EDWARDS LIFESCIENCES CORP	15 900	21
EISAI CO	17 400	12
LILLY (ELI) AND CO	73 288	73
EUROFINS SCIENTIFIC	700	2
FISHER & PAYKEL HEALTHCARE C	55 133	4
FRESENIUS MED. CARE ST	16 097	9
FRESENIUS SE & CO KGAA	31 249	13
GALENICA AG-REG	3 180	3
GENMAB	4 838	7
GILEAD SCIENCES	100 350	54
GLAXOSMITHKLINE	367 958	61
GRIFOLS SA	18 780	4
H LUNDBECK A/S	5 000	2
HCA HOLDINGS INC	23 500	25
HENRY SCHEIN INC	10 600	7

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
HISAMITSU PHARMACEUTICAL	6 900	3
HOLOGIC INC	15 800	6
HOYA CORP	31 300	16
HUMANA	10 600	26
IDEXX LABORATORIES INC	6 100	10
ILLUMINA INC	10 800	28
INCYTE CORP	13 300	7
INTUITIVE SURGICAL	8 400	35
IPSEN	2 500	3
JAZZ PHARMACEUTICALS PLC	4 100	4
JOHNSON & JOHNSON	200 579	224
PHILIPS ELECTRS (KON.)	71 588	22
KYOWA HAKKO KIRIN CO LTD	13 000	2
LABORATORY CORP OF AMER	8 300	9
LONZA GROUP	5 478	12
M3 INC	36 000	4
MCKESSON CORP	15 829	15
MEDIPAL HOLDINGS CORP	8 200	2
MEDTRONIC	102 204	80
MERCK AND CO	201 890	134
MERCK KGAA STAMM	10 682	9
METTLER-TOLEDO INTERNATIONAL	1 853	9
MITSUBISHI TANABE PHARMA CORP	16 300	2
MYLAN INC	36 009	9
NEKTAR THERAPEUTICS	11 900	3
NMC HEALTH PLC	7 700	2
NOVARTIS	165 822	122
NOVO NORDISK A/S-B	141 958	56
OLYMPUS CORP	21 900	6
ONO PHARMACEUTICAL CO	30 200	5
ORION-YHTYMAE B	7 047	2
OTSUKA HOLDINGS CO LTD	30 800	11
PERRIGO CO PLC	9 364	3
PFIZER	442 305	167
QIAGEN N.V.	13 297	4
QUEST DIAGNOSTICS	9 548	7
QUINTILES TRANSNATIONAL HOLD	12 032	12
RAMSAY HEALTH CARE LTD	9 226	3
RECORDATI SPA	5 000	1
REGENERON PHARMACEUTICALS	5 917	19
RESMED INC	9 200	9
ROCHE HOLDING GENUSS	52 800	113
RYMAN HEALTHCARE LTD	25 579	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SANOFI	85 186	64
SANTEN PHARMACEUTICAL CO	23 100	3
SARTORIUS AG-VORZUG	2 600	3
SARTORIUS STEDIM BIOTECH	2 706	2
SEATTLE GENETICS INC	7 600	4
SHIONOGI & CO	22 800	11
SHIRE PLC	67 443	33
SIEMENS HEALTINEERS	13 780	5
SMITH & NEPHEW	60 810	10
SONIC HEALTHCARE	27 213	4
SONOVA HOLDING	3 572	5
STRAUMANN HOLDING	700	4
STRYKER CORP	24 999	34
SUZUKEN CO	4 150	2
SYSMEX CORP	12 900	5
TAISHO PHARMACEUTICAL CO	2 600	2
TAKEDA PHARMACEUTICAL	58 100	17
TELEFLEX INC	3 200	7
TERUMO CORP	26 200	13
TEVA PHARMACEUTICAL-SP ADR	68 664	9
THERMO FISHER SCIENTIFIC	30 050	58
UCB (GROUPE)	8 403	6
UNITED THERAPEUTICS CORP	3 100	3
UNITEDHEALTH GROUP	72 093	156
UNIVERSAL HEALTH SERVICES-B	5 783	6
VALEANT PHARMACEUTICALS INTERN	20 115	3
VARIAN MEDICAL SYSTEMS	6 200	6
VEEVA SYSTEMS INC-CLASS A	7 000	5
VERTEX PHARMACEUTICALS	17 972	26
WATERS CORP	5 353	9
WELLCARE HEALTH PLANS INC	4 000	8
WILLIAM DEMANT HOLDING	8 840	2
ZIMMER HOLDINGS	15 559	14
ZOETIS INC	33 878	25
TOTAL, HEALTHCARE		**3 128**
3M CO	57 733	95
VOLVO B	140 647	16
ABB LTD	184 653	30
ACS ACTIV. CONST. Y SVCS	22 676	8
ACUITY BRANDS INC	3 600	4
ADECCO	11 307	5
AENA SA	4 411	6
AERCAP HOLDINGS NV	14 900	5

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ADP	1 656	3
ALFA LAVAL	33 569	6
ALLEGION PLC	8 500	6
ALSTOM	15 000	5
AMADA CO	31 300	2
AMERCO	500	1
AMERICAN AIRLINES GROUP INC	11 600	3
AMETEK INC	19 050	11
ALL NIPPON AIRWAYS CO	8 700	3
ANDRITZ	6 238	2
AP MOLLER MAERSK B	474	5
AP MOLLER MAERSK A	245	2
ARCONIC INC	43 150	6
ASAHI GLASS CO	22 160	6
ASHTEAD GROUP PLC	52 067	9
ASSA ABLOY AB-B	90 132	14
ATLANTIA	35 799	6
ATLAS COPCO A	61 846	13
ATLAS COPCO AB-B SHS	35 802	7
AUCKLAND INT'L AIRPORT	52 310	2
QR NATIONAL LTD	139 065	4
BABCOCK INTL GROUP PLC	18 382	1
BOLLORE	57 312	2
BOMBARDIER B	240 200	3
BOUYGUES ORD	22 465	7
BRAMBLES	125 306	8
BRENNTAG AG	13 243	5
BUNZL	34 891	9
BUREAU VERITAS SA	16 372	3
CH ROBINSON WORLDWIDE	9 700	7
CAE	18 336	3
CANADIAN NAT'L RAILWAY	57 416	37
CP RAILWAY	11 140	17
CATERPILLAR	57 628	63
CENTRAL JAPAN RAILWAY CO	10 300	19
SAINT-GOBAIN	47 508	14
CINTAS CORP	7 397	11
CK HUTCHISON HOLDINGS LTD	272 917	23
CNH INDUSTRIAL NV	84 935	7
COMFORTDELGRO	129 900	2
COPART INC	15 500	6
COSTAR GROUP INC	2 000	6
CSX CORP	62 026	33

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
CUMMINS	15 100	17
DAI NIPPON PRINTING CO	18 500	3
DAIFUKU CO LTD	11 000	4
DAIKIN INDUSTRIES	23 700	22
DASSAULT AVIATION SA	172	2
DCC PLC	8 653	6
DEERE & CO	30 734	40
DELTA AIR LINES	11 670	5
LUFTHANSA	15 302	3
DEUTSCHE POST	72 110	17
DOVER CORP	15 277	9
DSV DE SAMMENSLUT VOGN	16 145	9
EAST JAPAN RAILWAY CO	25 802	20
EASYJET PLC	10 357	1
EATON CORP	39 716	24
EDENRED	14 388	5
EIFFAGE	6 930	5
EMERSON ELECTRIC CO	59 239	31
EPIROC AB-A	61 846	5
EPIROC AB-B	35 802	3
EQUIFAX	9 500	8
EXPEDITORS INTL WASH.	12 300	7
EXPERIAN PLC	74 085	16
FANUC CORP	18 300	24
FASTENAL CO	27 700	13
FEDEX CORP	18 083	25
FERROVIAL SA	50 240	9
FINNING INT'L	14 800	2
FLOWSERVE CORP	10 700	4
FORTIVE CORP	26 898	16
FORTUNE BRANDS HOME & SECURI	12 800	4
FRAPORT	2 555	2
FUJI ELECTRIC CO LTD	9 200	2
G4S	92 996	2
GAMESA CORP TECNOLOGICA	20 000	2
GEA GROUP	18 409	4
GEBERIT	3 571	12
GENERAL ELECTRIC CO	840 624	55
GOLDEN OCEAN GROUP LTD	347 683	18
GROUPE EUROTUNNEL SA - REGR	30 847	4
HANKYU HANSHIN HLDG	15 200	4
HARRIS CORP	11 900	14
HD SUPPLY HOLDINGS INC	20 800	7

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
HINO MOTORS	18 700	2
HITACHI CONSTR. MACHINE.	9 200	2
HOCHTIEF	1 382	2
HOSHIZAKI ELECTRIC CO LTD	5 600	3
IDEX CORP	7 200	8
IHI CORP	10 400	2
IHS MARKIT LTD	26 204	11
ILLINOIS TOOL WORKS	29 650	33
INGERSOLL-RAND PLC	24 249	19
INTL CONSOLIDATED AIRLINES	53 396	4
INTERTEK GROUP	10 295	5
ISS A/S	11 010	3
ITOCHU CORP	141 700	21
HUNT (J.B.) TRANSPORT	6 100	5
JAPAN AIRLINES CO LTD	6 700	2
JAPAN AIRPORT TERMINAL	3 300	1
JARDINE MATHESON (USD)	21 700	13
JARDINE STRATEGIC HLDGS LTD	20 000	6
JGC CORP	13 700	2
JOHNSON CONTROLS INTERNATION	85 515	22
JTEKT CORP	16 000	2
KAJIMA CORP	34 000	4
KAMIGUMI CO	8 000	1
KANSAS CITY SOUTHERN	7 300	6
KAWASAKI HEAVY IND	10 999	2
KEIHAN ELECTRIC RAILWAY CO	6 600	2
KEIKYU CORP	14 000	2
KEIO CORP	6 600	3
KEISEI ELECTRIC RAILWAY	19 500	5
KEPPEL CORP LTD	168 760	6
KINGSPAN GROUP PLC	16 079	6
KINTETSU CORP	16 190	6
KION GROUP AG	6 626	3
KNIGHT-SWIFT TRANSPORTATION	11 800	3
KOMATSU	87 000	16
KONE B	32 143	13
KUBOTA CORP	103 800	13
KUEHNE & NAGEL INT'L	3 589	4
KURITA WATER INDUSTRIES	10 100	2
KYUSHU RAILWAY COMPANY	10 000	3
L3 TECHNOLOGIES INC	7 500	11
LEGRAND	24 870	12
LEIGHTON HOLDINGS LTD	7 171	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
LENNOX INTERNATIONAL INC	3 500	7
JS GROUP CORP	21 100	2
MAKITA CORP	18 800	6
MANPOWERGROUP	5 400	3
MARUBENI CORP	173 200	11
MASCO CORP	27 701	7
MEGGITT PLC	63 016	3
MELROSE INDUSTRIES PLC	532 780	10
METSO OYJ	10 557	2
MIDDLEBY CORP	5 700	5
MINEBEA CO	39 300	5
MISUMI GROUP INC	21 000	4
MITSUBISHI CORP	135 100	32
MITSUBISHI ELECTRIC CORP	169 200	16
MITSUBISHI HEAVY IND	29 509	9
MITSUI & CO	150 200	20
MITSUI OSK LINES	6 000	1
MONOTARO CO LTD	14 200	3
MTR CORP	94 342	4
MTU AERO ENGINES AG	5 000	8
NABTESCO CORP	10 900	2
NAGOYA RAILROAD CO LTD	18 399	4
NGK INSULATORS	21 000	2
NIDEC CORP	22 900	23
NIELSEN HOLDINGS PLC	25 262	5
NIPPON EXPRESS CO	5 200	3
NIPPON YUSEN K.K	10 300	1
NORFOLK SOUTHERN CORP	21 546	28
NSK	36 900	3
NWS HOLDINGS	132 381	2
OBAYASHI CORP	51 000	4
ODAKYU ELECTRIC RAILWAY	31 500	6
OLD DOMINION FREIGHT LINE	4 400	5
OSRAM LICHT AG	6 796	3
OWENS CORNING	10 000	4
PACCAR	31 886	16
PARK24 CO LTD	7 000	1
PARKER HANNIFIN CORP	12 589	16
PENTAIR	14 433	5
PERSOL HOLDINGS CO LTD	18 500	2
PRYSMIAN SPA	24 962	4
RANDSTAD HOLDING	8 300	3
RECRUIT HOLDINGS CO LTD	84 300	18

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
REED ELSEVIER (GB)	156 088	28
REPUBLIC SERVICES	19 295	12
REXEL SA	35 256	3
ROBERT HALF INT'L	9 100	5
ROCKWELL AUTOMATION	12 400	16
ROLLINS INC	10 500	3
ROLLS-ROYCE GROUP	165 836	15
ROLLS-ROYCE HOLDINGS PLC RIGHTS ISSUE	7 628 456	0
ROPER INDUSTRIES	9 200	21
ROYAL MAIL PLC	54 403	2
RYANAIR HOLDINGS	12 042	1
SANDVIK	113 778	14
SCHINDLER PART	3 534	6
SCHINDLER NAMEN	1 833	3
SCHNEIDER ELECTRIC	54 784	32
SECOM CO	15 900	11
SECURITAS B	19 442	3
SEEK LTD	23 372	2
SEIBU HOLDINGS INC	21 300	3
SEMBCORP INDUSTRIES	166 200	3
SENSATA TECHNOLOGIES HOLDING	12 900	5
SG HOLDINGS ORD	7 100	2
SGS	364	7
SHIMIZU CORP	46 000	3
SIEMENS	74 181	72
SINGAPORE AIRLINES	33 000	2
SINGAPORE AIRPORT TERM.	60 000	2
SINGAPORE TECH ENGR.	150 000	3
SKANSKA B	30 101	4
SKF B	31 433	4
SMC CORP	5 200	14
SMITH (A.O.) CORP	14 600	5
SMITHS GROUP	43 778	7
SNAP-ON INC	4 700	6
SNC-LAVALIN GROUP	11 100	3
BIC	2 097	2
SOHGO SECURITY SERVICES CO	4 000	2
SOUTHWEST AIRLINES CO	10 900	4
SPIRIT AEROSYSTEMS HOLD-CL A	11 000	7
STANLEY BLACK & DECKER INC	13 954	14
STOLT-NIELSEN LTD	215 936	22
SUMITOMO CORP	110 400	14
SUMITOMO HEAVY IND	10 200	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SYDNEY AIRPORT	68 874	3
TAISEI CORP	22 400	8
TELEPERFORMANCE	4 081	6
THALES	11 180	11
THK CO	8 900	1
THOMSON REUTERS CORP	21 017	9
TOBU RAILWAY CO	12 800	3
TOKYU CORP	36 600	5
TOPPAN PRINTING CO	17 850	2
TOSHIBA CORP	62 470	15
TOTO	12 000	4
TOYOTA TSUSHO	16 000	4
TRANSDIGM GROUP INC	5 000	15
TRANSUNION	13 900	7
TRANSURBAN GROUP	206 068	15
UNION PACIFIC CORP	55 355	66
UAL CORP	6 500	5
UNITED PARCEL SERVICE B	51 336	43
UNITED RENTALS INC	7 000	6
UNITED TECHNOLOGIES CORP	78 174	72
VERISK ANALYTICS INC-CLASS A	10 500	10
VESTAS WIND SYSTEMS	20 949	14
VINCI	48 837	35
GRAINGER (WW)	4 800	12
WABCO HOLDINGS INC	4 500	4
WABTEC CORP	7 500	5
WARTSILA B	35 043	5
WASTE CONNECTIONS INC	19 200	12
WASTE MANAGEMENT	32 058	25
WEIR GROUP PLC/THE	20 160	3
WEST JAPAN RAILWAY CO	14 200	9
WOLSELEY	23 300	13
WOLTERS KLUWER	20 019	10
WSP GLOBAL INC	7 700	3
XPO LOGISTICS INC	8 900	4
XYLEM INC	14 410	8
YAMATO HOLDINGS CO	23 200	6
YANGZIJIANG SHIPBUILDING	189 000	1
TOTAL, INDUSTRY		**2 533**
ACCENTURE PLC	48 929	60
ADOBE SYSTEMS	36 491	71
ADVANCED MICRO DEVICES	55 000	9
AKAMAI TECHNOLOGIES	11 800	6

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ALLIANCE DATA SYSTEMS	4 000	5
ALPS ELECTRIC CO LTD	10 000	2
AMADEUS IT HOLDING SA-A SHS	34 288	21
AMPHENOL CORP	22 422	16
ANALOG DEVICES	27 202	20
ANSYS INC	6 000	7
APPLE	360 978	493
APPLIED MATERIALS	86 140	24
ARISTA NETWORKS INC	4 000	7
ARROW ELECTRONICS	5 900	4
ASETEK A/S	828 797	33
ASM PACIFIC TECHNOLOGY	12 100	1
ASML HLDG	30 536	41
ATOS ORIGIN	7 396	5
AUTODESK	15 100	17
AUTOMATIC DATA PROCESS	34 234	39
BROADCOM LTD	32 451	71
BROADRIDGE FINANCIAL SOLUTIO	7 800	7
BROTHER INDUSTRIES	17 800	2
CADENCE DESIGN SYS INC	19 500	7
CANON INC	76 450	18
CAP GEMINI SA	12 670	11
CDK GLOBAL INC	8 900	4
CDW CORP/DE	9 300	7
CGI GROUP A	20 200	11
CHECK POINT SOFTWARE TECH	9 400	8
CISCO SYSTEMS	351 611	132
CITRIX SYSTEMS	10 200	9
COGNEX CORP	12 000	4
COGNIZANT TECH SOLUTIONS	45 854	25
COMMSCOPE HOLDING CO INC	12 000	2
COMPUTERSHARE	27 865	3
CONSTELLATION SOFTWARE INC	1 700	9
CORNING	61 448	16
DASSAULT SYSTEMES	8 498	9
DISCO CORP	2 000	2
DXC TECHNOLOGY CO	21 001	10
ERICSSON (LM) B	238 320	18
F5 NETWORKS	4 800	7
FIDELITY NAT'L INFO SVCS	23 781	21
FIRST DATA CORP- CLASS A	20 800	3
FISERV	34 088	22
FLEETCOR TECHNOLOGIES INC	6 720	11

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
FLEXTRONICS INT'L	39 100	3
FLIR SYSTEMS INC	10 200	4
FORTINET INC	9 400	6
FUJI FILM HOLDINGS CO	33 800	11
FUJITSU	15 820	9
GARTNER INC	5 800	6
GLOBAL PAYMENTS INC	11 500	10
GODADDY INC - CLASS A	11 100	6
HAMAMATSU PHOTONICS KK	10 600	3
HEWLETT PACKARD ENTERPRIS	128 065	15
HEXAGON AB SER. B	17 033	7
HIROSE ELECTRIC CO	1 984	2
HITACHI HIGH-TECH	5 200	1
HITACHI	69 800	16
HP INC	133 165	24
INFINEON TECHNOLOGIES	87 990	15
INGENICO GROUP	3 382	2
INTEL CORP	344 355	140
INTL BUSINESS MACHINES CORP	66 536	65
INTUIT	18 618	32
IPG PHOTONICS CORP	3 100	3
JACK HENRY & ASSOCIATES INC	5 000	5
JUNIPER NETWORKS	23 500	5
KEYENCE CORP	7 250	32
KEYSIGHT TECHNOLOGIES IN	13 900	7
KLA TENCOR CORP	12 900	10
KONICA MINOLTA HOLDINGS	29 000	2
KYOCERA CORP	21 800	9
LAM RESEARCH CORP	12 750	15
SAIC INC	10 000	5
MARVELL TECHNOLOGY GROUP	29 800	4
MASTERCARD A	69 707	114
MAXIM INTEGRATED PRODUCTS	18 800	8
MICRO FOCUS INTERNATIONAL	38 142	6
MICROCHIP TECHNOLOGY	17 500	11
MICRON TECHNOLOGY	85 400	23
MICROSOFT CORP	547 519	482
MOTOROLA SOLUTIONS INC	12 763	13
MURATA MANUFACTURING CO	14 600	17
NEC CORP	17 240	4
NEC ELECTRONICS CORP	70 200	3
NETWORK APPLIANCE	19 839	10
NICE SYSTEMS LTD	4 209	4

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
NIPPON ELECTRIC GLASS CO	4 600	1
NOKIA CORP	409 615	20
NOMURA RESEARCH INST	8 107	3
NTT DATA CORP	41 500	4
NVIDIA	43 709	51
NXP SEMICONDUCTORS NV	25 212	16
OBIC CO	4 000	3
OMRON CORP	13 300	4
ON SEMICONDUCTOR CORP	31 700	5
OPEN TEXT CORP	22 600	6
ORACLE CORP	228 798	89
ORACLE CORP JAPAN	2 300	1
OTSUKA CORP	7 800	2
PALO ALTO NETWORKS INC	6 800	11
PAYCHEX	23 957	14
PAYPAL HOLDINGS INC	84 320	61
PTC INC	9 400	7
QORVO INC	9 900	5
QUALCOMM	104 500	51
RED HAT INC	12 000	18
RESEARCH IN MOTION	34 500	2
RICOH CO	44 900	4
ROHM CO	5 900	3
SABRE CORP	11 400	2
SALESFORCE.COM	54 700	65
SAP STAMM	74 612	64
SEAGATE TECHNOLOGY	23 919	8
SEIKO EPSON CORPORATION	18 100	2
SERVICENOW INC	12 746	20
SHIMADZU CORP	16 000	3
SHOPIFY INC - CLASS A	5 000	6
SKYWORKS SOLUTIONS INC	14 428	8
SPLUNK INC	8 400	8
SQUARE INC - A	23 500	11
SS&C TECHNOLOGIES HOLDINGS	15 000	6
STMICROELECTRONICS NV	53 509	7
SUMCO	23 800	2
SYMANTEC CORP	42 700	7
SYNOPSYS	10 800	8
TDK CORP	8 200	5
TE CONNECTIVITY LTD	27 150	18
TEMENOS GROUP AG-REG	4 500	5
TEXAS INSTRUMENTS	72 405	59

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SAGE GROUP (THE)	75 587	5
TOKYO ELECTRON	11 800	12
TOTAL SYSTEM SERVICES	13 883	10
TREND MICRO	7 500	4
TRIMBLE NAVIGATION LTD	17 100	5
VENTURE CORP LTD	20 300	2
VERISIGN	6 400	8
VISA INC-CLASS A SHARES	132 290	151
VMWARE INC-CLASS A	5 500	7
WESTERN DIGITAL	22 594	7
WESTERN UNION	34 694	5
WIRECARD AG	9 000	12
WIX.COM LTD	3 900	3
WORKDAY INC-CLASS A	9 889	14
WORLDPAY INC-CLASS A	24 042	16
XEROX CORP	16 865	3
XILINX	20 673	15
YASKAWA ELECTRIC CORP	16 600	4
YOKOGAWA ELECTRIC CORP	14 000	2
TOTAL, IT		**3 478**
AGNICO-EAGLE MINES	19 756	7
AIR LIQUIDE	36 471	39
AIR PRODUCTS & CHEMICALS	17 200	24
AIR WATER INC	12 000	2
AKZO NOBEL	21 210	15
ALBEMARLE CORP	10 300	7
ALUMINA	223 416	3
AMCOR	98 654	8
ANGLO AMERICAN (GB)	88 632	17
ANTOFAGASTA	31 496	3
ARCELOR-MITTAL A	55 051	10
ARKEMA	4 799	4
ASAHI KASEI CORP	116 200	10
AVERY DENNISON CORP	6 611	5
AXALTA COATING SYSTEMS LTD	17 700	4
BALL CORP	30 590	12
BASF	77 009	46
BHP BILLITON LTD	268 272	56
BHP BILLITON PLC	179 635	33
BLUESCOPE STEEL	40 000	3
BOLIDEN	19 263	4
BORAL	118 267	4

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
CCL INDUSTRIES INC - CL B	15 000	5
CELANESE CORP	10 900	8
CF INDUSTRIES HOLDINGS INC	16 500	6
CHEMOURS CO/THE	17 900	4
CHRISTIAN HANSEN HOLDING A/S	9 856	8
CLARIANT AG-REG	21 402	3
COVESTRO AG	17 560	8
CRH	71 173	16
CRODA INTERNATIONAL PLC	9 780	5
CROWN HOLDINGS INC	10 200	4
DAICEL CHEMICAL IND	23 000	2
DOWDUPONT INC	191 859	89
EASTMAN CHEMICAL CO	13 600	9
ECOLAB	22 123	28
EMS-CHEMIE HOLDING AG-REG	524	2
EVONIK INDUSTRIES AG	14 811	3
FIRST QUANTUM MINERALS	52 571	4
FLETCHER BUILDING	75 780	2
FMC CORP	9 670	6
FORTESCUE METALS GROUP	103 582	3
FRANCO-NEVADA CORP	14 662	9
FRESNILLO PLC	14 386	1
FUCHS PETROLUB AG -PREF	4 529	2
GIVAUDAN	744	15
GOLDCORP	71 348	6
HITACHI CHEMICAL CO	8 600	1
HITACHI METALS	12 400	1
HOLCIM	40 282	14
ISRAEL CHEMICALS LTD	40 032	2
IMERYS	2 657	1
INT'L FLAVORS FRAGRANCES	6 522	8
INT'L PAPER CO	32 053	11
JAMES HARDIE INDUSTRIES SE	33 520	3
JFE HOLDINGS	37 100	5
JOHNSON MATTHEY	14 296	4
JSR CORP	14 800	2
KANEKA CORP	4 000	1
KANSAI PAINT CO	19 000	3
KINROSS GOLD CORP	119 300	3
KOBE STEEL	47 200	3
KONINKLIJKE DSM	14 270	10
KURARAY CO	22 800	3
LANXESS AG	7 476	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
LINDE PLC	47 791	65
LUNDIN MINING CORP	60 200	2
LYONDELLBASELL INDU-CL A	30 032	22
MARTIN MARIETTA MATRLS	5 500	8
MARUICHI STEEL TUBE	3 400	1
METHANEX CORP	6 718	3
MITSUBISHI CHEMICAL HLDG	129 950	9
MITSUBISHI GAS CHEMICAL	31 000	4
MITSUBISHI MATERIALS	15 500	4
MITSUI CHEMICALS	11 020	2
MONDI PLC	27 489	5
MOSAIC CO (THE)	28 800	7
NEWCREST MINING	68 630	9
NEWMONT MINING HLDG	43 957	13
NIPPON PAINT CO LTD	12 254	4
NIPPON STEEL CORP	68 072	10
NISSAN CHEMICAL IND	8 000	4
NITTO DENKO CORP	15 100	7
NOVOZYMES B	16 666	6
NUCOR CORP	27 264	12
OJI PAPER CO	52 800	2
ORICA	25 763	3
PACKAGING CORP OF AMERICA	6 700	5
PPG INDUSTRIES	21 052	19
RANDGOLD RESOURCES LTD	8 494	6
SEALED AIR CORP	15 400	5
SHERWIN-WILLIAMS CO	7 000	24
SHIN-ETSU CHEMICAL CO	32 100	22
SHOWA DENKO K.K	13 000	3
SIKA INHABER	12 420	14
SILVER WHEATON CORP	40 008	7
SMURFIT KAPPA GROUP PLC	16 700	4
SOLVAY	5 436	5
SOUTH32 LTD	479 722	10
STEEL DYNAMICS INC	22 100	6
STORA ENSO R	40 155	4
SUMITOMO CHEMICAL CO	110 100	5
SUMITOMO METAL MINING CO	18 850	4
SYMRISE AG	9 045	6
TAIHEIYO CEMENT CORP	7 600	2
TAIYO NIPPON SANSO CORP	13 000	2
TECK RESOURCES LTD-CLS B	54 426	10
TEIJIN	26 999	4

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
THYSSEN KRUPP	28 016	4
TORAY INDUSTRIES	128 100	8
TOSOH CORP	20 000	2
TOYO SEIKAN KAISHA	10 000	2
IVANHOE MINES	70 000	1
UMICORE	13 958	5
UPM-KYMMENE	48 424	11
VOESTALPINE	7 772	2
VULCAN MATERIALS CO	11 585	10
WEST FRASER TIMBER CO LTD	4 400	2
WESTLAKE CHEMICAL CORP	2 900	2
WESTROCK CO	19 144	6
TOTAL, RAW MATERIALS		**1 058**
AEON MALL CO	9 520	1
ALEXANDRIA REAL ESTATE EQUIT	7 250	7
AMERICAN REALTY CAPITAL PROP	60 200	4
AMERICAN TOWER CORP A	31 008	42
AROUNDTOWN PROPERTY HLDG	67 204	5
ASCENDAS REAL ESTATE INV	247 549	4
AVALONBAY COMMUNITIES	10 735	16
AZRIELI GROUP	2 982	1
BOSTON PROPERTIES	11 083	11
BRITISH LAND CO	68 884	4
BROOKFIELD PROPERTY REIT I-A	16 200	2
CAMDEN PROPERTY TRUST	5 500	4
CAPITACOMMERCIAL TRUST	125 694	1
CAPITALAND	156 900	3
CAPITAMALL TRUST	145 500	2
CBRE GROUP INC	19 900	7
CHEUNG KONG PROPERTY HOLDING	213 417	13
CITY DEVELOPMENTS	23 700	1
CROWN CASTLE INT'L CORP	31 213	29
DAITO TRUST CONSTRUCTION	4 800	6
DAIWA HOUSE IND CO	40 500	11
DAIWA HOUSE RESIDENTIAL INV	100	2
DEUTSCHE ANNINGTON IMMOBILIE	39 743	16
DEUTSCHE WOHNEN AG-BR	28 772	11
DEXUS PROPERTY GROUP	57 766	4
DIGITAL REALTY TRUST INC	15 400	14
DUKE REALTY CORP	22 600	5
EQUINIX INC	5 452	17
EQUITY RESIDENTIAL	26 001	15
ESSEX PROPERTY TRUST INC	5 300	11

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
EXTRA SPACE STORAGE INC	10 300	8
FEDERAL REALTY INV TRUST	4 600	5
CENTRO RETAIL AUSTRALIA	233 070	4
FIRST CAPITAL REALTY INC	7 000	1
FONCIERE DES REGIONS	1 989	2
GECINA	4 184	5
GOODMAN GROUP	118 971	8
H&R REAL ESTATE INV-REIT UTS	11 540	2
HAMMERSON	52 305	2
HANG LUNG GROUP	59 900	1
HANG LUNG PROPERTIES	140 500	2
HEALTH CARE PPTY INVEST	31 800	8
HENDERSON LAND DEV.	99 728	4
HONGKONG LAND HOLDINGS LTD	85 800	5
HOST HOTELS AND RESORTS	61 696	9
SHOEI CO LTD/CHIYODA-KU	14 200	1
HYSAN DEVELOPMENT	46 000	2
ICADE	1 776	1
INVITATION HOMES INC	25 400	4
IRON MOUNTAIN	18 808	5
JAPAN PRIME REALTY INVT	57	2
JAPAN REAL ESTATE INV	111	5
JAPAN RETAIL FUND INVT	237	4
JONES LANG LASALLE INC	2 900	3
KERRY PROPERTIES	48 000	1
KIMCO REALTY CORP	27 400	3
KLEPIERRE	16 648	4
LAND SECURITIES GROUP	66 340	6
LEND LEASE GROUP	36 373	3
LIBERTY PROPERTY TRUST	9 000	3
LINK REIT	180 580	16
MACERICH CO	8 500	3
MID-AMERICA APARTMENT COMM	8 500	7
MIRVAC GROUP	217 965	3
MITSUBISHI ESTATE CO	90 379	12
MITSUI FUDOSAN CO	67 800	13
NATIONAL RETAIL PROPERTIES	10 500	4
NEW WORLD DEVELOPMENT	509 964	6
NIPPON BUILDING FUND	125	7
NIPPON PROLOGIS REIT INC	111	2
NOMURA REAL ESTATE HLD	6 700	1
NOMURA REAL ESTATE MASTER FU	346	4
PROLOGIS INC	47 296	24

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
PUBLIC STORAGE	11 400	20
REALTY INCOME CORP	18 400	10
REGENCY CENTERS CORP	9 600	5
RIOCAN REIT	8 396	1
SBA COMMUNICATIONS CORP-CL A	9 754	14
SEGRO	64 162	4
SIMON PROPERTY GROUP	24 196	35
SINO LAND	216 330	3
SL GREEN REALTY CORP	6 500	4
CALLOWAY REAL ESTATE INVESTM	7 071	1
STOCKLAND	165 127	4
SUMITOMO REALTY & DEV CO	31 500	10
SUN HUNG KAI PROPERTIES	132 164	16
SUNTEC REIT	184 100	2
SWIRE PACIFIC A	40 600	4
SWIRE PROPERTIES LTD	87 200	3
SWISS PRIME SITE-REG	4 447	3
GPT GROUP	112 905	4
WHARF HOLDINGS	93 000	2
TOKYU LAND CORP	30 400	1
UDR INC	17 000	6
UNIBAIL GROUP STAPLED	10 766	14
UNITED URBAN INVESTMENT CORP	186	2
UNITED OVERSEAS LAND	34 787	1
VENTAS	27 311	14
VORNADO REALTY TRUST	12 539	7
WELLTOWER INC	28 115	17
WESTFIELD RETAIL TRUST	394 445	9
WEYERHAEUSER CO	57 564	11
WHARF REAL ESTATE INVESTMENT	93 000	5
WHEELOCK AND CO. LTD.	65 000	3
WP CAREY INC	13 200	7
TOTAL, PROPERTY		**731**
ACTIVISION BLIZZARD INC	51 100	21
ALPHABET INC-CL A	22 160	201
ALPHABET INC-CL C	23 404	210
AT&T	546 411	135
AUTO TRADER GROUP PLC	87 140	4
AXEL SPRINGER AG	2 859	1
BCE INC	9 380	3
BEZEQ ISRAELI TELECOM CORP	131 689	1
BT GROUP	610 781	16

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
CENTURYLINK INC	75 616	10
CHARTER COMMUNICATIONS INC-A	13 112	32
COMCAST CORP A (NEW)	352 916	104
CYBERAGENT INC	7 500	3
DENA CO LTD	7 800	1
DENTSU	18 300	7
DEUTSCHE TELEKOM	255 379	37
DISH NETWORK CORP	14 800	3
DRILLISCH AG	5 691	2
ELECTRONIC ARTS	22 360	15
ELISA OYJ	8 942	3
EUTELSAT COMMUNICATIONS	12 529	2
FACEBOOK INC-A	182 050	207
FRANCE TELECOM	144 787	20
HAKUHODO DY HOLDINGS	13 200	2
HKT TRUST AND HKT LTD	347 880	4
IAC/INTERACTIVECORP	5 900	9
ILIAD	1 692	2
INFORMA PLC	95 279	7
INTERPUBLIC GROUP OF COS	27 400	5
JC DECAUX INTERNATIONAL	4 481	1
KAKAKU.COM INC	10 139	2
KDDI	133 800	28
KONAMI 100 YEN1K	5 600	2
KPN (KON.)	282 723	7
LIBERTY BROADBAND-C	8 000	5
LIBERTY GLOBAL A	15 535	3
LIBERTY GLOBAL C	47 432	8
LIBERTY MEDIA COR-SIRIUSXM C	13 500	4
LIBERTY SIRIUSXM GROUP	6 000	2
LINE CORP	2 800	1
MILLICOM INTERNATIONAL CELLULAR SA	4 162	2
NEWS CORP - CLASS A	24 545	2
NEXON CO LTD	21 200	2
NINTENDO CO	8 800	20
NTT CORP	52 116	18
NTT DOCOMO INC	105 700	21
OMNICOM GROUP	17 616	11
PCCW	293 049	1
PEARSON	54 518	6
PROXIMUS	9 645	2
PUBLICIS GROUPE	16 685	8
REA GROUP LTD	3 640	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ROGERS COMMUNICATIONS B	28 978	13
SES A-FDR	30 445	5
SHAW COMMUNICATIONS B	27 777	4
SINGAPORE PRESS HLDG	95 550	1
SINGAPORE TELECOM	569 080	11
SIRIUS XM RADIO INC	158 300	8
SOFTBANK CORP	60 100	35
SPRINT NEXTEL CORPORATION	67 313	3
SWISSCOM	2 156	9
TAKE-TWO INTERACTIVE SOFTWRE	8 000	7
TELE2 B	23 182	3
TELECOM CORP NEW ZEALAND	109 332	3
TELECOM ITALIA RNC	394 837	2
TELECOM ITALIA ORD	824 953	4
TELEFONICA DEUTSCHLAND HOLDI	37 149	1
TELEFONICA	343 746	25
TELENET GROUP HOLDING NV	3 821	2
TELIASONERA	234 131	10
TELSTRA CORP	330 461	6
TELUS CORP	12 974	4
T-MOBILE US INC	22 900	13
TPG TELECOM LTD	16 167	1
TRIPADVISOR INC	7 800	4
TWITTER INC	44 200	11
UBISOFT ENTERTAINMENT	6 266	4
UNITED INTERNET	7 491	3
VERIZON COMMUNICATIONS	310 898	151
VODAFONE GROUP	1 946 192	33
WPP PLC	99 103	9
YAHOO JAPAN CORP	214 100	5
ZAYO GROUP HOLDINGS INC	16 800	3
ZILLOW GROUP INC - C	7 600	2
TOTAL, TELECOM		**1 620**
AGL ENERGY LTD	50 000	6
ALTAGAS LTD	10 256	1
AMERICAN WATER WORKS CO INC	15 300	12
APA GROUP	181 393	9
ATCO LTD -CLASS I	5 700	1
ATMOS ENERGY CORP	9 500	8
AUSNET SERVICES	152 439	1
CANADIAN UTILITIES A	7 731	2
CENTERPOINT ENERGY	36 100	9

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
CENTRICA PLC	422 859	6
CHUBU ELECTRIC POWER CO	43 600	5
CK INFRASTRUCTURE HOLDINGS L	63 000	4
CMS ENERGY CORP	24 200	10
CONSOLIDATED EDISON	24 310	16
DOMINION RESOURCES	50 354	31
DONG ENERGY A/S	13 671	8
E. ON	177 548	15
EDISON INTERNATIONAL	26 389	13
EDP ENERGIAS DE PORTUGAL	237 110	7
EDF	45 433	6
ENDESA SA	20 878	4
ENEL	636 965	32
ENTERGY CORP	15 414	11
EXELON CORP	72 963	28
FORTIS	34 655	10
FORTUM OYJ	30 052	6
GAS NATURAL SDG	23 186	5
GDF SUEZ	154 009	19
HYDRO ONE LTD	18 300	2
IBERDROLA	501 775	35
INNOGY SE-NEW	8 000	3
KANSAI ELECTRIC POWER CO	47 600	6
KYUSHU ELECTRIC POWER CO	28 300	3
MERIDIAN ENER-PARTLY PAID SH	98 843	2
NATIONAL GRID	274 949	23
NEXTERA ENERGY INC	37 350	56
NISOURCE INC	21 300	5
NORTHEAST UTILITIES	24 022	14
OSAKA GAS CO	25 400	4
PG&E CORP	38 573	8
HONGKONG ELECTRIC HLDGS	111 500	7
PPL CORP	54 424	13
PUBLIC SV ENTERPRISE CO	41 815	19
RED ELECTRICA CORPORACION SA	29 288	6
RWE STAMM	36 299	7
SCANA CORP	9 100	4
SEMPRA ENERGY	22 908	21
SEVERN TRENT	16 188	3
SSE PLC	80 961	10
SUEZ ENVIRONNEMENT SA	32 639	4
TERNA	99 595	5
HONGKONG CHINA GAS	772 439	14

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organization number	Volume	Market value
TOHO GAS CO		4 000	1
TOHOKU ELECTRIC POWER CO		30 600	3
TOKYO GAS CO		29 020	6
UGI CORP		11 600	5
UNIPER SE		19 583	4
UNITED UTILITIES GROUP PLC		67 527	5
VEOLIA ENVIRONNEMENT		43 844	8
VERBUND OESTERR ELEK A		6 692	2
VISTRA ENERGY CORP		32 300	6
TOTAL, DISTRIBUTION			**604**
TOTAL FOREIGN			**23 305**
TOTAL SHARES			**30 552**
TOTAL PROPERTY			748
TOTAL ENERGY			2 684
TOTAL FINANCE			5 123
TOTAL CONSUMABLES			2 908
TOTAL DISTRIBUTION			2 736
TOTAL HEALTHCARE			3 195
TOTAL INDUSTRY			2 681
TOTAL IT			3 684
TOTAL CONSUMER GOODS			2 686
TOTAL RAW MATERIALS			1 688
TOTAL TELECOM			2 111
TOTAL UNSPECIFIED			308
TOTAL SHARES			**30 552**
EQUITY FUNDS			
ABERDEEN INDIRECT PARTNERS EUROPA		29 586	7
ABERDEEN INDIRECT PROPERTY PARTNERS ASIA		394 249	23
EUROPRISE SUB-FUND A		5	0
JPMORGAN EUROPEAN PROPERTY FUND		315	15
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS I	996 715 426	3 905 747	7 075
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS II	996 716 678	25 000	44
KLP AKSJE VERDEN INDEKS	996 716 716	25 000	67
KLP AKSJEASIA INDEKS I	990 122 571	222 770	366
KLP AKSJEASIA INDEKS II	990 140 847	131 851	147
KLP AKSJEASIA INDEKS III	916 909 381	200 000	242
KLP AKSJEASIA INDEKS IV	816 909 422	42 311	50
KLP AKSJEEUROPA INDEKS I	990 122 555	795 305	1 281
KLP AKSJEEUROPA INDEKS II	890 139 752	0	0

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organization number	Volume	Market value
KLP AKSJEGLOBAL INDEKS I	987 570 113	3 103 726	9 267
KLP AKSJEGLOBAL INDEKS V	917 767 238	299 700	366
KLP AKSJEGLOBAL LAVBETA I	912 651 037	12 355 223	22 238
KLP AKSJEGLOBAL LAVBETA II	912 651 096	89 545	123
KLP AKSJEGLOBAL SMALL CAP INDEKS II	919 175 451	4 038 458	3 792
KLP AKSJENORDEN INDEKS	980 854 043	215 154	873
KLP AKSJENORGE	880 854 062	968 393	5 918
KLP AKSJENORGE INDEKS	988 425 958	2 238 292	5 530
KLP AKSJEUSA INDEKS II	990 140 790	98 023	195
KLP AKSJEUSA INDEKS III	917 232 164	967 724	1 204
KLP AKSJEUSA INDEKS IV	817 232 582	210 896	245
KLP AKSJEUSA INDEKS USD	986 332 650	96 059	2 202
KLP LANG HORISONT	996 599 965	49 831	79
NMI FRONTIER FUND KS	993 246 743	17 975 000	34
NMI GLOBAL FUND KS	993 246 735	3 853 750	27
PARETO EIENDOMSFELLESSKAP II AS	914 428 378	1 880 485	23
SSGA EMERGING MARKETS SRI ENHANCED EQUITY FUND		16 804 931	1 699
TOTAL EQUITY FUNDS			**63 132**
PRIVATE EQUITY			
21 CENTRALE PARTNERS IV, FCPR			226
ABINGWORTH BIOVENTURES V CO-INVEST GROWTH EQ. FUND			43
ABRIS CEE MID-MARKET FUND III L.P.			112
ALTOR 2003 FUND			0
ALTOR IV AB			46
ASTORG V FCPR			223
ASTORG VI			344
AUCTUS IV GMBH & CO. KG			104
CAPITAL PARTNERS IV L.P			33
CAPMAN BUYOUT FUND VIII			10
CHEQUERS CAPITAL XVII			13
CONSILIUM PRIVATE EQUITY FUND III			100
CONTANGO VENTURES II IS/AS			14
COOPERATIVE H2 EQUITY PARTNERS FUND V U.A.			65
DANSKE PE PARTNERS V			43
DANSKE PE PARTNERS V - NEW			61
DANSKE PRIVATE EQUITY PARTNERS IV K/S			116
EGERIA PRIVATE EQUITY FUND IV			181
ENDLESS FUND IV A LP			34
ENERGY VENTURES II B IS			5
ENERGY VENTURES II KS	988 015 105		3
ENERGY VENTURES III LP			36

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organization number	Volume	Market value
ENERGY VENTURES IV LP			201
FORBION CAPITAL FUND I CO-INVESTMENT FUND I			55
FORBION CAPITAL FUND I CO-INVESTMENT FUND II			61
FORBION CAPITAL FUND II CV			137
FORBION CAPITAL III C.V			197
FORBION CF II CO-INVEST I C.V.			16
FRANCE SPECIAL SITUATIONS FUND II			150
FSN CAPITAL II L.P.			2
FSN CAPITAL IV L.P.			130
GERMAN EQUITY PARTNERS IV			72
HERKULES PRIVATE EQUITY III			23
HGCAPITAL 6			28
HGCAPITAL MERCURY A			101
HITECVISION ASSET SOLUTIONS			289
HITECVISION PRIVATE EQUITY IV			48
HITECVISION PRIVATE EQUITY V LP			158
HITECVISION VI LP			621
HITECVISION VII LP			450
INDEX VENTURES GROWTH II, L.P.			242
INDEX VENTURES GROWTH III (JERSEY) L.P			261
INDEX VENTURES VI (JERSEY) LP			244
INDEX VENTURES VII			196
INDEX VENTURES VIII (JERSEY), L.P			115
INNKAP 4 PARTNERS L.P.			21
LITORINA V AB			29
LIVINGBRIDGE 6 LP			107
LIVINGBRIDGE ENTERPRISE 2 LP			86
MB EQUITY FUND V			89
MEDICXI GROWTH I LP			11
NAUTA TECH INVEST 2			3
NAUTA TECH INVEST 3			15
NAZCA CAPITAL III, FCR			107
NORTHZONE V K/S			12
NORTHZONE VI L.P.			17
NORTHZONE VII LP	913 585 763		93
NORTHZONE VIII L.P.			69
NORVESTOR IV L.P.			8
NORVESTOR V			49
NORVESTOR VI			57
NORVESTOR VII	816 106 362		70
NORWEGIAN MICROFINANCE INITIATIVE FUND III KS			71
PARAGON FUND II GMBH & CO. KG			141
PARETO EIENDOMSFELLESSKAP II IS			2 258

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organization number	Volume	Market value
PARTNERS GROUP SECONDARY 2008			63
PERUSA PARTNERS FUND 2, L.P.			113
PRIVEQ INVESTMENT FUND IV L.P.			74
PRIVEQ INVESTMENTS V (A) AB			151
PROA IBERIAN BUYOUT FUND II			353
QUADRIGA CAPITAL PRIVATE EQUITY FUND IV			130
SOFINNOVA CAPITAL VII			104
SOFINNOVA CAPITAL VIII			72
SPECIAL SITUATIONS VENTURE PARTNERS III LP			23
STRATEGIC INVESTORS FUND VIII L.P..			42
TDR CAPITAL III 'B' L.P			273
TENZING PRIVATE EQUITY FUND I LP			18
TRITON FUND III			115
VEP SPECIAL SITUATIONS FUND II C.V.			77
VERDANE CAPITAL VI K/S			10
VERDANE CAPITAL VII K/S			159
WATERLAND PRIVATE EQUITY FUND VII, C.V.			32
XENON PRIVATE EQUITY VI			102
TOTAL PRIVATE EQUITY			**10 830**
ALTERNATIVE INVESTMENTS IN SHARES			
BRUNSWICK REAL ESTATE CAPITAL I,		550 000 000	317
BRUNSWICK REAL ESTATE CAPITAL II		2 000 000 000	539
KLP ALFA GLOBAL ENERGI	996 415 406	1 158 951	1 266
KLP ALFA GLOBAL RENTE	998 577 098	1 373 288	1 342
SECTOR SPESIT 1 A USD		14 166	2
TOTAL ALTERNATIVE INVESTMENTS IN SHARES			**3 466**
INFRASTRUCTURE FUNDS			
COPENHAGEN INFRASTRUCTURE II US AIV NON-QFPF K/S		198 940 225	253
COPENHAGEN INFRASTRUCTURE PARTNERS II K/S (non-US)		1 290 615 273	1 151
COPENHAGEN INFRASTUCTURE PARTNERS III K/S		1 549 593 390	223
TOTAL INFRASTRUCTURE FUNDS			**1 626**
TOTAL INVESTMENTS			**109 607**

NOTE 15 Shares and equity fund units - cont.

SHARES AND UNITS DISTRIBUTION BY PORTFOLIO	Common portfolio	Investment option portfolio	Corporate portfolio	Total
SHARES	27 543	0	0	27 543
LONG TERM SHARES	2 408	0	601	3 009
EQUITY FUND UNITS	65 149	599	0	65 748
PRIVATE EQUITY	10 830	0	0	10 830
ALTERNATIVE INVESTMENTS	3 451	16	0	3 466
INFRASTRUCTURE FUNDS	1 626	0	0	1 626
TOTAL	**111 007**	**615**	**601**	**112 223**

PERCENTAGE UNITS STOCK MARKET LISTED	
SHARES NORWAY	63.8 %
SHARES FOREIGN	99.9 %
EQUITY FUND UNITS	0.0 %
ALTERNATIVE INVESTMENTS	0.0 %

Norwegian shares and equity fund units are disclosed with business registered number.

NOTE 16 Securities adjustment fund

NOK MILLIONS	Acquisition cost 31.12.2018	Fair value 31.12.2018	Valuation reserves 31.12.2018	Valuation reserves 31.12.2017
Valuation reserves shares	75 603	102 498	26 896	32 974
Valuation reserves share derivatives	0	-1 706	0	0
Valuation reserves fixed interest investments	121 665	128 195	6 529	9 206
Valuation reserves interest rate derivatives	0	-1 972	12	98
Variation margin daily settlement futures			2	0
Total valuation reserves on short term financial assets			33 439	42 277
Securities adjustment fund			**33 439**	**42 277**

The securities adjustment fund comprises positive unrealized gains on the the short-term financial assets linked to the common portfolio.

If net valuation reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through profit or loss. Unrealized securities valuation reserves associated with short-term financial assets in foreign currency that can be ascribed to foreign exchange rate changes are not allocated to the securities adjustment fund if the investment is hedged against exchange rate changes. Foreign exchange rate changes linked to the hedging instrument are thus not allocated to the securities adjustment fund either but are taken directly to profit or loss.

NOTE 17 Investment properties

NOK MILLIONS	2018	2017
Rental income	40	42
Operating expenses	-2	-2
Value adjustment	60	0
Net financial income	0	0
Net operating income from investment properties	**99**	**41**
Gain on sale	362	0
Net income from investment properties	**461**	**41**

NOK MILLIONS	2018	2017
Book value 01.01	1 003	1 003
Profit for the year	461	41
Transfers to KLP	-540	-40
Book value 31.12	**924**	**1 003**

Fair value on properties per. 31.12.2018 are NOK 900 millions.

NOTE 18 Intangible assets

NOK MILLIONS	2018	2017
Book value 01.01.	226	253
Acquisition cost 01.01.	1 159	1 122
Total additions	11	37
of which internally developed	2	10
of which bought	8	27
Disposals	0	0
Acquisition cost 31.12. [1]	1 170	1 159
Accumulated depreciation and write-dows prev.years	-933	-869
Ordinary depreciation for the year	-63	-63
Impairment	0	0
Accumulated depreciation and write-dows 31.12.	-996	-933
Book value 31.12.	**173**	**226**
Depreciation period	1 to 9 years	1 to 9 years

[1] Intangible assets contains IT-systems

NOTE 19 Technical matters

Insurance liabilities distributed by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans	Group life	31.12.2018	31.12.2017	Change 2018	Change 2017
Premium reserve	433 078	16	433 094	405 751	27 343	23 327
Supplementary reserves	28 306		28 306	25 539	2 767	1 115
Securities adjustment fund	33 439		33 439	42 277	-8 838	13 940
Premium fund	12 761		12 761	15 591	-2 830	-1 599
Total insurance liabilities	**507 584**	**16**	**507 600**	**489 159**	**18 442**	**36 783**

Insurance liabilities per subsegment of group pension insurance for municipalities, including institutions with similar pension plans - group life insurance does not have any subsegments

NOK MILLIONS	Occupational pension schemes without investment options	Occupational pensions schemes with investment options	31.12.2018	31.12.2017	Change 2018	Change 2017
Premium reserve	431 137	1 941	433 078	405 737	27 341	23 323
Supplementary reserves	28 206	100	28 306	25 539	2 767	1 115
Securities adjustment fund	33 439		33 439	42 277	-8 838	13 940
Premium fund	12 383	378	12 761	15 591	-2 830	-1 599
Total insurance liabilities	**505 165**	**2 419**	**507 584**	**489 145**	**18 439**	**36 780**

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities under contracts with contractual obligations

NOK MILLIONS	Premium reserve	Supplementary reserves	Securities adjustment fund	Premium fund	Total 2018	Total 2017
Insurance liabilities 01.01	403 902	25 399	42 277	15 206	486 785	450 194
Net reserves taken to profit/loss	27 254	-21	-8 838	265	18 660	37 486
Surplus on returns result	0	2 845	0	2 240	5 085	5 706
Risk result assigned to insurance contracts	0	0	0	478	478	519
Other assignment of surplus	0	0	0	0	0	0
Total changes taken to profit/loss	**27 254**	**2 825**	**-8 838**	**2 983**	**24 223**	**43 710**
Transfers between funds/allocated to premium payment	0	0	0	-5 788	-5 788	-7 096
Receipts/payments on transfer	-2	-18	0	-18	-38	-24
Total changes not taken to profit/loss	**-2**	**-18**	**0**	**-5 806**	**-5 827**	**-7 119**
Total changes in insurance liabilities	27 251	2 807	-8 838	-2 823	18 397	36 591
Insurance liabilities 31.12	**431 153**	**28 206**	**33 439**	**12 383**	**505 182**	**486 785**

NOTE 19 Technical matters - cont.

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options

NOK MILLIONS	Premium reserve	Supplementary reserves	Premium fund	Total 2018	Total 2017
Insurance liabilities 01.01	1 849	140	385	2 374	2 181
Net reserves taken to profit/loss	92		7	98	89
Surplus on returns result		-40	0	-40	108
Risk result assigned to insurance contracts			2	2	2
Other assignment of surplus			0	0	1
Total changes taken to profit/loss	**92**	**-40**	**9**	**60**	**200**
Transfers between funds/allocated to premium payment			-16	-16	-9
Receipts/payments on transfer	1	0		1	3
Total changes not taken to profit/loss	**1**	**0**	**-16**	**-15**	**-7**
Total changes in insurance liabilities	92	-40	-7	45	194
Insurance liabilities 31.12	**1 941**	**100**	**378**	**2 419**	**2 374**

Technical accounts by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2018	2017	2018	2017	2018	2017
Premium income	38 724	32 413	3	3	38 727	32 417
Net income common portfolio	7 021	30 809	1	0	7 021	30 810
Net income investment option portfolio	14	164			14	164
Other insurance-related income	1 055	984			1 055	984
Life insurance claims	-18 844	-17 384	-3	-3	-18 847	-17 386
Change insurance liabilities - contractual	-21 501	-38 612	-2	-3	-21 503	-38 615
Change insurance liabilities - investment option	-58	-95			-58	-95
Funds assigned to insurance contracts	-2 939	-5 199			-2 939	-5 199
Insurance-related operating expenses	-1 096	-1 001	-1	-1	-1 097	-1 001
Other insurance-related costs	-1 059	-980			-1 059	-980
Technical result	**1 318**	**1 100**	**-3**	**-2**	**1 315**	**1 098**

NOTE 19 Technical matters - cont.

Technical accounts by sub-sectors - main sector group life has no sub-sectors
Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2018	2017	2018	2017	2018	2017
Premium income	38 575	32 281	149	132	38 724	32 413
Net income common portfolio	7 021	30 809			7 021	30 809
Net income investment option portfolio			14	164	14	164
Other insurance-related income	1 050	980	4	5	1 055	984
Life insurance claims	-18 758	-17 302	-86	-82	-18 844	-17 384
Change insurance liabilities - contractual	-21 501	-38 612			-21 501	-38 612
Change insurance liabilities - investment option			-58	-95	-58	-95
Funds assigned to insurance contracts	-2 937	-5 095	-2	-104	-2 939	-5 199
Insurance-related operating expenses	-1 091	-996	-5	-5	-1 096	-1 001
Other insurance-related costs	-1 054	-976	-5	-4	-1 059	-980
Technical result	**1 307**	**1 088**	**11**	**11**	**1 318**	**1 100**

Result analysis by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2018	2017	2018	2017	2018	2017
Returns result after supplementary provisions	**5 207**	**6 770**	**0**	**0**	**5 207**	**6 770**
Risk result	**960**	**899**	**-3**	**-2**	**957**	**896**
Administration result	**137**	**141**	**-1**	**0**	**136**	**141**
Consideration for interest guarantee	758	711			758	711
Total result elements before allocation to customers	**7 062**	**8 520**	**-3**	**-2**	**7 059**	**8 517**
Returns result allocated to supplementary resreves	-2 805	-1 137			-2 805	-1 137
Returns result and risk result alloc. to premium fund	-2 723	-5 202			-2 723	-5 202
Rebooking from equity	-216	-298			-216	-298
Return to premium reserve	0	-784			0	-784
Technical result	**1 318**	**1 100**	**-3**	**-2**	**1 315**	**1 098**

NOTE 19 Technical matters - cont.

Result analysis by sub-sectors - main sector group life has no sub-sectors
Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2018	2017	2018	2017	2018	2017
Returns result after supplementary provisions	**5 247**	**6 657**	**-40**	**112**	**5 207**	**6 770**
Risk result	**956**	**895**	**4**	**4**	**960**	**899**
Administration result	**137**	**140**	**1**	**1**	**137**	**141**
Consideration for interest guarantee	750	703	8	7	758	711
Total result elements before allocation to customers	**7 090**	**8 396**	**-28**	**124**	**7 062**	**8 520**
Returns result allocated to supplementary resreves	-2 845	-1 132	40	-6	-2 805	-1 137
Returns result and risk result alloc. to premium fund	-2 721	-5 095	-2	-107	-2 723	-5 202
Rebooking from equity	-216	-297	0	-1	-216	-298
Return to premium reserve	0	-784	0	0	0	-784
Technical result	**1 307**	**1 088**	**11**	**11**	**1 318**	**1 100**

Claims by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2018	2017	2018	2017	2018	2017
Claims paid in accordance with insurance agreements	-18 345	-17 168	-5	-6	-18 350	-17 174
Claims paid iunder repurchase	0	0	0	0	0	0
Total	**-18 345**	**-17 168**	**-5**	**-6**	**-18 350**	**-17 174**

NOTE 19 Technical matters - cont.

TRANSFER AND NEW SUBSCRIPTION

Transfer by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2018	2017	2018	2017	2018	2017
FUNDS TRANSFERRED IN						
Premium reserve	5	298	0	0	5	298
Strengthening reserves	0	0	0	0	0	0
Funds received taken through profit or loss	**5**	**298**	**0**	**0**	**5**	**298**
Premium fund	2	24	0	0	2	24
Supplementary reserves to fund	2	22	0	0	2	22
Total funds received	**9**	**344**	**0**	**0**	**9**	**344**
Number of contracts	1	1	0	0	1	1
FUNDS TRANSFERRED OUT						
Premium reserve	439	190	0	0	439	190
Supplementary reserves	21	13	0	0	21	13
Valuation reserves	37	9	0	0	37	9
Funds paid out taken through profit or loss	**497**	**212**	**0**	**0**	**497**	**212**
Premium fund	22	2	0	0	22	2
Total funds paid out	**518**	**214**	**0**	**0**	**518**	**214**
Number of contracts	9	4	0	0	9	4

New subscription by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2018	2017	2018	2017	2018	2017
New subscription	10	7	0	0	10	7
Number of contracts	59	38	0	0	59	38

NOTE 20 Hedge accounting

31.12.2018 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-678	-1 662
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	657	657
Hedge effectiveness as at 31.12.2018		98 %	
Hedge effectiveness thorugh the year		98 %	

31.12.2017 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-551	-1 534
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	530	530
Hedge effectiveness as at 31.12.2017		98 %	
Hedge effectiveness thorugh the year		98 %	

The hybrid Tier 1 securities loan is hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is recognized in accordance with the rules on fair value hedging. This means that the hedging is carried out by an external party, that a formal earmarking and documentation of the hedge relationship is entered into, as well is that it is expected to be very effective and that this is continuously reviewed, as well as that the recognition decided is carried out as described below. In practice the hedging involves a swap of currency terms (JPY 15 billion JPY against NOK 0.984 billion) and interest terms (fixed interest at 5.07 per cent against NIBOR +2.65 per cent) on the borrowing and the combined interest and currency swap respectively. The hedge effectiveness is measured by looking at the change in fair value of the hedged object and the hedging instrument. The hedge effectiveness equals 98 per cent.

The hedge effectiveness is valued retrospectively each month and is then considered effective if the change in fair value between hedged object and hedging instrument lies within the bracket 80 per cent to 125 per cent.

Fair value hedging means that the hedged value development of the hedged object is recognized through profit or loss. Correspondingly the value change on the hedging instrument is recognized through profit or loss.The aim of the hedging arrangement above is to hedge the hedged object with a hedging instrument in which the hedging instrument's terms give negative correlation in relation to the hedged object: this significantly reduces or eliminates the effect on income. If the hedging ratio is 100 per cent the net effect on income of the hedged object and the hedging instrument will be 0.

KLP uses hedging widely but the majority of instances are ordinary financial hedging. The above item is the only one in which hedge accounting is used. The aim of financial hedging is the same, i.e. to reduce or eliminate the effect on income the hedged part of the hedge relationship represents.

Since the value change on the hedged object and the hedging instrument has a high negative correlation, the profit/loss effect will be relatively low. See also Note 2 for a detailed description of the hedge accounting in the accounts.

NOTE 21 Subordinated loan capital and hybrid Tier 1 securities

2018 NOK MILLIONS	Loan amount currency ²	Loan amount NOK	Book value 31.12.2018	Due date
BORROWINGS ¹				
June 2015	EUR 600	5 163	6 029	2045
Total subordinated loan capital		5 163	6 029	
April 2004	JPY 15 000	984	1 662	Evigvarende
Total hybrid tier 1 securities		984	1 662	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 691**	

¹ Interest costs on the two subordinated loans were NOK 249 million (NOK 283 million) and NOK 61 million (NOK 61 million) for hybrid Tier 1 securities in 2018. Figures in brackets are 2017 figures.
² Amount in local currency (millions)

2017 NOK MILLIONS	Loan amount currency ²	"Loan amount NOK"	Book value 31.12.2017	Due date
BORROWINGS ¹				
June 2015	EUR 600	5 163	5 977	2045
Total subordinated loan capital		5 163	5 977	
April 2004	JPY 15 000	984	1 534	Evigvarende
Total hybrid tier 1 securities		984	1 534	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 511**	

¹ Interest costs on the two subordinated loans were NOK 249 million (NOK 283 million) and NOK 61 million (NOK 61 million) for hybrid Tier 1 securities in 2018. Figures in brackets are 2017 figures.
² Amount in local currency (millions)

EUR 600
The interest on the loan is fixed at 4.25 per cent p.a. The loans was issued the 10th of June 2015 and is due in 2045. The loan can be redeemed by KLP after 10 years, and at every interest payment date that follows. The loan is currency hedged with EUR denominated bonds as shown in the table below. This arrangement is not subject to hedge accounting.

JPY 15 000
The interest on the loan is fixed USD-interest of 5.07 per cent p.a. The loan is perpetual but KLP has the right to redeem the loan on 28 April 2034. If KLP does not exercise its redemption right in 2034, the loan will switch to variable interest. The credit margin then increases by 1 percentage point to 6-month JPY LIBOR-interest + a margin of 3.30 per cent p.a. To hedge the interest and exchange risk associated with the loan a combined interest rate and currency swap has been agreed in which KLP pays 3-month NIBOR-interest + a margin of 2.65 per cent p.a. and receives USD-interest of 5.07 per cent p.a.
The hedging arrangement of this loan is shown in Note 20.

NOTE 21 Subordinated loan capital and hybrid Tier 1 securities - cont.

2018 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2018	Due date
Bonds	EUR 596	5 152	32	716	5 899	2025
Total hedging transactions		**5 152**	**32**	**716**	**5 899**	

2017 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2017	Due date
Bonds	EUR 596	5 152	31	665	5 849	2025
Total hedging transactions		**5 152**	**31**	**665**	**5 849**	

[2] Amount in local currency (millions).

NOTE 22 Transferred assets with restrictions

TRANSFERRED ASSETS THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES
All assets transferred are recognised in the financial position statement if KLP is still exposed to changes in the fair value of the assets.This applies to repurchase agreements and agreements concerning securities lending. Repurchase agreements are a form of borrowing with collateral whereby KLP sells securities with an agreement to repurchase those securities at a predetermined price. Cash received is recognised as a deposit (debt). Securities transferred in connection with repurchase agreements are not deducted in the financial position statement.

Agreements concerning securities lending are transactions whereby KLP lends securities to a counterparty and receives a commision for it. Since both repurchase agreements and securities lending result in the securities being returned to KLP, the risk of value changes rests with KLP. However, the securities are not available to KLP while being transferred. The securities still reported in the financial position statement, and related debt, are assessed at fair value.

ASSETS TRANSFERRED THAT ARE STILL CAPITALISED

NOK MILLIONS	31.12.2018	31.12.2017
REPURCHASE AGREEMENTS		
Certificates and bonds	0	0
SECURITIES LENDING		
Shares	1 915	1 686
Total assets transferred that are still capitalised	**1 915**	**1 686**

LIABILITIES RELATED TO THE ASSETS

NOK MILLIONS	31.12.2018	31.12.2017
REPURCHASE AGREEMENTS		
Paid-in by credit institutions	0	0
SECURITIES LENDING		
Paid-in by credit institutions	0	0
Certificates and bonds	2 020	1 786
Total liabilities	**2 020**	**1 786**

All the assets in the table above are subject to resale or collateral with the counterparty.

ASSETS TRANSFERRED THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES
KLP receives collateral under reverse repurchase agreements and agreements concerning securities borrowing, which it is permitted to sell or pledge under the agreements. The transactions are carried out in accordance with standard agreements employed by the parties in the financial market.

In general, the agreements require additional security to be put up if the value of the securities fall below a predetermined level. According to the agreements, the recipient of the collateral has the unlimited right to sell or pledge the collateral in return for providing corresponding collateral on the date of settlement.

NOTE 22 Transferred assets with restrictions - cont.

SECURITIES RECIEVED THAT ARE PERMITTED TO BE SOLD OR PLEDGED

NOK MILLIONS	31.12.2018	31.12.2017
REVERSE REPURCHASE AGREEMENTS		
Certificates and bonds	0	0
Of which sold or pledged	0	0
SECURITIES BORROWING		
Shares	0	0
Of which sold or pledged	0	0
Total assets transferred and still capitalised	**0**	**0**

NOTE 23 Return on capital

PER CENT	2018	2017	2016	2015	2014
CUSTOMER PORTFOLIOS **TOTAL OF COMMON PORTFOLIO**					
Return I	3.5	3.9	4.4	3.6	4.3
Return II	1.5	6.7	5.8	4.0	6.9
Return III	0.5	6.7	5.4	2.8	9.5
Total - investment option portfolio	**0.6**	**7.5**	**6.2**	**4.0**	**6.7**

Return I = Book return
Return II = Value-adjusted return. This is the book return +/- unrealized value changes charged to the securities adjustment fund
Return III = Value-adjusted returns including value changes on assets are recognized at amortized cost. These value changes are not included in the accounting income for the year

PER CENT	2018		2017		2016		2015		2014	
	Return I	**Return II**	**Return I**	**Return II**	**Return I**	**Return II**	**Return I**	**Return II**	**Return I**	**Return II**
THE COMMON PORTFOLIO'S SUB-PORTFOLIOS HAVE HAD THE FOLLOWING RETURNS										
Balanced portfolio 1	3.5	1.4	3.9	6.7	4.5	5.8	3.6	4.0	4.2	7.0
Balanced portfolio 2	3.5	1.5	4.0	6.8	4.4	5.8	3.7	3.9	4.7	6.9
Moderate portfolio	3.8	1.7	3.1	6.0	4.2	5.5	3.6	3.7	4.5	6.5

NOTE 23 Return on capital - cont.

PER CENT	2018	2017	2016	2015	2014
CORPORATE PORTFOLIO					
Return on financial investments in the corporate portfolio	4.2	4.0	4.7	4.7	7.3

For the corporate portfolio there is no difference in return I and II since no special provisions are made for any unrealized added value.

NOTE 24 Sales costs

NOK MILLIONS	2018	2017
Personnel costs	77	73
Commission	0	0
Other costs	59	57
Total sales costs	**136**	**130**

NOTE 25 Pensions obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"). The Company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined-benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ("obligatorisk tjenestepension", or OTP). The Company has a contractual early retirement (AFP) scheme.

The accounting treatment of pension obligations is described in more detail in Note 2.

NOK MILLIONS	Joint scheme	Via operation	2018	Joint scheme	Via operation	2017
PENSION COSTS						
Present value of accumulation for the year	69.3	5.5	74.8	66.4	5.1	71.5
Administration cost	1.8	0.0	1.8	1.7	0.0	1.7
Social security contributions - pension costs	10.0	0.8	10.8	9.6	0.7	10.3
Capital activity tax - pension tax	3.6	0.3	3.8	3.4	0.3	3.7
Pension costs taken to profit/loss incl. social security, capital activity tax and admin.	**84.6**	**6.5**	**91.2**	**81.1**	**6.0**	**87.1**
NET FINANCIAL COSTS						
Interest cost	29.5	3.2	32.7	28.6	3.2	31.8
Interest income	-21.2	0.0	-21.2	-20.4	0.0	-20.4
Management costs	1.8	0.0	1.8	1.7	0.0	1.7
Net interest cost	10.1	3.2	13.4	9.9	3.2	13.1
Social security contributions - net interest cost	1.4	0.5	1.9	1.4	0.4	1.8
Capital activity tax - net interest cost	0.5	0.2	0.7	0.5	0.2	0.7
Net interest cost including social security contributions and capital activity tax	**12.1**	**3.8**	**15.9**	**11.8**	**3.8**	**15.6**
ESTIMATE DEVIATION PENSIONS						
Actuarial gains (losses)	8.2	4.5	12.8	7.4	8.2	15.6
Social security contributions	1.2	0.6	1.8	1.0	1.2	2.2
Capital activity tax	0.4	0.2	0.6	0.4	0.4	0.8
Actuarial gains (losses) including social security contributions and capital activity tax	**9.8**	**5.4**	**15.2**	**8.9**	**9.8**	**18.6**
Total pension costs including interest costs and estimate deviation	**106.5**	**15.8**	**122.3**	**101.7**	**19.6**	**121.3**
PENSION OBLIGATIONS						
Gross accrued pension obligations	1 258.5	139.2	1 397.7	1 168.9	131.4	1 300.3
Pension assets	923.2	0.0	923.2	863.3	0.0	863.3
Net liability before social security costs and capital activity tax	335.3	139.2	474.5	305.5	131.4	436.9
Social security contributions	47.3	19.6	66.9	43.1	18.5	61.6
Capital activity tax	16.8	7.0	23.7	15.3	6.6	21.8
Gross accrued obligations incl. social security costs and capital activity tax	1 322.6	165.7	1 488.3	1 227.2	156.5	1 383.7
Net liability incl. social security costs and capital activity tax	**399.4**	**165.7**	**565.1**	**363.9**	**156.5**	**520.4**

NOTE 25 Pensions obligations, own employees - cont.

NOK MILLIONS	Joint scheme	Via operation	2018	Joint scheme	Via operation	2017
RECONCILIATION PENSION OBLIGATION						
Capitalized net liability/(assets) 01.01.	363.9	156.5	520.4	331.4	142.9	474.3
Pension costs taken to profit/loss	84.6	6.5	91.2	81.1	6.0	87.1
Financial costs taken to profit/loss	12.1	3.8	15.9	11.8	3.8	15.6
Actuarial gains and losses included social security contributions and capital activity tax	9.8	5.4	15.2	8.9	9.8	18.6
Social security contributions paid in premiums/supplement	-8.4	-0.8	-9.2	-8.2	-0.7	-8.9
Capital activity tax paid in premiums/supplement	-3.0	-0.3	-3.3	-2.9	-0.3	-3.2
Premium/supplement paid-in including admin	-59.6	-5.5	-65.1	-58.1	-5.0	-63.2
Capitalized net liability/(assets) 31.12. this year	**399.4**	**165.7**	**565.1**	**363.9**	**156.5**	**520.4**

NOK MILLIONS	Joint scheme	Via operation	2018	Joint scheme	Via operation	2017
CHANGE IN PENSION OBLIGATIONS						
Gross pension assets 01.01.	1 227.2	156.5	1 383.7	1 097.2	142.9	1 240.1
Present value of accumulation for the year	69.3	5.5	74.8	66.4	5.1	71.5
Interest cost	29.5	3.2	32.7	28.6	3.2	31.8
Actuarial losses (gains) gross pension obligation	12.5	5.4	17.9	49.2	9.8	58.9
Social security contributions - pension costs	10.0	0.8	10.8	9.6	0.7	10.3
Social security contributions - net interest cost	1.4	0.5	1.9	1.4	0.4	1.8
Social security contributions paid in premiums/supplement	-8.4	-0.8	-9.2	-8.2	-0.7	-8.9
Capital activity tax - pension costs	3.6	0.3	3.8	3.4	0.3	3.7
Capital activity tax - net interest cost	0.5	0.2	0.7	0.5	0.2	0.7
Capital activity tax paid in premiums/supplement	-3.0	-0.3	-3.3	-2.9	-0.3	-3.2
Payments	-20.0	-5.5	-25.5	-17.9	-5.0	-23.0
Gross pension obligation 31.12.	**1 322.6**	**165.7**	**1 488.3**	**1 227.2**	**156.5**	**1 383.7**
CHANGE IN PENSION ASSETS						
Pension assets 01.01	863.3	0.0	863.3	765.7	0.0	765.7
Interest income	21.2	0.0	21.2	20.4	0.0	20.4
Actuarial (loss) gain on pension assets	2.7	0.0	2.7	40.3	0.0	40.3
Administration cost	-1.8	0.0	-1.8	-1.7	0.0	-1.7
Financing cost	-1.8	0.0	-1.8	-1.7	0.0	-1.7
Premium/supplement paid-in including admin	59.6	5.5	65.1	58.1	5.0	63.2
Payments	-20.0	-5.5	-25.5	-17.9	-5.0	-23.0
Pension assets 31.12	**923.2**	**0.0**	**923.2**	**863.3**	**0.0**	**863.3**
PENSION SCHEME'S OVER-/UNDER-FINANCING						
Present value of the defined benefits pension obligation	1 322.6	165.7	1 488.3	1 227.2	156.5	1 383.7
Fair value of the pension assets	923.2	0.0	923.2	863.3	0.0	863.3
Net pensions liability	**399.4**	**165.7**	**565.1**	**363.9**	**156.5**	**520.4**

NOTE 25 Pensions obligations, own employees - cont.

PER CENT	31.12.2018	31.12.2017
FINANCIAL ASSUMPTIONS (COMMON TO ALL PENSION SCHEMES)		
Discount rate	2.60 %	2.40 %
Salary growth	2.75 %	2.50 %
The National Insurance basic amount (G)	2.50 %	2.25 %
Pension increases	1.73 %	1.48 %
Social security contribution	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %

The assumptions as at 31 December 2017 have been applied to measurement of the cost of pension for 2018, whilst for calculation of the pension obligation on 31 December 2018, the assumptions and membership numbers as at 31 December 2017 have been applied. The assumptions are based on the market situation as at 31 December 2018 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

ACTUARIAL ASSUMPTIONS

KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen")

An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme.

KLP has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations. KLP uses own disability table for actuarial assumptions related to disability, a table based on changes in disability figures in KLPs customer base.

Withdrawal of contractual early retirement (AFP) (per cent in relation to remaining employees):
The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 42.5 per cent who retire with an AFP pension. It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

VOLUNTARY TERMINATION FOR "FELLESORDNING" (IN %)						
Age (In years)	<24	24-29	30-39	40-49	50-55	>55
Turnover	25 %	15 %	7,5 %	5 %	3 %	0 %

NOTE 25 Pensions obligations, own employees - cont.

PENSIONS VIA OPERATIONS

AFP/early retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for "Fellesordningen".

NUMBER	Joint scheme	Via operation	2018	Joint scheme	Via operation	2017
MEMBERSHIP STATUS						
Number active	559	26	585	527	26	553
Number deferred (previous employees with deferred entitlements)	413	12	425	391	12	403
Number of pensioners	195	49	244	182	50	232

PER CENT	2018	2017
COMPOSITION OF THE PENSION ASSETS		
Property	12.7 %	12.3 %
Lending	12.1 %	11.6 %
Shares	21.4 %	22.5 %
Long-term/HTM bonds	29.1 %	27.1 %
Short-term bonds	18.4 %	19.2 %
Liquidity/money market	6.3 %	7.3 %
Total	**100.0 %**	**100.0 %**

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 1.5 per cent in 2018 and 6.7 per cent in 2017.

Expected payment into benefits plans after cessation of employment for the period 1 January 2019 – 31 December 2019 is NOK 107 million.

SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2018	
The discount rate is reduced by 0.5 %	Increase
Gross pension obligation	9.66 %
Accumulation for the year	14.40 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	1.42 %
Accumulation for the year	3.19 %
Mortality is strengthened by 10 %	Increase
Gross pension obligation	2.50 %
Accumulation for the year	1.90 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial position statement.

The duration in the Joint scheme is estimated at 17,1 years.

NOTE 26 Tax

NOK MILLIONS	2018	2017
Accounting income before tax	2 425	1 985
Items of other comprehensive income before tax	-21	-28
DIFFERENCES BETWEEN ACCOUNTING AND TAX INCOME:		
Reversal of value reduction, financial assets	102	3 588
Reversal of value increase, financial assets	-543	-22 812
Book gain on realization of shares and other securities	-49	-1 466
Tax gain on realization of shares and other securities	48	1 426
Other permanent differences	-78	-27
Change in differences affecting relationship between book and taxable income	-400	-22
Taxable income	**1 483**	**-17 356**
Group contribution received with tax effect	223	3 070
Surplus/deficit for the year is transferred to carryforward deficit	**1 706**	**-14 286**
Deficit carryforward allowable from previous years	-60 657	-47 224
Difference between the calculated and the undisclosed tax base	538	853
Change for the year in carryforward deficit	0	-14 286
Surplus value financial instrument in common portofolio	61 918	0
Transition regulation 01.01.2018	**1 799**	**0**
Total carryforward deficit and allowance as at 31.12.	**0**	**-60 657**
RECONCILIATION OF BASIS FOR DEFERRED TAX		
TAX-INCREASING TEMPORARY DIFFERENCES		
Fixed assets	0	2
Securities	0	6
Gains and losses account	3	3
Risk equilization fund	4 154	4 154
Financial instruments	1 387	63 221
80 % of technical result	1 052	0
Total tax-increasing temporary differences	**6 596**	**67 387**
Difference not included in the basis for deferred taxes	-4 154	-4 154
Total tax-increasing temporary differences	**2 442**	**63 232**
TAX-REDUCING TEMPORARY DIFFERENCES		
Fixed assets	-62	0
Long-term liabilities	-1 329	-1 152
Pension obligation	-565	-520
Adjusted for 20 % of transition regulation 01.01.2018	-360	0
Total tax-reducing temporary differences	**-2 316**	**-1 673**

NOTE 26 Tax - cont.

NOK MILLIONS	2018	2017
Net temporary differences	126	61 560
Transition regulation 01.01.2018	1 799	0
Carryforward deficit	0	-60 657
Basis for deferred tax assets	**1 925**	**903**
25 % deferred tax assets	481	226
Deferred tax in the balance sheet	-481	-226
Capitalized liability for tax settlement	-426	-2
Tax on group contributions directly charged to the balance sheet	-56	-74
Change in deffered tax taken to profit/loss	-256	-488
SUMMARY OF TAX EXPENSE FOR THE YEAR		
Change in deferred tax taken to profit/loss	-256	-488
Tax payable of wealth	3	-4
Tax payable taken to profit/loss	-371	0
Total tax taken to profit/loss	**-624**	**-492**
TAX TAKEN TO PROFIT/LOSS		
Tax	-627	-496
Tax on other comprehensive income	4	5
Total tax taken to profit/loss	**-624**	**-492**
RECONCILIATION OF COST OF TAXES AGAINST ORDINARY PROFIT BEFORE TAX		
Accounting income before tax	2 403	1 957
Expected tax in accordance with nominal rate (25 %)	-601	-489
Tax effect of:		
Permanent differences	20	152
Change in temporary differences / transition regulation	0	62
Error earlier years	-45	-213
Total tax taken to profit/loss	**-626**	**-488**
Effective tax rate	26 %	25 %
WEALTH TAX		
Taxable value assets	0	508 961
Taxable value liabilites	0	-507 400
Net wealth	**0**	**1 561**
Base amount wealth tax	0	1 561
Wealth tax (0.15 %)	**0**	**2**

NOTE 27 Salary and obligations towards senior management etc.

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines. Senior employees are defined as the Group CEO and Executive Vice Presidents employed in the parent company KLP and forming part of the Group senior management.

Senior employees who were members of the Group senior management before 1 May 2013, are pensionable at the age of 65, but may choose to change this to aged 70. None of those senior management have chosen to avail themselves of the opportunity to change the retirement age as of 31.12.2018. Persons who were appointed to Group senior management as of 1 May 2013, are pensionable at the age of 70.

All employees of the KLP Group in Norway are registered in KLP's pension scheme for municipalities and companies. The employees earn pension rights in this scheme for salaries up to 12G.

Employees in the KLP Group with salaries above 12 G and for lower retirement age than 67 years, also earn pension benefits for salaries above 12G. Full retirement pension in this additional cover amounts to 66% of salary above 12G, and is achieved after at least 30 years of earnings in the scheme. Employees with a special agreement for a lower pension age than 67 years are ensured an old-age pension corresponding to 66% of all pensionable salary up to 67 years. This add-on was closed May 2, 2013 and does not apply to employees who started after that date. Nor does the scheme apply to employees who were employed at this time in KLP, but who only receive salary above 12G after this date.

The Group CEO has severance pay corresponding to one year's salary including supplementary benefits in the event of termination of employment. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for members of its Board of Directors.

All employees in the Group may take up loans with KLP on lending terms and conditions for staff. No senior employee has terms and conditions that deviate from this. Loans to external members of the Board of Directors and external members of the Corporate Assembly are only made on general lending terms and conditions.

Fees to Board members are determined by the Corporate Assembly. Fees to deputies and observers are not stated.

All benefits are shown without the addition of social security contributions and capital activity tax.

For Board members elected by and among the employees stated that only about compensation and loans that can be linked to their directorship. Attention is drawn otherwise to the description of the main principles on determination of remuneration in the KLP Group that may be found at klp.no.

2018 NOK THOUSANDS	Paid from the Company						Paid from another comany in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2018	Payment plan[1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2018	Payment plan[1]
SENIOR EMPLOYEES												
Sverre Thornes, Group CEO	4 016	201	1 496	-	-	-	-	-	-	11 939	2,30-2,40	A45
Marianne Sevaldsen	2 724	167	1 157	-	-	-	-	-	-	4 439	2.30	A43
Aage E. Schaanning	3 498	163	1 255	-	-	-	-	-	-	5 779	2.30	HC
Rune Hørnes	2 533	160	380	-	-	-	-	-	-	-	-	-
Gro Myking	2 011	160	487	-	-	-	-	-	-	-	-	-
Kirsten Grutle	1 627	137	523	-	-	-	-	-	-	-	-	-

[1] A=Annuity loand, last peyment, HC = Housing Credit

NOTE 27 Salary and obligations towards senior management etc. - cont.

2018 NOK THOUSANDS	Paid from the Company						Paid from another comany in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2018	Payment plan [1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2018	Payment plan [1]
THE BOARD OF DIRECTORS [3]												
Liv Kari Eskeland, Chair up to 7th of May (4 of 5) [2]	196	-	-	-	-	-	-	-	-	-	-	-
Egil Johansen, Chair from 8th of May (11 av 11)	369	-	-	-	-	-	-	-	-	-	-	-
Lars Vorland (9 of 11)	253	-	-	-	-	-	-	-	-	-	-	-
Jan Helge Gulbrandsen (5 of 5) [2]	127	-	-	-	-	-	-	-	-	-	-	-
Marit Torgersen (8 of 11)	281	-	-	-	-	-	-	-	-	-	-	-
Jenny Følling (5 of 6)	132	-	-	-	-	-	-	-	-	-	-	-
Odd Haldgeir Larsen (6 of 6)	114	-	-	-	-	-	-	-	-	2 193	2.40	A38
Karianne Melleby (5 of 6)	127	-	-	-	-	-	-	-	-	-	-	-
Susanne Torp-Hansen, elected by and from the employees (11 of 11)	225	-	-	-	-	-	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees (11 of 11)	270	-	-	-	-	-	-	-	-	-	-	-
CORPORATE ASSEMBLY												
Total CorporateAssembly, including employee representatives	674	-	-	4 711	-	-	-	-	-	36 000	-	-
EMPLOYEES												
Loans to employees of KLP to subsidized interest rate	-	-	-	123 036	-	-	-	-	-	318 972	-	-
Loans to employees of KLP to ordinary terms and conditions	-	-	-	16 109	-	-	-	-	-	158 058	-	-

[1] A=Annuity loand, last peyment, HC = Housing Credit
[2] The individual has stepped down from the appointment during the year.
[3] The numbers in brackets represents the number of meetings attended by the total number of meetings held during the period in which the person has been on the board.

2017 NOK THOUSANDS	Paid from the Company						Paid from another comany in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan[1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan[1]
SENIOR EMPLOYEES												
Sverre Thornes, Group CEO	3 900	205	1 457	-	-	-	-	-	-	13 556	2.10-2.35	A45/A47
Marianne Sevaldsen	2 655	167	1 140	-	-	-	-	-	-	4 439	2.10	A43
Aage E. Schaanning	3 413	167	1 223	-	-	-	-	-	-	5 991	2.10	HC
Rune Hørnes	2 288	160	372	-	-	-	-	-	-	-	-	-
Gro Myking	1 933	160	480	-	-	-	-	-	-	-	-	-
Kirsten Grutle	1 549	120	505	-	-	-	-	-	-	4 066	2.10-2.35	A46

NOTE 27 Salary and obligations towards senior management etc. - cont.

2017 NOK THOUSANDS	Paid from the Company						Paid from another comany in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan[1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2017	Payment plan[1]
THE BOARD OF DIRECTORS [3]												
Liv Kari Eskeland, chair (10 of 10)	361	-	-	-	-	-	-	-	-	-	-	-
Egil Johansen (10 of 10)	322	-	-	-	-	-	-	-	-	-	-	-
Lars Vorland (8 of 10)	217	-	-	-	-	-	-	-	-	-	-	-
Jan Helge Gulbrandsen (9 of 10)	217	-	-	-	-	-	-	-	-	-	-	-
Marit Torgersen (10 of 10)	252	-	-	-	-	-	-	-	-	-	-	-
Ingjerd Blekli Spiten (9 of 10)	252											
Susanne Torp-Hansen, elected by and from the employees (6 of 10)	209	-	-	-	-	-	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees (10 of 10)	252	-	-	-	-	-	-	-	-	-	-	-
CORPORATE ASSEMBLY												
Total CorporateAssembly, including employee representatives	599	-	-	7 997	-	-	-	-	-	32 085	-	-
EMPLOYEES												
Loans to employees of KLP to subsidized interest rate	-	-	-	181 241	-	-	-	-	-	302 235	-	-
Loans to employees of KLP to ordinary terms and conditions	-	-	-	39 703	-	-	-	-	-	210 118	-	-

[1] A=Annuity loand, last peyment, HC = Housing Credit
[3] The numbers in brackets represents the number of meetings attended by the total number of meetings held during the period in which the person has been on the board.

NOK THOUSANDS	2018	2017
The period costs related to lending terms and conditions for employees.	1 671	2 301

NOTE 28 Number of employees

	2018	2017
Number of permanent employees 31.12.	561	534
Number of temporary employees 31.12.	9	8
Total number of employees 31.12.	**570**	**542**
Number of full time equivalents permanent employees	546	519
Number of full time equivalents temporary employees	8	7
Total number of full time equivalents	**555**	**527**

NOTE 29 Auditor's fee

NOK MILLIONS	2018	2017
Ordinary audit	2.3	1.6
Certification services	0.2	0.8
Tax advisory services	0.6	0.3
Non-audit services	1.0	0.3
Total auditor's fee	**4.1**	**3.0**

The audit fee is expensed according to received invoice. The amounts above include VAT.

NOTE 30 Transactions with related parties

All transactions with related parties are carried out on market terms and conditions. The exception is administrative services used across the Group. Costs for administrative services are allocated at actual cost in accordance with actual usage. All related parties are 100 per cent owned subsidiaries.

NOK MILLIONS	2018	2017
INCOME STATEMENT ITEMS		
Purchase of asset management services from KLP Kapitalforvaltning AS	-106	-104
Purchase of asset management services from KLP Banken AS	-58	-57
Lease of office premises from KLP Huset AS	-65	-53
Sale of pension insurance/group life to subsidiaries	94	89
Net repayment administrative services	332	304
Total	**198**	**178**

NOK MILLIONS	31.12.2018	31.12.2017
BALANCE SHEET ITEMS [1]		
NET OUTSTANDING ACCOUNTS TO		
KLP Skadeforsikring AS	41	112
KLP Bedriftspensjon AS	4	5
KLP Forsikringsservice AS	1	3
KLP Kapitalforvaltning AS	-1	9
KLP Eiendom AS	14	27
KLP Bank group	22	28
Total intercompany	**82**	**184**
KLP Huset AS, classified in the accounts as "Shares and holdings in property subsidiaries" (corporate portfolio)	77	81
KLP Eiendom AS, classified in the accounts as "Shares and holdings in property subsidiaries" (common portfolio)	4 012	3 197
KLP Eiendom AS, classified in the accounts as "Shares and holdings in property subsidiaries" (investment option portfolio)	22	18
Total intercompany receivables	**4 193**	**3 479**

[1] Net internal outstanding accounts include Group contribution items at the various companies.

NOTE 31 Other liabilities

NOK MILLIONS	31.12.2018	31.12.2017
Accounts payable	21	7
VAT and tax deductions due	449	421
Non-settled securities trade	1 442	711
Total other liabilities	**1 912**	**1 139**

NOTE 32 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 263 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 311 per cent.

	31.12.2018	31.12.2017
SOLVENCY II - SCR RATIO	263 %	242 %

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2018	31.12.2017
Assets, book value	559	535
Added values - hold-to-maturity portfolio/loans and receivables	6	10
Added values - other lending	0	1
Other added/lesser values	0	0
Deferred tax asset	0	0
Total assets - solvency II	**564**	**545**

NOTE 32 SCR ratio - cont.

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

NOTE 33 Other insurance-related income and costs

NOK MILLIONS	2018	2017
OTHER INSURANCE-RELATED INCOME		
Contribution service pension/contractual early retirement (AFP)	1 053	981
Miscellaneous interest income	2	4
Total other insurance-related income	**1 055**	**984**
OTHER INSURANCE-RELATED COSTS		
Payments service pension/contractual early retirement (AFP)	1 053	977
Other interest costs	6	3
Total other insurance-related costs	**1 059**	**980**

NOTE 34 Contingent liabilities

NOK MILLIONS	31.12.2018	31.12.2017
Guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	10 340	9 515
Approved, not paid out KLP loan pledge	8 800	5 080
Total contingent liabilities	**19 142**	**14 597**

NOTE 35 Incident after the end of the reporting period

KLP's holding of shares in Hafslund ASA (5,327,265 A shares and 4,042,483 B shares) was redeemed in November 2017 when the company was taken over by the City of Oslo. At the time of redemption, the last observed prices were NOK 103.50 per share for Hafslund A and NOK 105.00 per share for Hafslund B; they were redeemed at a price of NOK 96.75 per share. KLP has believed the redemption price is too low, and has taken legal action to clarify the value.

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

NOTE 36 Change in liabilities from financing activities

NOK MILLIONS	31.12.2017	Cash flow from financing activities	Non-cash flow changes	31.12.2018
Other subordinated loan capital	5 977	0	53	6 029
Hybrid Tier 1 securities	1 534	0	127	1 662
Total liabilities from financing activities	**7 511**	**0**	**180**[1]	**7 691**

[1] Non-cash flow changes are mainly unrealized currency

NOTE 37 Change in fair value IFRS 9

31.12.2018 NOK MILLIONS	Financial assets at amortized cost[1] Passed SPPI
Fair value 31.12.2017	160 094
Bought	35 815
Sold	-2 658
Redemption at maturity	-14 651
Change in fair value	-3 881
Fair value 31.12.2018	**174 719**

[1] Investments held to maturity and bonds classified as loans and receivables

31.12.2018 NOK MILLIONS	Financial assets valued at fair value
Fair value 31.12.2017	258 547
Bought	94 124
Sold	-94 987
Change in fair value	-4 028
Fair value 31.12.2018	**253 656**

31.12.2018 NOK MILLIONS	Other loans and receivables at amortized cost Passed SPPI	Other loans and receivables at amortized cost Not passed SPPI	Other loans and receivables at amortized cost Total
Fair value 31.12.2017	57 774	0	57 774
New loans	27 881	117	27 998
Repayment on-/ redemption of loans	-23 488	0	-23 488
Change in fair value	282	6	288
Fair value 31.12.2018	**62 448**	**124**	**62 572**

In accordance with the notes requirements, the entity has conducted an SPPI test on the portfolio at amortizied cost. Based on the preliminary assessment all investments except one loan passes the test. Also refers to note 5 Fair value of financial assets and liabilities and note 11 Credit risk.

To the General Meeting of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kommunal Landspensjonskasse gjensidig forsikringsselskap, which comprise:

- The financial statements of the parent company Kommunal Landspensjonskasse gjensidig forsikringsselskap (the Company), which comprise the balance sheet as at 31 December 2018, the income statement, changes in owners' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Kommunal Landspensjonskasse gjensidig forsikringsselskap and its subsidiaries (the Group), which comprise the financial position statement as at 31 December 2018, the income statement, changes in owners' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business activities has in general been unchanged compared to the previous year. There has not been any regulatory changes, transactions or other events with material impact on the 2018 financial statements. Therefore, the key audit matters relevant for our audit have been the same in 2018 as for the prior year audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
We have focused on this area because it represents a substantial part of the assets on the balance sheet and the lack of a liquid market for investment properties. The valuation of investment properties is performed using an internal valuation model that involves estimated future cash flows discounted to present value. The valuation model involves the use of management judgement when determining the expected future market rent, rehabilitation cost and discount rate. The accuracy of the calculation also depends on internal information about the properties, e.g. space, expiration of existing lease contract and lease amounts. Refer to note 3.2, 7 and 16 in the consolidated financial statements for a further description of the valuation of investment properties.	We have evaluated and tested the design and operating effectiveness of the group's internal controls over valuation of investment properties. In particular, we assessed whether management had established controls that ensured evaluation of expected future market rents, rehabilitation cost and discount rates against both external valuations and market data and between properties in the portfolio. We challenged management's judgement by evaluating management's explanations for significant deviations between the assumptions applied and the external valuations and market data. We found the valuation model used by management was reasonable and in accordance with market practice. In order to conclude on the accuracy of the calculations, we tested important internal assumptions on a sample basis against lease contracts and other documentation without identifying significant deviations. We confirmed that the model calculation was appropriately reflecting the valuation model and assumptions selected. We tested that all investment properties had been subject to valuation by comparing the list of properties in the valuation model against the list of properties booked in the accounting system. We compared the output from the valuation model against the external valuations for a selection of the properties. Management explained significant deviations and we challenged the basis for their view of why the deviations did not warrant a change in book values. We also assessed and came to the conclusion that the information about investment properties were sufficient and adequate.

(2)

Auditors Report - Kommunal Landspensjonskasse gjensidig forsikringsselskap

Calculation of technical provisions – life insurance

We have focused on the calculation of the 'technical provisions – life insurance' because it is a significant estimate in the financial statements requiring a complex assessment of future events. An inherent risk exists related to whether the technical provisions are sufficient to cover the future claim payments to the policy holders.

The calculation of the technical provisions will largely depend on the data quality in the insurance system and the use of assumptions in line with regulatory requirements and relevant industry standards.

Refer to note 2.14, 3.1, 9.1 and 21 in the consolidated financial statements for a further description of the calculation of technical provisions – life insurance.

We have evaluated and tested the design and operating effectiveness of the established internal controls over data quality in the insurance system that forms the basis for the calculation of the technical provisions within life insurance. In particular, we assessed whether management had established controls that ensured complete and accurate policy data, including controls around data gathering, data processing and sub ledger interfaces. We have evaluated and tested the design and operating effectiveness of the established internal controls over quality assurance of assumptions and calculation methodology applied. We concluded that we could rely on these controls for the purposes of our audit.

We have reviewed the actuary's recalculation of the premium reserves, which the actuary has compared against the premium reserve calculated by the insurance system. Furthermore, we have reviewed the group's roll forward of technical provisions within life insurance and compared the result of this roll forward against the technical provisions calculated by the insurance system. The recalculations do not show a significant deviation against the technical provisions calculated by the insurance systems. We have assessed the methodology and tested the significant assumptions applied e.g. risk of mortality, risk of disability, risk of survival and discount rates.

In our view, the calculation of technical provisions in life insurance was subject to controls with appropriate design and operating effectiveness. The assumptions in the calculations were applied consistently and in accordance with regulatory requirements and industry standards.

We also considered and found that the information regarding the insurance liabilities in notes to the financial statements is sufficient and adequate.

Valuation of derivatives and financial assets measured at fair value through profit or loss

We have focused on this area because it represents a substantial part of the assets on the balance sheet and because the fair value in certain instances will have to be estimated using valuation models that

We have assessed that KLP's guidelines for valuation of financial instruments are in accordance with commonly recognized principles and current regulations.

We have evaluated and tested the design and operating effectiveness of the established internal controls over valuation of derivatives and financial assets measured at

(3)

apply judgement.

The majority of the financial assets measured at fair value through profit or loss are traded in an active market. For these assets, we have focused on KLP's guidelines and processes to ensure an accurate basis for the valuation.

For derivatives and financial assets for which fair value is determined based on models and certain assumptions are unobservable, we have focused on assessing the assumptions underlying the valuation.

Refer to note 3.3, 6 and 7 in the consolidated financial statements for a description of the valuation of financial assets measured at fair value through profit or loss.

fair value through profit or loss. For derivatives and financial assets traded in liquid markets, this included controls that ensure accurate and complete registration of the basis for the pricing and controls that ensure that the prices that are transferred to the systems from the pricing sources agree with the sources and that the correct price is applied to the correct derivative or financial asset.

For derivatives and financial assets for which the valuation is based on models and certain assumptions that are not directly observable, we have tested the controls management has established to ensure that an independent valuation is obtained. Where relevant, we have assessed the reliability of the sources used. We concluded that we could rely on these controls for the purposes of our audit.

We also assessed and found that the information in the notes regarding the Group's valuation principles and fair value determination were sufficient and adequate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon, and is expected to be made available to us after the date of this audit opinion.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the

(4)

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 20 March 2019
PricewaterhouseCoopers AS

Erik Andersen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

(6)

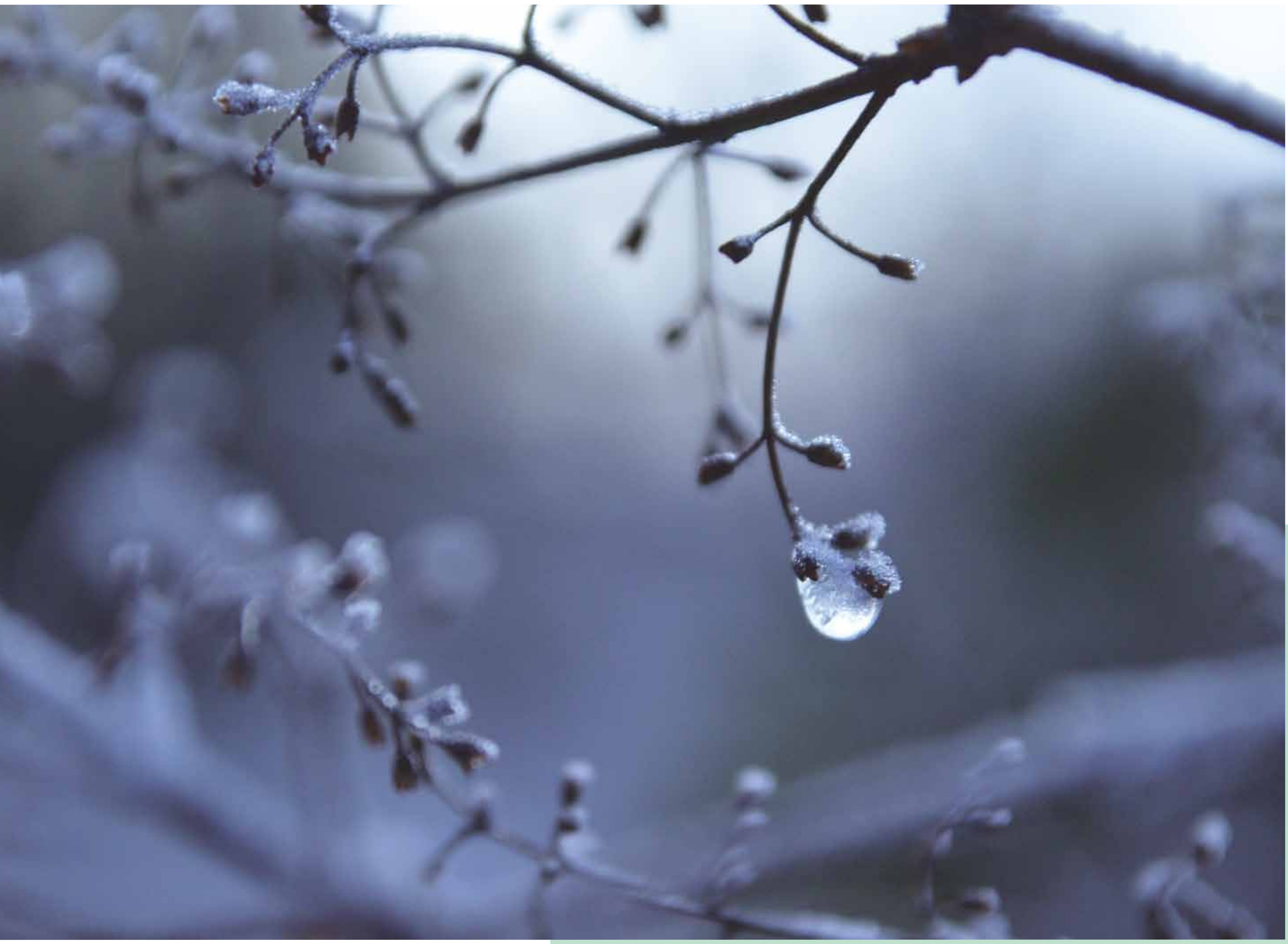


Photo:
Karoline Baltzersen
Employed in KLP

To the General Meeting
of Kommunal Landspensjonskasse

The Corporate Assembly of Kommunal Landspensjonskasse has reviewed the Board of Directors' draft annual report and financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap, Company and Group. The annual financial statements comprise the statement of income, the statement of financial position, the statement of change in owners' equity, the statement of cash flows, the notes and the audit report.

The Corporate Assembly recommends the General Meeting that the Company's and the Group's annual financial statements and annual report for 2018 be adopted in accordance with the Board's recommendation.

Oslo, 11 April 2019

Nils A. Røhne
Corporate Assembly Chair

Board of Directors in KLP

KLP BOARD OF DIRECTORS
Egil Johansen
(Chair of the Board of Directors)
Jenny Følling (deputy chair)
Odd-Haldgeir Larsen
Katrine Melleby
Øyvind Brevik
Cathrine M. Lofthus
Freddy Larsen
(employees' representative)
Susanne Torp-Hansen
(employees' representative)
Tom Tvedt
(1st deputy – regularly attending)
Hilde Rolanden (2nd deputy)
Sissel M. Skoghaug
(deputy for Odd-Haldgeir Larsen)
Erling Bendiksen
(1st deputy employees' representative)
Marianne Holt Holgersen
(2nd deputy employees' representative)
Erik Orskaug (observer)
Erik Kollerud (observer)
Dag Bjørnar Jonsrud (deputy observer)
Ingjerd Hovdenakk (deputy observer)

BOARD OF DIRECTORS OF SUBSIDIARIES

KLP Bankholding AS
Sverre Thornes (Chair)
Aage E. Schaanning (deputy chair))
Ingrid Johansen Aune
Aina Slettedal Eide
Kjell Fosse
Christin Kleppe
(employees' representative)
Espen Trandum
(employees' representative)
Oddvar Engelsåstrø
(deputy employees' representative)
Eivind Østre
(deputy employees' representative)
Adm.dir: Leif Magne Andersen

KLP Banken AS
Sverre Thornes (Chair)
Aage E. Schaanning (deputy chair)
Ingrid Johansen Aune
Aina Slettedal Eide
Kjell Fosse
Christin Kleppe
(employees' representative)
Espen Trandum
(employees' representative)
Oddvar Engelsåstrø
(deputy employees' representative)
Eivind Østre
(deputy employees' representative)
Adm.dir: Leif Magne Andersen

KLP Bedriftspensjon AS
Marianne Sevaldsen (Chair)
Per Myklestu
Alexander Berg Larsen
Gro Myking
Gry Pettersvold
Harald Ramon Hagen
(employees' representative))
Håkon Ingar Eidissen
(deputy employees' representative)
Adm.dir: Torun Wahl KLP

KLP Boligkreditt AS
Aage E. Schaanning (Chair)
Kjell Fosse
Ingrid Johansen Aune
Marit Barosen
Adm.dir: Christopher Steen

KLP Eiendom AS
Sverre Thornes (Chair)
Arvid Grundekjøn
Mimmi K. Berdal
Ida Louise Skaurum Mo
Aage E. Schaanning
Einar Kvien
(employees' representative)
Andreas L. Farberg
(deputy for Einar Kvien)
Adm.dir: Gunnar Gjørtz

KLP Forsikringsservice AS
Sverre Thornes (Chair))
Marianne Sevaldsen (deputy chair)
Cathrine Hellandsvik
Helge Rudi
Heidi Iren Sunde
Adm.dir: Erik Falk

KLP Kapitalforvaltning AS
Sverre Thornes (Chair)
Ingvild Dingstad
Gro Myking
Leif Ola Rød
Hilde Seem
Magne Valen-Sendstad
(employees' representative)
Gunnar Børjesson (deputy)
Per Christian Standerholen (deputy)
Bent Marius Undlien (deputy)
Marte Siri Storaker
(deputy employees'representative)
Adm.dir: Håvard Gulbrandsen

KLP Kommunekreditt AS
Aage E. Schaanning (Chair)
Kjell Fosse
Ingrid Johansen Aune
Aud Norunn Strand
Adm.dir: Carl Steinar Lous

KLP Skadeforsikring AS
Sverre Thornes (Chair)
Lene Elisabeth Bjerkan
Camilla Dunsæd
Marianne Sevaldsen
Jan-Hugo Sørensen
Steinar Haukeland
(employees' representative)
Mona Wittenberg
(employees' representative)
Camilla Gravem
(deputy employees' representative)
Jørn Kärnä
(deputy employees' representative)
Adm.dir: Tore Tenold

KLP-Huset AS
Gunnar Gjørtz (Chair)

Elected representatives

KLPS CORPORATE ASSEMBLY 2018-2020

Anne Katarina Cartfjord	Helse-Midt Norge RHF
Anita Eidsvold Grønli	Nedre Romerike Brann og redning
Arne Sandbu	Nord-Fron kommune
Atle Brynestad	Helse Sør-Øst RHF
Brit Kramprud Lundgård	Øyer kommune
Erik Arne Hansen	Helse Nord RHF
Eva Ottesen	Gratangen kommune
Inger Torun Klosbøle	Nord-Aurdal kommune
Janne Fardal Kristoffersen	Lindesnes kommune
Katrine Lereggen	Melhus kommune
Magnus Mjør	Stord kommune
May Holen	Oslo Sanitetsforening
Nils A Røhne	Stange kommune
Ola Bergheim	Nore Energi AS
Ola Stene	Levanger kommune
Ole John Østenstad	Førde kommune
Per Karlsen	Helse Vest RHF
Svein Tore Valsø	Helse Sør-Øst RHF
Tor Egil Bakken	Larvik kirkelige fellesråd
Tove Mette Bjørkmo	Sortland kommune
Tove Trovatn	Helse Vest RHF
Unni Skaar	Sarpsborg kommune
Vibeke Stjern	Åfjord kommune
Øystein Beyer	Porsgrunn kommune

Deputy members

Ståle Refstie	Sunndal kommune
Bjørg Tveito Lundfaret	Nome kommune
Roger Gjennestad	Sykehuset Vestfold HF
Jarle Nilsen	Karmøy kommune
Knut Langeland	Helse Nord RHF
Gunn Cecilie Ringdal	Lier kommune
Øyvind Mikalsen	Avfallsservice AS
Hanne Aspaas	Horten kommune
Camilla Storøy	Herøy kommune
Lars Erik Hyllvang	Engerdal kommune
Heidi Magnussen	St. Olav Hospital HF
Marianne S. Næss	Hammerfest kommune

Nominated by the Employee Organisations

Klemet Rønning-Aaby	UNIO
Anne Green Nilsen	Fagforbundet
Pål Skarsbak	Fagforbundet
Lizzi Thorkildsen	Delta
Ole Jakob Knudsen	Naturviterne
Tone Faugli	Fagforbundet

Deputy members

Svend Morten Voldsrud	Fagforbundet
Ingrid Myran	Fagforbundet
Arne Løseth	Fagforbundet
Ingjerd Hovdenakk	UNIO

Staff Elected Representatives

Anders Eidsnes	KLP Bergen
Frode Berge	KLP Bergen
Hanne Bratlie	KLP Oslo
Ingrid Eriksen	KLP Oslo
Linda Brodin	KLP Oslo
Magnus Haldorsen	KLP Skadeforsikring
Marianne Holt Holgersen	KLP Oslo
Odd Steinsrud	KLP Skadeforsikring
Oddvar Engelsåstrø	KLP Trondheim
Pål Jevne	KLP Oslo
Svein Thalberg	KLP Oslo
Trine Bjelland Ottosen	KLP Oslo
Torkell Dobbe	KLP Skadeforsikring
Vibeke Heldal	KLP Bergen
Vidar Stenseth	KLP Oslo

Deputy members

Bjarte Bratten	KLP Oslo
Jørn Trygve Kärnä	KLP Skadeforsikring
Hilde Tangen Fjeld	KLP Oslo
Even Bladt Jarlseth	KLP Oslo
Kristian Kaarød	KLP Bergen
Linda Maria Eide Bruneel	KLP Trondheim

THE ELECTION COMMITTEE

Ole John Østenstad (Chair)
Steinar Marthinsen
Anita Eidsvold Grønli
Inger Torun Klosbøle
Janne Fardal Kristoffersen (Deputy)

Photo:
Ole Jørgen Gangsøy
Employed in KLP

Cover photo: Zydrunas Kamarauskas
Design: Bardus Design

KLP
Kommunal Landspensjonskasse,
P.O.Box 400 Sentrum, 0103 Oslo
Organization number: 938 708 606

VISITING ADDRESS
Dronning Eufemias gate 10, Oslo

klp.no

Phone: 55 54 85 00
klp.no/kontakt