



# Interim report

KLP GROUP  
Q2 2020



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## KLP GROUP

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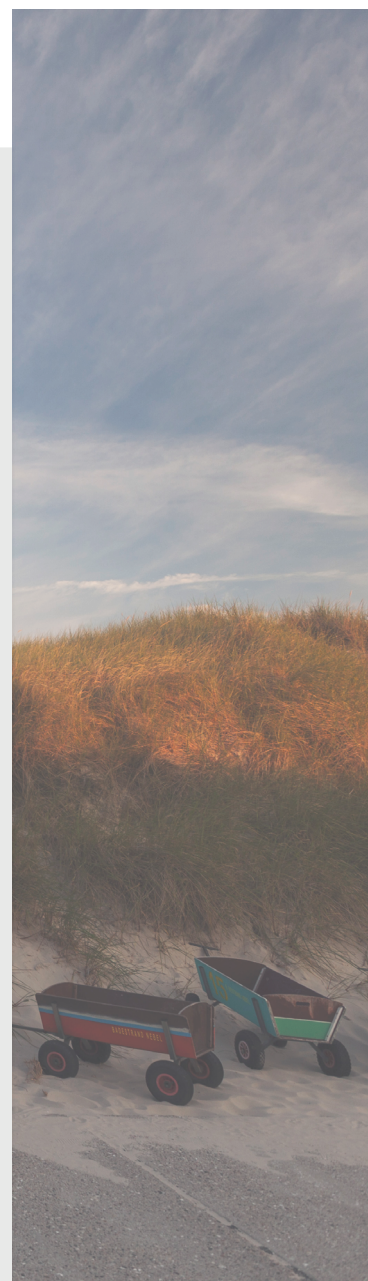
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# Report for the second quarter of 2020

## STRONG CAPITAL SITUATION IN KLP, EVEN THOUGH THE FINANCIAL MARKETS HAVE PRODUCED LOW RETURNS IN THE FIRST HALF OF THE YEAR

- The value-adjusted return in the first half of 2020 was minus 0.5 per cent, while the book return ended at 1.9 per cent.
- KLP has entered into an agreement with DNB Livsforsikring to sell KLP Bedriftspensjon AS.
- Infection containment measures related to Covid-19 have had a big impact on KLP's financial assets, but the effect on the Company's operations has been limited.
- KLP has bought back EUR 306 million of the outstanding EUR 600 million in subordinated loans.

## 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 2020, the Group had total assets of NOK 785.6 billion, an increase of NOK 22.9 billion since the beginning of the year.

The Group's total comprehensive income was NOK 383 (429)<sup>1</sup> million in the second quarter of 2020 and NOK 113 million in the year to date.

### Kommunal Landspensjonskasse

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse. Out of KLP's total assets of NOK 627.3 billion, NOK 562.0 billion is linked to insurance obligations for public-sector occupational pensions.

## RESULTS FOR THE SECOND QUARTER OF 2020

### Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 3.4 (4.3) billion in the year to date. The value-adjusted return on the common portfolio was minus 0.5 per cent while the book return was 1.9 per cent for the year to date.

### Risk result

The risk events in the stock are within expectations

throughout the year and will vary from quarter to quarter. Net income was NOK 100 million in the second quarter and NOK 300 million for the year to date.

### Administration result

The Company's administration result shows a surplus of NOK 64 (80) million so far this year, of which NOK 25 million fell in the second quarter. Insurance-related operating costs came to NOK 601 (556) million so far this year.

### Total income

Total profit/loss to the Company stands at NOK 112 (1,045) million for the year to date. The customer result is NOK 3.5 (4.5) billion so far this year.

NOK MILLIONS	Customers	Company	Total
Returns result	3 377	108	3 485
Risk result	149	151	300
Interest guarantee premium		243	200
Administration result		64	64
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		-43	-43
Tax		-115	-115
Other profit/loss elements		-295	-295
Income after Q2/2020	3 458	112	3 571
Income after Q2/2019	4 510	1 045	5 555

### Financial strength and capital-related matters

KLP's total assets have increased by NOK 5.7 billion in the year to date and amount to NOK 627.3 billion. The premium reserve increased by NOK 4.9 billion to NOK 466.4 billion in the same period.

The securities adjustment fund has decreased by NOK 12.7 billion to NOK 43.1 billion in the course of the first half-year.

Without applying transitional rules, the Company's solvency capital ratio (SCR) is 252 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 333 per cent. KLP's target is capital adequacy of at least 150 per cent without applying transitional rules. Capital adequacy is well over this target and reflects the Company's good financial strength.

<sup>1</sup> Figures in brackets give values for the corresponding period in 2019.



## Key figures

PER CENT	At 30.06.2020	At 30.06.2019
Book returns *	1,9	2,0
Value-adjusted returns *	-0,5	4,8
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	1,0	5,4
Capital adequacy, Solvency II	252	264
Capital adequacy, Solvency II, with transitional measures	333	349

\* The returns figures apply to the common portfolio

### Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 14.3 (21.8) billion at the end of the second quarter.

### Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, amounted to NOK 10.2 (9.7) billion after the second quarter.

## MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 574.9 (541.8) billion and were invested as shown below:

ASSETS	At 30/06/2020		At 30/06/2019	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	21,4 %	-7,0 %	24,0 %	1,1 %
Short-term bonds	16,5 %	4,0 %	18,1 %	-1,2 %
Long-term/HTM bonds	30,6 %	1,8 %	28,3 %	1,8 %
Lending	14,2 %	1,1 %	12,3 %	1,1 %
Property	13,0 %	1,5 %	12,3 %	4,3 %
Other financial assets	4,3 %	0,9 %	5,1 %	0,7 %

### Equities

Total exposure in shares and alternative investments, including equity derivatives, was 21.4 per cent at the end of the second quarter. The total return on shares and alternative investments was 10.0 per cent in the second quarter and -7.0 per cent for the first half-year. KLP's global shares produced a return of -5.3 per cent in the first half-year, while the Norwegian equity portfolio had a return of -15.1 per cent in the same period.

### Short-term bonds and the money market

Short-term bonds accounted for 16.5 per cent and money-market instruments 4.3 per cent of the assets in the common portfolio as at 30 June. Norwegian, European and US government rates all fell slightly during the quarter, contributing to positive yields for government bonds. KLP's

global government bond index achieved a currency-hedged return of 0.8 per cent in the quarter, while the return on the Norwegian government bond index was 1.4 per cent. Global credit margins fell sharply through the quarter. KLP's global credit bond index generated a return of 7.5 per cent as a result of the fall in credit risk premiums.

In total, short-term bonds achieved returns of 5.2 per cent in the second quarter, and 4.0 per cent in the first half-year. The money market return was 1.2 per cent for the quarter, and 0.9 per cent for the first half-year.

### Long-term bonds

Investment in bonds held to maturity made up around 30.6 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 15.3 billion as at 30 June. The portfolio is well diversified and consists of securities issued by credit-worthy 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 real estate funds, made up 13.2 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 152 million up to the end of the second quarter. Property investments in the common portfolio achieved a return of 1.5 per cent in the first half-year.

### Lending

Lending in the common portfolio totals NOK 80.5 billion. This is split between NOK 71.3 billion in loans to the public sector and NOK 3.3 billion in secured mortgage loans, with the remaining NOK 5.9 billion used for other purposes. 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 1.6 billion at the end of the quarter. After the second quarter, the return was 1.1 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 0.4 per cent for the first half-year.

KLP has bought back EUR 306 million of the outstanding EUR 600 million in subordinated loans. The buyback offers a significant saving in interest over the next five years, up to the first possible repayment date for the loan. The buyback has been made at a premium, and together with the sale of KLP Bedriftspensjon AS for less than book value, means that the result in the corporate portfolio is lower than it would have been without these transactions.

### Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The municipal and regional reform has so far had only a moderate effect on KLP's customer base. At the start of the year, KLP had an inflow of NOK 2.9 billion and an outflow of NOK 6.4 billion.

### Matters related to Covid-19

Since 13 March, employees of KLP and its subsidiaries have been working from home. Operationally, this has worked well and no special issues affecting normal operations have been reported. KLP now reports monthly to the Financial Supervisory Authority of Norway on operational matters and on the Company's solvency.

The market turmoil caused by Covid-19 affected the Bank's lending margins in the second quarter because lending rates were lowered immediately after Norges Bank reduced its policy rate to zero per cent. The Bank's deposit rates and other financing costs did not fall immediately, resulting in significantly lower lending margins through this quarter. Sharply increasing lending volumes have partially compensated for lower margins.

Lower capital requirements, reducing the countercyclical capital buffer, have also helped to strengthen the Bank's equity situation relative to the regulatory requirements. KLP Banken has used the extended right to take out emergency 'F-loans' from Norges Bank for the first time. For further information, refer to KLP Banken's own quarterly report.

The situation related to Covid-19 also affected the activities of KLP Skadeforsikring in the second quarter. The number of travel claims filed in the period March to June was twice as high as the corresponding period last year. The enquiries have been dealt with on an ongoing basis and the Company has managed to maintain a high level of service.

It is currently too early to say how Covid-19 and the pandemic situation will affect the drawing of disability pensions in KLP's membership base over time. Historical figures up to 2019 indicate that we have margins built into the calculation basis for disability. Because of the uncertainty surrounding disability going forward, most of these margins will be retained until further notice.

### 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.

KLP has entered into an agreement with DNB Livsforsikring to sell the subsidiary KLP Bedriftspensjon AS. The takeover is subject to approval from the authorities and is expected to be given the go-ahead in the third quarter of 2020.

This Company had total assets of NOK 7.6 billion as at 30 June. This is an increase of NOK 303 million since the start of

the year. The increase is mainly linked to an inflow of pension capital certificates and growth in the Company's defined-contribution pension portfolio, which now totals NOK 5.2 billion. 90 new business customers entered into pension agreements with the Company in the first half-year, and we have received 2,368 pension capital certificates from other life insurance companies.

Customers with defined-contribution pensions achieved an average return of minus 3.8 per cent at 30 June. KLP Bedriftspensjon achieved a book return on the common portfolio of 0.5 per cent and a value-adjusted return of 0.4 per cent for the first half-year.

The returns result was NOK -13.0 million at 30 June, and the securities adjustment fund stood at NOK 16.0 million. After the first half-year, KLP Bedriftspensjon had total comprehensive income of NOK -38.7 million. A write-down of property values produced a negative result of NOK 5.7 million. There was also a write-down of the shares in KLP BP Eiendom AS amounting to NOK 9 million as a result of the sale of the shares with effect from 1 July. This sale is a consequence of the disposal of KLP Bedriftspensjon. The total profit/loss on real estate investments is then NOK -14.7 million. The claims reserves increased by NOK 12 million in the first half of the year, mainly because of Covid 19.

### Return on customer assets

COMMON PORTFOLIO	At 30.06.2020	At 30.06.2019
Book returns	0,5 %	1,6 %
Value-adjusted returns	0,4 %	2,0 %
Defined-contribution pensions with investment options	-3,8 %	9,5 %
Profile KLP90	-5,7 %	12,1 %
Profile KLP70	-3,8 %	10,1 %
Profile KLP50	-1,8 %	8,0 %
Profile KLP30	0,0 %	6,0 %
KLP Optimal Livsfase <sup>1</sup>	-6,7 %	13,2 %
Mer Samfunnsansvar <sup>1</sup>	1,6 %	n/a
KLP Nåtid	2,7 %	2,8 %
KLP Kort Horisont	1,2 %	4,6 %
KLP Lang Horisont	-2,9 %	8,8 %
KLP Framtid	-6,8 %	13,1 %
Profile KLPPM	1,0 %	0,8 %

<sup>1</sup> Return for profile with 100% equities

Capital adequacy for KLP Bedriftspensjon decreased from 204 per cent at the end of 2019 to 120 per cent at the end of the second quarter, without using transitional arrangements for Solvency II. With the use of transitional arrangements, capital adequacy is 293 per cent, compared to 360 per cent at the end of 2019.

### Non-life insurance

The first half of 2020 produced a pre-tax operating profit of NOK 18.2 (138.4) million. After a very negative first quarter, net income improved and the result in the second quarter was NOK 144.3 (28.8) million. As in the first quarter, the second quarter was again affected by the financial returns, with income from investments amounting to NOK 136 million compared to NOK -104 million in the first quarter. Operating expenses were also lower than expected and the Company has continued to reverse previous years' reserves.

Premium volume stood at NOK 1,734 million at the end of the second quarter, an increase of NOK 125 million from the position at 31.12.2019. In some areas, profitability is lower than expected, but the Company notes from tendering procedures that the overall level of premiums is now increasing. Premiums due have increased by 11.6 per cent, or NOK 131 million, compared with the same time in 2019. There is continued growth in the retail market and a high proportion of members among the retail customers.

The insurance result was NOK 190 (156) million. During the second quarter, two major claims for over NOK 10 million were reported, totalling NOK 34.7 million. Reversal of previous years' claims is still positive, and this year NOK 61 million has so far been taken to income, equivalent to 3.3 per cent of the reserves at the beginning of the year.

### Key figures for the Company:

SECOND QUARTER	2020	2019
Claims ratio	83,3	85,7
Cost ratio	18,6	19,1
<b>Total cost ratio</b>	<b>101,9</b>	<b>104,8</b>

In the annual survey by the Norwegian Insurance Brokers Association, the Company won the award for "Right policy first time". Our own customer satisfaction surveys carried out in the second quarter also confirm the good quality of the Company's deliveries.

Net financial income in the first half of 2020 was NOK 31.9 (171.4) million, representing a return of 0.8 (3.9) per cent. Returns for the second quarter in isolation were NOK 136.1 (64.6) million, or 3.0 (1.4) per cent. All of the portfolios have had weak returns so far this year, but equity yields in particular improved during the second quarter. The equity portfolio has produced returns of minus 4.7 per cent so far this year, rising to 14.5 per cent for the second quarter in isolation.

As of the first half-year, the Company's investments in interest-bearing funds had a return of 2.5 per cent, while fixed income bonds returned 1.6 per cent. The return on real estate investments was minus 2.6 per cent, after a write-down of NOK 31 million for one of the Company's two real

estate units. This is an investment in a centrally located shopping centre in Oslo, and the write-down has to be seen as a direct effect of Covid-19.

The Company's financial position is good with a solvency capital requirement (SCR) of 234 per cent at the end of the second quarter, compared to 240 per cent at the end of 2019 and 213 per cent after the first quarter.

### Asset and fund management

KLP Kapitalforvaltning handles securities management within the KLP Group. It had a total of NOK 563 billion under management at the end of the second quarter, of which NOK 88 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 400 million in the second quarter. External customers had positive net new subscriptions of NOK 4.2 billion in the second quarter.

KLP Kapitalforvaltning had pre-tax income of NOK 5.1 (5.6) million in the second quarter and NOK -1.9 million kroner for 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 loans to customers totalling NOK 37.5 (33.6) billion. The split between the retail market and the public-sector was NOK 20.1 (17.3) billion and 17.4 (16.3) billion respectively.

KLP Banken manages NOK 3.3 (2.9) billion in mortgage loans and NOK 77.2 (62.8) billion in loans to public-sector borrowers and other businesses.

The retail market in KLP Banken has seen strong growth in mortgage lending, rising by NOK 1.8 (0.6) billion in the first half of the year. Growth in the second quarter in isolation has also been higher than last year. This shows that, even in troubled times, the Bank's mortgage products are well received by the target group, who are members of the pension schemes in KLP. In particular, the target group of young borrowers show good growth in the first half of the year.

In the first half-year, the lending volume in the public sector market increased by NOK 0.7 (-0.5) billion. Loans to public-



sector borrowers managed on behalf of KLP increased by NOK 5.5 (2.7) billion in the same period. KLP increased its lending limits by NOK 5 billion when the pandemic struck. KLP Banken was thus able to go on offering competitive conditions to public-sector borrowers who were concerned to find greatly reduced opportunities for new loans and refinancing in the lending markets. Managed loans to foreign debtors in other currencies have increased by NOK 4.0 (1.0) billion since the start of the year.

In the first half of the year, losses and loss provisions in the retail market amounted to NOK 2.9 (-3.2) million. These are mainly losses on credit cards. So far, the pandemic has not led to increased losses on mortgages. Nor have we experienced any losses related to the public-sector market this year.

KLP Banken's portfolio of liquidity investments in the form of interest-bearing securities amounts to NOK 4.4 (3.6) billion. Because of the turmoil in the fixed income markets, this portfolio has had a widely varying market value. The profit/loss effect of net changes in value in the first half of the year produced recognised income of NOK 5.8 (3.6) million.

The KLP Banken Group's external financing consists of deposits and bonds. Deposit growth in the first half-year amounted to NOK 0.7 billion and deposits now total NOK 12.2 (11.5) billion. Of this amount, NOK 10.6 billion is deposits from retail customers, and NOK 1.6 billion is deposits from municipalities and enterprises. Liabilities created on issuance of securities totalled NOK 26.0 (24.9) billion at the end of the second quarter.

The KLP Banken Group had a pre-tax operating profit of NOK 39.9 (50.6) million at the end of the second quarter. Broken down by area, the pre-tax profit was NOK 30.0 (37.0) million from the retail market and NOK 9.9 (13.6) million from the public-sector market.

The Bank's provisions for future losses have increased slightly since the turn of the year. This is mainly due to the Bank's view that the likelihood of a negative macroeconomic scenario has grown as a result of the pandemic. Realised losses have not yet increased.

#### CORPORATE SOCIAL RESPONSIBILITY

In June, KLP and 28 other international investors objected to the increasing deforestation in Brazil by way of a joint letter to the Brazilian authorities. The letter calls for a halt to deforestation in the Amazon. This has led to several top-level online meetings attended by KLP. KLP has also devoted great attention to monitoring other companies that we are invested in, and in the second quarter the Company was in discussions with a total of 198 companies. In particular, companies in possible breach of KLP's product criteria are contacted for clarification, as are companies with operations in occupied Palestinian territories. In June, the KLP list was

updated; this provides an overview of companies KLP has excluded from its investments. Twelve new companies were added to the list, while four companies were included again.

The second quarter was also affected by Covid-19. Among other things, KLP reduced its lending rate, offered emergency loans to municipalities and halved the rent for our shopping centre tenants for three months.

KLP's green loan products were established in April 2019, and in the second quarter new green loan agreements were entered into for a total of NOK 162 million. In total, KLP Banken has entered into green loan agreements for NOK 1,257 million since the scheme started.

This spring, KLP organised a competition to find the best young manager in the Norwegian local government and healthcare sectors, in partnership with the Norwegian Nurses' Association and AFF. All young managers at the start of their management careers were eligible, and a total of over 300 nominations were received. Five winners were selected by a jury, and will participate in AFF's leadership development program Accelerate.

KLP has also embraced the new digital reality, and on the HSE side several online courses have been provided, including a senior course and an e-learning course on preventing violence and threats in the workplace. In KLP's working environment network, the projects have been followed up with online status meetings, and the first gathering of the new group in the network was conducted via Teams in June.

#### FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

The community has been marked by infection control measures related to Covid-19. Social distancing will affect our society going forward and working from home will also be part of KLP's operations in the future. It is important for KLP to be aware of how this could affect people within KLP, for good or ill. The economy is affected everywhere. With uncertainty about social changes in general and economic development in particular, we expect continued large movements in the financial markets. KLP has high a high level of preparedness and good solvency to enable it to handle such fluctuations. Since the end of the quarter, the equity markets have strengthened slightly, while interest rates remain at historically low levels.

KLP has entered into an agreement with DNB Livsforsikring to sell KLP Bedriftspensjon AS. The takeover is subject to approval from the authorities and is expected to be given the final go-ahead in the third quarter of 2020. The Norwegian Competition Authority has reached a positive conclusion, without any qualifications. The Financial Supervisory Authority of Norway has so far not given its response on the matter.

**Oslo, 21 August 2020**

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

**Egil Johansen**  
Chair

**Jenny Følling**  
Deputy Chair

**Cathrine M. Lofthus**

**Karianne Melleby**

**Odd Haldgeir Larsen**

**Øivind Brevik**

**Susanne Torp-Hansen**  
Elected by and from among  
the employees

**Freddy Larsen**  
Elected by and from among  
the employees

# Income statement

## KLP GROUP

NOTE	NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
3	Premium income for own account	8 164	15 728	18 437	23 107	42 716
	Current return on financial assets	3 893	4 527	7 999	8 158	16 301
	Net interest income banking	64	72	142	139	294
	Net value changes on financial instruments	25 914	5 808	-14 836	24 845	42 247
8	Net income from investment properties	175	1 333	903	2 172	4 314
4	Other income	210	260	664	563	762
	<b>Total net income</b>	<b>38 420</b>	<b>27 729</b>	<b>13 310</b>	<b>58 984</b>	<b>106 634</b>
	Claims for own account	- 6 706	- 5 367	-18 575	-10 663	- 21 616
	Change in technical provisions	- 5 353	- 12 506	-5 252	-16 751	- 29 954
5	Net costs subordinated loan and hybrid Tier 1 securities	920	- 128	-742	-73	- 372
6	Operating expenses	- 506	- 467	-999	-921	- 1 892
20	Change in value of assets held for sale	- 152	0	-152	0	0
7	Other expenses	- 321	- 278	-621	-556	- 1 145
	Unit holder's value change in consolidated securites funds		- 1 893	2 187	-8 232	- 14 736
	<b>Total expenses</b>	<b>-21 926</b>	<b>-20 639</b>	<b>-24 154</b>	<b>-37 197</b>	<b>- 69 715</b>
	<b>Operating profit/loss</b>	<b>16 494</b>	<b>7 090</b>	<b>-10 844</b>	<b>21 787</b>	<b>36 919</b>
	To/from securities adjustment fund – life insurance	- 12 215	- 3 777	12 355	-14 657	- 22 277
	To supplementary reserves – life insurance	490	15	490	15	- 8 052
	Assets allocated to insurance customers - life insurance	- 4 207	- 2 604	-1 287	-5 468	- 3 398
	<b>Pre-tax income</b>	<b>562</b>	<b>725</b>	<b>713</b>	<b>1 678</b>	<b>3 193</b>
	Cost of taxes <sup>1</sup>	- 228	- 400	-401	-708	- 1 201
	<b>Income</b>	<b>334</b>	<b>325</b>	<b>312</b>	<b>969</b>	<b>1 992</b>
19	Actuarial loss and profit on post employment benefit obligations	- 57	0	-404	-60	151
	Adjustments of the insurance obligations	44	0	44	5	- 16
	Tax on items that will not be reclassified to profit or loss	- 23	0	64	14	- 34
	<b>Items that will not be reclassified to profit or loss</b>	<b>-35</b>	<b>0</b>	<b>-296</b>	<b>-41</b>	<b>101</b>
	Revaluation real property for use in own operation	112	138	129	146	209
8	Currency translation foreign subsidiaries	- 795	- 190	2 236	-818	- 353
	Adjustments of the insurance obligations	795	190	-2 236	818	353
	Tax on items that will be reclassified to profit or loss	- 28	- 35	-32	-37	- 52
	<b>Items that will be reclassified to income when particular specific conditions are met</b>	<b>84</b>	<b>104</b>	<b>97</b>	<b>110</b>	<b>157</b>
	<b>Total other comprehensive income</b>	<b>49</b>	<b>104</b>	<b>-199</b>	<b>68</b>	<b>258</b>
	<b>Total comprehensive income</b>	<b>383</b>	<b>429</b>	<b>113</b>	<b>1 038</b>	<b>2 249</b>
<sup>1</sup> Unit holders share of taxes in consolidated securities fund		57	- 172	133	-117	- 236



# Financial position statement

## KLP GROUP

NOTE	NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
	Deferred tax assets	66	58	62
	Other intangible assets	576	384	460
	Tangible fixed assets	2 177	2 026	2 072
	Investments in associated companies and joint venture	4 245	3 171	3 062
8,11	Investment property	77 392	69 581	74 545
9,14	Debt instruments held to maturity	31 299	28 431	29 701
9,14	Debt instruments classified as loans and receivables	155 714	145 323	150 580
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	677	768	602
9,14	Lending local government, enterprises and retail customers	117 845	98 896	105 727
9,11,14	Debt instruments at fair value through profit or loss	180 365	168 497	170 810
9,11	Equity capital instruments at fair value through profit/loss	182 223	183 156	206 949
9,11,14	Financial derivatives	7 186	3 008	7 582
9	Receivables	17 405	25 886	2 484
9	Assets in defined contribution-based life insurance	5 168	4 240	4 906
14	Cash and bank deposits	3 261	3 426	3 194
	<b>TOTAL ASSETS</b>	<b>785 598</b>	<b>736 852</b>	<b>762 737</b>
	Owners' equity contributed	16 333	14 552	16 540
	Retained earnings	20 912	20 341	20 799
	<b>TOTAL OWNERS' EQUITY</b>	<b>37 245</b>	<b>34 893</b>	<b>37 339</b>
9,10	Hybrid Tier 1 securities	2 020	1 693	1 738
9,10	Subordinated loan capital	3 174	5 790	6 012
19	Pension obligations	1 226	981	790
15	Technical provisions - life insurance	564 010	544 335	567 883
9,15	Provisions in life insurance with investment option	5 168	4 240	4 906
	Premiums, claims and contingency fund provisions - non-life insurance	3 009	2 763	2 604
9,10	Covered bonds issued	25 020	23 980	24 415
9,10	Debt to credit institutions	12 192	4 023	8 199
9,10	Liabilities to and deposits from customers	12 245	11 465	11 487
9,11	Financial derivatives	2 315	574	856
	Deferred tax	1 374	1 476	1 247
16	Other current liabilities	22 692	21 666	6 298
	Unit holders `s interest in consolidated securites funds	93 910	78 974	88 963
	<b>TOTAL LIABILITIES</b>	<b>748 354</b>	<b>701 959</b>	<b>725 398</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>785 598</b>	<b>736 852</b>	<b>762 737</b>
	Contingent liabilities	27 500	19 798	23 344

# Changes in Owners' equity

## KLP GROUP

2020 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 1 January 2020</b>	<b>16 540</b>	<b>20 799</b>	<b>37 339</b>
<b>Income</b>		<b>312</b>	<b>312</b>
Items that will not be reclassified to income		-296	-296
Items that will be reclassified to income later when particular conditions are met		97	97
<b>Total other comprehensive income</b>		<b>-199</b>	<b>-199</b>
<b>Total comprehensive income</b>		<b>113</b>	<b>113</b>
Owners' equity contribution received (net)	-207		-207
<b>Total transactions with the owners</b>	<b>-207</b>		<b>-207</b>
<b>Owners' equity 30 June 2020</b>	<b>16 333</b>	<b>20 912</b>	<b>37 245</b>

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 1 January 2019</b>	<b>14 554</b>	<b>19 303</b>	<b>33 857</b>
<b>Income</b>		<b>969</b>	<b>969</b>
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
<b>Total other comprehensive income</b>		<b>68</b>	<b>68</b>
<b>Total comprehensive income</b>		<b>1 038</b>	<b>1 038</b>
Owners' equity contribution received (net)	- 1		- 1
<b>Total transactions with the owners</b>	<b>- 1</b>		<b>- 1</b>
<b>Owners' equity 30 June 2019</b>	<b>14 552</b>	<b>20 341</b>	<b>34 893</b>

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
<b>Owners' equity 1 January 2019</b>	<b>14 554</b>	<b>19 303</b>	<b>33 857</b>
<b>Income</b>	<b>754</b>	<b>1 238</b>	<b>1 992</b>
Items that will not be reclassified to income		101	101
Items that will be reclassified to income later when particular conditions are met		157	157
<b>Total other comprehensive income</b>		<b>258</b>	<b>258</b>
<b>Total comprehensive income</b>	<b>754</b>	<b>1 496</b>	<b>2 249</b>
Owners' equity contribution received (net)	1 232		1 232
<b>Total transactions with the owners</b>	<b>1 232</b>		<b>1 232</b>
<b>Owners' equity 31 December 2019</b>	<b>16 540</b>	<b>20 799</b>	<b>37 339</b>

# Statement of cash flows

## KLP GROUP

NOK MILLIONS	01.01.2020 -30.06.2020	31.01.2020 -31.03.2020	01.01.2019 -31.12.2019	01.01.2019 -30.09.2019	01.01.2019 -30.06.2019
Net cash flow from operational activities	8 662	30 036	-17 987	-11 415	-9 427
Net cash flow from investment activities <sup>1</sup>	-157	-72	-299	-215	-153
Net cash flow from financing activities <sup>2</sup>	-8 438	-29 447	18 472	12 253	9 998
<b>Net changes in cash and bank deposits</b>	<b>67</b>	<b>517</b>	<b>185</b>	<b>623</b>	<b>418</b>
Holdings of cash and bank deposits at start of period	3 194	3 194	3 009	3 009	3 009
<b>Holdings of cash and bank deposits at end of period</b>	<b>3 261</b>	<b>3 711</b>	<b>3 194</b>	<b>3 632</b>	<b>3 426</b>

<sup>1</sup> Payments on the purchase of tangible fixed assets.

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



# Accounting principles –and estimates

KLP GROUP

## NOTE 1 Accounting principles –and estimates

### ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 1 January 2020 – 30 June 2020. The accounts have not been audited.

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

The same accounting principles and calculation methods have been used in the interim financial statements as in the last annual financial statements, unless stated otherwise.

The interim financial statements do not contain all the information required of complete financial statements, and this interim financial report should be read in the context of the annual financial statements for 2019. The annual financial statements are available at KLP's website [klp.no](http://klp.no).

### ACCOUNTING ESTIMATES

In preparing the interim financial statements, management has exercised discretion and used estimates and assumptions that affect the accounting figures. Actual figures may deviate from estimates used.

The majority of the group's financial assets measured at fair value through profit or loss are assets traded on an active market, and the market values of these investments are observable. The groups pricing of unlisted assets will be subject to uncertainty as to their valuation. This is especially true of securities which are priced on the basis of non-observable assumptions. The outbreak of the Covid-19 virus affected the performance of Norwegian and international financial markets in the first half year and is causing great uncertainty around estimates and the valuation of the Company's financial instruments.

Property is valued using an internal valuation model, based on discounting 20 years' estimated cash flows at a discount rate reflecting market expectations for returns on similar properties. External estimates are also obtained for a selection of properties to quality-assure the internal valuations. As in the last quarter, there is still great uncertainty about how the effects of Covid -19 will be in the short and long term. Both internal and external valuers are uncertain about factors such as changes in access to debt capital, falling interest rates, changes in borrowing and lending costs for banks, access to equity, changes in investor behavior, changes in the rental market, changes in tenant liquidity and short-term solvency. The valuation of property in the quarter was thus made with unchanged main premises, but it is observed that there is an increased risk for some hotels and shopping centers in the portfolio. Particularly central office properties with long contracts are considered to have somewhat reduced risk, due to investor attractiveness.

During the first half of the year, there have been significant changes in the fixed income markets. This has particularly affected the discount rate used in calculating the present value of the company's pension obligations. The discount rate used for this calculation has changed from 2.3% as of 31.12.2019 to 1.5% as of 30.06.2020. The effect of the change in the pension assumptions increases the pension obligation for own employees by NOK 404 million.

## NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers <sup>1</sup>	17 078	21 783	40 128	571	625	1 135
Premium income for own account from other Group companies	46	51	106	0	0	0
Net financial income from investments	-1 941	25 242	46 037	-160	379	715
Other income from external customers	646	545	725	4	3	6
Other income from other Group companies	60	150	239	0	0	0
<b>Total income</b>	<b>15 889</b>	<b>47 771</b>	<b>87 235</b>	<b>414</b>	<b>1 007</b>	<b>1 855</b>
Claims for own account	-17 809	-10 028	-20 157	-94	-89	-202
Insurance provisions for own account	-4 944	-15 806	-28 312	-310	-879	-1 563
Costs borrowing	-742	-73	-372	0	0	0
Operating costs excluding depreciation	-530	-488	-965	-36	-33	-67
Depreciation	-36	-32	-92	-1	-1	-3
Change in value of assets held for sale	0	0	0	-152	0	0
Other expenses	-664	-609	-1 247	-9	0	-5
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-24 724</b>	<b>-27 037</b>	<b>-51 145</b>	<b>-603</b>	<b>-1 003</b>	<b>-1 841</b>
<b>Operating profit/loss</b>	<b>8 835</b>	<b>20 734</b>	<b>36 091</b>	<b>-188</b>	<b>4</b>	<b>15</b>
Funds credited to insurance customers <sup>2</sup>	9 509	-19 277	-33 454	3	-14	-27
<b>Pre-tax income</b>	<b>675</b>	<b>1 457</b>	<b>2 637</b>	<b>-185</b>	<b>-10</b>	<b>-13</b>
Cost of taxes	-115	-367	-499	0	0	0
<b>Income</b>	<b>559</b>	<b>1 090</b>	<b>2 138</b>	<b>-185</b>	<b>-10</b>	<b>-13</b>
Change in other comprehensive income	-295	-45	113	-5	-1	2
<b>Total comprehensive income</b>	<b>264</b>	<b>1 045</b>	<b>2 251</b>	<b>-190</b>	<b>-11</b>	<b>-10</b>
Assets	627 258	594 584	621 518	7 562	6 507	7 259
Liabilities	590 035	559 706	584 200	7 161	6 015	6 668

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

<sup>2</sup> 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		
	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers <sup>1</sup>	788	699	1 453	0	0	0
Premium income for own account from other Group companies	16	15	22	0	0	0
Net financial income from investments	31	171	297	124	125	260
Other income from external customers	1	0	1	9	9	19
Other income from other Group companies	0	0	0	30	30	59
<b>Total income</b>	<b>837</b>	<b>886</b>	<b>1 774</b>	<b>163</b>	<b>164</b>	<b>338</b>
Claims for own account	-672	-547	-1 256	0	0	0
Insurance provisions for own account	2	-66	-79	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-146	-132	-268	-119	-108	-226
Depreciation	-3	-2	-5	-2	-3	-5
Change in value of assets held for sale	0	0	0	0	0	0
Other expenses	0	0	0	-4	-4	-7
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-818</b>	<b>-747</b>	<b>-1 609</b>	<b>-125</b>	<b>-115</b>	<b>-237</b>
<b>Operating profit/loss</b>	<b>18</b>	<b>138</b>	<b>166</b>	<b>38</b>	<b>49</b>	<b>101</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0	0	0
<b>Pre-tax income</b>	<b>18</b>	<b>138</b>	<b>166</b>	<b>38</b>	<b>49</b>	<b>101</b>
Cost of taxes	-5	-35	-14	18	-12	-25
<b>Income</b>	<b>14</b>	<b>104</b>	<b>151</b>	<b>57</b>	<b>37</b>	<b>76</b>
Change in other comprehensive income	-30	-5	14	-12	-2	5
<b>Total comprehensive income</b>	<b>-17</b>	<b>99</b>	<b>166</b>	<b>45</b>	<b>35</b>	<b>81</b>
Assets	5 338	5 047	4 907	43 855	38 865	39 703
Liabilities	3 414	3 173	2 966	41 512	36 686	37 478

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

<sup>2</sup> 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		
	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers <sup>1</sup>	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	6	3	6	0	0	0
Other income from external customers	0	0	0	6	6	11
Other income from other Group companies	267	253	523	0	0	0
<b>Total income</b>	<b>272</b>	<b>257</b>	<b>529</b>	<b>6</b>	<b>6</b>	<b>11</b>
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	-271	-235	-479	-7	-6	-12
Depreciation	-3	-2	-5	0	0	0
Change in value of assets held for sale	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
<b>Total expenses</b>	<b>-274</b>	<b>-238</b>	<b>-484</b>	<b>-7</b>	<b>-6</b>	<b>-12</b>
<b>Operating profit/loss</b>	<b>-2</b>	<b>19</b>	<b>44</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0	0	0
<b>Pre-tax income</b>	<b>-2</b>	<b>19</b>	<b>44</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Cost of taxes	-6	-25	-9	0	0	0
<b>Income</b>	<b>-8</b>	<b>16</b>	<b>35</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Change in other comprehensive income	-2	5	17	-1	0	0
<b>Total comprehensive income</b>	<b>-9</b>	<b>10</b>	<b>52</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Assets	540	474	520	7	9	8
Liabilities	253	199	202	4	4	3

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

<sup>2</sup> 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		
	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers <sup>1</sup>	0	0	0	18 437	23 107	42 716
Premium income for own account from other Group companies	-62	-66	-129	0	0	0
Net financial income from investments	-3 853	9 393	15 841	-5 792	35 314	63 156
Other income from external customers	0	0	0	664	563	762
Other income from other Group companies	-356	-433	-821	0	0	0
<b>Total income</b>	<b>-4 272</b>	<b>8 894</b>	<b>14 891</b>	<b>13 310</b>	<b>58 984</b>	<b>106 634</b>
Claims for own account	0	0	0	-18 575	-10 663	-21 616
Insurance provisions for own account	0	0	0	-5 252	-16 751	-29 954
Costs borrowing	0	0	0	-742	-73	-372
Operating costs excluding depreciation	155	125	325	-954	-878	-1 693
Depreciation	0	-1	-89	-45	-42	-199
Change in value of assets held for sale	0	0	0	-152	0	0
Other expenses	56	57	113	-621	-556	-1 145
Return to financial instruments attributable to minority interests	2 187	-8 232	-14 736	2 187	-8 232	-14 736
<b>Total expenses</b>	<b>2 397</b>	<b>-8 051</b>	<b>-14 387</b>	<b>-24 154</b>	<b>-37 197</b>	<b>-69 715</b>
<b>Operating profit/loss</b>	<b>-1 875</b>	<b>843</b>	<b>505</b>	<b>-10 844</b>	<b>21 787</b>	<b>36 919</b>
Funds credited to insurance customers <sup>2</sup>	2 045	-818	-246	11 558	-20 109	-33 727
<b>Pre-tax income</b>	<b>170</b>	<b>25</b>	<b>259</b>	<b>713</b>	<b>1 678</b>	<b>3 193</b>
Cost of taxes	-295	-270	-654	-401	-708	-1 201
<b>Income</b>	<b>-124</b>	<b>-301</b>	<b>-452</b>	<b>312</b>	<b>969</b>	<b>1 992</b>
Change in other comprehensive income	147	115	105	-199	68	258
<b>Total comprehensive income</b>	<b>23</b>	<b>-141</b>	<b>-291</b>	<b>113</b>	<b>1 038</b>	<b>2 249</b>
Assets	101 038	91 366	88 822	785 598	736 852	762 737
Liabilities	105 974	96 176	93 881	748 354	701 959	725 398

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

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

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

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

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

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

**BANKING**

KLP's banking business embraces the companies KLP Bank-holding AS and its wholly-owned subsidiaries: KLP Banken AS, KLP Kommunekreditt AS and KLP Boligkreditt AS. The banking business covers services such as deposits and lending to the retail market, creditcards, as well as lending with public sector guarantee.

**ASSET MANAGEMENT**

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

**OTHER**

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

**NOTE 3** Premium income for own account

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Contribution service pension	7 743	15 634	15 398	22 823	42 263
Reinsurance premiums ceded	-18	-13	-36	-27	-54
Transfer of premium reserves from others	439	108	3 075	310	507
<b>Total premium income</b>	<b>8 164</b>	<b>15 728</b>	<b>18 437</b>	<b>23 107</b>	<b>42 716</b>

**NOTE 4** Other income

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Supplement contractual early retirement scheme (ERS)	286	267	580	546	1 115
Other income <sup>1</sup>	- 76	- 6	84	17	-353
<b>Total other income</b>	<b>210</b>	<b>260</b>	<b>664</b>	<b>563</b>	<b>762</b>

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

**NOTE 5** Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
<b>SUBORDINATED LOANS</b>					
Interest costs <sup>1</sup>	-386	-65	-488	-124	-254
Value changes	1 058	-24	63	114	22
<b>Net costs subordinated loans</b>	<b>672</b>	<b>-89</b>	<b>-425</b>	<b>-10</b>	<b>-232</b>
<b>PERPETUAL HYBRID TIER 1 SECURITIES</b>					
Interest costs	-15	-15	-35	-31	-64
Value changes	263	-24	-282	-32	-77
<b>Net costs perpetual hybrid tier 1 securities</b>	<b>248</b>	<b>-39</b>	<b>-316</b>	<b>-63</b>	<b>-140</b>
<b>Net costs subordinated loan and hybrid Tier 1 securities</b>	<b>920</b>	<b>-128</b>	<b>-742</b>	<b>-73</b>	<b>-372</b>

<sup>1</sup> 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 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Personnel costs	234	264	503	539	1 057
Depreciation and writedowns	32	31	65	61	149
Other operating expenses	239	172	432	321	685
<b>Total operating expenses</b>	<b>506</b>	<b>467</b>	<b>999</b>	<b>921</b>	<b>1 892</b>

**NOTE 7** Other expenses

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Supplement contractual early retirement scheme (ERS)	286	267	580	546	1 115
Other expenses	35	11	41	10	31
<b>Total other expenses</b>	<b>321</b>	<b>278</b>	<b>621</b>	<b>556</b>	<b>1 145</b>

**NOTE 8** Investment property

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Net rental income	712	704	1 395	1 427	2 859
Net value adjustment	-536	629	-492	745	1 413
Realised gains	0	0	0	0	42
<b>Net income from investment properties</b>	<b>175</b>	<b>1 333</b>	<b>903</b>	<b>2 172</b>	<b>4 314</b>
Currency translate foreign subsidiaries (taken to other comprehensive income)	-795	-190	2 236	-818	-353
<b>Net income from investment properties included currency translate</b>	<b>-619</b>	<b>1 143</b>	<b>3 139</b>	<b>1 354</b>	<b>3 961</b>

NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
Investment property 01.01.	74 545	67 570	67 570
Value adjustment, including currency translation	1 744	-73	1 060
Net additions	1 085	2 092	5 876
Other changes	17	-7	40
<b>Investment property 30.06./31.12.</b>	<b>77 392</b>	<b>69 581</b>	<b>74 545</b>



**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

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.

**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. If a bond lacks an appropriate spread curve, spread from a comparable bond from the same issuer is used.

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

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

**e) Receivables on credit institutions**

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

**f) Loans to municipalities and enterprises with municipal guarantee**

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

**g) Loans secured by mortgage**

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

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

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

**The following sources are used for Norwegian shares:**

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

**The following sources are used for foreign shares:**

- Morgan Stanley Capital International (MSCI) (primary source)
- 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.

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

**j) Private Equity**

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

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

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

**l) Options**

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

**m) Interest-rate swaps**

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

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

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

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.

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

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

**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.

**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

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

NOK MILLIONS	30.06.2020		30.06.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>						
Norwegian hold-to-maturity bonds	5 221	6 229	6 365	6 941	5 215	5 698
Foreign hold-to-maturity bonds	26 078	28 577	22 066	23 542	24 487	25 935
<b>Total debt instruments held to maturity</b>	<b>31 299</b>	<b>34 806</b>	<b>28 431</b>	<b>30 483</b>	<b>29 701</b>	<b>31 633</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST</b>						
Norwegian bonds	48 868	52 731	44 187	46 556	49 807	51 469
Foreign bonds	106 805	116 205	101 102	105 960	100 736	104 886
Other receivables	41	41	34	34	37	37
<b>Total debt instruments classified as loans and receivables</b>	<b>155 714</b>	<b>168 977</b>	<b>145 323</b>	<b>152 549</b>	<b>150 580</b>	<b>156 392</b>
<b>LENDING LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS</b>						
Loans to local government sector or enterprises with local government guarantee	677	677	768	768	602	602
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>677</b>	<b>677</b>	<b>768</b>	<b>768</b>	<b>602</b>	<b>602</b>

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

NOK MILLIONS	30.06.2020		30.06.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>LENDING TO LOCAL GOVERNMENT, ENTERPRISES &amp; RETAIL CUSTOMERS – AT AMORTIZED COST</b>						
Loans secured by mortgage	23 402	23 467	20 251	20 262	21 755	21 758
Loans to local government sector or enterprises with local government guarantee	79 384	81 103	69 525	70 174	73 141	73 401
Loans abroad secured by mortgage and local government guarantee	15 003	15 020	9 054	9 094	10 766	10 794
Loans creditcard	55	55	65	65	65	65
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>117 845</b>	<b>119 645</b>	<b>98 896</b>	<b>99 595</b>	<b>105 727</b>	<b>106 018</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Norwegian bonds	56 008	56 008	57 615	57 615	54 801	54 801
Norwegian certificates	6 125	6 125	7 346	7 346	6 295	6 295
Foreign bonds	95 967	95 967	87 625	87 625	85 004	85 004
Foreign certificates	50	50	0	0	50	50
Investments with credit institutions	22 216	22 216	15 912	15 912	24 660	24 660
<b>Total debt instruments</b>	<b>180 365</b>	<b>180 365</b>	<b>168 497</b>	<b>168 497</b>	<b>170 810</b>	<b>170 810</b>
<b>EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Shares	162 653	162 653	168 632	168 632	190 350	190 350
Equity funds	16 648	16 648	13 375	13 375	14 562	14 562
Property funds	15	15	38	38	32	32
Alternative investments	2 907	2 907	1 111	1 111	2 005	2 005
<b>Total equity capital instruments</b>	<b>182 223</b>	<b>182 223</b>	<b>183 156</b>	<b>183 156</b>	<b>206 949</b>	<b>206 949</b>
<b>RECEIVABLES</b>						
Receivables related to direct business	1 730	1 730	9 618	9 618	1 141	1 141
Receivables related to reinsurance agreements	143	143	68	68	153	153
Reinsurance share of gross claims reserve	34	34	27	27	0	0
Receivables related to securites	14 804	14 804	15 308	15 308	614	614
Prepaid rent related to real estate activities	212	212	259	259	212	212
Other receivables	481	481	607	607	364	364
<b>Total other loans and receivables including receivables from policyholders</b>	<b>17 405</b>	<b>17 405</b>	<b>25 886</b>	<b>25 886</b>	<b>2 484</b>	<b>2 484</b>

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

NOK MILLIONS	30.06.2020		30.06.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>FINANCIAL LIABILITIES - AT AMORTIZED COST</b>						
Hybrid Tier 1 securities	2 020	1 767	1 693	1 497	1 738	1 672
Subordinated loan capital	3 174	3 545	5 790	6 519	6 012	6 928
Debt to credit institutions	3 975	3 975	879	879	1 407	1 407
Covered bonds issued	25 020	25 062	23 980	23 971	24 415	24 546
Liabilities and deposits from customers	12 245	12 245	11 465	11 465	11 487	11 487
<b>Total financial liabilities</b>	<b>46 434</b>	<b>46 594</b>	<b>43 807</b>	<b>44 331</b>	<b>45 059</b>	<b>46 039</b>
<b>FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Debt to credit institutions	8 217	8 217	3 144	3 144	6 791	6 791
<b>Total financial liabilities</b>	<b>8 217</b>	<b>8 217</b>	<b>3 144</b>	<b>3 144</b>	<b>6 791</b>	<b>6 791</b>
<b>Assets in life insurance with investment option</b>	<b>5 168</b>	<b>5 168</b>	<b>4 240</b>	<b>4 240</b>	<b>4 906</b>	<b>4 906</b>
<b>Provisions in life insurance with investment option</b>	<b>5 168</b>	<b>5 168</b>	<b>4 240</b>	<b>4 240</b>	<b>4 906</b>	<b>4 906</b>

NOK MILLIONS	30.06.2020		30.06.2019		31.12.2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Forward exchange contracts	4 940	1 417	1 748	424	5 572	647
Interest rate swaps	1 163	897	533	149	1 038	99
Interest rate and currency swaps	1 083	0	727	0	973	111
Share option	0	0	0	1	0	0
<b>Total financial derivatives</b>	<b>7 186</b>	<b>2 315</b>	<b>3 008</b>	<b>574</b>	<b>7 582</b>	<b>856</b>



## NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
<b>FIXED - TERM SUBORDINATED LOAN</b>							
Kommunal Landspensjonskasse	5 163	EUR	Fixed <sup>1</sup>	2045	3 174	5 790	6 012
<b>Total subordinated loan capital</b>	<b>5 163</b>				<b>3 174</b>	<b>5 790</b>	<b>6 012</b>
<b>HYBRID TIER 1 SECURITIES</b>							
Kommunal Landspensjonskasse	984	JPY	Fixed <sup>2</sup>	2034	2 020	1 693	1 738
<b>Total hybrid Tier 1 securities</b>	<b>984</b>				<b>2 020</b>	<b>1 693</b>	<b>1 738</b>
<b>COVERED BONDS</b>							
KLP Kommunekreditt AS	0	NOK	Floating	2019	0	288	0
KLP Kommunekreditt AS	0	NOK	Floating	2020	0	1 562	225
KLP Kommunekreditt AS	680	NOK	Fixed	2020	697	697	681
KLP Kommunekreditt AS	1 145	NOK	Floating	2021	1 148	4 017	4 020
KLP Kommunekreditt AS	600	NOK	Fixed	2021	607	607	602
KLP Kommunekreditt AS	5 000	NOK	Floating	2022	5 003	5 010	5 012
KLP Kommunekreditt AS	5 000	NOK	Floating	2023	5 006	5 013	5 016
KLP Kommunekreditt AS	2 500	NOK	Floating	2024	1 908	0	1 303
KLP Kommunekreditt AS	450	NOK	Fixed	2025	450	0	0
KLP Kommunekreditt AS	500	NOK	Fixed	2027	502	502	508
KLP Boligkreditt AS	0	NOK	Floating	2019	0	308	0
KLP Boligkreditt AS	300	NOK	Floating	2020	301	1 826	517
KLP Boligkreditt AS	2 018	NOK	Floating	2021	2 021	2 507	2 509
KLP Boligkreditt AS	2 300	NOK	Floating	2022	2 300	0	0
KLP Boligkreditt AS	2 500	NOK	Floating	2023	2 501	1 601	2 002
KLP Boligkreditt AS	2 500	NOK	Floating	2024	2 500	0	2 001
Other					75	41	19
<b>Total covered bonds</b>	<b>25 493</b>				<b>25 020</b>	<b>23 980</b>	<b>24 415</b>

<sup>1</sup> The loan has an interest change date in 2025.<sup>2</sup> The loan has an interest change date in 2034.

**NOTE 10** Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
<b>DEBT TO CREDIT INSTITUTIONS</b>							
KLP Banken AS	0	NOK	Floating	2019	0	175	0
KLP Banken AS	1 790	NOK	Floating	2020	1 791	301	302
KLP Banken AS	80	NOK	Fixed	2020	81	0	302
KLP Banken AS	1 500	NOK	Floating	2021	1 501	0	200
KLP Banken AS	300	NOK	Floating	2022	300	200	301
KLP Banken AS	300	NOK	Floating	2024	300	200	301
KLP Fond	0	NOK	Fixed	2019	0		0
KLP Fond	0	NOK/EUR/USD	Floating	2019	0	1 211	0
KLP Fond	1 136	NOK/EUR/USD	Floating	2020	1 136	0	0
KLP Fond	1 003	NOK/EUR/USD	Fixed	2020	1 003	0	2 801
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2019	0	1 933	0
Kommunal Landspensjonskasse	4 865	NOK/EUR/USD	Floating	2020	4 865	0	3 990
Kommunal Landspensjonskasse	1 213	NOK/EUR/USD	Fixed	2020	1 213	0	0
Other					2	1	2
<b>Total liabilities to credit institutions</b>	<b>12 187</b>				<b>12 192</b>	<b>4 023</b>	<b>8 199</b>
<b>LIABILITIES AND DEPOSITS FROM CUSTOMERS <sup>3</sup></b>							
Retail	10 614	NOK			10 614	9 441	9 861
Business	1 604	NOK			1 604	1 992	1 589
Foreign	27	NOK			27	31	36
<b>Liabilities to and deposits from customers</b>	<b>12 245</b>				<b>12 245</b>	<b>11 465</b>	<b>11 487</b>
<b>Total financial liabilities</b>	<b>56 071</b>				<b>54 650</b>	<b>46 951</b>	<b>51 850</b>

<sup>3</sup> There is no contractual maturity date on deposits.

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

Deposits belongs to KLP Banken AS.

**NOTE 11** Fair value hierarchy

30.06.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	77 392	77 392
Land/plots	0	0	949	949
Real estate fund	0	0	3 189	3 189
Buildings	0	0	73 253	73 253
Lending at fair value	0	677	0	677
Bonds and other fixed-income securities	44 731	113 504	0	158 235
Certificates	3 108	3 067	0	6 175
Bonds	24 985	110 437	0	135 422
Fixed-income funds	16 637	0	0	16 637
Loans and receivables	20 363	1 768	0	22 130
Shares and units	160 548	1 854	19 820	182 223
Shares	158 494	1 837	2 322	162 653
Equity funds	2 054	0	60	2 114
Property funds	0	15		15
Special funds	0	2	2 905	2 907
Private Equity	0	0	14 534	14 534
Financial derivatives	0	7 186	0	7 186
<b>Total assets at fair value</b>	<b>225 642</b>	<b>124 988</b>	<b>97 212</b>	<b>447 842</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives	0	2 315	0	2 315
Debt to credit institutions <sup>1</sup>	6 001	2 215	0	8 217
<b>Total financial liabilities at fair value</b>	<b>6 001</b>	<b>4 530</b>	<b>0</b>	<b>10 532</b>

<sup>1</sup> 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 3 975 million per 30.06.2020.

**NOTE 11** Fair value hierarchy - cont.

30.06.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
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
<b>Total assets at fair value</b>	<b>222 215</b>	<b>119 613</b>	<b>83 182</b>	<b>425 010</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives	0	574	0	574
Debt to credit institutions <sup>1</sup>	3 144	0	0	3 144
<b>Total financial liabilities at fair value</b>	<b>3 144</b>	<b>574</b>	<b>0</b>	<b>3 718</b>

<sup>1</sup> 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 3 975 million per 30.06.2020.

**NOTE 11** Fair value hierarchy - cont.

31.12.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Investment property	0	0	74 545	74 545
Land/plots	0	0	933	933
Real estate fund	0	0	3 154	3 154
Buildings	0	0	70 458	70 458
Lending at fair value	0	602	0	602
Bonds and other fixed-income securities	40 167	105 973	0	146 140
Certificates	3 344	3 002	0	6 345
Bonds	21 924	102 971	0	124 896
Fixed-income funds	14 899	0	0	14 899
Loans and receivables	22 946	1 724	0	24 670
Shares and units	186 785	5 503	14 660	206 949
Shares	184 673	3 466	2 211	190 350
Equity funds	2 112	0	54	2 166
Property funds	0	32	0	32
Special funds	0	2 005	0	2 005
Private Equity	0	0	12 396	12 396
Financial derivatives	0	7 582	0	7 582
<b>Total assets at fair value</b>	<b>249 898</b>	<b>121 385</b>	<b>89 206</b>	<b>460 489</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives	0	856	0	856
Debt to credit institutions <sup>1</sup>	6 791	0	0	6 791
<b>Total financial liabilities at fair value</b>	<b>6 791</b>	<b>856</b>	<b>0</b>	<b>7 647</b>

<sup>1</sup> 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 3 975 million per 30.06.2020.

**NOTE 11** Fair value hierarchy - cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
Opening balance 1 January	74 545	67 570	67 570
Sold	0	-51	-291
Bought	1 085	2 142	6 167
Unrealised changes	1 744	-73	1 060
Other changes	17	-8	39
<b>Closing balance 30.06.</b>	<b>77 392</b>	<b>69 581</b>	<b>74 545</b>
Realised gains/losses	0	0	42

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
Opening balance 1 January	14 660	12 986	12 986
Sold	-578	-2 139	-3 822
Bought	3 010	1 988	3 662
Unrealised changes	724	765	1 834
<b>Closing balance 30.06.</b>	<b>19 820</b>	<b>13 600</b>	<b>14 660</b>
Realised gains/losses	269	0	1 199
<b>Closing balance 30.06.</b>	<b>97 212</b>	<b>83 182</b>	<b>89 206</b>



**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 4 861 million as of 30.06.2020.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 5 167 million in financial assets valued at fair value at Level 1. Per 30.06.2020 the NOK 5 167 million consist of NOK 3 569 million in shares and units in Level 1, NOK 1 598 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 52 million in stocks moved from Level 2 to Level 1 and NOK 22 millions moved from Level 1 to Level 2. This is due to changes in liquidity.

**NOTE 12** Liquidity risk

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

30.06.2020 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	135	3 727	0	0	3 862
Perpetual hybrid Tier 1 securities <sup>1</sup>	0	105	281	351	1 575	2 313
Debt to and deposits from customers (without defined maturity)	12 245	0	0	0	0	12 245
Covered bonds issued	0	2 164	21 253	1 128	0	24 545
Payables to credit institutions	1 395	3 181	812	0	0	5 388
Financial derivatives	3 694	3 264	62	14	-276	6 759
Accounts payable	66	0	0	0	0	66
Contingent liabilities (without defined maturity)	27 500	0	0	0	0	27 500
<b>Total</b>	<b>44 900</b>	<b>8 849</b>	<b>26 136</b>	<b>1 493</b>	<b>1 300</b>	<b>82 678</b>

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 65 million, payables to credit institutions maturing within one month are reduced with NOK 241 million and derivatives maturing between 1 to 12 months are reduced with NOK 457 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 81 914 million.

30.06.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	248	990	6 073	0	7 311
Perpetual hybrid Tier 1 securities <sup>1</sup>	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
<b>Total</b>	<b>32 130</b>	<b>3 702</b>	<b>24 357</b>	<b>6 903</b>	<b>1 182</b>	<b>68 273</b>

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

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

**NOTE 12** Liquidity risk - cont.

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

31.12.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan <sup>1</sup>	0	252	1 006	6 170	0	7 427
Perpetual hybrid Tier 1 securities <sup>1</sup>	0	64	256	320	1 490	2 130
Debt to and deposits from customers (without defined maturity)	11 487	0	0	0	0	11 487
Covered bonds issued	0	1 413	23 802	601	0	25 816
Payables to credit institutions	51	626	842	0	0	1 519
Financial derivatives	2 260	2 277	69	-142	-306	4 159
Accounts payable	7	0	0	0	0	7
Contingent liabilities (without defined maturity)	23 344	0	0	0	0	23 344
<b>Total</b>	<b>37 149</b>	<b>4 631</b>	<b>25 975</b>	<b>6 949</b>	<b>1 184</b>	<b>75 889</b>

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced by NOK 14 million, payables to credit institutions maturing within one month are reduced by NOK 1 million and derivatives maturing between 1 to 12 months are reduced by NOK 1 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 75 873 million.

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

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

Asset composition in the Group's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise. KLP Kapitalforvaltning 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

30.06.2020 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 01.01.2020 -30.06.2020	Total	Adjusted for the unit holders' interests in consolidated securities funds
<b>ASSETS</b>								
Financial derivatives classified as assets	6	-1	-62	-86	-277	-11	-431	-406
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	2	2	0
Bonds and other fixed-return securities	-52	-49	-1 236	-2 038	-2 508	159	-5 725	-4 806
Fixed income fund holdings	-1 103	0	0	0	0	0	-1 103	-1 103
Lending and receivables	0	-1	0	0	0	138	137	106
Lending	0	0	0	0	0	402	402	402
Cash and bank deposits	0	0	0	0	0	16	16	16
Contingent liabilities <sup>1</sup>	0	0	0	0	0	42	42	42
<b>Total assets</b>	<b>-1 149</b>	<b>-51</b>	<b>-1 298</b>	<b>-2 124</b>	<b>-2 785</b>	<b>749</b>	<b>-6 659</b>	<b>-5 747</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-61	-61	-61
Liabilities created on issue of securities	0	0	0	0	0	-148	-148	-148
Financial derivatives classified as liabilities	-5	2	78	99	0	8	182	182
Hybrid capital, subordinated loans	0	0	0	63	109	0	172	172
Debt to credit institutions	0	0	0	0	0	-33	-33	-33
<b>Total liabilities</b>	<b>-5</b>	<b>2</b>	<b>78</b>	<b>162</b>	<b>109</b>	<b>-234</b>	<b>112</b>	<b>112</b>
<b>Total before tax</b>	<b>-1 155</b>	<b>-49</b>	<b>-1 220</b>	<b>-1 962</b>	<b>-2 676</b>	<b>515</b>	<b>-6 546</b>	<b>-5 636</b>
<b>Total after tax</b>	<b>-866</b>	<b>-37</b>	<b>-915</b>	<b>-1 471</b>	<b>-2 007</b>	<b>386</b>	<b>-4 910</b>	<b>-4 227</b>

<sup>1</sup> Contingent liabilities are lending agreements that are not yet materialized.

**NOTE 13** Interest rate risk – cont.

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
<b>ASSETS</b>								
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 <sup>1</sup>	0	0	0	0	0	44	44	44
<b>Total assets</b>	<b>-50</b>	<b>-38</b>	<b>-1 536</b>	<b>-1 911</b>	<b>-2 308</b>	<b>611</b>	<b>-5 231</b>	<b>-4 609</b>
<b>LIABILITIES</b>								
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
<b>Total liabilities</b>	<b>-4</b>	<b>2</b>	<b>61</b>	<b>57</b>	<b>90</b>	<b>-189</b>	<b>18</b>	<b>18</b>
<b>Total before tax</b>	<b>-54</b>	<b>-36</b>	<b>-1 474</b>	<b>-1 854</b>	<b>-2 218</b>	<b>422</b>	<b>-5 213</b>	<b>-4 590</b>
<b>Total after tax</b>	<b>-40</b>	<b>-27</b>	<b>-1 106</b>	<b>-1 390</b>	<b>-1 664</b>	<b>317</b>	<b>-3 910</b>	<b>-3 443</b>

<sup>1</sup> Contingent liabilities are lending agreements that are not yet materialized.

**NOTE 13** Interest rate risk – cont.

31.12.2019 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 -31.12.2019	Total	Adjusted for the unit holders' interests in consolidated securities funds
<b>ASSETS</b>								
Financial derivatives classified as assets	-2	-4	-32	-52	-272	-12	-374	-350
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	0	0	0
Bonds and other fixed-return securities	-45	-46	-1 185	-1 671	-1 986	310	-4 623	-3 950
Fixed income fund holdings	-1 034	0	0	0	0	0	-1 034	-1 034
Lending and receivables	-1	-2	0	0	0	109	107	81
Lending	0	0	0	0	0	723	723	723
Cash and bank deposits	0	0	0	0	0	32	32	32
Contingent liabilities <sup>1</sup>	0	0	0	0	0	93	93	93
<b>Total assets</b>	<b>-1 082</b>	<b>-52</b>	<b>-1 216</b>	<b>-1 723</b>	<b>-2 258</b>	<b>1 254</b>	<b>-5 077</b>	<b>-4 406</b>
<b>LIABILITIES</b>								
Deposit	0	0	0	0	0	-115	-115	-115
Liabilities created on issue of securities	0	0	0	0	0	-258	-258	-258
Financial derivatives classified as liabilities	2	2	47	-15	0	9	45	42
Hybrid capital, subordinated loans	0	0	0	53	93	0	147	147
Debt to credit institutions	0	0	0	0	0	-20	-20	-20
<b>Total liabilities</b>	<b>2</b>	<b>2</b>	<b>47</b>	<b>38</b>	<b>93</b>	<b>-384</b>	<b>-201</b>	<b>-205</b>
<b>Total before tax</b>	<b>-1 079</b>	<b>-50</b>	<b>-1 169</b>	<b>-1 685</b>	<b>-2 164</b>	<b>870</b>	<b>-5 278</b>	<b>-4 610</b>
<b>Total after tax</b>	<b>-810</b>	<b>-38</b>	<b>-877</b>	<b>-1 263</b>	<b>-1 623</b>	<b>653</b>	<b>-3 958</b>	<b>-3 458</b>

<sup>1</sup> 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

30.06.2020 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	29 852	59	30	0	0	0	1 358	31 299	31 299
Debt instruments classified as loans and receivables at amortized cost	136 095	0	964	20	0	0	18 635	155 714	155 714
Debt instruments at fair value - fixed-return securities <sup>2</sup>	116 034	1 180	5 195	10 500	0	0	8 689	141 597	124 334
Fixed-income funds	0	0	0	0	0	0	18 043	18 043	16 637
Loans and receivables	21 832	0	0	298	0	0	0	22 130	17 701
Financial derivatives classified as assets	7 186	0	0	0	0	0	0	7 186	6 731
Cash and bank deposits	3 192	0	0	69	0	0	0	3 261	3 261
Lending	0	0	81 913	0	20 686	3 119	12 803	118 522	118 522
<b>Total</b>	<b>314 127</b>	<b>1 239</b>	<b>88 102</b>	<b>10 887</b>	<b>20 686</b>	<b>3 119</b>	<b>59 527</b>	<b>497 752</b>	<b>474 199</b>

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Investment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	12 839	4 245	9 948	2 820	29 852
Debt instruments classified as loans and receivables at amortized cost	24 415	20 226	56 914	34 540	136 095
Debt instruments at fair value - fixed-return securities	34 739	12 326	33 201	35 768	116 034
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	9 354	12 323	155	21 832
Financial derivatives classified as assets	0	2 784	4 402	0	7 186
Cash and bank deposits	0	2 995	197	0	2 955
Lending	0	0	0	0	0
<b>Total</b>	<b>71 993</b>	<b>51 931</b>	<b>116 984</b>	<b>73 283</b>	<b>314 191</b>

<sup>1</sup> 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.

<sup>2</sup> 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 1 405 million per 30.06.2020.

**NOTE 14** Credit risk – cont.

30.06.2019 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	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	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
<b>Total</b>	<b>277 956</b>	<b>967</b>	<b>74 655</b>	<b>16 224</b>	<b>18 175</b>	<b>2 092</b>	<b>59 657</b>	<b>449 727</b>	<b>431 180</b>

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Investment grade
	AAA	AA	A	BBB	
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
<b>Total</b>	<b>73 592</b>	<b>38 251</b>	<b>111 253</b>	<b>54 860</b>	<b>277 956</b>

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

**NOTE 14** Credit risk – cont.

31.12.2019 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% <sup>1</sup>	Mortgage > 80% <sup>1</sup>	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	28 238	36	31	0	0	0	1 396	29 701	29 701
Debt instruments classified as loans and receivables at amortized cost	125 936	0	1 000	927	0	0	22 717	150 580	150 580
Debt instruments at fair value - fixed-return securities	102 713	964	4 675	12 483	0	0	11 777	132 612	117 725
Fixed-income funds	0	0	0	0	0	0	14 899	14 899	14 899
Loans and receivables	24 103	0	0	566	0	0	1	24 670	20 023
Financial derivatives classified as assets	7 582	0	0	0	0	0	0	7 582	6 238
Cash and bank deposits	3 125	0	0	69	0	0	0	3 194	3 194
Lending	0	0	72 567	0	19 314	2 457	11 992	106 329	106 329
<b>Total</b>	<b>291 696</b>	<b>1 000</b>	<b>78 274</b>	<b>14 045</b>	<b>19 314</b>	<b>2 457</b>	<b>62 782</b>	<b>469 568</b>	<b>448 690</b>

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					
	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	11 813	4 086	9 757	2 582	28 238
Debt instruments classified as loans and receivables at amortized cost	25 002	19 920	57 825	23 188	125 936
Debt instruments at fair value - fixed-return securities	34 698	9 183	29 160	29 672	102 713
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	12 064	11 358	681	24 103
Financial derivatives classified as assets	0	2 175	5 382	25	7 582
Cash and bank deposits	0	1 979	1 146	0	3 125
Lending	0	0	0	0	0
<b>Total</b>	<b>71 513</b>	<b>49 407</b>	<b>114 629</b>	<b>56 147</b>	<b>291 696</b>

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

**NOTE 14** Credit risk – cont.

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

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

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

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

The rating above are gathered from Standard & Poor's, Moody's, Fitch, Scope Ratings and Nordic Credit Rating. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. The lowest rating of the five is used and all five 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 30.06.2020. 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	30.06.2020		30.06.2019		31.12.2019	
	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
<b>10 LARGEST COUNTERPARTIES</b>						
Counterparty 1	12 235	11 587	11 205	10 984	13 956	13 026
Counterparty 2	10 973	10 272	10 741	9 131	11 144	8 896
Counterparty 3	10 758	9 808	9 598	8 582	9 463	7 948
Counterparty 4	9 808	7 548	8 505	8 505	7 471	7 295
Counterparty 5	7 146	7 029	7 551	7 259	7 376	7 138
Counterparty 6	6 895	6 773	5 807	5 709	7 318	6 535
Counterparty 7	5 451	5 387	4 775	4 703	6 535	6 107
Counterparty 8	4 703	4 703	4 750	4 661	6 198	6 076
Counterparty 9	4 297	4 189	4 703	4 643	4 698	4 698
Counterparty 10	3 836	3 537	3 725	3 536	4 309	4 189
<b>Total</b>	<b>76 103</b>	<b>70 832</b>	<b>71 359</b>	<b>67 714</b>	<b>78 468</b>	<b>71 910</b>

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	30.06.2020	30.06.2019	31.12.2019
Premium reserves - ordinary tariff	468 030	450 838	463 481
Premium funds, buffer funds and pensioners' surplus funds	13 128	12 690	20 297
Supplementary reserves	35 947	28 403	28 320
Securities adjustment fund	43 369	48 104	55 724
Other provisions	77	61	61
Profit/loss allocated to insurance contracts	3 458	4 238	0
<b>Technical provisions in life insurance</b>	<b>564 010</b>	<b>544 335</b>	<b>567 883</b>

NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
Premium reserves	5 152	4 224	4 892
Deposit funds	16	16	14
<b>Provisions in life insurance with investment options</b>	<b>5 168</b>	<b>4 240</b>	<b>4 906</b>

**NOTE 16** Other current liabilities

NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
Short-term payables trade in securities	18 469	19 230	2 644
Incurring not assessed taxes	1 232	571	1 181
Advance tax-deduction pension scheme	708	688	432
Accounts payable	198	299	184
Pre-called contribution to insurance	1 023	105	867
Other current liabilities	1 062	773	990
<b>Total other current liabilities</b>	<b>22 692</b>	<b>21 666</b>	<b>6 298</b>

**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 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 230 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 306 per cent.

	30.06.2020	30.06.2019	31.12.2019
Solvency II - SCR ratio	230%	239%	253%

NOK BILLIONS	30.06.2020	30.06.2019	31.12.2019		30.06.2020	30.06.2019	31.12.2019
<b>SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT</b>							
Assets, book value	637	603	631	Best estimate	573	547	569
Added values - hold-to-maturity portfolio/loans and receivables	17	9	7	Risk margin	17	14	14
Added values - other lending	2	1	0	Hybrid Tier 1 securities/ Subordinated loan capital	5	8	8
Other added/lesser values	0	0	0	Other liabilities <sup>1</sup>	28	9	15
Deferred tax asset	0	0	0	Deferred tax liabilities	1	2	1
<b>Total assets - solvency II</b>	<b>656</b>	<b>613</b>	<b>638</b>	<b>Total liabilities - solvency II</b>	<b>625</b>	<b>580</b>	<b>607</b>
				Excess of assets over liabilities	31	33	31
				- Deferred tax asset	0	0	0
				- Risk equalisation fund <sup>1</sup>	0	-5	0
				+ Hybrid Tier 1 securities	2	2	2
				<b>Tier 1 basic own funds</b>	<b>32</b>	<b>29</b>	<b>33</b>
				<b>Total eligible tier 1 own funds</b>	<b>32</b>	<b>29</b>	<b>33</b>
				Subordinated loans	3	6	6
				Risk equalisation fund <sup>1</sup>	0	5	0
				<b>Tier 2 basic own funds</b>	<b>3</b>	<b>12</b>	<b>6</b>
				Ancillary own funds	12	11	12
				<b>Tier 2 ancillary own funds</b>	<b>12</b>	<b>11</b>	<b>12</b>
				Deduction for max. eligible tier <sup>2</sup> own funds	-7	-16	-10
				<b>Total eligible tier 2 own funds</b>	<b>8</b>	<b>7</b>	<b>7</b>
				Deferred tax asset	0	0	0
				<b>Total eligible tier 3 own funds</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<b>Solvency II total eligible own funds</b>	<b>41</b>	<b>36</b>	<b>40</b>
				Solvency capital requirement (SCR)	18	15	16
				<b>Solvency II- SCR ratio</b>	<b>230%</b>	<b>239%</b>	<b>253%</b>

<sup>1</sup> As of 2019, the risk equalisation fund is presented as a loss absorbing liability, instead of as Tier 2 capital.

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

30.06.2020 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	7 186	0	7 186	-1 806	-5 332	-168	69	278
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Repos	0	0	0	0	0	0	0	0
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<b>Total</b>	<b>7 186</b>	<b>0</b>	<b>7 186</b>	<b>-1 806</b>	<b>-5 332</b>	<b>-168</b>	<b>69</b>	<b>278</b>
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**LIABILITIES**

Financial derivatives	2 315	0	2 315	-1 806	-356	-10	504	504
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Repos	2 216	0	2 216	0	0	0	2 216	2 216
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<b>Total</b>	<b>4 530</b>	<b>0</b>	<b>4 530</b>	<b>-1 806</b>	<b>-356</b>	<b>-10</b>	<b>2 720</b>	<b>2 720</b>
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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
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Repos	0	0	0	0	0	0	0	0
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<b>Total</b>	<b>3 008</b>	<b>0</b>	<b>3 008</b>	<b>-573</b>	<b>-2 538</b>	<b>-156</b>	<b>7</b>	<b>8</b>
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**LIABILITIES**

Financial derivatives	618	0	618	-573	-34	-77	44	44
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Repos	0	0	0	0	0	0	0	0
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<b>Total</b>	<b>618</b>	<b>0</b>	<b>618</b>	<b>-573</b>	<b>-34</b>	<b>-77</b>	<b>44</b>	<b>44</b>
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**NOTE 18** Presentation of assets and liabilities that are subject to net settlement - cont.

31.12.2019 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
<b>ASSETS</b>								
Financial derivatives	7 582	0	7 582	-846	-6 114	-353	281	237
Repos	0	0	0	0	0	0	0	0
<b>Total</b>	<b>7 582</b>	<b>0</b>	<b>7 582</b>	<b>-846</b>	<b>-6 114</b>	<b>-353</b>	<b>281</b>	<b>237</b>
<b>LIABILITIES</b>								
Financial derivatives	856	0	856	-846	-23	0	10	10
Repos	0	0	0	0	0	0	0	0
<b>Total</b>	<b>856</b>	<b>0</b>	<b>856</b>	<b>-846</b>	<b>-23</b>	<b>0</b>	<b>10</b>	<b>10</b>

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

"Debt to credit institutions" in the balance sheet.

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

**NOTE 19** Pension obligations

NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
Capitalized net liability 01.01.	790	880	880
Capitalized pension costs	81	88	185
Capitalized financial costs	11	14	28
Actuarial gains and losses	404	60	-151
Premiums / contributions received	-61	-61	-152
<b>Capitalized net liability 30.06./31.12.</b>	<b>1 226</b>	<b>981</b>	<b>790</b>

ASSUMPTIONS	30.06.2020	30.06.2019	31.12.2019
Discount rate	1.50%	2.40%	2.30%
Salary growth	2.25%	2.75%	2.25%
The National Insurance basic amount (G)	2.00%	2.50%	2.00%
Pension increases	1.24%	1.73%	1.24%
Social security contribution rate	14.10%	14.10%	14.10%
Capital activity tax	5.00%	5.00%	5.00%

The effect of changes in pension assumptions increases the pension liability for employees with NOK 404 million as of 30.06.2020. The change is recognized in other comprehensive income in the income statement.

**NOTE 20** Assets held for sale

The KLP Group offers defined contribution and occupational pensions, including the management of pension capital certificates and paid-up policies, for public and private sector enterprises. The business has 4,111 corporate clients in its defined contributions and company pension scheme at the end of the second quarter of 2020, which encompassed a total of 65,576 active members and owners of pension capital certificates and paid-up policies.

Total assets stand at NOK 7 562 million, of which insurance liabilities amount to NOK 6 972 million. Pre-tax profit for the first half of 2020 amounted to NOK minus 33.4 million. The business has 9 employees, and is run through the company KLP Bedriftspensjon AS.

An agreement was signed between KLP and DnB Livsforsikring AS (DnB) on June 22, 2020 on the sale of all shares in KLP Bedriftspensjons AS from KLP to DnB. The sale requires approvals from the Financial Supervisory Authority of Norway, as well as the Norwegian Competition Authority, and is expected to be completed during the third quarter of 2020. Assets and liabilities related to the business operated by KLP Bedriftspensjon will be derecognised from the balance sheet at the time the transaction is completed.

**NOTE 20** Assets held for sale – cont.

The assets for the obligations designated for sale constitute the entire segment of private private occupational pensions. Income and balance sheet items from the business Collective private pension are shown below.

OPERATING PROFIT	
Premium income for own account	571
Current return on financial assets	41
Net value changes on financial instruments	-195
Net income from investment properties	-6
Other income	4
<b>Total net income</b>	<b>414</b>
Claims for own account	-94
Change in technical provisions	-310
Operating expenses	-38
Change in value of assets held for sale	-152
Other expenses	-9
<b>Total expenses</b>	<b>-603</b>
<b>Operating profit/loss</b>	<b>-189</b>
To/from securities adjustment fund – life insurance	3
<b>Pre-tax income</b>	<b>-185</b>
<b>Cost of taxes</b>	<b>0</b>
<b>Income</b>	<b>-185</b>
Actuarial loss and profit on post employment benefit obligations	-5
<b>Total other comprehensive income</b>	<b>-5</b>
<b>Total comprehensive income</b>	<b>-190</b>
ASSETS AND LIABILITIES HELD FOR SALE	
Intangible assets	10
Debt instruments held to maturity	95
Debt instruments classified as loans and receivables	1 655
Debt instruments at fair value through profit or loss	1 961
Equity capital instruments at fair value through profit/loss	3 631
Investment property	190
Assets in defined contribution-based life insurance	15
Cash and bank deposits	7
<b>Total assets</b>	<b>7 562</b>
Technical provisions - life insurance	1 802
Provisions in life insurance with investment option	5 168
Pension obligations	12
Other current liabilities	179
<b>Total liabilities</b>	<b>7 161</b>
<b>Net assets held for sale</b>	<b>401</b>

## Key figures - Accumulated

NOK MILLIONS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
<b>KLP GROUP</b>								
Profit before tax	713	113	3 193	2 518	1 678	953	2 840	2 255
Total assets	785 598	764 898	762 737	744 567	736 852	699 017	675 558	691 571
Owners' equity	37 245	36 836	37 340	36 781	34 893	34 457	33 857	32 307
Solvency SCR ratio	230%	214%	253%	248%	239%	245%	243%	249%
Number of employees in the Group	1 010	1 008	1 007	1 001	998	993	990	990
<b>KOMMUNAL LANDSPENSJONSKASSE</b>								
Profit before tax	523	-7	2 637	2 149	1 457	808	2 425	1 876
Premium income for own account	17 124	9 589	40 234	32 157	21 834	6 705	38 727	31 259
- of which inflow of premium reserve	2 865	2 503	11	0	0	0	5	5
Insurance customers' funds incl. acc. profit	17 809	11 478	20 157	15 077	10 028	5 022	18 847	14 110
- of which funds with guaranteed returns	7 655	6 377	292	288	288	248	497	497
Net investment common portfolio	574 890	570 649	574 953	551 696	541 802	529 900	515 905	509 046
Net investment choice portfolio	1 966	2 082	2 662	2 592	2 589	2 491	2 423	2 478
Insurance funds incl. earnings for the year	561 994	542 408	566 230	554 350	542 589	524 095	507 600	514 393
- of which funds with guaranteed interest	479 588	474 366	482 260	466 523	461 642	449 226	445 799	439 939
Solvency capital requirement (SCR)	41 148	38 960	40 530	38 238	36 410	36 510	36 106	36 854
Solvency SCR ratio	252%	234%	278%	274%	264%	270%	263%	274%
Riskprofit	149.5	200	1 031	940	536	207	958	578
Return profits	3 417	-149	10 720	4 720	4 338	2 157	5 207	6 086
Administration profit	64	39	186	173	80	48	137	115
Solvency capital	143 139	123 211	150 617	139 677	132 050	123 125	108 825	120 680
Book return on common portfolio	1.9 %	0.6 %	4.5 %	2.7 %	2.0 %	1.0 %	3.5 %	3.1 %
Value-adjusted return on common portfolio	-0.5 %	-3.7 %	8.5 %	6.6 %	4.8 %	3.1 %	1.5 %	2.9 %
Return on unit-linked portfolio	-1.8 %	-5.7 %	9.9 %	7.4 %	5.4 %	3.7 %	0.6 %	3.1 %
Return on corporate portfolio	0.4 %	-0.1 %	4.3 %	3.4 %	2.6 %	1.3 %	4.2 %	3.1 %

## Key figures - Accumulated - cont.

NOK MILLIONS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
<b>KLP SKADEFORSIKRING AS</b>								
Profit before tax	18.2	-126.1	165.6	140.5	138.4	109.5	17.5	105.6
Gross premium due	840.4	415.4	1 529.8	1 131.1	741.2	363.4	1 338.2	994.5
Premium income for own account	804.6	397.9	1 475.7	1 090.9	714.4	350.0	1 268.4	942.3
Owners' equity	1 924.0	1 819.9	1 940.5	1 875.9	1 874.2	1 852.6	1 775.0	1 860.0
Claims ratio	83.3 %	86.8 %	90.5 %	90.8 %	85.7 %	80.7 %	83.5 %	80.5 %
Combined-ratio	101.9 %	105.7 %	109.0 %	108.6 %	104.8 %	99.4 %	104.5 %	100.1 %
Return on assets under management	0.8 %	-2.3 %	6.7 %	5.3 %	3.9 %	2.5 %	1.8 %	2.4 %
Solvency capital requirement (SCR)	1 934	1 815	1 958	1 882	1 854	1 823	1 759	1 840
Solvency SCR ratio	234%	213%	240%	246%	248%	246%	243%	251%
Annual premium in force – retail market	734.6	709.3	683.9	651.1	630.5	609.6	587.9	564.1
Annual premium in force – public sector market	999.7	987.5	925.1	910.6	901.3	892.8	809.0	797.8
Net new subscriptions (accumulated within the year)	51.5	24.8	145.3	93.4	72.4	44.7	119.8	43.8
<b>KLP BEDRIFTSPENSJON AS</b>								
Profit before tax	-33.5	-13.7	-12.6	-8.6	-10.7	-0.7	-20.8	-24.1
Premium income for own account	570.7	313.5	1 134.8	869.8	624.7	361.4	1 041.3	731.8
- of which premium reserve added	210	133.2	495.7	394.6	309.6	202.1	519.6	350.4
Insurance customers' funds including accumulated profit	6 970	6 342	6 649	6 264	5 985	5 684	5 080	5 100
- of which funds with guaranteed returns	1 601	1 595	1 538	1 550	1 551	1 535	1 492	1 498
Returns profit	-13	2.1	13.4	8.4	5.7	3.3	28.1	25.3
Risk result	-14.6	6.3	7.7	0.8	-2.0	1.7	3.4	-7.9
Administration losses	-20	-9.6	-38.1	-26.8	-19.2	-9.6	-38.9	-28.6
Solvency capital requirement (SCR)	236	171	323	202	204	235	233	211
Solvency SCR ratio	120%	81%	204%	123%	124%	140%	147%	133%
Solvency capital	830	758.2	763.9	692.5	676.3	672.4	646.3	642
Book capital return on common portfolio	0.5 %	0.8 %	3.4 %	2.4 %	1.6 %	0.8 %	4.5 %	3.6 %
Value-adjusted capital return on common portfolio	0.4 %	0.2 %	4.1 %	2.9 %	2.0 %	1.1 %	3.0 %	2.4 %
Return on defined unit-linked contribution pensions	-3.8 %	-11.9 %	16.8 %	12.6 %	9.5 %	7.4 %	-3.8 %	4.5 %
Return on corporate portfolio	1.4 %	0.1 %	3.0 %	2.5 %	1.8 %	1.0 %	1.1 %	1.0 %

## Key figures - Accumulated - cont.

NOK MILLIONS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
<b>KLP BANKEN GROUP</b>								
Profit/loss before tax	39.9	15.0	102.3	77.3	50.6	24.0	83.4	71.1
Net interest income	141.6	78.5	292.9	209.4	138.1	66.0	248.5	183.2
Other operating income	39.0	19.4	78.1	58.4	38.5	18.9	75.4	56.0
Operating expenses and depreciation	-124.6	-63.6	-238.5	-167.8	-114.4	-57.5	-226.9	-160.7
Net realized/unrealized changes in financial instruments to fair value	-16.1	-19.4	-30.2	-22.7	-11.6	-3.4	-13.5	-7.4
Contributions	12 245	12 034	11 487	11 649	11 465	11 031	10 662	10 531
Housing mortgages granted	20 121	19 143	18 387	17 746	17 351	17 038	16 716	16 243
Loan(s) with public guarantee(s)	17 357	16 823	16 547	16 524	16 293	16 660	16 759	16 206
Defaulted loans	77	97	86	69	60	62	56	32
Borrowing on the issuance of securities	25 993	25 899	25 822	25 528	24 858	24 655	24 040	23 496
Total assets	43 850	42 002	39 699	39 611	38 861	38 586	37 089	36 468
Average total assets	41 775	40 850	38 394	38 350	37 975	37 837	36 035	35 725
Owners' equity	2 339	2 322	2 221	2 195	2 174	2 154	2 138	2 130
Net interest rate	0.34%	0.19%	0.76%	0.55%	0.36%	0.17%	0.69%	0.51%
Profit/loss from general operations before tax	0.10%	0.04%	0.27%	0.20%	0.13%	0.06%	0.23%	0.20%
Return on owners' equity before tax	3.59%	2.69%	4.78%	4.82%	4.73%	4.50%	3.83%	4.56%
Capital adequacy	18.4 %	18.8 %	19.1 %	19.0 %	19.6 %	19.0 %	20.1 %	19.9 %
Number of private customers	44 213	43 712	42 785	69 147	66 879	64 729	62 502	60 697
Of this members of KLP	32 533	32 135	31 361	49 814	48 135	46 453	44 693	43 267
<b>KLP KAPITALFORVALTNING AS</b>								
Profit/loss before tax	-1.9	-0.3	44.3	45.2	19.2	-2.1	16.7	26.6
Total assets under management	563 238	524 877	563 567	544 395	530 531	520 816	494 542	498 246
Assets managed for external customers	87 968	74 598	83 405	77 736	71 301	70 628	63 696	68 975



# **Sustainability Report**

Q2 2020



# Sustainability Report

INTEGRATING CORPORATE RESPONSIBILITY INTO ALL OUR OPERATIONS	30.06.2020	30.06.2019	30.06.2018	Contributes towards UN Sustainable Development Goal
<b>EMPLOYEE STATISTICS</b>				
Employees of KLP	1 010	998	980	n/a
Total sickness absence	3.7 %	3.1 %	3.8 %	3.
<b>ENVIRONMENT</b>				
Number of flights (stretches)	1 519	3 506	3 420	13, 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO <sub>2</sub> e)	182	410	458	13, 12.
Energy consumption in KLP's own offices (kWh/m <sup>2</sup> )	75	138	130	9, 13.
Energy consumption in KLP's property portfolio (kWh/m <sup>2</sup> )	175	196	194	9, 13.
ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION	30.06.2020	30.06.2019	30.06.2018	Contributes towards UN Sustainable Development Goal
Companies excluded from investments	543	346	186	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	79 (99 %)	80 (98 %)	85 (98 %)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	4 989 (96 %)	5 885 (97 %)	2 310 (95 %)	n/a
Companies KLP has had direct dialogue with	198	58	99	All SDGs

# Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in the 2nd quarter					
	2020	2019	30.06.2020	30.06.2019	30.06.2018	Contributes towards UN Sustainable Development Goal
CLIMATE-FRIENDLY INVESTMENTS						
Renewable energy in Norway (MNOK)	1 003	-911	23 038	21 760	22 589	7.
Renewable energy internationally (MNOK)	369	285	5 121	2 038	1 833	7.
Renewable energy in developing countries (MNOK)	53	33	868	547	445	7. 9. 17.
International power companies (MNOK)	87	-29	2 571	2 464	n/a	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	621	75	15 324	11 980	10 307	9.
Green bonds (MNOK)	244	87	1 661	914	765	n/a
Other climate-friendly investments (MNOK)	1 343	3	1 758	140	n/a	n/a
Total (MNOK)	3 720	-457	50 341	39 843	35 939	n/a
As a proportion of KLP's investments	1%	-1%	8%	7%	7%	n/a
Fossil energy (market value in MNOK)	6	-347	8 059	10 812	11 432	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0%	0%	1%	2%	2%	n/a
Renewable energy (market value in MNOK)	1 350	-1 090	31 598	26 856	28 014	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0%	0%	5%	5%	5%	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	621	74	15 324	11 980	10 307	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	2%	0%	21%	18%	16%	9.
FINANCE IN DEVELOPING COUNTRIES						
Banking and finance in developing countries (mNOK)	-103	3	736	608	554	1. 5. 8. 17.
SEED INVESTMENTS						
Seed investments in Norway (mNOK)	3	1	10	4	2	8.

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in the 2nd quarter					
	2020	2019	30.06.2020	30.06.2019	30.06.2018	Contributes towards UN Sustainable Development Goal
LENDING BUSINESS						
Loans for roads and transport (MNOK)	-7 578	103	1 745	8 744	8 104	9
Loans for public property (MNOK)	366	-41	5 377	4 730	4 537	9
Loans to public sector and businesses (MNOK)	12 414	1 672	69 477	53 612	47 076	n/a

# Notes to the Sustainability Report

## INTEGRATING CORPORATE RESPONSIBILITY INTO ALL OUR OPERATIONS

*At KLP corporate responsibility shall be integrated in all business operations and processes in a relevant and appropriate manner.*

## 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*.

### 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.

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:

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

Number of flights and energy consumption in the second quarter were strongly affected by covid-19. Following the national infection control measures, KLP introduced a home office scheme and restrictions for business travel. This has resulted in fewer flights and reduced energy consumption in the office.

### DEFINITION:

#### Corporate air travel:

Number of flights is based on data provided by our travel agent. They report number of flights as number of flight stretches. The methodology was changed in the third quarter of 2019, when our travel agent began reporting number of flights stretches instead of number of return flights, which can consist of multiple stretches. Number of flights for previous years have been updated according to the new methodology, and will therefore deviate from the numbers reported previously.

Greenhouse gas emissions from KLPs corporate air travel is calculated based on number of kilometres flown, and our travel agent provides the data. In 2019 our travel agent also updated the greenhouse gas emissions factor. Emissions for previous years have been updated according to the new factor, and will therefore deviate from the numbers reported previously.

### 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/m<sup>2</sup> 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 A MORE SUSTAINABLE OPERATION

*KLP is a committed investor and owner seeking to influence individual companies, industries and markets.*

### UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

### TARGET:

- KLP aims to vote at 75 per cent of general meetings internationally, and 90 per cent of general meetings in Norway.

### DEFINITION:

The number of exclusions shows the total number of companies KLP has excluded from its investments as of the end of the quarter, 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 clarify how they handle social responsibility issues, and also communicates our expectations as an investor and owner.

## INCREASE CLIMATE-FRIENDLY INVESTMENTS

*KLP's investments promote many different dimensions of sustainable development, but given KLP's focus on climate change we focus especially on climate-friendly investments. KLP aims to manage its capital in a climate-friendly direction by setting specific targets for selected investments.*

### UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

### TARGET:

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

### DEFINITION:

Market value of the investments in NOK millions is stated.

### Renewable energy:

Renewable energy in Norway covers equity and bond investments in Norwegian energy and grid companies. Energy companies are classified as electricity producers, with power generation stemming from hydroelectric power, wind power or bio-fuels. . This quarter we have also included loans to public-sector enterprises, companies and projects in Norway within the energy sector, which have not been included previous quarters.

Renewable energy internationally covers investments in new renewable energy projects. These are both equity investments and project financing. The investments are made either through external fund managers specialising in energy or through other 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.

**International power companies:**

Investments in power companies entail listed, international power companies who mainly generate power from renewable energy sources.

**Buildings with environmental qualities:**

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

**Green bonds:**

The market value includes bonds that are classified as green and are not already included in KLP's investments in renewable energy in Norway above.

**Other climate-friendly investments:**

Climate-friendly investments that are not covered by the aforementioned main categories are combined in this indicator. For instance, KLP has lent to electric ferries and invested in a fund investing in forest-properties, in addition to green loans to public-sector enterprises, companies and projects in Norway in water, drainage and sanitation.

**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 and some international power companies.

**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.

**FINANCE IN DEVELOPING COUNTRIES:**

*Underdeveloped financial institutions and lack of access to financial services such as savings, loans and insurance 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:**

Among other things, the indicators support UN Sustainable Development Goal 8, *Decent work and economic growth*, particularly target 8.3, Support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

**TARGET:**

Not defined.

**DEFINITION:**

In 2018, KLP established a portfolio for seed investments aimed at the Norwegian research community. By the end of 2019, KLP had entered into agreements with four seed investments funds. The number reported here is the market value of investments made.

**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.





# Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE  
Q2 2020



# Income statement

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
3	Premium income	7 535	15 129	17 124	21 834	40 234
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	-839	980	3 030	1 051	2 876
	Interest income and dividends etc. on financial assets	2 487	2 450	5 169	4 609	10 444
	Value changes on investments	26 080	4 252	-10 879	18 924	28 591
	Gains and losses realized on investments	-9 180	1 073	22	-204	2 140
	<b>Net income from investments in the common portfolio</b>	<b>18 547</b>	<b>8 754</b>	<b>-2 658</b>	<b>24 381</b>	<b>44 051</b>
	Net income from investments in the investment option portfolio	86	41	-44	130	238
	Other insurance-related income	287	268	582	547	1 118
4	Claims	-6 332	-5 006	-17 809	-10 028	-20 157
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-15 766	-15 956	7 455	-30 511	-58 692
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	99	-53	613	-57	-232
	Funds assigned to insurance contracts - contractual liabilities	0	0	0	0	-2 841
	Unallocated profit to insurance contracts	-3 403	-2 347	-3 503	-4 516	0
5	Insurance-related operating expenses	-308	-289	-601	-556	-1 129
	Other insurance-related costs	-297	-270	-593	-546	-1 119
	<b>Technical profit/loss</b>	<b>449</b>	<b>273</b>	<b>566</b>	<b>679</b>	<b>1 470</b>
14	Change in value assets held for sale	-152	0	-152	0	0
	Net income from investments in the corporate portfolio	610	468	653	956	1 525
	Other income	0	3	4	6	16
13	Administration costs and other costs associated with the corporate portfolio	-415	-95	-549	-183	-374
	<b>Non-technical profit/loss</b>	<b>43</b>	<b>376</b>	<b>-43</b>	<b>778</b>	<b>1 167</b>
	<b>Profit/loss pre-tax</b>	<b>492</b>	<b>649</b>	<b>523</b>	<b>1 457</b>	<b>2 637</b>
	Tax	-106	-221	-115	-367	-499
	<b>Income before other income and expenses</b>	<b>386</b>	<b>428</b>	<b>408</b>	<b>1 090</b>	<b>2 138</b>
12	Actuarial gains and losses on defined benefits pension schemes	-35	0	-258	-40	89
	Proportion of other comprehensive income on application of the equity method	-21	0	-146	-21	62
	Adjustment of the insurance liabilities	44	0	44	5	-16
	Tax on other income and expenses that will not be reclassified to profit or loss	9	0	64	10	-22
	<b>Total other income and expenses that will not be reclassified to profit or loss</b>	<b>-3</b>	<b>0</b>	<b>-295</b>	<b>-45</b>	<b>113</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>383</b>	<b>428</b>	<b>112</b>	<b>1 045</b>	<b>2 251</b>

# Statement of financial position

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
<b>ASSETS</b>				
<b>ASSETS IN THE CORPORATE PORTFOLIO</b>				
	Intangible assets	480	279	358
7	Investment properties	971	958	955
	Shares and holdings in property subsidiaries	3 134	2 920	3 005
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 590	4 828	5 084
14	Shares in subsidiaries held for sale	401	0	0
6	Financial assets valued at amortized cost	19 098	18 159	18 497
6,7	Financial assets valued at fair value	19 528	12 412	14 198
	Receivables	1 129	9 171	660
11	Right-of-use assets	154	255	204
	Other assets	917	1 213	942
<b>Total assets in the corporate portfolio</b>		<b>50 401</b>	<b>50 194</b>	<b>43 902</b>
<b>ASSETS IN THE CUSTOMER PORTFOLIOS</b>				
	Shares and holdings in property subsidiaries	56 895	48 932	53 910
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 268	3 186	3 079
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	13 643	14 418	14 051
6	Financial assets valued at amortized cost	252 980	217 395	237 100
6,7	Financial assets valued at fair value	247 105	257 872	266 813
<b>Total investment in the common portfolio</b>		<b>574 890</b>	<b>541 802</b>	<b>574 953</b>
	Shares and holdings in property subsidiaries	205	242	266
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	69	71	69
6	Financial assets at amortized costs	715	893	898
6,7	Financial assets at fair value	977	1 383	1 428
<b>Total investments in the investment option portfolio</b>		<b>1 966</b>	<b>2 589</b>	<b>2 662</b>
<b>Total assets in the customer portfolios</b>		<b>576 857</b>	<b>544 390</b>	<b>577 615</b>
<b>TOTAL ASSETS</b>		<b>627 258</b>	<b>594 584</b>	<b>621 518</b>

# Statement of financial position

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
<b>OWNERS' EQUITY AND LIABILITIES</b>				
	Owners' equity contributed	16 333	14 552	16 540
	Retained earnings	20 890	20 326	20 778
	<b>Total owners' equity</b>	<b>37 223</b>	<b>34 878</b>	<b>37 318</b>
6	Subordinated loan capital etc.	5 194	7 483	7 750
	Premium reserve etc.	464 904	446 907	459 343
	Supplementary reserves	35 727	28 191	36 070
	Securities adjustment fund	43 110	48 089	55 761
	Premium funds, defined contribution funds, pension regulation funds etc.	12 795	12 407	12 359
	Unallocated profit to customers	3 525	4 407	0
	<b>Total insurance liabilities - contractual liabilities</b>	<b>560 061</b>	<b>540 001</b>	<b>563 532</b>
	Pension capital etc.	1 446	1 994	2 064
	Supplementary reserves	111	100	140
	Premium funds, defined contribution funds, pension regulation funds etc.	443	390	495
	Unallocated profit to customers	-66	104	0
	<b>Total insurance liabilities - special investment portfolio</b>	<b>1 933</b>	<b>2 587</b>	<b>2 698</b>
12	Pension obligations	787	631	508
	Current tax liabilities	941	428	948
	Deferred tax liabilities	594	834	546
11	Lease liabilities	160	258	210
9	Liabilities	20 239	7 384	7 789
	Accrued costs and prepaid income	127	100	219
	<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>627 258</b>	<b>594 584</b>	<b>621 518</b>
<b>OFF-BALANCE SHEET ITEMS</b>				
	Contingent liabilities	25 560	18 399	21 227

# Changes in Owners' equity

## KOMMUNAL LANDSPENSJONSKASSE

2020 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<b>Own funds 1 January 2020</b>	<b>16 540</b>	<b>5 540</b>	<b>15 238</b>	<b>37 318</b>
Income before other income and expenses		258	150	408
Actuarial gains and losses on defined benefits pension schemes			-258	-258
Proportion of other comprehensive income on application of the equity method			-146	-146
Adjustment of the insurance liabilities			44	44
Tax on other income and expenses that will not be reclassified to profit or loss			64	64
<b>Total other income and expenses that will not be reclassified to profit or loss</b>			<b>-295</b>	<b>-295</b>
<b>Total comprehensive income (unallocated)</b>		<b>258</b>	<b>-145</b>	<b>112</b>
Owners equity contribution recieved <sup>1</sup>	-207			-207
<b>Total transactions with owners</b>	<b>-207</b>			<b>-207</b>
<b>Own funds 30 June 2020</b>	<b>16 333</b>	<b>5 797</b>	<b>15 093</b>	<b>37 223</b>

<sup>1</sup> During the second quarter, NOK 1 232 million of ordinary equity capital contributions were called in to be paid in during the third quarter.

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<b>Own funds 1 January 2019</b>	<b>14 554</b>	<b>4 793</b>	<b>14 488</b>	<b>33 835</b>
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
<b>Total other income and expenses that will not be reclassified to profit or loss</b>			<b>-45</b>	<b>-45</b>
<b>Total comprehensive income (unallocated)</b>		<b>364</b>	<b>681</b>	<b>1 045</b>
Owners equity contribution recieved <sup>2</sup>	-1			-1
<b>Total transactions with owners</b>	<b>-1</b>			<b>-1</b>
<b>Own funds 30 June 2019</b>	<b>14 552</b>	<b>5 157</b>	<b>15 169</b>	<b>34 878</b>

<sup>2</sup> During the second quarter, NOK 1 236 million of ordinary equity capital contributions were called in to be paid in during the third quarter.

# Changes in Owners' equity

## KOMMUNAL LANDSPENSJONSKASSE

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<b>Own funds 1 January 2019</b>	<b>14 554</b>	<b>4 793</b>	<b>14 488</b>	<b>33 835</b>
Income before other income and expenses	754	746	638	2 138
Actuarial gains and losses on defined benefits pension schemes			89	89
Proportion of other comprehensive income on application of the equity method			62	62
Adjustment of the insurance liabilities			-16	-16
Tax on other income and expenses that will not be reclassified to profit or loss			-22	-22
<b>Total other income and expenses that will not be reclassified to profit or loss</b>			<b>113</b>	<b>113</b>
<b>Total comprehensive income</b>	<b>754</b>	<b>746</b>	<b>750</b>	<b>2 251</b>
Owners equity contribution recieved	1 232			1 232
<b>Total transactions with owners</b>	<b>1 232</b>			<b>1 232</b>
<b>Own funds 31 December 2019</b>	<b>16 540</b>	<b>5 540</b>	<b>15 238</b>	<b>37 318</b>

# Statement of cash flows

## KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2020 -30.06.2020	01.01.2020 -31.03.2020	01.01.2019 -31.12.2019	01.01.2019 -30.09.2019	01.01.2019 -30.06.2019
Net cashflow from operational activities	394	367	-899	-1 056	412
Net cashflow from investment activities <sup>1</sup>	-153	-72	-280	-198	-138
Net cashflow from financing activities <sup>2</sup>	-261	-259	1 125	1 151	-55
<b>Net changes in cash and bank deposits</b>	<b>-21</b>	<b>37</b>	<b>-54</b>	<b>-103</b>	<b>220</b>
Holdings of cash and bank deposits at start of period	900	900	954	954	954
<b>Holdings of cash and bank deposits at end of period</b>	<b>879</b>	<b>937</b>	<b>900</b>	<b>851</b>	<b>1 173</b>

<sup>1</sup> Payments on the purchase of tangible fixed assets.

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

# Notes to the financial statements for the second quarter 2020

## 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 2020. 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 2019, 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 2019, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at klp.no.

### ACCOUNTING ESTIMATES

In preparing the interim financial statements, management has exercised discretion and used estimates and assumptions that affect the accounting figures. Actual figures may deviate from estimates used.

The majority of KLP's financial assets measured at fair value through profit or loss are assets traded on an active market, and the market values of these investments are observable. KLP's pricing of unlisted assets will be subject to uncertainty as to their valuation. This is especially true of securities which are priced on the basis of non-observable assumptions. The outbreak of the Covid-19 virus affected the performance of Norwegian and international financial markets in the first half year and is causing great uncertainty around estimates and the valuation of the Company's financial instruments.

As in the previous quarter, there is still great uncertainty about how the effects of COVID -19 will be in the short and long term. Both internal and external valuers are uncertain about the effects of factors such as changes in access to debt capital, decreasing interest rates, changed borrowing and lending costs for banks, access to equity, changed investor behavior, changes in the rental market, changes in the tenant's liquidity and short - term ability to pay. The valuation of property was therefore made during the quarter with unchanged main premises, but it is observed that there is an increased risk for some hotels and shopping centers in the portfolio. Particularly central office properties with long contracts are considered to have somewhat reduced risk, due to investor attractiveness.

During the first half of the year, there have been significant changes in the fixed income markets. This has affected the discount rate used in calculating the present value of the company's pension obligations. The discount rates used for this calculation have changed from 2.3% as of 31.12.2019 to 1.5% as of 30.06.2020. The effect of the change in the pension assumptions increases the pension obligation for own employees by NOK 258 million.

**NOTE 2** Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 30. June 2020.

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Value adjustment incl. foreign exchange	-1 307	522	1 776	-74	952
Foreign exchange effect on hedging	1 225	208	-1 869	924	730
<b>Net value adjustment incl. exchange hedging</b>	<b>-82</b>	<b>730</b>	<b>-94</b>	<b>850</b>	<b>1 682</b>

**NOTE 3** Premium income

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Gross premiums due	7 173	15 129	14 258	21 833	40 224
Reinsurance premiums ceded	0	0	0	0	-1
Transfer of premium reserves from others	362	0	2 865	0	11
<b>Total premium income</b>	<b>7 535</b>	<b>15 129</b>	<b>17 124</b>	<b>21 834</b>	<b>40 234</b>

**NOTE 4** Claims

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Claims paid	5 053	4 966	10 154	9 740	19 866
Transfers of premium reserves to others	1 278	40	7 655	288	292
<b>Total claims</b>	<b>6 332</b>	<b>5 006</b>	<b>17 809</b>	<b>10 028</b>	<b>20 157</b>

**NOTE 5** Insurance-related operating expenses

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Personnel costs	182	164	358	338	678
Depreciation	43	42	86	83	193
Other operating expenses	82	83	157	135	258
<b>Total insurance-related operating expenses</b>	<b>308</b>	<b>289</b>	<b>601</b>	<b>556</b>	<b>1 129</b>



**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.

30.06.2020 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
<b>ASSETS – AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	547	669	4 446	5 318	11	12	5 004	5 998
Accrued not due interest	10	10	107	107	0	0	117	117
Foreign hold-to-maturity bonds	6 753	7 129	19 019	21 134	38	45	25 810	28 308
Accrued not due interest	18	18	231	231	1	1	250	250
<b>Total investments held to maturity</b>	<b>7 328</b>	<b>7 826</b>	<b>23 803</b>	<b>26 790</b>	<b>50</b>	<b>58</b>	<b>31 180</b>	<b>34 673</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
Norwegian bonds	4 137	4 406	42 486	45 949	172	188	46 795	50 543
Accrued not due interest	60	60	680	680	4	4	744	744
Foreign bonds	7 416	7 989	103 324	112 130	481	521	111 221	120 639
Accrued not due interest	156	156	1 658	1 658	9	9	1 823	1 823
<b>Total bonds classified as loans and receivables</b>	<b>11 770</b>	<b>12 612</b>	<b>148 148</b>	<b>160 416</b>	<b>665</b>	<b>721</b>	<b>160 583</b>	<b>173 749</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loans	0	0	3 286	3 349	0	0	3 286	3 349
Lending with public sector guarantee	0	0	62 478	64 042	0	0	62 478	64 042
Loans abroad secured by mortgage and local government guarantee	0	0	14 926	14 942	0	0	14 926	14 942
Accrued not due interest	0	0	340	340	0	0	340	340
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>81 029</b>	<b>82 672</b>	<b>0</b>	<b>0</b>	<b>81 029</b>	<b>82 672</b>
<b>Total financial assets at amortized cost</b>	<b>19 098</b>	<b>20 438</b>	<b>252 980</b>	<b>269 878</b>	<b>715</b>	<b>779</b>	<b>272 792</b>	<b>291 094</b>
<b>ASSETS – AT FAIR VALUE</b>								
<b>EQUITY CAPITAL INSTRUMENTS</b>								
Norwegian shares	5	5	5 435	5 435	0	0	5 441	5 441
Foreign shares	0	0	24 253	24 253	0	0	24 253	24 253
<b>Total shares</b>	<b>5</b>	<b>5</b>	<b>29 688</b>	<b>29 688</b>	<b>0</b>	<b>0</b>	<b>29 693</b>	<b>29 693</b>
Property funds	0	0	2 535	2 535	0	0	2 535	2 535
Norwegian equity funds	0	0	62 599	62 599	497	497	63 096	63 096
Foreign equity funds	0	0	15 832	15 832	0	0	15 832	15 832
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>80 966</b>	<b>80 966</b>	<b>497</b>	<b>497</b>	<b>81 463</b>	<b>81 463</b>
Norwegian alternative investments	0	0	2 908	2 908	14	14	2 922	2 922
Foreign alternative investments	0	0	2 907	2 907	0	0	2 907	2 907
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>5 815</b>	<b>5 815</b>	<b>14</b>	<b>14</b>	<b>5 829</b>	<b>5 829</b>
<b>Total shares and units</b>	<b>5</b>	<b>5</b>	<b>116 469</b>	<b>116 469</b>	<b>511</b>	<b>511</b>	<b>116 985</b>	<b>116 985</b>

**NOTE 6** Fair value of financial assets and liabilities – continues

30.06.2020 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
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
Norwegian bonds	5 626	5 626	33 381	33 381	0	0	39 008	39 008
Foreign bonds	347	347	21 611	21 611	0	0	21 958	21 958
Accrued not due interest	26	26	312	312	0	0	338	338
Norwegian fixed-income funds	2 558	2 558	37 069	37 069	366	366	39 993	39 993
Foreign fixed-income funds	0	0	16 632	16 632	0	0	16 632	16 632
Accrued not due interest	24	24	39	39	3	3	65	65
Norwegian certificates	943	943	3 030	3 030	0	0	3 973	3 973
Accrued not due interest	9	9	9	9	0	0	18	18
<b>Fixed income securities</b>	<b>9 534</b>	<b>9 534</b>	<b>112 083</b>	<b>112 083</b>	<b>368</b>	<b>368</b>	<b>121 986</b>	<b>121 986</b>
Norwegian loans and receivables	1 473	1 473	7 012	7 012	24	24	8 508	8 508
Foreign loans and receivables	2 606	2 606	3 191	3 191	65	65	5 863	5 863
<b>Total loans and receivables</b>	<b>4 079</b>	<b>4 079</b>	<b>10 203</b>	<b>10 203</b>	<b>89</b>	<b>89</b>	<b>14 371</b>	<b>14 371</b>
<b>DERIVATIVES</b>								
Interest rate swaps	1 030	1 030	1 023	1 023	0	0	2 053	2 053
Forward exchange contracts	30	30	3 738	3 738	9	9	3 777	3 777
<b>Total financial derivatives classified as assets</b>	<b>1 060</b>	<b>1 060</b>	<b>4 761</b>	<b>4 761</b>	<b>9</b>	<b>9</b>	<b>5 830</b>	<b>5 830</b>
<b>Other financial assets</b>	<b>4 850</b>	<b>4 850</b>	<b>3 589</b>	<b>3 589</b>	<b>0</b>	<b>0</b>	<b>8 439</b>	<b>8 439</b>
<b>Total financial assets valued at fair value</b>	<b>19 528</b>	<b>19 528</b>	<b>247 105</b>	<b>247 105</b>	<b>977</b>	<b>977</b>	<b>267 611</b>	<b>267 611</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	107	107	0	0	107	107
Forward exchange contracts	0	0	582	582	3	3	586	586
<b>Total financial derivatives classified as liabilities</b>	<b>0</b>	<b>0</b>	<b>690</b>	<b>690</b>	<b>3</b>	<b>3</b>	<b>693</b>	<b>693</b>
<b>SUBORDINATED LOAN CAPITAL</b>								
Subordinated loan capital	3 174	3 545	0	0	0	0	3 174	3 545
Hybrid Tier 1 securities	2 020	1 767	0	0	0	0	2 020	1 767
<b>Total subordinated loan capital etc.</b>	<b>5 194</b>	<b>5 312</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5 194</b>	<b>5 312</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS</b>								
Repos	1 213	1 213	0	0	0	0	1 213	1 213
Norwegian call money <sup>1</sup>	0	0	1 737	1 737	3	3	1 740	1 740
Foreign call money <sup>1</sup>	1 047	1 047	2 066	2 066	13	13	3 125	3 125
<b>Total liabilities to credit institutions</b>	<b>2 259</b>	<b>2 259</b>	<b>3 803</b>	<b>3 803</b>	<b>16</b>	<b>16</b>	<b>6 078</b>	<b>6 078</b>

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

## 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
<b>ASSETS – AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
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
<b>Total investments held to maturity</b>	<b>6 909</b>	<b>7 333</b>	<b>21 275</b>	<b>22 887</b>	<b>81</b>	<b>89</b>	<b>28 265</b>	<b>30 309</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
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
<b>Total bonds classified as loans and receivables</b>	<b>11 250</b>	<b>11 614</b>	<b>130 097</b>	<b>136 781</b>	<b>811</b>	<b>852</b>	<b>142 158</b>	<b>149 248</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loan	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
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>66 023</b>	<b>66 636</b>	<b>0</b>	<b>0</b>	<b>66 023</b>	<b>66 636</b>
<b>Total financial assets at amortized cost</b>	<b>18 159</b>	<b>18 948</b>	<b>217 395</b>	<b>226 304</b>	<b>893</b>	<b>941</b>	<b>236 446</b>	<b>246 193</b>
<b>ASSETS – AT FAIR VALUE</b>								
<b>EQUITY CAPITAL INSTRUMENTS</b>								
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
<b>Total shares</b>	<b>4</b>	<b>4</b>	<b>33 127</b>	<b>33 127</b>	<b>0</b>	<b>0</b>	<b>33 130</b>	<b>33 130</b>
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
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>89 105</b>	<b>89 105</b>	<b>717</b>	<b>717</b>	<b>89 821</b>	<b>89 821</b>
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
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>3 768</b>	<b>3 768</b>	<b>16</b>	<b>16</b>	<b>3 784</b>	<b>3 784</b>
<b>Total shares and units</b>	<b>4</b>	<b>4</b>	<b>126 000</b>	<b>126 000</b>	<b>733</b>	<b>733</b>	<b>126 736</b>	<b>126 736</b>

**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
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
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
<b>Fixed income securities</b>	<b>10 261</b>	<b>10 261</b>	<b>120 418</b>	<b>120 418</b>	<b>546</b>	<b>546</b>	<b>131 225</b>	<b>131 225</b>
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
<b>Total loans and receivables</b>	<b>1 422</b>	<b>1 422</b>	<b>8 581</b>	<b>8 581</b>	<b>100</b>	<b>100</b>	<b>10 104</b>	<b>10 104</b>
<b>DERIVATIVES</b>								
Interest rate swaps	720	720	398	398	0	0	1 118	1 118
Forward exchange contracts	1	1	1 014	1 014	3	3	1 017	1 017
<b>Total financial derivatives classified as assets</b>	<b>721</b>	<b>721</b>	<b>1 412</b>	<b>1 412</b>	<b>3</b>	<b>3</b>	<b>2 135</b>	<b>2 135</b>
<b>Other financial assets</b>	<b>4</b>	<b>4</b>	<b>1 461</b>	<b>1 461</b>	<b>1</b>	<b>1</b>	<b>1 466</b>	<b>1 466</b>
<b>Total financial assets valued at fair value</b>	<b>12 412</b>	<b>12 412</b>	<b>257 872</b>	<b>257 872</b>	<b>1 383</b>	<b>1 383</b>	<b>271 666</b>	<b>271 666</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	16	16	0	0	16	16
Forward exchange contracts	0	0	335	335	3	3	338	338
<b>Total financial derivatives classified as liabilities</b>	<b>0</b>	<b>0</b>	<b>352</b>	<b>352</b>	<b>3</b>	<b>3</b>	<b>354</b>	<b>354</b>
<b>SUBORDINATED LOAN CAPITAL</b>								
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
<b>Total subordinated loan capital etc.</b>	<b>7 483</b>	<b>8 016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7 483</b>	<b>8 016</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS</b>								
Norwegian call money <sup>1</sup>	0	0	715	715	2	2	718	718
Foreign call money <sup>1</sup>	735	735	474	474	7	7	1 215	1 215
<b>Total liabilities to credit institutions</b>	<b>735</b>	<b>735</b>	<b>1 189</b>	<b>1 189</b>	<b>9</b>	<b>9</b>	<b>1 933</b>	<b>1 933</b>

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

**NOTE 6** Fair value of financial assets and liabilities – continues

31.12.2019 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
<b>ASSETS – AT AMORTIZED COST</b>								
<b>INVESTMENTS HELD TO MATURITY</b>								
Norwegian hold-to-maturity bonds	535	612	4 442	4 845	15	15	4 993	5 472
Accrued not due interest	19	19	101	101	0	0	120	120
Foreign hold-to-maturity bonds	6 286	6 569	17 859	19 018	48	53	24 192	25 640
Accrued not due interest	41	41	235	235	1	1	276	276
<b>Total investments held to maturity</b>	<b>6 880</b>	<b>7 240</b>	<b>22 637</b>	<b>24 199</b>	<b>64</b>	<b>70</b>	<b>29 581</b>	<b>31 508</b>
<b>BONDS CLASSIFIED AS LOANS AND RECEIVABLES</b>								
Norwegian bonds	4 151	4 217	43 343	44 884	219	229	47 714	49 330
Accrued not due interest	59	59	745	745	4	4	808	808
Foreign bonds	7 308	7 504	97 383	101 128	601	623	105 292	109 256
Accrued not due interest	98	98	1 601	1 601	11	11	1 709	1 709
<b>Total bonds classified as loans and receivables</b>	<b>11 617</b>	<b>11 878</b>	<b>143 072</b>	<b>148 357</b>	<b>834</b>	<b>867</b>	<b>155 523</b>	<b>161 102</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Secured loans	0	0	3 391	3 393	0	0	3 391	3 393
Lending with public sector guarantee	0	0	56 964	57 170	0	0	56 964	57 170
Loans abroad secured by mortgage and local government guarantee	0	0	10 699	10 727	0	0	10 699	10 727
Accrued not due interest	0	0	337	337	0	0	337	337
<b>Total other loans and receivables</b>	<b>0</b>	<b>0</b>	<b>71 391</b>	<b>71 627</b>	<b>0</b>	<b>0</b>	<b>71 391</b>	<b>71 627</b>
<b>Total financial assets at amortized cost</b>	<b>18 497</b>	<b>19 118</b>	<b>237 100</b>	<b>244 183</b>	<b>898</b>	<b>937</b>	<b>256 495</b>	<b>264 238</b>
<b>ASSETS – AT FAIR VALUE</b>								
<b>EQUITY CAPITAL INSTRUMENTS</b>								
Norwegian shares	5	5	7 138	7 138	0	0	7 144	7 144
Foreign shares	0	0	33 178	33 178	0	0	33 178	33 178
<b>Total shares</b>	<b>5</b>	<b>5</b>	<b>40 317</b>	<b>40 317</b>	<b>0</b>	<b>0</b>	<b>40 322</b>	<b>40 322</b>
Property funds	0	0	2 524	2 524	0	0	2 524	2 524
Norwegian equity funds	0	0	81 512	81 512	804	804	82 316	82 316
Foreign equity funds	0	0	13 719	13 719	0	0	13 719	13 719
<b>Total equity fund units</b>	<b>0</b>	<b>0</b>	<b>97 755</b>	<b>97 755</b>	<b>804</b>	<b>804</b>	<b>98 559</b>	<b>98 559</b>
Norwegian alternative investments	0	0	2 740	2 740	17	17	2 757	2 757
Foreign alternative investments	0	0	2 005	2 005	0	0	2 005	2 005
<b>Total alternative investments</b>	<b>0</b>	<b>0</b>	<b>4 746</b>	<b>4 746</b>	<b>17</b>	<b>17</b>	<b>4 762</b>	<b>4 762</b>
<b>Total shares and units</b>	<b>5</b>	<b>5</b>	<b>142 817</b>	<b>142 817</b>	<b>820</b>	<b>820</b>	<b>143 643</b>	<b>143 643</b>

**NOTE 6** Fair value of financial assets and liabilities – continues

31.12.2019 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
<b>DEBT INSTRUMENTS AT FAIR VALUE</b>								
Norwegian bonds	7 912	7 912	27 892	27 892	0	0	35 804	35 804
Foreign bonds	228	228	17 256	17 256	0	0	17 484	17 484
Accrued not due interest	42	42	325	325	0	0	367	367
Norwegian fixed-income funds	2 859	2 859	41 292	41 292	505	505	44 656	44 656
Foreign fixed-income funds	0	0	14 895	14 895	0	0	14 895	14 895
Norwegian certificates	700	700	3 542	3 542	0	0	4 241	4 241
Accrued not due interest	3	3	6	6	0	0	9	9
<b>Fixed income securities</b>	<b>11 744</b>	<b>11 744</b>	<b>105 208</b>	<b>105 208</b>	<b>505</b>	<b>505</b>	<b>117 456</b>	<b>117 456</b>
Norwegian loans and receivables	1 482	1 482	9 485	9 485	47	47	11 014	11 014
Foreign loans and receivables	219	219	4 639	4 639	40	40	4 899	4 899
<b>Total loans and receivables</b>	<b>1 701</b>	<b>1 701</b>	<b>14 124</b>	<b>14 124</b>	<b>87</b>	<b>87</b>	<b>15 913</b>	<b>15 913</b>
<b>DERIVATIVES</b>								
Interest rate swaps	747	747	886	886	0	0	1 633	1 633
Forward exchange contracts	0	0	3 084	3 084	15	15	3 100	3 100
<b>Total financial derivatives classified as assets</b>	<b>747</b>	<b>747</b>	<b>3 971</b>	<b>3 971</b>	<b>15</b>	<b>15</b>	<b>4 733</b>	<b>4 733</b>
<b>Other financial assets</b>	<b>0</b>	<b>0</b>	<b>693</b>	<b>693</b>	<b>0</b>	<b>0</b>	<b>693</b>	<b>693</b>
<b>Total financial assets valued at fair value</b>	<b>14 198</b>	<b>14 198</b>	<b>266 813</b>	<b>266 813</b>	<b>1 428</b>	<b>1 428</b>	<b>282 438</b>	<b>282 438</b>
<b>LIABILITIES</b>								
<b>DERIVATIVES</b>								
Interest rate swaps	0	0	0	0	0	0	0	0
Forward exchange contracts	0	0	597	597	2	2	599	599
<b>Total financial derivatives classified as liabilities</b>	<b>0</b>	<b>0</b>	<b>598</b>	<b>598</b>	<b>2</b>	<b>2</b>	<b>599</b>	<b>599</b>
<b>SUBORDINATED LOAN CAPITAL</b>								
Subordinated loan capital	6 012	6 928	0	0	0	0	6 012	6 928
Hybrid Tier 1 securities	1 738	1 672	0	0	0	0	1 738	1 672
<b>Total subordinated loan capital etc.</b>	<b>7 750</b>	<b>8 599</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7 750</b>	<b>8 599</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS</b>								
Norwegian call money <sup>1</sup>	0	0	1 397	1 397	3	3	1 400	1 400
Foreign call money <sup>1</sup>	762	762	1 822	1 822	7	7	2 591	2 591
<b>Total liabilities to credit institutions</b>	<b>762</b>	<b>762</b>	<b>3 219</b>	<b>3 219</b>	<b>9</b>	<b>9</b>	<b>3 990</b>	<b>3 990</b>

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

## NOTE 7 Fair value hierarchy

30.06.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Fixed-income securities	2 604	6 930	0	9 534
Certificates	0	952	0	952
Bonds	22	5 978	0	6 000
Fixed-income funds	2 582	0	0	2 582
Loans and receivables	2 729	1 350	0	4 079
Shares and units	0	0	5	5
Shares	0	0	5	5
Financial derivatives	0	1 060	0	1 060
Other financial assets	0	4 850	0	4 850
<b>Total corporate portfolio</b>	<b>5 333</b>	<b>14 190</b>	<b>5</b>	<b>19 528</b>
<b>COMMON PORTFOLIO</b>				
Fixed-income securities	78 291	33 792	0	112 083
Certificates	2 065	974	0	3 039
Bonds	22 485	32 819	0	55 304
Fixed-income funds	53 740	0	0	53 740
Loans and receivables	9 890	313	0	10 203
Shares and units	91 015	3 218	22 236	116 469
Shares	27 177	293	2 218	29 688
Equity funds	63 837	0	60	63 897
Property funds	0	15	2 519	2 535
Special funds	0	2 910	2 905	5 815
Private Equity	0	0	14 534	14 534
Financial derivatives	0	4 761	0	4 761
Other financial assets	0	3 589	0	3 589
<b>Total common portfolio</b>	<b>179 196</b>	<b>45 674</b>	<b>22 236</b>	<b>247 105</b>

## NOTE 7 Fair value hierarchy – continues

30.06.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
Fixed-income securities	368	0	0	368
Fixed-income funds	368	0	0	368
Loans and receivables	89	0	0	89
Shares and units	497	14	0	511
Equity funds	497	0	0	497
Special funds	0	14	0	14
Financial derivatives	0	9	0	9
Other financial assets	0	0	0	0
<b>Total investment option portfolio</b>	<b>955</b>	<b>22</b>	<b>0</b>	<b>977</b>
<b>Total financial assets valued at fair value</b>	<b>185 483</b>	<b>59 886</b>	<b>22 241</b>	<b>267 611</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	971	971
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>971</b>	<b>971</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	0	0	0
Debt to credit institutions	1 047	1 213	0	2 259
<b>Total corporate portfolio</b>	<b>1 047</b>	<b>1 213</b>	<b>0</b>	<b>2 259</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	690	0	690
Debt to credit institutions	3 803	0	0	3 803
<b>Total common portfolio</b>	<b>3 803</b>	<b>690</b>	<b>0</b>	<b>4 492</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	3	0	3
Debt to credit institutions	16	0	0	16
<b>Total investment option portfolio</b>	<b>16</b>	<b>3</b>	<b>0</b>	<b>19</b>
<b>Total financial liabilities at fair value</b>	<b>4 865</b>	<b>1 905</b>	<b>0</b>	<b>6 770</b>



**NOTE 7** Fair value hierarchy – continues

30.06.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
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
<b>Total corporate portfolio</b>	<b>2 763</b>	<b>9 645</b>	<b>4</b>	<b>12 412</b>
<b>COMMON PORTFOLIO</b>				
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
<b>Total common portfolio</b>	<b>200 068</b>	<b>41 918</b>	<b>15 886</b>	<b>257 872</b>

## NOTE 7 Fair value hierarchy – continues

30.06.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
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
<b>Total investment option portfolio</b>	<b>1 363</b>	<b>20</b>	<b>0</b>	<b>1 383</b>
<b>Total financial assets valued at fair value</b>	<b>204 194</b>	<b>51 582</b>	<b>15 889</b>	<b>271 666</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	958	958
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>958</b>	<b>958</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	0	0	0
Debt to credit institutions	735	0	0	735
<b>Total corporate portfolio</b>	<b>735</b>	<b>0</b>	<b>0</b>	<b>735</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	352	0	352
Debt to credit institutions	1 189	0	0	1 189
<b>Total common portfolio</b>	<b>1 189</b>	<b>352</b>	<b>0</b>	<b>1 541</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	3	0	3
Debt to credit institutions	9	0	0	9
<b>Total investment option portfolio</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>12</b>
<b>Total financial liabilities at fair value</b>	<b>1 933</b>	<b>354</b>	<b>0</b>	<b>2 287</b>

**NOTE 7** Fair value hierarchy – continues

31.12.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Fixed-income securities	2 905	8 839	0	11 744
Certificates	0	703	0	703
Bonds	46	8 136	0	8 182
Fixed-income funds	2 859	0	0	2 859
Loans and receivables	575	1 126	0	1 701
Shares and units	0	0	5	5
Shares	0	0	5	5
Financial derivatives	0	747	0	747
Other financial assets	0	0	0	0
<b>Total corporate portfolio</b>	<b>3 480</b>	<b>10 713</b>	<b>5</b>	<b>14 198</b>
<b>COMMON PORTFOLIO</b>				
Fixed-income securities	73 777	31 431	0	105 208
Certificates	1 927	1 621	0	3 548
Bonds	15 662	29 810	0	45 472
Fixed-income funds	56 188	0	0	56 188
Loans and receivables	13 709	416	0	14 124
Shares and units	120 300	5 406	17 111	142 817
Shares	37 518	629	2 170	40 317
Equity funds	82 781	0	54	82 835
Property funds	0	32	2 492	2 524
Special funds	0	4 746	0	4 746
Private Equity	0	0	12 396	12 396
Financial derivatives	0	3 971	0	3 971
Other financial assets	0	693	0	693
<b>Total common portfolio</b>	<b>207 785</b>	<b>41 917</b>	<b>17 111</b>	<b>266 813</b>

**NOTE 7** Fair value hierarchy – continues

31.12.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
<b>INVESTMENT OPTION PORTFOLIO</b>				
Fixed-income securities	505	0	0	505
Fixed-income funds	505	0	0	505
Loans and receivables	87	0	0	87
Shares and units	804	17	0	820
Equity funds	804	0	0	804
Special funds	0	17	0	17
Financial derivatives	0	15	0	15
Other financial assets	0	0	0	0
<b>Total investment option portfolio</b>	<b>1 396</b>	<b>32</b>	<b>0</b>	<b>1 428</b>
<b>Total financial assets valued at fair value</b>	<b>212 661</b>	<b>52 662</b>	<b>17 116</b>	<b>282 438</b>
<b>CORPORATE PORTFOLIO</b>				
Investment property	0	0	955	955
<b>Total investment property</b>	<b>0</b>	<b>0</b>	<b>955</b>	<b>955</b>
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>				
<b>CORPORATE PORTFOLIO</b>				
Financial derivatives	0	0	0	0
Debt to credit institutions	762	0	0	762
<b>Total corporate portfolio</b>	<b>762</b>	<b>0</b>	<b>0</b>	<b>762</b>
<b>COMMON PORTFOLIO</b>				
Financial derivatives	0	598	0	598
Debt to credit institutions	3 219	0	0	3 219
<b>Total common portfolio</b>	<b>3 219</b>	<b>598</b>	<b>0</b>	<b>3 817</b>
<b>INVESTMENT OPTION PORTFOLIO</b>				
Financial derivatives	0	2	0	2
Debt to credit institutions	9	0	0	9
<b>Total investment option portfolio</b>	<b>9</b>	<b>2</b>	<b>0</b>	<b>11</b>
<b>Total financial liabilities at fair value</b>	<b>3 990</b>	<b>599</b>	<b>0</b>	<b>4 590</b>

**NOTE 7** Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
Opening balance 01.01.	5	4	4
Sold	0	0	0
Bought	0	0	2
Unrealised changes	0	0	-1
<b>Closing balance 30.06 / 31.12.</b>	<b>5</b>	<b>4</b>	<b>5</b>
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
Opening balance 01.01.	2 170	2 481	2 481
Sold	-7	-1 414	-1 419
Bought	106	765	764
Unrealised changes	-52	262	343
<b>Closing balance 30.06 / 31.12.</b>	<b>2 218</b>	<b>2 094</b>	<b>2 170</b>
Realised gains/losses	3	325	318

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
Opening balance 01.01.	54	61	61
Sold	0	0	-9
Bought	0	0	0
Unrealised changes	6	-1	2
<b>Closing balance 30.06 / 31.12.</b>	<b>60</b>	<b>60</b>	<b>54</b>
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
Opening balance 01.01.	14 888	12 664	12 664
Sold	-581	-733	-2 400
Bought	2 846	1 207	2 882
Unrealised changes	2 806	595	1 742
<b>Closing balance 30.06 / 31.12.</b>	<b>19 958</b>	<b>13 732</b>	<b>14 888</b>
Realised gains/losses	257	218	878

**NOTE 7** Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 30.06.2020	Book value 30.06.2019	Book value 31.12.2019
Opening balance 01.01.	955	924	924
Sold	0	0	0
Bought	0	0	0
Unrealised changes	20	52	67
Other	-5	-18	-36
<b>Closing balance 30.06 / 31.12.</b>	<b>971</b>	<b>958</b>	<b>955</b>
Realised gains/losses	0	0	0
<b>Total Level 3</b>	<b>23 212</b>	<b>16 847</b>	<b>18 071</b>

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 1 161 million as of 30.06.2020 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 22 million have been moved from Level 1 to Level 2 and NOK 51 million from Level 2 to Level 1. 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

30.06.2020 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
<b>ASSETS</b>							
Financial derivatives	5 830	0	5 830	-691	-4 847	0	313
<b>Total</b>	<b>5 830</b>	<b>0</b>	<b>5 830</b>	<b>-691</b>	<b>-4 847</b>	<b>0</b>	<b>313</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
Total assets – common portfolio	4 761	0	4 761	-690	-3 794	0	277
Total assets – corporate portfolio	1 060	0	1 060	0	-1 047	0	30
Total assets – investment option portfolio	9	0	9	-2	-6	0	6
<b>Total</b>	<b>5 830</b>	<b>0</b>	<b>5 830</b>	<b>-691</b>	<b>-4 847</b>	<b>0</b>	<b>313</b>
<b>LIABILITIES</b>							
Financial derivatives	693	0	693	-691	-8	0	0
Repos	1 213	0	1 213	0	0	0	1 213
<b>Total</b>	<b>1 905</b>	<b>0</b>	<b>1 905</b>	<b>-691</b>	<b>-8</b>	<b>0</b>	<b>1 213</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
Total liabilities – common portfolio	690	0	690	-690	0	0	0
Total liabilities – corporate portfolio	1 213	0	1 213	0	0	0	1 213
Total liabilities – investment option portfolio	3	0	3	-2	-8	0	0
<b>Total</b>	<b>1 905</b>	<b>0</b>	<b>1 905</b>	<b>-691</b>	<b>-8</b>	<b>0</b>	<b>1 213</b>

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

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
<b>ASSETS</b>							
Financial derivatives	2 135	0	2 135	-340	-1 924	0	8
<b>Total</b>	<b>2 135</b>	<b>0</b>	<b>2 135</b>	<b>-340</b>	<b>-1 924</b>	<b>0</b>	<b>8</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
Total assets – common portfolio	1 411	0	1 411	-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
<b>Total</b>	<b>2 135</b>	<b>0</b>	<b>2 135</b>	<b>-340</b>	<b>-1 924</b>	<b>0</b>	<b>8</b>
<b>LIABILITIES</b>							
Financial derivatives	399	0	399	-340	-1	-286	58
<b>Total</b>	<b>399</b>	<b>0</b>	<b>399</b>	<b>-340</b>	<b>-1</b>	<b>-286</b>	<b>58</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
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
<b>Total</b>	<b>399</b>	<b>0</b>	<b>399</b>	<b>-340</b>	<b>-1</b>	<b>-286</b>	<b>58</b>



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

31.12.2019 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
<b>ASSETS</b>							
Financial derivatives	4 733	0	4 733	-598	-3 981	0	169
<b>Total</b>	<b>4 733</b>	<b>0</b>	<b>4 733</b>	<b>-598</b>	<b>-3 981</b>	<b>0</b>	<b>169</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
Total assets – common portfolio	3 971	0	3 971	-597	-3 219	0	154
Total assets – corporate portfolio	747	0	747	0	-762	0	0
Total assets – investment option portfolio	15	0	15	-1	0	0	14
<b>Total</b>	<b>4 733</b>	<b>0</b>	<b>4 733</b>	<b>-598</b>	<b>-3 981</b>	<b>0</b>	<b>169</b>
<b>LIABILITIES</b>							
Financial derivatives	599	0	599	-598	-11	0	0
<b>Total</b>	<b>599</b>	<b>0</b>	<b>599</b>	<b>-598</b>	<b>-11</b>	<b>0</b>	<b>0</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
Total liabilities – common portfolio	598	0	598	-597	-3	0	0
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	2	0	2	-1	-8	0	0
<b>Total</b>	<b>599</b>	<b>0</b>	<b>599</b>	<b>-598</b>	<b>-11</b>	<b>0</b>	<b>0</b>

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	30.06.2020	30.06.2019	31.12.2019
Short-term liabilities securities	11 709	4 242	1 870
Advance tax-deduction pension scheme	704	684	429
Accounts payable	13	21	6
Derivatives	693	354	599
Debt to credit institutions	6 078	1 933	3 990
Liabilities related to direct insurance	1 023	131	867
Other liabilities	20	19	28
<b>Total liabilities</b>	<b>20 239</b>	<b>7 384</b>	<b>7 789</b>

## NOTE 10 SCR ratio

NOK BILLIONS	30.06.2020	30.06.2019	31.12.2019		30.06.2020	30.06.2019	31.12.2019
<b>SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT</b>							
Assets, book value	627	594	621	Best estimate	563	538	560
Added values - hold-to-maturity portfolio/loans and receivables	18	10	8	Risk margin	17	14	13
Added values - other lending	0	0	0	Hybrid Tier 1 securities/Subordinated loan capital	5	8	8
Other added/lesser values	0	0	0	Other liabilities <sup>1</sup>	28	9	15
Deferred tax asset	0	0	0	Deferred tax liabilities	1	2	1
<b>Total assets - solvency II</b>	<b>645</b>	<b>604</b>	<b>629</b>	<b>Total liabilities - solvency II</b>	<b>614</b>	<b>571</b>	<b>597</b>
				Excess of assets over liabilities	31	33	32
				- Deferred tax asset	0	0	0
				- Risk equalisation fund <sup>1</sup>	-6	-5	0
				+ Hybrid Tier 1 securities	2	2	2
				<b>Tier 1 basic own funds</b>	<b>33</b>	<b>30</b>	<b>33</b>
				<b>Total eligible tier 1 own funds</b>	<b>33</b>	<b>30</b>	<b>33</b>
				Subordinated loans	3	6	7
				Risk equalisation fund <sup>1</sup>	6	5	0
				<b>Tier 2 basic own funds</b>	<b>3</b>	<b>11</b>	<b>7</b>
				Ancillary own funds	12	11	12
				<b>Tier 2 ancillary own funds</b>	<b>12</b>	<b>11</b>	<b>12</b>
				Deduction for max. eligible tier 2 own funds	-7	-16	-12
				<b>Total eligible tier 2 own funds</b>	<b>8</b>	<b>7</b>	<b>7</b>
				Deferred tax asset	0	0	0
				<b>Total eligible tier 3 own funds</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<b>Solvency II total eligible own funds</b>	<b>41</b>	<b>36</b>	<b>41</b>
				Market risk	7	6	6
				Diversification market risk	-2	-2	-2
				Counterparty risk	0	0	0
				Life risk	17	15	14
				Diversification life risk	-4	-4	-3
				Diversification general	-3	-3	-3
				Operational risk	3	2	3
				Loss absorbing ability deferred tax	-1	-2	-1
				<b>Solvency capital requirement (SCR)</b>	<b>16</b>	<b>14</b>	<b>15</b>
				Linear minimum capital requirement (MCR_linear)	9	8	7
				Minimum	4	3	4
				Maximum	7	6	7
				<b>Minimum capital requirement (MCR)</b>	<b>7</b>	<b>6</b>	<b>7</b>
				<b>Solvency II- SCR ratio</b>	<b>252%</b>	<b>264%</b>	<b>278%</b>

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 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 252 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 333 per cent.

	30.06.2020	30.06.2019	31.12.2019
Solvency II- SCR ratio	252%	264%	278%

<sup>1</sup>As of 31.12.2019, the risk equalisation fund is presented as a loss absorbing liability, instead of as Tier 2 capital.

**NOTE 11** Leases

NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
<b>RIGHT-OF-USE ASSETS</b>			
		<b>Property</b>	
Opening balance 01.01.	204	305	305
Depreciation	-51	-51	-101
<b>Closing balance</b>	<b>154</b>	<b>255</b>	<b>204</b>

NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
<b>LEASE LIABILITIES</b>			
		<b>Property</b>	
Opening balance 01.01.	210	305	305
Repayments	-49	-47	-96
<b>Closing balance</b>	<b>160</b>	<b>258</b>	<b>210</b>

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
<b>Property</b>					
<b>Interest expense lease liabilities</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>8</b>

**NOTE 12** Pension obligations

NOK MILLIONS	30.06.2020	30.06.2019	31.12.2019
Capitalized net liability 01.01.	508	565	565
Capitalized pension costs	48	51	105
Capitalized financial costs	7	9	18
Actuarial gains and losses	258	40	-89
Premiums / contributions received	-33	-34	-92
<b>Capitalized net liability 30.06. / 31.12.</b>	<b>787</b>	<b>631</b>	<b>508</b>

ASSUMPTIONS	30.06.2020	30.06.2019	31.12.2019
Discount rate	1.50 %	2.40 %	2.30 %
Salary growth	2.25 %	2.75 %	2.25 %
The National Insurance basic amount (G)	2.00 %	2.50 %	2.00 %
Pension increases	1.24 %	1.73 %	1.24 %
Social security contribution rate	14.10 %	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %	5.00 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 258 million as of 30.06.2020. The change is recognized in "Total other income and expenses that will not be reclassified to profit or loss".

**NOTE 13** Administration costs and other costs associated with the corporate portfolio

NOK MILLIONS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Interest expense subordinated loan	49	64	146	121	248
Discount subordinated loan	336	1	342	2	6
Interest expense Hybrid Tier 1 securities	15	15	35	31	64
Other costs associated with the corporate portfolio	14	15	26	29	56
<b>Administration costs and other costs associated with the corporate portfolio</b>	<b>415</b>	<b>95</b>	<b>549</b>	<b>183</b>	<b>374</b>

**NOTE 14** Shares in subsidiaries held for sale

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) owns all the shares in KLP Bedriftspensjon AS. KLP Bedriftspensjon AS offers defined contribution and occupational pensions, including the management of pension capital certificates and paid-up policies, for public and private sector enterprises. The company was established in 2006 and has an office in Oslo with 9 employees. KLP Bedriftspensjon AS has 4.111 corporate clients in its defined contribution and company pension scheme at the end of the second quarter of 2020, which encompasses a total of 65.576 active members and owners of pension capital certificates and paid-up policies. Total assets stand at NOK 7 562 million, of which insurance liabilities amount to NOK 6 970 million. Pre-tax profit for the first half of 2020 amounted to NOK -33.5 million.

An agreement was signed between KLP and DnB Livsforsikring AS (DnB) on June 22, 2020 on the sale of all the shares in KLP Bedriftspensjon AS from KLP to DnB. The sale requires approvals from the Financial Supervisory Authority of Norway, as well as the Norwegian Competition Authority, and is expected to be completed during the third quarter of 2020.

The book value of shares in subsidiaries available for sale is NOK 401 million as of 30.06.2020. A loss in connection with assets available for sale of NOK 152 million has been recognized in KLP's income statement, under the line «Change in value assets held for sale». The loss is calculated based on the fair value of the assets adjusted for selling expenses.

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