



Interim report

KLP GROUP
Q4 2020



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KLP KONSERN

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Report for the fourth quarter of 2020

STRONG RETURNS FROM EQUITY INVESTMENTS IN THE FOURTH QUARTER

- The value-adjusted return after the fourth quarter of 2020 was 4.2 per cent, while the book return ended at 4.8 per cent.
- Fourth quarter surplus of NOK 6.2 billion; NOK 13.0 billion for the year.
- Returns for equities and alternative investments were 7.4 per cent in the last quarter.
- The Group's total assets passed NOK 800 billion
- Good profit contribution from the subsidiaries.

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 Forsikringservice and KLP Eiendom.

At the end of the fourth quarter of 2020, the Group had total assets of NOK 807.2 billion, an increase of NOK 44.4 billion in 2020.

The Group's total comprehensive income was NOK 128 (557) million in the fourth quarter and NOK 1.0 (2.2) billion for the whole of 2020.

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 652.3 billion, NOK 594.7 billion is linked to insurance obligations for public-sector occupational pensions.

FOURTH QUARTER 2020 RESULTS

Returns result

KLP achieved a returns result - the return in excess of that guaranteed by the company to its customers - totalling NOK 12.8 (10.9) billion for the year. The value-adjusted return on the common portfolio was 4.2 per cent, while the book return was 4.8 per cent for the year.

Risk result

The risk events in the stock are within expectations throughout the year and will vary from quarter to quarter. Net income was minus NOK 1.1 billion in the fourth quarter and minus NOK 398 million for the year. The reason for the deficit is that the pension scheme for closed agreements did not have sufficient surplus to cover the reserve requirement.

Administration result

The Company's administration result shows a surplus of NOK 171 (247) million for the year, NOK 16 million less than the end of the third quarter. Insurance-related operating costs came to NOK 1.2 (1.1) billion for the year.

Total profit/loss

Total profit/loss to the Company stands at NOK 1.0 (1.8) billion for the year. The customer result is NOK 12.4 (10.9) billion for the year. The item "Other profit/loss elements" reported at minus NOK 63 million includes estimate differences on pension commitments to our own employees. This commitment increased as a result of falling interest rates in 2020.

NOK MILLIONS	Cus- tomers	Company	Total
Returns result	12 350	260	12 610
Risk result		-398	-398
Interest guarantee premium		494	494
Administration result		171	171
Net income from investments in the corporate portfolio and other income/expenses in non-technical accounts		762	762
Tax		-198	-198
Other profit/loss elements		-63	-63
Profit after Q4 2020	12 350	1 028	13 378
Profit after Q4 2019	10 909	2 252	13 161

Financial strength and capital-related matters

KLP's total assets increased by NOK 30.8 billion in the year and amount to NOK 652.3 billion. The premium reserve decreased by NOK 3.2 billion to NOK 456.1 billion in the same period.

This year the securities adjustment fund has decreased by NOK 623 million to NOK 55.1 billion through 2020.

Without applying transitional rules, the Company's solvency capital requirement (SCR) is 278 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.

¹ Figures in brackets give values for the corresponding period in 2019.

Key figures

PER CENT	At 31.12.2020	At 31.12.2019
Book returns *	4,8	4,5
Value-adjusted returns *	4,2	8,5
Value-adjusted incl. added value in hold-to-maturity bonds and lending	5,5	8,8
Capital adequacy, Solvency II	278	278
Capital adequacy, Solvency II, with transitional measures	354	319

* The returns figures apply to the common portfolio

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 34.3 (40.2) billion at the end of the fourth quarter.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, amounted to NOK 20.7 (19.9) billion for the year.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 604.8 (575.0) billion and were invested as shown below:

ASSETS	At 31.12.2020		At 31.12.2019	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	24,2 %	6,3 %	25,9 %	21,5 %
Short-term bonds	16,9 %	6,5 %	15,0 %	7,9 %
Long-term/HTM bonds	28,9 %	3,5 %	29,1 %	3,6 %
Lending	12,9 %	2,1 %	12,5 %	2,4 %
Property	13,3 %	6,8 %	12,4 %	6,7 %
Other financial assets	3,9 %	1,5 %	5,2 %	1,9 %

Shares

Total exposure in shares and alternative investments, including equity derivatives, was 24.2 per cent at the end of the fourth quarter. The total return on shares and alternative investments was 7.4 per cent in the quarter, and 6.3 per cent for the whole year. The return on KLP's global equities was 8.8 per cent for the year, while KLP's Norwegian equity portfolio returned 5.1 per cent for the year.

Short-term bonds and the money market

Short-term bonds accounted for 16.9 per cent and money-market instruments 3.9 per cent of the assets in the common portfolio at the end of the year. Norwegian, European and US government interest rates all rose slightly during the quarter. KLP's global government bond index achieved a currency-

hedged return of 0.1 per cent in the quarter, while the return on the Norwegian government bond index was minus 1.5 per cent. Global credit margins fell slightly through the quarter. The quarterly return for KLP's global credit bond index was 2.5 per cent, as a result of lower credit risk premiums.

In total, short-term bonds achieved returns of 1.1 per cent in the fourth quarter and 6.5 per cent for the whole year. The money market return was 0.2 per cent for the quarter, and 1.5 per cent for the year.

Long-term bonds

Investment in long-term bonds and bonds held to maturity made up 28.9 per cent of the common portfolio at 31.12.2020. Unrecognised added values in the common portfolio amounted to NOK 13.6 billion at 31.12.2020. The portfolio is well diversified and consists of securities issued by creditworthy borrowers. The return measured at amortised cost was 0.8 per cent in the fourth quarter and 3.5 per cent for the year.

Property

Property investments, including Norwegian and international real estate funds, made up 13.3 per cent of the common portfolio. The property values in the common portfolio were written up by NOK 2.5 billion in 2020. Property investments in the common portfolio achieved a return of 6.8 per cent in 2020.

Lending

Lending in the common portfolio totals NOK 77.1 billion. This is split between NOK 62.2 billion in loans to the public sector, NOK 4.5 billion in loans with government guarantees and NOK 3.2 billion in secured mortgage loans, with the remaining NOK 7.2 billion used for other purposes. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 1.3 billion at 31.12.2020. Returns for the year were 2.1 per cent.

Returns on the corporate portfolio

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

The corporate portfolio is managed with a moderate-risk long-term investment horizon, with the object of stable returns. Investments in the corporate portfolio achieved a return of 3.1 per cent in 2020.

Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The municipal and regional reform introduced on 01.01.2020 has so far had only a moderate effect on KLP's customer base. Most of the migration in 2020 was due to this reform, and amounted to an inflow of NOK 2.8 billion and an outflow of NOK 7.7 billion.

In 2020 Storebrand entered the market for insured solutions

in public-sector occupational pensions. Vestland County and several closed agreements are moving there. As of 01.01.2021, there appears to be an outflow of NOK 8.4 billion. There has been no movement to KLP at the end of 2020.

Other matters

On 01.01.2020 the premium reserve was allocated to all members born in 1954 and after, converted according to the new coordination rules adopted in 2018. A further recalculation was made in connection with changes to the regulations for public-sector occupational pensions effective from 01.01.2020.

Oslo County Court did not grant KLP's request for a temporary injunction in the tendering procedure for Vestland County. KLP takes note of the ruling, and still believes that the court proceedings showed that KLP had the cheapest offer and the best quality. The judgment concludes that Vestland County was within its rights to set the percentage for an alternative return on equity after the tenders had been opened. As regards the rate itself, it also noted that county councils are empowered to set the level themselves, and Vestland county had set it at 7.2 per cent. This was KLP's main contention. KLP's aim in the appeal and subsequent judicial proceedings has been to ensure that there is fair and equal competition.

Since 13 March 2020, employees of KLP and its subsidiaries have been working partly from home. Operationally, this has worked well and no particular issues affecting normal operations have been reported.

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

BUSINESS AREAS OF THE SUBSIDIARIES

Non-life insurance

Covid-19 had a greater effect on the company's operations than on the insurance results. In particular, travel insurance claims increased. In all, 6,800 claims were filed with a total value of NOK 27 million, compared to 4,500 claims and NOK 25 million in 2019. Because of generally reduced travel in 2020, the tourism industry had a better claims result than in a normal year. The landslide in Gjerdrum on 30 December affected the Company in a similar way to the other insurance companies in Norway. The landslide is defined as a natural peril, and the Norwegian Natural Perils Pool has provisionally estimated the total damages at NOK 900 million.

The profit before tax was NOK 220.0 (165.6) million. The insurance result (premiums minus claims) for events occurring in 2020 was NOK 276 million, up from NOK 108 million in 2019.

The improvement in profits is due to a general price adjustment and the fact the Company was not exposed to the same number of large claims as in 2019. Three claims over NOK 25 million were received in 2020, with estimated costs of NOK 107 million; one of these was a 'natural peril'.

Operating profit before tax was NOK 220.0 (165.6) million at 30.12.2020. The fourth quarter in isolation produced an operating profit of NOK 122.8 (25.1) million. The financial return in the fourth quarter was also good, which contributed to the good result. Operating expenses were marginally lower than expected and the Company has also been able to reverse previous years' reserves.

Premium volume stood at NOK 1,802 million at the end of the fourth quarter, an increase of NOK 196 million from 2019. In some areas, profitability is weak, but the Company notes that the overall premium volume is increasing. Premiums due increased by 12.2 per cent, or NOK 195 million, compared with 2019. There is continued high growth in the retail market and a high proportion of members among the retail customers. The insurance result for the current cohort was NOK 276 (108) million. No individual claims above NOK 10 million were reported in the quarter, but the cost of the landslide in Gjerdrum is estimated at NOK 47 million, of which reinsurance will cover NOK 15 million. Reversal of previous years' claims is still positive, and NOK 117 million was taken to income in 2020, equivalent to 6.4 per cent of the reserves at the beginning of the year.

Key figures for the Company

	2020	2019
Claims ratio	83,0	90,5
Cost ratio	17,6	18,5
Total cost ratio	100,7	109,0

Net financial income was NOK 228.2 (295.2) million in 2020, representing a return of 5.0 (6.7) per cent. Returns for the fourth quarter in isolation were NOK 124.8 (62.3) million, or 2.7 (1.4) per cent.

The equity portfolio had a return of 10.2 per cent, and 9.2 per cent in the fourth quarter in isolation. The Company's investments in interest-bearing funds have also performed well, with a return of 4.8 per cent for the year, while long-term bonds returned 3.2 per cent.

The Company has two real estate investments, in which its stake in a shopping centre was written down, while the office buildings were written up. The net effect was a write-up of NOK 6 million. The portfolio yielded a return of 5.2 per cent for the year. The write-down is seen as a direct effect of Covid-19.

The company's financial position is good, with a solvency capital ratio (SCR) of 237 (240) per cent at 31.12.2020.

Asset and fund management

KLP Kapitalforvaltning provides securities management in the KLP Group. It had a total of NOK 597 billion under management at the end of the fourth quarter, of which NOK 103 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

Net new subscriptions to the KLP funds were NOK 7 billion in the fourth quarter. External customers had positive net new subscriptions of NOK 2.4 billion in the quarter.

KLP Kapitalforvaltning had pre-tax income of NOK 5.3 million in the fourth quarter and NOK 30.9 million for the year.

Bank

The KLP Banken Group finances mortgages and other credit to individual customers (retail market) as well as loans to municipalities, county municipalities and companies that provide public services (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.

When KLP Banken AS was established in 2009, there was a requirement under the law in force at the time for a holding company to be placed between insurance and banking activities in a mixed financial group if insurance or banking was at the head of the group. KLP Bankholding AS was therefore established as such an intermediate holding company. It made sense for KLP to simplify its corporate structure and so avoid unnecessary resource use. When the law allowed for this, KLP Bankholding AS was merged into KLP Banken AS in the autumn of 2020. KLP Banken AS is now directly owned by KLP. As of 31 December, the KLP Banken Group had loans to customers totalling NOK 38.2 (34.9) billion. The split between the retail market and the public sector was NOK 20.5 (18.3) billion and 17.7 (16.5) billion respectively.

KLP Banken manages NOK 3.2 (3.2) billion in mortgage loans and NOK 73.9 (67.6) billion in loans to public-sector borrowers and other businesses.

In 2020, the retail market in KLP Banken also saw strong growth in mortgages, which rose by NOK 2.2 (2.1) billion. The growth is in line with 2019. This shows that, even in troubled times, the Bank's mortgage products are well received by the target group, who are members of the pension schemes in KLP. In particular, the target group of young borrowers accounted for a large part of the growth.

KLP Banken's lending volume in the public-sector market increased by NOK 1.2 billion in 2020. Loans to public-sector borrowers managed on behalf of KLP increased by NOK 7.1 (5.9) billion. KLP increased its lending limits by NOK 5 billion when the pandemic struck. KLP Banken was thus able to go on offering competitive conditions to public-sector

borrowers who were concerned at finding greatly reduced opportunities for new loans and refinancing in the lending markets.

The market turmoil caused by the pandemic had a negative impact on the Bank's lending margins in the second quarter, but this has normalised in the second half of the year. The Bank's operating income, in the form of net interest income, was NOK 328.6 (292.9) million at the end of the fourth quarter.

KLP Banken's portfolio of liquidity investments in the form of interest-bearing securities amounts to NOK 3.1 (3.1) billion. Because of the turmoil in the fixed income markets, this portfolio has had a widely varying market value. The profit/loss effect of net changes in value so far in 2020 produced recognised income of NOK 14.8 (-1.2) million.

The KLP Banken Group's external financing consists of deposits and bonds. As at 31.12.2020, deposits from individuals and companies amounted to NOK 11.8 (11.5) billion and debt from securities issues came to NOK 25.8 (25.8) billion. Of the securities debt, covered bonds (OMF) issued by KLP Kommunekreditt AS amounted to NOK 17.5 (17.4) billion, while issues from KLP Boligkreditt totalled NOK 10.6 (7.0) billion. All OMF issues have achieved AAA rating. The securities debt in KLP Banken amounts to NOK 0.8 (1.4) billion.

In 2020, KLP Banken AS used the extended access to take out F-loans in Norges Bank. This amounts to NOK 2.5 billion at the end of the fourth quarter. The borrowing is secured by deposits of securities for a corresponding amount.

In the fourth quarter, losses and loss provisions in the retail market amounted to NOK -4.3 (-6.6) million. These are mainly losses on credit cards. The bank's provisions for future losses increased in the first part of the pandemic, but later returned to earlier levels. Realised losses have been reduced. Nor have we experienced any losses on loans to the public-sector market in 2020.

The KLP Banken Group had a pre-tax operating profit of NOK 136.8 (102.3) million at the end of the fourth quarter. Broken down by area, the pre-tax profit was NOK 101.5 (75.6) million from the retail market and NOK 35.2 (26.7) million from the public-sector market.

CORPORATE SOCIAL RESPONSIBILITY

In October, KLP was one of the speakers at TEDxSkift Countdown in Oslo, where the theme was why and how KLP's investments in renewable energy in developing countries through "blended finance" are an important climate solution. TEDx Countdown is a global initiative aimed at highlighting and speeding up solutions to climate challenges, in which Skift is one of the partners in Norway. There is also an actual countdown to the COP26 climate summit to be held in Glasgow in 2021. The aim is to set ambitious goals and to initiate a global dialogue on climate solutions leading up to the 2021 climate summit.

KLP Banken issued green loans for a total of NOK 284 million in the fourth quarter. For the year as a whole, this gave a market share of just over 56 per cent for green loans to municipalities, county municipalities and companies with public-sector affiliation.

There is a constant focus on ESG in follow-up and dialogue with companies that KLP has invested in. KLP has also hosted several webinars with topics related to the exercise of ownership and responsible investments.

KLP Skadeforsikring has continued the important work on claims prevention with our customers, with particular emphasis on the challenges associated with fires in municipal rental properties. Several webinars have been delivered with content angled towards the different occupational groups in the municipalities, but the main focus has been on reducing the risk of fatal fires.

In December, KLP Skadeforsikring participated in the award ceremony for the IK-bygg prize, together with Norsk Kommunalteknisk Forening and DiBK. Seven municipalities and an operations engineer won awards for outstanding work in on systematic HSE improvements in their building stock.

In KLP's working environment network, several online meetings were held, and a digital HSE network was set up for municipalities in Nordland. The topic was sick leave follow-up. KLP also arranged a digital seminar on the prevention of violence and threats in the workplace, and produced an e-learning module on the same topic which can be accessed on KLP's website.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

Society is still affected by strict infection control measures related to Covid-19. Social distancing will affect our society going forward and working from home will also be a fact of life for KLP's operations in the future. It is important for KLP to be aware of how this could affect people within KLP, for good or ill.

The global economy is also affected by the pandemic. With uncertainty about social changes in general and economic development in particular, the Company still expects this to have a negative impact on the financial markets. KLP has high a high level of preparedness and good solvency to enable it to handle such fluctuations.

Oslo, 18 February 2020

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

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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 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
3	Premium income for own account	8 422	8 695	38 955	42 716
	Current return on financial assets	3 409	4 246	14 793	16 301
	Net interest income banking	91	84	329	294
	Net value changes on financial instruments	18 748	9 817	15 331	42 247
8	Net income from investment properties	3 464	1 312	5 080	4 314
4	Other income	160	- 73	1 136	762
	Total net income	34 294	24 080	75 625	106 634
	Claims for own account	- 5 707	- 5 468	-29 780	-21 616
	Change in technical provisions	- 5 674	- 5 675	-19 000	-29 954
5	Net costs subordinated loan and hybrid Tier 1 securities	309	84	-478	-372
6	Operating expenses	- 541	- 604	-1 888	-1 892
20	Loss on sale of business	- 4	0	-183	0
7	Other expenses	- 337	- 307	-1 258	-1 145
	Unit holder's value change in consolidated securites funds	- 8 043	- 4 584	-11 074	-14 736
	Total expenses	-19 997	-16 553	-63 662	-69 715
	Operating profit/loss	14 297	7 527	11 963	36 919
	To/from securities adjustment fund – life insurance	- 7 741	- 1 180	245	-22 277
	To supplementary reserves – life insurance	- 8 239	- 8 067	-7 749	-8 052
	Assets allocated to insurance customers - life insurance	1 657	2 395	-2 803	-3 398
	Pre-tax income	-25	674	1 657	3 193
	Cost of taxes ¹	- 166	- 272	-847	- 1 201
	Income	-191	402	810	1 992
19	Actuarial loss and profit on post employment benefit obligations	217	211	-88	151
	Adjustments of the insurance obligations	- 21	- 21	12	- 16
	Tax on items that will not be reclassified to profit or loss	- 64	- 47	12	- 34
	Items that will not be reclassified to profit or loss	132	142	-63	101
	Revaluation real property for use in own operation	250	17	392	209
8	Currency translation foreign subsidiaries	- 818	190	1 778	- 353
	Adjustments of the insurance obligations	818	- 190	-1 778	353
	Tax on items that will be reclassified to profit or loss	- 62	- 4	-98	- 52
	Items that will be reclassified to income when particular specific conditions are met	187	13	294	157
	Total other comprehensive income	319	155	231	258
	Total comprehensive income	128	557	1 041	2 249
	¹ Unit holders share of taxes in consolidated securities fund	- 62	- 56	-255	- 236

Financial position statement

KLP GROUP

NOTE	NOK MILLIONS	31.12.2020	31.12.2019
	Deferred tax assets	61	62
	Other intangible assets	684	460
	Tangible fixed assets	2 557	2 072
	Investments in associated companies and joint venture	4 240	3 062
8,11	Investment property	81 485	74 545
9,14	Debt instruments held to maturity	28 986	29 701
9,14	Debt instruments classified as loans and receivables	154 180	150 580
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	589	602
9,14	Lending local government, enterprises and retail customers	115 071	105 727
9,11,14	Debt instruments at fair value through profit or loss	193 814	170 810
9,11	Equity capital instruments at fair value through profit/loss	204 982	206 949
9,11,14	Financial derivatives	11 561	7 582
9	Receivables	6 179	2 484
9	Assets in defined contribution-based life insurance	0	4 906
14	Cash and bank deposits	2 772	3 194
	TOTAL ASSETS	807 161	762 737
	Owners' equity contributed	18 197	16 540
	Retained earnings	21 225	20 799
	TOTAL OWNERS' EQUITY	39 422	37 339
9,10	Hybrid Tier 1 securities	1 764	1 738
9,10	Subordinated loan capital	3 135	6 012
19	Pension obligations	934	790
15	Technical provisions - life insurance	595 068	567 883
9,15	Provisions in life insurance with investment option	0	4 906
	Premiums, claims and contingency fund provisions - non-life insurance	2 729	2 604
9,10	Covered bonds issued	24 997	24 415
9,10	Debt to credit institutions	14 216	8 199
9,10	Liabilities to and deposits from customers	11 781	11 487
9,11	Financial derivatives	789	856
	Deferred tax	1 419	1 247
16	Other current liabilities	6 859	6 298
	Unit holders `s interest in consolidated securites funds	104 050	88 963
	TOTAL LIABILITIES	767 739	725 398
	TOTAL EQUITY AND LIABILITIES	807 161	762 737
	Contingent liabilities	27 659	23 344

Changes in Owners' equity

KLP GROUP

2020 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2020	16 540	20 799	37 339
Income	614	195	810
Items that will not be reclassified to income		-63	-63
Items that will be reclassified to income later when particular conditions are met		294	294
Total other comprehensive income		231	231
Total comprehensive income	614	426	1 041
Owners' equity contribution received (net)	1 043		1 043
Total transactions with the owners	1 043		1 043
Owners' equity 31 December 2020	18 197	21 225	39 422

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2019	14 554	19 303	33 857
Income	754	1 238	1 992
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
Total other comprehensive income		258	258
Total comprehensive income	754	1 496	2 249
Owners' equity contribution received (net)	1 232		1 232
Total transactions with the owners	1 232		1 232
Owners' equity 31 December 2019	16 540	20 799	37 339

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2020 -31.12.2020	01.01.2020 -30.09.2020	01.01.2020 -30.06.2020	01.01.2020 -31.03.2019	01.01.2019 -31.12.2019
Net cash flow from operational activities	13 405	2 399	8 608	30 036	-17 987
Net cash flow from investment activities ¹	-331	-231	-157	-72	-299
Net cash flow from financing activities ²	-13 495	-2 658	-8 384	-29 447	18 472
Net changes in cash and bank deposits	-422	-490	67	517	185
Holdings of cash and bank deposits at start of period	3 194	3 194	3 194	3 194	3 009
Holdings of cash and bank deposits at end of period	2 772	2 703	3 261	3 711	3 194

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the financial statements

KLP GROUP

NOTE 1 Accounting principles –and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 1 January 2020 – 31 December 2020. The accounts have not been audited.

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

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

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

ACCOUNTING ESTIMATES

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

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

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

No extraordinary provisions have been made in connection with Covid19. There is an increased uncertainty associated with the pandemic, especially in the disability and occupational injury industry. In the time ahead, the situation will be closely monitored, and the level of premiums and provisions will be assessed on an ongoing basis.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life		Group pensions private	
	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	37 008	40 128	313	1 135
Premium Income for own account from other Group companies	94	106	0	0
Net financial income from investments	25 351	46 037	-604	715
Other income from external customers	1 103	725	2	6
Other income from other Group companies	326	239	0	0
Total income	63 881	87 235	-288	1 855
Claims for own account	-28 360	-20 157	-45	-202
Insurance provisions for own account	-19 329	-28 312	331	-1 563
Costs borrowing	-478	-372	0	0
Operating costs excluding depreciation	-1 030	-965	-19	-67
Depreciation	-74	-92	0	-3
Loss on sale of business	0	0	0	0
Other expenses	-1 377	-1 247	0	-5
Return to financial instruments attributable to minority interests				
Total expenses	-50 649	-51 145	267	-1 841
Operating profit/loss	13 233	36 091	-22	15
Funds credited to insurance customers ²	-11 944	-33 454	8	-27
Pre-tax income	1 289	2 637	-14	-13
Cost of taxes	-198	-499	0	0
Income	1 091	2 138	-14	-13
Change in other comprehensive income	-63	113	-4	2
Total comprehensive income	1 028	2 251	-18	-10
Assets	652 277	621 518	sold	7 259
Liabilities	612 888	584 200	sold	6 668

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Non-life insurance		Banking	
	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	1 634	1 453	0	0
Premium income for own account from other Group companies	24	22	0	0
Net financial income from investments	229	297	304	260
Other income from external customers	2	1	77	19
Other income from other Group companies	0	0	59	59
Total income	1 889	1 774	381	338
Claims for own account	-1 375	-1 256	0	0
Insurance provisions for own account	-2	-79	0	0
Costs borrowing	0	0	0	0
Operating costs excluding depreciation	-287	-268	-233	-226
Depreciation	-5	-5	-4	-5
Loss on sale of business	0	0	0	0
Other expenses	0	0	-7	-7
Return to financial instruments attributable to minority interests				
Total expenses	-1 668	-1 609	-244	-237
Operating profit/loss	220	166	137	101
Funds credited to insurance customers ²	0	0	0	0
Pre-tax income	220	166	137	101
Cost of taxes	-40	-14	-3	-27
Income	180	151	133	74
Change in other comprehensive income	-10	14	-4	9
Total comprehensive income	170	166	130	83
Assets	5 270	4 907	42 694	39 703
Liabilities	3 160	2 966	40 267	37 478

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Asset management		Other	
	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0
Net financial income from investments	6	6	0	0
Other income from external customers	0	0	12	11
Other income from other Group companies	547	523	0	0
Total income	554	529	12	11
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	-517	-479	-12	-12
Depreciation	-6	-5	0	0
Loss on sale of business	0	0	0	0
Other expenses	0	0	0	0
Return to financial instruments attributable to minority interests				
Total expenses	-523	-484	-12	-12
Operating profit/loss	31	44	0	-1
Funds credited to insurance customers ²	0	0	0	0
Pre-tax income	31	44	0	-1
Cost of taxes	-5	-9	0	0
Income	26	35	0	-1
Change in other comprehensive income	-9	17	0	0
Total comprehensive income	16	52	0	-1
Assets	583	520	7	8
Liabilities	248	202	3	3

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Eliminations		Total	
	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	0	0	38 955	42 716
Premium income for own account from other Group companies	-117	-129	0	0
Net financial income from investments	10 247	15 841	35 533	63 156
Other income from external customers	-59	0	1 136	762
Other income from other Group companies	-932	-821	0	0
Total income	9 138	14 891	75 625	106 634
Claims for own account	0	0	-29 780	-21 616
Insurance provisions for own account	0	0	-19 000	-29 954
Costs borrowing	0	0	-478	-372
Operating costs excluding depreciation	302	325	-1 795	-1 693
Depreciation	-3	-89	-93	-199
Loss on sale of business	-183	0	-183	0
Other expenses	125	113	-1 258	-1 145
Return to financial instruments attributable to minority interests	-11 074	-14 736	-11 074	-14 736
Total expenses	-10 833	-14 387	-63 662	-69 715
Operating profit/loss	-1 695	505	11 963	36 919
Funds credited to insurance customers ²	1 630	-246	-10 306	-33 727
Pre-tax income	-65	259	1 657	3 193
Cost of taxes	-602	-652	-847	-1 201
Income	-666	-393	810	1 992
Change in other comprehensive income	321	101	231	258
Total comprehensive income	-345	-291	1 041	2 249
Assets	106 330	88 822	807 161	762 737
Liabilities	111 173	93 881	767 739	725 398

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

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

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

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

ENTERPRISE (DEFINED BENEFIT) AND DEFINED CONTRIBUTION PENSION

KLP Bedriftspensjon AS offers products to enterprises within both the public and private sectors. The business is sold in 2020.

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 Banken AS and its wholly-owned subsidiaries: 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 Forsikringsservice AS which offers a broad specter of services to local authority pension funds.

NOTE 3 Premium income for own account

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Contribution service pension	8 437	8 596	36 176	42 263
Reinsurance premiums ceded	-18	-14	-71	-54
Transfer of premium reserves from others	4	112	2 850	507
Total premium income	8 422	8 695	38 955	42 716

NOTE 4 Other income

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Supplement contractual early retirement scheme (ERS)	305	286	1 189	1 115
Other income ¹	- 145	- 359	- 52	-353
Total other income	160	- 73	1 136	762

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

NOTE 5 Subordinated loans and perpetual hybrid tier 1 securities

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
SUBORDINATED LOANS				
Interest costs ¹	-30	-64	-555	-254
Value changes	146	25	169	22
Net costs subordinated loans	115	-39	-386	-232
PERPETUAL HYBRID TIER 1 SECURITIES				
Interest costs	-15	-16	-67	-64
Value changes	208	139	-25	-77
Net costs perpetual hybrid tier 1 securities	193	123	-92	-140
Net costs subordinated loan and hybrid Tier 1 securities	309	84	-478	-372

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

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

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

NOTE 6 Operating expenses

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Personnel costs	287	309	1 037	1 057
Depreciation and writedowns	37	57	132	149
Other operating expenses	218	239	719	685
Total operating expenses	541	604	1 888	1 892

NOTE 7 Other expenses

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Supplement contractual early retirement scheme (ERS)	305	286	1 189	1 115
Other expenses	32	20	70	31
Total other expenses	337	307	1 258	1 145

NOTE 8 Investment property

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Net rental income	753	672	2 893	2 859
Net value adjustment	2 712	642	2 177	1 413
Realised gains	0	-3	9	42
Net income from investment properties	3 464	1 312	5 080	4 314
Currency translate foreign subsidiaries (taken to other comprehensive income)	-818	190	1 778	-353
Net income from investment properties included currency translate	2 647	1 502	6 858	3 961

NOK MILLIONS	31.12.2020	31.12.2019
Investment property 01.01.	74 545	67 570
Value adjustment, including currency translation	3 956	1 060
Net additions	3 083	5 876
Reclassified property for own use	-102	0
Other changes	2	40
Investment property	81 485	74 545

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	31.12.2020		31.12.2019	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	5 130	5 786	5 215	5 698
Foreign hold-to-maturity bonds	23 856	26 163	24 487	25 935
Total debt instruments held to maturity	28 986	31 950	29 701	31 633
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST				
Norwegian bonds	51 396	54 735	49 807	51 469
Foreign bonds	102 738	111 115	100 736	104 886
Other receivables	47	47	37	37
Total debt instruments classified as loans and receivables	154 180	165 897	150 580	156 392
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	589	589	602	602
Total loans to local government, enterprises & retail customers	589	589	602	602

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

NOK MILLIONS	31.12.2020		31.12.2019	
	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST				
Loans secured by mortgage	23 763	23 816	21 755	21 758
Loans to local government sector or enterprises with local government guarantee	81 335	82 668	73 141	73 401
Loans abroad secured by mortgage and local government guarantee	9 923	9 923	10 766	10 794
Loans creditcard	50	50	65	65
Total loans to local government, enterprises & retail customers	115 071	116 458	105 727	106 018
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	51 841	51 841	54 801	54 801
Norwegian certificates	6 094	6 094	6 295	6 295
Foreign bonds	92 025	92 025	85 004	85 004
Foreign certificates	549	549	50	50
Investments with credit institutions	43 305	43 305	24 660	24 660
Total debt instruments	193 814	193 814	170 810	170 810
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	185 112	185 112	190 350	190 350
Equity funds	18 488	18 488	14 562	14 562
Property funds	1 382	1 382	32	32
Alternative investments	0	0	2 005	2 005
Total equity capital instruments	204 982	204 982	206 949	206 949
RECEIVABLES				
Receivables related to direct business	1 433	1 433	1 141	1 141
Receivables related to reinsurance agreements	176	176	153	153
Receivables related to securites	3 111	3 111	614	614
Prepaid rent related to real estate activities	212	212	212	212
Other receivables	1 246	1 246	364	364
Total other loans and receivables including receivables from policyholders	6 179	6 179	2 484	2 484

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

NOK MILLIONS	31.12.2020		31.12.2019	
	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST				
Hybrid Tier 1 securities	1 764	1 592	1 738	1 672
Subordinated loan capital	3 135	3 561	6 012	6 928
Debt to credit institutions	3 304	3 304	1 407	1 407
Covered bonds issued	24 997	25 105	24 415	24 546
Liabilities and deposits from customers	11 781	11 781	11 487	11 487
Total financial liabilities	44 980	45 342	45 059	46 039
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions	10 913	10 913	6 791	6 791
Total financial liabilities	10 913	10 913	6 791	6 791
Assets in life insurance with investment option	0	0	4 906	4 906
Provisions in life insurance with investment option	0	0	4 906	4 906

NOK MILLIONS	31.12.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Forward exchange contracts	9 140	384	5 572	647
Interest rate swaps	1 144	405	1 038	99
Interest rate and currency swaps	1 058	0	973	111
Share option	219	0	0	0
Total financial derivatives	11 561	789	7 582	856

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Nominal in NOK after buy back ¹	Currency	Interest	Due date	Book value 31.12.2020	Book value 31.12.2019
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	2 530	EUR	Fixed ²	2045	3 135	6 012
Total subordinated loan capital	5 163	2 530				3 135	6 012
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984		JPY	Fixed ³	2034	1 764	1 738
Total hybrid Tier 1 securities	984					1 764	1 738
COVERED BONDS							
KLP Kommunekreditt AS		0	NOK	Floating	2020	0	225
KLP Kommunekreditt AS		0	NOK	Fixed	2020	0	681
KLP Kommunekreditt AS		260	NOK	Floating	2021	260	4 020
KLP Kommunekreditt AS		0	NOK	Fixed	2021	8	602
KLP Kommunekreditt AS		5 000	NOK	Floating	2022	5 004	5 012
KLP Kommunekreditt AS		5 000	NOK	Floating	2023	5 006	5 016
KLP Kommunekreditt AS		2 500	NOK	Floating	2024	2 502	1 303
KLP Kommunekreditt AS		2 054	NOK	Floating	2025	2 053	0
KLP Kommunekreditt AS		500	NOK	Fixed	2027	508	508
KLP Boligkreditt AS		0	NOK	Floating	2020	0	517
KLP Boligkreditt AS		584	NOK	Floating	2021	585	2 509
KLP Boligkreditt AS		2 500	NOK	Floating	2022	2 500	0
KLP Boligkreditt AS		2 500	NOK	Floating	2023	2 501	2 002
KLP Boligkreditt AS		2 500	NOK	Floating	2024	2 500	2 001
KLP Boligkreditt AS		1 500	NOK	Floating	2025	1 497	0
Total covered bonds		24 898				24 997	24 415

¹ KLP has bought back EUR 306 million of the outstanding EUR 600 million in subordinated loans in 2020.

² The loan has an interest change date in 2025.

³ The loan has an interest change date in 2034.

⁴ There is no contractual maturity date on deposits.

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Nominal in NOK after buy back ¹	Currency	Interest	Due date	Book value 31.12.2020	Book value 31.12.2019
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS		0	NOK	Floating	2020	0	302
KLP Banken AS		0	NOK	Fixed	2020	0	302
KLP Banken AS		2 700	NOK	Floating	2021	2 704	200
KLP Banken AS		300	NOK	Floating	2022	300	301
KLP Banken AS		300	NOK	Floating	2024	300	301
KLP Fond		0	NOK/EUR/USD	Floating	2020	0	2 801
KLP Fond		4 140	NOK/EUR/USD	Floating	2021	4 140	0
KLP Fond		914	NOK/EUR/USD	Fixed	2021	914	0
Kommunal Landspensjonskasse		0	NOK/EUR/USD	Floating	2020	0	3 990
Kommunal Landspensjonskasse		5 859	NOK/EUR/USD	Floating	2021	5 859	0
Total liabilities to credit institutions		14 213				14 216	8 199
LIABILITIES AND DEPOSITS FROM CUSTOMERS ⁴							
Retail		10 311	NOK			10 311	9 861
Business		1 441	NOK			1 441	1 589
Foreign		30	NOK			30	36
Liabilities to and deposits from customers		11 781				11 781	11 487
Total financial liabilities		57 038				55 893	51 850

¹ KLP has bought back EUR 306 million of the outstanding EUR 600 million in subordinated loans in 2020.

² The loan has an interest change date in 2025.

³ The loan has an interest change date in 2034.

⁴ 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

31.12.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	81 485	81 485
Land/plots	0	0	996	996
Real estate fund	0	0	3 354	3 354
Buildings	0	0	77 136	77 136
Lending at fair value	0	589	0	589
Bonds and other fixed-income securities	34 621	123 108	4 250	161 978
Certificates	1 058	5 585	0	6 643
Bonds	16 125	110 382	0	126 506
Fixed-income funds	17 437	7 141	4 250	28 828
Loans and receivables	31 106	730	0	31 836
Shares and units	181 714	4 097	19 171	204 982
Shares	179 469	2 939	2 704	185 112
Equity funds	2 245	0	55	2 300
Property funds	0	1 157	224	1 382
Special funds	0	0	0	0
Private Equity	0	0	16 188	16 188
Financial derivatives	0	11 561	0	11 561
Total assets at fair value	247 440	140 085	104 905	492 431
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	789	0	789
Debt to credit institutions ¹	9 999	914	0	10 913
Total financial liabilities at fair value	9 999	1 702	0	11 701

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 3 304 million per 31.12.2020.

NOTE 11 Fair value hierarchy - cont.

31.12.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
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
Total assets at fair value	249 898	121 385	89 206	460 489
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	856	0	856
Debt to credit institutions ¹	6 791	0	0	6 791
Total financial liabilities at fair value	6 791	856	0	7 647

¹ The line «Debt to credit institutions» includes liabilities measured at fair value and amortized cost. This line is therefore not reconcilable against the Balance sheet. The liabilities measured at amortized cost amounted to NOK 3 304 million per 31.12.2020.

NOTE 11 Fair value hierarchy - cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 31.12.2020	Book value 31.12.2019
Opening balance 1 January	74 545	67 570
Sold	-83	-291
Bought	3 166	6 167
Unrealised changes	3 956	1 060
Other changes	-99	39
Closing balance 31.12.	81 485	74 545
Realised gains/losses	0	42

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 31.12.2019	Book value 31.12.2019
Opening balance 1 January	14 660	12 986
Sold	-1 765	-3 822
Bought	8 828	3 662
Unrealised changes	1 697	1 834
Closing balance 31.12.	23 420	14 660
Realised gains/losses	644	1 199
Closing balance 31.12.	104 905	89 206

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 5 245 million as of 31.12.2020

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

In the fourth quarter NOK 689 million in stocks moved from Level 2 to Level 1 and NOK 291 millions moved from Level 1 to Level 2. In addition, NOK 27 million in stocks moved from level 3 to level 2. This is due to changes in liquidity.

NOTE 12 Liquidity risk

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

31.12.2020 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ^{1,2}	0	131	592	687	5 073	6 484
Perpetual hybrid Tier 1 securities ¹	0	62	249	312	1 452	2 075
Debt to and deposits from customers (without defined maturity)	11 781	0	0	0	0	11 781
Covered bonds issued	18	1 423	26 618	587	0	28 646
Payables to credit institutions	1 351	2 410	610	0	0	4 370
Financial derivatives	2 396	2 381	116	-266	-294	4 333
Accounts payable	171	0	0	0	0	171
Contingent liabilities (without defined maturity)	25 788	0	0	0	0	25 788
Total	41 505	6 407	28 186	1 320	6 231	83 649

If the minority interests are taken out of account, derivatives maturing within one month are reduced by NOK 29 million, payables to credit institutions maturing within one month are reduced by NOK 140 million and derivatives maturing between 1 to 12 months are reduced by NOK 1 million. Derivatives maturing between 1 to 5 years and 5 to 10 years increase by NOK 2 million in both periods. Total amount of the financial liabilities for the Group are after these adjustments NOK 83 483 million.

31.12.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	252	1 006	6 170	0	7 427
Perpetual hybrid Tier 1 securities ¹	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
Total	37 149	4 631	25 975	6 949	1 184	75 889

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

² The cash flows in this category may deviate from previous reports due to changes in maturity date in the calculation.

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

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

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

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

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

NOTE 13 Interest rate risk

31.12.2020 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2020 - 31.12.2020	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	12	-4	-86	-59	-245	-22	-405	-353
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	6	6	0
Bonds and other fixed-return securities	-44	-48	-1 153	-1 914	-2 460	320	-5 299	-4 336
Fixed income fund holdings	-1 329	0	0	0	0	0	-1 329	-1 329
Lending and receivables	0	-1	0	0	0	273	272	218
Lending	0	0	0	0	0	797	797	797
Cash and bank deposits	0	0	0	0	0	28	28	28
Contingent liabilities ¹	0	0	0	0	0	52	52	52
Total assets	-1 362	-53	-1 239	-1 974	-2 705	1 453	-5 879	-4 925
LIABILITIES								
Deposit	0	0	0	0	0	-120	-120	-120
Liabilities created on issue of securities	0	0	0	0	0	-288	-288	-288
Financial derivatives classified as liabilities	6	11	84	53	0	18	171	167
Hybrid capital, subordinated loans	0	0	0	51	93	0	143	143
Debt to credit institutions	0	0	0	0	0	-72	-72	-72
Total liabilities	6	11	84	103	93	-461	-165	-169
Total before tax	-1 356	-42	-1 155	-1 870	-2 612	992	-6 043	-5 094
Total after tax	-1 017	-32	-866	-1 403	-1 959	744	-4 533	-3 820

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

NOTE 13 Interest rate risk – cont.

31.12.2019 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2020 -31.12.2020	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	-2	-4	-32	-52	-272	-12	-374	-350
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	0	0	0
Bonds and other fixed-return securities	-45	-46	-1 185	-1 671	-1 986	310	-4 623	-3 950
Fixed income fund holdings	-1 034	0	0	0	0	0	-1 034	-1 034
Lending and receivables	-1	-2	0	0	0	109	107	81
Lending	0	0	0	0	0	723	723	723
Cash and bank deposits	0	0	0	0	0	32	32	32
Contingent liabilities ¹	0	0	0	0	0	93	93	93
Total assets	-1 082	-52	-1 216	-1 723	-2 258	1 254	-5 077	-4 406
LIABILITIES								
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
Total liabilities	2	2	47	38	93	-384	-201	-205
Total before tax	-1 079	-50	-1 169	-1 685	-2 164	870	-5 278	-4 610
Total after tax	-810	-38	-877	-1 263	-1 623	653	-3 958	-3 458

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

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

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

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

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

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

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

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

NOTE 14 Credit risk

31.12.2020 NOK MILLIONS									
	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	Mortgage < 80% ¹	Mortgage > 80% ¹	Other	Total	Adjusted for the unit holders' interests in consolidated securities fund
Debt instruments held to maturity at amortized cost	27 554	35	0	0	0	0	1 397	28 986	28 986
Debt instruments classified as loans and receivables at amortized cost	130 769	0	377	0	0	0	23 034	154 180	154 180
Debt instruments at fair value - fixed-return securities ²	109 855	1 690	4 208	8 592	0	0	12 745	137 089	117 540
Fixed-income funds	0	0	0	0	0	0	26 288	26 288	26 288
Loans and receivables	31 536	0	0	300	0	0	0	31 836	25 170
Financial derivatives classified as assets	11 561	0	0	0	0	0	0	11 561	9 108
Cash and bank deposits	2 703	0	0	69	0	0	0	2 772	2 772
Lending	0	0	88 746	0	21 108	2 972	2 834	115 660	115 660
Total	313 979	1 725	93 331	8 960	21 108	2 972	66 299	508 373	479 705

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Investment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	12 029	4 063	9 063	2 400	27 554
Debt instruments classified as loans and receivables at amortized cost	22 528	19 734	59 503	29 004	130 769
Debt instruments at fair value - fixed-return securities	31 049	8 886	36 354	33 566	109 855
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	22 806	7 628	1 102	31 536
Financial derivatives classified as assets	0	3 838	7 692	31	11 561
Cash and bank deposits	0	2 002	701	0	2 703
Lending	0	0	0	0	0
Total	65 606	61 328	120 942	66 103	313 979

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

² In the column "other", we have included an additional investment that is exposed to credit risk but is not reconcilable against the line "Debt instruments at fair value through profit or loss" in the balance sheet. The value of the investment is NOK 1 400 million per 31.12.2020.

NOTE 14 Credit risk – cont.

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

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					
	AAA	AA	A	BBB	Total Invest- ment 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
Total	71 513	49 407	114 629	56 147	291 696

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

² In the column "other", we have included an additional investment that is exposed to credit risk but is not reconcilable against the line "Debt instruments at fair value through profit or loss" in the balance sheet. The value of the investment is NOK 1 400 million per 31.12.2020.

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 66 billion per 31.12.2020. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category.

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

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

NOK MILLIONS	31.12.2020		31.12.2019	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
10 LARGEST COUNTERPARTIES				
Counterparty 1	15 388	14 159	13 956	13 026
Counterparty 2	13 120	9 013	11 144	8 896
Counterparty 3	12 585	8 160	9 463	7 948
Counterparty 4	8 744	8 034	7 471	7 295
Counterparty 5	7 409	7 208	7 376	7 138
Counterparty 6	6 155	5 622	7 318	6 535
Counterparty 7	5 857	5 604	6 535	6 107
Counterparty 8	5 622	4 710	6 198	6 076
Counterparty 9	4 768	4 698	4 698	4 698
Counterparty 10	4 747	3 915	4 309	4 189
Total	84 395	71 123	78 468	71 910

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	31.12.2020	31.12.2019
Premium reserves - ordinary tariff	457 514	463 481
Premium funds, buffer funds and pensioners' surplus funds	38 588	20 297
Supplementary reserves	43 460	28 320
Securities adjustment fund	55 487	55 724
Other provisions	18	61
Technical provisions in life insurance	595 068	567 883

NOK MILLIONS	31.12.2020	31.12.2019
Premium reserves	0	4 892
Deposit funds	0	14
Provisions in life insurance with investment options	0	4 906

NOTE 16 Other current liabilities

NOK MILLIONS	31.12.2020	31.12.2019
Short-term payables trade in securities	3 029	2 644
Incurred not assessed taxes	1 489	1 181
Advance tax-deduction pension scheme	447	432
Accounts payable	270	184
Pre-called contribution to insurance	576	867
Other current liabilities	1 049	990
Total other current liabilities	6 859	6 298

NOTE 17 SCR ratio

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

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

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

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 258 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 328 per cent.

	31.12.2020	31.12.2019
Solvency II - SCR ratio	258 %	253 %

NOK BILLIONS	31.12.2020	31.12.2019		31.12.2020	31.12.2019
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT			SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT		
Assets, book value	655	631	Best estimate	598	569
Added values - hold-to-maturity portfolio/loans and receivables	15	7	Risk margin	15	14
Added values - other lending	1	0	Hybrid Tier 1 securities/ Subordinated loan capital	5	8
Other added/lesser values	0	0	Other liabilities 1	18	15
Deferred tax asset	0	0	Deferred tax liabilities	1	1
Total assets - solvency II	671	638	Total liabilities - solvency II	637	607
			Excess of assets over liabilities	33	31
			- Deferred tax asset	0	0
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	35	33
			Total eligible tier 1 own funds	35	33
			Subordinated loans	4	6
			Tier 2 basic own funds	4	6
			Ancillary own funds	11	12
			Tier 2 ancillary own funds	11	12
			Deduction for max. eligible tier 2 own funds	-7	-10
			Total eligible tier 2 own funds	8	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	43	40
			Solvency capital requirement (SCR)	17	16
			Solvency II- SCR ratio	258 %	253 %

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

31.12.2020 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
ASSETS								
Financial derivatives	11 561	0	11 561	-771	-9 516	0	1 570	1 276
Repos	1 759	0	1 759	-914	0	0	845	845
Total	13 320	0	13 320	-1 685	-9 516	0	2 415	2 121
LIABILITIES								
Financial derivatives	789	0	789	-771	-72	0	18	18
Repos	914	0	914	0	0	0	914	0
Total	1 702	0	1 702	-771	-72	0	932	18

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
ASSETS								
Financial derivatives	7 582	0	7 582	-846	-6 114	-353	281	237
Repos	0	0	0	0	0	0	0	0
Total	7 582	0	7 582	-846	-6 114	-353	281	237
LIABILITIES								
Financial derivatives	856	0	856	-846	-23	0	10	10
Repos	0	0	0	0	0	0	0	0
Total	856	0	856	-846	-23	0	10	10

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 counter-parties 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	31.12.2020	31.12.2019
Capitalized net liability 01.01.	790	880
Capitalized pension costs	164	185
Capitalized financial costs	23	28
Actuarial gains and losses	88	-151
Premiums / contributions received	-131	-152
Capitalized net liability 31.12.	934	790

ASSUMPTIONS	31.12.2020	31.12.2019
Discount rate	1,70%	2,30 %
Salary growth	2,25%	2,25 %
The National Insurance basic amount (G)	2,00%	2,00 %
Pension increases	1,24%	1,24 %
Social security contribution rate	14,10 %	14,10 %
Capital activity tax	5,00 %	5,00 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 88 million as of 31.12.2020. The change is recognized in other comprehensive income in the income statement.

NOTE 20 Loss on sale of business

In the third quarter, the KLP Group sold the business that offered defined contribution and company pensions (including management of pension capital certificates and paid-up policies) to companies in the private and public sectors.

An agreement was signed between KLP and DnB Livsforsikring AS (DnB) on June 22, 2020 on the sale of all shares in KLP Bedriftspensjons AS from KLP to DnB. The sales was completed in the third quarter, but with accounting effect from 1 April. The sale has been approved by the Financial Supervisory Authority of Norway.

Assets and liabilities related to the business operated by the company KLP Bedriftspensjon AS were deducted from the balance sheet in the third quarter.

A loss in connection with the sale of the business of NOK 183 million was recognized in the fourth quarter result. This appears on the accounting line «Loss on sale of business». The loss is calculated on the basis of the lowest value of net assets for the business and the fair value of net assets for the business less selling expenses.

The business had 3,091 corporate clients in its defined contributions and company pension scheme at the end of the first quarter of 2020, which encompassed a total of 69,232 active members and owners of pension capital certificates and paid-up policies. Total assets stand at NOK 6 984 million, of which insurance liabilities amount to NOK 6 372 million.

Income sheet items from the business Collective private pension are shown below.

OPERATING PROFIT NOK MILLIONS	
Premium income for own account	313
Current return on financial assets	22
Net value changes on financial instruments	-626
Net income from investment properties	1
Other income	2
Total net income	-288
Claims for own account	-45
Change in technical provisions	331
Operating expenses	-19
Loss on sale of business	-183
Total expenses	84
Operating profit/loss	-205
To/from securities adjustment fund – life insurance	10
Assets allocated to insurance customers - life insurance	-2
Pre-tax income	-197
Cost of taxes	0
Income	-197
Actuarial loss and profit on post employment benefit obligations	-4
Total other comprehensive income	-4
Total comprehensive income	-201

Key figures - Accumulated

NOK MILLIONS	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
KLP GROUP								
Profit before tax	1 657	1 682	713	113	3 193	2 518	1 678	953
Total assets	807 161	789 981	785 598	764 898	762 737	744 567	736 852	699 017
Owners' equity	39 422	39 243	37 245	36 836	37 339	36 781	34 893	34 457
Solvency SCR ratio	258 %	244 %	230 %	214 %	253 %	248 %	239 %	245 %
Number of employees in the Group	1 018	1 016	1 010	1 008	1 007	1 001	998	993
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	1 289	1 303	523	-7	2 637	2 149	1 457	808
Premium income for own account	37 102	29 081	17 124	9 589	40 234	32 157	21 834	6 705
- of which inflow of premium reserve	2 850	2 846	2 865	2 503	11	0	0	0
Insurance customers' funds incl. acc. profit	-28 360	23 013	17 809	11 478	20 157	15 077	10 028	5 022
- of which funds with guaranteed returns	-7 656	7 667	7 655	6 377	292	288	288	248
Net investment common portfolio	604 782	582 108	574 890	570 649	574 953	551 696	541 802	529 900
Net investment choice portfolio	2 044	2 012	1 966	2 082	2 662	2 592	2 589	2 491
Insurance funds incl. earnings for the year	594 718	575 915	594 718	542 408	566 230	554 350	542 589	524 095
- of which funds with guaranteed interest	496 121	485 605	496 121	474 366	482 260	466 523	461 642	449 226
Solvency capital requirement (SCR)	42 823	42 507	41 148	38 960	40 530	38 238	36 410	36 510
Solvency SCR ratio	278 %	264 %	252 %	234 %	278 %	274 %	264 %	270 %
Riskprofit	-398	706	300	200	1 031	940	536	207
Return profits	12 350	6 831	3 417	-149	10 624	4 720	4 338	2 157
Administration profit	171	187	64	39	186	192	80	48
Solvency capital	172 863	141 563	143 139	123 211	150 617	139 677	132 050	123 125
Book return on common portfolio	4,8 %	3,2 %	1,9 %	0,6 %	4,5 %	2,7 %	2,0 %	1,0 %
Value-adjusted return on common portfolio	4,2 %	1,4 %	-0,5 %	-3,7 %	8,5 %	6,6 %	4,8 %	3,1 %
Return on unit-linked portfolio	4,2 %	0,4 %	-1,8 %	-5,7 %	9,9 %	7,4 %	5,4 %	3,7 %
Return on corporate portfolio	3,1 %	1,3 %	0,4 %	-0,1 %	4,3 %	3,4 %	2,6 %	1,3 %

Key figures - Accumulated - cont.

NOK MILLIONS	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
KLP SKADEFORSIKRING AS								
Profit before tax	220,0	97,2	18,2	-126,1	165,6	140,5	138,4	109,5
Gross premium due	1 728,4	1 280,4	840,4	415,4	1 529,8	1 131,1	741,2	363,4
Premium income for own account	1 657,6	1 227,8	804,6	397,9	1 475,7	1 090,9	714,4	350,0
Owners' equity	2 110,9	1 990,7	1 924,0	1 819,9	1 940,5	1 875,9	1 874,2	1 852,6
Claims ratio	83,1 %	83,1 %	83,3 %	86,8 %	90,5 %	90,8 %	85,7 %	80,7 %
Combined-ratio	100,7 %	100,7 %	101,9 %	105,7 %	109,0 %	108,6 %	104,8 %	99,4 %
Return on assets under management	5,0 %	2,3 %	0,8 %	-2,3 %	6,7 %	5,3 %	3,9 %	2,5 %
Solvency capital requirement (SCR)	2 132	2 006	1 934	1 815	1 958	1 882	1 854	1 823
Solvency SCR ratio	239 %	246 %	234 %	213 %	240 %	246 %	248 %	246 %
Annual premium in force – retail market	786,0	759,8	734,6	709,3	683,9	651,1	630,5	609,6
Annual premium in force – public sector market	1 016	1 010	999,7	987,5	925,1	910,6	901,3	892,8
Net new subscriptions (accumulated within the year)	87,6	74,8	51,5	24,8	145,3	93,4	72,4	44,7
KLP BEDRIFTSPENSJON AS ¹								
Profit before tax	sold	sold	sold	-13,7	-12,6	-8,6	-10,7	-0,7
Premium income for own account	sold	sold	sold	313,5	1 134,8	869,8	624,7	361,4
- of which premium reserve added	sold	sold	sold	133,2	495,7	394,6	309,6	202,1
Insurance customers' funds including accumulated profit	sold	sold	sold	6 342	6 649	6 264	5 985	5 684
- of which funds with guaranteed returns	sold	sold	sold	1 595	1 538	1 550	1 551	1 535
Returns profit	sold	sold	sold	2,1	13,4	8,4	5,7	3,3
Risk result	sold	sold	sold	6,3	7,7	0,8	-2,0	1,7
Administration losses	sold	sold	sold	-9,6	-38,1	-26,8	-19,2	-9,6
Solvency capital requirement (SCR)	sold	sold	sold	171	323	202	204	235
^s olvency SCR ratio	sold	sold	sold	81 %	204 %	123 %	124 %	140 %
Solvency capital	sold	sold	sold	758,2	763,9	692,5	676,3	672,4
Book capital return on common portfolio	sold	sold	sold	0,8 %	3,4 %	2,4 %	1,6 %	0,8 %
Value-adjusted capital return on common portfolio	sold	sold	sold	0,2 %	4,1 %	2,9 %	2,0 %	1,1 %
Return on defined unit-linked contribution pensions	sold	sold	sold	-11,9 %	16,8 %	12,6 %	9,5 %	7,4 %
Return on corporate portfolio	sold	sold	sold	0,1 %	3,0 %	2,5 %	1,8 %	1,0 %

¹ The business is sold with accounting effect per 01.04.2020

Key figures - Accumulated - cont.

NOK MILLIONS	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
KLP BANKEN GROUP								
Profit/loss before tax	136,8	101,7	39,9	15,0	102,3	77,3	50,6	24,0
Net interest income	328,6	237,7	141,6	78,5	292,9	209,4	138,1	66,0
Other operating income	77,7	58,6	39,0	19,4	78,1	58,4	38,5	18,9
Operating expenses and depreciation	-243,4	-172,9	-124,6	-63,6	-238,5	-167,8	-114,4	-57,5
Net realized/unrealized changes in financial instruments to fair value	-26,1	-21,7	-16,1	-19,4	-30,2	-22,7	-11,6	-3,4
Contributions	11 781	11 993	12 245	12 034	11 487	11 649	11 465	11 031
Housing mortgages granted	20 570	20 610	20 121	19 143	18 387	17 746	17 351	17 038
Loan(s) with public guarantee(s)	17 654	16 933	17 357	16 823	16 547	16 524	16 293	16 660
Defaulted loans	54	48	77	97	86	69	60	62
Borrowing on the issuance of securities	25 800	26 203	25 993	25 899	25 822	25 528	24 858	24 655
Total assets	42 640	43 438	43 850	42 002	39 699	39 611	38 861	38 586
Average total assets	41 196	41 568	41 775	40 850	38 394	38 350	37 975	37 837
Owners' equity	2 427	2 389	2 339	2 322	2 221	2 195	2 174	2 154
Net interest rate	0,80 %	0,57 %	0,34 %	0,19 %	0,76 %	0,55 %	0,36 %	0,17 %
Profit/loss from general operations before tax	0,33 %	0,24 %	0,10 %	0,04 %	0,27 %	0,20 %	0,13 %	0,06 %
Return on owners' equity before tax	6,16 %	6,11 %	3,59 %	2,69 %	4,78 %	4,82 %	4,73 %	4,50 %
Capital adequacy	19,5 %	18,7 %	18,4 %	18,8 %	19,1 %	19,0 %	19,6 %	19,0 %
Number of private customers	45 406	44 842	44 213	43 712	42 785	69 147	66 879	64 729
Of this members of KLP	32 048	31 869	32 533	32 135	31 361	49 814	48 135	46 453
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	30,9	25,6	-1,9	-0,3	44,3	45,2	19,2	-2,1
Total assets under management	596 254	579 129	563 238	524 877	563 567	544 395	530 531	520 816
Assets managed for external customers	103 378	100 106	87 968	74 598	83 405	77 736	71 301	70 628



Sustainability Report

Q4 2020

Sustainability Report

INTEGRATING CORPORATE RESPONSIBILITY INTO ALL OUR OPERATIONS	31.12.2020	31.12.2019	31.12.2018	UN Sustainable Development Goal
EMPLOYEE STATISTICS				
Employees of KLP	1 018	1 007	990	n/a
Total sickness absence	3,2 %	3,9 %	4,2 %	3.
CLIMATE AND ENVIRONMENT				
Number of flights (stretches)	1 302	6 481	6 661	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO2e)	150	803	874	13. 12.
Energy consumption in KLP's own offices (kWh/m2)	97	127	148	9. 13.
Energy consumption in KLP's property portfolio (kWh/m2)	167	185	200	9. 13.
ENGAGING COMPANIES AND INDUSTRIES FOR MORE SUSTAINABLE OPERATION				
Companies excluded from investments	560	534	189	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	112 (97 %)	102 (97 %)	106 (98 %)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	8 052 (96 %)	7 512 (97 %)	6 408 (97 %)	n/a
Companies KLP has had direct dialogue with	362	191	103	All SDGs

Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS		Change 4th quarter				
MILLION NOK	2020	2019	31.12.2020	31.12.2019	31.12.2018	UN Sustainable Development Goal
CLIMATE-FRIENDLY INVESTMENTS						
Renewable energy in Norway	-1 502	1 435	22 482	23 258	23 014	7.
Renewable energy internationally	1 485	970	6 624	3 127	1 644	7.
Renewable energy in developing countries	50	87	932	725	483	7. 9. 17.
Buildings with environmental qualities	2 206	2 169	17 635	14 197	11 985	9.
Green bonds	53	-40	1 881	890	792	n/a
Other climate friendly investments	3 101	118	4 820	295	230	n/a
Total	5 392	4 740	54 374	42 493	38 148	
Climate-friendly investments as a proportion of KLPs investments	1 %	0 %	8 %	7 %	7 %	
Renewable energy (market value)	-935	-163	31 679	29 748	27 728	7.
Renewable energy (as a proportion of KLPs investments)	0 %	0 %	5 %	5 %	5 %	7.
Fossil energy (market value)	96	73	7 818	10 823	10 214	n/a
Fossil energy (as a proportion of KLPs investments)	0 %	0 %	1 %	2 %	2 %	n/a
Buildings with environmental qualities in the property portfolio (market value)	2 206	2 169	17 635	14 197	11 985	9.
Buildings with environmental qualities in the property portfolio (proportion of the portfolio)	2 %	2 %	22 %	19 %	18 %	9.
FINANCE IN DEVELOPING COUNTRIES						
Banking and finance in developing countries	-56	29	665	713	570	1. 5. 8. 17.
SEED INVESTMENTS						
Seed investments in Norway	3	1	15	8	4	8

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY		Change 4th quarter				
MILLION NOK	2020	2019	31.12.2020	31.12.2019	31.12.2018	UN Sustainable Development Goal
LENDING BUSINESS						
Loans for roads and transport	153	130	9 525	8 812	8 543	9
Loans for public property	-332	263	4 543	4 987	4 798	9
Loans to public sector and businesses	1 763	1 167	63 943	56 434	51 425	n/a

Notes to the Sustainability Report

INTEGRATING CORPORATE RESPONSIBILITY INTO ALL OUR OPERATIONS

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

EMPLOYEE STATISTICS

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

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

The sickness absence in the fourth quarter was lower than previous years and the target of 4 percent. It is natural to think that the pandemic has affected the sickness absence. Both strict measures for infection control and more flexibility with home office schemes could have contributed to reduce the absence.

DEFINITION:

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

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

ENVIRONMENT

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

The ongoing pandemic has drastically reduced corporate air travel and energy consumption in KLP's own offices. In line with infection control measures, KLP has maintained a home office scheme and restrictions for business travel. This has resulted in fewer flights and reduced energy consumption in the office.

The infection control measures have also affected the activity in KLP's property portfolio, which includes office buildings, shopping malls and hotels. This has also resulted in reduced energy consumption in the property portfolio.

DEFINITION:

Corporate air travel and emission

Number of flights is based on data provided by our travel agent. It is the number of flight stretches that is reported. A stretch is one single distance, and return flights can consist of multiple stretches. KLP changed travel agency after the third quarter, but the same methodology is used to count the number of flights for the fourth quarter.

In previous quarters, the number of flights has not been corrected for booked trips that have been cancelled or not completed due to the pandemic. The actual number of flights has therefore been lower than what has been reported. The figures as of 31.12.2020 only show completed journeys and have been corrected for journeys that have cancelled or not

completed. Due to this, the figure reported in the fourth quarter is lower than the figure reported in the third quarter.

Greenhouse gas emissions from KLPs corporate air travel is calculated based on number of kilometres flown, and our travel agent provides the data.

Energy consumption in KLP's own offices

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

Energy consumption in KLP's property portfolio

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

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

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

ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

DEFINITION:

Excluded companies

The number of exclusions shows the total number of companies KLP has excluded from its investments as of the end of the quarter, based on breaches of KLP's *Guidelines for responsible investment*.

Dialogue with companies

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

INCREASE CLIMATE-FRIENDLY INVESTMENTS

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

DEFINITION:

Market value of the investments in NOK millions is stated.

Renewable energy in Norway

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

Renewable energy internationally

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

Renewable energy in developing countries

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.

Buildings with environmental qualities:

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

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.

Green bonds:

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

Other climate-friendly investments:

Climate-friendly investments that are not covered by the aforementioned main categories are combined in this indicator. For instance, KLP has lent to electric ferries and invested in a fund investing in forest-properties, in addition to green loans to public-sector enterprises, companies and projects in Norway in water, drainage and sanitation. KLP has also invested in listed, international power companies who mainly generate power from renewable energy sources. Green loans and international power companies have not been included in the indicator *Other climate-friendly investments* previous years, so the numbers are not directly comparable.

Proportion of total portfolio:

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

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

Fossil energy:

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

- Target 17.3: Mobilise additional financial resources for developing countries from multiple sources.

TARGET:

Not defined.

DEFINITION:

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

SEED INVESTMENTS:

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

Not defined.

DEFINITION:

In 2018, KLP established a portfolio for seed investments aimed at the Norwegian research community. By the end of 2020, KLP had invested in ten different seed 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 activities are largely aimed at Norwegian municipalities and county authorities and other public companies. The loans are used for purposes that help reduce national greenhouse gas emissions, and benefits society as a whole.

UN SUSTAINABLE DEVELOPMENT GOALS

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

TARGET

Increase lending for this type of purpose.

DEFINITION

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



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q4 2020

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
3	Premium income	8 021	8 077	37 102	40 234
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	2 069	873	6 009	2 876
	Interest income and dividends etc. on financial assets	2 143	3 522	11 224	10 444
	Value changes on investments	14 272	4 026	1 240	28 591
	Gains and losses realized on investments	-2 245	1 667	5 698	2 140
	Net income from investments in the common portfolio	16 239	10 089	24 170	44 051
	Net income from investments in the investment option portfolio	74	60	74	238
	Other insurance-related income	305	288	1 192	1 118
4	Claims	-5 347	-5 081	-28 360	-20 157
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	-22 084	-14 547	-27 711	-58 692
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	-39	-150	549	-232
	Funds assigned to insurance contracts - contractual liabilities	2 929	2 225	-4 111	-2 841
5	Insurance-related operating expenses	-347	-346	-1 172	-1 129
	Other insurance-related costs	-309	-291	-1 206	-1 119
	Technical profit/loss	-558	324	526	1 470
	Net income from investments in the corporate portfolio	611	255	1 457	1 525
	Other income	18	5	18	16
13	Administration costs and other costs associated with the corporate portfolio	-86	-96	-712	-374
	Non-technical profit/loss	543	164	762	1 167
	Profit/loss pre-tax	-14	488	1 289	2 637
	Tax	-23	-90	-198	-499
	Income before other income and expenses	-38	398	1 091	2 138
12	Actuarial gains and losses on defined benefits pension schemes	145	128	-49	89
	Proportion of other comprehensive income on application of the equity method	72	83	-39	62
	Adjustment of the insurance liabilities	-21	-21	12	-16
	Tax on other income and expenses that will not be reclassified to profit or loss	-36	-32	12	-22
	Total other income and expenses that will not be reclassified to profit or loss	160	158	-63	113
	TOTAL COMPREHENSIVE INCOME	122	556	1 028	2 251
ALLOCATIONS AND TRANSFERS, PRELIMINARY 2020 / FINAL 2019:					
	Transferred to owners' equity contribution			-614	-754
	Transferred to/from the risk equalization fund			136	-746
	Transferred to other retained earnings			-549	-750
	Total allocations and transfers			-1 028	-2 251

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.12.2020	31.12.2019
ASSETS			
ASSETS IN THE CORPORATE PORTFOLIO			
	Intangible assets	602	358
7	Investment properties	1 017	955
	Shares and holdings in property subsidiaries	3 380	3 005
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 910	5 084
6	Financial assets valued at amortized cost	19 012	18 497
6,7	Financial assets valued at fair value	12 816	14 198
	Receivables	1 922	660
11	Right-of-use assets	1 081	204
	Other assets	710	942
Total assets in the corporate portfolio		45 450	43 902
ASSETS IN THE CUSTOMER PORTFOLIOS			
	Shares and holdings in property subsidiaries	61 742	53 910
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 254	3 079
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	13 263	14 051
6	Financial assets valued at amortized cost	248 813	237 100
6,7	Financial assets valued at fair value	276 710	266 813
Total investment in the common portfolio		604 782	574 953
	Shares and holdings in property subsidiaries	223	266
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	66	69
6	Financial assets at amortized costs	720	898
6,7	Financial assets at fair value	1 034	1 428
Total investments in the investment option portfolio		2 044	2 662
Total assets in the customer portfolios		606 826	577 615
TOTAL ASSETS		652 277	621 518

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.12.2020	31.12.2019
OWNERS' EQUITY AND LIABILITIES			
	Owners' equity contributed	18 197	16 540
	Retained earnings	21 191	20 778
	Total owners' equity	39 389	37 318
6	Subordinated loan capital etc.	4 898	7 750
15	Premium reserve etc.	456 118	459 343
	Supplementary reserves	43 325	36 070
	Securities adjustment fund	55 137	55 761
	Premium funds, defined contribution funds, pension regulation funds etc.	38 124	12 359
	Total insurance liabilities - contractual liabilities	592 705	563 532
15	Pension capital etc.	1 415	2 064
	Supplementary reserves	135	140
	Premium funds, defined contribution funds, pension regulation funds etc.	464	495
	Total insurance liabilities - special investment portfolio	2 014	2 698
12	Pension obligations	594	508
	Current tax liabilities	1 155	948
	Deferred tax liabilities	608	546
11	Lease liabilities	1 099	210
9	Liabilities	9 506	7 789
	Accrued costs and prepaid income	309	219
	TOTAL OWNERS' EQUITY AND LIABILITIES	652 277	621 518
OFF-BALANCE SHEET ITEMS			
	Contingent liabilities	26 011	21 227

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2020 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2020	16 540	5 540	15 238	37 318
Income before other income and expenses	614	-136	612	1 091
Actuarial gains and losses on defined benefits pension schemes			-49	-49
Proportion of other comprehensive income on application of the equity method			-39	-39
Adjustment of the insurance liabilities			12	12
Tax on other income and expenses that will not be reclassified to profit or loss			12	12
Total other income and expenses that will not be reclassified to profit or loss			-63	-63
Total comprehensive income	614	-136	549	1 028
Owners equity contribution recieved	1 043			1 043
Total transactions with owners	1 043			1 043
Own funds 31 December 2020	18 197	5 404	15 787	39 389

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

Statement of cash flows

KOMMUNAL LANDSPENSJONSKASSE

NOK MILLIONS	01.01.2020 -31.12.2020	01.01.2020 -30.09.2020	01.01.2020 -30.06.2020	01.01.2020 -31.03.2020	01.01.2019 -31.12.2019
Net cashflow from operational activities	2 885	3 159	394	367	-899
Net cashflow from investment activities ¹	-324	-227	-153	-72	-280
Net cashflow from financing activities ²	-2 802	-2 827	-261	-259	1 125
Net changes in cash and bank deposits	-241	105	-21	37	-54
Holdings of cash and bank deposits at start of period	900	900	900	900	954
Holdings of cash and bank deposits at end of period	659	1 005	879	937	900

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the financial statements

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles- and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 31 December 2020. The accounts have not been audited.

The interim financial statements are presented in accordance with Regulations no. 1824 of 18 December 2015: The Regulations governing the annual financial statements for life insurance companies (the Financial Reporting Regulations) and IAS 34 Interim Financial Reporting. The interim financial statements have been prepared in accordance with the same principles as the annual financial statements for 2019, unless stated otherwise.

The interim financial statements do not contain all the information required of complete annual financial statements, and the interim financial statement should be read in the context of the annual financial statements for 2019, which may be obtained from KLP's head office at Dronning Eufemias gate 10, or at klp.no.

ACCOUNTING ESTIMATES

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

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

the year and is causing uncertainty around estimates and the valuation of the Company's financial instruments.

The underlying values in property management subsidiaries are related to investments in real estate. Property is valued using an internal valuation model, based on discounting 20 years' estimated cash flows at a discount rate reflecting market expectations for returns on similar properties. External estimates are also obtained for a selection of properties to quality-assure the internal valuations. There is considerable uncertainty about how the effects of Covid-19 will impact property values.

There is still great uncertainty about how the effects of covid-19 will be. Both internal and external valuers are uncertain about the effects of factors such as changes in access to debt capital, decreasing interest rates, changed borrowing and lending costs for banks, access to equity, changed investor behavior, changes in the rental market, changes in the tenant's liquidity and short - term ability to pay.

The valuation of property was therefore made during the quarter with unchanged main premises, but it is observed that there is an increased risk for some hotels and shopping malls in the portfolio. Particularly central office properties with long contracts are considered to have somewhat reduced risk, due to investor attractiveness.

During the first half of the year, there have been significant changes in the fixed income markets. This has affected the discount rate used in calculating the present value of the company's pension obligations. The discount rates used for this calculation have changed from 2.3% as of 31.12.2019 to 1.7% as of 31.12.2020. The effect of the change in the pension assumptions increases the pension obligation for own employees by NOK 49 million.

NOTE 2 Value-adjustment investment property

The portfolio of investment properties, including investment properties owned via subsidiaries, has been valued as at 31 December 2020.

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Value adjustment incl. foreign exchange	1 928	708	4 033	952
Foreign exchange effect on hedging	639	-32	-1 500	730
Net value adjustment incl. exchange hedging	2 567	676	2 533	1 682

NOTE 3 Premium income

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Gross premiums due	8 017	8 066	34 252	40 224
Reinsurance premiums ceded	0	0	0	-1
Transfer of premium reserves from others	4	11	2 850	11
Total premium income	8 021	8 077	37 102	40 234

NOTE 4 Claims

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Claims paid	5 359	5 077	20 704	19 866
Transfers of premium reserves to others	-11	3	7 656	292
Total claims	5 347	5 081	28 360	20 157

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Personnel costs	204	198	691	678
Depreciation	49	68	179	193
Other operating expenses	95	80	302	258
Total insurance-related operating expenses	347	346	1 172	1 129

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.

31.12.2020 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Fair value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	543	644	4 445	5 000	11	11	5 000	5 655
Accrued not due interest	19	19	101	101	0	0	120	120
Foreign hold-to-maturity bonds	6 547	6 923	16 993	18 918	38	44	23 578	25 884
Accrued not due interest	41	41	223	223	1	1	264	264
Total investments held to maturity	7 149	7 626	21 763	24 242	50	56	28 962	31 924
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	4 337	4 567	46 054	49 149	191	204	50 582	53 920
Accrued not due interest	60	60	725	732	3	3	788	795
Foreign bonds	7 366	7 880	101 144	109 202	468	503	108 979	117 585
Accrued not due interest	100	100	1 702	1 702	8	8	1 810	1 810
Total bonds classified as loans and receivables	11 863	12 607	149 626	160 785	671	719	162 159	174 110
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 191	3 243	0	0	3 191	3 243
Lending with public sector guarantee	0	0	64 088	65 304	0	0	64 088	65 304
Loans abroad secured by mortgage and local government guarantee	0	0	9 864	9 864	0	0	9 864	9 864
Accrued not due interest	0	0	280	280	0	0	280	280
Total other loans and receivables	0	0	77 424	78 691	0	0	77 424	78 691
Total financial assets at amortized cost	19 012	20 233	248 813	263 717	720	775	268 546	284 725
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	7	7	6 581	6 581	0	0	6 588	6 588
Foreign shares	0	0	26 548	26 548	0	0	26 548	26 548
Total shares	7	7	33 129	33 129	0	0	33 136	33 136
Property funds	0	0	4 031	4 031	0	0	4 031	4 031
Norwegian equity funds	0	0	72 440	72 440	580	580	73 021	73 021
Foreign equity funds	0	0	17 818	17 818	0	0	17 818	17 818
Total equity fund units	0	0	94 290	94 290	580	580	94 870	94 870
Norwegian alternative investments	0	0	1 709	1 709	8	8	1 717	1 717
Foreign alternative investments	0	0	0	0	0	0	0	0
Total alternative investments	0	0	1 710	1 710	8	8	1 718	1 718
Total shares and units	7	7	129 128	129 128	588	588	129 724	129 724

NOTE 6 Fair value of financial assets and liabilities – continues

31.12.2020 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS AT FAIR VALUE								
Norwegian bonds	6 604	6 604	30 995	30 995	0	0	37 600	37 600
Foreign bonds	429	429	18 703	18 703	0	0	19 131	19 131
Accrued not due interest	28	28	368	368	0	0	396	396
Norwegian fixed-income funds	2 632	2 632	36 415	36 415	337	337	39 384	39 384
Foreign fixed-income funds	0	0	28 828	28 828	0	0	28 828	28 828
Norwegian certificates	530	530	2 255	2 255	0	0	2 785	2 785
Foreign certificates	0	0	549	549	0	0	549	549
Accrued not due interest	2	2	5	5	0	0	7	7
Fixed income securities	10 226	10 226	118 119	118 119	337	337	128 681	128 681
Norwegian loans and receivables	570	570	15 446	15 446	27	27	16 043	16 043
Foreign loans and receivables	1 129	1 129	5 530	5 530	67	67	6 726	6 726
Total loans and receivables	1 700	1 700	20 977	20 977	93	93	22 770	22 770
DERIVATIVES								
Interest rate swaps	775	775	1 018	1 018	0	0	1 792	1 792
Share options	0	0	219	219	0	0	219	219
Forward exchange contracts	109	109	4 706	4 706	16	16	4 831	4 831
Total financial derivatives classified as assets	884	884	5 943	5 943	16	16	6 843	6 843
Other financial assets	0	0	2 543	2 543	0	0	2 543	2 543
Total financial assets valued at fair value	12 816	12 816	276 710	276 710	1 034	1 034	290 560	290 560
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	0	0	0	0	0	0
Forward exchange contracts	0	0	326	326	1	1	327	327
Total financial derivatives classified as liabilities	0	0	326	326	1	1	327	327
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	3 135	3 561	0	0	0	0	3 135	3 561
Hybrid Tier 1 securities	1 764	1 592	0	0	0	0	1 764	1 592
Total subordinated loan capital etc.	4 898	5 152	0	0	0	0	4 898	5 152
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	2 504	2 504	3	3	2 507	2 507
Foreign call money ¹	923	923	2 412	2 412	17	17	3 352	3 352
Total liabilities to credit institutions	923	923	4 917	4 917	19	19	5 859	5 859

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

NOTE 6 Fair value of financial assets and liabilities – continues

31.12.2019 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
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
Total investments held to maturity	6 880	7 240	22 637	24 199	64	70	29 581	31 508
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
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
Total bonds classified as loans and receivables	11 617	11 878	143 072	148 357	834	867	155 523	161 102
OTHER LOANS AND RECEIVABLES								
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
Total other loans and receivables	0	0	71 391	71 627	0	0	71 391	71 627
Total financial assets at amortized cost	18 497	19 118	237 100	244 183	898	937	256 495	264 238
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
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
Total shares	5	5	40 317	40 317	0	0	40 322	40 322
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
Total equity fund units	0	0	97 755	97 755	804	804	98 559	98 559
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
Total alternative investments	0	0	4 746	4 746	17	17	4 762	4 762
Total shares and units	5	5	142 817	142 817	820	820	143 643	143 643

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
DEBT INSTRUMENTS AT FAIR VALUE								
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
Fixed income securities	11 744	11 744	105 208	105 208	505	505	117 456	117 456
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
Total loans and receivables	1 701	1 701	14 124	14 124	87	87	15 913	15 913
DERIVATIVES								
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
Total financial derivatives classified as assets	747	747	3 971	3 971	15	15	4 733	4 733
Other financial assets	0	0	693	693	0	0	693	693
Total financial assets valued at fair value	14 198	14 198	266 813	266 813	1 428	1 428	282 438	282 438
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	0	0	0	0	0	0
Forward exchange contracts	0	0	597	597	2	2	599	599
Total financial derivatives classified as liabilities	0	0	598	598	2	2	599	599
SUBORDINATED LOAN CAPITAL								
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
Total subordinated loan capital etc.	7 750	8 599	0	0	0	0	7 750	8 599
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	1 397	1 397	3	3	1 400	1 400
Foreign call money ¹	762	762	1 822	1 822	7	7	2 591	2 591
Total liabilities to credit institutions	762	762	3 219	3 219	9	9	3 990	3 990

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

NOTE 7 Fair value hierarchy

31.12.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 632	7 594	0	10 226
Certificates	0	533	0	533
Bonds	0	7 061	0	7 061
Fixed-income funds	2 632	0	0	2 632
Loans and receivables	1 464	236	0	1 700
Shares and units	0	0	7	7
Shares	0	0	7	7
Financial derivatives	0	884	0	884
Other financial assets	0	0	0	0
Total corporate portfolio	4 096	8 713	7	12 816
COMMON PORTFOLIO				
Fixed-income securities	69 047	44 822	4 250	118 119
Certificates	549	2 260	0	2 809
Bonds	16 038	34 028	0	50 066
Fixed-income funds	52 460	8 534	4 250	65 243
Loans and receivables	20 662	315	0	20 977
Shares and units	104 274	3 193	21 662	129 128
Shares	30 258	326	2 545	33 129
Equity funds	74 016	0	55	74 070
Property funds	0	1 157	2 874	4 031
Special funds	0	1 710	0	1 710
Private Equity	0	0	16 188	16 188
Financial derivatives	0	5 943	0	5 943
Other financial assets	0	2 543	0	2 543
Total common portfolio	193 983	56 816	25 911	276 710

NOTE 7 Fair value hierarchy – continues

31.12.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	330	7	0	337
Fixed-income funds	330	7	0	337
Loans and receivables	93	0	0	93
Shares and units	580	8	0	588
Equity funds	580	0	0	580
Special funds	0	8	0	8
Financial derivatives	0	16	0	16
Other financial assets	0	0	0	0
Total investment option portfolio	1 004	30	0	1 034
Total financial assets valued at fair value	199 083	65 559	25 918	290 560
CORPORATE PORTFOLIO				
Investment property	0	0	1 017	1 017
Total investment property	0	0	1 017	1 017
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	923	0	0	923
Total corporate portfolio	923	0	0	923
COMMON PORTFOLIO				
Financial derivatives	0	326	0	326
Debt to credit institutions	4 917	0	0	4 917
Total common portfolio	4 917	326	0	5 242
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	1	0	1
Debt to credit institutions	19	0	0	19
Total investment option portfolio	19	1	0	21
Total financial liabilities at fair value	5 859	327	0	6 186

NOTE 7 Fair value hierarchy – continues

31.12.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
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
Total corporate portfolio	3 480	10 713	5	14 198
COMMON PORTFOLIO				
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
Total common portfolio	207 785	41 917	17 111	266 813

NOTE 7 Fair value hierarchy – continues

31.12.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
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
Total investment option portfolio	1 396	32	0	1 428
Total financial assets valued at fair value	212 661	52 662	17 116	282 438
CORPORATE PORTFOLIO				
Investment property	0	0	955	955
Total investment property	0	0	955	955
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	762	0	0	762
Total corporate portfolio	762	0	0	762
COMMON PORTFOLIO				
Financial derivatives	0	598	0	598
Debt to credit institutions	3 219	0	0	3 219
Total common portfolio	3 219	598	0	3 817
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	2	0	2
Debt to credit institutions	9	0	0	9
Total investment option portfolio	9	2	0	11
Total financial liabilities at fair value	3 990	599	0	4 590

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 31.12.2020	Book value 31.12.2019
Opening balance 01.01.	5	4
Sold	0	0
Bought	0	2
Unrealised changes	1	-1
Closing balance 31.12.	7	5
Realised gains/losses	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 31.12.2020	Book value 31.12.2019
Opening balance 01.01.	2 170	2 481
Sold	-23	-1 419
Bought	377	764
Unrealised changes	22	343
Closing balance 31.12.	2 545	2 170
Realised gains/losses	0	318

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 31.12.2020	Book value 31.12.2019
Opening balance 01.01.	52	61
Sold	0	-9
Bought	0	0
Unrealised changes	3	2
Closing balance 31.12.	55	54
Realised gains/losses	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY, SPECIAL FUNDS AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 31.12.2020	Book value 31.12.2019
Opening balance 01.01.	14 888	12 664
Sold	-1 740	-2 400
Bought	8 341	2 882
Unrealised changes	302	1 742
Closing balance 31.12.	23 312	14 888
Realised gains/losses	636	878

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.12.2020	Book value 31.12.2019
Opening balance 01.01.	955	924
Sold	0	0
Bought	0	0
Unrealised changes	85	67
Other	-23	-36
Closing balance 31.12.	1 017	955
Realised gains/losses	0	0
Total Level 3	26 935	18 071

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

Instruments at Level 3 contain no observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair

value may deviate if the instrument were to be traded. The instruments covered at Level 3 in the company include unlisted shares and Private Equity.

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

The fair value of assets and liabilities measured at amortized cost are stated in note 6. Level based classification of these items will be as follows; assets classified as held to maturity are included in level 1, lending and loans and receivables are included in level 2. Liabilities, measured at amortized cost, will be categorized as follows: subordinated loans are included in both level 1 and 2, hybrid tier 1 securities are included in level 2 and debt to credit institutions are included in level 1. Information regarding pricing of these interest bearing instruments are available in note 9 for the Group.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 1 347 million as of 31.12.2020 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 3 million have been moved from Level 1 to Level 2 and NOK 44 million have been moved from Level 2 to Level 1. The amounts are related to equity instruments and are due to change in liquidity. There has been no other movements between the different levels in KLP.

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

31.12.2020 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	6 843	0	6 843	-326	-5 795	0	1 089
Total	6 843	0	6 843	-326	-5 795	0	1 089
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	5 943	0	5 943	-326	-4 860	0	970
Total assets – corporate portfolio	884	0	884	0	-923	0	106
Total assets – investment option portfolio	16	0	16	0	-12	0	12
Total	6 843	0	6 843	-326	-5 795	0	1 089
LIABILITIES							
Financial derivatives	327	0	327	-326	-3	0	0
Total	327	0	327	-326	-3	0	0
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	326	0	326	-326	0	0	0
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	1	0	1	0	-3	0	0
Total	327	0	327	-326	-3	0	0

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

31.12.2019 NOK MILLIONS					Related amounts not presented net		
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	4 733	0	4 733	-598	-3 981	0	169
Total	4 733	0	4 733	-598	-3 981	0	169
PORTFOLIO ALLOCATION OF ASSETS							
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
Total	4 733	0	4 733	-598	-3 981	0	169
LIABILITIES							
Financial derivatives	599	0	599	-598	-11	0	0
Total	599	0	599	-598	-11	0	0
PORTFOLIO ALLOCATION OF LIABILITIES							
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
Total	599	0	599	-598	-11	0	0

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	31.12.2020	31.12.2019
Short-term liabilities securities	2 258	1 870
Advance tax-deduction pension scheme	447	429
Accounts payable	4	6
Derivatives	327	599
Debt to credit institutions	5 859	3 990
Liabilities related to direct insurance	576	867
Other liabilities	34	28
Total liabilities	9 506	7 789

NOTE 10 SCR ratio

NOK BILLIONS	31.12.2020	31.12.2019		31.12.2020	31.12.2019
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT			SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT		
Assets, book value	652	621	Best estimate	595	560
Added values - hold-to-maturity portfolio/loans and receivables	16	8	Risk margin	15	13
Added values - other lending	0	0	Hybrid Tier 1 securities/Subordinated loan capital	5	8
Other added/lesser values	0	0	Other liabilities	18	15
Deferred tax asset	0	0	Deferred tax liabilities	1	1
Total assets - solvency II	668	629	Total liabilities - solvency II	635	597
			Excess of assets over liabilities	33	32
			- Deferred tax asset	0	0
			+ Hybrid Tier 1 securities	2	2
			Tier 1 basic own funds	35	33
			Total eligible tier 1 own funds	35	33
			Subordinated loans	4	7
			Tier 2 basic own funds	4	7
			Ancillary own funds	11	12
			Tier 2 ancillary own funds	11	12
			Deduction for max. eligible tier 2 own funds	-7	-12
			Total eligible tier 2 own funds	8	7
			Deferred tax asset	0	0
			Total eligible tier 3 own funds	0	0
			Solvency II total eligible own funds	43	41
			Market risk	7	6
			Diversification market risk	-2	-2
			Counterparty risk	0	0
			Life risk	14	14
			Diversification life risk	-3	-3
			Diversification general	-3	-3
			Operational risk	3	3
			Loss absorbing ability deferred tax	-1	-1
			Solvency capital requirement (SCR)	15	15
			Linear minimum capital requirement (MCR_linear)	10	7
			Minimum	4	4
			Maximum	7	7
			Minimum capital requirement (MCR)	7	7
			Solvency II- SCR ratio	278 %	278 %

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

Tier 1 capital appears from the Solvency II balance sheet and Hybrid Tier 1 securities. Tier 2 capital consist of subordinated loans and ancillary own funds. The Financial Supervisory Authority of Norway has accepted that KLP's right to call in further member contribution if necessary, which is laid down in the Company's articles of association, can be counted as ancillary own funds, the amount corresponding to 2,5 per cent of the Company's premium reserve. Capital that may be included in Tier 2 capital is limited upwards to 50 per cent of SCR.

Without the use of the transitional measure on technical provisions the Company's SCR ratio is 278 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.

	31.12.2020	31.12.2019
SOLVENCY II - SCR RATIO	278 %	278 %

NOTE 11 Leases

NOK MILLIONS	31.12.2020	31.12.2019
RIGHT-OF-USE ASSETS	Property	
Opening balance 01.01.	204	305
Addition	981	0
Depreciation	-104	-101
Closing balance	1 081	204

NOK MILLIONS	31.12.2020	31.12.2019
LEASE LIABILITIES	Property	
Opening balance 01.01.	210	305
Addition	981	0
Repayments	-92	-96
Closing balance	1 099	210

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
	Property			
Interest expense lease liabilities	7	2	17	8

NOTE 12 Pension obligations

NOK MILLIONS	31.12.2020	31.12.2019
Capitalized net liability 01.01.	508	565
Capitalized pension costs	95	105
Capitalized financial costs	15	18
Actuarial gains and losses	49	-89
Premiums / contributions received	-71	-92
Capitalized net liability 31.12.	594	508

ASSUMPTIONS	31.12.2020	31.12.2019
Discount rate	1,70 %	2,30 %
Salary growth	2,25 %	2,25 %
The National Insurance basic amount (G)	2,00 %	2,00 %
Pension increases	1,24 %	1,24 %
Social security contribution rate	14,10 %	14,10 %
Capital activity tax	5,00 %	5,00 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 49 million as of 31.12.2020. The change is recognized in the accounting line "Actuarial gains and losses on defined benefits pension schemes".

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

NOK MILLIONS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Interest expense subordinated loan	31	63	212	248
Discount subordinated loan	0	1	343	6
Interest expense Hybrid Tier 1 securities	15	16	67	64
Other costs associated with the corporate portfolio	41	16	91	56
Administration costs and other costs associated with the corporate portfolio	86	96	712	374

NOTE 14 Sale of subsidiary

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) has sold the shares of the wholly owned subsidiary KLP Bedriftspensjon AS. The sale was completed in the third quarter, but with accounting effect from 1 April 2020.

The subsidiary that has been sold, offers defined contribution and occupational pensions, including the management of pension capital certificates and paid-up policies, for public and private sector enterprises. The company was established in 2006 and has had an office in Oslo with 9 employees. KLP Bedriftspensjon AS had 3.091 corporate clients in its defined contribution and company pension scheme at 31 March 2020, which encompasses a total of 69.232 active members and

owners of pension capital certificates and paid-up policies. Total assets amounted NOK 6.984 million, of which insurance liabilities amount to NOK 6.372 million. Pre-tax profit by 31 March 2020 amounted to NOK -13,7 million.

The book value of shares in the subsidiary that has been sold is NOK 573 million as of 31 March 2020. A loss in connection with the sale of NOK 183.4 million has been recognized in KLP's income statement as of 31.12.2020, under the line "Net income from investments in the corporate portfolio". The loss is calculated based on the fair value of the assets adjusted for estimated selling expenses.

NOTE 15 Premium reserve

NOK MILLIONS	31.12.2020	31.12.2019
Premium reserve etc. 01.01.2020	459 343	431 153
Net freed up reserves due to changes in the public sector occupational pension as of January 1st, 2020	-22 081	0
Other changes	18 856	28 189
Premium reserve etc. 31.12.2020	456 118	459 343

NOK MILLIONS	31.12.2020	31.12.2019
Pension capital etc. 01.01.2020	2 064	1 941
Net freed up reserves due to changes in the public sector occupational pension as of January 1st, 2020	-63	0
Other changes ¹	-586	123
Pension capital etc. 31.12.2020	1 415	2 064

¹ Other changes in 2020 are negative due to the reallocation from the investment option portfolio to the common portfolio.

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