



Interim report

KLP GROUP
Q3 2020



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KLP GROUP

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Report for the third quarter of 2020

POSITIVE RETURN IN THE THIRD QUARTER

- The value-adjusted return after the third quarter of 2020 was 1.4 per cent, while the book return ended at 3.2 per cent.
- KLP has sold KLP Bedriftspensjon AS to DNB Livsforsikring AS, but will continue to provide some services for a time.
- There is a final judgment in the Hafslund case, which results in a gain of NOK 427 million in the customer portfolio.

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 Forsikringsservice and KLP Eiendom.

At the end of the third quarter of 2020, the Group had total assets of NOK 790.0 billion, an increase of NOK 27.2 billion since the beginning of the year.

The Group's total comprehensive income was NOK 800 (654)¹ million in the third quarter of 2020 and NOK 913 (1,692) billion in the year to date.

Kommunal Landspensjonskasse

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse. Out of KLP's total assets of NOK 635.9 billion, NOK 575.9 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE THIRD QUARTER OF 2020

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK 6.7 (4.6) billion in the year to date. The value-adjusted return on the common portfolio was 1.4 per cent, while the book return was 3.2 per cent for the year to date.

Risk result

The risk events in the stock are within expectations throughout the year and will vary from quarter to quarter. Net income was NOK 406 million in the third quarter and NOK 706 million for the year to date.

Administration result

The Company's administration result shows a surplus of NOK 187 (192) million so far this year, of which NOK 123 million fell in the third quarter. Insurance-related operating costs came to NOK 825 (783) million so far this year.

Total profit/loss

Total profit/loss to the Company stands at NOK 906 million (1.7 billion) for the year to date. The customer result is NOK 7.0 (5.1) billion so far this year. The item "Other profit/loss elements" reported at minus NOK 223 million consists of estimate differences on pension commitments to our own employees. This commitment increased as a result of falling interest rates through 2020.

NOK MILLIONS	Customers	Company	Total
Returns result	6 656	175	6 831
Risk result	352	354	706
Interest guarantee premium		368	368
Administration result		187	187
Net income from investments in the corporate portfolio and other income/costs in non-technical accounts		219	219
Tax		-174	-174
Other profit/loss elements		-223	-223
Income after Q3/2020	7 007	906	7 913
Income after Q3/2019	5 060	1 596	6 675

Financial strength and capital-related matters

KLP's total assets have increased by NOK 14.4 billion in the year to date and amount to NOK 635.9 billion. The premium reserve increased by NOK 13.7 billion to NOK 475.1 billion in the same period.

So far this year the securities adjustment fund has decreased by NOK 8.3 billion to NOK 47.5 billion.

Without applying transitional rules, the Company's solvency capital requirement (SCR) is 264 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 353 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

PROSENT	At 30.09.2020	At 30.09.2019
Book returns *	3,2	2,7
Value-adjusted returns *	1,4	6,6
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	3,1	7,4
Capital adequacy, Solvency II	264	274
Capital adequacy, Solvency II, with transitional measures	353	362

* The returns figures apply to the common portfolio

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 26.2 (32.2) billion at the end of the third quarter.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, amounted to NOK 15,3 (14.8) billion after the third quarter.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 582.1 (551.7) billion and were invested as shown below:

ASSETS	At 30.09.2020		At 30.09.2019	
All figures in per cent	Proportion	Return	Proportion	Return
Shares	21,4 %	-1,7 %	24,7 %	15,6 %
Short-term bonds	17,4 %	5,3 %	17,9 %	8,1 %
Long-term/HTM bonds	30,0 %	2,7 %	28,1 %	2,7 %
Lending	13,3 %	1,7 %	12,3 %	1,8 %
Property	12,9 %	2,6 %	12,1 %	4,6 %
Other financial assets	5,0 %	1,3 %	4,8 %	1,4 %

Equities

Total exposure in shares and alternative investments, including equity derivatives, was 21.4 per cent at the end of the third quarter. The total return on shares and alternative investments was 4.7 per cent in the quarter, and is down 1.7 per cent as at 30 September. The return on KLP's global shares was minus 0.3 per cent for the third quarter, while the Norwegian equity portfolio had a return of minus 8.9 per cent in the same period.

Short-term bonds and the money market

Short-term bonds accounted for 17.4 per cent and money-market instruments 5.0 per cent of the assets in the common portfolio at the end of the third quarter. There were only small changes in Norwegian, European and US government

interest rates during the quarter. KLP's global government bond index achieved a currency-hedged return of 0.3 per cent in the quarter, while the return on the Norwegian government bond index was 0.2 per cent. Global credit margins fell slightly through the quarter. The quarterly return for KLP's global credit bond index was 1.6 per cent, as a result of lower credit risk premiums.

In total, short-term bonds achieved returns of 1.2 per cent in the third quarter and 5.3 per cent for the year to date.

The money market return was 0.4 per cent for the quarter, and 1.3 per cent so far this year.

Long-term bonds

Investment in long-term bonds and bonds held to maturity made up 30.0 per cent of the common portfolio at 30 September. Unrecognised added values in the common portfolio amounted to NOK 15.2 billion as at 30 September. The portfolio is well diversified and consists of securities issued by creditworthy borrowers. The return measured at amortised cost was 0.9 per cent in the third quarter and 2.7 per cent for the year to date.

Property

Property investments, including Norwegian and international real estate funds, made up 12.9 per cent of the common portfolio. Property values in the common portfolio were written down by NOK 93 million up to the end of the third quarter. Property investments in the common portfolio achieved a return of 2.6 per cent so far this year.

Lending

Lending in the common portfolio totals NOK 76.5 billion. This is split between NOK 60.9 billion in loans to the public sector, NOK 4.0 billion in loans with government guarantees and NOK 3.3 billion in secured mortgage loans, with the remaining NOK 8.3 billion used for other purposes. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 1.6 billion at the end of the quarter. After the third quarter, the return was 1.7 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 1.3 per cent in the year to date.

Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The municipal and regional reform has so far had only a moderate effect on KLP's customer base. At the end of the third quarter, KLP had transfers in totalling NOK 2.8 billion and transfers out amounting to NOK 7.7 billion.

Other matters

KLP Bedriftspensjon AS has been sold to DNB Livsforsikring AS. The shares were transferred on 22 September. KLP will continue to provide some services to DNB Bedriftspensjon AS until all portfolios have been integrated into the systems of DNB Livsforsikring AS. We are working to complete this process in the first quarter of 2021.

On 27 August, a judgement was handed down in the Hafslund case. The case concerned the valuation of Hafslund shares, where KLP and other shareholders were squeezed out. KLP has won in both the District Court and the Court of Appeal. The redemption price per share has been set by the Court of Appeal at NOK 137.50. The redemption price is NOK 40.74 per share above the offer price. This adds NOK 427 million to the accounts in the customer portfolio. KLP has been awarded all of the costs in the case. The deadline for appeal has expired and the judgment is final.

Since 13 March, 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

The situation relating to Covid-19 is still affecting the Company's activities, although the number of travel claims has decreased in comparison with the second quarter. The Company has recorded around 3,800 claims related to Covid-19, and has expensed approx. NOK 18 million related to these.

Operating profit before tax was NOK 97.2 (140.5) million at the end of the third quarter. The third quarter in isolation produced an operating profit of NOK 79.1 (2.2) million. The financial return in the third quarter was also good, which contributed to the good result. Operating expenses are still lower than expected and the Company has also been able to reverse previous years' reserves.

Premium volume stood at NOK 1,769 million at the end of the third quarter, an increase of NOK 160 million from the position at 31.12.2019. In some areas, profitability is weak, but the Company notes that the overall premium level is now increasing. Premiums due have increased by 11.8 per cent, or NOK 158 million, compared with the same time in 2019. There is continued high growth in the retail market and a high proportion of members among the retail customers.

The insurance result was NOK 207 (100) million. During the third quarter, two claims for over NOK 10 million were reported, totalling NOK 29 million. Reversal of previous years' claims is still positive, and this year NOK 86 million has so far been taken to income, equivalent to 4.7 per cent of the reserves at the beginning of the year.

Key figures for the Company

THIRD QUARTER	2020	2019
Claims ratio	83,1	90,8
Cost ratio	17,5	17,8
Total cost ratio	100,7	108,6

Net financial income after nine months was NOK 103.4 (232.9) million, representing a return of 2.3 (5.3) per cent. Returns for the third quarter in isolation were NOK 71.5 (61.5) million, or 1.5 (1.4) per cent.

The Company's investments in interest-bearing funds have performed best so far this year, with a return of 3.7 per cent, while fixed income bonds returned 2.4 per cent. The equity portfolio had a return of 1.0 per cent, and 5.9 per cent in the third quarter in isolation.

The return on real estate investments was minus 1.6 per cent, after a write-down of NOK 31 million in the first half-year on one of the Company's two real estate units. This is an investment in a centrally located shopping centre in Oslo, and the write-down is regarded as a direct effect of Covid-19.

The Company's financial position is good, with a solvency capital requirement (SCR) of 247 per cent at the end of the third quarter of 2020, up from 240 per cent at the end of 2019.

Asset and fund management

KLP Kapitalforvaltning provides securities management in the KLP Group. It had a total of NOK 579 billion under management at the end of the third quarter, of which NOK 94 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 3.8 billion in the third quarter. External customers had positive net new subscriptions of NOK 1.7 billion in the third quarter.

KLP Kapitalforvaltning had pre-tax income of NOK 27.5 (25.9) million in the third quarter and NOK 25.6 (45.2) million for the year to date.

Bank

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

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 makes sense for KLP to simplify its corporate structure and so avoid unnecessary resource use. KLP is now about to make this change, whereby KLP Banken AS will be directly owned by KLP and KLP Bankholding AS will be removed. Authorisation to implement this in 2020 has been applied for and granted.

As of 30 September, the KLP Banken Group had loans to customers totalling NOK 37.5 (34.3) billion. The split between the retail market and the public sector was NOK 20.6 (17.8) billion and 16.9 (16.5) billion respectively.

KLP Banken manages NOK 3.3 (3.1) billion in mortgage loans and NOK 73.2 (64.0) billion in loans to public-sector borrowers and other businesses.

The retail market in KLP Banken has produced very strong growth in mortgage lending of NOK 2.3 (1.1) billion at the end of the third quarter. 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 has grown significantly.

In the year to date, lending volume in the public sector market increased by NOK 0.3 (-0.2) billion. Loans to public-sector borrowers managed on behalf of KLP increased by NOK 6.2 (4.4) billion in the same period. KLP increased its lending limits by NOK 5 billion when the pandemic struck. KLP Banken was thus able to go on offering competitive conditions to public-sector borrowers who were concerned at finding greatly reduced opportunities for new loans and refinancing in the lending markets. Managed loans to foreign debtors in other currencies have decreased by NOK 0.6 (0.6) billion since the start of the year.

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 third quarter. The Bank's

operating income, in the form of net interest income, was NOK 237.7 (209.4) million at the end of the third quarter.

KLP Banken's portfolio of liquidity investments in the form of interest-bearing securities amounts to NOK 4.8 (3.4) 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 13.4 (1.3) million.

The KLP Banken Group's external financing consists of deposits and bonds. Deposit growth at the end of the quarter amounted to NOK 0.3 billion and deposits now total NOK 12.0 (11.5) billion. Of this amount, NOK 10.4 billion is deposits from retail customers, and NOK 1.7 billion is deposits from municipalities and enterprises. Liabilities created on issuance of securities totalled NOK 26.2 (25.5) billion at the end of the third quarter.

In the year to date, losses and loss provisions in the retail market amounted to NOK minus 4.2 (-6.2) million. These are mainly losses on credit cards. The Bank's provisions for future losses increased when the pandemic hit. Realised losses have not yet been affected. Nor have we experienced any losses on loans to the public-sector market this year.

The KLP Banken Group had a pre-tax operating profit of NOK 101.7 (77.3) million at the end of the third quarter. Broken down by area, the pre-tax profit was NOK 71.2 (55.6) million from the retail market and NOK 30.5 (21.7) million from the public-sector market.

CORPORATE SOCIAL RESPONSIBILITY

In September, PwC released a report assessing the way in which Norway's 100 largest companies are working and reporting on climate issues. From a review of publicly available material and reporting, each company is placed in a category based on an overall assessment. KLP was placed in the category with the best overall rating and is one of four companies that can show cuts in emissions in line with the Paris Agreement.

Before the summer, KLP, along with several other investors, sent letters to Brazilian authorities expressing concern about the deforestation in the Amazon and the serious negative trends in the country on the environment and human rights. The letter received great attention from Brazilian authorities. A conference call was held between the governor of the Brazilian central bank and the CEO of KLP, and KLP has attended meetings with the vice-president, members of the government and members of congress. Together with Storebrand and Rainforest Foundation Norway, KLP has released a report on how investors can manage financial risks associated with deforestation.

KLP has given great attention to following up on ESG in

companies in which it has investments, and has been in discussions with several of these. KLP has also received inquiries from private individuals and investors about the monitoring of corporate social responsibility in KLP's management operations. KLP has excluded three new companies on the grounds that there is an unacceptable risk of human rights violations.

In the third quarter, KLP Banken issued new green loans totalling NOK 418 million. The largest of these went to new electric ferries. KLP Banken has so far lent almost NOK 1.7 billion to sustainable projects in the municipalities.

The non-life insurance company is continuing its important work on preventing fires in municipal rental properties. Digital "one-to-one meetings" have been held with the municipalities, as well as several webinars. Waste management in municipal buildings was also discussed.

Health-promoting workplaces are high on the agenda in health enterprises, with a broad focus on cooperation to achieve this. Representatives from KLP have joined the reference group for the industry programme for sick leave in hospitals and are attending frequent meetings with

resource persons from the hospitals. In collaboration with the Centre for Senior Policy, NSF, Spekter, Fagforbundet and Unio, KLP will also participate in a research project to strengthen knowledge about how to keep important professional groups within healthcare in employment for as long as possible. KLP is also working with students from various universities to develop the "Dialogskaper", a digital tool for working and talking about the working environment in their own workplaces.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

The community has been marked by infection control measures related to Covid-19. Social distancing will affect our society going forward and working from home will also be part of KLP's operations in the future. It is important for KLP to be aware of how this could affect people within KLP, for good or ill. The economy is affected everywhere. With uncertainty about social changes in general and economic development in particular, 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, 5 November 2020

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Egil Johansen
Chair

Jenny Følling
Deputy Chair

Cathrine M. Lofthus Medhus

Karianne Melleby

Odd Haldgeir Larsen

Øivind Brevik

Susanne Torp-Hansen
Elected by and from among
the employees

Freddy Larsen
Elected by and from among
the employees

Income statement

KLP GROUP

NOTE	NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
3	Premium income for own account	12 096	10 915	30 533	34 021	42 716
	Current return on financial assets	3 385	3 897	11 385	12 055	16 301
	Net interest income banking	96	72	238	210	294
	Net value changes on financial instruments	11 419	7 585	-3 417	32 430	42 247
8	Net income from investment properties	713	831	1 615	3 003	4 314
4	Other income	312	272	976	834	762
	Total net income	28 021	23 571	41 331	82 554	106 634
	Claims for own account	- 5 498	- 5 485	-24 073	-16 148	- 21 616
	Change in technical provisions	- 8 074	- 7 528	-13 326	-24 279	- 29 954
5	Net costs subordinated loan and hybrid Tier 1 securities	- 45	- 384	-787	-456	- 372
6	Operating expenses	- 348	- 366	-1 347	-1 287	- 1 892
	Change in value of assets held for sale	152	0	0	0	0
20	Loss on sale of business	- 180	0	-180	0	0
7	Other expenses	- 300	- 282	-922	-839	- 1 145
	Unit holder's value change in consolidated securities funds	- 5 218	- 1 920	-3 031	-10 152	- 14 736
	Total expenses	-19 511	-15 965	-43 665	-53 162	- 69 715
	Operating profit/loss	8 510	7 606	-2 334	29 393	36 919
	To/from securities adjustment fund – life insurance	- 4 369	- 6 440	7 986	-21 097	- 22 277
	To supplementary reserves – life insurance	0	0	490	16	- 8 052
	Assets allocated to insurance customers - life insurance	- 3 172	- 326	-4 460	-5 793	- 3 398
	Pre-tax income	969	841	1 682	2 518	3 193
	Cost of taxes ¹	- 280	- 221	-681	-929	- 1 201
	Income	689	620	1 001	1 589	1 992
19	Actuarial loss and profit on post employment benefit obligations	100	0	-305	-60	151
	Adjustments of the insurance obligations	- 11	0	33	5	- 16
	Tax on items that will not be reclassified to profit or loss	12	0	76	14	- 34
	Items that will not be reclassified to profit or loss	101	0	-195	-41	101
	Revaluation real property for use in own operation	13	46	143	192	209
8	Currency translation foreign subsidiaries	360	275	2 596	-543	- 353
	Adjustments of the insurance obligations	- 360	- 275	-2 596	543	353
	Tax on items that will be reclassified to profit or loss	- 3	- 12	-36	-48	- 52
	Items that will be reclassified to income when particular specific conditions are met	10	35	107	144	157
	Total other comprehensive income	111	35	-88	103	258
	Total comprehensive income	800	654	913	1 692	2 249
	¹ Unit holders share of taxes in consolidated securities fund	61	- 63	194	-180	- 236

Financial position statement

KLP GROUP

NOTE	NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
	Deferred tax assets	56	59	62
	Other intangible assets	619	422	460
	Tangible fixed assets	2 270	2 062	2 072
	Investments in associated companies and joint venture	4 554	3 293	3 062
8.11	Investment property	77 855	69 910	74 545
9.14	Debt instruments held to maturity	30 870	30 223	29 701
9.14	Debt instruments classified as loans and receivables	153 670	144 563	150 580
9.11.14	Lending local government, enterprises & retail customers at fair value through profit / loss	672	716	602
9.14	Lending local government, enterprises and retail customers	113 699	100 942	105 727
9.11.14	Debt instruments at fair value through profit or loss	188 008	170 177	170 810
9.11	Equity capital instruments at fair value through profit/loss	197 632	194 312	206 949
9.11.14	Financial derivatives	1 525	1 384	7 582
9	Receivables	15 848	18 351	2 484
9	Assets in defined contribution-based life insurance	0	4 521	4 906
14	Cash and bank deposits	2 703	3 632	3 194
	TOTAL ASSETS	789 981	744 567	762 737
	Owners' equity contributed	17 531	15 785	16 540
	Retained earnings	21 712	20 996	20 799
	TOTAL OWNERS' EQUITY	39 243	36 781	37 339
9.10	Hybrid Tier 1 securities	1 989	1 894	1 738
9.10	Subordinated loan capital	3 250	5 973	6 012
19	Pension obligations	1 143	967	790
15	Technical provisions - life insurance	576 200	556 081	567 883
9.15	Provisions in life insurance with investment option	0	4 521	4 906
	Premiums, claims and contingency fund provisions - non-life insurance	2 888	2 728	2 604
9.10	Covered bonds issued	25 311	24 324	24 415
9.10	Debt to credit institutions	6 014	2 735	8 199
9.10	Liabilities to and deposits from customers	11 993	11 649	11 487
9.11	Financial derivatives	8 244	3 133	856
	Deferred tax	1 457	1 545	1 247
16	Other current liabilities	11 726	9 513	6 298
	Unit holders `s interest in consolidated securites funds	100 522	82 723	88 963
	TOTAL LIABILITIES	750 738	707 786	725 398
	TOTAL EQUITY AND LIABILITIES	789 981	744 567	762 737
	Contingent liabilities	25 249	24 189	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		1 001	1 001
Items that will not be reclassified to income		-195	-195
Items that will be reclassified to income later when particular conditions are met		107	107
Total other comprehensive income		-88	-88
Total comprehensive income		913	913
Owners' equity contribution received (net)	991		991
Total transactions with the owners	991		991
Owners' equity 30 September 2020	17 531	21 712	39 243

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2019	14 554	19 303	33 857
Income		1 589	1 589
Items that will not be reclassified to income		- 41	- 41
Items that will be reclassified to income later when particular conditions are met		144	144
Total other comprehensive income		103	103
Total comprehensive income		1 692	1 692
Owners' equity contribution received (net)	1 231		1 231
Total transactions with the owners	1 231		1 231
Owners' equity 30 September 2019	15 785	20 996	36 781

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 -30.09.2020	01.01.2020 -30.06.2020	01.01.2020 -31.03.2019	01.01.2019 -31.12.2019	01.01.2019 -30.09.2019
Net cash flow from operational activities	2 480	8 662	30 036	-17 987	-11 415
Net cash flow from investment activities ¹	-231	-157	-72	-299	-215
Net cash flow from financing activities ²	-2 739	-8 438	-29 447	18 472	12 253
Net changes in cash and bank deposits	-490	67	517	185	623
Holdings of cash and bank deposits at start of period	3 194	3 194	3 194	3 009	3 009
Holdings of cash and bank deposits at end of period	2 703	3 261	3 711	3 194	3 632

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 – 30 September 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.

Throughout the year, there have been significant changes in the fixed income markets. This has particularly affected the discount rate used in calculating the present value of the company's pension obligations. The discount rate used for this calculation has changed from 2.3% as of 31.12.2019 to 1.4% as of 30.09.2020. The effect of the change in the pension assumptions increases the pension obligation for own employees by NOK 305 million.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	29 012	32 079	40 128	313	870	1 135
Premium income for own account from other Group companies	69	78	106	0	0	0
Net financial income from investments	8 731	35 511	46 037	-604	520	715
Other income from external customers	951	808	725	2	4	6
Other income from other Group companies	201	192	239	0	0	0
Total income	38 964	68 669	87 235	-288	1 394	1 855
Claims for own account	-23 013	-15 077	-20 157	-45	-159	-202
Insurance provisions for own account	-13 651	-23 027	-28 312	331	-1 174	-1 563
Costs borrowing	-787	-456	-372	0	0	0
Operating costs excluding depreciation	-724	-678	-965	-19	-48	-67
Depreciation	-53	-49	-92	0	-2	-3
Change in value of assets held for sale	0	0	0	0	0	0
Loss on sale of business	0	0	0	0	0	0
Other expenses	-1 006	-918	-1 247	0	0	-5
Return to financial instruments attributable to minority interests						
Total expenses	-39 233	-40 206	-51 145	267	-1 384	-1 841
Operating profit/loss	-269	28 463	36 091	-22	10	15
Funds credited to insurance customers ²	1 572	-26 314	-33 454	8	-18	-27
Pre-tax income	1 303	2 149	2 637	-14	-8	-13
Cost of taxes	-174	-399	-499	0	0	0
Income	1 129	1 750	2 138	-14	-8	-13
Change in other comprehensive income	-223	-55	113	-4	-1	2
Total comprehensive income	906	1 695	2 251	-18	-9	-10
Assets	635 878	610 652	621 518	solgt	6 779	7 259
Liabilities	596 663	573 891	584 200	solgt	6 286	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 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	1 208	1 072	1 453	0	0	0
Premium income for own account from other Group companies	20	19	22	0	0	0
Net financial income from investments	104	234	297	216	183	260
Other income from external customers	1	1	1	14	14	19
Other income from other Group companies	0	0	0	44	44	59
Total income	1 333	1 325	1 774	274	241	338
Claims for own account	-1 015	-913	-1 256	0	0	0
Insurance provisions for own account	-6	-78	-79	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-211	-191	-268	-164	-156	-226
Depreciation	-4	-4	-5	-3	-4	-5
Change in value of assets held for sale	0	0	0	0	0	0
Loss on sale of business	0	0	0	0	0	0
Other expenses	0	0	0	-5	-5	-7
Return to financial instruments attributable to minority interests						
Total expenses	-1 235	-1 185	-1 609	-173	-166	-237
Operating profit/loss	97	141	166	102	76	101
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	97	141	166	102	76	101
Cost of taxes	-17	-34	-14	7	-18	-25
Income	81	107	151	109	58	76
Change in other comprehensive income	-30	-6	14	-12	-1	5
Total comprehensive income	50	101	166	96	57	81
Assets	5 269	4 979	4 907	43 442	39 616	39 703
Liabilities	3 279	3 103	2 966	41 049	37 417	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 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	0	0	0	0	0	0
Premium income for own account from other Group companies	0	0	0	0	0	0
Net financial income from investments	6	4	6	0	0	0
Other income from external customers	0	0	0	9	8	11
Other income from other Group companies	408	387	523	0	0	0
Total income	415	392	529	9	8	11
Claims for own account	0	0	0	0	0	0
Insurance provisions for own account	0	0	0	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-384	-343	-479	-9	-9	-12
Depreciation	-4	-4	-5	0	0	0
Change in value of assets held for sale	0	0	0	0	0	0
Loss on sale of business	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-389	-346	-484	-9	-9	-12
Operating profit/loss	26	45	44	-1	-2	-1
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	26	45	44	-1	-2	-1
Cost of taxes	1	-10	-9	0	0	0
Income	26	35	35	0	-1	-1
Change in other comprehensive income	-31	-6	17	-1	0	0
Total comprehensive income	-4	29	52	-1	-1	-1
Assets	561	502	520	7	8	8
Liabilities	247	208	202	3	4	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 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	0	0	0	30 533	34 021	42 716
Premium income for own account from other Group companies	-89	-97	-129	0	0	0
Net financial income from investments	1 367	11 246	15 841	9 822	47 699	63 156
Other income from external customers	0	0	0	976	834	762
Other income from other Group companies	-654	-624	-821	0	0	0
Total income	624	10 525	14 891	41 331	82 554	106 634
Claims for own account	0	0	0	-24 073	-16 148	-21 616
Insurance provisions for own account	0	0	0	-13 326	-24 279	-29 954
Costs borrowing	0	0	0	-787	-456	-372
Operating costs excluding depreciation	230	206	325	-1 282	-1 220	-1 693
Depreciation	-1	-4	-89	-65	-68	-199
Change in value of assets held for sale	0	0	0	0	0	0
Loss on sale of business	-180	0	0	-180	0	0
Other expenses	90	85	113	-922	-839	-1 145
Return to financial instruments attributable to minority interests	-3 031	-10 152	-14 736	-3 031	-10 152	-14 736
Total expenses	-2 892	-9 865	-14 387	-43 665	-53 162	-69 715
Operating profit/loss	-2 268	660	505	-2 334	29 393	36 919
Funds credited to insurance customers ²	2 437	-542	-246	4 016	-26 874	-33 727
Pre-tax income	169	118	259	1 682	2 518	3 193
Cost of taxes	-498	-468	-654	-681	-929	-1 201
Income	-329	-351	-395	1 001	1 589	1 992
Change in other comprehensive income	213	171	105	-88	103	258
Total comprehensive income	-116	-179	-289	913	1 692	2 249
Assets	104 824	82 031	88 822	789 981	744 567	762 737
Liabilities	109 497	86 878	93 881	750 738	707 786	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.

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

BANKING

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

ASSET MANAGEMENT

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

OTHER

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

NOTE 3 Premium income for own account

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Contribution service pension	12 342	10 843	27 739	33 667	42 263
Reinsurance premiums ceded	-17	-13	-53	-40	-54
Transfer of premium reserves from others	-229	85	2 846	395	507
Total premium income	12 096	10 915	30 533	34 021	42 716

NOTE 4 Other income

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Supplement contractual early retirement scheme (ERS)	303	282	884	828	1 115
Other income ¹	8	- 11	92	6	-353
Total other income	312	272	976	834	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	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
SUBORDINATED LOANS					
Interest costs ¹	-36	-66	-524	-190	-254
Value changes	-40	-117	23	-4	22
Net costs subordinated loans	-76	-183	-501	-193	-232
PERPETUAL HYBRID TIER 1 SECURITIES					
Interest costs	-17	-17	-52	-48	-64
Value changes	48	-184	-233	-216	-77
Net costs perpetual hybrid tier 1 securities	31	-201	-285	-263	-140
Net costs subordinated loan and hybrid Tier 1 securities	-45	-384	-787	-456	-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	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Personnel costs	248	210	751	749	1 057
Depreciation and writedowns	30	31	95	92	149
Other operating expenses	69	125	501	446	685
Total operating expenses	348	366	1 347	1 287	1 892

NOTE 7 Other expenses

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Supplement contractual early retirement scheme (ERS)	303	282	884	828	1 115
Other expenses	-3	0	38	11	31
Total other expenses	300	282	922	839	1 145

NOTE 8 Investment property

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Net rental income	746	760	2 141	2 187	2 859
Net value adjustment	-42	26	-534	771	1 413
Realised gains	9	44	9	44	42
Net income from investment properties	713	831	1 615	3 003	4 314
Currency translate foreign subsidiaries (taken to other comprehensive income)	360	275	2 596	-543	-353
Net income from investment properties included currency translate	1 072	1 105	4 211	2 460	3 961

NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
Investment property 01.01.	74 545	67 570	67 570
Value adjustment, including currency translation	2 062	228	1 060
Net additions	1 319	2 075	5 876
Reclassified property for own use	-102	0	0
Other changes	30	38	40
Investment property 30.09./31.12.	77 855	69 910	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. 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	30.09.2020		30.09.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST						
Norwegian hold-to-maturity bonds	5 154	6 027	6 759	7 356	5 215	5 698
Foreign hold-to-maturity bonds	25 716	28 252	23 464	25 155	24 487	25 935
Total debt instruments held to maturity	30 870	34 279	30 223	32 511	29 701	31 633
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES - AT AMORTIZED COST						
Norwegian bonds	48 181	53 078	43 820	46 207	49 807	51 469
Foreign bonds	105 446	116 779	100 694	106 083	100 736	104 886
Other receivables	42	42	49	49	37	37
Total debt instruments classified as loans and receivables	153 670	169 900	144 563	152 339	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	672	672	716	716	602	602
Total loans to local government, enterprises & retail customers	672	672	716	716	602	602

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

NOK MILLIONS	30.09.2020		30.09.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST						
Loans secured by mortgage	23 858	23 917	20 803	20 819	21 755	21 758
Loans to local government sector or enterprises with local government guarantee	79 629	81 333	71 488	72 131	73 141	73 401
Loans abroad secured by mortgage and local government guarantee	10 158	10 158	8 584	8 627	10 766	10 794
Loans creditcard	54	54	67	67	65	65
Total loans to local government, enterprises & retail customers	113 699	115 461	100 942	101 643	105 727	106 018
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	56 632	56 632	57 534	57 534	54 801	54 801
Norwegian certificates	6 764	6 764	7 765	7 765	6 295	6 295
Foreign bonds	98 389	98 389	92 643	92 643	85 004	85 004
Foreign certificates	50	50	0	0	50	50
Investments with credit institutions	26 173	26 173	12 235	12 235	24 660	24 660
Total debt instruments	188 008	188 008	170 177	170 177	170 810	170 810
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	176 375	176 375	178 716	178 716	190 350	190 350
Equity funds	17 806	17 806	14 296	14 296	14 562	14 562
Property funds	15	15	39	39	32	32
Alternative investments	3 437	3 437	1 261	1 261	2 005	2 005
Total equity capital instruments	197 632	197 632	194 312	194 312	206 949	206 949
RECEIVABLES						
Receivables related to direct business	5 360	5 360	13 724	13 724	1 141	1 141
Receivables related to reinsurance agreements	163	163	129	129	153	153
Reinsurance share of gross claims reserve	17	17	13	13	0	0
Receivables related to securites	9 410	9 410	3 559	3 559	614	614
Prepaid rent related to real estate activities	212	212	212	212	212	212
Other receivables	685	685	713	713	364	364
Total other loans and receivables including receivables from policyholders	15 848	15 848	18 351	18 351	2 484	2 484

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

NOK MILLIONS	30.09.2020		30.09.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	1 989	1 750	1 894	1 676	1 738	1 672
Subordinated loan capital	3 250	3 654	5 973	6 833	6 012	6 928
Debt to credit institutions	3 495	3 495	1 202	1 202	1 407	1 407
Covered bonds issued	25 311	25 403	24 324	24 454	24 415	24 546
Liabilities and deposits from customers	11 993	11 993	11 649	11 649	11 487	11 487
Total financial liabilities	46 038	46 295	45 042	45 814	45 059	46 039
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	2 519	2 519	1 532	1 532	6 791	6 791
Total financial liabilities	2 519	2 519	1 532	1 532	6 791	6 791
Assets in life insurance with investment option	0	0	4 521	4 521	4 906	4 906
Provisions in life insurance with investment option	0	0	4 521	4 521	4 906	4 906

NOK MILLIONS	30.09.2020		30.09.2019		31.12.2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	297	6 885	330	2 297	5 572	647
Interest rate swaps	228	1 359	161	739	1 038	99
Interest rate and currency swaps	1 000	0	893	97	973	111
Share option	0	0	0	1	0	0
Total financial derivatives	1 525	8 244	1 384	3 133	7 582	856

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ¹	2045	3 250	5 973	6 012
Total subordinated loan capital	5 163				3 250	5 973	6 012
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ²	2034	1 989	1 894	1 738
Total hybrid Tier 1 securities	984				1 989	1 894	1 738
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2020	0	178	225
KLP Kommunekreditt AS	680	NOK	Fixed	2020	705	1 563	681
KLP Kommunekreditt AS	495	NOK	Floating	2021	496	705	4 020
KLP Kommunekreditt AS	600	NOK	Fixed	2021	610	4 018	602
KLP Kommunekreditt AS	5 000	NOK	Floating	2022	5 003	610	5 012
KLP Kommunekreditt AS	5 000	NOK	Floating	2023	5 005	5 013	5 016
KLP Kommunekreditt AS	2 500	NOK	Floating	2024	1 908	5 015	1 303
KLP Kommunekreditt AS	3 104	NOK	Floating	2025	1 604	0	0
KLP Kommunekreditt AS	2 500	NOK	Fixed	2025	0	505	0
KLP Kommunekreditt AS	500	NOK	Fixed	2027	505	0	508
KLP Boligkreditt AS	0	NOK	Floating	2019	0	667	0
KLP Boligkreditt AS	18	NOK	Floating	2020	120	2 508	517
KLP Boligkreditt AS	768	NOK	Floating	2021	769	2 002	2 509
KLP Boligkreditt AS	2 500	NOK	Floating	2022	2 500	1 500	0
KLP Boligkreditt AS	2 500	NOK	Floating	2023	2 501	0	2 002
KLP Boligkreditt AS	2 500	NOK	Floating	2024	2 500	0	2 001
KLP Boligkreditt AS	2 000	NOK	Floating	2025	997	0	0
Total covered bonds	30 665				25 311	24 324	24 415

¹ The loan has an interest change date in 2025.² The loan has an interest change date in 2034.

NOTE 10 Borrowing – cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	690	NOK	Floating	2020	690	301	302
KLP Banken AS	400	NOK	Fixed	2020	0	300	302
KLP Banken AS	2 200	NOK	Floating	2021	2 203	200	200
KLP Banken AS	300	NOK	Floating	2022	300	200	301
KLP Banken AS	300	NOK	Floating	2024	300	200	301
KLP Fond	0	NOK	Floating	2019	0	604	0
KLP Fond	1 437	NOK	Floating	2020	1 437	0	0
KLP Fond	0	NOK/EUR/USD	Fixed	2020	0	0	2 801
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2019	0	928	0
Kommunal Landspensjonskasse	1 086	NOK/EUR/USD	Floating	2020	1 086	0	3 990
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Fixed	2020	0	0	0
Total liabilities to credit institutions	6 413				6 014	2 735	8 199
LIABILITIES AND DEPOSITS FROM CUSTOMERS ³							
Retail	10 517	NOK			10 517	9 699	9 861
Business	1 446	NOK			1 446	1 923	1 589
Foreign	30	NOK			30	27	36
Liabilities to and deposits from customers	11 993				11 993	11 649	11 487
Total financial liabilities	55 217				48 557	46 575	51 850

³ There is no contractual maturity date on deposits.

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

NOTE 11 Fair value hierarchy

30.09.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	77 855	77 855
Land/plots	0	0	941	941
Real estate fund	0	0	3 169	3 169
Buildings	0	0	73 744	73 744
Lending at fair value	0	672	0	672
Bonds and other fixed-income securities	45 062	120 745	0	165 807
Certificates	2 783	4 275	0	7 058
Bonds	25 370	112 508	0	137 878
Fixed-income funds	16 908	3 963	0	20 871
Loans and receivables	20 606	1 595	0	22 201
Shares and units	173 234	2 931	21 466	197 632
Shares	171 156	2 915	2 304	176 375
Equity funds	2 078	0	55	2 133
Property funds	0	15	0	15
Special funds	0	2	3 435	3 437
Private Equity	0	0	15 673	15 673
Financial derivatives	0	1 525	0	1 525
Total assets at fair value	238 902	127 468	99 321	465 691
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	8 244	0	8 244
Debt to credit institutions ¹	1 513	1 006	0	2 519
Total financial liabilities at fair value	1 513	9 250	0	10 763

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 3 495 million per 30.09.2020.

NOTE 11 Fair value hierarchy - cont.

30.09.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	69 910	69 910
Land/plots	0	0	928	928
Real estate fund	0	0	3 025	3 025
Buildings	0	0	65 957	65 957
Lending at fair value	0	716	0	716
Bonds and other fixed-income securities	45 302	112 635	0	157 937
Certificates	4 976	2 789	0	7 765
Bonds	25 562	109 846	0	135 409
Fixed-income funds	14 763	0	0	14 763
Loans and receivables	10 340	1 900	0	12 240
Shares and units	175 003	4 805	14 504	194 312
Shares	173 053	3 505	2 158	178 716
Equity funds	1 951	0	35	1 985
Property funds	0	39	0	39
Special funds	0	1 261	0	1 261
Private Equity	0	0	12 311	12 311
Financial derivatives	0	1 384	0	1 384
Total assets at fair value	230 645	121 440	84 414	436 499
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	3 133	0	3 133
Debt to credit institutions ¹	1 532	0	0	1 532
Total financial liabilities at fair value	1 532	3 133	0	4 666

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 3 495 million per 30.09.2020.

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 3 495 million per 30.09.2020.

NOTE 11 Fair value hierarchy - cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
Opening balance 1 January	74 545	67 570	67 570
Sold	0	-291	-291
Bought	1 319	2 366	6 167
Unrealised changes	2 062	228	1 060
Other changes	-71	37	39
Closing balance 30.09.	77 855	69 910	74 545
Realised gains/losses	0	362	42

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
Opening balance 1 January	14 660	12 986	12 986
Sold	-1 162	-2 953	-3 822
Bought	4 215	2 818	3 662
Unrealised changes	3 753	1 653	1 834
Closing balance 30.09.	21 466	14 504	14 660
Realised gains/losses	425	803	1 199
Closing balance 30.09.	99 321	84 414	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 4 964 million as of 30.09.2020.

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 third quarter NOK 254 million in stocks moved from Level 2 to Level 1 and NOK 885 millions moved from Level 1 to Level 2. This is due to changes in liquidity.

NOTE 12 Liquidity risk

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

30.09.2020 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	137	3 774	0	0	0	3 911
Perpetual hybrid Tier 1 securities ¹	102	273	341	1 557	0	2 273
Debt to and deposits from customers (without defined maturity)	11 993	0	0	0	0	11 993
Covered bonds issued	120	1 173	26 992	591	0	28 876
Payables to credit institutions	190	2 710	610	0	0	3 511
Financial derivatives	7 077	-6	8	-321	0	6 759
Accounts payable	171	0	0	0	0	171
Contingent liabilities (without defined maturity)	25 249	0	0	0	0	25 249
Total	45 040	7 924	27 950	1 827	0	82 742

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 925 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 81 753 million.

30.09.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	253	1 010	6 196	0	7 459
Perpetual hybrid Tier 1 securities ¹	0	99	265	331	1 548	2 243
Debt to and deposits from customers (without defined maturity)	11 649	0	0	0	0	11 649
Covered bonds issued	0	1 682	23 291	605	0	25 578
Payables to credit institutions	235	321	930	0	0	1 485
Financial derivatives	2 968	1 533	78	-158	-363	4 058
Accounts payable	81	0	0	0	0	81
Contingent liabilities (without defined maturity)	24 189	0	0	0	0	24 189
Total	39 122	3 888	25 574	6 973	1 185	76 741

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

If the minority interests are taken out of account, derivatives maturing within one month are reduced by NOK 282 million, payables to credit institutions maturing within one month are reduced by NOK 162 million and derivatives maturing between 1 to 12 months are reduced by NOK 61 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 76 235 million

NOTE 12 Liquidity risk - cont.

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

31.12.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan 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.

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

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

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

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

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

NOTE 13 Interest rate risk

30.09.2020 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 01.01.2019 -31.12.2019	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	11	-2	-55	-94	-202	-18	-359	-316
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	4	4	0
Bonds and other fixed-return securities	-49	-58	-1 229	-2 103	-2 560	243	-5 756	-2 092
Fixed income fund holdings	-1 212	0	0	0	0	0	-1 212	-3 838
Lending and receivables	-1	0	0	0	0	200	200	132
Lending	0	0	0	0	0	587	587	587
Cash and bank deposits	0	0	0	0	0	20	20	20
Contingent liabilities ¹	0	0	0	0	0	49	49	49
Total assets	-1 250	-61	-1 284	-2 196	-2 762	1 086	-6 468	-5 457
LIABILITIES								
Deposit	0	0	0	0	0	-91	-91	-91
Liabilities created on issue of securities	0	0	0	0	0	-219	-219	-219
Financial derivatives classified as liabilities	1	0	72	98	0	13	185	105
Hybrid capital, subordinated loans	0	0	0	58	108	0	167	167
Debt to credit institutions	0	0	0	0	0	-41	-41	-41
Total liabilities	1	0	72	157	108	-338	0	-79
Total before tax	-1 249	-61	-1 212	-2 040	-2 654	748	-6 467	-5 536
Total after tax	-937	-46	-909	-1 530	-1 990	561	-4 850	-4 152

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

NOTE 13 Interest rate risk – cont.

30.09.2019 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2019 -30.06.2019	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	6	0	14	-24	-296	-9	-309	-303
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	0	0	0
Bonds and other fixed-return securities	-48	-60	-1 459	-1 924	-2 182	231	-5 441	-4 756
Fixed income fund holdings	-1 055	0	0	0	0	0	-1 055	-1 055
Lending and receivables	-1	0	0	0	0	106	105	74
Lending	0	0	0	0	0	505	505	505
Cash and bank deposits	0	0	0	0	0	27	27	27
Contingent liabilities ¹	0	0	0	0	0	83	83	83
Total assets	-1 098	-60	-1 445	-1 948	-2 478	944	-6 085	-5 424
LIABILITIES								
Deposit	0	0	0	0	0	-87	-87	-87
Liabilities created on issue of securities	0	0	0	0	0	-191	-191	-191
Financial derivatives classified as liabilities	-1	-2	57	2	0	9	65	65
Hybrid capital, subordinated loans	0	0	0	59	107	0	166	166
Debt to credit institutions	0	0	0	0	0	-20	-20	0
Total liabilities	-1	-2	57	61	107	-289	-67	-47
Total before tax	-1 099	-62	-1 389	-1 887	-2 371	655	-6 153	-5 471
Total after tax	-824	-47	-1 041	-1 415	-1 778	491	-4 614	-4 103

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 01.01.2019 -31.12.2019	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

30.09.2020 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	28 833	57	0	0	0	0	1 980	30 870	30 870
Debt instruments classified as loans and receivables at amortized cost	134 312	0	848	0	0	0	18 509	153 670	153 670
Debt instruments at fair value - fixed-return securities ²	118 969	2 056	5 268	10 473	0	0	12 133	148 899	130 305
Fixed-income funds	0	0	0	0	0	0	18 312	18 312	16 908
Loans and receivables	21 902	0	0	299	0	0	0	22 201	17 222
Financial derivatives classified as assets	1 525	0	0	0	0	0	0	1 525	1 419
Cash and bank deposits	2 633	0	0	70	0	0	0	2 703	2 703
Lending	0	0	70 275	0	21 020	3 216	19 860	114 371	114 371
Total	308 174	2 113	76 391	10 842	21 020	3 216	70 794	492 551	467 470

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	12 272	4 687	9 108	2 766	28 833
Debt instruments classified as loans and receivables at amortized cost	24 157	19 903	54 915	35 338	134 312
Debt instruments at fair value - fixed-return securities	34 785	11 633	33 414	39 136	118 969
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	7 979	13 824	99	21 902
Financial derivatives classified as assets	0	316	1 209	0	1 525
Cash and bank deposits	0	2 475	158	0	2 633
Lending	0	0	0	0	0
Total	71 214	46 993	112 628	77 340	308 174

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 1 404 million per 30.09.2020.

NOTE 14 Credit risk – cont.

30.09.2019 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	28 293	0	31	0	0	0	1 899	30 223	30 223
Debt instruments classified as loans and receivables at amortized cost	121 157	0	976	631	0	0	21 799	144 563	144 563
Debt instruments at fair value - fixed-return securities	112 471	1 184	4 732	14 252	0	0	11 922	144 561	129 335
Fixed-income funds	0	0	0	0	0	0	14 763	14 763	13 240
Loans and receivables	11 630	0	0	611	0	0	0	12 240	9 915
Financial derivatives classified as assets	1 384	0	0	0	0	0	0	1 384	1 326
Cash and bank deposits	3 571	0	0	61	0	0	0	3 632	3 632
Lending	0	0	72 387	0	18 623	2 199	8 450	101 658	101 658
Total	278 506	1 184	78 126	15 554	18 623	2 199	58 833	453 024	433 892

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	13 156	3 884	9 290	1 963	28 293
Debt instruments classified as loans and receivables at amortized cost	20 619	19 971	58 504	22 064	121 157
Debt instruments at fair value - fixed-return securities	41 495	9 704	28 757	32 515	112 471
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	3 862	7 768	0	11 630
Financial derivatives classified as assets	0	338	1 046	0	1 384
Cash and bank deposits	0	229	3 343	0	3 571
Lending	0	0	0	0	0
Total	75 270	37 987	108 706	56 542	278 506

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 1 404 million per 30.09.2020.

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	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 1 404 million per 30.09.2020.

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 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 71 billion per 30.09.2020. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category.

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

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

NOK MILLIONS	30.09.2020		30.09.2019		31.12.2019	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
10 LARGEST COUNTERPARTIES						
Counterparty 1	10 723	10 131	11 205	10 984	13 956	13 026
Counterparty 2	8 500	8 500	10 741	9 131	11 144	8 896
Counterparty 3	7 177	7 039	9 598	8 582	9 463	7 948
Counterparty 4	6 770	6 485	8 505	8 505	7 471	7 295
Counterparty 5	6 502	5 866	7 551	7 259	7 376	7 138
Counterparty 6	5 676	5 500	5 807	5 709	7 318	6 535
Counterparty 7	5 569	5 272	4 775	4 703	6 535	6 107
Counterparty 8	4 672	4 672	4 750	4 661	6 198	6 076
Counterparty 9	4 233	4 066	4 703	4 643	4 698	4 698
Counterparty 10	3 525	3 525	3 725	3 536	4 309	4 189
Total	63 347	61 057	71 359	67 714	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	30.09.2020	30.09.2019	31.12.2019
Premium reserves - ordinary tariff	475 572	458 150	463 481
Premium funds, buffer funds and pensioners' surplus funds	10 366	10 236	20 297
Supplementary reserves	35 846	28 403	28 320
Securities adjustment fund	47 666	54 441	55 724
Other provisions	22	61	61
Profit/loss allocated to insurance contracts	6 728	4 790	0
Technical provisions in life insurance	576 200	556 081	567 883

NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
Premium reserves	0	4 506	4 892
Deposit funds	0	15	14
Provisions in life insurance with investment options	0	4 521	4 906

NOTE 16 Other current liabilities

NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
Short-term payables trade in securities	8 793	5 695	2 644
Incurred not assessed taxes	1 232	650	1 181
Advance tax-deduction pension scheme	399	388	432
Accounts payable	126	188	184
Pre-called contribution to insurance	133	1 737	867
Other current liabilities	1 043	855	990
Total other current liabilities	11 726	9 513	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 244 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 327 per cent.

	30.09.2020	30.09.2019	31.12.2019
Solvency II - SCR ratio	244%	248%	253%

NOK BILLIONS	30.09.2020	30.09.2019	31.12.2019		30.09.2020	30.09.2019	31.12.2019
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT							
Assets, book value	639	620	631	Best estimate	581	559	569
Added values - hold-to-maturity portfolio/loans and receivables	18	10	7	Risk margin	16	15	14
Added values - other lending	2	1	0	Hybrid Tier 1 securities/Subordinated loan capital	5	8	8
Other added/lesser values	0	0	0	Other liabilities ¹	21	11	15
Deferred tax asset	0	0	0	Deferred tax liabilities	1	2	1
Total assets - solvency II	658	630	638	Total liabilities - solvency II	625	596	607
				Excess of assets over liabilities	32	34	31
				- Deferred tax asset	0	0	0
				- Risk equalisation fund ¹	0	-6	0
				+ Hybrid Tier 1 securities	2	2	2
				Tier 1 basic own funds	34	31	33
				Total eligible tier 1 own funds	34	31	33
				Subordinated loans	3	7	6
				Risk equalisation fund ¹	0	6	0
				Tier 2 basic own funds	3	13	6
				Ancillary own funds	12	11	12
				Tier 2 ancillary own funds	12	11	12
				Deduction for max. eligible tier 2 own funds	-7	-17	-10
				Total eligible tier 2 own funds	8	7	7
				Deferred tax asset	0	0	0
				Total eligible tier 3 own funds	0	0	0
				Solvency II total eligible own funds	42	38	40
				Solvency capital requirement (SCR)	17	15	16
				Solvency II- SCR ratio	244%	248%	253%

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

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

30.09.2020 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	1 525	0	1 525	-549	-1 002	-584	0	278
Repos	0	0	0	0	0	0	0	0
Total	1 525	0	1 525	-549	-1 002	-584	0	278

LIABILITIES

Financial derivatives	8 244	0	8 244	-549	-1 572	-8 015	475	475
Repos	1 006	0	1 006	0	0	0	1 006	1 006
Total	9 250	0	9 250	-549	-1 572	-8 015	1 481	1 481

30.09.2019 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	1 384	0	1 384	-481	-931	0	2	2
Repos	0	0	0	0	0	0	0	0
Total	1 384	0	1 384	-481	-931	0	2	2

LIABILITIES

Financial derivatives	3 133	0	3 133	-481	-208	-2 590	97	97
Repos	0	0	0	0	0	0	0	0
Total	3 133	0	3 133	-481	-208	-2 590	97	97

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

31.12.2019 NOK MILLIONS					Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	Adjusted for the unit holders' interests in consolidated securities fund
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 counterparties should the latter go bankrupt and the remaining amount if all such netting agreements are materialized. The note shows derivative positions and repo agreements in the financial position statement. Repos are a part of the line "Debt to credit institutions" in the balance sheet.

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

NOTE 19 Pension obligations

NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
Capitalized net liability 01.01.	790	880	880
Capitalized pension costs	122	133	185
Capitalized financial costs	17	21	28
Actuarial gains and losses	305	60	-151
Premiums / contributions received	-89	-126	-152
Capitalized net liability 30.09./31.12.	1 143	967	790

ASSUMPTIONS	30.09.2020	30.09.2019	31.12.2019
Discount rate	1.40%	2.40%	2.30%
Salary growth	2.00%	2.75%	2.25%
The National Insurance basic amount (G)	1.75%	2.50%	2.00%
Pension increases	0.99%	1.73%	1.24%
Social security contribution rate	14.10%	14.10%	14.10%
Capital activity tax	5.00%	5.00%	5.00%

The effect of changes in pension assumptions increases the pension liability for employees with NOK 305 million as of 30.09.2020. 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 180 million was recognized in the third 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	-180
Total expenses	87
Operating profit/loss	-201
To/from securities adjustment fund – life insurance	10
Assets allocated to insurance customers - life insurance	-2
Pre-tax income	-193
Cost of taxes	0
Income	-193
Actuarial loss and profit on post employment benefit obligations	-4
Total other comprehensive income	-4
Total comprehensive income	-198

Key figures - Accumulated

NOK MILLIONS	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
KLP GROUP								
Profit before tax	1 682	713	113	3 193	2 518	1 678	953	2 840
Total assets	789 981	785 598	764 898	762 737	744 567	736 852	699 017	675 558
Owners' equity	39 243	37 245	36 836	37 339	36 781	34 893	34 457	33 857
Solvency SCR ratio	244%	230%	214%	253%	248%	239%	245%	243%
Number of employees in the Group	1 016	1 010	1 008	1 007	1 001	998	993	990
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	1 303	523	-7	2 637	2 149	1 457	808	2 425
Premium income for own account	29 081	17 124	9 589	40 234	32 157	21 834	6 705	38 727
- of which inflow of premium reserve	2 846	2 865	2 503	11	0	0	0	5
Insurance customers' funds incl. acc. profit	23 013	17 809	11 478	20 157	15 077	10 028	5 022	18 847
- of which funds with guaranteed returns	7 667	7 655	6 377	292	288	288	248	497
Net investment common portfolio	582 108	574 890	570 649	574 953	551 696	541 802	529 900	515 905
Net investment choice portfolio	2 012	1 966	2 082	2 662	2 592	2 589	2 491	2 423
Insurance funds incl. earnings for the year	575 915	575 915	542 408	566 230	554 350	542 589	524 095	507 600
- of which funds with guaranteed interest	485 605	485 605	474 366	482 260	466 523	461 642	449 226	445 799
Solvency capital requirement (SCR)	42 507	41 148	38 960	40 530	38 238	36 410	36 510	36 106
Solvency SCR ratio	264%	252%	234%	278%	274%	264%	270%	263%
Riskprofit	706	300	200	1 031	940	536	207	958
Return profits	6 831	3 417	-149	10 720	4 720	4 338	2 157	5 207
Administration profit	187	64	39	186	192	80	48	137
Solvency capital	141 563	143 139	123 211	150 617	139 677	132 050	123 125	108 825
Book return on common portfolio	3.2 %	1.9 %	0.6 %	4.5 %	2.7 %	2.0 %	1.0 %	3.5 %
Value-adjusted return on common portfolio	1.4 %	-0.5 %	-3.7 %	8.5 %	6.6 %	4.8 %	3.1 %	1.5 %
Return on unit-linked portfolio	0.4 %	-1.8 %	-5.7 %	9.9 %	7.4 %	5.4 %	3.7 %	0.6 %
Return on corporate portfolio	1.3%	0.4 %	-0.1 %	4.3 %	3.4 %	2.6 %	1.3 %	4.2 %

Key figures - Accumulated - cont.

NOK MILLIONS	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
KLP SKADEFORSIKRING AS								
Profit before tax	97.2	18.2	-126.1	165.6	140.5	138.4	109.5	17.5
Gross premium due	1 280.4	840.4	415.4	1 529.8	1 131.1	741.2	363.4	1 338.2
Premium income for own account	1 227.8	804.6	397.9	1 475.7	1 090.9	714.4	350.0	1 268.4
Owners' equity	1 990.7	1 924.0	1 819.9	1 940.5	1 875.9	1 874.2	1 852.6	1 775.0
Claims ratio	83.1 %	83.3 %	86.8 %	90.5 %	90.8 %	85.7 %	80.7 %	83.5 %
Combined-ratio	100.7 %	101.9 %	105.7 %	109.0 %	108.6 %	104.8 %	99.4 %	104.5 %
Return on assets under management	2.3 %	0.8 %	-2.3 %	6.7 %	5.3 %	3.9 %	2.5 %	1.8 %
Solvency capital requirement (SCR)	2 006	1 934	1 815	1 958	1 882	1 854	1 823	1 759
Solvency SCR ratio	246%	234%	213%	240%	246%	248%	246%	243%
Annual premium in force – retail market	759.8	734.6	709.3	683.9	651.1	630.5	609.6	587.9
Annual premium in force – public sector market	1 009.9	999.7	987.5	925.1	910.6	901.3	892.8	809.0
Net new subscriptions (accumulated within the year)	74.8	51.5	24.8	145.3	93.4	72.4	44.7	119.8
KLP BEDRIFTSPENSJON AS ¹								
Profit before tax	sold	sold	-13.7	-12.6	-8.6	-10.7	-0.7	-20.8
Premium income for own account	sold	sold	313.5	1 134.8	869.8	624.7	361.4	1 041.3
- of which premium reserve added	sold	sold	133.2	495.7	394.6	309.6	202.1	519.6
Insurance customers' funds including accumulated profit	sold	sold	6 342	6 649	6 264	5 985	5 684	5 080
- of which funds with guaranteed returns	sold	sold	1 595	1 538	1 550	1 551	1 535	1 492
Returns profit	sold	sold	2.1	13.4	8.4	5.7	3.3	28.1
Risk result	sold	sold	6.3	7.7	0.8	-2.0	1.7	3.4
Administration losses	sold	sold	-9.6	-38.1	-26.8	-19.2	-9.6	-38.9
Solvency capital requirement (SCR)	sold	sold	171	323	202	204	235	233
Solvency SCR ratio	sold	sold	81%	204%	123%	124%	140%	147%
Solvency capital	sold	sold	758.2	763.9	692.5	676.3	672.4	646.3
Book capital return on common portfolio	sold	sold	0.8 %	3.4 %	2.4 %	1.6 %	0.8 %	4.5 %
Value-adjusted capital return on common portfolio	sold	sold	0.2 %	4.1 %	2.9 %	2.0 %	1.1 %	3.0 %
Return on defined unit-linked contribution pensions	sold	sold	-11.9 %	16.8 %	12.6 %	9.5 %	7.4 %	-3.8 %
Return on corporate portfolio	sold	sold	0.1 %	3.0 %	2.5 %	1.8 %	1.0 %	1.1 %

¹ The business is sold with accounting effect per 01/04/2020

Key figures - Accumulated - cont.

NOK MILLIONS	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
KLP BANKEN KONSERN								
Profit/loss before tax	101.7	39.9	15.0	102.3	77.3	50.6	24.0	83.4
Net interest income	237.7	141.6	78.5	292.9	209.4	138.1	66.0	248.5
Other operating income	58.6	39.0	19.4	78.1	58.4	38.5	18.9	75.4
Operating expenses and depreciation	-172.9	-124.6	-63.6	-238.5	-167.8	-114.4	-57.5	-226.9
Net realized/unrealized changes in financial instruments to fair value	-21.7	-16.1	-19.4	-30.2	-22.7	-11.6	-3.4	-13.5
Contributions	11 993	12 245	12 034	11 487	11 649	11 465	11 031	10 662
Housing mortgages granted	20 610	20 121	19 143	18 387	17 746	17 351	17 038	16 716
Loan(s) with public guarantee(s)	16 933	17 357	16 823	16 547	16 524	16 293	16 660	16 759
Defaulted loans	48	77	97	86	69	60	62	56
Borrowing on the issuance of securities	26 203	25 993	25 899	25 822	25 528	24 858	24 655	24 040
Total assets	43 438	43 850	42 002	39 699	39 611	38 861	38 586	37 089
Average total assets	41 568	41 775	40 850	38 394	38 350	37 975	37 837	36 035
Owners' equity	2 389	2 339	2 322	2 221	2 195	2 174	2 154	2 138
Net interest rate	0.57%	0.34%	0.19%	0.76%	0.55%	0.36%	0.17%	0.69%
Profit/loss from general operations before tax	0.24%	0.10%	0.04%	0.27%	0.20%	0.13%	0.06%	0.23%
Return on owners' equity before tax	6.11%	3.59%	2.69%	4.78%	4.82%	4.73%	4.50%	3.83%
Capital adequacy	18.7 %	18.4 %	18.8 %	19.1 %	19.0 %	19.6 %	19.0 %	20.1 %
Number of private customers	44 842	44 213	43 712	42 785	69 147	66 879	64 729	62 502
Of this members of KLP	31 869	32 533	32 135	31 361	49 814	48 135	46 453	44 693
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	25.6	-1.9	-0.3	44.3	45.2	19.2	-2.1	16.7
Total assets under management	579 129	563 238	524 877	563 567	544 395	530 531	520 816	494 542
Assets managed for external customers	100 106	87 968	74 598	83 405	77 736	71 301	70 628	63 696



Sustainability Report

Q3 2020

Sustainability Report

INTEGRATING CORPORATE RESPONSIBILITY INTO ALL OUR OPERATIONS	30.09.2020	30.09.2019	30.09.2018	Contributes towards UN Sustainable Development Goal
EMPLOYEE STATISTICS				
Employees of KLP	1 016	1 001	990	n/a
Total sickness absence	3,3 %	3,9 %	4,1 %	3.
ENVIRONMENT				
Number of flights (stretches)	1 551	4 783	4 744	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO ₂ e)	178	654	675	13. 12.
Energy consumption in KLP's own offices (kWh/m ²)	70	124	122	9. 13.
Energy consumption in KLP's property portfolio (kWh/m ²)	171	193	200	9. 13.
ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION				
Companies excluded from investments	577	352	187	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	96 (99 %)	89 (98 %)	95 (98 %)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	6 966 (96 %)	6 590 (97 %)	5 618 (97 %)	n/a
Companies KLP has had direct dialogue with	298	127	93	All SDGs

Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in the third quarter					
	2020	2019	30.09.2020	30.09.2019	30.09.2018	Contributes towards UN Sustainable Development Goal
CLIMATE-FRIENDLY INVESTMENTS						
Renewable energy in Norway (MNOK)	947	63	23 984	21 823	22 789	7.
Renewable energy internationally (MNOK)	18	119	5 139	2 157	1 370	7.
Renewable energy in developing countries (MNOK)	14	91	882	638	510	7. 9. 17.
International power companies (MNOK)	38	33	2 609	2 497	1 200	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	105	48	15 429	12 028	10 343	9.
Green bonds (MNOK)	167	15	1 828	930	759	n/a
Other climate-friendly investments (MNOK)	-195	37	1 563	177	230	n/a
Total (MNOK)	1 093	406	51 434	40 250	37 201	n/a
As a proportion of KLP's investments	0	0%	8%	7%	7%	n/a
Fossil energy (market value in MNOK)	-337	-61	7 722	10 750	11 793	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	0	0%	1%	2%	2%	n/a
Renewable energy (market value in MNOK)	1 017	3 055	32 614	29 911	27 793	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)	0	0%	5%	5%	5%	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	105	49	15 429	12 028	10 343	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)	0%	0%	20%	18%	16%	9.
FINANCE IN DEVELOPING COUNTRIES						
Banking and finance in developing countries (mNOK)	-15	76	721	684	596	1. 5. 8. 17.
SEED INVESTMENTS						
Seed investments in Norway (mNOK)	1	2	11	7	2	8

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in the third quarter					
	2020	2019	30.09.2020	30.09.2019	30.09.2018	Contributes towards UN Sustainable Development Goal
LENDING BUSINESS						
Loans for roads and transport (MNOK)	7 627	-62	9 372	8 682	8 096	9
Loans for public property (MNOK)	-502	-6	4 875	4 724	4 661	9
Loans to public sector and businesses (MNOK)	-7 297	1 655	62 180	55 267	49 275	n/a

Notes to the Sustainability Report

INTEGRATING CORPORATE RESPONSIBILITY INTO ALL OUR OPERATIONS

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

EMPLOYEE STATISTICS

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

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

DEFINITION:

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

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

ENVIRONMENT

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

Number of flights and energy consumption in the third quarter were strongly affected by covid-19. Following the national 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.

DEFINITION:

Corporate air travel:

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

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

Energy consumption in KLP's own offices:

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

Energy consumption in KLP's property portfolio:

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

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

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

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

INCREASE CLIMATE-FRIENDLY INVESTMENTS

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

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

DEFINITION:

Market value of the investments in NOK millions is stated.

Renewable energy:

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

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

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

International power companies:

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

Buildings with environmental qualities:

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

Green bonds:

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

Other climate-friendly investments:

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

Proportion of total portfolio:

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

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

Fossil energy:

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

FINANCE IN DEVELOPING COUNTRIES:

Underdeveloped financial institutions and lack of access to financial services such as savings, loans and insurance impede efforts to reduce poverty in developing countries. KLP wants its investment in finance in developing countries to contribute to economic growth and better living conditions.

UN SUSTAINABLE DEVELOPMENT GOALS:

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

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

TARGET:

Not defined.

DEFINITION:

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

SEED INVESTMENTS:

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

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

Not defined.

DEFINITION:

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

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY

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



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q3 2020

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
3	Premium income	11 957	10 324	29 081	32 157	40 234
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	910	951	3 940	2 002	2 876
	Interest income and dividends etc. on financial assets	3 911	2 314	9 080	6 922	10 444
	Value changes on investments	-2 152	5 640	-13 032	24 565	28 591
	Gains and losses realized on investments	7 920	676	7 942	473	2 140
	Net income from investments in the common portfolio	10 589	9 581	7 931	33 962	44 051
	Net income from investments in the investment option portfolio	44	48	-1	178	238
	Other insurance-related income	304	283	887	830	1 118
4	Claims	-5 203	-5 049	-23 013	-15 077	-20 157
	Changes in insurance liabilities taken to profit/loss – contractual liabilities	-13 083	-13 634	-5 627	-44 145	-58 692
	Changes in insurance liabilities taken to profit/loss – individual investment option portfolio	-24	-26	589	-82	-232
	Funds assigned to insurance contracts – contractual liabilities	0	0	0	0	-2 841
	Unallocated profit to insurance contracts	-3 538	-550	-7 041	-5 066	0
5	Insurance-related operating expenses	-224	-227	-825	-783	-1 129
	Other insurance-related costs	-304	-282	-897	-828	-1 119
	Technical profit/loss	518	467	1 084	1 146	1 470
	Net income from investments in the corporate portfolio	345	314	846	1 270	1 525
	Other income	-4	4	0	10	16
13	Administration costs and other costs associated with the corporate portfolio	-78	-94	-627	-277	-374
	Non-technical profit/loss	263	224	219	1 003	1 167
	Profit/loss pre-tax	780	692	1 303	2 149	2 637
	Tax	-59	-42	-174	-409	-499
	Income before other income and expenses	721	650	1 129	1 740	2 138
12	Actuarial gains and losses on defined benefits pension schemes	64	0	-193	-40	89
	Proportion of other comprehensive income on application of the equity method	35	0	-111	-21	62
	Adjustment of the insurance liabilities	-11	0	33	5	-16
	Tax on other income and expenses that will not be reclassified to profit or loss	-16	0	48	10	-22
	Total other income and expenses that will not be reclassified to profit or loss	72	0	-223	-45	113
	TOTAL COMPREHENSIVE INCOME	794	650	906	1 695	2 251

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	535	319	358
7	Investment properties	963	949	955
	Shares and holdings in property subsidiaries	3 124	2 966	3 005
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 734	4 871	5 084
6	Financial assets valued at amortized cost	19 116	18 273	18 497
6,7	Financial assets valued at fair value	16 407	14 555	14 198
	Receivables	4 726	13 229	660
11	Right-of-use assets	1 108	229	204
	Other assets	1 045	893	942
Total assets in the corporate portfolio		51 758	56 286	43 902
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	57 891	49 633	53 910
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	4 578	3 312	3 079
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	13 447	14 234	14 051
6	Financial assets valued at amortized cost	248 884	221 269	237 100
6,7	Financial assets valued at fair value	257 307	263 248	266 813
Total investment in the common portfolio		582 108	551 696	574 953
	Shares and holdings in property subsidiaries	209	245	266
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	69	71	69
6	Financial assets at amortized costs	712	889	898
6,7	Financial assets at fair value	1 022	1 387	1 428
Total investments in the investment option portfolio		2 012	2 592	2 662
Total assets in the customer portfolios		584 120	554 287	577 615
TOTAL ASSETS		635 878	610 573	621 518

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	17 531	15 785	16 540
	Retained earnings	21 684	20 976	20 778
	Total owners' equity	39 215	36 761	37 318
6	Subordinated loan capital etc.	5 239	7 867	7 750
	Premium reserve etc.	473 589	454 104	459 343
	Supplementary reserves	35 735	28 191	36 070
	Securities adjustment fund	47 456	54 476	55 761
	Premium funds, defined contribution funds, pension regulation funds etc.	10 120	10 013	12 359
	Unallocated profit to customers	7 040	4 922	0
	Total insurance liabilities - contractual liabilities	573 940	551 706	563 532
	Pension capital etc.	1 468	2 018	2 064
	Supplementary reserves	111	100	140
	Premium funds, defined contribution funds, pension regulation funds etc.	428	389	495
	Unallocated profit to customers	-32	138	0
	Total insurance liabilities - special investment portfolio	1 975	2 645	2 698
12	Pension obligations	741	620	508
	Current tax liabilities	943	429	948
	Deferred tax liabilities	659	874	546
11	Lease liabilities	1 121	234	210
9	Liabilities	11 965	9 355	7 789
	Accrued costs and prepaid income	81	83	219
	TOTAL OWNERS' EQUITY AND LIABILITIES	635 878	610 573	621 518
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	23 108	22 359	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		527	602	1 129
Actuarial gains and losses on defined benefits pension schemes			-193	-193
Proportion of other comprehensive income on application of the equity method			-111	-111
Adjustment of the insurance liabilities			33	33
Tax on other income and expenses that will not be reclassified to profit or loss			48	48
Total other income and expenses that will not be reclassified to profit or loss			-223	-223
Total comprehensive income (unallocated)		527	379	906
Owners equity contribution recieved	991			991
Total transactions with owners	991			991
Own funds 30 September 2020	17 531	6 067	15 617	39 215

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		599	1 140	1 740
Actuarial gains and losses on defined benefits pension schemes			-40	-40
Proportion of other comprehensive income on application of the equity method			-21	-21
Adjustment of the insurance liabilities			5	5
Tax on other income and expenses that will not be reclassified to profit or loss			10	10
Total other income and expenses that will not be reclassified to profit or loss			-45	-45
Total comprehensive income (unallocated)		599	1 095	1 695
Owners equity contribution recieved	1 231			1 231
Total transactions with owners	1 231			1 231
Own funds 30 September 2019	15 785	5 393	15 583	36 761

Changes in Owners' equity

KOMMUNAL LANDSPENSJONSKASSE

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings		Total owners' equity
		Risk equalization fund	Other retained earnings	
Own funds 1 January 2019	14 554	4 793	14 488	33 835
Income before other income and expenses	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 -30.09.2020	01.01.2020 -30.06.2020	01.01.2020 -31.03.2020	01.01.2019 -31.12.2019	01.01.2019 -30.09.2019
Net cashflow from operational activities	3 159	394	367	-899	-1 056
Net cashflow from investment activities ¹	-227	-153	-72	-280	-198
Net cashflow from financing activities ²	-2 827	-261	-259	1 125	1 151
Net changes in cash and bank deposits	105	-21	37	-54	-103
Holdings of cash and bank deposits at start of period	900	900	900	954	954
Holdings of cash and bank deposits at end of period	1 005	879	937	900	851

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the financial statements

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles- and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report are the financial statements for Kommunal Landspensjonskasse (KLP) for the period 1 January – 30 September 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 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 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 1.4% as of 30.09.2020. The effect of the change in the pension assumptions increases the pension obligation for own employees by NOK 193 million.

NOTE 2 Value-adjustment investment property

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

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Value adjustment incl. foreign exchange	329	318	2 105	245	952
Foreign exchange effect on hedging	-269	-162	-2 138	762	730
Net value adjustment incl. exchange hedging	60	156	-34	1 006	1 682

NOTE 3 Premium income

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Gross premiums due	11 976	10 325	26 234	32 158	40 224
Reinsurance premiums ceded	0	-1	0	-1	-1
Transfer of premium reserves from others	-19	0	2 846	0	11
Total premium income	11 957	10 324	29 081	32 157	40 234

NOTE 4 Claims

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Claims paid	5 192	5 049	15 346	14 788	19 866
Transfers of premium reserves to others	12	0	7 667	288	292
Total claims	5 203	5 049	23 013	15 077	20 157

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Personnel costs	129	141	487	480	678
Depreciation	44	42	130	125	193
Other operating expenses	51	44	207	179	258
Total insurance-related operating expenses	224	227	825	783	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.

30.09.2020 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
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	549	663	4 445	5 101	11	12	5 005	5 775
Accrued not due interest	15	15	123	123	0	0	138	138
Foreign hold-to-maturity bonds	6 834	7 237	18 595	20 715	38	45	25 466	27 997
Accrued not due interest	24	24	211	211	0	0	236	236
Total investments held to maturity	7 422	7 940	23 374	26 149	50	57	30 846	34 146
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	4 137	4 434	42 451	46 231	171	188	46 759	50 852
Accrued not due interest	59	59	723	723	2	2	784	784
Foreign bonds	7 416	8 053	103 865	113 642	481	524	111 763	122 218
Accrued not due interest	81	81	1 658	1 658	8	8	1 746	1 746
Total bonds classified as loans and receivables	11 693	12 626	148 697	162 253	662	721	161 052	175 600
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 251	3 307	0	0	3 251	3 307
Lending with public sector guarantee	0	0	63 148	64 699	0	0	63 148	64 699
Loans abroad secured by mortgage and local government guarantee	0	0	10 101	10 101	0	0	10 101	10 101
Accrued not due interest	0	0	314	314	0	0	314	314
Total other loans and receivables	0	0	76 814	78 421	0	0	76 814	78 421
Total financial assets at amortized cost	19 116	20 566	248 884	266 823	712	778	268 711	288 167
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	5	5	5 658	5 658	0	0	5 663	5 663
Foreign shares	0	0	25 492	25 492	0	0	25 492	25 492
Total shares	5	5	31 150	31 150	0	0	31 155	31 155
Property funds	0	0	2 518	2 518	0	0	2 518	2 518
Norwegian equity funds	0	0	68 489	68 489	537	537	69 027	69 027
Foreign equity funds	0	0	17 123	17 123	0	0	17 123	17 123
Total equity fund units	0	0	88 130	88 130	537	537	88 667	88 667
Norwegian alternative investments	0	0	2 978	2 978	14	14	2 992	2 992
Foreign alternative investments	0	0	3 437	3 437	0	0	3 437	3 437
Total alternative investments	0	0	6 415	6 415	14	14	6 429	6 429
Total shares and units	5	5	125 695	125 695	551	551	126 251	126 251

NOTE 6 Fair value of financial assets and liabilities – continues

30.09.2020 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	5 703	5 703	33 167	33 167	0	0	38 869	38 869
Foreign bonds	398	398	21 810	21 810	0	0	22 208	22 208
Accrued not due interest	24	24	330	330	0	0	355	355
Norwegian fixed-income funds	2 516	2 516	35 224	35 224	349	349	38 089	38 089
Foreign fixed-income funds	0	0	20 871	20 871	0	0	20 871	20 871
Accrued not due interest	95	95	1 714	1 714	13	13	1 822	1 822
Norwegian certificates	962	962	3 660	3 660	0	0	4 622	4 622
Accrued not due interest	11	11	10	10	0	0	21	21
Fixed income securities	9 709	9 709	116 786	116 786	362	362	126 857	126 857
Norwegian loans and receivables	1 348	1 348	5 542	5 542	43	43	6 934	6 934
Foreign loans and receivables	433	433	6 430	6 430	66	66	6 929	6 929
Total loans and receivables	1 781	1 781	11 972	11 972	109	109	13 862	13 862
DERIVATIVES								
Interest rate swaps	1 000	1 000	60	60	0	0	1 060	1 060
Forward exchange contracts	12	12	78	78	0	0	91	91
Total financial derivatives classified as assets	1 012	1 012	138	138	0	0	1 150	1 150
Other financial assets	3 900	3 900	2 716	2 716	0	0	6 616	6 616
Total financial assets valued at fair value	16 407	16 407	257 307	257 307	1 022	1 022	274 737	274 737
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	619	619	0	0	619	619
Forward exchange contracts	77	77	3 749	3 749	10	10	3 836	3 836
Total financial derivatives classified as liabilities	77	77	4 368	4 368	10	10	4 456	4 456
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	3 250	3 654	0	0	0	0	3 250	3 654
Hybrid Tier 1 securities	1 989	1 750	0	0	0	0	1 989	1 750
Total subordinated loan capital etc.	5 239	5 404	0	0	0	0	5 239	5 404
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	48	48	3	3	51	51
Foreign call money ¹	993	993	26	26	13	13	1 031	1 031
Total liabilities to credit institutions	993	993	74	74	16	16	1 082	1 082

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

NOTE 6 Fair value of financial assets and liabilities – continues

30.09.2019 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	1 029	1 120	5 385	5 883	23	24	6 437	7 027
Accrued not due interest	23	23	165	165	1	1	188	188
Foreign hold-to-maturity bonds	6 309	6 700	16 815	18 107	57	64	23 181	24 870
Accrued not due interest	23	23	215	215	1	1	240	240
Total investments held to maturity	7 384	7 866	22 580	24 370	82	89	30 045	32 325
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 450	3 578	38 326	40 508	184	198	41 960	44 284
Accrued not due interest	51	51	663	663	2	2	716	716
Foreign bonds	7 308	7 607	90 788	95 732	611	641	98 708	103 979
Accrued not due interest	79	79	1 531	1 531	10	10	1 621	1 621
Total bonds classified as loans and receivables	10 889	11 315	131 308	138 434	807	851	143 004	150 600
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	3 075	3 088	0	0	3 075	3 088
Lending with public sector guarantee	0	0	55 438	56 005	0	0	55 438	56 005
Loans abroad secured by mortgage and local government guarantee	0	0	8 531	8 574	0	0	8 531	8 574
Accrued not due interest	0	0	337	337	0	0	337	337
Total other loans and receivables	0	0	67 381	68 004	0	0	67 381	68 004
Total financial assets at amortized cost	18 273	19 181	221 269	230 808	889	940	240 431	250 929
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	5	5	6 866	6 866	0	0	6 871	6 871
Foreign shares	0	0	28 220	28 220	0	0	28 220	28 220
Total shares	5	5	35 086	35 086	0	0	35 091	35 091
Property funds	0	0	2 429	2 429	0	0	2 429	2 429
Norwegian equity funds	0	0	78 409	78 409	770	770	79 179	79 179
Foreign equity funds	0	0	13 496	13 496	0	0	13 496	13 496
Total equity fund units	0	0	94 334	94 334	770	770	95 104	95 104
Norwegian alternative investments	0	0	2 675	2 675	16	16	2 691	2 691
Foreign alternative investments	0	0	1 261	1 261	0	0	1 261	1 261
Total alternative investments	0	0	3 935	3 935	16	16	3 951	3 951
Total shares and units	5	5	133 355	133 355	787	787	134 146	134 146

NOTE 6 Fair value of financial assets and liabilities – continues

30.09.2019 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	7 577	7 577	30 681	30 681	0	0	38 258	38 258
Foreign bonds	228	228	20 697	20 697	0	0	20 924	20 924
Accrued not due interest	35	35	327	327	0	0	362	362
Norwegian fixed-income funds	2 844	2 844	50 263	50 263	500	500	53 607	53 607
Foreign fixed-income funds	0	0	14 760	14 760	0	0	14 760	14 760
Accrued not due interest	8	8	99	99	3	3	110	110
Norwegian certificates	914	914	4 516	4 516	0	0	5 429	5 429
Accrued not due interest	5	5	2	2	0	0	8	8
Fixed income securities	11 610	11 610	121 346	121 346	503	503	133 460	133 460
Norwegian loans and receivables	1 584	1 584	1 850	1 850	53	53	3 487	3 487
Foreign loans and receivables	452	452	3 298	3 298	41	41	3 791	3 791
Total loans and receivables	2 037	2 037	5 148	5 148	94	94	7 279	7 279
DERIVATIVES								
Interest rate swaps	903	903	63	63	0	0	966	966
Forward exchange contracts	0	0	187	187	1	1	188	188
Total financial derivatives classified as assets	903	903	250	250	1	1	1 154	1 154
Other financial assets	0	0	3 149	3 149	2	2	3 151	3 151
Total financial assets valued at fair value	14 555	14 555	263 248	263 248	1 387	1 387	279 190	279 190
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	553	553	0	0	553	553
Forward exchange contracts	0	0	1 176	1 176	13	13	1 189	1 189
Total financial derivatives classified as liabilities	0	0	1 729	1 729	13	13	1 742	1 742
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 973	6 833	0	0	0	0	5 973	6 833
Hybrid Tier 1 securities	1 894	1 676	0	0	0	0	1 894	1 676
Total subordinated loan capital etc.	7 867	8 509	0	0	0	0	7 867	8 509
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	4	4	3	3	6	6
Foreign call money ¹	901	901	14	14	7	7	922	922
Total liabilities to credit institutions	901	901	18	18	9	9	928	928

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

30.09.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 611	7 098	0	9 709
Certificates	0	973	0	973
Bonds	0	6 125	0	6 125
Fixed-income funds	2 611	0	0	2 611
Loans and receivables	680	1 102	0	1 781
Shares and units	0	0	5	5
Shares	0	0	5	5
Financial derivatives	0	1 012	0	1 012
Other financial assets	0	3 900	0	3 900
Total corporate portfolio	3 291	13 111	5	16 407
COMMON PORTFOLIO				
Fixed-income securities	78 041	38 745	0	116 786
Certificates	1 310	2 360	0	3 671
Bonds	22 932	32 375	0	55 307
Fixed-income funds	53 799	4 010	0	57 809
Loans and receivables	11 658	314	0	11 972
Shares and units	98 405	3 446	23 844	125 695
Shares	28 521	451	2 178	31 150
Equity funds	69 884	0	55	69 939
Property funds	0	15	2 504	2 518
Special funds	0	2 980	3 435	6 415
Private Equity	0	0	15 673	15 673
Financial derivatives	0	138	0	138
Other financial assets	0	2 716	0	2 716
Total common portfolio	188 104	45 359	23 844	257 307

NOTE 7 Fair value hierarchy – continues

30.09.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	362	0	0	362
Fixed-income funds	362	0	0	362
Loans and receivables	109	0	0	109
Shares and units	537	14	0	551
Equity funds	537	0	0	537
Special funds	0	14	0	14
Financial derivatives	0	0	0	0
Other financial assets	0	0	0	0
Total investment option portfolio	1 008	14	0	1 022
Total financial assets valued at fair value	192 403	58 484	23 850	274 737
CORPORATE PORTFOLIO				
Investment property	0	0	963	963
Total investment property	0	0	963	963
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	77	0	77
Debt to credit institutions	993	0	0	993
Total corporate portfolio	993	77	0	1 070
COMMON PORTFOLIO				
Financial derivatives	0	4 368	0	4 368
Debt to credit institutions	74	0	0	74
Total common portfolio	74	4 368	0	4 442
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	10	0	10
Debt to credit institutions	16	0	0	16
Total investment option portfolio	16	10	0	26
Total financial liabilities at fair value	1 082	4 456	0	5 538

NOTE 7 Fair value hierarchy – continues

30.09.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 898	8 712	0	11 610
Certificates	0	919	0	919
Bonds	47	7 793	0	7 840
Fixed-income funds	2 851	0	0	2 851
Loans and receivables	839	1 198	0	2 037
Shares and units	0	0	5	5
Shares	0	0	5	5
Financial derivatives	0	903	0	903
Other financial assets	0	0	0	0
Total corporate portfolio	3 737	10 813	5	14 555
COMMON PORTFOLIO				
Fixed-income securities	87 943	33 403	0	121 346
Certificates	3 551	967	0	4 518
Bonds	19 271	32 435	0	51 705
Fixed-income funds	65 122	1	0	65 123
Loans and receivables	4 627	521	0	5 148
Shares and units	111 802	4 700	16 852	133 355
Shares	32 244	726	2 117	35 086
Equity funds	79 559	0	35	79 593
Property funds	0	39	2 390	2 429
Special funds	0	3 935	0	3 936
Private Equity	0	0	12 311	12 311
Financial derivatives	0	250	0	250
Other financial assets	0	3 149	0	3 149
Total common portfolio	204 372	42 024	16 852	263 248

NOTE 7 Fair value hierarchy – continues

30.09.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	503	0	0	503
Fixed-income funds	503	0	0	503
Loans and receivables	94	0	0	94
Shares and units	770	16	0	787
Equity funds	770	0	0	770
Special funds	0	16	0	16
Financial derivatives	0	1	0	1
Other financial assets	0	2	0	2
Total investment option portfolio	1 368	19	0	1 387
Total financial assets valued at fair value	209 477	52 856	16 857	279 190
CORPORATE PORTFOLIO				
Investment property	0	0	949	949
Total investment property	0	0	949	949
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	901	0	0	901
Total corporate portfolio	901	0	0	901
COMMON PORTFOLIO				
Financial derivatives	0	1 729	0	1 729
Debt to credit institutions	18	0	0	18
Total common portfolio	18	1 729	0	1 746
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	13	0	13
Debt to credit institutions	9	0	0	9
Total investment option portfolio	9	13	0	23
Total financial liabilities at fair value	928	1 742	0	2 670

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 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
Opening balance 01.01.	5	4	4
Sold	0	0	0
Bought	0	2	2
Unrealised changes	0	-1	-1
Closing balance 30.09 / 31.12.	5	5	5
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
Opening balance 01.01.	2 171	2 481	2 481
Sold	-23	-1 418	-1 419
Bought	112	760	764
Unrealised changes	-82	294	343
Closing balance 30.09 / 31.12.	2 178	2 117	2 170
Realised gains/losses	1	321	318

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
Opening balance 01.01.	54	61	61
Sold	0	-9	-9
Bought	0	0	0
Unrealised changes	1	-17	2
Closing balance 30.09 / 31.12.	55	35	54
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY, SPECIAL FUNDS AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
Opening balance 01.01.	14 888	12 664	12 664
Sold	-1 121	-1 533	-2 400
Bought	4 013	2 048	2 882
Unrealised changes	3 831	1 522	1 742
Closing balance 30.09 / 31.12.	21 611	14 701	14 888
Realised gains/losses	414	495	878

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 30.09.2020	Book value 30.09.2019	Book value 31.12.2019
Opening balance 01.01.	955	924	924
Sold	0	0	0
Bought	0	0	0
Unrealised changes	30	61	67
Other	-23	-36	-36
Closing balance 30.09 / 31.12.	963	949	955
Realised gains/losses	0	0	0
Total Level 3	24 813	17 807	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 1 240 million as of 30.09.2020 on the assets in level 3.

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

In this quarter, NOK 96 million have been moved from Level 1 to Level 2. The amounts are related to equity instruments and are due to change in liquidity. There has been no other movements between the different levels in KLP.

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

30.09.2020 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	1 150	0	1 150	-127	-1 015	0	22
Total	1 150	0	1 150	-127	-1 015	0	22
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	138	0	138	-126	-16	0	3
Total assets – corporate portfolio	1 012	0	1 012	-1	-993	0	19
Total assets – investment option portfolio	0	0	0	0	-6	0	0
Total	1 150	0	1 150	-127	-1 015	0	22
LIABILITIES							
Financial derivatives	4 455	0	4 456	-127	-13	-5 527	83
Total	4 455	0	4 456	-127	-13	-5 527	83
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	4 368	0	4 368	-126	-6	-5 527	0
Total liabilities – corporate portfolio	77	0	77	-1	0	0	76
Total liabilities – investment option portfolio	10	0	10	0	-8	0	7
Total	4 455	0	4 456	-127	-13	-5 527	83

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

30.09.2019 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	1 154	0	1 154	-251	-909	0	2
Total	1 154	0	1 154	-251	-909	0	2
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	250	0	250	-250	-8	0	0
Total assets – corporate portfolio	903	0	903	0	-901	0	2
Total assets – investment option portfolio	1	0	1	-1	0	0	0
Total	1 154	0	1 154	-251	-909	0	2
LIABILITIES							
Financial derivatives	1 742	0	1 742	-251	-8	-1 618	107
Total	1 742	0	1 742	-251	-8	-1 618	107
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	1 729	0	1 729	-250	0	-1 618	97
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	13	0	13	-1	-8	0	9
Total	1 742	0	1 742	-251	-8	-1 618	107

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	30.09.2020	30.09.2019	31.12.2019
Short-term liabilities securities	5 873	4 498	1 870
Advance tax-deduction pension scheme	399	386	429
Accounts payable	3	48	6
Derivatives	4 456	1 742	599
Debt to credit institutions	1 082	928	3 990
Liabilities related to direct insurance	133	1 737	867
Other liabilities	18	17	28
Total liabilities	11 965	9 355	7 789

NOTE 10 SCR ratio

NOK BILLIONS	30.09.2020	30.09.2019	31.12.2019		30.09.2020	30.09.2019	31.12.2019
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT							
Assets, book value	635	610	621	Best estimate	579	550	560
Added values - hold-to-maturity portfolio/loans and receivables	19	10	8	Risk margin	16	14	13
Added values - other lending	0	0	0	Hybrid Tier 1 securities/Subordinated loan capital	5	8	8
Other added/lesser values	0	0	0	Other liabilities ¹	21	11	15
Deferred tax asset	0	0	0	Deferred tax liabilities	1	2	1
Total assets - solvency II	655	621	629	Total liabilities - solvency II	622	586	597
				Excess of assets over liabilities	32	35	32
				- Deferred tax asset	0	0	0
				- Risk equalisation fund ¹	0	-5	0
				+ Hybrid Tier 1 securities	2	2	2
				Tier 1 basic own funds	34	31	33
				Total eligible tier 1 own funds	34	31	33
				Subordinated loans	3	6	7
				Risk equalisation fund ¹	0	5	0
				Tier 2 basic own funds	3	12	7
				Ancillary own funds	12	11	12
				Tier 2 ancillary own funds	12	11	12
				Deduction for max. eligible tier 2 own funds	-7	-16	-12
				Total eligible tier 2 own funds	8	7	7
				Deferred tax asset	0	0	0
				Total eligible tier 3 own funds	0	0	0
				Solvency II total eligible own funds	43	38	41
				Market risk	7	6	6
				Diversification market risk	-2	-2	-2
				Counterparty risk	0	0	0
				Life risk	15	15	14
				Diversification life risk	-3	-4	-3
				Diversification general	-3	-3	-3
				Operational risk	3	2	3
				Loss absorbing ability deferred tax	-1	-2	-1
				Solvency capital requirement (SCR)	16	14	15
				Linear minimum capital requirement (MCR_linear)	10	8	7
				Minimum	4	3	4
				Maximum	7	6	7
				Minimum capital requirement (MCR)	7	6	7
				Solvency II- SCR ratio	264%	274%	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 264 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 353 per cent.

	30.09.2020	30.09.2019	31.12.2019
Solvency II - SCR ratio	264%	274%	278%

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

NOTE 11 Leases

NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
RIGHT-OF-USE ASSETS			
		Property	
Opening balance 01.01.	204	305	305
Addition	981	0	0
Depreciation	-78	-76	-101
Closing balance	1 108	229	204

NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
LEASE LIABILITIES			
		Property	
Opening balance 01.01.	210	305	305
Addition	981	0	0
Repayments	-70	-71	-96
Closing balance	1 121	234	210

NOK MILLIONS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Property					
Interest expense lease liabilities	7	2	10	6	8

NOTE 12 Pension obligations

NOK MILLIONS	30.09.2020	30.09.2019	31.12.2019
Capitalized net liability 01.01.	508	565	565
Capitalized pension costs	71	76	105
Capitalized financial costs	11	14	18
Actuarial gains and losses	193	40	-89
Premiums / contributions received	-42	-74	-92
Capitalized net liability 30.09. / 31.12.	741	620	508

ASSUMPTIONS	30.09.2020	30.09.2019	31.12.2019
Discount rate	1.40 %	2.40 %	2.30 %
Salary growth	2.00 %	2.75 %	2.25 %
The National Insurance basic amount (G)	1.75 %	2.50 %	2.00 %
Pension increases	0.99 %	1.73 %	1.24 %
Social security contribution rate	14.10 %	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %	5.00 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 193 million as of 30.09.2020. 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	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Interest expense subordinated loan	35	64	181	185	248
Discount subordinated loan	1	2	343	4	6
Interest expense Hybrid Tier 1 securities	17	17	52	48	64
Other costs associated with the corporate portfolio	25	11	50	40	56
Administration costs and other costs associated with the corporate portfolio	78	94	627	277	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 179.8 million has been recognized in KLP's income statement, 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.

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