



Interim report

KLP GROUP
Q2 2019



Table of contents

KLP GROUP

REPORT FOR THE SECOND QUARTER OF 2019	4
INCOME STATEMENT	9
STATEMENT OF FINANCIAL POSITION	10
CHANGES IN OWNERS' EQUITY	11
STATEMENT OF CASH FLOWS	12
NOTES	13
— Note 1 Accounting principles and estimates	13
— Note 2 Segment information	14
— Note 3 Premium income for own account	18
— Note 4 Other income	18
— Note 5 Subordinated loans and perpetual hybrid tier 1 securities	18
— Note 6 Operating expenses	19
— Note 7 Other expenses	19
— Note 8 Investment property	19
— Note 9 Fair value of financial assets and liabilities	20
— Note 10 Borrowing	25
— Note 11 Fair value hierarchy	27
— Note 12 Liquidity risk	31
— Note 13 Interest rate risk	33
— Note 14 Credit risk	36
— Note 15 Technical provisions in life insurance	40
— Note 16 Other current liabilities	40
— Note 17 SCR ratio	41
— Note 18 Presentation of assets and liabilities that are subject to net settlement	42
— Note 18 Presentation of assets and liabilities that are subject to net settlement - continued.	43
— Key figures - Accumulated	44

Table of contents

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT	47
NOTES TO THE SUSTAINABILITY REPORT	50

KOMMUNAL LANDSPENSJONSKASSE

INTERIM FINANCIAL STATEMENTS	55
INCOME STATEMENT	56
STATEMENT OF FINANCIAL POSITION	57
CHANGES IN OWNERS' EQUITY	59
STATEMENT OF CASH FLOWS	61
NOTES TO THE FINANCIAL STATEMENTS	62
— Note 1 Accounting principles- and estimates	62
— Note 2 Value-adjustment investment property	63
— Note 3 Premium income	63
— Note 4 Claims	63
— Note 5 Insurance-related operating expenses	63
— Note 6 Fair value of financial assets and liabilities	64
— Note 7 Fair value hierarchy	70
— Note 8 Presentation of assets and liabilities that are subject to net settlement	78
— Note 9 Liabilities	80
— Note 10 SCR ratio	81
— Note 11 Leases	82



Report for the second quarter of 2019

SOLID RESULT FOR THE FIRST HALF OF 2019

- KLP delivered a returns result of NOK 4.3 billion after the first half of 2019.
- The book return in the first half-year was 2.0 per cent, while value-adjusted profit came to 4.8 per cent.
- The Financial Supervisory Authority of Norway has granted KLP renewed approval of supplementary capital.

KLP – A CUSTOMER-OWNED GROUP

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

At the end of the second quarter of 2019, the Group had total assets of NOK 736.9 billion, an increase of NOK 61.3 billion since the beginning of the year.

The Group's total comprehensive income was NOK 429 (226)¹ million in the second quarter and NOK 1.0 (0.8) billion in the year to date.

Kommunal Landspensjonskasse gjensidig forsikringselskap
Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse. Out of KLP's total assets of NOK 594.6 billion, NOK 542.6 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE SECOND QUARTER OF 2019

Returns result

KLP achieved a returns result (returns in excess of average guaranteed rate of return) of NOK 4.3 (5.0) billion in the year to date. The value-adjusted profit on the common portfolio was 1.6 per cent, while the book return was 1.0 per cent in the second quarter; the figures for the year to date are 4.8 per cent and 2.0 per cent respectively.

Risk result

The risk events in the stock are altogether within expectations for the quarter, and the profit was NOK 329 million in the quarter and NOK 536 (393) million for the year to date. It is planned to allocate half of the risk result to the risk equalisation fund, the rest being returned to the customers' premium fund.

Administration result

The company's administration result shows a surplus of NOK 80 (22) million in the year to date. Insurance-related operating costs came to NOK 556 (545) million so far this year.

Total income

Total profit for the Company was NOK 1.0 (0.9) billion in the year to date. The customer result is NOK 4.5 (5.2) billion in the year to date.

NOK MILLIONS	Customers	Company	Total
Returns result	4 243	96	4 338
Risk result	268	268	536
Interest guarantee premium		235	235
Administration result		80	80
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		778	778
Tax		-367	-367
Other profit/loss elements		-45	-45
Income after Q2/2019	4 510	1 045	5 555
Income after Q2/2018	5 151	922	6 073

Financial strength and capital-related matters

KLP's total assets show growth of NOK 35.9 billion in the year to date and amount to NOK 594.6 billion. The premium reserve increased by NOK 15.8 billion to NOK 448.9 billion in the same period.

So far this year the securities adjustment fund has increased by NOK 14.7 billion to NOK 48.1 billion.

Without applying transitional rules, the company's solvency capital coverage (SCR) is 264 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 349 per cent. KLP's target its capital adequacy of at least 150 per cent without applying transitional rules. Capital adequacy is well over this target and reflects the Company's good financial strength.

The Financial Supervisory Authority of Norway has renewed its acceptance of KLP's rights to call in capital, established in its Articles of Association, as supplementary capital under Solvency II in an amount equivalent to 2.5 per cent of the premium reserve. This stood at NOK 11.2 billion at the end of the second quarter. The period of approval is valid until the end of 2023.

¹ Figures in brackets give values for the corresponding period in 2018.

Key figures

PER CENT	At 30.06.2019	At 30.06.2018
Book returns *	2,0	2,3
Value-adjusted returns *	4,8	1,3
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	5,4	0,7
Capital adequacy, Solvency II	264	253
Capital adequacy, Solvency II, with transitional measures	349	321

* The returns figures apply to the common portfolio

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 21.8 (22.0) billion at the end of the quarter.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, have increased by 8.5 per cent in the last 12 months and amounted to NOK 9.7 (9.0) billion at 30 June.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 541.8 (503.0) billion and were invested as shown below:

ASSETS	At 30/06/2019		At 30/06/2018	
	Proportion	Return	Proportion	Return
Shares	24,0 %	11,5 %	22,7 %	1,1 %
Short-term bonds	18,1 %	5,8 %	18,5 %	-1,2 %
Long-term/HTM bonds	28,3 %	1,8 %	27,6 %	1,8 %
Lending	12,3 %	1,2 %	11,5 %	1,1 %
Property	12,3 %	3,2 %	13,0 %	4,3 %
Other financial assets	5,1 %	1,0 %	6,7 %	0,7 %

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 24.0 per cent at the end of the second quarter. The total return on shares and alternative investments was 2.0 per cent in the second quarter and 11.5 per cent for the first half-year. KLP's global shares produced a return of 14.2 per cent in the first half-year, while the Norwegian equity portfolio gave a return of 7.6 per cent in the last half-year.

Short-term bonds and the money market

Short-term bonds accounted for 18.1 per cent and money-market instruments 5.1 per cent of the assets in the common

portfolio as at 30 June. As in the first quarter, Norwegian, European and US ten-year government rates also fell through the second quarter, and helped to keep returns at roughly the same level as in the previous quarter. KLP's global government bond index achieved a currency-hedged return of 2.4 per cent in the quarter, while the return on the Norwegian government bond index was 0.9 per cent. Global credit margins fell slightly during the quarter, and were one of the reasons why KLP's global credit bond index had a currency-hedged return of 3.3 per cent for the second quarter and 7.4 per cent in the first half-year.

In total, short-term bonds achieved returns of 2.8 per cent in the second quarter, and 5.8 per cent in the first half-year. The money market return was 0.5 per cent for the quarter, and 1.0 per cent for the first half-year.

Long-term bonds

Investment in bonds held to maturity made up around 28.3 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 7.5 billion as at 30 June. The portfolio is well diversified and consists of securities issued by creditworthy borrowers. The return measured at amortised cost was 0.9 per cent in the second quarter and 1.8 per cent in the first half-year.

Property

Property investments, including Norwegian and international property funds, made up 12.3 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 647 million in the second quarter, after currency hedging in foreign properties. Property investments in the common portfolio achieved a return of 3.2 per cent in the first half-year.

Lending

Lending in the common portfolio totals NOK 65.7 billion. This is split between NOK 62.7 billion in loans to the public sector and NOK 2.9 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 490 million as at 30 June. The return for the first half-year was 1.2 per cent.

Returns on the corporate portfolio

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

The corporate portfolio is managed with a moderate-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 2.6 per cent in the first half-year, of which 1.3 per cent fell in the second quarter.

Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The ongoing municipal and regional reform is expected to have only a moderate effect on KLP's customer base. Today, the company expects an inflow of approx. NOK 2.7 billion and an outflow of approx. NOK 5.7 billion in 2020.

In March 2018, an agreement was reached between the Ministry of Labour and Social Affairs (ASD), LO, Unio, YS, Akademikerne, KS and Spekter on occupational pensions for public sector employees. It is agreed that old age pensions should be defined as a mark-up scheme. In April 2019, Bill 87L introduced amendments to the Act on the Government Pension Fund, the Coordination Act and some other laws (new occupational pension provision for public-sector employees). The Bill is based on the agreement between the Ministry and the parties mentioned above, as well as later agreements and consultations. The bill was debated and passed into law in the Storting in June. The changes in the pension scheme for public-sector employees will be introduced from 1 January 2020.

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

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

This company had total assets of NOK 6.5 billion as at 30 June. This is an increase of NOK 909 million since 31 December 2018. The increase is mainly linked to an increase in pension capital certificates and growth in the company's defined contribution pension portfolio, which now totals NOK 4.2 billion. In the first half-year there was a positive development in the equity markets, which also impacts the development of the defined-contribution pension portfolio. 158 new business customers entered into pension agreements with the company in the first half-year, and we have received 2,668 pension capital certificates from other life insurance companies.

Customers with defined-contribution pensions achieved an average return of 9.5 per cent at 30 June. KLP Bedriftspensjon achieved a book return on the common portfolio of 1.6 per cent and a value-adjusted return of 2.0 per cent for the first half-year.

The returns result was NOK 5.7 million at 30 June, and the securities adjustment fund stood at NOK 14.4 million. KLP Bedriftspensjon had total comprehensive income of NOK -10.7 billion after the first half-year, an improvement of NOK 6.0 million on the first half of 2018.

Return on customer assets

COMMON PORTFOLIO	At 30.06.2019	At 30.06.2018
Book returns		
Bokført avkastning	1,6 %	2,6 %
Value-adjusted returns	2,0 %	1,4 %
Defined-contribution pensions with investment options	9,5 %	1,1 %
Profile KLP90	12,1 %	2,7 %
Profile KLP70	10,1 %	2,2 %
Profile KLP50	8,0 %	1,1 %
Profile KLP30	6,0 %	0,5 %
KLP Optimal Livsfase ¹	13,2 %	0,9 %
KLP Nåtid	2,8 %	0,0 %
KLP Kort Horisont	4,6 %	0,1 %
KLP Lang Horisont	8,8 %	0,4 %
KLP Framtid	13,1 %	0,8 %
Profile KLPPM	0,8 %	0,6 %

¹ Return for profile with 100% equities

Non-life insurance

The first half-year produced a pre-tax operating profit of NOK 138.4 (36.5) million. This good result is due to good financial returns, lower operating costs and reversals of previous years' reserves. For the second quarter in isolation, the profit was NOK 28.8 (49.0) million.

Premium volume stood at NOK 1,532 million at the end of the second quarter, an increase of NOK 135 million since the year end. In some areas, profitability is weak and the company notes in tendering procedures that the premiums are now increasing. Premiums due have increased by 15.3 per cent, or NOK 150 million, compared with the same time in 2018. There is continued growth in the retail market and a high proportion of members among the retail customers.

For the fourth year running, the Norwegian Insurance Brokers' Association gave the company the prize for "Most correct claims settlement". Our own customer satisfaction surveys carried out in the second quarter also confirm the good quality of the company's deliveries.

During the second quarter, two major claims were reported, for NOK 71.2 million and NOK 20 million, the former producing a charge on the accounts of NOK 30 million.

Reversal of previous years' claims is still positive, and this year NOK 91 million has so far been taken to income, equivalent to 5.3 per cent of the reserves at the beginning of the year.

Key figures for the Company:

PER ANDRE KVARTAL	At 30.06.2019	At 30.06.2018
Claims ratio	85,7	81,7
Cost ratio	19,1	21,5
Total cost ratio	104,8	103,2

Net financial income in the first half-year was NOK 171.4 (-55.1) million, equivalent to 3.9 (1.3) per cent. All the portfolios have had good returns so far this year. The equity portfolio has had a negative return of 14.7 per cent, while the Company's investments in interest-bearing funds had a return of 3.9 per cent. The Company's long-term bonds had a yield of 1.8 per cent. The return on property investments was 2.0 per cent.

The company's financial position is good with a solvency capital requirement (SCR) of 248 per cent at the end of the second quarter, up from 243 per cent at the end of 2018.

Asset and fund management

KLP Kapitalforvaltning provides securities management in the KLP Group. It had a total of NOK 531 billion under management at the end of the first half-year, of which NOK 71 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP funds were NOK 500 million in the second quarter, and NOK 3.1 billion for the first half-year. External customers had net new subscriptions of NOK 1.7 billion in the second quarter and NOK 2.4 billion for the first half-year.

KLP Kapitalforvaltning had a profit before tax of NOK 19.3 million after the first half-year.

Bank

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

As of 30 June, the KLP Banken Group had outstanding loans to customers totalling NOK 33.6 (32.0) billion. Mortgage loans in the retail market and public-sector loans totalled NOK 17.3 billion and 16.3 billion respectively.

KLP Banken manages NOK 2.9 billion in mortgage loans and NOK 62.8 billion in loans to public-sector borrowers and other businesses.

Total mortgage loans in the retail market have increased by NOK 578 (1,157) million so far in 2019. Managed mortgages for KLP decreased by NOK 61 million in the same period.

Credit cards are included in the banking business. Outstanding loans to retail customers amounted to NOK 65 (64) million at the end of the second quarter. 8,000 members are now credit card customers of the bank.

Lending volume to the public-sector market on KLP Banken's balance sheet has decreased by NOK 0.5 billion so far in 2019. Loans to public-sector borrowers managed on behalf of KLP increased by NOK 2.7 billion in the year to date. Managed loans to foreign debtors, mainly in other currencies, increased by NOK 1.0 billion in the same period.

Overdue payments and defaulted mortgage loans are still at a stable low level. Loans in default over 90 days account for 0.21 (0.15) per cent of total mortgage lending. Impairment losses on mortgages, credit cards and debit cards of NOK 3.2 (3.3) million were recognised in the Bank's accounts at the end of the quarter. There were no losses related to public-sector loans.

The KLP Banken Group's external financing consists of deposits and bonds. Deposit growth so far this year totals NOK 0.7 billion and deposits totalled NOK 11.5 (10.2) billion at 30 June. Of this amount, NOK 9.5 billion is deposits from retail customers, and NOK 2.0 billion is deposits from municipalities and enterprises. Liabilities from the issuance of securities totalled NOK 24.8 (23.1) billion at the end of the quarter.

The KLP Banken Group had a pre-tax operating profit of NOK 50.6 (43.0) million at the end of the second quarter. Broken down by area, the pre-tax profit was NOK 37.0 (24.0) million from the retail market and NOK 13.6 (18.9) million from the public-sector market.

CORPORATE SOCIAL RESPONSIBILITY

On 12 June, KLP ran the first municipal climate conference on challenges related to emission reductions and future societal planning. KLP is official partner to the City of Oslo as European Green Capital 2019, and the conference was the KLP's contribution to the official Green Capital program. All Norwegian municipalities and county councils were invited. There were 200 participants at the conference.

Ahus Orthopaedic Clinic sought help from KLP's project "Sykt frisk = OK" ("Wickedly healthy = OK"), and since 2016 it has managed to reduce absence through sickness from 19 to 3.1 per cent. During this period KLP contributed both professionally and financially. Ahus has participated in KLP's working environment network and has had its own contact person and supervisor in KLP.

Back in 2014, KLP decided to exclude companies that have more than half of their turnover from coal-based operations. In 2017, KLP lowered the threshold to 30 per cent of revenues. From the second quarter, investments in companies that have more than five per cent of their revenues from coal-based operations are excluded. The reason for the limit of five per cent is that it is difficult to obtain consistently accurate information from companies on all revenues below this level. As a result of the decision, KLP and the KLP funds have divested themselves of shares and bonds to the value of some NOK 3.2 billion. 46 companies are now excluded based on the coal criterion.

KLP is also divesting from companies that produce alcohol and run gaming services. Pornography should not be part of our investments in the future either. KLP and funds under KLP's management are therefore pulling out of companies that have more than five per cent of their revenues from the production of alcohol and gaming. The decision covers some 40 companies which produce alcohol and around 50 companies in the gaming industry, including Arcus and the Gaming Innovation Group in Norway. KLP's investments in these two sectors have been up around NOK 3 billion.

In the same street where the KLP building in Oslo is located, KLP Eiendom opened the 'Eufemia' green building in June. The building is certified BREEAM NOR Excellent, and the tenants are Microsoft and PwC. Facilitating the workplace of the future has been a driving factor in the development of the building. Variation, innovation and collaboration across sectors have been a priority. The offices are also adapted for more project-based working, and the tenants recently highlighted these elements as crucial factors in their choice of new premises.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

Some major market movements in the equity market were observed after the end of the quarter. In recent years KLP has built up solid financial strength in the form of supplementary reserves and the securities adjustment fund, and is well equipped to handle such market unrest. Solid buffers are an important part of the company's long-term strategy for good and stable management of customer funds.

In recent years, KLP has reduced the prices to its customers through streamlining and improving customer solutions. This work will continue unabated. With the changes in the rules on public-sector occupational pensions that have now been adopted, the need for good information for both employees and employers has increased substantially. KLP has made a good start on providing the desired and necessary information in customer-friendly online solutions. The new and improved digital pension guide is already used by close to 200,000 members to decide what to do with regard to their pension rights. The solutions will be continuously improved as new elements of the rules on public-sector occupational pensions are adopted.

Oslo, 21 August 2019

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringselskap

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employees

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Elected by and from among the
employees

Income statement

KLP GROUP

NOTE	NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
3	Premium income for own account	15 728	16 168	23 107	23 019	40 921
	Current return on financial assets	4 527	4 606	8 158	7 829	14 989
	Net interest income banking	72	42	139	107	249
	Net value changes on financial instruments	5 808	5 308	24 845	-1 969	- 14 500
8	Net income from investment properties	1 333	2 028	2 172	3 059	4 993
4	Other income	260	272	563	545	1 107
	Total net income	27 729	28 423	58 984	32 589	47 760
	Claims for own account	- 5 367	- 4 935	-10 663	-10 057	- 20 015
	Change in technical provisions	- 12 506	- 13 256	-16 751	-16 765	- 28 096
5	Net costs subordinated loan and hybrid Tier 1 securities	- 128	- 6	-73	42	- 483
6	Operating expenses	- 467	- 498	-921	-965	- 1 872
7	Other expenses	- 278	- 266	-556	-524	- 1 075
	Unit holder's value change in consolidated securities funds	- 1 893	- 2 372	-8 232	-123	4 022
	Total expenses	- 20 639	- 21 333	-37 197	-28 392	- 47 520
	Operating profit/loss	7 090	7 090	21 787	4 197	240
	To/from securities adjustment fund – life insurance	- 3 777	- 3 784	-14 657	3 853	8 862
	To supplementary reserves – life insurance	15	21	15	21	- 2 792
	Assets allocated to insurance customers - life insurance	- 2 604	- 2 691	-5 468	-6 555	- 3 469
	Pre-tax income	725	635	1 678	1 516	2 840
	Cost of taxes ¹	- 400	- 451	-708	-728	- 125
	Income	325	184	969	788	2 715
	Actuarial loss and profit on post employment benefit obligations	0	0	-60	0	- 22
	Adjustments of the insurance obligations	0	0	5	0	1
	Tax on items that will not be reclassified to profit or loss	0	0	14	0	5
	Items that will not be reclassified to profit or loss	0	0	-41	0	- 16
	Revaluation real property for use in own operation	138	56	146	62	222
8	Currency translation foreign subsidiaries	- 190	- 431	- 818	-1 231	- 238
	Adjustments of the insurance obligations	190	431	818	1 231	238
	Tax on items that will be reclassified to profit or loss	- 35	- 14	-37	-16	- 56
	Items that will be reclassified to income when particular specific conditions are met	104	42	110	47	167
	Total other comprehensive income	104	42	68	47	150
	Total comprehensive income	429	226	1 038	834	2 866
	¹ Unit holders share of taxes in consolidated securities fund	- 172	- 74	-117	-111	- 229

Statement of financial position

KLP GROUP

NOTE	NOK MILLIONS	30.06.2019	30.06.2018	31.12.2018
	Deferred tax assets	58	60	65
	Other intangible assets	384	293	274
	Tangible fixed assets	2 026	1 764	1 900
	Investments in associated companies and joint venture	3 171	856	1 508
8,11	Investment property	69 581	63 624	67 570
9,14	Debt instruments held to maturity	28 431	31 338	31 053
9,14	Debt instruments classified as loans and receivables	145 323	127 555	141 549
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	768	934	855
9,14	Lending local government, enterprises and retail customers	98 896	89 188	94 909
9,11,14	Debt instruments at fair value through profit or loss	168 497	167 405	166 344
9,11	Equity capital instruments at fair value through profit/loss	183 156	163 481	159 968
9,11,14	Financial derivatives	3 008	2 080	944
9	Receivables	25 886	12 951	2 213
9	Assets in defined contribution-based life insurance	4 240	3 075	3 396
14	Cash and bank deposits	3 426	3 972	3 009
	TOTAL ASSETS	736 852	668 577	675 558
	Owners' equity contributed	14 552	13 112	14 554
	Retained earnings	20 341	17 273	19 303
	TOTAL OWNERS' EQUITY	34 893	30 386	33 857
9,10	Hybrid Tier 1 securities	1 693	1 529	1 662
9,10	Subordinated loan capital	5 790	5 668	6 029
	Pension obligations	981	840	880
15	Technical provisions - life insurance	544 335	508 168	509 284
9,15	Provisions in life insurance with investment option	4 240	3 075	3 396
	Premiums, claims and contingency fund provisions - non-life insurance	2 763	2 604	2 325
9,10	Covered bonds issued	23 980	22 064	23 025
9,10	Debt to credit institutions	4 023	3 537	2 794
9,10	Liabilities to and deposits from customers	11 465	10 218	10 662
9,11	Financial derivatives	574	2 417	6 809
	Deferred tax	1 476	2 295	1 083
16	Other current liabilities	21 666	6 252	6 053
	Unit holders `s interest in consolidated securites funds	78 974	69 523	67 701
	TOTAL LIABILITIES	701 959	638 191	641 701
	TOTAL EQUITY AND LIABILITIES	736 852	668 577	675 558
	Contingent liabilities	19 798	16 342	20 532

Changes in Owners' equity

KLP GROUP

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2019	14 554	19 303	33 857
Income		969	969
Items that will not be reclassified to income		-41	-41
Items that will be reclassified to income later when particular conditions are met		110	110
Total other comprehensive income		68	68
Total comprehensive income		1 038	1 038
Owners' equity contribution received (net) ¹	-1		-1
Total transactions with the owners	-1		-1
Owners' equity 30 June 2019	14 552	20 341	34 893

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2018	13 125	16 439	29 564
Income		788	788
Items that will not be reclassified to income		0	0
Items that will be reclassified to income later when particular conditions are met		47	47
Total other comprehensive income		47	47
Total comprehensive income		834	834
Owners' equity contribution received (net) ²	-13		-13
Total transactions with the owners	-13		-13
Owners' equity 30 June 2018	13 112	17 273	30 386

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

¹ During the second quarter, NOK 1 236 million of equity capital contributions were called in to be paid to the Groups' life insurance business during the third quarter.

² During the second quarter, NOK 1 406 million of equity capital contributions were called in to be paid to the Groups' life insurance business during the third quarter.

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2019 -30.06.2019	01.01.2019 -31.03.2019	01.01.2018 -31.12.2018	01.01.2018 -30.09.2018	01.01.2018 -30.06.2018
Net cashflow from operational activities	-9 427	-5 649	-25 067	-14 692	-9 378
Net cashflow from investment activities ¹	-153	-50	-39	-27	-23
Net cashflow from financing activities ²	9 998	6 087	25 295	15 125	10 552
Net changes in cash and bank deposits	418	387	189	405	1 152
Holdings of cash and bank deposits at start of period	3 009	3 009	2 820	2 820	2 820
Holdings of cash and bank deposits at end of period	3 426	3 396	3 009	3 225	3 972

¹ Payments on the purchase of tangible fixed assets.

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

Notes

KLP GROUP

NOTE 1 Accounting principles –and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 01.01.2019 – 30.06.2019. The accounts have not been audited.

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

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

The interim financial statements do not contain all the information required of complete financial statements, and this interim financial report should be read in the context of the annual financial statements for 2018. The annual financial statements are available at klp.no.

ACCOUNTING ESTIMATES

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

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers ¹	21 783	21 923	38 633	625	474	1 041
Premium income for own account from other Group companies	51	66	94	0	0	0
Net financial income from investments	25 242	7 025	8 583	379	62	-85
Other income from external customers	545	532	1 074	3	1	3
Other income from other Group companies	150	48	61	0	0	0
Total income	47 771	29 594	48 446	1 007	537	959
Claims for own account	-10 028	-9 473	-18 847	-89	-97	-155
Insurance provisions for own account	-15 806	-16 347	-27 343	-879	-420	-753
Costs borrowing	-73	42	-483	0	0	0
Operating costs excluding depreciation	-488	-520	-1 049	-33	-34	-64
Depreciation	-32	-38	-73	-1	-1	-3
Other expenses	-609	-522	-1 068	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-27 037	-26 858	-48 864	-1 003	-553	-975
Operating profit/loss	20 734	2 736	-419	4	-16	-16
Funds credited to insurance customers ²	-19 277	-1 449	2 843	-14	-1	-5
Pre-tax income	1 457	1 287	2 425	-10	-17	-21
Cost of taxes	-357	-365	415	0	0	0
Income	1 100	922	2 840	-10	-17	-21
Change in other comprehensive income (excluded cost of taxes)	-55	0	-21	-1	0	0
Total comprehensive income	1 045	922	2 818	-11	-17	-21
Assets	594 584	552 584	558 719	6 507	5 344	5 601
Liabilities	559 706	521 048	524 884	6 015	4 838	5 099

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Non-life insurance			Banking		
	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers ¹	699	606	1 246	0	0	0
Premium income for own account from other Group companies	15	15	22	0	0	0
Net financial income from investments	171	58	74	125	119	236
Other income from external customers	0	0	1	9	8	17
Other income from other Group companies	0	0	0	30	29	58
Total income	886	679	1 343	164	157	311
Claims for own account	-547	-487	-1 014	0	0	0
Insurance provisions for own account	-66	2	1	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-132	-157	-311	-108	-109	-211
Depreciation	-2	-1	-2	-3	-2	-8
Other expenses	0	0	0	-4	-3	-8
Return to financial instruments attributable to minority interests						
Total expenses	-747	-643	-1 326	-115	-114	-228
Operating profit/loss	138	36	18	49	43	83
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	138	36	18	49	43	83
Cost of taxes	-33	-1	40	-11	-10	-19
Income	105	35	58	37	33	64
Change in other comprehensive income (excluded cost of taxes)	-6	0	-1	-1	0	-2
Total comprehensive income	99	35	56	37	33	62
Assets	5 047	4 817	4 490	38 865	35 821	37 093
Liabilities	3 173	3 010	2 715	36 686	33 709	34 951

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Asset management			Other		
	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers ¹	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	3	3	5	0	0	0
Other income from external customers	0	0	0	6	5	10
Other income from other Group companies	253	236	478	0	0	0
Total income	257	239	482	6	5	10
Claims for own account	0	0	0	0	0	0
Insurance provisions for own account	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-235	-238	-462	-6	-6	-12
Depreciation	-2	-2	-3	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-238	-240	-466	-6	-6	-12
Operating profit/loss	19	-1	17	-1	-1	-2
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	19	-1	17	-1	-1	-2
Cost of taxes	-3	0	-3	0	0	1
Income	16	-1	14	-1	-1	-2
Change in other comprehensive income (excluded cost of taxes)	-6	0	-2	0	0	0
Total comprehensive income	10	-1	12	-1	-1	-2
Assets	474	447	465	9	11	9
Liabilities	199	194	200	4	3	4

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Eliminations			Total		
	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Premium income for own account from external customers ¹	0	15	0	23 107	23 019	40 921
Premium income for own account from other Group companies	-66	-81	-117	0	0	0
Net financial income from investments	9 393	1 758	-3 081	35 314	9 026	5 732
Other income from external customers	0	-2	2	563	545	1 107
Other income from other Group companies	-433	-313	-596	0	0	0
Total income	8 894	1 378	-3 792	58 984	32 589	47 760
Claims for own account	0	0	0	-10 663	-10 057	-20 015
Insurance provisions for own account	0	0	0	-16 751	-16 765	-28 096
Costs borrowing	0	0	0	-73	42	-483
Operating costs excluding depreciation	125	170	360	-878	-895	-1 750
Depreciation	-1	-26	-33	-42	-70	-122
Other expenses	57	1	2	-556	-524	-1 075
Return to financial instruments attributable to minority interests	-8 232	-123	4 022	-8 232	-123	4 022
Total expenses	-8 051	22	4 352	-37 197	-28 392	-47 520
Operating profit/loss	843	1 400	559	21 787	4 197	240
Funds credited to insurance customers ²	-818	-1 231	-238	-20 109	-2 681	2 600
Pre-tax income	25	168	321	1 678	1 516	2 840
Cost of taxes	-326	-367	-609	-731	-743	-175
Income	-301	-199	-288	947	773	2 665
Change in other comprehensive income (excluded cost of taxes)	160	62	228	91	62	201
Total comprehensive income	-141	-137	-60	1 038	834	2 866
Assets	91 366	69 552	69 180	736 852	668 577	675 558
Liabilities	96 176	75 390	73 848	701 959	638 191	641 701

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

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

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

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

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

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

BANKING
KLP's banking business embraces the companies KLP 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, creditcards, as well as lending with public sector guarantee.

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

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

NOTE 3 Premium income for own account

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Contribution service pension	15 634	16 088	22 823	22 774	40 468
Reinsurance premiums ceded	-13	-19	-27	22	-72
Transfer of premium reserves from others	108	99	310	223	524
Total premium income	15 728	16 168	23 107	23 019	40 921

NOTE 4 Other income

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Supplement contractual early retirement scheme (ERS)	267	254	546	510	1 053
Other income	- 6	18	17	35	55
Total other income	260	272	563	545	1 107

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 - 31.12.2018
SUBORDINATED LOANS					
Interest costs ¹	-65	-58	-124	-118	-249
Value changes	-24	84	114	184	-46
Net costs subordinated loans	-89	25	-10	66	-295
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-15	-15	-31	-29	-61
Value changes	-24	-16	-32	6	-127
Net costs perpetual hybrid tier 1 securities	-39	-31	-63	-24	-188
Net costs subordinated loan and hybrid Tier 1 securities	-128	-6	-73	42	-483

¹ Besides pure interest costs, this includes recognition through profit / loss of a discount on one subordinated loan.

This note gives a specification of the line "Net costs subordinated loan and hybrid Tier 1 securities" in the income statement.

The fluctuations in value change are predominantly due to the loans being denominated in foreign currency. The subordinated loan is issued in euros and the perpetual hybrid Tier 1 security are issued in Japanese yen.

NOTE 6 Operating expenses

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Personnel costs	264	254	539	520	1 049
Depreciation and writedowns	31	23	61	54	122
Other operating expenses	173	221	321	390	701
Other operating expenses	467	498	921	965	1 872

NOTE 7 Other expenses

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Supplement contractual early retirement scheme (ERS)	267	254	546	510	1 053
Other expenses	11	11	10	14	22
Total other expenses	278	266	556	524	1 075

NOTE 8 Investment property

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Net rental income	704	692	1 427	1 369	2 719
Net value adjustment	629	1 335	745	1 328	1 911
Realised gains	0	0	0	362	362
Net income from investment properties	1 333	2 028	2 172	3 059	4 993
Currency translate foreign subsidiaries (taken to other comprehensive income)	-190	-431	- 818	-1 231	-238
Net income from investment properties included currency translate	1 143	1 596	1 354	1 828	4 754

NOK MILLIONS	30.06.2019	30.06.2018	31.12.2018
Investment property 01.01.	67 570	63 519	63 519
Value adjustment, including currency translation	-73	96	1 673
Net additions	2 092	0	2 360
Other changes	-7	9	19
Investment property 30.06./31.12.	69 581	63 624	67 570

NOTE 9 Fair value of financial assets and liabilities

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

This category includes:

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This category includes:

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

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

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

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg
- Reuters

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

b) Norwegian fixed-income securities – government

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

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

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

For companies where Nordic Bond Pricing do not deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used.

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

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

e) Receivables on credit institutions

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

f) Loans to municipalities and enterprises with municipal guarantee

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

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

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

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

j) Private Equity

Investment in Private Equity goes through funds. The funds' fair value is to be based on reported market values that follow from the International Private Equity and Venture Capital Valuation Guidelines ('IPEV Guidelines'). These guidelines are established by the European Venture Capital Association (EVCA) and are based on the principle of approximate market assessment of the companies. Fair value is calculated on the basis of the funds' reported market value adjusted for payments in and out during the period between the fund's last reported market value and the period being reported on for the Group. Direct investments in Private Equity are treated in the same way as with current stocks, but valuation can be daily, quarterly or yearly. In cases where it's possible to obtain information on what co-investments are priced within the funds, it will be considered in the valuation process. Other direct investments are valued based on either cost prices, reported market values from companies or available trading prices.

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

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

l) Options

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

m) Interest-rate swaps

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

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

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

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

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

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

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

q) Fair value of subordinated bond/perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOK MILLIONS	30.06.2019		30.06.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Norwegian hold-to-maturity bonds	6 365	6 941	7 251	7 858	7 258	7 747
Foreign hold-to-maturity bonds	22 066	23 542	24 087	24 806	23 795	24 380
Total debt instruments held to maturity	28 431	30 483	31 338	32 664	31 053	32 127
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	44 187	46 556	40 963	43 110	45 414	47 228
Foreign bonds	101 102	105 960	86 570	90 090	96 106	98 645
Other receivables	34	34	23	23	29	29
Total debt instruments classified as loans and receivables	145 323	152 549	127 555	133 222	141 549	145 902
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS						
Loans to local government sector or enterprises with local government guarantee	768	768	934	934	855	855
Total loans to local government, enterprises & retail customers	768	768	934	934	855	855

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

NOK MILLIONS	30.06.2019		30.06.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST						
Loans secured by mortgage	20 251	20 262	18 828	18 836	19 674	19 680
Loans to local government sector or enterprises with local government guarantee	69 525	70 174	62 855	63 676	67 150	67 495
Loans abroad secured by mortgage and local government guarantee	9 054	9 094	7 438	7 480	8 016	8 049
Loans creditcard	65	65	67	67	69	69
Total loans to local government, enterprises & retail customers	98 896	99 595	89 188	90 059	94 909	95 293
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	57 615	57 615	58 361	58 361	58 737	58 737
Norwegian certificates	7 346	7 346	10 340	10 340	7 521	7 521
Foreign bonds	87 625	87 625	84 086	84 086	85 580	85 580
Investments with credit institutions	15 912	15 912	14 617	14 617	14 507	14 507
Total debt instruments	168 497	168 497	167 405	167 405	166 344	166 344
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	168 632	168 632	151 733	151 733	146 865	146 865
Equity funds	13 375	13 375	10 809	10 809	12 199	12 199
Property funds	38	38	59	59	45	45
Alternative investments	1 111	1 111	880	880	858	858
Total equity capital instruments	183 156	183 156	163 481	163 481	159 968	159 968
RECEIVABLES						
Receivables related to direct business	9 618	9 618	10 548	10 548	1 123	1 123
Receivables related to reinsurance agreements	68	68	64	64	63	63
Reinsurance share of gross claims reserve	27	27	35	35	0	0
Receivables related to securites	15 308	15 308	1 972	1 972	603	603
Prepaid rent related to real estate activities	259	259	221	221	166	166
Other receivables	607	607	111	111	258	258
Total other loans and receivables including receivables from policyholders	25 886	25 886	12 951	12 951	2 213	2 213

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

NOK MILLIONS	30.06.2019		30.06.2018		31.12.2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	1 693	1 497	1 529	1 309	1 662	1 332
Subordinated loan capital	5 790	6 519	5 668	6 122	6 029	6 302
Debt to credit institutions	879	879	1 020	1 020	1 015	1 015
Covered bonds issued	23 980	23 971	22 064	22 065	23 025	23 179
Liabilities and deposits from customers	11 465	11 465	10 218	10 218	10 662	10 662
Total financial liabilities	43 807	44 331	40 499	40 734	42 392	42 489
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	3 144	3 144	2 517	2 517	1 779	1 779
Total financial liabilities	3 144	3 144	2 517	2 517	1 779	1 779
Assets in life insurance with investment option	4 240	4 240	3 075	3 075	3 396	3 396
Provisions in life insurance with investment option	4 240	4 240	3 075	3 075	3 396	3 396

NOK MILLIONS	30.06.2019		30.06.2018		31.12.2018	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	1 748	424	1 250	1 991	133	6 107
Interest rate swaps	533	149	315	426	155	702
Interest rate and currency swaps	727	0	516	0	657	0
Share option	0	1	0	0	0	0
Total financial derivatives	3 008	574	2 080	2 417	944	6 809

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ¹	2045	5 790	5 668	6 029
Total subordinated loan capital	5 163				5 790	5 668	6 029
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ²	2034	1 693	1 529	1 662
Total hybrid Tier 1 securities	984				1 693	1 529	1 662
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2018	0	175	0
KLP Kommunekreditt AS	288	NOK	Floating	2019	288	3 384	1 172
KLP Kommunekreditt AS	1 555	NOK	Floating	2020	1 562	2 862	3 314
KLP Kommunekreditt AS	680	NOK	Fixed	2020	697	769	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 017	4 014	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	607	607	602
KLP Kommunekreditt AS	5 000	NOK	Floating	2022	5 010	4 006	4 007
KLP Kommunekreditt AS	5 000	NOK	Floating	2023	5 013	0	2 506
KLP Kommunekreditt AS	500	NOK	Fixed	2027	502	502	508
KLP Boligkreditt AS	308	NOK	Floating	2019	308	600	408
KLP Boligkreditt AS	1 819	NOK	Floating	2020	1 826	2 007	2 007
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 507	2 506	2 506
KLP Boligkreditt AS	1 600	NOK	Floating	2023	1 601	600	1 201
Other					41	31	30
Total covered bonds	23 850				23 980	22 064	23 025

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

Deposits belongs to KLP Banken AS.

¹ The loan has an interest change date in 2025.

² The loan has an interest change date in 2034.

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Fixed	2018	0	205	0
KLP Banken AS	175	NOK	Floating	2019	175	815	614
KLP Banken AS	300	NOK	Floating	2020	301	0	201
KLP Banken AS	200	NOK	Floating	2022	200	0	200
KLP Banken AS	200	NOK	Floating	2024	200	0	0
KLP Fond	0	NOK	Fixed	2018	0	847	0
KLP Fond	0	NOK	Fixed	2019	0	0	509
KLP Fond	0	NOK/EUR/USD	Floating	2018	0	823	0
KLP Fond	1 211	NOK/EUR/USD	Floating	2019	1 211	0	621
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2018	0	842	0
Kommunal Landspensjonskasse	1 933	NOK/EUR/USD	Floating	2019	1 933	0	650
KLP Banken AS	0	NOK/EUR/USD	Floating	2018	0	4	0
Other					1	0	0
Total liabilities to credit institutions	4 019				4 023	3 537	2 794
LIABILITIES AND DEPOSITS FROM CUSTOMERS ³							
Retail	9 441	NOK			9 441	8 179	8 716
Business	1 992	NOK			1 992	2 013	1 914
Foreign	31	NOK			31	26	32
Liabilities to and deposits from customers	11 465				11 465	10 218	10 662
Total financial liabilities	45 480				46 951	43 016	44 172

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.

³ There is no contractual maturity date on deposits.

NOTE 11 Fair value hierarchy

30.06.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	69 581	69 581
Land/plots	0	0	937	937
Real estate fund	0	0	2 955	2 955
Buildings	0	0	65 689	65 689
Lending at fair value	0	768	0	768
Bonds and other fixed-income securities	43 665	109 044	0	152 708
Certificates	4 734	2 612	0	7 346
Bonds	24 552	106 432	0	130 984
Fixed-income funds	14 379	0	0	14 379
Loans and receivables	14 067	1 722	0	15 789
Shares and units	164 484	5 072	13 600	183 156
Shares	162 566	3 923	2 143	168 632
Equity funds	1 917	0	60	1 977
Property funds	0	38	0	38
Special funds	0	1 111	0	1 111
Private Equity	0	0	11 397	11 397
Financial derivatives	0	3 008	0	3 008
Total assets at fair value	222 215	119 613	83 182	425 010
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	574	0	574
Debt to credit institutions ¹	3 144	0	0	3 144
Total financial liabilities at fair value	3 144	574	0	3 718

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 879 million per 30.06.2019.

NOTE 11 Fair value hierarchy – cont.

30.06.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	63 624	63 624
Land/plots	0	0	842	842
Real estate fund	0	0	2 631	2 631
Buildings	0	0	60 151	60 151
Lending at fair value	0	934	0	934
Bonds and other fixed-income securities	44 580	108 343	0	152 923
Certificates	7 335	3 005	0	10 340
Bonds	24 025	105 337	0	129 362
Fixed-income funds	13 221	0	0	13 221
Loans and receivables	12 887	1 595	0	14 481
Shares and units	147 336	4 760	11 385	163 481
Shares	145 598	3 822	2 313	151 733
Equity funds	1 738	0	43	1 781
Property funds	0	59	0	59
Special funds	0	880	0	880
Private Equity	0	0	9 029	9 029
Financial derivatives	0	2 080	0	2 080
Total assets at fair value	204 803	117 713	75 009	397 524
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	2 417	0	2 417
Debt to credit institutions ¹	1 670	847	0	2 517
Total financial liabilities at fair value	1 670	3 264	0	4 934

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 879 million per 30.06.2019.

NOTE 11 Fair value hierarchy – cont.

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	67 570	67 570
Land/plots	0	0	903	903
Real estate fund	0	0	2 887	2 887
Buildings	0	0	63 780	63 780
Lending at fair value	0	855	0	855
Bonds and other fixed-income securities	44 655	107 176	0	151 830
Certificates	5 222	2 298	0	7 521
Bonds	26 193	104 877	0	131 070
Fixed-income funds	13 240	0	0	13 240
Loans and receivables	12 747	1 766	0	14 514
Shares and units	143 025	3 957	12 986	159 968
Shares	141 269	3 054	2 542	146 865
Equity funds	1 756	0	61	1 816
Property funds	0	45	0	45
Special funds	0	858	0	858
Private Equity	0	0	10 383	10 383
Financial derivatives	0	944	0	944
Total assets at fair value	200 427	114 699	80 556	395 681
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	6 809	0	6 809
Debt to credit institutions ¹	1 270	509	0	1 779
Total financial liabilities at fair value	1 270	7 317	0	8 588
CHANGES IN LEVEL 3, INVESTMENT PROPERTY				
		Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
Opening balance 1 January		67 570	63 519	63 519
Sold		-51	0	-452
Bought		2 142	0	2 831
Unrealised changes		-73	96	1 673
Other changes		-8	9	0
Closing balance 30.06. / 31.12.		69 581	63 624	67 570
Realised gains/losses		0	363	363
CHANGES IN LEVEL 3, FINANCIAL ASSETS				
		Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
Opening balance 1 January		12 986	10 438	10 438
Sold		-2 139	-1 032	-2 414
Bought		1 988	1 165	2 607
Unrealised changes		765	814	2 356
Closing balance 30.06. / 31.12.		13 600	11 385	12 986
Realised gains/losses		0	523	1 279
Closing balance 30.06./31.12.		83 182	75 009	80 556

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 879 million per 30.06.2019.

NOTE 11 Fair value hierarchy – cont.

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

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

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market.

A financial instrument is considered as noted in an active market if noted prices are simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property is available in the annual report. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 4 159 million as of 30.06.2019.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 4 240 million in financial assets valued at fair value at Level 1. Per 30.06.2019 the NOK 4 240 million consist of NOK 2 891 million in shares and units in Level 1, NOK 1 348 million in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

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

In the second quarter, NOK 29 million in stocks moved from Level 1 to Level 2 due to changes in liquidity.

NOTE 12 Liquidity risk

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

30.06.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	248	990	6 073	0	7 311
Perpetual hybrid Tier 1 securities ¹	0	93	248	310	1 456	2 108
Debt to and deposits from customers (without defined maturity)	11 465	0	0	0	0	11 465
Covered bonds issued	0	2 139	22 321	609	0	25 069
Payables to credit institutions	44	190	728	0	0	962
Financial derivatives	700	1 033	69	-90	-274	1 438
Accounts payable	122	0	0	0	0	122
Contingent liabilities (without defined maturity)	19 798	0	0	0	0	19 798
Total	32 130	3 702	24 357	6 903	1 182	68 273

If the minority interests are taken out of account, derivatives maturing within one month are reduced by NOK 11 million, payables to credit institutions maturing within one month are reduced by NOK 0,5 million and derivatives maturing between 1 to 12 months are reduced by NOK 14 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 68 248 million.

30.06.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	243	971	6 195	0	7 408
Perpetual hybrid Tier 1 securities ¹	0	89	237	297	1 420	2 044
Debt to and deposits from customers (without defined maturity)	10 218	0	0	0	0	10 218
Covered bonds issued	0	952	21 419	623	0	22 994
Payables to credit institutions	1 284	788	239	0	0	2 311
Financial derivatives	1 418	2 515	158	-94	-195	3 802
Accounts payable	217	0	0	0	0	217
Contingent liabilities (without defined maturity)	16 342	0	0	0	0	16 342
Total	29 479	4 587	23 024	7 020	1 226	65 336

If the minority interests are taken out of account, derivatives maturing within one month are reduced by NOK 1.2 million, payables to credit institutions maturing within one month are reduced by NOK 343 million and derivatives maturing between 1 to 12 months are reduced by NOK 507 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 64 485 million.

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

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

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

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

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

NOTE 12 Liquidity risk – cont.

31.12.2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	252	1 010	6 444	0	7 706
Perpetual hybrid Tier 1 securities ¹	0	63	252	315	1 520	2 151
Debt to and deposits from customers (without defined maturity)	10 662	0	0	0	0	10 662
Covered bonds issued	0	1 547	21 844	616	0	24 006
Payables to credit institutions	1 930	540	412	0	0	2 882
Financial derivatives	5 291	4 231	313	-96	-295	9 445
Accounts payable	50	0	0	0	0	50
Contingent liabilities (without defined maturity)	20 532	0	0	0	0	20 532
Total	38 465	6 634	23 832	7 279	1 226	77 435

If the minority interests are taken out of account, derivatives maturing within one month are reduced by NOK 330 million, payables to credit institutions maturing within one month are reduced by NOK 1 176 million, derivatives maturing between 1 to 12 months are reduced by NOK 860 million, while derivatives maturing between 1 to 5 years increased by NOK 0.3 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 75 070 million.

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

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

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

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

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

NOTE 13 Interest rate risk

30.06.2019 NOK MILLIONS									
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2019 -30.06.2019	Total	Adjusted for the unit holders' interests in consolidated securities funds	
ASSETS									
Financial derivatives classified as assets	3	4	5	-32	-286	-5	-311	-307	
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	0	0	0	
Bonds and other fixed-return securities	-52	-41	-1 541	-1 879	-2 023	161	-5 374	-4 744	
Fixed income fund holdings	0	0	0	0	0	0	0	0	
Lending and receivables	-1	-1	0	0	0	64	63	52	
Lending	0	0	0	0	0	330	330	330	
Cash and bank deposits	0	0	0	0	0	17	17	17	
Contingent liabilities ¹	0	0	0	0	0	44	44	44	
Total assets	-50	-38	-1 536	-1 911	-2 308	611	-5 231	-4 609	
LIABILITIES									
Deposit	0	0	0	0	0	-57	-57	-57	
Liabilities created on issue of securities	0	0	0	0	0	-124	-124	-124	
Financial derivatives classified as liabilities	-4	2	61	2	0	7	68	68	
Hybrid capital, subordinated loans	0	0	0	55	90	0	145	145	
Debt to credit institutions	0	0	0	0	0	-15	-15	-15	
Total liabilities	-4	2	61	57	90	-189	18	18	
Total before tax	-54	-36	-1 474	-1 854	-2 218	422	-5 213	-4 590	
Total after tax	-40	-27	-1 106	-1 390	-1 664	317	-3 910	-3 443	

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

NOTE 13 Interest rate risk – cont.

30.06.2018 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2018 -30.06.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	-3	4	20	188	-319	-2	-113	-109
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-52	-83	-1 291	-1 999	-1 733	179	-4 978	-4 384
Fixed income fund holdings	-787	0	0	0	0	0	-787	-787
Lending and receivables	0	-2	0	0	0	78	75	62
Lending	0	0	0	0	0	305	305	305
Cash and bank deposits	0	0	0	0	0	20	20	20
Contingent liabilities ¹	0	0	0	0	0	20	20	20
Total assets	-842	-81	-1 271	-1 811	-2 053	601	-5 456	-4 871
LIABILITIES								
Deposit	0	0	0	0	0	-51	-51	-51
Liabilities created on issue of securities	0	0	0	0	0	-115	-115	-115
Financial derivatives classified as liabilities	2	5	48	-29	2	11	39	37
Hybrid capital, subordinated loans	0	0	0	53	79	0	131	131
Debt to credit institutions	0	0	0	0	0	-21	-21	-21
Total liabilities	2	6	48	24	80	-176	-16	-18
Total before tax	-840	-75	-1 223	-1 787	-1 972	425	-5 472	-4 890
Total after tax	-630	-56	-917	-1 340	-1 479	319	-4 104	-3 667

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

NOTE 13 Interest rate risk – cont.

31.12.2018 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2018 -31.12.2018	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	3	6	-1	84	-290	-4	-202	-207
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	1	1	1
Bonds and other fixed-return securities	-50	-55	-1 439	-1 904	-1 718	346	-4 819	-4 276
Fixed income fund holdings	-831	0	0	0	0	0	-831	-831
Lending and receivables	-1	-1	0	0	0	145	143	117
Lending	0	0	0	0	0	630	630	630
Cash and bank deposits	0	0	0	0	0	30	30	30
Contingent liabilities ¹	0	0	0	0	0	101	101	101
Total assets	-880	-50	-1 440	-1 820	-2 007	1 249	-4 947	-4 435
LIABILITIES								
Deposit	0	0	0	0	0	-107	-107	-107
Liabilities created on issue of securities	0	0	0	0	0	-240	-240	-240
Financial derivatives classified as liabilities	-1	3	69	29	0	19	119	119
Hybrid capital, subordinated loans	0	0	0	54	89	0	143	143
Debt to credit institutions	0	0	0	0	0	-38	-38	-38
Total liabilities	-1	3	69	84	89	-366	-122	-122
Total before tax	-881	-47	-1 371	-1 736	-1 918	883	-5 069	-4 557
Total after tax	-661	-35	-1 028	-1 302	-1 439	662	-3 802	-3 418

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

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

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

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

The following securities are included in the note; securities measured at fair value through profit or loss (floating and

fixed interest rates), investments held to maturity (only those with floating interest rates) and loans and receivables (only those with floating interest rates). The group has no securities classified as available for sale.

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

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

NOTE 14 Credit risk

30.06.2019 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	26 528	0	30	0	0	0	1 873	28 431	28 431
Debt instruments classified as loans and receivables at amortized cost	121 920	0	973	627	0	0	21 803	145 323	145 323
Debt instruments at fair value - fixed-return securities ²	107 833	967	3 991	15 051	0	0	11 866	139 707	125 516
Fixed-income funds	0	0	0	0	0	0	14 379	14 379	13 240
Loans and receivables	15 303	0	0	486	0	0	0	15 789	12 869
Financial derivatives classified as assets	3 008	0	0	0	0	0	0	3 008	2 711
Cash and bank deposits	3 366	0	0	60	0	0	0	3 426	3 426
Lending	0	0	69 661	0	18 175	2 092	9 737	99 664	99 664
Total	277 956	967	74 655	16 224	18 175	2 092	59 657	449 727	431 180

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS						
	AAA	AA	A	BBB	Total Investment grade	
Debt instruments held to maturity at amortized cost	12 680	3 692	8 554	1 602	26 528	
Debt instruments classified as loans and receivables at amortized cost	20 681	19 974	58 815	22 449	121 920	
Debt instruments at fair value - fixed-return securities	40 231	9 718	27 075	30 808	107 833	
Fixed-income funds	0	0	0	0	0	
Loans and receivables	0	3 678	11 625	0	15 303	
Financial derivatives classified as assets	0	950	2 058	0	3 008	
Cash and bank deposits	0	240	3 126	0	3 366	
Lending	0	0	0	0	0	
Total	73 592	38 251	111 253	54 860	277 956	

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

² In the column "other", we have included an additional investment that is exposed to credit risk but is not reconcilable against the line "Debt instruments at fair value through profit or loss" in the balance sheet. The value of the investment is NOK 1 378 million per 30.06.2019.

NOTE 14 Credit risk – cont.

30.06.2018 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	29 066	0	30	0	0	0	2 241	31 338	31 338
Debt instruments classified as loans and receivables at amortized cost	105 694	0	586	0	0	0	21 275	127 555	127 555
Debt instruments at fair value - fixed-return securities ²	112 193	1 056	4 953	8 172	0	0	14 771	141 145	128 244
Fixed-income funds	0	0	0	0	0	0	13 221	13 221	13 221
Loans and receivables	14 415	0	0	66	0	0	0	14 481	12 168
Financial derivatives classified as assets	2 080	0	0	0	0	0	0	2 080	1 902
Cash and bank deposits	3 921	0	0	50	0	0	0	3 972	2 400
Lending	0	0	63 027	0	16 815	1 963	8 317	90 122	90 122
Total	267 371	1 056	68 596	8 288	16 815	1 963	59 825	423 914	406 950

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost					13 143	4 096	8 547	3 281	29 066
Debt instruments classified as loans and receivables at amortized cost					21 066	18 491	50 091	16 045	105 694
Debt instruments at fair value - fixed-return securities					42 354	9 048	32 773	28 019	112 193
Fixed-income funds					0	0	0	0	0
Loans and receivables					0	1 836	12 579	0	14 415
Financial derivatives classified as assets					0	272	1 808	0	2 080
Cash and bank deposits					0	516	3 405	0	3 921
Lending					0	0	0	0	0
Total					76 563	34 259	109 204	47 345	267 371

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

² In the column "other", we have included an additional investment that is exposed to credit risk but is not reconcilable against the line "Debt instruments at fair value through profit or loss" in the balance sheet. The value of the investment is NOK 1 378 million per 30.06.2019.

NOTE 14 Credit risk – cont.

31.12.2018 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	28 743	0	31	0	0	0	2 279	31 053	31 053
Debt instruments classified as loans and receivables at amortized cost	116 292	0	664	0	0	0	24 593	141 549	141 549
Debt instruments at fair value - fixed-return securities ²	113 232	884	3 764	7 845	0	0	14 207	139 932	127 481
Fixed-income funds	0	0	0	0	0	0	13 240	13 240	13 240
Loans and receivables	14 235	0	0	279	0	0	0	14 514	11 406
Financial derivatives classified as assets	944	0	0	0	0	0	0	944	904
Cash and bank deposits	2 949	0	0	60	0	0	0	3 009	3 009
Lending	-	0	67 665	0	17 619	2 072	8 408	95 764	95 764
Total	276 394	884	72 125	8 185	17 619	2 072	62 728	440 005	424 405

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS						
	AAA	AA	A	BBB	Total 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	

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

² In the column "other", we have included an additional investment that is exposed to credit risk but is not reconcilable against the line "Debt instruments at fair value through profit or loss" in the balance sheet. The value of the investment is NOK 1 378 million per 30.06.2019.

NOTE 14 Credit risk – cont.

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

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

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

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

The rating above are gathered from Standard & Poor's, Moody's and Fitch. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. Lowest rating of the three is used. All three rating agencies are equal as the basis for investments in fixed income securities. Other is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 60 billion per 30.06.2019. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the "other" category.

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

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

NOK MILLIONS	30.06.2019		30.06.2018		31.12.2018	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
10 LARGEST COUNTERPARTIES						
Counterparty 1	11 205	10 984	15 396	15 235	13 491	13 322
Counterparty 2	10 741	9 131	9 425	9 034	8 766	8 475
Counterparty 3	9 598	8 582	8 317	8 317	8 475	8 475
Counterparty 4	8 505	8 505	6 733	6 010	6 860	5 896
Counterparty 5	7 551	7 259	6 382	5 474	5 966	5 785
Counterparty 6	5 807	5 709	5 541	5 457	5 285	4 962
Counterparty 7	4 775	4 703	4 703	4 703	4 766	4 699
Counterparty 8	4 750	4 661	4 653	4 621	4 750	4 698
Counterparty 9	4 703	4 643	3 485	3 427	4 698	4 696
Counterparty 10	3 725	3 536	3 113	3 099	3 686	3 577
Total	71 359	67 714	67 746	65 378	66 743	64 584

The table above shows the 10 largest counterparties to which the KLP Group has exposure. The amounts stated are book value. "Adjusted for the minority" holding includes only that which is in the Group's ownership and where the Group retains

actual credit risk. The majority of the 10 largest counterparties are either finance institutions or counterparties covered by a public sector guarantee (central or local government guarantee).

NOTE 15 Technical provisions in life insurance

NOK MILLIONS	30.06.2019	30.06.2018	31.12.2018
Premium reserves - ordinary tariff	450 838	423 577	435 267
Premium funds, buffer funds and pensioners' surplus funds	12 690	15 287	12 098
Supplementary reserves	28 403	25 624	28 418
Securities adjustment fund	48 104	38 455	33 447
Other provisions	61	55	54
Profit/loss allocated to insurance contracts	4 238	5 170	0
Technical provisions in life insurance	544 335	508 168	509 284

NOK MILLIONS	30.06.2019	30.06.2018	31.12.2018
Premium reserves	4 224	3 064	3 377
Deposit funds	16	11	20
Provisions in life insurance with investment options	4 240	3 075	3 396

NOTE 16 Other current liabilities

NOK MILLIONS	30.06.2019	30.06.2018	31.12.2018
Short-term payables trade in securities	19 230	4 466	2 292
Incurring not assessed taxes	571	103	655
Advance tax-deduction pension scheme	688	634	420
Accounts payable	299	217	373
Pre-called contribution to insurance	105	111	1 434
Other current liabilities	773	721	878
Total other current liabilities	21 666	6 252	6 053

NOTE 17 SCR ratio

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

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 239 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 295 per cent.

	30.06.2019	30.06.2018	31.12.2018
Solvency II - SCR ratio	239 %	231 %	243 %

NOK BILLIONS	30.06.2019	30.06.2018	31.12.2018	30.06.2019	30.06.2018	31.12.2018	
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT							
Assets, book value	603	560	566	Best estimate	547	508	507
Added values - hold-to-maturity portfolio/loans and receivables	9	7	5	Risk margin	14	13	13
Added values - other lending	1	1	0	Hybrid Tier 1 securities/ Subordinated loan capital	8	8	8
Other added/lesser values	0	0	0	Other liabilities	9	7	9
Deferred tax asset	0	0	0	Deferred tax liabilities	2	2	2
Total assets - solvency II	613	568	572	Total liabilities - solvency II	580	538	539
				Excess of assets over liabilities	33	30	33
				- Deferred tax asset	0	0	0
				- Risk equalisation fund	-5	-4	-5
				+ Hybrid Tier 1 securities	2	2	2
				Tier 1 basic own funds	29	27	29
				Total eligible tier 1 own funds	29	27	29
				Subordinated loans	6	6	6
				Risk equalisation fund	5	4	-5
				Tier 2 basic own funds	12	10	2
				Ancillary own funds	11	11	11
				Tier 2 ancillary own funds	11	11	11
				Deduction for max. eligible tier 2 own funds	-16	-14	-5
				Total eligible tier 2 own funds	7	7	7
				Deferred tax asset	0	0	0
				Total eligible tier 3 own funds	0	0	0
				Solvency II total eligible own funds	36	34	36
				Solvency capital requirement (SCR)	15	15	15
				Solvency II- SCR ratio	239 %	231 %	243 %

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

30.06.2019 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
ASSETS								
Financial derivatives	3 008	0	3 008	-573	-2 538	-156	7	8
Repos	0	0	0	0	0	0	0	0
Total	3 008	0	3 008	-573	-2 538	-156	7	8
LIABILITIES								
Financial derivatives	618	0	618	-573	-34	-77	44	44
Repos	0	0	0	0	0	0	0	0
Total	618	0	618	-573	-34	-77	44	44
30.06.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
ASSETS								
Financial derivatives	2 080	0	2 080	-1 364	-995	0	1	1
Repos	0	0	0	0	0	0	0	0
Total	2 080	0	2 080	-1 364	-995	0	1	1
LIABILITIES								
Financial derivatives	2 417	0	2 417	-1 364	-428	-1 203	22	13
Repos	847	0	847	0	0	0	847	847
Total	3 265	0	3 265	-1 364	-428	-1 203	870	860

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

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

The purpose of the note is to show the potential effect of netting agreements at the KLP Group; what possibilities the KLP Group has to net bilateral agreements against other counterparties should the latter go bankrupt and the remaining amount if all such netting agreements are materialized. The note shows derivative positions and repo agreements in the financial position statement. Repos are a part of the line "Debt to credit institutions" in the balance sheet.

The consolidated figures includes all units the KLP Group is considered to have control over. In addition, the outer line shows which de facto net amount remains if all the groups netting agreements are set off; which only includes subsidiaries and units, where the group carries the risk.

Key figures - Accumulated

NOK MILLIONS	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
KLP GROUP								
Profit before tax	1 678	953	2 840	2 255	1 516	880	2 474	2 799
Total assets	736 852	699 017	675 558	691 571	668 577	649 547	652 167	641 486
Owners' equity	34 893	34 457	33 857	32 307	30 386	30 158	29 564	29 363
Solvency SCR ratio	239 %	245 %	243 %	249 %	231 %	233 %	224 %	210 %
Number of employees in the Group	998	993	990	990	980	966	961	956
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	1 457	808	2 425	1 438	1 287	812	1 985	1 295
Premium income for own account	21 834	6 705	38 727	31 259	21 989	6 334	32 417	23 989
- of which inflow of premium reserve	-	-	5	5	5	5	298	208
Insurance customers' funds incl. acc. profit	10 028	5 022	18 847	14 110	9 473	4 844	17 386	13 044
- of which funds with guaranteed returns	288	248	497	497	497	424	212	211
Net investment common portfolio	541 802	529 900	515 905	509 046	502 991	495 146	495 607	480 375
Net investment choice portfolio	2 589	2 491	2 423	2 478	2 487	2 351	2 375	2 329
Insurance funds incl. earnings for the year	542 589	524 095	507 600	514 393	506 479	487 732	489 159	477 463
- of which funds with guaranteed interest	461 642	449 226	445 799	439 939	437 311	424 503	421 286	411 325
Solvency capital requirement (SCR)	36 410	36 510	36 106	36 854	34 417	34 131	33 511	34 597
Solvency SCR ratio	264 %	270 %	263 %	274 %	253 %	255 %	242 %	223 %
Riskprofit	536	207	958	578	393	193	897	426
Return profits	4 338	2 157	5 207	6 086	5 046	2 931	6 769	5 487
Administration profit	80	48	137	115	22	29	141	143
Solvency capital	132 050	123 125	108 825	120 680	115 445	109 209	116 656	115 446
Book return on common portfolio	2,0 %	1,0 %	3,5 %	3,1 %	2,3 %	1,2 %	3,9 %	3,1 %
Value-adjusted return on common portfolio	4,8 %	3,1 %	1,5 %	2,9 %	1,3 %	-0,4 %	6,7 %	4,6 %
Return on unit-linked portfolio	5,4 %	3,7 %	0,6 %	3,1 %	1,3 %	-0,9 %	7,4 %	5,0 %
Return on corporate portfolio	2,6 %	1,3 %	4,2 %	3,1 %	2,3 %	1,6 %	4,0 %	3,0 %

Key figures - Accumulated – continued

NOK MILLIONS	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
KLP SKADEFORSIKRING AS								
Profit before tax	138,4	109,5	17,5	105,6	36,5	-12,5	164,2	152,6
Gross premium due	741,2	363,4	1 338,2	994,5	655,7	324,1	1 344,3	997,7
Premium income for own account	714,4	350,0	1 268,4	942,3	620,9	306,7	1 286,8	954,7
Owners' equity	1 874,2	1 852,6	1 775,0	1 860,0	1 807,1	1 767,9	1 771,9	1 828,5
Claims ratio	85,7 %	80,7 %	83,5 %	80,5 %	81,7 %	80,6 %	87,1 %	83,4 %
Combined-ratio	104,8 %	99,4 %	104,5 %	100,1 %	103,2 %	101,7 %	106,0 %	101,0 %
Return on assets under management	3,9 %	2,5 %	1,8 %	2,4 %	1,3 %	-0,2 %	5,6 %	3,8 %
Solvency capital requirement (SCR)	1 854	1 823	1 759	1 840	1 795	1 771	1 764	1 873
Solvency SCR ratio	248 %	246 %	243 %	251 %	240 %	237 %	233 %	257 %
Annual premium in force – retail market	630,5	609,6	587,9	564,1	547,8	539,6	526,4	510,5
Annual premium in force – public sector market	901,3	892,8	809,0	797,8	797,7	791,5	889,6	873,6
Net new subscriptions (accumulated within the year)	72,4	44,7	119,8	43,8	27,3	10,0	50,3	103,6
KLP BEDRIFTSPENSJON AS								
Profit before tax	-10,0	-0,7	-20,8	-24,1	-16,7	-8,5	-24,5	-23,4
Premium income for own account	624,7	361,4	1 041,3	731,8	474,4	247,5	996,7	770,4
- of which premium reserve added	309,6	202,1	519,6	350,4	217,2	118,4	543,1	447
Insurance customers' funds including accumulated profit	5 985	5 684	5 080	5 100	4 764	4 491	4 328	4 048
- of which funds with guaranteed returns	1 551	1 535	1 492	1 498	1 498	1 483	1 442	1 425
Returns profit	5,7	3,3	28,1	25,3	19,9	11,5	77,8	16,1
Risk result	-2,0	1,7	3,4	-7,9	-2,5	0,3	-0,6	-3,1
Administration losses	-19,2	-9,6	-38,9	-28,6	-21,8	-11,2	-38,8	-28
Solvency capital requirement (SCR)	204	235	233	211	217	209	197	268
Solvency SCR ratio	124 %	140 %	147 %	133 %	128 %	126 %	111 %	147 %
Solvency capital	676,3	672,4	646,3	642	665,8	674,4	721,3	708,7
Book capital return on common portfolio	1,6 %	0,8 %	4,5 %	3,6 %	2,6 %	1,4 %	8,3 %	3,3 %
Value-adjusted capital return on common portfolio	2,0 %	1,1 %	3,0 %	2,4 %	1,4 %	0,4 %	5,6 %	3,7 %
Return on defined unit-linked contribution pensions	9,5 %	7,4 %	-3,8 %	4,5 %	1,1 %	-2,6 %	11,9 %	8,3 %
Return on corporate portfolio	1,8 %	1,0 %	1,1 %	1,0 %	0,5 %	0,0 %	2,3 %	1,8 %

Key figures - Accumulated – continued

NOK MILLIONS	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
KLP BANKEN GROUP								
Profit/loss before tax	50,6	24,0	83,4	71,1	43,0	23,7	103,1	81,7
Net interest income	138,1	66,0	248,5	183,2	122,6	64,6	241,6	173,9
Other operating income	38,5	18,9	75,4	56,0	37,4	18,3	68,2	50,7
Operating expenses and depreciation	-114,4	-57,5	-226,9	-160,7	-114,4	-58,1	-203,4	-143,2
Net realized/unrealized changes in financial instruments to fair value	-11,6	-3,4	-13,5	-7,4	-2,7	-1,1	-3,4	0,3
Contributions	11 465	11 031	10 662	10 531	10 218	9 733	9 669	9 401
Housing mortgages granted	17 351	17 038	16 716	16 243	15 764	15 147	14 441	14 003
Loan(s) with public guarantee(s)	16 293	16 660	16 759	16 206	16 282	16 091	16 322	17 015
Defaulted loans	60	62	56	32	21	27	22	17
Borrowing on the issuance of securities	24 858	24 655	24 040	23 496	23 084	23 341	22 924	23 223
Total assets	38 861	38 586	37 089	36 468	35 817	35 404	34 981	34 855
Average total assets	37 975	37 837	36 035	35 725	35 399	35 192	34 682	34 619
Owners' equity	2 174	2 154	2 138	2 130	2 108	2 094	2 078	1 910
Net interest rate	0,36 %	0,17 %	0,69 %	0,51 %	0,35 %	0,18 %	0,70 %	0,50 %
Profit/loss from general operations before tax	0,13 %	0,06 %	0,23 %	0,20 %	0,12 %	0,07 %	0,30 %	0,24 %
Return on owners' equity before tax	4,73 %	4,50 %	3,83 %	4,56 %	4,14 %	4,57 %	5,57 %	5,89 %
Capital adequacy	19,6 %	19,0 %	20,1 %	19,9 %	20,2 %	20,6 %	21,1 %	19,5 %
Number of private customers	66 879	64 729	62 502	60 697	59 204	57 568	54 568	52 510
Of this members of KLP	48 135	46 453	44 693	43 267	41 698	40 317	38 382	37 044
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	19,2	-2,1	16,7	26,6	-0,9	-2,1	46,7	50,7
Total assets under management	530 531	520 816	494 542	498 246	483 636	483 074	488 947	473 995
Assets managed for external customers	71 301	70 628	63 696	68 975	58 980	63 989	70 878	64 883



Sustainability Report

Q2 2019

Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS	30.06.2019	30.06.2018	30.06.2017	Contributes towards UN Sustainable Development Goal:
EMPLOYEE STATISTICS				
Employees of KLP	998	980	955	n/a
Total sickness absence	3,1 %	3,8 %	4,4 %	3.
ENVIRONMENT				
Number of flights	3 357	1 594	1 702	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO2e)	460	291	285	13. 12.
Energy consumption in KLP's own offices (KWh/m2)	138	130	143	9. 13.
Energy consumption in KLP's property portfolio (KWh/m2)	196	194	192	9. 13.
ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION				
Companies excluded from investments	346	186	176	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	80 (98%)	85 (98%)	95 (99%)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	5885 (97%)	2310 (95%)	1685 (91%)	n/a
Companies KLP has had direct dialogue with	58	99	111	All SDGs

Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in the 2nd quarter					Contributes towards UN Sustainable Development Goal:	
	2019	2018	30.06.2019	30.06.2018	30.06.2017		
CLIMATE-FRIENDLY INVESTMENTS							
Renewable energy in Norway (MNOK)	-911	194	21 760	22 589	22 106	7.	
Renewable energy in Europe and the USA (MNOK)	285	758	2 038	1 833	888	7.	
Renewable energy in developing countries (MNOK)	33	39	547	445	314	7. 9. 17.	
Lending for power; water, drainage and renovation (MNOK)	-120	-29	2 511	3 148	3237	7.	
International power companies (mNOK)	-29		2 464	n/a	n/a	7.	
Buildings with environmental qualities in the property portfolio (MNOK value)	75	341	11 980	10 307	9355	9.	
Green bonds (MNOK)	87	-6	914	765	688	n/a	
Other Climate-Friendly investments (mNOK)	230	n/a	140	n/a	n/a	n/a	
Total (MNOK)	-350	1 296	42 354	39 086	36 588	n/a	
As a proportion of KLP's investments	-1 %	0 %	7 %	7 %	7 %	n/a	
Fossil energy (market value in MNOK)	-347	568	10 812	11 432	9 779	n/a	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	2 %	2 %	2 %	n/a	n/a
Renewable energy (market value in MNOK)	-1 090	446	26 856	28 014	26 545	7.	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0 %	0 %	5 %	5 %	5 %	7.	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	74	341	11 979	10 307	9355	9.	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	0 %	0 %	18 %	16 %	15 %	9.	9.
FINANCE IN DEVELOPING COUNTRIES							
Bank og finans i utviklingsland (mNOK)	3	0	608	554	463	1. 5. 8. 17.	
SEED INVESTMENTS							
Seed investments in Norway (mNOK)	1	2	4	2	n/a	8	
DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY							
LENDING BUSINESS							
Loans for roads and transport (MNOK)	103	5	8 744	8104	8259	9	9
Loans for public property (MNOK)	-41	131	4 730	4537	3467	9	9
Loans to public sector and businesses (MNOK)	1 672	1 707	53 612	47076	43549	n/a	n/a

Notes to the Sustainability Report

EMPLOYEE STATISTICS

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

ENVIRONMENT

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

DEFINITION:

Corporate air travel:

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

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

TARGET:

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

DEFINITION:

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

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

Energy consumption in KLP's own offices:

Energy consumption is a major source of KLP's greenhouse gas emissions. The energy consumption in KLP's own office premises are not temperature-corrected, but shows actual consumption. 'Own office premises' are the offices where employees of the KLP Group work. The energy data is obtained from our energy monitoring system.

Energy consumption in KLP's property portfolio:

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

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

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

ENGAGING COMPANIES AND INDUSTRIES FOR MORE SUSTAINABLE OPERATION

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

INCREASE CLIMATE-FRIENDLY INVESTMENTS

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

DEFINITION:

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

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

TARGET:

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

DEFINITION:

Market value of the investments in NOK millions is stated.

Renewable energy:

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

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

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

Lending for energy, water, drainage and renovation:

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

International power companies

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

Green bonds:

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

Other climate-friendly investments:

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

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

Fossil energy:

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

Buildings with environmental qualities:

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

Proportion of total portfolio:

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

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

FINANCE IN DEVELOPING COUNTRIES:

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

Not defined.

DEFINITION:

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

SEED INVESTMENTS:

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

Not defined.

DEFINITION:

Seed investments. In the 2nd quarter 2018 KLP committed to invest 75 mNOK in SINTEF's Venture V, a seed investment fund that will invest in startups coming out of the research and development community in Trondheim, Norway. Here we are reporting on the transferred sum.

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

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

LENDING BUSINESS:

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

Increase lending for this type of purpose.

DEFINISJON:

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



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q2 2019

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
3	Premium income	15 129	15 655	21 834	21 989	38 727
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	980	1 510	1 051	1 288	3 884
	Interest income and dividends etc. on financial assets	2 450	2 399	4 609	5 634	9 963
	Value changes on investments	4 252	3 245	18 924	-2 814	-10 421
	Gains and losses realized on investments	1 073	1 372	-204	2 375	3 595
	Net income from investments in the common portfolio	8 754	8 527	24 381	6 483	7 021
	Net income from investments in the investment option portfolio	41	51	130	30	14
	Other insurance-related income	268	254	547	511	1 055
4	Claims	-5 006	-4 628	-10 028	-9 473	-18 847
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-15 956	-16 758	-30 511	-12 580	-21 503
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-53	-59	-57	-65	-58
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-2 939
	Unallocated profit to insurance contracts	-2 347	-2 175	-4 516	-5 151	0
5	Insurance-related operating expenses	-289	-289	-556	-545	-1 097
	Other insurance-related costs	-270	-259	-546	-515	-1 059
	Technical profit/loss	273	320	679	684	1 315
	Net income from investments in the corporate portfolio	468	244	956	769	1 456
	Other income	3	1	6	3	6
	Administration costs and other costs associated with the corporate portfolio	-95	-89	-183	-168	-353
	Non-technical profit/loss	376	156	778	604	1 109
	Profit/loss pre-tax	649	476	1 457	1 287	2 425
	Tax	-221	-208	-367	-365	-627
	Income before other income and expenses	428	268	1 090	922	1 797
	Actuarial gains and losses on defined benefits pension schemes	0	0	-40	0	-15
	Proportion of other comprehensive income on application of the equity method	0	0	-21	0	-7
	Adjustment of the insurance liabilities	0	0	5	0	1
	Tax on other income and expenses that will not be reclassified to profit or loss	0	0	10	0	4
	Total other income and expenses that will not be reclassified to profit or loss	0	0	-45	0	-18
	TOTAL COMPREHENSIVE INCOME	428	268	1 045	922	1 780

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.06.2019	30.06.2018	31.12.2018
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	279	205	173
7	Investment properties	958	864	924
	Shares and holdings in property subsidiaries	2 920	1 846	1 985
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 828	4 688	4 694
6	Financial assets valued at amortized cost	18 159	16 624	18 175
6,7	Financial assets valued at fair value	12 412	11 612	12 705
	Receivables	9 171	10 119	742
11	Right-of-use assets	255	0	0
	Other assets	1 213	1 146	992
Total assets in the corporate portfolio		50 194	47 105	40 392
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	48 932	59 522	47 296
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	3 186	863	1 521
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	14 418	0	14 782
6	Financial assets valued at amortized cost	217 395	196 477	212 596
6,7	Financial assets valued at fair value	257 872	246 130	239 711
Total investment in the common portfolio		541 802	502 991	515 905
	Shares and holdings in property subsidiaries	242	294	234
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	71	0	73
6	Financial assets at amortized costs	893	858	876
6,7	Financial assets at fair value	1 383	1 335	1 240
Total investments in the investment option portfolio		2 589	2 487	2 423
Total assets in the customer portfolios		544 390	505 479	518 327
TOTAL ASSETS		594 584	552 584	558 719

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.06.2019	30.06.2018	31.12.2018
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	14 552	13 112	14 554
	Retained earnings	20 326	18 423	19 281
	Total owners' equity	34 878	31 536	33 835
6	Subordinated loan capital etc.	7 483	7 197	7 691
	Premium reserve etc.	446 907	420 188	431 153
	Supplementary reserves	28 191	25 379	28 206
	Securities adjustment fund	48 089	38 442	33 439
	Premium funds, defined contribution funds, pension regulation funds etc.	12 407	14 871	12 383
	Unallocated profit to customers	4 407	5 148	0
	Total insurance liabilities - contractual liabilities	540 001	504 028	505 182
	Pension capital etc.	1 994	1 910	1 941
	Supplementary reserves	100	140	100
	Premium funds, defined contribution funds, pension regulation funds etc.	390	398	378
	Unallocated profit to customers	104	3	0
	Total insurance liabilities - special investment portfolio	2 587	2 451	2 419
	Pension obligations	631	549	565
	Current tax liabilities	428	2	426
	Deferred tax liabilities	834	589	481
11	Lease liabilities	258	0	0
9	Liabilities	7 384	6 144	7 895
	Accrued costs and prepaid income	100	88	225
	TOTAL OWNERS' EQUITY AND LIABILITIES	594 584	552 584	558 719
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	18 399	15 007	19 142

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2019	14 554	4 793	14 488	33 835
Income before other income and expenses		364	726	1 090
Actuarial gains and losses on defined benefits pension schemes			-40	-40
Proportion of other comprehensive income on application of the equity method			-21	-21
Adjustment of the insurance liabilities			5	5
Tax on other income and expenses that will not be reclassified to profit or loss			10	10
Total other income and expenses that will not be reclassified to profit or loss			-45	-45
Total comprehensive income (unallocated)		364	681	1 045
Owners equity contribution received ¹	-1			-1
Total transactions with owners	-1			-1
Own funds 30 June 2019	14 552	5 157	15 169	34 878

¹ During the second quarter, NOK 1 236 million of equity capital contributions were called in to be paid in during the third quarter.

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		288	634	922
Actuarial gains and losses on defined benefits pension schemes			0	0
Proportion of other comprehensive income on application of the equity method			0	0
Adjustment of the insurance liabilities			0	0
Tax on other income and expenses that will not be reclassified to profit or loss			0	0
Total other income and expenses that will not be reclassified to profit or loss			0	0
Total comprehensive income (unallocated)		288	634	922
Owners equity contribution received ²	-13			-13
Total transactions with owners	-13			-13
Own funds 30 June 2018	13 112	4 442	13 982	31 536

² During the second quarter, NOK 1 406 million of equity capital contributions were called in to be paid in during the third quarter.

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2018	13 125	4 154	13 347	30 626
Income before other income and expenses		639	1 158	1 797
Actuarial gains and losses on defined benefits pension schemes			-15	-15
Proportion of other comprehensive income on application of the equity method			-7	-7
Adjustment of the insurance liabilities			1	1
Tax on other income and expenses that will not be reclassified to profit or loss			4	4
Total other income and expenses that will not be reclassified to profit or loss			-18	-18
Total comprehensive income		639	1 141	1 780
Owners equity contribution received	1 429			1 429
Total transactions with owners	1 429			1 429
Own funds 31 December 2018	14 554	4 793	14 488	33 835

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2019 -30.06.2019	01.01.2019 -31.03.2019	01.01.2018 -31.12.2018	01.01.2018 -30.09.2018	01.01.2018 -30.06.2018
Net cashflow from operational activities	412	-24	-1 304	-1 461	287
Net cashflow from investment activities ¹	-138	-39	-12	-12	-12
Net cashflow from financing activities ²	-55	-35	1 429	1 428	-13
Net changes in cash and bank deposits	220	-98	112	-45	262
Holdings of cash and bank deposits at start of period	954	954	842	842	842
Holdings of cash and bank deposits at end of period	1 173	856	954	796	1 104

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the financial statements

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles- and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 30 June 2019. The accounts have not been audited.

The interim financial statements are presented in accordance with Regulations no. 1824 of 18 December 2015: The Regulations governing the annual financial statements for life insurance companies (the Financial Reporting Regulations) and IAS 34 Interim Financial Reporting. The interim financial statements have been prepared in accordance with the same principles as the annual financial statements for 2018, unless stated otherwise.

The interim financial statements do not contain all the information required of complete annual financial statements, and the interim financial statement should be read in the context of the annual financial statements for 2018, which is available at klp.no

ACCOUNTING ESTIMATES

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

NOTE 2 Value-adjustment investment property

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

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Value adjustment incl. foreign exchange	522	929	-74	83	1 704
Foreign exchange effect on hedging	208	466	924	1 260	377
Net value adjustment incl. exchange hedging	730	1 395	850	1 343	2 081

NOTE 3 Premium income

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Gross premiums due	15 129	15 657	21 833	21 985	38 724
Reinsurance premiums ceded	0	-2	0	-2	-2
Transfer of premium reserves from others	0	0	0	5	5
Total premium income	15 129	15 655	21 834	21 989	38 727

NOTE 4 Claims

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Claims paid	4 966	4 555	9 740	8 976	18 350
Transfers of premium reserves to others	40	73	288	497	497
Total claims	5 006	4 628	10 028	9 473	18 847

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Personnel costs	164	152	338	312	639
Depreciation ¹	42	19	83	38	73
Other operating expenses ¹	83	119	135	195	384
Total insurance-related operating expenses	289	289	556	545	1 097

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

NOTE 6 Fair value of financial assets and liabilities

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

30.06.2019 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	683	769	5 385	5 868	23	24	6 091	6 661
Accrued not due interest	14	14	137	137	1	1	151	151
Foreign hold-to-maturity bonds	6 194	6 532	15 540	16 669	57	63	21 790	23 265
Accrued not due interest	18	18	213	213	1	1	232	232
Total investments held to maturity	6 909	7 333	21 275	22 887	81	89	28 265	30 309
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 570	3 678	38 527	40 712	185	198	42 281	44 588
Accrued not due interest	60	60	686	686	5	5	751	751
Foreign bonds	7 459	7 715	89 346	93 844	611	638	97 415	102 197
Accrued not due interest	160	160	1 539	1 539	11	11	1 711	1 711
Total bonds classified as loans and receivables	11 250	11 614	130 097	136 781	811	852	142 158	149 248
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	2 915	2 925	0	0	2 915	2 925
Lending with public sector guarantee	0	0	53 782	54 347	0	0	53 782	54 347
Loans abroad secured by mortgage and local government guarantee	0	0	8 995	9 034	0	0	8 995	9 034
Accrued not due interest	0	0	330	330	0	0	330	330
Total other loans and receivables	0	0	66 023	66 636	0	0	66 023	66 636
Total financial assets at amortized cost	18 159	18 948	217 395	226 304	893	941	236 446	246 193
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	4	4	6 697	6 697	0	0	6 701	6 701
Foreign shares	0	0	26 430	26 430	0	0	26 430	26 430
Total shares	4	4	33 127	33 127	0	0	33 130	33 130
Property funds	0	0	2 373	2 373	0	0	2 373	2 373
Norwegian equity funds	0	0	74 139	74 139	717	717	74 856	74 856
Foreign equity funds	0	0	12 593	12 593	0	0	12 593	12 593
Total equity fund units	0	0	89 105	89 105	717	717	89 821	89 821
Norwegian alternative investments	0	0	2 657	2 657	16	16	2 673	2 673
Foreign alternative investments	0	0	1 111	1 111	0	0	1 111	1 111
Total alternative investments	0	0	3 768	3 768	16	16	3 784	3 784
Total shares and units	4	4	126 000	126 000	733	733	126 736	126 736

NOTE 6 Fair value of financial assets and liabilities– continues

30.06.2019 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	7 090	7 090	31 168	31 168	0	0	38 257	38 257
Foreign bonds	131	131	19 420	19 420	0	0	19 551	19 551
Accrued not due interest	35	35	361	361	0	0	396	396
Norwegian fixed-income funds	2 312	2 312	50 258	50 258	544	544	53 113	53 113
Foreign fixed-income funds	0	0	14 376	14 376	0	0	14 376	14 376
Accrued not due interest	6	6	70	70	3	3	78	78
Norwegian certificates	683	683	4 764	4 764	0	0	5 447	5 447
Accrued not due interest	5	5	3	3	0	0	7	7
Fixed income securities	10 261	10 261	120 418	120 418	546	546	131 225	131 225
Norwegian loans and receivables	1 087	1 087	2 592	2 592	56	56	3 735	3 735
Foreign loans and receivables	336	336	5 989	5 989	45	45	6 369	6 369
Total loans and receivables	1 422	1 422	8 581	8 581	100	100	10 104	10 104
DERIVATIVES								
Interest rate swaps	720	720	398	398	0	0	1 118	1 118
Share options	0	0	0	0	0	0	0	0
Forward exchange contracts	1	1	1 014	1 014	3	3	1 017	1 017
Total financial derivatives classified as assets	721	721	1 412	1 412	3	3	2 135	2 135
Other financial assets	4	4	1 461	1 461	1	1	1 466	1 466
Total financial assets valued at fair value	12 412	12 412	257 872	257 872	1 383	1 383	271 666	271 666
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	16	16	0	0	16	16
Forward exchange contracts	0	0	335	335	3	3	338	338
Total financial derivatives classified as liabilities	0	0	352	352	3	3	354	354
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 790	6 519	0	0	0	0	5 790	6 519
Hybrid Tier 1 securities	1 693	1 497	0	0	0	0	1 693	1 497
Total subordinated loan capital etc.	7 483	8 016	0	0	0	0	7 483	8 016
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	715	715	2	2	718	718
Foreign call money ¹	735	735	474	474	7	7	1 215	1 215
Total liabilities to credit institutions	735	735	1 189	1 189	9	9	1 933	1 933

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

NOTE 6 Fair value of financial assets and liabilities– continues

30.06.2018 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	681	759	6 248	6 771	23	24	6 952	7 554
Accrued not due interest	14	14	157	157	1	1	172	172
Foreign hold-to-maturity bonds	6 107	6 284	17 526	18 058	65	71	23 698	24 414
Accrued not due interest	18	18	275	275	1	1	294	294
Total investments held to maturity	6 820	7 075	24 206	25 261	90	97	31 115	32 433
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 871	3 969	35 072	37 053	220	234	39 163	41 256
Accrued not due interest	54	54	638	638	4	4	697	697
Foreign bonds	5 760	5 909	77 118	80 422	534	557	83 412	86 887
Accrued not due interest	120	120	1 376	1 376	10	10	1 506	1 506
Total bonds classified as loans and receivables	9 804	10 051	114 204	119 489	769	806	124 777	130 346
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	3 085	3 090	0	0	3 085	3 090
Lending with public sector guarantee	0	0	47 296	47 995	0	0	47 296	47 995
Loans abroad secured by mortgage and local government guarantee	0	0	7 396	7 438	0	0	7 396	7 438
Accrued not due interest	0	0	290	290	0	0	290	290
Total other loans and receivables	0	0	58 067	58 812	0	0	58 067	58 812
Total financial assets at amortized cost	16 624	17 126	196 477	203 562	858	903	213 959	221 591
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	488	488	7 346	7 346	0	0	7 834	7 834
Foreign shares	0	0	24 031	24 031	0	0	24 031	24 031
Total shares	488	488	31 377	31 377	0	0	31 865	31 865
Property funds	0	0	2 272	2 272	0	0	2 272	2 272
Norwegian equity funds	0	0	65 708	65 708	630	630	66 338	66 338
Foreign equity funds	0	0	10 265	10 265	0	0	10 265	10 265
Total equity fund units	0	0	78 245	78 245	630	630	78 875	78 875
Norwegian alternative investments	0	0	2 650	2 650	16	16	2 666	2 666
Foreign alternative investments	0	0	880	880	0	0	880	880
Total alternative investments	0	0	3 530	3 530	16	16	3 546	3 546
Total shares and units	488	488	113 152	113 152	646	646	114 286	114 286

NOTE 6 Fair value of financial assets and liabilities– continues

30.06.2018 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	6 081	6 081	34 020	34 020	0	0	40 101	40 101
Foreign bonds	156	156	18 367	18 367	0	0	18 523	18 523
Accrued not due interest	29	29	308	308	0	0	338	338
Norwegian fixed-income funds	2 189	2 189	49 298	49 298	583	583	52 070	52 070
Foreign fixed-income funds	0	0	13 221	13 221	0	0	13 221	13 221
Accrued not due interest	33	33	1 294	1 294	11	11	1 337	1 337
Norwegian certificates	435	435	7 691	7 691	0	0	8 125	8 125
Accrued not due interest	2	2	4	4	0	0	7	7
Fixed income securities	8 926	8 926	124 202	124 202	594	594	133 722	133 722
Norwegian loans and receivables	1 314	1 314	2 728	2 728	62	62	4 104	4 104
Foreign loans and receivables	372	372	3 527	3 527	29	29	3 928	3 928
Total loans and receivables	1 686	1 686	6 256	6 256	91	91	8 032	8 032
DERIVATIVES								
Interest rate swaps	511	511	199	199	0	0	710	710
Forward exchange contracts	0	0	892	892	3	3	896	896
Total financial derivatives classified as assets	511	511	1 091	1 091	3	3	1 605	1 605
Other financial assets	1	1	1 428	1 428	1	1	1 431	1 431
Total financial assets valued at fair value	11 612	11 612	246 130	246 130	1 335	1 335	259 076	259 076
LIABILITIES								
DERIVATER								
Interest rate swaps	0	0	161	161	0	0	161	161
Forward exchange contracts	0	0	807	807	3	3	810	810
Total financial derivatives classified as liabilities	0	0	967	967	3	3	970	970
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 668	6 122	0	0	0	0	5 668	6 122
Hybrid Tier 1 securities	1 529	1 309	0	0	0	0	1 529	1 309
Total subordinated loan capital etc.	7 197	7 431	0	0	0	0	7 197	7 431
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	17	17	0	0	17	17
Foreign call money ¹	539	539	281	281	6	6	826	826
Total liabilities to credit institutions	539	539	298	298	6	6	842	842

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

NOTE 6 Fair value of financial assets and liabilities– continues

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

NOTE 6 Fair value of financial assets and liabilities– continues

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

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

NOTE 7 Fair value hierarchy

30.06.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 364	7 898	0	10 261
Certificates	0	687	0	687
Bonds	46	7 210	0	7 256
Fixed-income funds	2 318	0	0	2 318
Loans and receivables	400	1 023	0	1 422
Shares and units	0	0	4	4
Shares	0	0	4	4
Financial derivatives	0	721	0	721
Other financial assets	0	4	0	4
Total corporate portfolio	2 763	9 645	4	12 412
COMMON PORTFOLIO				
Fixed-income securities	86 335	34 083	0	120 418
Certificates	3 764	1 002	0	4 766
Bonds	17 868	33 080	0	50 948
Fixed-income funds	64 703	0	0	64 703
Loans and receivables	8 062	519	0	8 581
Shares and units	105 671	4 443	15 886	126 000
Shares	30 396	637	2 094	33 127
Equity funds	75 275	0	60	75 335
Property funds	0	38	2 335	2 373
Special funds	0	3 768	0	3 768
Private Equity	0	0	11 397	11 397
Financial derivatives	0	1 412	0	1 412
Other financial assets	0	1 461	0	1 461
Total common portfolio	200 068	41 918	15 886	257 872

NOTE 7 Fair value hierarchy – continues

30.06.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	546	0	0	546
Fixed-income funds	546	0	0	546
Loans and receivables	100	0	0	100
Shares and units	717	16	0	733
Equity funds	717	0	0	717
Special funds	0	16	0	16
Financial derivatives	0	3	0	3
Other financial assets	0	1	0	1
Total investment option portfolio	1 363	20	0	1 383
Total financial assets valued at fair value	204 194	51 582	15 889	271 666
CORPORATE PORTFOLIO				
Investment property	0	0	958	958
Total investment property	0	0	958	958
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	735	0	0	735
Total corporate portfolio	735	0	0	735
COMMON PORTFOLIO				
Financial derivatives	0	352	0	352
Debt to credit institutions	1 189	0	0	1 189
Total common portfolio	1 189	352	0	1 541
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	3	0	3
Debt to credit institutions	9	0	0	9
Total investment option portfolio	9	3	0	12
Total financial liabilities at fair value	1 933	354	0	2 287

NOTE 7 Fair value hierarchy – continues

30.06.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 269	6 657	0	8 926
Certificates	0	437	0	437
Bonds	47	6 220	0	6 267
Fixed-income funds	2 222	0	0	2 222
Loans and receivables	982	704	0	1 686
Shares and units	0	486	3	488
Shares	0	486	3	488
Financial derivatives	0	511	0	511
Other financial assets	0	1	0	1
Total corporate portfolio	3 250	8 359	3	11 612
COMMON PORTFOLIO				
Fixed-income securities	86 105	38 097	0	124 202
Certificates	5 863	1 832	0	7 695
Bonds	16 430	36 265	0	52 695
Fixed-income funds	63 812	0	0	63 812
Loans and receivables	5 513	743	0	6 256
Shares and units	95 210	4 380	13 562	113 152
Shares	28 309	791	2 277	31 377
Equity funds	66 901	0	43	66 944
Property funds	0	59	2 214	2 272
Special funds	0	3 530	0	3 530
Private Equity	0	0	9 029	9 029
Financial derivatives	0	1 091	0	1 091
Other financial assets	0	1 428	0	1 428
Total common portfolio	186 828	45 739	13 562	246 130

NOTE 7 Fair value hierarchy – continues

30.06.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	594	0	0	594
Fixed-income funds	594	0	0	594
Loans and receivables	91	0	0	91
Shares and units	630	16	0	646
Equity funds	630	0	0	630
Special funds	0	16	0	16
Financial derivatives	0	3	0	3
Other financial assets	0	1	0	1
Total investment option portfolio	1 314	20	0	1 335
Total financial assets valued at fair value	191 393	54 119	13 565	259 076
CORPORATE PORTFOLIO				
Investment property	0	0	864	864
Total investment property	0	0	864	864
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	539	0	0	539
Total corporate portfolio	539	0	0	539
COMMON PORTFOLIO				
Financial derivatives	0	967	0	967
Debt to credit institutions	298	0	0	298
Total common portfolio	298	967	0	1 266
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	3	0	3
Debt to credit institutions	6	0	0	6
Total investment option portfolio	6	3	0	8
Total financial liabilities at fair value	842	970	0	1 813

NOTE 7 Fair value hierarchy – continues

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

NOTE 7 Fair value hierarchy – continues

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

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
Opening balance 01.01.	4	3	3
Sold	0	0	0
Bought	0	0	0
Unrealised changes	0	0	1
Closing balance 30.06./31.12.	4	3	4
Realised gains/losses	0	-48	-48

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
Opening balance 01.01.	2 481	1 640	1 640
Sold	-1 414	0	0
Bought	765	220	339
Unrealised changes	262	418	503
Closing balance 30.06. / 31.12.	2 094	2 277	2 481
Realised gains/losses	325	0	0

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
Opening balance 01.01.	61	75	75
Sold	0	-15	-15
Bought	0	0	0
Unrealised changes	-1	-17	1
Closing balance 30.06. / 31.12.	60	43	61
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
Opening balance 01.01.	12 664	10 837	10 837
Sold	-733	-1 019	-2 403
Bought	1 207	956	2 261
Unrealised changes	595	469	1 969
Closing balance 30.06./31.12.	13 732	11 243	12 664
Realised gains/losses	218	570	1 326

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 30.06.2019	Book value 30.06.2018	Book value 31.12.2018
Opening balance 01.01.	924	1 003	1 003
Sold	0	-499	-499
Bought	0	0	0
Unrealised changes	52	19	70
Other	-18	341	350
Closing balance 30.06./31.12.	958	864	924
Realised gains/losses	0	362	362
Total Level 3	16 847	14 429	16 133

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

Valuations related to items in the various levels are described in note 9 for the Group. For description of the pricing of

investment property please see the annual financial statements.

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 842 million as of 30.06.2019 on the assets in level 3.

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

In this quarter, NOK 21 million have been moved from Level 1 to Level 2. The amounts are related to equity instruments and are due to change in liquidity. There has been no other movements between the different levels in KLP.

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

30.06.2019 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount
					Security in cash	Security in securities	
ASSETS							
Financial derivatives	2 135	0	2 135	-340	-1 924	0	8
Total	2 135	0	2 135	-340	-1 924	0	8
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 412	0	1 412	-339	-1 189	0	7
Total assets – corporate portfolio	721	0	721	0	-735	0	1
Total assets – investment option portfolio	3	0	3	-1	0	0	1
Total	2 135	0	2 135	-340	-1 924	0	8
LIABILITIES							
Financial derivatives	399	0	399	-340	-1	-286	58
Total	399	0	399	-340	-1	-286	58
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	396	0	396	-339	0	-286	58
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	3	0	3	-1	-1	0	0
Total	399	0	399	-340	-1	-286	58

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

30.06.2018 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount
					Security in cash	Security in securities	
ASSETS							
Financial derivatives	1 605	0	1 605	-743	-836	0	69
Total	1 605	0	1 605	-743	-836	0	69
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 091	0	1 091	-742	-296	0	66
Total assets – corporate portfolio	511	0	511	0	-539	0	1
Total assets – investment option portfolio	3	0	3	-2	-1	0	1
Total	1 605	0	1 605	-743	-836	0	69
LIABILITIES							
Financial derivatives	970	0	970	-743	-1	0	227
Total	970	0	970	-743	-1	0	227
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	968	0	968	-742	0	0	226
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	3	0	3	-2	-1	0	1
Total	970	0	970	-743	-1	0	227

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

31.12.2018 NOK MILLIONS	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related amounts not presented net		Net amount
					Security in cash	Security in securities	
ASSETS							
Financial derivatives	777	0	777	-126	-633	0	23
Total	777	0	777	-126	-633	0	23
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	126	0	126	-126	-4	0	0
Total assets – corporate portfolio	651	0	651	0	-628	0	23
Total assets – investment option portfolio	0	0	0	0	-1	0	0
Total	777	0	777	-126	-633	0	23
LIABILITIES							
Financial derivatives	3 891	0	3 891	-126	-5	-5 247	13
Total	3 891	0	3 891	-126	-5	-5 247	13
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	3 874	0	3 874	-126	-1	-5 247	0
Total liabilities – corporate portfolio	1	0	1	0	0	0	1
Total liabilities – investment option portfolio	16	0	16	0	-4	0	12
Total	3 891	0	3 891	-126	-5	-5 247	13

The purpose of this note is to show the potential effect of netting agreements at KLP; what possibilities KLP has to net bilateral agreements against other counterparties should the latter go bankrupt and the remaining amount if all such netting agreements are materialized. The note shows derivative positions in the financial position statement, and one additional table with information on the different portfolios in the company.

NOTE 9 Liabilities

NOK MILLIONS	30.06.2019	30.06.2018	31.12.2018
Short-term liabilities securities	4 242	3 537	1 442
Advance tax-deduction pension scheme	684	631	418
Accounts payable	21	22	21
Derivatives	354	970	3 891
Debt to credit institutions	1 933	842	650
Liabilities related to direct insurance	131	126	1 442
Other liabilities	19	15	31
Total liabilities	7 384	6 144	7 895

NOTE 10 SCR ratio

NOK BILLIONS	30.06.2019	30.06.2018	31.12.2018		30.06.2019	30.06.2018	31.12.2018
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT							
Assets, book value	594	553	559	Best estimate	538	501	500
Added values - hold-to-maturity portfolio/loans and receivables	10	7	6	Risk margin	14	13	13
Added values - other lending	0	1	0	Hybrid Tier 1 securities/Subordinated loan capital	8	8	8
Other added/lesser values	0	0	0	Other liabilities	9	7	9
Deferred tax asset	0	0	0	Deferred tax liabilities	2	2	2
Total assets - solvency II	604	560	564	Total liabilities - solvency II	571	530	532
				Excess of assets over liabilities	33	30	32
				- Deferred tax asset	0	0	0
				- Risk equalisation fund	-5	-4	-5
				+ Hybrid Tier 1 securities	2	2	2
				Tier 1 basic own funds	30	28	29
				Total eligible tier 1 own funds	30	28	29
				Subordinated loans	6	6	7
				Risk equalisation fund	5	4	5
				Tier 2 basic own funds	11	10	12
				Ancillary own funds	11	11	11
				Tier 2 ancillary own funds	11	11	11
				Deduction for max. eligible tier 2 own funds	-16	-14	-16
				Total eligible tier 2 own funds	7	7	7
				Deferred tax asset	0	0	0
				Total eligible tier 3 own funds	0	0	0
				Solvency II total eligible own funds	36	34	36
				Market risk	6	6	6
				Diversification market risk	-2	-2	-2
				Counterparty risk	0	0	0
				Life risk	15	15	15
				Diversification life risk	-4	-4	-4
				Diversification general	-3	-2	-3
				Operational risk	2	2	2
				Loss absorbing ability deferred tax	-2	-2	-2
				Solvency capital requirement (SCR)	14	14	14
				Linear minimum capital requirement (MCR_linear)	8	6	6
				Minimum	3	3	3
				Maximum	6	6	6
				Minimum capital requirement (MCR)	6	6	6
				Solvency II- SCR ratio	264 %	253 %	263 %

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

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 264 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 349 per cent.

	30.06.2019	30.06.2018	31.12.2018
Solvency II - SCR ratio	264 %	253 %	263 %

NOTE 11 Leases

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

NOK MILLIONS	30.06.2019
RIGHT-OF-USE ASSETS	Property
Opening balance 01.01.	305
Depreciation	-51
Closing balance 30.06.	255

NOK MILLIONS	30.06.2019
LEASE LIABILITIES	Property
Opening balance 01.01.	305
Repayments	-47
Closing balance 30.06.	258

NOK MILLIONS	Q2 2019	01.01.2019 -30.06.2019
	Property	
Interest expense lease liabilities	2	4

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