



# Interim report

KLP GROUP  
Q4 2019



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## KLP GROUP

### REPORT FOR THE FOURTH

QUARTER OF 2019 4

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# Report for the fourth quarter of 2019

## GOOD RESULTS FOR KLP IN 2019

- The value-adjusted return in 2019 was 8.5 per cent, while the book return ended at 4.5 per cent.
- KLP delivered a returns result to customers of NOK 10.9 billion at year-end.
- Successful implementation of new rules for public sector pension schemes.

## 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 Forsikringsservice and KLP Eiendom.

At the end of the fourth quarter of 2019, the Group had total assets of NOK 762.7 billion, an increase of NOK 87.2 billion since the beginning of the year.

The Group's total comprehensive income was NOK 559 (1,550) million in the fourth quarter and NOK 2.3 (2.9) billion for 2019.

### 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 621.5 billion, NOK 566.2 billion is linked to insurance obligations for public-sector occupational pensions.

## RESULTS FOR THE FOURTH QUARTER OF 2019

### Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 10.4 (5.0) billion for the year. Both value-adjusted returns and book returns in the common portfolio ended at 1.8 per cent in the fourth quarter, and at 8.5 per cent and 4.5 per cent respectively for 2019.

### 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 91 million in the quarter and NOK 1,031 (958) million in 2019. Lower provisions for future disability payments are the main reason for the increase.

### Administration result

The Company's administration result shows a surplus of NOK 247 (137) million for the year. Insurance-related operating costs came to NOK 1,129 million (1,097) for the year.

### Total income

Total profit for the Company was NOK 2.3 (1.8) billion for the year. The customer result was NOK 10.9 (5.7) billion for the year.

NOK MILLIONS	Customers	Company	Total
Returns result	10 394	231	10 624
Risk result	516	516	1 031
Interest guarantee premium		476	476
Administration result		247	247
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		1 167	1 167
Tax		-520	-520
Other profit/loss elements		135	135
Income after Q4/2019	10 909	2 252	13 161
Income after Q4/2018	5 744	1 780	7 524

### Financial strength and capital-related matters

KLP's total assets grew by NOK 62.8 billion in 2019 and now amount to NOK 621.5 billion. The premium reserve increased by NOK 28.2 billion to NOK 459.3 billion in the same period.

The securities adjustment fund increased by NOK 22.3 billion to NOK 55.8 billion in the course of the year.

Without applying transitional rules, the Company's solvency capital ratio (SCR) is 285 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 354 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 2018.

## Key figures

PER CENT	2019	2018
Book returns *	4.5	3.5
Value-adjusted returns *	8.5	1.5
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	8.8	0.5
Capital adequacy, Solvency II	285	263
Capital adequacy, Solvency II, with transitional measures	354	311

\* The returns figures apply to the common portfolio

## Premium income

Premium income excluding premium reserves received on transfers in amounted to NOK 40.2 (38.7) billion at the end of the year.

## Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, increased by 7.0 per cent last year and amounted to NOK 19.6 (18.4) billion at 31 December.

## MANAGEMENT OF THE COMMON PORTFOLIO

The exposure value of the assets in the common portfolio totalled NOK 568.3 (510.4) billion and was invested as shown below:

ASSETS	2019		2018	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	25.9 %	21.5 %	21.4 %	-3.6 %
Short-term bonds	15.0 %	7.9 %	18.4 %	-0.8 %
Long-term/HTM bonds	29.1 %	3.6 %	29.1 %	3.7 %
Lending	12.5 %	2.4 %	12.1 %	2.3 %
Property	12.4 %	6.7 %	12.7 %	7.3 %
Other financial assets	5.2 %	1.9 %	6.3 %	1.1 %

## Shares

Total exposure in shares and alternative investments, including equity derivatives, was 25.9 per cent at the end of the fourth quarter. The total return on shares and alternative investments was 4.9 per cent in the fourth quarter and 21.5 per cent for the whole year. In 2019, global equities had a return of 25.2 per cent, while the return on the Norwegian equity portfolio was 17.0 per cent.

## Short-term bonds and the money market

Short-term bonds accounted for 15.0 per cent and money-

market instruments 5.2 per cent of the assets in the common portfolio as at 31 December. Norwegian, European and US ten-year government rates all rose slightly through the fourth quarter, contributing to negative returns. KLP's global government bond index achieved a currency-hedged return of -1.9 per cent in the quarter, while the return on the Norwegian government bond index was -0.6 per cent. Global credit margins fell slightly through the quarter. KLP's global credit bond index had a return of 0.6 per cent in the fourth quarter and 10.9 per cent for the whole year.

In total, short-term bonds achieved returns of -0.1 per cent in the fourth quarter, and 7.9 per cent for 2019. The money market return was 0.5 per cent for the quarter, and 1.9 per cent in 2019.

## Long-term bonds

Investment in long-term bonds made up around 29.1 per cent of the common portfolio at the end of the year. Unrecognised added values in the common portfolio amounted to around NOK 7.5 billion at 31 December. The portfolio is well diversified and consists of securities issued by creditworthy borrowers. The return measured at amortised cost was 0.9 per cent in the fourth quarter and 3.6 per cent at 31 December.

## Property

Property investments, including Norwegian and international property funds, made up 12.4 per cent of the common portfolio. Property values in the common portfolio were adjusted upwards by NOK 1,684 million to the end of the fourth quarter, after currency hedging in foreign properties. Property investments in the common portfolio achieved a return of 6.7 per cent for the year.

## Lending

Lending in the common portfolio totals NOK 71.0 billion. This is split between NOK 67.7 billion in loans to the public sector and NOK 3.2 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 236 million at the end of the year. After the fourth quarter, the return was 2.4 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 4.3 per cent in the year, of which 0.8 per cent fell in the fourth quarter.

## 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 1 January 2020, KLP had an inflow of NOK 3.5 billion and an outflow of NOK 7.4 billion. Between Christmas and New Year, 1 million members was successfully moved onto a new platform that is compliant to the new public sector pension scheme.

## BUSINESS AREAS OF THE SUBSIDIARIES

### Private occupational pensions

This company had total assets of NOK 7.3 billion as at 31 December. This is an increase of NOK 1.7 billion for the year. The increase is mainly linked to an increase in pension capital certificates and growth in the company's defined contribution pension portfolio, which totals NOK 4.9 billion. There was also a positive development in the equity markets, which also impacts the development of the defined-contribution pension portfolio. The defined-contribution pension portfolio grew by 204 new corporate agreements (net) in 2019. As at the end of 2019, more than 3,000 companies have a defined-contribution pension agreement with KLP Bedriftspensjon, and 4,500 pension capital certificates have been received from other life insurance companies.

Customers with defined-contribution pensions achieved an average return of 16.8 per cent in 2019. KLP Bedriftspensjon achieved a book return on the common portfolio of 3.4 per cent and a value-adjusted return of 4.1 per cent in 2019.

The returns result was NOK 13.4 million at 31 December, and the securities adjustment fund stood at NOK 19 million. KLP Bedriftspensjon had total comprehensive income of NOK -10.3 million in 2019, an improvement of NOK 10.8 million on 2018.

### Return on customer assets

COMMON PORTFOLIO	2019	2018
Common portfolio		
Book returns	3.4 %	4.5 %
Value-adjusted returns	4.1 %	3.0 %
Defined-contribution pensions with investment options	16.8 %	-3.8 %
Profile KLP90	21.6 %	-4.3 %
Profile KLP70	17.6 %	-4.2 %
Profile KLP50	13.7 %	-3.0 %
Profile KLP30	9.9 %	-1.7 %
KLP Optimal Livsfase <sup>1</sup>	23.7 %	-6.6 %
KLP Nåtid	4.2 %	0.2 %
KLP Kort Horisont	7.5 %	-3.3 %
KLP Lang Horisont	15.2 %	-3.8 %
KLP Framtid	22.3 %	-6.6 %
Profile KLPPM	1.6 %	1.2 %

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

Capital adequacy for KLP Bedriftspensjon increased from 122 per cent at the end of the third quarter of 2019 to 204 per cent at the end of the fourth quarter, without using transitional arrangements for Solvency II. With the use of transitional arrangements, capital adequacy is 360 per cent compared to 298 per cent in the third quarter. KLP Bedriftspensjon received NOK 100 million in new equity in the fourth quarter.

### Non-life insurance

The pre-tax operating profit was NOK 165.6 (17.5) million for 2019. The results are characterised by a continuing weak insurance result, but with a positive result from adjustments to previous years' reserves and a good financial performance. For the fourth quarter in isolation, the profit was NOK 25.0 (-88.1) million.

Gross premiums due increased by 16.1 per cent compared to the same time last year and amount to NOK 1,595 million. The retail market shows a growth rate of 17.2 per cent, while the public sector and corporate market shows a growth rate of 15.3 per cent.

Several major claims were received in 2019, four of them with claim costs of more than NOK 25 million. These have recognised compensation costs totalling NOK 234 million, of which NOK 96 million is covered by the re-insurers. One of the claims was received in the fourth quarter and a provision of NOK 57 million has been raised for it.

Reversal of previous years' claims is still positive, and this year NOK 148 million has been taken to income, equivalent to 6.6 per cent of the reserves at the beginning of the year.

### Key figures for the Company:

	2019	2018
Claims ratio	90.5	83.5
Cost ratio	18.5	20.9
<b>Total cost ratio</b>	<b>109.0</b>	<b>104.4</b>

Net financial income for 2019 was NOK 295 (72) million, or 6.7 (1.8) per cent. For the fourth quarter in isolation, the return was 1.4 per cent, equivalent to NOK 62.3 (-32.7) million. The Company's financial position is still good, with a solvency capital ratio (SCR) of 240 per cent.

### Asset and fund management

KLP Kapitalforvaltning provides securities management in the KLP Group. It had a total of NOK 563 billion under management at the end of 2019, of which NOK 83 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to KLP funds came to NOK -7.3 billion in the fourth quarter, and NOK -3.5 billion for the full year.

External customers had net new subscriptions of NOK 1.8 billion in the fourth quarter and NOK 5.3 billion for the year.

KLP Kapitalforvaltning AS made a profit before tax of NOK 44.3 million in 2019.

### Bank

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

As of 31 December, the KLP Banken Group had loans to customers totalling NOK 34.9 (33.5) billion. Mortgage loans in the retail market and public-sector loans totalled NOK 18.4 (16.7) billion and 16.5 (16.8) billion respectively.

KLP Banken manages NOK 3.4 (3.0) billion in mortgage loans and NOK 67.6 (59.0) billion in loans to public-sector borrowers and other businesses.

Total mortgage loans in the retail market increased by NOK 2,080 (1,998) million in 2019. Managed mortgages for KLP are included in this figure and increased by NOK 415 million.

Credit cards are part of the bank's range of services to members. Outstanding loans to retail customers amounted to NOK 63 (66) million at the end of the fourth quarter. 7,750 credit cards have been issued, of which about 86 per cent are actively used.

Lending volume to the public-sector market on KLP Banken's balance sheet decreased by NOK 0.2 billion in 2019, while loans to public-sector borrowers managed on behalf of KLP increased by NOK 5.7 billion. Managed loans to foreign debtors, mainly in other currencies, also increased by NOK 2.7 billion.

Overdue payments and defaulted loans in the retail market are at a stable low level. Loans in default over 90 days account for 0.27 (0.20) per cent of total mortgage lending. Losses on credit cards amount to roughly 11 per cent of the outstanding loans. Impairment losses on mortgages, credit cards and debit cards of NOK 6.6 (6.8) million were recognised in the Bank's accounts at the end of the quarter. There were no losses related to public-sector loans.

The KLP Banken Group's external financing consists of deposits and bonds. Deposit growth at the end of 2019 amounted to NOK 0.8 billion and deposits now total NOK 11.5 (10.7) billion. Of this amount, NOK 9.9 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 25.8 (24.0) billion at the end of the fourth quarter.

At the end of the fourth quarter, the KLP Banken Group had a pre-tax operating profit of NOK 102.3 (83.4) million, of which the profit for the fourth quarter was NOK 24.9 (12.3) million. Broken down by area, the pre-tax profit for 2019 was NOK 75.6 (48.3) million from the retail market and NOK 26.7 (35.1) million from the public-sector market.

### CORPORATE SOCIAL RESPONSIBILITY

In the fourth quarter KLP entered into a new partnership to invest NOK 6 billion in renewable energy in the form of project-financing debt together with another financial institution. The investments are going to wind farms, hydroelectric plants and solar energy, and are part of KLP's goal of increasing climate-friendly investment.

Awareness of KLP's green loan product to municipalities and their enterprises is growing, and loan applications totalling NOK 3 billion were received in 2019. From the third to fourth quarter, loan agreements for green loans increased by around NOK 100 million, and KLP has now signed loan agreements for NOK 700 million. These are split 60 per cent to the water and waste sector and 40 per cent to climate-friendly new building projects.

For the past few years, KLP has not invested in companies that derive over 30 per cent of their revenues from oil sands extraction. This revenue threshold has now been reduced to 5 per cent. This follows KLP's decision in May to free itself completely from coal and oil sands, and shares in oil sands companies have now been sold for a total value of NOK 306 million.

This winter, the dock at Solsiden in Trondheim had a facelift and has now been converted into KLP Dokken Ice Rink. The ice rink had its official opening at the end of November, and is open and accessible to everyone. To recycle energy from the ice rink, KLP has invested in a recovery plant which will provide an annual energy saving of around 414,000 kWh. The plan is to use this to heat pavements and outdoor spaces.

KLP identifies roofs where solar panels can be fitted. Preliminary calculations show that these could produce energy to cover 3.7 per cent of the annual consumption of KLP Eiendom in Trondheim. The Skipsbygget building has a new glass roof which is expected to provide energy savings with less heat loss and better insulation in terms of cooling.

Since 2017, KLP has been collaborating with Vestvågøy municipality on its expectant mothers project through KLP's working environment network. The results presented in October show good follow-up from the municipality's HR department and midwives, so pregnant women can stay at work longer. As

a result of the “Ny Lofoting i magen” project (“A new Lofoting in your tummy”), time worked in the 37 weeks of pregnancy increased from 28.2 to 31.2 weeks. In addition to the benefits of making arrangements for pregnant employees, the municipality saved NOK 385,000 from the expectant mothers project.

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

All value creation in KLP is returned to customers, who are also owners of the company. After a successful year with good returns and a strong position, there is room for payouts to customers in the form of profits transferred to the premium fund. More than NOK 10 billion has been transferred to customers. Thereby, the cost of pensions is lower and the money can be used for other important work in the community.

KLP is progressing well with changes to systems that have to handle complex changes in new public-sector occupational pensions while addressing the consequences of municipal and regional reform. With solid financial buffers, KLP is well positioned for effective asset management in unsettled markets. So far, it looks as if customers and members are not much affected by the technical adjustments being made. KLP is investing heavily in systems development to deliver the best quality services, while also seeking to keep costs down by developing a new and modern pension platform.

**Oslo, 14 February 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	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
3	Premium income for own account	8 695	8 083	42 716	40 921
	Current return on financial assets	4 246	3 582	16 301	14 989
	Net interest income banking	84	66	294	249
	Net value changes on financial instruments	9 817	- 19 045	42 247	- 14 500
8	Net income from investment properties	1 312	1 217	4 314	4 993
4	Other income	- 73	261	762	1 107
	<b>Total net income</b>	<b>24 080</b>	<b>- 5 836</b>	<b>106 634</b>	<b>47 760</b>
	Claims for own account	- 5 468	- 5 051	-21 616	- 20 015
	Change in technical provisions	- 5 675	- 4 421	-29 954	- 28 096
5	Net costs subordinated loan and hybrid Tier 1 securities	84	- 552	-372	- 483
6	Operating expenses	- 604	- 548	-1 892	- 1 872
7	Other expenses	- 307	- 279	-1 145	- 1 075
	Unit holder's value change in consolidated securities funds	- 4 584	6 697	-14 736	4 022
	<b>Total expenses</b>	<b>- 16 553</b>	<b>- 4 153</b>	<b>-69 715</b>	<b>- 47 520</b>
	<b>Operating profit/loss</b>	<b>7 527</b>	<b>- 9 989</b>	<b>36 919</b>	<b>240</b>
	To/from securities adjustment fund – life insurance	- 1 180	9 200	-22 277	8 862
	To supplementary reserves – life insurance	- 67	- 2 813	-52	- 2 792
	Assets allocated to insurance customers - life insurance	- 5 605	4 187	-11 398	- 3 469
	<b>Pre-tax income</b>	<b>674</b>	<b>585</b>	<b>3 193</b>	<b>2 840</b>
	Cost of taxes <sup>1</sup>	- 270	877	-1 200	- 125
	<b>Income</b>	<b>404</b>	<b>1 462</b>	<b>1 993</b>	<b>2 715</b>
19	Actuarial loss and profit on post employment benefit obligations	211	- 22	151	- 22
	Adjustments of the insurance obligations	- 21	1	-16	1
	Tax on items that will not be reclassified to profit or loss	- 47	5	-34	5
	<b>Items that will not be reclassified to profit or loss</b>	<b>142</b>	<b>- 16</b>	<b>101</b>	<b>- 16</b>
	Revaluation real property for use in own operation	17	138	209	222
8	Currency translation foreign subsidiaries	190	931	- 353	- 238
	Adjustments of the insurance obligations	- 190	- 931	353	238
	Tax on items that will be reclassified to profit or loss	- 4	- 35	-52	- 56
	<b>Items that will be reclassified to income when particular specific conditions are met</b>	<b>13</b>	<b>104</b>	<b>157</b>	<b>167</b>
	<b>Total other comprehensive income</b>	<b>155</b>	<b>88</b>	<b>258</b>	<b>150</b>
	<b>Total comprehensive income</b>	<b>559</b>	<b>1 550</b>	<b>2 251</b>	<b>2 866</b>
	<sup>1</sup> Unit holders share of taxes in consolidated securities fund	- 56	- 46	-236	- 229

# Financial position statement

## KLP GROUP

NOTE	NOK MILLIONS	31.12.2019	31.12.2018
	Deferred tax assets	62	65
	Other intangible assets	460	274
	Tangible fixed assets	2 072	1 900
	Investments in associated companies and joint venture	3 062	1 508
8.11	Investment property	74 545	67 570
9.14	Debt instruments held to maturity	29 701	31 053
9.14	Debt instruments classified as loans and receivables	150 580	141 549
9.11.14	Lending local government, enterprises & retail customers at fair value through profit / loss	602	855
9.14	Lending local government, enterprises and retail customers	105 727	94 909
9.11.14	Debt instruments at fair value through profit or loss	170 810	166 344
9.11	Equity capital instruments at fair value through profit/loss	206 949	159 968
9.11.14	Financial derivatives	7 582	944
9	Receivables	2 484	2 213
9	Assets in defined contribution-based life insurance	4 906	3 396
14	Cash and bank deposits	3 194	3 009
<b>TOTAL ASSETS</b>		<b>762 737</b>	<b>675 558</b>
	Owners' equity contributed	16 540	14 554
	Retained earnings	20 800	19 303
<b>TOTAL OWNERS' EQUITY</b>		<b>37 340</b>	<b>33 857</b>
9.10	Hybrid Tier 1 securities	1 738	1 662
9.10	Subordinated loan capital	6 012	6 029
19	Pension obligations	790	880
15	Technical provisions - life insurance	567 883	509 284
9.15	Provisions in life insurance with investment option	4 906	3 396
	Premiums, claims and contingency fund provisions - non-life insurance	2 604	2 325
9.10	Covered bonds issued	24 415	23 025
9.10	Debt to credit institutions	8 199	2 794
9.10	Liabilities to and deposits from customers	11 487	10 662
9.11	Financial derivatives	856	6 809
	Deferred tax	1 216	1 083
16	Other current liabilities	6 328	6 053
	Unit holders' s interest in consolidated securites funds	88 963	67 701
<b>TOTAL LIABILITIES</b>		<b>725 397</b>	<b>641 701</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>762 737</b>	<b>675 558</b>
	Contingent liabilities	23 344	20 532

# Changes in Owners' equity

## KLP GROUP

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>755</b>	<b>1 238</b>	<b>1 993</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>755</b>	<b>1 496</b>	<b>2 251</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>20 800</b>	<b>37 340</b>

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

# Statement of cash flows

## KLP GROUP

NOK MILLIONS	01.01.2019 -31.12.2019	01.01.2019 -30.09.2019	01.01.2019 -30.06.2019	01.01.2019 -31.03.2019	01.01.2018 -31.12.2018
Net cash flow from operational activities	-17 987	-11 415	-9 427	-5 649	-25 067
Net cash flow from investment activities <sup>1</sup>	-299	-215	-153	-50	-39
Net cash flow from financing activities <sup>2</sup>	18 472	12 253	9 998	6 087	25 295
<b>Net changes in cash and bank deposits</b>	<b>185</b>	<b>623</b>	<b>418</b>	<b>387</b>	<b>189</b>
Holdings of cash and bank deposits at start of period	3 009	3 009	3 009	3 009	2 820
<b>Holdings of cash and bank deposits at end of period</b>	<b>3 194</b>	<b>3 632</b>	<b>3 426</b>	<b>3 396</b>	<b>3 009</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.



# Notes

## KLP GROUP

### **NOTE 1** Accounting principles –and estimates

#### **ACCOUNTING PRINCIPLES**

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 1 January 2019 – 31 December 2019. The accounts have not been audited.

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

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 2018. The annual financial statements are available at KLP's website [klp.no](http://klp.no).

#### **ACCOUNTING ESTIMATES**

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

## NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life	Group pensions private		
	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Premium income for own account from external customers <sup>1</sup>	40 128	38 633	1 135	1 041
Premium income for own account from other Group companies	106	94	0	0
Net financial income from investments	46 037	8 583	715	-85
Other income from external customers	725	1 074	6	3
Other income from other Group companies	239	61	0	0
<b>Total income</b>	<b>87 235</b>	<b>48 446</b>	<b>1 855</b>	<b>959</b>
Claims for own account	-20 157	-18 847	-202	-155
Insurance provisions for own account	-28 312	-27 343	-1 563	-753
Costs borrowing	-372	-483	0	0
Operating costs excluding depreciation	-965	-1 049	-67	-64
Depreciation	-92	-73	-3	-3
Other expenses	-1 247	-1 068	-5	0
Return to financial instruments attributable to minority interests				
<b>Total expenses</b>	<b>-51 145</b>	<b>-48 864</b>	<b>-1 841</b>	<b>-975</b>
<b>Operating profit/loss</b>	<b>36 091</b>	<b>-419</b>	<b>15</b>	<b>-16</b>
Funds credited to insurance customers <sup>2</sup>	-33 454	2 843	-27	-5
<b>Pre-tax income</b>	<b>2 637</b>	<b>2 425</b>	<b>-13</b>	<b>-21</b>
Cost of taxes	-520	415	0	0
<b>Income</b>	<b>2 117</b>	<b>2 840</b>	<b>-13</b>	<b>-21</b>
Change in other comprehensive income (excluded cost of taxes)	135	-21	2	0
<b>Total comprehensive income</b>	<b>2 252</b>	<b>2 818</b>	<b>-10</b>	<b>-21</b>
Assets	621 518	558 719	7 259	5 601
Liabilities	584 199	524 884	6 668	5 099

<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	
	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Premium income for own account from external customers <sup>1</sup>	1 453	1 246	0	0
Premium income for own account from other Group companies	22	22	0	0
Net financial income from investments	297	74	260	236
Other income from external customers	1	1	19	17
Other income from other Group companies	0	0	59	58
<b>Total income</b>	<b>1 774</b>	<b>1 343</b>	<b>338</b>	<b>311</b>
Claims for own account	-1 256	-1 014	0	0
Insurance provisions for own account	-79	1	0	0
Costs borrowing	0	0	0	0
Operating costs excluding depreciation	-268	-311	-226	-211
Depreciation	-5	-2	-5	-8
Other expenses	0	0	-7	-8
Return to financial instruments attributable to minority interests				
<b>Total expenses</b>	<b>-1 609</b>	<b>-1 326</b>	<b>-237</b>	<b>-228</b>
<b>Operating profit/loss</b>	<b>166</b>	<b>18</b>	<b>101</b>	<b>83</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0
<b>Pre-tax income</b>	<b>166</b>	<b>18</b>	<b>101</b>	<b>83</b>
Cost of taxes	-19	40	-27	-19
<b>Income</b>	<b>147</b>	<b>58</b>	<b>74</b>	<b>64</b>
Change in other comprehensive income (excluded cost of taxes)	19	-1	9	-2
<b>Total comprehensive income</b>	<b>166</b>	<b>56</b>	<b>83</b>	<b>62</b>
Assets	4 907	4 490	39 703	37 093
Liabilities	2 966	2 715	37 478	34 951

<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	
	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Premium income for own account from external customers <sup>1</sup>	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0
Net financial income from investments	6	5	0	0
Other income from external customers	0	0	11	10
Other income from other Group companies	523	478	0	0
<b>Total income</b>	<b>529</b>	<b>482</b>	<b>11</b>	<b>10</b>
Claims for own account	0	0	0	0
Insurance provisions for own account	0	0	0	0
Costs borrowing	0	0	0	0
Operating costs excluding depreciation	-479	-462	-12	-12
Depreciation	-5	-3	0	0
Other expenses	0	0	0	0
Return to financial instruments attributable to minority interests				
<b>Total expenses</b>	<b>-484</b>	<b>-466</b>	<b>-12</b>	<b>-12</b>
<b>Operating profit/loss</b>	<b>44</b>	<b>17</b>	<b>-1</b>	<b>-2</b>
Funds credited to insurance customers <sup>2</sup>	0	0	0	0
<b>Pre-tax income</b>	<b>44</b>	<b>17</b>	<b>-1</b>	<b>-2</b>
Cost of taxes	-9	-3	0	1
<b>Income</b>	<b>35</b>	<b>14</b>	<b>-1</b>	<b>-2</b>
Change in other comprehensive income (excluded cost of taxes)	17	-2	0	0
<b>Total comprehensive income</b>	<b>52</b>	<b>12</b>	<b>-1</b>	<b>-2</b>
Assets	520	465	8	9
Liabilities	202	200	3	4

<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	
	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Premium income for own account from external customers <sup>1</sup>	0	0	42 716	40 921
Premium income for own account from other Group companies	-129	-117	0	0
Net financial income from investments	15 841	-3 081	63 156	5 732
Other income from external customers	0	2	762	1 107
Other income from other Group companies	-821	-596	0	0
<b>Total income</b>	<b>14 891</b>	<b>-3 792</b>	<b>106 634</b>	<b>47 760</b>
Claims for own account	0	0	-21 616	-20 015
Insurance provisions for own account	0	0	-29 954	-28 096
Costs borrowing	0	0	-372	-483
Operating costs excluding depreciation	325	360	-1 693	-1 750
Depreciation	-89	-33	-199	-122
Other expenses	113	2	-1 145	-1 075
Return to financial instruments attributable to minority interests	-14 736	4 022	-14 736	4 022
<b>Total expenses</b>	<b>-14 387</b>	<b>4 352</b>	<b>-69 715</b>	<b>-47 520</b>
<b>Operating profit/loss</b>	<b>505</b>	<b>559</b>	<b>36 919</b>	<b>240</b>
Funds credited to insurance customers <sup>2</sup>	-246	-238	-33 727	2 600
<b>Pre-tax income</b>	<b>259</b>	<b>321</b>	<b>3 193</b>	<b>2 840</b>
Cost of taxes	-711	-609	-1 286	-175
<b>Income</b>	<b>-452</b>	<b>-288</b>	<b>1 907</b>	<b>2 665</b>
Change in other comprehensive income (excluded cost of taxes)	161	228	344	201
<b>Total comprehensive income</b>	<b>-291</b>	<b>-60</b>	<b>2 251</b>	<b>2 866</b>
Assets	88 822	69 180	762 737	675 558
Liabilities	93 881	73 848	725 397	641 701

<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	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Contribution service pension	8 596	7 932	42 263	40 468
Reinsurance premiums ceded	-14	-18	-54	-72
Transfer of premium reserves from others	112	168	507	524
<b>Total premium income</b>	<b>8 695</b>	<b>8 083</b>	<b>42 716</b>	<b>40 921</b>

**NOTE 4** Other income

NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Supplement contractual early retirement scheme (ERS)	286	273	1 115	1 053
Other income 1	- 359	- 12	- 353	55
<b>Total other income</b>	<b>- 73</b>	<b>261</b>	<b>762</b>	<b>1 107</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	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
<b>SUBORDINATED LOANS</b>				
Interest costs <sup>1</sup>	-64	-69	-254	-249
Value changes	25	-264	22	-46
<b>Net costs subordinated loans</b>	<b>-39</b>	<b>-333</b>	<b>-232</b>	<b>-295</b>
<b>PERPETUAL HYBRID TIER 1 SECURITIES</b>				
Interest costs	-16	-17	-64	-61
Value changes	139	-202	-77	-127
<b>Net costs perpetual hybrid tier 1 securities</b>	<b>123</b>	<b>-219</b>	<b>-140</b>	<b>-188</b>
<b>Net costs subordinated loan and hybrid Tier 1 securities</b>	<b>84</b>	<b>-552</b>	<b>-372</b>	<b>-483</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	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Personnel costs	309	327	1 057	1 049
Depreciation and writedowns	57	34	149	122
Other operating expenses	239	186	685	701
<b>Other operating expenses</b>	<b>604</b>	<b>548</b>	<b>1 892</b>	<b>1 872</b>

**NOTE 7** Other expenses

NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Supplement contractual early retirement scheme (ERS)	286	273	1 115	1 053
Other expenses	20	6	31	22
<b>Total other expenses</b>	<b>307</b>	<b>279</b>	<b>1 145</b>	<b>1 075</b>

**NOTE 8** Investment property

NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Net rental income	672	710	2 859	2 719
Net value adjustment	642	507	1 413	1 911
Realised gains	-3	0	42	362
<b>Net income from investment properties</b>	<b>1 312</b>	<b>1 217</b>	<b>4 314</b>	<b>4 993</b>
Currency translate foreign subsidiaries (taken to other comprehensive income)	190	931	- 353	-238
<b>Net income from investment properties included currency translate</b>	<b>1 502</b>	<b>2 148</b>	<b>3 961</b>	<b>4 754</b>

NOK MILLIONS	31.12.2019	31.12.2018
Investment property 01.01.	67 570	63 519
Value adjustment, including currency translation	1 060	1 673
Net additions	5 876	2 360
Other changes	40	19
<b>Investment property 31.12.</b>	<b>74 545</b>	<b>67 570</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.

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

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

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

The observable price is used as the fair value of loans listed

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

**q) Fair value of subordinated bond/perpetual bond issued**

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

**r) Covered bonds issued**

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

**s) Deposits from customers**

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

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

NOK MILLIONS	31.12.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
<b>DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST</b>				
Norwegian hold-to-maturity bonds	5 215	5 698	7 258	7 747
Foreign hold-to-maturity bonds	24 487	25 935	23 795	24 380
<b>Total debt instruments held to maturity</b>	<b>29 701</b>	<b>31 633</b>	<b>31 053</b>	<b>32 127</b>
<b>DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST</b>				
Norwegian bonds	49 807	51 469	45 414	47 228
Foreign bonds	100 736	104 886	96 106	98 645
Other receivables	37	37	29	29
<b>Total debt instruments classified as loans and receivables</b>	<b>150 580</b>	<b>156 392</b>	<b>141 549</b>	<b>145 902</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	602	602	855	855
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>602</b>	<b>602</b>	<b>855</b>	<b>855</b>

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

NOK MILLIONS	31.12.2019		31.12.2018	
	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	21 755	21 758	19 674	19 680
Loans to local government sector or enterprises with local government guarantee	73 141	73 401	67 150	67 495
Loans abroad secured by mortgage and local government guarantee	10 766	10 794	8 016	8 049
Loans creditcard	65	65	69	69
<b>Total loans to local government, enterprises &amp; retail customers</b>	<b>105 727</b>	<b>106 018</b>	<b>94 909</b>	<b>95 293</b>
<b>DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
Norwegian bonds	54 801	54 801	58 737	58 737
Norwegian certificates	6 295	6 295	7 521	7 521
Foreign bonds	85 004	85 004	85 580	85 580
Foreign certificates	50	50	0	0
Investments with credit institutions	24 660	24 660	14 507	14 507
<b>Total debt instruments</b>	<b>170 810</b>	<b>170 810</b>	<b>166 344</b>	<b>166 344</b>
<b>EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
Shares	190 350	190 350	146 865	146 865
Equity funds	14 562	14 562	12 199	12 199
Property funds	32	32	45	45
Alternative investments	2 005	2 005	858	858
<b>Total equity capital instruments</b>	<b>206 949</b>	<b>206 949</b>	<b>159 968</b>	<b>159 968</b>
<b>RECEIVABLES</b>				
Receivables related to direct business	1 141	1 141	1 123	1 123
Receivables related to reinsurance agreements	153	153	63	63
Reinsurance share of gross claims reserve	0	0	0	0
Receivables related to securites	614	614	603	603
Prepaid rent related to real estate activities	212	212	166	166
Other receivables	364	364	258	258
<b>Total other loans and receivables including receivables from policyholders</b>	<b>2 484</b>	<b>2 484</b>	<b>2 213</b>	<b>2 213</b>

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

NOK MILLIONS	31.12.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
<b>FINANCIAL LIABILITIES - AT AMORTIZED COST</b>				
Hybrid Tier 1 securities	1 738	1 676	1 662	1 332
Subordinated loan capital	6 012	6 833	6 029	6 302
Debt to credit institutions	1 407	1 407	1 015	1 015
Covered bonds issued	24 415	24 546	23 025	23 179
Liabilities and deposits from customers	11 487	11 487	10 662	10 662
<b>Total financial liabilities</b>	<b>45 059</b>	<b>45 948</b>	<b>42 392</b>	<b>42 489</b>
<b>FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
Debt to credit institutions	6 791	6 791	1 779	1 779
<b>Total financial liabilities</b>	<b>6 791</b>	<b>6 791</b>	<b>1 779</b>	<b>1 779</b>
<b>Assets in life insurance with investment option</b>	<b>4 906</b>	<b>4 906</b>	<b>3 396</b>	<b>3 396</b>
<b>Provisions in life insurance with investment option</b>	<b>4 906</b>	<b>4 906</b>	<b>3 396</b>	<b>3 396</b>

NOK MILLIONS	31.12.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
<b>FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
Forward exchange contracts	5 572	647	133	6 107
Interest rate swaps	1 038	99	155	702
Interest rate and currency swaps	973	111	657	0
<b>Total financial derivatives</b>	<b>7 582</b>	<b>856</b>	<b>944</b>	<b>6 809</b>



**NOTE 10** Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2019	Book value 31.12.2018
<b>FIXED - TERM SUBORDINATED LOAN</b>						
Kommunal Landspensjonskasse	5 163	EUR	Fixed <sup>1</sup>	2045	6 012	6 029
<b>Total subordinated loan capital</b>	<b>5 163</b>				<b>6 012</b>	<b>6 029</b>
<b>HYBRID TIER 1 SECURITIES</b>						
Kommunal Landspensjonskasse	984	JPY	Fixed <sup>2</sup>	2034	1 738	1 662
<b>Total hybrid Tier 1 securities</b>	<b>984</b>				<b>1 738</b>	<b>1 662</b>
<b>COVERED BONDS</b>						
KLP Kommunekreditt AS	0	NOK	Floating	2019	0	1 172
KLP Kommunekreditt AS	224	NOK	Floating	2020	225	3 314
KLP Kommunekreditt AS	680	NOK	Fixed	2020	681	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 020	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	602	602
KLP Kommunekreditt AS	5 000	NOK	Floating	2022	5 012	4 007
KLP Kommunekreditt AS	5 000	NOK	Floating	2023	5 016	2 506
KLP Kommunekreditt AS	1 300	NOK	Floating	2024	1 303	0
KLP Kommunekreditt AS	500	NOK	Fixed	2027	508	508
KLP Boligkreditt AS	0	NOK	Floating	2019	0	408
KLP Boligkreditt AS	514	NOK	Floating	2020	517	2 007
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 509	2 506
KLP Boligkreditt AS	2 000	NOK	Floating	2023	2 002	1 201
KLP Boligkreditt AS	2 000	NOK	Floating	2024	2 001	0
Other					19	30
<b>Total covered bonds</b>	<b>24 318</b>				<b>24 415</b>	<b>23 025</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 31.12.2019	Book value 31.12.2018
<b>DEBT TO CREDIT INSTITUTIONS</b>						
KLP Banken AS	0	NOK	Floating	2019	0	614
KLP Banken AS	300	NOK	Fixed	2020	302	0
KLP Banken AS	300	NOK	Floating	2020	302	201
KLP Banken AS	200	NOK	Floating	2021	200	0
KLP Banken AS	300	NOK	Floating	2022	301	200
KLP Banken AS	300	NOK	Floating	2024	301	0
KLP Fond	0	NOK	Fixed	2019	0	509
KLP Fond	0	NOK/EUR/USD	Floating	2019	0	621
KLP Fond	2 801	NOK/EUR/USD	Floating	2020	2 801	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2019	0	650
Kommunal Landspensjonskasse	3 990	NOK/EUR/USD	Floating	2020	3 990	0
Other					2	0
<b>Total liabilities to credit institutions</b>	<b>8 191</b>				<b>8 199</b>	<b>2 794</b>
<b>LIABILITIES AND DEPOSITS FROM CUSTOMERS <sup>3</sup></b>						
Retail	9 861	NOK			9 861	8 716
Business	1 589	NOK			1 589	1 914
Foreign	36	NOK			36	32
<b>Liabilities to and deposits from customers</b>	<b>11 487</b>				<b>11 487</b>	<b>10 662</b>
<b>Total financial liabilities</b>	<b>50 142</b>				<b>51 850</b>	<b>44 171</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

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 1 405 million per 31.12.2019.

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

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

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

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 31.12.2019	Book value 31.12.2018
Opening balance 1 January	67 570	63 519
Sold	-291	-452
Bought	6 167	2 831
Unrealised changes	1 060	1 673
Other changes	39	0
<b>Closing balance 31.12.</b>	<b>74 545</b>	<b>67 570</b>
Realised gains/losses	362	363

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 31.12.2019	Book value 31.12.2018
Opening balance 1 January	12 986	10 438
Sold	-3 822	-2 414
Bought	3 662	2 607
Unrealised changes	1 834	2 356
<b>Closing balance 31.12.</b>	<b>14 660</b>	<b>12 986</b>
Realised gains/losses	1 199	1 279
<b>Closing balance 31.12.</b>	<b>89 206</b>	<b>80 556</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 4 460 million as of 31.12.2019.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 4 906 million in financial assets valued at fair value at Level 1. Per 31.12.2019 the NOK 4 906 million consist of NOK 3 436 million in shares and units in Level 1, NOK 1 463 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.

During the fourth quarter NOK 1 143 million in stocks were moved from Level 1 to Level 2 and NOK 1 347 million were moved from Level 2 to Level 1. This is due to changes in liquidity.

**NOTE 12** Liquidity risk

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

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>

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.

31.12.2018 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	1 010	6 444	0	7 706
Perpetual hybrid Tier 1 securities <sup>1</sup>	0	63	252	315	1 520	2 151
Debt to and deposits from customers (without defined maturity)	10 662	0	0	0	0	10 662
Covered bonds issued	0	1 547	21 844	616	0	24 006
Payables to credit institutions	1 930	540	412	0	0	2 882
Financial derivatives	5 291	4 231	313	-96	-295	9 445
Accounts payable	50	0	0	0	0	50
Contingent liabilities (without defined maturity)	20 532	0	0	0	0	20 532
<b>Total</b>	<b>38 465</b>	<b>6 634</b>	<b>23 832</b>	<b>7 279</b>	<b>1 226</b>	<b>77 435</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 330 million, payables to credit institutions maturing within one month are reduced by NOK 1 176 million, derivatives maturing between 1 to 12 months are reduced by NOK 860 million, while derivatives maturing between 1 to 5 years increased by NOK 0.3 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 75 070 million.

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

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	0
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>-4 486</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>-4 691</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>-3 518</b>

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

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

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

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 <sup>2</sup>	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	13 240
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>447 031</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.

<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 1 371 million per 31.12.2019

**NOTE 14** Credit risk – cont.

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

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					
	AAA	AA	A	BBB	Sum Invest- ment grade
Debt instruments held to maturity at amortized cost	12 745	3 957	8 432	3 608	28 743
Debt instruments classified as loans and receivables at amortized cost	21 830	18 988	55 903	19 570	116 292
Debt instruments at fair value - fixed-return securities	40 206	9 156	34 665	29 205	113 232
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 331	11 903	0	14 235
Financial derivatives classified as assets	0	112	832	0	944
Cash and bank deposits	0	263	2 686	0	2 949
Lending	0	0	0	0	0
<b>Total</b>	<b>74 782</b>	<b>34 808</b>	<b>114 421</b>	<b>52 383</b>	<b>276 394</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 63 billion per 31.12.2019. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category.

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

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

NOK MILLIONS		31.12.2019		31.12.2018	
	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	13 956	13 026	13 491	13 322	
Counterparty 2	11 144	8 896	8 766	8 475	
Counterparty 3	9 463	7 948	8 475	8 475	
Counterparty 4	7 471	7 295	6 860	5 896	
Counterparty 5	7 376	7 138	5 966	5 785	
Counterparty 6	7 318	6 535	5 285	4 962	
Counterparty 7	6 535	6 107	4 766	4 699	
Counterparty 8	6 198	6 076	4 750	4 698	
Counterparty 9	4 698	4 698	4 698	4 696	
Counterparty 10	4 309	4 189	3 686	3 577	
<b>Total</b>	<b>78 468</b>	<b>71 910</b>	<b>66 743</b>	<b>64 584</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	31.12.2019	31.12.2018
Premium reserves - ordinary tariff	463 481	435 267
Premium funds, buffer funds and pensioners' surplus funds	20 297	12 098
Supplementary reserves	28 320	28 418
Securities adjustment fund	55 724	33 447
Other provisions	61	54
<b>Technical provisions in life insurance</b>	<b>567 883</b>	<b>509 284</b>

NOK MILLIONS	31.12.2019	31.12.2018
Premium reserves	4 892	3 377
Deposit funds	14	20
<b>Provisions in life insurance with investment options</b>	<b>4 906</b>	<b>3 396</b>

**NOTE 16** Other current liabilities

NOK MILLIONS	31.12.2019	31.12.2018
Short-term payables trade in securities	2 644	2 292
Incurred not assessed taxes	1 211	655
Advance tax-deduction pension scheme	432	420
Accounts payable	184	373
Pre-called contribution to insurance	867	1 434
Other current liabilities	990	878
<b>Total other current liabilities</b>	<b>6 328</b>	<b>6 053</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, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 256 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 299 per cent.

	31.12.2019	31.12.2018
Solvency II - SCR ratio	256%	243%

NOK BILLIONS	31.12.2019	31.12.2018		31.12.2019	31.12.2018
<b>SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT</b>					
Assets, book value	631	566	Best estimate	569	507
Added values - hold-to-maturity portfolio/loans and receivables	7	5	Risk margin	14	13
Added values - other lending	0	0	Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	9	9
Deferred tax asset	0	0	Deferred tax liabilities	3	2
<b>Total assets - solvency II</b>	<b>638</b>	<b>572</b>	<b>Total liabilities - solvency II</b>	<b>603</b>	<b>539</b>
			Excess of assets over liabilities	35	33
			- Deferred tax asset	0	0
			- Risk equalisation fund	-6	-5
			+ Hybrid Tier 1 securities	2	2
			<b>Tier 1 basic own funds</b>	<b>31</b>	<b>29</b>
			<b>Total eligible tier 1 own funds</b>	<b>31</b>	<b>29</b>
			Subordinated loans	6	6
			Risk equalisation fund	6	-5
			<b>Tier 2 basic own funds</b>	<b>12</b>	<b>2</b>
			Ancillary own funds	12	11
			<b>Tier 2 ancillary own funds</b>	<b>12</b>	<b>11</b>
			Deduction for max. eligible tier 2 own funds	-17	-5
			<b>Total eligible tier 2 own funds</b>	<b>7</b>	<b>7</b>
			Deferred tax asset	0	0
			<b>Total eligible tier 3 own funds</b>	<b>0</b>	<b>0</b>
			<b>Solvency II total eligible own funds</b>	<b>38</b>	<b>36</b>
			Solvency capital requirement (SCR)	15	15
			<b>Solvency II- SCR ratio</b>	<b>256%</b>	<b>243%</b>



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

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>

  

31.12.2018 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
<b>ASSETS</b>								
Financial derivatives	944	0	944	-293	-632	0	23	23
Repos	0	0	0	0	0	0	0	0
<b>Total</b>	<b>944</b>	<b>0</b>	<b>944</b>	<b>-293</b>	<b>-632</b>	<b>0</b>	<b>23</b>	<b>23</b>
<b>LIABILITIES</b>								
Financial derivatives	6 809	0	6 809	-293	-1 313	-8 083	0	0
Repos	509	0	509	0	0	0	509	509
<b>Total</b>	<b>7 318</b>	<b>0</b>	<b>7 318</b>	<b>-293</b>	<b>-1 313</b>	<b>-8 083</b>	<b>509</b>	<b>509</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	31.12.2019	31.12.2018
Capitalized net liability 01.01.	880	797
Capitalized pension costs	185	164
Capitalized financial costs	28	25
Actuarial gains and losses	-151	22
Premiums / contributions received	-152	-128
<b>Capitalized net liability 31.12.</b>	<b>790</b>	<b>880</b>

ASSUMPTIONS	31.12.2019	31.12.2018
Discount rate	2.30%	2.60%
Salary growth	2.25%	2.75%
The National Insurance basic amount (G)	2.00%	2.50%
Pension increases	1.24%	1.73%
Social security contribution rate	14.10%	14.10%
Capital activity tax	5.00%	5.00%

The effect of changes in pension assumptions reduces the pension liability for employees with NOK 151 million as of 31.12.2019. The change is recognized in other comprehensive income in the income statement.

**NOTE 20** Events after the reporting period**ONE-TIME EFFECTS DUE TO CHANGES IN PUBLIC SECTOR OCCUPATIONAL PENSIONS**

On January 1, 2020, a premium reserve was allocated for all members born in 1954 and subsequently recalculated as a result of the new coordination rules adopted in 2018. In addition, a conversion was carried out in connection with changes in the regulations for public sector occupational pensions from the beginning of the year.

In total, the changes entail a release of premium reserve of 5.2 per cent. However, there are differences between individual contracts. In total, contracts where strengthening of the premium reserve is needed have a requirement of 0.3 per cent. Gross release of premium reserve is thus 5.5 per cent. These funds will be allocated in connection with year-end closing for 2020.

## Key figures - Accumulated

NOK MILLIONS	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>KLP GROUP</b>								
Profit before tax	3 193	2 518	1 678	953	2 840	2 255	1 516	880
Total assets	762 737	744 567	736 852	699 017	675 558	691 571	668 577	649 547
Owners' equity	37 340	36 781	34 893	34 457	33 857	32 307	30 386	30 158
Solvency SCR ratio	256%	248%	239%	245%	243%	249%	231%	233%
Number of employees in the Group	1 007	1 001	998	993	990	990	980	966
<b>KOMMUNAL LANDSPENSJONSKASSE</b>								
Profit before tax	2 637	2 149	1 457	808	2 425	1 876	1 287	812
Premium income for own account	40 234	32 157	21 834	6 705	38 727	31 259	21 989	6 334
- of which inflow of premium reserve	11	0	-	-	5	5	5	5
Insurance customers' funds incl. acc. profit	20 157	15 077	10 028	5 022	18 847	14 110	9 473	4 844
- of which funds with guaranteed returns	292	288	288	248	497	497	497	424
Net investment common portfolio	574 953	551 696	541 802	529 900	515 905	509 046	502 991	495 146
Net investment choice portfolio	2 662	2 592	2 589	2 491	2 423	2 478	2 487	2 351
Insurance funds incl. earnings for the year	566 230	554 350	542 589	524 095	507 600	514 393	506 479	487 732
- of which funds with guaranteed interest	482 260	466 523	461 642	449 226	445 799	439 939	437 311	424 503
Solvency capital requirement (SCR)	38 254	38 238	36 410	36 510	36 106	36 854	34 417	34 131
Solvency SCR ratio	285%	274%	264%	270%	263%	274%	253%	255%
Riskprofit	1 031	940	536	207	958	578	393	193
Return profits	10 720	4 720	4 338	2 157	5 207	6 086	5 046	2 931
Administration profit	186	173	80	48	137	115	22	29
Solvency capital	150 617	139 677	132 050	123 125	108 825	120 680	115 445	109 209
Book return on common portfolio	4.5 %	2.7 %	2.0 %	1.0 %	3.5 %	3.1 %	2.3 %	1.2 %
Value-adjusted return on common portfolio	8.5 %	6.6 %	4.8 %	3.1 %	1.5 %	2.9 %	1.3 %	-0.4 %
Return on unit-linked portfolio	9.9 %	7.4 %	5.4 %	3.7 %	0.6 %	3.1 %	1.3 %	-0.9 %
Return on corporate portfolio	4.3 %	3.4 %	2.6 %	1.3 %	4.2 %	3.1 %	2.3 %	1.6 %

## Key figures - Accumulated – continued

NOK MILLIONS	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>KLP SKADEFORSIKRING AS</b>								
Profit before tax	165.6	140.5	138.4	109.5	17.5	105.6	36.5	-12.5
Gross premium due	1 529.8	1 131.1	741.2	363.4	1 338.2	994.5	655.7	324.1
Premium income for own account	1 475.7	1 090.9	714.4	350.0	1 268.4	942.3	620.9	306.7
Owners' equity	1 940.5	1 875.9	1 874.2	1 852.6	1 775.0	1 860.0	1 807.1	1 767.9
Claims ratio	90.5 %	90.8 %	85.7 %	80.7 %	83.5 %	80.5 %	81.7 %	80.6 %
Combined-ratio	109.0 %	108.6 %	104.8 %	99.4 %	104.5 %	100.1 %	103.2 %	101.7 %
Return on assets under management	6.7 %	5.3 %	3.9 %	2.5 %	1.8 %	2.4 %	1.3 %	-0.2 %
Solvency capital requirement (SCR)	1 958	1 882	1 854	1 823	1 759	1 840	1 795	1 771
Solvency SCR ratio	240%	246%	248%	246%	243%	251%	240%	237%
Annual premium in force – retail market	683.9	651.1	630.5	609.6	587.9	564.1	547.8	539.6
Annual premium in force – public sector market	925.1	910.6	901.3	892.8	809.0	797.8	797.7	791.5
Net new subscriptions (accumulated within the year)	145.3	93.4	72.4	44.7	119.8	43.8	27.3	10.0
<b>KLP BEDRIFTSPENSJON AS</b>								
Profit before tax	-12.6	-8.6	-10.7	-0.7	-20.8	-24.1	-16.7	-8.5
Premium income for own account	1 134.8	869.8	624.7	361.4	1 041.3	731.8	474.4	247.5
- of which premium reserve added	495.7	394.6	309.6	202.1	519.6	350.4	217.2	118.4
Insurance customers' funds including accumulated profit	6 649	6 264	5 985	5 684	5 080	5 100	4 764	4 491
- of which funds with guaranteed returns	1 538	1 550	1 551	1 535	1 492	1 498	1 498	1 483
Returns profit	13.4	8.4	5.7	3.3	28.1	25.3	19.9	11.5
Risk result	7.7	0.8	-2.0	1.7	3.4	-7.9	-2.5	0.3
Administration losses	-38.1	-26.8	-19.2	-9.6	-38.9	-28.6	-21.8	-11.2
Solvency capital requirement (SCR)	323	202	204	235	233	211	217	209
Solvency SCR ratio	204%	123%	124%	140%	147%	133%	128%	126%
Solvency capital	763.9	692.5	676.3	672.4	646.3	642	665.8	674.4
Book capital return on common portfolio	3.4 %	2.4 %	1.6 %	0.8 %	4.5 %	3.6 %	2.6 %	1.4 %
Value-adjusted capital return on common portfolio	4.1 %	2.9 %	2.0 %	1.1 %	3.0 %	2.4 %	1.4 %	0.4 %
Return on defined unit-linked contribution pensions	16.8 %	12.6 %	9.5 %	7.4 %	-3.8 %	4.5 %	1.1 %	-2.6 %
Return on corporate portfolio	3.0 %	2.5 %	1.8 %	1.0 %	1.1 %	1.0 %	0.5 %	0.0 %

## Key figures - Accumulated – continued

NOK MILLIONS	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>KLP BANKEN GROUP</b>								
Profit/loss before tax	102.3	77.3	50.6	24.0	83.4	71.1	43.0	23.7
Net interest income	292.9	209.4	138.1	66.0	248.5	183.2	122.6	64.6
Other operating income	78.1	58.4	38.5	18.9	75.4	56.0	37.4	18.3
Operating expenses and depreciation	-238.5	-167.8	-114.4	-57.5	-226.9	-160.7	-114.4	-58.1
Net realized/unrealized changes in financial instruments to fair value	-30.2	-22.7	-11.6	-3.4	-13.5	-7.4	-2.7	-1.1
Contributions	11 487	11 649	11 465	11 031	10 662	10 531	10 218	9 733
Housing mortgages granted	18 387	17 746	17 351	17 038	16 716	16 243	15 764	15 147
Loan(s) with public guarantee(s)	16 547	16 524	16 293	16 660	16 759	16 206	16 282	16 091
Defaulted loans	86	69	60	62	56	32	21	27
Borrowing on the issuance of securities	25 822	25 528	24 858	24 655	24 040	23 496	23 084	23 341
Total assets	39 699	39 611	38 861	38 586	37 089	36 468	35 817	35 404
Average total assets	38 394	38 350	37 975	37 837	36 035	35 725	35 399	35 192
Owners' equity	2 221	2 195	2 174	2 154	2 138	2 130	2 108	2 094
Net interest rate	0.76%	0.55%	0.36%	0.17%	0.69%	0.51%	0.35%	0.18%
Profit/loss from general operations before tax	0.27%	0.20%	0.13%	0.06%	0.23%	0.20%	0.12%	0.07%
Return on owners' equity before tax	4.78%	4.82%	4.73%	4.50%	3.83%	4.56%	4.14%	4.57%
Capital adequacy	19.1 %	19.0 %	19.6 %	19.0 %	20.1 %	19.9 %	20.2 %	20.6 %
Number of private customers	42 785	69 147	66 879	64 729	62 502	60 697	59 204	57 568
Of this members of KLP	31 361	49 814	48 135	46 453	44 693	43 267	41 698	40 317
<b>KLP KAPITALFORVALTNING AS</b>								
Profit/loss before tax	44.3	45.2	19.2	-2.1	16.7	26.6	-0.9	-2.1
Total assets under management	563 567	544 395	530 531	520 816	494 542	498 246	483 636	483 074
Assets managed for external customers	83 405	77 736	71 301	70 628	63 696	68 975	58 980	63 989



# **Sustainability Report**

Q4 2019

# Sustainability Report

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS	31.12.2019	31.12.2018	31.12.2017	Contributes towards UN Sustainable Development Goal
<b>EMPLOYEE STATISTICS</b>				
Employees of KLP	1007	990	961	n/a
Total sickness absence	3.9 %	4.2 %	4.6 %	3.
<b>ENVIRONMENT</b>				
Number of flights (stretches)	6 481	6661	3107	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO <sub>2</sub> e)	803	874	534	13. 12.
Energy consumption in KLP's own offices (KWh/m <sup>2</sup> )	127	148	130	9. 13.
Energy consumption in KLP's property portfolio (KWh/m <sup>2</sup> )	185	200	190	9. 13.
<b>ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION</b>				
Companies excluded from investments	368	189	174	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	102 (97%)	106 (98%)	115 (97 %)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	6590 (97%)	6408 (97%)	2617 (91 %)	n/a
Companies KLP has had direct dialogue with	217	125	192	All SDGs



# Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in the fourth quarter					
	2019	2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017	Contributes towards UN Sustainable Development Goal:
CLIMATE-FRIENDLY INVESTMENTS						
Renewable energy in Norway (MNOK)	1 435	225	23 258	23 014	22 282	7.
Renewable energy internationally (MNOK)	970	274	3 127	1 644	1 088	7.
Renewable energy in developing countries (MNOK)	87	-27	725	483	381	7. 9. 17.
Lending for power, water, drainage and renovation (MNOK)	45	-537	2 841	2 588	3 173	7.
International power companies (mNOK)	-63	0	2 434	1200	n/a	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	2 169	1 642	14 197	11 985	10 115	9.
Green bonds (MNOK)	-40	33	890	792	735	n/a
Other climate-friendly investments (mNOK)	118	n/a	295	230	n/a	n/a
Total (MNOK)	4 722	1 610	47 768	41 936	37 774	n/a
As a proportion of KLP's investments	0%	1%	8%	8%	7%	n/a
Fossil energy (market value in MNOK)	73	-1 579	10 823	10 214	11 215	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0%	0%	2%	2%	2%	n/a
Renewable energy (market value in MNOK)	-163	-65	29 748	27 728	26 924	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0%	0%	5%	5%	4%	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	2 169	1 642	14 197	11 985	10 115	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	2%	2%	19%	18%	16%	9.
FINANCE IN DEVELOPING COUNTRIES						
Banking and finance in developing countries (mNOK)	29	-26	713	570	530	1. 5. 8. 17.
SEED INVESTMENTS						
Seed investments in Norway (mNOK)	1	2	8	4	n/a	8
DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in the fourth quarter					
	2019	2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018	01.01.2017 -31.12.2017	Contributes towards UN Sustainable Development Goal:
LENDING BUSINESS						
Loans for roads and transport (MNOK)	130	447	8 812	8 543	9 411	9
Loans for public property (MNOK)	263	137	4 987	4 798	4 060	9
Loans to public sector and businesses (MNOK)	1 167	2 150	56 434	51 425	45 087	n/a

# Notes to the Sustainability Report

## INTEGRATING CORPORATE SOCIAL RESPONSIBILITY INTO ALL OUR OPERATIONS

*At KLP corporate social 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:

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

### TARGET:

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

### DEFINITION:

#### Corporate air travel:

Number of flights is based on data provided by our travel agent. In 2019, our travel agent began reporting number of flights as the number of flight stretches. Previous years it has been reported as number of return flights, which can consist of multiple stretches. Number of flights for 2018 has been updated according to the new methodology, but number of flights for previous years is based on number of return flights and therefore cannot be directly compared.

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. Our travel agent is now using figures from DEFRA 2015. While the same GHG emission factor was used for all flights previously, the DEFRA methodology distinguishes between short, medium and long haul flights. Hence, the reported numbers cannot be directly compared to previously reported numbers.

### 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 MORE SUSTAINABLE OPERATION

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

### UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

### TARGET:

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

### DEFINITION:

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

The number of companies KLP has had direct dialogue with refers to companies that KLP has been in direct contact with during the year on social, environmental, or governance matters. The dialogue varies in scope, subject-matter and time frame. This is a form of exercising ownership in which KLP engages in dialogue with companies to discuss their handling of social responsibility issues, and communicate our expectations as an investor and owner.

## INCREASE CLIMATE-FRIENDLY INVESTMENTS

*KLP's investments promote many different dimensions of sustainable development, but given KLPs focus on climate change we are focusing 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.

Renewable energy internationally covers investments in new renewable energy projects. This is both equity investments and project financing. Investments are done through external fund managers specialising in energy or 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.

**Lending for energy, water, drainage and renovation:**

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

**International power companies:**

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

**Green bonds:**

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

**Other climate-friendly investments:**

Climate-friendly investments that are not covered by the aforementioned main categories are combined in this indicator. For instance, KLP has lent to electric ferries and invested in a fund investing in forest-properties.

**Fossil energy:**

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

**Buildings with environmental qualities:**

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

**Proportion of total portfolio:**

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

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

**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:**

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

**TARGET:**

Not defined.

**DEFINITION:**

Seed investments. In 2018, KLP established a portfolio for seed investments aimed at the Norwegian research community. By the end of 2019, KLP has 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..*

**LENDING BUSINESS:**

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

**UN SUSTAINABLE DEVELOPMENT GOALS:**

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

**TARGET:**

Increase lending for this type of purpose.

**DEFINISJON:**

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





# Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE  
Q4 2019

# Income statement

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
3	Premium income	8 077	7 469	40 234	38 727
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	873	1 884	2 876	3 884
	Interest income and dividends etc. on financial assets	3 522	2 403	10 444	9 963
	Value changes on investments	4 026	-12 518	28 591	-10 421
	Gains and losses realized on investments	1 667	889	2 140	3 595
	<b>Net income from investments in the common portfolio</b>	<b>10 089</b>	<b>-7 341</b>	<b>44 051</b>	<b>7 021</b>
	Net income from investments in the investment option portfolio	60	-59	238	14
	Other insurance-related income	288	273	1 118	1 055
4	Claims	-5 081	-4 736	-20 157	-18 847
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-6 583	1 894	-50 728	-21 503
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-114	14	-197	-58
	Funds assigned to insurance contracts - contractual liabilities	-5 775	3 306	-10 841	-2 939
5	Insurance-related operating expenses	-346	-329	-1 129	-1 097
	Other insurance-related costs	-291	-274	-1 119	-1 059
	<b>Technical profit/loss</b>	<b>324</b>	<b>217</b>	<b>1 470</b>	<b>1 315</b>
	Net income from investments in the corporate portfolio	255	428	1 525	1 456
	Other income	5	2	16	6
	Administration costs and other costs associated with the corporate portfolio	-96	-98	-374	-353
	<b>Non-technical profit/loss</b>	<b>164</b>	<b>332</b>	<b>1 167</b>	<b>1 109</b>



# Income statement

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
	<b>Profit/loss pre-tax</b>	<b>488</b>	<b>549</b>	<b>2 637</b>	<b>2 425</b>
	Tax	-88	-190	-497	-627
	<b>Income before other income and expenses</b>	<b>400</b>	<b>359</b>	<b>2 140</b>	<b>1 797</b>
12	Actuarial gains and losses on defined benefits pension schemes	128	-15	89	-15
	Proportion of other comprehensive income on application of the equity method	83	-7	62	-7
	Adjustment of the insurance liabilities	-21	1	-16	1
	Tax on other income and expenses that will not be reclassified to profit or loss	-32	4	-22	4
	<b>Total other income and expenses that will not be reclassified to profit or loss</b>	<b>158</b>	<b>-18</b>	<b>113</b>	<b>-18</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>557</b>	<b>342</b>	<b>2 252</b>	<b>1 780</b>

### ALLOCATIONS AND TRANSFERS, PRELIMINARY 2019 / FINAL 2018:

Transferred to owners' equity contribution	-755	0
Transferred to risk equalization fund	-746	-639
Transferred to other retained earnings	-751	-1 141
<b>Total allocations and transfers</b>	<b>-2 252</b>	<b>-1 780</b>

# Statement of financial position

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.12.2019	31.12.2018
<b>ASSETS</b>			
<b>ASSETS IN THE CORPORATE PORTFOLIO</b>			
	Intangible assets	358	173
7	Investment properties	955	924
	Shares and holdings in property subsidiaries	3 005	1 985
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	5 084	4 694
6	Financial assets valued at amortized cost	18 497	18 175
6.7	Financial assets valued at fair value	14 198	12 705
	Receivables	660	742
11	Right-of-use assets	204	0
	Other assets	942	992
<b>Total assets in the corporate portfolio</b>		<b>43 902</b>	<b>40 392</b>
<b>ASSETS IN THE CUSTOMER PORTFOLIOS</b>			
	Shares and holdings in property subsidiaries	53 910	47 296
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	3 079	1 521
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	14 051	14 782
6	Financial assets valued at amortized cost	237 100	212 596
6.7	Financial assets valued at fair value	266 813	239 711
<b>Total investment in the common portfolio</b>		<b>574 953</b>	<b>515 905</b>
	Shares and holdings in property subsidiaries	266	234
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	69	73
6	Financial assets at amortized costs	898	876
6.7	Financial assets at fair value	1 428	1 240
<b>Total investments in the investment option portfolio</b>		<b>2 662</b>	<b>2 423</b>
<b>Total assets in the customer portfolios</b>		<b>577 615</b>	<b>518 327</b>
<b>TOTAL ASSETS</b>		<b>621 518</b>	<b>558 719</b>

# Statement of financial position

## KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.12.2019	31.12.2018
<b>OWNERS' EQUITY AND LIABILITIES</b>			
	Owners' equity contributed	16 540	14 554
	Retained earnings	20 779	19 281
	<b>Total owners' equity</b>	<b>37 319</b>	<b>33 835</b>
6	Subordinated loan capital etc.	7 750	7 691
	Premium reserve etc.	459 343	431 153
	Supplementary reserves	28 105	28 206
	Securities adjustment fund	55 761	33 439
	Premium funds, defined contribution funds, pension regulation funds etc.	20 323	12 383
	<b>Total insurance liabilities - contractual liabilities</b>	<b>563 532</b>	<b>505 182</b>
	Pension capital etc.	2 064	1 941
	Supplementary reserves	104	100
	Premium funds, defined contribution funds, pension regulation funds etc.	531	378
	<b>Total insurance liabilities - special investment portfolio</b>	<b>2 698</b>	<b>2 419</b>
12	Pension obligations	508	565
	Current tax liabilities	978	426
	Deferred tax liabilities	515	481
11	Lease liabilities	210	0
9	Liabilities	7 789	7 895
	Accrued costs and prepaid income	219	225
	<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>621 518</b>	<b>558 719</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
	Contingent liabilities	21 227	19 142

# Changes in Owners' equity

## KOMMUNAL LANDSPENSJONSKASSE

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<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	755	746	638	2 140
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>755</b>	<b>746</b>	<b>751</b>	<b>2 252</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>15 239</b>	<b>37 319</b>

2018 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
<b>Own funds 1 January 2018</b>	<b>13 125</b>	<b>4 154</b>	<b>13 347</b>	<b>30 626</b>
Income before other income and expenses	0	639	1 158	1 797
Actuarial gains and losses on defined benefits pension schemes			-15	-15
Proportion of other comprehensive income on application of the equity method			-7	-7
Adjustment of the insurance liabilities			1	1
Tax on other income and expenses that will not be reclassified to profit or loss			4	4
<b>Total other income and expenses that will not be reclassified to profit or loss</b>			<b>-18</b>	<b>-18</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>639</b>	<b>1 141</b>	<b>1 780</b>
Owners equity contribution recieved	1 429			1 429
<b>Total transactions with owners</b>	<b>1 429</b>			<b>1 429</b>
<b>Own funds 31 December 2018</b>	<b>14 554</b>	<b>4 793</b>	<b>14 488</b>	<b>33 835</b>

# Statement of cash flows

## KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2019 -31.12.2019	01.01.2019 -30.09.2019	01.01.2019 -30.06.2019	01.01.2019 -31.03.2019	01.01.2018 -31.12.2018
Net cashflow from operational activities	-899	-1 056	412	-24	-1 304
Net cashflow from investment activities <sup>1</sup>	-280	-198	-138	-39	-12
Net cashflow from financing activities <sup>2</sup>	1 125	1 151	-55	-35	1 429
<b>Net changes in cash and bank deposits</b>	<b>-54</b>	<b>-103</b>	<b>220</b>	<b>-98</b>	<b>112</b>
Holdings of cash and bank deposits at start of period	954	954	954	954	842
<b>Holdings of cash and bank deposits at end of period</b>	<b>900</b>	<b>851</b>	<b>1 173</b>	<b>856</b>	<b>954</b>

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

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

# Notes to the financial statements

## KOMMUNAL LANDSPENSJONSKASSE

### NOTE 1 Accounting principles- and estimates

#### ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 31 December 2019. The accounts have not been audited.

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

The interim financial statements do not contain all the information required of complete annual financial statements, and the interim financial statement should be read in the context of the annual financial statements for 2018, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at [klp.no](http://klp.no).

#### ACCOUNTING ESTIMATES

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

**NOTE 2** Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 31. December 2019.

NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Value adjustment incl. foreign exchange	708	1 581	952	1 704
Foreign exchange effect on hedging	-32	-943	730	377
<b>Net value adjustment incl. exchange hedging</b>	<b>676</b>	<b>638</b>	<b>1 682</b>	<b>2 081</b>

**NOTE 3** Premium income

NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Gross premiums due	8 066	7 470	40 224	38 724
Reinsurance premiums ceded	0	0	-1	-2
Transfer of premium reserves from others	11	-1	11	5
<b>Total premium income</b>	<b>8 077</b>	<b>7 469</b>	<b>40 234</b>	<b>38 727</b>

**NOTE 4** Claims

NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Claims paid	5 077	4 736	19 866	18 350
Transfers of premium reserves to others	3	0	292	497
<b>Total claims</b>	<b>5 081</b>	<b>4 736</b>	<b>20 157</b>	<b>18 847</b>

**NOTE 5** Insurance-related operating expenses

NOK MILLIONS	Q4 2019	Q4 2018	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Personnel costs	198	200	678	639
Depreciation <sup>1</sup>	68	18	193	73
Other operating expenses <sup>1</sup>	80	111	258	384
<b>Total insurance-related operating expenses</b>	<b>346</b>	<b>329</b>	<b>1 129</b>	<b>1 097</b>

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

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

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

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

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

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

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

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

**NOTE 7** Fair value hierarchy

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

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

**NOTE 7** Fair value hierarchy – continues

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

**NOTE 7** Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 31.12.2019	Book value 31.12.2018
Opening balance 01.01.	4	3
Sold	0	0
Bought	2	0
Unrealised changes	-1	1
<b>Closing balance 31.12.</b>	<b>5</b>	<b>4</b>
Realised gains/losses	0	-48

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 31.12.2019	Book value 31.12.2018
Opening balance 01.01.	2 481	1 640
Sold	-1 419	0
Bought	764	339
Unrealised changes	343	503
<b>Closing balance 31.12.</b>	<b>2 170</b>	<b>2 481</b>
Realised gains/losses	318	0

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 31.12.2019	Book value 31.12.2018
Opening balance 01.01.	61	75
Sold	-9	-15
Bought	0	0
Unrealised changes	2	1
<b>Closing balance 31.12.</b>	<b>54</b>	<b>61</b>
Realised gains/losses	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 31.12.2019	Book value 31.12.2018
Opening balance 01.01.	12 664	10 837
Sold	-2 400	-2 403
Bought	2 882	2 261
Unrealised changes	1 742	1 969
<b>Closing balance 31.12.</b>	<b>14 888</b>	<b>12 664</b>
Realised gains/losses	878	1 326



**NOTE 7** Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.12.2019	Book value 31.12.2018
Opening balance 01.01.	924	1 003
Sold	0	-499
Bought	0	0
Unrealised changes	67	70
Other	-36	350
<b>Closing balance 31.12.</b>	<b>955</b>	<b>924</b>
Realised gains/losses	0	362
<b>Total Level 3</b>	<b>18 071</b>	<b>16 133</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 904 million as of 31.12.2019 on the assets in level 3.

**NOTE 7** Fair value hierarchy – continues

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

In this quarter, NOK 155 million have moved from Level 1 to Level 2 and NOK 299 million have moved from level 2 to level 1. The amounts are related to equity instruments and are due to changes 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

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>

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

31.12.2018 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
<b>ASSETS</b>							
Financial derivatives	777	0	777	-126	-633	0	23
<b>Total</b>	<b>777</b>	<b>0</b>	<b>777</b>	<b>-126</b>	<b>-633</b>	<b>0</b>	<b>23</b>
<b>PORTFOLIO ALLOCATION OF ASSETS</b>							
Total assets – common portfolio	126	0	126	-126	-4	0	0
Total assets – corporate portfolio	651	0	651	0	-628	0	23
Total assets – investment option portfolio	0	0	0	0	-1	0	0
<b>Total</b>	<b>777</b>	<b>0</b>	<b>777</b>	<b>-126</b>	<b>-633</b>	<b>0</b>	<b>23</b>
<b>LIABILITIES</b>							
Financial derivatives	3 891	0	3 891	-126	-5	-5 247	13
<b>Total</b>	<b>3 891</b>	<b>0</b>	<b>3 891</b>	<b>-126</b>	<b>-5</b>	<b>-5 247</b>	<b>13</b>
<b>PORTFOLIO ALLOCATION OF LIABILITIES</b>							
Total liabilities – common portfolio	3 874	0	3 874	-126	-1	-5 247	0
Total liabilities – corporate portfolio	1	0	1	0	0	0	1
Total liabilities – investment option portfolio	16	0	16	0	-4	0	12
<b>Total</b>	<b>3 891</b>	<b>0</b>	<b>3 891</b>	<b>-126</b>	<b>-5</b>	<b>-5 247</b>	<b>13</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	31.12.2019	31.12.2018
Short-term liabilities securities	1 870	1 442
Advance tax-deduction pension scheme	429	418
Accounts payable	6	21
Derivatives	599	3 891
Debt to credit institutions	3 990	650
Liabilities related to direct insurance	867	1 442
Other liabilities	28	31
<b>Total liabilities</b>	<b>7 789</b>	<b>7 895</b>

## NOTE 10 SCR ratio

NOK BILLIONS	31.12.2019	31.12.2018		31.12.2019	31.12.2018
<b>SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT</b>					
Assets, book value	621	559	Best estimate	560	500
Added values - hold-to-maturity portfolio/loans and receivables	8	6	Risk margin	14	13
Added values - other lending	0	0	Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other added/lesser values	0	0	Other liabilities	9	9
Deferred tax asset	0	0	Deferred tax liabilities	2	2
<b>Total assets - solvency II</b>	<b>629</b>	<b>564</b>	<b>Total liabilities - solvency II</b>	<b>594</b>	<b>532</b>
			Excess of assets over liabilities	35	32
			- Deferred tax asset	0	0
			- Risk equalisation fund	-6	-5
			+ Hybrid Tier 1 securities	2	2
			<b>Tier 1 basic own funds</b>	<b>32</b>	<b>29</b>
			<b>Total eligible tier 1 own funds</b>	<b>32</b>	<b>29</b>
			Subordinated loans	6	7
			Risk equalisation fund	6	5
			<b>Tier 2 basic own funds</b>	<b>12</b>	<b>12</b>
			Ancillary own funds	12	11
			<b>Tier 2 ancillary own funds</b>	<b>12</b>	<b>11</b>
			Deduction for max. eligible tier 2 own funds	-17	-16
			<b>Total eligible tier 2 own funds</b>	<b>7</b>	<b>7</b>
			Deferred tax asset	0	0
			<b>Total eligible tier 3 own funds</b>	<b>0</b>	<b>0</b>
			<b>Solvency II total eligible own funds</b>	<b>38</b>	<b>36</b>
			Market risk	6	6
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	15	15
			Diversification life risk	-3	-4
			Diversification general	-3	-3
			Operational risk	3	2
			Loss absorbing ability deferred tax	-2	-2
			<b>Solvency capital requirement (SCR)</b>	<b>13</b>	<b>14</b>
			Linear minimum capital requirement (MCR_linear)	7	6
			Minimum	3	3
			Maximum	6	6
			<b>Minimum capital requirement (MCR)</b>	<b>6</b>	<b>6</b>
			<b>Solvency II- SCR ratio</b>	<b>285%</b>	<b>263%</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, risk equalisation funds and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2.5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 285 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 354 per cent.

	31.12.2019	31.12.2018
Solvency II - SCR ratio	285%	263%

**NOTE 11** Leases

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

NOK MILLIONS	31.12.2019
<b>RIGHT-OF-USE ASSETS</b>	<b>Property</b>
Opening balance 01.01.	305
Depreciation	-101
<b>Closing balance 31.12.</b>	<b>204</b>

NOK MILLIONS	31.12.2019
<b>LEASE LIABILITIES</b>	<b>Property</b>
Opening balance 01.01.	305
Repayments	-96
<b>Closing balance 31.12.</b>	<b>210</b>

NOK MILLIONS	Q4 2019	01.01.2019 -31.12.2019
	<b>Property</b>	
<b>Interest expense lease liabilities</b>	<b>2</b>	<b>8</b>

**NOTE 12** Pension obligations

NOK MILLIONS	31.12.2019	31.12.2018
Capitalized net liability 01.01.	565	520
Capitalized pension costs	105	91
Capitalized financial costs	18	16
Actuarial gains and losses	-89	15
Premiums / contributions received	-92	-78
<b>Capitalized net liability 31.12.</b>	<b>508</b>	<b>565</b>

ASSUMPTIONS	31.12.2019	31.12.2018
Discount rate	2.30 %	2.60 %
Salary growth	2.25 %	2.75 %
The National Insurance basic amount (G)	2.00 %	2.50 %
Pension increases	1.24 %	1.73 %
Social security contribution rate	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %

The effect of changes in pension assumptions reduces the pension liability for employees with NOK 89 million as of 31.12.2019. The change is recognized in "Total other income and expenses that will not be reclassified to profit or loss".

**NOTE 13** Events after the reporting period**ONE-TIME EFFECTS DUE TO CHANGES IN PUBLIC SECTOR OCCUPATIONAL PENSIONS**

On January 1, 2020, a premium reserve was allocated for all members born in 1954 and subsequently recalculated as a result of the new coordination rules adopted in 2018. In addition, a conversion was carried out in connection with changes in the regulations for public sector occupational pensions from the beginning of the year.

In total, the changes entail a release of premium reserve of 5.2 per cent. However, there are differences between individual contracts. In total, contracts where strengthening of the premium reserve is needed have a requirement of 0.3 per cent. Gross release of premium reserve is thus 5.5 per cent. These funds will be allocated in connection with year-end closing for 2020.

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