



Interim report

KLP GROUP
Q1 2020



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KLP GROUP

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KOMMUNAL LANDSPENSJONSKASSE

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Report for the first quarter of 2020

WEAK FINANCIAL MARKETS MARK FIRST QUARTER RESULTS

- The value-adjusted return in the first quarter of 2020 was minus 3.7 per cent, while the book return ended at 0.6 per cent.
- Contagion mitigation measures related to Covid-19 have had a major impact on KLP's financial assets.
- KLP is increasing its lending to municipalities.

KLP – A CUSTOMER-OWNED GROUP

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

At the end of the first quarter of 2020, the Group had total assets of NOK 764.9 billion, an increase of NOK 2.2 billion since the beginning of the year.

The Group's total comprehensive income was NOK -270 (609)1 million in the first quarter of 2020.

Kommunal Landspensjonskasse

Pension schemes within the public sector are offered and administered by the Group's parent company, Kommunal Landspensjonskasse. Out of KLP's total assets of NOK 618.8 billion, NOK 542.4 billion is linked to insurance obligations for public-sector occupational pensions.

RESULTS FOR THE FIRST QUARTER OF 2020

Returns result

KLP achieved a returns result (returns in excess of the average guaranteed rate of return) of NOK -179 million (2.1 billion) in the first quarter. The value-adjusted return on the common portfolio was minus 3.7 per cent while the book return was 0.6 per cent in the first quarter.

Risk result

The risk events in the stock are within expectations throughout the year and will vary from quarter to quarter. The result was NOK 200 million in the first quarter.

Administration result

The Company's administration result shows a surplus of NOK 39 (48) million in the first quarter. Insurance-related operating costs came to NOK 293 (267) million in the quarter.

Total income

Total profit/loss to the Company stands at NOK -271 (617) million for the first quarter. The customer result is NOK 100 million (NOK 2.2 billion) for the quarter.

NOK MILLIONS	Customers	Company	Total
Returns result	-179	30	-149
Negative returns result from customers transferred to the Company	179	-179	0
Risk result	100	100	200
Interest guarantee premium		127	127
Administration result		39	39
Net income from investments in the corporate portfolio and other income/ costs in non-technical accounts		-86	-86
Tax		-9	-9
Other profit/loss elements		-292	-292
Income after Q1/2020	100	-271	-171
Income after Q1/2019	2 213	617	2 829

Financial strength and capital-related matters

KLP's total assets were reduced by NOK 2.7 billion in the first quarter and now amount to NOK 618.8 billion. The premium reserve increased by NOK 0.2 billion to NOK 461.6 billion in the same period.

The securities adjustment fund has decreased by NOK 24.0 billion to NOK 31.7 billion in the course of the first quarter.

Without applying transitional rules, the Company's solvency capital ratio (SCR) is 234 per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 285 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 31.03.2020	At 31.03.2019
Book returns *	0,6	1,0
Value-adjusted returns *	-3,7	3,1
Value-adjusted incl. added value in hold-to-maturity bonds and lending *	-3,4	3,1
Capital adequacy, Solvency II	234	270
Capital adequacy, Solvency II, with transitional measures	285	342

* Avkastningstallene gjelder kollektivporteføljen

Premium income

Premium income excluding premium reserves received on transfers in amounts to NOK 7.1 (6.7) billion at the end of the first quarter.

Claims/benefits

Pensions paid and other claims, excluding ceded premium reserves, amounted to NOK 5.1 (4.8) billion after the first quarter.

MANAGEMENT OF THE COMMON PORTFOLIO

The assets in the common portfolio totalled NOK 570.6 (529.9) billion and were invested as shown below:

ASSETS	Per 31.03.2020		Per 31.03.2019	
All figures in per cent	Proportion	Return	Proportion	Return
Equities	19,2 %	-15,6 %	23,6 %	8,9 %
Short-term bonds	16,2 %	-1,1 %	18,1 %	3,0 %
Long-term/HTM bonds	30,4 %	1,0 %	28,6 %	0,9 %
Lending	13,7 %	0,6 %	12,1 %	0,6 %
Property	13,6 %	0,9 %	12,1 %	1,3 %
Other financial assets	6,9 %	-0,3 %	5,6 %	0,5 %

Equities

Total exposure in shares and alternative investments, including equity derivatives, was 19.2 per cent at the end of the first quarter. The total return on shares and alternative investments was minus 15.6 per cent. The global equity portfolio generated a return of minus 16.9 per cent, while the return on the Norwegian equity portfolio was minus 27.0 per cent. Alternative investments produced a return in the first quarter of 5.0 per cent.

Short-term bonds and the money market

Short-term bonds accounted for 16.2 per cent and money-market instruments 7.0 per cent of the assets in the common portfolio as at 31 March. Norwegian, European and US 10-year government rates all fell during the quarter,

contributing to positive yields for government bonds. KLP's global government bond index achieved a currency-hedged return of 4.0 per cent in the quarter, while the return on the Norwegian government bond index was 3.9 per cent. Global credit margins rose sharply through the quarter. KLP's global credit bond index generated a return of minus 4.6 per cent as a result of the increased credit risk premiums.

In total, short-term bonds achieved returns of minus 1.1 per cent in the first quarter, while money market returns were minus 0.3 per cent.

Long-term bonds

Investment in bonds held to maturity made up around 30.4 per cent of the common portfolio at the end of the quarter. Unrecognised added values in the common portfolio amounted to NOK 7.6 billion as at 31 March. The portfolio is well diversified and consists of securities issued by creditworthy borrowers. The return measured at amortised cost in the first quarter was 1.0 per cent.

Property

Property investments, including Norwegian and international property funds, made up 13.8 per cent of the common portfolio. Property values in the common portfolio were adjusted downwards by NOK 1.3 million to the end of the first quarter, after currency hedging in foreign properties. Property investments in the common portfolio achieved a return of 0.9 per cent in the first quarter.

Lending

Lending in the common portfolio totals NOK 74.7 billion. This is split between NOK 71.2 billion in loans to the public sector and NOK 3.4 billion in secured mortgage loans. The lending portfolio is of high quality, with no losses on municipal loans and very modest provisions for losses on mortgage loans. Unrecognised added values in the lending portfolio (fixed-interest loans) totalled NOK 932 million at the end of the quarter. After the first quarter, the return was 0.6 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 minus 0.1 per cent for the first quarter.

Market conditions for pensions

KLP has seen stable underlying growth in the premium reserve. The municipal and regional reform has so far had only a moderate effect on KLP's customer base. At the start of the year, KLP had an inflow of NOK 2.5 billion and an outflow of NOK 6.4 billion.

Matters related to Covid-19

Since 13 March, employees of KLP and its subsidiaries have been working from home. KLP's IT department has taken steps to ensure that customers continue to experience good service from the Company. Operationally, this has worked well and no special issues affecting normal operations have been reported. KLP reports weekly to the Financial Supervisory Authority of Norway on operational matters and on the Company's solvency. The valuation of KLP's real estate investments is fraught with uncertainty. It may take some time for the property markets to price in the effects of Covid-19. Efforts are being made to find flexible solutions for some of KLP's tenants.

KLP has managed to meet the municipalities' borrowing needs in a demanding market situation, through extraordinary reallocations of pension assets.

Efforts to support the community have been followed up by KLP Banken through interest reductions, fee exemptions, extended loan repayment periods and instalment deferrals. The market turbulence caused by Covid-19 has also hit the market value of KLP Bank's liquidity investments. Lower capital requirements, reducing the countercyclical capital buffer, have also helped to strengthen the Bank's capital situation relative to the regulatory requirements. KLP Banken has used the extended right to take out emergency 'F-loans' from Norges Bank for the first time. For further information, refer to the Bank's own quarterly report.

The situation related to the spread of Covid-19 affected the activities of KLP Skadeforsikring in March. The non-life company has seen a marked increase in the number of travel claims since the beginning of March. During this period, the claims settlement unit has received and processed 5-6 times the normal volume of travel and cancellation claims. Customers have been dealt with in turn and the Company has succeeded in maintaining a good service. Good information is also provided through updates on klp.no.

The employees, especially in the settlement unit, have shown great flexibility and have worked long days to ensure that customers get answers as quickly as possible.

BUSINESS AREAS OF THE SUBSIDIARIES

Private occupational pensions

KLP Bedriftspensjon had total assets of NOK 7.0 billion as at 31 March. This is a reduction of NOK 275 million since the start of the year. The decrease is mainly due to the turmoil in the financial markets. There is still a good inflow of pension capital certificates and growth in the Company's defined-contribution pension portfolio. As of 31 March, the investment options portfolio totalled NOK 4.6 billion, a decrease of NOK 355 million since the start of the year. The defined-contribution pension portfolio has grown by 76 new corporate agreements (net) so far in 2020. 3,100 companies now have a defined-contribution pension agreement with KLP Bedriftspensjon, and 1,800 pension capital certificates have been received from other life insurance companies in the first quarter of this year.

Customers with defined-contribution pensions achieved an average return of minus 11.9 per cent in the first quarter. KLP Bedriftspensjon achieved a book return on the common portfolio of 0.75 per cent and a value-adjusted return of 0.20 per cent for the first quarter.

The returns result was NOK 2.1 million at 31 March, and the securities adjustment fund stood at NOK 9.3 million. In the first quarter, KLP Bedriftspensjon had total comprehensive income of NOK -17.7 million.

Return on customer assets

KOLLEKTIVPORTEFØLJEN	Q1 2020	Q1 2019
Common portfolio		
Book returns	0,75 %	3,4 %
Value-adjusted returns	0,20 %	4,1 %
Defined-contribution pensions with investment options	-11,9 %	16,8 %
Profile KLP90	-15,0 %	21,6 %
Profile KLP70	-12,0 %	17,6 %
Profile KLP50	-8,9 %	13,7 %
Profile KLP30	-5,7 %	9,9 %
KLP Optimal Livsfase ¹	-16,5 %	23,7 %
Mer Samfunnsansvar ¹	-12,2 %	n/a
KLP Nåtid	-0,9 %	4,2 %
KLP Kort Horisont	-3,7 %	7,5 %
KLP Lang Horisont	-10,2 %	15,2 %
KLP Framtid	-16,6 %	22,3 %
Profile KLPPM	0,1 %	1,6 %

¹ Return for profile with 100% equities

The regulatory solvency capital ratio for KLP Bedriftspensjon decreased from 360 per cent at year-end to 245 per cent at the end of the first quarter. The Company is still well above the minimum requirement of 100 per cent. Without applying the transitional rules, the solvency capital ratio was 81 per cent at the end of the first quarter.

Non-life insurance

Following contract awards in the fourth quarter of 2019, the Company had good premium growth in the first quarter, and the premium volume was NOK 1,697 million (1,503) at the end of the quarter. Product profitability remains weak in some areas, but the Company noted from tendering procedures at the end of last year that premiums were increasing. Premiums due have increased by 14.8 per cent, or NOK 123 million, compared with the same time in 2019. There is continued growth in the retail market and a high proportion of members among the retail customers.

In the first quarter, three claims for NOK 10 million or more have been reported, the largest of which is estimated at NOK 32 million. Seven claims have been reported in the range between NOK 3 and 10 million. These claims total NOK 39 million.

Claims related to Covid-19 totalling more than NOK 6 million have also been recorded. This amount is expected to increase over the year.

Reversal of previous years' claims is still positive, and this year NOK 41 million has so far been taken to income, equivalent to 2.3 per cent of the reserves at the beginning of the year.

Key figures for the Company:

FIRST QUARTER	2020	2019
Claims ratio	86,8	80,7
Cost ratio	18,9	18,7
Total cost ratio	105,7	99,4

Net financial income in the first quarter was NOK -104 (107) million, equivalent to minus 2.3 (2.5) per cent. The financial markets have been very volatile during the quarter and both fixed income and equity investments have had weak returns so far this year. The equity portfolio has had a return of minus 16.7 per cent, while the Company's investments in interest-bearing funds had a return of minus 2.0 per cent. The Company's long-term bonds had a yield of 0.8 per cent. The return on property investments was 0.5 per cent.

Despite the weak result, the Company's solvency margin is good. The solvency capital requirement (SCR) fell from 240 per cent at the end of 2019 to 213 per cent at the end of the first quarter.

Asset and fund management

KLP Kapitalforvaltning handles securities management within the KLP Group. It had a total of NOK 525 billion under management at the end of the first quarter, of which NOK 75 billion came from external customers. The majority of the assets are managed on behalf of KLP and its subsidiaries.

External customers had positive net new subscriptions of NOK 1.9 billion in the first quarter.

The Company achieved a result before tax of NOK -0.3 million in the first quarter.

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.

At the end of the first quarter, the KLP Banken Group had

loans to customers of NOK 36.0 billion (33.7). The split between the retail market and the public-sector was NOK 19.2 (17.0) billion and 16.8 (16.7) billion respectively.

KLP Banken manages NOK 3.4 (2.9) billion in mortgage loans and NOK 71.2 (60.6) billion in loans to public-sector borrowers and other businesses.

Total mortgage loans in the retail market have increased by NOK 802 (325) million so far this year. Managed mortgages for KLP are included in this figure and increased by NOK 33 million.

Credit cards are part of the bank's range of services to members. Outstanding loans to retail customers amounted to NOK 59 (64) million at the end of the quarter.

Lending volume to the public-sector market on KLP Banken's balance sheet increased in the first quarter by NOK 0.2 (-0.1) billion. Loans to public-sector borrowers managed on behalf of KLP increased by NOK 1.2 (0.7) billion in the same period. Managed loans to foreign debtors, mainly in other currencies, also increased by NOK 2.4 (0.8) billion.

Arrears and defaults in the retail market are at a low level, but losses have increased slightly in the wake of the Covid-19 pandemic. Loans in default over 90 days account for 0.25 (0.23) per cent of total mortgage lending. Defaults on credit card debt stand at 11 per cent of outstanding loans. Impairment losses on mortgages, credit cards and debit cards of NOK 2.3 (1.9) million were recognised in the Bank's accounts at the end of the quarter. There were no losses related to public-sector loans.

KLP Banken's portfolio of liquidity investments in the form of interest-bearing securities amounts to NOK 5.9 (3.1) billion. Due to the turbulence in fixed income markets, this portfolio has decreased in market value and approximately NOK 9 million has been recognised as a loss in the first quarter.

The KLP Banken Group's borrowing consists of deposits and bonds. Deposit growth in the first quarter amounted to NOK 0.5 billion and deposits now total NOK 12.0 (11.0) billion. Of this amount, NOK 10.3 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 28.1 (24.7) billion at the end of the quarter.

At the end of the first quarter, the KLP Banken Group had a pre-tax operating profit of NOK 21.6 (24.0) million. Broken down by area, the pre-tax profit was NOK 16.4 (18.4) million from the retail market and NOK 5.2 (5.6) million from the public-sector market.

CORPORATE SOCIAL RESPONSIBILITY

In the first quarter, KLP completed and published the document “KLP’s expectations as an owner and investor”, which summarises our expectations of the companies we invest in. The document is the basis for discussions on responsible and sustainable value creation that KLP has with many companies. KLP has held meetings with and followed up on several companies on issues such as workers’ rights, equality, climate change, tax, surveillance, control and human rights violations in China, and with companies with activities in the occupied Palestinian territories. KLP has focused on increasing dialogue with the companies concerned. In total, KLP had discussions with 102 companies in the first quarter.

KLP’s green loan products were established in April 2019 and a total of 15 new loan agreements with green conditions were entered into during the year. This gives a market share of 25 per cent for 2019, measured by the number of projects. In total, KLP has entered into loan agreements for NOK 1,095 million, which gives a market share for green loans of around 4.4 per cent. In the first quarter, KLP Banken increased its green loan agreements by around NOK 300 million. These loans went to green new build and renovation projects.

KLP Skadeforsikring has continued the work on claims prevention with our customers – still with a particular focus on the issues relating to fires in municipal rental housing. Because of Covid-19, several courses have been cancelled or postponed, but eleven courses were still completed.

Inspections have also been carried out on several customers and municipalities to identify any non-conformances. These are particularly related to waste management, and advice on measures the customer must take to ensure full compensation in the event of a fire.

Through KLP’s working environment network, several municipalities have initiated good measures for a health-promoting working environment and lower sickness absence. In March, to help municipalities to learn and be inspired by each other, KLP released four films about various projects. The films are freely accessible to all. KLP has also developed a sick leave calculator – a tool which allows municipalities to see the benefits of working to promote good health and reduce absence.

FUTURE PROSPECTS AND EVENTS AFTER THE END OF THE QUARTER

Norwegian society was also affected by infection control measures related to Covid-19 after the end of the quarter. Social distancing will affect the community going forward and employees will have to go on working from home in the future. It is important for the Company to be aware of how this could affect KLP’s employees, for good or ill. The global economy is heavily affected by the measures related to Covid-19. With uncertainty about social changes in general and economic development in particular, it is likely that uncertainty in the financial markets will persist. KLP has high a high level of preparedness and good solvency to enable it to handle this uncertainty. Since the close of the quarter, the equity markets have strengthened slightly, while interest rates remain at historically low levels.

Oslo, 5 May 2020

The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Egil Johansen
Chair

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Deputy Chair

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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	Q1 2020	Q1 2019	Q1.01.2019 -31.12.2019
3	Premium income for own account	10 273	7 378	42 716
	Current return on financial assets	4 106	3 631	16 301
	Net interest income banking	79	66	294
	Net value changes on financial instruments	-40 750	19 037	42 247
8	Net income from investment properties	727	839	4 314
4	Other income	455	302	762
	Total net income	-25 111	31 255	106 634
	Claims for own account	-11 869	-5 297	- 21 616
	Change in technical provisions	101	-4 245	- 29 954
5	Net costs subordinated loan and hybrid Tier 1 securities	-1 662	55	- 372
6	Operating expenses	-493	-454	- 1 892
7	Other expenses	-300	-279	- 1 145
	Unit holder's value change in consolidated securities funds	11 996	-6 339	- 14 736
	Total expenses	-2 227	-16 558	- 69 715
	Operating profit/loss	-27 338	14 696	36 919
	To/from securities adjustment fund – life insurance	24 570	-10 880	- 22 277
	To supplementary reserves – life insurance	0	0	- 8 052
	Assets allocated to insurance customers - life insurance	2 919	-2 864	- 3 398
	Pre-tax income	151	953	3 193
	Cost of taxes ¹	-173	-309	- 1 201
	Income	-22	644	1 992
19	Actuarial loss and profit on post employment benefit obligations	-348	-60	151
	Adjustments of the insurance obligations	0	5	- 16
	Tax on items that will not be reclassified to profit or loss	87	14	- 34
	Items that will not be reclassified to profit or loss	-261	-41	101
	Revaluation real property for use in own operation	17	8	209
8	Currency translation foreign subsidiaries	3 031	-627	- 353
	Adjustments of the insurance obligations	-3 031	627	353
	Tax on items that will be reclassified to profit or loss	-4	-2	- 52
	Items that will be reclassified to income when particular specific conditions are met	13	6	157
	Total other comprehensive income	-248	-35	258
	Total comprehensive income	- 270	609	2 249
	¹ Unit holders share of taxes in consolidated securities fund	76	56	- 236

Financial position statement

KLP GROUP

NOTE	NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
	Deferred tax assets	67	63	62
	Other intangible assets	512	302	460
	Tangible fixed assets	2 079	1 898	2 072
	Investments in associated companies and joint venture	3 474	1 527	3 062
8,11	Investment property	78 418	67 257	74 545
9,14	Debt instruments held to maturity	33 316	29 976	29 701
9,14	Debt instruments classified as loans and receivables	153 741	143 727	150 580
9,11,14	Lending local government, enterprises & retail customers at fair value through profit / loss	684	833	602
9,14	Lending local government, enterprises and retail customers	110 413	97 266	105 727
9,11,14	Debt instruments at fair value through profit or loss	200 110	163 610	170 810
9,11	Equity capital instruments at fair value through profit/loss	160 986	179 439	206 949
9,11,14	Financial derivatives	3 870	1 648	7 582
9	Receivables	8 973	4 124	2 484
9	Assets in defined contribution-based life insurance	4 551	3 951	4 906
14	Cash and bank deposits	3 711	3 396	3 194
	TOTAL ASSETS	764 904	699 017	762 737
	Owners' equity contributed	16 307	14 545	16 540
	Retained earnings	20 529	19 912	20 799
	TOTAL OWNERS' EQUITY	36 836	34 457	37 339
9,10	Hybrid Tier 1 securities	2 302	1 685	1 738
9,10	Subordinated loan capital	7 110	5 950	6 012
19	Pension obligations	1 155	963	790
15	Technical provisions - life insurance	543 567	525 828	567 883
9,15	Provisions in life insurance with investment option	4 551	3 951	4 906
	Premiums, claims and contingency fund provisions - non-life insurance	3 125	2 741	2 604
9,10	Covered bonds issued	27 171	23 796	24 415
9,10	Debt to credit institutions	5 027	2 975	8 199
9,10	Liabilities to and deposits from customers	12 034	11 031	11 487
9,11	Financial derivatives	26 215	1 536	856
	Deferred tax	1 289	1 216	1 247
16	Other current liabilities	14 449	7 723	6 298
	Unit holders `s interest in consolidated securites funds	80 071	75 164	88 963
	TOTAL LIABILITIES	728 067	664 561	725 398
	TOTAL EQUITY AND LIABILITIES	764 904	699 017	762 737
	Contingent liabilities	24 313	20 001	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		-22	-22
Items that will not be reclassified to income		-261	-261
Items that will be reclassified to income later when particular conditions are met		13	13
Total other comprehensive income		-248	-248
Total comprehensive income		-270	-270
Owners' equity contribution received (net)	-232		-232
Total transactions with the owners	-232		-232
Owners' equity 31 March 2020	16 307	20 529	36 836

2019 NOK MILLIONS	Owners' equity contributed	Retained earnings	Total equity contributed
Owners' equity 1 January 2019	14 554	19 303	33 857
Income		644	644
Items that will not be reclassified to income		- 41	- 41
Items that will be reclassified to income later when particular conditions are met		6	6
Total other comprehensive income		- 35	- 35
Total comprehensive income		609	609
Owners' equity contribution received (net)	- 9		- 9
Total transactions with the owners	- 9		- 9
Owners' equity 31 March 2019	14 545	19 912	34 457

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

Statement of cash flows

KLP GROUP

NOK MILLIONS	01.01.2020 -31.03.2020	01.01.2019 -31.12.2019	01.01.2019 -30.09.2019	01.01.2019 -30.06.2019	01.01.2019 -31.03.2019
Net cash flow from operational activities	30 036	-17 987	-11 415	-9 427	-5 649
Net cash flow from investment activities ¹	-72	-299	-215	-153	-50
Net cash flow from financing activities ²	-29 447	18 472	12 253	9 998	6 087
Net changes in cash and bank deposits	517	185	623	418	387
Holdings of cash and bank deposits at start of period	3 194	3 009	3 009	3 009	3 009
Holdings of cash and bank deposits at end of period	3 711	3 194	3 632	3 426	3 396

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.

Accounting principles –and estimates

KLP GROUP

NOTE 1 Accounting principles –and estimates

ACCOUNTING PRINCIPLES

The financial statements in this interim report show the Kommunal Landspensjonskasse (KLP) group financial statements and parent company financial statements for the period 1 January 2020 – 31 March 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 virus affected the performance of Norwegian and international financial markets in the first quarter 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. There is considerable uncertainty about how the effects of Covid-19 will impact property values. Expected rents are moving one way, while interest rates are pulling in the opposite direction. In this quarter, property has therefore been valued on unchanged assumptions, but there is greater uncertainty than normal in the valuation.

The outbreak and spread of Covid-19 and the resulting impact on society have brought significant changes in the fixed income markets. This has particularly affected the discount rate used to calculate the present value of the groups pension liabilities. In April, the Norwegian Accounting Foundation published an updated version of the guiding assumptions behind the discount rate. Based on these guidelines, a discount rate of 1.7% has been set, a change from 31.12.2019, when the rate was set at 2.3%.

The effect of the change in pension assumptions increases the pension liability for own employees by NOK 348 million.

NOTE 2 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life			Group pensions private		
	01.01.2020 -31.03.2020	01.01.2019 -31.03.2019	01.01.2019 -31.12.2019	01.01.2020 -31.03.2020	01.01.2019 -31.03.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	9 566	6 680	40 128	313	361	1 135
Premium income for own account from other Group companies	23	25	106	0	0	0
Net financial income from investments	-19 826	15 955	46 037	-604	280	715
Other income from external customers	445	295	725	2	2	6
Other income from other Group companies	-71	102	239	0	0	0
Total income	-9 864	23 057	87 235	-288	643	1 855
Claims for own account	-11 478	-5 022	-20 157	-45	-50	-202
Insurance provisions for own account	-231	-3 621	-28 312	331	-567	-1 563
Costs borrowing	-1 662	55	-372	0	0	0
Operating costs excluding depreciation	-257	-234	-965	-18	-16	-67
Depreciation	-18	-16	-92	-1	-1	-3
Other expenses	-327	-305	-1 247	0	0	-5
Return to financial instruments attributable to minority interests						
Total expenses	-13 971	-9 142	-51 145	267	-634	-1 841
Operating profit/loss	-23 835	13 915	36 091	-21	8	15
Funds credited to insurance customers ²	23 866	-13 107	-33 454	8	-9	-27
Pre-tax income	31	808	2 637	-14	-1	-13
Cost of taxes	46	-136	-521	0	0	0
Income	77	671	2 116	-14	-1	-13
Change in other comprehensive income (excluded cost of taxes)	-348	-55	135	-4	-1	2
Total comprehensive income	-271	617	2 251	-18	-1	-10
Assets	618 801	573 857	621 518	6 984	6 217	7 259
Liabilities	581 986	539 415	584 200	6 410	5 716	6 668

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Non-life insurance			Banking		
	01.01.2020 -31.03.2020	01.01.2019 -31.03.2019	01.01.2019 -31.12.2019	01.01.2020 -31.03.2020	01.01.2019 -31.03.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	394	338	1 453	0	0	0
Premium income for own account from other Group companies	4	12	22	0	0	0
Net financial income from investments	-106	105	297	63	61	260
Other income from external customers	0	0	1	4	4	19
Other income from other Group companies	0	15	0	15	15	59
Total income	292	470	1 774	82	80	338
Claims for own account	-347	-225	-1 256	0	0	0
Insurance provisions for own account	2	-57	-79	0	0	0
Costs borrowing	0	0	0	0	0	0
Operating costs excluding depreciation	-72	-62	-268	-60	-54	-226
Depreciation	-1	-1	-5	-1	-1	-5
Other expenses	0	0	0	-2	-3	-7
Return to financial instruments attributable to minority interests						
Total expenses	-419	-346	-1 609	-62	-58	-237
Operating profit/loss	-126	110	166	20	22	101
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	-126	110	166	20	22	101
Cost of taxes	40	-25	-19	26	-5	-27
Income	-86	85	147	46	17	74
Change in other comprehensive income (excluded cost of taxes)	-35	-6	19	-12	-1	9
Total comprehensive income	-121	79	166	34	16	83
Assets	5 306	4 985	4 907	44 258	38 590	39 703
Liabilities	3 486	3 131	2 966	41 926	36 431	37 478

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Asset management			Other		
	01.01.2020 -31.03.2020	01.01.2019 -31.03.2019	01.01.2019 -31.12.2019	01.01.2020 -31.03.2020	01.01.2019 -31.03.2019	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	-8	3	6	3	2	11
Other income from external customers	0	0	0	0	0	0
Other income from other Group companies	135	123	523	0	0	0
Total income	127	126	529	3	2	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	-126	-127	-479	-3	-3	-12
Depreciation	-1	-1	-5	0	0	0
Other expenses	0	0	0	0	0	0
Return to financial instruments attributable to minority interests						
Total expenses	-127	-128	-484	-3	-3	-12
Operating profit/loss	0	-2	44	0	-1	-1
Funds credited to insurance customers ²	0	0	0	0	0	0
Pre-tax income	0	-2	44	0	-1	-1
Cost of taxes	9	-3	-9	0	0	0
Income	8	-5	35	0	-1	-1
Change in other comprehensive income (excluded cost of taxes)	-34	-2	17	-1	0	0
Total comprehensive income	-26	-7	52	-1	-1	-1
Assets	528	462	520	8	8	8
Liabilities	236	203	202	4	3	3

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

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

NOTE 2 Segment information – cont.

NOK MILLIONS	Eliminations			Total		
	01.01.2020 -31.03.2020	01.01.2019 -31.03.2019	01.01.2019 -31.12.2019	01.01.2020 -31.03.2020	01.01.2019 -31.03.2019	01.01.2019 -31.12.2019
Premium income for own account from external customers ¹	0	0	0	10 273	7 378	42 716
Premium income for own account from other Group companies	-27	-38	-129	0	0	0
Net financial income from investments	-15 358	7 170	15 841	-35 838	23 574	63 156
Other income from external customers	0	0	0	455	302	762
Other income from other Group companies	-78	-240	-821	0	0	0
Total income	-15 463	6 892	14 891	-25 111	31 255	106 634
Claims for own account	0	0	0	-11 869	-5 297	-21 616
Insurance provisions for own account	0	0	0	101	-4 245	-29 954
Costs borrowing	0	0	0	-1 662	55	-372
Operating costs excluding depreciation	65	63	325	-471	-433	-1 693
Depreciation	0	-1	-89	-22	-21	-199
Other expenses	28	28	113	-300	-279	-1 145
Return to financial instruments attributable to minority interests	11 996	-6 339	-14 736	11 996	-6 339	-14 736
Total expenses	12 089	-6 248	-14 387	-2 227	-16 558	-69 715
Operating profit/loss	-3 375	644	505	-27 338	14 696	36 919
Funds credited to insurance customers ²	3 616	-627	-246	27 490	-13 744	-33 727
Pre-tax income	241	17	259	151	953	3 193
Cost of taxes	-213	-128	-711	-91	-297	-1 287
Income	29	-111	-452	60	656	1 906
Change in other comprehensive income (excluded cost of taxes)	103	18	161	-330	-47	344
Total comprehensive income	132	-94	-291	-270	609	2 250
Assets	89 020	74 898	88 822	764 904	699 017	762 737
Liabilities	94 019	79 661	93 881	728 067	664 561	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 Forsikringservice AS which offers a broad specter of services to local authority pension funds.

NOTE 3 Premium income for own account

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Contribution service pension	7 654	7 190	42 263
Reinsurance premiums ceded	-18	-13	-54
Transfer of premium reserves from others	2 636	202	507
Total premium income	10 273	7 378	42 716

NOTE 4 Other income

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Supplement contractual early retirement scheme (ERS)	294	279	1 115
Other income ¹	160	23	-353
Total other income	455	302	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	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
SUBORDINATED LOANS			
Interest costs ¹	-103	-58	-254
Value changes	-995	138	22
Net costs subordinated loans	-1 097	79	-232
PERPETUAL HYBRID TIER 1 SECURITIES			
Interest costs	-19	-16	-64
Value changes	-545	-8	-77
Net costs perpetual hybrid tier 1 securities	-564	-24	-140
Net costs subordinated loan and hybrid Tier 1 securities	-1 662	55	-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	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Personnel costs	269	275	1 057
Depreciation and writedowns	32	30	149
Other operating expenses	192	148	685
Total operating expenses	493	454	1 892

NOTE 7 Other expenses

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Supplement contractual early retirement scheme (ERS)	294	279	1 115
Other expenses	6	-1	31
Total other expenses	300	279	1 145

NOTE 8 Investment property

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Net rental income	683	723	2 859
Net value adjustment	44	116	1 413
Realised gains	0	0	42
Net income from investment properties	727	839	4 314
Currency translate foreign subsidiaries (taken to other comprehensive income)	3 031	-627	-353
Net income from investment properties included currency translate	3 758	212	3 961

NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
Investment property 01.01.	74 545	67 570	67 570
Value adjustment, including currency translation	3 075	-511	1 060
Net additions	810	199	5 876
Other changes	-12	0	40
Investment property 31.03./31.12.	78 418	67 257	74 545

NOTE 9 Fair value of financial assets and liabilities

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

This category includes:

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This category includes:

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

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

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

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

The following sources are used:

- Barclays Capital Indices
- Bloomberg

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

b) Norwegian fixed-income securities – government

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

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

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

For companies where Nordic Bond Pricing do not deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used. If a bond lacks an appropriate spread curve, spread from a comparable bond from the same issuer is used.

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

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

e) Receivables on credit institutions

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

f) Loans to municipalities and enterprises with municipal guarantee

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

g) Loans secured by mortgage

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

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

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

The following sources are used for Norwegian shares:

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

The following sources are used for foreign shares:

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

i) Shares (unlisted)

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

The last price traded has key priority. If the last price traded is outside of the bid/offer price in the market, the price is adjusted accordingly. This means that if the last price traded is below the offer price, the price is adjusted upward to the offer price. If it is above the bid price, it is adjusted downward to the bid price.

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

j) Private Equity

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

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

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

l) Options

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

m) Interest-rate swaps

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

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

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

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

q) Fair value of subordinated bond/perpetual bond issued

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

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

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

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

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

NOK MILLIONS	31.03.2020		31.03.2019		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	5 180	5 698	6 301	6 856	5 215	5 698
Foreign hold-to-maturity bonds	28 136	25 935	23 675	24 796	24 487	25 935
Total debt instruments held to maturity	33 316	31 633	29 976	31 652	29 701	31 633
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES- AT AMORTIZED COST						
Norwegian bonds	50 290	51 469	44 586	46 805	49 807	51 469
Foreign bonds	103 360	104 886	99 108	103 428	100 736	104 886
Other receivables	92	92	33	33	37	37
Total debt instruments classified as loans and receivables	153 741	156 447	143 727	150 266	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	684	684	833	833	602	602
Total loans to local government, enterprises & retail customers	684	684	833	833	602	602

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

NOK MILLIONS	31.03.2020		31.03.2019		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	22 557	22 593	19 930	19 939	21 755	21 758
Loans to local government sector or enterprises with local government guarantee	74 572	75 754	67 861	68 354	73 141	73 401
Loans abroad secured by mortgage and local government guarantee	13 224	13 277	9 408	9 436	10 766	10 794
Loans creditcard	60	60	66	66	65	65
Total loans to local government, enterprises & retail customers	110 413	111 684	97 266	97 796	105 727	106 018
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Norwegian bonds	57 405	57 405	58 868	58 868	54 801	54 801
Norwegian certificates	7 600	7 600	7 778	7 778	6 295	6 295
Foreign bonds	94 783	94 783	86 156	86 156	85 004	85 004
Foreign certificates	50	50	0	0	50	50
Investments with credit institutions	40 272	40 272	10 809	10 809	24 660	24 660
Total debt instruments	200 110	200 110	163 610	163 610	170 810	170 810
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Shares	141 507	141 507	165 958	165 958	190 350	190 350
Equity funds	16 550	16 550	12 485	12 485	14 562	14 562
Property funds	38	38	44	44	32	32
Alternative investments	2 892	2 892	952	952	2 005	2 005
Total equity capital instruments	160 986	160 986	179 439	179 439	206 949	206 949
RECEIVABLES						
Receivables related to direct business	1 761	1 761	1 543	1 543	1 141	1 141
Receivables related to reinsurance agreements	155	155	38	38	153	153
Reinsurance share of gross claims reserve	52	52	40	40	0	0
Receivables related to securites	6 327	6 327	1 967	1 967	614	614
Prepaid rent related to real estate activities	212	212	166	166	212	212
Other receivables	464	464	369	369	364	364
Total other loans and receivables including receivables from policyholders	8 973	8 973	4 124	4 124	2 484	2 484

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

NOK MILLIONS	31.03.2020		31.03.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL LIABILITIES - AT AMORTIZED COST						
Hybrid Tier 1 securities	2 302	1 529	1 685	1 332	1 738	1 672
Subordinated loan capital	7 110	7 116	5 950	6 433	6 012	6 928
Debt to credit institutions	2 425	2 425	859	859	1 407	1 407
Covered bonds issued	27 171	27 150	23 796	24 097	24 415	24 546
Liabilities and deposits from customers	12 034	12 034	11 031	11 031	11 487	11 487
Total financial liabilities	51 042	50 254	43 322	43 753	45 059	46 039
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Debt to credit institutions	2 602	2 602	2 116	2 116	6 791	6 791
Total financial liabilities	2 602	2 602	2 116	2 116	6 791	6 791
Assets in life insurance with investment option	4 551	4 551	3 951	3 951	4 906	4 906
Provisions in life insurance with investment option	4 551	4 551	3 951	3 951	4 906	4 906

NOK MILLIONS	31.03.2020		31.03.2019		31.12.2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FINANCIAL DERIVATIVES - AT FAIR VALUE THROUGH PROFIT OR LOSS						
Forward exchange contracts	1 611	22 036	787	1 125	5 572	647
Interest rate swaps	960	4 179	181	411	1 038	99
Interest rate and currency swaps	1 298	0	680	0	973	111
Total financial derivatives	3 870	26 215	1 648	1 536	7 582	856

NOTE 10 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
FIXED - TERM SUBORDINATED LOAN							
Kommunal Landspensjonskasse	5 163	EUR	Fixed ¹	2045	7 110	5 950	6 012
Total subordinated loan capital	5 163				7 110	5 950	6 012
HYBRID TIER 1 SECURITIES							
Kommunal Landspensjonskasse	984	JPY	Fixed ²	2034	2 302	1 685	1 738
Total hybrid Tier 1 securities	984				2 302	1 685	1 738
COVERED BONDS							
KLP Kommunekreditt AS	0	NOK	Floating	2019	0	1 022	0
KLP Kommunekreditt AS	224	NOK	Floating	2020	225	2 311	225
KLP Kommunekreditt AS	680	NOK	Fixed	2020	689	760	681
KLP Kommunekreditt AS	3 500	NOK	Floating	2021	3 518	4 015	4 020
KLP Kommunekreditt AS	600	NOK	Fixed	2021	605	605	602
KLP Kommunekreditt AS	5 000	NOK	Floating	2022	5 011	4 006	5 012
KLP Kommunekreditt AS	5 000	NOK	Floating	2023	5 015	4 009	5 016
KLP Kommunekreditt AS	2 500	NOK	Floating	2024	2 506	0	1 303
KLP Kommunekreditt AS	500	NOK	Fixed	2027	511	511	508
KLP Boligkreditt AS	0	NOK	Floating	2019	0	408	0
KLP Boligkreditt AS	350	NOK	Floating	2020	352	2 008	517
KLP Boligkreditt AS	2 168	NOK	Floating	2021	2 175	2 506	2 509
KLP Boligkreditt AS	1 500	NOK	Floating	2022	1 501	0	0
KLP Boligkreditt AS	2 500	NOK	Floating	2023	2 503	1 601	2 002
KLP Boligkreditt AS	2 500	NOK	Floating	2024	2 501	0	2 001
Other					61	34	19
Total covered bonds	27 022				27 171	23 796	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 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
DEBT TO CREDIT INSTITUTIONS							
KLP Banken AS	0	NOK	Floating	2019	0	408	0
KLP Banken AS	840	NOK	Floating	2020	841	201	302
KLP Banken AS	80	NOK	Fixed	2020	80	0	302
KLP Banken AS	900	NOK	Floating	2021	900	0	200
KLP Banken AS	300	NOK	Floating	2022	301	200	301
KLP Banken AS	300	NOK	Floating	2024	301	50	301
KLP Fond	0	NOK	Fixed	2019	0	510	0
KLP Fond	0	NOK/EUR/USD	Floating	2019	0	861	0
KLP Fond	803	NOK/EUR/USD	Floating	2020	803	0	0
KLP Fond	415	NOK/EUR/USD	Fixed	2020	415	0	2 801
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2019	0	745	0
Kommunal Landspensjonskasse	1 384	NOK/EUR/USD	Floating	2020	1 384	0	3 990
Other					2	0	2
Total liabilities to credit institutions	5 022				5 027	2 975	8 199
LIABILITIES AND DEPOSITS FROM CUSTOMERS ³							
Retail	10 347	NOK			10 347	8 993	9 861
Business	1 655	NOK			1 655	2 007	1 589
Foreign	32	NOK			32	31	36
Liabilities to and deposits from customers	12 034				12 034	11 031	11 487
Total financial liabilities	50 225				53 645	45 438	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

31.03.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	78 418	78 418
Land/plots	0	0	944	944
Real estate fund	0	0	3 131	3 131
Buildings	0	0	74 344	74 344
Lending at fair value	0	684	0	684
Bonds and other fixed-income securities	43 316	116 520	0	159 837
Certificates	4 044	3 606	0	7 650
Bonds	23 973	112 914	0	136 887
Fixed-income funds	15 300	0	0	15 300
Loans and receivables	38 153	2 120	0	40 273
Shares and units	139 559	4 591	16 836	160 986
Shares	137 641	1 661	2 204	141 507
Equity funds	1 917	0	52	1 969
Property funds	0	38	0	38
Special funds	0	2 892	0	2 892
Private Equity	0	0	14 580	14 580
Financial derivatives	0	3 870	0	3 870
Total assets at fair value	221 028	127 785	95 255	444 067
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	26 215	0	26 215
Debt to credit institutions ¹	2 188	415	0	2 602
Total financial liabilities at fair value	2 188	26 630	0	28 817

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 2 425 million per 31.03.2020.

NOTE 11 Fair value hierarchy - cont.

31.03.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	67 257	67 257
Land/plots	0	0	935	935
Real estate fund	0	0	2 919	2 919
Buildings	0	0	63 403	63 403
Lending at fair value	0	833	0	833
Bonds and other fixed-income securities	44 807	108 012	0	152 820
Certificates	5 230	2 548	0	7 778
Bonds	25 703	105 464	0	131 168
Fixed-income funds	13 874	0	0	13 874
Loans and receivables	8 996	1 795	0	10 791
Shares and units	160 977	5 372	13 091	179 439
Shares	159 063	4 375	2 519	165 958
Equity funds	1 914	0	66	1 979
Property funds	0	44	0	44
Special funds	0	952	0	952
Private Equity	0	0	10 506	10 506
Financial derivatives	0	1 648	0	1 648
Total assets at fair value	214 780	117 660	80 348	412 788
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	1 536	0	1 536
Debt to credit institutions ¹	1 606	510	0	2 116
Total financial liabilities at fair value	1 606	2 047	0	3 652

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 2 425 million per 31.03.2020.

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 2 425 million per 31.03.2020.

NOTE 11 Fair value hierarchy - cont.

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
Opening balance 1 January	74 545	67 570	67 570
Sold	0	-51	-291
Bought	810	250	6 167
Unrealised changes	3 075	-511	1 060
Other changes	-12	0	39
Closing balance 31.03.	78 418	67 257	74 545
Realised gains/losses	0	0	42

CHANGES IN LEVEL 3, FINANCIAL ASSETS	Book value 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
Opening balance 1 January	14 660	12 986	12 986
Sold	-232	-539	-3 822
Bought	1 094	570	3 662
Unrealised changes	1 313	74	1 834
Closing balance 31.03.	16 836	13 091	14 660
Realised gains/losses	161	0	1 199
Closing balance 31.03.	95 255	80 348	89 206

¹ In the first quarter NOK 123 million in stocks moved from Level 2 to Level 1 and NOK 7 millions moved from Level 1 to Level 2. This is due to changes in liquidity.

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 4 763 million as of 31.03.2020.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 4 551 million in financial assets valued at fair value at Level 1. Per 31.03.2020 the NOK 4 551 million consist of NOK 3 018 million in shares and units in Level 1, NOK 1 528 million in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

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

In the first quarter NOK 123 million in stocks moved from Level 2 to Level 1 and NOK 7 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.

31.03.2020 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	588	8 089	0	0	8 676
Perpetual hybrid Tier 1 securities ¹	0	153	306	382	1 714	2 555
Debt to and deposits from customers (without defined maturity)	12 034	0	0	0	0	12 034
Covered bonds issued	0	1 182	26 479	598	0	28 259
Payables to credit institutions	6 024	945	1 535	0	0	8 504
Financial derivatives	18 839	17 519	254	426	-243	36 795
Accounts payable	39	0	0	0	0	39
Contingent liabilities (without defined maturity)	24 313	0	0	0	0	24 313
Total	61 249	20 387	36 663	1 406	1 471	121 176

If the minority interests are taken out of account, derivatives maturing within one month are reduced with NOK 3 271 million, payables to credit institutions maturing within one month are reduced with NOK 3 521 million and derivatives maturing between 1 to 12 months are reduced with NOK 1 271 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 113 113 million.

31.03.2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loan ¹	0	493	986	6 048	0	7 528
Perpetual hybrid Tier 1 securities ¹	0	125	251	314	1 439	2 129
Debt to and deposits from customers (without defined maturity)	11 031	0	0	0	0	11 031
Covered bonds issued	0	1 387	22 819	612	0	24 818
Payables to credit institutions	765	419	466	0	0	1 649
Financial derivatives	1 112	768	30	-93	-257	1 560
Accounts payable	94	0	0	0	0	94
Contingent liabilities (without defined maturity)	20 123	0	0	0	0	20 123
Total	33 125	3 192	24 551	6 881	1 182	68 931

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 with NOK 100 million, payables to credit institutions maturing within one month are reduced with NOK 194 million, derivatives maturing between 1 to 12 months are reduced with NOK 109 million, while derivatives maturing between 1 to 5 years increase by NOK 0.3 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 68 528 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

31.03.2020 NOK MILLIONS								
	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Changes in cash flow 01.01.2020 -31.03.2020	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	27	-6	-1	-120	-229	-5	-335	-378
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	-53	-1 267	-1 852	-2 298	77	-5 441	-4 702
Fixed income fund holdings	-1 127	0	0	0	0	0	-1 127	-1 127
Lending and receivables	0	-2	0	0	0	79	76	58
Lending	0	0	0	0	0	187	187	187
Cash and bank deposits	0	0	0	0	0	9	9	9
Contingent liabilities ¹	0	0	0	0	0	21	21	21
Total assets	-1 149	-61	-1 268	-1 972	-2 527	368	-6 609	-5 932
LIABILITIES								
Deposit	0	0	0	0	0	-30	-30	-30
Liabilities created on issue of securities	0	0	0	0	0	-70	-70	-70
Financial derivatives classified as liabilities	15	-4	89	93	0	2	195	192
Hybrid capital, subordinated loans	0	0	0	70	136	0	205	205
Debt to credit institutions	0	0	0	0	0	-6	-6	-6
Total liabilities	15	-4	89	163	136	-104	294	291
Total before tax	-1 134	-65	-1 179	-1 809	-2 391	263	-6 316	-5 641
Total after tax	-851	-49	-884	-1 357	-1 794	197	-4 737	-4 231

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

NOTE 13 Interest rate risk – cont.

31.03.2019 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 -31.03.2019	Total	Adjusted for the unit holders' interests in consolidated securities funds
ASSETS								
Financial derivatives classified as assets	1	-1	14	45	-276	-2	-219	-218
Debt instruments classified as loans and receivables – at amortised cost	0	0	0	0	0	0	0	0
Bonds and other fixed-return securities	-52	-45	-1 427	-1 972	-1 902	80	-5 318	-4 715
Fixed income fund holdings	-918	0	0	0	0	0	-918	-918
Lending and receivables	-1	-1	0	0	0	31	29	24
Lending	0	0	0	0	0	165	165	165
Cash and bank deposits	0	0	0	0	0	8	8	8
Contingent liabilities ¹	0	0	0	0	0	22	22	22
Total assets	-970	-48	-1 413	-1 927	-2 177	306	-6 230	-5 631
LIABILITIES								
Deposit	0	0	0	0	0	-27	-27	-27
Liabilities created on issue of securities	0	0	0	0	0	-62	-62	-62
Financial derivatives classified as liabilities	1	-1	62	3	0	3	69	67
Hybrid capital, subordinated loans	0	0	0	54	90	0	144	144
Debt to credit institutions	0	0	0	0	0	-5	-5	-5
Total liabilities	1	-1	62	57	90	-91	118	117
Total before tax	-968	-48	-1 351	-1 870	-2 088	214	-6 112	-5 514
Total after tax	-726	-36	-1 013	-1 403	-1 566	161	-4 584	-4 135

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

31.03.2020 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	31 884	64	30	0	0	0	1 338	33 316	33 316
Debt instruments classified as loans and receivables at amortized cost	134 143	0	997	21	0	0	18 580	153 741	153 741
Debt instruments at fair value - fixed-return securities ²	118 867	1 087	5 299	10 747	0	0	9 922	145 923	131 008
Fixed-income funds	0	0	0	0	0	0	15 300	15 300	15 300
Loans and receivables	38 503	0	0	1 770	0	0	0	40 273	27 356
Financial derivatives classified as assets	3 870	0	0	0	0	0	0	3 870	3 300
Cash and bank deposits	3 602	0	0	109	0	0	0	3 711	3 711
Lending	0	0	73 817	0	19 699	2 869	14 712	111 097	111 097
Total	330 868	1 151	80 144	12 647	19 699	2 869	59 853	507 230	478 829

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Investment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	13 191	4 669	11 005	3 019	31 884
Debt instruments classified as loans and receivables at amortized cost	24 598	20 351	58 931	30 262	134 143
Debt instruments at fair value - fixed-return securities	38 101	12 987	33 104	34 675	118 867
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	15 903	20 169	2 431	38 503
Financial derivatives classified as assets	0	933	2 937	0	3 870
Cash and bank deposits	0	2 496	1 106	0	3 602
Lending	0	0	0	0	0
Total	75 891	57 339	127 252	70 386	330 868

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 1 386 million per 31.03.2020.

NOTE 14 Credit risk – cont.

31.03.2019 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	28 099	0	30	0	0	0	1 847	29 976	29 976
Debt instruments classified as loans and receivables at amortized cost	120 273	0	1 151	325	0	0	21 978	143 727	143 727
Debt instruments at fair value - fixed-return securities	107 307	979	3 433	15 654	0	0	12 935	140 307	127 240
Fixed-income funds	0	0	0	0	0	0	13 874	13 874	13 240
Loans and receivables	9 585	0	0	1 205	0	0	0	10 790	8 722
Financial derivatives classified as assets	1 648	0	0	0	0	0	0	1 648	1 545
Cash and bank deposits	3 336	0	0	60	0	0	0	3 396	3 396
Lending	0	0	68 421	0	17 860	2 088	9 730	98 099	98 099
Total	270 247	979	73 036	17 245	17 860	2 088	60 364	441 818	425 946

SPECIFICATION OF INVESTMENT GRADE NOK MILLIONS					Total Investment grade
	AAA	AA	A	BBB	
Debt instruments held to maturity at amortized cost	12 702	3 733	8 608	3 056	28 099
Debt instruments classified as loans and receivables at amortized cost	20 913	19 902	58 858	20 599	120 273
Debt instruments at fair value - fixed-return securities	40 436	9 471	26 408	30 991	107 307
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	3 843	5 742	0	9 585
Financial derivatives classified as assets	0	473	1 175	0	1 648
Cash and bank deposits	0	199	3 137	0	3 336
Lending	0	0	0	0	0
Total	74 050	37 622	103 928	54 647	270 247

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.

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.

NOTE 14 Credit risk – cont.

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

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

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

The Group can be said to have a high concentration of debt instruments directed at the Norwegian public sector, however this does not imply concentration risk in the ordinary meaning since the counterparty risk is considered to be minimal. The rating above are gathered from Standard & Poor's,

Moody's, Fitch, Scope Ratings and Nordic Credit Rating. The rating is converted to S & P's rating table, where AAA is linked to securities with the highest creditworthiness. The lowest rating of the five is used and all five rating agencies are equal as the basis for investments in fixed income securities. Other is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 60 billion per 31.03.2020. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the Other category.

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

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

NOK MILLIONS	31.03.2020		31.03.2019		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	15 904	11 462	13 563	13 383	13 956	13 026
Counterparty 2	11 918	10 774	10 783	9 975	11 144	8 896
Counterparty 3	10 789	10 064	8 445	8 445	9 463	7 948
Counterparty 4	10 774	8 777	6 488	6 189	7 471	7 295
Counterparty 5	9 074	7 796	5 741	5 651	7 376	7 138
Counterparty 6	7 357	7 185	5 045	4 752	7 318	6 535
Counterparty 7	5 492	5 437	4 752	4 624	6 535	6 107
Counterparty 8	4 914	4 947	4 689	4 595	6 198	6 076
Counterparty 9	4 752	4 752	4 682	3 689	4 698	4 698
Counterparty 10	4 340	4 191	3 751	3 525	4 309	4 189
Total	85 312	75 385	67 939	64 829	78 468	71 910

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

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

NOTE 15 Technical provisions in life insurance

NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
Premium reserves - ordinary tariff	463 817	439 548	463 481
Premium funds, buffer funds and pensioners' surplus funds	12 106	11 865	20 297
Supplementary reserves	36 321	28 418	28 320
Securities adjustment fund	31 154	44 327	55 724
Other provisions	68	61	61
Profit/loss allocated to insurance contracts	102	1 608	0
Technical provisions in life insurance	543 567	525 828	567 883

NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
Premium reserves	4 536	3 934	4 892
Deposit funds	16	17	14
Provisions in life insurance with investment options	4 551	3 951	4 906

NOTE 16 Other current liabilities

NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
Short-term payables trade in securities	10 145	3 662	2 644
Incurred not assessed taxes	1 193	611	1 181
Advance tax-deduction pension scheme	392	360	432
Accounts payable	203	310	184
Pre-called contribution to insurance	1 292	1 427	867
Other current liabilities	1 224	1 354	990
Total other current liabilities	14 449	7 723	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 214 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 263 per cent.

	31.03.2020	31.03.2019	31.12.2019
Solvency II - SCR ratio	214%	245%	253%

NOK BILLIONS	31.03.2020	31.03.2019	31.12.2019		31.03.2020	31.03.2019	31.12.2019
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT							
Assets, book value	628	582	631	Best estimate	547	527	569
Added values - hold-to-maturity portfolio/loans and receivables	8	8	7	Risk margin	16	14	14
Added values - other lending	1	0	0	Hybrid Tier 1 securities/ Subordinated loan capital	10	8	8
Other added/lesser values	0	0	0	Other liabilities 1	36	7	15
Deferred tax asset	0	0	0	Deferred tax liabilities	1	2	1
Total assets - solvency II	638	591	638	Total liabilities - solvency II	610	558	607
				Excess of assets over liabilities	28	33	31
				- 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	30	29	33
				Total eligible tier 1 own funds	30	29	33
				Subordinated loans	8	6	6
				Risk equalisation fund ¹	0	5	0
				Tier 2 basic own funds	8	12	6
				Ancillary own funds	12	11	12
				Tier 2 ancillary own funds	12	11	12
				Deduction for max. eligible tier 2 own funds	-11	-16	-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	38	36	40
				Solvency capital requirement (SCR)	18	15	16
				Solvency II- SCR ratio	214%	245%	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

31.03.2020 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	3 870	0	3 870	-2 580	-1 458	0	0	0
Repos	0	0	0	0	0	0	0	0
Total	3 870	0	3 870	-2 580	-1 458	0	0	0

LIABILITIES

Financial derivatives	26 215	0	26 215	-2 580	-5 432	-19 593	1 635	1 726
Repos	415	0	415	0	0	0	415	415
Total	26 630	0	26 630	-2 580	-5 432	-19 593	2 050	2 141

31.03.2019 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	1 648	0	1 648	-929	-808	0	0	0
Repos	0	0	0	0	0	0	0	0
Total	1 648	0	1 648	-929	-808	0	0	0

LIABILITIES

Financial derivatives	1 536	0	1 536	-929	-210	-1 318	0	0
Repos	510	0	510	0	0	0	510	510
Total	2 047	0	2 047	-929	-210	-1 318	510	510

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	31.03.2020	31.03.2019	31.12.2019
Capitalized net liability 01.01.	790	880	880
Capitalized pension costs	41	44	185
Capitalized financial costs	6	7	28
Actuarial gains and losses	348	60	-151
Premiums / contributions received	-29	-28	-152
Capitalized net liability 31.12.	1 155	963	790

ASSUMPTIONS	31.03.2020	31.03.2019	31.12.2019
Discount rate	1.70%	2.40%	2.30%
Salary growth	2.25%	2.75%	2.25%
The National Insurance basic amount (G)	2.00%	2.50%	2.00%
Pension increases	1.24%	1.73%	1.24%
Social security contribution rate	14.10%	14.10%	14.10%
Capital activity tax	5.00%	5.00%	5.00%

The effect of changes in pension assumptions increases the pension liability for employees with NOK 348 million as of 31.03.2020. The change is recognized in other comprehensive income in the income statement.

Key figures - Accumulated

NOK MILLIONS	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
KLP GROUP								
Profit before tax	113	3 193	2 518	1 678	953	2 840	2 255	1 516
Total assets	764 898	762 737	744 567	736 852	699 017	675 558	691 571	668 577
Owners' equity	36 836	37 340	36 781	34 893	34 457	33 857	32 307	30 386
Solvency SCR ratio	214%	253%	248%	239%	245%	243%	249%	231%
Number of employees in the Group	1 008	1 007	1 001	998	993	990	990	980
KOMMUNAL LANDSPENSJONSKASSE								
Profit before tax	-7	2 637	2 149	1 457	808	2 425	1 876	1 287
Premium income for own account	9 589	40 234	32 157	21 834	6 705	38 727	31 259	21 989
- of which inflow of premium reserve	2 503	11	0	0	0	5	5	5
Insurance customers' funds incl. acc. profit	11 478	20 157	15 077	10 028	5 022	18 847	14 110	9 473
- of which funds with guaranteed returns	6 377	292	288	288	248	497	497	497
Net investment common portfolio	570 649	574 953	551 696	541 802	529 900	515 905	509 046	502 991
Net investment choice portfolio	2 082	2 662	2 592	2 589	2 491	2 423	2 478	2 487
Insurance funds incl. earnings for the year	542 408	566 230	554 350	542 589	524 095	507 600	514 393	506 479
- of which funds with guaranteed interest	474 366	482 260	466 523	461 642	449 226	445 799	439 939	437 311
Solvency capital requirement (SCR)	38 960	40 530	38 238	36 410	36 510	36 106	36 854	34 417
Solvency SCR ratio	234%	278%	274%	264%	270%	263%	274%	253%
Riskprofit	200	1 031	940	536	207	958	578	393
Return profits	-149	10 720	4720	4 338	2 157	5 207	6 086	5 046
Administration profit	39	186	173	80	48	137	115	22
Solvency capital	123 211	150 617	139 677	132 050	123 125	108 825	120 680	115 445
Book return on common portfolio	0.6%	4.5 %	2.7 %	2.0 %	1.0 %	3.5 %	3.1 %	2.3 %
Value-adjusted return on common portfolio	-3.7%	8.5 %	6.6 %	4.8 %	3.1 %	1.5 %	2.9 %	1.3 %
Return on unit-linked portfolio	-5.7%	9.9 %	7.4 %	5.4 %	3.7 %	0.6 %	3.1 %	1.3 %
Return on corporate portfolio	-0.1%	4.3 %	3.4 %	2.6 %	1.3 %	4.2 %	3.1 %	2.3 %

Key figures - Accumulated - cont.

NOK MILLIONS	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
KLP SKADEFORSIKRING AS								
Profit before tax	-126.1	165.6	140.5	138.4	109.5	17.5	105.6	36.5
Gross premium due	415.4	1 529.8	1 131.1	741.2	363.4	1 338.2	994.5	655.7
Premium income for own account	397.9	1 475.7	1 090.9	714.4	350.0	1 268.4	942.3	620.9
Owners' equity	1 819.9	1 940.5	1 875.9	1 874.2	1 852.6	1 775.0	1 860.0	1 807.1
Claims ratio	86.8 %	90.5 %	90.8 %	85.7 %	80.7 %	83.5 %	80.5 %	81.7 %
Combined-ratio	105.7 %	109.0 %	108.6 %	104.8 %	99.4 %	104.5 %	100.1 %	103.2 %
Return on assets under management	-2.3 %	6.7 %	5.3 %	3.9 %	2.5 %	1.8 %	2.4 %	1.3 %
Solvency capital requirement (SCR)	1 815	1 958	1 882	1 854	1 823	1 759	1 840	1 795
Solvency SCR ratio	213%	240%	246%	248%	246%	243%	251%	240%
Annual premium in force – retail market	709.3	683.9	651.1	630.5	609.6	587.9	564.1	547.8
Annual premium in force – public sector market	987.5	925.1	910.6	901.3	892.8	809.0	797.8	797.7
Net new subscriptions (accumulated within the year)	24.8	145.3	93.4	72.4	44.7	119.8	43.8	27.3
KLP BEDRIFTSPENSJON AS								
Profit before tax	-13.7	-12.6	-8.6	-10.7	-0.7	-20.8	-24.1	-16.7
Premium income for own account	313.5	1 134.8	869.8	624.7	361.4	1 041.3	731.8	474.4
- of which premium reserve added	133.2	495.7	394.6	309.6	202.1	519.6	350.4	217.2
Insurance customers' funds including accumulated profit	6 342	6 649	6 264	5 985	5 684	5 080	5 100	4 764
- of which funds with guaranteed returns	1 595	1 538	1 550	1 551	1 535	1 492	1 498	1 498
Returns profit	2.1	13.4	8.4	5.7	3.3	28.1	25.3	19.9
Risk result	6.3	7.7	0.8	-2.0	1.7	3.4	-7.9	-2.5
Administration losses	-9.6	-38.1	-26.8	-19.2	-9.6	-38.9	-28.6	-21.8
Solvency capital requirement (SCR)	171	323	202	204	235	233	211	217
Solvency SCR ratio	81%	204%	123%	124%	140%	147%	133%	128%
Solvency capital	758.2	763.9	692.5	676.3	672.4	646.3	642	665.8
Book capital return on common portfolio	0.8 %	3.4 %	2.4 %	1.6 %	0.8 %	4.5 %	3.6 %	2.6 %
Value-adjusted capital return on common portfolio	0.2 %	4.1 %	2.9 %	2.0 %	1.1 %	3.0 %	2.4 %	1.4 %
Return on defined unit-linked contribution pensions	-11.9 %	16.8 %	12.6 %	9.5 %	7.4 %	-3.8 %	4.5 %	1.1 %
Return on corporate portfolio	0.1 %	3.0 %	2.5 %	1.8 %	1.0 %	1.1 %	1.0 %	0.5 %

Key figures - Accumulated - cont.

NOK MILLIONS	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
KLP BANKEN GROUP								
Profit/loss before tax	21.6	102.3	77.3	50.6	24.0	83.4	71.1	43.0
Net interest income	78.5	292.9	209.4	138.1	66.0	248.5	183.2	122.6
Other operating income	19.4	78.1	58.4	38.5	18.9	75.4	56.0	37.4
Operating expenses and depreciation	-63.6	-238.5	-167.8	-114.4	-57.5	-226.9	-160.7	-114.4
Net realized/unrealized changes in financial instruments to fair value	-12.7	-30.2	-22.7	-11.6	-3.4	-13.5	-7.4	-2.7
Contributions	12 034	11 487	11 649	11 465	11 031	10 662	10 531	10 218
Housing mortgages granted	19 143	18 387	17 746	17 351	17 038	16 716	16 243	15 764
Loan(s) with public guarantee(s)	16 823	16 547	16 524	16 293	16 660	16 759	16 206	16 282
Defaulted loans	97	86	69	60	62	56	32	21
Borrowing on the issuance of securities	28 145	25 822	25 528	24 858	24 655	24 040	23 496	23 084
Total assets	44 253	39 699	39 611	38 861	38 586	37 089	36 468	35 817
Average total assets	41 976	38 394	38 350	37 975	37 837	36 035	35 725	35 399
Owners' equity	2 327	2 221	2 195	2 174	2 154	2 138	2 130	2 108
Net interest rate	0.19%	0.76%	0.55%	0.36%	0.17%	0.69%	0.51%	0.35%
Profit/loss from general operations before tax	0.05%	0.27%	0.20%	0.13%	0.06%	0.23%	0.20%	0.12%
Return on owners' equity before tax	3.89%	4.78%	4.82%	4.73%	4.50%	3.83%	4.56%	4.14%
Capital adequacy	18.8 %	19.1 %	19.0 %	19.6 %	19.0 %	20.1 %	19.9 %	20.2 %
Number of private customers	43 712	42 785	69 147	66 879	64 729	62 502	60 697	59 204
Of this members of KLP	32 135	31 361	49 814	48 135	46 453	44 693	43 267	41 698
KLP KAPITALFORVALTNING AS								
Profit/loss before tax	-0.3	44.3	45.2	19.2	-2.1	16.7	26.6	-0.9
Total assets under management	524 877	563 567	544 395	530 531	520 816	494 542	498 246	483 636
Assets managed for external customers	74 598	83 405	77 736	71 301	70 628	63 696	68 975	58 980



Sustainability Report

Q1 2020

Sustainability Report

INTEGRATING CORPORATE RESPONSIBILITY INTO ALL OUR OPERATIONS	31.03.2020	31.03.2019	31.03.2018	Contributes towards UN Sustainable Development Goal
EMPLOYEE STATISTICS				
Employees of KLP	1 008	993	966	n/a
Total sickness absence	4.4 %	4.7 %	5.3 %	3.
ENVIRONMENT				
Number of flights (stretches)	1 405	1 653	1 586	13. 12.
Greenhouse gas emissions from KLP's corporate airtravel (tonnes CO ₂ e)	170	180	220	13. 12.
Energy consumption in KLP's own offices (kWh/m ²)	124	163	158	9. 13.
Energy consumption in KLP's property portfolio (kWh/m ²)	179	198	193	9. 13.
ENGAGING COMPANIES AND INDUSTRIES FOR A MORE SUSTAINABLE OPERATION	31.03.2020	31.03.2019	31.03.2018	Contributes towards UN Sustainable Development Goal
Companies excluded from investments	534	192	180	All SDGs
General meetings of Norwegian companies at which KLP has voted (number/percentage)	10 (100 %)	8 (89 %)	6 (86 %)	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	965 (96 %)	841 (96 %)	444 (94 %)	n/a
Companies KLP has had direct dialogue with	102	31	23	All SDGs

Sustainability Report

INCREASE INVESTMENTS THAT PROMOTE SUSTAINABLE DEVELOPMENT AND SUPPORT OUR FINANCIAL GOALS	Change in the first quarter					
	2020	2019	31.03.2020	31.03.2019	31.03.2018	Contributes towards UN Sustainable Development Goal
CLIMATE-FRIENDLY INVESTMENTS						
Renewable energy in Norway (MNOK)	-1 223	-343	22 035	22 671	22 395	7.
Renewable energy internationally (MNOK)	1 625	109	4 752	1 753	1 075	7.
Renewable energy in developing countries (MNOK)	90	31	815	514	406	7. 9. 17.
Lending for power, water, drainage and renovation (MNOK)	179	43	3 020	2 631	3 177	7.
International power companies (mNOK)	50	88	2 484	2 493	n/a	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	506	-80	14 703	11 905	9 966	9.
Green bonds (MNOK)	527	35	1 417	827	771	n/a
Other climate-friendly investments (mNOK)	120	13	415	137	n/a	n/a
Total (MNOK)	1 872	-102	49 640	42 931	37 790	n/a
As a proportion of KLP's investments			8%	8%	7%	n/a
Fossil energy (market value in MNOK)	-2 770	945	8 053	11 159	10 864	n/a
Fossil energy (as a proportion of KLPs assets under management MNOK)	-1%	0%	1%	2%	2%	n/a
Renewable energy (market value in MNOK)	500	-84	30 248	27 946	27 568	7.
Renewable energy (as a proportion of KLPs assets under management MNOK)			5%	5%	5%	7.
Buildings with environmental qualities in the property portfolio (MNOK value)	506	-80	14 703	11 905	9 966	9.
Buildings with environmental qualities in the property portfolio (share of the portfolio in MNOK value)			19%	18%	16%	9.
FINANCE IN DEVELOPING COUNTRIES						
Banking and finance in developing countries (mNOK)	126	35	839	605	554	1. 5. 8. 17.
SEED INVESTMENTS						
Seed investments in Norway (mNOK)	-1	1	7	5	n/a	8

DEVELOPING PRODUCTS AND SERVICES THAT CONTRIBUTE TO POSITIVE DEVELOPMENT IN SOCIETY	Change in the first quarter					
	2020	2019	31.03.2020	31.03.2019	31.03.2018	Contributes towards UN Sustainable Development Goal
LENDING BUSINESS						
Loans for roads and transport (MNOK)	511	98	9 323	8 641	8 099	9
Loans for public property (MNOK)	24	-27	5 011	4 771	4 406	9
Loans to public sector and businesses (MNOK)	629	515	57 063	51 940	45 369	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.

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.

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.

Lending for power, water, drainage and renovation:

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

International power companies:

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

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 assess-

ment 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.

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.

LENDING BUSINESS:

KLP's lending activities are largely aimed at Norwegian municipalities and county authorities and other public companies. The loans are used for purposes that help reduce national greenhouse gas emissions, and benefits society as a whole.

UN SUSTAINABLE DEVELOPMENT GOALS:

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

TARGET:

Increase lending for this type of purpose.

DEFINITION:

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



Interim Financial Statements

KOMMUNAL LANDSPENSJONSKASSE
Q1 2020

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
3	Premium income	9 589	6 705	40 234
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	3 870	72	2 876
	Interest income and dividends etc. on financial assets	2 682	2 159	10 444
	Value changes on investments	-36 959	14 672	28 591
	Gains and losses realized on investments	9 202	-1 277	2 140
	Net income from investments in the common portfolio	-21 205	15 626	44 051
	Net income from investments in the investment option portfolio	-130	89	238
	Other insurance-related income	295	280	1 118
4	Claims	-11 478	-5 022	-20 157
	Changes in insurance liabilities taken to profit/loss - contractual liabilities	23 221	-14 556	-58 692
	Changes in insurance liabilities taken to profit/loss - individual investment option portfolio	514	-4	-232
	Funds assigned to insurance contracts - contractual liabilities	0	0	-2 841
	Unallocated profit to insurance contracts	-100	-2 169	0
5	Insurance-related operating expenses	-293	-267	-1 129
	Other insurance-related costs	-296	-276	-1 119
	Technical profit/loss	117	406	1 470
	Net income from investments in the corporate portfolio	44	488	1 525
	Other income	4	3	16
	Administration costs and other costs associated with the corporate portfolio	-134	-88	-374
	Non-technical profit/loss	-86	402	1 167

Income statement

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
	Profit/loss pre-tax	31	808	2 637
	Tax	-9	-146	-499
	Income before other income and expenses	21	662	2 138
12	Actuarial gains and losses on defined benefits pension schemes	-222	-40	89
	Proportion of other comprehensive income on application of the equity method	-125	-21	62
	Adjustment of the insurance liabilities	0	5	-16
	Tax on other income and expenses that will not be reclassified to profit or loss	56	10	-22
	Total other income and expenses that will not be reclassified to profit or loss	-292	-45	113
	TOTAL COMPREHENSIVE INCOME	-271	617	2 251

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
ASSETS				
ASSETS IN THE CORPORATE PORTFOLIO				
	Intangible assets	414	195	358
7	Investment properties	965	956	955
	Shares and holdings in property subsidiaries	3 012	2 777	3 005
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	5 025	4 781	5 084
6	Financial assets valued at amortized cost	19 677	18 145	18 497
6.7	Financial assets valued at fair value	14 826	12 429	14 198
	Receivables	994	1 007	660
11	Right-of-use assets	179	280	204
	Other assets	977	896	942
Total assets in the corporate portfolio		46 070	41 466	43 902
ASSETS IN THE CUSTOMER PORTFOLIOS				
	Shares and holdings in property subsidiaries	57 622	46 557	53 910
	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	3 494	1 541	3 079
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	13 862	14 597	14 051
6	Financial assets valued at amortized cost	246 488	215 757	237 100
6.7	Financial assets valued at fair value	249 183	251 448	266 813
Total investment in the common portfolio		570 649	529 900	574 953
	Shares and holdings in property subsidiaries	283	230	266
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	69	72	69
6	Financial assets at amortized costs	715	885	898
6.7	Financial assets at fair value	1 014	1 304	1 428
Total investments in the investment option portfolio		2 082	2 491	2 662
Total assets in the customer portfolios		572 731	532 392	577 615
TOTAL ASSETS		618 801	573 857	621 518

Statement of financial position

KOMMUNAL LANDSPENSJONSKASSE

NOTE	NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
OWNERS' EQUITY AND LIABILITIES				
	Owners' equity contributed	16 307	14 545	16 540
	Retained earnings	20 507	19 898	20 778
	Total owners' equity	36 815	34 443	37 318
6	Subordinated loan capital etc.	9 412	7 635	7 750
	Premium reserve etc.	460 090	434 773	459 343
	Supplementary reserves	36 091	28 206	36 070
	Securities adjustment fund	31 731	44 314	55 761
	Premium funds, defined contribution funds, pension regulation funds etc.	12 245	12 216	12 359
	Unallocated profit to customers	99	2 088	0
	Total insurance liabilities - contractual liabilities	540 256	521 598	563 532
	Pension capital etc.	1 547	1 943	2 064
	Supplementary reserves	119	100	140
	Premium funds, defined contribution funds, pension regulation funds etc.	484	379	495
	Unallocated profit to customers	1	75	0
	Total insurance liabilities - special investment portfolio	2 152	2 497	2 698
12	Pension obligations	741	619	508
	Current tax liabilities	945	423	948
	Deferred tax liabilities	499	618	546
11	Lease liabilities	185	282	210
9	Liabilities	27 611	5 534	7 789
	Accrued costs and prepaid income	186	208	219
	TOTAL OWNERS' EQUITY AND LIABILITIES	618 801	573 857	621 518
OFF-BALANCE SHEET ITEMS				
	Contingent liabilities	22 078	18 872	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		130	-108	21
Actuarial gains and losses on defined benefits pension schemes			-222	-222
Proportion of other comprehensive income on application of the equity method			-125	-125
Adjustment of the insurance liabilities			0	0
Tax on other income and expenses that will not be reclassified to profit or loss			56	56
Total other income and expenses that will not be reclassified to profit or loss			-292	-292
Total comprehensive income (unallocated)		130	-400	-271
Owners equity contribution recieved	-232			-232
Total transactions with owners	-232			-232
Own funds 31 March 2020	16 307	5 670	14 838	36 815

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		151	510	662
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)		151	465	617
Owners equity contribution recieved	-9			-9
Total transactions with owners	-9			-9
Own funds 31 March 2019	14 545	4 945	14 953	34 443

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 -31.03.2020	01.01.2019 -31.12.2019	01.01.2019 -30.09.2019	01.01.2019 -30.06.2019	01.01.2019 -31.03.2019
Net cashflow from operational activities	367	-899	-1 056	412	-24
Net cashflow from investment activities ¹	-72	-280	-198	-138	-39
Net cashflow from financing activities ²	-259	1 125	1 151	-55	-35
Net changes in cash and bank deposits	37	-54	-103	220	-98
Holdings of cash and bank deposits at start of period	900	954	954	954	954
Holdings of cash and bank deposits at end of period	937	900	851	1 173	856

¹ Payments on the purchase of tangible fixed assets.

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

Notes to the financial statements

KOMMUNAL LANDSPENSJONSKASSE

NOTE 1 Accounting principles- and estimates

ACCOUNTING PRINCIPLES

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

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

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

ACCOUNTING ESTIMATES

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

The majority of KLP's financial assets measured at fair value through profit or loss are assets traded on an active market, and the market values of these investments are observable. KLP's pricing of unlisted assets will be subject to uncertainty as to their valuation. This is especially true of securities which

are priced on the basis of non-observable assumptions. The outbreak of the Covid-19 virus affected the performance of Norwegian and international financial markets in the first quarter and is causing great uncertainty around estimates and the valuation of the Company's financial instruments.

The underlying values in property management subsidiaries are related to investments in real estate. Property is valued using an internal valuation model, based on discounting 20 years' estimated cash flows at a discount rate reflecting market expectations for returns on similar properties. External estimates are also obtained for a selection of properties to quality-assure the internal valuations. There is considerable uncertainty about how the effects of Covid-19 will impact property values. Expected rents are moving one way, while interest rates are pulling in the opposite direction. In this quarter, property has therefore been valued on unchanged assumptions, but there is greater uncertainty than normal in the valuation.

The outbreak and spread of Covid-19 and the resulting impact on society have brought significant changes in the fixed income markets. This has particularly affected the discount rate used to calculate the present value of the Company's pension liabilities. In April, the Norwegian Accounting Foundation published an updated version of the guiding assumptions behind the discount rate. Based on these guidelines, a discount rate of 1.7% has been set, a change from 31.12.2019, when the rate was set at 2.3%.

The effect of the change in pension assumptions increases the pension liability for own employees by NOK 222 million.

NOTE 2 Value-adjustment investment property

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

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Value adjustment incl. foreign exchange	3 082	-595	952
Foreign exchange effect on hedging	-3 094	716	730
Net value adjustment incl. exchange hedging	-12	120	1 682

NOTE 3 Premium income

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Gross premiums due	7 086	6 705	40 224
Reinsurance premiums ceded	0	0	-1
Transfer of premium reserves from others	2 503	0	11
Total premium income	9 589	6 705	40 234

NOTE 4 Claims

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Claims paid	5 101	4 774	19 866
Transfers of premium reserves to others	6 377	248	292
Total claims	11 478	5 022	20 157

NOTE 5 Insurance-related operating expenses

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Personnel costs	176	175	678
Depreciation	43	41	193
Other operating expenses	74	52	258
Total insurance-related operating expenses	293	267	1 129

NOTE 6 Fair value of financial assets and liabilities

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

31.03.2020 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	555	635	4 446	4 954	11	12	5 012	5 601
Accrued not due interest	6	6	62	62	0	0	68	68
Foreign hold-to-maturity bonds	7 251	7 523	20 463	21 788	38	44	27 752	29 355
Accrued not due interest	55	55	310	310	1	1	366	366
Total investments held to maturity	7 867	8 219	25 281	27 114	50	56	33 198	35 390
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	4 223	4 349	43 727	46 096	177	187	48 126	50 631
Accrued not due interest	72	72	738	738	4	4	814	814
Foreign bonds	7 378	7 599	100 025	103 439	476	492	107 880	111 530
Accrued not due interest	137	137	1 595	1 595	8	8	1 741	1 741
Total bonds classified as loans and receivables	11 810	12 157	146 086	151 868	665	691	158 561	164 716
OTHER LOANS AND RECEIVABLES								
Secured loans	0	0	3 424	3 458	0	0	3 424	3 458
Lending with public sector guarantee	0	0	58 147	59 238	0	0	58 147	59 238
Loans abroad secured by mortgage and local government guarantee	0	0	13 135	13 188	0	0	13 135	13 188
Accrued not due interest	0	0	416	416	0	0	416	416
Total other loans and receivables	0	0	75 122	76 299	0	0	75 122	76 299
Total financial assets at amortized cost	19 677	20 376	246 488	255 281	715	747	266 880	276 404
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	5	5	5 227	5 227	0	0	5 232	5 232
Foreign shares	0	0	21 948	21 948	0	0	21 948	21 948
Total shares	5	5	27 174	27 174	0	0	27 179	27 179
Property funds	0	0	2 511	2 511	0	0	2 511	2 511
Norwegian equity funds	0	0	61 213	61 213	441	441	61 654	61 654
Foreign equity funds	0	0	15 638	15 638	0	0	15 638	15 638
Total equity fund units	0	0	79 362	79 362	441	441	79 804	79 804
Norwegian alternative investments	0	0	2 813	2 813	13	13	2 826	2 826
Foreign alternative investments	0	0	2 892	2 892	0	0	2 892	2 892
Total alternative investments	0	0	5 704	5 704	13	13	5 717	5 717
Total shares and units	5	5	112 241	112 241	455	455	112 701	112 701

NOTE 6 Fair value of financial assets and liabilities – continues

31.03.2020 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	7 755	7 755	32 376	32 376	0	0	40 132	40 132
Foreign bonds	258	258	21 629	21 629	0	0	21 887	21 887
Accrued not due interest	39	39	358	358	0	0	398	398
Norwegian fixed-income funds	2 796	2 796	34 689	34 689	387	387	37 871	37 871
Foreign fixed-income funds	0	0	15 295	15 295	0	0	15 295	15 295
Accrued not due interest	22	22	20	20	2	2	44	44
Norwegian certificates	661	661	4 841	4 841	0	0	5 501	5 501
Accrued not due interest	5	5	9	9	0	0	15	15
Fixed income securities	11 536	11 536	109 218	109 218	389	389	121 143	121 143
Norwegian loans and receivables	1 511	1 511	14 189	14 189	93	93	15 793	15 793
Foreign loans and receivables	303	303	6 069	6 069	53	53	6 424	6 424
Total loans and receivables	1 814	1 814	20 258	20 258	145	145	22 217	22 217
DERIVATIVES								
Interest rate swaps	1 311	1 311	808	808	0	0	2 119	2 119
Forward exchange contracts	0	0	938	938	16	16	955	955
Total financial derivatives classified as assets	1 311	1 311	1 747	1 747	16	16	3 074	3 074
Other financial assets	160	160	5 719	5 719	8	8	5 888	5 888
Total financial assets valued at fair value	14 826	14 826	249 183	249 183	1 014	1 014	265 023	265 023
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	2 500	2 500	0	0	2 500	2 500
Forward exchange contracts	1	1	13 650	13 650	65	65	13 715	13 715
Total financial derivatives classified as liabilities	1	1	16 150	16 150	65	65	16 215	16 215
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	7 110	7 116	0	0	0	0	7 110	7 116
Hybrid Tier 1 securities	2 302	1 529	0	0	0	0	2 302	1 529
Total subordinated loan capital etc.	9 412	8 645	0	0	0	0	9 412	8 645
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	48	48	3	3	51	51
Foreign call money ¹	1 303	1 303	23	23	8	8	1 333	1 333
Total liabilities to credit institutions	1 303	1 303	71	71	11	11	1 384	1 384

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

NOTE 6 Fair value of financial assets and liabilities – continues

31.03.2019 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS – AT AMORTIZED COST								
INVESTMENTS HELD TO MATURITY								
Norwegian hold-to-maturity bonds	683	762	5 386	5 855	23	24	6 092	6 641
Accrued not due interest	8	8	80	80	0	0	88	88
Foreign hold-to-maturity bonds	6 199	6 450	17 032	17 896	57	63	23 288	24 408
Accrued not due interest	50	50	292	292	2	2	343	343
Total investments held to maturity	6 940	7 270	22 790	24 122	82	89	29 811	31 481
BONDS CLASSIFIED AS LOANS AND RECEIVABLES								
Norwegian bonds	3 601	3 693	38 819	40 876	191	204	42 611	44 773
Accrued not due interest	72	72	745	745	5	5	822	822
Foreign bonds	7 393	7 608	87 500	91 515	597	622	95 490	99 745
Accrued not due interest	140	140	1 504	1 504	11	11	1 654	1 654
Total bonds classified as loans and receivables	11 205	11 512	128 568	134 640	803	841	140 576	146 993
OTHER LOANS AND RECEIVABLES								
Secured loan	0	0	2 910	2 916	0	0	2 910	2 916
Lending with public sector guarantee	0	0	51 813	52 215	0	0	51 813	52 215
Loans abroad secured by mortgage and local government guarantee	0	0	9 358	9 386	0	0	9 358	9 386
Accrued not due interest	0	0	320	320	0	0	320	320
Total other loans and receivables	0	0	64 400	64 836	0	0	64 400	64 836
Total financial assets at amortized cost	18 145	18 782	215 757	223 598	885	930	234 787	243 309
ASSETS – AT FAIR VALUE								
EQUITY CAPITAL INSTRUMENTS								
Norwegian shares	683	683	7 218	7 218	0	0	7 901	7 901
Foreign shares	0	0	25 616	25 616	0	0	25 616	25 616
Total shares	683	683	32 834	32 834	0	0	33 517	33 517
Property funds	0	0	2 350	2 350	0	0	2 350	2 350
Norwegian equity funds	0	0	73 113	73 113	654	654	73 767	73 767
Foreign equity funds	0	0	11 747	11 747	0	0	11 747	11 747
Total equity fund units	0	0	87 211	87 211	654	654	87 865	87 865
Norwegian alternative investments	0	0	2 606	2 606	16	16	2 621	2 621
Foreign alternative investments	0	0	952	952	0	0	952	952
Total alternative investments	0	0	3 558	3 558	16	16	3 574	3 574
Total shares and units	683	683	123 603	123 603	670	670	124 956	124 956

NOTE 6 Fair value of financial assets and liabilities – continues

31.03.2019 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	6 485	6 485	32 155	32 155	0	0	38 639	38 639
Foreign bonds	171	171	19 002	19 002	0	0	19 173	19 173
Accrued not due interest	30	30	333	333	0	0	363	363
Norwegian fixed-income funds	2 267	2 267	50 779	50 779	580	580	53 627	53 627
Foreign fixed-income funds	0	0	13 871	13 871	0	0	13 871	13 871
Accrued not due interest	5	5	53	53	2	2	60	60
Norwegian certificates	619	619	5 339	5 339	0	0	5 958	5 958
Accrued not due interest	2	2	3	3	0	0	5	5
Fixed income securities	9 579	9 579	121 535	121 535	582	582	131 696	131 696
Norwegian loans and receivables	1 238	1 238	2 731	2 731	13	13	3 983	3 983
Foreign loans and receivables	195	195	2 272	2 272	38	38	2 505	2 505
Total loans and receivables	1 434	1 434	5 003	5 003	51	51	6 487	6 487
DERIVATIVES								
Interest rate swaps	690	690	80	80	0	0	770	770
Forward exchange contracts	1	1	541	541	2	2	544	544
Total financial derivatives classified as assets	691	691	621	621	2	2	1 313	1 313
Other financial assets	42	42	686	686	0	0	728	728
Total financial assets valued at fair value	12 429	12 429	251 448	251 448	1 304	1 304	265 181	265 181
LIABILITIES								
DERIVATIVES								
Interest rate swaps	0	0	255	255	0	0	255	255
Forward exchange contracts	0	0	626	626	3	3	629	629
Total financial derivatives classified as liabilities	0	0	881	881	3	3	883	883
SUBORDINATED LOAN CAPITAL								
Subordinated loan capital	5 950	6 433	0	0	0	0	5 950	6 433
Hybrid Tier 1 securities	1 685	1 332	0	0	0	0	1 685	1 332
Total subordinated loan capital etc.	7 635	7 765	0	0	0	0	7 635	7 765
LIABILITIES TO CREDIT INSTITUTIONS								
Norwegian call money ¹	0	0	4	4	2	2	6	6
Foreign call money ¹	696	696	37	37	7	7	739	739
Total liabilities to credit institutions	696	696	40	40	9	9	745	745

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

NOTE 6 Fair value of financial assets and liabilities – continues

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

NOTE 6 Fair value of financial assets and liabilities – continues

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

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

NOTE 7 Fair value hierarchy

31.03.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 839	8 697	0	11 536
Certificates	0	666	0	666
Bonds	22	8 031	0	8 053
Fixed-income funds	2 817	0	0	2 817
Loans and receivables	345	1 469	0	1 814
Shares and units	0	0	5	5
Shares	0	0	5	5
Financial derivatives	0	1 311	0	1 311
Other financial assets	0	160	0	160
Total corporate portfolio	3 184	11 637	5	14 826
COMMON PORTFOLIO				
Fixed-income securities	75 013	34 205	0	109 218
Certificates	2 789	2 061	0	4 850
Bonds	22 220	32 144	0	54 364
Fixed-income funds	50 004	0	0	50 004
Loans and receivables	19 839	418	0	20 258
Shares and units	86 919	6 050	19 272	112 241
Shares	24 700	308	2 166	27 174
Equity funds	62 219	0	52	62 271
Property funds	0	38	2 473	2 511
Special funds	0	5 704	0	5 704
Private Equity	0	0	14 580	14 580
Financial derivatives	0	1 747	0	1 747
Other financial assets	0	5 719	0	5 719
Total common portfolio	181 771	48 140	19 272	249 183

NOTE 7 Fair value hierarchy – continues

31.03.2020 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	389	0	0	389
Fixed-income funds	389	0	0	389
Loans and receivables	145	0	0	145
Shares and units	441	13	0	455
Equity funds	441	0	0	441
Special funds	0	13	0	13
Financial derivatives	0	16	0	16
Other financial assets	0	8	0	8
Total investment option portfolio	976	38	0	1 014
Total financial assets valued at fair value	185 931	59 815	19 277	265 022
CORPORATE PORTFOLIO				
Investment property	0	0	965	965
Total investment property	0	0	965	965
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	1	0	1
Debt to credit institutions	1 303	0	0	1 303
Total corporate portfolio	1 303	1	0	1 303
COMMON PORTFOLIO				
Financial derivatives	0	16 150	0	16 150
Debt to credit institutions	71	0	0	71
Total common portfolio	71	16 150	0	16 221
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	65	0	65
Debt to credit institutions	11	0	0	11
Total investment option portfolio	11	65	0	76
Total financial liabilities at fair value	1 384	16 215	0	17 599

NOTE 7 Fair value hierarchy – continues

31.03.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Fixed-income securities	2 318	7 261	0	9 579
Certificates	0	621	0	621
Bonds	45	6 640	0	6 686
Fixed-income funds	2 273	0	0	2 273
Loans and receivables	641	793	0	1 434
Shares and units	0	679	4	683
Shares	0	679	4	683
Financial derivatives	0	691	0	691
Other financial assets	0	42	0	42
Total corporate portfolio	2 959	9 466	4	12 429
COMMON PORTFOLIO				
Fixed-income securities	86 432	35 103	0	121 535
Certificates	3 889	1 453	0	5 342
Bonds	17 840	33 650	0	51 490
Fixed-income funds	64 703	0	0	64 703
Loans and receivables	4 151	852	0	5 003
Shares and units	104 019	4 226	15 359	123 603
Shares	29 730	624	2 481	32 834
Equity funds	74 289	0	66	74 355
Property funds	0	44	2 306	2 350
Special funds	0	3 558	0	3 558
Private Equity	0	0	10 506	10 506
Financial derivatives	0	621	0	621
Other financial assets	0	686	0	686
Total common portfolio	194 602	41 488	15 359	251 448

NOTE 7 Fair value hierarchy – continues

31.03.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Fixed-income securities	582	0	0	582
Fixed-income funds	582	0	0	582
Loans and receivables	51	0	0	51
Shares and units	654	16	0	670
Equity funds	654	0	0	654
Special funds	0	16	0	16
Financial derivatives	0	2	0	2
Other financial assets	0	0	0	0
Total investment option portfolio	1 287	17	0	1 304
Total financial assets valued at fair value	198 847	50 971	15 362	265 180
CORPORATE PORTFOLIO				
Investment property	0	0	956	956
Total investment property	0	0	956	956
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Financial derivatives	0	0	0	0
Debt to credit institutions	696	0	0	696
Total corporate portfolio	696	0	0	696
COMMON PORTFOLIO				
Financial derivatives	0	881	0	881
Debt to credit institutions	40	0	0	40
Total common portfolio	40	881	0	921
INVESTMENT OPTION PORTFOLIO				
Financial derivatives	0	3	0	3
Debt to credit institutions	9	0	0	9
Total investment option portfolio	9	3	0	12
Total financial liabilities at fair value	745	883	0	1 628

NOTE 7 Fair value hierarchy – continues

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

NOTE 7 Fair value hierarchy – continues

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

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3 SHARES, UNLISTED CORPORATE PORTFOLIO	Book value 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
Opening balance 01.01.	5	4	4
Sold	0	0	0
Bought	0	0	2
Unrealised changes	0	0	-1
Closing balance 31.03./31.12.	5	4	5
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3 SHARES, UNLISTED COMMON PORTFOLIO	Book value 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
Opening balance 01.01.	2 170	2 481	2 481
Sold	0	-20	-1 419
Bought	1	12	764
Unrealised changes	-5	9	343
Closing balance 31.03./31.12.	2 166	2 481	2 170
Realised gains/losses	0	0	318

CHANGES IN LEVEL 3 EQUITY FUNDS, UNLISTED COMMON PORTFOLIO	Book value 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
Opening balance 01.01.	54	61	61
Sold	0	0	-9
Bought	0	0	0
Unrealised changes	-2	5	2
Closing balance 31.03./31.12.	52	66	54
Realised gains/losses	0	0	0

CHANGES IN LEVEL 3, PRIVATE EQUITY AND PROPERTY FUNDS COMMON PORTFOLIO	Book value 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
Opening balance 01.01.	14 888	12 664	12 664
Sold	-250	-528	-2 400
Bought	1 093	548	2 882
Unrealised changes	1 323	128	1 742
Closing balance 31.03./31.12.	17 054	12 812	14 888
Realised gains/losses	161	110	878

NOTE 7 Fair value hierarchy – continues

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.03.2020	Book value 31.03.2019	Book value 31.12.2019
Opening balance 01.01.	955	924	924
Sold	0	0	0
Bought	0	0	0
Unrealised changes	10	42	67
Other	0	-10	-36
Closing balance 31.03./31.12.	965	956	955
Realised gains/losses	0	0	0
Total Level 3	20 242	16 318	18 071

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

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

LEVEL 1:

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

LEVEL 2:

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

LEVEL 3:

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

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

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

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 1 012 million as of 31.03.2020 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.

NOTE 7 Fair value hierarchy – continues

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.

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.

In this quarter NOK 123 million have been moved from Level 2 to Level 1 and NOK 7 million from level 1 to level 2.

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

31.03.2020 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	3 074	0	3 074	-1 748	-1 310	-33	17
Total	3 074	0	3 074	-1 748	-1 310	-33	17
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	1 747	0	1 747	-1 738	-6	-33	4
Total assets – corporate portfolio	1 311	0	1 311	0	-1 303	0	8
Total assets – investment option portfolio	16	0	16	-10	-1	0	6
Total	3 074	0	3 074	-1 748	-1 310	-33	17
LIABILITIES							
Financial derivatives	16 215	0	16 215	-1 748	-1 632	-3 142	9 695
Total	16 215	0	16 215	-1 748	-1 632	-3 142	9 695
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	16 150	0	16 150	-1 738	-1 624	-3 142	9 646
Total liabilities – corporate portfolio	1	0	1	0	0	0	1
Total liabilities – investment option portfolio	65	0	65	-10	-7	0	48
Total	16 215	0	16 215	-1 748	-1 632	-3 142	9 695

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

31.03.2019 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	1 313	0	1 313	-600	-725	0	2
Total	1 313	0	1 313	-600	-725	0	2
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	621	0	621	-599	-29	0	0
Total assets – corporate portfolio	691	0	691	0	-696	0	1
Total assets – investment option portfolio	2	0	2	-1	0	0	1
Total	1 313	0	1 313	-600	-725	0	2
LIABILITIES							
Financial derivatives	883	0	883	-600	-1	-870	1
Total	883	0	883	-600	-1	-870	1
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	881	0	881	-599	0	-870	0
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	3	0	3	-1	-1	0	1
Total	883	0	883	-600	-1	-870	1

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
Sum	4 733	0	4 733	-598	-3 981	0	169
LIABILITIES							
Financial derivatives	599	0	599	-598	-11	0	0
Total	599	0	599	-598	-11	0	0
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	598	0	598	-597	-3	0	0
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	2	0	2	-1	-8	0	0
Total	599	0	599	-598	-11	0	0

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

NOTE 9 Liabilities

NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
Short-term liabilities securities	8 207	1 673	1 870
Advance tax-deduction pension scheme	390	358	429
Accounts payable	-8	13	6
Derivatives	16 215	883	599
Debt to credit institutions	1 384	745	3 990
Liabilities related to direct insurance	1 294	1 732	867
Other liabilities	129	131	28
Total liabilities	27 611	5 534	7 789

NOTE 10 SVR ratio

NOK BILLIONS	31.03.2020	31.03.2019	31.12.2019		31.03.2020	31.03.2019	31.12.2019
SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT							
Assets, book value	618	574	621	Best estimate	538	519	560
Added values - hold-to-maturity portfolio/loans and receivables	10	9	8	Risk margin	16	13	13
Added values - other lending	0	0	0	Hybrid Tier 1 securities/Subordinated loan capital	10	8	8
Other added/lesser values	0	0	0	Other liabilities ¹	35	7	15
Deferred tax asset	0	0	0	Deferred tax liabilities	1	2	1
Total assets - solvency II	628	582	629	Total liabilities - solvency II	600	549	597
				Excess of assets over liabilities	28	33	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	31	30	33
				Simplified Solvency II Financial Position Statement	31	30	33
				Subordinated loans	7	6	7
				Risk equalisation fund ¹	0	5	0
				Tier 2 basic own funds	7	11	7
				Ancillary own funds	12	11	12
				Tier 2 ancillary own funds	12	11	12
				Deduction for max. eligible tier 2 own funds	-11	-15	-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	39	37	41
				Market risk	9	6	6
				Diversification market risk	-3	-2	-2
				Counterparty risk	0	0	0
				Life risk	16	15	14
				Diversification life risk	-4	-3	-3
				Diversification general	-3	-3	-3
				Operational risk	2	2	3
				Loss absorbing ability deferred tax	-1	-2	-1
				Solvency capital requirement (SCR)	17	14	15
				Linear minimum capital requirement (MCR_linear)	9	8	7
				Minimum	4	3	4
				Maximum	7	6	7
				Minimum capital requirement (MCR)	7	6	7
				Solvency II- SCR ratio	234 %	270 %	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 234 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 285 per cent.

	31.03.2020	31.03.2019	31.12.2019
Solvency II- SCR ratio	234 %	270 %	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	31.03.2020	31.03.2019	31.12.2019
RIGHT-OF-USE ASSETS			
		Property	
Opening balance 01.01.	204	305	305
Depreciation	-25	-25	-101
Closing balance	179	280	204

NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
LEASE LIABILITIES			
		Property	
Opening balance 01.01.	210	305	305
Repayments	-25	-24	-96
Closing balance	185	282	210

NOK MILLIONS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
		Property	
Interest expense lease liabilities	2	2	8

NOTE 12 Pension obligations

NOK MILLIONS	31.03.2020	31.03.2019	31.12.2019
Capitalized net liability 01.01.	508	565	565
Capitalized pension costs	24	25	105
Capitalized financial costs	4	5	18
Actuarial gains and losses	222	40	-89
Premiums / contributions received	-15	-15	-92
Capitalized net liability 31.03. / 31.12.	741	619	508

ASSUMPTIONS	31.03.2020	31.03.2019	31.12.2019
Discount rate	1.70 %	2.40 %	2.30 %
Salary growth	2.25 %	2.75 %	2.25 %
The National Insurance basic amount (G)	2.00 %	2.50 %	2.00 %
Pension increases	1.24 %	1.73 %	1.24 %
Social security contribution rate	14.10 %	14.10 %	14.10 %
Capital activity tax	5.00 %	5.00 %	5.00 %

The effect of changes in pension assumptions increases the pension liability for employees with NOK 222 million as of 31.03.2020. The change is recognized in "Total other income and expenses that will not be reclassified to profit or loss"

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