Annual Report 2019

KLP

KLP – the pension company for the Norwegian local government and healthcare sector

Kommunal Landspensjonskasse (KLP) is an unusual finance company, because we are owned by our customers. This means that all wealth creation in KLP benefits the customers. KLP started out as a partnership of small municipalities across the country to provide good pensions in a strong community. Today, KLP is the preferred pension provider for the Norwegian local government and healthcare sectors, one of Norway's largest finance companies and a mainstay of the Norwegian welfare system, with 459,000 members, 310,000 pensioners and 240,000 former members with pension rights. As a customer-owned company, our main task is to deliver our pension services to the best possible quality and at the lowest possible cost and to obtain the best possible return on the pension money that we manage.

KLP is a profitable community

When KLP makes a profit, we either use it to boost our financial strength, or we give it to our owners. In both cases, the result is that they have to pay less for their pensions. We have the lowest possible costs, so they get as much as possible for schools and nursing homes or other priority tasks that our owners are responsible for. The way in which KLP runs its business therefore has a direct impact on how our owners discharge their social obligations. In 2019 KLP delivered a historically good result, allowing it to return NOK 2,8 billion to the municipalities, county authorities, health enterprises and companies that are our owners. The result also enabled us to further strengthen supplementary reserves with NOK 8 billion, as a buffer if future results should be weak. In addition, owners' equity was strengthened by NOK 2.3 billion.

Providing sustainable pensions

Our most important social responsibility is to provide employees in the Norwegian local government and healthcare sectors with the pensions they are entitled to. We use the influence that comes from the NOK 700 billion that we manage to call for faster progress towards a sustainable society. We do this by integrating corporate responsibility into all our activities, increasing investments that promote sustainable development, pushing companies towards more sustainable operations and developing products and services that contribute to positive social development. Our work is based on international standards, and at KLP we use the UN Sustainable Development Goals as a framework for our work on corporate responsibility.
We are open about how we work and invest, because responsible business practice is the key to sustainable development. The aim is to make a difference. This means that as well as safeguarding the pension money for the future, we do so in a way that creates a secure future — for people living now and the coming generations.

KLP

Annual Report 2019

The way in which KLP runs its business has a direct impact on how our owners discharge their social obligations

Photo: Vidar Stenseth
Employed in KLP

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KLP ANNUAL REPORT 2019

Photo: Skjalg Bøhmer Vold

«We have spent the past few good years building up financial strength»

Equipped for the future

Good results, tough times.

We are now going through extremely tough times, and as the pension company for the Norwegian local government and healthcare sector, it is more important than ever for us to work closely with our owners to prepare for the days ahead.

Despite uncertainty over last year about the future of trade, climate change and political stability, the return in 2019 on the pension funds that we manage was the best for 20 years. Looking at the crisis we are now facing with the corona virus, it is good to know that we have spent the past few good years building up the financial strength to weather such crises. This is how we protect the assets that we manage and strengthen our ability to withstand long-term financial difficulties without burdening our customers. One of our most important tasks is to ensure stable and predictable pension costs over time, and we are well able to do this.

Achieving competitive returns is vital, but the way in which the pension funds are managed is just as important. Based on the UN Sustainable Development Goals, we have selected the targets we believe we can influence the most and which our owners think are the most important. Limiting global warming is the area we are devoting the most attention to, and we continued to direct our investments towards renewables in 2019. We have divested completely from coal and oil sands, and increased our investments in renewable energy by more than NOK 6 billion.

KLP is owned by municipalities, county authorities, health enterprises and companies affiliated to the public sector. It is important to them that we should work to invest their pension funds locally, regionally and nationally. KLP has always done that, and we will continue to do so. We have lent more than NOK 70 billion to our owners and their businesses. We have invested almost NOK 5 billion as co-owner of Norwegian energy and grid companies, start-ups around our foremost educational institutions, and Norwegian companies that are not exchange-listed. This is in addition to the investments we make in Norwegian listed companies. We will continue to contribute to creating jobs and good communities where our current and future pensioners live. This is important for our owners, especially now.

KLP is primarily a pension provider. We are the leading provider of public-sector occupational pensions. Our size gives us the resources to further develop good systems to receive, store and process large amounts of data about everyone receiving a pension from us, now and in the future. This data is needed to calculate the right pension for the individual. In total, we handle data relating to almost 1.5 million Norwegians. This is a big commitment. With constant changes to the pension rules, systems development is demanding, but more important than ever before. The need for good information grows with the complexity of the regulations. Both employers and individual employees need help to understand their situation. To provide them all with reliable data, we need good systems and channels that supply correct and relevant information in an understandable way.

Through 2019 we worked to enhance our systems to handle the new rules for public-sector occupational pensions introduced on 1 January 2020. Between Christmas and New Year, we migrated the members of our pension schemes over to a new system and were pleased that it went very well. This was especially important because immediately afterwards, work started on all the changes arising out of the local government reform. This work also required a lot of preparation to get everything right from the start, with 110 municipalities merging and 19 counties becoming 11. That may not sound so hard, but it affects almost 350,000 people. We will continue to build on this work in the future. In the longer term, developing new IT systems will make us more efficient, so we can continue to reduce the costs our customers have to pay for our administration. And we will create easy-to-use IT solutions for both members and employers.

KLP's subsidiaries have also strengthened their market positions as suppliers to KLP's owners and their employees. Our bank manages all of the loans the Group makes to the public sector and related enterprises, and is seeing good growth in mortgages to employees and pensioners. The non-life insurance company is the largest provider of insurance within the local government sector, and also produced good growth for the corporate segment and the members of our pension schemes. More and more people are also choosing to save in our funds, where we established a whole family of "Nordic Swan" funds in 2019. The funds are completely fossil-free and have a clear sustainability profile and low management fees. This is obviously appreciated, because new customers are flocking to us.

You can find out about all of this, and a bit more, in this report. I hope you find this useful and that you can get better acquainted with KLP and our various companies. I also hope we answer any questions you may have, and that you may find something you can use in your own work.
Enjoy!

SVERRE THORNES
Group CEO

Photo: Morten Larsen
Employed in KLP

PHOTOGRAPHY COMPETITION:

Climate and the planet we want to take care of

KLP's annual report is illustrated with pictures from our annual photography competition. Our employees submitted almost 100 excellent entries to the competition. You can see some of them in this report.

«This year's photography competition focused on the environment and climate, and the planet we want to take care of. KLP wants to take a lead in the work of creating a greener future for future generations. In the pictures they submitted, employees at KLP have highlighted the importance of taking care of nature and the seas around us, and showing how we can all contribute to more environmentally friendly development.».

PHOTOGRAPHER OLAV ERIK STORM,
JURY FOREMAN FOR KLP'S PHOTOGRAPHY COMPETITION

Photo: Linn Eriksen Løken
Employed in KLP

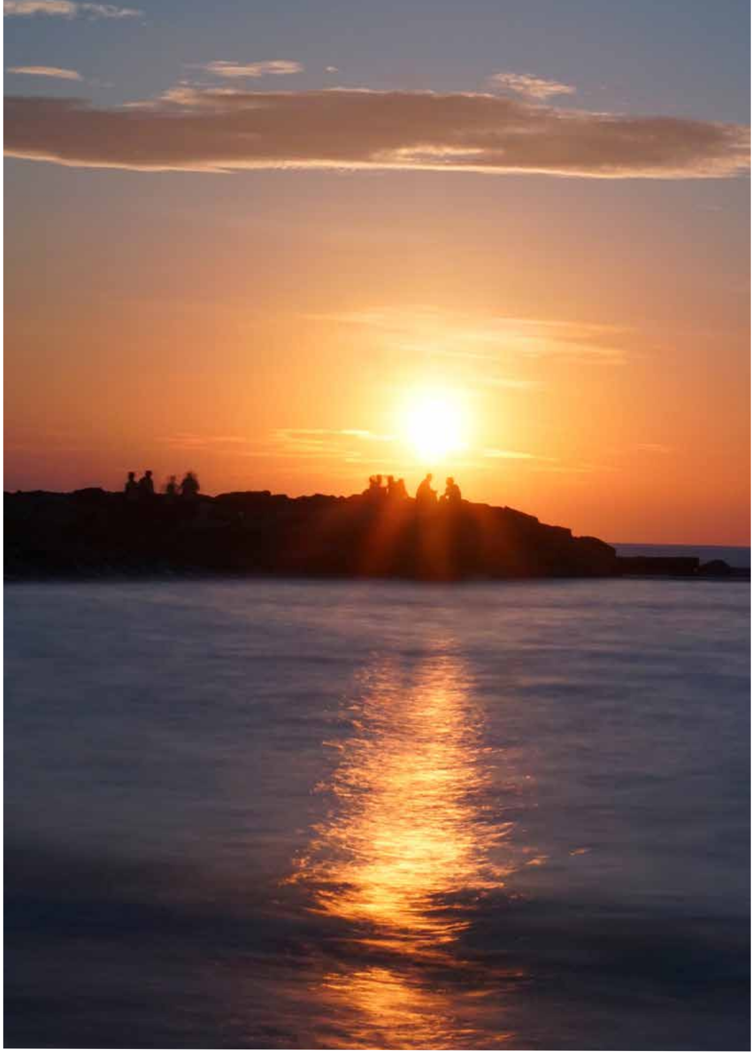


Photo: Vidar Stenseth
Employed in KLP

KLPs business concept

KLP aims to deliver secure and competitive pension, financial and insurance services to the public sector, enterprises associated with the public sector and their employees.

The business concept tells people about the qualities of our products and services, what we aim to deliver, and of course who we are there for.

This is KLP

KLP is the pension company for the Norwegian local government and healthcare sector, and is owned by municipalities, businesses and health enterprises with public-sector occupational pensions.

The mutual insurance company KLP, offers pensions, banking, asset management and insurance services to public-sector customers and their employees. KLP had total assets of NOK 762,7 billion at the beginning of 2020.

OWNING KLP IS PROFITABLE FOR CUSTOMERS

The municipalities started KLP as a joint enterprise when some of them teamed up to manage their employees' pensions as efficiently as possible. This community shares risks, costs and expertise.

The fact that the customers own KLP is very important: all of our wealth creation benefits our owners. In a limited liability company, for example, the profits belong to external shareholders. Our job is to deliver the best possible services at the lowest possible price. We do this by ensuring that our owners receive competitive returns that contribute to low pension costs and that they also get the very best customer experience.

KLP also aims to be a leader in corporate responsibility and sustainability. We set out to provide public-sector enterprises and their employees with secure pension saving that contributes to sustainable development.

KLP OFFERS PEACE OF MIND

Pensions are KLP's core product and largest activity. We have long experience of pensions and are always working to understand what is important to our customers and to provide good customer experiences both today and for the days to come.

Those who have public-sector occupational pensions have one of the best pension schemes in the country. The scheme covers old age pensions, early retirement (AFP), disability pensions and survivors' benefits.

We know that pensions can seem complicated, so we make a conscious effort to simplify the difficult things and to be a helpful guide when it comes to pensions. We are committed to communicating on our customers' and members' terms, and talking about pensions in a clear and easily understandable way so customers and members feel looked after.

OUR OVERALL GOAL

KLP aims to be the preferred provider of pensions to the public sector.

KLPs values

Open, clear, responsible, committed

The values speak of what needs to characterise attitudes and behaviour in the company if we are to realise the strategy.

KLPs vision

Your best partner for the days to come.

Our vision of being the best partner for the days ahead is an expression of how we want our owners and customers to view us. It reflects the long-term nature of our relationships and our goal of creating value for our owners and customers.

Being a customer-owned company gives us a closeness to our owners' everyday lives, which is the ideal basis for us to develop products and services that are especially well suited to their needs. Our goal is to create value for our owners and customers, and be the best partner for the days ahead.

CORPORATE FORM

KLP is the collective name for the parent company, Kommunal Landspensjonskasse gjensidig forsikringsselskap, and the six wholly-owned subsidiaries which are organised as limited companies:

- KLP BANKEN AS
- KLP BEDRIFTSPENSJON AS
- KLP EIENDOM AS
- KLP FORSIKRINGSSERVICE AS
- KLP KAPITALFORVALTNING AS
- KLP SKADEFORSIKRING AS

The mutual company model helps to ensure that customers' interests come first. KLP has no external investors who have to be paid to provide equity for the business.

KLP'S CORE BUSINESS

KLP's core business is pension and life insurance. We aim to deliver the right pension at the right time. A large proportion of the public sector is required by collective agreements to have an occupational pension scheme for the staff. KLP is the largest provider of public-sector occupational pension schemes to municipalities, county authorities, health enterprises and companies associated with the public sector.

THIS YEAR'S RESULTS

KLP is maintaining its position as the leading provider of public-sector occupational pensions in our market. In 2019, municipal and regional mergers have brought changes in the market. The competitive situation in the public-sector occupational pension market is also changing, and KLP won the first contract to be put out to tender for many years.

As a result of growth in the public sector, the number of members in the pension scheme is increasing. The number of members and pensioners increased by 30,000 through 2019. At the beginning of 2020 there were 1,010,000 members and pensioners in the scheme.

KLP achieved a pre-tax profit of NOK 2.637 million in 2019. After tax, the net profit totalled NOK 2.251 million. The Company delivered a financial result with a 8,5 per cent value-adjusted

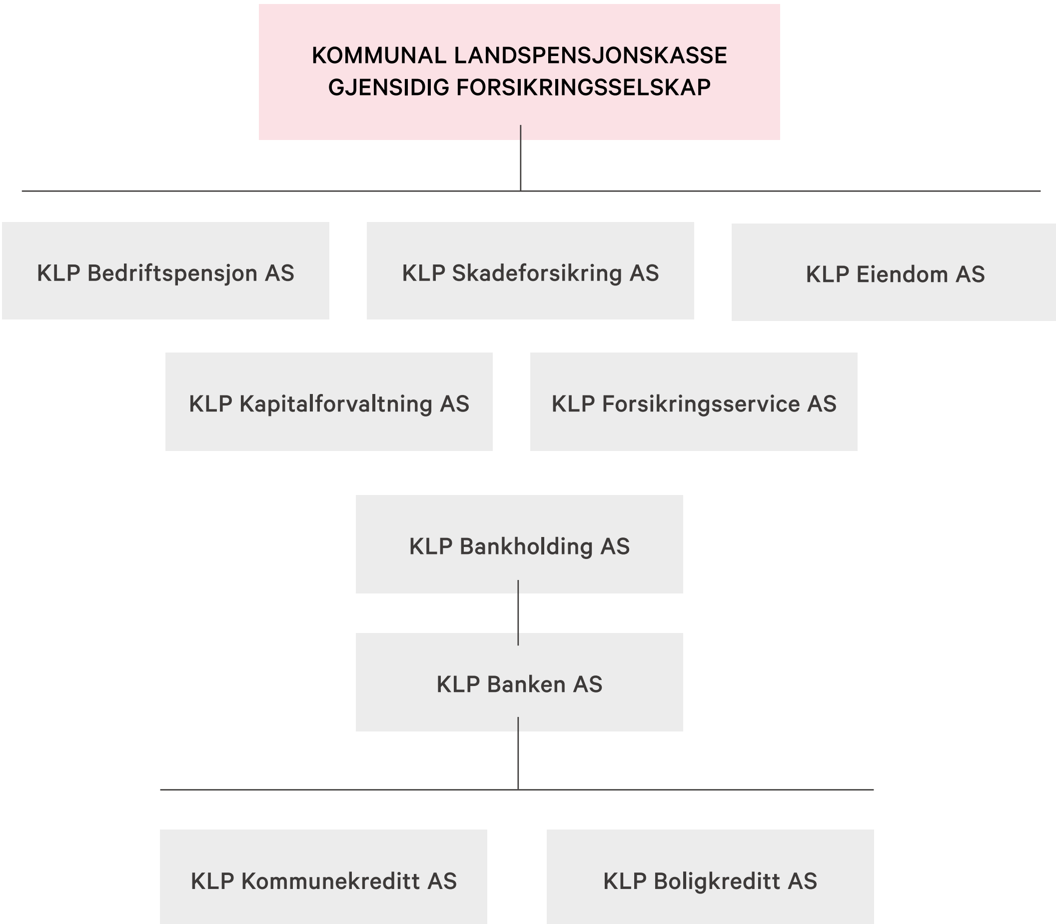


Photo: Sissel Møllevik
Employed in KLP

return and a book return of 4,5 per cent in the common portfolio.

FUTURE CHALLENGES AND GOALS

KLP aims to be the preferred pension provider to the public sector and businesses affiliated to it. The main product that KLP offers is public-sector occupational pensions. To retain our strong position in the market, it is important to remain competitive in the areas of returns, costs and service. In 2019, KLP started a comprehensive effort to build the pension platform of the future. This will provide better service and customer experiences for both our owners and members, and ensure efficiency and maintain low costs in the future too.

INVESTING IN OUR MEMBERS – BUILDING A LIFELONG RELATIONSHIP

KLP's membership strategy defines why and how KLP works to ensure that members receive relevant information about pensions, jobs and their own finances in all phases of life. KLP's ambition is to invest in creating a 'lifelong relationship' with its members. In 2019, KLP ran membership activities that focused more than ever on younger members. People in this group need more knowledge about their pension schemes and what other benefits come from having their pension with KLP. KLP strives to show how life events and the choices members make through life affect their pensions. Through good and relevant member communication, KLP aims to promote our customers and owners as attractive employers and increase our members' expertise so they can make good choices for their own pensions and finances. In 2019, KLP had a net growth in members with personal products of 13.8 per cent from 2018. We now have about 25,000 monthly user sessions on our digital pension guide.

SATISFIED CUSTOMERS

Surveys show that KLP has high credibility and trust among our owners and members, and we get good feedback on our comprehensive employee follow-up and our customer-oriented digital pension guide.

From close dialogue with our owners, we understand their needs and are constantly working to adapt and enhance the value of our product offering. Surveys show that we enjoy high customer satisfaction.

We produce communications in which we spotlight our owners' employees by paying tribute to the effort they make every day. They are the heroes of our society. This communication helps to inspire pride in the jobs people do in the public sector and enhances the reputation of public-sector employers and of KLP. We are successful in connecting networks, creating meeting places and placing important topics on the agenda, through things like the Municipal Conference, KLP's climate conference for the municipalities, and events in 'Arendal week'.

Our extensive work on language, through our communication project 'Save Kåre', ensures that the information from KLP is perceived as relevant and understandable.

Through good and relevant member communication, KLP aims to promote our customers and owners as attractive employers and increase our members' expertise so they can make good choices for their own pensions and finances.

Photo: Anita Arntzen

«I love working with people, both colleagues and patients. I like to develop my workplace, and find good solutions for both patients and staff.»

BJØRG SISSEL HØYHEIM (43)
Nurse and assistant unit manager 2C at Sørlandet hospital in Arendal.

Photo: Anita Arntzen

ULRIK STRANGER-JOHANNESSEN (21)
Special needs assistant at Voksen school.

«I think it's important to have a predictable pension scheme, so I know what I'm getting. And one that feels sufficient for the day when I retire.»

«It's very important for me to have a good pension that allows me to live a good life when the time comes.»

Photo: Skjalg B. Vold

WENCHE MJØNERUD (52)
Previously senior union representative in Sørum municipality. After the municipal merger with Fet and Skedsmo head of activity centre administration in the new municipality of Lillestrøm.

Read more portraits on pages 62, 64, 74 and 82.

Retirement pensions for those born in 1962 or earlier

What most people associate with public sector occupational pensions is a scheme that can give you 66 per cent of your salary in pension, including national insurance.

Occupational pension + national insurance = 66% of final salary.

This scheme applies to those born in 1962 or earlier, but be aware that those born in 1959–1962 will receive less than 66 per cent of their final salary if they retire at 67.

The occupational pension is a pension scheme that your employer pays for. People who work in the public sector have a public-sector occupational pension. There is a close relationship between occupational pensions and national insurance. You always get a retirement pension from the national insurance scheme, and the occupational pension pays the rest, up to 66 per cent of the salary you are on when you retire.

The occupational pension is calculated by taking 66 per cent of your salary and subtracting your calculated national insurance pension. This calculation is called coordination and is slightly complicated. The rules for coordination are also gradually changing in line with the phasing in of new national insurance arrangements for those born between 1954 and 1962.

YOU MUST HAVE FULL ENTITLEMENT FOR A FULL PENSION

To earn the right to a total pension of 66 per cent of your final salary, you must have worked in the public sector for 30 years. If you have less than 30 years, you will receive a proportion of the occupational pension. Previous part-time work can also reduce your total pension to less than 66 per cent.

LONGEVITY ADJUSTMENT PRODUCES A LOWER PENSION

In the pension reform, a longevity adjustment was introduced. As we are living longer than before, the pension has to be spread over more years. The longevity adjustment applies both to national insurance and to public sector occupational pensions. The retirement pension gets a little less as a proportion of final salary for each year-group if they want to start drawing their pension from the same date as previous cohorts.

GUARANTEE PROVIDES THE OLDEST WITH FULL ENTITLEMENT

If you have full entitlement and were born in 1958 or before, you will have an individual guarantee of 66 per cent of your final salary. If the retirement pension from the national insurance scheme and the occupational pension, after longevity adjustment and coordination, add up to less than 66 per cent, you will receive a supplement that assures you of 66 per cent in total.

For the years 1959–1962, this guarantee is being gradually phased out. This means that the longevity adjustment will bring your total pension down below 66 per cent if you retire at age 67 or earlier. By working beyond the age of 67, you can compensate for the longevity adjustment and ensure that your total pension still comes to 66 per cent.

YOU MAY GET LESS FROM YOUR OCCUPATIONAL PENSION IF YOU WORK AFTER AGE 67

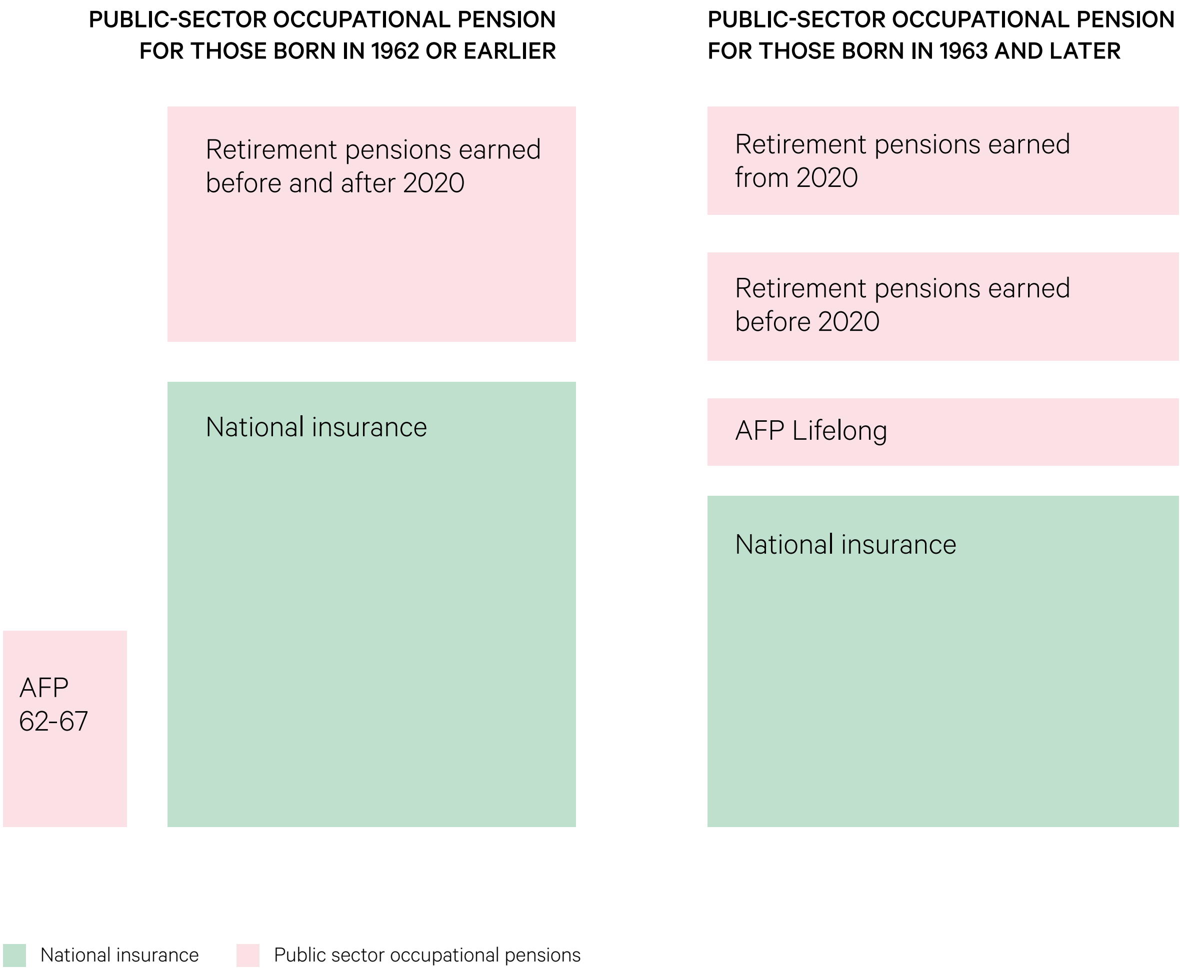
Some people will get nothing from the public sector occupational pension if they work well beyond 67. Many people will get less than they would have done if they had retired at 67. The simple explanation is that they receive a higher retirement pension from the national insurance scheme (NAV) the later they take it. They then get less from the public sector occupational pension (KLP). Please note that the retirement pension from the public-sector occupational pension scheme is calculated as if you started taking your pension from the national insurance scheme at the same time.

YOU CAN RETIRE WITH AFP BETWEEN THE AGES OF 62 AND 67

If you were born in 1962 or earlier, you can take full or partial early retirement (AFP) between the ages of 62 and 67. This AFP benefit cannot be freely combined with income.

Retirement pensions for those born in 1963 and later

One of the most important changes in public-sector occupational pension provision for those born in 1963 or later is that all years of employment count. You therefore get a higher pension the longer you stay in work.



From 2020, everyone who has a public-sector occupational pension and was born in 1963 or later will accrue a retirement pension under amended rules.

The Storting and the employer and employee organisations have decided that public-sector occupational pensions should be changed.

Almost two out of three people who are working and have their pension with KLP were born in 1963 or later. This means that most active members of KLP from 2020 will accrue pension rights under amended rules. But that does not mean that pension entitlements accrued up until 2020 are lost. We call these retirement pensions earned before 2020. These can be taken between the ages of 62 and 75, but increase the longer you wait.

PROFITABLE TO WORK FOR LONGER

The general rule used to be that you received a pension of 66 per cent of your final salary if you had worked for 30 years full-time in the public sector when you retired.

Now you can take your pension from age 62 but also go on working, without reducing your pension. The pension earned from 2020 will be paid out of national insurance in any case. However, the longer you wait to draw your pension and the longer you work, the higher your annual pension will be.

The changes make it easier for those who want to compensate for the longevity adjustment by working longer.

HOW DO YOU EARN A RETIREMENT PENSION?

For those born in 1963 or later, the rules for accruing pension are in practice the same as in the national insurance scheme. The only difference is in the rates for accrual:

The retirement pension is accrued by paying 5.7 per cent of your salary (your pension base) into a pension pot for the occupational pension. This applies to salaries from 0-12 G which amounts to about NOK 1.2 millon as of March 2020.

You earn pension entitlements on any salary from 7.1 G up to 12 G, at an additional rate of 18.1 per cent. This rate is high because you do not accrue any entitlement in the national insurance scheme beyond 7.1 G.

As mentioned earlier, these rates are used to work out what each person should get in terms of a pension pot. When you take your pension, the annual amount is calculated from the total pot that you have accrued. This is done by dividing the pension pot by the ‘annuity divisors’ used in the national insurance scheme. The annuity divisor reflects the remaining life expectancy of each year-group when they start to draw their pension.

All public-sector occupational pensions are paid for life, even if you live longer than your annuity divisor suggests.

CONTRACTUAL PENSIONS (AFP)

The employer and employee organisations have agreed to change the arrangements for contractual pensions (AFP). The rules have not been finalised yet, but a proposal has been agreed.

One of the most important changes is that the contractual pension (AFP) scheme for public-sector employees is changing to a life-long pension. The new AFP will then be in addition to any pension from national insurance, occupational pension and/or employment income.

These principles are the same as those that apply in the private sector. However, as changes to AFP are being negotiated in the private sector, there may also be changes to AFP in the public sector. Negotiations on AFP in the private sector are expected to be concluded in 2021 or 2022.
In the AFP proposal, the pension will be earned by paying 4.21 per cent of salary (pensionable income) up to 7.1 G into a pension pot for AFP. Income earned from age 13 to 61 from both the private and public sectors will count. At the time you take your pension, the AFP pot will be converted into pension by applying the annuity divisor. The annual AFP payment will be higher the longer you wait to take the AFP, until you turn 70.

The new life-long AFP in the public sector is therefore essentially similar to the AFP in the private sector. It will also be easier to switch jobs between the private and public sectors with AFP without losing the right to AFP, but how this will be managed in practice has not been resolved. If you switch from a public to a private sector job without AFP, you could still forfeit the right to AFP.

WHAT HAPPENS IF YOU DO NOT RECEIVE AFP?

AFP is a qualification scheme. That means you have to be in a job with AFP to earn the right to AFP. If you do not meet the requirements, you lose the right to AFP.

Another thing that is new from 2020 is that those born in 1963 or later who are not entitled to AFP in the public or private sector can get what is known as a “conditional occupational pension” instead. The rate for earning to this is three per cent, and only accrual time from the public sector from 2020 counts.

It has not yet been decided whether persons on disability benefits should be entitled to this scheme.

WHAT ABOUT PEOPLE WITH A SPECIAL AGE LIMIT?

Some occupational groups have the right to retire earlier than others because of their profession. In February 2020, negotiations between the government and employer and employee organisations on a long-term pension scheme for those with special age limits broke down, so it is unclear for now what will happen to these people. Persons who stop work before the age of 67 are entitled to an early retirement pension of 66 per cent, but the pension they will receive after age 67 has still to be clarified.

TRANSITIONAL ARRANGEMENTS

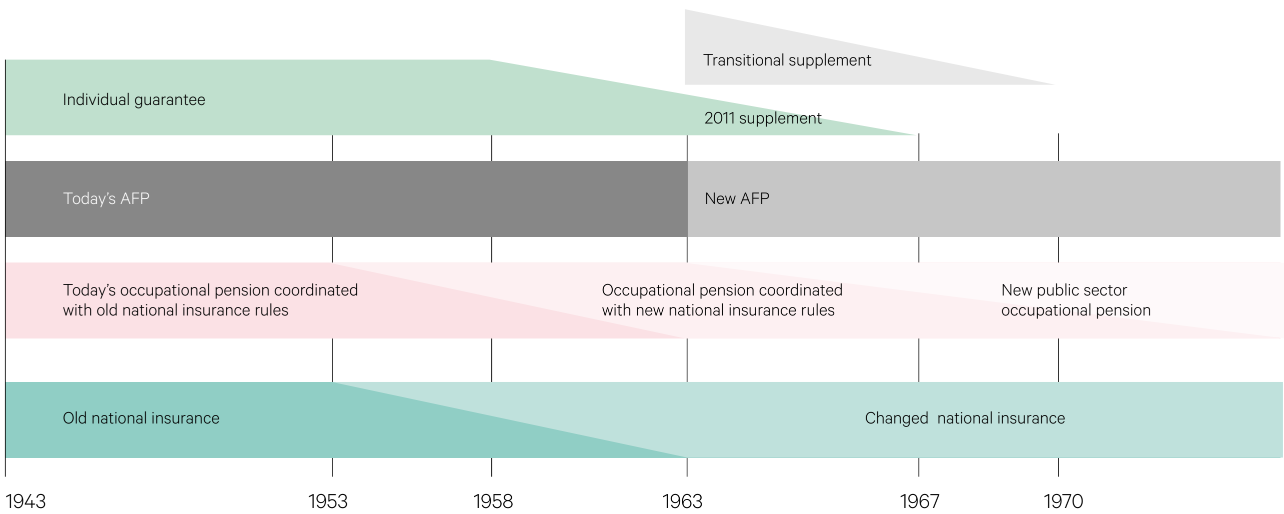
In the amended public-sector occupational pension scheme, there are several transitional arrangements for the year-groups born before and after 1962/1963. These arrangements have been called the transitional supplement and the 2011 supplement, and can be seen as a bridge from the old to the amended system.

CHANGES TO BE PHASED IN GRADUALLY

Accrual in the changed occupational pension system starts from 2020 and applies to people born in 1963 and after. Rights accrued before 2020 will be retained as a separate entitlement. The total occupational pension will be the sum of these.

The year-groups from 1963 to 1970 may also receive two new supplements, one of which depends on when they stop work and the other on whether they have entitlements in a public-sector occupational pension scheme from before 2011. Under the 2018 pension agreement, people born in 1963 and after will receive a new early retirement (AFP) pension modelled on the AFP scheme in the private sector. Those born in 1962 and before will retain the old occupational pension scheme, with AFP as their early retirement scheme. The individual guarantee of a 66 per cent pension will be phased out from the 1959 year-group onwards.

TIMELINE FOR NEW NATIONAL INSURANCE AND NEW PUBLIC SECTOR OCCUPATIONAL PENSIONS



Competition for public-sector occupational pensions

Last autumn Øygarden chose KLP as its pension provider.

In the competitive tendering procedure, KLP scored best on the criteria of quality, service and expertise, and also had the lowest costs for operating the solution. At KLP we see this as a sign that we are well equipped for competition and that we can stand up in competition.

KLP is used to competition in the market for public-sector occupational pensions. Throughout our 71-year history, we have competed with municipalities and county authorities with their own pension funds. And this market has been formally open to competition all along, even after the private companies pulled out around 2013. But in recent years, there have been no private providers offering public-sector occupational pensions. In other words, last year marks the start of a new era of competition from private players.

The reason why we now face competition is a combination of factors, particularly two changes from the New Year. Firstly, a number of new municipalities and county authorities saw the light of day as a result of mergers. Øygarden, which is a merger of Øygarden, Fjell and Sund, is one such example. Other municipalities have joined existing pension funds.

Secondly, a change to the accrual rules for those born in 1963 or later came into force from the New Year. The changes follow the principles set out in the pension reform, so that these people now accrue pension rights from all their years in work.

As a customer-owned company, KLP's purpose is to manage its members' pension agreements as well as possible while helping to keep the owners' pension costs to a minimum. The fact that KLP is a customer-owned company means that the owners can express their wishes. KLP is controlled by municipalities, county authorities, health enterprises and businesses across the country, which are all closely involved in the management of the Group.

KLP is continuing to modernise and develop pension solutions that are user-friendly for both members and employers. New digital solutions will make customers' lives easier. We will also maintain and reduce the company's low cost levels.

Out of the money the municipalities and others pay in pension contributions, around 95 per cent goes directly to fund their employees' future pensions. The cost of running facilities such as customer centres, service and pension payments is around five per cent.

Nevertheless, KLP expects and understands that more municipalities will consider to put their occupational pension provision out to tender in the coming years. KLP looks forward to submitting tenders to anyone who might ask.

Photo: Gisle Hunvik
Employed in KLP

The KLP story

KLP was founded by The Union of Norwegian Cities and the Norwegian Association of Rural Municipalities to offer occupational pensions to municipal employees.

1949

The Union of Norwegian Cities and the Norwegian Association of Rural Municipalities (forerunners to the Norwegian Association of Local and Regional Authorities - KS) decide to establish Kommunal Landspensjonkasse. KLP is established as a managed pension scheme under Norsk Kollektiv Pensjonskasse.

1950

KLP establishes a gender and age-neutral premium system. After this, everyone pays the same percentage in premiums regardless of gender and age.

1961

KLP fights for the introduction of a pension scheme for municipal nurses, with the same rights as in the Norwegian Public Service pension fund. The Act establishing the scheme comes into force in 1962.

1967

The Norwegian parliament, the Storting, passes a resolution to introduce National Insurance.

1974

KLP obtains its own licence as an insurance company and establishes a joint local authority pension scheme.

Pension rights for all.

The Transfer Agreement, which KLP contributes to, safeguards pension rights for people changing jobs within the public sector.

1984

KLP expands its product range with group life and accident insurance for local authority employees.

1985

KLP has total assets of NOK 15 billion under management.

1986

KLP succeeds in getting pensions index-linked in line with the National Insurance basic amount ('G').

1987

KLP takes over management of the Norwegian System of Patient Injury Compensation (NPE) on behalf of the Ministry of Social Affairs and owners of public healthcare institutions.

1988

Private contractual pensions, better known as AFPs, are introduced for employees in the private sector.

1990

KLP establishes a scheme with equity contributions under the Norwegian Insurance Act.

70 per cent of municipal and county employees have their pension schemes in KLP.

1992

KLP emerges unscathed from the financial crisis and the ‘yuppie era’. The company changes strategy and builds up solid financial buffers.

1996

Fiercer competition for local authority pension schemes.

1998

Today’s governance model is established. KLP's customers now elect representatives to the general meeting.

1999

KLP acquires 20 per cent of Norges Kommunalbank from the state after getting the green light from Parliament.

KLP establishes KLP Kapitalforvaltning AS, then known as KLP Aktiv Forvaltning ASA.

2001

KLP excludes tobacco producers from the investment portfolio at the instigation of large customer groups within the healthcare sector.

2003

The Banking Act Commission delivers reports on competition in local government occupational pension provision and on gender and age neutrality in group pension schemes.

2004

KLP signs the UN Global Compact, an initiative from Kofi Annan to get companies to take greater responsibility for the environment, human rights, workers’ rights and combating corruption.

KLP’s premium system becomes part of the industry norm and is incorporated into the new Insurance Act.

KLP considers turning into a limited company, but does not get sufficient support at the general meeting.

2005

KLP publishes its first corporate responsibility report.

2006

KLP launches its own comprehensive strategy for corporate responsibility

KLP establishes its subsidiary KLP Bedriftspensjon AS, which offers defined contribution and company pensions to businesses not bound by a collective agreement on municipal pension provision.

2008

KLP Skadeforsikring enters the retail market and offers private non-life insurance.

The Norwegian Insurance Act is amended. A distinction is made between customer assets and corporate assets.

2009

KLP takes over Kommunekreditt Norge AS after the financial crisis.

2010

KLP launches KLP Banken, aimed at members with pension schemes in KLP.

2011

Seven municipalities and one county council choose to put their occupational pension provision out to tender. At the end of the procedure, seven out of eight choose KLP to provide their public-sector occupational pensions.

Public-sector occupational pensions are adapted to reflect the changes in the Norwegian pension reform.

2013

KLP's principal competitors in the market for public sector occupational pensions opt to withdraw.

2014

KLP celebrates 65 years as the pension company for the whole of Norwegian local government.

The Storting adopts new disability pensions in the public sector from 1 January 2015.

2016

New Solvency II regulations.

2018

KLP pulls out of oil sands.

2019

KLP wins the contract from Øygarden municipality in the first procurement procedure for an insured pension solution in seven years.

Development over the last five years

NOK MILLIONS	2019	2018	2017	2016	2015
KLP GROUP					
Pre-tax income	3 193	2 840	2 474	2 449	5 138
Total assets	762 737	675 558	652 167	596 113	543 262
Owners' equity	37 340	33 857	29 564	27 823	23 665
Solvency II SCR ratio	253 %	243 %	224 %	198 %	-
Capital adequacy ratio	-	-	-	-	11,5 %
Number of employees	1 007	990	961	950	939
KOMMUNAL LANDSPENSJONSKASSE					
Pre-tax income	2 637	2 425	1 985	2 125	4 876
Premium income (without premium reserves transferred in)	40 224	38 723	32 119	33 605	29 541
Net transfers in/out of premium reserves and other funds	(492)	-510	130	3 587	10 354
Income to customers	10 909	5 528	7 124	8 339	20 650
of which supplementary reserves and buffer reserves	8 068	2 805	1 137	4 011	3 122
of which to Premium Fund	2 841	2 723	5 202	4 324	5 138
Insurance funds	560 834	505 182	489 159	452 375	412 363
Total assets	621 518	558 719	534 784	496 663	457 858
Owners' equity	37 318	33 835	30 626	27 785	23 609
Solvency capital	150 617	108 825	116 648	98 856	84 577
Solvency capital measured against insurance funds with interest guarantee	26.7 %	24.4 %	27.7 %	24.7 %	22.8 %
Solvency II SCR ratio	278 %	263 %	242 %	209 %	-
Capital adequacy ratio		-	-	-	12,0 %
Return on the common portfolio:					
book return	4.5 %	3.5 %	3.9 %	4.4 %	3.6 %
value-adjusted return	8.6 %	1.5 %	6.7 %	5.8 %	4.0 %
value-adjusted return including surplus value on assets recognize at amortized cost	8.8 %	0.5 %	6.7 %	5.4 %	2.8 %
Return investment options portfolio	9.9%	0.6 %	7.5 %	6.2 %	4.0 %
Insurance-related administration costs measured against average customer funds	0.24 %	0.25 %	0.25 %	0.30 %	0.26 %
Number of premium-paying members	573 666	547 219	451 443	446 895	435 363
Number of pensioners	309 647	293 726	278 459	262 877	247 300
Number of employees	563	561	534	528	533

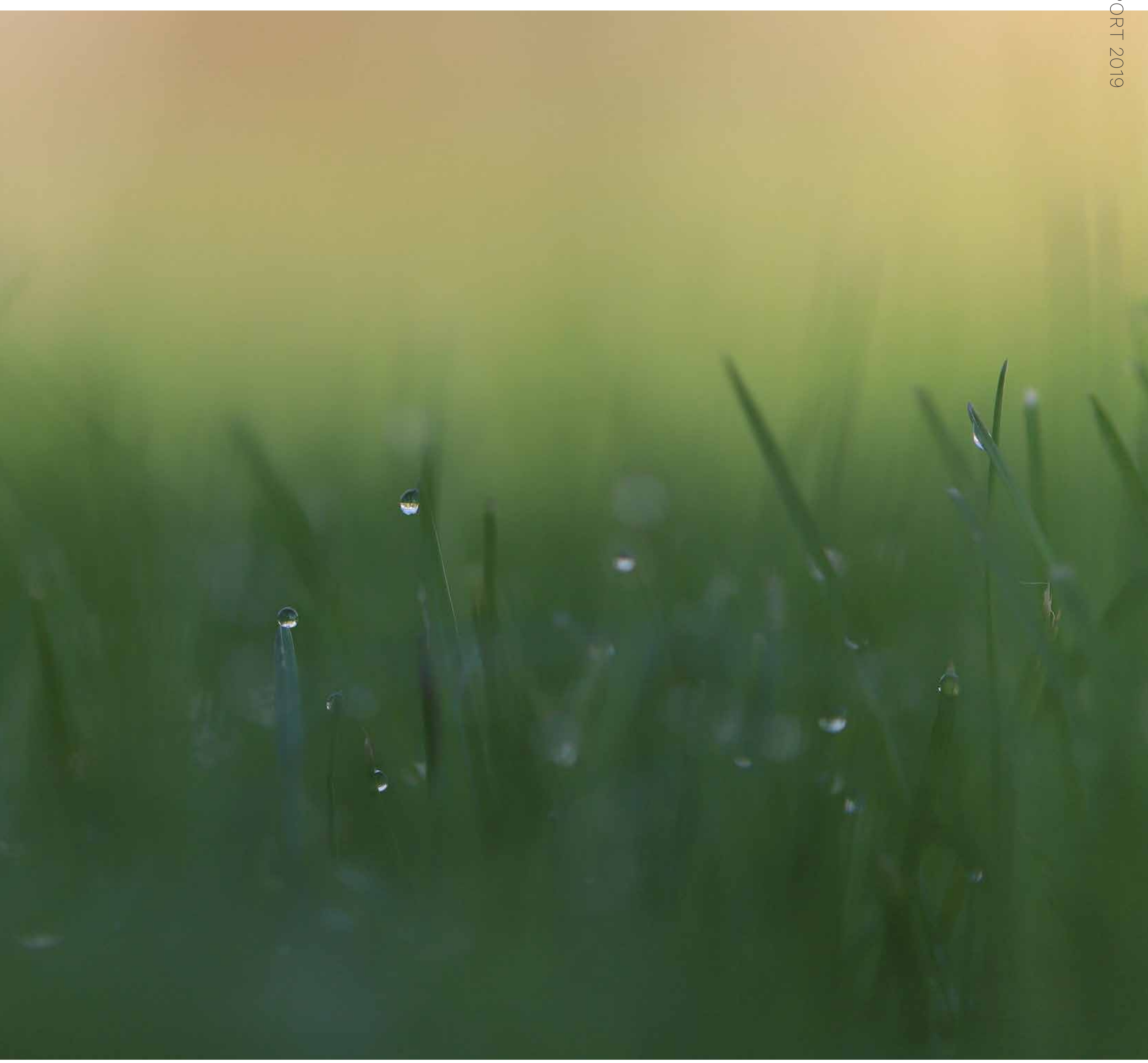
Development over the last five years - cont.

NOK MILLIONS	2019	2018	2017	2016	2015
KLP BEDRIFTSPENSJON AS					
Pre-tax income	-13	-21	-25	-27	-24
Premium income (without premium reserves transferred in))	639	522	454	389	336
Net inward/outward transfer of premium reserves	386	461	418	137	129
Income to customers	17	20	17	33	18
Total assets	7 259	5 601	4 869	3 571	2 943
Solvency II SCR ratio	204 %	149.9 %	110.8 %	22.0 %	-
Capital adequacy ratio		-	-	-	35,4 %
KLP SKADEFORSIKRING AS					
Pre-tax income	166	18	164	255	183
Annual premium (Gross premiums)	1 530	1 373	1 370	1 268	1 113
Total assets	4 906	4 495	4 594	4 489	4 128
Combined ratio	109 %	105 %	106 %	99 %	99 %
Solvency II SCR ratio	240 %	243 %	233 %	261 %	0 %
Capital adequacy ratio		-	-	-	48,9 %
KLP BANKEN GROUP					
Pre-tax income	102	83	103	91	50
Deposits	11 487	10 662	9 669	8 688	7 426
Lending *	34 934	33 474	30 763	29 962	26 359
Capital adequacy ratio	19.1 %	20.1 %	21.3 %	19.0 %	17.6 %

* Incl. interest accrued but not due

NOK MILLIONS	2019	2018	2017	2016	2015
KLP KAPITALFORVALTNING AS					
Pre-tax income	44	17	47	18	46
Assets for management in totalt	563 567	494 542	488 947	441 943	398 471
Of which assets for management from external customers	83 405	63 136	70 878	54 003	44 797

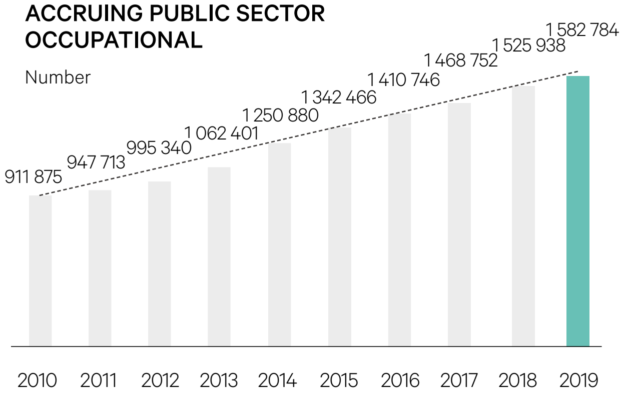
Photo: Marianne Wright Pedersen.
Employed in KLP



Growth and profitability

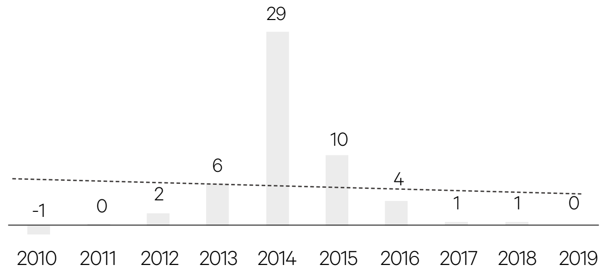
ACCRUING PUBLIC SECTOR OCCUPATIONAL

Number



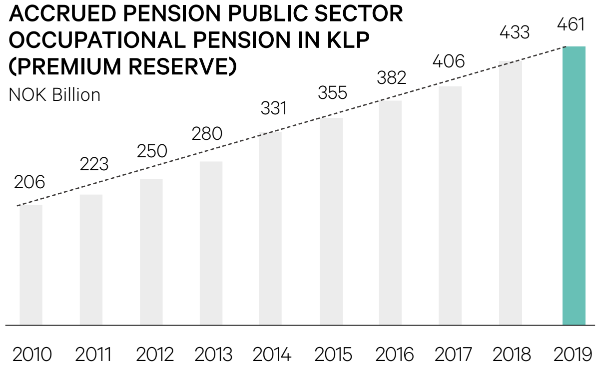
NET TRANSFERS IN TO LIFE INSURANCE

NOK Billion



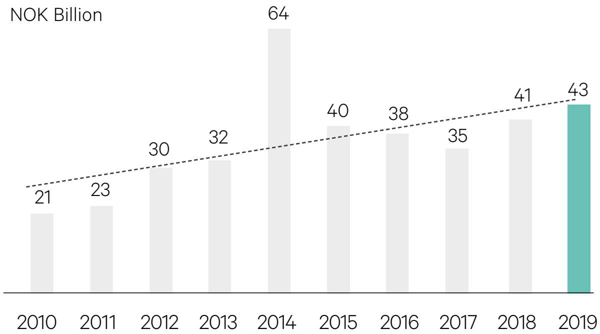
ACCRUED PENSION PUBLIC SECTOR OCCUPATIONAL PENSION IN KLP (PREMIUM RESERVE)

NOK Billion



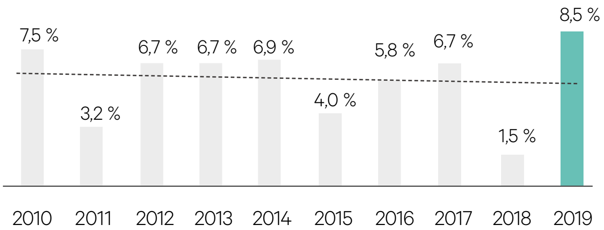
NET TRANSFERS IN TO LIFE INSURANCE

NOK Billion



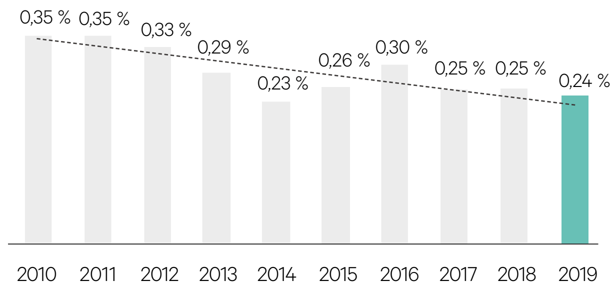
VALUE-ADJUSTED RETURNS ON PENSION FUNDS COMMON PORTFOLIO PUBLIC SECTOR OCCUPATIONAL PENSION

Percent



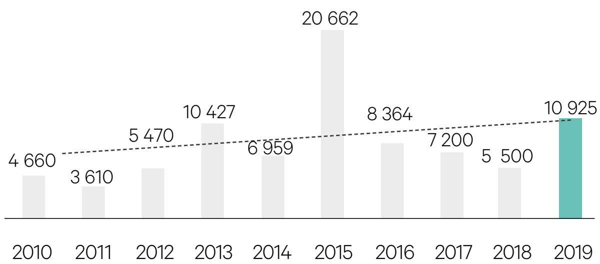
COST RATIO PUBLIC SECTOR OCCUPATIONAL PENSION

Percent



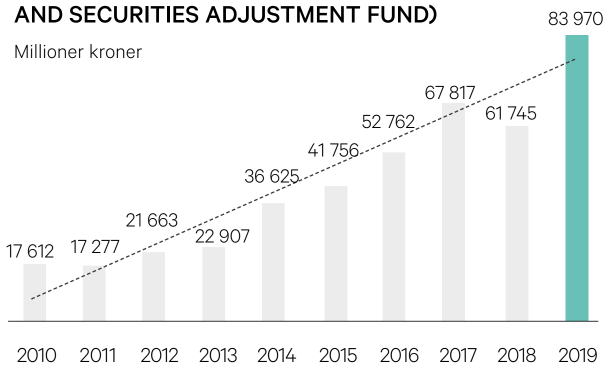
PROFIT/LOSS ALLOCATED TO INSURANCE CUSTOMERS

NOK Millon



CUSTOMER BUFFERS (SUPPLEMENTARY RESERVE AND SECURITIES ADJUSTMENT FUND)

Millioner kroner



*public sector occupational pension

KLP in figures

NUMBER OF CUSTOMERS (PUBLIC SECTOR OCCUPATIONAL PENSION)

	2019	2018	2017	2016	2015
Municipalities	335***	399	399	403	402
County administrations	9***	15	15	16	16
Health enterprises	28***	26	25	24*	29
Enterprises (with Public sector occupational pension)	2400	2450	2500	2500	2500
Active employees (members)	459 000	457 000	451 000	447 000	435 000
Deferred entitlements **	240 000	229 000	220 000	210 000	200 000
Pensions	310 000	294 000	278 000	263 000	241 000

* Incl. regional health enterprises
** Individuals previously employed for more than three years by employers with public sector occupational pensions
*** Taking account of local government reform from 01.01.2020. (1 January as before).

PUBLIC SECTOR OCCUPATIONAL PENSION

	2019	2018	2017	2016	2015
Accrued pension rights (NOK billion)	448	420	394	371	345
Premium invoiced (NOK billion)	40,0	38,8	31,9	32,6	26,5
Pensions paid (NOK billion)	19,3	17,4	16,2	15,4	14,1
Operating expenses (NOK million)	1 129	1 097	1 001	1 140*	922
Number of employees with the life company	471	459	445	451	453

* IT impairment makes up NOK 165 million.

PRIVATE-SECTOR OCCUPATIONAL PENSIONS

	2019	2018	2017	2016	2015
Agreements/contracts	3 015	2 811	2 572	2 249	2 033
Members with defined contribution schemes	28 292	25 905	23 123	20 997	19 227
Pension capital certificates	33 176	27 341	21 913	14 728	10 602

310 000

KLP-pensioners.

455 000

members.

KLP in figures - cont.

KLM MEMBERS (NUMBER) AS OF 31.12.19

	2019
NUMBER OF PENSION PAYMENTS*) PER PENSION TYPE	
Special old-age pension	6 698
AFP 62-64	5 680
AFP 65-66	6 516
Retirement pension	181 179
Spouse's pension	26 144
Child's pension	1 986
Disability pension	64 366

* A member may have multiple pension payments.

AVERAGE ANNUAL PENSION PAYOUT BY PENSION TYPE

	2019
Special old-age pension	304 000
AFP 62-64	231 000
AFP 65-66	278 000
Retirement pension	79 000
Spouse's pension	52 000
Child's pension	70 000
Disability pension	49 000

AGE DISTRIBUTION AGGREGATED FOR ALL SEGMENTS AND RISK GROUPS

AGE	PROPORTION
0-19	1.95%
20-24	7.30%
25-29	9.87%
30-34	10.19%
35-39	10.56%
40-44	11.30%
45-49	12.62%
50-54	12.41%
55-59	11.64%
60-64	9.32%
65-69	2.53%
70+	0.31%

79 000

average annual retirement pension payout.

9.32 %

proportion in the age category 60-64 years old.

KLP in figures - cont.

DISTRIBUTION BASED ON WHERE OUR MEMBERS WORK (MUNICIPALITIES, HEALTH ENTERPRISES, COMPANIES)

MUNICIPALITIES

AGE	PROPORTION
0-19	2.68 %
20-24	8.71 %
25-29	9.73 %
30-34	10.08 %
35-39	10.25 %
40-44	10.87 %
45-49	12.45 %
50-54	12.36 %
55-59	11.35 %
60-64	8.93 %
65-69	2.35 %
70+	0.27 %

301 590

members working in the municipalities.

COUNTY ADMINISTRATIONS

AGE	PROPORTION
0-19	1.43 %
20-24	3.08 %
25-29	5.86 %
30-34	8.26 %
35-39	9.82 %
40-44	10.91 %
45-49	14.19 %
50-54	15.30 %
55-59	14.50 %
60-64	12.02 %
65-69	4.26 %
70+	0.36 %

16 801

members working in the County administrations.

HEALTH ENTERPRISES

AGE	PROPORTION
0-19	0.13 %
20-24	4.80 %
25-29	12.33 %
30-34	12.63 %
35-39	11.86 %
40-44	12.22 %
45-49	12.15 %
50-54	11.73 %
55-59	10.92 %
60-64	8.74 %
65-69	2.28 %
70+	0.22 %

97 181

members working at health enterprises.

ENTERPRISES

AGE	PROPORTION
0-19	1.87 %
20-24	4.86 %
25-29	7.75 %
30-34	9.13 %
35-39	9.79 %
40-44	10.76 %
45-49	12.91 %
50-54	13.75 %
55-59	13.61 %
60-64	11.44 %
65-69	3.63 %
70+	0.49 %

46 531

members working for enterprises.

KLP in figures - cont.

BANKING

	2019	2018	2017	2016	2015
New lending (NOK billion)	20.1	21.1	16.8	16.3	14.3
Lending for own account (NOK billion)	34.8	33.5	30.8	29.7	25.9
Lending managed for KLP (NOK billion)	70.0	61.7	57.0	52.7	51.0
Number of active customers *	42.700 (73 % members)	62.500 (71 % members)	54.560 (70 % members)	46.801 (71 % members)	39.759 (69 % members)

* Active members

PROPERTY

	2019	2018	2017	2016	2015
Property value (NOK billion)	73.4	66.5	62.7	59.2	56.9
Value-adjusted operating profit including property funds (per cent)	6.9	8.2	8.8	12.7	11.2
Economic occupancy ratio (per cent)	94.8	96.3	96.6	96	95.4

ASSET MANAGEMENT

	2019	2018	2017	2016	2015
Total asset under management (NOK billion)	564	495	490	440	399
Asset management customersexternal to the Group (NOK billion)	83	64	68	54	45
Number of customers KLP Kapitalforvaltning	112 000	100 000	70 000	57 000	48 000

NON-LIFE INSURANCE

	2019	2018	2017	2016	2015
Number of customers in the public sector/corporate market					
Municipalities	303	318	337	337	318
County administrations	11	13	13	14	14
Health enterprises	27	14	15	29	29
Enterprises	2759	2659	3625	3168	2885
Numbers of customers in the retail market	65 500	55 440	48 767	45 249	33 250

PREMIUM VOLUME

Public sector	588 million
Companies	337 million
Retail market	684 million

Milestones in KLP 2019

In May KLP excludes companies with revenues from alcohol, pornography and gambling. This is one of many milestones in KLP this year.

The active equity fund KLP AksjeNorge celebrates 20 years with a 566 per cent return.

The collective agreement in the local government sector stipulates that public-sector occupational pensions must not be split up.

KLP best for transparency and responsibility in the Ethical Banking Guide.

JANUARY

MARCH

APRIL

MAY

KLP's municipal conference

Nurses in health enterprises are given the opportunity to work in retirement

KLP achieves its best single quarter since the financial crisis of 2008.

KLP launches the Enhanced Pension Guide for 57 to 65-year-olds.

KLP divests completely from coal.

KLP excludes companies with revenues from alcohol, pornography and gambling.

The parties to the collective agreement for local government employees adopt new special agreement on pensions.

MAY

JUNE

AUGUST

KLP puts NOK 870 million into a new renewables fund managed by Copenhagen Infrastructure Partners.

KLP hosts the Local Government Climate Conference for the first time.

KLP puts pressure on companies with activities in Brazil in connection with the fires in the Amazon.

KLP pulls right out of oil sands

KLP Skadeforsikring has the most satisfied corporate customers according to the annual EPSI survey.

KLP launches KLP Mer Samfunnsansvar – a family of five fossil and weapon-free funds.

KLP wins the Farmand Prize for the best annual report for the first time.

SEPTEMBER **OCTOBER** **NOVEMBER** **DECEMBER**

KLP wins contract for Øygarden municipality in the first public tendering procedure for seven years.

Reform of public-sector occupational pensions comes into force

KLP launches new "My Page" and a better pension calculator.

KLP'S SUBSIDIARIES

KLP Banken AS
KLP Banken AS is a wholly-owned subsidiary of KLP and is an online bank for retail customers which offers particularly good terms to KLP's members and pensioners. KLP Banken AS also finances loans to municipalities, county authorities and companies working for the public sector.

KLP Forsikringsservice AS
KLP Forsikringsservice AS (KLP FS) offers a wide range of pension fund services through its own and the Group's specialist expertise in public sector pension schemes.

KLP Bedriftspensjon AS
KLP Bedriftspensjon AS is a wholly-owned subsidiary of KLP. The company offers defined-contribution pensions and manages pension capital certificates for public and private sector enterprises. The company was established in 2006. The company also manages a portfolio of company pensions.

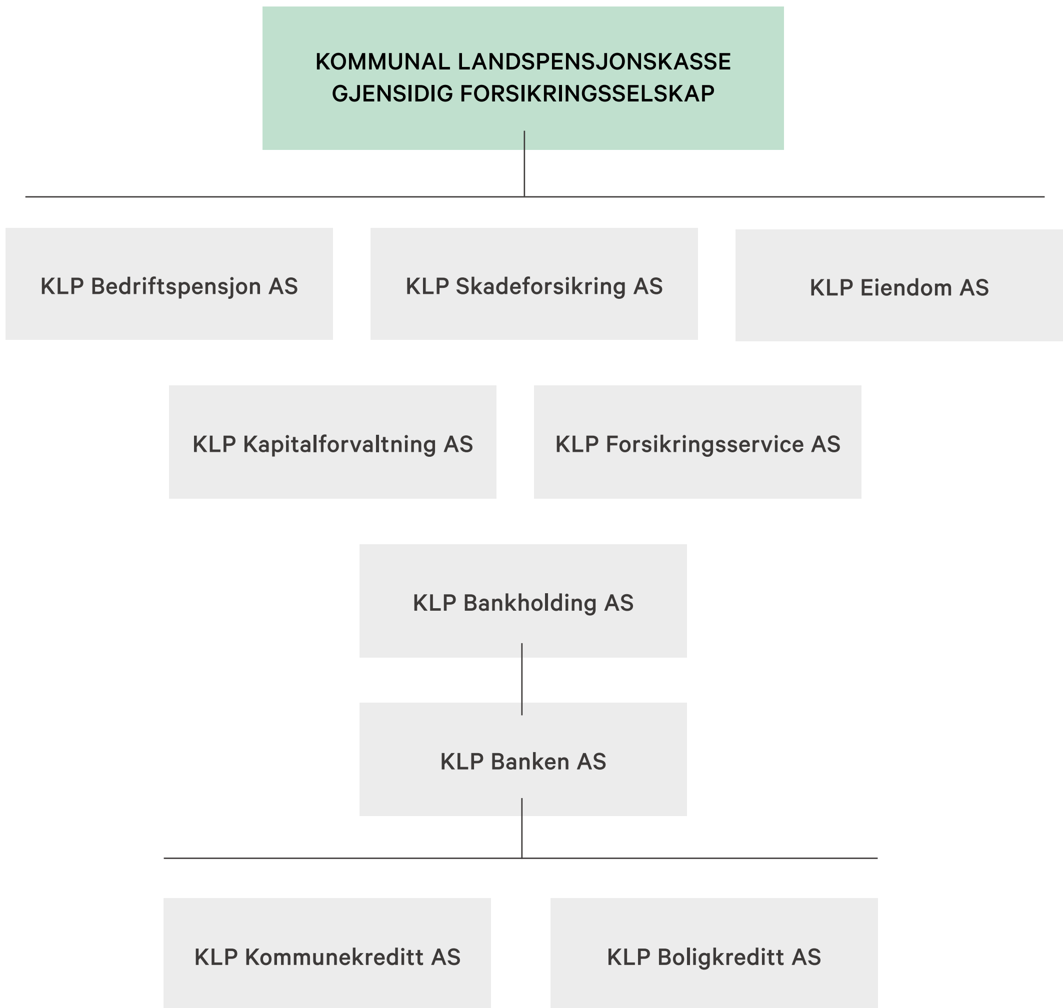
KLP Kapitalforvaltning AS
KLP Kapitalforvaltning AS is a wholly-owned subsidiary of KLP which manages NOK 564 billion for businesses within KLP and external customers. The company is one of Norway's largest asset management companies and Norway's leading index manager.

KLP Eiendom AS
KLP Eiendom AS is a wholly-owned subsidiary of KLP and manages properties with a market value of NOK 73.4 billion. The company is one of Scandinavia's biggest players in the management, development and operation of property. The property portfolio of 2.1 million square metres consists of shopping centres, hotels and office buildings as well as vacant plots and projects.

KLP Skadeforsikring AS
KLP Skadeforsikring AS provides insurance to municipalities, county authorities, companies affiliated to the public sector and other selected groups. The company also offers insurance to the retail (personal insurance) market with special advantages for members of the Group's pension schemes.

KLP's subsidiaries

KLP has six wholly-owned subsidiaries, which are organised as limited companies. The subsidiaries are expected to contribute to increased growth and profitability by offering good prices for banking, asset management and insurance to everyone who has a pension with KLP.



The KLP Banken Group

KLP Banken AS is a wholly-owned subsidiary of KLP and is an online bank for retail customers which offers particularly good terms to KLP's members and pensioners. KLP Banken AS also finances loans to municipalities, county authorities and companies working for the public sector. The bank and its subsidiaries KLP Kommunekreditt AS and KLP Boligkreditt AS have their head office in Trondheim as well as offices in Oslo. The Group has 69 permanent employees.

The bank manages loans totalling NOK 105.8 billion – NOK 71.0 billion financed by KLP and NOK 34.8 billion on its own balance sheet. KLP Banken has 42,700 active retail customers, of whom about 73 per cent are members of KLP. Lending to public-sector borrowers encompasses almost 2,000 businesses and municipalities, of which 86 per cent are owners of KLP.

THIS YEAR'S RESULTS

In 2019 the banking business achieved a pre-tax profit of NOK 102.3 million, against NOK 83.4 million in 2018. Profit after tax was NOK 82.9 million, against NOK 62.2 million the year before.

FUTURE CHALLENGES AND GOALS

A large proportion of the population are included in the Bank's target group, and the potential for enhancing KLP Banken's position in this segment is considered to be good.

New technologies and new players from other industries are challenging the banking industry. KLP Banken aims to exploit tried and tested technology to offer relevant, customer-friendly and efficient services to our customers. This brings a need for substantial IT investments in the years ahead, and it will be a vital factor if KLP Banken's growth and profitability targets are to be reached.

KLP Banken will continue its efforts to develop profitable banking products while maintaining the focus on providing members with good and predictable conditions.

KLP Kommunekreditt AS is Norway's only mortgage company issuing bonds with collateral in loans to the public sector. The presence of KLP Kommunekreditt AS, together with KLP, in the market for public-sector lending contributes to competition and so improves access to long-term financing on favourable terms.

In the retail market, KLP Banken has a business goal of 51,000 active members by 2022, a growth of 8,300 over the next three years. The annual growth target for mortgage loans is NOK 1.5 billion. The business goal is to achieve total lending to the public sector market of NOK 78 billion by the end of 2022, a growth of NOK 4 billion in the next three years.

KLP Bedriftspensjon AS

KLP Bedriftspensjon AS is a wholly-owned subsidiary of KLP. The company offers defined-contribution pensions and manages pension capital certificates for public and private sector enterprises. The company was established in 2006. The company also manages a portfolio of company pensions. KLP Bedriftspensjon AS leverages the Group's competitive advantage in the form of high pension and fund management expertise, low costs and a clear ethical profile in its management. The company offers defined-contribution pensions to public-sector enterprises which can choose defined-contribution pensions as an alternative to a public pension scheme.

THIS YEAR'S RESULTS

The company had total assets of NOK 7.3 billion at 31.12.2019. This is an increase of NOK 1.7 billion. The increase is mainly linked to an inflow of pension capital certificates and growth in the company's defined-contribution pension portfolio, which now totals NOK 4.9 billion. There has been a positive trend in the equity markets, which also affects the performance of the defined-contribution pension portfolio.

The company had a net growth rate of 204 business customers in 2019, and received transfers on over 4,500 pension capital certificates.

In 2019, KLP Bedriftspensjon AS launched a new savings profile – KLP Livsfase Mer Samfunnsansvar. This made KLP Bedriftspensjon the first in the Norwegian market to offer a savings profile that allows our customers to take more social responsibility through their pension savings. The new savings profile is composed of Nordic Swan-branded equity and fixed income funds.

COMPETITIVE SITUATION

KLP Bedriftspensjon is growing in sales of private-sector occupational pensions to businesses. Defined-contribution pension schemes, including pension capital certificates, are the dominant solution for private pension saving in Norway. The market for private-sector occupational pensions is marked by strong competition, especially in the segment for larger companies, and we notice our competitors positioning themselves to introduce their own pension accounts. Employees who have pension capital certificates in KLP should be aware that they can ask for them not to be transferred out.

FUTURE CHALLENGES AND GOALS

As of 31.12.2019, the company was managing private occupational pensions for 3,000 businesses with a total of 61,500 occupationally active individuals and pensioners.

KLP aims to be the preferred supplier of defined-contribution pensions to companies affiliated to the public sector.

KLP Bedriftspensjon AS is a growing company and increased its market share in 2019 in both defined-contribution pensions and pension capital certificates.

KLP Eiendom AS

KLP Eiendom AS is a wholly-owned subsidiary of KLP and manages properties with a market value of NOK 73.4 billion. The company is one of Scandinavia's biggest players in the management, development and operation of property. The property portfolio of 2.1 million square metres consists of shopping centres, hotels and office buildings as well as vacant plots and projects.

KLP Eiendom AS is KLP's channel for investment in the property market. The company has operations in Norway, Sweden, Denmark, Luxembourg and London, and has offices in Oslo, Trondheim, Luxembourg, Stockholm and Copenhagen.

The properties in the portfolio have excellent locations, a high standard of construction and effective utilisation of space.

THIS YEAR'S RESULTS

Direct property investments

KLP Eiendom AS had revenues of NOK 3.4 billion from directly owned properties in 2018, and the common portfolio's direct real estate investments amounted to 12.1 per cent of financial assets in the portfolio at the end of the year. Property investments and management are carried out only on behalf of the companies within the Group and have thus primarily contributed to returns on invested capital for life insurance customers. The value-adjusted time-weighted return was 6.8 per cent in 2018 (6.5 per cent in the common portfolio).

Excluding foreign exchange contracts, the property values were written up by NOK 1.7 billion gross in 2019 (of which the write-up in the common portfolio amounted to NOK 1.4 billion).

Indirect property investments

Property funds

The value of KLP's investments in Norwegian and international property funds amounted to NOK 2.5 billion at the end of 2018. Investments in property funds by the common portfolio represented 0.4 per cent of financial assets in the portfolio at the end of the year.

THE COMPETITIVE SITUATION

KLP's real estate business is driven by changes in the market value of commercial property and developments in the rental market. Property is still seen as an attractive investment in the Nordic region. There is every chance that real estate will still be an attractive investment, with fierce competition for the best properties, although trends in interest rates affect the attractiveness of the real estate sector.

With a good project portfolio, good properties and competent staff, KLP Eiendom is well equipped to face these challenges.

KLP Forsikringsservice AS

KLP Forsikringsservice AS (KLP FS) offers a wide range of pension fund services through its own and the Group's specialist expertise in public sector pension schemes.

THIS YEAR'S RESULTS

KLP FS is a leading supplier of actuarial services to municipal pension funds, and is the principal actuary for 10 out of the 23 pension funds established by municipalities/county authorities.

Throughout the year, KLP FS has maintained its position as one of Norway's leading providers of actuarial services to municipal pension funds.

THE COMPETITIVE SITUATION

On 1 January 2020, a number of municipal mergers took place. Some of these involve municipalities with their own

The subsidiaries are expected to contribute to increased growth and profitability by offering good prices for banking, asset management and insurance to everyone who has a pension with KLP.

pension funds. As part of the local government merger process, one of the pension funds for which KLP FS is a provider, Moss municipal pension fund, has chosen to switch to an insured scheme with KLP from 1 January 2020. Other municipal mergers could mean that they can choose between their own pension fund and an insured solution, and also choose between service providers for their pension funds. KLP FS is well-prepared for this competition, by virtue of the expertise of its own employees and its access to resources elsewhere in the KLP group.

FUTURE CHALLENGES AND GOALS

KLP Forsikringsservice aims to remain a leading supplier of actuarial services to pension funds and, over time, to gain a position as a provider of total solutions for managing new and existing funds that are put out to tender.

KLP Kapitalforvaltning AS

KLP Kapitalforvaltning AS is a wholly-owned subsidiary of KLP which manages NOK 564 billion for businesses within KLP and external customers. The company is one of Norway's largest asset management companies and Norway's leading index manager.

Since 2002, the company has had a responsible investment strategy to contribute to long-term value creation and sustainable development. Among other things, this means that 568 companies have been excluded from KLP's investments under guidelines for responsible investment. KLP Kapitalforvaltning AS has 68 permanent employees.

The asset management operation in KLP Kapitalforvaltning is organised into three areas, each with a different approach to its investment operations: index-tracking, active management and private equity.

At the end of the year, KLP Kapitalforvaltning was managing 51 funds, broken down into four combination funds, ten fixed-income funds, one active equity fund, four factor funds, five Nordic Swan-branded funds, 25 index-tracking equity funds and two special funds.

THIS YEAR'S RESULTS

The asset management business achieved a pre-tax profit of NOK 44.3 million in 2019 compared to NOK 16.7 million the previous year.

NOK 83 billion was being managed on behalf of external investors and retail customers at the end of 2019. In total the funds have about 111,000 unitholders. Institutional customers are by far the largest group measured by total assets. Our customers are served directly or via collaborative partners.

FUTURE CHALLENGES AND GOALS

The market outlook for the company is judged to be good. Over time, there will be an increase in the KLP Group's total assets, with the bulk expected to be invested in products delivered by KLP Kapitalforvaltning. Stable good results from index-tracking and increased interest from external customers are providing the basis for further growth in the assets under management. Developments in recent years following the introduction of tax-favoured saving in funds and restructuring of pension schemes in the private and public sectors have increased the interest in personal saving in mutual funds. The company is well positioned to take an increasing share of a growing savings market in the years ahead. The government's focus on cost-effective management products for consumers underpins this position for the company.

It is important for the company to have the skills to cope with the changes in its environment. The company sets great store by close relationships with its customers to enable it to offer products and financial solutions that meet their needs.

KLP Skadeforsikring AS

KLP Skadeforsikring AS provides insurance to municipalities, county authorities, companies affiliated to the public sector and other selected groups. The company also offers insurance to the retail (personal insurance) market with special advantages for members of the Group's pension schemes.

THIS YEAR'S RESULTS

KLP Skadeforsikring has good solvency. The result for 2019 shows good financial returns and continued satisfactory growth in the insurance portfolio. The proportion of members and the growth remain high among retail market customers, helped by a low departure rate. Feedback from customers and partners shows that the company delivers high quality and customer satisfaction. Loyalty among customers is very high and increasing, which shows that the company is able to meet the expectations customers have of us as an insurance company.

KLP Skadeforsikring had a 16.1 per cent growth in premiums due in 2019, amounting to NOK 221 million. All of the company's sub-segments showed good growth, with the retail market growing by 17.2 per cent, or NOK 100 million. The proportion of members in the customer base is still increasing, and stood at 88.0 per cent at the end of 2019. For the public-sector and corporate market, the growth was 15.3 per cent, or NOK 121 million.

THE COMPETITIVE SITUATION

The public-sector market had a premium volume of NOK 588 million at the end of 2019, an increase of NOK 58 million over the year. Competition in the market remains strong and profitability is affected by the fact that prices are low in relation to claim payments, especially for municipal buildings and motor vehicles. Insurers have therefore increased prices in this autumn's tendering procedures. At the renewal on 1 January 2020, KLP Skadeforsikring also made a general adjustment to prices, with further increases for some customer groups based on an individual assessment. The company's requirements for loss prevention have also been toughened. As a result of the regional reform, many municipalities and county authorities put their insurance procurement out to tender and activity has been high.

Increased general awareness of KLP has a positive effect on sales in the corporate market. The company has had a good success rate with its tenders, and the premium volume from this segment now amounts to NOK 337 million. This is an increase of NOK 58 million. The company prioritises delivering the best solutions to public-sector enterprises.

The company is continuing to grow in the retail market, where the target group is members of KLP's pension schemes. The premium volume at end-2019 was NOK 684 million, an increase of NOK 97 million during 2019. This is the highest nominal volume growth the company has had in the retail market. The growth comes from capturing new customers, together with a very low departure rate from the customer portfolio. KLP Skadeforsikring remains among the companies with the highest growth rates in the retail market.

FUTURE CHALLENGES AND GOALS

The company is a wholly-owned subsidiary within the KLP Group, and is owned by the life company's customers, and the aim is to provide for better non-life insurance products at low prices for owners and their members.

An increased premium volume is critical to improving productivity and competitiveness. At the same time, the company monitors profitability in the insured population closely and takes action in the segments that are not growing. The company will also invest in preventive measures that reduce the claim rate and thus contribute to better profitability. We are particularly concerned about the extent of fires caused by open fire in garbage cans, and will intensify efforts to prevent the consequences of this.

The company sees great potential in utilising KLP's strong market position and expertise, and combining this with better customer insights and new technology. General technological development in society has a direct impact on insurance, particularly on customers' expectation of solutions that make their everyday lives easier. This will govern the company's priorities within technological development, expertise and processes, so the time from idea to finished customer solution is made as short as possible. As a consequence of this, substantial resources will also be put into technological development in the years ahead.

The local government reform produced unexpected levels of activity in 2019, and we can expect fewer but larger contracts to be put out to tender in the future. The company's ambition is to retain its market position, but anticipates issues with the growth of claims for damage to municipal property. The company's ambition in the corporate market is for profitable growth. Within the retail market, the company has a large target group to address, namely the members of KLP's pension schemes. The ambition is to become a major provider of private insurance to this target group.

In line with the rest of the market, the company also started adjusting the prices of its key products in 2019. This will contribute to better profitability and increased volume. The company is equipped for further growth and will continue to invest in growth in the next few years. KLP Skadeforsikring is the leading provider of insurance to KLP's owners. The company has good growth and capital adequacy, and stands out from its competitors in terms of high service quality. This position carries obligations, but gives the company every chance of success in the years ahead.

RUNE HØRNES
Executive Vice President IT

Rune Hørnes joined KLP as Executive Vice President for IT on 1 October 2016. He came from a position as head of IT (CIO) at Storebrand, where he held various positions since 2005. In the time before Storebrand, Hørnes was senior manager at Accenture, in banking and insurance. He has long and broad experience from working at the intersection of business strategy, IT, organisation and work processes. Hørnes has a degree in Economics from the Norwegian School of Economics in Bergen.

MONA REFSDAL
Acting Executive Vice President HR and Internal Services

Mona Refsdal joined KLP on 1 May 2015. She is head of HR Arbeidsgiver and became acting Executive Vice President for HR and Internal Services in KLP on 1 January 2019. Refsdal came to KLP from Accenture Norway, where she was HR Country Business Partner and HR Lead Outsourcing Nordic. She previously worked as head of department and administration manager at Noroff and has also held a number of HR roles in various companies. Refsdal has a bachelor's degree in finance, HR and management.

LEIF MAGNE ANDERSEN
Managing Director, KLP Banken

Leif Magne Andersen joined KLP as Managing Director of KLP Banken on 1 December 2011. He has worked in Postbanken and theDnB NOR system since 1997 where one of his roles was Regional Director for retail market investment. Before that he worked as head of department at Intentia and he also has a background in the Norwegian armed forces. Andersen has an Executive MBA in Strategic Management from the Norwegian School of Economics (NHH).

GRO MYKING
Executive Vice President Communication and Marketing

Gro Myking joined KLP as Executive Vice President Communication and Marketing on 1 February 2016. She was marketing director at Posten Norge AS from 2007-2016. Myking was previously executive vice president, markets, in the Hakon Group/ICA Norge, and ran her own consultancy company. She has Board experience from several major Norwegian companies. Myking has a degree in Economics from the Norwegian School of Economics.

SVERRE THORNES
KLP Group CEO

Sverre Thornes has been CEO of KLP since January 2008. Prior to that, he was Executive Vice President responsible for life insurance, and from 2001 to 2006, Thornes headed KLP Kapitalforvaltning. He joined KLP as a fixed income manager in 1995, and has broad experience of insurance and asset management. Thornes has a BA in Business Administration from the American College in Paris.

The senior Group management of KLP

From left: Rune Hørnes, Mona Refsdal, Leif Magne Andersen, Gro Myking, Sverre Thornes, Marianne Sevaldsen, Gunnar Gjørtz, Håvard Gulbrandsen, Tore Tenold and Aage E. Schaanning.

Photo: Nicolas Tourrenc

MARIANNE SEVALDSEN
Executive Vice President, Life Division

Marianne Sevaldsen has been Executive Vice President for the Life Division of KLP since 2013. She came from a position as business director in Sandnes Sparebank. Sevaldsen is a lawyer specializing in insurance and company law.

GUNNAR GJØRTZ
Managing Director, KLP Eiendom

Gunnar Gjørtz has been Managing Director of KLP Eiendom since 1 January 2011. Before that, he was deputy managing director of the same company. Gjørtz's background includes appointments as Finance Director at NetCom, Løvenskiold Vækerø and at Hafslund. Gjørtz also spent four years in the UK and France with the Franco-Belgian group Suez Lyonnaise des Eaux, and was also finance director of the then listed company Nora Eiendom which was acquired by KLP in 1995. He graduated in Business Administration from Handelsakademiet i Oslo (now BI - the Norwegian School of Management).

HÅVARD GULBRANDSEN
Managing Director of KLP Kapitalforvaltning

Håvard Gulbrandsen has been Managing Director of KLP Kapitalforvaltning since 1 September 2009. He came from a position as Head of Asset Strategies Equities / Head of Core Corporate Governance in Norges Bank Investment Management, and previously worked as a fixed income manager at Storebrand Kapitalforvaltning and investment director at DnB Investor AS. Gulbrandsen has an MSc in Management Sciences from the University of Warwick (1988), and a Master in Finance & Investments (1989) and is an Authorised Financial Analyst (1992).

TORE TENOLD
Managing Director of KLP Skadeforsikring

Tore Tenold joined KLP as Managing Director of KLP Skadeforsikring on 1 October 2012. He was Managing Director of Sparebank1 Skadeforsikring AS, and previously worked at Aktiv Forsikring and Vesta Forsikring. Tenold graduated from the Police Academy, university and the Insurance College.

AAGE ELMENHORST SCHAANNING
Group Chief Financial Officer/Executive Vice President, Finance

Aage Schaanning has been CFO of KLP since 2008. Schaanning headed KLP Kapitalforvaltning from 2006-2008. He previously worked with borrowing, finance management and administration in BNbank and Kredittkassen before joining KLP in 2001 as investment director in KLP Kapitalforvaltning. Schaanning has a MBA from the University of Colorado and is an Authorised Financial Analyst.

Management, Board and committees in KLP

Kommunal Landspensjonskasse gjensidige forsikringsselskap (KLP) is owned by customers with public sector occupational pensions with the Company. The owners are municipalities, county administrations and health enterprises, and companies associated with the public sector.

KLP's Articles of Association and applicable legislation provide the framework for appropriate corporate governance and clear division of roles between the directing bodies and executive management. The Company has not issued any negotiable equity instruments, so KLP is not listed on Oslo Børs (the Norwegian stock exchange) or any other marketplace. KLP has listed bonds on the London Stock Exchange (KLP Banken has bonds listed on the Oslo Stock Exchange).

KLP has a broad ownership structure. Delegates to the General Meeting are appointed through election meetings in the relevant constituencies, to which all owners are invited. Voting rights are calculated on the basis of the individual member's share of the previous year's ordinary premium. The largest owner represents about 3 per cent of the votes. At the General Meeting each individual delegate has one vote.

The Company's Board of Directors includes owner representatives, representatives of employees' trade unions, a member without links to these, and representatives of KLP's employees.

KLP complies with the Norwegian Code of Practice for Corporate Governance (NUES) to the extent this is compatible with the mutual form of the Company. The Norwegian Code of Practice for Corporate Governance sets out generally accepted principles for corporate governance. See separate section on NUES for KLP's report relating to NUES recommendations.

The Board of Directors undertakes an annual review of the Company's corporate governance. It also aims to contribute to good corporate governance in the companies in which KLP has holdings.

GROUP SENIOR MANAGEMENT

Group senior management is made up of the Group CEO, the Executive Vice President Life, the Group Chief Financial Officer/Executive Vice President Finance, the Executive Vice President Communication and Marketing, the Executive Vice President IT, the Executive Vice President HR, and the Managing Directors of KLP's subsidiaries KLP Banken AS, KLP Eiendom AS and KLP Kapitalforvaltning AS. KLP Bedriftspensjon AS and KLP Forsikringsservice AS are represented by the Executive Vice President Life Division See separate presentation from Group senior management.

THE GENERAL MEETING

The General Meeting is the Company's highest authority and comprises elected representatives of the Company's owners. 173 delegates from a total of 22 constituencies were registered for the General Meeting for 2019. 17 of the constituencies comprise county administrations and municipalities in each county. The four regional health enterprises and their subsidiaries each form one constituency. The companies together form one constituency. In each constituency an election meeting is held to elect delegates to the General Meeting.

The General Meeting approves the annual report and accounts for the Company and the Group, including the allocation of profits or provision for losses. The tasks of the General Meeting also include electing 24 of the 45 members of the Corporate Assembly and approving the remuneration of the Corporate Assembly.

THE CORPORATE ASSEMBLY

The Corporate Assembly has 15 members elected by and from the employees of KLP. 24 members are elected by the General Assembly and 6 by the employee organisations or their negotiating associations. The role of the Corporate Assembly is to supervise the management of the Company by the Board and the CEO. Another task of the Corporate Assembly is to select five directors and the chair and deputy chair of the Board.

THE BOARD OF DIRECTORS OF KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

The Board of Directors is a collective body responsible for the interests of the Company and its owners. The Board is required to monitor the Group's compliance with business regulations and licence requirements.

The Board provides for appropriate organisation of the business, determines plans and budgets, keeps abreast of the Company's financial position and obligations and ensures that the business, accounts and asset management are subject to satisfactory control. The Board is required to supervise the executive management and the Company's business generally.

The Board ensures that the Company has satisfactory capital and solvency commensurate with the risks and the scale of the business, and complies with the applicable laws and regulations at all times. The Board of Directors ensures that KLP has appropriate systems for risk management and internal control. In this context, the Board sets out the goals and strategy, as well as overall guidelines for the business. The Board of ensures that processes for risk management and internal control are established, carried out, monitored and documented.

The Board of Directors comprises eight members elected for a term of two years each, in such a way that half are up for election each year. Five Board members with up to the same number of deputies are elected by the members of the Corporate Assembly who are elected by the General Meeting. Two members with deputies are elected by and from KLP's employees. One member and a deputy are nominated by the employee organisation or negotiating alliance with most members in the pension schemes. Two observers are also nominated from those organisations that are second and third in terms of the number of members. The Group CEO is not a member of the Board of Directors.

See also the Annual Report with an introduction to the directors.

REMUNERATION COMMITTEE, AUDIT COMMITTEE AND RISK C OMMITTEE

The Board of Directors has three subcommittees: a remuneration committee, an audit committee and a risk committee. The committees do not make decisions on behalf of the Board, but present their assessments and recommendations to the Board.

REMUNERATION COMMITTEE

The remuneration committee is a preparatory and advisory working committee for the Board's deliberations on remuneration questions. In 2011 the Financial Supervisory Authority of Norway gave permission for a joint remuneration committee in the KLP Group. On this basis the committee also functions as the remuneration committee for the boards of directors in the KLP Group that are required by law to have remuneration committees.

The committee's responsibilities include ensuring the requirements laid down in law and in the regulations on remuneration schemes in financial institutions, investment firms and asset management companies are complied with in those companies in the KLP Group that are subject to these regulations.

Members: Jenny Følling, Susanne Torp-Hansen, Odd Haldgeir Larsen, Leif Ola Rød and Tom Tvedt (deputy).

AUDIT COMMITTEE

The audit committee is a preparatory and advisory working committee for the Board. The work of the audit committee covers the whole of the Group. The committee helps to quality-assure the work of the Board in relation to financial reporting, audit, risk management and internal control in the accounting process.. In particular, the audit committee monitors the work of the internal and external auditors.

Members: Karianne Melleby (chair), Freddy Larsen, Øivind Brevik, Cathrine Lofthus and Tom Tvedt (deputy).

RISK COMMITTEE

The committee acts as a risk committee for the Board of Directors of KLP and its Group-level responsibilities. The main tasks of the risk committee are to assist the Board of Directors in monitoring and managing the Company's overall risk and capital needs. The risk committee assesses whether the Company's governance and control arrangements are commensurate with the level of risk and the overall scale of the Group's activities.

The committee also ensures that the Company has good systems for internal control and risk management, and that the second-line functions for risk management, compliance and actuarial work properly. The committee ensures that there is a satisfactory and clear organisation, as well as appropriate division of responsibilities and tasks between executing and monitoring functions.

The risk committee assists the Board in preparing Board actions in other matters to do with risk management.

Members: Karianne Melleby (chair), Freddy Larsen, Øivind Brevik, Cathrine Lofthus and Tom Tvedt (deputy).

NOMINATION COMMITTEE

The nomination committee is laid down in the Articles of Association and recommends candidates for election to the following offices:

- The members of the Corporate Assembly elected by the General Meeting, as well as the chair and deputy chair of the Corporate Assembly.
- The members of the Board of Directors elected by the Supervisory Board members elected by the General Meeting as well as its chair and deputy chair.

The Corporate Assembly has adopted instructions for the work of the nomination committee.

Members: Ole John Østenstad (chair), Steinar Marthinsen, Anita Eidsvold Grønli, Inger Torunn Klosbøle and Janne Fardal Kristoffersen (deputy).

BUSINESS AND RISK MANAGEMENT AND CONTROL

The risk management system in KLP is aligned with the European capital adequacy regulations, Solvency II. The various functions are divided in accordance with the principle of three lines of defence. The primary responsibility for good risk management lies with the first line, the operational entities. The second line comprises the risk management function, the actuarial function and the compliance function. The third line is Internal Audit. A risk management committee has also been established, as an advisory body to the CEO. The risk management and actuarial function is part of a department headed by the Chief Risk Officer. The department is responsible for monitoring the risk management system and oversees the risks to which the business is or may be exposed. Both this department and Compliance report directly to the CEO to ensure sufficient independence. The heads of the second-line control functions also have the right and the duty to report to the Board on matters which are their responsibilities.

This year, in accordance with Solvency II, KLP will report in detail on risk management and control in a separate public report, the Solvency and Financial Position Report (SFCR).

INTERNAL AND EXTERNAL AUDIT BODIES

Group Internal Audit carries out independent assessments of whether the Company's most important risks are adequately handled and controlled. Internal Audit also evaluates the appropriateness and effectiveness of the Group's governance and audit processes.

Internal Audit operates in accordance with instructions laid down by the Board of Directors and reports to the Board. In addition to the Company's internal control bodies, the Company is subject to the professional supervision of the Financial Supervisory Authority of Norway (FSA of N). The FSA of N checks that financial institutions are run responsibly and in accordance with legislation.

The KLP Group's external auditor is elected by the general meeting. The Auditor participates in meetings of the Board of Directors where the annual financial statements are adopted. Annual meetings are held between external auditors and the Board of Directors without the presence of the Group CEO or other management.

INTERNAL GOVERNANCE AND CONTROL

The Board of Directors has laid down special Board Directives and Instructions for the Group CEO. The Group CEO's instructions govern implementation of the executive management of KLP. KLP's Group CEO is chair of the boards of directors of KLP Skadeforsikring AS; KLP Kapitalforvaltning AS; KLP Eiendom AS; KLP Bankholding AS; KLP Banken AS, and KLP Forsikringsservice AS.

The Board of Directors lays down strategies and guidelines for running the business, including guidelines for risk management and internal control. The Board of Directors also approves KLP's Code of Conduct which provides guidelines for KLP's relations with customers, suppliers and other business associates, and sets requirements for internal conduct and KLP's business practices.

Balanced scorecard

KLP uses the balanced scorecard approach to measure performance in different dimensions. KLP used to measure this in the four dimensions of Finance, Customers, Internal Processes and Learning and Growth. The corporate strategy has now been divided into six key areas, and in 2019 KLP has used five of these key areas as the basis for the scorecard. The keys areas in the scorecard are:

25 %	15 %	15 %	25 %	20 %
FINANCE	CORPORATE RESPONSIBILITY	COMPETENCE AND CULTURE	DIGITAL TRANSFORMATION	MARKET POSITION

Value drivers and measurement parameters have been selected that build on these strategic areas. However, reputation is not included on the scorecard as this is a difficult area to manage through measurable actions. To allow us to track progress during the year, and enable us to manage resource usage at all times, we have quarterly reporting. The scorecard is also supplemented by regular reporting of key figures, including indicators measured less frequently than quarterly, as well as qualitative assessments.

Significant negative variances from the targets raise a requirement to submit a deviation analysis with a description of the measures that have been initiated to improve target achievement.

FINANCE (weighting 25 per cent)
The KLP group achieved its financial targets in 2019. Rising stock markets were a major driver for the good results from managing customers' pension assets. The individual business areas achieved their performance targets in 2019, and here too returns from the financial markets were consistently positive, while volume growth in most business areas was satisfactory. However, some business areas experienced squeezed margins in parts of their market segments. The return on equity from the subsidiaries, for example, exceeded the target. The good results also helped us to attain our solvency targets. Costs were also within the target level, and economies of scale were achieved within public-sector occupational pensions.

CORPORATE RESPONSIBILITY (weighting 15 per cent)
In 2019, the Group increased its climate-friendly investments by NOK 6.2 billion, against a target of at least NOK 6.0 billion. KLP also exerted its influence by exercising its rights as an owner in the companies the pensions funds are invested in, achieving its targets here also. The Group also offered new products that contribute to positive societal development through 2019 in line with its objectives.

COMPETENCE AND CULTURE (weighting 15 per cent)
The Group is in the midst of a programme of modernisation and restructuring that calls for new expertise. KLP intends to handle some of the restructuring through internal mobility, by developing employees so that they can fill the need for new expertise. This also requires a well-functioning internal labour market, and the Group achieved its target for the number of internal applicants for advertised positions. However, the Group's efforts to create a knowledge bank with an overview of individual employees' skills have not progressed as far as we hoped.

DIGITAL TRANSFORMATION (weighting 25 per cent)
The Group's modernisation programme, in which we will be investing in automated processes and the latest technology over a five-year period, made a good start in 2019 and has delivered well in line with the schedule. KLP's online pension guide was extensively used, in fact more widely than expected. This shows that there is a need for good guidance on pensions, and that KLP's members have been able to make good use of this assistance. We also see that customers are comfortable with the Group's self-service solutions at klp.no. However, the number of uncompleted processes is slightly higher than the target. We have not managed to collect more than half of the e-mail consent forms sent out in 2019.

MARKET POSITION (weighting 20 per cent)
The Group's market share in public-sector occupational pensions is in line with the target for 2019. It is also pleasing to see that the number of members who choose to buy more than one product from KLP's range of services is increasing and in line with our targets. However, awareness of KLP as a pension provider among public employees was somewhat below the target at the end of the year.

KLP aims to be a leader in corporate responsibility

KLP's social mission is to deliver secure and competitive pensions to the Norwegian local government and healthcare sector, both now and in the future. It is important both for us and for our owners that we do this in a responsible and sustainable way.

OUR TOOLS

INTEGRATING
corporate responsibility into all our business

INCREASING INVESTMENTS
that promote sustainable development and support our financial goals

ENGAGING
companies and industries for a more sustainable operation

DEVELOPING
products and services that contribute to positive development in society

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DESIRED SOCIAL EFFECT

ACHIEVING THE CLIMATE TARGET

A MORE SUSTAINABLE ECONOMY

SUSTAINABLE URBAN DEVELOPMENT AND INFRASTRUCTURE

HEALTH-PROMOTING WORKPLACES IN THE PUBLIC SECTOR

Why is KLP concerned about the future?

What will the world look like in 2070 when those who are young today are set to retire? As the Norwegian local government and healthcare sector's own pension company, we manage over NOK 700 billion for current and future pensioners. Young people who were enrolled as members with us and started work in a municipality or health trust in 2019 are likely to retire in the 2070s. This is a long-term commitment, which means that KLP cannot just think of delivering good returns this year, but also has to take a long-term view in its pension management. What the world will look like by then will affect how we deliver secure and competitive pensions, which is why we are concerned about the sustainability challenges facing the world. KLP wants to contribute to better social development – both because this will safeguard future returns and because we all have a responsibility to take care of our planet and contribute to sustainable development.

The vast majority of us live in the present, and so we should. But in some areas, it may be smart to give some thought to the future. What choices should you be making today to make you better off in the future? In relation to pensions or savings, for example? At KLP we have to think about the days to come.

Long-term thinking is necessary in all areas covered by the UN Sustainable Development Goals. If we had to pick one, however, it would be climate change, with all the risks and opportunities climate-related development entails. At KLP, we have set ourselves a goal of having an investment portfolio in line with the ambitions of the Paris Agreement, and we are actively working to understand the climate risks KLP's business faces. We also know that many young people are fearful about the future because of climate change. This is why KLP has developed the teaching programme "Journey into the Future".

Journey into the Future

"Journey into the Future" is based on facts about climate issues, and uses future thinking as a tool to make young people more aware of how the choices they make today affect how their own lives and the world will turn out in the future. Does this align with what is important to the individual?

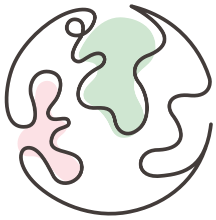
To stimulate these reflections, the students are exposed to two different scenarios in the year 2040 – one where Norway is on the way to a zero-emission society, and one in which we have not managed to change our ways.

The scenarios and stories have been produced in collaboration with NORCE, the Bjerknes Centre for Climate Research and the Norwegian Climate Foundation.

"Journey into the Future" is based on facts about climate issues.

Desired effect

How have we contributed in 2019?



We want to help the world to achieve its climate target

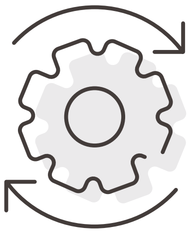
Through its operations, KLP aims to help reduce emissions in line with the ambitions of the Paris Agreement. We use the instruments we have at our disposal: in our operations, in our procurement, in investment decisions and as owners.

In 2019, KLP placed NOK 6.2 billion in climate-friendly investments. One example of a project in this portfolio completed in 2019 is our investment in one of the world's largest solar energy farms in Egypt. We have also partnered with another finance company to offer project financing for renewable energy.

While seeking investment opportunities in line with the UN Sustainable Development Goals, KLP is also reducing its investments in fossil energy. In 2019, KLP divested completely from coal and oil sands.

Climate is also an important aspect of our real estate investments. One example is where KLP opted to refurbish the MAX building in Trondheim in a sustainable way rather than demolishing it and rebuilding from scratch. The building was completed in 2019 and is one of only four in Norway to achieve the highest possible BREEAM classification of Outstanding.

KLP has also continued to reduce the number of flights in its own operations.



We want to contribute to a more sustainable business sector

Sustainability is a prerequisite for long-term value creation in business and society. Through dialogue, KLP aims to use its role as a responsible investor and owner to push companies we have invested in towards sustainable operations.

During 2019, for example, KLP had discussions with companies in Brazil following the forest fires in the Amazon. This was to understand how they are working on their policies and procedures to ensure that they help to limit deforestation in that country. KLP also ran a seminar on "beaching" and visited several shipyards in India to see how ships are scrapped there. This is part of our efforts to stop companies in our portfolio sending ships for scrapping under unacceptable conditions.

How do we aim to contribute going forward?

KLP will continue to seek investment opportunities that help to achieve the goals of the Paris Agreement and contribute to sustainable development. We are committed to the goal of increasing investments in climate-friendly investments by NOK 6 billion a year.

Via the UN Global Compact, KLP has voiced its support for the 1.5 degree target in the Paris Agreement, and committed to setting a climate target where emissions from our own operations and our investments are in line with the 1.5 degree scenario. The process of developing measurement methods, setting new climate targets and taking steps to help reduce emissions has now started.

Awareness and competence raising around climate change and its consequences will be an important area in 2020 too. This is something we will continue to work with in our own organisation, and we will also use our external communication to put climate on the agenda.

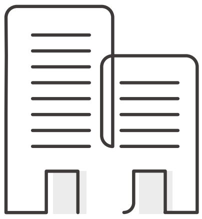
KLP has voiced its support for the 1.5 degree target in the Paris Agreement.

KLP has drawn up owner expectations for responsible business. This expectation document is addressed to the board and management of every company we have invested in. It will be communicated to companies and will be the starting point for our ownership dialogue on these topics.

KLP will continue to vote at almost every general meeting at which we have voting rights, and will consider voting against resolutions where the company does not meet our expectations. Climate and equality are topics we will pay particular attention to in 2020.

Desired effect

How have we contributed in 2019?



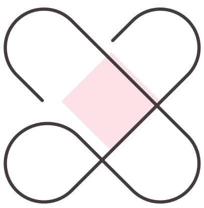
We want to contribute to sustainable urban development and sustainable infrastructure

KLP's investments and projects should contribute to urban and infrastructure development which is sustainable and equips Norwegian society for the future. We manage capital for sustainable projects, and we ensure that projects we invest in consider relevant sustainability aspects.

Starting in 2019, KLP now offers discounted interest rates on loans for climate-friendly municipal projects. KLP thus helps to ensure that municipalities can make the investments in climate-friendly restructuring that they believe they need. Examples projects are water treatment facilities and public buildings with a high environmental standard.

Through our non-life company, we are working on claim prevention activities with our customers. KLP focuses especially on systematic safety management for municipal rented housing, where the aim is to reduce the risk of fire and damage. This will give municipalities safer housing and profitability over time.

Municipalities play an important role in the transition to a low emission society. In 2019, in order to create a meeting place where municipalities could exchange ideas and experiences and be inspired by each other, KLP arranged the Municipal Climate Conference, where it presented the KLP climate prize to promote climate actions with transfer value for other municipalities. The conference focused on challenges related to emission reduction and future social planning in the municipalities.



We want to contribute to health-promoting public-sector workplaces.

KLP should help our employer customers to see the value of health-promoting workplaces. The aim is to provide knowledge and tools that can contribute to a good working environment which prevents sickness absence, incapacity and early retirement.

Large numbers of people unfit for work are costly both to society and to individual employers. Society benefits from keeping people healthy and in work, and this also increases individuals' quality of life. A good HR policy is therefore profitable. Measures to prevent disability and early retirement lead to lower and more predictable pension premiums for owners, and contribute to a more profitable community within KLP.

Through the work network for our customers, we facilitate sharing of knowledge of a good working environment. Through the project "Sykt frisk = OK" ("Wickedly healthy = OK"), Ahus orthopaedic clinic reduced sickness absence from 19 per cent in 2016 to 3.1 per cent in 2019. Vestvågøy municipality ran the "Ny Lofoting i magen" project ("A new Lofoting in your tummy"), which increased the time worked in the 37 weeks of pregnancy from 28.2 to 31.2 weeks.

Ahus orthopaedic clinic reduced sickness absence from 19 per cent in 2016 to 3.1 per cent in 2019.

How do we aim to contribute going forward?

Going forward, we aim to invest more in urban and infrastructure development which is sustainable and equips society for the future. This means increasing climate-friendly investments by a further NOK 6 billion each year, as well as communicating how KLP is contributing to the climate financing target in the Paris Agreement. These are investments that are financially attractive and increase the climate-friendly element of the overall portfolio. This reduces KLP's climate risk and makes it clear that our work has an effect on the climate.

KLP uses certification schemes to work systematically on sustainability in the property portfolio. The long-term aim is to certify all buildings, and we plan to publish targets and progress plans for this in 2020.

As the pension manager for Norwegian municipalities, KLP needs to understand the climate risk associated with our activities. Climate and sustainability will also be on the agenda at most customer meetings in our lending business.

KLP increases climate-friendly investments by a further NOK 6 billion each year

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We will continue the work we are doing today on health-promoting workplaces with our customers and owners. We will spread information and knowledge about how health-promoting workplaces contribute to lower pension costs and increased profitability, both internally and among our customers. We will also help the municipalities to share knowledge of and experience from a good working environment.

HALLVARD BENUM (40)
Energy and efficiency engineer at
Kongsberg Kommunale Eiendom.

Photo: Roar Grønstad

«In my job, I can try out new and exciting energy solutions that will hopefully take us a step closer to the renewable society.»


Photo: Skjalg B. Vold

HILDE GULLI (55)
Head of adult health services in Lillestrøm municipality.

«My job gives me meaningful working days and confidence in what I do. A good professional network, good colleagues and a good working environment.»

«The fitness training at work is very important to me. I've never exercised before, but the offer of group sessions at lunch-time with colleagues has given me a taste for exercise and makes my working day better.»

Photo: Cato Gustavson

KARIN SPOLEN NILSEN (27)
Special consultant on age pensions at KLP.

The Employee Account

KLP is working on sickness absence, and focusing on competence management and continuous improvement.

SICKNESS ABSENCE
KLP's aim is to have less than 4 per cent sickness absence. Sickness absence for 2019 totalled 3.9 per cent, compared to 4.2 per cent in 2018. Long-term absence over 16 days accounted for 2.3 per cent and short-term absence under 16 days for 1.6 per cent. Both long-term and short-term absence have decreased. Particularly in the first half of 2019, sickness absence was slightly lower than in 2018.

There is a considerable focus on systematic and targeted efforts to manage and follow up on employees reporting sick. The managers within KLP have adopted a digital system to monitor people on sick leave, which was introduced in 2018. Several long-term absences have been resolved through and benefits from NAV. Many people who were previously 100 per cent absent, have returned to work part-time and are receiving part-payment from NAV and/or KLP.

STRATEGIC SKILLS MANAGEMENT
business areas have defined their primary skills needs and initiated appropriate development measures. This work will continue in 2020.

MANAGEMENT DEVELOPMENT - FROM WORDS TO DEEDS
An important goal for management development at KLP is to produce managers with the attitudes, behaviour and skills to implement changes and to develop colleagues, themselves and KLP's business. Values and principles of good leadership at KLP have been drawn up and are reinforced in the management model, and during 2019 we have been ably assisted by AFF/NHH as we have addressed these issues at management gatherings, in leadership groups and individually. This collaboration will continue into 2020. KLP also runs staff surveys focusing on job satisfaction and management. The survey in 2019 also returned good results, but we hope to improve them further in 2020 local workshops and fresh initiatives.

CONTINUOUS CUSTOMER-FOCUSED IMPROVEMENT
KLP aims always to deliver products and services that customers are happy with. Provision should be simple and efficient and give value to the customer. In 2019, we continued to run several improvement projects based on the Lean philosophy/methodology, built around customer focus and customer value. Staff involvement and systematic problem-solving are also important. Through round-table meetings and good improvement structures, we are experiencing very good results and will continue this work in 2020.

Sickness absence for 2019 totalled 3.9 per cent, compared to 4.2 per cent in 2018.

DIVERSITY AND EQUALITY 2019

It has been demonstrated that diverse groups make better decisions than homogeneous ones, and research also shows that companies that score highly on diversity are more likely to have better financial results. Based on this, KLP aims to be an attractive workplace where all employees are given equal opportunities, regardless of age, sex, disability, political convictions, sexual orientation, gender identity, gender expression and ethnic background. As a provider of pensions and financial services to employees in the municipalities, KLP has to mirror the community and its customers and be a workplace characterised by equality and diversity in which all employees respect the ideas of equality and justice.

In 2019, KLP held a lunch-time seminar for employees, focusing on gender and equality, with the tag #hunspanderer (#ShesGotThis).

We have continued our partnership with FRI (the National Association for Lesbians, Gays, Bisexuals and Transgender People) to run the course on 'Pink Competence'. KLP is still a member of networks for LGBT people in the workplace consisting of employers who want to work on this aspect of working life. In recruitment, we have run ad campaigns under the auspices of finn.no, focusing on how we can attract more women with text, images and videos. KLP Kapitalforvaltning has also created internship places with the aim of hiring more qualified women.

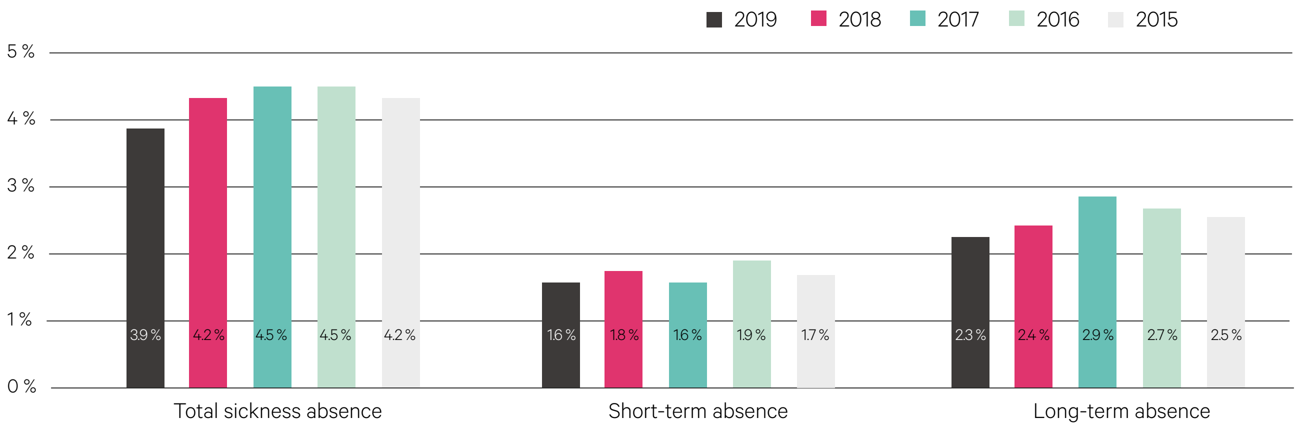
The Sami National Day, International Women's Day and World Mental Health Day were marked on KLP's internal computer screens and with flowers in reception. In June, KLP changed its profile photo on social media to the KLP profile with rainbow colours in honour of Pride in Oslo.

In 2020, we will be working on equality and diversity through an annual action plan with activities related to attitudes, recruitment, equal pay, network meetings and celebrations.

Read more about employees, equality and actual remuneration to men and women in the sustainability report.

The graph below shows sickness absence as of 31.12.19.

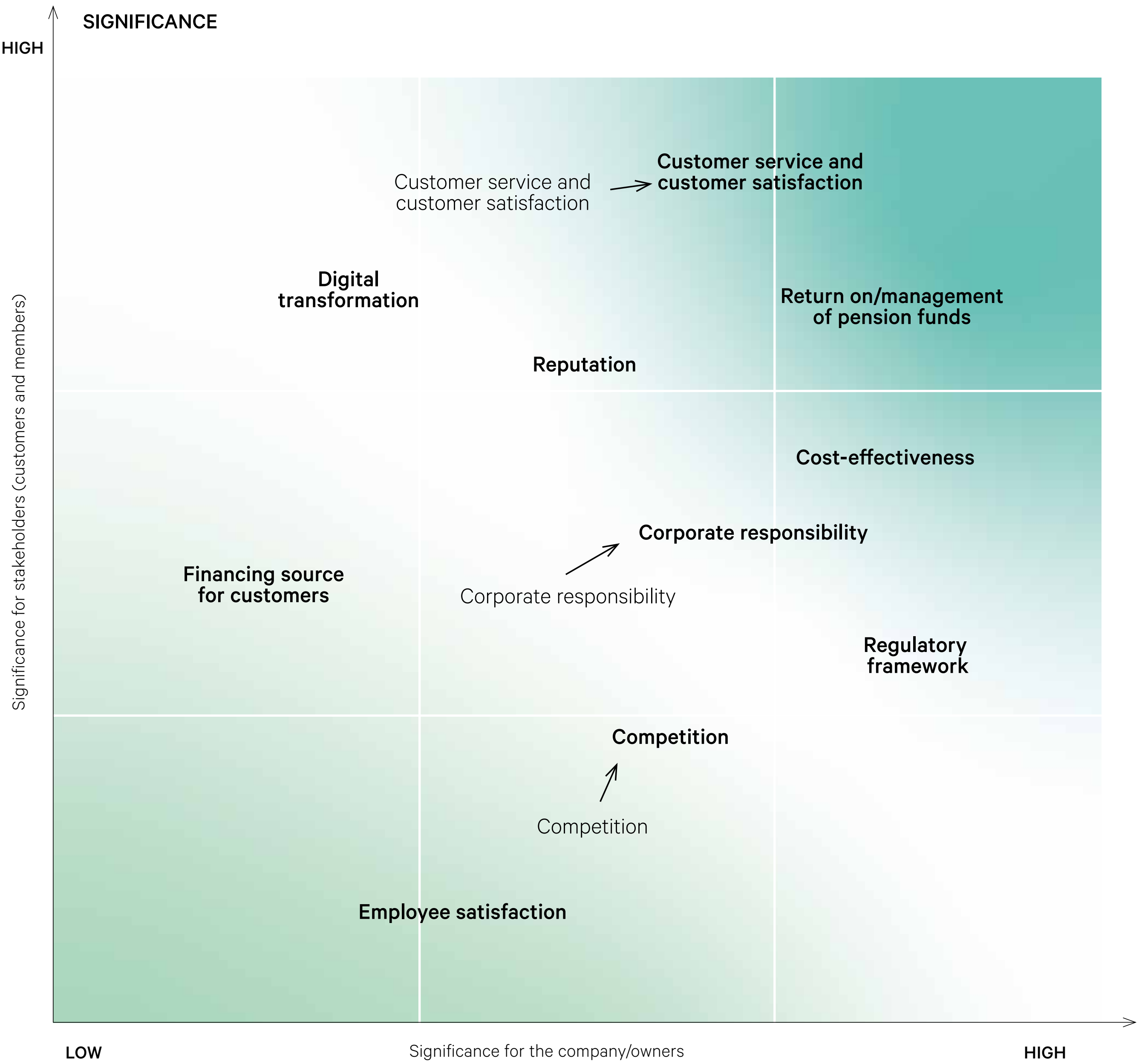
TREND IN SICKNESS ABSENCE IN KLP



Materiality analysis

KLP does a review every year of topics that have a significant impact on the Company's customers and owners in a Materiality Analysis. These are important strategic topics that both the board of directors and the senior management work on through the year.

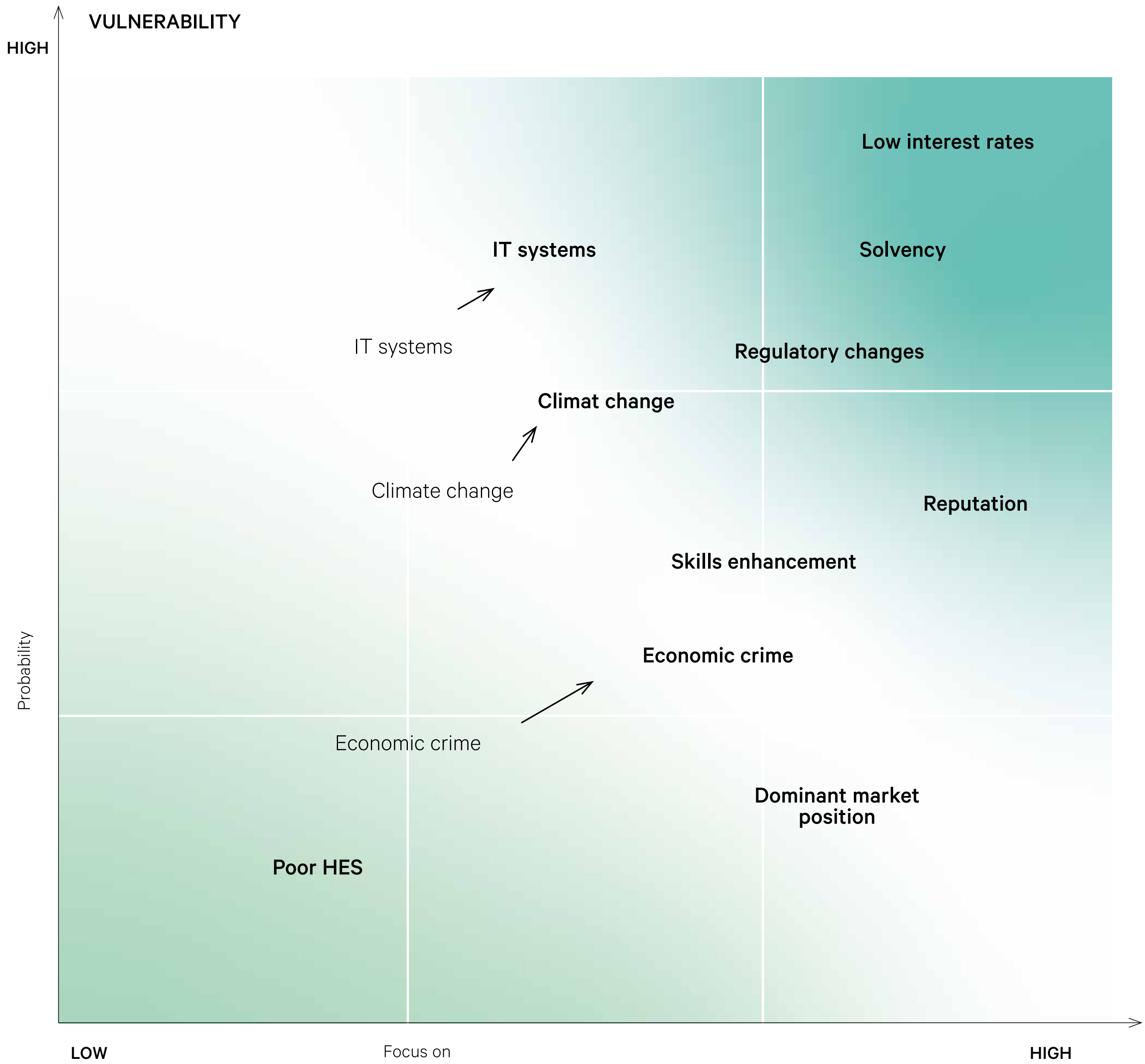
SUBJECT	DESCRIPTION
Return on, and management of pension funds	KLP manages large assets in pension funds. It is important that these are managed safely and securely so that our customers' future pensions are safeguarded. Good returns on assets has a positive impact on overall pension costs.
Cost-effectiveness	KLP operates effectively and efficiently so that its costs are kept low. KLP's cost-effectiveness benefits its customers since the charges elements in the premiums can be kept at a low level.
Customer service and customer satisfaction	Good service and satisfied customers are important if KLP should be the public sector's preferred pension provider. A crucial goal is to provide right pension at the right time. How satisfied our pension, insurance and banking customers are is measured regularly.
Reputation	KLP's product range comprises pensions and other financial services of importance for its customers' and members' finances. As a provider of such products, the confidence of our customers and of the market is essential. Good reputation is therefore crucial.
Regulatory framework	KLP's business is subject to comprehensive regulations that are constantly developing. KLP must at all times stay up-to-date and contribute to the development of the regulations in order best to safeguard customers and owners.
Corporate responsibility	KLP as an institution and the member groups addressed by the Company place much weight on corporate responsibility and sustainable development. KLP's asset management is aimed towards a positive business development that reduces challenges to climate changes.
Digital transformation	Digital developments are creating space for new services and business models and are changing both our behaviour patterns and our expectations in terms of digital experience. New technology also gives us new ways to improve the efficiency of our operations.
Financing source for customers	KLP is a significant provider of loans to its public sector customers. In addition, the individual member is offered home loans on advantageous terms. This is a good way for KLP to support its customers and their business. KLP is a significant investor to local entreprices in Norway.
Employee satisfaction	Motivated and satisfied employees are essential for good customer service, reputation and productivity. It is therefore important for the staff to enjoy their work.
Competition	KLP operates in an open market exposed to competition. Changes in the local government sector and the system of public-sector occupational pensions may change the competitive situation in the future.


SIGNIFICANCE
HIGH
Customer service and customer satisfaction
Customer service and customer satisfaction
Digital transformation
Return on/management of pension funds
Reputation
Cost-effectiveness
Corporate responsibility
Financing source for customers
Corporate responsibility
Regulatory framework
Competition
Competition
Employee satisfaction
Significance for stakeholders (customers and members)
LOW
Significance for the company/owners
HIGH

Vulnerability analysis

The vulnerability map shows how certain risk topics impact on the Company. The arrows illustrate changes from the year before.

RISK	DESCRIPTION	MANAGEMENT
Low interest rates	KLP has provided a returns guarantee on its customers' pension funds. With a low interest-rate level it is demanding to fulfil this guarantee.	KLP aims to achieve stable good returns by maintaining an investment portfolio with moderate levels of risk. Solid buffers provide a good foundation for delivering guaranteed returns in the future, even at low interest rates.
Solvency	Solvency is essential to risk-taking, expected returns and stability in the contributions to KLP's pension schemes.	Planning of capital needs and tailoring risk-taking. The Company strengthens its solvency through for example building financial buffers when times are good.
Dominant market posisiton	KLP is the leading player in offering public sector occupational pensions with insured schemes.	Exploit economies of scale by offering comprehensive service at a low price. Among other things, KLP has competition from pension funds.
Climate changes	KLP's business could be impacted by changes in climate and the targets and measures global society sets for sustainable development.	KLP is engaged in various national and international initiatives as a driver for solutions to the 2°C target. A range of measures, on the investment side for instance, has been initiated. KLP's measures are described in detail in the section entitled " KLP and Corporate responsibility".
IT systems	KLP's business is largely based on IT, both in customer communication and in internal processing. The IT systems contain sensitive and business-critical data.	There are emergency plans for operational interruption, catastrophe exercises, dialogue between business and IT on developmental matters, and updated security solutions. KLP is in the process of a major program to improve digital solutions.
Regulatory changes	The regulations are in constant change and generally there are high levels of formal requirements of the industry.	Good dialogue with the parties to public sector occupational pensions, in which KLP is also a contributor in consultation matters. KLP has a broad network for capturing new changes and processes concerning regulations that affect the pension scheme.
Reputation	KLP delivers important services in pensions and other financial services. The confidence of its customers and the market is essential to the Company.	Strict ethical guidelines with procedures for audit, training and dilemma training, in addition to predictability and good business culture, all help to safeguard KLP's reputation.
Economic crime	As a manager of substantial financial investments, KLP will be vulnerable to economic crime.	Strict security measures have been implemented within all business areas and IT platforms. Continuous monitoring of systems and activities is an important measure for avoiding economic crime. Procedures related to anti-money laundering and terrorist financing are being improved.
HES	Among other things, KLP's insurance risk covers disability. If KLP helps to reduce the risk of disability, this will mean lower costs for KLP's customers.	KLP's HES team assists customers with targeted preventive measures to reduce sickness absence and disability etc.
Skills enhancement	Technological developments and the changing needs of customers and markets will result in a reduced need for staff in some parts of our business and an increased need in others.	Through its skills strategy, KLP will develop its organisation in accordance with this and with the main objectives of KLP. The skills strategy shall give us control over what kind of skills KLP has, in both the short and the long term, and shall include a plan for how to fill the gap between the skills we have and the skills we need.


VULNERABILITY
HIGH
Probability
LOW
Focus on
HIGH
Low interest rates
IT systems
Solvency
IT systems
Regulatory changes
Climat change
Climate change
Reputation
Skills enhancement
Economic crime
Economic crime
Dominant market position
Poor HES

Risk management and internal control in KLP

To ensure that KLP delivers secure and competitive financial and insurance services to its customers, and to safeguard the interests of the owners and the company's holdings, a system of risk management and internal control has been established.

The Board of Directors of KLP has adopted a policy for risk management and internal control. In KLP, good risk management and internal control are all about ensuring effective goal attainment. By identifying and analysing relevant risks, the company can take effective measures to manage and control risks that could hinder goal attainment. This is a continuous process, and part of all decisions on significant changes in the business.

ROLES AND RESPONSIBILITIES

The Board of Directors bears the overall responsibility for ensuring that KLP has established appropriate and effective processes for risk management and internal control. The Board determines the overall risk appetite and ensures that the management of significant risks is appropriately organised. This also means maintaining independent monitoring to ensure that the risks are handled in accordance with the overall risk appetite.

It is the responsibility of the Group CEO to ensure that the Board's policies for management and control are implemented in the business. KLP has a risk management committee which acts as an advisory body to the CEO on all matters relating to KLP's total risk exposure. The committee addresses the general willingness to take risks, the overall risk strategy and risk exposure, broken down into all the major risk factors in the parent company's business, including owner risk associated with the subsidiaries.

CONTROL FUNCTIONS

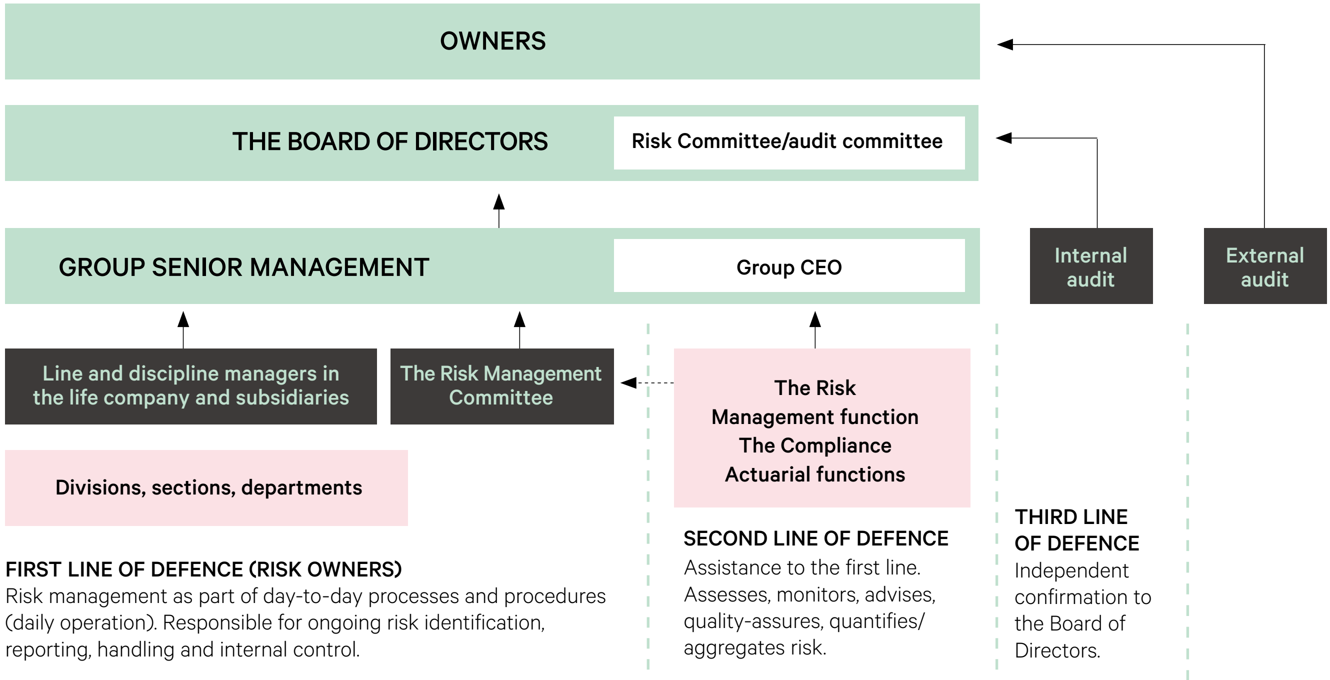
KLP's risk management function monitors the company's total risk and risk handling, and ensures that the risk management committee and the Board of Directors of KLP are always sufficiently informed of the Group's overall risk profile. The risk management function assesses whether the assumptions used in the company's risk calculations are reasonable, and assists the management in refining and implementing an overall framework for KLP's risk management, ensuring that this complies with external and internal requirements.

KLP's compliance function assists the management by ensuring that KLP does not incur any sanctions, financial losses or loss of reputation because of failure to comply with laws, regulations and standards ("compliance risk"). The compliance function assists the management in identifying, assessing and reporting on compliance risks and gives advice to management, the Board and the staff on compliance with the relevant rules for the business.

The actuarial function is responsible for coordinating the calculations of the technical provisions, and ensuring that methods, models and assumptions used in calculating technical provisions are appropriate. Best estimates should also be compared with KLP's past experience. The data used in the calculations should be assessed in terms of adequacy and quality. The actuarial function should also comment on KLP's re-insurance programme and contribute to the effective implementation of the risk management system.

The risk management, compliance and actuarial functions make their own independent assessments of the risk level in the company and the adequacy of established risk-reduction measures.

The company's internal audit group carries out independent assessments



of actuarial, financial and operational risks. After discussion with the Board of Directors and management, key risk areas are evaluated and tested with a view to satisfactory management and control. The internal auditors' reports and recommendations are presented to, and followed up by, the management and the Board. Internal audit helps to give the Board and management confidence that the company has appropriate risk management, internal control and corporate governance. The internal auditors submit an overall report to the Board each year on KLP's risk management, internal control and corporate governance.

ROLES AND RESPONSIBILITIES

Roles and responsibilities related to risk management and internal control in KLP can be summed up with a simple model of corporate governance providing three lines of defence. The primary responsibility for risk management lies in the first line, which is made up of managers and staff in the business areas. The compliance, risk management and actuarial functions are defined as second-line functions in KLP. The second line monitors, assesses, advises on, aggregates and reports on the risk situation. The third line of defence includes independent confirmation from the internal auditors that the first and second lines of defence are working properly. In addition to the three internal lines of defence, the external auditors provide independent feedback to the company's owners.

MONITORING

KLP's managers, at all levels, constantly monitor the risks associated with their target area, provide for the creation and implementation of key controls and follow up on any unwanted incidents within their area. The second-line functions assist the managers, monitor the risk level in KLP's key risk areas, and focus especially on risk areas that are not being handled in line with the Board's risk appetite.

ORGANISATION AND IMPLEMENTATION OF FINANCIAL REPORTING

KLP publishes four quarterly reports in addition to the annual report. KLP's quarterly and annual reports are drawn up by the group accounts department, which reports to the CFO. The work is divided in such a way that valuations of assets and liabilities are made outside the group accounts department. Before each set of accounts is presented, meetings are held between the group accounts department and central technical functions to identify risk factors, market issues etc. that could have a bearing on the accounts. Reconciliation and control procedures have been established to assure the quality of financial reporting.

KLP's business is required by law to be audited, and external auditors carry out a full audit of the annual accounts. The Board of Directors of KLP has appointed its own audit committee to prepare for the Board's discussion of the accounts, with the emphasis on monitoring the financial reporting process and the key principles and valuations underlying the accounts. The company's external auditors take part in the audit committee's discussion of the accounts. The audit committee assesses and monitors the independence of the auditors.

In addition to quarterly and annual accounts, monthly operational reports are produced with comparisons against budgets and analyses of developments.

WE ARE THERE FOR OUR OWNERS' EMPLOYEES

BENT-RONI OTERHOLT (67), PENSIONER
Previously human resources manager at the former Indre Østfold hospital, and head of HR at Sarpsborg municipality.

Photo: Skjalg B. Vold

«When you retire, you have to make a new life for yourself.»

Our understanding of what climate risk is, and the consequences it could have on society and financial assets, has changed a lot in recent years.

OBJECTIVES FOR THE WORK ON CLIMATE RISK GOING FORWARD

1. Increase knowledge about climate risk within the company and with KLP's external stakeholders.

2. Develop specific scenarios and climate risk data to assess significant risk factors and opportunities.

3. Integrate climate risk into established investment and investment risk management processes in a more systematic way.

4. Influence companies that KLP invests in to develop good climate risk management processes.

5. Increase climate-friendly investments by NOK 6 billion per year.

KLP's work on climate risk

In 2019, KLP continued its efforts to increase its own understanding and management of climate risk.

KLP has been working on climate issues for more than a decade, through corporate dialogue and influence, reducing investments in sectors with high CO_2 emissions such as coal and oil sands, and increasing climate-friendly investments, especially in renewable energy. These measures can be seen in the light of KLP's desire to have a positive impact on climate change, and thereby help to reduce general climate risk in the market.

Our understanding of what climate risk is, and the consequences it could have on society and financial assets, has changed a lot in recent years. While climate risk previously focused on carbon taxation and risks from extreme weather, this has now been extended to encompass risks from other policy instruments, technological development, changes in markets, resource access and intangible changes in values and attitudes and expectations of KLP. This has significantly increased the complexity of climate risk analyses. Combined with a lack of available risk data and knowledge of the future risk picture, this means that KLP needs to work systematically to develop and improve analyses and management of climate risk in the years ahead.

Since 2018, KLP has started long-term work to build up its expertise in order to analyse, manage and report climate risk as financial risk. Such expertise comes from mapping and analysing climate risk, and from cooperation with external actors.

In 2019 KLP completed a quantitative climate risk study of exchange-listed equities and bonds, in collaboration with Norwegian and international investors. Although the analysis has significant deficiencies and uncertainties, the exercise contributed to valuable learning within KLP. The key results from this study, as well as preliminary results from the climate risk survey in KLP Eiendom, were included in KLP's ORSA report to the Board of Directors in 2019.

KLP structures the reporting according to the recommendations from the Task Force on Climate-Related Financial Disclosure (TCFD). KLP regards these recommendations as the market standard for climate risk reporting. The TCFD recommends that companies should report on how climate risk is integrated into: 1. Corporate governance; 2. Strategy; 3. Risk management; and 4. How climate risk is measured.

1. CORPORATE GOVERNANCE

Every year, the Board of KLP conducts a strategy process which sets out KLP's overall objectives and strategies. The

KEY ELEMENTS OF THE TCFD'S REPORTING RECOMMENDATIONS, FIGURE 1
Translated from TCFD Final Recommendations 2017

GOVERNANCE
The organization's governance around climate-related risks and opportunities.

STRATEGY
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

RISK MANAGEMENT
Processes by which the organization identifies, assesses, and manages climate-related risks.

METRICS AND TARGETS
The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Board also adopts Group-wide strategies for capital management and corporate responsibility, for example. Corporate responsibility is one of the key areas of the group strategy, and climate has been identified as a top priority for KLP's corporate responsibility work. Climate risk is also addressed in the Group-wide capital management strategy, and also covered in Board-level discussions of Group risk. This ensures that climate-related issues are addressed several times a year at Board level within the established strategy and risk management processes.

The Board has discussed KLP's analysis and skills enhancement work and how we intend to work on climate risk in the coming years. The Board and its risk committee will be kept abreast of this.

At KLP, Group senior management conducts an annual process in which it decides how the company should implement the strategy set out by the Board of Directors. In 2019, targets and measures were adopted for KLP's climate risk work. This is related to efforts to increase KLP's climate risk expertise, external communication, integrating climate risk into all key processes and raising awareness of climate risk in companies KLP invests in.

2. RISK MANAGEMENT

According to KLP's risk management policy, all significant risk factors should be considered. The company considers climate risk to be a significant risk factor, and is therefore working to analyse climate risk and incorporate it into the established risk management processes.

In 2019 KLP continued the work from 2018 of mapping climate risk in different parts of the business. There was a particular focus on investments in property and listed securities. The purpose of the mapping process is to grow expertise and develop a climate risk register over time. The climate risk mapping is based on the recommendations from the TCFD and includes an assessment of risk in different future scenarios. The overall approach is shown in Figure 2.

The mapping developed by KLP Eiendom was qualitative, and was about identifying climate risk factors and assessing the risk picture in different climate scenarios. With regard to listed securities, a quantitative study was carried out to analyse potential mispricing in equities and bonds if climate risk factors were included in the cash flow analysis. The findings from this study provided KLP with good learning points and a basis for further development of the climate risk analysis.

In terms of integration into the company's risk management processes, climate risk was one of three priority topics during KLP's annual review of risk management and internal control. In this process, all the divisions in KLP were challenged to assess their own climate risk exposure.

KLP will constantly assess how climate risk can be integrated into risk management going forward. It will be especially important to ensure that risk competence improves over time, that climate risk analyses are sufficiently trustworthy, and that KLP has an adequate understanding of the uncertainty in the analysis. As part of this, KLP is working with external actors such as investors, research environments and multilateral organisations, to develop better data and knowledge about climate risk.

KLP has also taken steps to integrate climate risk into the investment process

KLP'S APPROACH TO ANALYSING CLIMATE RISK, FIGURE 2
The approach is based on the recommendations from the TCFD

by monitoring companies in the investment portfolio. In cooperation with other investors, KLP has held discussions on climate risk with a number of companies on Oslo Børs and abroad. KLP has also been active in disseminating knowledge about climate risk, by publishing reports, giving talks and seminars and running market communication campaigns. The purpose of these talks and activities is to signal that KLP expects risk management associated with climate change to receive more attention in the future in the companies we invest in.

3. STRATEGY

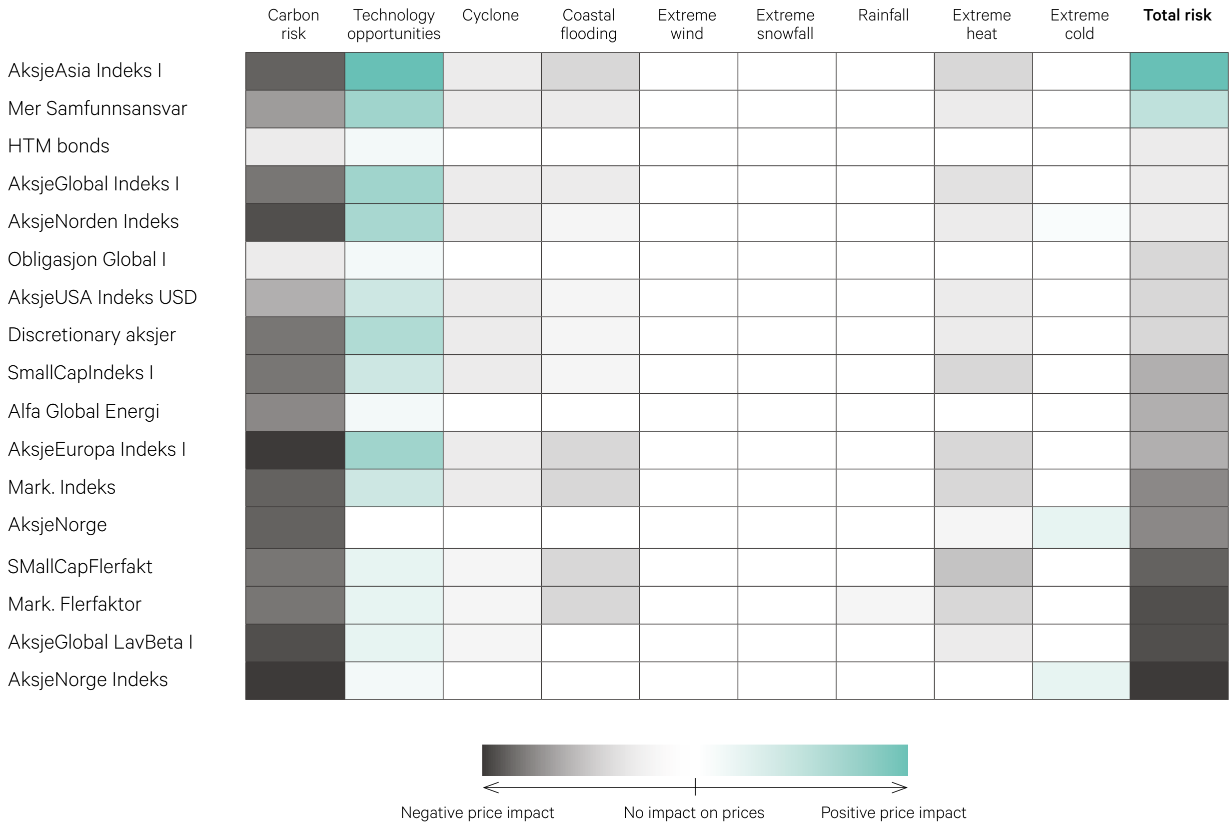
KLP has been working to reduce its own environmental impact for several years – both in its own operations and indirectly through the company's investments. This has resulted in a solid understanding of the topic in the organisation, and a common awareness that climate change could potentially have a major impact on long-term returns for KLP. We expect that the commitment to our own climate risk work will strengthen this knowledge in the future.

KLP has made a good start on mapping climate risk. This involves identifying and analysing risk factors, understanding KLP's exposure to these, and assessing how risk should be handled.

In 2019, KLP produced analyses and assessments of risk in different climate scenarios. The exercise itself has provided the KLP organisation with process improvements in the form of a common understanding of climate risk in the organisation, and learning benefits. However, it has become clear that the climate risk work is at an early stage, both for KLP and for the financial sector as a whole. KLP's strategy is therefore to work to increase its expertise on climate risk over time, and to develop this work in collaboration with external actors so risk can be identified, analysed and reported appropriately.

A fundamental principle of KLP's asset management strategy is to have diversified portfolios. The company has investments in around 7,000 companies, including most sectors and geographical locations. This investment strategy has been chosen so as not to base investment decisions on an active view of the market, but to provide a broad exposure to the global market. A very diversified portfolio is assumed to affect climate risk exposure. In one of the studies, KLP has quantified potential mispricing of listed stocks and bonds if climate risk is assessed in the cash flow analysis. In this context, climate risk has been linked to carbon taxation, the potential for increased revenues from climate-friendly technology, and costs associated with extreme weather. This analysis shows that KLP is succeeding in diversifying risk through existing portfolios. In the most extreme risk scenario, the projected mispricing is close to -3 per cent for the overall portfolio of listed stocks and bonds. We also see

CLIMATE RISK, TABLE 1



that KLP's globally diversified equity fund has projected mispricing close to zero per cent, and that KLP's fossil-free fund has positive mispricing (Table 1) . The aggregated risk from this analysis cannot be considered reliable, but the interesting observation is that an analysis of upside and downside risk shows that KLP is relatively well diversified within the models used.

4. MEASUREMENT PARAMETERS AND TARGETS

The table shows the calculated climate risk for selected funds in KLP's portfolio for listed securities. The different funds are displayed vertically, ranked by the total price impact modelled for the fund (Total Risk column). This has been done for the most extreme scenario, i.e. emission limits in a 1.5°C world, as well as tail risk for extreme weather (95th percentile).

The risk contribution from each individual element is displayed in the different columns. These are weighted risk contributions, so the sum of all columns equals to the figure in the Total Risk column. KLP feels it could be unhelpful to show the exact risk sums because they are misleading due to the high level of uncertainty in the analysis. Nevertheless, there are some interesting observations that can be made. We can see that the AksjeGlobal Index I fund succeeds in diversifying risk, in that it has a balanced exposure to downside and upside risk. We can see that Mer Samfunnsansvar has positive value growth, mostly by excluding companies with high carbon price exposure.

In this section, we present a quantitative climate risk measurement of KLP's listed equity and corporate bond investments in line with the TCFD's recommendations.

The indicators are based on scope 1 and scope 2 emissions in the companies KLP has invested in. Scope 3 emissions data is not available to most companies in KLP's investment universe.

The indicators allow us to compare how KLP's investments are doing against the relevant benchmark index. We can see that, on average, KLP has 16 per cent lower carbon intensity than the index. This is true of the portfolios where we use a benchmark index. For the other investments where no benchmark index is used, we can see that the carbon intensity of KLP's investments is lower than it is for the funds that use a benchmark index.

These indicators are intended to express the carbon intensity of KLP's investments in listed stocks and bonds, but they are not necessarily effective in expressing climate risk.

Figures for greenhouse gas emissions, along with better and more extensive reporting of these, are important if we are to reduce emissions and try to counteract climate change. At the same time, KLP believes that companies' emissions reporting currently provides a relatively narrow basis for assessing climate risk. Emissions data should therefore be viewed in conjunction with other indicators as part of a broader assessment of different types of climate risk. We are not yet sure what are the most accurate indicators for reporting climate risk for KLP, or how climate risk can best be measured. This time round, KLP is therefore reporting on emissions indicators according to the TCFD's recommendations, but will continue its efforts to assess how climate risk can best be measured and quantified.

For carbon measurement of investments and climate accounting figures, see Sustainability Statement.

REPORTING OF TCFD INDICATORS, TABLE 2

	Weighted Average Carbon Intensity	Total Carbon Emission	Carbon Footprint	Carbon intensity
KLP's portfolios with a benchmark index	16	1 833 058	15	21
Benchmark index	23	2 318 386	19	28
Difference	-29 %	-21 %	-21 %	-25 %
KLP's portfolios managed without a benchmark index	15			
KLP total	**16**	**1 833 058**	**15**	**21**

For further information on the indicators, please refer to Chapter 5, Table 2 "Common Carbon Footprinting and Exposure Metrics" in the TCFD report "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures".

Photo: Vidar Stenseth
Employed in KLP

WE ARE THERE FOR OUR OWNERS' EMPLOYEES

Photo: Anita Arntzen

«It's important for me to feel that I can help patients to have a better life.»

WENDY AMUNDSEN (46)
Nurse and night duty sister at Solbakken residential and care centre.

Norwegian Code of Practice for Corporate Governance (NUES)

KLPs articles of association and the applicable legislation provide guidelines for the company's corporate governance, and define a clear division of roles between governing bodies and the managing director. The board of directors carries out an annual review of corporate governance in KLP.

KLP's basic values are described by way of the company's vision of being "the best partner for the days to come" and the core values Open, Clear, Responsible and Committed. These provide shared goals and direction for KLP's progress and strategic priorities. The vision expresses the goals and ambitions of the business. The vision is discussed in more detail in the annual report and on the company's website.

KLP aims to deliver secure and competitive financial and insurance services to the public sector, enterprises associated with the public sector and their employees.

The business idea defines which customers KLP exists to serve, and who its products and services are developed for. KLP aims to maintain a good balance between competitive prices for its customers and a satisfactory return for them as owners. These are qualities which help to ensure that KLP is perceived as the company's vision suggests.

1. REPORTING ON CORPORATE GOVERNANCE

No deviation from the code of practice.

In most areas, KLP follows the Code of Practice for Corporate Governance as described in the principles set out by the Norwegian Corporate Governance board (NUES). Differences from NUES generally arise where individual provisions do not fit KLP's mutual status.

It has also drawn up ethical guidelines which cover things like confidentiality, impartiality and benefits, and a procedure for warning of possible breaches of these. KLP also has guidelines for equality and diversity.

2. BUSINESS

No deviation from the code of practice.

KLP's principal objective is to address the needs of its members within public-sector occupational pensions. The objective is assessed by the board of directors in their annual review of the Group strategy. The market is updated on KLP's goals and strategies through the quarterly results presentations and reports published on the company's web pages. The articles of association can be found in full on the company's web pages.

Corporate responsibility is an important part of KLP's activities and basic values. KLP aims to contribute to a sustainable public sector and to integrate CSR into all of its business processes. One example of this is the way in which KLP integrates CSR into its capital management and strives to be one of the leading players in this area. KLP's work on CSR is based on the Group's affiliation to the UN Global Compact and the UN's Principles for Responsible Investment.

KLP reports every quarter on non-financial key indicators under the headings of society, environment, human capital and responsible investments.

3. EQUITY AND DIVIDENDS

Deviation from the code of practice.

The board of KLP evaluates the company's capital requirements regularly, in the light of the company's objectives, strategy and risk profile. The board adopts an annual appropriation of profits which is designed to ensure that the company has sufficient financial strength. The company is a mutual company and, as such, does not deal in dividends but in appropriation of profits.

KLP's principal objective is to contribute to prudent management of its members' pension resources at the lowest possible cost. Dividend policy is not relevant because the customers own the mutual company. The articles of association state that the members are obliged to pay equity contributions in so far as this is necessary to provide KLP with satisfactory financial strength. KLP's financial strength, capital position and solvency are discussed in more detail in the annual report from the board of directors.

The provision in the Companies Act on mandates to the board of directors is not relevant to KLP. In KLP, it is the board which sets and announces the rates for equity contributions which are "necessary to provide KLP with satisfactory financial strength". For the Nurses' Pension Scheme, it is the board of the pension scheme which decides on the equity contributions and the Ministry of Labour and Social Affairs which approves them.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Deviation from the code of practice.

Individual elements of the Code are not directly transferable to KLP as a mutual company, but we follow the general intent of the Code. The difference is mainly due to the fact that the company has no negotiable equity instruments.

5. SHARES AND NEGOTIABILITY

Deviation from the code of practice.

This point is not relevant as KLP has no negotiable equity instruments.

6. GENERAL MEETING

Deviation from the code of practice.

KLP has chosen a solution where the general meeting consists of elected delegates and deputies. The company is divided into constituencies (election districts). The county administration together with the municipalities in that county each make up one constituency, apart from the municipality of Oslo which is part of the Akershus constituency. The four regional health enterprises and their subsidiaries each make up a constituency. The other members of the company (corporate members) make up a constituency. The number of delegates elected from the individual constituencies is related to the premium volume paid in from each constituency. The recommendation in the Code to arrange for voting by proxy is therefore irrelevant to KLP.

The notice calling the meeting and the support information on the resolutions to be considered, including the recommendations of the nomination committee, are sent to the elected delegates no later than 14 days before the meeting is to be held. The deadline is longer than the minimum required by the Limited Companies Act, which is one week. The practice within KLP, however, is that an early reminder of the scheduled date of the general meeting is sent out to the delegates at the beginning of the year, and it is also mentioned at electoral and owners' meetings.

The chair of the board of directors, the group CEO, the chair of the corporate assembly, the nomination committee and the auditors are entitled and required to be present at the ordinary general meeting.

KLP's general meeting is opened and chaired by the chair of the corporate assembly.

7. NOMINATION COMMITTEE

Deviation from the code of practice.

The rules for the nomination committee are set out in the company's articles of association. The corporate assembly chooses the members of the nomination committee, including the chair, and determines the fees to be paid to the members of the committee. This differs from the Code, which recommends that the general meeting should elect a nomination committee.

The composition of the nomination committee is in line with the Code. All the members are independent of the board of directors and executive personnel. The different groups of owners are represented on the committee. Appointments to all of the company's corporate bodies should be calculated to achieve a reasonable balance between the sexes.

Details of the nomination committee, its composition and tasks are given in the annual report and on the company's website.

The nomination committee proposes candidates for the corporate assembly to be elected by the general meeting, as well as the chair and deputy chair of the corporate assembly. It also proposes the members of the board of directors to be elected by the members of the corporate assembly who are elected by the general meeting. The nomination committee is also required to make recommendations on the remuneration of the members of the corporate assembly, the board of directors and the nomination committee. In this process, the nomination committee actively consults with the company's various owner groupings.

The members of the nomination committee are elected for a term of two years. They may be re-elected twice.

The nomination committee provides written justifications for its recommendations The chair of the nomination committee also reports orally on these justifications to the bodies to which elections are being held.

8. BOARD, COMPOSITION AND INDEPENDENCE

No deviation from the code of practice.

The recommendation on broad representation from company members in the corporate assembly is implemented by the statutes. In the statutes, the members of the corporate assembly elected by the general meeting should be reflect the company's interest groups, customer structure and social function.

Five board members with and two deputies are elected by the corporate assembly which is elected by the general meeting. The composition of the board of directors is such that the board as a whole can address the interests of the members and the company, including the company's need for expertise, capacity and diversity. KLP believes that the articles of association adequately addresses the provisions in the Code on independence of executive personnel, material business contacts and members of the company with equivalent influence to principal shareholders. Please refer to more detailed discussion in section 9 below.

The chair and vice-chair of the board of directors are elected by the corporate assembly.

The members of the board of directors are appointed for two years. There is no provision stating how long a board member may remain in office, but in recent years, the nomination committee has suggested that board members should not normally stay longer than eight years.

The board of directors is considered to be independent in terms of the Code. The external members of the board of directors are independent of executive personnel. No board members have any relationship to members of KLP who represent more than 10 per cent of the votes at the general meeting. All board members are independent of material business contacts.

9. THE WORK OF THE BOARD OF DIRECTORS

No deviation from the code of practice.

The board has issued instructions for the board itself and the CEO. These were last revised in December 2019.

The board of directors has three sub-committees: the remuneration committee, the risk committee and the audit committee. Each year, the board appoints at least three members and possibly a deputy to the sub-committees from among the members of the board, and appoints the chairs of the committees.

The board of directors evaluates its own work at least once a year. In this connection, the board is required to evaluate its own work and competence related to the company's risk management and internal control. The results of this evaluation are presented to the nomination committee, which uses them in its work.

Each year, the board is required to evaluate the work of the working committees as part of its self-assessment. The sub-committees also conduct an annual self-assessment.

The board held ten regular board meetings in 2019.

The recommendation concerning independent consideration of matters of a material character in which the chairman of the board has been personally involved is considered to be covered by the provision on impartiality in the instructions to the board of directors.

10. RISK MANAGEMENT AND INTERNAL CONTROL

No deviation from the code of practice.

KLP has a well-established system of risk management and internal control adapted to the scope and nature of the company's activities. The system for risk management and internal control is described in a separate section of the annual report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

No deviation from the code of practice.

The remuneration of the board of directors reflects the board's responsibility, expertise and time commitment and the complexity of the company's activities.

12. REMUNERATION OF EXECUTIVE PERSONNEL

No deviation from the code of practice.

KLP is not covered by the rules on the remuneration of executive personnel in exchange-listed companies. KLP also does not have exchange-listed equity instruments and does not grant share options or bonuses to its staff.

As a finance company, the board of KLP adopts guidelines for the remuneration of all employees in the company, including special rules on salaries payable to executive personnel. The company's guidelines on the remuneration of executive personnel are put to the general meeting.

More information on remuneration of senior executives can be found in the annual report and at klp.no.

13. INFORMATION AND COMMUNICATIONS

No deviation from the code of practice.

The board of directors has established guidelines for the company's reporting of financial and other information, and the company's contact with member-owners other than through general meetings.

- All reporting is based on openness and consideration of the requirement for equal treatment of the players in the securities market and the rules on good exchange practice. The published documentation is accessible from the company's web pages.
- KLP has contact with members outside the general meeting, including electoral meetings, owners' meetings, resource group meetings etc.

14. TAKE-OVERS

Deviation from the code of practice.

We differ here because this is not relevant to KLP as a mutual company.

15. AUDITOR
No deviation from the code of practice.

The auditor is elected by the general meeting and conducts financial audits. KLP has appointed PwC as its auditor.

The auditor submits an audit report in connection with the annual accounts. The auditor also gives an independent opinion of non-financial accounts drawn up by KLP and included in KLP's annual report.

The auditor attends meetings of the audit committee, as well as the board meeting at which the annual accounts are discussed. The audit committee assesses the independence of the auditor each year.

The board of directors of KLP has established guidelines for the purchase of additional services etc. from auditors. The guidelines help to ensure that the auditor's independence is safeguarded.

The auditor attends the meeting of the corporate assembly and the general meeting where the annual accounts are discussed, and other meetings where necessary.

In 2019, the board of directors had one meeting with the auditor without the administration present. The board's audit committee held three meetings with the auditor without the administration present.

The remuneration of the auditor is determined by the corporate assembly.

Statement

Pursuant to section 3-3b, second sentence, of the Accounting Act

The following is a summary of the matters the companies has to report on in accordance with Section 3-3b, second paragraph, of the Accounting Act. The points follow the numbering in the provision.

1. Principles of corporate governance in KLP have been prepared in line with Norwegian law, and based on the Norwegian Code of Practice for Corporate Governance, published by the Norwegian Corporate Governance Committee (NUES).

2. The recommendation from the Norwegian Corporate Governance Committee is available at www.nues.no.

3. Any deviation from the recommendation is commented on below each point in the notes above.

4. A description of the main elements of KLP's internal control and risk management systems related to the financial reporting process is given in section 10 above.

5. Statutes that relate to provisions of Chapter 5 of the Public Limited Liability Companies Act concerning the general meeting are discussed in section 6 above.

6. The composition of the corporate bodies, and a description of the main elements of current instructions and guidelines, follow in sections 6, 7, 8 and 9 above.

7. Statute provisions governing the appointment and replacement of directors are discussed in section 8 above.

8. Statute provisions and authorisations that empower the board to decide to buy back or issue Treasury shares are discussed in section 3 above.

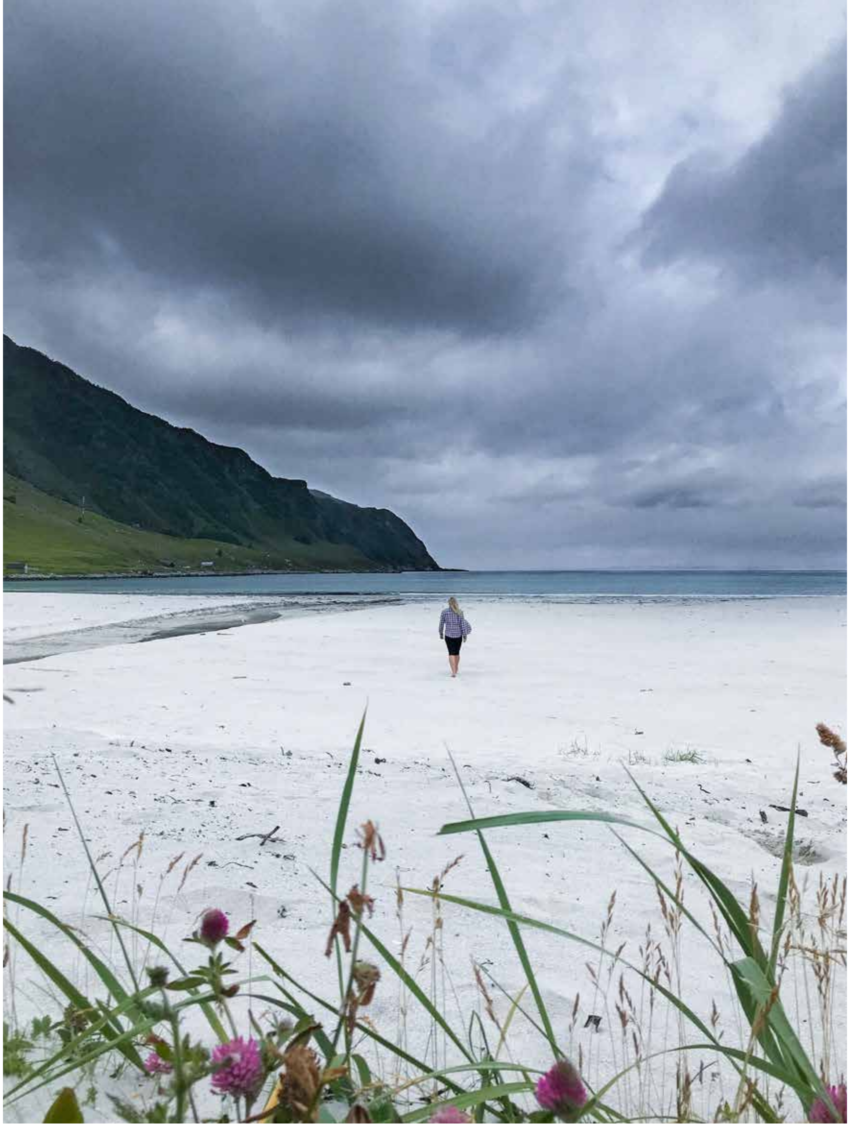


Photo: Jenny Marie Viggen
Employed in KLP

Photo: Tina Ulvin
Employed in KLP

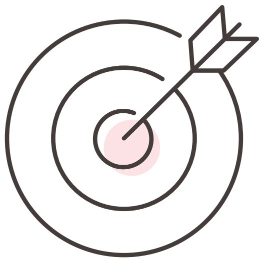
Photo: Frøydis Leirdal
Employed in KLP

KLP

Annual Report 2019

KLP CUSTOMER RESULT

The customer result for the year was NOK 10.9 billion.



KLP

Annual Report for 2019

In 2019, Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) achieved a strong rate of return. This gives room to strengthen buffers and at the same time allows for considerable transfer to the customers' premium fund.

The value-adjusted return was 8.5 per cent. Book returns were 4.5 per cent. This is more than 2 percentage points higher than the 2.5 per cent which is the return that the company has promised to its customers.

With solid financial buffers and a solvency capital ratio of 278 per cent, KLP is well equipped to face periods with challenging financial markets.

KLP is strengthening its competitiveness by upgrading its IT systems by way of a change programme which also takes in the organisation of the business.

KLP is working systematically to reduce the climate footprint of its management activities. This applies to property, lending and companies that KLP has invested in.

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) is the parent company of the KLP Group. KLP was established by and for the public sector to service this market's need for occupational pension schemes. Its head office is in Oslo.

THE GROUP'S INCOME

The Group's total comprehensive income was NOK 2.2 (2.9) billion.

In the course of 2019, the owners' equity in the Group increased by NOK 3.5 billion to NOK 37.3 billion. This year's increase in equity is partly due to owners' equity contributions (NOK 1.3 billion), while the rest (NOK 2.3 billion) has been transferred from profit for the year.

The Group's total assets under management increased by NOK 87.2 billion to NOK 762.7 billion at the end of 2019.

[1] Figures in brackets give values for the corresponding period in 2018.

Profit contributions from the various business areas (total comprehensive income after tax) in NOK millions, see below.

THE PARENT COMPANY'S RESULTS

KLP is a mutual life insurance company which manages pension assets and insurance risks related to life expectancy, death and disability on behalf of its members. Profits from this business go to the members, who are our customers, while the company's equity covers the risk in case of a deficit. KLP's profits for its members (our owners) are generated from the management of funds which make up the company's Tier 1 and 2 capital, margins in the premium element to cover costs, and premiums reflecting the value of the return guarantee, with margin, on the pension assets. As a mutual undertaking, it is important for KLP to operate efficiently and so keep prices down, so payments from members are kept as low as possible.

As a customer-owned enterprise, KLP produces profits for its member businesses, which are both customers and owners of the company.

The results for the year were characterised by:
- Strong equity markets
- Good returns on property investments
- Falling interest rates in Norway and abroad
- Positive trends in incapacity with a high rate of re-entry into work
- Satisfactory margins for longevity
- Volume growth in the subsidiaries

The total recognised income attributed to other profit/loss elements, before allocation between the pension customers and the company, was NOK 13.2 (7.5) billion in 2019.

RETURNS RESULT

The financial income from managing the pension funds in the common portfolio amounts to NOK 44.1 (7.0) billion, corresponding to a return of 8.5 per cent. Of this, NOK 22.3 billion was linked to unrealised gains on financial assets returned to the securities adjustment fund. Residual financial income of NOK 21.8 billion (4.5 per cent) exceeds the guaranteed return of NOK 11.3 billion by a good margin. The returns result is thus NOK 10.6 (5.2) billion.

PROFIT CONTRIBUTIONS FROM THE VARIOUS BUSINESS AREAS

NOK MILLIONS	2019	2018
Public-sector occupational pensions	2 251	2 818
Private occupational pensions	-10	-21
Non-life insurance	166	56
Bank	83	62
Capital management	52	12
Other	-1	-2
Eliminations	-291	-60
Total	**2 249**	**2 866**

THE PARENT COMPANY'S RESULTS

NOK MILLIONS	Profit to customers	Profit to the company	Total 2019
Returns result	10 394	231	10 624
Risk result	516	516	1 031
Interest guarantee premium		476	476
Administration result		247	247
Net income from corporate portfolio		1 167	1 167
Tax		-520	-520
Other profit/loss elements		135	135
Total income	**10 909**	**2 251**	**13 160**

INVESTMENTS IN THE COMMON PORTFOLIO

NOK BILLIONS	Allocation 31.12.2019 [1]	Return 2019	Allocation 31.12.2018 [1]	Return 2018
Equities	147.0	21.5 %	109.2	-3.6 %
Short-term bonds	85.1	7.9 %	94.9	-0.8 %
Liquidity/money markets	29.3	1.9 %	31.0	1.1 %
Long-term/HTM bonds	165.2	3.6 %	148.6	3.7 %
Lending	71.0	2.4 %	62.0	2.3 %
Property	70.7	6.7 %	64.7	7.3 %
Total	**568,3**		**510,4**	

[1] The figures presented in the table show net exposure, whereas the official figures from the statement of financial position are presented gross. Differences may therefore arise between the figures in this table and the financial statements.

KLP has a goal of delivering long-term, competitive returns in the customer portfolios, and stable returns in the corporate portfolio. This is achieved by spreading funds across different investment types and geographical areas.

The investments in the common portfolio are distributed between the various categories of financial assets as shown in the table in previous page.

Only loans and investments in liquidity/money markets failed to produce a return above the stated return guarantee of 2.5 per cent.

RISK RESULT

The risk result is an expression of how mortality and disability have developed in the insured population in relation to the assumptions used in the annual setting of premiums.

Of the risk result, NOK 486 (531) million is concerned with disability risk. The good result is largely due to a large number of those previously unfit returning to work in KLP's customer base. NOK 565 (402) million is associated with longevity, and shows that there is still a good margin in the premium tariffs used by KLP. The remainder of the disability result of NOK -19 (+27) million is associated with mortality.

The group life schemes in KLP show a risk result of NOK -1.0 (-2.6) million.

ADMINISTRATION RESULT

KLP achieved an administration result of NOK 247 million in 2019, an increase of NOK 110 million from the previous year. The increase is due to a slightly greater share of costs in 2019 being covered from the administration reserve, while economies of scale helped to increase margins.

KLP has economies of scale as a result of its high market share in public-sector occupational pensions and can thus maintain good service at a very competitive price. KLP's cost level in 2019 equals 0.24 per cent of the premium reserve at 31.12.2019.

NET INCOME FROM THE CORPORATE PORTFOLIO

The corporate portfolio, which is invested in bonds, property, shares in subsidiaries and other strategic shareholdings, achieved a return of 4.3 (4.2) per cent in 2019. A good return on real estate investments is the main reason for the good return on investments.

ALLOCATION OF INCOME

The customer result for the year was NOK 10.9 billion. All of this has been applied to the customers' premium fund, supplementary reserves and buffer provisions. The values of shares and investments in short-term bonds in the common portfolio also rose by NOK 22.3 billion through 2019. This unrealised increase in value has been allocated to the securities adjustment fund, which is a buffer against future impairment of these investments. The Board of Directors is happy that this has increased the buffer capital in the company by NOK 22.3 billion. Interest rates are still low compared to the interest rate guarantee, and strengthening the valuation reserves, plus high supplementary provisions, ensure good long-term management of the pension assets.

KLP uses the option to set off up to half of the year's risk result to the risk equalisation fund. The risk equalisation fund also receives its own returns. The remaining surplus of NOK 1,505 million has been used to maintain solvency. This is done by allocating NOK 754 million to owners' equity contributions and NOK750 million to other retained earnings. This is the first time KLP has allocated part of the profit to owners' equity contributions. This arrangement increases the movable equity.

The Board of KLP considers that the income statement and the statement of financial position for 2019 with notes, statements of cash flows and of changes in owners' equity, provide good information on the operation through the year and the financial position at the end of the year. The accounts have been drawn up on the assumption of a going concern and the Board confirms that the conditions for this are in place. The Board considers the risk to the

ALLOCATION OF INCOME

NOK MILLIONS	Profit to customers	Profit to the company	Total 2019
To supplementary reserves	8 000		8 000
To premium fund	2 841		2 841
To buffer reserve	68		68
To risk equalisation fund		746	746
To owners' equity contributions		754	754
To other retained earnings		750	750
Total allocations 2019	**10 909**	**2 251**	**13 160**
Total allocations 2018	5 744	1 780	7 524

company's business to be reasonable. The company financial statements for KLP are presented in accordance with the Norwegian Annual Accounts Regulation for life insurance companies. The consolidated financial statements have been presented in accordance with international accounting standards (IFRS/IAS), as approved for use within the EU/EEA.

THE BUSINESS AREAS

Pensions

Public-sector occupational pensions

Pension schemes within the public sector are offered and managed by the Group's parent company, KLP. Of the Group's total assets of NOK 762.7 billion, NOK 577.6 billion represent pension assets belonging to this customer group.

The competitive situation

For a long time, KLP has been the only player to offer public-sector occupational pensions as a broad-based insured scheme. The competition now arises from the fact that customers can opt to establish their own pension fund or to join an intermunicipal pension fund outside of KLP or go to private providers. After a few years away from this market, other life insurance companies are again offering public-sector occupational pensions. KLP won the first tendering procedure to be run in this market for seven years in 2019.

The local government reform came into effect from 1 January 2020. This brought a reduction in the number of municipalities and county authorities. Among municipalities and regions where one of the parties had its own pension fund, two new municipalities chose to wind up their pension fund, while six new municipalities and one county authority retained their pension fund. This has resulted in a gross reduction of NOK 5.7 billion (1.2 per cent) in premium reserves for KLP.

Through the regulatory amendment, the Ministry of Finance decided at the end of November to alter the right of insurers to withhold a portion of the securities adjustment fund when transferring collective insurance schemes. With effect from 1 December 2019, the change will initially affect merged municipalities which moved their schemes at the end of the year. In the Ministry's June 2019 consultation note, it was proposed to revoke the current right to allow a securities adjustment fund worth up to two per cent of the premium reserve to remain with the pension provider. From now on, the contractual share of the fund has to be allocated in full when collective insurance agreements are transferred. A condition is that the customer relationship must have has been in place for at least twelve months.

Good solvency, strong results over time, low costs and high customer satisfaction have provided a basis for strengthening KLP's position in the market for public-sector occupational pensions.

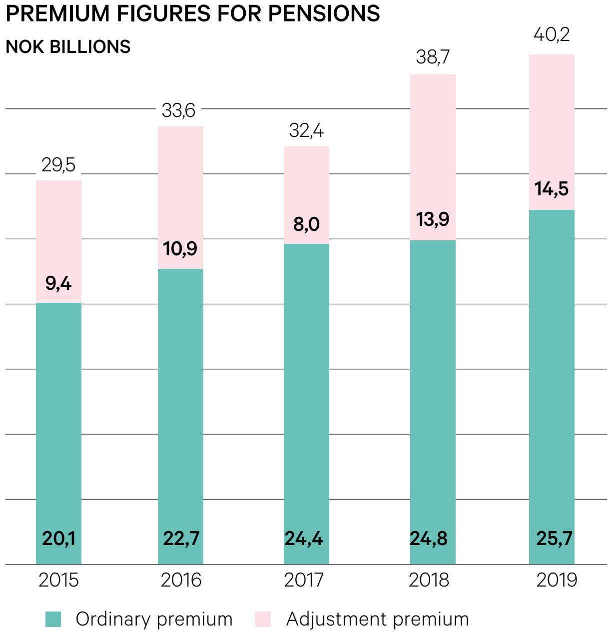
Operation and administration

The local government reform and changes to public-sector occupational pensions call for significant system changes in KLP. The Group has put considerable effort into dealing with this in the organisation.

In 2019, 269,335 pensioners received pensions from KLP, and a significant increase in the number of pensioners is expected in the future. This is a result of growth in employment in the public sector, which will in turn lead to an increase in the year-groups taking their pensions in the future. Timeliness and quality in individual pension processing are among of KLP's most important tasks. Among other

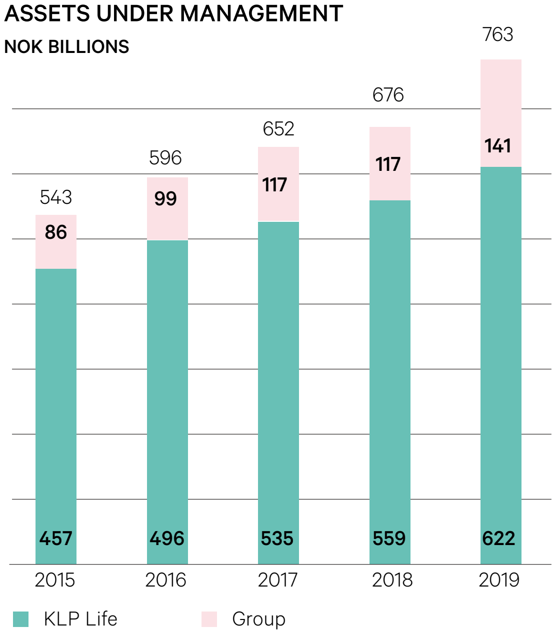
PREMIUM FIGURES FOR PENSIONS

NOK BILLIONS



ASSETS UNDER MANAGEMENT

NOK BILLIONS



things, the company has initiated a large and demanding change programme. Through this change programme, KLP aims to upgrade IT systems and automate work processes to strengthen KLP's future competitiveness, through good and relevant service, market-leading pension guidance, and lower costs.

Private occupational pensions
KLP offers private occupational pensions, including management of pension capital certificates, through its subsidiary KLP Bedriftspensjon AS. The primary market consists of companies with links to the public sector. The company also has customers in the private sector. The portfolio of defined-contribution pensions including pension capital certificates amounted to NOK 4,906 (3,396) million at 31.12.2019, while defined-benefit pensions including paid-up polices amounted to NOK 1,743 (1,684) million.

The portfolio of defined-contribution pension customers showed a net increase of 204 (239) new customers, of which 80 (131) moved from other life insurance companies. There were 48 (49) customers who transferred from KLP Bedriftspensjon AS. A good number of pension capital certificates continued to come to the company through 2019. The total is 4,565 (4,020), while 462 (305) pension capital certificates moved from KLP Bedriftspensjon AS and 462 (305) moved out of the company.

In all, NOK 496 (519) million moved to the company from other life insurers. Transfers of premium reserves and pension capital etc. to other insurance companies amounted to NOK 110 (72) million in 2019. The new premium volume amounts to NOK 62 (82) million.

As of 31.12.2019, the company was managing private occupational pensions for 3,015 businesses with a total of 65,300 occupationally active individuals and pensioners. The market for private occupational pensions is characterised by stiff competition, particularly in the segment for large enterprises/ undertakings.

Customers with defined-contribution pensions achieved an average return of 16.8 per cent in 2019.

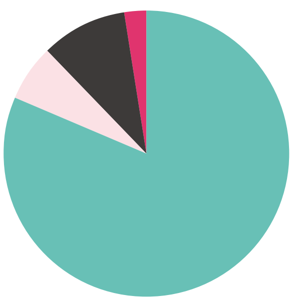
Within defined benefit-based occupational pensions, KLP Bedriftspensjon AS achieved a value-adjusted return of 4.1 per cent, and a book return of 3.4 per cent for the common portfolio. The result for customers was NOK 17 million, of which transfers from supplementary provisions amounted to NOK 1.2 million.

The solvency ratio was 204 per cent as of 31.12.2019, without applying transitional rules for technical provisions. With the transitional rules for technical provisions for 16 years, to align with the new capital requirement, capital adequacy is 360 per cent.

The company made a net loss of NOK 10.3 (21.1) million.

Non-life insurance
The main purpose of the non-life insurance business is to strengthen KLP's position in the public-sector market. This is achieved by being a full supplier of insurance solutions to this market, to companies affiliated to the public sector, and to members of the group's pension schemes. At the beginning of 2020, KLP Skadeforsikring AS had a market share of 38 per cent in the public-sector market, making it the market leader.

INSURANCE OBLIGATIONS
Contractual



- Premium reserve NOK 461 billions.
- Supplementary reserves NOK 36 billions.
- Securities adjustment fund NOK 56 billions.
- Other provisions to insurance funds NOK 13 billions.

Excluding special investment portfolio.

Profit before tax was NOK 165.6 (17.5) million. The insurance result for events occurring in 2019 was NOK 108.0 (160.0) million. During 2019, the company reported four claims over NOK 25 million, with a net payout cost of NOK 138 million. The company also saw an increasing number of medium-sized claims, particularly in property insurance. The number of medium-sized claims, in the range from NOK 2 to 25 million, accounted for a total payout of NOK 164 (111) million. The company's total claims ratio therefore increased in 2019 to 90.5 per cent overall. If we disregard reserve adjustments to claims occurring before 2019, the claims ratio was 100.5 per cent, of which the claims ratio for the Public Sector/ Corporate market was 101.8 per cent and for the Retail market 80.4 per cent.

Reserves for previously reported claims were reduced by NOK 147.6 million for all sectors combined. The liquidation difference amounts to 86 per cent of claims provisions at the start of 2019. The dissolutions are largely related to the personal injury products. Reserves were also reduced within property insurance, mainly because of payouts on older claims.

Total return on assets managed was 6.7 (1.8) per cent. The equity portfolio had a total return of 26.2 per cent. Fixed-income investments in the short and long-term portfolios produced returns of 5.8 and 3.5 per cent respectively. The return on the property portfolio was 4.5 per cent, including a small write-up in the fourth quarter.

The cost/income ratio for own account was reduced in 2019 to 18.5 (20.9) per cent. This brings the company down to a similar cost level to the market as a whole.

The company's financial position is considered to be good, with a solvency capital requirement (SCR) of 243 per cent at the end of the year.

Bank

KLP's banking business is carried out by the subsidiary group KLP Bankholding through the following companies: KLP Banken AS, KLP Kommunekreditt AS and KLP Boligkreditt AS. The purpose of KLP's banking business is to offer mortgages and other banking services to municipal and county authorities and companies working for the public sector.

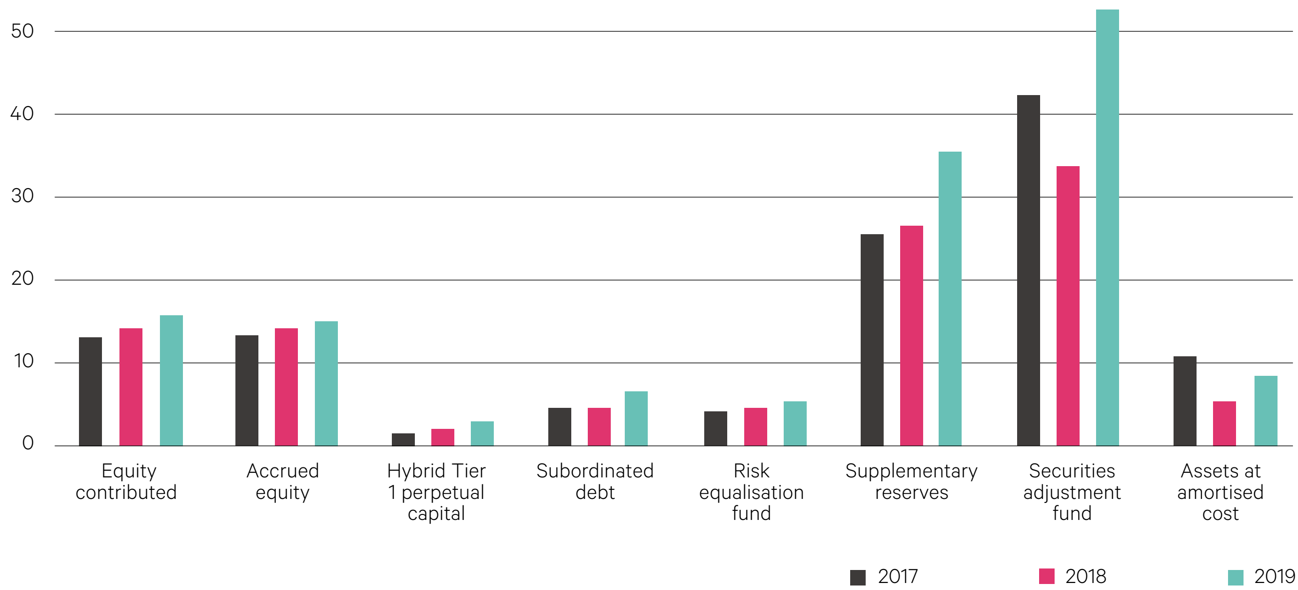
KLP Banken is intended to be a direct bank for customers seeking a long-term and predictable partner. This is how the bank aims to be the preferred bank for retail customers who are members of KLP's pension schemes and find the bank's services and values attractive. The bank aims to provide good and user-friendly financial services on favourable terms. The bank also manages lending for KLP's common portfolio.

The banking group's total lending under management at the end of 2019 was NOK 105.8 billion. Total managed lending volume has increased by NOK 10.5 billion in the last year. Of the outstanding loans, NOK 34.8 billion was financed by the banking group and the remainder by KLP. The lending was split between NOK 21.7 billion in mortgages to private individuals and NOK 84.1 billion in loans to public-sector enterprises.

The banking group manages mortgages on its own account in KLP Banken AS and through KLP Boligkreditt AS. It also manages mortgages for KLP. The mortgage portfolios taken together had a historically high annual growth of NOK 2.1 (2.0) billion in 2019.

SOLVENCY CAPITAL

NOK billions



KLP Banken AS offers credit cards to retail customers. At the end of 2019, drawn credit amounted to NOK 63.1 (66.4) million, across 7,750 (7,400) credit cards issued.

Through 2019, total deposit volumes from retail customers increased by NOK 1.1 billion to NOK 9.9 billion. The number of active deposit customers in the retail market is over 39,000, of whom 73 (72) per cent were members of the pension schemes.

KLP Banken AS also offers deposit products to municipalities and businesses. At the end of 2019, deposits from these customers came to NOK 1.6 (1.9) billion, which is 18 (14) per cent of total deposits. The bank's total deposits increased from NOK 10.7 to 11.5 billion during 2019.

The KLP Group's lending to the public sector is managed by KLP Banken AS. On the banking business's own balance sheet, loans to public borrowers are registered in the subsidiary KLP Kommunekreditt AS. KLP Banken AS also enters into loan agreements with the public sector on behalf of KLP. Total lending to public-sector borrowers stood at NOK 73.4 (67.7) billion at the end of 2019, an annual growth of NOK 5.7 (5.5) billion. Of this, lending for own account amounted to NOK 16.5 (16.6) billion. New loans amounting to NOK 12.2 (13.5) billion were paid out in 2019 to the public sector by companies within the KLP Group.

The banking group's current capital requirement, including capital buffers, is 14,0 per cent core capital adequacy and 17.5 per cent capital adequacy. We will also maintain a buffer of at least 0.5 per cent of the actual capital requirement for Pillar 1 and Pillar 2 risks, so the bank's capital target is 18.0 per cent. By the end of 2019, capital adequacy was 19.1 (20.1) per cent.

The KLP Banken Group's result before tax and other comprehensive income was NOK 102.3 (83.4) million. Of this NOK 75.6 (48.3) million came from the retail market and NOK 26.7 (35.1) million from the public sector. The return on the Bank's equity was 4.8 (4.0) per cent before tax.

Capital management

KLP Kapitalforvaltning AS is the Group's asset management operation in securities and fund management. It had a total of NOK 563 billion under management at the end of 2019. The majority of the assets are managed on behalf of KLP and its subsidiaries in the KLP Group. KLP Kapitalforvaltning AS also offers fund products to members and other external investors.

Asset management increased by NOK 69 billion over 2018. Net new subscription in KLP's securities funds from investors external to the Group and retail customers amounted to NOK 5.3 billion in 2019. KLP Kapitalforvaltning manages a total of NOK 83 billion for customers outside KLP.

During 2019, four new mutual funds, two equity funds and two fixed interest funds were established, so the company was managing 51 securities funds at the end of 2019. The new funds are Nordic Swan certified, which means that they have to meet strict social responsibility requirements.

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

RETURN ON COMMON PORTFOLIO

Property
All management and development of the KLP Group's own properties is carried out through the wholly owned subsidiary KLP Eiendom AS. The company is one of Scandinavia's largest property operators and has operations in Norway, Sweden, Denmark, Luxembourg and the United Kingdom. The KLP Group's properties have good locations, a high standard of building and efficient space utilisation. The property company attaches weight to energy-saving and the environment, and is environmentally accredited in accordance with ISO 14001 in Norway, Sweden and Denmark.

The property portfolio has grown substantially in recent years, and accounts for 12.5 per cent of the collective assets. Investments in property have contributed good returns.

The property market maintained a strong price level through 2019. Rents also remained still have to remain at a high level, and sometimes even increased.

Property management is carried out only on behalf of the companies within the Group and has thus primarily contributed to returns on invested capital for the life insurance customers. Operating profit from property, including shares in external real estate funds, for the common portfolio of public-sector occupational pensions was 6.7 per cent.

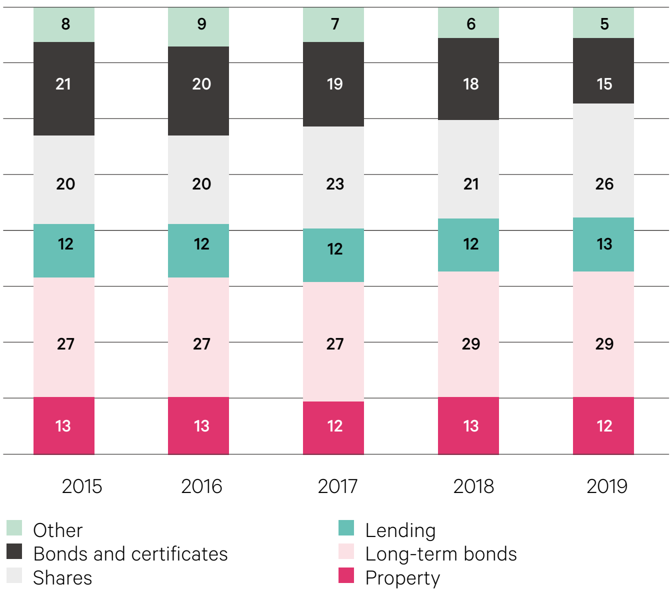
Consultancy and services
KLP Forsikringsservice AS provides insurance-related services to the municipal and county council pension funds. These services are based on the expertise and the systems developed for KLP's pension business.

KLP Forsikringsservice AS has a relatively new concept for the provision of a broad spectrum of services to local government pension funds. The company offers and provides services such as actuaries for pension funds established by municipalities and energy companies.

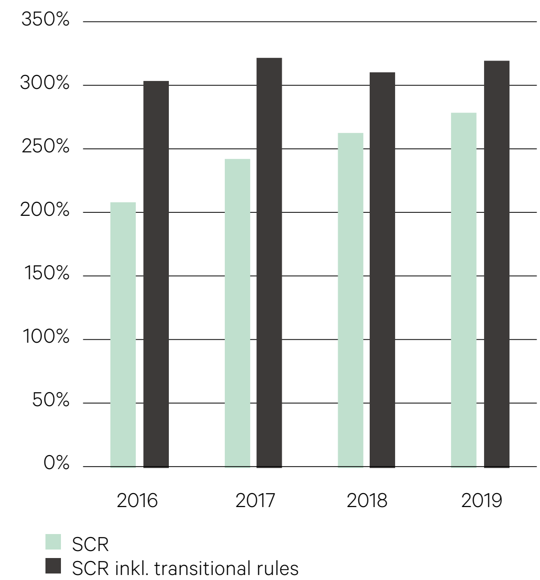
Financial strength and capital-related matters
Under the Norwegian Financial Institutions Act, KLP is subject to the Solvency II regulations. Under these rules, a capital requirement is calculated from the total risk exposure the company has within insurance risk, market risk, operational risk, departure risk etc. Buffer capital in the form of the securities adjustment fund, supplementary provisions and risk equalisation fund reduces the capital requirement. Any remaining capital requirements must be covered by the solvency capital. Solvency is the difference between the fair value of the company's assets and liabilities. For assets that are recognised at a different value in the accounts, the value is adjusted to represent true value in the Solvency II balance. For KLP's insurance obligations, there are no observable market values. These are therefore calculated using a best estimate based on actuarial assumptions. There is also a risk margin to reflect the capital costs that would be incurred by a third party in assuming the obligations.

Buffer capital was strengthened throughout the year after particularly strong growth in the equity market. The securities adjustment fund increased by NOK 22.3 billion to NOK 55.8 (33.4) billion. Supplementary reserves increased by NOK 8 billion to NOK 36.1 (28.2) billion.

COMMON PORTFOLIO IN KLP
Assets (% of financial assets)



SOLVENS II



The risk capacity was maintained at a level that indicates that expected returns can be kept above the annual interest guarantee in the solvency calculation.

The solvency capital was increased by NOK 1.2 billion with the payment of the planned and advertised annual owners' equity contributions. Of the profit for the year, NOK 754 million goes to owners' equity contributions and NOK 750 million to other retained earnings. The risk equalisation fund within the equity was increased by NOK 746 million to NOK 5,540 million.

KLP's mutual status and creditworthy owners provide assurance that the company can fulfil its future obligations. This is reflected in the Solvency II regulations, where this can be counted as solvency capital under more detailed rules. The Financial Supervisory Authority of Norway has agreed that KLP's recall rights established in its Articles of Association can be classified as supplementary capital in an amount equal to 2.5 per cent of the company's premium reserve. Today's approval applies up to 31.12.2023.

As the capital is not paid-up, it ranks as Group 2 or supplementary capital. Solvency II divides the solvency capital into three levels according to loss-absorption capacity, where Group 1 is the best and typically consists of paid-up capital that is free from restrictions in terms of covering any loss in the enterprise. Capital in Tier 2 may not exceed 50 per cent of the capital requirement. As KLP's premium reserve grew throughout the year, the supplementary capital increased by NOK 0.7 billion to NOK 11.5 billion. The company thus has more capital than can be used in the calculation as 50 per cent of the capital requirement amounts to NOK 7.3 billion.

The solvency requirement for KLP was slightly up in 2019 at NOK 14.6 (13.8) billion. The eligible solvency capital increased by NOK 4.4 billion to NOK 40.5 billion. This is because the value of the assets increased by more than the liabilities. KLP's financial strength thus improved throughout the year. Without applying transitional rules, the company's capital adequacy is 278 (263) per cent. Taking account of the transitional arrangement for technical provisions, capital adequacy is 319 (311) per cent. Capital adequacy is thus well above the internal target of 150 per cent and the regulatory requirement of 100 per cent. For the Group, the solvency margin is 253 (243) per cent.

KLP's financial strength is rated at A2 by Moody's Investor Service and A- by Standard & Poor's, both with supplementary information on expected stable ratings for KLP.

Risk

Monitoring and management of risk is a prerequisite for good value creation and security for pension assets. Identification, assessment and management of the risk factors, both to insurance and to financial management, are therefore key aspects of KLP's business. The risk profile is monitored within the individual operational entities and is assessed both by company and combined at Group level.

KLP carries out an annual 'Own Risk and Solvency Assessment' (ORSA). The self-assessment conducted in 2019 concluded that the company's risk management and solvency were

The risk capacity was maintained at a level that indicates that expected returns can be kept above the annual interest guarantee in the solvency calculation.

consistently good in all areas. The control functions for risk management and actuarial functions are part of the Risk Management and Control section.

Underwriting risk

KLP's principal activity is public-sector occupational pension provision. This industry is characterised by predictability and, to a limited degree, by individual events that may affect results significantly. Developments in the incidence of disability and life expectancy affect the risk profile.

KLP uses the K2013 mortality assumptions (tariffs). These were in line with observed mortality rates in the insured population up to and including 2009, as well as the expected future increase in longevity based on Statistics Norway's projections. KLP uses a higher tariff than K2013 for the pension scheme for nurses and the pension scheme for hospital doctors because the people insured in these schemes have greater observed longevity than other groups. The margins in the life expectancy assumptions are considered to be satisfactory.

As of 01.01.2020, a premium reserve was set aside for all members born in 1954 and later, calculated according to the new harmonisation rules adopted in 2018. Reserves were also recalculated in connection with changes to the rules for public-sector occupational pensions from 01.01.2020. In total, the changes entail a 5.2 per cent release from the premium reserve. However, there are differences in individual contracts. In total, contracts requiring an increase in the premium reserve have an increased need of 0.3 per cent. Gross release of premium reserve is thus 5.5 per cent. These funds will be allocated as part of the end-of-year close for 2020.

KLP introduced new disability tariffs from 01.01.2015 in line with updated risk history. Recent years' results show that there are an increasing number of people re-entering work, and the margins on the disability tariff have increased. From 01.01.2020, new disability tariffs have been introduced.

In the field of non-life insurance, the pricing of insurance risks is based on historical claims information, the risk of major claims and reinsurance costs. The company has a large proportion of long-tail business, a factor which, together with a large proportion of business exposed to large claims, contributes to a higher insurance risk than the market generally. This is reflected in a high solvency capital requirement.

In order to mitigate this risk, further growth is sought within the retail market and the small-and medium-sized business market. Over time, this will have a stabilising effect on risk and results.

The reinsurance programme limits the company's own expense per claim event.

Return risk

KLP guarantees an annual minimum return on the management of its customers' pension assets linked to defined-benefit schemes. For this guarantee, KLP will charge an annual interest guarantee premium. The interest guarantee premium is priced on the basis of KLP's solvency, the investment risk that KLP takes, the general trend in interest rates, and any margin. The interest guarantee premium is priced anew each year, which helps to limit the risk associated with the return guarantee. With the good financial strength built up in KLP, the interest guarantee premium can still be kept low even if interest rates are low compared to the annual return guarantee.

> The investment strategy emphasises exploitation of the company's risk-bearing ability within a framework that dictates stability and the long-term view in asset management.

Financial risk
Each year KLP works out a strategy for how the pension assets are to be invested. The investment strategy emphasises exploitation of the company's risk-bearing ability within a framework that dictates stability and the long-term view in asset management. Limits are defined for various financial risks such as credit risk, counterparty exposure, foreign exchange risk, use of derivatives and liquidity risk. A credit policy is also laid down for the Group, and credit limits for total exposure to individual counterparties are set by the Group's Credit Committee.

The financial risk is continuously monitored to ensure the risk is matched to the risk capability within the limits set in the investment strategy. With today's low interest rates, there is no risk that would render the company unable to withstand several years of weak returns without losing the ability to take financial risks.

The responsibility for operational risk management and asset allocation lies with a separate organisational unit under the Finance division. This unit directs KLP's management strategy through mandates and ensures that asset management is within limits set by the Board of Directors. An independent control unit, the Risk Management and Control unit, headed by the CRO (Chief Risk Officer) is responsible for monitoring and reporting whether the management of the company's assets is being conducted within the limits set, applicable mandates and guidelines provided by the Board.

Liquidity risk
KLP has good liquidity, with substantial holdings of liquid securities that can be realised at short notice. Quarterly, advance premium collection with 30-day payment terms ensures regular replenishment of liquidity throughout the year. The premium payments are intended to cover commitments that only fall due several years into the future. The true liquidity position thus amounts to more than the balance on the current account, which is the definition of cash and cash equivalents in the cash flow statement.

Operational risk
KLP's operational risks are associated with undesirable events as a result of failure in internal working processes, employee error, dishonest acts and criminality or external events. All processes throughout the value chain are exposed to various types of operational risk. KLP has developed procedures for identifying, monitoring and taking necessary measures to reduce the risk of undesirable events. It is a daily management responsibility at all levels to identify and follow up those deviations that occur.

Group senior management carries out an annual examination of significant operational risks in the business and these are delegated with ownership to an operational manager in the Group senior management team. The Board of Directors annually reviews the risk assessments and documentation on management and control measures established together with a total risk overview. Procedures have been established for independent controls and reporting at various levels. Tasks and functions are distributed so that conflicts of interest are avoided and responsibilities made clear.

Internal audit
The company's independent Internal Audit function carries out assessments of actuarial, financial and operational risks. Following consultation with the Board and Group senior management, assessment and testing are conducted of areas that are significant and exposed to risk with a view to satisfactory management and control. The result, with any recommendations on necessary measures to be taken, is presented to Group senior management and the Board and is followed up. This is further described in KLP's annual report in the section on 'Risk management and internal control'.

Compliance with statutes and regulations
The Compliance function in KLP assists Group senior management, the Board and employees in ensuring compliance with regulations and ethical standards. The head of the function reports to the CEO and its reports are discussed by the Board. The function takes a preventive approach through advice, implementation and culture-building, and carries out control activities to maintain a good compliance culture. A more detailed description of the company's adherence to good corporate governance is given in the annual report, in the section on NUES and in the description of risk management and internal control.

Adjustments related to new and changed regulations
In recent years, KLP has focused on adapting to new data protection rule and new anti-money laundering regulations and sanctions. The work has included technical changes, development of appropriate operational routines, competence-raising activities and some organisational changes. Within the data protection area, this has involved building privacy into established solutions, and also establishing a culture of including privacy impact assessments in all development and decision-making processes. This work is ongoing.

There was extensive work to adapt to the anti-money laundering and sanctions rules in 2019. KLP's core business generally carries little risk of money laundering. However, the Group also covers operations where transaction types, products, customer relationships and other factors could carry a higher risk. In 2019, the company worked extensively on the pillars of an anti-money laundering programme that will address the need to take a collective view of these various risks at the Group level while ensuring secure handling of particular risks in the individual business areas. Whatever the level of risk, the rules impose extensive requirements for customer action. In a finance group where the core business has not been exposed to much risk of money laundering, it has been particularly important to develop expertise on how our business areas could be misused for money laundering or terrorist financing purposes.

Efforts to build good mechanisms to ensure compliance with both data protection rules and anti-money laundering and sanctions regulations will be particularly high on the agenda in 2020.

Communication and Markets
KLP gets good feedback from both owners and their employees on its communication, where we spotlight public-sector employees and their important efforts for the community. On the occasion of KLP's 70th anniversary in 2019, a book was produced about this, entitled "A Big Thank You", which was distributed to the Norwegian local government and healthcare sector. In 2019, the company launched a campaign to reach younger target groups among our members, including promotional films on the "Influencer" who was tempted to start a career in the public sector.
KLP arranged the Local Government Conference for the 20th year in a row. The news story of the year was KLP's Climate Conference for the municipalities, where the KLP climate prize of NOK 500,000 was awarded for the first time. Kongsberg municipality took the top place among 30 nominations from all over the country.

In 2019, KLP's annual report won the Farmand Prize in the category for non-listed companies. KLP's visibility in the media was reinforced, both as a pension expert and as a leading company within corporate responsibility. The company's work on simplifying language and communication to our customers has produced results and progress on all of the measured criteria.

For KLP's digital customer interfaces, more big enhancements were made in 2019. Among other things, important improvements were made to "My Page", and this is being constantly developed to become more user-friendly, personal and informative. KLP has also established a working group with Digi Hordaland. The aim is to work together on digital initiatives that add value both for the participating municipalities and for KLP, and which can be scaled to suit all municipalities.

KLP has satisfied customers. All business areas reached the customer satisfaction target. The company is seeing further improvement in customer satisfaction among KLP's public-sector customers. For public-sector occupational pensions, KLP is now at an all-time high for customer satisfaction among both public-sector and corporate customers. For non-life insurance, the company has seen unchanged customer satisfaction, with very high satisfaction ratings among public-sector customers. KLP Banken had an unusually big improvement in customer satisfaction among the municipalities. KLP Bedriftspensjon is still on target, but was slightly down in the areas of information and price/product.

Results from the customer satisfaction survey in the retail market are above the targets in the group strategy in two out of three business areas and otherwise show stable customer satisfaction.

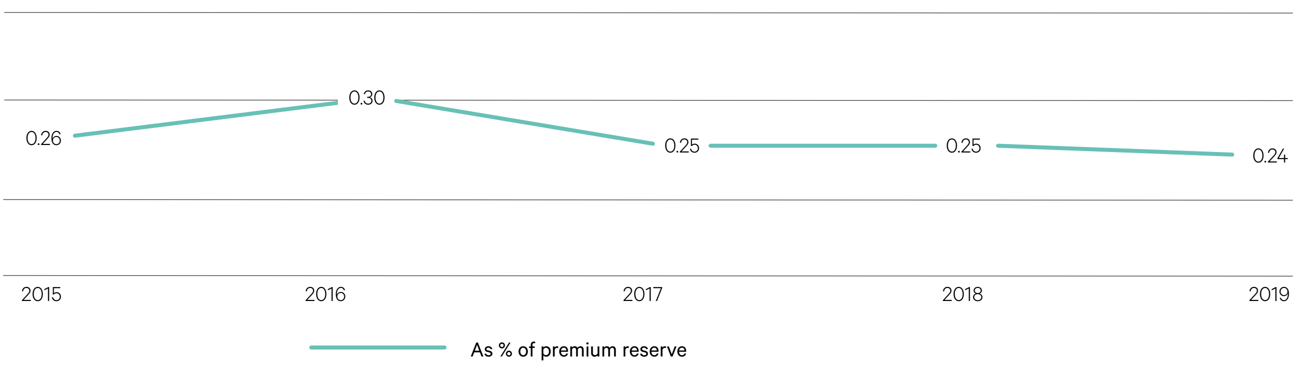
Focus on technology and digitalisation
KLP faces a number of business opportunities and challenges over the next few years. All of these require a proactive technology initiative.

KLP has therefore initiated one of the industry's most comprehensive digitisation efforts, which will continue over the next four years:

- Changes in public-sector occupational pensions from 1 January 2020, with the introduction of the "mark-up model".
- Need to streamline the business to further reduce customers' costs.
- Increased requirements for good advice services for members and

ADMINISTRATION COSTS

Percent



employers as the overall complexity increases and the options multiply.
- Increased individualisation, as well as increased public awareness and knowledge of pensions and savings could change the market situation in the longer term.
- New technological possibilities mean that we can use our strong position to create value-added services for our customers and members.

The realisation of KLP's strategy is heavily dependent on an IT organisation that has solid technological expertise combined with a good understanding of our business area.

The "technology lift" now being implemented requires significantly more resources than KLP has within the Group. Strategic partnerships with external actors are a key tool to ensure that we can move quickly enough in the extensive development work to be done.

KLP needs to leverage technology to streamline and automate. New digital services for customers and members should ensure that KLP is perceived as the best pension provider. The company needs to leverage its unique insights within public-sector occupational pensions to develop value-added services. In order to succeed, significant changes must be made in technology, processes and organisation.

Corporate responsibility

The basis for KLP's corporate responsibility work is for KLP to deliver secure and competitive pensions – both today and in the future – in a responsible and sustainable way. It is therefore important for us to have a good understanding of our own impact on society in relation to the UN Sustainable Development Goals, and the risks posed by global sustainability issues to our own activities. KLP aims to contribute to positive social development and accelerated progress towards a sustainable society. Achieving the climate target was adopted as one of the priorities in the company's strategy for corporate responsibility and KLP has therefore placed a particular focus on climate in 2019.

KLP's ambitions are to be a leader in corporate responsibility and to integrate this into all our activities, which we have also committed to through the UN Global Compact and the UN Principles of Responsible Investment (PRI).

For corporate responsibility, there are four overall objectives:

Integrate corporate responsibility into all of our operations

A key part of KLP's climate work has to do with increasing knowledge of climate risk. The company has been working on a survey of possible risk factors and on knowledge sharing at Board and management level and throughout the organisation. This work will continue unabated.

Increase investments that promote sustainable development and support our financial goals

KLP looks for investment opportunities in line with our investment strategy which have a direct effect on the UN Sustainable Development Goals. Increasing the proportion of renewable energy is one example of this. If we are to keep global warming below 1.5 degrees, up to 75-80 per cent of the electricity in the world must be renewable by 2050. The company aims to increase climate-friendly investments by NOK 6 billion each year, and the bulk of this will be within KLP's commitment to renewable energy. In 2019, NOK 6.2 billion was invested in climate-friendly investments and, to date, KLP has invested a total of NOK 48 billion in such projects. Of this, NOK 29.7 billion has been invested in renewable energy, which now accounts for 5 per cent of KLP's investment portfolio. For comparison, fossil energy accounts for 2 per cent. In the fourth quarter of 2019, KLP entered into a new partnership to invest in project financing of renewable energy together with another finance company. Another example is the company's investment in one of the world's largest solar energy farms in Egypt. The project was completed in 2019 and is a collaboration with Norfund. In all, KLP's investments in the construction of renewable energy facilities have produced supplies of over 1.9 gigawatts of renewable energy to the market, equivalent to the electricity needs of almost 7 million consumers.

Engage companies and industries for a sustainable operation

As a significant investor, KLP wants to exploit its role as a responsible investor to influence the behaviour of other companies. This is done through direct dialogue with the companies and by attending and voting at general meetings. During 2019 KLP was in discussions with 191 enterprises, where climate and climate risk were a consistent topic. As a consequence of the Amazon wildfires, KLP has been in discussions with several companies in Brazil to understand how they are applying their policies and procedures to help limit deforestation in that country. KLP has clearly stated its view that the rainforest must be safeguarded.

KLP also focused on "beaching", where working conditions are critical and which are also challenging from an environmental perspective because of the contamination of soil and water. KLP has therefore previously excluded companies that scrap ships in Pakistan and Bangladesh. In 2019 KLP ran a seminar on beaching and travelled to India to visit several shipyards to see how ships are scrapped there. This is part of our efforts to prevent companies in our portfolio from sending ships for scrapping under irresponsible conditions. Back in 2014, KLP decided to exclude companies that have more than half of their income from coal-based operations. In 2019, the threshold was lowered, and KLP now excludes companies that earn more than five per cent of their revenue from coal-based operations or from oil sands extraction. As a result of the decisions, KLP and funds under KLP's management have sold shares in these businesses totalling NOK 3.5 billion. KLP also introduced new exclusion criteria in 2019 and will not now invest in companies that produce alcohol, gambling services and pornography. A total of 568 companies have been excluded.

As part of the official programme during Oslo's year as European Green Capital in 2019, KLP organised the first Municipal Climate Conference. The conference focused on challenges related to emission reduction and future social planning in the municipalities. As part of the conference, KLP's Climate Prize was awarded to the municipality which has implemented a climate initiative to inspire other municipalities. Kongsberg municipality took the prize for its "school-plus-house project" built with environmentally friendly materials, solar cells and with its own energy storage based on hydrogen.

Developing products and services that contribute to improvements in society
In 2018 KLP started offering green mortgages, and the spring of 2019 also saw the launch of green loans to the public sector. The green loan product has been well received, and through 2019 loan applications were submitted for just over NOK 3 billion. KLP has entered into loan agreements for NOK 700 million, 60 per cent to the water, sewerage and waste management industry and 40 per cent for climate-friendly building.

KLP has also launched four new Nordic Swan-certified funds, so the company now has a family of five funds carrying the Swan mark. These funds follow strict sustainability criteria for which enterprises can be in the portfolio. There are also criteria for monitoring the companies, transparency and reporting. The funds are fossil-free.

Through KLP Skadeforsikring, KLP offers lectures and courses on claim prevention to its customers, with a particular focus on systematic safety management for municipal rented housing. KLP has arranged several information days to contribute to awareness and increased knowledge of challenges related to such rental properties. Through tighter management and continuous efforts, the goal is to reduce the risk of fire and injury. This will give municipalities safer housing and greater profitability over time.

KLP is continuing its active efforts on health and safety at work. Through its working environment network, KLP works with the company's customers to bring about lasting changes in workplaces which create good working conditions and lower sickness absence. By joining the network together with others, municipalities can learn from and be inspired by each other, and several of the municipalities have reported positive gains and achievement from the projects.

Further information on the goals and outcomes of KLP's corporate responsibility work is published in KLP's sustainability statement in the annual report, and at klp.no.

EMPLOYEES AND HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Employees
The company's employees are the most important input factor for KLP to achieve its targets, so the health, safety and well-being of the employees is important if injuries and undesirable effects are to be avoided. The aim is to facilitate a good physical and psychosocial working environment characterised by job satisfaction. These are important prerequisites for good quality work, better results for the business, greater competitiveness, customer confidence and individual enthusiasm for work. No serious occupational accidents were reported in 2019.

KLP has a target to keep sickness absence below 4.0 per cent. Absence through sickness in 2019 totalled 3.9 (4.2) per cent. Both long-term and short-term absence have decreased. There is a considerable focus on systematic and targeted efforts to address and follow up on employees reporting sick. Since 2018, managers within KLP have used digital systems to monitor employees signed off sick. This has contributed to better follow-up of those on sick leave.

6.8 per cent of the employees left KLP in 2019.

The employee survey for 2019 shows that KLP still scores high on job satisfaction and commitment. Working environment days have been held to look at the new conflict resolution guidelines and raise employees' awareness of what is important for creating a good working environment.

Equal opportunities and diversity
KLP wants to be an attractive workplace where all employees feel that they are respected for who they are, regardless of gender, ethnicity, religion, beliefs, disability, sexual orientation, gender identity, gender expression, age and other vital attributes.

KLP has continued its partnership with FRI (the National Association for Lesbians, Gays, Bisexuals and Transgender People) to run the course on 'Pink Competence'. The aim is to give staff and managers good advice and ideas on how to talk confidently about sexual orientation and gender expression in the workplace. KLP aims to be an inclusive workplace where people can be themselves. KLP is also a member of the Network for LGBT people (the collective term for lesbian/gay/bisexual/transgender persons) in the workplace, which consists of employers who wish to engage with this issue related to working life.

The induction programme for new employees takes them through KLP's core values, ethical guidelines and policy for equal opportunities and diversity.

KLP aims to have a gender balance in executive posts and more responsible positions. The target is to have at least 40 per cent of each gender among the Group's managers. Today, management level 1 at KLP is below this target, however. KLP aims to work systematically to achieve a gender balance and has initiated several measures in this area. In the leadership development programme, we also focus on gender balance. Other initiatives are related to recruiting and capturing female candidates in recruitment processes, changing employee attitudes and identifying and developing talented individuals. KLP has arranged internal and external lectures and seminars on equality, work and career and diversity. International Women's Day on 8 March, Sami National Day on 6 February, and Pride will be celebrated.

Remuneration principles

KLP's aim is to offer its employees good, market-matching salary and employment terms and conditions. The subsidiary KLP Kapitalforvaltning AS operates in markets where part of the salary is based on profits achieved and therefore offers salaries that are partly performance-based to employees who have direct profit responsibility. In accordance with the regulations, payment of this remuneration is spread over several years and is partly linked to the growth in value in selected mutual funds, because KLP as a mutual company does not have its own exchange-listed equity instruments. Performance-related pay has not been introduced elsewhere in the Group.

External environment

The world is facing major sustainability issues. Climate change has had a visible impact in many parts of the world and the temperature increase needs to be limited to 1.5 degrees to prevent serious climate change. KLP's impact on the external environment and climate results from our own activities as well as indirectly through our collaborative partners and suppliers and via investments in companies and property. KLP has ambitious aims to reduce this footprint. As regards the company's own operations, KLP has an overall environmental objective of halving greenhouse gas emissions by 2030 from 2010 levels. KLP is well on the way to achieving this reduction target. The main focus in 2019 has been on flights, where the number of individual journeys was reduced by 3 per cent compared with the previous year. The distance flown has been reduced by over 208,000 km, a decrease of 6 per cent from 2018.

REGULATORY FRAMEWORK

Changes in the pension market change – public-sector occupational pensions

For several years, the Ministry of Labour and Social Affairs, together with the social partners, has had a process aimed at a new long-term model for retirement pensions in public-sector occupational pension schemes. The Ministry set out the following requirements for a future model: total years' accumulation, lifetime pension, guaranteed adjustment of accrued rights and pensions at payout time, as well as gender and age-neutral premiums. Transitional rules and protection of accrued rights are other core issues. The Government and the social partners agreed on a new pension scheme in March 2018, to take effect from 1 January 2020.

The aim of a new old age pension model is that it should give better support during working life and provide for greater mobility between the public and private sectors. KLP has spent a lot of time implementing a new model, and worked through 2019 to be ready to incorporate the new model on the effective date of 1 January 2020. This has been a resource-intensive task, but we made it to the finish.

The public-sector pension schemes are anchored partly in law and partly

KLP will actively use the powers of influence that the company has, as Norway's largest life insurance company, in the work for a more sustainable environment.

in collective agreements between the employer and employee organisations.

New rules on special age limits and early retirement pensions (AFP) are still pending.

Local government reform

In June 2017, the Storting adopted a new local government structure and regional reform. This decision means that from 2020, there will be 356 municipalities and 11 counties in Norway. Before the local government reform, Norway had 428 municipalities and 19 counties.

Today, most of the country's municipalities and county councils have their pension schemes with KLP. Several of these municipalities merged with municipalities that have their own pension funds. In two of these cases, the new municipality has decided to have a pension scheme in KLP, while the remainder have retained their existing schemes. Such mergers can also make new municipalities big enough to allow some of them to consider establishing their own pension funds in the future. These factors may affect the market in for public-sector occupational pensions.

OTHER MATTERS

Changes in KLP's Board of Directors

Cathrine M. Lofthus and Øivind Brevik joined as new Board members in KLP, while Marit Torgersen and Lars Vorland stepped down from the Board in May 2019.

Owner relations

KLP prizes good dialogue with its owners. This provides the company with important input to strategic questions and useful feedback on day-to-day operations. As before, KLP arranged owner meetings around the country in 2019 too. The company also attended directors' meetings in the health enterprises. Resource group meetings for local authority chief executives were also held.

Corporate governance

KLP's Articles of Association and applicable legislation provide the framework for corporate governance and clear division of roles between the governing bodies and executive management. The Board of Directors of KLP carries out an annual review of corporate governance. As KLP has not issued any equity instruments and so is not exchange-traded, there will be no differences from the Norwegian Code of Practice for Corporate Governance (NUES) as set out in a separate section of the annual report. Election procedures for the corporate assembly are tailored to the direct form of ownership through important stakeholder groups having assured representation on the corporate assembly, in accordance with the company's Articles of Association.

The Board of Directors has established an Audit Committee, a Remuneration Committee and a Risk Committee. The Board undertakes an annual assessment of its own business and competence.

The way forward

The company's vision is for KLP to be the best partner for the days to come. This is a picture of how the company wants owners and customers to see KLP strengthening their finances, simplifying their everyday lives, helping to make customers attractive employers and contributing to a more sustainable public sector. The key to this work are the values: Open, Clear, Responsible and Committed, which all staff should reflect in their dealings with the company's customers and colleagues.

KLP aims be a pension provider which differentiates itself from other companies operating in the same markets. KLP's mutual status provides the best starting point for ensuring that any value added will benefit the member businesses. When the company runs at a profit, this is either used to boost its financial strength or given to member companies in the form of lower costs. The result is reduced payments to KLP. This leaves more money for schools and hospitals, or other priority tasks that our member companies are responsible for. The way in which KLP runs its business therefore has a direct impact on how they discharge their social obligations. KLP's main goal is to be Norway's leading provider of pensions to the public sector. KLP aims to deliver secure and competitive pension, financial and insurance services to the public sector, enterprises associated with it, and their employees. KLP's most important task is therefore to provide pensions with a competitive rate of return over time, the lowest costs and a high level of service. The company's pension experts have over 10,000 individual pension discussions each year and the customer service desk takes more than 200,000 phone calls.

Managing large assets on behalf of the community carries an obligation. KLP's management of savings is very important to the company's customers and owners, but also indirectly to many more people in Norway and abroad. By making capital available, KLP enables companies to grow and create new products and jobs. With this comes increased social responsibility.

KLP is fortunate to have committed owners who provide clear direction for how KLP should use the capital responsibly in its investments. Corporate responsibility is on the agenda for the company every day and in every part of the business.

KLP is a knowledge company with more than 1,000 employees. KLP can and should become more visible as a pension expert so the company's broad expertise can also benefit others. Pensions have been an increasingly important topic in the media and in the general public debate in recent years. As an expert in this area, KLP will work actively to improve access to knowledge and expertise on pensions and savings.

KLP aims to be perceived as a credible and skilled pension adviser – the company's goal is to be the best.

Major structural changes in the local government sector and changes in our main product, public-sector occupational pensions, each place demands on KLP's strategic readiness and ability to get better and more efficient. Risk assessments and monitoring are carried out in order to identify the impact that this could have on KLP's operations, and measures to address this development.

Today's position enables KLP to continue as a good supplier of new public-sector occupational pensions. This is subject to the ability to deliver well in multiple areas. KLP is currently developing new and more efficient technological solutions and adapting its skills to stay competitive. The company is striving bring costs down still further. A good overall customer experience is being developed on the basis of what provides the best customer value. Customers expect self-service solutions and seamless processes with user-friendly interfaces and short response times.

The world is facing major sustainability issues at the local and global level. KLP is part of this picture, and these challenges involve both risks and opportunities. KLP will actively use the powers of influence that the company has, as Norway's largest life insurance company, in the work for a more sustainable environment. The desire to make a difference in corporate responsibility and sustainability is central to KLP's daily operations. An active engagement with society, the environment and responsible investments should contribute to a good development in a long-term perspective. Corporate responsibility is integrated into all business processes through e.g. responsible management of pension assets, work on ethics and high environmental standards in buildings that KLP owner. KLP has socially engaged owners who want the company to both ensure a good predictable return and also to lead the industry in corporate responsibility. Above all, the owners want KLP to contribute to achieving the UN Sustainable Development Goals.

KLP has undertaken to invest in new production capacity for renewable energy in developing countries. Up to 2019, the investments brought renewable energy to almost 7 million people. KLP has also made significant investments in new renewable energy projects in Europe and the USA, as well as in existing energy production and distribution in Norway. Here, too, the company has an ambition to increase investment further. In 2019, NOK 6.2 billion was invested in climate-friendly measures, while the goal going forward is at least NOK 6 billion per year.

With good solvency, KLP is well-placed to further develop the business in a way that will continue to generate good long-term value for customers, owners and their employees.

EVENTS AFTER YEAR END

Spreading of COVID-19 has gone globally, and several countries including Norway has imposed strict measures to limit further spreading. KLP follows the advice given by the Norwegian Institute of Public Health and the authorities. The majority of KLP staff are working from home to avoid spreading of the virus. KLP has also enforced emergency measures to secure operations over time, in case of reduced available workforce.

The financial markets are also impacted by the spreading of COVID–19. Large movements in equity-, interest rate- and foreign exchange-markets generates significant volatility to KLPs holdings. The company has over time built solid financial buffers to secure god solvency under stressed conditions. The Norwegian Financial Authority has asked life insurance companies, including KLP, to report weekly on their financial situation. The last calculation on KLPs solvency situation is well above of 150 % without transitional rules, which is the limit for management actions. KLP will gradually reduce its equity exposure if markets continue to fall, in line with the company's CPPI strategy.

Oslo, 22 March 2020
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

EGIL JOHANSEN
Chair

JENNY FØLLING
Deputy Chair

CATHRINE M. LOFTHUS

KARIANNE MELLEBY

ODD HALDGEIR LARSEN

ØIVIND BREVIK

SUSANNE TORP-HANSEN
Elected by and from the employees

FREDDY LARSEN
Elected by and from the employees

SVERRE THORNES
Group CEO

Photo: Nicolas Tourrenc

The Board of Directors of KLP

From left:
Tom Tvedt, Erik Orskaug, Lizzie Ruud Thorkildsen, Odd Haldgeir Larsen, Egil Johansen (Chair), Karianne Melleby, Cathrine M. Lofthus, Freddy Larsen, Susanne Torp-Hansen, Øivind Brevik.
Absent: Jenny Følling (Deputy Chair).

EGIL JOHANSEN
Chair of the Board of Directors

Egil Johansen was elected as first permanent deputy member in 2011. In 2014 he was elected as a director and deputy chairman of the Board. He is the project manager/chief administrative officer in the new Tønsberg municipality. He was previously county chief administrative officer in Vestfold, and has also been chief administrative officer in Porsgrunn and Re. Johansen has also worked for the Ministry of Petroleum and Energy and the Aker group. Johansen has a degree in economics from the Norwegian School of Economics.

JENNY FØLLING
Deputy Chair

Jenny Følling is Deputy Mayor of Sunnfjord Municipality. She was previously deputy mayor of Sogn and Fjordane, Mayor of Gaulaer and has held several other positions in the local government sector. Følling trained as an agricultural consultant at Vestfold Agricultural School and has also studied regional and landscape planning at the colleges in Volda and Sogndal.

ØIVIND BREVIK

Øivind Brevik is managing director of KS Bedrift. He has previously held positions in the Norwegian Institute for Nature Research, the Norwegian Climate and Pollution Agency (at the Norwegian Environment Agency), the City of Oslo and Romerike Avfallsforedling (waste processing). Brevik has an MSc in ecology and environmental management from the Norwegian University of Science and Technology (NTNU).

FREDDY LARSEN

Freddy Larsen was elected to the Board of KLP as an employee representative in May 2009. He has been an employee of KLP since 1986 and works as a business architect in the Business Analysis group at the Bergen office. Freddy Larsen has previous professional experience from the Alcohol and Drug Addiction Service and Technical Services in Askøy municipality from 1985-1986.

ODD HALDGEIR LARSEN

Odd Haldgeir Larsen was elected as a member of the Board of KLP in May 2018. He is vice-chair of Fagforbundet (the Norwegian Union of Municipal and General Employees) and represents the employee organisation with the most members of KLP.

CATHRINE M. LOFTHUS

Cathrine M. Lofthus is managing director of the regional healthcare enterprise Helse Sør-Øst RHF. She has previously held management positions at Aker University Hospital and later at Oslo University Hospital. Lofthus qualified in medicine from the University of Oslo and has a doctorate in endocrinology from the same institution. She also has qualifications in finance, administration and management and has worked in the healthcare sector as a clinician, researcher and manager.

KARIANNE MELLEBY

Karianne Melleby is Director of Corporate Partnerships at StartupLab. She has held a number of managerial positions in Telenor and also has management experience from DnB. In both companies, digitalisation and change management have been key elements of her work. Melleby has a master's degree in business and economics from BI 2000, and also studied at the London Business School and the IMD Business School in Switzerland.

SUSANNE TORP-HANSEN

Susanne Torp-Hansen was elected to the Board of KLP as an employee representative in May 2013. She has been employed at KLP since 1999 and works in the Training department within the Life division. She is the senior employee representative at KLP. Her education includes law studies at Oslo University and information and organisation studies at BI Norwegian Business School.

TOM TVEDT
1st permanent Deputy member

Tom Tvedt was president of the Norwegian Olympic and Paralympic Committee and Confederation of Sports, mayor of Randaberg from 1999 to 2007 and county mayor of Rogaland from 2007 to 2011. Tvedt has extensive experience within the private, municipal and county administration sector. He was elected to the county council in Rogaland for the period 2015-2019.

LIZZIE RUUD THORKILDSEN

Lizzie Ruud Thorkildsen is observer to the boarder. She is the head of Delta.

ERIK ORSKAUG

Erik Orskaug observer to the boarder. He is chief economist in the employee organization UNIO

Photo: Marianne Wright Pedersen
Employed in KLP

ANNUAL REPORT 2019

KLP Group Accounts

Photo: Anders Eidsnes
Employed in KLP

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KLP GROUP

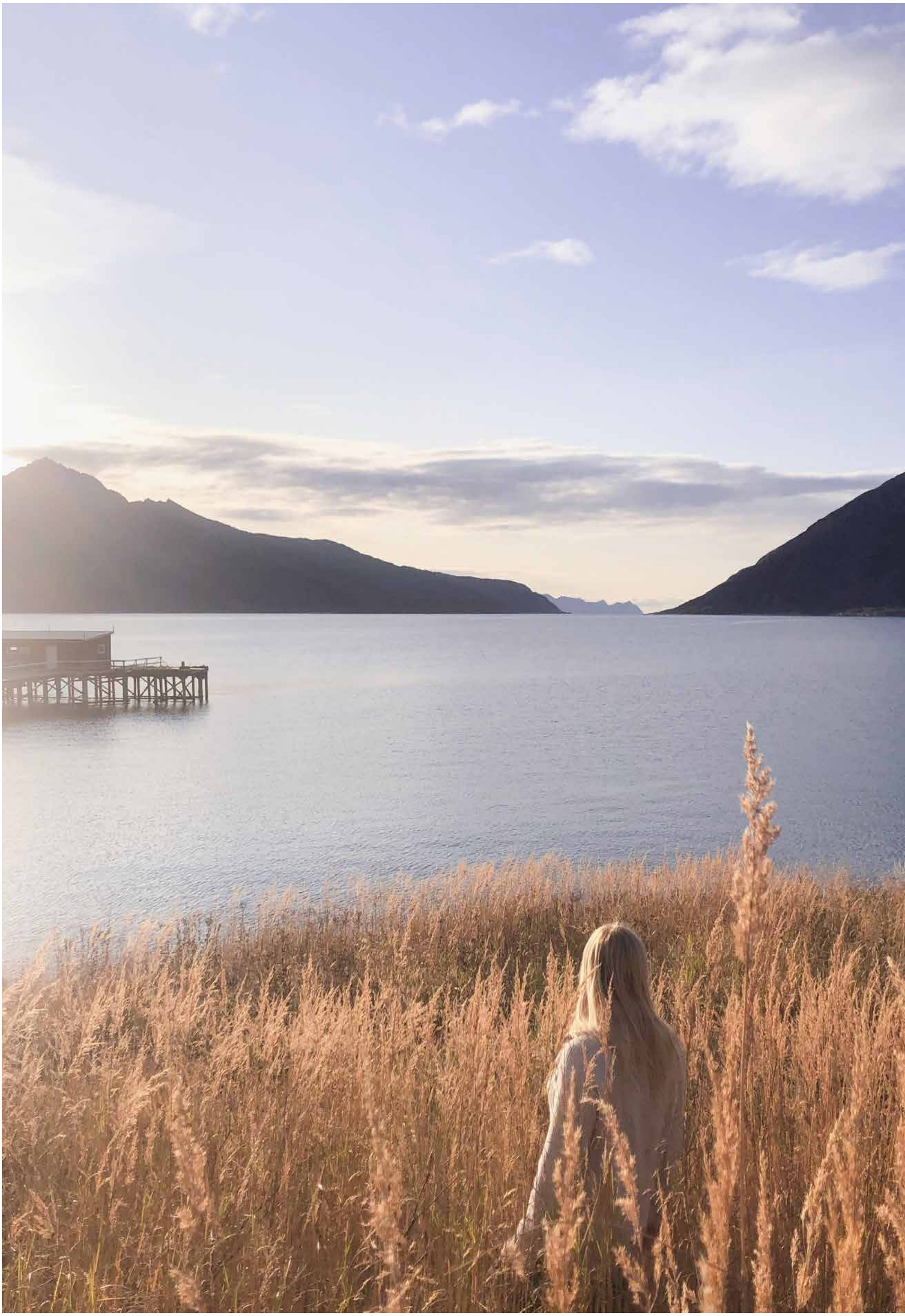


Photo: Jenny Marie Wiggen
Employed in KLP

Income Statement

KLP GROUP

NOTES	NOK MILLIONS	2019	2018
21	Premium income for own account	42 716	40 921
5	Current return on financial assets	16 301	14 989
5	Net interest income banking	294	249
5	Net value changes on financial instruments	42 247	-14 500
16	Net income from investment properties	4 314	4 993
33	Other income	762	1 107
	Total net income	**106 634**	**47 760**
21	Claims for own account	-21 616	-20 015
21	Change in technical provisions	-29 954	-28 096
	Net costs subordinated loan and hybrid Tier 1 securities	-372	-483
32	Operating expenses	-1 892	-1 872
33	Other expenses	-1 145	-1 075
	Unit holder's value change in consolidated securites funds	-14 736	4 022
	Total expenses	**-69 715**	**-47 520**
	Operating profit/loss	**36 919**	**240**
21	To/from securities adjustment fund – life insurance	-22 277	8 862
21	To supplementary reserves – life insurance	-8 052	- 2 792
21	Assets allocated to insurance customers - life insurance	-3 398	- 3 469
	Pre-tax income	**3 193**	**2 840**
23	Cost of taxes [1]	-1 201	- 125
	Income	**1 992**	**2 715**
28	Actuarial loss and profit on post employment benefit obligations	151	-22
21	Adjustments of the insurance obligations	-16	1
23	Tax on items that will not be reclassified to profit or loss	-34	5
	Items that will not be reclassified to profit or loss	***101***	***-16***
	Revaluation real property for use in own operation	209	222
16	Currency translation foreign subsidiaries	-353	-238
21	Adjustments of the insurance obligations	353	238
23	Tax on items that will be reclassified to profit or loss	-52	-56
	Items that will be reclassified to income when particular specific conditions are met	**157**	**167**
	Total other comprehensive income	**258**	**150**
	Total comprehensive income	**2 249**	**2 866**
	[1] Unit holders share of taxes in consolidated securities fund	-236	- 229

Balance Sheet

KLP GROUP

NOTE	NOK MILLIONS	31.12.2019	31.12.2018
23	Deferred tax assets	62	65
25	Other intangible assets	460	274
22	Tangible fixed assets	2 072	1 900
17	Investments in associated companies and joint venture	3 062	1 508
7,16	Investment property	74 545	67 570
6,13	Debt instruments held to maturity	29 701	31 053
6,13	Debt instruments classified as loans and receivables	150 580	141 549
6,7,13,15	Lending local government, enterprises & retail customers at fair value through profit / loss	602	855
6,13,15	Lending local government, enterprises and retail customers	105 727	94 909
6,7,13	Debt instruments at fair value through profit or loss	170 810	166 344
6,7	Equity capital instruments at fair value through profit/loss	206 949	159 968
6,7,13,14	Financial derivatives	7 582	944
6	Receivables	2 484	2 213
6,8	Assets in defined contribution-based life insurance	4 906	3 396
	Cash and bank deposits	3 194	3 009
	TOTAL ASSETS	**762 737**	**675 558**

Balance Sheet

KLP GROUP

NOTE	NOK MILLIONS	31.12.2019	31.12.2018
	Owners' equity contributed	16 540	14 554
36	Retained earnings	20 799	19 303
	TOTAL OWNERS' EQUITY	**37 339**	**33 857**
6,18,19,20,38	Hybrid Tier 1 securities	1 738	1 662
6,18,20,38	Subordinated loan capital	6 012	6 029
28	Pension obligations	790	880
21	Technical provisions - life insurance	567 883	509 284
6,21	Provisions in life insurance with investment option	4 906	3 396
21	Premiums, claims and contingency fund provisions - non-life insurance	2 604	2 325
6,20,38	Covered bonds issued	24 415	23 025
6,20,38	Debt to credit institutions	8 199	2 794
6,2	Liabilities to and deposits from customers	11 487	10 662
6,7,14	Financial derivatives	856	6 809
23	Deferred tax	1 247	1 083
34	Other current liabilities	6 298	6 053
	Unit holders`s interest in consolidated securites funds	88 963	67 701
	TOTAL LIABILITIES	**725 398**	**641 701**
	TOTAL EQUITY AND LIABILITIES	**762 737**	**675 558**
	Contingent liabilities	23 344	20 532

Oslo, 22 March 2020
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

EGIL JOHANSEN
Chair

JENNY FØLLING
Deputy Chair

CATHRINE M. LOFTHUS

KARIANNE MELLEBY

ODD HALDGEIR LARSEN

ØIVIND BREVIK

SUSANNE TORP-HANSEN
Elected by and from the employees

FREDDY LARSEN
Elected by and from the employees

SVERRE THORNES
Group CEO

Changes in Owners’ Equity

KLP GROUP

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**

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

Statement of Cash Flows

KLP GROUP

NOK MILLIONS	2019	2018
CASHFLOW FROM OPERATING ACTIVITES		
Direct insurance premiums received	38 467	34 595
Reinsurance premiums paid	-56	-72
Direct insurance claims and benefits paid	-20 585	-18 846
Reinsurance settlement received for claims and insurance benefits	42	-17
Payments received on transfer	499	533
Payments made on transfer	-399	-567
Payments to other suppliers for products and services	-1 804	-1 810
Payments to staff, pension schemes, employer's social security contribution etc.	-1 123	-1 080
Interest paid	-1 529	-758
Interest received	12 195	10 940
Dividend received	6 048	3 074
Tax and public charges paid	-533	-475
Payments from property operations	3 604	3 502
Net receipts/payments of loans to customert etc.	-9 659	-7 191
Net receipts on customer deposits banking	825	992
Receipts on the sale of shares	62 788	26 562
Payments on the purchase of shares	-72 988	-16 434
Receipts on the sale of bonds and certificates	81 697	85 985
Payments on the purchase of bonds and certificates	-84 318	-107 421
Receipts on the sale of property	284	817
Payments on the purchase of property	-6 403	-2 783
Payments to investments in assets with investment option	-905	-810
Net cash flow from purchase/sale of other short-term securities	-8 308	50
Net cash flows from operating activities	**-2 162**	**8 786**

Statement of Cash Flows

KLP GROUP

NOK MILLIONS	2019	2018
CASH FLOW FROM INVESTMENT ACTIVITIES		
Payments on the purchase of tangible fixed assets etc.	-301	-47
Net cash flows from investment activities	**-301**	**-47**
CASH FLOWS FROM FINANCING ACTIVITIES		
The minority's share of operational activities	-329	-10 899
Receipts on loans from credit institutions	9 000	6 500
Disbursements on loans from credit institutions	-7 224	-5 575
Receipts of owners' equity contributions	1 241	1 442
Payments on repayment of owners' equity contributions	-9	-14
Net cash flows from financing activities	**2 679**	**-8 545**
Net changes in cash and bank deposits	**216**	**194**
Effect of exchange rate changes on cash and cash equivalents	-31	-6
Holdings of cash and bank deposits at start of period	3 009	2 820
Holdings of cash and bank deposits at end of period	**3 194**	**3 009**

Notes to the Accounts

KLP GROUP

NOTE 1 General information

Kommunal Landspensjonskasse gjensidige forsikringsselskap (the Company) and its subsidiaries (together the Group) provide pension, financial, banking and insurance services to private individuals, municipalities and county administrations, health enterprises and to enterprises both in the public and private sectors.

The largest product area is group pensions insurance. Within pension insurance the Group offers local government occupational pensions, defined benefit pensions and defined contribution pensions. In addition the Group offers group life and non-life insurance, banking services, fund and asset management.

Kommunal Landspensjonskasse (KLP) is a mutual insurance company registered and domiciled in Norway.

The Company has its head office in Dronning Eufemias gate 10, Oslo.

The Group's annual financial statements may be accessed at www.klp.no.

The Group has subordinated loans listed on the London Stock Exchange and part of the Groups' issued covered bonds are listed on Oslo Stock Exchange.

NOTE 2 Summary of the most important accounting principles

Below follows a description of the most important accounting principles used in the consolidated financial statements. These principles have been used consistently for all periods presented.

2.1 FUNDAMENTAL PRINCIPLES

The consolidated financial statements for KLP have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU with certain supplements resulting from the Norwegian Accounting Act and the Regulations on annual accounts for insurance companies. The annual financial statements have been prepared based on the principle of historic cost, with the following exceptions:

- Investment properties valued at fair value through profit and loss
- Investment property for own use is revalued to fair value
- Financial assets and liabilities(including derivatives) are value at fair value through profit and loss
- Financial assets and liabilities are valued in accordance with the rules on fair value hedging

In preparing the annual financial statements management must make accounting estimates and discretionary evaluations. This will affect the value of the Group's assets and liabilities, income and expenses recognized in the financial statements. Actual figures may deviate from estimates used. Areas in which discretionary valuations and estimates have been used that are of material significance for the Group are described in Note 3.

All sums are presented in NOK millions without decimals unless otherwise stated.

The financial statements have been prepared in accordance with the going concern assumption.

2.1.1 Changes in accounting principles and disclosures

(a) New and changed standards and interpretations

The Company/Group implemented the IFRS 16 accounting standard with effect from 1 January 2019. The standard results in more leases than before being capitalised, as the distinction between operational and financial leasing has been removed. According to this standard, the right to use a leased object must be recognised as an asset, and an obligation to pay a lease as a liability. The exceptions are short-term and low-value leases. The accounting requirements for lessors will not be significantly altered.

The Group has analysed all of its leases to ensure that they meet the criteria for leases according to IFRS 16, and the leases which falls under the standard are intercompany and eliminated in the Group accounts. The implementation of IFRS 16 has therefore no material effect for the Group.

The EU has approved changes to IAS 19 Employee Benefits clarifying the accounting requirements for plan amendments, curtailment or settlement during the accounting period. When re-measuring net defined-benefit pension liabilities in the event of amendment, curtailment or settlement of the scheme, the cost of the current period’s pension entitlements and the net interest for the period after the re-measurement must be based on the same assumptions used for the re-measurement.

NOTE 2 Summary of the most important accounting principles - cont.

The net interest for the residual term after the plan amendment is based on a net defined-benefit pension obligation derived from the re-measurement multiplied by the discount rate used in this measurement. The changes apply to accounting periods beginning 1 January 2019 or later, and have been implemented with prospective effect.

IFRS 9 Financial instruments, became operative from the 1th of January 2018 and covers classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting, with a new impairment model for financial assets. Financial assets are classified into three categories:
- Amortised cost
- Fair value with value changes through profit or loss
- Fair value with value changes through other comprehensive income

The measurement category is decided on initial recognition. Classification depends on the company's/group's business model for managing its financial instruments and the characteristics of the individual instrument's cash flows. The standard will be effective from 2018. The provisions in IFRS 4 Insurance Contracts give companies/groups with insurance-dominated operations two alternative temporary exceptions from the new requirements in IFRS 9. The exceptions arise out of concerns that IFRS 9 comes into force before the new standard on insurance *Contracts, IFRS 17*.

1) Companies/groups with insurance-dominated operations are allowed, but not obliged, to apply the current rules for financial instruments (IAS 39) when drawing up IFRS accounts for the financial years 2018, 2019 and 2020. To be regarded as an insurance-dominated undertaking, the requirement is that the insurance liability must constitute at least 90% of the total liabilities, or at least 80% on condition that the undertaking is not involved in significant activities that are not related to insurance. To calculate whether the condition is met, figures for 31.12.2016 should be used.

For the KLP Group, 93.9% of the business is considered to be related to insurance, so the criterion for applying temporary exceptions is fulfilled. This is shown in the table below.

The KLP Group will make use of this temporary exception and will therefore not implement IFRS 9 before 01.01.2021 or later.

2) Groups with insurance activities which wish to implement IFRS 9 may elect to reclassify items between profit and loss and other income and expenses (other comprehensive income) in accordance with the rules under IFRS 4 for the financial years 2018, 2019 and 2020. The method allows differences in valuation between IAS 39 and IFRS 9 to be eliminated on selected financial assets.

The Group has not chosen to make use of this temporary exception. Otherwise, there are no other IFRSs or IFRIC interpretations not yet in force that are expected to have a significant impact on the financial statements.

INSURANCERELATED LIABILITIES

NOK MILLION	
Hybrid Tier 1 securities	1 650
Subordinated loan capital	6 220
Pension obligations	712
Technical provisions - life insurance	453 943
Provisions in life insurance with investment option	1 674
Premiums, claims and contingency fund provisions - non-life insurance	2 245
Financial derivatives	5 871
Deferred tax	403
Other current liabilities	4 823
Unit holders' interest in consolidated securites funds	55 916
Total Insurancerelated liabilities	**533 456**
Total liabilities	**568 290**
Share of insurancerelated liabilities	**93,9 %**

b) Standards, changes and interpretations of existing standards that have not come into effect and where the Group has not chosen advanced application. The new standard for insurance contracts, IFRS 17, was published by the IASB in 2017, but has not yet been approved by the EU. The standard will replace the current standard for insurance contracts, IFRS 4, and will be implemented from 2021 at the earliest. The definition of what constitutes an insurance contract has not changed, although some clarifications have been made limiting what is considered to be a qualifying contract that is to be treated in accordance with IFRS 17. Unlike IFRS 4, IFRS 17 also contains rules on how insurance contracts are to be valued and presented. The standard describes a valuation model where the insurance liability is based on the expected present value of future cash flows, plus a risk margin and a profit margin. There are also simplified models available that can be used under certain conditions. The present value can be calculated by identifying the expected cash flows of the contract at a market rate. The risk margin must reflect non-financial risk that makes the insurer indifferent to entering into the contract. Any positive profit margin is capitalised and recognised through ordinary profit and loss as the entity is released from insurance risk. A negative profit margin (loss) is recognised in profit and loss immediately.

The standard assumes that insurance contracts that have approximately equal risk and are managed collectively as a portfolio are grouped according to whether they are profitable, loss-making or profitable with a risk of becoming loss-making. The maximum permitted difference in the issuance of the contracts included in a group is 12 months.

The standard requires retrospective application but allows certain simplifications where full retrospective application is practically impossible. There will be a high threshold for the use of simplifications.

Changes have been proposed to the standard in several areas and it is expected that there will be an updated version of the standard during the summer of 2020. One of the proposals is to delay the implementation of the standard until 2022 or later. There is continued uncertainty, therefore, about the final effective date from the IASB and about when the EU will approve the standard for use within the EU/EEA. It is also unclear whether the standard will be permitted to be used, compulsory or prohibited from implementation in the company accounts of life assurance companies in Norway.

The Group has started an extensive implementation project. A preliminary survey of the Group's insurance contracts has been carried out with a view to whether they are within the standard or not, which valuation model the various qualifying contracts belong to and how they should be grouped. The conclusions are working hypotheses that are being further worked on. It is thus not clear how the standard will affect the company's equity if it is implemented in the company accounts.

IBOR -REFORM

The IBOR reform affects a number of agreements that set interest rates according to a benchmark index. A group was established in Norway in 2018 to work on a recommendation for an alternative benchmark rate in Norwegian kroner. At the end of September 2019, the working group published its recommendation of a reformed version of the "Norwegian overnight weighted average" (Nowa) as an alternative benchmark rate. The interest rules will be reformed when Norges Bank takes over as administrator from 1 January 2020 but will probably be very similar to today's Nowa. The change in benchmark rates will affect the reporting of hedge accounting, as the effectiveness of the hedging relationship will be affected by a change in interest in both cash flow hedging and fair value hedging.

At the end of September 2019, the IASB adopted interim changes to IFRS 9 (Financial Instruments) and IFRS 7 (Disclosures), where the purpose of the exceptions in the standard is to help ensure that hedge accounting can be maintained in the period leading up to the transition to a new benchmark rate. The changes are mandatory from 2020 but can be implemented early for the 2019 financial statements, which the Company has done.

The practical impact of early implementation is that hedging relationships still in place after 2021 can continue unaffected by the IBOR reform. The Group has not early adopted the changes. Otherwise, there are no other IFRSs or IFRIC interpretations not yet in force that are expected to have a significant impact on the financial statements.

2.2 CONSOLIDATION PRINCIPLES

2.2.1 Subsidiaries

All entities in which the Group has decisive influence/control are considered subsidiaries. Control is normally achieved through ownership of more than half of the voting capital. The effect of potential voting rights that can be exercised or converted at the end of the reporting period is included in the assessment of control. Subsidiaries are consolidated from the date on which the Group takes over control and they are omitted from consolidation when that control ceases.

In accordance with the changed definition of control in IFRS 10, a large portion of KLP's investments in securities fund are consolidated in the Groups financial statements. KLP/Group has laid wait upon the following factors in assessing whether there is an obligation to consolidate:

- The Group takes the initiative for the securities fund and defines investment strategy, management fees etc. for the securities fund's byelaws
- The Group undertakes the management within the operating scope of the securities fund's byelaws

NOTE 2 Summary of the most important accounting principles - cont.

- The Group receives all management fees in the fund
- The Group exploits synergies is by undertaking management itself (except for certain "funds of funds")
- The Group has substantial ownership interest in the fund (usually more than 20 per cent)

Applying definition in IFRS 10 makes discretionary evaluations necessary. In the Group's financial statements, such funds are 100 per cent consolidated in the balance-sheet where non-controlling ownership interests (minority shares in the Securities Fund) are included in the accounting item 'Unit holders' interest in consolidated securities funds'.The minority's share of the mutual funds are in the financial statement classified as liabilities.

Purchase of subsidiaries is recognized in accordance with the purchase method. Acquisition cost is set at the same as fair value of assets provided by way of consideration for the purchase, equity instruments issued and liabilities assumed on transfer of control. The identifiable assets and liabilities of the acquired company are valued at fair value. If cost of acquisition exceeds fair value of identifiable net assets in the subsidiary, the excess is capitalized as goodwill. If the cost of acquisition is lower, the difference is taken to profit/loss on the date of acquisition.

Intercompany Group transactions and accounts between Group companies are eliminated. Where Group companies present accounts in accordance with principles other than those of the Group, these are converted to correspond to the Group's accounting principles before they are consolidated. The Group's accounts are presented in NOK and those of subsidiaries in foreign currency are translated to NOK at the exchange rate prevailing at the end of the reporting period. On consolidation of income statement items in foreign currency, average foreign exchange rates are used.

2.2.2 Associated companies.

Associated companies are entities in which the Group has substantial influence without having control. If the Group is invested direct or indirect through a holding of 20 per cent or more, it is assumed that the Group has substantial influence unless stated otherwise. The following factors may be use to determine if the Groups has substantial influence:

- Representation in the board or similar organs in the invested company
- Participation in processes for determine principles, in ex. decisions regarding dividends
- Material transactions between the Group and the invested company
- Mutual exchange of key personnel, or
- Deliverance of important technical information

On the date of acquisition investments in associated companies are taken to account at cost of acquisition. The equity capital method is used for accounting in subsequent periods. This means that the Group's share of profit or loss in associated companies is taken to profit/loss and is added to the capitalized value together with owners' equity changes not taken to profit/loss. The Group does not take a share of the loss to profit/loss if this involves the capitalized value of the investment becoming negative unless the Group has assumed liabilities on behalf of the associated company.

Where necessary accounting principles in associated companies are changed to achieve harmonization with the Group's accounting principles.

2.2.3 Joint arrangements

Joint arrangements are investments in which the Group has joint control with another company. "Joint control" is the contractually agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require unanimity between the parties sharing control.

According to IFRS 11, investments in joint arrangements are to be classified either as joint operating arrangements or joint ventures, depending on the contractual rights and obligations of each individual investor. The Group has considered its joint arrangements and reached the conclusion that they are joint ventures.

On the date of acquisition investments in joint arrangements are recognized at cost of acquisition. The equity capital method is used for accounting in subsequent periods. This means that the Group's share of profit or loss in joint arrangements is taken to profit/loss and is added to the capitalized value together with owners' equity changes not taken to profit/loss. The Group does not take a share of the loss to profit/loss if this involves the capitalized value of the investment becoming negative unless the Group has assumed liabilities on behalf of the joint arrangement.

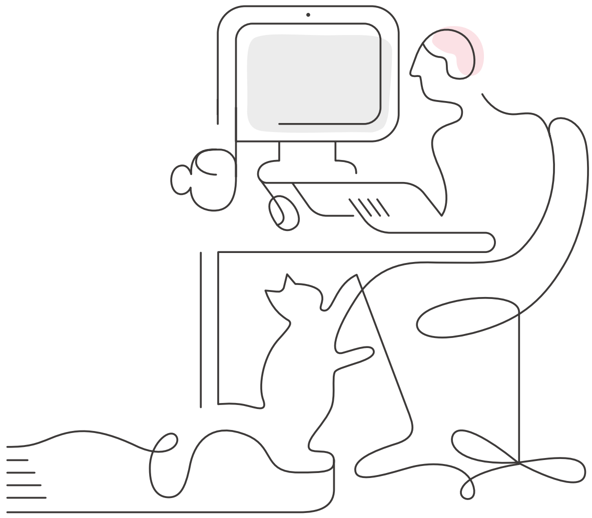
Where necessary accounting principles in associated companies and joint ventures are changed to achieve harmonization with the Group's accounting principles.

2.2.4 Structured units

Some funds have been consolidated in the Group's financial statement because they are considered to meet the definition of IFRS 10. These funds are in total owned by parent company KLP.

2.3 BUSINESS SEGMENTS

The Group's business segments have been defined in relation to business areas where risk and returns are differentiated from each other. The Group's business segments are grouped into public sector occupational pension and group life, enterprise (defined benefit) and defined contribution pension, non-life insurance, banking, asset management and other business.
The segments are described in detail in Note 4.



2.4 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

2.4.1 Functional currency and presentational currency

The consolidated financial statements are presented in NOK, which is the functional currency of the parent company.

2.4.2 Transactions and financial position statement items

Transactions in foreign currency have been translated to NOK by using the exchange rate on the date of the transaction. Exchange-rate gains and losses on transactions in foreign currency are recognized through profit or loss. This also applies to translation of money items (assets and liabilities) at the end of the reporting period.

Translation differences on monetary items are included as part of the gain and loss on valuation at fair value. Translation differences associated with non-monetary items, such as shares at fair value through profit and loss, are included as an element of value change taken to profit/loss.

2.4.3 Group companies

Entities that are consolidated and have functional currency other than the presentation currency are treated as follows:

- The financial position is translated at the exchange rate at the end of the reporting period
- The statement of income is translated at average exchange rate (if the average does not in general provide a reasonable estimate against use of the transaction rate, the transaction rate is used)
- Translation differences are taken to other comprehensive income.

2.5 TANGIBLE FIXED ASSETS

In the main, the Group's tangible fixed assets comprise office machinery, inventory, art and real estate used by the Group in its business.

Real estate used by the Group is revalued at fair value based on periodic valuations carried out by the Group, with deductions for depreciation. Valuation review is carried out regularly. The principles for valuation of properties are the same for investment property and are described in detail in connection with the principles for accounting treatment of investment property.

Other tangible fixed assets are recognized at cost of acquisition including costs that can be attributed directly to the fixed asset, with deduction for write-downs.

Subsequent costs relating to fixed assets are capitalized as part of the fixed asset if it is likely that the expenditure will contribute to future financial benefit for the Group and the cost can be measured reliably. Repair and maintenance are recognized through profit or loss during the period in which the expenses are incurred.

Depreciation is by straight-line so the acquisition cost of fixed assets or their reassessed value is depreciated to residual value over expected life, which is:

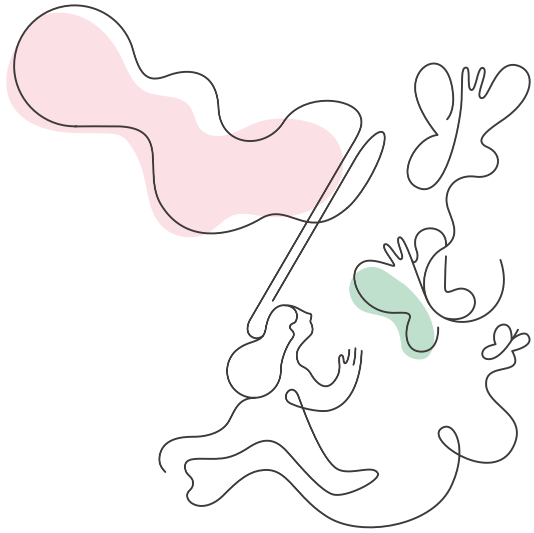
Buildings:	50 years
Office machinery	3 – 5 years
Vehicles:	5 year
Inventory:	3 – 5 years

Buildings are divided into components if substantial parts have significantly different lifetimes. Each component is depreciated in accordance with that component's life.

The utilizable life of tangible fixed assets is assessed annually. Where there are indications of impairment in excess of residual value, the recoverable sum is calculated. If the recoverable sum is lower than the residual value, write-down is carried out to the recoverable sum.

2.6 INVESTMENT PROPERTY

Real estate not used by the Group is classified as investment property. If a property is partially used by the Group and partially leased to external tenants, the part that is leased to external tenants is classified as investment property if it can be subdivided out.



NOTE 2 Summary of the most important accounting principles - cont.

Investment property comprises buildings and sites, and is valued at fair value at the end of the reporting period. The Group uses a valuation model to estimate market value. The valuation method is based on discounting of the property's expected net cash flow by the market's return requirements.

In the first instance, the market rent at currently applicable terms is used in calculating net cash flow whereas for periods after the expiry of contracts an estimated market rent is used. In addition an income deduction is taken into account for expected vacancy, expected maintenance/improvement costs and normal operating costs.

The expected cash is discounted by a return requirement that is determined on the basis of the risk-free interest rate (10-year Norwegian Government Bond interest rate) adjusted by a supplement for estimated 20-year risk-free interest rate. The estimate on the 20-year interest rate corresponds to the slope of the swap curve between 10 and 20 years. The risk-free interest is then accorded a general property risk to find the return requirement for prime properties. Finally a risk premium is added that is determined on the basis of the willingness of the investors in the property market to accept risk taking account of matters specific to the property such as for example geography, property type, contracts, tenants and technical state of the property.

A set selection of the Group property stock, the pilot portfolio, is valued quarterly by external, independent and qualified valuers. In the event of significant deviation from our own valuation of fair value the differences are analysed and the valuation model's parameters are adjusted if this proves necessary.

Changes in fair value are taken to profit/loss in the line "Net income from investment properties".

If an investment property is occupied by the Group, the property is reclassified as a tangible fixed asset. Fair value on the date of reclassification provides the cost price for the reclassified property.

If a property the Group has used is leased externally, the property is reclassified as investment property. Any difference between book value and fair value on the date of reclassification is taken to owners' equity as a revaluation.

2.7 INTANGIBLE ASSETS
The Group's intangible assets mainly comprise capitalized IT systems. Directly attributable costs capitalized on the purchase of a new IT system comprise those paid to the system supplier, as well as external consultancy support and internally accrued costs of having the system installed and readied for use.

On further development of IT systems both external and internal costs are capitalized in accordance with the above. System changes regarded as maintenance are taken to expenses as they occur.

Once an IT system is operational the capitalized costs are depreciated by straight line over the expected life. In the event of subsequent capitalization because of further development this is depreciated over the originally set life unless the expenditure increases the total expected life of the system.

If there are indications that the book value of a capitalized IT system is higher than the recoverable sum an impairment test is carried out. If the book value is higher than the recoverable sum (present value on continued use/ownership), the asset is written down to the recoverable sum.

2.8 FINANCIAL INSTRUMENTS

2.8.1 Classification

Financial instruments are classified on first recognition in one of the following categories:

Financial assets

a) Financial assets at fair value through profit or loss
b) Lending and receivables recognized at amortized cost
c) Investments held to maturity recognized at amortized cost

Financial liabilities

a) Financial liabilities at fair value through profit/loss.
d) Other financial liabilities recognized at amortized cost

a) Financial assets and liabilities at fair value through profit or loss

Within this category it may be mandatory or chosen to recognize attribution at fair value with value changes through profit or loss.

- Financial assets held for trading are assets acquired primarily with a view to providing a profit from short-term price fluctuations. The Group's derivatives are included in this category unless they are included as an element of accounting hedging in accordance with the rules on hedge accounting.

- Financial instruments and liabilities opted to be recognized at fair value with value changes through profit or loss are classified in this category if the financial instruments are either managed as a group, and where their earnings are assessed and reported to management on the basis of fair value, or if the classification eliminates or reduces accounting inconsistencies in measurement.

The financial assets include shares and units/holdings, bonds, certificates and lending whilst the financial liabilities cover debt to credit institutions and derivatives.

b) Lending and receivables recognized at amortized cost

Lending and receivables are financial assets, with the exception of derivatives, with set or determinable payments, and that are not traded in an active market, with the exception of:

- Those which it is the Group’s intention to sell on a short-term basis or which it has earmarked at fair value via the income statement (profit/loss)
- Those which the Group has earmarked as available for sale
- Those from which the holder will probably not be able to recover its whole original investment, other than weakened creditworthiness, and which are to be classified as available for sale.

Lending and receivables at amortized cost comprise:

- Loans and receivables linked to investment business
- Other loans and receivables including receivables from policyholders.

Loans and receivables in the investment business include debt instruments classified as loans and receivables i.e. bonds that are not priced in an active market as well as lending to local authorities, enterprises and retail customers.

c) Financial assets held to maturity at amortized cost

Financial assets held to maturity comprise financial assets that are not derivatives and that have set or determinable payments and a defined date of maturity and that the Group has the intention and the ability to hold to maturity with the exception of:

- Those the enterprise classifies on first recognition at fair value through profit or loss
- Those that the enterprise has earmarked as being available for sale
- Those that meet the definition of loans and receivables.

The category includes bonds recognized at amortized cost.

d) Other financial liabilities recognized at amortized cost

The category covers subordinated loans, covered bonds issued and debt to as well as deposits from customers.

2.8.2 Recognition and measurement

Purchases and sales of financial instruments are recognized at fair value on the trading date, i.e. when the Group has committed itself to buy or sell that financial instrument. Direct costs of purchase are included in acquisition cost except for purchase costs associated with financial instruments at fair value through profit or loss. For these instruments, purchase costs are taken to expenses directly. Recognition of financial assets ceases when the Group is no longer entitled to receive the cash flow from the asset or the Group has transferred all risk and entitlements associated with its ownership. Recognition of financial liabilities ceases when the underlying obligation in the contract has been met, been cancelled or expired.

a) Value measurement at fair value

The principles for calculating fair value related to the various instruments are shown in Note 6.

b) Value measurement at amortized cost

Financial instruments not measured at fair value are measured at amortized cost using the effective interest rate method. The internal rate of return is set through discounting contractual cash flows over expected duration. The cash flows include setting-up charges and direct transaction costs as well as any residual value on expiry of the expected duration. Amortized cost is the present value of these cash flows discounted by the internal rate of return.

c) Write-down of financial assets valued at amortized cost
In assessing whether there is impairment in value of a financial asset, weight is attached to whether the issuer/debtor has significant financial difficulties and whether there is breach of contract, including default. An assessment is made of whether it is probable the debtor will be bankrupted, whether there is an active market for the asset because of financial difficulties, or whether measurable reduction is being seen in expected cash flow from a group of financial assets. The assessment is based exclusively on historical data: future events are not considered, regardless of the degree of probability.

If there is objective proof of impairment, write-down is carried out. The write-down is calculated by comparing the new, anticipated cash flows with the original cash flows discounted by the original effective interest rate (assets with fixed interest) or by the effective interest rate at the time of measurement (assets with variable interest). The write-down reduces the asset's capitalized value and is included in the statement of income under "Current returns from financial assets".

Loss assessment and loss write-down is carried out quarterly on individual loans. Loans with unpaid repayments older than 90 days or credits with overdrafts older than 90 days are examined at the end of the reporting period. In addition continuous assessment is carried out of other lending engagements where there is objective proof of impairment.

Lending is also assessed by group. If there is objective proof of impairment in a group of loans, write-down is carried out.

2.8.3 Presentation in the financial position statement and income statement
a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are recognized in the financial position statement either as "Lending local government, enterprises & retail customers at fair value through profit/loss", "Debt instruments at fair value through profit or loss" or "Equity instruments at fair value through profit or loss". Interest income and share dividend are included in the line "Net return on financial assets". For the banking business, interest income is included in the line "Net interest income banking". Other value changes are included in the line "Net return on financial assets"

b) Loans and receivables at amortized cost
Loans and receivables at amortized cost are presented in the financial position statement either as "Debt instruments classified as loans and receivables", "Loans to local authorities, enterprises and retail customers", "Receivables" or "Cash and bank deposits". Interest income is included in the line "Net return on financial assets". For the banking business, interest income is included in the line "Net interest income banking". Value changes that can be linked to objective indications of impairment as well as foreign exchange changes are included in the line "Net return on financial assets".

c) Financial assets held to maturity
Financial assets held to maturity comprise bonds noted in an active market and are presented in the financial position statement as "Debt instruments held to maturity". Interest income in accordance with the effective interest rate method is included in the line "Net return on financial assets". Value changes that can be linked to objective indications of impairment as well as unrealized foreign exchange changes are included in the line "Net return on financial assets".

d) Liabilities to and deposits from customers
Liabilities to and deposits from customers are recognized at fair value in the financial position statement when the deposit has been recorded as transferred to the customer's account. In subsequent periods, liability to and deposits from customers with variable interest rates are accounted for at amortized cost in accordance with the effective interest rate method. The costs of interest are included in the line "Net interest income banking"

e) Subordinated loan issued
Subordinated loan is taken to account at fair value on subscription. On subsequent measurement subordinated loan is recognized at amortized cost using the effective interest rate method. The method is used to allocate the interest costs over a relevant period and is posted over income in the line "Interest costs and value change subordinated loan and hybrid Tier 1 securities". Subordinated loan in foreign currency is translated to NOK at the end of the reporting period. Value change as a result of the foreign exchange change is posted through income and included in the line "Interest costs and value change subordinated loan and hybrid Tier 1 securities".

f) Hybrid Tier 1 securities issued
Hybrid Tier 1 securities are recognized at nominal on date of issue and valued subsequently at amortized cost. For hybrid Tier 1 securities hedged against exchange and interest rate changes (fair value hedging), book value is adjusted on value change in hedged risk. The value change is posted through income in the line "Net costs subordinated loan and hybrid Tier 1 securities".

g) Covered bonds issued
In the first instance covered bonds issued are recognized at fair value, i.e. nominal adjusted for any premium/discount on issue. On subsequent valuation the bonds are valued at amortized cost by the effective interest method. The costs of interest are included in the line "Net interest income banking" in the income statement.

Bonds issued with fixed interest are recognized in accordance with the rules on fair value hedging inasmuch as they are hedged against change in interest rate level.

h) Liabilities to credit institutions

Liabilities to credit institutions are capitalized at market value on take-up. On subsequent measurement fair value is used when this eliminates or reduces accounting inconsistency. The interest costs are included in the line "Net interest income banking" whereas other value changes are included in the line "Net value change on financial instruments" in the income statement.

i) Unit holders' interest in consolidated securites funds

Minority unit holders in the consolidated securities fund may ask to redeem their holdings, and as a result, the minority share of the funds is classified as a debt on the accounting line 'Unit holders' interest in consolidated securities funds'. The minority portion of value changes in securities funds is posted through profit and loss and included in the line 'Change of value for unit holders in consolidated securities funds'.

j) Derivatives and hedging

Financial derivatives are capitalized at fair value at the time they are contracted. On subsequent measurement the derivatives are recognized at fair value and are presented as an asset if the value is positive and a liability if the value is negative. Recognition of associated gains and losses depends on whether the derivative has been identified as an accounting hedge instrument and in which type of accounting hedge the derivative is included.

For derivatives not included in accounting hedge relationships, gains and losses are recognized through profit or loss as they arise in the line for "Net value change on financial instruments". These are included in the category "Financial assets at fair value through profit or loss".

In two cases the Group has used accounting hedging (hedge accounting). In one case the hedge accounting is used on hedging of hybrid Tier 1 securities issued (the hedging object) against value changes resulting from changes in interest rates and exchange rates (fair value hedging). The hedging instrument is a combined interest rate and currency swap (CIRCUS). The hedge relationship is documented and the effectiveness of the hedging is measured continuously. In the second instance is fair value hedging of fixed interest lending. The hedge relationship is documented and its effectiveness is measured continuously.

Change in fair value of the hedging instrument is included in the income statement at the line for "Net value change on financial instruments". Value changes in the hedging object that can be attributed to the hedge risk are booked as a correction of the hedging object's capitalized value and included in the income statement at the line for "Net costs subordinated loan and hybrid Tier 1 securities" and "Net interest income banking". In those instances in which a security has inbuilt derivatives that are not separated out, the value of the derivative will be included in the security's value as a whole.

2.9 NETTING

Financial assets and financial liabilities are only netted to the extent there is a legal entitlement to net asset against liability, and that it is the intention to carry out netting, as well as the maturity date of the asset corresponding with the date the liability is due payment.

2.10 CASH AND CASH EQUIVALENTS

Cash and bank deposits are defined as receivables from credit institutions without termination date. The amount does not include receivables from credit institutions that are linked to purchase and sale of securities in the management of the securities portfolios.

2.11 THE GROUP'S OWNERS' EQUITY

The Group owners' equity is divided into two main elements:

2.11.1 Owners' equity contributed

The Group's parent company is a mutual company owned by its customers. This means that customers participating in KLP's "Fellesordninger" (Joint Pensions - schemes for public sector occupational pensions) pay an owners' equity contribution on registration. The owners' equity contribution is set in proportion to the relative size of the customer measured in premium reserves.

The owners' equity contribution may be used to cover losses or deficits in current operation. It may only be repaid in connection with transfer of a customer's business from the Company after approval by the board of directors and in advance from the Financial Supervisory Authority of Norway. The member's share of the actual combined owners' equity contribution at the termination date calculated proportionately to the member's share of the Company's total premium reserves is subject to possible repayment.

Distribution of returns on owners' equity contributions depends on the Company's results.

The owners' equity contribution may not be traded.

2.11.2 Retained earnings

The Group's retained earnings comprise the risk equalization fund, the natural perils fund, the revaluation fund and other retained earnings.

Ordinary company law rules apply for any distribution or use of retained earnings. Use of the risk equalization fund must be according the rules of The insurance act.

2.12 RECOGNITION OF INCOME

2.12.1 Premium income

Premium income is taken to income by the amount falling due during the accounting year. Accrual of premiums earned is dealt with through provisions against unearned premiums. Reserves transferred in for the year are recognized through the income statement and included in the premium income. The share of the period's gross premium income accruing to reinsurers in connection with reinsurance is shown as a deduction from gross premium income.

2.12.2 Interest income/expenses

Interest income and interest expenses associated with all interest-bearing financial instruments is and valued at amortized cost are taken to income using the effective interest rate method. Setting-up fees for lending are included in the amortization and taken to income over the loan's expected duration.

Interest income for fixed-income financial investments measured at fair value is classified as "Net return on financial assets". For the banking business the interest income is included in the line "Net interest income banking", whereas other value changes are classified as "Net value change on financial instruments".

2.12.3 Rental income and other income

Income from leasing of real estate is taken to income by straight line accrual over the duration of the lease. The income is included in the line "Net income from investment properties". Fees for asset management are taken to income in proportion to the management carried out for the period up to the end of the reporting period. The income is included in the line "Other income". Other services are taken to income by straight line over the contract period.

2.13 TAX

The Group conducts taxable business.

For the life insurance business, the taxation of income and expenses related to assets in the common portfolio and the investment option portfolio shall be made in accordance with accounting legislation. It will therefore be the technical result, as presented in accounting figures at year end, that will be the basis to taxation. No permanent or temporary differences for tax purposes for the customers portfolio will occur. The non-technical result is mainly related to management of the corporate portfolio and follows ordinary tax rules.

According to the new tax rules of 2018, deductions will no longer be made for provisions for the natural disaster fund and guarantee scheme for the non-life insurance segment. These funds are subject to transitional rules, so that the total provisions for these funds at the end of the 2017 can be deposited in a separate account, where the account is first taxed on the liquidation of the non-life insurance business. In addition, the differences between the provisions for 2017 versus 2018 is deposited in a separate account. The account will be recognized as income on a straight-line basis by 10% each year.

For other business in the Group, there have been no changes in the tax rules.

Differences between accounting and tax valuations of assets and liabilities that will reverse at a later date provide the basis for calculating deferred tax assets or deferred tax liabilities in the financial statements. Deferred tax assets and deferred tax liabilities are netted inasmuch as they are assessed during the same period.

In presenting the consolidated financial statements, capitalization and of deferred tax is considered at Group level. Deferred tax and tax assets are calculated as differences between the accounting and taxation value of assets and liabilities. Deferred tax asset is capitalized to the extent it can be shown probable that the companies in the Group will have sufficient taxable profit to exploit the tax asset. In assessing the probability, emphasis is placed on historic earnings and expected future taxable income.

For foreign subsidiaries, tax payable and deferred tax/deferred tax assets are taken to account in accordance with local tax rules. The tax cannot be set off against the parent company's deficit to be carried forward using Group contributions with tax effect. In the consolidated financial statements' financial position statement this tax is shown at the lines for "Deferred tax" and "Deffered tax assets". In the income statement the tax cost is shown as "Cost of taxes".

The Group includes some companies covered and some not covered by financial tax. In reporting deferred tax/tax assets in the consolidated financial statements, we therefore use the corporation tax rate applicable to the individual company within the Group.

The cost of taxes is further specified in Note 23

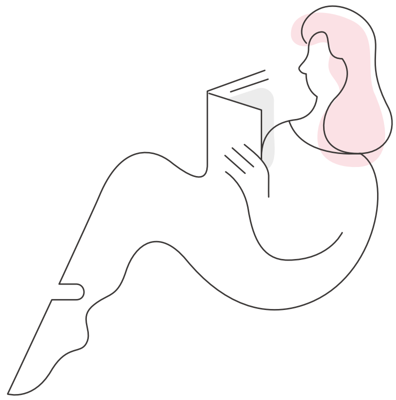
2.14 INSURANCE CONTRACTS

In accordance with IFRS 4 significant insurance risk must be associated with the contract for it to be able to be defined as an insurance contract. The insurance products the Group offers satisfy the requirement for significant insurance risk and are recognized in accordance with IFRS 4. In accordance with IFRS 4, the insurance contracts are valued as a whole as an insurance contract even though this contains a financial element.

Adequacy testing has been carried out to check that the level of the liabilities on the insurance contracts recognized in the accounts is proportionate to the insurance customers' contractual entitlements. The Group's reserves satisfy the requirements of this test and IFRS 4 therefore imposes no further requirements for reserves. The Group has therefore used applicable Norwegian regulations to account for insurance contracts.

2.14.1 Sectors

The Group offers products to its customers in the following sectors:



a) Group pension (public sector and private)
b) Group life
c) Non-life insurance

a) Public group pensions predominantly comprise public service pension schemes that include retirement pensions, survivor pensions, disability pensions and a waiver of premiums during periods of incapacity for work. From 1 January 2020, all future retirement pension accruals for members born in 1963 or later will take place through a premium scheme in which each year of work results in pension contributions in a similar manner to the national insurance scheme. For these age groups, flexible rules are also introduced from the same date concerning the withdrawal of the retirement pension and the right to combine work with pension payments without income reductions. Pensions accrued through the premium scheme are adjusted prior to the withdrawal of the pension in line with the changes to the basic pension. This is also in line with the regulations set down for the national insurance scheme. The premium scheme is also a performance-based pension scheme and premiums and provisions will be taken on the basis of an unchanged basis of calculation.

For the age groups born before 1963, the gross scheme based on linear earnings will be continued. This means that the individual's earned benefits at all times constitute the proportionate part of the benefits he or she will be entitled to through continued service until retirement age. The proportionate portion is shown as the ratio between the person's service period that he or she has already earned and the total period of service he or she will obtain on continued service until retirement age, however, so that the latter size cannot exceed 40 years when calculating the proportionate portion. The schemes are based on the final pay principle. Adjustment of current pensions in line with the National Insurance Scheme and the regulation of defined rights in line with the basic amount are part of the defined benefit plan's defined benefit plan.

The scheme's benefits are determined in accordance with current public occupational pension rules, which include, among other things, coordination with the National Insurance benefits for the old age pension to ensure a defined gross pension level

The indexation of current pensions and accumulated pension entitlements is financed entirely by a special indexation premium. Some public sector peculiarities are not prefunded and are financed through single premiums at start-up and possibly through subsequent changes to the pension (guaranteed gross premium).

The net premium reserve in the pension schemes is set as a net single payment premium for the accumulated age, disability and survivors' pensions. In addition, an administration reserve has been set aside based on the Group's actual costs involved in the payment of pensions.

The premium reserve also comprises allocations to insured events that have occurred but are not yet settled, including a qualifying-period provision for disability risks.

In addition to the public service pension described above, group benefits-based defined benefit pensions (net scheme) and defined contribution pensions are offered.

Defined contribution pension is a pension scheme where the customer pays a contribution in accordance with an agreed contribution plan for the members' future retirement pensions. The defined contribution pension scheme has a related risk benefit which as at 31 December 2019 consisted of contribution exemption and disability pension without open policy earnings, both with a qualifying period of 12 months. For the risk benefits, there is a qualifying period provision (IBNR/RBNS) with a 12-month risk premium.

Provision for life insurance with investment options is made up of the customers' savings paid-in and added returns.

b) Group life is mainly concentrated on local government group life and teacher group life covering only mortality/whole of life risk. Other cover exists for a small number of customers. In addition there is debt group life that covers whole life risk and for a large number of existing customers also covers disability risk.

The technical insurance provisions in group life insurance are based on risk theory methods. The claims reserve includes provisions for the expected payments on insured events that have occurred but are not yet settled regardless of whether or not these have been reported.

c) In non-life insurance the following products are offered:

Occupational Injury, Personal Accident and Accident
Insurance contracts cover the customers' employees for occupational injury within the scope of the Occupational Injury Act and the Basic Collective Agreement for the Civil Service. In addition, insurance contracts are taken out covering employees for accidents during leisure time. Insurance contracts are also taken out covering accidents in spare time and for school pupils during school time.

Fire-Combined
Insurance contracts covering damage to customers' property and any loss incurred by the customer in the event of damage to or loss of the property. The product also includes mandatory natural disaster cover. The risk for the Company is reduced through taking reinsurance contracts covering compensation in excess of a certain amount per claim.

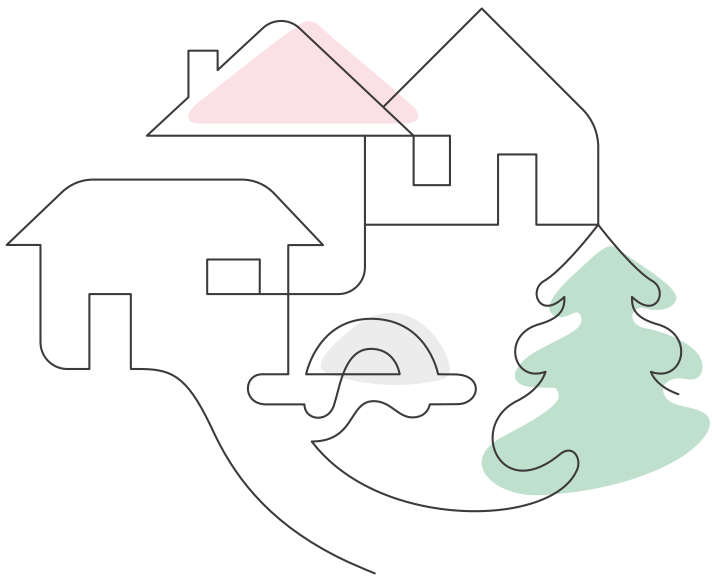
Motor Vehicle
Insurance contracts covering damage occurring through use of the customers' motor vehicles. The risk for the Company is reduced through taking reinsurance contracts covering compensation in excess of a certain amount per claim.

Third-party liability
Insurance contracts that cover damage incurred by third parties as a result of the customers' activities. The cover applies both for property claims and personal injuries.

Travel
Insurance contracts that cover customers for injury and loss arising during travel.

Child insurance
Insurance contracts that cover expenses related to accidents or serious illness and loss of income (disability pension).

Group life
Insurance contracts that cover the customer in the event of death and disability.



The risk for the Group is reduced by taking out reinsurance contracts covering payments in excess of a set amount per claim in all of the sectors mentioned above except for group life.The Group is at all times to have technical reserves fully covering the technical liability and other risk emanating from the insurance business. In all cases and at all times, the Group's reserves are to meet the minimum requirement for reserves under regulation or law.

2.14.2 Provisions in insurance funds
The Group's most important insurance funds are described below:

a) Premium reserve
The premium reserve represents the actuarial cash value of pension entitlements accumulated on the date of calculation. The premium reserve also includes administration reserve in accordance with the Group's calculation base, as well as provisions for incurred, not yet settled insurance claims, including waiting period provisions for disability risk.

b) Supplementary reserves
Supplementary reserves are presented in the income statement in the line "To supplementary reserves - life insurance" as obligatory reserves. Supplementary reserves are allocated to the customers conditionally and may be used to cover any shortfall in returns. Any negative return cannot be covered from supplementary reserves.

c) Premium fund
The premium fund contains premiums paid in advance and any surplus assets allocated to the individual customer's premium fund accounts. Premium fund assets may be used to cover future premiums.

d) Securities adjustment fund
The securities adjustment fund is defined in Norwegian insurance legislation and is associated with the common portfolio in life insurance.

The securities adjustment fund comprises net unrealized gains associated with short-term financial assets. If net valuation reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through profit or loss.

Unrealized securities valuation reserves associated with short-term financial assets in foreign currency that can be ascribed to foreign exchange rate changes are not allocated to the securities adjustment fund if the investment is hedged against exchange rate changes. Foreign exchange rate changes l inked to the hedging instrument are thus not allocated to the securities adjustment fund either but are taken directly to profit or loss.

2.14.3 Base interest rate (returns guarantee)
For public service pension schemes, all new accruals will take place using the basic interest rate of 2.0 percent. Accruals prior to 1 January 2012 were made using a basic interest rate of 3.0 percent. The total average performance guarantee in the public group pension sector amounted to 2.39 percent at the end of 2019.

For a minority of the population, in the group pension sector, the basic interest rate for new accruals is 2%, and the average basic interest rate in the sector is 2.89.

For private group pensions, the average performance guarantee was 2.8 percent as of 31 December 2019.

2.14.4 Mortality and disability
Different assumptions are used for public sector and private group pension for disability risk. Both sets of assumptions have been developed at the Group based on its own population.
The price tariffs for mortality are equal to the calculation base K2013 with safety margins in accordance with the minimum standard laid down by the Financial Supervisory Authority of Norway. When it comes to the Pension Scheme for Nurses and the Joint Scheme for hospital doctors, a somewhat stronger basis is used.

2.15 RESULT ELEMENTS - LIFE INSURANCE
2.15.1 Returns result
Returns result of varieties on insurance contracts with returns guarantee. Returns result comprises actual return achieved less guaranteed return (base interest rate). A positive returns result is credited to the customer, whereas a negative returns result must be covered from the customers' supplementary reserves and/or from owners' equity. The Company invoices a special premium element (interest guarantee premium) to guarantee the interest guarantee. This premium element is included in the Group's/Company's results.

No returns guarantee is given in defined-contribution-based life insurance and the financial return is ascribed to the customer regardless of return achieved.

2.15.2 Risk result
The risk result is an expression of the difference between mortality and disability in the insured population during the period in question relative to what is assumed in the Company's price tariff. A positive risk result is returned to the customers, but it is possible to withhold up to half of a positive risk result in risk equalization funds. The risk equalization fund may only be used to cover subsequent risk result losses and may amount to a maximum of 150 per cent of risk premium for the year.

Any negative risk result must be covered by the risk equalization fund or owners' equity.

2.15.3 Administration result
The administration result is a result of how the Company's actual expenses deviate from the premium tariff. The administration result is credited entirely to the Company.

NOTE 2 Summary of the most important accounting principles - cont.

2.16 PAID-UP POLICIES

For free-standing policies (paid-up policies) there is profit sharing so that at least 80 per cent of the return achieved on the assets managed accrues to the customers and a maximum of 20 per cent accrues to the Company.

2.17 SURPLUS FUNDS SET ASIDE TO CUSTOMERS

Surplus assets credited to the customer contracts are set aside in the customers' premium fund and included as part of the insurance liabilities at the end of the reporting period.

2.18 PENSION OBLIGATIONS - OWN EMPLOYEES

The Group's pension obligations are partially insurance-covered through KLP's public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises ("Fellesordningen"). Pension liability beyond these schemes is covered through operation. Pension costs are treated in accordance with IAS 19. The Company has a defined benefits based pension scheme for its employees

The accounting liability for defined benefit schemes is the present value of the obligation on the reporting date, with deduction for fair value of the pension assets. The gross obligation is calculated using the straight-line method. The gross obligation is discounted to present value using the interest rates on Norwegian high-quality bonds. Gains and losses arising on recalculation of the obligation as a result of known deviation and changes in actuarial assumptions are charged to owners' equity via other comprehensive income during the period in which they arise. The effect of changes in the scheme's benefits is taken to profit/loss immediately.

Presentation of the pension costs in the income statement is in accordance with IAS 1. This standard allows the option of classifying the net interest element either as an operating cost or as a financial cost. The option the Group adopts must be followed consistently for later periods. The Group has presented the pension cost under the accounting line “Operating expenses " and interest element under the accounting line "Current return on financial assets". The estimate deviation has been classified under "Items that will not be reclassified to income" in the accounting line "Actuarial gains and losses on defined benefits pension schemes".

The joint pension scheme (Fellesordningen) is a multi-enterprise scheme, i.e. the technical insurance risk is spread between all of the local authorities and enterprises participating in the scheme. The financial and actuarial assumptions underlying the calculation of net pensions liabilities are thus based on assumptions that are representative of the whole group.

Photo: Marianne Wright Pedersen
Employed in KLP

NOTE 3 Important accounting estimates and valuations

The Group prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

It must be expected that the estimates will deviate from the final outcome and the areas where there is significant risk of substantial change in capitalized values in future periods are discussed below.

3.1 INSURANCE CONTRACTS

The biggest insurance risk in the Group is the risk of incorrect estimation of life expectancy. In determining the premium tariffs, the Group uses its own analyses of its policy-holders and analyses of the entire Norwegian population. Uncertainty over future life expectancy, which is based on estimates far ahead in time, provides a similar risk of a charge against equity capital because of the need for higher provisions, to cover payment over a longer period of time.

There will also be insurance risk linked to disability, but this risk is considerably lower. Uncertainty in calculating probabilities of disability may, as with increased longevity, result in decreased profit for owners, but here there is more scope for adjusting premiums, given that disability pensions have a shorter time horizon for the payments.

Insurance risks linked to mortality are considerably lower and must be seen in relation to insurance risks related to longevity. Increased mortality will result in a negative risk result for the risk of death, but will be counterbalanced by a positive risk result for longevity. The insurance benefits for spouse and child pensions, which make up the risk result for death, are also considerably lower than the benefits for old-age pensions (longevity risk).

Calculations of insurance provisions in the collective pension insurance sector are based on assumptions of disability risk based on KLP's experience from its own insured population. For the other risk elements, including longevity risk, the assumptions from the K2013 calculation base are used with the contingency margins set by the Financial Supervisory Authority of Norway (FSA of N).

In calculating technical provisions in the group life sector and public sector occupational pensions, provisions are made for claims incurred but not finally settled. The provisions are set using statistical models. The models take account of experience based on reported changes in the insurance population.

In calculating technical provisions in the non-life insurance industry individual claim provisions are made for all reported but not settled claims (RBNS). The provisions are continuously adjusted as claims are processed. All open claims should have a special assessment at least once a year. Provision for claims incurred but not yet reported to the Company (IBNR) is made using statistical models. The models take account of the historic reporting pattern in the different risk groups.

In non-life insurance, measurements and adjustments are also made of the total claim provisions (RBNS+IBNR) so the total level of provision is measured against changes in risk elements such as claim frequency, major claim occurrence, population mix and population size. The claims provisions are assessed at the expectation level, i.e. they contain no contingency margins. Claim provision is not discounted.

The claims reserve includes a provision for future indirect claims-handling expenses (also referred to as unallocated loss adjustment expenses - ULAE). This is estimated based on the magnitude of RBNS and IBNR.

The provision for unearned premiums is the pro rata portion of premiums payable accrued after the accounting close.

The sensitivity overview is specified in detail in Note 9.

3.2 INVESTMENT PROPERTIES

Buildings and other real estate are valued at fair value as defined in IFRS 13. Fair value means the amount for which buildings and other real estate can be sold in an arm's-length transaction between well-informed, voluntary parties. There is not considered to be an active market for trading the Group's investment properties.

As at 31 December 2019 buildings and real estate were valued using the Group's internal valuation model. The model is based on discounting of an estimated 20-year cash flow and the discounting rate used corresponds to the normal market's return requirement for similar properties. For the Norwegian properties as at 31 December 2019, a discounting factor was used in the interval 5.55 – 8.90 per cent: for the Group's Swedish properties it was 6.60 – 7.55 per cent; and for the Danish properties, 6.60 -7.60 per cent.

The following main components are included in future cash folows:

- Currently applicable terms and conditions, contract expiry and assumed market rent
- Vacant areas with assumed market rent
- Parking income, parking area and number of places
- Estimated annual inflation
- Annual rent adjustment as a percentage of inflation
- General vacancy
- Normal annual operating costs
- Normal annual communal costs per square metre

- Upgrading costs per square metre on new lease
- Any further upgrading costs (year and amount)
- Number of months vacancy on each contract expiry
- Assumed final value Year 20
- Nominal return requirement

As part of the valuation, yield assessments are also carried out for the individual property and for the total portfolio. In addition to valuation using KLP Eiendom's value assessment model, external valuations are obtained for a selection of the properties. These are used to determine own calculation parameters and to quality-assure the internal valuations.

Minor changes in the return requirement will have relatively heavy impact on property values and it is also assumed that major changes in the “Assumed market rent" will also affect the accounting figures the most.

The sensitivity analysis below shows how the value of one of the Group's centrally located office properties in Oslo changes with certain changes in key parameters in the Group's valuation model. The analysis shows change in value (given as percentage change) for a given change in a parameter on the assumption that all other parameters stay unchanged. In reality there are interdependencies between several variables, so that a change in one parameter will be accompanied by change in one or more other parameters. The sensitivity figures given do not capture such relationships with other variables and are shown only for illustrative purposes. The effects of changes in parameters will vary somewhat from property to property.

In the analysis above the return requirement means the interest rate used in discounting future cash flows in the model. Market rent is understood as expected rent in the event of renegotiation of existing contracts or on change of tenant. Exit yield means the yield that is used to calculate the final value in the valuation model's final analysis period (Year 20).

3.3 FAIR VALUE OF FINANCIAL ASSETS

The majority of the Group’s assets recognised at fair value through profit and loss are assets traded on an active market, so the market value can be determined with a high degree of confidence.

In the case of the Group’s pricing of unlisted securities, there will be uncertainty in this regard. This is especially true of securities which are priced on the basis of non-observable assumptions. Different valuation techniques are used to determine the fair value of these investments. Unlisted fixed-income securities are priced on the basis of a yield curve with a risk supplement that represents the market’s pricing of the issuer’s industry-specific risk. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models. The pricing methods and the accounts figures are discussed in more detail in Note 6.

3.4 LOSSES ON FINANCIAL ASSETS

Financial assets not measured at fair value are assessed for impairment at the end of the reporting period. The Group's lending portfolio is valued individually for loans on which default has been observed. If there is an objective event at the end of the reporting period that has influence on future cash flows, the loan is written down. In addition, lending with uniform risk profile is valued quarterly by group. This is described in more detail in Note 2.

When it comes to the Group’s portfolio of long-term bonds, including long-term bonds held to maturity, the need for write-down is assessed individually each quarter. The write-down requirements are calculated as the difference in value of the original expected cash flows and the new expected cash flows. There will be uncertainty in calculating the new expected cash flows.

THE SENSITIVITY ANALYSIS

	Change in parameter	Change in value
Return requirement	+100 bps -100 bps	-12 % 15 %
Market rent	+10 % -10 %	8 % -8 %
Exit yield	+100 bps -100 bps	-11 % 18 %
Inflation	+50 bps -50 bps	7 % -7 %

NOTE 4 Segment information

NOK MILLIONS	Group pensions pub. sect. & group life		Group pensions private		Non-life insurance		Banking	
	01.01.2019-31.12.2019	01.01.2018-31.12.2018	01.01.2019-31.12.2019	01.01.2018-31.12.2018	01.01.2019-31.12.2019	01.01.2018-31.12.2018	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Premium income for own account from external customers [1]	40 128	38 633	1 135	1 041	1 453	1 246	0	0
Premium income for own account from other group companies	106	94	0	0	22	22	0	0
Net financial income from investments	46 037	8 583	715	-85	297	74	260	236
Other income from external customers	725	1 074	6	3	1	1	19	17
Other income from other Group companies	239	61	0	0	0	0	59	58
Total income	**87 235**	**48 446**	**1 855**	**959**	**1 774**	**1 343**	**338**	**311**
Claims for own account	-20 157	-18 847	-202	-155	-1 256	-1 014	0	0
Changes in insurance provisions for own account	-28 312	-27 343	-1 563	-753	-79	1	0	0
Costs borrowing	-372	-483	0	0	0	0	0	0
Operating costs excluding depreciation	-965	-1 049	-67	-64	-268	-311	-226	-211
Depreciation	-92	-73	-3	-3	-5	-2	-5	-8
Other expenses	-1 247	-1 068	-5	0	0	0	-7	-8
Return to financial intruments attributable								
to minority interests								
Total expenses	**-51 145**	**-48 864**	**-1 841**	**-975**	**-1 609**	**-1 326**	**-237**	**-228**
Operating profit/loss	**36 091**	**-419**	**15**	**-16**	**166**	**18**	**101**	**83**
Funds credited to insurance customers [2]	-33 454	2 843	-27	-5	0	0	0	0
Pre-tax income	**2 637**	**2 425**	**-13**	**-21**	**166**	**18**	**101**	**83**
Cost of taxes	-521	415	0	0	-19	40	-27	-19
Income	**2 116**	**2 840**	**-13**	**-21**	**147**	**58**	**74**	**64**
Change in other comprehensive income (excluded cost of taxes)	135	-21	2	0	19	-1	9	-2
Total comprehensive income	**2 251**	**2 818**	**-10**	**-21**	**166**	**56**	**83**	**62**
Assets	621 518	558 719	7 259	5 601	4 907	4 490	39 703	37 093
Liabilities	584 200	524 884	6 668	5 099	2 966	2 715	37 478	34 951

[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 4 Segment information - cont.

NOK MILLIONS	Asset management		Other		Eliminations		Total	
	01.01.2019-31.12.2019	01.01.2018-31.12.2018	01.01.2019-31.12.2019	01.01.2018-31.12.2018	01.01.2019-31.12.2019	01.01.2018-31.12.2018	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Premium income for own account from external customers [1]	0	0	0	0	0	0	42 716	40 921
Premium income for own account from Group companies	0	0	0	0	-129	-117	0	0
Net financial income from investments	6	5	11	10	15 841	-3 081	63 156	5 732
Other income from external customers	0	0	0	0	0	2	762	1 107
Other income from other Group companies	523	478	0	0	-821	-596	0	0
Total income	**529**	**482**	**11**	**10**	**14 891**	**-3 792**	**106 634**	**47 760**
Claims for own account	0	0	0	0	0	0	-21 616	-20 015
Changes in insurance provisions for own account	0	0	0	0	0	0	-29 954	-28 096
Costs borrowing	0	0	0	0	0	0	-372	-483
Operating costs excluding depreciation	-479	-462	-12	-12	325	360	-1 693	-1 750
Depreciation	-5	-3	0	0	-89	-33	-199	-122
Other expenses	0	0	0	0	113	2	-1 145	-1 075
Return to financial intruments attributable to minority interests					-14 736	4 022	-14 736	4 022
Total expenses	**-484**	**-466**	**-12**	**-12**	**-14 387**	**4 352**	**-69 715**	**-47 520**
Operating profit/loss	**44**	**17**	**-1**	**-2**	**505**	**559**	**36 919**	**240**
Funds credited to insurance customers [2]	0	0	0	0	-246	-238	-33 727	2 600
Pre-tax income	**44**	**17**	**-1**	**-2**	**259**	**321**	**3 193**	**2 840**
Cost of taxes	-9	-3	0	1	-711	-609	-1 287	-175
Income	**35**	**14**	**-1**	**-2**	**-452**	**-288**	**1 906**	**2 665**
Change in other comprehensive income (excluded cost of taxes)	17	-2	0	0	161	228	344	201
Total comprehensive income	**52**	**12**	**-1**	**-2**	**-291**	**-60**	**2 249**	**2 866**
Assets	520	465	8	9	88 822	69 180	762 737	675 558
Liabilities	202	200	3	4	93 881	73 848	725 398	641 701

[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 the retail market.

BANKING

KLP's banking business embraces the companies KLP Bankholding 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, credit cards, as well as lending with public sector guarantee.

ASSET MANAGEMENT

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

OTHER

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

NOTE 5 Net income from financial instruments

NOK MILLIONS	2019	2018
Interest income bank deposits	122	54
Interest income derivatives	607	-190
Interest income debt instruments fair value	3 504	3 421
Total interest income financial assets at fair value	**4 233**	**3 286**
Interest income fixed-income securities amortized cost	6 075	5 846
Interest income lending amortized cost	1 611	1 332
Total interest income financial assets at amortized cost	**7 686**	**7 178**
Dividend/interest shares and holdings/units	5 277	4 587
Oher income and expenses	-895	-62
Total other current expenses and income	**4 382**	**4 525**
Net return on financial assets	**16 301**	**14 989**
Interest income lending fair value	294	223
Total interest income financial assets at fair value	**294**	**223**
Interest income lending amortized cost	601	524
Total interest income financial assets at amortized cost	**601**	**524**
Interest costs debt to credit institutions	-75	-79
Interest costs covered bonds	-414	-297
Interest costs debt to and deposits from customers	-147	-135
Oher income and expenses	35	13
Total other income and expenses banking	**-601**	**-498**
Net interest income banking [1]	**294**	**249**
Value changes shares and units	27 577	-13 293
Value change derivatives	11 546	-4 352
Value change debt instruments at fair value	2 635	-2 005
Value change lending fair value	24	37
Value change borrowing fair value	0	0
Total value change financial instruments at fair value	**41 780**	**-19 614**
Value change loans at amortized cost	111	175
Other unrealised values	-66	-78
Total other unrealised values	**45**	**98**
Net unrealised gain on financial instruments	**41 825**	**-19 516**

[1] Net interest income is income and costs linked to banking activity.

NOTE 5 Net income from financial instruments - cont.

MILLIONER KRONER	2019	2018
Realised shares and holdings/units	8 422	5 526
Realised derivatives	-13 133	-2 870
Realised debt instruments at fair value	5 075	1 473
Total realised financial instruments at fair value	**365**	**4 129**
Realised bonds at amortized cost [2]	121	933
Realised loans at amortized cost	0	0
Total realised financial instruments at amortized cost	**122**	**933**
Other financial income and costs	-64	-46
Total other financial income	**-64**	**-46**
Net realised gain on financial instruments	**422**	**5 016**
Net value changes on financial instruments	**42 247**	**-14 500**
Total net income from financial instruments	**58 842**	**739**

[2] Realised values on bonds at amortized cost come from realised gain/loss on foreign exchange. Securities denominated in foreign currency are hedged, resulting in minimal net effect of exchange rate changes (reflected in value change/realised derivatives). See Notes 9 and 12 for more information.

The note specifies net income from financial instruments.
Value changes resulting from change in credit risk are not included in this table because of system limitations.

NOTE 6 Fair value of financial assets and liabilites

Fair value is to be a representative price based on what the equivalent asset or liabilites 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 liabilites)
- Debt to credit institutions (liabilites)

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 respecitvely). 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

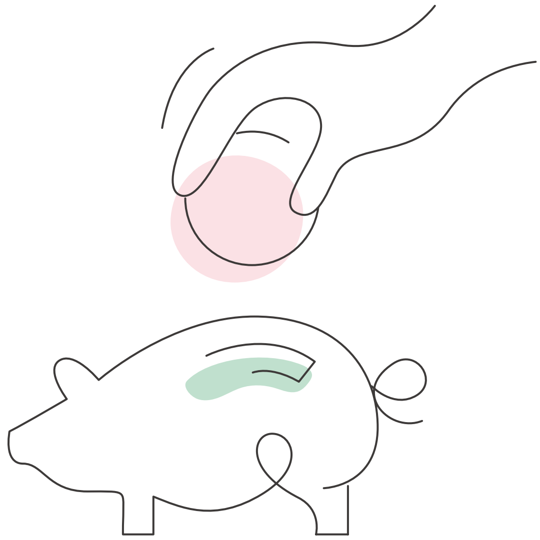
Norwegian fixed-income securities except government are mainly priced directly on prices from Nordic Bond Pricing. Securities that are not covered by Nordic Bond Pricing are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve 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.

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

NOTE 6 Fair value of financial assets and liabilites - cont.

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 Bloombergs' prices are correct. Reuters acts as a secondary source.

l) Options

Bloomberg is used as a source for pricing options traded on the stock-market. 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.

n) FX-swaps

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

- DEBT TO CREDIT INSTITUTIONS

o) Placements with credit institutions and deposits

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

- SUBORDINATED LOAN CAPITAL, OTHER DEBT ISSUED, AND DEPOSITS FROM CUSTOMERS

p) Fair value of subordinated loans

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

q) Fair value of subordinated bond/ perpetual bond issued

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

r) Covered bonds issued

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

s) Deposits from customers

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

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

NOTE 6 Fair value of financial assets and liabilites - cont.

NOK MILLIONS	31.12.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
DEBT INSTRUMENTS HELD TO MATURITY - AT AMORTIZED COST				
Norwegian hold-to-maturity bonds	5 215	5 698	7 258	7 747
Foreign hold-to-maturity bonds	24 487	25 935	23 795	24 380
Total debt instruments held to maturity	**29 701**	**31 633**	**31 053**	**32 127**
DEBT INSTRUMENTS CLASSIFIED AS LOANS AND RECEIVABLES – AT AMORTIZED COST				
Norwegian bonds	49 807	51 469	45 414	47 228
Foreign bonds	100 736	104 886	96 106	98 645
Other receivables	37	37	29	29
Total debt instruments classified as loans and receivables	**150 580**	**156 392**	**141 549**	**145 902**
LENDING LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS AT FAIR VALUE THROUGH PROFIT/LOSS				
Loans to local government sector or enterprises with local government guarantee	602	602	855	855
Total loans to local government, enterprises & retail customers	**602**	**602**	**855**	**855**
LENDING TO LOCAL GOVERNMENT, ENTERPRISES & RETAIL CUSTOMERS – AT AMORTIZED COST				
Loans secured by mortgage	21 755	21 758	19 674	19 680
Loans to local government sector or enterprises with local government guarantee	73 141	73 401	67 150	67 495
Loans abroad secured by mortage and local government guarantee	10 766	10 794	8 016	8 049
Loans creditcard	65	65	69	69
Total loans to local government, enterprises & retail customers	**105 727**	**106 018**	**94 909**	**95 293**
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Norwegian bonds	54 801	54 801	58 737	58 737
Norwegian certificates	6 295	6 295	7 521	7 521
Foreign bonds	85 004	85 004	85 580	85 580
Foreign certificates	50	50	0	0
Investments with credit institutions	24 660	24 660	14 507	14 507
Total debt instruments	**170 810**	**170 810**	**166 344**	**166 344**
EQUITY CAPITAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Shares	190 350	190 350	146 865	146 865
Equity funds	14 562	14 562	12 199	12 199
Property funds	32	32	45	45
Alternative investments	2 005	2 005	858	858
Total equity capital instruments	**206 949**	**206 949**	**159 968**	**159 968**

NOTE 6 Fair value of financial assets and liabilites - cont.

NOK MILLIONS	31.12.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
RECEIVABLES				
Receivables related to direct business	1 141	1 141	1 123	1 123
Receivables related to reinsurance agreements	153	153	63	63
Reinsurance share of gross claims reserve	0	0	0	0
Receivables related to securites	614	614	603	603
Prepaid rent related to real estate activites	212	212	166	166
Other receivables	364	364	258	258
Total other loans and receivables including receivables from policyholders	**2 484**	**2 484**	**2 213**	**2 213**
FINANCIAL LIABILITIES - AT AMORTIZED COST				
Hybrid Tier 1 securities	1 738	1 672	1 662	1 332
Subordinated loan capital	6 012	6 928	6 029	6 302
Debt to credit institutions	1 407	1 407	1 015	1 015
Covered bonds issued	24 415	24 546	23 025	23 179
Liabilities and deposits from customers	11 487	11 487	10 662	10 662
Total financial liabilities	**45 059**	**46 039**	**42 392**	**42 489**
FINANCIAL LIABILITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt to credit institutions	6 791	6 791	1 779	1 779
Total financial liabilities	**6 791**	**6 791**	**1 779**	**1 779**
Assets in life insurance with investment option	**4 906**	**4 906**	**3 396**	**3 396**
Provisions in life insurance with investment option	**4 906**	**4 906**	**3 396**	**3 396**

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

NOTE 7 Fair value hierarchy

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 1 407 million per 31.12.2019 and 1 015 million per 31.12.2018

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Investment property	0	0	67 570	67 570
Land/plots	0	0	903	903
Real estate fund	0	0	2 887	2 887
Buildings	0	0	63 780	63 780
Lending at fair value	0	855	0	855
Bonds and other fixed-income securities	44 655	107 176	0	151 830
Certificates	5 222	2 298	0	7 521
Bonds	26 193	104 877	0	131 070
Fixed-income funds	13 240	0	0	13 240

NOTE 7 Fair value hierarchy - cont.

31.12.2018 NOK MILLIONS	Level 1	Level 2	Level 3	Total
Loans and receivables	12 747	1 766	0	14 514
Shares and units	143 025	3 957	12 986	159 968
Shares	141 269	3 054	2 542	146 865
Equity funds	1 756	0	61	1 816
Property funds	0	45	0	45
Special funds	0	858	0	858
Private Equity	0	0	10 383	10 383
Financial derivatives	0	944	0	944
Total assets at fair value	**200 427**	**114 699**	**80 556**	**395 681**
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives	0	6 809	0	6 809
Debt to credit institutions [1]	1 270	509	0	1 779
Total financial liabilities at fair value	**1 270**	**7 317**	**0**	**8 588**

[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 1 407 million per 31.12.2019 and 1 015 million per 31.12.2018

CHANGES IN LEVEL 3, INVESTMENT PROPERTY	Book value 2019	Book value 2018
Opening balance 1 January	67 570	63 519
Sold	-291	-452
Net aquisition cost	6 167	2 831
Unrealised changes	1 060	1 673
Other changes	39	0
Closing balance 31.12.	**74 545**	**67 570**
Realised gains/losses	42	363

CHANGES IN LEVEL 3, SHARES	Book value 2019	Book value 2018
Opening balance 1 January	2 542	1 658
Sold	-1 455	-1
Bought	780	372
Unrealised changes	343	513
Closing balance 31.12.	**2 211**	**2 542**
Realised gains/losses	321	-47

CHANGES IN LEVEL 3, EQUITY FUNDS	Book value 2019	Book value 2018
Opening balance 1 January	61	75
Sold	-9	-15
Bought	0	0
Unrealised changes	2	1
Closing balance 31.12.	**54**	**61**
Realised gains/losses	0	0

NOTE 7 Fair value hierarchy - cont.

CHANGES IN LEVEL 3, PRIVATE EQUITY	Book value 2019	Book value 2018
Opening balance 1 January	10 383	8 705
Sold	-2 358	-2 399
Bought	2 882	2 235
Unrealised changes	1 489	1 842
Closing balance 31.12.	**12 396**	**10 383**
Realised gains/losses	878	1 326
Closing balance 31.12.	**89 206**	**80 556**

Unrealised changes and realised gains / losses are reflected on the line "Net value changes on financial instruments" in the consolidated income statement. Unrealised changes and realised gains / losses for investment property are reflected on the line "Net income from investment properties".

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.

No sensitivity analysis has been carried out on securities included in Level 3. A sensitivity analysis for investment property can be found in note 3. A change in the variables of the pricing is considered of little significance. On a general basis, a 5 percent change in the pricing would produce a change of NOK 4 460 million as of 31.12.2019 and NOK 4 028 million as of 31.12.2018. Everything related to investment property is included in Level 3.

During the period from 01.01.2019 to 31.12.2019, a net movement of NOK 885 millions in stocks has been moved from Level 1 to Level 2 and NOK 767 millions from Level 2 to Level 1. This is due to changes in liquidity, based on the guidelines above. In addition, NOK 57 million in stocks has been moved from Level 3 to Level 2 and NOK 7 million from Level 2 to Level 3, due to re-classification in the financial statement. There have been no other movements between the different levels in 2019.

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.

Valuations related to items in the various levels are described in Note 6, investment property is described in note 3.

Fair value of assets and liabilities measured at amortized cost are given in note 6. The level placements for these debt instruments are as follows: assets classified as held to maturity would be level 1 and loan and receivables would be level 2. Liabilities measured at amortized cost, subordinated loan would be level 1 and hybrid tier 1 capital would be level 2 and debt to credit institutions would be level 1. Information on pricing of these liabilities can be found in note 6.

The investment option portfolio is not included in the table. The investment option portfolio has NOK 4 906 millions in financial assets valued at fair value at Level 1. Per 31.12.2019 the NOK 4 906 millions are included with NOK 3 436 millions in shares and units in Level 1, NOK 1 463 millions in debt instruments at fair value in Level 1 and the remaining are included in loans and receivables in level 1.

NOTE 8 Assets in defined-contribution-based life insurance

NOK MILLIONS	Organization number	Number units	Rate	Fair value 31.12.2019	Average return per unit %	Average return per unit whole NOK	Fair value 31.12.2018
UNITS IN EQUITY FUNDS							
KLP AksjeGlobal Indeks II	987570199	31 422	2 763.88	87	26.47 %	578	53
KLP AksjeNorge Indeks	988425958	289	2 878.56	1	16.52 %	408	2
KLP Aksje Fremvoksende Markeder indeks I	996715426	4 611	2 190.04	10	20.90 %	379	6
KLP Framtid	918126767	2 329 728	1 373.26	3 199	23.38 %	260	2 077
KLP AksjeNorden Mer Samfunnsansvar	923251642	3 574	1 072.38	4	10.40 %	101	0
KLP AksjeGlobal Mer Samfunnsansvar	920672183	10 900	1 266.84	14	6.34 %	76	0
KLP AksjeGlobal Mer Samfunnsansvar II	923251626	21 941	1 078.19	24	8.87 %	88	0
Baillie Gifford Worldwide Glob Alpha Fund NOK Acc		156 437	189.54	30	32.03 %	46	17
Quoniam FS SICAV GlobEq MinRisk KLP I		60 268	1 125.35	68	21.38 %	198	40
Total units in equity funds		**2 619 169**		**3 436**			**2 194**
UNITS IN FIXED-INCOME FUNDS							
KLP Obligasjon 5 år	979518315	435	1 280.23	1	2.05 %	26	1
KLP Obligasjon Global I	989753746	640	1 206.46	1	10.98 %	122	1
KLP Kredittobligasjon	993511757	6 086	1 053.06	6	2.43 %	26	4
KLP Obligasjon 3 år	979518323	0	1 026.21	0	-0.24 %	-3	0
KLP Obligasjon 1 år Mer Samfunnsansvar	923251669	343	997.93	0	0.33 %	3	0
KLP Obligasjon Global mer Samfunnsansvar	923251685	163	1 003.45	0	-0.28 %	-3	0
KLP Nåtid	918126740	1 362 457	1 008.89	1 375	4.15 %	41	1 118
Quoniam FS SICAV GlobCredit MinRisk KLP I		3 507	1 051.69	4	5.72 %	57	2
Total units in fixed-income funds		**1 373 630**		**1 387**			**1 127**
UNITS IN MONEY MARKET FUNDS							
KLP Pengemarked	979518218	76 783	1 000.10	77	1.64 %	16	68
Total units in money market funds		**76 783**		**77**			**68**
Total units in securities funds				**4 899**			**3 389**
Bank deposits				4			5
Other assets				3			2
Total assets in defined-contribution-based life insurance				**4 906**			**3 396**

PER CENT	1. quarter	2. quarter	3. quarter	4. quarter
Returns per quarter	7.35 %	2.01 %	2.81 %	3.73 %

The return on the holdings is the value change of the sum deposited and takes account of transactions during the period. This is termed money-weighted return. The return on the fund is the total return for the fund, also known as time-weighted return.

If there are no transactions during the period, the return on the holding and the fund is the same.

NOTE 9 Risk management

Through its activity, the Group is exposed to both insurance risk and financial risk. The aim of the overarching risk management for the Group is that the financial risk is managed in such a way that the Group is able at all times to meet the liabilities the insurance contracts impose on the business. The Board of Directors sets the overarching risk strategies that are put into practice at the senior management level.

Risk strategy is implemented and monitored by the line organization, with periodic reporting. Any breaches in risk lines and limits are reported as they occur, with a description of measures taken to regularize the situation. Units outside the line organization monitor that the risk-taking is carried out within the authorisations the line has.

9.1 INSURANCE RISK

An insurance contract ia according to IFRS 4 defined as "A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". The uncertainty at the portfolio level is additionally affected by factors such as changes in law and court decisions. Insurance results will be more stable and predictable the more contracts there are in the portfolio.

The Group's insurance business is divided into the following sectors: group pension public sector; group pension private; and non-life insurance. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas risk of death/whole life is somewhat less weighty. Guidelines have been prepared for non-life insurance for regarding the kind of risks the Company accepts in its portfolio. Basically it accepts risks from customers who are within the Group's primary target groups in non-life insurance provided the scope of the insurance lies within the standard products the Group offers. The total insurance risk will also be less where the portfolio has geographical dispersion and is spread over different insurance products.

In non-life insurance, insurance risk is generally managed through provisions for future expected claims under existing contracts, pricing of the risk element in insurance premium, and through reinsurance contracts. In addition, more specific measures have been taken according to the insurance cover offered.

Insurance risk is generally managed through close monitoring of the risk incidence and if appropriate subsequent change in the tariffs. The Group is safeguarded against extreme events through catastrophe reinsurance.

9.1.1 Insurance provisions

Insurance provisions are set at the level of expectation. In addition, provisions are made to the risk equalization fund in group pension in order to meet unexpected fluctuations in claims incidence.

For disability risk in the group pension sector, assumptions used are based on KLP's disability data. For the other risk elements in group pension the assumptions from the K2013 calculation base are used with contingency margins in accordance with the minimum standard set by the FSA of N in 2013. In the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors the same formulae and the same parameters are used otherwise, but with a strengthened contingency margin because of significantly longer lifetimes in these schemes.

9.1.2 Setting the premium

Development in the Group's insurance risk is continuously monitored. Risk result and future expectations of development in insured risk are based on observations and/or theoretic risk models that create the basis for pricing of the risk element in the premium. The premiums are set annually, except for premiums in the non-life insurance sector. Here the premium is assessed continuously, but premiums that are invoiced customers apply for one year at a time.

In the sector for group pension, public sector the Group has a large population, which provides a high degree of predictability and stability in its tariffs. Normally they will therefore stay the same for several years at a time. In non-life insurance, premium is differentiated based on the individual customer's risk.

In the non-life insurance business, guidelines have been drawn up for the types of risk that the Company accepts in its portfolio. Risks are generally accepted from customers from within the Company’s primary target groups, provided that the scope of the cover falls within the standard products the Company offers. Premiums are differentiated based on the individual customer’s risk. In borderline cases, special decision procedures are followed before the risk can be taken on.

9.1.3 Reinsurance and reinsurance program

a) Group pension public sector/private

The way the insurance contracts are set, current risk is generally within the limits of the Group's risk-bearing ability. The need for reinsurance is therefore limited, and the Group has no reinsurance program.

b) Non-life insurance

The reinsurance contracts cover all claims over a certain sum per event /accident. Guidelines have been set to minimise counterparty risk in the reinsurance contracts in non-life insurance. A maximum limit is set for the individual reinsurer and a minimum level is defined for the reinsurers' credit ratings.

NOTE 9 Risk management - cont.

9.1.4 Concentration risk in non-life insurance

There is a continuous assessment of the concentration risk. The Group reduces including concentration risk through reinsurance cover that limits the Group's own account per claim. To reduce credit risk against reinsurers, only reinsurance companies with satisfactory credit ratings are used. Each individual reinsurance contract is also divided between several independent reinsurers.

9.1.5 SENSITIVITY CALCULATIONS

9.1.5.1 Sensitivity calculations in group public sector and private pensions

The effect of an immediate 20 per cent increase in the incidence of disability would, with current numbers be NOK 204 million (of which NOK 8 million in group pension, private) on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in the incidence of disability would be an increase of NOK 1,136 million (of which NOK 14 million in group pension, private).

An immediate 10 per cent reduction in mortality would, with current numbers, mean a negative effect of NOK 189 million (NOK 1 million in group pension, private) on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be an increase of NOK 9,698 million (of which NOK 31 million in group pension, private).

The Group's large numbers within group public sector pensions help to stabilize the insurance risk and the claim estimates. Deviations are related primarily to non-insurable magnitudes that do not affect the result.

9.1.5.2 Sensitivity calculations in non-life insurance

The table below shows the profit/loss effect of a 1 per cent change in costs, premium levels, claim payments and claims reserve:

1 per cent change in the costs	NOK 3.7 millions
1 per cent change in premium level	NOK 15.3 millions
1 per cent change in claim payments	NOK 13.4 millions
1 per cent change in claims reserves	NOK 19.8 millions

9.2 FINANCIAL RISK

The Group's financial goal is to achieve a competitive and stable return, at the same time as solvency satisfies external and internal requirements. The Group has a long-term investment strategy in which risk-taking is at all times matched to the Group's ability to bear risk. The focus in asset management is cost effectiveness, a long-term perspective and broadly diversified portfolios with the goal of achieving competitive and stable returns for our customers and owners over time.

The Group's financial risk comprises liquidity risk, market risk and credit risk.

9.2.1 Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient liquidity to cover short-term debt, uncalled residual liabilities that may fall due and current operations without substantial extra costs arising in the form of price falls on assets that have to be realized. The liquidity strategy contains various requirements and limits in order to comply with the desired liquidity risk profile. In addition division of responsibilities and contingency planning are covered. The liquidity strategy is operated at the senior management level and the liquidity is managed internally in accordance with mandates.

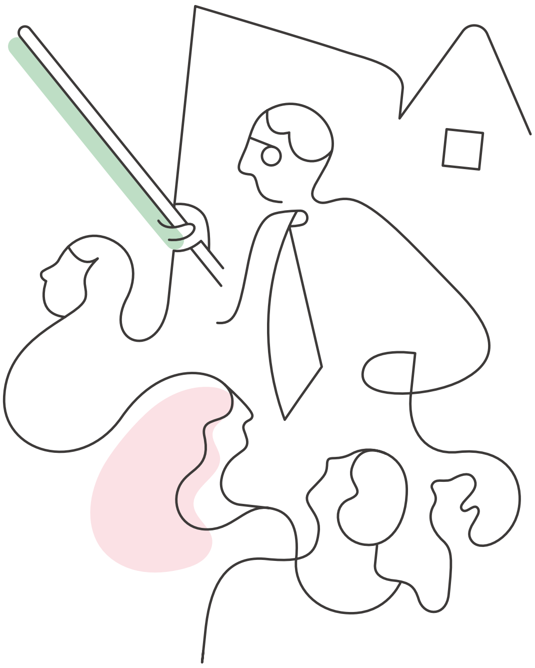
Uncalled residual liability of NOK 23,344 million comprises mainly committed, not paid in sums against private equity and approved loans that have not been paid out. The total is specified in detail in Note 35 Conditional obligations. The agreements govern solvency requirements among other things, so that the drawing can be approved for payment.

9.2.2 Market risk

Market risk is the risk of losses resulting from changes in market prices of various assets such as shares, bonds, property and other securities. The market risk depends on how large an exposure there is to the various assets and on the volatility in the market prices. Developments in the Norwegian and international securities markets generally have major significance for the Group's results.

Risk of a fall in the value of various assets is the biggest financial risk in the short term. Of the risk concerning assets, equity exposure is the largest financial risk factor, but also the market risk associated with interest, credit (spread) and property has a significant loss potential. The Group's interest rate risk associated with a prolonged low interest rate level is however limited. With the current formulation of the rules, technical provisions are not affected by changes in market interest rates. On the liabilities' future transition to market value, annual pricing of the interest rate guarantee will mean that the customers will bear the risk of the interest rate level being lower than the base interest rate. Since the Group mainly provides pension schemes to the public sector, the Group will price the interest rate guarantee right up until the insured dies, which means the interest rate risk arising from the insurance obligations is limited.

The Group exchange rate hedges the majority of international exposure. Financial hedging of currency exposure is done through derivatives. As a rule,



all of the Group's fixed-income investments and property investments in foreign currency are hedged back to NOK. For equity investments in foreign currencies, the hedging rate in 2019 was between 55 and 65 per cent, with permissible fluctuations between 50 and 70 per cent.

All equity and interest rate exposures are included in a risk measurement system that enables simulation and monitoring of equity and interest rate risk across the portfolios. Active risk is managed through specifying a benchmark with the index for each portfolio.

To reduce the risk of negative results from asset management, the Group uses CPPI rules for customer portfolios for daily monitoring the market risk. This strategy helps to ensure that the risk is adjusted to the Group's risk capacity. The CPPI rules gives a return profile, which fits the overall target to protect owners' equity and preserve the risk capacity over time. In addition, the Group has a high proportion of long-term (hold-to-maturity) bonds and fixed-interest lending that contributes to stability in returns.

Derivatives are principally used for risk reduction for cost and time-effective implementation of changes in risk and for currency hedging.

Through the life company, the equity risk is by far the largest market risk in the Group. As measured by stress tests, this is in excess of 50 per cent. The rest of the market risk is spread equally between property risk, interest rate and credit risk. The fact that large parts of the interest rate and credit exposure are posted at amortised cost changes the relative picture of market risk. Equity and property risk then make up more than 80 per cent of the total market risk.

Sensitivity analysis - market risk

In connection with the Group's own risk and solvency assessment (ORSA), several scenario analyses and forecasts for capital adequacy have also been carried out this year. Given KLPs ambition to build reserves (supplementary reserves and securities adjustment fund) up to 2.5 times the yearly interest rate gurantee, KLP is esteemed to be well capitalized, and the capital adequacy and capital forecasts shows that KLP will be well capitalized through the whole forecast period (2022). In scenarios with negative market development it is presumed that KLP according to internal rules will reduce the allocation in shares in the common portfolio. These scenarios also show how the ancillary own funds (Group 2) will contribute in situations with low reserves so that the capital adequacy not will be reduces below the target ratio of 150 per cent.

Calculation of solvency margin (SCR ratio)

The European rules for calculation of solvency margin, SCR ratio, main target is to protect and ensure the interest of the insurance customers. The Group performs quarterly calculations of the SCR ratio.

According to the standard method of calculation in Solvency II, the Group has a solvency capital coverage of 253 per cent, which is slightly higher than at the end of 2018 when it stood at 243 per cent. The solvency capital coverage is well above the Group's target of 150 per cent. The regulatory minimum requirement is 100 per cent.

NOTE 9 Risk management - cont.

Several sensitivity analyses linked to solvency capital coverage have been carried out. The solvency capital is calculated to increase by 11 percentage per 50 basis points interest rate increase, and to be reduced by 12 percentage per 50 basis points interest rate decrease. This may be considered low, at least compared to private occupational pensions, and is mainly due to the fact that public-sector occupation pensions avoid the problem of paid-up policies. A 25 per cent fall in the stock market reduces capital adequacy by something over 68 percentage points when the rules are taken into account. This is a significant drop, but the level of capital adequacy will still be above the level at which action has to be considered.

Previous estimates have shown that, with the safety margins in the Company's tariffs and with the current level in the risk equalisation fund, solvency capital coverage is not very sensitive to changes in longevity and disability risk.

9.2.3 Credit- and concentration risk
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.

The Group has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. 27 per cent of the Group's total credit exposure is invested with issuers with an AA- rating or better. Taken into account, the exposure to local municipals and assume AA- rating or better, the credit exposure increases to 44 per cent. The Group has a separate international government bonds portfolio and the element of government bonds is also substantial in the Norwegian bonds portfolio.

The Group has a lending portfolio of high quality, with limited credit risk and historically very low losses. In the main, the Group provides loans secured on housing with a loan-to-value ratio of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to NOK 21.7 billion. The value of the mortgages represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.

The Group has limited concentration risk. Because no exposures exceed the threshold values defined in the Solvency II regulations, the Group has no capital requirements for concentration risk under the standard method. The way in which the fixed interest and equity portfolios are managed will generally help to limit concentration risk through extensive use of index management. The Group sets explicit limits for lending which restrict concentration on specific individuals and groups. Sector concentration is monitored via monthly and quarterly reporting.

Although the Group's investments are well diversified, there is a clear preponderance of investments in Norway. This is a deliberate and a natural consequence of dealing mainly with public-sector occupational pensions.

9.3 TOTAL MAXIMUM EXPOSURE TO CREDIT RISK FOR THE GROUP
The Group's total maximum exposure to credit risk comprises book values of financial assets and liabilities (see note 13 for more information regarding the Group's credit risk). The book classes of securities are specified in detail in Note 6 Fair value of financial assets and liabilities.

NOTE 10 Liquidity risk

The table in this note specifies the Company's financial liabilities classified according to maturity structure. The amounts in the table are non-discounted contractual cash flows.

2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Hybrid tier 1 securities [1]	0	64	256	320	1 490	2 130
Subordinated loans	0	252	1 006	6 170	0	7 427
Covered bonds issued	0	1 413	23 802	601	0	25 816
Debt to credit institutions	51	626	842	0	0	1 519
Liabilities to and deposits from customers	11 487	0	0	0	0	11 487
Accounts payable	7	0	0	0	0	7
Contingent liabilities	23 344	0	0	0	0	23 344
Total	**34 889**	**2 354**	**25 906**	**7 091**	**1 490**	**71 730**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	2 260	2 277	69	-142	-306	4 159
Total financial derivatives	**2 260**	**2 277**	**69**	**-142**	**-306**	**4 159**

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

2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Hybrid tier 1 securities [1]	0	63	252	315	1 520	2 151
Subordinated loans	0	252	1 010	6 444	0	7 706
Covered bonds issued	0	1 547	21 844	616	0	24 006
Debt to credit institutions	1 930	540	412	0	0	2 882
Liabilities to and deposits from customers	10 662	0	0	0	0	10 662
Accounts payable	50	0	0	0	0	50
Contingent liabilities	20 532	0	0	0	0	20 532
Total	**33 175**	**2 402**	**23 518**	**7 375**	**1 520**	**67 990**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	5 291	4 231	313	-96	-295	9 445
Total financial derivatives	**5 291**	**4 231**	**313**	**-96**	**-295**	**9 445**

[1] In regards to the loans that are perpetual, estimated cash streams are up to 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 330 million, payables to credit institutions maturing within one month are reduced with NOK 1 176 million, derivatives maturing between 1 to 12 months are reduced with NOK 860 million, while derivates maturing between 1 to 5 years increased by NOK 0,3 million. Total amount of the financial liabilities for the Group are after these adjustments NOK 75 070 million.

NOTE 10 Liquidity risk - cont.

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

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 has the day-to-day responsibility and reports on 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 for the Group annually. The liquidity strategy includes parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

The biggest obligations in the Group are those related to insurance, essentially applying to pension obligations. These obligations are fully founded and the liquidity management is handled in the same way as other obligations.

The table below shows expected disbursment profile based on expectations for the period.

EXPECTED PAYMENT PROFILE PENSION OBLIGATIONS

2019 NOK MILLIONS									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	**18 000**	**75 067**	**120 564**	**305 890**	**348 500**	**322 419**	**222 170**	**165 967**	**1 578 577**

2018 NOK MILLIONS									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	**16 715**	**69 945**	**113 263**	**289 361**	**334 369**	**310 503**	**214 687**	**159 179**	**1 508 022**

The payment profile for insurance liabilities is based on non-discounted values and applies to life insurance and non-life insurance.

Insurance liabilities related to the life insurance businesses are discounted in the financial statements and show the present value at the end of the reporting period. The claims reserves are not discounted in the non-life insurance financial statements.

NOTE 11 Interest rate risk

31.12.2019 NOK MILLIONS	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Change in cash flows 01.01.2019-31.12.2019	Total	Adjusted for the minority holding
ASSETS								
Financial derivatives classified as assets	-2	-4	-32	-52	-272	-12	-374	-350
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	0	0	0
Bonds and other fixed-income securities	-45	-46	-1 185	-1 671	-1 986	310	-4 623	-3 950
Fixed-income fund units	-1 034	0	0	0	0	0	-1 034	-1 034
Loans and receivables	-1	-2	0	0	0	109	107	81
Lending	0	0	0	0	0	723	723	723
Cash and 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								
Deposits	0	0	0	0	0	-115	-115	-115
Liabilities created on issuance of securities	0	0	0	0	0	-258	-258	-258
Financial derivatives classified as liabilities	2	2	47	-15	0	9	45	45
Hybrid Tier 1 securities and subordinated loan capital	0	0	0	53	93	0	147	143
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 in this context is accepted, not paid out lending.

NOTE 11 Interest rate risk - cont.

31.12.2018 NOK MILLIONS	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Change in cash flows 01.01.2018-31.12.2018	Total	Adjusted for the minority holding
ASSETS								
Financial derivatives classified as assets	3	6	-1	84	-290	-4	-202	-207
Debt instruments classified as loans and receivables – at amortized cost	0	0	0	0	0	1	1	1
Bonds and other fixed-income securities	-50	-55	-1 439	-1 904	-1 718	346	-4 819	-4 276
Fixed-income fund units	-831	0	0	0	0	0	-831	-831
Loans and receivables	-1	-1	0	0	0	145	143	117
Lending	0	0	0	0	0	630	630	630
Cash and deposits	0	0	0	0	0	30	30	30
Contingent liabilities [1]	0	0	0	0	0	101	101	101
Total assets	**-880**	**-50**	**-1 440**	**-1 820**	**-2 007**	**1 249**	**-4 947**	**-4 435**
LIABILITIES								
Deposits	0	0	0	0	0	-107	-107	-107
Liabilities created on issuance of securities	0	0	0	0	0	-240	-240	-240
Financial derivatives classified as liabilities	-1	3	69	29	0	19	119	119
Hybrid Tier 1 securities and subordinated loan capital	0	0	0	54	89	0	143	143
Debt to credit institutions	0	0	0	0	0	-38	-38	-38
Total liabilities	**-1**	**3**	**69**	**84**	**89**	**-366**	**-122**	**-122**
Total before tax	**-881**	**-47**	**-1 371**	**-1 736**	**-1 918**	**883**	**-5 069**	**-4 557**
Total after tax	**-661**	**-35**	**-1 028**	**-1 302**	**-1 439**	**662**	**-3 802**	**-3 418**

[1] Contingent liabilities in this context is accepted, not paid out lending.

The note shows the effect on income of an increase in market interest rate of 1 per cent, for fair value risk and variable interest rate risk.

Change in fair value (fair value risk) is shown in the five first columns, sorted in accordance with maturity of the securities, and is calculated on the change in fair value of fixed-income instruments had the interest rate been 1 per cent higher at the end of the period. The column “Change in cash flows“ (variable interest rate risk) shows the change in cash flows had the interest rate been 1 per cent higher throughout the year reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would have had on the Group during the period being reported on.

Fair value risk applies to fixed interest rate securities where the market value of the security fluctuates conversely to the market interest rate. Variable interest rate risk applies to securities at variable interest rates, where the market value remains stable, but where change in the market interest rate is reflected in changed current incomes.

Fixed-income securities with the following characteristics and classifications, are covered by this Note; securities at fair value through profit or loss (variable and fixed interest rate terms), investments held to maturity (only those with variable interest rate terms) and loans and receivables (only those with variable interest rate terms). The Group has no fixed-income securities classified as available for sale.

Fixed rate assets, recognized at amortized cost, do not cause any effects in the income statement when the market rate changes. The same goes for issued debt with a fixed rate, measured at amortized cost.

Insurance contracts with a guaranteed return does not change the accounting value when interest rates change. Changes in interest rate has no impact on the guaranteed return, but will have an impact on the achieved returns to cover the return guarantee. This is because insurance funds partly invests in debt instruments whose cash flows contribute to cover the customers return guarantee.

NOTE 12 Currency risk

31.12.2019	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position	
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	NOK	Net position in NOK adjusted for the minorities share
US dollar	15 341	-54	7 688	-18 548	8.787	23 029	-18 602	38 899	23 193
Euro	4 839	-699	1 913	-5 117	9.864	6 752	-5 816	9 228	6 224
Japanese yen	170 425	-385	76 546	-186 820	0.081	246 971	-187 205	4 833	3 143
British Pound	1 662	0	1 111	-2 444	11.641	2 773	-2 444	3 832	2 526
Canadian dollar	1 236	0	516	-1 326	6.776	1 752	-1 326	2 884	2 218
Swedish kroner	18 676	0	16 108	-31 844	0.939	34 784	-31 844	2 760	981
Hong Kong dollar	3 756	0	1 513	-3 295	1.128	5 269	-3 295	2 227	1 236
Swiss franc	517	0	174	-479	9.075	691	-479	1 925	1 084
Danish kroner	9 269	-17	10 796	-18 653	1.320	20 065	-18 670	1 841	927
Australian dollar	665	0	368	-813	6.177	1 033	-813	1 364	948
Indian rupi	10 105	0	0	0	0.123	10 105	0	1 244	901
Taiwan new dollar	6 160	0	0	-2 530	0.293	6 160	-2 530	1 064	609
Brazilian real	483	0	0	0	2.184	483	0	1 055	756
Korean won	231 596	0	0	-93 550	0.008	231 596	-93 550	1 049	587
South African rand	1 301	0	0	0	0.628	1 301	0	817	568
Chinese Yuan	452	0	0	0	1.262	452	0	570	436
Other currencies								3 053	2 330
Total short-term foreign currency positions								**78 645**	**48 665**
US dollar	2 677	-91	0	-2 483	8.787	2 677	-2 574	911	911
Japanese yen	16 282	-11 587	0	-37	0.081	16 282	-11 624	377	377
British Pound	192	0	0	-187	11.641	192	-187	52	52
Swedish kroner	1 641	-60	46	-1 590	0.939	1 687	-1 650	35	35
Danish kroner	19	0	0	-4	1.320	19	-4	20	20
Australian dollar	3	0	0	-3	6.177	3	-3	1	1
Korean won	27	0	0	0	0.008	27	0	0	0
Swiss franc	0	0	0	0	9.075	0	0	0	0
Canadian dollar	0	0	0	0	6.776	0	0	0	0
Euro	866	-615	0	-260	9.864	866	-875	-87	-87
Total long-term foreign currency positions								**1 308**	**1 308**
Total pre-tax currency positions								**79 953**	**49 973**
Total currency positions after tax								**59 965**	**37 480**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the actual currency risk the KLP Group had at the end of the period in NOK. The net position exclued the minority share shows the real currency risk the Group has at the end of the period, because the column is directly related to actual ownership and risk in the Group. Other sums are in local currency. The table shows a hedging ratio for foreign currency at 83 and 87 per cent for 2019 and 2018 respectively.

NOTE 12 Currency risk - cont.

31.12.2018	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position	Net position in NOK adjusted for the minorities share
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	NOK	
US dollar	13 446	-47	6 891	-18 331	8.659	20 337	-18 378	16 960	6 371
Swedish kroner	15 749	0	18 209	-27 924	0.977	33 958	-27 924	5 893	4 639
Euro	4 017	-131	1 741	-5 206	9.899	5 758	-5 336	4 176	1 952
British Pound	1 681	0	1 057	-2 417	11.028	2 737	-2 417	3 529	2 356
Japanese yen	132 725	-306	83 551	-177 250	0.079	216 276	-177 556	3 056	1 777
Hong Kong dollar	3 412	0	1 241	-2 889	1.106	4 653	-2 889	1 951	1 012
Danish kroner	7 140	-8	4 519	-10 271	1.326	11 658	-10 279	1 830	1 153
Canadian dollar	1 053	0	539	-1 308	6.340	1 592	-1 308	1 804	1 370
Swiss franc	417	0	193	-466	8.784	610	-466	1 261	703
Australian dollar	663	0	396	-862	6.096	1 059	-862	1 202	896
Indian rupi	8 105	0	0	0	0.124	8 105	0	1 005	685
Korean won	203 998	0	0	-88 900	0.008	203 998	-88 900	893	425
Taiwan new dollar	5 040	0	0	-2 120	0.282	5 040	-2 120	823	413
South African rand	1 337	0	0	0	0.602	1 337	0	805	565
Brazilian real	331	0	0	0	2.234	331	0	739	511
Other currencies								2 791	2 101
Total short-term foreign currency positions								**48 718**	**26 928**
Danish kroner	1 237	0	0	0	1.326	1 237	0	1 641	1 641
Japanese yen	15 881	-11 073	0	0	0.079	15 881	-11 073	379	379
Swedish kroner	1 495	0	0	-1 485	0.977	1 495	-1 485	9	9
Canadian dollar	0	0	0	-1	6.340	0	-1	-4	-4
Australian dollar	0	0	0	-1	6.096	0	-1	-6	-6
US dollar	1 846	-91	38	-1 826	8.659	1 884	-1 917	-281	-281
Euro	613	-615	0	-58	9.899	613	-672	-587	-587
British Pound	26	0	0	-84	11.028	26	-84	-641	-641
Total long-term foreign currency positions								**511**	**511**
Total pre-tax currency positions								**49 229**	**27 439**
Total currency positions after tax								**36 922**	**20 579**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the actual currency risk the KLP Group had at the end of the period in NOK. The net position exclued the minority share shows the real currency risk the Group has at the end of the period, because the column is directly related to actual ownership and risk in the Group. Other sums are in local currency. The table shows a hedging ratio for foreign currency at 83 and 87 per cent for 2019 and 2018 respectively.

The Group currency-hedges the majority of investments made in foreign currency. Financial hedging of currency exposure is done through derivatives. In principle all of the Group's fixed-income investments and property investments in foreign currency are hedged back to NOK with the objective of 100 per cent hedging.

As of 31 December 2019, the hedging ratio for equities in developed markets and the most liquid currencies in emerging markets was 60 per cent with possible fluctuations between 50-70 per cent. Other currencies, i.e., less liquid currencies in developed markets and currencies in emerging markets with the

NOTE 12 Currency risk - cont.

exception of the most liquid currencies, are not currency hedged. The reason for this is that these currencies do not have a large enough market and / or liquidity that it is appropriate to hedge currency. This reduction in the hedging of shares, as well as unsecured foreign equity funds, increases the net positions in foreign currencies.

If all currency positions were to change by 1 per cent at the same time and in the same direction this would affect the pre-tax result by NOK 800 million. For 2018 the effect on the pre-tax result of a 1 per cent change in the foreign exchange rates would have been NOK 492 million.

NOTE 13 Credit risk

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

[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 1 371 million per 31.12.2019

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

NOTE 13 Credit risk - cont.

31.12.2018 NOK MILLIONS	Invest-ment grade AAA to BBB	Lower rating	Public sector guarantee	Bank and finance	[1] Mort-gage < 80%	[1] Mort-gage > 80%	Other	Total	Adjusted for the unit holders' in consolidated securites funds
Debt instruments held to maturity at amortized cost	28 743	0	31	0	0	0	2 279	31 053	31 053
Debt instruments classified as loans and receivables at amortized cost	116 292	0	664	0	0	0	24 593	141 549	141 549
Debt instruments at fair value - fixed-return securities [2]	113 232	884	3 764	7 845	0	0	14 207	139 932	127 481
Fixed-income funds	0	0	0	0	0	0	13 240	13 240	13 240
Loans and receivables	14 235	0	0	279	0	0	0	14 514	11 406
Financial derivatives classified as assets	944	0	0	0	0	0	0	944	904
Cash and bank deposits	2 949	0	0	60	0	0	0	3 009	3 009
Lending	0	0	67 665	0	17 619	2 072	8 408	95 764	95 764
Total	**276 394**	**884**	**72 125**	**8 185**	**17 619**	**2 072**	**62 728**	**440 005**	**424 405**

[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 1 371 million per 31.12.2019

NOK MILLIONS	AAA	AA	A	BBB	Total Investment grade
SPECIFICATION OF INVESTMENT GRADE					
Debt instruments held to maturity at amortized cost	12 745	3 957	8 432	3 608	28 743
Debt instruments classified as loans and receivables at amortized cost	21 830	18 988	55 903	19 570	116 292
Debt instruments at fair value - fixed-return securities	40 206	9 156	34 665	29 205	113 232
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	2 331	11 903	0	14 235
Financial derivatives classified as assets	0	112	832	0	944
Cash and bank deposits	0	263	2 686	0	2 949
Lending	0	0	0	0	0
Total	**74 782**	**34 808**	**114 421**	**52 383**	**276 394**

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.

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

NOTE 13 Credit risk - cont.

issued by power companies and other corporate bonds: this amounted to NOK 63 billion per 31.12.2019. KLP Group has strict guidelines for investments in fixed-income securities, which also apply to investments falling into the «Other» category.

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

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

NOK MILLIONS	31.12.2019		31.12.2018	
	Consolidated	Adjusted for the unit holders' in consolidated securites funds	Consolidated	Adjusted for the unit holders' in consolidated securites funds
10 LARGEST COUNTERPARTIES				
Counterparty 1	13 956	13 026	13 491	13 322
Counterparty 2	11 144	8 896	8 766	8 475
Counterparty 3	9 463	7 948	8 475	8 475
Counterparty 4	7 471	7 295	6 860	5 896
Counterparty 5	7 376	7 138	5 966	5 785
Counterparty 6	7 318	6 535	5 285	4 962
Counterparty 7	6 535	6 107	4 766	4 699
Counterparty 8	6 198	6 076	4 750	4 698
Counterparty 9	4 698	4 698	4 698	4 696
Counterparty 10	4 309	4 189	3 686	3 577
Total	**78 468**	**71 910**	**66 743**	**64 584**

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).

PREMIUM RECEIVABLES AND RECEIVABLES IN CONNECTION WITH REINSURANCE

NOK MILLIONS	2019	2018
Premium receivables	820	733
Write-downs of premium receivables	0	0
Total	**820**	**733**

KLP's premium receivables are primarily in regard to the public sector and the credit risk is considered low. In addition the main group pension/public sector industry is linked to the "Transfer agreement for the public sector". This transfer agreement has a security scheme intended to help to secure pension rights accrued with employers who cease to exist or do not pay premiums when due in accordance with detailed rules. The Group may thus apply for cover for unpaid demands in this industry from the security arrangement if the demand falls within the security arrangement' s regulations.

NOTE 14 Presentation of assets and liabilities that are subject to net settlement

31.12.2019 NOK MILLIONS				Related amounts not presented net				Adjusted for the unit holders' in consolidated securities funds
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	
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**

31.12.2018 NOK MILLIONS				Related amounts not presented net				Adjusted for the unit holders' in consolidated securities funds
	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount	
ASSETS								
Financial derivatives	944	0	944	-293	-632	0	23	23
Repos	0	0	0	0	0	0	0	0
Total	**944**	**0**	**944**	**-293**	**-632**	**0**	**23**	**23**
LIABILITIES								
Financial derivatives	6 809	0	6 809	-293	-1 313	-8 083	0	0
Repos	509	0	509	0	0	0	509	509
Total	**7 318**	**0**	**7 318**	**-293**	**-1 313**	**-8 083**	**509**	**509**

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.

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 15 Mortgage loans and other lending

NOK MILLIONS	Local government administration	State and local authority owned enterprises [1]	Private organizations and enterprises	Employees, pensioners and similar	Total 31.12.2019	Total 31.12.2018
Akershus	2 849	27	479	3 671	7 026	6 492
Aust-Agder	1 680	15	2	234	1 931	2 359
Buskerud	10 180	782	99	1 372	12 433	12 244
Finnmark	1 447	597	0	373	2 418	1 982
Hedmark	4 557	42	68	780	5 447	4 793
Hordaland	4 807	997	127	1 691	7 622	6 622
Møre & Romsdal	4 498	225	167	812	5 702	5 797
Nordland	5 624	676	40	901	7 241	6 495
Nord-Trøndelag	0	0	0	276	276	230
Oppland	2 773	105	45	590	3 512	2 942
Oslo	25	0	1 660	2 350	4 036	3 813
Rogaland	3 097	180	113	1 754	5 144	4 643
Sogn & Fjordane	3 096	5	70	346	3 517	3 042
Sør-Trøndelag	0	0	0	1 057	1 057	947
Telemark	1 384	139	91	414	2 028	1 495
Troms	2 860	114	323	854	4 152	3 394
Vest-Agder	1 553	44	5	393	1 995	2 022
Vestfold	3 596	154	31	1 221	5 003	4 999
Østfold	3 681	161	18	2 583	6 444	5 006
Svalbard & Jan Mayen	7 805	186	141	1	8 133	7 994
Foreign	0	0	10 766	0	10 766	8 016
Not allocated	0	0	0	74	74	82
Accrued interests	283	16	32	25	355	286
Value adjustment					15	68
Total	**65 795**	**4 465**	**14 279**	**21 774**	**106 329**	**95 764**

[1] This category covers local authority business operations, as well as enterprises owned by central and local government.

The Group has a lending portfolio of high quality, with limited credit risk and historically very low losses. In the main the Group provides loans secured on housing with a loan-to-value ratio of less than 80 per cent, loans to local authorities and loans with government (central/local) guarantees. Lending secured through mortgages on housing amounts to about NOK 21.8 billion. The sector diversification of Group l ending is very small, since a very high proportion of the loans are provided for the public sector. However the concentration risk this suggests can hardly be perceived as a real risk since the loans are covered by government (central/local) guarantee, representing an extremely low counterparty risk.

In the financial position statement the two lending-related lines must be taken into account to find amounts corresponding to those in the note.

NOTE 15 Mortgage loans and other lending - cont.

NOK MILLIONS	2019	2018
INDIVIDUAL WRITE-DOWNS ON LOANS AT AMORTIZED COST		
Number of loans [1]	3	5
Total principal before write-downs	4.4	6.6
Write-downs	2.1	1.3
Total principal after write-downs	**2.3**	**5.4**
INDIVIDUAL WRITE-DOWNS		
Write-down on individual loans 01.01.	1.3	3.0
Known losses for the period where individual write-down has been carried out previously	-0.1	-3.3
Write-down on individual loans for the period	2.2	2.0
Reversal of write-down on individual loans for the period	-1.3	-0.5
Write-down on individual loans 31.12.	**2.1**	**1.3**
GROUP WRITE-DOWNS		
Write-down on group of loans 01.01.	4.4	0.7
Write-down on group of loans for the period	0.5	3.7
Write-down on group of loans 31.12.	**4.9**	**4.4**

NOK MILLIONS	2019 Remaining debt	2018 Remaining debt
LOANS OVERDUE, NOT WRITTEN DOWN		
Overdue		
30-90 days	86	66
over 90 days	95	63
Total overdue loans	**181**	**129**

[1] The numbers are absolute figures, the amounts are given in NOK million. Defaulted loans are loans measured at amortized cost.
All write-downs are in regard to housing mortgage lending.

NOTE 16 Investment properties

NOK MILLIONS	2019	2018
Net rental income	2 854	2 717
Net financial income	5	3
Change in fair value	1 413	1 911
Realised gains	42	362
Net income from investment properties	**4 314**	**4 993**
Currency translate foreign subsidiaries (taken to other comprehensive income)	- 353	-238
Net income from investment properties included currency translate	**3 961**	**4 754**

NOK MILLIONS	2019	2018
Investment property 01.01.	67 570	63 519
Addition through purchase	5 139	1 887
Additions through reclassification	1 067	944
Reductions through sale	-291	-452
Net write-up/down resulting from change in fair value including currency translation	1 060	1 673
Investment property 31.12.	**74 545**	**67 570**

NOTE 17 Investments in associated companies and joint ventures

NOK MILLIONS	Organization number	Hol-ding %	Owners equity on first aquisi-tion	Aqui-sition cost	Book value 31.12.18	Ad-ditions/ dispo-sals	Value adjus-tment	Profit / loss share	Equity trans-actions	Divi-dend	Book value 31.12.19
Norfinance AS Fridtjof Nansens plass 4 0160 OSLO	912764729	46.5 %	92.30	431.11	415.67	106.08	0.00	25.33	0.00	-8.99	538.10
Norsk Pensjon AS Hansteens gate 2 0253 Oslo	890050212	25.0 %	5.00	2.50	1.77	0.00	0.00	0.01	0.00	0.00	1.77
Fylkeshuset AS, Fylkeshuset 6404 Molde	930591114	48.0 %	0.05	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.05
KLP Norfund Investments IS Fridtjof Nansens plass 4 0160 OSLO	999548636	49.0 %	0.05	562.60	460.93	119.31	0.00	34.73	0.00	0.00	614.97
Tensio AS Kjøpmannsgata 7A 7500 STJØRDAL	922828172	20.0 %	1 652.60	1 652.60	0.00	1 652.60	0.00	3.71	0.00	-410.24	1 246.08
Copenhagen Infrastructure III GP APS Nørregade 21 1165 København K., Denmark		33.3 %	0.02	0.02	0.02	0.00	0,00	0,00	0,00	0,00	0.02
Stena Renewable AB Rosenlundsg.3 Box 7123 402 33 Göteborg, Sweden		30.0 %	600.17	657.91	629.96	57.74	0,00	-26.95	0.00	0.00	660.75
Total in associated companies and joint ventures				**3 306.79**	**1 508.41**	**1 935.73**	**0,00**	**36.83**	**0,00**	**-419.23**	**3 061.74**

All shares have equal voting proportions.
KLP Norfund Investment IS is a joint venture, while the remaining companies are associated companies.

NOTE 18 Subordinated loan capital and hybrid Tier 1 securities

2019 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2019	Due date
BORROWINGS [1]				
June 2015	EUR 600	5 163	6 012	2045
Total subordinated loan capital		**5 163**	**6 012**	
April 2004	JPY 15 000	984	1 738	Perpetual
Total hybrid tier 1 securities		**984**	**1 738**	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 750**	

2018 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2018	Due date
BORROWINGS [1]				
June 2015	EUR 600	5 163	6 029	2045
Total subordinated loan capital		**5 163**	**6 029**	
April 2004	JPY 15 000	984	1 662	Perpetual
Total hybrid tier 1 securities		**984**	**1 662**	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 691**	

2019 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealised currency	Book value 31.12.2019	Due date
Bonds	EUR 596	5 152	31	700	5 883	2025
Total hedging transactions		**5 152**	**31**	**700**	**5 883**	

2018 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealised currency	Book value 31.12.2018	Due date
Bonds	EUR 596	5 152	32	716	5 899	2025
Total hedging transactions		**5 152**	**32**	**716**	**5 899**	

[1] Interest costs on the two subordinated loans were NOK 254 million (NOK 249 million) and NOK 64 million (NOK 61 million) for the hybrid Tier 1 securities in 2019. Figures in brackets are 2018 figures.
[2] Amount in local currency (millions)

NOTE 18 Subordinated loan capital and hybrid Tier 1 securities - cont.

EUR 600
The interest on the loan is fixed at 4.25 per cent p.a. The loans was issued the 10th of June 2015 and is due in 2045. The loan can be redeemed by KLP after 10 years, and at every interest payment date that follows. The loan is currency hedged with EUR denominated bonds as shown in the table below. This arrangement is not subject to hedge accounting.

JPY 15 000
The interest on the loan is fixed USD-interest of 5.07 per cent p.a. The loan is perpetual but the Group has the right to redeem the loan on 28 April 2034. If KLP does not exercise its redemption right in 2034, the loan will switch to variable interest. The credit margin then increases by 1 percentage point to 6-month JPY LIBOR-interest + a margin of 3.30 per cent p.a. To hedge the interest and exchange risk associated with the loan a combined interest rate and currency swap has been agreed in which KLP pays 3-month NIBOR-interest + a margin of 2.65 per cent p.a. and receives USD-interest of 5.07 per cent p.a. This hedging arrangement is shown in Note 19.

The continuous work of the IBOR reform has been on the agenda in 2019. In Norway it is suggested that the current reference rate NIBOR (Norwegian Interbank Offered Rate) will be replaced with a reformed NOWA (Norwegian Overnight Weighted Average). This change could impact the current loan and hedging agreements, that is currently related to an IBOR-rate. For more details, see note 2 (2.1.1) for the Group.

NOTE 19 Hedge accounting

31.12.2019 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value 31.12.2019
KOMMUNAL LANDSPENSJONSKASSE			
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-755	-1 738
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	754	754
Hedge effectiveness as at 31.12.2019		**100 %**	
Hedge effectiveness through the year		**100 %**	
KLP BANKHOLDING GROUP			
HEDGED OBJECT			
Loans to retail customers fixed interest in NOK	98	3	101
HEDGING INSTRUMENT			
Interest rate swap loans to retail customers fixed int. rate NOK	117	-3	-3
Hedge effectiveness as at 31.12.2019		**83 %**	
Hedge effectiveness through the year		**83 %**	

NOTE 19 Hedge accounting - cont.

31.12.2018 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value 31.12.2018
KOMMUNAL LANDSPENSJONSKASSE			
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-678	-1 662
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	657	657
Hedge effectiveness as at 31.12.2018		**98 %**	
Hedge effectiveness through the year		**98 %**	
KLP BANKHOLDING GROUP			
HEDGED OBJECT			
Loans to retail customers fixed interest in NOK	133	6	139
HEDGING INSTRUMENT			
Interest rate swap loans to retail customers fixed int. rate NOK	136	-7	-7
Hedge effectiveness as at 31.12.2018		**111 %**	
Hedge effectiveness through the year		**111 %**	

The note shows the financial instruments in the Group subject to hedge accounting, with associated hedging instruments. As at 31 December 2019 the Group has three hedge relationships: one in Kommunal Landspensjonskasse and two in KLP Bankholding Konsern. The hedge effectiveness stands at 100 per cent and 83 per cent on the hedge relationships as at 31 December 2019, which means relatively small effects on everything subject to hedge accounting in the Group.

HYBRID TIER 1 SECURITIES IN FOREIGN CURRENCY WITH FIXED INTEREST

The hybrid Tier 1 securities loan is hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is brought to account in accordance with the rules on fair value hedging. In practice the hedging involves a swap of currency terms (JPY 15 billion against NOK 0.984 billion) and interest terms (fixed interest at 5.07 per cent against NIBOR +2.6475 per cent) on the borrowing and the combined interest and currency swap respectively. The hedge effectiveness is measured by looking at the change in fair value of the hedged object and the hedging instrument.

The hedge effectiveness is valued retrospectively each month and is then considered effective if the change in fair value between hedged object and hedging instrument lies within the bracket 80 per cent to 125 per cent.

LENDING WITH FIXED INTEREST

The hedging of lending is done with an interest rate swap in which the Group pays variable and receives fixed. The hedging is brought to book in accordance with the rules on fair value hedging and the purpose of this hedging is to hedge the interest-rate risk on the lending. The hedged object and the hedging instrument are struck on the same terms and conditions. The hedge effectiveness is measured by comparing accumulated value change on the hedging instrument to accumulated value change on the hedged object.

The hedge effectiveness is assessed retrospectively each month and is then considered effective if the change in fair value between hedging object and hedging instrument lies within the bracket 80 per cent to 125 per cent.

OTHER HEDGING RELATIONSHIPS

Other hedging relationships in this context involves KLP Banken AS Group and have a effectiveness of 100%. For more details - see note 7 and 8 in KLP Banken AS Group's annual report for 2019.

GENERAL

Fair value hedging means that the hedged value development of the hedged object is recognized through profit or loss. Correspondingly the value change on the hedging instrument is recognized in profit/loss.

See also Note 2 for a detailed description of the hedge accounting in the accounts.

NOTE 20 Borrowing

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2019	Book value 31.12.2018
FIXED - TERM SUBORDINATED LOAN						
Kommunal Landspensjonskasse	5 163	EUR	Fixed [1]	2045	6 012	6 029
Total subordinated loan capital	**5 163**				**6 012**	**6 029**
HYBRID TIER 1 SECURITIES						
Kommunal Landspensjonskasse	984	JPY	Fixed [2]	2034	1 738	1 662
Total hybrid Tier 1 securities	**984**				**1 738**	**1 662**
COVERED BONDS						
KLP Kommunekreditt AS	0	NOK	Floating	2019	0	1 172
KLP Kommunekreditt AS	224	NOK	Floating	2020	225	3 314
KLP Kommunekreditt AS	680	NOK	Fixed	2020	681	752
KLP Kommunekreditt AS	4 000	NOK	Floating	2021	4 020	4 014
KLP Kommunekreditt AS	600	NOK	Fixed	2021	602	602
KLP Kommunekreditt AS	5 000	NOK	Floating	2022	5 012	4 007
KLP Kommunekreditt AS	5 000	NOK	Floating	2023	5 016	2 506
KLP Kommunekreditt AS	1 300	NOK	Floating	2024	1 303	0
KLP Kommunekreditt AS	500	NOK	Fixed	2027	508	508
KLP Boligkreditt AS	0	NOK	Floating	2019	0	408
KLP Boligkreditt AS	514	NOK	Floating	2020	517	2 007
KLP Boligkreditt AS	2 500	NOK	Floating	2021	2 509	2 506
KLP Boligkreditt AS	2 000	NOK	Floating	2023	2 002	1 201
KLP Boligkreditt AS	2 000	NOK	Floating	2024	2 001	0
Other					19	30
Total covered bonds	**24 318**				**24 415**	**23 025**

[1] The loan has an interest change date in 2025.
[2] The loan has an interest change date in 2034.
[3] There is no contractual maturity date on deposits.

NOTE 20 Borrowing - cont.

NOK MILLIONS	Nominal in NOK	Currency	Interest	Due date	Book value 31.12.2019	Book value 31.12.2018
DEBT TO CREDIT INSTITUTIONS						
KLP Banken AS	0	NOK	Floating	2019	0	614
KLP Banken AS	300	NOK	Fixed	2020	302	0
KLP Banken AS	300	NOK	Floating	2020	302	201
KLP Banken AS	200	NOK	Floating	2021	200	0
KLP Banken AS	300	NOK	Floating	2022	301	200
KLP Banken AS	300	NOK	Floating	2024	301	0
KLP Funds	0	NOK	Fixed	2019	0	509
KLP Funds	0	NOK/EUR/USD	Floating	2019	0	621
KLP Funds	2 801	NOK/EUR/USD	Floating	2020	2 801	0
Kommunal Landspensjonskasse	0	NOK/EUR/USD	Floating	2019	0	650
Kommunal Landspensjonskasse	3 990	NOK/EUR/USD	Floating	2020	3 990	0
Other					2	0
Total liabilities to credit institutions	**8 191**				**8 199**	**2 794**
LIABILITIES AND DEPOSITS FROM CUSTOMERS [3]						
Retail	9 861	NOK			9 861	8 716
Business	1 589	NOK			1 589	1 914
Foreign	36	NOK			36	32
Liabilities to and deposits from customers	**11 487**				**11 487**	**10 662**
Total financial liabilities	**50 142**				**51 850**	**44 171**

[1] The loan has an interest change date in 2025.
[2] The loan has an interest change date in 2034.
[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 21 Technical matters

INSURANCE LIABILITIES DISTRIBUTED BY MAIN SECTORS

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans	Group annuity and pension insurance, including group annuity and pension insurance for association members	Accident insurance and other non-life sectors	Group life	Total 31.12.2019	Total 31.12.2018	Change 2019
Premium reserve and pension capital	461 390	6 474			467 864	437 985	29 879
Supplementary reserves	36 209	110			36 319	28 418	7 902
Securities adjustment fund	55 688	19			55 707	33 447	22 260
Premium fund	12 854	46			12 899	12 815	84
Other technical provisions for the non-life insurance operation			2 485	119	2 604	2 341	263
Total insurance liabilities 31.12.2019	**566 140**	**6 649**	**2 485**	**119**	**575 393**	**515 005**	**60 388**
Total insurance liabilities 31.12.2018	507 585	5 080	2 261	80		515 005	

INSURANCE LIABILITIES PER SUBSEGMENT

Subsegment of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options	Occupational pensions schemes with investment options	Total 31.12.2019	Total 31.12.2018	Change 2019
Premium reserve and pension capital	459 326	2 064	461 390	433 078	28 311
Supplementary reserves	36 069	140	36 209	28 306	7 903
Securities adjustment fund	55 688		55 688	33 439	22 249
Premium fund	12 359	495	12 854	12 761	93
Total insurance liabilities 31.12.2019	**563 442**	**2 698**	**566 140**	**507 585**	**58 556**
Total insurance liabilities 31.12.2018	505 165	2 419		507 585	

Sub-sectors in group annuity and pension insurance, including group annuity and pension insurance for association members

NOK MILLIONS	Company pension schemes without investment options	Paid-up policies without investment options	Defined contribution pension schemes with investment options	Pension capital certificates with investment options	Total 31.12.2019	Total 31.12.2018	Change 2019
Premium reserve and pension capital	626	957	2 730	2 161	6 474	4 906	1 568
Supplementary reserves	37	73	0	0	110	111	-1
Securities adjustment fund	7	12	0	0	19	8	11
Premium fund	21	10	14	0	46	54	-9
Total insurance liabilities 31.12.2019	**690**	**1 053**	**2 745**	**2 161**	**6 649**	**5 080**	**1 569**
Total insurance liabilities 31.12.2018	667	1 017	1 975	1 421		5 080	

NOTE 21 Technical matters - cont.

Insurance liabilities in main sector accident insurance and other non-life sectors, and group life - main sectors without subsegments

NOK MILLIONS	Accident insurance and other non-life sectors	Group life	Total 31.12.2019	Total 31.12.2018	Change 2019
Premium reserve	448	39	486	421	65
Claims reserve	2 037	80	2 118	1 920	197
Total technical provisions for the non-life insurance operation 31.12.2019	**2 485**	**119**	**2 604**	**2 341**	**263**
Total technical provisions for the non-life insurance operation as at 31.12.2018	2 261	80		2 341	

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities under contracts with contractual obligations

NOK MILLIONS	Premium reserve	Supple-mentary reserves	Securities adjustment fund	Premium fund	Technical provisions for the non-life insurance operation	Total 2019	Total 2018
Insurance liabilities 01.01	432 679	28 318	33 447	12 418	2 328	509 189	490 793
Changes in insurance liabilities taken to income							
Net reserves taken to profit/loss	28 232	-18	22 333	232	263	51 042	18 644
Surplus on returns result	0	7 964	0	1 917	0	9 881	4 849
Risk result assigned to insurance contracts	0	0	0	517	0	517	478
Other assignment of surplus	0	0	0	0	0	0	26
Total changes taken to profit/loss	**28 232**	**7 946**	**22 333**	**2 666**	**263**	**61 440**	**23 997**
Adjustment of the insurance liabilities	0	0	0	336	0	336	238
Changes in insurance liabilities not taken to profit/loss							
Transfer between funds/allocated to premium payment	10	-85	0	-3 017	0	-3 093	-5 803
Receipts/payments on transfer	0	1	0	-12	0	-12	-35
Total changes not taken to profit/loss	**10**	**-85**	**0**	**-3 029**	**0**	**-3 104**	**-5 838**
Total changes in insurance liabilities	**28 242**	**7 862**	**22 333**	**-28**	**263**	**58 672**	**18 397**
Insurance liabilities 31.12	**460 925**	**36 179**	**55 780**	**12 390**	**2 588**	**567 862**	**509 190**

NOTE 21 Technical matters - cont.

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options

NOK MILLIONS	Premium reserve	Supple-mentary reserves	Premium fund	Total 2019	Total 2018
Insurance liabilities 01.01	5 318	100	397	5 815	5 058
Changes in insurance liabilities taken to income					
Net reserves taken to profit/loss	1 642	1	75	1 718	805
Surplus on returns result	0	36	84	120	-36
Risk result assigned to insurance contracts	0	0	3	3	2
Other assignment of surplus	0	0	0	0	0
Total changes taken to profit/loss	**1 642**	**37**	**162**	**1 841**	**772**
Adjustment of the insurance liabilities	0	0	2	2	-5
Changes in insurance liabilities not taken to profit/loss					
Transfer between funds/allocated to premium payment	-5	3	-54	-57	-24
Receipts/payments on transfers	1	0	3	3	14
Total changes not taken to profit/loss	**-5**	**3**	**-52**	**-54**	**-10**
Total changes in insurance liabilities	**1 638**	**40**	**112**	**1 789**	**757**
Insurance liabilities 31.12	**6 955**	**140**	**509**	**7 604**	**5 815**

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options continued

NOK MILLIONS	Technical provisions for the non-life insurance operation			
	Accident insurance and other non-life sectors	Group life	Total 2019	Total 2018
Insurance liabilities 01.01	2 261	80	2 341	2 378
Changes in insurance liabilities taken to income				
Net reserves taken to profit/loss	224	39	263	-37
Surplus on returns result				
Risk result assigned to insurance contracts	0	0	0	0
Other assignment of surplus	0	0	0	0
Total changes taken to profit/loss	**224**	**39**	**263**	**-37**
Changes in insurance liabilities not taken to profit/loss				
Transfer between funds/allocated to premium payment	0	0	0	0
Receipts/payments on transfers	0	0	0	0
Total changes not taken to profit/loss	**0**	**0**	**0**	**0**
Total changes in insurance liabilities	**224**	**39**	**263**	**-37**
Insurance liabilities 31.12	**2 485**	**119**	**2 604**	**2 341**

NOTE 21 Technical matters - cont.

Technical accounts by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Accident insurance and other non-life sectors	
	2019	2018	2019	2018	2019	2018
Premium income	40 231	38 724	1 135	1 041	1 307	1 138
Net income from investments	44 288	7 035	700	-90	0	0
Other insurance-related income	1 118	1 055	9	5	2	2
Claims	-20 154	-18 844	-202	-155	-1 124	-888
Change insurance liabilities	-58 925	-21 559	-1 573	-738	0	0
Funds assigned to insurance contracts	-2 841	-2 939	-17	-20	0	0
Insurance-related operating expenses	-1 128	-1 096	-70	-67	-243	-282
Other insurance-related costs	-1 119	-1 059	-8	-4	0	0
Technical result	**1 470**	**1 318**	**-27**	**-34**	**-56**	**-29**

Technical accounts by main sectors continued

NOK MILLIONS	Group life		Total	
	2019	2018	2019	2018
Premium income	171	134	42 845	41 037
Net income from investments	1	1	44 989	6 945
Other insurance-related income	0	0	1 129	1 062
Claims	-215	-131	-21 695	-20 017
Change insurance liabilities	0	0	-52 498	-22 297
Funds assigned to insurance contracts	0	0	-10 858	-2 959
Insurance-related operating expenses	-31	-31	-1 472	-1 476
Other insurance-related costs	0	0	-1 127	-1 063
Technical result	**-74**	**-28**	**1 313**	**1 233**

NOTE 21 Technical matters - cont.

Technical accounts by sub-sectors - main sector accident insurance and other non-life sectors and main sector group llife and has no sub-sectors

Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2019	2018	2019	2018	2019	2018
Premium income	40 033	38 575	198	149	40 231	38 724
Net income from investments	44 050	7 021	238	14	44 288	7 035
Other insurance-related income	1 113	1 050	5	4	1 118	1 055
Claims	-20 059	-18 758	-96	-86	-20 154	-18 844
Change insurance liabilities	-58 692	-21 501	-233	-58	-58 926	-21 559
Funds assigned to insurance contracts	- 2 752	-2 937	-89	-2	-2 841	-2 939
Insurance-related operating expenses	-1 123	-1 091	-5	-5	-1 128	-1 096
Other insurance-related costs	-1 113	-1 054	-6	-5	-1 119	-1 059
Technical result	**1 457**	**1 307**	**12**	**11**	**1 470**	**1 318**

Sub-sectors in group annuity and pension insurance, including group annuity and pension insurance for association members

NOK MILLIONS	Company pension schemes without investment options		Risk coverage		Paid-up policies without investment options	
	2019	2018	2019	2018	2019	2018
Premium income	48	49	50	44	0	0
Net income from investments	23	17	5	3	42	29
Other insurance-related income	9	5	0	0	0	0
Claims	-24	-22	-10	-7	-41	-41
Change insurance liabilities	-36	-28	-27	-33	10	29
Funds assigned to insurance contracts	-5	-9	-2	-1	-10	-10
Insurance-related operating expenses	-6	-7	-1	-1	-12	-11
Other insurance-related costs	-8	-4	0	0	0	0
Technical result	**1**	**2**	**15**	**6**	**-10**	**-3**

NOTE 21 Technical matters - cont.

Sub-sectors in group annuity and pension insurance, including group annuity and pension insurance for association members continued

NOK MILLIONS	Defined contribution pension schemes with investment options		Pension capital certificates with investment options		Total	
	2019	2018	2019	2018	2019	2018
Premium income	688	663	348	285	1 135	1 041
Net income from investments	352	-81	279	-59	700	-90
Other insurance-related income	0	0	0	0	9	5
Claims	-69	-43	-58	-43	-202	-155
Change insurance liabilities	-952	-532	-568	-175	-1 573	-738
Funds assigned to insurance contracts	0	0	0	0	-17	-20
Insurance-related operating expenses	-39	-37	-12	-11	-70	-67
Other insurance-related costs	0	0	0	0	-8	-4
Technical result	**-20**	**-30**	**-12**	**-3**	**-28**	**-28**

Result analysis by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans	Group annuity and pension insurance, including group annuity and pension insurance for association members	Accident insurance and other non-life sectors	Group life	Total 2019	Total 2018
RETURNS RESULT TO CUSTOMERS						
Returns result	10 393	12	0	0	10 405	5 074
Risk result excluding profit element - customer share	516	4	0	0	519	479
Total result to insurance customers	**10 909**	**16**	**0**	**0**	**10 925**	**5 555**
Transferred to supplementary reserves and buffer reserves	8 068	-1	0	0	8 067	2 813
Allocated to the customers' premium fund	2 841	17	0	0	2 858	2 743
Total result allocated to customers	**10 909**	**16**	**0**	**0**	**10 925**	**5 555**
RESULT TO INSURANCE PROVIDERS						
Share of returns result	231	1	0	0	232	160
Risk result excluding profit element	516	4	0	0	520	484
Administration result	248	-38	0	0	209	98
Consideration for interest guarantee and profit element	476	5	0	0	482	765
Other	0	17	-56	-74	-113	-57
Rebooking from equity	0	0	0	0	0	-216
Result to insurance provider	**1 470**	**-10**	**-56**	**-74**	**1 330**	**1 233**

NOTE 21 Technical matters - cont.

Result analysis by sub segments - main sector accident insurance and other non-life sectors and main sector group life and has no sub-sectors

Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Defined contribution pension schemes with investment options	Pension capital certificates with investment options	Total 2019	Total 2018
RETURNS RESULT TO CUSTOMERS				
Returns result	10 206	187	10 393	5 047
Risk result excluding profit element - customer share	513	3	516	478
Total result to insurance customers	**10 719**	**190**	**10 909**	**5 525**
Transferred to/from supplementary reserves and buffer reserves	7 964	104	8 068	2 805
Allocated to the customers' premium fund	2 755	86	2 841	2 723
Total result allocated to customers	**10 719**	**190**	**10 909**	**5 528**
RESULT TO INSURANCE PROVIDERS				
Share of returns result	228	3	231	158
Risk result excluding profit element	513	3	516	482
Administration result	246	1	248	137
Consideration for interest guarantee and profit element	472	4	476	758
Other	0	0	0	0
Rebooking from equity	0	0	0	-216
Result to insurance provider	**1 457**	**12**	**1 470**	**1 318**

Claims by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Accident insurance and other non-life sectors	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Claims paid in accordance with insurance agreements	-19 863	-18 347	-5	-83	-1 124	-888
Claims paid in accordance with repurchase	0	0	0	0	0	0
Total	**-19 863**	**-18 347**	**-5**	**-83**	**-1 124**	**-888**

Claims by main sectors continued

NOK MILLIONS	Group life		Total	
	2019	**2018**	**2019**	**2018**
Claims paid in accordance with insurance agreements	-215	-131	- 21 206	-19 448
Claims paid in accordance with repurchase	0	0	0	0
Total	**-215**	**-131**	**-21 206**	**-19 448**

NOTE 21 Technical matters - cont.

Transfer by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Group life	
	2019	2018	2019	2018	2019	2018
FUNDS TRANSFERRED IN						
Premium reserve	11	5	496	520		
Funds received taken through profit or loss	**11**	**5**	**496**	**520**	**0**	**0**
Premium fund	3	2	4	15	0	0
Supplementary reserves to fund	0	2	0	0		
Total funds received	**14**	**9**	**499**	**534**	**0**	**0**
Number of contracts	1	1	80	131	0	0
FUNDS TRANSFERRED OUT						
Premium reserve	258	439	110	72	0	0
Strengthening reserves	15	21	0	0	0	0
Supplementary reserves	18	37	0	0	0	0
Funds paid out taken through profit or loss	**292**	**497**	**110**	**72**	**0**	**0**
Premium fund	15	22	1	1	0	0
Total funds paid out	**306**	**518**	**111**	**73**	**0**	**0**
Number of contracts	33	9	48	46	0	0

New subscription

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group annuity and pension insurance, including group annuity and pension insurance for association members		Group life	
	2019	2018	2019	2018	2019	2018
New subscription	25	10	60	82	NA	8
Number of contracts	46	59	315	108	NA	753

NOTE 22 Tangible fixed assets

NOK MILLIONS	2019				2018			
	Property for own use	Vehicles	Machines/ inventory	2019	Property for own use	Vehicles	Machines/ inventory	2018
Book value 01.01.	1 818	1	81	1 900	1 628	1	86	1 715
Acquisition cost 01.01.	1 100	13	319	1 432	1 099	12	312	1 424
Accum. Depreciation prev. years	-234	-12	-240	-485	-201	-11	-227	-440
Accum. Value adjustm. prev. years	952	0	0	952	730	0	0	730
Acquisition	0	1	17	18	1	0	11	12
Assets held for disposal	0	0	-6	-6	0	0	-4	-4
Value adjustements	209	0	0	209	222	0	0	222
Depreciation	-37	0	-11	-49	-33	0	-12	-45
Currency impact	0	0	0	0	0	0	0	0
Acquisition cost 31.12.	1 100	14	331	1 445	1 100	13	319	1 432
Accumulated depriciation 31.12.	-272	-12	-251	-534	-234	-12	-240	-485
Accumulated value adjustment 31.12.	1 161	0	0	1 161	952	0	0	952
Book value 31.12.	**1 990**	**2**	**81**	**2 072**	**1 818**	**1**	**81**	**1 900**
Economic life	50 years	5 years	3 - 5 years		50 years	5 years	3 - 5 years	
Depreciation method	Straight-line	Balance/ Straight-line	Balance/ Straight-line		Straight-line	Balance/ Straight-line	Balance/ Straight-line	

NOTE 23 Tax

NOK MILLIONS	2019	2018
Pre-tax income	1 992	2 840
Other comprehensive income excl. tax	344	201
DIFFERENCES BETWEEN ACCOUNTING AND TAX INCOME:		
Unit holders value change in consolidated securities funds	14 736	-4 022
Reversal of value reduction, financial assets	328	200
Reversal of value increase financial assets	-18 502	19 388
Refunding of value increase properties	0	0
Accounting loss on realization of shares and other securities	2 918	2 413
Book gain on realization of shares and other securities	-11 259	-8 200
Tax gain on realization of shares and other securities	-81	49
Refunding of 3% tax-free income i.a.w. the exemption method	47	0
Share of taxable income in partnerships	26	26
Liquidation of security reserve	54	54
Other permanent differences	-1 541	-1 447
Correction of carryforward deficit that can not be compensated	2 470	-2 016
Correction of pay-as-you-earn tax	12 846	-804
Correction of errors in previous years	-3	0
Change in differences affecting relationship between book and taxable income	-1 254	-6 542
Taxable income	**3 120**	**2 139**
Taxable income, bacic for payable tax	**3 120**	**2 139**
Deficit carryforward allowable from previous years	-5 379	-65 820
Difference between the calculated and the undisclosed tax base	0	538
Change for the year in carryforward deficit	-2 470	-2 016
Surplus value financial instrument in common portofolio	0	61 918
Transition regulation 01.01.2018	**0**	**1 799**
Total carryforward deficit and allowance 31.12.	**-7 850**	**-5 379**

NOTE 23 Tax - cont.

NOK MILLIONS	2019	2018
RECONCILIATION OF BASIS FOR DEFERRED TAX		
TAX-INCREASING TEMPORARY DIFFERENCES:		
Gains and losses account	2	3
Buildings and other real estate	5 662	5 271
Financial instruments	0	0
Risk equilization fund	4 156	4 156
Natural disaster fund	164	164
Guarantee scheme	49	49
Reinsurance	4	4
Security reserve	432	486
Securities	1 703	1 444
Securing loans	5	0
Shares in partnerships	252	245
Lending to customers and credit enterprises	3	60
Claims provisions	60	67
80% of technical result	842	1 052
Total tax-increasing temporary differences	**13 331**	**13 001**
TAX-REDUCING TEMPORARY DIFFERENCES:		
Fixed assets	-1	-64
Long-term receivables	-1 389	-1 329
Finansielle instrumenter	-7	-17
Pension obligation	-183	-790
Other liabilities	-37	-46
Securities	0	-3
Adjusted for 20% of transition regulation 01.01.2018	-316	-392
Hedging	-1	-35
Other differences	0	-2
Total tax-reducing temporary differences	**-1 935**	**-2 678**
Net temporary differences	**11 395**	**10 322**
Difference not included in the basis for deferred taxes [1]	-4 370	-4 373
Transition regulation 01.01.2018	1 438	1 799
Other differences that are not included in the calculation of deferred tax	-3 933	-4 175
Carryforward deficit	-7 850	-5 379
Basis for deferred tax and tax assets	**-3 319**	**-1 805**
25% deferred tax assets	-830	-451
Write-down of deferred tax assets	2 015	1 470
Net deffered tax and tax assets	**1 185**	**1 018**

[1] Accourdning to the new rules deductiongs will no longer be made for provisions for risk equilization fund, natural disaster fund and guarantee scheme.
These funds are subject to transitional rules, so that the total provisions for these funds at the end of the 2017 income year can be deposited in a separate account, where the account is first taxed on the liquidation of the non-life insurance business.
The group presents the accounts during continued operations, and assumes that the present value of the liability will be 0.

NOTE 23 Tax - cont.

NOK MILLIONS	2019	2018
BOOK DEFFERED TAX AND TAX ASSETS		
- Of which deferred capitalized tax assets	62	65
- Of which capitalized referred tax assets extempt from equalisation	1 247	1 083
Change in deferred tax assets taken to profit/loss	-3	-4
Change in deferred tax taken to profit/loss	-164	650
Tax payable taken to profit/loss	-780	-535
Withholding tax taken to profit/loss	-340	-287
Cost of taxes	**-1 287**	**-175**
TAX TAKEN TO PROFIT/LOSS		
Cost of taxes	-1 201	-125
Tax on items that will not be reclassified against the comprehensive income statement	-34	5
Tax on items that will be reclassified to income later	-52	-56
Total tax taken to profit/loss	**-1 287**	**-175**

KLP is in dialogue with the tax authorities regarding the consequences of the transitional rule introduction in connection with the new tax rules for life insurance companies that entered into force on January 1, 2018. the outcome of the dialouqe in uncertain, but this may involce a signifiacant deviation from the accounting tax expense in 2018.

NOTE 24 Transferred assets with restrictions

TRANSFERRED ASSETS THAT ARE STILL CAPITALISED

All assets transferred are recognised in the financial position statement if the Group is still exposed to changes in the fair value of the asset. This applies to repurchase agreements and agreements concerning securities lending.

Repurchase agreements are a form of borrowing with collateral, whereby the Group sells securities with an agreement to repurchase those securities at a predetermined price. Cash received is recognised as a deposit (debt). Securities transferred in connection with the repurchase agreement are not deducted in the financial position statement.

Agreements regarding securities lending are transactions whereby the group lends securities to a counterparty and receives a commission for it.

Since both repurchase agreements and securities lending result in the securities being returned to the Group, the risk of value changes rests with the Group. However, the securities are not available to the Group while being transferred.

The securities still reported in the financial position statement, and related debt, are assessed at fair value.

NOK MILLIONS	31.12.2019	31.12.2018
REPURCHASE AGREEMENTS		
Certificates and bonds	0	512
SECURITIES LENDING		
Shares	8 548	7 882
Total assets transferred that are still capitalised	**8 548**	**8 394**

NOTE 24 Transferred assets with restrictions - cont.

LIABILITIES RELATED TO THE ASSETS

NOK MILLIONS	31.12.2019	31.12.2018
REPURCHASE AGREEMENTS		
Paid in by credit institutions	0	509
SECURITIES LENDING		
Paid in by credit institutions	646	608
Certificates and bonds	3 714	7 674
Shares	4 798	0
Total liabilities	**9 157**	**8 792**

All the assets in the table above are subject to resale or collateral with the counterparty.

ASSETS TRANSFERRED THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES

The Group receives collateral under reverse repurchase agreements and agreements related to securities borrowing, which it is permitted to sell or pledge under the agreement. Transactions are carried out in accordance with standard agreements employed by the parties in the financial market. The agreements normally require additional collateral if the values fall below a predetermined level. According the agreements, the recipient of the collateral has the unlimited right to sell or pledge the collateral in return for providing corresponding collateral on the date of settlement.

SECURITIES RECEIVED THAT ARE PERMITTED TO BE SOLD OR PLEDGED

NOK MILLIONS	31.12.2019	31.12.2018
SECURITIES BORROWING		
Shares	592	409
Of which sold or pledged	592	409
Total assets transferred and still capitalised	**592**	**409**

Adjusted for the unit holders' interests in consolidated securites funds, meaning that only the KLP Group de facto ownership and risks are taken into account; assets are reduced by NOK 4 464 million and liabilities associated to the assets are reduced by NOK 5 848 million as of 31.12.2019.

NOTE 25 Intangible assets

NOK MILLIONS	IT-systems	Other	2019	IT-systems	Other	2018
Book value 01.01.	256	18	274	290	23	313
Acquisition cost 01.01.	1 407	25	1 432	1 366	25	1 391
Total additions	290	0	290	31	0	41
of which internally developed	3	0	3	10	0	10
of which bought	287	0	287	21	0	31
Disposals	0	0	0	0	0	0
Acquisition cost 31.12.	1 697	25	1 722	1 407	25	1 432
Accumulated depreciation and write-dows prev.years	-1 150	-8	-1 158	-1 075	-3	-1 078
Ordinary depreciation for the year	-74	-2	-76	-75	-5	-80
Impairment [1]	-28	0	-28	0	0	0
Accumulated depreciation and write-downs 31.12.	-1 252	-10	-1 262	-1 150	-8	-1 158
Book value 31.12.	**444**	**16**	**460**	**256**	**18**	**274**
Depreciation period			3 to 20 years			3 to 10 years

[1] At the end of 2019 there were identified several IT-systems where the book value exceeded the estimated recoverable amount. Estimated recoverable amount is calculated by estimating future earnings with book value. Essentially, some of the investments have no longer value. There are several reasons for this. Among other things, linking it to the outdated functionality due to rule changes and/or technological developments. In addition, parts of the system development have not achieved the desired streamlining degree. This resulted in the following assessment:

NOK MILLIONS	2019	2018
Book value before impairment	53	0
Recoverable amount	25	0
Impairment	**28**	**0**

The impairment is included in "Operating costs" in the financial statement.

NOTE 26 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 253 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 292 per cent.

	31.12.2019	31.12.2018
SOLVENCY II - SCR RATIO	253 %	243 %

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2019	31.12.2018
Assets, book value	631	566
Added values - hold-to-maturity portfolio/loans and receivables	7	5
Added values - other lending	0	0
Other added/lesser values	0	0
Deferred tax asset	0	0
Total assets - solvency II	**638**	**572**

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2019	31.12.2018
Best estimate	569	507
Risk margin	14	13
Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other liabilities [1]	15	9
Deferred tax liabilities	1	2
Total liabilities - solvency II	**607**	**539**
Excess of assets over liabilities	31	33
- Deferred tax asset	0	0
- Risk equalisation fund [1]	0	-5
+ Hybrid Tier 1 securities	2	2
Tier 1 basic own funds	**33**	**29**
Total eligible tier 1 own funds	**33**	**29**

NOTE 26 SCR ratio - cont.

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2019	31.12.2018
Subordinated loans	6	6
Risk equalisation fund [1]	0	5
Tier 2 basic own funds	**6**	**11**
Ancillary own funds	12	11
Tier 2 ancillary own funds	**12**	**11**
Deduction for max. eligible tier 2 own funds	-10	-15
Total eligible tier 2 own funds	**7**	**7**
Deferred tax asset	0	0
Total eligible tier 3 own funds	**0**	**0**
Solvency II total eligible own funds	**40**	**36**
Solvency capital requirement (SCR)	**16**	**15**
Solvency II- SCR ratio	**253 %**	**243 %**

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

NOTE 27 Return on capital for life insurance companies

GROUP PENSIONS PUB. SECT. & GROUP LIFE PER CENT	2019	2018	2017	2016	2015
TOTAL OF COMMON PORTFOLIO					
Return I - Book [1]	4.5	3.5	3.9	4.4	3.6
Return II - Value-adjusted [2]	8.5	1.5	6.7	5.8	4.0
SUB-PORTFOLIOS OF THE COMMON PORTFOLIO					
Balanced portfolio 1					
Return I - Book [1]	4.5	3.5	3.9	4.5	3.6
Return II - Value-adjusted [2]	8.6	1.4	6.7	5.8	4.0
Balanced portfolio 2					
Return I - Book [1]	4.4	3.5	4.0	4.4	3.7
Return II - Value-adjusted [2]	8.5	1.5	6.8	5.8	3.9
Moderate portfolio					
Return I - Book [1]	1.3	3.8	3.1	4.2	3.6
Return II - Value-adjusted [2]	4.1	1.7	6.0	5.5	3.7
INVESTMENT OPTION PORTFOLIO	9.9	0.6	7.5	6.2	4.0
CORPORATE PORTFOLIO	4.3	4.2	4.0	4.7	4.7

[1] Return I = Book return
[2] Return II = Value-adjusted return. This is the book return +/-unrealized value changes charged to the securities adjustment fund

NOTE 27 Return on capital for life insurance companies - cont.

GROUP PENSIONS PRIVATE PER CENT	2019	2018	2017	2016	2015
TOTAL OF COMMON PORTFOLIO					
Return I - Book [1]	3.4	4.5	8.3	5.3	4.8
Return II - Value-adjusted [2]	4.1	3.0	5.6	5.7	4.7
INVESTMENT OPTION PORTFOLIO	16.8	-3.8	11.9	7.0	2.1
SUB-PORTFOLIOS OF THE INVESTMENT OPTION PORTFOLIO [3]					
Return II - Value-adjusted [2]					
Profil 90 [4]	21.6	-4.3	17.1	9.8	3.4
Profil 70 [4]	17.6	-3.2	14.0	8.5	3.0
Profil 50 [4]	13.7	-2.6	11.0	7.1	2.4
Profil 30 [4]	9.9	-1.6	7.8	5.6	2.0
KLP Optimal Livsfase [5]	23.7	-5.5	17.5	N/A	N/A
KLP Nåtid	4.2	0.5	N/A	N/A	N/A
KLP Kort Horisont	7.5	-0.5	N/A	N/A	N/A
KLP Lang Horisont	15.2	-3.1	N/A	N/A	N/A
KLP Framtid	23.4	-5.4	N/A	N/A	N/A
Profil KLP Pengemarked	1.8	1.3	1.5	1.8	1.5
CORPORATE PORTFOLIO	3.0	1.1	2.3	2.4	0.9

[1] Return I = Book return
[2] Return II = Value-adjusted return. This is the book return +/-unrealized value changes charged to the securities adjustment fund
[3] A represetnative selection of portifolios
[4] Sub-portifolio's proportion of equities in per cent
[5] Return for protfolio with 100 % equity

NOTE 28 Pensions obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"). The Group also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined-benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ('obligatorisk tjenestepension', or OTP). The Group has a contractual early retirement (AFP) scheme. The accounting treatment of pension obligations is described in more detail in Notes 2.

NOK MILLIONS	Joint scheme	Via operation	2019	Joint scheme	Via operation	2018
PENSION COSTS						
Present value of accumulation for the year	131.2	11.0	142.1	124.5	10.8	135.2
Administration cost	3.2	0.0	3.2	3.2	0.0	3.2
Planchanges	10.6	0.0	10.6	0.0	0.0	0.0
Social security contributions - Pension costs	20.4	0.0	20.4	18.0	1.5	19.5
Corporate activity tax - Pension costs	6.3	1.5	7.8	5.6	0.5	6.0
Pension costs incl. social security, corporate activity tax and administration cost taken to income	**171.7**	**12.5**	**184.2**	**151.2**	**12.7**	**163.9**
NET FINANCIAL COSTS						
Interest cost	53.9	5.9	59.8	45.6	5.1	50.6
Interest income	-38.2	0.0	-38.2	-32.5	0.0	-32.5
Management costs	2.1	0.0	2.1	2.9	0.0	2.9
Net interest cost	17.9	5.9	23.8	16.0	5.1	21.0
Social security contributions - net interest cost	2.5	0.8	3.4	2.3	0.7	3.0
Corporate activity tax - net interest cost	0.8	0.3	1.1	0.7	0.2	0.9
Net interest cost including social security contributions and corporate activity tax	**21.2**	**7.0**	**28.2**	**18.9**	**6.0**	**24.9**
ESTIMATE DEVIATION PENSIONS						
Actuarial gains (losses)	-121.7	-5.7	-127.4	12.4	6.5	18.9
Social security contributions	-17.2	-0.8	-18.0	1.7	0.9	2.7
Corporate activity tax	-5.4	-0.2	-5.6	0.6	0.3	0.9
Actuarial gains (losses) including social security contributions and corporate activity tax	**-144.2**	**-6.8**	**-151.0**	**14.7**	**7.7**	**22.4**
Total pension costs including interest costs and estimate deviation	**48.6**	**12.8**	**61.4**	**184.8**	**26.5**	**211.3**
PENSION OBLIGATIONS						
Gross accrued pension obligations	2 051.9	225.0	2 277.0	1 945.8	219.9	2 165.6
Pension assets	1 610.6	0.0	1 610.6	1 423.8	0.0	1 423.8
Net liability before social security costs	441.4	225.0	666.4	522.0	219.9	741.8
Social security contributions	57.4	29.1	86.5	68.4	28.5	96.9
Corporate activity tax	24.4	12.7	37.1	28.5	12.3	40.8
Gross accrued obligations incl. social security costs and corporate activity tax	2 074.7	266.8	2 341.5	2 042.6	260.7	2 303.3
Net liability incl. social security costs and corporate activity tax	**523.2**	**266.8**	**790.0**	**618.8**	**260.7**	**879.5**

NOTE 28 Pensions obligations, own employees - cont.

NOK MILLIONS	Joint scheme	Via operation	2019	Joint scheme	Via operation	2018
RECONCILIATION PENSION OBLIGATION						
Capitalized net liability/(assets) 01.01.	618.8	261.0	879.8	555.4	241.9	797.3
Pension costs taken to profit/loss	172.0	13.0	185.0	151.2	12.7	163.9
Financial costs taken to profit/loss	21.2	7.0	28.2	18.9	6.0	24.9
Actuarial gains and losses included social security contributions and corporate activity tax	-144.2	-6.8	-151.0	14.7	7.7	22.4
Social security contributions paid in premiums/supplement	-22.8	-1.7	-24.5	-19.7	-0.9	-20.6
Capital activity tax contribution paid in premiums/supplement	-5.4	-0.3	-5.7	-4.5	-0.3	-4,8
Premium/supplement paid-in including admin	-116.4	-5.4	-121.8	-97.2	-6.5	-103.6
Capitalized net liability/(assets) 31.12. this year	**523.2**	**266.8**	**790.0**	**618.8**	**260.7**	**879,5**
CHANGE IN PENSION OBLIGATIONS						
Gross pension assets 01.01. before planchanges	2 043.4	0.0	2 043.4	1 874.4	241.9	2 116.3
Planchanges	12.9	0.0	12.9	0.0	0.0	0.0
Gross pension assets 01.01. after planchanges	2 056.2	261.0	2 317.2	1 874.4	241.9	2 116.3
Present value of accumulation for the year	131.2	11.0	142.1	124.5	10.8	135.2
Interest cost	53.9	5.9	59.8	45.6	5.1	50.6
Actuarial losses (gains) gross pension obligation	-82.8	-6.8	-89.6	17.8	7.7	25.5
Social security contributions - pension costs	18.9	1.5	20.5	18.0	1.5	19.5
Social security contributions - net interest cost	2.5	0.8	3.4	2.3	0.7	3.0
Social security contributions paid in premiums/supplement	-17.2	-0.9	-18.1	-14.4	-0.9	-15.4
Corporate activity tax - pension costs	5.8	0.5	6.3	5.6	0.5	6.0
Corporate activity tax - net interest cost	0.8	0.3	1.1	0.7	0.2	0.9
Corporate activity tax paid in premiums/supplement	-5.4	-0.3	-5.7	-4.5	-0.3	-4.8
Payments	-29.4	-6.2	-35.6	-26.4	-6.5	-32.9
Gross pension obligation 31.12.	**2 134.7**	**266.8**	**2 401.5**	**2 043.4**	**260.7**	**2 304.1**
CHANGE IN PENSION ASSETS						
Pension assets 01.01	1 424.6	0.0	1 424.6	1 319.0	0.0	1 319.0
Interest income	38.2	0.0	38.2	32.5	0.0	32.5
Actuarial (loss) gain on pension assets	61.4	0.0	61.4	3.1	0.0	3.1
Administration cost	-3.2	0.0	-3.2	-3.2	0.0	-3.2
Financing cost	-2.1	0.0	-2,1	-2.9	0.0	-2.9
Premium/supplement paid-in including admin	122.0	6.2	128.2	102.5	6.5	108.9
Payments	-29.5	-6.2	-35.7	-26.4	-6.5	-32.9
Pension assets 31.12	**1 611,3**	**0,0**	**1 611,3**	**1 424,6**	**0,0**	**1 424.6**
PENSION SCHEME'S OVER-/UNDER-FINANCING						
Present value of the defined benefits pension obligation	2 134.7	266.8	2 401.5	2 043.4	260.7	2 304.1
Fair value of the pension assets	1 611.3	0.0	1 611.3	1 424.6	0.0	1 424.6
Net pensions liability	**523.3**	**266.8**	**790.0**	**618.8**	**260.7**	**879.5**

NOTE 28 Pensions obligations, own employees - cont.

PER CENT	31.12.2019	31.12.2018
FINANCIAL ASSUMPTIONS (COMMON TO ALL PENSION SCHEMES)		
Discount rate	2.30 %	2.60 %
Salary growth	2.25 %	2.75 %
The National Insurance basic amount (G)	2.00 %	2.50 %
Pension increases	1.24 %	1.73 %
Social security contribution	14.10 %	14.10 %
Corporate activity tax	5.00 %	5.00 %

The assumptions as at 31 December 2018 have been applied to measurement of the cost of pension for 2019, whilst for calculation of the pension obligation on 31 December 2018, the assumptions and membership numbers as at 31 December 2019 have been applied. The assumptions are based on the market situation as at 31 December 2019 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

Actuarial assumptions KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"):
An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme.

KLP has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations. KLP uses own disability table for actuarial assumptions related to disability, a table based on changes in disability figures in KLPs customer base.

Withdrawal of contractual early retirement (AFP) (per cent in relation to remaining employees):
The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 42.5 per cent who retire with an AFP pension. It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

VOLUNTARY TERMINATION FOR "FELLESORDNING" (IN %)						
Age (in years)	<24	25-29	30-39	40-49	50-55	>55
Turnover	25 %	15 %	7.5 %	5 %	3 %	0 %

Pensions via operations
AFP/early retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for "Fellesordningen".

NUMBER	Joint scheme	Via operation	2019	Joint scheme	Via operation	2018
MEMBERSHIP STATUS						
Number active	1 013	52	1 065	976	59	1 035
Number deferred (previous employees with deferred entitlements)	805	33	838	757	37	794
Number of pensioners	278	53	331	259	54	313

NOTE 28 Pensions obligations, own employees - cont.

PER CENT	2019	2018
COMPOSITION OF THE PENSION ASSETS:		
Property	12.4 %	12.7 %
Lending	12.5 %	12.1 %
Shares	25.9 %	21.4 %
Long-term/HTM bonds	29.1 %	29.1 %
Short-term bonds	15.0 %	18.4 %
Liquidity/money market	5.2 %	6.3 %
Total	**100.0 %**	**100.0 %**

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension fundsadministered by KLP at the end of the year. Value-adjusted return on the assets was 8.5 per cent in 2019 and 1.5 per cent in 2018.

Expected payment into benefits plans after cessation of employment for the period 1 January 2020 – 31 December 2020 is NOK 183.4 million.

SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2019	
The discount rate is reduced by 0.5 %	Increase
Gross pension obligation	9.9 %
Accumulation for the year	15.1 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	1.5 %
Accumulation for the year	3.2 %
Mortality is strengthened by 10 %	Increase
Gross pension obligation	2.5 %
Accumulation for the year	1.9 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial position statement.

The duration in the Joint scheme is estimated at 16.6 years.

NOTE 29 Number of employees

	2019	2018
Number of permanent employees 31.12.	1 007	990
Number of temporary employees 31.12.	49	26
Total number of employees 31.12.	**1 056**	**1 016**
Number of full time equivalents permanent employees	989	968
Number of full time equivalents temporary employees	32	25
Total number of full time equivalents	**1 021**	**993**

NOTE 30 Salary and obligations towards senior management etc.

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines.

Senior employees are defined as the senior management team of the Kommunal Landspensjonskasse Group. This comprises the Group Chief Executive Officer, the KLP Group executive vice presidents and managing directors of certain subsidiaries.

Senior employees who were members of the Group senior management before 1 May 2013, are pensionable at the age of 65, but may choose to canage this to aged 70. None of those senior management have chosen to avail themselves of the opportunity to change the retirement age as of 31.12.2018. Persons who were appointed to Group senior management as of 1 May 2013, are pensionable at the age of 70.

All employees of the KLP Group in Norway are registered in KLP's pension scheme for municipalities and companies. The employees earn pension rights in this scheme for salaries up to 12G.

Employees in the KLP Group with salaries above 12 G and for employees with lower retirement age than 67 years, also earn pension benefits for salaries above 12G. Full retirement pension in this additional cover amounts to 66% of salary above 12G, and is achieved after at least 30 years of earnings in the scheme. Employees with a special agreement for a lower pension age than 67 years are ensured an old-age pension corresponding to 66% of all pensionable salary up to 67 years. This add-on was closed May 2, 2013 and does not apply to employees who started after that date. Nor does the scheme apply to employees who were employed at this time in KLP, but who only receive salary above 12G after this date.

The Group CEO has severance pay corresponding to one year's salary including supplementary benefits in the event of termination of employment. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for members of its Board of Directors.

One of the senior employees had an agreement on performance pay (bonus) in addition to salary. The scheme was terminated with effect form 1 July 2013 and none of the senior employees have such an arrangement any more. Bonus earned up until the date of termination is preserved and has a payment period stretching over three years.

The KLP Group offers loans for various purposes. There are seperate loan terms for employees, and no senior executeves have terms that deviate from this. Loans to external members of the Board of Directors and external members of the Corporate Assembly are only granted under ordinary loan terms.

Fees to Board members are determined by the Corporate Assembly. Fees to deputies and observers are not stated.

All benefits are shown without the addition of social security contributions and capital activity tax. For Board members elected by and among the employees stated that only about compensation and loans that can be linked to their directorship.

Attention is drawn otherwise to the description of the main principles on determination of remuneration in the KLP Group that may be found at klp.no.

NOTE 30 Salary and obligations towards senior management etc. - cont.

2019 NOK THOUSANDS	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2019	Payments-plan [1]
SENIOR EMPLOYEES						
Sverre Thornes, Group CEO	4 155	221	1 530	11 550	2.00	A45
Marianne Sevaldsen	2 802	173	1 178	4 343	2.00	A43
Aage E. Schaanning	3 599	168	1 282	5 397	2.00	HC
Gro Myking	2 383	159	330	-	-	-
Rune Hørnes	2 610	159	395	-	-	-
Kirsten Grutle	1 769	157	536	-	-	-
Mona Refsdal	1 030	113	333	2 755	2.00	HC/A44
Tore Tenold	3 041	162	1 070	1 595	2.00	HC
Håvard Gulbrandsen	3 281	183	1 126	5 173	2.00	HC
Gunnar Gjørtz	3 232	168	1 218	1 500	2.00	HC
Leif Magne Andersen	2 170	168	792	4 097	2.00	A44
THE BOARD OF DIRECTORS [2]						
Egil Johansen, Chair (10 av 10)	377	-	-	-	-	-
Lars Vorland (2 av 4)	137	-	-	-	-	-
Marit Torgersen (4 av 4)	148	-	-	-	-	-
Jenny Følling (9 av 10)	294	-	-	-	-	-
Odd Haldgeir Larsen (9 av 10)	233	-	-	2 107	2.95	A38
Karianne Melleby (10 av 10)	291	-	-	-	-	-
Øyvind Brevik (6 av 6)	142	-	-	-	-	-
Cathrine M. Lofthus (6 av 6)	142	-	-	-	-	-
Susanne Torp-Hansen, elected by and from the employees (9 of 10)	241	-	-	-	-	-
Freddy Larsen, elected by and from the employees (10 of 10)	279	-	-	-	-	-
CORPORATE ASSEMBLY						
Total Corporate Assembly, Including employee representatives	587	-	-	30 930	-	-
EMPLOYEES						
Loan to employees in the Group at subsidiezed interest rate	-	-	-	1 536 566	-	-
Loan to employees in the Group at ordinary terms and conditions	-	-	-	57 817	-	-

[1] A=Annuity loand, last peyment, HC = Housing Credit
[2] The numbers in brackets represents the number of meetings attended by the total number of meetings held during the period in which the person has been on the board.

NOTE 30 Salary and obligations towards senior management etc. - cont.

2018 NOK THOUSANDS	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2018	Payments-plan [1]
SENIOR EMPLOYEES						
Sverre Thornes, Group CEO	4 016	201	1 496	11 939	2.30-2.40	A45
Marianne Sevaldsen	2 724	167	1 157	4 439	2.30	A43
Aage E. Schaanning	3 498	163	1 255	5 779	2.30	HC
Gro Myking	2 011	160	487	-	-	-
Rune Hørnes	2 533	160	380	-	-	-
Kirsten Grutle	1 627	137	523	-	-	-
Tore Tenold	2 961	159	1 020	1 973	2.20	HC
Håvard Gulbrandsen	3 188	175	1 095	5 069	2.30-2.40	HC
Gunnar Gjørtz	3 127	165	1 187	4 600	2.30	HC
Leif Magne Andersen	2 110	162	765	4 230	2.30-2.40	A42/A44
THE BOARD OF DIRECTORS [2]						
Liv Kari Eskeland, Chair up to 7th of May (4 of 5)	196	-	-	-	-	-
Egil Johansen, Chair from 8th of May (11 av 11)	369	-	-	-	-	-
Lars Vorland (9 av 11)	253	-	-	-	-	-
Jan Helge Gulbrandsen (5 av 5)	127	-	-	-	-	-
Marit Torgersen (8 av 11)	281	-	-	-	-	-
Jenny Følling (5 av 6)	132	-	-	-	-	-
Odd Haldgeir Larsen (6 av 6)	114	-	-	-	-	-
Karianne Melleby (5 av 6)	127	-	-	-	-	-
Susanne Torp-Hansen, elected by and from the employees (11 of 11)	225	-	-	-	-	-
Freddy Larsen, elected by and from the employees (11 of 11)	270	-	-	-	-	-
CORPORATE ASSEMBLY						
Total Corporate Assembly, including employee representatives	674	-	-	40 712	-	-
EMPLOYEES						
Loan to employees in the Group at subsidiezed interest rate	-	-	-	748 095	-	-
Loan to employees in the Group at ordinary terms and conditions	-	-	-	350 366	-	-

[1] A=Annuity loand, last peyment, HC = Housing Credit.
[2] The numbers in brackets represents the number of meetings attended by the total number of meetings held during the period in which the person has been on the board.

NOK THOUSANDS	2019	2018
The period costs related to lending terms and conditions for employees.	8 858	2 557

NOTE 31 Auditor`s fee

NOK MILLIONS	2019	2018
Ordinary audit	7,0	7,4
Certification services	0,6	0,6
Tax advisory services	0,7	1,1
Non-audit services	1,1	1,6
Total auditor's fee	**9,4**	**10,7**

The sums above include VAT.

NOTE 32 Operating expenses

NOK MILLIONS	2019	2018
Personnel costs	1 057	1 049
Depreciation and writedowns	149	122
Other operating expenses	685	701
Other operating expenses	**1 892**	**1 872**

NOTE 33 Other income and -expenses

NOK MILLIONS	2019	2018
Supplement contractual early retirement scheme (ERS)	1 115	1 053
Other income [1]	- 353	55
Total other income	**762**	**1 107**

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

Supplement contractual early retirement scheme (ERS)	1 115	1 053
Other expenses	31	22
Total other expenses	**1 145**	**1 075**

NOTE 34 Other current liabilities

NOK MILLIONS	31.12.2019	31.12.2018
Short-term payables trade in securities	2 644	2 292
Incurred not assessed taxes	1 181	655
Advance tax-deduction pension scheme	432	420
Accounts payable	184	373
Pre-called contribution to insurance	867	1 434
Other current liabilities	990	878
Total other current liabilities	**6 298**	**6 053**

NOTE 35 Contingent liabilities

NOK MILLIONS	31.12.2019	31.12.2018
KLP guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	14 007	10 340
Approved, not paid out KLP Group loan pledge	9 335	10 190
Total contingent liabilities	**23 344**	**20 532**

NOTE 36 Retained earnings

NOK MILLIONS	Revaluation fund	Risk equilization fund	Nat.per. pool fund	Other retained earnings	Retained earnings
Capitalized value 01.01.2018	802	4 156	164	11 317	16 439
Income		641	-122	2 196	2 715
Other comprehensive income:					
Items that will not be later reclassified to income				-16	-16
Items that will be reclassified to income later when particular conditions are met	222			-56	167
Capitalized value 31.12.2018	**1 024**	**4 797**	**42**	**13 441**	**19 303**
Income		750	37	451	1 238
Other comprehensive income:					
Items that will not be later reclassified to income				101	101
Items that will be reclassified to income later when particular conditions are met	209			-52	157
Capitalized value 31.12.2019	**1 233**	**5 547**	**79**	**13 941**	**20 799**

NOTE 37 Events after the reporting period

ONE-TIME EFFECTS DUE TO CHANGES IN PUBLIC SECTOR OCCUPATIONAL PENSIONS

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

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

COVID VIRUS

The prevalence of COVID-19 has led to large movements in stock rates and the foreign exchange market. It is uncertain how long this turmoil will last, and KLP continuously monitors the situation in the financial market. As of 16 March, KLP's security adjustment fund has been reduced by NOK 27 billion to NOK 29 billion as a result of impairment of assets in the collective portfolio. The consequences for real estate investments and lending are uncertain, but it may be appropriate to postpone rental and interest payments for certain groups.

KLP has built buffers to withstand market turmoil. The solvency ratio is still satisfactory, well above the limit for solvency capital coverage of 150 per cent, which is set as a limit for assessing adjustments to increase the solvency. The proportion of shares in the common portfolio for public sector pension has been reduced from 26 per cent at the beginning of the year to an estimated 14 per cent as of 16 March. The decline is due to both sales and a decrease of value.

KLP plans to maintain a higher liquidity portfolio than normal, partly because of increased volatility in the foreign exchange market, which entail increased liquidity requirements. KLP's pensioners, lenders and other creditors will receive settlement as normal.

KLP safeguards the employees by making sure that they have the opportunity to work from home so that they are not exposed to infection through the work situation. In this way, operations are maintained almost normally despite stringent national contagion measures. The assumption of continued operations is thus present both financially and operationally.

SOLVENCY SITUATION FOR KLP (SOLO) AS PER 16 MARCH 2020 (WITHOUT THE USE OF A TRANSITIONAL RULE)

NOK BILLION	ESTIMATE 16.03.2020	31.12.2019
Solvency II total eligible own funds	37.0	40.5
Solvency capital requirement (SCR)	16.6	14.6
SCR ratio	223 %	278 %

NOTE 38 Change in liabilities from financing activities

NOK MILLIONS	31.12.2018	Cash flow from financing activities	Cash flow from operating activities	Non-cash changes	31.12.2019
Subordinated loan capital	6 029	0	0	-17	6 012
Hybrid Tier 1 securities	1 662	0	0	77	1 738
Debt to credit institutions	2 794	1 776	5 015	- 1 386	8 199
Covered bonds issued	23 025	0	1 389	0	24 415
Total liabilities from financing activities	**33 510**	**1 776**	**6 404**	**-1 327**	**40 364**

NOTE 39 Change in fair value IFRS 9

31.12.2019 NOK MILLIONS	Financial assets at amortized cost[1] Passed SPPI
Fair value 31.12.2018	178 885
Bought	17 097
Sold	-2 488
Held to maturity	-7 059
Change in fair value	2 194
Fair value 31.12.2019	**188 628**

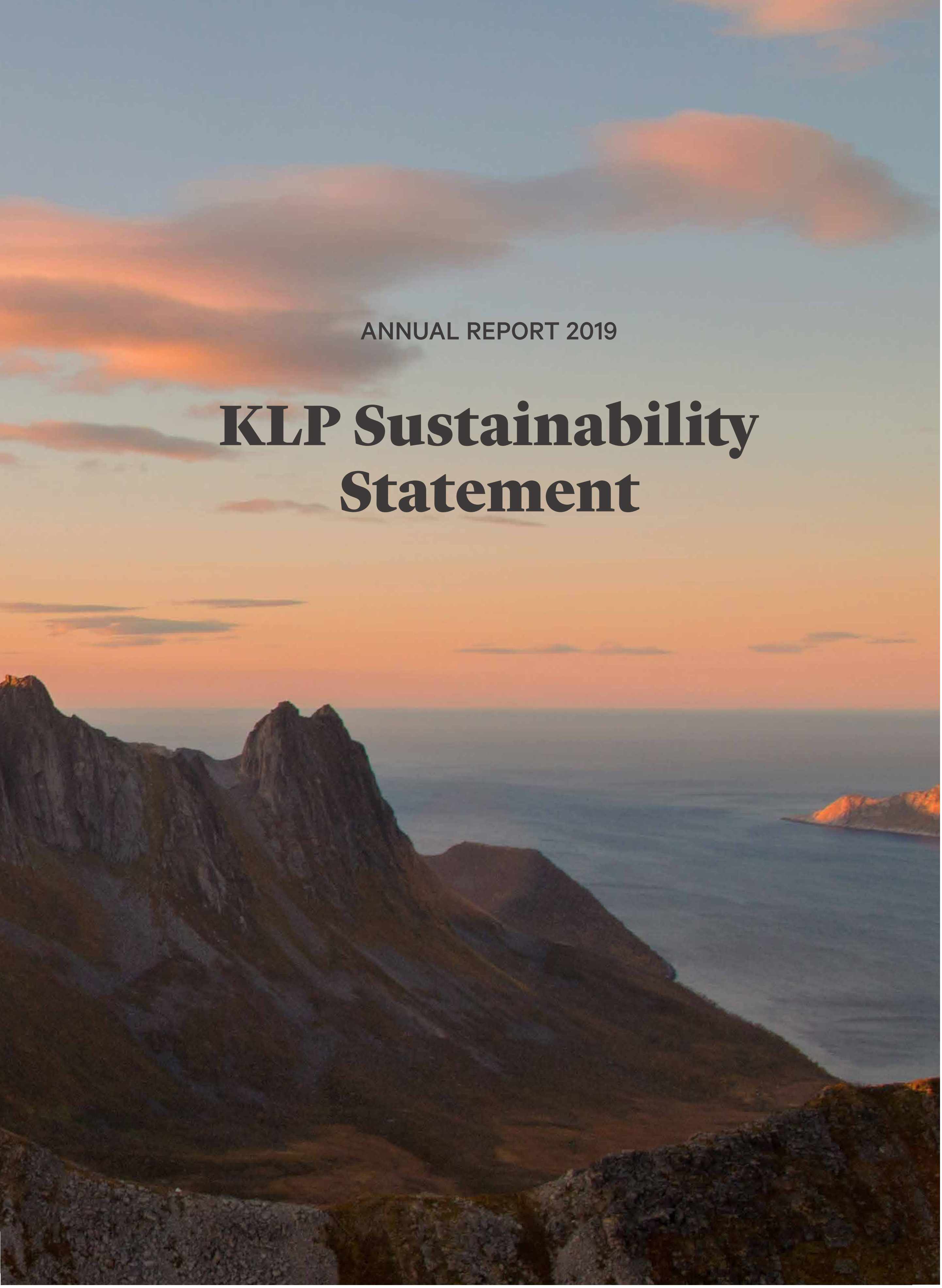
[1] Investments held to maturity and bonds classified as loans and receivables

31.12.2019 NOK MILLIONS	Financial assets valued at fair value
Fair value 31.12.2018	259 306
Bought	89 382
Sold	-100 074
Change in fair value	41 216
Fair value 31.12.2019	**289 829**

31.12.2019 NOK MILLIONS	Other loans and receivables at amortized cost Passed SPPI	Other loans and receivables at amortized cost Not passed SPPI	Other loans and receivables at amortized cost Total
Fair value 31.12.2018	95 169	124	95 293
New loans	28 099	177	28 276
Repayment on-/ redemption of loans	-17 953	-6	-17 959
Change in fair value	396	12	408
Fair value 31.12.2019	**105 711**	**306**	**106 018**

In accordance with the notes requirements, the entity has conducted an SPPI test on the portfolio at amortizied cost. The preliminary assessment is that all investments except one loan passes the test. Also refers to note 6 Fair value of financial assets and liabilities and note 13 Credit risk.

Photo: Anders Eidsnes
Employed in KLP



ANNUAL REPORT 2019

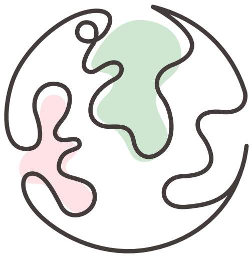
KLP Sustainability Statement

Photo: Marianne Wright Pedersen
Employed in KLP

Contents

KLP SUSTAINABILITY STATEMENT

Photo: Borghild Holtedahl
Employed in KLP



KLP

KLP Sustainability Statement

CORPORATE RESPONSIBILITY IS A FOCAL AREA IN THE CORPORATE STRATEGY, WITH THE FOLLOWING STRATEGIC OBJECTIVES:

Integrating corporate responsibility into all our operations

Increasing investments that promote sustainable development and support our financial goals

Engaging companies and industries for a more sustainable operation

Developing products and services that contribute to positive development in society

STRATEGIC OBJECTIVE

Integrating corporate responsibility into all our operations

EMPLOYEE STATISTICS

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Employees of KLP	1 007	990	961	950	n/a	n/a
Part-time employees of KLP	6.8 %	6.9 %	7.6 %	n/a	n/a	n/a
Temporary employees	35	26	30	38	n/a	n/a
Turnover among employees	6.8 %	7.1 %	6.0 %	4.7 %	n/a	n/a
Total pay to employees (NOK thousands)	818 805	785 965	743 833	718 199	n/a	n/a
Average salary, women (NOK thousands)	718	685	660	641	8.	8.5
Average salary, men (NOK thousands)	859	836	808	781	8.	8.5

HEALTH AND SICKNESS ABSENCE

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Short-term sickness absence	1.6 %	1.8 %	1.6 %	1.9 %	3.	n/a
Long-term sickness absence	2.3 %	2.4 %	2.9 %	2.7 %	3.	n/a
Total sickness absence	**3.9 %**	**4.2 %**	**4.6 %**	**4.5 %**	**3.**	**n/a**
Gender breakdown of sickness absence (women/men)	6.7/2.0 %	5.4/3.2 %	6.5/3.7 %	6.7/2.7 %	3.	n/a
Number of personal injuries	2	1	0	0	8.	8.8

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 continuously working to reduce employees' sickness absence.

Notes to the Sustainability Statement 2019

EMPLOYEE STATISTICS

Definition

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

Turnover is the proportion of people who have left KLP. Persons who have changed jobs internally within the KLP Group are not included.

Total paid to employees refers to total actual salary taken to expenses, minus fees to external entities, Benefits in kind are not included. Information concerning salary relates only to Norway.

Average salary by gender is calculated from contractual salary based on full-time employment and is not corrected for the proportion of part-time working.

HEALTH AND SICKNESS ABSENCE

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 supports United Nations Sustainable Development Goal 3, To promote good health and well-being. KLP also supports Goal 8, Decent work, and especially target 8.8: Protect labour rights and promote safe and secure working environments for all workers.

Target

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

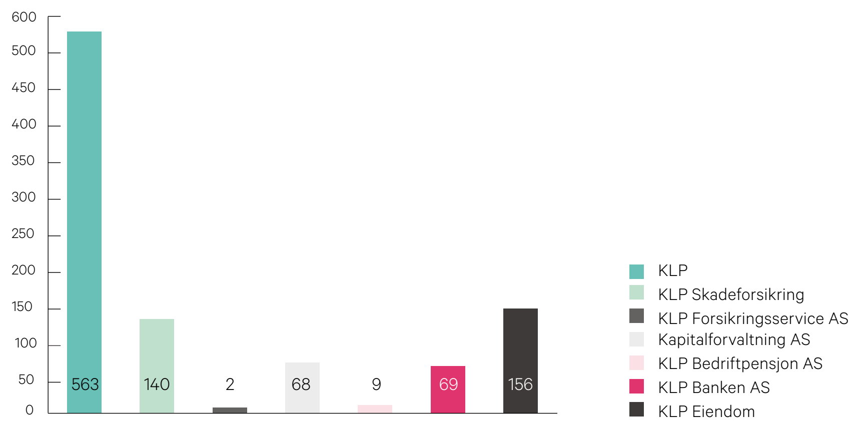
In 2019, total sickness absence was 3.9 per cent, and KLP is pleased to have achieved its target of under 4 per cent. Long-term absence, which we are most concerned to address, has been further reduced, from 2.9 per cent in 2017 to 2.3 per cent in 2019.

Definition

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.

Personal injuries are self-reported injuries and injuries reported as actual and possible occupational injuries to KLP's non-life insurance company.

EMPLOYEES IN THE KLP-GROUP



1007

Employees of KLP in 2019.

3.9 %

Total sickness absence.

DIVERSITY AND EQUALITY

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Gender distribution among employees (women/men)	47/53 %	47/53 %	47/53 %	47/53 %	5.	8.5
Management level 1 gender distribution (women/men)	30/70 %	30/70 %	30/70 %	30/70 %	5.	5.5
Management level 2 gender distribution (women/men)	43/57 %	40/60 %	43/57 %	35/65 %	5.	5.5
Management level 3 gender distribution (women/men)	42/58 %	43/57 %	43/57 %	48/52 %	5.	5.5
Gender distribution, all management levels total (women/men)	41/59 %	42/58 %	42/58 %	n/a	5.	5.5
Gender distribution on the Board (women/men)	50/50 %	50/50 %	50/50 %	50/50 %	5.	5.5
Gender distribution in the highest paid positions (non-management positions outside earnings table)	23/77 %	20/80 %	16/84 %	n/a	5.	5.5
Women's earning in relation to men's (all employees at KLP)	84 %	82 %	82 %	82 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 1	76 %	69 %	69 %	68 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 2	84 %	84 %	84 %	88 %	5. 8.	5.1, 5.5, 8.5
Women's earnings in relation to men's at management level 3	90 %	89 %	89 %	91 %	n/a	n/a
Women's earnings in relation to men's in the highest paid positions (non-management positions outside earnings table)	91 %	93 %	90 %	n/a	n/a	n/a
Women's earnings in relation to men's, remaining employees (excl. all managers and highest paid positions)	95 %	93 %	94 %	n/a	5. 8.	5.1, 5.5, 8.5
Gender distribution, absence for sick children (women/men)	51/49 %	50/50 %	51/49 %	51/49 %	5.	5.1, 5.4
Gender distribution, parental leave taken (women/men)	67/33 %	73/27 %	64/36 %	n/a	5.	5.1, 5.4
Proportion of female employees working part-time	11 %	12 %	18 %	14 %	5. 8	5.1, 5.4
Proportion of male employees working part-time	3 %	3 %	5 %	2 %	5. 8.	5.1, 5.4
Average retirement age, occupational and old-age pensions (years)	65,2	66,6	66,9	n/a	n/a	n/a

KLP works to integrate diversity and equality perspectives into the business and has goals and measures in several areas.

DIVERSITY AND EQUALITY

KLP works to integrate diversity and equality perspectives into the business and has goals and measures in several areas. We want qualified employees regardless of age, gender, disability, political persuasion, sexual orientation and ethnic background.

UN Sustainable Development Goal

The figures show how KLP contributes to Sustainable Development Goal 5, Gender equality. KLP contributes especially to targets 5.1: End all forms of discrimination against all women and girls everywhere, 5.4: Promote shared responsibility within the household and the family, and 5.5: Ensure women's full and effective participation and equal opportunities for leadership. The figures also illustrate KLP's contribution towards Sustainable Development Goal 8.5; By 2030, achieve equal pay for work of equal value.

Target

- KLP's aim is that women's salaries should be 90 per cent of men's by the end of 2018 and 95 per cent by 2020.
- KLP has a goal of 40 per cent of each gender in total among the number of managers.

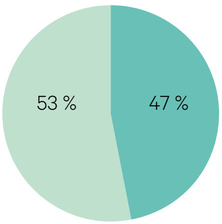
KLP has a satisfactory gender distribution in management with a 41/59 per cent split between women and men at all management levels. We also have a 50/50 per cent split between of women and men on the Board.

Definition

KLP defines leaders at three different levels. Management Level 1 is group management, including the CEO. Management Level 2 represents the managers who report directly to a Group Vice President (member of group management). Management level 3 are the managers who report to managers at level 2.

Women's income compared to men's is defined in the same way as average salary by gender and is calculated from contractual salaries based on full-time employment. The reason women's average salary is lower than men's is that the proportion of men in highly-paid positions is higher. KLP does not have any salary differences between the sexes in similar positions.

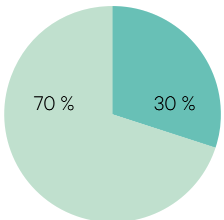
GENDER DISTRIBUTION AMONG EMPLOYEES



Women's earnings in relation to men's 84 %

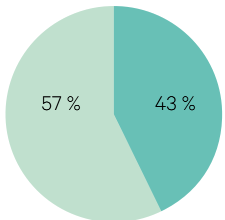
GENDER DISTRIBUTION AND EARNINGS

LEVEL 1



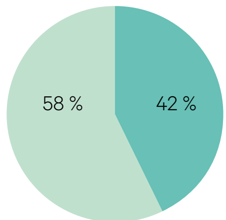
Women's earning in relation to men's 76 %

LEVEL 2



Women's earning in relation to men's 84 %

LEVEL 3



Women's earning in relation to men's 90 %

Women
Men

50/50%

Gender distribution on the Board.

INCREASE KNOWLEDGE OF PENSIONS

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Number of personal consultations related to pensions	9 220	9 972	9 776	10 263	n/a	n/a
Participants in the 'Good to know' course on pensions	955	177	1 101	n/a	n/a	n/a
Media stories about pensions with spokespersons from KLP	57	53	77	n/a	n/a	n/a

KLP aims to be the pension expert which best protects its customers. This requires us to help increase knowledge of pensions, so our customers and members can make good choices for the days to come. We will do this, among other things, by providing good guidance to individuals and by disseminating knowledge of pensions in the media.

INCREASE KNOWLEDGE OF PENSIONS

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Definition

The so-called 'Verdt å vite' courses, providing our customers with valuable knowledge on pensions, are led by KLP for our customers. The topics covered in the course are employees' pension rights, reporting to KLP, training in KLP's online solutions, and what will happen with public sector occupational pensions in the future. The courses are an important part of the effort to increase KLP customers' knowledge of pensions. KLP arranges the courses every other year.

57

Media stories about pensions with spokespersons from KLP.

9 220

Number of personal consultations related to pensions

ENVIRONMENT

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Greenhouse gas emissions from KLP's own operations (tCO2e)	989	1 073	1 014	821	12. 13.	n/a
Greenhouse gas emissions from KLP's property portfolio (tCO2e)	9 402	10 613	10 534	10 697	9.	9.4
Number of flights	6 483	6 661	3 107	3 294	12. 13.	n/a
Energy consumption in KLP's own offices (KWh/m2)	113	129	130	147	9. 13.	9.4
Energy consumption in KLP's property portfolio (KWh/m2)	190	200	191	197	9.	9.4
Quantity of waste in KLP's own offices (tonnes)	132	132	128	141	11. 12.	11.6, 12.5
Degree of sorting at source in KLP's own offices	61 %	64 %	68 %	61 %	11. 12.	11.6, 12.5
Quantity of waste in KLP's property portfolio (tonnes)	5 553	5 760	5 826	5 279	11. 12.	11.6, 12.5
Degree of sorting at source in KLP's property portfolio	55 %	54 %	55 %	57 %	11. 12.	11.6, 12.5
Water consumption in KLP's property portfolio (millions of litres)	436	442	453	469	6.	6.4
Renewable energy production in KLP's property portfolio (MWH)	403	195	187	182	7. 9.	7.2, 9.4

ENVIRONMENT

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

UN Sustainable Development Goal

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

- Target 6.4: Substantially increase water-use efficiency across all sectors.
- Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- Target 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and environmentally sound technologies.
- Target 11.6: By 2030, reduce the adverse environmental impact of cities, including by paying special attention to air quality and waste management.
- Target 12.5: By 2030, substantially reduce waste generation.

Target

- Halve greenhouse gas emissions from own operations by 2030, based on emissions in 2010.
- Reduce energy consumption in the property portfolio to 180 kWh per square metre.
- The degree of sorting of waste should average over 65 per cent and not drop below 50 per cent in every property in the property portfolio.

Greenhouse gas emissions from our own operations have decreased significantly since 2018. Although KLP is constantly working to reduce emissions, parts of the reduction are likely linked to changes in the methodology and/or new data and wide temperature variations through the year in 2018. However, the reduction is in line with the overall trend in recent years, where we have significantly reduced emissions. We are well placed to reach our target of a 50% reduction in 2030 and as of today we have reduced emissions by 37% from 2010 levels.

Energy consumption in the property portfolio has been reduced from 200 to 190 kWh per square metre, but the target of 180 kWh per square metre has still not been achieved.

The target of 65 per cent sorting of waste in the property portfolio has not been achieved, but there is a slight positive trend from 54 per cent in 2018 to 55 per cent in 2019.

Definition

Greenhouse gas emissions

Greenhouse gas emissions include energy consumption, transport, waste and other activities of KLP's operations in Oslo, Trondheim and Bergen. Emissions are converted into tonnes of CO2 equivalents, in line with the standard from the Greenhouse Gas Protocol Initiative.

Greenhouse gas emissions from KLP's property portfolio are based on the same methodology as above, and include energy consumption, waste and general operation of the properties.

In previous years, greenhouse gas emissions from KLP's corporate air travel have been calculated based on the number of kilometres flown, with figures provided by our travel agency. This year, these emissions have been calculated by the same external consultant who compiles KLP's Emission Inventory. They differentiate between short, medium and long distance as well as different travel classes, and use different emission factors depending on the type of flight. In previous years, the same emission factor was used for all flights so the emission figures from flights will not be directly comparable to previous years.

This year, we have also included an additional emission factor to take into account emissions of other greenhouse gases than carbon dioxide, for example nitrogen dioxide and water vapor. This is called an RF-factor ("radiative forcing"), which includes other emissions as CO2 equivalents. By including this, emissions from corporate air travel will increase. The numbers for 2017 and 2018 have also been updated and will therefore deviate from numbers reported previously. Emissions from flights are included in the figure for emissions from our own operations.

Corporate air travel

The number of flights is based on figures from our travel agency. In 2019, our travel agency switched to reporting number of flights as number of flight stretches. In previous years, flights have been reported as round-trip journeys, which may consist of several stretches. The number of flights in 2018 has been updated according to the new methodology, while figures for flights in previous years are still based on the number of round trips and so are not directly comparable.

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

Energy consumption in KLP's own offices decreased from 129 kWh per square metre in 2018 to 113 kWh per square metre in 2019. This is mainly due to increased energy consumption in 2018 resulting from wide temperature variations through the year. In 2019 there was less variation, which resulted in less need for heating and cooling.

Energy consumption in KLP's property portfolio
The reported figures are the average 12-month temperature-corrected specific energy consumption for properties operated by KLP. "In-house operated buildings" are the properties that KLP owns and is responsible for operating and maintaining, and where KLP is able 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.

Energy consumption in kWh/m2 per year for In-house operated buildings has been temperature-corrected in order to measure the effect of energy-saving measures. 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 figures, such a 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.

Waste
The quantity of waste in KLP's property portfolio includes buildings operated directly by KLP Eiendom, except for the buildings in Stockholm where the waste is not weighed on location as it is used for energy generation.

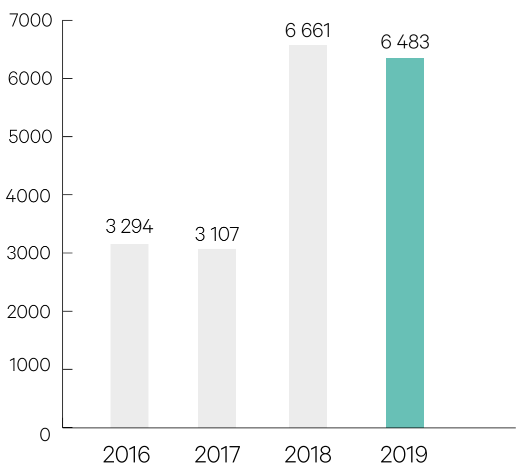
The degree of waste sorting shows the proportion of waste sorted at source. A greater proportion of sorted waste can be recycled, so it has a less harmful impact on the environment than waste which is not sorted and is either dumped in landfill or used to produce energy.

Water consumption
Actual water consumption in millions of litres in KLP's in-house operated buildings.

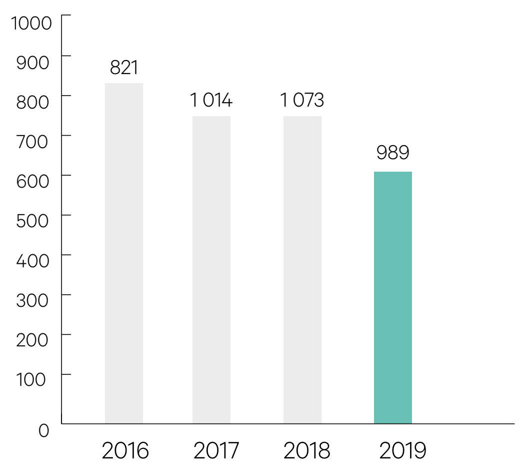
Renewable energy production in KLP's property portfolio
Shows kWh of renewable energy produced locally on KLP's properties.

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

NUMBER OF FLIGHTS



GREENHOUSE GAS EMISSIONS FROM KLP'S OWN OPERATIONS (TONNES)



TAX AND INCOME BY COUNTRY

	Norway	Sweden	Denmark	Rest of Europe	UN Sustainable Development Goals	SDG targets
Employees - FTEs	985	10	12	0	16.	16.4, 16.6
Investments in property (MNOK)	1 989	15	3 617	308	16.	16.4, 16.6
Income (MNOK)	105 705	450	313	166	16.	16.4, 16.6
Accounting income before taxes (MNOK)	2 477	290	321	105	16.	16.4, 16.6
Actual income tax payable for the financial year (MNOK)	0	10,6	19,5	0,1	16.	16.4, 16.6

A responsible business is open about its tax practices. KLP therefore reports in a country-by-country format on tax where we operate.

REPORTING TO AUTHORITIES AND SUPERVISORY BODIES

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Reports to the authorities about suspicious transactions according to the rules in the Norwegian Money Laundering Act etc.	3	1	1	n/a	16.	16.4, 16.6
Privacy violations reported to the Norwegian Data Inspectorate	21	39	26	n/a	16.	16.6

Financial institutions are required to report to authorities and supervisory bodies on important areas such as money laundering and privacy. This is central to the finance industry's corporate responsibility and KLP wants to highlight this by reporting on our notifications.

TAX AND INCOME BY COUNTRY

A responsible business is open about its tax practices. KLP therefore reports in a country-by-country format on tax where we operate.

UN Sustainable Development Goal

The indicators show how KLP contributes to several of the targets under United Nations Sustainable Development Goal 16: Peace and Justice, particularly targets 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.5: Substantially reduce corruption and bribery in all their forms.

Target

Objective not defined or not relevant.

Definition

KLP reports tax and income broken down across the countries in which KLP operates entities with a controlling influence. This means that tax and income from investments in foreign securities are reported within the country breakdown as Norwegian unless KLP has controlling influence over the investment so that there is a Group relationship. The amount includes KLP's withholding tax in funds investments. In practice, KLP's business abroad is concerned with investments in property.

Tax here refers to income tax. Tax in the form of indirect tax is not included in the figures reported.

REPORTING TO AUTHORITIES AND SUPERVISORY BODIES

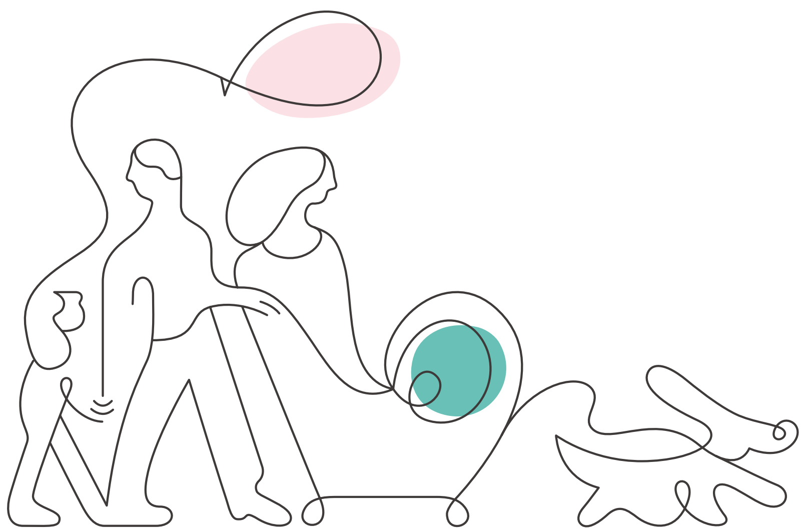
Financial institutions are required to report to authorities and supervisory bodies on important areas such as money laundering and privacy. This is central to the finance industry's corporate responsibility and KLP wants to highlight this by reporting on our notifications.

UN Sustainable Development Goal

Shows an example of how KLP contributes to UN Sustainable Development Goal 16.4: By 2030, significantly reduce illicit financial and arms flows, and 16.6: Develop effective, accountable and transparent institutions at all levels.

Target

Objective not defined or not relevant.



STRATEGIC OBJECTIVE

Increase investments that promote sustainable development and support our financial goals

INCREASE CLIMATE-FRIENDLY INVESTMENTS

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Renewable energy in Norway (MNOK)	23 258	23 013	22 282	22 034	7.	7.2
Renewable energy internationally (MNOK)	3 127	1 644	1 088	652	7.	7.2
Renewable energy in developing countries (MNOK)	725	483	381	257	7. 9 17.	7.1, 7.2, 9.a, 17.3
Lending for power, water, drainage and renovation (MNOK)	2 841	2 588	3 173	n/a	n/a	n/a
International energy companies (MNOK)	2 434	2 405	n/a	n/a	7.	n/a
Environmental buildings in the property portfolio (MNOK)	14 197	11 985	10 115	n/a	9.	9.4
Green bonds (MNOK)	890	792	735	593	n/a	n/a
Other climate-friendly investments (MNOK)	295	124	n/a	n/a	n/a	n/a
Total (MNOK)	**47 768**	**43 033**	**37 774**	**23 536**		
As a proportion of KLP's total assets	8 %	8 %	7 %	n/a	n/a	n/a
Fossil energy (market value in MNOK)	10 823	10 443	11 215	9 693	7.	7.1, 7.2
Fossil energy (share of market value of the portfolio in MNOK)	2 %	2 %	2 %	2 %	7.	7.1, 7.2
Renewable energy (market value in MNOK)	29 748	27 727	23 751	22 943	7.	7.1, 7.2
Renewable energy (share of market value of the portfolio in MNOK)	5 %	5 %	4 %	5 %	7.	7.1, 7.2
Environmental buildings in the property portfolio (m^2)	319 957	283 980	236 678	n/a	9.	9.4
Environmental buildings in the property portfolio (share of the portfolio in m^2)	18 %	16 %	14 %	n/a	9.	9.4
Environmental buildings in the property portfolio (value in MNOK)	14 197	11 985	10 115	n/a	9.	9.4
Environmental buildings in the property portfolio (share of the portfolio in MNOK)	19 %	18 %	16 %	n/a	9.	9.4

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

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 Goal

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

- Goal 7, 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, 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.

In 2019, NOK 6.2 billion was invested in climate-friendly investments.

Definition

It is the market value of the investments in NOK millions which 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 from hydro-electric 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

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

19 %

Environmental buildings in the property portfolio (value in MNOK)

5%

Renewable energy (share of market value of the portfolio in MNOK)

2%

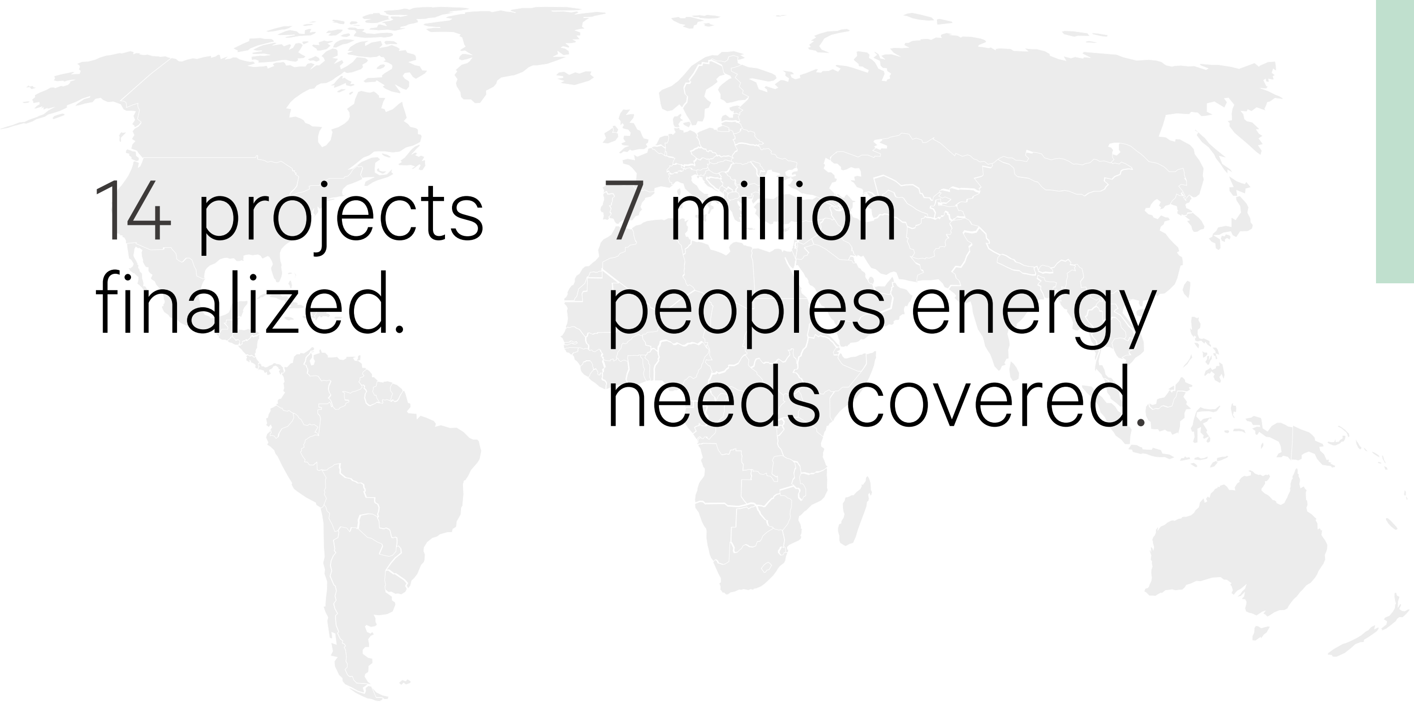
Fossil energy (share of market value of the portfolio in MNOK)

NEW CAPACITY, RENEWABLE ENERGY

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Number of completed renewable energy projects	14	8	5	n/a	7.	7.1, 7.2
New renewable energy capacity brought to the market (MWH)	1 918	945	574	n/a	7.	7.1, 7.2
The number of residents' energy needs covered by the new capacity	6 989 649	6 255 616	642 830	n/a	7.	7.1, 7.2
CO2 emissions avoided as a result of the new capacity (tonnes)	1 987 160	949 036	780 786	n/a	7. 13.	7.1, 7.2

KLP has a goal of investing in new renewable energy projects to increase production capacity.

NEW RENEWABLE ENERGY CAPACITY FINANCED BY KLP



14 projects finalized.

7 million peoples energy needs covered.

SOUTH-AMERICA
2 solar energy parks
85 megawatts
242 805 residents energy needs covered

AFRICA
5 solar energy parks
1 wind-park
864 megawatts
6 395 444 residents energy needs covered

EUROPE
1 wind-park
2 Bioenergy plants
469 megawatts
240 000 residents energy needs covered

NORTH-AMERICA
3 wind-parks
500 megawatts
111 400 residents energy needs covered

NEW CAPACITY, RENEWABLE ENERGY
KLP has a goal of investing in new renewable energy projects to increase production capacity.

UN Sustainable Development Goal
The indicators show how KLP contributes to several of the targets within UN Sustainable Development Goal 7, 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.

Target
Continuous increase in the number of projects and installed capacity.

Definition
The number of completed projects, and their total installed capacity, has been accumulated since the start of the investments (2013 for the portfolio for developing countries and 2015 for Europe and North America). The figures refer to the projects as a whole; it is not adjusted for KLP's stake in the projects.

The number of residents' energy needs covered by the new capacity
The renewable energy projects that KLP has invested in produce electricity corresponding to a given number of inhabitants' energy needs in the countries where the energy farms are in operation. The calculation is based on the average capacity of the respective technologies derived from the UN Climate Panel, and the average electricity consumption per capita in the relevant country taken from the World Bank statistical database. The figures for Rwanda are based on data from worlddata.org and the CIA Factbook.

CO_2 emissions avoided as a result of the new capacity
The emissions theoretically avoided if the same amount of electricity had been generated by the country's average electricity generation. The figures are taken from the International Energy Agency (IEA). For Rwanda, the figures are based on the authorities' own reporting to the UN Climate Convention, and cross-referenced against the *African Carbon Forum*. This gives a conservative estimate of the reduction in CO_2 emissions.

NUMBER OF RESIDENTS THEORETICAL ENERGY NEEDS COVERED = 6 989 649

One "person" = 62 550 mennesker

CO_2 EMISSIONS AVOIDED

1 987 160 tonn

As a result of the new capacity.

CARBON MEASUREMENT OF INVESTMENTS

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Weighted average carbon intensity for the equity portfolio (tCO2e/MNOK)	16	24.1	31.6	29.5	13.	n/a
Carbon intensity in the equity portfolio (tCO2e/ MNOK income)	21	27.1	26.7	27.3	13.	n/a
Carbon footprint for the equity portfolio (tCO2e/ MNOK invested)	15	16.4	16.5	19.6	13.	n/a

FINANCE IN DEVELOPING COUNTRIES

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Banking and finance in developing countries (MNOK)	713	570	530	421	8. 17.	8.3, 8.10, 17.3
Borrowers in developing countries through the Nordic Microfinance Initiative (figures in millions)	8.9	8.1	6.6	6.0	8. 1.	8.3, 8.10, 1.4
Gender distribution among borrowers (women/men)	94/6 %	95/5 %	95/5 %	95/5 %	1. 5.	1.4, 5.a
Split rural/urban among borrowers	73/27 %	77/23 %	71/29 %	68/32 %	1.	1.4

SEEDCORN INVESTMENTS

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Seedcorn investments in Norway (mNOK)	8	4	n/a	n/a	8.	

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.

CARBON MEASUREMENT OF INVESTMENTS

To raise awareness of the climate impact of investments and to highlight developments over time, KLP measures and reports the carbon footprint and intensity of the investments.

UN Sustainable Development Goal
The indicators show how KLP contributes toward UN Sustainable Development Goal 13, Combat climate change.

Target
Not defined. KLP does not use carbon measurements as a control parameter or as a basis for decision-making, but the indicators allow us to extract information about and monitor developments in the portfolios over time.

In 2019 KLP divested from both coal and oil sands, which has contributed to reducing the carbon intensity and carbon footprint of KLP's equity portfolio.

Previous years the numbers for carbon measurement of investments have been provided by an external analysis company. In 2019 KLP decided to calculate these numbers ourselves. Although KLP has used the same methodology for calculating the indicators, there may have been differences from the calculations performed previous years. This could also have affected the numbers.

Definition
The weighted average carbon-intensity shows the exposure of the equity and bond portfolios to carbon-intensive companies. As the method refers to exposure, not ownership, it does not measure the impact of the portfolio on climate change. Previous years this indicator has only included listed equity and not bonds, so the numbers cannot be directly compared.

The carbon intensity shows the carbon efficiency of KLP's equity portfolio. The method maps the CO_2 emissions of companies in KLP's listed equity portfolio relative to their earnings, to measure the overall carbon efficiency of the equity portfolio.

The carbon footprint of KLP funds is calculated from data provided by an analysis company specialising in this. Data is taken from the companies' own reporting (e.g. annual reports or reporting to CDP). The emission figures apply to the latest reported and analysed financial years. The analysis company provides estimates for companies that have not reported on carbon emissions.

In 2019 KLP changed analysis companies and is now provided with data from another company. This may affect the figures.

KLP reports on the indicators of weighted average carbon-intensity, carbon footprint and carbon-intensity, because this provides a good overall picture of the impact of the investments on carbon emissions and carbon risk.

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 Goal
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.

Borrowers in developing countries through the Nordic Microfinance Initiative (NMI) are active borrowers through the microfinance institutions that the NMI has invested in. The figure relates to the microfinance institutions as a whole; it is not adjusted for NMIs' stake in individual microfinance institutions.

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 Goal
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 has entered into agreements with four seed investments funds. The number reported her is the market value of investments made.

STRATEGIC OBJECTIVE

Engaging companies and industries for a more sustainable operation

AS AN INVESTOR

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Companies excluded from investments	534	189	174	162	Alle	3.a, 8.7, 12.6, 16.2, 16.4, 16.5
Companies re-included in the investments	13	2	5	1	Alle	n/a
General meetings of Norwegian companies at which KLP has voted (number/percentage)	102 (97 %)	106 (98 %)	115 (97 %)	111 (96 %)	n/a	n/a
General meetings of foreign companies at which KLP has voted (number/percentage)	7512 (97 %)	6408 (97 %)	2617 (91 %)	2627 (90 %)	n/a	n/a
General meeting resolutions where KLP has voted against management's recommendations	18 %	18 %	11 %	10 %	n/a	n/a
Companies KLP has had direct dialogue with	191	103	192	138	Alle	3.a, 8.7, 12.6, 16.2, 16.4, 16.5,
Companies KLP has had dialogue with via service providers	93	108	124	169	Alle	3.a, 8.7, 12.6, 16.2, 16.4, 16.5,

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

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 Goal
As a responsible investor and owner, KLP has discussions with companies on many topics related to the UN Sustainable Development Goals. KLP's exclusion criteria are also in accordance with the Sustainable Development Goals. Some examples:

- 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.
- KLP aimed to engage with 240 companies in 2019.

KLP has voted at 97% of the general meetings in Norwegian companies and 97% of the general meetings in international companies. We have therefore surpassed our targets by a good margin.

KLP engaged with a total of 284 companies in 2019, both via direct dialogue and through service providers.

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

The number of companies reinstated refers to those whose exclusion was reversed in the course of the year.

In 2019 KLP automated the list of excluded and reinstated companies. If a company is excluded or reinstated, the list will now update automatically based on certain rules. The new automation also takes into account the company structure and if the excluded company is a subsidiary or parent company.

The number of companies KLP has had discussions with refers to companies that KLP has been in contact with during the year on social, environmental, or governance matters – KLP directly and via a service provider KLP uses for this purpose. Follow-up by KLP and by the service provider 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 corporate responsibility issues, and also communicates its expectations as an investor and owner.

102

General meetings of Norwegian companies at which KLP has voted.

18 %

General meeting items where KLP has voted against management recommendations.

STRATEGIC OBJECTIVE

Developing products and services that contribute to positive development in society

PARTNERSHIP WITH OUR CUSTOMERS

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Projects on health promoting work with customers	37	25	12	27	3.	n/a
Courses run on health-promoting workplaces	103	145	100	106	3.	n/a
Courses on injury prevention	20	81	45	107	11.	11.5
Participants in the course on injury prevention	738	2 812	1 600	2 000	11.	11.5

LENDING BUSINESS

	2019	2018	2017	2016	UN Sustainable Development Goals	SDG targets
Loans for roads and transport (MNOK)	8 812	8 543	9 411	n/a	n/a	n/a
Loans for public property (MNOK)	4 987	4 798	4 060	n/a	n/a	n/a
Loans to public sector and businesses (MNOK)	56 434	51 425	45 087	n/a	n/a	n/a

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.

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.

UN Sustainable Development Goal

The figures show how KLP contributes to Sustainable Development Goal 11, Sustainable cities and societies, particularly target 11.5: By 2030, significantly reduce the number of deaths and the number of people affected by disasters, including water-related disasters. This also supports UN Sustainable Development Goal 3, Good health.

Target

- Run 50 courses on injury prevention within insurance.
- Support 28 courses on health-promoting workplaces.

In 2019, we have arranged 20 courses on damage prevention through our insurance company. This is a decrease from 2018 due to a changed focus within KLP. Our experience from the last two years is that we achieve better results when we run local courses. Although this involves fewer participants and courses, it allows us to target the message at those we think need it most.

This year we have supported 37 projects on health-promoting workplaces.

Definition

Proportion of local government customers using IK-Bygg or equivalent tools to prevent injuries. IK-Bygg is an online platform for mapping the condition and injury risk of a building in terms of HSE. To increase the proportion of users of such systems will have an injury prevention effect.

Courses on injury prevention are courses where KLP Skadeforsikring provides training on fire safety. KLP Skadeforsikring has worked with the Norwegian Association of Fire Officers on the design and implementation of the courses. KLP Skadeforsikring also works with KLP's HSE training department and the courses may also include training on HSE risk analysis, for example. The courses help to prevent injuries.

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 to reduce national greenhouse gas emissions, and benefit society as a whole.

UN Sustainable Development Goal

The indicators support the UN Sustainable Development Goal 9, 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.

INJURY-PREVENTION

738

Participants in the course on injury prevention.

HSE WORK WITH OUR CUSTOMERS

103

Courses run on health-promoting workplaces.

To: Board of Directors in Kommunal Landspensjonskasse Gjensidige Forsikringsselskap

Independent statement regarding Kommunal Landspensjonskasse Gjensidige Forsikringsselskap's sustainability reporting

We have examined Kommunal Landspensjonskasse Gjensidige Forsikringsselskap's (KLP) key performance indicators for sustainability (sustainability reporting) as of 19 March 2020.

Key performance indicators for sustainability are indicators for sustainability performance that KLP measure and control. Key performance indicators for sustainability are available and included in KLP's annual report 2019, specifically in the chapter *Sustainability Report*. KLP has prepared the key performance indicators and explained the basis for their preparation in the notes to the tables containing the key performance indicators (criteria). We have examined the basis for the measurements and checked the calculations of the measurements.

Tasks and responsibilities of management

Management is responsible for KLP's sustainability reporting and that the key performance indicators are prepared according to the definitions included in the notes and text in the *Sustainability Report*. Their responsibility includes developing, implementing and maintaining internal controls that ensure the reporting of the key performance indicators for sustainability.

Our independence and quality control

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditors responsibilities

Our responsibility is to express an opinion on KLP's sustainability reporting based on our control. We have performed our work and will issue our statement in accordance with the Standard on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that KLP's key performance indicators are prepared according to the criteria for reporting and measurements that are explained in the text accompanying the tables containing the key performance indicators. The procedures selected depend on our judgement, including assessments of the risks that the sustainability reporting as a whole are free from material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the subject matter. Therefore, we design procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the subject matter.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Our controls include meetings with representatives from KLP that are responsible for the key areas covered by the sustainability reporting, including responsible investment, property management, banking, HR and compliance, to evaluate internal controls and procedures related to reporting key performance indicators for sustainability; collecting and reviewing relevant information that supports the presentation of key performance indicators; evaluating the completeness and accuracy of the key performance indicators; and controlling the calculations of key performance indicators based on an assessment of the risk that the key performance indicators contain information that is incorrect.

In our opinion, sufficient evidence has been obtained and we consider that our work provides an appropriate basis to form our conclusion.

Conclusion

In our opinion the key performance indicators for sustainability are, in all material aspects, developed, measured and reported in accordance with the definitions and explanations presented in the text accompanying the tables containing key performance indicators for sustainability.

Oslo, 19 March 2020
PricewaterhouseCoopers AS

Eli Moe-Helgesen
State authorized public accountant

(This translation from Norwegian has been made for information purposes only)

(2)

Photo: Vidar Stenseth
Employed in KLP

ANNUAL REPORT 2019

Kommunal Landspensjonskasse Accounts

Photo: Anders Eidsnes
Employed in KLP

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KOMMUNAL LANDSPENSJONSKASSE ACCOUNTS

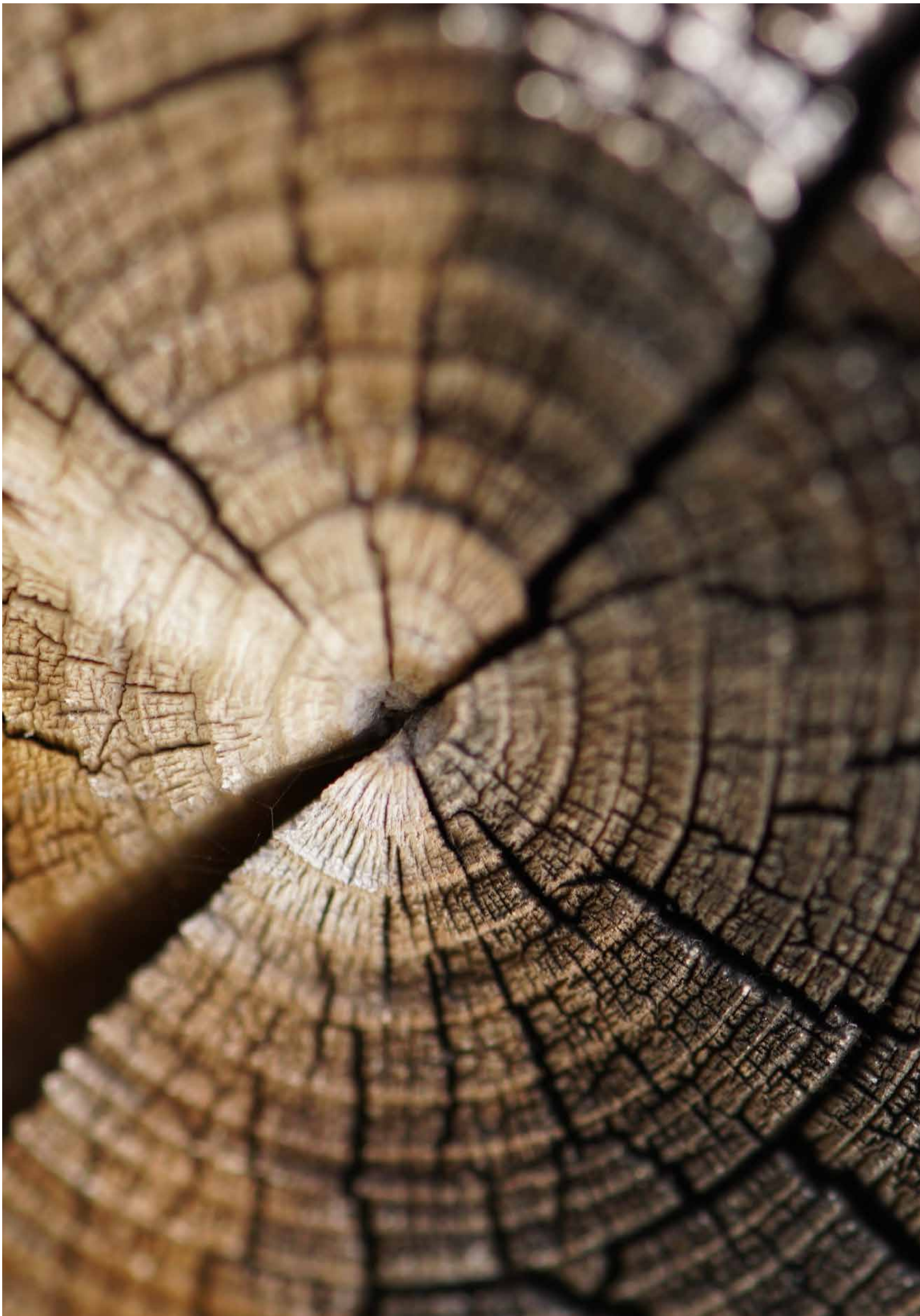


Photo: Vidar Stenseth
Employed in KLP

Income Statement

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTES	NOK MILLIONS	2019	2018
	Premiums due, gross	40 224	38 724
	Reinsurance premiums ceded	-1	-2
	Transfer of premium reserve and pension capital etc. from other insurance companies/pension funds	11	5
19	**Total premium income for own account**	**40 234**	**38 727**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	2 876	3 884
	Interest income and dividends etc on financial assets	10 444	9 963
	Value changes on investments	28 591	-10 421
	Gains and losses realized on investments	2 140	3 595
4	**Total net income from investments in the common portfolio**	**44 051**	**7 021**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	16	19
	Interest income and dividends etc on financial assets	44	46
	Value changes on investments	200	-55
	Gains and losses realized on investments	-22	4
4	**Total net income from investments in the investment option portfolio**	**238**	**14**
33	**Other insurance-related income**	**1 118**	**1 055**
	Claims paid, gross	-19 866	-18 350
	Transfer of premiuim reserve and pension capital etc. to other insurance companies /pension funds	-292	-497
19	**Total claims**	**-20 157**	**-18 847**
	Change in premium reserve etc., gross	-28 190	-27 252
	Change in supplementary reserves	-7 949	-2 825
	Change in securities adjustment fund	-22 322	8 838
	Changes in premium funds, defined contribution funds, and pension regulation funds etc.	-232	-265
19	**Total changes in insurance liabilities taken to profit/loss - contractual liabilities**	**-58 692**	**-21 503**
	Changes in pension capital etc.	-122	-92
	Changes in premium funds, defined contribution funds and pension regulation funds etc.	-6	-7
	Change in other provisions	-104	40
19	**Total changes in insurance liabilities taken to profit/loss – individual investment option portfolio**	**-232**	**-58**
	Surplus on returns result	-2 325	-2 243
	Risk result assigned to insurance contracts	-516	-480
	Other allocation of profit	0	-216
19	**Total funds assigned to insurance contracts - contractual liabilities**	**-2 841**	**-2 939**

Income Statement

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTES	NOK MILLIONS	2019	2018
	Administration costs	-198	-194
24	Sales costs	-143	-136
	Insurance-related administration costs (incl. commission for reinsurance received)	-789	-768
	Total insurance-related operating expenses	**-1 129**	**-1 097**
33	**Other insurance-related costs**	**-1 119**	**-1 059**
19	**Technical result**	**1 470**	**1 315**
	Income from investments in subsidiaries, associated enterprises and jointly controlled entities	519	281
	Interest income and dividends etc. on financial assets	725	734
17	Net operating income from property	67	99
	Value changes on investments	-197	-3
	Gains and losses realized on investments	411	345
4	**Total net income from investments in the corporate portfolio**	**1 525**	**1 456**
	Other income	**16**	**6**
	Administration costs	-15	-14
	Other expenses	-359	-338
	Total administration costs and other costs associated with the corporate portfolio	**-374**	**-353**
	Non-technical profit/loss	**1 167**	**1 109**
	Income before tax	**2 637**	**2 425**
26	Tax	-499	-627
	Income before other income and expenses	**2 138**	**1 797**
25	Actuarial gains and losses on defined benefits pension schemes	89	-15
	Proportion of other comprehensive income on application of the equity method	62	-7
	Adjustment of the insurance liabilities	-16	1
26	Tax on other income and expenses that will not be reclassified to profit and loss	-22	4
	Total other income and expenses that will not be reclassified to profit and loss	**113**	**-18**
	TOTAL COMPREHENSIVE INCOME	**2 251**	**1 780**
	ALLOCATIONS AND TRANSFERS		
	Transferreed to owners´ equity contibution	-754	0
	Transferred to the risk equalization fund	-746	-639
	Transferred to other retained earnings	-750	-1 141
	Total allocations and transfers	**-2 251**	**-1 780**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTES	NOK MILLIONS	31.12.2019	31.12.2018
	ASSETS IN THE CORPORATE PORTFOLIO		
18	**Other intangible assets**	**358**	**173**
	Investments in the corporate portfolio		
6,17	**Investment properties**	**955**	**924**
14	Shares and holdings in property subsidiaries	3 005	1 985
14	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	5 084	4 694
14	**Total subsidiaries, associated enterprises and jointly controlled entities**	**8 089**	**6 679**
5,11	Investments held to maturity	6 880	7 078
5,11	Loans and receivables	11 617	11 097
5,11	**Total financial assets valued at amortized cost**	**18 497**	**18 175**
5,6,15	Shares and units	5	601
5,6,11	Fixed income securities	11 744	9 939
5,6,11	Loans and receivables	1 701	1 514
5,6,11	Financial derivatives	747	651
5,6	**Total financial assets valued at fair value**	**14 198**	**12 705**
	Total investments in the corporate portfolio	**41 738**	**38 483**
	Receivables related to direct business	485	540
30	Intra-Group receivables	68	82
	Other receivables	107	120
	Total receivables	**660**	**742**
	Plant and equipment	42	39
	Bank deposits	900	954
35	Right-of-use assets	204	0
	Total other assets	**1 146**	**992**
	Total assets in the corporate portfolio	**43 902**	**40 392**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTES	NOK MILLIONS	31.12.2019	31.12.2018
	ASSETS IN THE CUSTOMER PORTFOLIOS		
	INVESTMENTS IN THE COMMON PORTFOLIO		
14	Shares and holdings in property subsidiaries	53 910	47 296
14	Shares and holdings in other subsidiaries, associated enterprises and jointly controlled entities	3 079	1 521
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	14 051	14 782
	Total subsidiaries, associated enterprises and jointly controlled entities	**71 040**	**63 599**
5,11	Investments held to maturity	22 637	23 722
5,11	Loans and receivables	214 463	188 873
5,11	**Total financial assets valued at amortized cost**	**237 100**	**212 596**
5,6,15	Shares and units	142 817	111 007
5,6,11	Fixed income securities	105 208	122 064
5,6,11	Loans and receivables	14 124	6 284
5,6,11	Financial derivatives	3 971	126
5,6	Other financial assets	693	229
5,6	**Total financial assets valued at fair value**	**266 813**	**239 711**
	Total investments in the common portfolio	**574 953**	**515 905**
	INVESTMENTS IN THE INVESTMENT OPTION PORTFOLIO		
14	Shares and holdings in property subsidiaries	266	234
	Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities	69	73
	Total subsidiaries, associated enterprises and jointly controlled entities	**336**	**307**
5,11	Investments held to maturity	64	81
5,11	Loans and receivables	834	795
5,11	**Total financial assets valued at amortized cost**	**898**	**876**
5,6,15	Shares and units	820	615
5,6,11	Fixed income securities	505	576
5,6,11	Loans and receivables	87	49
5,6,11	Financial derivatives	15	0
5,6	**Total financial assets valued at fair value**	**1 428**	**1 240**
	Total investments in the investment option portfolio	**2 662**	**2 423**
	Totalt assets in the customer portfolios	**577 615**	**518 327**
	TOTALT ASSETS	**621 518**	**558 719**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTES	NOK MILLIONS	31.12.2019	31.12.2018
	OWNERS' EQUITY AND LIABILITIES		
	Other owners' equity contributed	16 540	14 554
	Total owners' equity contributed	**16 540**	**14 554**
	Risk equalization fund	5 540	4 793
	Other retained earnings	15 238	14 488
	Total retained earnings	**20 778**	**19 281**
21	Other subordinated loan capital	6 012	6 029
20,21	Hybrid Tier 1 securities	1 738	1 662
5,21	**Total subordinated loan capital etc.**	**7 750**	**7 691**
	Premium reserve etc.	459 343	431 153
	Supplementary reserves	36 070	28 206
16	Securities adjustment fund	55 761	33 439
	Premium funds, defined contribution funds, pension regulation funds etc.	12 359	12 383
19	**Total insurance liabilities - contractual liabilities**	**563 532**	**505 182**
	Pension capital etc.	2 064	1 941
	Supplementary reserves	140	100
	Premium funds, defined contribution funds, pension regulation funds etc.	495	378
19	**Total insurance liabilities - special investment portfolio**	**2 698**	**2 419**

Balance Sheet

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTES	NOK MILLIONS	31.12.2019	31.12.2018
25	Pension obligations etc.	508	565
26	Current tax liabilities	948	426
26	Deferred tax liabilities	546	481
	Total provision for liabilities	**2 002**	**1 473**
	Liabilities related to direct insurance	867	1 442
5,6	Liabilities to credit institutions	3 990	650
5,6,12	Financial derivatives	599	3 891
35	Lease liabilities	210	0
31	Other liabilities	2 332	1 912
	Total liabilities	**7 999**	**7 895**
	Other accrued costs and pre-paid income	219	225
	Total accrued costs and pre-paid income	**219**	**225**
	TOTAL EQUITY AND LIABILITIES	**621 518**	**558 719**
	OFF-BALANCE-SHEET ITEMS		
34	Contingent liabilities	21 227	19 142

Oslo, 22 March 2020
The Board of Directors of Kommunal Landspensjonskasse gjensidig forsikringsselskap

EGIL JOHANSEN
Chair

JENNY FØLLING
Deputy Chair

CATHRINE M. LOFTHUS

KARIANNE MELLEBY

ODD HALDGEIR LARSEN

ØIVIND BREVIK

SUSANNE TORP-HANSEN
Elected by and from the employees

FREDDY LARSEN
Elected by and from the employees

SVERRE THORNES
Group CEO

Changes in Owners' Equity

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

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**

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

Statement of Cash Flows

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOK MILLIONS	2019	2018
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Direct insurance premiums received	36 278	32 678
Reinsurance premiums paid	-1	-2
Direct insurance claims and benefits paid	-19 339	-17 791
Payments received on transfer	3	13
Payments made on transfer	-289	-495
Payments to other suppliers for products and services	-638	-809
Payments to staff, pension schemes, employer's social security contribution etc.	-629	-566
Interest paid	-888	-283
Interest received	9 114	7 926
Dividend and group contribution received	3 712	18 576
Tax and public charges paid	-19	-8
Receipts to the property business	36	40
Net receipts/payments of loans to customers etc.	-8 122	-4 327
Receipts on the sale of shares	31 638	11 377
Payments on the purchase of shares	-42 518	-12 334
Net cash flow from receivables on subsidiaries	750	-14 813
Receipts on the sale of bonds and certificates	58 309	65 749
Payments on the purchase of bonds and certificates	-59 997	-86 789
Payments on sale of property	0	499
Net cash flow from purchase/sale of other short-term securities	-8 298	54
Net cash flows from operating activities	**-899**	**-1 304**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments on the purchase of tangible fixed assets etc.	-280	-12
Net cash flows from investment activities	**-280**	**-12**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of owners' equity contributions	1 241	1 442
Payments on repayment of owners' equity contributions	-9	-14
Payments lease liabilities	-107	0
Net cash flows from financing activities	**1 125**	**1 429**
Net changes in cash and bank deposits	-54	112
Holdings of cash and bank deposits at start of period	954	842
Holdings of cash and bank deposits at end of period	**900**	**954**

Notes to the Accounts

KOMMUNAL LANDSPENSJONSKASSE GJENSIDIG FORSIKRINGSSELSKAP

NOTE 1 General information

Kommunal Landspensjonskasse gjensidige forsikringsselskap (the Company) provides pension and insurance services to municipalities and county administrations, health enterprises and to enterprises in both the public and private sector.

The largest product area is group pensions insurance. Within pension insurance, the Company offers local government occupational pensions. Kommunal Landspensjonskasse (KLP) is a mutual insurance company registered and domiciled in Norway. The Company has its head office in Dronning Eufemiasgate 10, Oslo.

The Company has subordinated loans listed on the London Stock Exchange.

The annual financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap are available on the Company's website, www.klp.no.

The Company's annual financial statements for 2019 were adopted by the Companys' Board of Directors on March 22th 2020.

NOTE 2 Summary of the most important accounting principles

Below follows a description of the most important accounting principles that have been used in the Company accounts.

2.1 FUNDAMENTAL PRINCIPLES

The annual financial statements are presented in accordance with Regulation No. 1824 of 18 December 2015: "Regulations for annual accounts for insurance companies" (Annual Accounts Regulations). This means that the Company's annual financial statements have been prepared in accordance with international accounting standards (EU–approved IFRS/IAS) with those additions resulting from the Norwegian Annual Accounts Regulations.

The annual financial statements have been prepared based on the principle of historic cost, with the following exceptions:

- Investment properties valued at fair value through profit and loss
- Financial assets and liabilities(including derviatives) are value at fair value through profit and loss
- Ownership interest in subsidiaries and associated companies valued in accordance with the owners' equity method
- Financial assets and liabilities are valued in accordance with the rules on fair value hedging.

In preparing the annual financial statements management must make accounting estimates and discretionary evaluations. This will affect the value of the Company's assets and liabilities, income and expenses recognized in the financial statements. Actual figures may deviate from estimates used. Areas in which discretionary valuations and estimates of material significance for the Company have been shown are described in Note 3.

All sums are presented in NOK millions without decimals unless otherwise stated.

The financial statements have been prepared in accordance with the going concern assumption.

2.1.1 Changes in accounting principles and disclosures

(a) New and changed standards adopted by the Company

- IAS 19 Employee Benefits

The EU has approved changes to IAS 19 Employee Benefits clarifying the accounting requirements for plan amendments, curtailment or settlement during the accounting period. When re-measuring net defined-benefit pension liabilities in the event of amendment, curtailment or settlement of the scheme, the cost of the current period's pension entitlements and the net interest for the period after the re-measurement must be based on the same assumptions used for the re-measurement.

The net interest for the residual term after the plan amendment is based on a net defined-benefit pension obligation derived from the re-measurement multiplied by the discount rate used in this measurement. The changes apply to accounting periods beginning 1 January 2019 or later and have been implemented with prospective effect.

- IFRS 16 Leases

The Company implemented the IFRS 16 accounting standard with effect from 1 January 2019. The standard results in more leases than before being capitalised, as the distinction between operational and financial leasing has been removed. According to this standard, the right to use a leased object must be recognized as an asset, and an obligation to pay a lease as a liability. The exceptions are short-term and low-value leases. The accounting requirements for lessors will not be significantly altered. The Company has analysed all of its leases to ensure that they meet the criteria for leases according to IFRS 16, and has three leases which falls under the new standard.

The Company has also chosen a modified retrospective approach, which means that the whole effect of the transition was taken to the opening balance at 1 January 2019. This caused assets and liabilities to increase by NOK 305 million. The amounts are shown in the accounts under "Right-of-use assets" and "Lease liabilities".

The discount rate used to determine the present value of assets and liabilities is the best estimate of the marginal loan interest to the Company/Group. For more information, please refer to Note 35 Leases.

b) Standards, changes and interpretations of existing standards that have not come into effect and where the Group has not chosen advanced application.
There are changes to standards and interpretations that will have an effect on financial statements beginning after 1 January 2019 which have not been applied to these financial statements. Details of the most important of these that KLP has chosen not to apply early are provided below.

On the basis of the Regulation Amending the Accounting Regulations for Life Assurance Companies of 20 December 2018, Norwegian life assurance companies are not permitted to implement the international accounting standard for financial instruments, IFRS 9. KLP therefore uses IAS 39 for the recognition and measurement of financial instruments. It is unclear how long this deferral will last, but it is likely to be until IFRS 17 Insurance Contracts takes effect.

The IBOR reform affects a number of agreements that set interest rates according to a benchmark index. A group was established in Norway in 2018 to work on a recommendation for an alternative benchmark rate in Norwegian kroner. At the end of September 2019, the working group published its recommendation of a reformed version of the "Norwegian overnight weighted average" (Nowa) as an alternative benchmark rate. The interest rules will be reformed when Norges Bank takes over as administrator from 1 January 2020 but will probably be very similar to today's Nowa. The change in benchmark rates will affect the reporting of hedge accounting, as the effectiveness of the hedging relationship will be affected by a change in interest in both cash flow hedging and fair value hedging.

At the end of September 2019, the IASB adopted interim changes to IFRS 9 (Financial Instruments) and IFRS 7 (Disclosures), where the purpose of the exceptions in the standard is to help ensure that hedge accounting can be maintained in the period leading up to the transition to a new benchmark rate. The changes are mandatory from 2020 but can be implemented early for the 2019 financial statements, which the Company has done.

The practical impact of early implementation is that hedging relationships still in place after 2021 can continue unaffected by the IBOR reform.

The new standard for insurance contracts, IFRS 17, was published by the IASB in 2017, but has not yet been approved by the EU. The standard will replace the current standard for insurance contracts, IFRS 4, and will be implemented from 2021 at the earliest. The definition of what constitutes an insurance contract has not changed, although some clarifications have been made limiting what is considered to be a qualifying contract that is to be treated in accordance with IFRS 17. Unlike IFRS 4, IFRS 17 also contains rules on how insurance contracts are to be valued and presented. The standard describes a valuation model where the insurance liability is based on the expected present value of future cash flows, plus a risk margin and a profit margin. There are also simplified models available that can be used under certain conditions. The present value can be calculated by identifying the expected cash flows of the contract at a market rate. The risk margin must reflect non-financial risk that makes the insurer indifferent to entering into the contract. Any positive profit margin is capitalised and recognized through ordinary profit and loss as the entity is released from insurance risk. A negative profit margin (loss) is recognized in profit and loss immediately.

The standard assumes that insurance contracts that have approximately equal risk and are managed collectively as a portfolio are grouped according to whether they are profitable, loss-making or profitable with a risk of becoming loss-making. The maximum permitted difference in the issuance of the contracts included in a group is 12 months.

The standard requires retrospective application but allows certain simplifications where full retrospective application is practically impossible. There will be a high threshold for the use of simplifications.

Changes have been proposed to the standard in several areas and it is expected that there will be an updated version of the standard during the summer of 2020. One of the proposals is to delay the implementation of the standard until 2022 or later. There is continued uncertainty, therefore, about the final effective date from the IASB and about when the EU will approve the standard for use within the EU/EEA. It is also unclear whether the standard will be permitted to be used, compulsory or prohibited from implementation in the company accounts of life assurance companies in Norway.

Since the company is part of an IFRS reporting group, KLP's insurance contracts will nevertheless have to be valued in accordance with IFRS 17, although it is unclear whether it will be allowed/required in the company accounts. The company therefore participates in the Group's implementation project of IFRS 17 and takes into account that the standard is also introduced in the company accounts. A preliminary survey of the company's insurance contracts has been carried out with a view to whether they are within the standard or not, which valuation model the various qualifying contracts belong to and how they should be grouped. The conclusions are working hypotheses that are being further worked on. It is thus not clear how the standard will affect the company's equity if it is implemented in the company accounts.

Otherwise there are no other IFRSs or IFRIC interpretations not yet in force that are expected to have a significant impact on the financial statements.

2.1.2 Changes in financial statements in comparison with previous periods

No changes have been made to the financial statements compared to previous periods.

2.2 RIGHT-OF-USE ASSETS/LEASE LIABILITIES

On entering into a contract, the Company assesses whether the contract constitutes a lease. A contract contains a lease if it transfers control over the use of an identified asset for a period in exchange for a consideration. At the date of implementation, the Company recognizes a right-of-use asset and a lease liability, and these are presented on separate lines in the accounts.

The lease liability is measured on initial recognition at the present value of lease payments not yet paid at the reporting date. The discount rate used is the Company/Group's marginal loan rate. Subsequent measurements measure the lease liability at amortized cost by the effective interest method. The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or if the Company changes its decision whether to exercise extension or termination options. When the lease liability is re-measured in this way, a corresponding adjustment is made to the recognized value of the right of use or is taken to profit/loss if the recognized value of the right of use is reduced to zero.

On initial recognition, the right of use is measured at acquisition cost, i.e. the lease liability (present value of the lease payments) plus advance lease payments and any direct acquisition costs. In subsequent periods, the right of use is measured using an acquisition model.

The interest costs related to the lease liability is shown under the account "Other expenses" in the financial statement.

2.3 SUBSIDIARIES

All entities in which the Company has deciding influence/control are considered subsidiaries. Deciding influence is normally achieved through ownership of more than half of the voting capital. The effect of potential voting rights that can be exercised or converted at the end of the reporting period is included in the assessment of control. Subsidiaries have been consolidated in accordance with the equity capital method. This means that the Company's share of profit or loss in subsidiaries is taken to profit/loss and is added to the financial position statement value together with owner's equity changes not taken to profit/loss. The Company does not take a share of the loss to profit/loss if this involves the financial position statement value of the investment becoming negative unless the Company has assumed liabilities on behalf of the subsidiary.

Purchase of subsidiaries is recognized in accordance with the purchase method. Acquisition cost is set at the same as fair value of assets provided by way of consideration for the purchase, equity instruments issued and liabilities assumed on transfer of control. The identifiable assets and liabilities of the acquired company are valued at fair value. If cost of acquisition exceeds fair value of identifiable net assets in the subsidiary, the excess is capitalized as goodwill. If the cost of acquisition is lower, the difference is taken to profit/loss on the date of acquisition.

The Company's financial statements are presented in NOK and those of subsidiaries in foreign currency are converted to NOK at the exchange rate at the end of the reporting period.

2.4 CONSOLIDATED FINANCIAL STATEMENTS

KLP reports the group financial statements in accordance with the international accounting standards IFRS/IAS. The consolidated financial statements are shown for themselves in a separate presentation and a full set of notes has been prepared for the Group including description of accounting principles used.

NOTE 3 Important accounting estimates and valuations

The Company prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

It must be expected that the estimates will deviate from the final outcome and the areas where there is significant risk of substantial changes in capitalized values in future periods are discussed below.

3.1 INSURANCE CONTRACTS

The largest insurance risk for KLP is the risk of incorrect estimation of life expectancy. In determining the premium tariffs, KLP uses its own analyses of its policy-holders and analyses of the entire Norwegian population. Uncertainty over future life expectancy, which is based on estimates far ahead in time, provides a similar risk of a charge against equity capital because of the need for higher provisions, to cover payment over a longer period of time.

There will also be insurance risk linked to disability, but this risk is considerably lower. Uncertainty in calculating probabilities of disability may, as with increased longevity, result in decreased profit for owners, but here there is more scope for adjusting premiums, given that disability pensions have a shorter time horizon for the payments.

Insurance risks linked to mortality are considerably lower and must be seen in relation to insurance risks related to longevity. Increased mortality will result in a negative risk result for the risk of death, but will be counterbalanced by a positive risk result for longevity. The insurance benefits for spouse and child pensions, which make up the risk result for death, are also considerably lower than the benefits for old-age pensions (longevity risk).

In calculating technical provisions in the public sector group pension sector, assumptions on disability risk are based on KLP's disability data for the period 2009 - 2013. For the other risk elements, including longevity risk, the assumptions from the K2013 calculation base are used with the contingency margins set by the FSA of N. Disability- and morality- risks are checked towards the tariffs every year to intercept changes in the risk picture.

In calculating technical provisions in the public sector occupational pensions, provisions are made for claims incurred but not finally settled. The provisions are set using statistical models.

For sensitivity analysis regarding insurance contracts, see note 7 section 7.1.4.

3.2 FAIR VALUE OF FINANCIAL ASSETS

The majority of the KLP's assets recognized at fair value through profit and loss are assets traded on an active market, so the market value can be determined with a high degree of confidence.

In the case of the Group's pricing of unlisted securities, there will be uncertainty in this regard. This is especially true of securities which are priced on the basis of non-observable assumptions. Different valuation techniques are used to determine the fair value of these investments. Unlisted fixed-income securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models.

3.3 SHARES AND HOLDINGS IN PROPERTY SUBSIDIARIES

The underlying values in shares and holdings in property subsidiaries are related to investments in property. See the Groups note 3 section 3.2 for more information of principles for valuation and sensitivity regarding property.

NOTE 4 Net income from financial instruments

2019 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	178	929	5	1 111
Profit/loss subsidiaries	341	2 303	11	2 655
Profit/loss associated enterprises and jointly controlled entities	0	-356	0	-356
Total income from investments in subsidiaries, associated enterprises and joint ventures	**519**	**2 876**	**16**	**3 410**
Interest banking	11	91	0	102
Interest financial derivatives	22	439	0	462
Interest bonds and other fixed-income securities	220	1 948	10	2 178
Total interest income financial instruments at fair value	**253**	**2 479**	**10**	**2 742**
Interest bonds amortized cost	458	5 577	33	6 068
Interest lending	0	1 627	0	1 627
Total interest income financial instruments at amortized cost	**458**	**7 204**	**33**	**7 695**
Dividend/interest shares and units	14	1 355	0	1 369
Other income and expenses	0	-593	1	-592
Total net interest income and dividend etc. on financial assets	**725**	**10 444**	**44**	**11 214**
Value adjustment property	32	0	0	32
Rental income property	35	0	0	35
Total net income from investment property	**67**	**0**	**0**	**67**
Value changes shares and units	-222	22 847	176	22 801
Value change bonds and other fixed-income securities	12	-287	0	-274
Value change financial derivatives	99	5 904	24	6 026
Value change loans and receivables	-31	15	0	-16
Total value change financial instruments at fair value	**-142**	**28 479**	**200**	**28 537**
Value change bonds	0	0	0	0
Value change lending	0	112	0	112
Total value change financial instruments at amortized cost	**0**	**112**	**0**	**112**
Value change on subordinated loans and hybrid funds	-55	0	0	-55
Total value changes on investments	**-197**	**28 591**	**200**	**28 593**

NOTE 4 Net income from financial instruments - cont.

2019 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Realized shares and units	403	4 582	5	4 990
Realized bonds and other fixed-income securities	-11	3 694	5	3 688
Realized financial derivatives	0	-6 360	-31	-6 390
Realized loans and receivables	31	73	0	103
Total realized financial instruments at fair value	**423**	**1 989**	**-21**	**2 391**
Realized bonds at amortized cost [1]	-12	133	0	121
Realized loans at amortized cost [1]	0	0	0	0
Total realized financial instruments at amortized cost	**-12**	**133**	**0**	**121**
Other financial costs and income	0	17	0	17
Total realized gains and losses on investments	**411**	**2 140**	**-22**	**2 529**
Total net income from investments	**1 525**	**44 051**	**238**	**45 814**

[1] Realized values on bonds at amortized cost come from realized added/reduced values on foreign exchange.

2018 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Write-up/-down shares and units	156	1 445	7	1 608
Profit/loss subsidiaries	125	2 417	12	2 554
Profit/loss associated enterprises and jointly controlled entities	0	22	0	22
Total income from investments in subsidiaries, associated enterprises and joint ventures	**281**	**3 884**	**19**	**4 184**
Interest banking	5	45	0	51
Interest financial derivatives	25	-141	0	-116
Interest bonds and other fixed-income securities	179	2 515	13	2 707
Total interest income financial instruments at fair value	**209**	**2 420**	**13**	**2 643**
Interest bonds amortized cost	446	5 287	32	5 765
Interest lending	0	1 351	0	1 351
Total interest income financial instruments at amortized cost	**446**	**6 638**	**32**	**7 117**
Dividend/interest shares and units	78	897	0	975
Other income and expenses	0	8	1	9
Total net interest income and dividend etc. on financial assets	**734**	**9 963**	**46**	**10 744**
Value adjustment property	60	0	0	60
Rental income property	39	0	0	39
Total net income from investment property	**99**	**0**	**0**	**99**

NOTE 4 Net income from financial instruments - cont.

2018 NOK MILLIONS	Corporate portfolio	Common portfolio	Investment option portfolio	Total
Value changes shares and units	68	-8 007	-52	-7 990
Value change bonds and other fixed-income securities	-32	-444	0	-476
Value change financial derivatives	124	-2 128	-3	-2 007
Value change loans and receivables	10	-16	0	-6
Total value change financial instruments at fair value	**170**	**-10 595**	**-55**	**-10 480**
Value change lending	0	174	0	174
Total value change financial instruments at amortized cost	**0**	**174**	**0**	**174**
Value change on subordinated loans and hybrid funds	-173	0	0	-173
Total value changes on investments	**-3**	**-10 421**	**-55**	**-10 479**
Realized shares and units	-48	3 243	7	3 202
Realized bonds and other fixed-income securities	-16	683	2	669
Realized financial derivatives	1	-1 300	-6	-1 305
Realized loans and receivables	-10	81	1	71
Total realized financial instruments at fair value	**-73**	**2 707**	**3**	**2 637**
Realized bonds at amortized cost [1]	56	876	1	933
Realized loans at amortized cost [1]	0	0	0	0
Total realized financial instruments at amortized cost	**56**	**876**	**1**	**933**
Other financial costs and income [2]	362	12	0	374
Total realized gains and losses on investments	**345**	**3 595**	**4**	**3 944**
Total net income from investments	**1 456**	**7 021**	**14**	**8 492**

[1] Realized values on bonds at amortized cost come from realized added/reduced values on foreign exchange.
[2] The majority of this amount is derived from sales of leaseholds.

NOTE 5 Fair value of financial assets and liabilities

For information regarding pricing of financial assets and liabilities see note 6 Fair value of financial assets and liabilities in the consolidated financial statement.

31.12.2019 NOK MILLIONS	Corporate portfolio		Common portfolio		Investment option portfolio		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
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 5 Fair value of financial assets and liabilities - cont.

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 5 Fair value of financial assets and liabilities - cont.

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

NOTE 5 Fair value of financial assets and liabilities - cont.

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

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

NOTE 6 Fair value hierarchy

31.12.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE				
CORPORATE PORTFOLIO				
Bonds and other 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				
Bonds and other 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 6 Fair value hierarchy - cont.

31.12.2019 NOK MILLIONS	Level 1	Level 2	Level 3	Total
INVESTMENT OPTION PORTFOLIO				
Bonds and other 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 6 Fair value hierarchy - cont.

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

NOTE 6 Fair value hierarchy - cont.

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

NOTE 6 Fair value hierarchy - cont.

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

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

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

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

CHANGES IN LEVEL 3, INVESTMENT PROPERTY CORPORATE PORTFOLIO	Book value 31.12.2019	Book value 31.12.2018
Opening balance 01.01.	924	1 003
Sold	0	-499
Bought	0	0
Unrealised changes	67	70
Other	-36	350
Closing balance 31.12.	**955**	**924**
Realised gains/losses	0	362
Total Level 3	**18 071**	**16 133**

NOTE 6 Fair value hierarchy - cont.

Unrealized changes are reflected in the line «Value changes on investments» in the different portfolios in the income statement.

The amounts in the level distribution can in turn be found in the financial position statement under various portfolios' allocation of financial instruments at fair value and investment property.

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

LEVEL 1

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

LEVEL 2

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

LEVEL 3

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

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

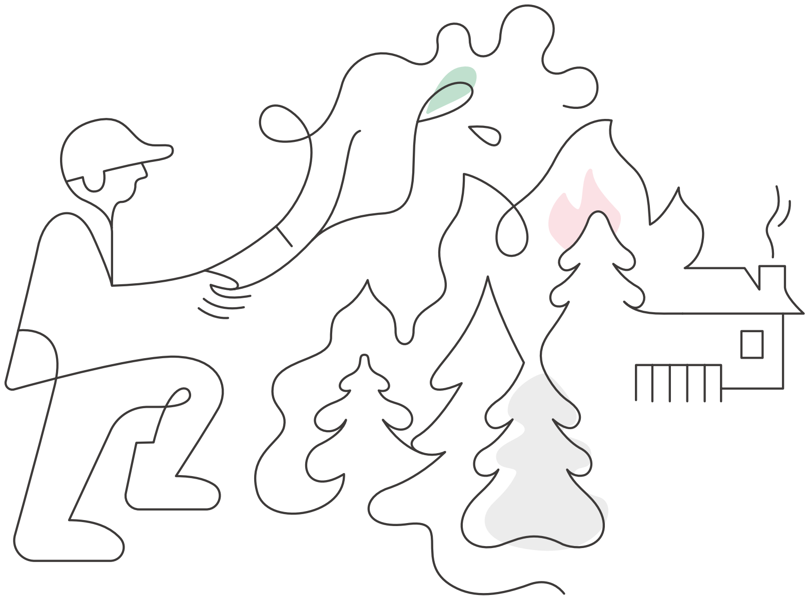
The fair value of assets and liabilities measured at amortized cost are stated in note 6. Level based classification of these items will be as follows; assets classified as held to maturity are included in level 1, lending and loans and receivables are included in level 2. Liabilities, measured at amortized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

Information regarding pricing of these interest bearing instruments are available in note 9 for the Group.

No sensitivity analysis has been carried out on securities included in Level 3. A change in the variables of the pricing is considered of little significance on the securities. A sensitivity analysis for investment property is available in the annual report. On a general basis, a 5 percent change in the pricing would produce a change of NOK 904 million as of 31.12.2019.

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

During 2019 NOK 123 million has been moved from Level 1 to Level 2, and NOK 160 million from Level 2 to Level 1. The amount are related to equity instruments and are due to change in liquidity. NOK 23 million has also been moved from level 3 to level 2 due to reclassification. There has been no other movements between the different levels in 2019.



NOTE 7 Risk management

Through its activity, KLP is exposed to both insurance risk and financial risk. For the Company overall risk management aims to handle financial risk in such a way that the Company can at all times meet the liabilities the insurance contracts place on the business. The Board of Directors sets the overarching risk strategies that are put into practice at the senior management level.

Risk strategy is implemented and monitored by the line organization, with periodic reporting. Any breaches in risk lines and limits are reported as they occur, with a description of measures taken to regularize the situation. Entities outside the line organization monitor that the risk-taking is carried out within the authorizations the line has.

7.1 INSURANCE RISK

An insurance contract ia according to IFRS 4 defined as "A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". The uncertainty at the portfolio level is additionally affected by factors such as changes in law and court decisions. Insurance results will be more stable and predictable the more contracts there are in the portfolio.

The Company's insurance business is in the group pension sector. As described in Note 2, the weightiest risks in group pension are disability risk and longevity risk, whereas mortality/whole life risk is somewhat less weighty.

Insurance risk in the group pension sector is generally managed through close monitoring of the risk incidence and if appropriate subsequent change in the tariffs. The Company is safeguarded against extreme events through catastrophe reinsurance.

7.1.1 Insurance provisions

Insurance provisions are set at the level of expectation, with a supplement of contingency margins. In addition provisions are made in a risk equalization fund within group pensions to meet unexpected fluctuations in claim incidence.

For disability risk in the group pension sector, assumptions used are based on the Company's disability data from 2015 - 2018. For the other risk elements in group pension the assumptions from the K2013 calculation base are used with contingency margins in accordance with the minimum standard set by the FSA of N in 2013. In the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors the same formulae and the same parameters are used otherwise, but with a strengthened contingency margin because of significantly longer lifetime in these schemes.

7.1.2 Premium setting

Development in the Company's insurance risk is continuously monitored. Risk result and future expectations of development in insured risk based on observations and/or theoretic risk models create the basis for pricing of the risk element in the premium. The premiums are set annually. The group insurance sector has a high degree of predictability and stability in its premiums. Normally they will therefore stay the same for several years at a time.

7.1.3 Reinsurance and reinsurance program

The way the insurance contracts are set, current risk is generally within the limits of the Company's risk-bearing ability. The need for reinsurance is therefore limited and the Company has therefore no reinsurance program.

7.1.4 Sensitivity calculations in group pension

The effect of an immediate 20 per cent increase in the incidence of disability would, with current numbers, involve a negative effect of NOK 2024 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in the incidence of disability would be an increase of NOK 1,683 million.

An immediate 10 per cent reduction in mortality would, with current numbers, mean a negative effect of NOK 201 million on the risk result for the year. The effect on the premium reserve of a corresponding permanent change in mortality would be an increase of NOK 10,258 million. The Company's large numbers within group public sector pensions help to stabilize the insurance risk and the claim estimates. Deviations are related primarily to non-insurable magnitudes that do not affect the result.

The Company's large numbers within group public sector pensions help to stabilize the insurance risk and the claim estimates. Deviations are related primarily to non-insurable magnitudes that do not affect the result.

7.2 FINANCIAL RISK

The Company's financial goal is to achieve a competitive and stable return, at the same time as the Company's solvency satisfies external and internal requirements. The Company has a long-term investment strategy in which risk-taking is at all times matched to the Company's ability to bear risk. The focus in asset management is cost effectiveness, a long-term perspective and broadly diversified portfolios with the goal of achieving competitive and stable returns for our customers and owners over time.

KLP's financial risk comprises liquidity risk, market risk and credit risk.

7.2.1 Liquidity risk

Liquidity risk is the risk that the Company does not have adequate liquidity to cover short-term debt/residual liabilities not called in and current operations without substantial extra costs arising in the form of price falls on assets that have to be realized. The liquidity strategy contains various requirements and limits in order to comply with the desired liquidity risk profile. In addition division of responsibilities and contingency planning are covered. The liquidity strategy is operated at the senior management level and the liquidity is managed internally in accordance with mandates.

The need for liquidity in KLP is first and foremost associated with payments to pensioners and meeting current operating costs. Liquidity is also required for providing security in connection with currency and derivative trades. The KLP liquidity need is primarily satisfied by contractual receipts from customers. At all times the Company has a liquidity holding sufficient to meet current costs, including pension payments. In the event of liquidity needs beyond the current liquidity holdings, liquidity can normally be released through the sale of liquid financial assets.

KLP's aims to have liquidity buffers corresponding to 3 months' liquidity needs. This is measured through the following ratio:
Liquid assets/short-term liquidity requirement

Liquid assets are defined as liquidity holdings and expected receipts (to the liquidity portfolio) for the next three months, whilst short-term liquidity requirements are defined as liabilities falling due within three months and other unknown requirements for liquidity within three months.

Not-called-in residual obligations of NOK 21,227 million comprise committed, not paid in sums against private equity and property funds and approved lending that has not been paid out. In addition, KLP has given a NOK 2 million guarantee to a associated enterprise. The total is specified in detail in Note 34 Contingent liabilities.

7.2.2 Market risk

Market risk is the risk of losses as a result of changes in market prices of various assets such as shares, bonds, property and other securities. The market risk depends on how large an exposure there is to the various assets and on the volatility in the market prices. Developments in the Norwegian and international securities markets generally have major significance for KLP's results.

Risk of a fall in the value of various assets is the biggest financial risk in the short term. Of the risk in regard to assets, equity exposure is the largest financial risk factor, but also the market risk associated with interest, credit (spread) and property has a significant loss potential. KLP's interest rate risk associated with a prolonged low interest

NOTE 7 Risk management - cont.

rate level is however limited. With the current formulation of the rules, technical provisions are not affected by changes in market interest rates. On the future transition to market value for the liabilities, annual pricing of the interest guarantee will mean the customers bear the risk of the interest rate level being lower than the basic interest rate. Since KLP provides pension schemes exclusively to the public sector, KLP will price the return guarantee right up until the insured dies, which means the return guarantee arising from the insurance obligations is limited.

KLP exchange-rate hedges the majority of international exposure. Financial hedging of currency exposure is done through derivatives. In principle all of KLP's fixed-income investments and property investments in foreign currency are hedged back to NOK. For equity investments in foreign currency the objective for 2019 has been a 55-65 per cent hedging ratio with permitted fluctuations between 50 and 70 per cent.

All equity and interest rate exposures are included in a risk measurement system that enables simulation and monitoring of equity and interest rate risk across the portfolios. Active risk is managed through defined benchmarks relative to the index for each portfolio.

To reduce the risk of negative results from asset management the Company uses CPPI rules for customer portfolios for daily monitoring the market risk. This strategy helps to ensure that the risk is adjusted to the Company's risk capacity. The CPPI rules gives a return profilewich fits the overall target to protect owners' equity and preserve the risk capacity over time.In addition KLP has a high proportion of long-term (hold-to-maturity) bonds and fixed-interest lending that contributes to stability in returns.

In KLP's asset management, derivatives are principally used for risk reduction for cost and time-effective implementation of changes in risk and for currency hedging.

Calculation of solvency margin (SCR ratio)

The new European rules for calculation of solvency margin, SCR ratio, main target is to protect and ensure the interest of the insurance customers. Solvency II was introduced from 1 January 2016, and KLP performs quarterly calculations of the SCR ratio.

At the end of 2019 about 26 per cent of KLP's assets were placed in equities (measured by exposure) and 12 per cent placed in property. Other assets were placed in fixed-income current and fixed assets, including lending.

The SCR ratio in 2019 was 278 per cent, which is higher than by the end of 2018 when the ratio was 263 percent. The ratio is well over the Company's target of at least 150 percent in 2019. The minimum target set by the authorities is 100 per cent.

The Company's' total eligible tier 1 capital is 40,5 billion. The solvency capital requirement, as described in note 32, is NOK 14,6 billion. The SCR ratio in 2019 was 278 per cent.

Several sensitivity analyses linked to solvency capital coverage have been carried out. Interest rate sensitivity is calculated at 9 percentage points in capital coverage per 50 basis points interest rate increase and 4 percentage points in capital coverage per 50 basis points interest rate decrease. This may be considered low, at least compared to private occupational pensions, and is mainly due to the fact that public-sector occupation pensions avoid the problem of paid-up policies. A 25 per cent fall in the stock market reduces capital adequacy by something under 50 percentage points when the rules are taken into account. This is a significant drop, but the level of capital adequacy will still be above the level at which action has to be considered.

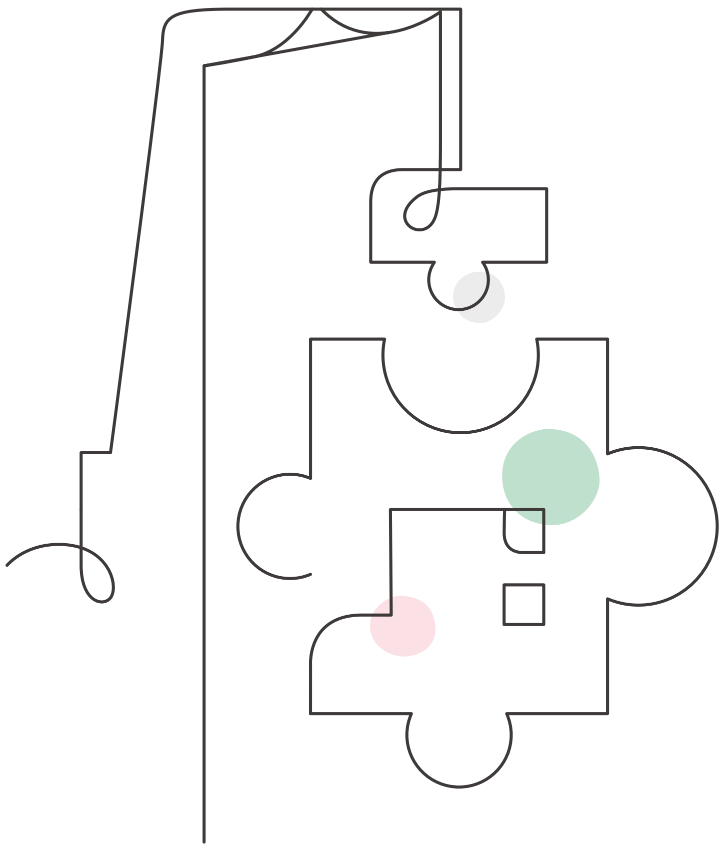
Previous calculations has shown that with the reserve margins within the Company's tariffs and by the level of todays risk equalization fund, the solvency capital is marginal influenced by changes in longevity risk and mortality/whole life risk.

7.2.3 Credit- and concentration risk

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.

KLP has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. Of the total credit exposure, 30 per cent are rated AA- or higher. If lending to municipal with assumed rating of AA, the total it 46 per cent. KLP has a separate international government bonds portfolio that represented about 18 per cent of the portfolio of short-term bonds at the end of the year.

KLP has a lending portfolio of high quality, with limited credit risk and historically very low losses. In the main KLP provides loans secured on housing with a mortgage level of less than 80 per cent, loans to local authorities and loans with local authority guarantees. Lending secured through mortgages on housing amounts to about NOK 3.0 billion. The value of the mortgages represents a greater value than the lending since a large part of the mortgages were established earlier in time and the price rise in housing in recent years has been substantial.



NOTE 7 Risk management - cont.

KLP has limited concentration risk. Because no exposures exceed the threshold values defined in the Solvency II regulations, KLP has no capital requirements for concentration risk under the standard method. The way in which the fixed interest and equity portfolios are managed will generally help to limit concentration risk through extensive use of index management.

KLP sets explicit limits for lending which restrict concentration on specific individuals and groups. Sector concentration is monitored via monthly and quarterly reporting.

Although the KLP's investments are well diversified, there is a clear preponderance of investments in Norway. This is a deliberate and a natural consequence of dealing mainly with public-sector occupational pensions.

7.3 TOTAL MAXIMUM EXPOSURE TO CREDIT RISK

The Company's total maximum exposure to credit risk comprises book values. The book classes of securities are specified in detail in Note 5 Fair value of financial assets and liabilities.

NOTE 8 Liquidity risk

The table below specifies the Company's financial liabilities classified according to maturity structure. The amounts in the table are non-discounted contractual cash flows.

2019 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loans	0	252	1 006	6 170	0	7 427
Hybrid Tier 1 securities [1]	0	64	256	320	1 490	2 130
Accounts payable	6	0	0	0	0	6
Liabilities to credit institutions	18	0	0	0	0	18
Contingent liabilities	21 227	0	0	0	0	21 227
Total	**21 251**	**316**	**1 262**	**6 490**	**1 490**	**30 808**
FINANCIAL DERIVATIVES						
Financial deriviatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	2 214	2 246	35	-143	-306	4 046
Total financial derivatives	**2 214**	**2 246**	**35**	**-143**	**-306**	**4 046**
Total 2019	**23 465**	**2 562**	**1 297**	**6 347**	**1 184**	**34 854**

2018 NOK MILLIONS	Within 1 month	1-12 months	1-5 years	5-10 years	Over 10 years	Total
Subordinated loans	0	252	1 010	6 444	0	7 706
Hybrid Tier 1 securities [1]	0	63	252	315	1 520	2 151
Accounts payable	21	0	0	0	0	21
Liabilities to credit institutions	22	0	0	0	0	22
Contingent liabilities	19 142	0	0	0	0	19 142
Total	**19 185**	**315**	**1 262**	**6 759**	**1 520**	**29 042**
FINANCIAL DERIVATIVES						
Financial derivatives gross settlement						
Inflows	0	0	0	0	0	0
Outflows	0	0	0	0	0	0
Financial derivatives net settlement	3 862	2 960	119	-97	-296	6 548
Total financial derivatives	**3 862**	**2 960**	**119**	**-97**	**-296**	**6 548**
Total 2018	**23 047**	**3 276**	**1 381**	**6 662**	**1 225**	**35 590**

[1] Some of the loans are perpetual. The cash streams are estimated up to expected maturity by interest adjustment date.

NOTE 8 Liquidity risk - cont.

The table on the previous page shows financial liabilities KLP has grouped by interest payments and repayment of principal, based on the date payment is due.

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

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

EXPECTED PAYMENT PROFILE PENSION OBLIGATIONS

2019 NOK MILLIONS									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	**17 303**	**74 347**	**120 319**	**305 757**	**348 473**	**320 602**	**222 169**	**165 966**	**1 574 936**

2018 NOK MILLIONS									
Year	1 year	2-5 years	6-10 years	11-20 years	21-30 years	31-40 years	41-50 years	51-80 years	Total
Amount	**16 086**	**69 228**	**112 984**	**289 173**	**334 322**	**308 646**	**214 686**	**159 178**	**1 504 303**

The payment profile shows anticipated payment dates for future pension obligations of KLPs clients and is based on non-discounted values.

The insurance liabilities in the accounts are discounted and show the present value at the end of the reporting period.

NOTE 9 Interest rate risk

2019 NOK MILLIONS	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	Over 10 years	Change in cash flows	Total
ASSETS							
Equity fund units [1]	1	0	0	0	0	10	11
Alternative investments	-8	0	0	0	0	8	0
Financial derivatives classified as assets	-5	2	5	-70	-185	-12	-266
Debt instruments classified as loans and receivables – as amortized cost	0	0	0	0	0	0	0
Bonds and other fixed-income securities	-32	-27	-458	-504	-791	238	-1 575
Fixed-income fund units	-3 425	0	0	0	0	26	-3 399
Loans and receivables	-1	-1	0	0	0	78	76
Cash and deposit	0	0	0	0	0	9	9
Lending	0	0	0	0	0	400	400
Contingent liabilities [2]	0	0	0	0	0	72	72
Total assets	**-3 470**	**-27**	**-454**	**-574**	**-976**	**828**	**-4 673**
LIABILITIES							
Financial derivatives classified as liabilities	0	0	3	0	0	-2	1
Hybrid Tier 1 securities, subordinated loans	0	0	0	53	93	0	147
Liabilities to credit institutions	0	0	0	0	0	-29	-29
Total liabilities	**0**	**0**	**3**	**53**	**93**	**-31**	**119**
Total before taxes	**-3 470**	**-27**	**-451**	**-520**	**-883**	**797**	**-4 554**
Total after taxes	**-2 602**	**-20**	**-338**	**-390**	**-662**	**598**	**-3 415**

[1] Equity fund units covers that part of the fund that is not shares, but that comprises assets covered by interest rate risk: surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.
[2] Contingent liabilities in this context are accepted, not paid out lending.

NOTE 9 Interest rate risk - cont.

2018 NOK MILLIONS	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	Over 10 years	Change in cash flows	Total
ASSETS							
Equity fund units [1]	0	0	0	0	0	11	12
Alternative investments	1	0	0	0	0	20	22
Financial derivatives classified as assets	0	2	8	-55	-181	-18	-243
Debt instruments classified as loans and receivables – as amortized cost	0	0	0	0	0	1	1
Bonds and other fixed-income securities	-40	-35	-521	-485	-595	280	-1 396
Fixed-income fund units	-3 594	0	0	0	0	37	-3 558
Loans and receivables	-1	-1	0	0	0	75	73
Cash and deposit	0	0	0	0	0	9	9
Lending	0	0	0	0	0	342	342
Contingent liabilities [2]	0	0	0	0	0	87	87
Total assets	**-3 633**	**-34**	**-514**	**-540**	**-775**	**844**	**-4 651**
LIABILITIES							
Financial derivatives classified as liabilities	2	0	6	0	0	-1	7
Hybrid Tier 1 securities, subordinated loans	0	0	0	54	89	0	143
Liabilities to credit institutions	0	0	0	0	0	-25	-25
Total liabilities	**2**	**0**	**6**	**54**	**89**	**-26**	**125**
Total before taxes	**-3 631**	**-34**	**-508**	**-485**	**-687**	**818**	**-4 526**
Total after taxes	**-2 723**	**-25**	**-381**	**-364**	**-515**	**614**	**-3 395**

[1] Equity fund units covers that part of the fund that is not shares, but that comprises assets covered by interest rate risk: surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.
[2] Contingent liabilities in this context are accepted, not paid out lending.

The note shows the effect on income of an increase in market interest rate of 1 per cent, for fair value risk and variable interest rate risk.

Change in fair value (fair value risk) is shown in the five first columns and is calculated on the change in fair value of interest-bearing instruments if the interest rate had been 1 per cent higher at the end of the period. The column «Change in cash flows» (variable interest rate risk) shows the change in cash flows had the interest rate been 1 per cent higher throughout the year being reported on. The total of these reflects the total impact on profits that the scenario of one per cent higher interest rate would have had on the Company during the period being reported on.

Fair value risk applies to fixed interest rate securities where the market value of the security fluctuates conversely to the market interest rate. Variable interest rate risk applies to securities at variable interest rates, where the market value remains stable, but where change in the market interest rate is reflected in changed current incomes.

The following fixed-income securities are covered by this Note; securities at fair value through profit or loss (variable and fixed interest rate terms), investments held to maturity (only those with variable interest rate terms) and loans and receivables (only those with variable interest rate terms). The Company has no fixed-income securities classified as available for sale.

Fixed rate assets, recognized at amortized cost, do not cause any effects in the income statement when the market rate changes. The same goes for issued debt with a fixed rate, measured at amortized cost.

Insurance contracts with a guaranteed return does not change the accounting value when interest rates change. Changes in interest rate has no impact on the guaranteed return, but will have an impact on the achieved returns to cover the return guarantee. This is because insurance funds partly invests in debt instruments whose cash flows contribute to cover the customers return guarantee.

NOTE 10 Currency risk

31.12.2019	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/ NOK	Assets	Liabilities	NOK
US dollar	10 435	-54	7 645	-15 463	8,79	18 080	-15 517	22 527
Euro	3 698	-536	1 902	-4 452	9,86	5 600	-4 988	6 036
Japanese yen	116 421	-385	76 266	-154 845	0,08	192 687	-155 230	3 029
British Pound	1 329	0	1 102	-2 223	11,64	2 431	-2 223	2 423
Canadian dollar	948	0	508	-1 136	6,78	1 455	-1 136	2 166
Hong Kong dollar	2 546	0	1 504	-3 011	1,13	4 050	-3 011	1 173
Swiss franc	283	0	169	-339	9,07	452	-339	1 027
Swedish krona	16 397	0	16 105	-31 481	0,94	32 502	-31 481	959
Danish kroner	8 396	-17	10 795	-18 482	1,32	19 191	-18 499	914
Australian dollar	481	0	366	-700	6,18	847	-700	912
Indian rupi	7 135	0	0	0	0,12	7 135	0	878
Brazilian real	337	0	0	0	2,18	337	0	737
Taiwan new dollar	4 505	0	0	-2 530	0,29	4 505	-2 530	579
Korean won	166 781	0	0	-93 550	0,01	166 781	-93 550	556
South African rand	882	0	0	0	0,63	882	0	554
Other currencies								2 707
Total short-term foreign currency positions								**47 177**
US dollar	2 677	-91	0	-2 483	8,79	2 677	-2 574	911
Japanese yen	16 282	-11 587	0	-37	0,08	16 282	-11 624	377
British Pound	192	0	0	-187	11,64	192	-187	52
Swedish krona	1 641	-60	46	-1 590	0,94	1 687	-1 650	35
Danish kroner	19	0	0	-4	1,32	19	-4	20
Australian dollar	3	0	0	-3	6,18	3	-3	1
Korean won	27	0	0	0	0,01	27	0	0
Swiss franc	0	0	0	0	9,07	0	0	0
Canadian dollar	0	0	0	0	6,78	0	0	0
Euro	866	-615	0	-260	9,86	866	-875	-87
Total long-term foreign currency positions								**1 308**
Total pre-tax currency positions								**48 485**
Total currency positions after tax								**36 364**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the currency risk in NOK at the end of the period while other figures are shown in their local currency. The hedge efficiency of currency is 87 per cent and 92 per cent for 2019 and 2018. "Other currencies" include short-term net positions of less than NOK 500 million.

NOTE 10 Currency risk - cont.

31.12.2018	Fin.l pos. statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position
NOK MILLION/ FOREIGN CURRENCY [1]	Assets	Liabilities	Assets	Liabilities	Currency/ NOK	Assets	Liabilities	NOK
US dollar	9 713	-47	6 570	-15 551	8,66	16 282	-15 598	5 924
Swedish krona	14 129	0	18 178	-27 570	0,98	32 307	-27 570	4 626
British Pound	1 352	0	1 037	-2 182	11,03	2 389	-2 182	2 276
Euro	3 140	-96	1 692	-4 552	9,90	4 832	-4 647	1 828
Japanese yen	88 481	-306	78 472	-145 100	0,08	166 954	-145 406	1 701
Canadian dollar	832	0	528	-1 149	6,34	1 360	-1 149	1 336
Danish kroner	6 474	-8	4 506	-10 110	1,33	10 981	-10 117	1 145
Hong Kong dollar	2 257	0	1 232	-2 616	1,11	3 488	-2 616	964
Australian dollar	506	0	393	-756	6,10	899	-756	868
Indian rupi	5 391	0	0	0	0,12	5 391	0	669
Swiss franc	233	0	178	-334	8,78	410	-334	667
South African rand	918	0	0	0	0,60	918	0	553
Other currencies								3 356
Total short-term foreign currency positions								**25 915**
Danish kroner	1 237	0	0	0	1,33	1 237	0	1 641
Japanese yen	15 881	-11 073	0	0	0,08	15 881	-11 073	379
Swedish krona	1 495	0	0	-1 485	0,98	1 495	-1 485	9
Canadian dollar	0	0	0	-1	6,34	0	-1	-4
Australian dollar	0	0	0	-1	6,10	0	-1	-6
US dollar	1 846	-91	38	-1 826	8,66	1 884	-1 917	-281
Euro	613	-615	0	-58	9,90	613	-672	-587
British Pound	26	0	0	-84	11,03	26	-84	-641
Total long-term foreign currency positions								**511**
Total pre-tax currency positions								**26 425**
Total currency positions after tax								**19 819**

[1] The table shows total financial position statement items for each individual currency, divided between short and long-term positions. The net position shows the currency risk in NOK at the end of the period while other figures are shown in their local currency. The hedge efficiency of currency is 87 per cent and 92 per cent for 2019 and 2018. "Other currencies" include short-term net positions of less than NOK 500 million.

KLP currency-hedges the majority of investments made in foreign currency. Financial hedging of currency exposure is done through derivatives. In principle all of the KLP's fixed-income investments and property investments in foreign currency are hedged back to NOK with the objective of 100 per cent hedging. At 31 December 2019, the hedging ratio for equities in developed markets and the most liquid currencies in emerging markets was 60 per cent with possible fluctuations between 50-70 percent. Other currencies, ie, less liquid currencies in developed markets and currencies in emerging markets with the exception of the most liquid currencies, are not currency hedged. The reason for this is that these currencies do not have a large enough market and/or liquidity that it is appropriate to hedge currency. This reduction in the hedging of shares, as well as unsecured foreign equity funds, increases the net positions in foreign currencies.

If all currency positions change by 1 per cent at the same time and in the same direction this would affect the pre-tax result by NOK 485 million. For 2018 the corresponding effect on income was NOK 264 million.

NOTE 11 Credit risk

31.12.2019 NOK MILLIONS	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	[1] Mortgage < 80%	[1] Mortgage > 80%	Other	Total
Debt instruments held to maturity at amortized cost	28 149	36	0	0	0	0	1 396	29 581
Debt instruments classified as loans and receivables at amortized cost	131 504	65	856	876	0	0	22 222	155 523
Debt instruments at fair value - fixed-return securities	37 128	21	2 567	8 699	0	0	9 491	57 905
Fixed-income funds [2]	0	0	6 927	0	0	0	53 995	60 922
Loans and receivables	15 834	0	0	79	0	0	0	15 913
Financial derivatives classified as assets	4 733	0	0	0	0	0	0	4 733
Cash and deposits	900	0	0	0	0	0	0	900
Lending	0	0	56 002	0	3 091	305	11 993	71 391
Total	**218 248**	**123**	**66 351**	**9 654**	**3 091**	**305**	**99 098**	**396 869**

[1] These two columns provide information on the proportion of mortgage loans with mortgage security within 80 % of base value and mortgage 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 “fixed-income securities” in the balance sheet. The value of the investment is NOK 1 371 million per 31.12.2019

SPECIFICATION OF INVESTMENT GRADE	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	11 742	4 068	9 757	2 582	28 149
Debt instruments classified as loans and receivables at amortized cost	24 584	19 989	60 241	26 689	131 504
Debt instruments at fair value - fixed income securities	22 293	4 871	7 701	2 263	37 128
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	5 783	10 048	3	15 834
Financial derivatives classified as assets	0	1 261	3 473	0	4 733
Cash and deposits	0	0	900	0	900
Lending	0	0	0	0	0
Total	**58 618**	**35 973**	**92 119**	**31 537**	**218 248**

NOTE 11 Credit risk - cont.

31.12.2018 NOK MILLIONS	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	[1] Mortgage < 80%	[1] Mortgage > 80%	Other	Total
Debt instruments held to maturity at amortized cost	28 602	0	0	0	0	0	2 279	30 881
Debt instruments classified as loans and receivables at amortized cost	114 686	0	531	0	0	0	23 270	138 487
Debt instruments at fair value - fixed-return securities	46 106	0	2 732	5 421	0	0	11 530	65 788
Fixed-income funds	0	0	6 083	0	0	0	62 049	68 133
Loans and receivables	7 604	0	0	243	0	0	0	7 847
Financial derivatives classified as assets	777	0	0	0	0	0	0	777
Cash and deposits	954	0	0	0	0	0	0	954
Lending	0	0	50 891	0	2 641	340	8 408	62 279
Total	**198 729**	**0**	**60 237**	**5 664**	**2 641**	**340**	**107 536**	**375 145**

[1] These two columns provide information on the proportion of mortgage loans with mortgage security within 80 % of base value and mortgage 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 “fixed-income securities” in the balance sheet. The value of the investment is NOK 1 371 million per 31.12.2019

SPECIFICATION OF INVESTMENT GRADE	AAA	AA	A	BBB	Total Investment grade
Debt instruments held to maturity at amortized cost	12 628	3 939	8 432	3 603	28 602
Debt instruments classified as loans and receivables at amortized cost	21 463	18 816	54 300	20 107	114 686
Debt instruments at fair value - fixed income securities	28 162	4 279	12 744	921	46 106
Fixed-income funds	0	0	0	0	0
Loans and receivables	0	646	6 958	0	7 604
Financial derivatives classified as assets	0	29	748	0	777
Cash and deposits	0	0	954	0	954
Lending	0	0	0	0	0
Total	**62 253**	**27 709**	**84 137**	**24 630**	**198 729**

Credit risk means the risk that a counterparty may not be able to meet its obligations to KLP. In this table the credit risk is measured using rating agencies’ estimates of the level of credit worthiness of the various issuers of fixed-income securities. Assets that are not rated are placed in other categories that describe credit risk, for example 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.

KLP has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes. KLP has a high concentration of debt instruments directed at the Norwegian public sector.

Only ratings from Standard and Poor’s have been used in the note grouping. KLP also uses ratings from Moody’s Investor Services, Fitch Ratings, Scope Rating and Nordic Credit Rating and all five are considered equal as a basis for investments in fixed-income securities. The table shows exposure against the rating categories that S&P uses, where

NOTE 11 Credit risk - cont.

AAA is linked to securities with the highest creditworthiness. That which is classified as "Other" is mainly securities issued by power companies and other corporate bonds: this amounted to NOK 99 billion on 31 December 2019. KLP 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).

NOK MILLIONS	31.12.2019	31.12.2018
TEN LARGEST COUNTERPARTIES		
Counterparty 1	10 340	8 281
Counterparty 2	6 745	7 573
Counterparty 3	6 535	5 618
Counterparty 4	5 841	4 698
Counterparty 5	5 575	4 662
Counterparty 6	5 359	4 382
Counterparty 7	4 739	4 213
Counterparty 8	4 698	4 211
Counterparty 9	3 598	3 425
Counterparty 10	3 526	3 295
Total	**56 957**	**50 358**

The table above shows the ten largest counterparties to which KLP has exposure. The amounts stated are book value. The majority of the ten largest counterparties are either finance institutions or counterparties covered by a public sector guarantee (central or local government guarantee).

PREMIUM RECEIVABLES AND RECEIVABLES IN CONNECTION WITH REINSURANCE

NOK MILLIONS	2019	2018
Premium receivables	485	540
Write-downs of premium receivables	0	0
Total	**485**	**540**

KLP's premium receivables are primarily in regard to the public sector and the credit risk is considered low. In addition the main group pension/public sector industry is linked to the "Transfer agreement for the public sector". This transfer agreement has a security scheme intended to help to secure pension rights accrued with employers who cease to exist or do not pay premiums when due in accorance with detailed rules. The Company may thus apply for cover for unpaid demands in this industry from the security arrangement if the demand falls within the security arrangement's regulations.

NOTE 12 Presentation of assets and liabilities that are subject to net settlement

31.12.2019 NOK MILLIONS				Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	4 733	0	4 733	-598	-3 981	0	169
Total	**4 733**	**0**	**4 733**	**-598**	**-3 981**	**0**	**169**
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	3 971	0	3 971	-597	-3 219	0	154
Total assets – corporate portfolio	747	0	747	0	-762	0	0
Total assets – investment option portfolio	15	0	15	-1	0	0	14
Total	**4 733**	**0**	**4 733**	**-598**	**-3 981**	**0**	**169**
LIABILITIES							
Financial derivatives	599	0	599	-598	-11	0	0
Total	**599**	**0**	**599**	**-598**	**-11**	**0**	**0**
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	598	0	598	-597	-3	0	0
Total liabilities – corporate portfolio	0	0	0	0	0	0	0
Total liabilities – investment option portfolio	2	0	2	-1	-8	0	0
Total	**599**	**0**	**599**	**-598**	**-11**	**0**	**0**

NOTE 12 Presentation of assets and liabilities that are subject to net settlement - cont.

31.12.2018 NOK MILLIONS				Related amounts not presented net			
	Gross financial assets/ liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Security in securities	Net amount
ASSETS							
Financial derivatives	777	0	777	-126	-633	0	23
Total	**777**	**0**	**777**	**-126**	**-633**	**0**	**23**
PORTFOLIO ALLOCATION OF ASSETS							
Total assets – common portfolio	126	0	126	-126	-4	0	0
Total assets – corporate portfolio	651	0	651	0	-628	0	23
Total assets – investment option portfolio	0	0	0	0	-1	0	0
Total	**777**	**0**	**777**	**-126**	**-633**	**0**	**23**
LIABILITIES							
Financial derivatives	3 891	0	3 891	-126	-5	-5 247	13
Total	**3 891**	**0**	**3 891**	**-126**	**-5**	**-5 247**	**13**
PORTFOLIO ALLOCATION OF LIABILITIES							
Total liabilities – common portfolio	3 874	0	3 874	-126	-1	-5 247	0
Total liabilities – corporate portfolio	1	0	1	0	0	0	1
Total liabilities – investment option portfolio	16	0	16	0	-4	0	12
Total	**3 891**	**0**	**3 891**	**-126**	**-5**	**-5 247**	**13**

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 13 Mortgage loans and other lending

NOK MILLIONS	Local government administration	State and local authority owned enterprises [1]	Private organizations and enterprises	Employees, pensioners and similar	Total 31.12.2019	Total 31.12.2018
Akershus	1 957	27	436	580	3 000	3 034
Aust-Agder	1 490	15	2	45	1 552	1 846
Buskerud	8 990	640	69	184	9 883	9 799
Finnmark	652	331	0	68	1 052	446
Hedmark	3 381	42	64	96	3 583	2 717
Hordaland	4 070	786	127	277	5 259	4 519
Møre og Romsdal	3 767	107	167	159	4 200	4 292
Nordland	4 164	102	37	155	4 458	3 860
Nord-Trøndelag	0	0	0	42	42	28
Oppland	2 139	67	5	100	2 310	1 773
Oslo	25	0	1 660	325	2 011	2 040
Rogaland	2 166	140	102	275	2 683	2 468
Sogn og Fjordane	1 968	1	70	46	2 084	1 753
Svalbard	6 229	198	79	1	6 506	6 195
Sør-Trøndelag	0	0	0	186	186	142
Telemark	1 188	139	56	66	1 449	1 032
Troms	2 256	88	257	156	2 758	2 064
Vest-Agder	1 177	29	5	57	1 268	1 244
Vestfold	2 194	141	31	177	2 543	2 548
Østfold	2 985	138	18	380	3 521	2 250
Foreign	0	0	10 766	0	10 766	8 016
Not allocated	0	0	0	6	6	0
Accrued interest	224	11	30	5	270	213
Total	**51 022**	**3 002**	**13 982**	**3 386**	**71 391**	**62 279**

[1] This category covers local authority business operations, as well as enterprises owned by central and local government.

KLP has a lending portfolio of high-quality, with limited credit risk and historically very low losses. In the main KLP provides loans secured on housing with a loan-to-value ratio less than 80 per cent, loans to local authorities and loans with government (central/local) guarantees. Lending secured through mortgages on housing amounts to NOK 3.4 billion. The sector diversification of KLP lending is very small, since a very high proportion of the loans are to the public sector. The concentration risk this suggests is however hardly realistic since the loans are covered by public sector guarantee, which involves an extremely low counterparty risk.In addition, KLP have a NOK 14 billion intra-group loan that is included in “Receivables on and securities issued by subsidiaries, associated enterprises and jointly controlled entities”

NOTE 13 Mortgage loans and other lending - cont.

NOK MILLIONS	2019	2018
INDIVIDUAL WRITE-DOWNS ON LOANS AT AMORTIZED COST		
Number of loans	1	1
Total principal before write-downs	0.77	0.77
Write-downs	0.32	0.29
Total principal after write-downs	**0.45**	**0.48**
INDIVIDUAL WRITE-DOWNS		
Write-down on individual loans 01.01.	0.29	0.45
Known losses for the period where individual write-down has been carried out previously	0.00	-0.02
Write-down on individual loans for the period	0.03	0.00
Reversal of write-down on individual loans for the period	0.00	-0.15
Write-down on individual loans	**0.32**	**0.29**
GROUP WRITE-DOWNS		
Write-down on group of loans 01.01.	0.05	0.04
Write-down on group of loans for the period	0.02	0.01
Write-down on group of loans 31.12.	**0.07**	**0.05**

LOANS OVERDUE

NOK MILLIONS	2019 Remaining debt	2018 Remaining debt
LOANS OVERDUE		
30-90 days	8	10
over 90 days	10	7
Total overdue loans	**18**	**17**

The numbers are absolute figures, the amounts are given in NOK million. Defaulted loans are loans measured at amortized cost. All write-downs are in regard to housing mortgage lending.

NOTE 14 Shares and holdings in subsidiaries, associated enterprises and jointly controlled entities

NOK MILLIONS	Organization number	Holding %	OE on first acquisition	Acquisition cost	Book value 31.12.18	Additions/ disposals	Value adjustment	Profit/ loss share	Equity transaction [1]	Dividend	Book value 31.12.19
SHARES IN THE CORPORATE PORTFOLIO PROPERTY SUBSIDIARIES											
KLP Huset AS Dronning Eufemiasgate 10 0191 Oslo	889828382	100 %	0.00	0.10	1 984.64	0.00	177.55	67.04	-53.13	0.00	2 176.10
KLP Zander Kaaes gt. 7 AS Abels gate 9 7030 Trondheim	999659527	100 %	0.00	790.22	0.00	790.22	0.00	35.05	3.24	0.00	828.52
Total shares and units in property subsidiaries in the corporate portfolio			**0.00**	**790.32**	**1 984.64**	**790.22**	**177.55**	**102.10**	**-49.89**	**0.00**	**3 004.63**
SHARES IN THE CORPORATE PORTFOLIO SUBSIDIARIES (EXCL. PROPERTY)											
KLP Skadeforsikring AS Dronning Eufemiasgate 10 0191 Oslo	970896856	100 %	58.67	78.67	1 774.96	0.00	0.00	165.56	0.00	0.00	1 940.52
KLP Bedriftspensjon AS Dronning Eufemiasgate 10 0191 Oslo	990329389	100 %	50.00	50.00	501.45	0.00	0.00	-10.35	100.00	0.00	591.11
KLP Kapitalforvaltning AS Dronning Eufemiasgate 10 0191 Oslo	968437666	100 %	6.55	14.00	265.16	0.00	0.00	34.91	18.00	0.00	318.07
KLP Forsikringsservice AS Dronning Eufemiasgate 10 0191 Oslo	967696676	100 %	0.05	0.10	5.50	0.00	0.00	-1.15	0.37	0.00	4.72
KLP Bankholding AS Dronning Eufemiasgate 10 0191 Oslo	993749532	100 %	15.10	15.10	2 145.16	0.00	0.00	82.85	0.00	0.00	2 228.01
Total shares and units in subsidiaries (excl. property) in the corporate portfolio			**130.37**	**157.87**	**4 692.24**	**0.00**	**0.00**	**271.81**	**118.37**	**0.00**	**5 082.42**
ASSOCIATED ENTERPRISES IN THE CORPORATE PORTFOLIO											
Norsk Pensjon AS Hansteens gate 2 0253 Oslo	890050212	25 %	5.00	2.50	1.77	0.00	0.00	0.01	0.00	0.00	1.77
Fylkeshuset AS, Molde Fylkeshuset 6404 Molde	930591114	48 %	0.05	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.05
Total shares and units in associated enterprises in the corporate portfolio			**5.05**	**2.55**	**1.82**	**0.00**	**0.00**	**0.01**	**0.00**	**0.00**	**1.82**
Total shares and units in other subsidiaries, associated enterprises and jointly controlled entities in the corporate portfolio			**135.42**	**160.41**	**4 694.05**	**0.00**	**0.00**	**271.82**	**118.37**	**0.00**	**5 084.24**
Total subsidiaries. associated enterprises and jointly controlled entities			**135.42**	**950.74**	**6 678.69**	**790.22**	**177.55**	**373.92**	**68.48**	**0.00**	**8 088.87**

[1] The column equity transaction include group contribution

NOTE 14 Shares and holdings in subsidiaries, associated enterprises and jointly controlled entities - cont.

NOK MILLIONS	Organization number	Holding %	OE on first acquisition	Acquisition cost	Book value 31.12.18	Additions/ disposals	Value adjustment	Profit/ loss share	Equity transaction [1]	Dividend	Book value 31.12.19
PROPERTY SUBSIDIARIES											
SHARES IN THE COMMON AND INVESTMENT OPTION PORTFOLIOS											
KLP Eiendom AS Dronning Eufemiasgate 10. 0191 Oslo	988394750	100 %	0.10	0.14	47 529.93	0.00	663.73	2 316.75	3 665.87	0.00	54 176.29
Total shares and units in property subsidiaries in the common and investment option portfolios			**0.10**	**0.14**	**47 529.93**	**0.00**	**663.73**	**2 316.75**	**3 665.87**	**0.00**	**54 176.29**
SUBSIDIARIES IN THE COMMOM PORTFOLIO											
Copenhagen Infrastructure Partners III GP APS Nørregade 21 1165 København K. Denmark		100 %	0.06	7.83	1.54	6.30	0.00	-2.31	0.00	0.00	5.54
Copenhagen Infrastructure Partners II GP APS Nørregade 21 1165 København K. Denmark		100 %	8.88	14.50	12.74	1.98	0.00	-0.71	0.00	0.00	14.01
Total shares and units in subsidiaries in the commom portfolio			**8.94**	**22.32**	**14.29**	**8.28**	**0.00**	**-3.02**	**0.00**	**0.00**	**19.55**
JOINTLY CONTROLLED ENTITIES IN THE COMMON PORTFOLIO											
KLP Norfund Investments IS Fridtjof Nansens plass 4 0160 OSLO	999548636	49 %	0.05	562.60	460.93	119.31	0.00	34.73	0.00	0.00	614.97
Total shares and units in jointly controlled entities in the common portfolio			**0.05**	**562.60**	**460.93**	**119.31**	**0.00**	**34.73**	**0.00**	**0.00**	**614.97**
ASSOCIATED ENTERPRISES IN THE COMMON PORTFOLIO											
Norfinance AS Fridtjof Nansens plass 4 0160 OSLO	912764729	46.5 %	92.30	431.11	415.67	106.08	0.00	25.33	0.00	-8.99	538.10
Copenhagen Infrastructure III GP APS Nørregade 21 1165 København K. Denmark		33.3 %	0.02	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.02
Stena Renewable AB Rosenlundsg.3 Box 7123 402 33 Göteborg Sweden		30 %	600.17	657.91	629.96	57.74	0.00	-26.95	0.00	0.00	660.75
Tensio AS Kjøpmannsgata 7A 7500 STJØRDAL	922828172	20 %	1 652.60	1 652.60	0.00	1 652.60	0.00	3.71	0.00	-410.24	1 246.08
Total shares and units in associated enterprises in the common portfolio			**2 345.09**	**2 741.64**	**1 045.66**	**1 816.43**	**0.00**	**2.09**	**0.00**	**-419.23**	**2 444.95**
Total shares and units in other subsidiaries. associated enterprises and jointly controlled entities in the common portfolio			**2 354.08**	**3 326.57**	**1 520.88**	**1 944.01**	**0.00**	**33.81**	**0.00**	**-419.23**	**3 079.47**

[1] The column equity transaction include group contribution

All shares and other holdings have equal voting proportions.

NOTE 15 Shares and equity fund units

NOK MILLIONS	Organisation number	Volume	Market value
NORWAY			
BETONMASTHAEHRE	600415255	5 300	0
NMI GP IV AS	922100209	1 200 000	12
NORDIC CREDIT RATING AS	911721287	29 970	4
SOLGAARDEN SA	965585850	137	2
TOPCO VARME AS (OSLOFJORD VARME)	920349455	180	242
TOTAL, UNSPECIFIED			**259**
EUROPRIS ASA		2 165 265	74
KONGSBERG AUTOMOTIVE ASA		12 270 182	75
TOTAL, CONSUMER DISCRETIONARY			**150**
ATLANTIC SAPPHIRE AS		280 966	36
AUSTEVOLL SEAFOOD ASA	929975200	337 501	30
LEROY SEAFOOD GROUP ASA	0	2 304 108	134
MARINE HARVEST	964118191	1 741 654	397
ORKLA	910747711	2 044 644	182
SALMAR ASA		152 013	68
TOTAL, CONSUMER STAPLES			**848**
2VK INVEST AS		2 690 000	1
AKER BP ASA	989795848	777 204	224
EQUINOR ASA		3 944 830	692
MAGSEIS FAIRFIELD ASA		3 411 771	20
OCEAN YIELD ASA	991844562	694 840	33
PETROLEUM GEO-SERVICES		1 743 535	30
READ WELL SERVICES HOLDING (a-aksje) AS	995280221	113 939	1
READ WELL SERVICES HOLDING (b-aksje) AS	995280221	990 546	11
TGS NOPEC GEOPHYSICAL CO ASA		537 676	144
TOTAL, ENERGY			**1 156**
AKER ASA-A SHARES	886581432	303 592	165
DNB ASA		2 779 713	456
GJENSIDIGE FORSIKRING ASA	995568217	12 485	2
NORDIC MICROFINANCE INITIATIVE	917763399	6 124 367	11
NORWEGIAN FINANCE HOLDING AS		557 986	53
NORWEGIAN MICROFINANCE INITIATIVE	917763399	8 118 127	13
STOREBRAND ASA	916300484	3 000 000	207
TOTAL, FINANCIAL			**907**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organisation number	Volume	Market value
BERGENBIO ASA		1 378 322	33
NORDIC NANOVECTOR ASA		265 963	8
PHOTOCURE		500 000	45
REDCORD AS	960304977	7 100	0
TARGOVAX AS		453 066	4
ULTIMOVACS ASA		400 000	16
TOTAL, HEALTHCARE			**106**
BONHEUR ASA	830357432	426 104	84
KONGSBERG GRUPPEN ASA	943753709	323 468	45
MPC CONTAINER SHIPS AS		740 000	15
NORWEGIAN AIR SHUTTLE AS	965920358	280 000	11
OTOVO AS - A SHARES		238 806	23
OTOVO AS - PREF SHARES		42 000	4
WALLENIUS WILHELMSEN LOGISTI	995216604	901 926	20
TOTAL, INDUSTRY			**200**
HIDDN SOLUTIONS ASA		2 195	0
NORDIC SEMICONDUCTOR ASA		3 642 944	203
Q-FREE ASA		4 350 635	30
TOTAL, IT			**232**
ELKEM ASA	911382008	1 040 207	26
NORSK HYDRO ASA	914778271	6 131 336	200
YARA INTERNATIONAL	986228608	781 005	285
TOTAL, RAW MATERIALS			**511**
ENTRA ASA	999296432	32 000	5
OLAV THON EIENDO	914594685	119 700	20
TOTAL, PROPERTY			**25**
Adevinta ASA		565 995	59
SCHIBSTED ASA-B SHS	933739384	509 130	128
TELENOR		2 269 747	357
TOTAL, TELECOM			**544**
ISTAD AS		13 000	135
LOFOTKRAFT AS	986347801	10 290	146
RINGERIKS-KRAFT AS	976957628	150	285
TRONDERENERGI AS	980417824	1 153 846	815
TUSSA KRAFT AS		454	493
TOTAL, DISTRIBUTION			**1 874**
TOTAL NORWAY			**6 813**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
FOREIGN		
BGP HOLDINGS	1 374 296	0
ABC-MART INC	2 200	1
ACCOR	22 070	9
ADIDAS	17 802	51
ADVANCE AUTO PARTS	6 100	9
AISIN SEIKI CO	12 600	4
AMAZON.COM	36 079	586
DELPHI AUTOMOTIVE PLC	21 009	18
ARAMARK	20 000	8
ARISTOCRAT LEISURE	50 433	10
AUTOLIV INC	5 700	4
AUTOZONE	2 255	24
NAMCO BANDAI HOLDINGS	18 300	10
BARRATT DEVELOPMENTS	106 780	9
BMW STAMM	33 719	24
BMW VORZUG	3 485	2
BENESSE HOLDINGS INC	4 800	1
BERKELEY GROUP HOLDINGS	14 347	8
BEST BUY CO	20 384	16
PRICELINE.COM	3 611	65
BORGWARNER INC	14 300	5
BRIDGESTONE CORP	55 200	18
BURBERRY GROUP	43 305	11
BURLINGTON STORES INC	5 900	12
CANADIAN TIRE CORP A	4 900	5
MICHAEL KORS HOLDINGS LTD	12 600	4
CARMAX	13 300	10
CARNIVAL CORP	103	0
CARNIVAL PLC(P AND O PRINCES	54 011	23
CASIO COMPUTER CO	11 200	2
CHIPOTLE MEXICAN GRILL INC	2 400	18
RICHEMONT (FIN) UNIT A	51 517	36
COMPASS GROUP	156 565	34
CONTINENTAL	11 237	13
DAIMLERCHRYSLER	89 746	44
DOLLARAMA INC	24 600	7
DOMINO'S PIZZA INC	3 470	9
D.R. HORTON	27 600	13

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
DUFRY AG-REG	3 976	3
EBAY	63 774	20
ELECTROLUX B	16 302	4
ESSILOR INTERNATIONAL	27 974	37
EXPEDIA	12 350	12
FAST RETAILING CO	5 200	27
FAURECIA	7 344	3
FERRARI NV	13 068	19
FIAT CHRYSLER AUTOMOBILES NV	107 123	14
FLIGHT CENTRE LTD	1 856	0
FORD MOTOR CO	335 408	27
GAP	16 001	2
GARMIN	11 200	10
GENERAL MOTORS CO	109 389	35
GENUINE PARTS CO	13 375	12
GILDAN ACTIVEWEAR	15 100	4
GRUBHUB INC	8 000	3
HANESBRANDS INC	26 000	3
HARLEY-DAVIDSON	13 244	4
HARVEY NORMAN HOLDINGS	52 104	1
HASBRO	10 200	9
HENNES & MAURITZ B	85 690	15
HERMES INTERNATIONAL	3 261	21
HIKARI TSUSHIN INC	1 400	3
HILTON WORLDWIDE HOLDINGS IN	22 233	22
HOME DEPOT	93 228	179
HONDA MOTOR CO	146 100	37
HUSQVARNA B	33 815	2
IIDA GROUP HOLDINGS CO LTD	10 500	2
INDITEX	107 656	33
INTERCONTINENTAL HOTELS	16 434	10
ISETAN CO	23 200	2
ISUZU MOTORS	39 500	4
J FRONT RETAILING CO LTD	14 700	2
JD SPORTS FASHION PLC	32 829	3
PPR	7 478	43
KINGFISHER	151 621	4
KOHLS CORP	13 194	6
KOITO MFG	6 800	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
LEAR CORP	5 100	6
LEGGETT & PLATT	8 800	4
LENNAR CORP-A	27 200	13
LKQ CORP	30 400	10
LOWE'S COS	67 599	71
LULULEMON ATHLETICA INC	9 000	18
MAGNA INTERNATIONAL A	27 288	13
MARKS & SPENCER GROUP	164 122	4
MARRIOTT INT'L A	24 710	33
MARUI GROUP CO LTD	13 400	3
MAZDA MOTOR CORP	49 700	4
MCDONALD'S CORP	64 649	112
MCDONALD'S HOLDINGS CO JAPAN	4 500	2
MERCADOLIBRE INC	3 900	20
MERCARI INC	5 400	1
MICHELIN	16 866	18
MITSUBISHI MOTORS CORP	40 000	1
MOHAWK INDUSTRIES	5 200	6
MONCLER SPA	21 744	9
NEWELL RUBBERMAID	32 518	5
NEXT	12 128	10
NGK SPARK PLUG CO	11 300	2
NIKE B	106 572	95
NIKON CORP	25 200	3
NISSAN MOTOR CO	236 900	12
NITORI CO	6 700	9
NOKIAN RENKAAT	19 087	5
NORDSTROM	9 500	3
NORWEGIAN CRUISE LINE HOLDIN	18 400	9
NVR INC	340	11
OCADO GROUP PLC	56 183	8
O'REILLY AUTOMOTIVE INC	6 206	24
ORIENTAL LAND CO	18 400	22
DON QUIJOTE CO LTD	35 200	5
PANASONIC CORP	197 100	16
PANDORA A/S	7 688	3
PERSIMMON PLC	27 246	9
PEUGEOT SA	63 511	13
PIRELLI & C SPA	29 700	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
POLARIS INDUSTRIES INC	4 200	4
PORSCHE AUTOMOBIL HOLDING SE	14 504	10
PROSUS	48 102	32
PULTE GROUP INC	26 666	9
PUMA	9 420	6
PVH CORP	5 500	5
RAKUTEN	77 900	6
RALPH LAUREN CORP	4 000	4
RENAULT	21 757	9
RESTAURANT BRANDS INTERN	22 348	13
RINNAI CORP	1 900	1
ROSS STORES	32 527	33
ROYAL CARIBBEAN CRUISES	15 708	18
RYOHIN KEIKAKU CO LTD	23 000	5
SANKYO CO (6417)	4 300	1
SEB SA	1 800	2
SEGA SAMMY HOLDINGS	10 400	1
SEKISUI CHEMICAL CO	24 900	4
SEKISUI HOUSE	51 600	10
SHARP CORP	31 000	4
SHIMAMURA CO	1 500	1
SHIMANO	6 200	9
SODEXHO ALLIANCE	8 769	9
SONY CORP	113 900	68
STANLEY ELECTRIC CO	8 400	2
STARBUCKS CORP	101 901	79
FUJI HEAVY INDUSTRIES	56 700	12
SUMITOMO ELECTRIC IND	64 700	9
SUMITOMO RUBBER IND	13 200	1
SUZUKI MOTOR CORP	34 500	13
SWATCH GROUP INH	2 309	6
SWATCH GROUP NAM	4 319	2
TAPESTRY INC	27 800	7
TARGET CORP	43 511	49
TAYLOR WIMPEY	345 550	8
TESLA MOTORS INC	11 400	42
TIFFANY & CO	8 300	10
TJX COS	102 922	55
TOYODA GOSEI CO	6 200	1

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
TOYOTA INDUSTRIES CORP	16 200	8
TOYOTA MOTOR CORP	204 691	128
TRACTOR SUPPLY COMPANY	8 700	7
TUI AG-DI	56 191	6
ULTA BEAUTY INC	5 500	12
UNDER ARMOUR INC-CLASS A	11 800	2
UNDER ARMOUR INC-CLASS C	11 883	2
USS CO	15 900	3
VAIL RESORTS INC	3 800	8
VALEO SA	26 025	8
VF CORP	28 100	25
VOLKSWAGEN STAMM	4 273	7
VOLKSWAGEN VORZUG	18 316	32
WAYFAIR INC- CLASS A	5 000	4
WESFARMERS	99 724	25
WHIRLPOOL CORP	5 140	7
WHITBREAD	16 550	9
YAMADA DENKI CO	38 500	2
YAMAHA CORP	12 700	6
YAMAHA MOTOR CO	27 400	5
YOKOHAMA RUBBER CO LTD	8 000	1
YUE YUEN INDUSTRIAL	53 500	1
YUM BRANDS	26 382	23
ZALANDO SE	10 677	5
START TODAY CO LTD	4 600	1
TOTAL, CONSUMER DISCRETIONARY		**3 364**
A2 MILK CO LTD	85 073	8
AEON CO	77 800	14
AJINOMOTO CO	56 100	8
ALIMENTATION COUCHE-T. B	83 434	23
ARCHER-DANIELS-MIDLAND	57 121	23
ASSOCIATED BRITISH FOODS	43 492	13
BARRY CALLEBAUT AG-REG	327	6
BEIERSDORF	13 348	14
BUNGE	15 700	8
CALBEE INC	5 400	2
CAMPBELL SOUP CO (US)	20 348	9
CARREFOUR	76 821	11

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
CASINO ORD	4 730	2
LINDT & SPRUENGLI PART	121	8
LINDT AND SPRUENGLI NAMEN	13	10
CHURCH & DWIGHT CO INC	24 000	15
CLOROX CO	12 218	16
COCA-COLA WEST COMPANY LIMITED	14 000	3
COCA-COLA CO	394 866	192
COCA-COLA EUROPEAN PARTNERS	28 800	13
COCA-COLA HBC AG-CDI	24 512	7
COLES GROUP LTD	132 575	12
COLGATE-PALMOLIVE	79 259	48
COLRUYT	5 739	3
CONAGRA FOODS INC	54 639	16
COSTCO WHOLESALE CORP	42 706	110
COTY INC-CL A	16 632	2
DAIRY FARM INTL HLDGS LTD	25 100	1
DANONE	73 274	53
EMPIRE CO LTD 'A'	12 900	3
ESSITY AKTIEBOLAG-B	71 968	20
ESTEE LAUDER COS A	21 528	39
FAMILYMART CO	31 600	7
GENERAL MILLS	60 030	28
HENKEL AG & CO KGAA	11 906	10
HENKEL AG & CO KGAA	21 922	20
HERSHEY CO (THE)	15 400	20
HORMEL FOODS CORP	33 400	13
ICA GRUPPEN AB	14 618	6
INGREDION INC	7 100	6
JERONIMO MARTINS SGPS	20 713	3
J.M.SMUCKER	12 700	12
KAO CORP	51 300	37
KELLOGG CO	26 400	16
KERRY GROUP A	18 578	20
KIKKOMAN CORP	19 900	9
KIMBERLY-CLARK CORP	33 423	40
KOBAYASHI PHARMACEUTICAL CO	3 600	3
AHOLD (KON.)	140 465	31
KOSE CORP	4 300	6
KRAFT HEINZ CO/THE	69 796	20

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
KROGER CO	73 576	19
LAMB WESTON HOLDINGS INC	15 700	12
LAWSON	6 000	3
LION CORP	17 000	3
LOBLAW COMPANIES LTD	20 737	9
LOREAL	29 986	78
MCCORMICK & CO NV	12 121	18
MEIJI HOLDINGS CO LTD	13 600	8
METRO WHOLESALE & FOOD SPECI	14 240	2
METRO A	23 307	8
KRAFT FOODS A	140 149	68
MONSTER BEVERAGE CORP	39 687	22
NESTLE	356 665	339
NIPPON MEAT PACKERS	7 600	3
NISSHIN SEIFUN GROUP	20 105	3
NISSIN FOODS HOLDINGS CO LTD	5 900	4
BAKKAFROST P/F	116 885	76
PEPSICO	135 941	163
PIGEON CORP	10 100	3
POLA ORBIS HOLDINGS INC	6 000	1
PROCTER & GAMBLE CO	246 235	270
RECKITT BENCKISER GROUP PLC	84 171	60
SAINSBURY (J)	174 012	5
SAPUTO	28 200	8
SEVEN AND I HOLDINGS CO	83 240	27
SHISEIDO CO	42 600	27
HRG GROUP INC	31	0
SUNDRUG CO LTD	4 400	1
SUNTORY BEVERAGE & FOOD LTD	17 200	6
SYSCO CORP	49 167	37
TESCO	1 162 145	34
TOYO SUISAN KAISHA	11 700	4
TSURUHA HOLDINGS INC	4 400	5
TYSON FOODS A	30 800	25
UNI-CHARM CORP	45 100	13
UNILEVER NV CERT	174 138	88
UNILEVER PLC	131 699	67
VITASOY INTL HOLDINGS LTD	106 400	3
WALGREEN CO	72 732	38

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
WAL-MART STORES INC	138 700	145
WELCIA HOLDINGS CO LTD	5 400	3
WESTON (GEORGE)	6 699	5
WH GROUP LTD	1 264 000	11
WILMAR INTERNATIONAL	287 800	8
MORRISON WM SUPERMARKETS	245 621	6
WOOLWORTHS LTD	135 264	30
YAKULT HONSHA CO	12 600	6
YAMAZAKI BAKING CO	10 000	2
TOTAL, CONSUMER STAPLES		**2 797**
APACHE CORP	32 504	7
ATLANTICA TENDER DRILLING LT	4 548 536	5
BAKER HUGHES A GE CO	67 081	15
BP	1 700 226	93
BW LPG LTD	428 145	32
BW OFFSHORE LTD	294 621	19
CABOT OIL & GAS CORP	40 300	6
CALTEX AUSTRALIA	19 661	4
CAMECO CORP	29 400	2
CHENIERE ENERGY INC	21 900	12
CHEVRON CORP	196 100	208
CONCHO RESOURCES INC	21 100	16
CONOCOPHILLIPS	114 687	66
CONTINENTAL RESOURCES INC/OK	6 500	2
DEVON ENERGY CORP	44 244	10
DIAMONDBACK ENERGY INC	17 500	14
ENCANA CORP	140 730	6
ENI	222 076	30
EOG RESOURCES	60 000	44
EXXON MOBIL CORP	442 363	271
FRONTLINE LTD	256 152	28
GALP ENERGIA SGPS SA-B SHRS	43 411	6
HAFNIA LTD	865 000	24
HALLIBURTON CO	90 600	19
HESS	29 800	17
HOLLY CORP	14 100	6
IDEMITSU KOSAN CO	25 363	6
INDEPENDENT TANKERS CORP LTD	1 539 877	0
INPEX CORPORATION	93 900	9

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
INTER PIPELINE LTD	38 838	6
JX HOLDINGS INC	339 455	14
KEYERA CORP	28 284	6
KINDER MORGAN INC	210 441	39
LUNDIN PETROLEUM	14 040	4
MARATHON OIL CORP	96 900	12
NATIONAL OILWELL VARCO	44 663	10
NESTE OIL	34 507	11
NOBLE ENERGY	56 500	12
OCCIDENTAL PETROLEUM	92 384	33
ODFJELL DRILLING LTD	730 000	24
OIL SEARCH	133 276	6
OKEANIS ECO TANKERS CORP	566 192	60
OMV AG	10 350	5
ONEOK INC	43 500	29
PARKLAND FUEL CORP	12 200	4
PEMBINA PIPELINE CORP	53 709	18
PIONEER NATURAL RES.	17 300	23
PRAIRIESKY ROYALTY LTD	23 435	2
REPSOL YPF	114 894	16
REPSOL SA-RTS	114 894	0
ROYAL DUTCH SHELL PLC-A SHS	9 157	2
ROYAL DUTCH SHELL B	672 118	175
SANTOS	191 976	10
SCHLUMBERGER	142 846	50
SHELF DRILLING LTD	505 520	9
SUBSEA 7 SA	2 046 437	214
TARGA RESOURCES CORP	21 900	8
TRANSCANADA CORP	95 932	45
TECHNIPFMC PLC	35 700	7
TENARIS SA	34 366	3
TOTAL	200 309	97
VALERO ENERGY CORP	42 835	35
VOPAK	5 938	3
WILLIAMS COS	126 343	26
WOODSIDE PETROLEUM	90 468	19
WORLEYPARSONS	34 510	3
TOTAL, ENERGY		**2 022**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
3I GROUP PLC	81 910	10
ABN AMRO GROUP NV-CVA	46 545	7
ACOM CO	18 600	1
ADMIRAL GROUP PLC	12 955	3
AEGON	147 216	6
AEON CREDIT SERVICE CO	5 500	1
AFLAC	59 544	28
AGEAS	14 188	7
AGNC INVESTMENT CORP	45 700	7
AIA GROUP LTD	1 008 860	93
AIB GROUP PLC	80 919	2
ALLEGHANY CORP	1 100	8
ALLIANZ	35 426	76
ALLSTATE CORP	29 009	29
ALLY FINANCIAL INC	28 800	8
AMERICAN EXPRESS	58 874	64
AMERICAN FINANCIAL GROUP INC	5 000	5
AMERICAN INT'L GROUP	72 647	33
AMERIPRISE FINANCIAL	11 570	17
AMP LTD	229 635	3
AMUNDI SA	5 859	4
ANNALY CAPITAL MANAGEMENT IN	124 200	10
AON CORP	19 673	36
AOZORA BANK	6 400	1
ARCH CAPITAL GROUP	31 800	12
ARTHUR J GALLAGHER & CO	15 500	13
ASSICURAZIONI GENERALI	94 696	17
ASSURANT	4 400	5
ASX	18 958	9
ATHENE HOLDING LTD-CLASS A	10 100	4
ANZ BANKING GROUP	241 615	37
AVIVA	360 057	18
AXA EQUITABLE HOLDINGS INC	35 800	8
AXA SA	161 258	40
BALOISE-HOLDING AG	5 236	8
BANCO BILBAO VIZCAYA ARGENTA	572 481	28
BANCO DE SABADELL SA	449 093	5
BANCO ESPIRITO SANTO	190 970	0
BSCH BCO SANTANDER CENTR	1 386 953	51

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
BANK HAPOALIM BM	113 838	8
BANK LEUMI LE-ISRAEL	131 474	8
BANK OF AMERICA CORP	748 610	232
BANK EAST ASIA	77 706	2
BANK IRELAND	82 407	4
BANK KYOTO	5 200	2
BANK MONTREAL	53 352	36
BANK NEW YORK MELLON	70 781	31
BANK NOVA SCOTIA	101 901	51
BANKIA SAU	69 290	1
BANKINTER	39 786	3
BARCLAYS	1 439 633	30
BENDIGO AND ADELAIDE BANK LTD	37 745	2
BERKSHIRE HATHAWAY B	111 551	222
BLACKROCK INC	9 708	43
BLACKSTONE GROUP INC/THE-A	57 000	28
BNP PARIBAS	93 878	49
BOC HONG KONG HOLDINGS	305 700	9
BROOKFIELD ASSET MAN A	74 329	38
BROWN & BROWN INC	17 200	6
CAIXABANK	269 807	7
CANADIAN IMPERIAL BANK	37 508	27
CAPITAL ONE FINANCIAL	40 888	37
CBOE HOLDINGS INC	10 100	11
CHALLENGER FINANCIAL SVC	38 000	2
CHIBA BANK	45 000	2
ACE	38 016	52
CI FINANCIAL INCOME FUND	15 500	2
CINCINNATI FINL CORP	13 800	13
CITIGROUP	188 526	132
CITIZENS FINANCIAL GROUP	34 300	12
CHICAGO MERCANTILE EXCH	29 920	53
CNP ASSURANCES	11 687	2
COMERICA	11 400	7
COMMERZBANK	87 323	5
COMMONWEALTH BANK	147 745	73
BANK YOKOHAMA	74 000	3
CREDIT AGRICOLE	90 820	12

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
CREDIT SAISON CO	10 600	2
CREDIT SUISSE	204 640	24
DAI-ICHI LIFE INSURANCE	82 900	12
DAIWA SECURITIES GROUP	109 900	5
DANSKE BANK	52 104	7
DBS GROUP HOLDINGS	159 784	27
DEUTSCHE BANK NAMEN	158 910	11
DEUTSCHE BOERSE AG	17 079	24
DIRECT LINE INSURANCE GROUP	87 441	3
DISCOVER FINANCIAL SERVICES	25 444	19
E*TRADE FINANCIAL CORP	20 000	8
EAST WEST BANCORP INC	10 000	4
EATON VANCE CORP	8 500	3
ERIE INDEMNITY COMPANY-CL A	1 900	3
ERSTE GROUP BANK AG	25 712	9
EURAZEO	2 723	2
EVEREST RE GROUP	3 000	7
EXOR NV	11 017	8
FACTSET RESEARCH SYSTEMS INC	2 800	7
FAIRFAX FINANCIAL HLDGS	2 632	11
FIDELITY NAT'L FINANCIAL	24 300	10
FIFTH THIRD BANCORP	63 705	17
FINECOBANK SPA	66 576	7
FIRST REPUBLIC BANK/CA	15 500	16
FRANKLIN RESOURCES	30 204	7
FUKUOKA FINANCIAL GROUP	8 400	1
TORCHMARK CORP	8 400	8
GOLDMAN SACHS GROUP	26 974	54
GREAT WEST LIFECO	19 848	4
GROUPE BRUXELLES LAMBERT	8 717	8
HANG SENG BANK	68 400	12
HANNOVER RUECKVERSICH.	5 934	10
HARGREAVES LANSDOWN PLC	26 504	6
HARTFORD FINANCIAL SVCS	30 711	16
HONG KONG EXCH.&CLEARING	99 781	28
HSBC HOLDINGS (GB)	1 685 043	116
HUNTINGTON BANCSHARES INC	79 100	10
IA FINANCIAL CORP INC	12 614	6
IGM FINANCIAL	7 300	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
INDUSTRIVARDEN C	10 187	2
ING GROEP	325 201	34
INSURANCE AUSTRALIA GRP.	202 674	10
INTACT FINANCIAL CORP	12 000	11
INTERCONTINENTAL	48 595	40
INTESA SANPAOLO ORD	1 260 509	29
INVESCO LTD	28 858	5
INVESTOR B	39 649	19
ISRAEL DISCOUNT BANK-A	85 200	3
JAPAN EXCHANGE GROUP INC	54 500	8
JAPAN POST BANK CO LTD	25 500	2
JAPAN POST HOLDINGS CO LTD	130 900	11
JAPAN POST INSURANCE CO LTD	19 000	3
LEUCADIA NATIONAL CORP	21 200	4
JPMORGAN CHASE & CO	269 515	330
JULIUS BAER GROUP LTD	23 064	10
KBC GROUPE	20 408	13
KEYCORP	79 000	14
Kinnevik AB ser. B	29 789	6
KKR & CO INC -A	37 000	9
LEGAL & GENERAL GROUP	534 214	19
LINCOLN NATIONAL CORP	16 682	9
LLOYDS BANKING GROUP PLC	6 043 301	44
LOEWS CORP	26 500	12
LONDON STOCK EXCHANGE	26 981	24
LUNDBERGFORETAGEN AB, L E SER. B	7 600	3
M & T BANK CORP	11 016	16
M&G PLC	189 065	5
MACQUARIE BANK	28 011	24
MAGELLAN FINANCIAL GROUP LTD	9 041	3
MANULIFE FINANCIAL CORP	158 175	28
MAPFRE	70 142	2
MARKEL CORP	1 220	12
MARKETAXESS HOLDINGS INC	2 800	9
MARSH AND MCLENNAN COS	42 254	41
ASHIKAGA HOLDINGS CO LTD	54 990	1
MEDIBANK PRIVATE LTD	176 403	3
MEDIOBANCA	40 060	4
METLIFE	69 398	31

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
MITSUBISHI UFJ FIN GRP	1 026 698	49
MITSUBISHI UFJ LEASE FIN	37 700	2
MIZRAHI TEFAHOT BANK LTD	10 489	2
MIZUHO FINANCIAL GROUP	2 042 717	28
MOODYS CORP	14 976	31
MORGAN STANLEY	103 487	46
MS&AD INSURANCE GROUP HOLDINGS	39 920	12
MSCI INC	7 600	17
MUENCHENER RUECKVERSICH.	12 762	33
NASDAQ OMX GROUP/THE	11 000	10
NATIONAL AUSTRALIA BANK	249 292	38
NATIONAL BANK OF CANADA	27 192	13
NATIXIS	60 903	2
NN GROUP NV	24 087	8
NOMURA HOLDINGS	270 600	12
NORDEA BANK ABP	270 408	19
NORTHERN TRUST CORP	16 550	15
ONEX CORPORATION	5 400	3
ORIX CORP	117 600	17
OCBC BANK	287 793	21
PARGESA HOLDING INH	2 771	2
PARTNERS GROUP HOLDING AG	1 507	12
PEOPLES UNITED FINANCIAL	44 500	7
PNC FINL SERVICES GROUP	37 728	53
POSTE ITALIANE SPA	30 561	3
POWER CORP OF CANADA	21 993	5
POWER FINANCIAL CORP	29 800	7
PRINCIPAL FINANCIAL GRP	26 100	13
PROGRESSIVE CORP	48 752	31
PRUDENTIAL FINANCIAL	35 102	29
PRUDENTIAL	216 981	37
QBE INSURANCE GROUP	97 164	8
RAIFFEISEN BANK INTERNATIONAL	9 818	2
RAYMOND JAMES FINANCIAL INC	12 340	10
REGIONS FINANCIAL (NEW)	87 341	13
REINSURANCE GROUP OF AMERICA	6 200	9
RENAISSANCERE HOLDINGS	2 900	5
RESONA HOLDINGS	185 942	7
ROYAL BANK OF CANADA	119 642	83

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ROYAL BANK OF SCOTLAND	386 914	11
RSA INSURANCE GROUP PLC	64 641	4
S&P GLOBAL INC	20 739	50
SAMPO OYJ-A SHS	41 486	16
SBI HOLDINGS	14 070	3
SCHRODERS	8 983	3
SCHWAB (CHARLES) CORP	98 230	41
SCOR	9 679	4
SEI INVESTMENTS COMPANY	9 800	6
SEVEN BANK LTD	29 100	1
SHINSEI BANK	10 900	1
SHIZUOKA BANK	34 000	2
SIGNATURE BANK	6 000	7
SINGAPORE EXCHANGE	48 400	3
SKAND.ENSKILDA BANKEN A	122 934	10
SOCIETE GENERALE	73 714	23
NKSJ HOLDINGS INC	28 800	10
SONY FINANCIAL HOLDINGS	9 900	2
ST JAMES'S PLACE PLC	32 674	4
STANDARD CHARTERED	258 692	21
STANDARD LIFE	158 985	6
STATE STREET CORP	30 243	21
SUMITOMO MITSUI FINL GRP	110 971	36
SUMITOMO MITSUI TRUST HOLDINGS	32 476	11
SUN LIFE FINANCIAL	52 898	21
SUNCORP GROUP LTD	105 073	8
SVB FINANCIAL GROUP	5 000	11
SVENSKA HANDELSBANKEN-A SHS	147 172	14
SWEDBANK	66 989	9
SWISS LIFE HOLDING	2 751	12
SWISS RE LTD	23 783	23
SYNCHRONY FINANCIAL	46 910	15
PRICE (T. ROWE) GROUP	18 923	20
T&D HOLDINGS	38 100	4
TD AMERITRADE HOLDING CO	25 100	11
TOKIO MARINE HOLDINGS INC	51 279	25
TOKYO CENTURY CORP	3 200	2
TORONTO-DOMINION BANK	151 818	75
TRAVELERS COS	21 310	26

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
BB&T CORP	116 302	58
TRYG A/S	8 165	2
UBS NAMEN	322 078	36
UNICREDIT SPA	181 324	23
UNITED OVERSEAS BANK	114 723	20
UNUM GROUP	16 666	4
US BANCORP	124 932	65
ING US INC	15 500	8
WELLS FARGO & CO	349 362	165
WENDEL	2 001	2
WESTPAC BANKING	291 272	44
WILLIS GROUP HOLDINGS PLC	10 368	18
BERKLEY (W.R.) CORP	15 050	9
ZIONS BANCORPORATION	13 000	6
ZURICH FINL SERVICES	12 486	45
TOTAL, FINANCIAL		**5 160**
ABBOTT LABORATORIES	147 800	113
ABBVIE INC	123 636	96
ABIOMED INC	3 100	5
AGILENT TECHNOLOGIES	25 821	19
ALCON INC	33 164	16
ALEXION PHARMACEUTICALS INC	19 600	19
ALFRESA HOLDINGS	10 700	2
ALIGN TECHNOLOGY INC	6 700	16
ALLERGAN PLC	27 384	46
ALNYLAM PHARMACEUTICALS INC	10 100	10
AMERISOURCEBERGEN	12 884	10
AMGEN	50 123	106
ANTHEM INC	21 396	57
ASAHI INTECC CO LTD	16 600	4
ASTELLAS PHARMA	156 220	24
ASTRAZENECA	109 491	97
VALEANT PHARMACEUTICALS INTERN	33 015	9
BAXTER INTERNATIONAL	42 917	32
BAYER	77 831	56
BECTON DICKINSON	22 581	54
BEIGENE LTD-ADR	2 900	4
BIOGEN IDEC	16 294	42
BIOMARIN PHARMACEUTICAL INC	17 600	13

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
BIOMERIEUX	3 852	3
BIO-RAD LABORATORIES-A	1 500	5
BOSTON SCIENTIFIC CORP	116 427	46
BRISTOL-MYERS SQUIBB CO	195 978	110
CARDINAL HEALTH	23 333	10
CARL ZEISS MEDITEC AG - BR	2 900	3
CENTENE CORP	37 000	20
CERNER CORP	25 200	16
CHUGAI PHARMACEUTICAL CO	18 900	15
CIGNA CORP	31 608	57
COCHLEAR	5 735	8
COLOPLAST B	10 388	11
COOPER COS IN C/THE	4 300	12
CSL LIMITED	37 829	64
CVS/CAREMARK	108 677	71
DAIICHI SANKYO CO	47 375	28
DANAHER CORP	51 823	70
DAVITA	11 500	8
WILLIAM DEMANT HOLDING	8 840	2
DENTSPLY SIRONA INC	21 900	11
DEXCOM INC	7 500	14
EDWARDS LIFESCIENCES CORP	17 400	36
EISAI CO	22 400	15
ELANCO ANIMAL HEALTH INC	31 063	8
LILLY (ELI) AND CO	72 623	84
ENVISTA HOLDINGS CORP	12 121	3
EUROFINS SCIENTIFIC	700	3
EXACT SCIENCES CORP	13 700	11
FISHER & PAYKEL HEALTHCARE C	55 133	7
FRESENIUS MED. CARE ST	16 097	10
FRESENIUS SE & CO KGAA	37 904	19
GALAPAGOS NV	3 275	6
GENMAB	4 838	9
GILEAD SCIENCES	105 850	60
GLAXOSMITHKLINE	416 347	86
GRIFOLS SA	29 479	9
HCA HOLDINGS INC	23 900	31
HENRY SCHEIN INC	10 600	6
HISAMITSU PHARMACEUTICAL	6 900	3

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
HOLOGIC INC	22 200	10
HOYA CORP	31 300	26
HUMANA	11 700	38
IDEXX LABORATORIES INC	7 600	17
ILLUMINA INC	12 300	36
INCYTE CORP	17 200	13
INSULET CORP	4 600	7
INTUITIVE SURGICAL	9 600	50
IONIS PHARMACEUTICALS INC	9 600	5
IPSEN	2 500	2
QUINTILES TRANSNATIONAL HOLD	14 532	20
JAZZ PHARMACEUTICALS PLC	4 100	5
JOHNSON & JOHNSON	223 279	286
PHILIPS ELECTRS (KON.)	73 307	31
KYOWA HAKKO KIRIN CO LTD	29 500	6
LABORATORY CORP OF AMER	8 300	12
LONZA GROUP	6 550	21
H LUNDBECK A/S	5 000	2
M3 INC	36 000	10
MCKESSON CORP	15 829	19
MEDIPAL HOLDINGS CORP	24 100	5
MEDTRONIC	112 204	112
MERCK AND CO	214 090	171
MERCK KGAA STAMM	10 682	11
METTLER-TOLEDO INTERNATIONAL	2 353	16
MITSUBISHI TANABE PHARMA CORP	16 300	3
MYLAN INC	36 009	6
NEUROCRINE BIOSCIENCES INC	6 500	6
NIPPON SHINYAKU CO LTD	3 700	3
NMC HEALTH PLC	7 700	2
NOVARTIS	179 296	150
NOVO NORDISK A/S-B	147 678	75
OLYMPUS CORP	87 600	12
ONO PHARMACEUTICAL CO	30 200	6
ORION-YHTYMAE B	7 047	3
OTSUKA HOLDINGS CO LTD	30 800	12
PEPTIDREAM INC	6 800	3
PERKINELMER INC	8 100	7
PERRIGO CO PLC	9 364	4

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
PFIZER	462 405	159
QIAGEN N.V.	20 847	6
QUEST DIAGNOSTICS	12 948	12
RAMSAY HEALTH CARE LTD	16 571	7
RECORDATI SPA	5 000	2
REGENERON PHARMACEUTICALS	6 917	23
RESMED INC	12 000	16
ROCHE HOLDING INHABER	23 293	65
ROCHE HOLDING GENUSS	35 359	101
RYMAN HEALTHCARE LTD	25 579	2
SANOFI	94 048	83
SANTEN PHARMACEUTICAL CO	23 100	4
SAREPTA THERAPEUTICS INC	5 700	6
SARTORIUS AG-VORZUG	2 600	5
SARTORIUS STEDIM BIOTECH	2 706	4
SEATTLE GENETICS INC	10 600	11
SHIONOGI & CO	22 800	12
SIEMENS HEALTHINEERS AG	13 780	6
SMITH & NEPHEW	76 912	16
SONIC HEALTHCARE	44 761	8
SONOVA HOLDING	5 157	10
STERIS PLC	6 200	8
STRAUMANN HOLDING	700	6
STRYKER CORP	28 099	52
DAINIPPON SUMITOMO PHARM	11 200	2
SUZUKEN CO	4 150	1
SYSMEX CORP	12 900	8
TAISHO PHARMACEUTICAL CO	2 600	2
TAKEDA PHARMACEUTICAL	124 984	44
TELEFLEX INC	4 200	14
TERUMO CORP	52 400	16
TEVA PHARMACEUTICAL-SP ADR	103 464	9
THERMO FISHER SCIENTIFIC	33 450	95
UCB (GROUPE)	12 920	9
UNITEDHEALTH GROUP	80 493	208
UNIVERSAL HEALTH SERVICES-B	5 783	7
VARIAN MEDICAL SYSTEMS	8 900	11
VEEVA SYSTEMS INC-CLASS A	11 200	14
VERTEX PHARMACEUTICALS	21 472	41

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
GALENICA AG-REG	3 180	5
WATERS CORP	5 353	11
WELLCARE HEALTH PLANS INC	4 000	12
WEST PHARMACEUTICAL SERVICES	6 600	9
ZIMMER HOLDINGS	18 059	24
ZOETIS INC	39 878	46
TOTAL, HEALTHCARE		**4 283**
3M CO	61 133	95
AP MOLLER MAERSK A	1 015	12
AP MOLLER MAERSK B	38	0
ABB LTD	178 729	38
ACS ACTIV. CONST. Y SVCS	22 974	8
ACUITY BRANDS INC	3 600	4
ADECCO	17 127	10
ADP	3 505	6
AENA SA	6 546	11
AERCAP HOLDINGS NV	14 900	8
ASAHI GLASS CO	22 160	7
AIR CANADA	11 500	4
ALFA LAVAL	33 569	7
ALLEGION PLC	11 500	13
ALSTOM	22 949	10
AMADA CO	31 300	3
AMERCO	500	2
AMERICAN AIRLINES GROUP INC	11 600	3
AMETEK INC	26 250	23
ALL NIPPON AIRWAYS CO	8 700	3
ANDRITZ	6 238	2
ARCONIC INC	43 150	12
ASHTEAD GROUP PLC	52 067	15
ASSA ABLOY AB-B	92 181	19
ATLANTIA	51 557	11
ATLAS COPCO A	61 846	22
ATLAS COPCO AB-B SHS	35 802	11
AUCKLAND INT'L AIRPORT	115 598	6
QR NATIONAL LTD	139 065	4
BOMBARDIER B	240 200	3
BOUYGUES ORD	22 465	8
BRAMBLES	125 306	9

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
BRENNTAG AG	13 243	6
BUNZL	34 891	8
BUREAU VERITAS SA	30 611	7
CH ROBINSON WORLDWIDE	14 400	10
CAE	29 231	7
CANADIAN NAT'L RAILWAY	76 316	61
CP RAILWAY	14 740	33
CATERPILLAR	60 128	78
CENTRAL JAPAN RAILWAY CO	12 500	22
LEIGHTON HOLDINGS LTD	7 171	1
CINTAS CORP	9 297	22
CK HUTCHISON HOLDINGS LTD	245 417	21
CNH INDUSTRIAL NV	116 567	11
COMFORTDELGRO	129 900	2
SAINT-GOBAIN	47 508	17
COPART INC	21 900	17
COSTAR GROUP INC	3 900	21
CSX CORP	80 526	51
CUMMINS	17 100	27
DAI NIPPON PRINTING CO	18 500	4
DAIFUKU CO LTD	11 000	6
DAIKIN INDUSTRIES	21 600	27
DASSAULT AVIATION SA	172	2
DCC PLC	8 653	7
DEERE & CO	32 834	50
DELTA AIR LINES	18 070	9
LUFTHANSA	15 302	2
DEUTSCHE POST	95 933	32
DOVER CORP	15 277	15
DSV DE SAMMENSLUT VOGN	21 081	21
EAST JAPAN RAILWAY CO	25 802	21
EASYJET PLC	10 357	2
EATON CORP	43 416	36
EDENRED	21 064	10
EIFFAGE	6 930	7
EMERSON ELECTRIC CO	65 339	44
EPIROC AB-A	61 846	7
EPIROC AB-B	35 802	4
EQUIFAX	12 800	16

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
EXPEDITORS INTL WASH.	18 100	12
EXPERIAN PLC	88 359	26
FANUC CORP	16 800	28
FASTENAL CO	65 600	21
FEDEX CORP	26 783	36
FERGUSON PLC	23 300	19
FERROVIAL SA	51 777	14
FLOWSERVE CORP	10 700	5
FORTIVE CORP	30 598	21
FORTUNE BRANDS HOME & SECURI	12 800	7
FRAPORT	2 555	2
FUJI ELECTRIC CO LTD	9 200	2
GEA GROUP	18 409	5
GEBERIT	3 571	18
GENERAL DYNAMICS CORP	26 100	40
GENERAL ELECTRIC CO	927 324	91
GROUPE EUROTUNNEL SA - REGR	52 224	8
GOLDEN OCEAN GROUP LTD	347 683	18
HANKYU HANSHIN HLDG	23 700	9
HD SUPPLY HOLDINGS INC	20 800	7
HEICO CORP	5 900	6
HEICO CORP-CLASS A	8 300	7
HINO MOTORS	18 700	2
HITACHI CONSTR. MACHINE.	9 200	2
HOCHTIEF	1 382	2
HOSHIZAKI ELECTRIC CO LTD	5 600	4
HUNT (J.B.) TRANSPORT	9 200	9
IDEX CORP	7 200	11
IHI CORP	10 400	2
IHS MARKIT LTD	40 504	27
ILLINOIS TOOL WORKS	34 350	54
INGERSOLL-RAND PLC	27 049	32
INTERTEK GROUP	15 652	11
ISS A/S	11 010	2
ITOCHU CORP	118 900	24
JAPAN AIRLINES CO LTD	6 700	2
JAPAN AIRPORT TERMINAL	3 300	2
JARDINE MATHESON (USD)	21 700	11
JARDINE STRATEGIC HLDGS LTD	20 000	5

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
JGC CORP	13 700	2
JOHNSON CONTROLS INTERNATION	88 115	32
JTEKT CORP	16 000	2
KAJIMA CORP	54 500	6
KAMIGUMI CO	8 000	2
KANSAS CITY SOUTHERN	10 600	14
KAWASAKI HEAVY IND	10 999	2
KEIHAN ELECTRIC RAILWAY CO	6 600	3
KEIKYU CORP	14 000	2
KEIO CORP	6 600	4
KEISEI ELECTRIC RAILWAY	19 500	7
KEPPEL CORP LTD	168 760	7
KINGSPAN GROUP PLC	16 079	9
KINTETSU CORP	16 190	8
KION GROUP AG	6 626	4
KNIGHT-SWIFT TRANSPORTATION	11 800	4
KNORR-BREMSE AG	3 500	3
KOMATSU	87 000	19
KONE B	32 143	18
KUBOTA CORP	103 800	14
KUEHNE & NAGEL INT'L	5 819	9
KURITA WATER INDUSTRIES	10 100	3
KYUSHU RAILWAY COMPANY	10 000	3
HARRIS CORP	23 750	41
LEGRAND	24 870	18
LENNOX INTERNATIONAL INC	3 500	8
JS GROUP CORP	21 100	3
MAKITA CORP	18 800	6
MANPOWERGROUP	5 400	5
MARUBENI CORP	173 200	11
MASCO CORP	27 701	12
MEGGITT PLC	63 016	5
MELROSE INDUSTRIES PLC	532 780	15
METSO OYJ	10 557	4
MIDDLEBY CORP	5 700	5
MINEBEA CO	39 300	7
MISUMI GROUP INC	33 400	7
MITSUBISHI CORP	116 900	27
MITSUBISHI ELECTRIC CORP	166 400	20

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
MITSUBISHI HEAVY IND	29 509	10
MITSUI OSK LINES	6 000	1
MONOTARO CO LTD	14 200	3
MTR CORP	159 720	8
MTU AERO ENGINES AG	5 000	13
NABTESCO CORP	10 900	3
NAGOYA RAILROAD CO LTD	18 399	5
NGK INSULATORS	21 000	3
NIDEC CORP	19 500	24
NIELSEN HOLDINGS PLC	43 662	8
NIPPON EXPRESS CO	5 200	3
NIPPON YUSEN K.K	10 300	2
NORFOLK SOUTHERN CORP	27 946	48
NSK	36 900	3
NWS HOLDINGS	132 381	2
OBAYASHI CORP	51 000	5
ODAKYU ELECTRIC RAILWAY	31 500	6
OLD DOMINION FREIGHT LINE	6 800	11
OWENS CORNING	10 000	6
PACCAR	36 086	25
PARK24 CO LTD	7 000	2
PARKER HANNIFIN CORP	14 389	26
PENTAIR	14 433	6
PERSOL HOLDINGS CO LTD	18 500	3
PRYSMIAN SPA	24 962	5
QANTAS AIRWAYS LTD	66 687	3
RANDSTAD HOLDING	14 532	8
RECRUIT HOLDINGS CO LTD	117 200	39
REED ELSEVIER (GB)	188 529	42
RENTOKIL INITIAL PLC	198 256	10
REPUBLIC SERVICES	23 895	19
ROBERT HALF INT'L	15 300	8
ROCKWELL AUTOMATION	12 400	22
ROLLINS INC	20 600	6
ROLLS-ROYCE GROUP	165 836	13
ROLLS-ROYCE HOLDINGSPLC-ENT RTS	7 628 456	0
ROPER INDUSTRIES	11 100	35
SANDVIK	113 778	19
SINGAPORE AIRPORT TERM.	60 000	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
SCHINDLER NAMEN	1 833	4
SCHINDLER PART	3 534	8
SCHNEIDER ELECTRIC	53 619	48
SECOM CO	20 000	16
SECURITAS B	41 109	6
SEEK LTD	23 372	3
SEIBU HOLDINGS INC	21 300	3
SENSATA TECHNOLOGIES HOLDING	19 200	9
SG HOLDINGS CO LTD	7 100	1
SGS	514	12
SHIMIZU CORP	46 000	4
SIEMENS	74 190	85
GAMESA CORP TECNOLOGICA	20 000	3
SINGAPORE AIRLINES	33 000	2
SINGAPORE TECH ENGR.	150 000	4
SKANSKA B	30 101	6
SKF B	31 433	6
SMC CORP	5 000	20
SMITH (A.O.) CORP	14 600	6
SMITHS GROUP	43 778	9
SNAP-ON INC	6 900	10
SOHGO SECURITY SERVICES CO	4 000	2
SOUTHWEST AIRLINES CO	17 200	8
SPIRAX-SARCO ENGINEERING PLC	8 070	8
SPIRIT AEROSYSTEMS HOLD-CL A	11 000	7
STANLEY BLACK & DECKER INC	16 154	24
STOLT-NIELSEN LTD	215 936	25
SUMITOMO CORP	110 400	14
SUMITOMO HEAVY IND	10 200	3
SYDNEY AIRPORT	121 281	6
TAISEI CORP	22 400	8
TECHTRONIC INDUSTRIES CO	132 000	9
TELEDYNE TECHNOLOGIES INC	3 700	11
TELEPERFORMANCE	5 681	12
THALES	11 180	10
THK CO	8 900	2
THOMSON REUTERS CORP	21 017	13
TOBU RAILWAY CO	12 800	4
TOKYU CORP	36 600	6

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
TOPPAN PRINTING CO	17 850	3
TOSHIBA CORP	42 970	13
TOTO	12 000	4
TOYOTA TSUSHO	26 000	8
TRANSDIGM GROUP INC	5 000	25
TRANSUNION	20 000	15
TRANSURBAN GROUP	240 857	22
UBER TECHNOLOGIES INC	25 800	7
UNION PACIFIC CORP	74 855	119
UAL CORP	6 500	5
UNITED PARCEL SERVICE B	74 236	76
UNITED RENTALS INC	9 300	14
UNITED TECHNOLOGIES CORP	87 074	115
VERISK ANALYTICS INC-CLASS A	16 500	22
VESTAS WIND SYSTEMS	20 949	19
VINCI	49 532	48
VOLVO B	140 647	21
WABCO HOLDINGS INC	4 500	5
WABTEC CORP	20 914	14
WARTSILA B	54 198	5
WASTE CONNECTIONS INC	28 000	22
WASTE MANAGEMENT	45 058	45
WEIR GROUP PLC/THE	20 160	4
WEST JAPAN RAILWAY CO	14 200	11
WOLTERS KLUWER	27 127	17
WSP GLOBAL INC	13 100	8
GRAINGER (WW)	4 800	14
XPO LOGISTICS INC	8 900	6
XYLEM INC	18 110	13
YAMATO HOLDINGS CO	23 200	4
YANGZIJIANG SHIPBUILDING	189 000	1
YASKAWA ELECTRIC CORP	16 600	6
TOTAL, INDUSTRY		**3 712**
ACCENTURE PLC	53 129	98
ADOBE SYSTEMS	40 491	117
ADVANCED MICRO DEVICES	86 100	35
ADVANTEST CORP	14 600	7
ADYEN NV	738	5
AKAMAI TECHNOLOGIES	16 200	12

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ALLIANCE DATA SYSTEMS	3 732	4
ALPS ELECTRIC CO LTD	26 100	5
AMADEUS IT HOLDING SA-A SHS	34 288	25
AMPHENOL CORP	25 922	25
ANALOG DEVICES	30 802	32
ANSYS INC	7 400	17
APPLE	379 778	979
APPLIED MATERIALS	77 140	41
ARISTA NETWORKS INC	4 000	7
ARROW ELECTRONICS	5 900	4
ASETEK A/S	848 797	25
ASM PACIFIC TECHNOLOGY	39 400	5
ASML HLDG	35 526	92
ATOS ORIGIN	7 598	6
AUTODESK	18 900	30
AUTOMATIC DATA PROCESS	36 234	54
AVEVA GROUP PLC	5 595	3
BLACK KNIGHT INC	11 000	6
RESEARCH IN MOTION	34 500	2
BOOZ ALLEN HAMILTON HOLDINGS	10 400	6
BROADCOM LTD	33 251	92
BROADRIDGE FINANCIAL SOLUTIO	10 800	12
BROTHER INDUSTRIES	17 800	3
CADENCE DESIGN SYS INC	24 600	15
CANON INC	89 550	22
CAP GEMINI SA	12 670	14
CDK GLOBAL INC	8 900	4
CDW CORP/DE	12 100	15
CGI GROUP A	20 200	15
CHECK POINT SOFTWARE TECH	9 400	9
CISCO SYSTEMS	357 311	151
CITRIX SYSTEMS	10 200	10
COGNEX CORP	12 000	6
COGNIZANT TECH SOLUTIONS	45 854	25
COMPUTERSHARE	27 865	3
CONSTELLATION SOFTWARE INC	1 700	15
CORNING	61 448	16
CYBERARK SOFTWARE LTD/ISRAEL	2 700	3
DASSAULT SYSTEMES	10 468	15

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
DELL TECHNOLOGIES INC-CL V	13 200	6
DISCO CORP	2 000	4
DOCUSIGN INC	7 500	5
DROPBOX INC-CLASS A	13 900	2
DXC TECHNOLOGY CO	21 001	7
EPAM SYSTEMS INC	4 000	7
ERICSSON (LM) B	278 448	21
F5 NETWORKS	4 800	6
FIDELITY NAT'L INFO SVCS	51 181	63
FISERV	48 177	49
FLEETCOR TECHNOLOGIES INC	7 920	20
FLEXTRONICS INT'L	39 100	4
FLIR SYSTEMS INC	10 200	5
FORTINET INC	12 900	12
FUJI FILM HOLDINGS CO	33 800	14
FUJITSU	15 820	13
GARTNER INC	7 700	10
GLOBAL PAYMENTS INC	25 046	40
GMO PAYMENT GATEWAY INC	3 000	2
GODADDY INC - CLASS A	16 600	10
GUIDEWIRE SOFTWARE INC	6 200	6
HALMA PLC	27 800	7
HAMAMATSU PHOTONICS KK	10 600	4
HEWLETT PACKARD ENTERPRIS	107 165	15
HEXAGON AB SER. B	23 551	12
HIROSE ELECTRIC CO	1 984	2
HITACHI HIGH-TECH	5 200	3
HITACHI	80 700	30
HP INC	134 265	24
INFINEON TECHNOLOGIES	104 831	21
INGENICO GROUP	6 818	7
INTEL CORP	369 755	194
INTL BUSINESS MACHINES CORP	73 936	87
INTUIT	21 718	50
IPG PHOTONICS CORP	3 100	4
ITOCHU TECHNO-SOLUTIONS	7 000	2
JACK HENRY & ASSOCIATES INC	7 400	9
JUNIPER NETWORKS	23 500	5
KEYENCE CORP	15 500	48

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
KEYSIGHT TECHNOLOGIES IN	17 300	16
KLA TENCOR CORP	12 900	20
KONICA MINOLTA HOLDINGS	29 000	2
KYOCERA CORP	26 400	16
LAM RESEARCH CORP	12 750	33
SAIC INC	10 000	9
MARVELL TECHNOLOGY GROUP	55 600	13
MASTERCARD A	76 607	201
MAXIM INTEGRATED PRODUCTS	25 200	14
MICRO FOCUS INTERNATIONAL	31 642	4
MICROCHIP TECHNOLOGY	21 300	20
MICRON TECHNOLOGY	93 000	44
MICROSOFT CORP	609 619	844
MONGODB INC	4 700	5
MOTOROLA SOLUTIONS INC	15 063	21
MURATA MANUFACTURING CO	50 100	27
NEC CORP	17 240	6
NETWORK APPLIANCE	19 839	11
NICE SYSTEMS LTD	4 209	6
NOKIA CORP	514 023	17
NOMURA RESEARCH INST	24 321	5
SYMANTEC CORP	57 300	13
NTT DATA CORP	67 400	8
NVIDIA	48 309	100
NXP SEMICONDUCTORS NV	25 212	28
OBIC CO	6 700	8
OKTA INC	10 200	10
OMRON CORP	19 400	10
ON SEMICONDUCTOR CORP	31 700	7
OPEN TEXT CORP	22 600	9
ORACLE CORP	194 898	91
ORACLE CORP JAPAN	2 300	2
OTSUKA CORP	7 800	3
PALO ALTO NETWORKS INC	8 400	17
PAYCHEX	28 157	21
PAYCOM SOFTWARE INC	3 600	8
PAYPAL HOLDINGS INC	93 320	89
PTC INC	9 400	6
QORVO INC	9 900	10

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
QUALCOMM	101 500	79
NEC ELECTRONICS CORP	70 200	4
RICOH CO	44 900	4
RINGCENTRAL INC-CLASS A	5 700	8
ROHM CO	10 200	7
SABRE CORP	25 000	5
SAGE GROUP (THE)	75 587	7
SALESFORCE.COM	69 515	99
SAP STAMM	82 025	97
SEAGATE TECHNOLOGY	23 919	13
SEIKO EPSON CORPORATION	18 100	2
SERVICENOW INC	15 646	39
SHIMADZU CORP	16 000	4
SHOPIFY INC - CLASS A	8 400	29
SKYWORKS SOLUTIONS INC	14 428	15
SPLUNK INC	13 400	18
SQUARE INC - A	28 700	16
SS&C TECHNOLOGIES HOLDINGS	21 000	11
STMICROELECTRONICS NV	53 509	13
SUMCO	23 800	4
SYNOPSYS	13 400	16
TDK CORP	11 600	12
TE CONNECTIVITY LTD	27 150	23
TEMENOS GROUP AG-REG	4 500	6
TERADYNE INC	12 500	7
TEXAS INSTRUMENTS	77 905	88
TIETOEVRY OYJ	170 000	47
TOKYO ELECTRON	13 500	26
TREND MICRO	14 200	6
TRIMBLE NAVIGATION LTD	17 100	6
TWILIO INC - A	9 100	8
TYLER TECHNOLOGIES INC	3 400	9
VENTURE CORP LTD	20 300	2
VERISIGN	9 800	17
VISA INC-CLASS A SHARES	146 090	241
VMWARE INC-CLASS A	7 800	10
WESTERN DIGITAL	22 594	13
WESTERN UNION	34 694	8
WIRECARD AG	9 000	10

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
WISETECH GLOBAL LTD	17 765	3
WIX.COM LTD	3 900	4
WORKDAY INC-CLASS A	13 689	20
WORLDLINE SA	7 673	5
XEROX HOLDINGS CORP	16 865	5
XILINX	20 673	18
YOKOGAWA ELECTRIC CORP	14 000	2
ZEBRA TECHNOLOGIES CORP-CL A	3 900	9
TOTAL, IT		**5 786**
AGNICO-EAGLE MINES	19 979	11
AIR LIQUIDE	48 093	60
AIR PRODUCTS & CHEMICALS	19 400	40
AIR WATER INC	12 000	2
AKZO NOBEL	23 220	21
ALBEMARLE CORP	10 300	7
ALUMINA	223 416	3
AMCOR PLC-CDI	127 636	12
ANTOFAGASTA	31 496	3
ARCELOR-MITTAL A	76 166	12
ARKEMA	8 287	8
ASAHI KASEI CORP	148 300	15
AVERY DENNISON CORP	6 611	8
AXALTA COATING SYSTEMS LTD	17 700	5
BALL CORP	28 990	16
BASF	93 643	62
BLUESCOPE STEEL	40 000	4
BOLIDEN	32 910	8
BORAL	118 267	3
CCL INDUSTRIES INC - CL B	15 000	6
CELANESE CORP	10 900	12
CF INDUSTRIES HOLDINGS INC	16 500	7
CHRISTIAN HANSEN HOLDING A/S	9 856	7
CLARIANT AG-REG	21 402	4
CORTEVA INC	63 953	17
COVESTRO AG	17 560	7
CRH	81 264	29
CRODA INTERNATIONAL PLC	15 178	9
CROWN HOLDINGS INC	10 200	7
DAICEL CHEMICAL IND	23 000	2

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
DOW INC	63 953	31
DOWDUPONT INC	65 753	37
EASTMAN CHEMICAL CO	13 600	9
ECOLAB	22 823	39
EMS-CHEMIE HOLDING AG-REG	1 105	6
EVONIK INDUSTRIES AG	14 811	4
EVRAZ PLC	37 000	2
FIRST QUANTUM MINERALS	52 617	5
FLETCHER BUILDING	75 780	2
FMC CORP	13 370	12
FORTESCUE METALS GROUP	158 412	10
FRANCO-NEVADA CORP	15 547	14
FUCHS PETROLUB AG -PREF	4 529	2
GIVAUDAN	976	27
HITACHI CHEMICAL CO	8 600	3
HITACHI METALS	38 600	5
INT'L PAPER CO	32 053	13
INT'L FLAVORS FRAGRANCES	8 522	10
ISRAEL CHEMICALS LTD	40 032	2
JAMES HARDIE INDUSTRIES SE	52 126	9
JFE HOLDINGS	65 800	8
JOHNSON MATTHEY	22 874	8
JSR CORP	14 800	2
KANSAI PAINT CO	19 000	4
KINROSS GOLD CORP	119 300	5
KIRKLAND LAKE GOLD LTD	22 200	9
KONINKLIJKE DSM	19 928	23
KURARAY CO	22 800	2
HOLCIM	50 238	24
LANXESS AG	7 476	4
LINDE PLC	47 691	89
LUNDIN MINING CORP	60 200	3
LYONDELLBASELL INDU-CL A	22 632	19
MARTIN MARIETTA MATRLS	5 500	14
MARUICHI STEEL TUBE	3 400	1
METHANEX CORP	6 718	2
MITSUBISHI CHEMICAL HLDG	129 950	9
MITSUBISHI GAS CHEMICAL	31 000	4
MITSUBISHI MATERIALS	15 500	4

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
MITSUI CHEMICALS	26 020	6
MONDI PLC	49 505	10
MOSAIC CO (THE)	28 800	5
NEWCREST MINING	85 818	16
NEWMONT MINING HLDG	70 657	27
NIPPON PAINT CO LTD	18 854	9
NIPPON STEEL CORP	92 772	12
NISSAN CHEMICAL IND	17 100	6
NITTO DENKO CORP	15 100	8
NOVOZYMES B	24 257	10
NUCOR CORP	27 264	13
NUTRIEN LTD	52 700	22
OJI PAPER CO	116 700	6
ORICA	48 251	7
PACKAGING CORP OF AMERICA	9 900	10
PPG INDUSTRIES	21 052	25
RIO TINTO PLC	161 699	85
RPM INTERNATIONAL INC	10 300	7
SEALED AIR CORP	15 400	5
SHERWIN-WILLIAMS CO	7 600	39
SHIN-ETSU CHEMICAL CO	40 300	39
SHOWA DENKO K.K	13 000	3
SIKA INHABER	12 420	20
SMURFIT KAPPA GROUP PLC	26 882	9
SOLVAY	8 598	9
STEEL DYNAMICS INC	22 100	7
STORA ENSO R	67 103	9
SUMITOMO CHEMICAL CO	189 300	8
SUMITOMO METAL MINING CO	30 450	9
SYMRISE AG	12 092	11
TAIHEIYO CEMENT CORP	19 700	5
TAIYO NIPPON SANSO CORP	13 000	3
TECK RESOURCES LTD-CLS B	40 400	6
TEIJIN	26 999	4
THYSSEN KRUPP	56 867	7
TORAY INDUSTRIES	182 600	11
TOSOH CORP	20 000	3
TOYO SEIKAN KAISHA	10 000	2
UMICORE	22 406	10

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
UPM-KYMMENE	59 317	18
VOESTALPINE	7 772	2
VULCAN MATERIALS CO	11 585	15
WEST FRASER TIMBER CO LTD	4 400	2
WESTLAKE CHEMICAL CORP	2 900	2
WESTROCK CO	19 144	7
SILVER WHEATON CORP	40 597	11
TOTAL, RAW MATERIALS		**1 436**
AEON MALL CO	9 520	1
ALEXANDRIA REAL ESTATE EQUIT	9 150	13
AMERICAN TOWER CORP A	37 408	75
AROUNDTOWN SA	69 255	5
ASCENDAS REAL ESTATE INV	287 156	6
AVALONBAY COMMUNITIES	12 435	23
AZRIELI GROUP	2 982	2
BOSTON PROPERTIES	13 683	17
BRITISH LAND CO	68 884	5
CAMDEN PROPERTY TRUST	8 300	8
CAN APARTMENT PROP REAL ESTA	7 800	3
CAPITACOMMERCIAL TRUST	125 694	2
CAPITALAND	156 900	4
CAPITAMALL TRUST	145 500	2
CBRE GROUP INC	26 000	14
CITY DEVELOPMENTS	23 700	2
CHEUNG KONG PROPERTY HOLDING	213 417	14
FONCIERE DES REGIONS	4 800	5
CROWN CASTLE INT'L CORP	35 113	44
DAITO TRUST CONSTRUCTION	4 800	5
DAIWA HOUSE IND CO	52 200	14
DAIWA HOUSE RESIDENTIAL INV	230	5
DEUTSCHE WOHNEN AG-BR	28 772	10
DEXUS PROPERTY GROUP	88 997	6
DIGITAL REALTY TRUST INC	18 400	19
DUKE REALTY CORP	32 900	10
EQUINIX INC	7 152	37
EQUITY LIFESTYLE PROPERTIES	12 600	8
EQUITY RESIDENTIAL	29 801	21
ESSEX PROPERTY TRUST INC	5 300	14
EXTRA SPACE STORAGE INC	10 300	10

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
FEDERAL REALTY INV TRUST	7 300	8
FIRST CAPITAL REALTY INC	7 000	1
GECINA	4 184	7
GOODMAN GROUP	155 363	13
GPT GROUP	200 330	7
H&R REAL ESTATE INV-REIT UTS	11 540	2
HANG LUNG PROPERTIES	140 500	3
HEALTH CARE PPTY INVEST	42 200	13
HENDERSON LAND DEV.	109 700	5
HONGKONG LAND HOLDINGS LTD	85 800	4
HOST HOTELS AND RESORTS	61 696	10
SHOEI CO LTD/CHIYODA-KU	14 200	2
ICADE	1 776	2
INVITATION HOMES INC	45 400	12
IRON MOUNTAIN	30 708	9
JAPAN PRIME REALTY INVT	57	2
JAPAN REAL ESTATE INV	111	6
JAPAN RETAIL FUND INVT	237	4
JONES LANG LASALLE INC	5 100	8
KERRY PROPERTIES	48 000	1
KIMCO REALTY CORP	44 200	8
KLEPIERRE	16 648	6
LAND SECURITIES GROUP	66 340	8
LEND LEASE GROUP	36 373	4
LIBERTY PROPERTY TRUST	14 800	8
LINK REIT	180 580	17
MAPLETREE COMMERCIAL TRUST	188 400	3
MEDICAL PROPERTIES TRUST INC	39 300	7
MID-AMERICA APARTMENT COMM	8 500	10
MIRVAC GROUP	377 249	7
MITSUBISHI ESTATE CO	109 379	18
MITSUI FUDOSAN CO	82 400	18
NATIONAL RETAIL PROPERTIES	16 900	8
NEW WORLD DEVELOPMENT	509 964	6
NIPPON BUILDING FUND	125	8
NIPPON PROLOGIS REIT INC	111	2
NOMURA REAL ESTATE HLD	6 700	1
NOMURA REAL ESTATE MASTER FU	346	5
OMEGA HEALTHCARE INVESTORS	16 600	6

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ORIX JREIT INC	149	3
PROLOGIS INC	53 296	42
PUBLIC STORAGE	13 300	25
REALTY INCOME CORP	27 200	18
REGENCY CENTERS CORP	14 000	8
RIOCAN REIT	8 396	2
SBA COMMUNICATIONS CORP-CL A	9 754	21
WESTFIELD RETAIL TRUST	394 445	9
SEGRO	98 662	10
SIMON PROPERTY GROUP	26 596	35
SINO LAND	218 414	3
SL GREEN REALTY CORP	6 500	5
CALLOWAY REAL ESTATE INVESTM	7 440	2
STOCKLAND	165 127	5
SUMITOMO REALTY & DEV CO	31 500	10
SUN COMMUNITIES INC	8 500	11
SUN HUNG KAI PROPERTIES	132 164	18
SUNTEC REIT	184 100	2
SWIRE PACIFIC A	40 600	3
SWIRE PROPERTIES LTD	87 200	3
SWISS PRIME SITE-REG	7 861	8
TOKYU LAND CORP	30 400	2
UDR INC	23 400	10
UNIBAIL GROUP STAPLED	10 766	15
UNITED URBAN INVESTMENT CORP	186	3
UNITED OVERSEAS LAND	34 787	2
VENTAS	33 511	17
AMERICAN REALTY CAPITAL PROP	97 400	8
CENTRO RETAIL AUSTRALIA	233 070	4
DEUTSCHE ANNINGTON IMMOBILIE	41 033	19
VORNADO REALTY TRUST	12 539	7
WELLTOWER INC	34 215	25
WEYERHAEUSER CO	70 064	19
WHARF REAL ESTATE INVESTMENT	93 000	5
WHEELOCK AND CO. LTD.	65 000	4
WP CAREY INC	13 200	9
TOTAL, PROPERTY		**1 061**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
ACTIVISION BLIZZARD INC	64 400	34
ALPHABET INC-CL A	25 260	297
ALPHABET INC-CL C	26 404	310
ALTICE NV - A	56 724	3
ALTICE USA INC- A	12 700	3
AT&T	619 511	213
AUTO TRADER GROUP PLC	87 140	6
BCE INC	17 380	7
BOLLORE	57 936	2
BT GROUP	757 197	17
CELLNEX TELECOM SAU	18 322	7
CENTURYLINK INC	75 616	9
CHARTER COMMUNICATIONS INC-A	13 112	56
COMCAST CORP A (NEW)	378 516	150
CYBERAGENT INC	7 500	2
DENTSU	18 300	6
DEUTSCHE TELEKOM	278 176	40
DISCOVERY COMMUNICATIONS-A	9 300	3
DISCOVERY COMMUNICATIONS-C	35 562	10
DISH NETWORK CORP	26 101	8
ELECTRONIC ARTS	25 960	25
ELISA OYJ	15 679	8
EUTELSAT COMMUNICATIONS	12 529	2
FACEBOOK INC-A	202 650	365
FOX CORP - CLASS A - W/I	28 200	9
FOX CORP- CLASS B - W/I	18 700	6
HAKUHODO DY HOLDINGS	13 200	2
HKT TRUST AND HKT LTD	347 880	4
IAC/INTERACTIVECORP	5 900	13
ILIAD	1 692	2
INFORMA PLC	95 279	10
INTERPUBLIC GROUP OF COS	27 400	6
ITV	248 691	4
JC DECAUX INTERNATIONAL	4 481	1
KAKAKU.COM INC	10 139	2
KDDI	147 400	39
KONAMI 100 YEN1K	5 600	2
KPN (KON.)	282 723	7

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
LIBERTY BROADBAND-C	8 000	9
LIBERTY GLOBAL C	47 432	9
LIBERTY GLOBAL A	15 535	3
LIBERTY MEDIA CORP-LIBERTY-C	17 000	7
LIBERTY SIRIUSXM GROUP	6 000	3
LIBERTY MEDIA COR-SIRIUSXM C	13 500	6
LINE CORP	2 800	1
LIVE NATION ENTERTAINMENT IN	12 900	8
MATCH GROUP INC	4 700	3
MILLICOM INTERNATIONAL CELLULAR SA	6 308	3
NETFLIX INC	36 496	104
NEWS CORP - CLASS A	24 545	3
NEXON CO LTD	40 500	5
NINTENDO CO	9 700	34
NTT CORP	104 232	23
NTT DOCOMO INC	119 000	29
OMNICOM GROUP	17 616	13
FRANCE TELECOM	166 834	22
PCCW	293 049	2
PEARSON	54 518	4
PINTEREST INC- CLASS A	16 500	3
PROXIMUS	9 645	2
PUBLICIS GROUPE	17 447	7
QUEBECOR INC -CL B	13 100	3
REA GROUP LTD	3 640	2
ROGERS COMMUNICATIONS B	28 978	13
ROKU INC	8 000	9
SES A-FDR	30 445	4
SHAW COMMUNICATIONS B	46 326	8
SINGAPORE PRESS HLDG	95 550	1
SINGAPORE TELECOM	719 180	16
SIRIUS XM RADIO INC	158 300	10
SNAP INC - A	49 700	7
SOFTBANK CORP	146 600	17
SOFTBANK CORP	136 200	52
TELECOM CORP NEW ZEALAND	109 332	3
SPRINT NEXTEL CORPORATION	67 313	3
SQUARE ENIX HOLDINGS CO LTD	6 500	3
SWISSCOM	2 156	10

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
TAKE-TWO INTERACTIVE SOFTWRE	11 000	12
TELE2 B	44 246	6
TELECOM ITALIA ORD	824 953	5
TELECOM ITALIA RNC	394 837	2
TELEFONICA DEUTSCHLAND HOLDI	37 149	1
TELEFONICA	392 576	24
TELENET GROUP HOLDING NV	3 821	1
TELIASONERA	234 131	9
TELSTRA CORP	330 461	7
TELUS CORP	12 974	4
T-MOBILE US INC	26 700	18
TOHO CO	8 100	3
TPG TELECOM LTD	16 167	1
TRIPADVISOR INC	7 800	2
TWITTER INC	63 800	18
UBISOFT ENTERTAINMENT	6 266	4
UNITED INTERNET	7 491	2
VERIZON COMMUNICATIONS	345 198	186
CBS CORP B	47 333	17
VIVENDI	78 442	20
VODAFONE GROUP	2 234 087	38
DISNEY (WALT)	150 354	191
WPP PLC	99 103	12
YAHOO JAPAN CORP	214 100	8
ZAYO GROUP HOLDINGS INC	16 800	5
ZILLOW GROUP INC - C	7 600	3
TOTAL, TELECOM & MEDIA		**2 751**
ALGONQUIN POWER & UTILITIES	119 000	15
ALTAGAS LTD	55 226	7
AMERICAN WATER WORKS CO INC	36 000	39
APA GROUP	181 393	12
AQUA AMERICA INC	45 300	19
DONG ENERGY A/S	21 556	20
ATCO LTD -CLASS I	15 300	5
ATMOS ENERGY CORP	24 000	24
AUSNET SERVICES	434 598	5
CANADIAN UTILITIES A	23 731	6
CENTERPOINT ENERGY	95 300	23
CENTRICA PLC	804 353	8

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
CK INFRASTRUCTURE HOLDINGS L	109 500	7
CONSOLIDATED EDISON	66 210	53
E. ON	255 825	24
EDF	82 826	8
EDISON INTERNATIONAL	71 389	47
ENAGAS	22 997	5
GDF SUEZ	208 123	30
NORTHEAST UTILITIES	64 522	48
EXELON CORP	193 763	78
FORTUM OYJ	58 976	13
HONGKONG CHINA GAS	1 702 682	29
HYDRO ONE LTD	72 200	12
IBERDROLA	688 698	62
MERCURY NZ LTD	107 826	3
MERIDIAN ENER-PARTLY PAID SH	225 320	7
NATIONAL GRID	403 006	44
GAS NATURAL SDG	37 196	8
NEXTERA ENERGY INC	95 550	203
OSAKA GAS CO	71 600	12
HONGKONG ELECTRIC HLDGS	254 000	16
PUBLIC SV ENTERPRISE CO	100 815	52
RED ELECTRICA CORPORACION SA	49 324	9
SEMPRA ENERGY	54 708	73
SEVERN TRENT	28 289	8
SNAM SPA	256 753	12
SSE PLC	116 372	19
SUEZ ENVIRONNEMENT SA	32 639	4
TERNA	160 323	9
TOHO GAS CO	13 600	5
TOKYO GAS CO	55 620	12
UGI CORP	41 600	17
UNITED UTILITIES GROUP PLC	67 527	7
VEOLIA ENVIRONNEMENT	61 251	14
VERBUND OESTERR ELEK A	6 692	3
TOTAL, DISTRIBUTION		**1 138**
TOTAL FOREIGN		**33 509**
TOTAL SHARES		**40 322**

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organisation number	Volume	Market value
TOTAL PROPERTY			1 085
TOTAL ENERGY			3 178
TOTAL FINANCIAL			6 067
TOTAL CONSUMER DISCRETIONARY			3 513
TOTAL DISTRIBUTION			3 012
TOTAL HEALTHCARE			4 389
TOTAL INDUSTRY			3 913
TOTAL IT			6 019
TOTAL CONSUMER STAPLES			3 645
TOTAL RAY MATERIALS			1 947
TOTAL TELECOM			3 295
TOTAL UNSPECIFIED			259
TOTAL SHARES			**40 322**
EQUITY FUNDS			
ABERDEEN INDIRECT PARTNERS EUROPA		29 586	5
ABERDEEN INDIRECT PROPERTY PARTNERS ASIA		394 249	16
JPMORGAN EUROPEAN PROPERTY FUND		315	11
KLP AKSJE FREMVOKSENDE MARKEDER FLERFAKTOR	920 672 159	1 769 683	2 023
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS I	996 715 426	3 895 058	8 530
KLP AKSJE FREMVOKSENDE MARKEDER INDEKS II	996 716 678	25 000	53
KLP AKSJEASIA INDEKS I	990 122 571	222 770	442
KLP AKSJEASIA INDEKS II	990 140 847	131 851	174
KLP AKSJEASIA INDEKS III	916 909 381	200 000	292
KLP AKSJEASIA INDEKS IV	816 909 422	42 311	59
KLP AKSJEEUROPA INDEKS I	990 122 555	795 305	1 612
KLP AKSJEGLOBAL FLERFAKTOR I	912 651 037	10 679 478	23 701
KLP AKSJEGLOBAL INDEKS I	987 570 113	2 937 524	11 367
KLP AKSJEGLOBAL MER SAMFUNNSANSVAR	920 672 183	499 500	633
KLP AKSJEGLOBAL MER SAMFUNNSANSVAR II	923 251 626	50 000	54
KLP AKSJEGLOBAL SMALL CAP FLERFAKTOR	920 672 094	2 607 253	3 042
KLP AKSJEGLOBAL SMALL CAP INDEKS I	919 174 501	3 619 283	4 346
KLP AKSJEGLOBAL SMALL CAP INDEKS II	919 175 451	4 038 458	4 839
KLP AKSJENORDEN INDEKS	980 854 043	215 123	1 079
KLP AKSJENORDEN MER SAMFUNNSANSVAR	923 251 642	500 000	536
KLP AKSJENORGE	880 854 062	968 289	6 979
KLP AKSJENORGE INDEKS	988 425 958	2 132 858	6 140
KLP AKSJENORGE INDEKS II	992 966 092	332 132	825

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organisation number	Volume	Market value
KLP AKSJEUSA INDEKS III	917 232 164	967 724	1 600
KLP AKSJEUSA INDEKS IV	817 232 582	210 896	315
KLP AKSJEUSA INDEKS USD	986 332 650	96 059	2 930
NMI FRONTIER FUND KS		8 975 000	34
NMI GLOBAL FUND KS		3 853 750	20
PARETO EIENDOMSFELLESSKAP II AS		1 880 485	25
SSGA EMERGING MARKETS SRI ENHANCED EQUITY FUND		16 833 553	2 015
TOTAL EQUITY FUNDS			**83 696**
PRIVATE EQUITY			
21 CENTRALE PARTNERS IV		35 000 000	173
ABINGWORTH BIOVENTURES V		8 000 000	27
ABRIS CEE MID-MARKET FUND III L.P.		30 000 000	152
ADVENT GLOBAL TECHNOLOGY I		25 000 000	0
ALTOR 2003 FUND		2 000 000	0
ALTOR FUND IV		7 000 000	48
ALTOR FUND V (NO.2) AB		25 000 000	2
ASTORG V		45 000 000	119
ASTORG VI		50 000 000	477
ASTORG VII		16 950 000	15
AUCTUS IV		21 125 000	120
CAPMAN BUYOUT VIII		9 840 500	8
CHEQUERS CAPITAL XVII		10 000 000	31
CIO CONSTRUCTION EQUITY FUND(CLIMATE INVESTOR)		50 000 000	110
COFOUNDER AS		75 000 000	4
COFOUNDER II AS		75 000 000	11
CONSILIUM PRIVATE EQUITY FUND III		20 000 000	167
CONTANGO VENTURES II		27 950 000	15
COOPERATIVE H2 EQUITY PARTNERS FUND V U.A.		15 000 000	85
CREANDUM V		11 000 000	12
EGERIA PRIVATE EQUITY FUND IV		30 000 000	194
EGERIA PRIVATE EQUITY FUND V SCSP		20 000 000	0
ENDLESS FUND IV A LP		7 500 000	42
ENERGY VENTURES II B IS		31 213 670	1
ENERGY VENTURES II KS		50 000 000	1
ENERGY VENTURES III LP		75 000 000	25
ENERGY VENTURES IV LP		30 000 000	169

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Volume	Market value
FORBION CAPITAL FUND I CO-INVESTMENT FUND I	7 000 000	58
FORBION CAPITAL FUND I CO-INVESTMENT FUND II	5 300 000	67
FORBION CAPITAL FUND II	15 000 000	129
FORBION CAPITAL FUND II CO-INVEST I C.V.	7 000 000	16
FORBION CAPITAL FUND III	20 000 000	222
FORBION CAPITAL FUND IV	10 000 000	20
FRANCE SPECIAL SITUATIONS FUND II	30 000 000	229
FSN CAPITAL II	13 000 000	2
FSN CAPITAL IV	232 000 000	118
GENSTAR CAPITAL PARTNERS IX	30 000 000	60
GERMAN EQUITY PARTNERS IV	15 000 000	65
HADEAN CAPITAL I	5 000 000	4
HERKULES PRIVATE EQUITY III	120 000 000	4
HGCAPITAL 6	43 127 840	34
HGCAPITAL MERCURY	14 783 081	108
HITECVISION ASSET SOLUTIONS	35 000 000	296
HITECVISION IV LP	13 000 000	50
HITECVISION V LP	35 000 000	145
HITECVISION VI LP	70 000 000	672
HITECVISION VII LP	70 000 000	427
INDEX VENTURES GROWTH II	20 000 000	114
INDEX VENTURES GROWTH III	21 000 000	365
INDEX VENTURES GROWTH IV	29 000 000	109
INDEX VENTURES IX	18 000 000	82
INDEX VENTURES VI	10 000 000	404
INDEX VENTURES VII	13 000 000	235
INDEX VENTURES VIII	16 000 000	149
INNKAP 4 PARTNERS L.P.	5 000 000	19
LITORINA FUND V	300 000 000	56
LIVINGBRIDGE 6 LP	25 000 000	183
LIVINGBRIDGE ENTERPRISE 2 LP	13 000 000	126
LIVINGBRIDGE ENTERPRISE 3 LP	15 000 000	0
MB EQUITY FUND V	35 000 000	167
MEDICXI GROWTH I LP	12 000 000	43
MEDICXI III	14 000 000	0
MUIRA FUND III	30 000 000	54
NAUTA TECH INVEST 2	500 000	2
NAUTA TECH INVEST 3	1 980 000	16

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organisation number	Volume	Market value
NAZCA CAPITAL III		22 500 000	55
NORTHZONE IX		12 000 000	10
NORTHZONE V		5 000 000	1
NORTHZONE VI		5 000 000	22
NORTHZONE VII		12 000 000	103
NORTHZONE VIII		12 000 000	125
NORVESTOR IV		10 000 000	2
NORVESTOR V		17 000 000	20
NORVESTOR VI		156 000 000	66
NORVESTOR VII		116 000 000	126
NORWEGIAN MICROFINANCE INITIATIVE FUND III KS	993 147 044	79 925 084	85
NORWEGIAN MICROFINANCE INITIATIVE FUND IV KS	993 147 044	108 000 000	22
PARAGON FUND II		20 000 000	167
PARETO EIENDOMSFELLESSKAP II IS		1 980 000 000	2 467
PARTNERS GROUP SECONDARY 2008		40 000 000	42
PERUSA PARTNERS FUND 2		18 000 000	49
PLATINUM EQUITY SMALL CAP FUND		5 000 000	5
PLATINUM FUND V		50 000 000	2
PRIVEQ INVESTMENT FUND IV		225 000 000	95
PRIVEQ INVESTMENTS V		282 000 000	147
PROA CAPITAL IBERIAN FUND II		33 000 000	392
PROA CAPITAL IBERIAN FUND III		20 000 000	49
QUADRIGA CAPITAL PRIVATE EQUITY FUND IV		25 000 000	146
Saga IV EUR-B KS		20 000 000	75
Saga V EUR-B KS		8 770 936	28
Saga V New EUR-B KS		6 229 064	44
Sarsia Seed Fond II AS		58 700 000	17
SINTEF VENTURE V		75 000 000	8
SOFINNOVA CAPITAL VII		10 000 000	103
SOFINNOVA CAPITAL VIII		12 000 000	88
SPECIAL SITUATIONS VENTURE PARTNERS III		14 500 000	24
SUMMA EQUITY FUND II		170 000 000	0
SVB Capital Partners IV		17 500 000	76
SVB Sprout Endurance Partner		25 000 000	55
SVB STRATEGIC INVESTORS FUND IX L.P		10 000 000	21
SVB STRATEGIC INVESTORS FUND VIII L.P		10 000 000	85
Synova Capital Fund IV LP		15 000 000	13
TDR CAPITAL III B		30 000 000	351

NOTE 15 Shares and equity fund units - cont.

NOK MILLIONS	Organisation number	Volume	Market value
TENZING PRIVATE EQUITY FUND I LP		15 000 000	76
THOMA BRAVO XIII		30 000 000	87
TRITON FUND III		30 000 000	103
VENDIS CAPITAL III		30 000 000	7
VEP SPECIAL SITUATIONS FUND 2		9 000 000	101
VEP SPECIAL SITUATIONS FUND 3		12 000 000	28
VERDANE CAPITAL VI KS		50 000 000	10
VERDANE CAPITAL VII KS		140 000 000	21
WATERLAND PRIVATE EQUITY FUND VII		50 000 000	99
XENON Private Equity VI		11 500 000	82
TOTAL PRIVATE EQUITY			**12 656**
ALTERNATIVE INVESTMENTS IN SHARES			
Barings Global Private Loan Fund 3		300 000 000	712
Brunswick Real Estate Capital I,		550 000 000	341
Brunswick Real Estate Capital II		2 000 000 000	894
KLP ALFA GLOBAL ENERGI	996 415 406	1 158 951	1 386
KLP ALFA GLOBAL RENTE	998 577 098	1 373 288	1 371
LYNSTONE SPECIAL SITUATIONS FUND (LUX) SCSP		100 000 000	57
SECTOR SPESIT 1 A USD		14 166	2
TOTAL ALTERNATIVE INVESTMENTS IN SHARES			**4 762**
INFRASTRUCTURE FUNDS			
COPENHAGEN INFRASTRUCTURE II US AIV NON-QFPF K/S		198 940 225	239
COPENHAGEN INFRASTRUCTURE PARTNERS II K/S (non-US)		1 290 615 273	976
COPENHAGEN INFRASTUCTURE PARTNERS III K/S		1 549 593 390	857
NEXTPOWER III LP		35 000 000	135
TOTAL INFRASTRUCTURE FUNDS			**2 207**
TOTAL INVESTMENTS			**143 643**

NOTE 15 Shares and equity fund units - cont.

SHARES AND UNITS DISTRIBUTION BY PORTFOLIO	Common portfolio	Investment option portfolio	Corporate portfolio	Total
SHARES	38 201	0	0	38 201
LONG TERM SHARES	2 116	0	5	2 121
EQUITY FUND UNITS	82 892	804	0	83 696
PRIVATE EQUITY	12 656	0	0	12 656
ALTERNATIVE INVESTMENTS	4 746	17	0	4 762
INFRASTRUCTURE FUNDS	2 207	0	0	2 207
TOTAL	**142 817**	**820**	**5**	**143 643**

PERCENTAGE UNITS STOCK MARKET LISTED	
SHARES NORWAY	69.5 %
SHARES FOREIGN	100.0 %
EQUITY FUND UNITS	0.0 %
ALTERNATIVE INVESTMENTS	0.0 %

Norwegian shares and equity fund units are disclosed with business registered number.

NOTE 16 Securities adjustment fund

NOK MILLIONS	Acquisition cost 31.12.2019	Fair value 31.12.2019	Valuation reserves 31.12.2019	Valuation reserves 31.12.2018
Valuation reserves shares	87 382	133 373	45 991	26 896
Valuation reserves share derivatives	0	2 095	0	0
Valuation reserves fixed interest investments	107 684	117 427	9 743	6 529
Valuation reserves interest rate derivatives	0	1 198	28	12
Variation margin daily settlement futures			-1	2
Total valuation reserves on short term financial assets			55 761	33 439
Securities adjustment fund			**55 761**	**33 439**

The securities adjustment fund comprises positive unrealized gains on the the short-term financial assets linked to the common portfolio.

If net valuation reserves are negative, the securities adjustment fund is set at zero. Changes in the securities adjustment fund are taken through profit or loss. Unrealized securities valuation reserves associated with short-term financial assets in foreign currency that can be ascribed to foreign exchange rate changes are not allocated to the securities adjustment fund if the investment is hedged against exchange rate changes. Foreign exchange rate changes linked to the hedging instrument are thus not allocated to the securities adjustment fund either but are taken directly to profit or loss.

NOTE 17 Investment properties

NOK MILLIONS	2019	2018
Rental income	38	40
Operating expenses	-3	-2
Value adjustment	32	60
Net financial income	0	0
Net operating income from investment properties	**67**	**99**
Gain on sale	0	362
Net income from investment properties	**67**	**461**

NOK MILLIONS	2019	2018
Book value 01.01	924	1 003
Profit for the year	67	461
Transfers to KLP	-37	-540
Book value 31.12	**955**	**924**

Fair value on properties per. 31.12.2019 are NOK 933 millions.

NOTE 18 Intangible assets

NOK MILLIONS	2019	2018
Book value 01.01.	173	226
Acquisition cost 01.01.	1 170	1 159
Total additions	269	11
of which internally developed	3	2
of which bought	266	8
Disposals	0	0
Acquisition cost 31.12. [1]	1 439	1 170
Accumulated depreciation and write-dows prev.years	-996	-933
Ordinary depreciation for the year	-56	-63
Impairment [2]	-28	0
Accumulated depreciation and write-dows 31.12.	-1 081	-996
Book value 31.12.	**358**	**173**
Depreciation period	1 to 20 years	1 to 9 years

[1] Intangible assets contains IT-systems 1 to 20 years
[2] At the end of 2019 there were identified several IT-systems where the book value exceeded the estimated recoverable amount. Estimated recoverable amount is calculated by estimating future earnings with book value. Essentially, some of the investments have no longer value. There are several reasons for this. Among other things, linking it to the outdated functionality due to rule changes and/or technological developments. This resulted in the following assessment:

NOK MILLIONS	2019	2018
Book value before impairment	53	0
Recoverable amount	25	0
Impairment	**28**	**0**

The write-downs are included as a part of insurance related administration costs in the income statement.

NOTE 19 Technical matters

Insurance liabilities distributed by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans	Group life	31.12.2019	31.12.2018	Change 2019	Change 2018
Premium reserve	461 390	17	461 406	433 094	28 312	27 343
Supplementary reserves	36 209		36 209	28 306	7 903	2 767
Securities adjustment fund	55 761		55 761	33 439	22 322	-8 838
Premium fund	12 854		12 854	12 761	93	-2 830
Total insurance liabilities	**566 213**	**17**	**566 230**	**507 600**	**58 630**	**18 442**

Insurance liabilities per subsegment of group pension insurance for municipalities, including institutions with similar pension plans - group life insurance does not have any subsegments

NOK MILLIONS	Occupational pension schemes without investment options	Occupational pensions schemes with investment options	31.12.2019	31.12.2018	Change 2019	Change 2018
Premium reserve	459 326	2 064	461 390	433 078	28 311	27 341
Supplementary reserves	36 070	140	36 209	28 306	7 903	2 767
Securities adjustment fund	55 761		55 761	33 439	22 322	-8 838
Premium fund	12 359	495	12 854	12 761	93	-2 830
Total insurance liabilities	**563 515**	**2 698**	**566 213**	**507 584**	**58 629**	**18 439**

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities under contracts with contractual obligations

NOK MILLIONS	Premium reserve	Supplementary reserves	Securities adjustment fund	Premium fund	Total 2019	Total 2018
Insurance liabilities 01.01	431 153	28 206	33 439	12 383	505 182	486 785
Net reserves taken to profit/loss	28 190	-17	22 322	232	50 727	18 660
Surplus on returns result	0	7 964	0	2 239	10 203	5 085
Risk result assigned to insurance contracts	0	0	0	513	513	478
Other assignment of surplus	0	0	0	0	0	0
Total changes taken to profit/loss	**28 190**	**7 948**	**22 322**	**2 984**	**61 443**	**24 223**
Transfers between funds/allocated to premium payment	0	-84	0	-2 996	-3 081	-5 788
Receipts/payments on transfer	0	0	0	-12	-12	-38
Total changes not taken to profit/loss	**0**	**-84**	**0**	**-3 008**	**-3 093**	**-5 827**
Total changes in insurance liabilities	28 189	7 863	22 322	-24	58 350	18 397
Insurance liabilities 31.12	**459 342**	**36 069**	**55 761**	**12 359**	**563 532**	**505 182**

NOTE 19 Technical matters - cont.

Changes to insurance liabilities during the period in question for coverage of the undertaking's liabilities related to the value of a particular portfolio of investment options

NOK MILLIONS	Premium reserve	Supplementary reserves	Premium fund	Total 2019	Total 2018
Insurance liabilities 01.01	1 941	100	378	2 419	2 374
Net reserves taken to profit/loss	122	1	75	198	98
Surplus on returns result		36	86	122	-40
Risk result assigned to insurance contracts			3	3	2
Other assignment of surplus			0	0	0
Total changes taken to profit/loss	**122**	**37**	**163**	**322**	**60**
Transfers between funds/allocated to premium payment		3	-46	-44	-16
Receipts/payments on transfer	1	0		1	1
Total changes not taken to profit/loss	**1**	**3**	**-46**	**-43**	**-15**
Total changes in insurance liabilities	123	40	117	279	45
Insurance liabilities 31.12	**2 064**	**140**	**495**	**2 698**	**2 419**

Technical accounts by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Premium income	40 231	38 724	3	3	40 234	38 727
Net income common portfolio	44 050	7 021	1	1	44 051	7 021
Net income investment option portfolio	238	14			238	14
Other insurance-related income	1 118	1 055			1 118	1 055
Life insurance claims	-20 154	-18 844	-3	-3	-20 157	-18 847
Change insurance liabilities - contractual	-58 692	-21 501	0	-2	-58 692	-21 503
Change insurance liabilities - investment option	-232	-58			-232	-58
Funds assigned to insurance contracts	-2 841	-2 939			-2 841	-2 939
Insurance-related operating expenses	-1 128	-1 096	-1	-1	-1 129	-1 097
Other insurance-related costs	-1 119	-1 059			-1 119	-1 059
Technical result	**1 470**	**1 318**	**-1**	**-3**	**1 470**	**1 315**

NOTE 19 Technical matters - cont.

Technical accounts by sub-sectors - main sector group life has no sub-sectors

Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2019	2018	2019	2018	2019	2018
Premium income	40 033	38 575	198	149	40 231	38 724
Net income common portfolio	44 050	7 021	0		44 050	7 021
Net income investment option portfolio			238	14	238	14
Other insurance-related income	1 113	1 050	5	4	1 118	1 055
Life insurance claims	-20 059	-18 758	-96	-86	-20 154	-18 844
Change insurance liabilities - contractual	-58 692	-21 501	0		-58 692	-21 501
Change insurance liabilities - investment option			-232	-58	-232	-58
Funds assigned to insurance contracts	-2 752	-2 937	-89	-2	-2 841	-2 939
Insurance-related operating expenses	-1 123	-1 091	-5	-5	-1 128	-1 096
Other insurance-related costs	-1 113	-1 054	-6	-5	-1 119	-1 059
Technical result	**1 457**	**1 307**	**12**	**11**	**1 470**	**1 318**

Result analysis by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2019	2018	2019	2018	2019	2018
Returns result	**10 623**	**5 207**	**0**	**0**	**10 623**	**5 207**
Risk result	**1 031**	**960**	**0**	**-3**	**1 031**	**957**
Administration result	**248**	**137**	**-1**	**-1**	**248**	**136**
Consideration for interest guarantee	476	758			476	758
Total result elements before allocation to customers	**12 379**	**7 062**	**-1**	**-3**	**12 379**	**7 058**
Returns result allocated to supplementary reserves and buffer reserves	-8 068	-2 807	0	0	-8 068	-2 807
Returns result and risk result alloc. to premium fund	-2 841	-2 721	0	0	-2 841	-2 721
Rebooking from equity	0	-216	0	0	0	-216
Return to premium reserve	0	0	0	0	0	0
Technical result	**1 470**	**1 318**	**-1**	**-3**	**1 470**	**1 315**

NOTE 19 Technical matters - cont.

Result analysis by sub-sectors - main sector group life has no sub-sectors

Subsegments of group pension insurance for municipalities, including institutions with similar pension plans

NOK MILLIONS	Occupational pension schemes without investment options		Occupational pension schemes with investment options		Total	
	2019	2018	2019	2018	2019	2018
Returns result after supplementary provisions	**10 432**	**5 247**	**191**	**-40**	**10 623**	**5 207**
Risk result	**1 026**	**956**	**6**	**4**	**1 031**	**960**
Administration result	**246**	**137**	**1**	**1**	**248**	**137**
Consideration for interest guarantee	472	750	4	8	476	758
Total result elements before allocation to customers	**12 176**	**7 090**	**202**	**-28**	**12 379**	**7 062**
Returns result allocated to supplementary reserves and buffer reserves	-7 964	-2 845	-122	40	-8 068	-2 805
Returns result and risk result alloc. to premium fund	-2 755	-2 721	-86	-2	-2 841	-2 723
Rebooking from equity	0	-216	0	0	0	-216
Return to premium reserve	0	0	0	0	0	0
Technical result	**1 457**	**1 307**	**12**	**11**	**1 470**	**1 318**

Claims by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2019	2018	2019	2018	2019	2018
Claims paid in accordance with insurance agreements	-19 863	-18 347	-3	-3	-19 866	-18 350
Claims paid under repurchase	0	0	0	0	0	0
Total	**-19 863**	**-18 347**	**-3**	**-3**	**-19 866**	**-18 350**

NOTE 19 Technical matters - cont.

TRANSFER AND NEW SUBSCRIPTION

Transfer by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2019	2018	2019	2018	2019	2018
FUNDS TRANSFERRED IN						
Premium reserve	11	5	0	0	11	5
Strengthening reserves	0	0	0	0	0	0
Funds received taken through profit or loss	**11**	**5**	**0**	**0**	**11**	**5**
Premium fund	3	2	0	0	3	2
Supplementary reserves to fund	0	2	0	0	0	2
Total funds received	**14**	**9**	**0**	**0**	**14**	**9**
Number of contracts	1	1	0	0	1	1
FUNDS TRANSFERRED OUT						
Premium reserve	258	439	0	0	258	439
Supplementary reserves	15	21	0	0	15	21
Valuation reserves	18	37	0	0	18	37
Funds paid out taken through profit or loss	**292**	**497**	**0**	**0**	**292**	**497**
Premium fund	15	22	0	0	15	22
Total funds paid out	**306**	**518**	**0**	**0**	**306**	**518**
Number of contracts	33	9	0	0	33	9

New subscription by main sectors

NOK MILLIONS	Group pension insurance for municipalities, including institutions with similar pension plans		Group life		Total	
	2019	2018	2019	2018	2019	2018
New subscription	25	10	0	0	25	10
Number of contracts	46	59	0	0	46	59

NOTE 20 Hedge accounting

31.12.2019 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-755	-1 738
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	754	754
Hedge effectiveness as at 31.12.2019		100 %	
Hedge effectiveness thorugh the year		100 %	

31.12.2018 NOK MILLIONS	Nominal value	Changed value in hedged risk	Book value
HEDGED OBJECT			
Hybrid tier 1 securities	-984	-678	-1 662
HEDGING INSTRUMENT			
Combined interest rate and currency swap (CIRCUS)	984	657	657
Hedge effectiveness as at 31.12.2018		98 %	
Hedge effectiveness thorugh the year		98 %	

The hybrid Tier 1 securities loan is hedged against changes in interest rates and exchange rates through purchase of a combined interest rate and currency swap (CIRCUS). The hedging is recognized in accordance with the rules on fair value hedging. This means that the hedging is carried out by an external party, that a formal earmarking and documentation of the hedge relationship is entered into, as well is that it is expected to be very effective and that this is continuously reviewed, as well as that the recognition decided is carried out as described below. In practice the hedging involves a swap of currency terms (JPY 15 billion JPY against NOK 0.984 billion) and interest terms (fixed interest at 5.07 per cent against NIBOR +2.65 per cent) on the borrowing and the combined interest and currency swap respectively. The hedge effectiveness is measured by looking at the change in fair value of the hedged object and the hedging instrument. The hedge effectiveness equals 100 per cent.

The hedge effectiveness is valued retrospectively each month and is then considered effective if the change in fair value between hedged object and hedging instrument lies within the bracket 80 per cent to 125 per cent.

Fair value hedging means that the hedged value development of the hedged object is recognized through profit or loss. Correspondingly the value change on the hedging instrument is recognized through profit or loss.The aim of the hedging arrangement above is to hedge the hedged object with a hedging instrument in which the hedging instrument's terms give negative correlation in relation to the hedged object: this significantly reduces or eliminates the effect on income. If the hedging ratio is 100 per cent the net effect on income of the hedged object and the hedging instrument will be 0.

KLP uses hedging widely but the majority of instances are ordinary financial hedging. The above item is the only one in which hedge accounting is used. The aim of financial hedging is the same, i.e. to reduce or eliminate the effect on income the hedged part of the hedge relationship represents.

Since the value change on the hedged object and the hedging instrument has a high negative correlation, the profit/loss effect will be relatively low. See also Note 2 for a detailed description of the hedge accounting in the accounts.

NOTE 21 Subordinated loan capital and hybrid Tier 1 securities

2019 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2019	Due date
BORROWINGS [1]				
June 2015	EUR 600	5 163	6 012	2045
Total subordinated loan capital		5 163	6 012	
April 2004	JPY 15 000	984	1 738	Perpetual
Total hybrid tier 1 securities		984	1 738	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 750**	

[1] Interest costs on the two subordinated loans were NOK 254 million (NOK 249 million) and NOK 64 million (NOK 61 million) for the hybrid Tier 1 securities in 2019. Figures in brackets are 2018 figures.
[2] Amount in local currency (millions)

2018 NOK MILLIONS	Loan amount currency [2]	Loan amount NOK	Book value 31.12.2018	Due date
BORROWINGS [1]				
June 2015	EUR 600	5 163	6 029	2045
Total subordinated loan capital		5 163	6 029	
April 2004	JPY 15 000	984	1 662	Perpetual
Total hybrid tier 1 securities		984	1 662	
Total subordinated loan capital and hybrid Tier 1 securities		**6 146**	**7 691**	

[1] Interest costs on the two subordinated loans were NOK 254 million (NOK 249 million) and NOK 64 million (NOK 61 million) for the hybrid Tier 1 securities in 2019. Figures in brackets are 2018 figures.
[2] Amount in local currency (millions)

EUR 600

The interest on the loan is fixed at 4.25 per cent p.a. The loan was issued the 10th of June 2015 and is due in 2045. The loan can be redeemed by KLP after 10 years, and at every interest payment date that follows. The loan is currency hedged with EUR denominated bonds as shown in the table below. This arrangement is not subject to hedge accounting.

JPY 15 000

The interest on the loan is fixed USD-interest of 5.07 per cent p.a. The loan is perpetual but KLP has the right to redeem the loan on 28 April 2034. If KLP does not exercise its redemption right in 2034, the loan will switch to variable interest. The credit margin then increases by 1 percentage point to 6-month JPY LIBOR-interest + a margin of 3.30 per cent p.a. To hedge the interest and exchange risk associated with the loan a combined interest rate and currency swap has been agreed in which KLP pays 3-month NIBOR-interest + a margin of 2.65 per cent p.a. and receives USD-interest of 5.07 per cent p.a. This hedging arrangement is shown in Note 20.

NOTE 21 Subordinated loan capital and hybrid Tier 1 securities - cont.

2019 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2019	Due date
Bonds	EUR 596	5 152	31	700	5 883	2025
Total hedging transactions		**5 152**	**31**	**700**	**5 883**	

2018 NOK MILLIONS	Nominal currency [2]	Acquisition cost NOK	Accrued interest	Unrealized currency	Book value 31.12.2018	Due date
Bonds	EUR 596	5 152	32	716	5 899	2025
Total hedging transactions		**5 152**	**32**	**716**	**5 899**	

[2] Amount in local currency (millions)

The continuous work of the IBOR reform has been on the agenda in 2019. In Norway it is suggested that the current reference rate NIBOR (Norwegian Interbank Offered Rate) will be replaced with a reformed NOWA (Norwegian Overnight Weighted Average). This change could impact the current loan and hedging agreements, that is currently related to an IBOR-rate. For more details, see note 2 (2.1.1) for the Group.

NOTE 22 Transferred assets with restrictions

TRANSFERRED ASSETS THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES

All assets transferred are recognized in the financial position statement if KLP is still exposed to changes in the fair value of the assets.This applies to repurchase agreements and agreements concerning securities lending. Repurchase agreements are a form of borrowing with collateral whereby KLP sells securities with an agreement to repurchase those securities at a predetermined price. Cash received is recognized as a deposit (debt). Securities transferred in connection with repurchase agreements are not deducted in the financial position statement.

Agreements concerning securities lending are transactions whereby KLP lends securities to a counterparty and receives a commision for it. Since both repurchase agreements and securities lending result in the securities being returned to KLP, the risk of value changes rests with KLP. However, the securities are not available to KLP while being transferred. The securities still reported in the financial position statement, and related debt, are assessed at fair value.

ASSETS TRANSFERRED THAT ARE STILL CAPITALISED

NOK MILLIONS	31.12.2019	31.12.2018
REPURCHASE AGREEMENTS		
Certificates and bonds	0	0
SECURITIES LENDING		
Shares	1 773	1 915
Total assets transferred that are still capitalised	**1 773**	**1 915**

LIABILITIES RELATED TO THE ASSETS

NOK MILLIONS	31.12.2019	31.12.2018
REPURCHASE AGREEMENTS		
Paid-in by credit institutions	0	0
SECURITIES LENDING		
Paid-in by credit institutions		
Certificates and bonds	1 363	2 020
Shares	505	0
Total liabilities	**1 868**	**2 020**

All the assets in the table above are subject to resale or collateral with the counterparty.

ASSETS TRANSFERRED THAT ARE NOT DEDUCTED, AND RELATED LIABILITIES

KLP receives collateral under reverse repurchase agreements and agreements concerning securities borrowing, which it is permitted to sell or pledge under the agreements. The transactions are carried out in accordance with standard agreements employed by the parties in the financial market.

In general, the agreements require additional security to be put up if the value of the securities fall below a predetermined level. According to the agreements, the recipient of the collateral has the unlimited right to sell or pledge the collateral in return for providing corresponding collateral on the date of settlement.

NOTE 22 Transferred assets with restrictions - cont.

SECURITIES RECIEVED THAT ARE PERMITTED TO BE SOLD OR PLEDGED

NOK MILLIONS	31.12.2019	31.12.2018
REVERSE REPURCHASE AGREEMENTS		
Certificates and bonds	0	0
Of which sold or pledged	0	0
SECURITIES BORROWING		
Shares	0	0
Of which sold or pledged	0	0
Total assets transferred and still capitalised	**0**	**0**

NOTE 23 Return on capital

PER CENT	2019	2018	2017	2016	2015
CUSTOMER PORTFOLIOS					
TOTAL OF COMMON PORTFOLIO					
Return I	4.5	3.5	3.9	4.4	3.6
Return II	8.5	1.5	6.7	5.8	4.0
Return III	8.8	0.5	6.7	5.4	2.8
TOTAL - INVESTMENT OPTION PORTFOLIO	**9.9**	**0.6**	**7.5**	**6.2**	**4.0**

Return I = Book return
Return II = Value-adjusted return. This is the book return +/- unrealized value changes charged to the securities adjustment fund
Return III = Value-adjusted returns including value changes on assets are recognized at amortized cost. These value changes are not included in the accounting income for the year

PER CENT	2019		2018		2017		2016		2015	
	Return I	**Return II**	**Return I**	**Return II**	**Return I**	**Return II**	**Return I**	**Return II**	**Return I**	**Return II**
THE COMMON PORTFOLIO'S SUB-PORTFOLIOS HAVE HAD THE FOLLOWING RETURNS:										
Balanced portfolio 1	4.5	8.6	3.5	1.4	3.9	6.7	4.5	5.8	3.6	4.0
Balanced portfolio 2	4.4	8.5	3.5	1.5	4.0	6.8	4.4	5.8	3.7	3.9
Moderate portfolio[1]	NA	NA	3,8	1.7	3.1	6.0	4.2	5.5	3.6	3.7

[1] LKM was discontinued 30.06.2019. LKM was incorporated in LKB1 from 01.07.2019.

NOTE 23 Return on capital - cont.

PER CENT	2019	2018	2017	2016	2015
CORPORATE PORTFOLIO					
Return on financial investments in the corporate portfolio	4.3	4.2	4.0	4.7	4.7

For the corporate portfolio there is no difference in return I and II since no special provisions are made for any unrealized added value.

NOTE 24 Sales costs

NOK MILLIONS	2019	2018
Personnel costs	81	77
Commission	0	0
Other costs	61	59
Total sales costs	**143**	**136**

NOTE 25 Pensions obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"). The Company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined-benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ("obligatorisk tjenestepension", or OTP). The Company has a contractual early retirement (AFP) scheme.

The accounting treatment of pension obligations is described in more detail in Note 2.

NOK MILLIONS	Joint scheme	Via operation	2019	Joint scheme	Via operation	2018
PENSION COSTS						
Present value of accumulation for the year	74.4	5.7	80.1	69.3	5.5	74.8
Administration cost	1.8	0.0	1.8	1.8	0.0	1.8
Planchanges	6.0	0.0	6.0			
Social security contributions - pension costs	11.6	0.8	12.4	10.0	0.8	10.8
Capital activity tax - pension tax	4.1	0.3	4.4	3.6	0.3	3.8
Pension costs taken to profit/loss incl. social security, capital activity tax and admin.	**98.0**	**6.8**	**104.,8**	**84.6**	**6.5**	**91.2**
NET FINANCIAL COSTS						
Interest cost	34.5	3.7	38.2	29.5	3.2	32.7
Interest income	-24.6	0.0	-24.6	-21.2	0.0	-21.2
Management costs	1.3	0.0	1.3	1.8	0.0	1.8
Net interest cost	11.2	3.7	14.9	10.1	3.2	13.4
Social security contributions - net interest cost	1.6	0,5	2.1	1.4	0.5	1.9
Capital activity tax - net interest cost	0.6	0.2	0.7	0.5	0.2	0.7
Net interest cost including social security contributions and capital activity tax	**13.3**	**4.4**	**17.8**	**12.1**	**3.8**	**15.9**
ESTIMATE DEVIATION PENSIONS						
Actuarial gains (losses)	-71.3	-3.0	-74.4	8.2	4.5	12.8
Social security contributions	-10.1	-0.4	-10.5	1.2	0.6	1.8
Capital activity tax	-3.6	-0.2	-3.7	0.4	0.2	0.6
Actuarial gains (losses) including social security contributions and capital activity tax	**-84.9**	**-3.6**	**-88.6**	**9.8**	**5.4**	**15.2**
Total pension costs including interest costs and estimate deviation	**26.4**	**7.6**	**34.0**	**106.5**	**15.8**	**122.3**
PENSION OBLIGATIONS						
Gross accrued pension obligations	1 310.4	140.9	1 451.3	1 258.5	139.2	1 397.7
Pension assets	1 025.2	0.0	1 025.2	923.2	0.0	923.2
Net liability before social security costs and capital activity tax	285.2	140.9	426.1	335.3	139.2	474.5
Social security contributions	40.2	19.9	60.1	47.3	19,6	66.9
Capital activity tax	14.3	7.0	21.3	16.8	7.0	23.7
Gross accrued obligations incl. social security costs and capital activity tax	1 364.9	167.9	1 532.7	1 322.6	165.7	1 488.3
Net liability incl. social security costs and capital activity tax	**339.7**	**167.9**	**507.5**	**399.4**	**165.7**	**565.1**

NOTE 25 Pensions obligations, own employees - cont.

NOK MILLIONS	Joint scheme	Via operation	2019	Joint scheme	Via operation	2018
RECONCILIATION PENSION OBLIGATION						
Capitalized net liability/(assets) 01.01.	399.4	165.7	565.1	363.9	156.5	520.4
Pension costs taken to profit/loss	98.0	6.8	104.8	84.6	6.5	91.2
Financial costs taken to profit/loss	13.3	4.4	17.8	12.1	3.8	15.9
Actuarial gains and losses included social security contributions and capital activity tax	-84.9	-3.6	-88.6	9.8	5.4	15.2
Social security contributions paid in premiums/supplement	-10.2	-0.6	-10.8	-8.4	-0.8	-9.2
Capital activity tax paid in premiums/supplement	-3.6	-0.2	-3.8	-3.0	-0.3	-3.3
Premium/supplement paid-in including admin	-72.3	-4.6	-76.9	-59.6	-5.5	-65.1
Capitalized net liability/(assets) 31.12. this year	**339.7**	**167.9**	**507.5**	**399.4**	**165.7**	**565.1**

NOK MILLIONS	Joint scheme	Via operation	2019	Joint scheme	Via operation	2018
CHANGE IN PENSION OBLIGATIONS						
Gross pension assets 01.01. before planchanges	1 322.6	165.7	1 488.3	1 227.2	156.5	1 383.7
Planchanges	7.2	0.0	7.2	0.0	0.0	0.0
Gross pension assets 01.01. after planchanges	1 329.8	165,7	1 495.6	1 227.2	156.5	1 383.7
Present value of accumulation for the year	74.4	5,7	80.1	69.3	5.5	74.8
Interest cost	34.5	3.7	38.2	29.5	3.2	32.7
Actuarial losses (gains) gross pension obligation	-54.7	-3.6	-58.3	12.5	5.4	17.9
Social security contributions - pension costs	10.7	0.8	11.5	10.0	0.8	10.8
Social security contributions - net interest cost	1.6	0.5	2.1	1.4	0.5	1.9
Social security contributions paid in premiums/supplement	-10.2	-0.6	-10.8	-8.4	-0.8	-9.2
Capital activity tax - pension costs	3.8	0.3	4.1	3.6	0.3	3.8
Capital activity tax - net interest cost	0.6	0.2	0.7	0.5	0.2	0.7
Capital activity tax paid in premiums/supplement	-3.6	-0.2	-3.8	-3.0	-0.3	-3.3
Payments	-22.1	-4.6	-26.7	-20.0	-5.5	-25.5
Gross pension obligation 31.12.	**1 364.9**	**167.9**	**1 532.7**	**1 322.6**	**165.7**	**1 488.3**
CHANGE IN PENSION ASSETS						
Pension assets 01.01	923.2	0.0	923.2	863.3	0.0	863.3
Interest income	24.6	0.0	24.6	21.2	0.0	21.2
Actuarial (loss) gain on pension assets	30.3	0.0	30.3	2.7	0.0	2.7
Administration cost	-1.8	0.0	-1.8	-1.8	0.0	-1.8
Financing cost	-1.3	0.0	-1.3	-1.8	0.0	-1.8
Premium/supplement paid-in including admin	72.3	4.6	76.9	59.6	5.5	65.1
Payments	-22.1	-4.6	-26.7	-20.0	-5.5	-25.5
Pension assets 31.12	**1 025.2**	**0.0**	**1 025.2**	**923.2**	**0.0**	**923.2**
PENSION SCHEME'S OVER-/UNDER-FINANCING						
Present value of the defined benefits pension obligation	1 364.9	167.9	1 532.7	1 322.6	165.7	1 488.3
Fair value of the pension assets	1 025.2	0.0	1 025.2	923.2	0.0	923.2
Net pensions liability	**339.7**	**167.9**	**507.5**	**399.4**	**165.7**	**565.1**

NOTE 25 Pensions obligations, own employees - cont.

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

The assumptions as at 31 December 2018 have been applied to measurement of the cost of pension for 2019, whilst for calculation of the pension obligation on 31 December 2019, the assumptions and membership numbers as at 31 December 2018 have been applied. The assumptions are based on the market situation as at 31 December 2019 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

ACTUARIAL ASSUMPTIONS

KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"):
An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme.

KLP has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations. KLP uses own disability table for actuarial assumptions related to disability, a table based on changes in disability figures in KLPs customer base.

Withdrawal of contractual early retirement (AFP) (per cent in relation to remaining employees):
The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 42.5 per cent who retire with an AFP pension. It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

VOLUNTARY TERMINATION FOR "FELLESORDNING" (IN %)						
Age (in years)	<24	24-29	30-39	40-49	50-55	>55
Turnover	25 %	15 %	7.5 %	5 %	3 %	0 %

NOTE 25 Pensions obligations, own employees - cont.

PENSIONS VIA OPERATIONS

AFP/early retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for "Fellesordningen".

NUMBER	Joint scheme	Via operation	2019	Joint scheme	Via operation	2018
MEMBERSHIP STATUS						
Number active	578	25	603	559	26	585
Number deferred (previous employees with deferred entitlements)	441	12	453	413	12	425
Number of pensioners	206	48	254	195	49	244

	2019	2018
COMPOSITION OF THE PENSION ASSETS:		
Property	12.4 %	12.7 %
Lending	12.5 %	12.1 %
Shares	25.9 %	21.4 %
Long-term/HTM bonds	29.1 %	29.1 %
Short-term bonds	15.0 %	18.4 %
Liquidity/money market	5.2 %	6.3 %
Total	**100.0 %**	**100.0 %**

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 8.5 per cent in 2019 and 1.5 per cent in 2018.

Expected payment into benefits plans after cessation of employment for the period 1 January 2020 – 31 December 2020 is NOK 111 million.

SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2019	
The discount rate is reduced by 0.5 %	Increase
Gross pension obligation	9.9 %
Accumulation for the year	15.1 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	1.5 %
Accumulation for the year	3.2 %
Mortality is strengthened by 10 %	Increase
Gross pension obligation	2.5 %
Accumulation for the year	1.9 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial position statement.

The duration in the Joint scheme is estimated at 16.6 years.

NOTE 26 Tax

NOK MILLIONS	2019	2018
Accounting income before tax	2 637	2 425
Items of other comprehensive income before tax	135	-21
DIFFERENCES BETWEEN ACCOUNTING AND TAX INCOME:		
Reversal of value reduction, financial assets	327	102
Reversal of value increase, financial assets	-736	-543
Book gain on realization of shares and other securities	-403	-49
Tax gain on realization of shares and other securities	-82	48
Other permanent differences	-13	-78
Change in differences affecting relationship between book and taxable income	-68	-400
Taxable income	**1 796**	**1 483**
Group contribution received with tax effect	271	223
Surplus/deficit for the year is transferred to carryforward deficit	**2 068**	**1 706**
Deficit carryforward allowable from previous years	0	-60 657
Difference between the calculated and the undisclosed tax base	0	538
Change for the year in carryforward deficit	0	0
Surplus value financial instrument in common portofolio	0	61 918
Transition regulation 01.01.2018	**0**	**1 799**
Total carryforward deficit and allowance as at 31.12.	**0**	**0**
RECONCILIATION OF BASIS FOR DEFERRED TAX		
TAX-INCREASING TEMPORARY DIFFERENCES		
Gains and losses account	2	3
Risk equilization fund	4 154	4 154
Financial instruments	1 579	1 387
Technical result (2018)	842	1 052
Total tax-increasing temporary differences	**6 576**	**6 596**
Difference not included in the basis for deferred taxes	-4 154	-4 154
Total tax-increasing temporary differences	**2 422**	**2 442**
TAX-REDUCING TEMPORARY DIFFERENCES:		
Fixed assets	0	-62
Long-term liabilities	-1 389	-1 329
Pension obligation	0	-565
Adjusted for 20% of transition regulation 01.01.2018	-288	-360
Total tax-reducing temporary differences	**-1 677**	**-2 316**
Net temporary differences	745	126
Transition regulation 01.01.2018	1 439	1 799
Basis for deferred tax assets	**2 185**	**1 925**
25% deferred tax assets	546	481

NOTE 26 Tax - cont.

NOK MILLIONS	2019	2018
Deferred tax in the balance sheet	-546	-481
Capitalized liability for tax settlement	-948	-426
Tax on group contributions directly charged to the balance sheet	-72	-56
Change in deffered tax taken to profit/loss	-65	-256
SUMMARY OF TAX EXPENSE FOR THE YEAR		
Change in deferred tax taken to profit/loss	-65	-256
Tax payable of wealth	-11	3
Tax payable taken to profit/loss	-445	-371
Total tax taken to profit/loss	**-521**	**-624**
TAX TAKEN TO PROFIT/LOSS		
Tax	-499	-627
Tax on other comprehensive income	-22	4
Total tax taken to profit/loss	**-521**	**-624**
RECONCILIATION OF COST OF TAXES AGAINST ORDINARY PROFIT BEFORE TAX		
Accounting income before tax	2 772	2 403
Expected tax in accordance with nominal rate (25%)	-693	-601
Tax effect of:		
Permanent differences	179	20
Change in error earlier years / transition regulation	0	-45
Total tax taken to profit/loss	**-514**	**-626**
Effective tax rate	19 %	26 %
WEALTH TAX		
Taxable value assets	527 102	0
Taxable value liabilites	-523 256	0
Net wealth	**3 846**	**0**
Base amount wealth tax	3 846	0
Wealth tax (0.15%)	**6**	**0**

KLP is in dialogue with the tax authorities regarding the consequences of the transitional rule introduction in connection with the new tax rules for life insurance companies that entered into force on January 1, 2018. the outcome of the dialouqe in uncertain, but this may involce a signifiacant deviation from the accounting tax expense in 2018.

NOTE 27 Salary and obligations towards senior management etc.

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines. Senior employees are defined as the Group CEO and Executive Vice Presidents employed in the parent company KLP and forming part of the Group senior management.

Senior employees who were members of the Group senior management before 1 May 2013, are pensionable at the age of 65, but may choose to canage this to aged 70. None of those senior management have chosen to avail themselves of the opportunity to change the retirement age as of 31.12.2019. Persons who were appointed to Group senior management as of 1 May 2013, are pensionable at the age of 70.

All employees of the KLP Group in Norway are registered in KLP's pension scheme for municipalities and companies. The employees earn pension rights in this scheme for salaries up to 12G.

Employees in the KLP Group with salaries above 12 G and for employees with lower retirement age than 67 years, also earn pension benefits for salaries above 12G. Full retirement pension in this additional cover amounts to 66% of salary above 12G, and is achieved after at least 30 years of earnings in the scheme. Employees with a special agreement for a lower pension age than 67 years are ensured an old-age pension corresponding to 66% of all pensionable salary up to 67 years. This add-on was closed May 2, 2013 and does not apply to employees who started after that date. Nor does the scheme apply to employees who were employed at this time in KLP, but who only receive salary above 12G after this date.

The Group CEO has severance pay corresponding to one year's salary including supplementary benefits in the event of termination of employment. There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment. KLP pays directors' liability insurance for members of its Board of Directors.

The KLP Group offers loans for various purposes. There are seperate loan terms for employees, and no senior executeves have terms that deviate from this. Loans to external members of the Board of Directors and external members of the Corporate Assembly are only granted under ordinary loan terms.

Fees to Board members are determined by the Corporate Assembly. Fees to deputies and observers are not stated.

All benefits are shown without the addition of social security contributions and capital activity tax.

For Board members elected by and among the employees stated that only about compensation and loans that can be linked to their directorship.

Attention is drawn otherwise to the description of the main principles on determination of remuneration in the KLP Group that may be found at klp.no.

2019 NOK THOUSANDS	Paid from the Company						Paid from another comany in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2019	Payment plan[1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2019	Payment plan[1]
SENIOR EMPLOYEES												
Sverre Thornes, Group CEO	4 155	221	1 530	-	-	-	-	-	-	11 550	2.00	A45
Marianne Sevaldsen	2 802	173	1 178	-	-	-	-	-	-	4 343	2.00	A43
Aage E. Schaanning	3 599	168	1 282	-	-	-	-	-	-	5 397	2.00	HC
Rune Hørnes	2 610	159	395	-	-	-	-	-	-	-	-	-
Gro Myking	2 383	159	330	-	-	-	-	-	-	-	-	-
Kirsten Grutle	1 769	157	536	-	-	-	-	-	-	-	-	-
Mona Refsdal	1 030	113	333	-	-	-	-	-	-	2 755	2.00	HC/A44

NOTE 27 Salary and obligations towards senior management etc.- cont.

2019 NOK THOUSANDS	Paid from the Company						Paid from another comany in the same group					
	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2019	Payment plan[1]	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2019	Payment plan[1]
THE BOARD OF DIRECTORS												
Egil Johansen, Chair (10 of 10)	377	-	-	-	-	-	-	-	-	-	-	-
Lars Vorland (2 of 4)	137	-	-	-	-	-	-	-	-	-	-	-
Marit Torgersen (4 of 4)	148	-	-	-	-	-	-	-	-	-	-	-
Jenny Følling (9 of 10)	294	-	-	-	-	-	-	-	-	-	-	-
Odd Haldgeir Larsen (9 of 10)	233	-	-	-	-	-	-	-	-	2 107	2.95	A38
Karianne Melleby (10 of 10)	291	-	-	-	-	-	-	-	-	-	-	-
Øyvind Brevik (6 of 6)	142	-	-	-	-	-						
Cathrine M. Lofthus (6 of 6)	142	-	-	-	-	-						
Susanne Torp-Hansen, elected by and from the employees (9 of 10)	241	-	-	-	-	-	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees (10 of 10)	279	-	-	-	-	-	-	-	-	-	-	-
CORPORATE ASSEMBLY												
Total CorporateAssembly, including employee representatives	587	-	-	2 697	-	-	-	-	-	28 233	-	-
EMPLOYEES												
Loans to employees of KLP to subsidized interest rate	-	-	-	117 016	-	-	-	-	-	779 309	-	-
Loans to employees of KLP to ordinary terms and conditions	-	-	-	10 228	-	-	-	-	-	17 515	-	-

[1] A=Annuity loand, last payment, HC = Housing Credit
[2] The numbers in brackets represents the number of meetings attended by the total number of meetings held during the period in which the person has been on the board.

NOTE 27 Salary and obligations towards senior management etc.- cont.

2018 NOK THOUSANDS	Paid from the Company						Paid from another comany in the same group					
	Salary, fees etc.	Other benefits	Annual pension ac-cumulation	Loan	Interest rate as at 31.12.2018	Payment plan[1]	Salary, fees etc.	Other ben-efits	Annual pension ac-cumulation	Loan	Interest rate as at 31.12.2018	Payment plan[1]
SENIOR EMPLOYEES												
Sverre Thornes, Group CEO	4 016	201	1 496	-	-	-	-	-	-	11 939	2.30-2.40	A45
Marianne Sevaldsen	2 724	167	1 157	-	-	-	-	-	-	4 439	2.30	A43
Aage E. Schaanning	3 498	163	1 255	-	-	-	-	-	-	5 779	2.30	HC
Rune Hørnes	2 533	160	380	-	-	-	-	-	-	-	-	-
Gro Myking	2 011	160	487	-	-	-	-	-	-	-	-	-
Kirsten Grutle	1 627	137	523	-	-	-	-	-	-	-	-	-
THE BOARD OF DIRECTORS [2]												
Liv Kari Eskeland, Chair up to 7th of May (4 of 5)	196	-	-	-	-	-	-	-	-	-	-	-
Egil Johansen, Chair from 8th of May (11 of 11)	369	-	-	-	-	-	-	-	-	-	-	-
Lars Vorland (9 of 11)	253	-	-	-	-	-	-	-	-	-	-	-
Jan Helge Gulbrandsen (5 of 5) [2]	127	-	-	-	-	-	-	-	-	-	-	-
Marit Torgersen (8 of 11)	281	-	-	-	-	-	-	-	-	-	-	-
Jenny Følling (5 of 6)	132	-	-	-	-	-	-	-	-	-	-	-
Odd Haldgeir Larsen (6 of 6)	114	-	-	-	-	-	-	-	-	2 193	2.40	A38
Karianne Melleby (5 of 6)	127	-	-	-	-	-	-	-	-	-	-	-
Susanne Torp-Hansen, elected by and from the employees (11 of 11)	225	-	-	-	-	-	-	-	-	-	-	-
Freddy Larsen, elected by and from the employees (10 of 10)	270	-	-	-	-	-	-	-	-	-	-	-
CORPORATE ASSEMBLY												
Total CorporateAssembly, including employee representatives	674	-	-	4 711	-	-	-	-	-	36 000	-	-
EMPLOYEES												
Loans to employees of KLP to subsidized interest rate	-	-	-	123 036	-	-	-	-	-	318 972	-	-
Loans to employees of KLP to ordinary terms and conditions	-	-	-	16 109	-	-	-	-	-	158 058	-	-

[1] A=Annuity loand, last payment, HC = Housing Credit
[2] The numbers in brackets represents the number of meetings attended by the total number of meetings held during the period in which the person has been on the board.

NOK THOUSANDS	2019	2018
The period costs related to lending terms and conditions for employees.	5 947	1 671

NOTE 28 Number of employees

	2019	2018
Number of permanent employees 31.12.	563	561
Number of temporary employees 31.12.	25	9
Total number of employees 31.12.	**588**	**570**
Number of full time equivalents permanent employees	552	546
Number of full time equivalents temporary employees	13	8
Total number of full time equivalents	**565**	**555**

NOTE 29 Auditor's fee

NOK MILLIONS	2019	2018
Ordinary audit	2.0	2.3
Certification services	0.2	0.2
Tax advisory services	0.1	0.6
Non-audit services	0.0	1.0
Total auditor's fee	**2.3**	**4.1**

The audit fee is expensed according to received invoice. The amounts above include VAT.

NOTE 30 Transactions with related parties

All transactions with related parties are carried out on market terms and conditions. The exception is administrative services used across the Group. Costs for administrative services are allocated at actual cost in accordance with actual usage. All related parties are 100 percent owned subsidiaries.

NOK MILLIONS	2019	2018
INCOME STATEMENT ITEMS		
Purchase of asset management services from KLP Kapitalforvaltning AS	-112	-106
Purchase of asset management services from KLP Banken AS	-59	-58
Lease of office premises from KLP Huset AS	22	-65
Sale of pension insurance/group life to subsidiaries	106	94
Net repayment administrative services	360	332
Total	**319**	**198**

NOK MILLIONS	31.12.2019	31.12.2018
BALANCE SHEET ITEMS [1]		
Net outstanding accounts to:		
KLP Skadeforsikring AS	31	41
KLP Bedriftspensjon AS	5	4
KLP Forsikringsservice AS	0	1
KLP Kapitalforvaltning AS	4	-1
KLP Eiendom AS	1	14
KLP Bank group	27	22
Total intercompany	**68**	**82**
KLP Huset AS, classified in the accounts as “Shares and holdings in property subsidiaries” (corporate portfolio)	138	77
KLP Eiendom AS, classified in the accounts as “Shares and holdings in property subsidiaries” (common portfolio)	4 314	4 012
KLP Eiendom AS, classified in the accounts as “Shares and holdings in property subsidiaries” (investment option portfolio)	23	22
Total intercompany receivables	**4 543**	**4 193**

[1] Net internal outstanding accounts include Group contribution items at the various companies.

NOTE 31 Other liabilities

NOK MILLIONS	31.12.2019	31.12.2018
Accounts payable	6	21
VAT and tax deductions due	457	449
Non-settled securities trade	1 870	1 442
Total other liabilities	**2 332**	**1 912**

NOTE 32 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 278 per cent, which is well over the Company's target of at least 150 per cent. With the transitional measure on technical provisions the SCR ratio is 319 per cent.

	31.12.2019	31.12.2018
SOLVENCY II - SCR RATIO	278 %	263 %

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2019	31.12.2018
Assets, book value	621	559
Added values - hold-to-maturity portfolio/loans and receivables	8	6
Added values - other lending	0	0
Other added/lesser values	0	0
Deferred tax asset	0	0
Total assets - solvency II	**629**	**564**

NOTE 32 SCR ratio - cont.

NOK BILLIONS SIMPLIFIED SOLVENCY II FINANCIAL POSITION STATEMENT	31.12.2019	31.12.2018
Best estimate	560	500
Risk margin	13	13
Hybrid Tier 1 securities/Subordinated loan capital	8	8
Other liabilities [1]	15	9
Deferred tax liabilities	1	2
Total liabilities - solvency II	**597**	**532**
Excess of assets over liabilities	32	32
- Deferred tax asset	0	0
- Risk equalisation fund [1]	0	-5
+ Hybrid Tier 1 securities	2	2
Tier 1 basic own funds	**33**	**29**
Total eligible tier 1 own funds	**33**	**29**
Subordinated loans	7	7
Risk equalisation fund [1]	0	5
Tier 2 basic own funds	**7**	**12**
Ancillary own funds	12	11
Tier 2 ancillary own funds	**12**	**11**
Deduction for max. eligible tier 2 own funds	-12	-16
Total eligible tier 2 own funds	**7**	**7**
Deferred tax asset	0	0
Total eligible tier 3 own funds	**0**	**0**
Solvency II total eligible own funds	**41**	**36**
Market risk	6	6
Diversification market risk	-2	-2
Counterparty risk	0	0
Life risk	14	15
Diversification life risk	-3	-4
Diversification general	-3	-3
Operational risk	3	2
Loss absorbing ability deferred tax	-1	-2
Solvency capital requirement (SCR)	**15**	**14**
Linear minimum capital requirement (MCR_linear)	7	6
Minimum	4	3
Maximum	7	6
Minimum capital requirement (MCR)	**7**	**6**
Solvency II- SCR ratio	**278 %**	**263 %**

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

NOTE 33 Other insurance-related income and costs

NOK MILLIONS	2019	2018
OTHER INSURANCE-RELATED INCOME		
Contribution service pension/contractual early retirement (AFP)	1 115	1 053
Miscellaneous interest income	3	2
Total other insurance-related income	**1 118**	**1 055**
OTHER INSURANCE-RELATED COSTS		
Payments service pension/contractual early retirement (AFP)	1 115	1 053
Other interest costs	4	6
Total other insurance-related costs	**1 119**	**1 059**

NOTE 34 Contingent liabilities

NOK MILLIONS	31.12.2019	31.12.2018
Guarantee liability	2	2
Committed, not subscribed investment in private equity and property funds	14 007	10 340
Approved, not paid out KLP loan pledge	7 219	8 800
Total contingent liabilities	**21 227**	**19 142**

NOTE 35 Leases

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

NOK MILLIONS	31.12.2019
RIGHT-OF-USE ASSETS	Property
Opening balance 01.01.	305
Depreciation	-101
Closing balance 31.12.	**204**

NOK MILLIONS	31.12.2019
LEASE LIABILITIES	Property
Opening balance 01.01.	305
Repayments	-96
Closing balance 31.12.	**210**

NOK MILLIONS	2019
	Property
Interest expense lease liabilities	**8**

NOTE 36 Change in liabilities from financing activities

NOK MILLIONS	31.12.2018	Cash flow from financing activities	Non-cash changes[1]	31.12.2019
Other subordinated loan capital	6 029	0	-17	6 012
Hybrid Tier 1 securities	1 662	0	77	1 738
Total liabilities from financing activities	**7 691**	**0**	**60**	**7 750**

[1] Non-cash flow changes are mainly unrealized currency

NOTE 37 Change in fair value IFRS 9

31.12.2019 NOK MILLIONS	Financial assets at amortized cost [1] Passed SPPI
Fair value 31.12.2018	174 719
Bought	25 005
Sold	-2 483
Redemption at maturity	-6 940
Change in fair value	2 310
Fair value 31.12.2019	**192 611**

[1] Investments held to maturity and bonds classified as loans and receivables

31.12.2019 NOK MILLIONS	Financial assets valued at fair value
Fair value 31.12.2018	253 656
Bought	87 692
Sold	-99 249
Change in fair value	40 341
Fair value 31.12.2019	**282 438**

31.12.2019 NOK MILLIONS	Other loans and receivables at amortized cost Passed SPPI	Other loans and receivables at amortized cost Not passed SPPI	Other loans and receivables at amortized cost Total
Fair value 31.12.2018	62 448	124	62 572
New loans	17 026	177	17 204
Repayment on-/ redemption of loans	-8 418	-6	-8 424
Change in fair value	264	12	276
Fair value 31.12.2019	**71 321**	**306**	**71 627**

In accordance with the notes requirements, the entity has conducted an SPPI test on the portfolio at amortizied cost.
Based on the preliminary assessment all investments except one loan passes the test.
Also refers to note 5 Fair value of financial assets and liabilities and note 11 Credit risk.

NOTE 38 Events after the reporting period

ONE-TIME EFFECTS DUE TO CHANGES IN PUBLIC SECTOR OCCUPATIONAL PENSIONS

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

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

COVID VIRUS

The prevalence of COVID-19 has led to large movements in stock rates and the foreign exchange market. It is uncertain how long this turmoil will last, and KLP continuously monitors the situation in the financial market. As of 16 March, KLP's security adjustment fund has been reduced by NOK 27 billion to NOK 29 billion as a result of impairment of assets in the collective portfolio. The consequences for real estate investments and lending are uncertain, but it may be appropriate to postpone rental and interest payments for certain groups.

KLP has built buffers to withstand market turmoil. The solvency ratio is still satisfactory, well above the limit for solvency capital coverage of 150 per cent, which is set as a limit for assessing adjustments to increase the solvency. The proportion of shares in the common portfolio for public sector pension has been reduced from 26 per cent at the beginning of the year to an estimated 14 per cent as of 16 March. The decline is due to both sales and a decrease of value.

KLP plans to maintain a higher liquidity portfolio than normal, partly because of increased volatility in the foreign exchange market, which entail increased liquidity requirements. KLP's pensioners, lenders and other creditors will receive settlement as normal.

KLP safeguards the employees by making sure that they have the opportunity to work from home so that they are not exposed to infection through the work situation. In this way, operations are maintained almost normally despite stringent national contagion measures. The assumption of continued operations is thus present both financially and operationally.

SOLVENCY SITUATION FOR KLP (SOLO) AS PER 16 MARCH 2020 (WITHOUT THE USE OF A TRANSITIONAL RULE)

NOK BILLION	ESTIMATE 16.03.2020	31.12.2019
Solvency II total eligible own funds	37.0	40.5
Solvency capital requirement (SCR)	16.6	14.6
SCR ratio	223 %	278 %

To the General Meeting of Kommunal Landspensjonskasse gjensidig forsikringsselskap

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kommunal Landspensjonskasse gjensidig forsikringsselskap, which comprise:

- The financial statements of the parent company Kommunal Landspensjonskasse gjensidig forsikringsselskap (the Company), which comprise the balance sheet as at 31 December 2019, the income statement, changes in owners' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Kommunal Landspensjonskasse gjensidig forsikringsselskap and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, changes in owners' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business activities has in general been unchanged compared to the previous year. There has not been any regulatory changes, transactions or other events with material impact on the 2019 financial statements. Therefore, the key audit matters relevant for our audit have been the same in 2019 as for the prior year audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
We have focused on this area because it represents a substantial part of the assets on the balance sheet and the lack of a liquid market for investment properties. The valuation of investment properties is performed using an internal valuation model that involves estimated future cash flows discounted to present value. The valuation model involves the use of management judgement when determining the expected future market rent, rehabilitation cost and discount rate. The accuracy of the calculation also depends on internal information about the properties, e.g. space, expiration of existing lease contract and lease amounts. Refer to note 3.2, 7 and 16 in the consolidated financial statements for a further description of the valuation of investment properties.	We have evaluated and tested the design and operating effectiveness of the group's internal controls over valuation of investment properties. In particular, we assessed whether management had established controls that ensured evaluation of expected future market rents, rehabilitation cost and discount rates against both external valuations and market data and between properties in the portfolio. We challenged management's judgement by evaluating management's explanations for significant deviations between the assumptions applied and the external valuations and market data. We found the valuation model used by management was reasonable and in accordance with market practice. In order to conclude on the accuracy of the calculations, we tested important internal assumptions on a sample basis against lease contracts and other documentation without identifying significant deviations. We confirmed that the model calculation was appropriately reflecting the valuation model and assumptions selected. We tested that all investment properties had been subject to valuation by comparing the list of properties in the valuation model against the list of properties booked in the accounting system. We compared the output from the valuation model against the external valuations for a selection of the properties. Management explained significant deviations and we challenged the basis for their view of why the deviations did not warrant a change in book values. We also assessed and came to the conclusion that the information about investment properties were sufficient and adequate.

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Calculation of technical provisions – life insurance

We have focused on the calculation of the 'technical provisions – life insurance' because it is a significant estimate in the financial statements requiring a complex assessment of future events. An inherent risk exists related to whether the technical provisions are sufficient to cover the future claim payments to the policy holders.

The calculation of the technical provisions will largely depend on the data quality in the insurance system and the use of assumptions in line with regulatory requirements and relevant industry standards.

Refer to note 2.14, 3.1, 9.1 and 21 in the consolidated financial statements for a further description of the calculation of technical provisions – life insurance.

We have evaluated and tested the design and operating effectiveness of the established internal controls over data quality in the insurance system that forms the basis for the calculation of the technical provisions within life insurance, including general IT controls. In particular, we assessed whether management had established controls that ensured complete and accurate policy data, including controls around data gathering, data processing and sub ledger interfaces. We have evaluated and tested the design and operating effectiveness of the established internal controls over quality assurance of assumptions and calculation methodology applied. We concluded that we could rely on these controls for the purposes of our audit.

We have reviewed the actuary's recalculation of the premium reserves, which the actuary has compared against the premium reserve calculated by the insurance system. Furthermore, we have reviewed the group's roll forward of technical provisions within life insurance and compared the result of this roll forward against the technical provisions calculated by the insurance system. The recalculations do not show a significant deviation against the technical provisions calculated by the insurance systems. We have assessed the methodology and tested the significant assumptions applied e.g. risk of mortality, risk of disability, risk of survival and discount rates.

In our view, the calculation of technical provisions in life insurance was subject to controls with appropriate design and operating effectiveness. The assumptions in the calculations were applied consistently and in accordance with regulatory requirements and industry standards.

We also considered and found that the information regarding the insurance liabilities in notes to the financial statements is sufficient and adequate.

Valuation of derivatives and financial assets measured at fair value through profit or loss

We have focused on this area because it represents a substantial part of the assets on the balance sheet and because the fair value in certain instances will have to be

We have assessed that KLP's guidelines for valuation of financial instruments are in accordance with commonly recognized principles and current regulations.

We have evaluated and tested the design and operating effectiveness of the established internal controls over estimated using valuation models that apply judgement.

The majority of the financial assets measured at fair value through profit or loss are traded in an active market. For these assets, we have focused on KLP's guidelines and processes to ensure an accurate basis for the valuation.

For derivatives and financial assets for which fair value is determined based on models and certain assumptions are unobservable, we have focused on assessing the assumptions underlying the valuation.

Refer to note 3.3, 6 and 7 in the consolidated financial statements for a description of the valuation of financial assets measured at fair value through profit or loss.

valuation of derivatives and financial assets measured at fair value through profit or loss, including general IT controls. For derivatives and financial assets traded in liquid markets, this included controls that ensure accurate and complete registration of the basis for the pricing and controls that ensure that the prices that are transferred to the systems from the pricing sources agree with the sources and that the correct price is applied to the correct derivative or financial asset.

For derivatives and financial assets for which the valuation is based on models and certain assumptions that are not directly observable, we have tested the controls management has established to ensure that an independent valuation is obtained. Where relevant, we have assessed the reliability of the sources used. We concluded that we could rely on these controls for the purposes of our audit.

We also assessed and found that the information in the notes regarding the Group's valuation principles and fair value determination were sufficient and adequate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 22 March 2020
PricewaterhouseCoopers AS

Erik Andersen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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Photo: Borghild Holtedahl
Employed in KLP

To the General Meeting
of Kommunal Landspensjonskasse

The Corporate Assembly of Kommunal Landspensjonskasse has reviewed the Board of Directors' draft annual report and financial statements for Kommunal Landspensjonskasse gjensidig forsikringsselskap, Company and Group. The annual financial statements comprise the statement of income, the statement of financial position, the statement of change in owners' equity, the statement of cash flows, the notes and the audit report.

The Corporate Assembly recommends the General Meeting that the Company's and the Group's annual financial statements and annual report for 2019 be adopted in accordance with the Board's recommendation.

Oslo, 15 April 2020

Nils A. Røhne
Corporate Assembly Chair

Board of Directors in KLP

KLP BOARD OF DIRECTORS
Egil Johansen
(Chair of the Board of Directors)
Jenny Følling (deputy chair)
Odd-Haldgeir Larsen
Karianne Melleby
Cathrine M. Lofthus
Øyvind Brevik
Freddy Larsen
(employees' representative)
Susanne Torp-Hansen
(employees' representative)
Tom Tvedt
(1st deputy – regularly attending)
Hilde Rolanden (2nd deputy)
Sissel M. Skoghaug (deputy for
Odd-Haldgeir Larsen)
Erling Bendiksen
(1st deputy employees' representative)
Marianne Holt Holgersen
(2nd deputy employees' representative)
Erik Orskaug (observer)
Lizzie Ruud Thorkildsen (observer)
Dag Bjørnar Jonsrud (deputy observer)
Ingjerd Hovdenakk (deputy observer)

BOARD OF DIRECTORS OF SUBSIDIARIES

KLP Bankholding AS
Sverre Thornes (Chair)
Aage E. Schaanning (deputy chair)
Karianne Oldernes Tung
Aina Slettedal Eide
Kjell Fosse
Christin Kleppe
(employees' representative)
Espen Trandum
(employees' representative)
Oddvar Engelsåstrø
(deputy employees' representative)
Eivind Østre
(deputy employees' representative)
Managing Director:
Leif Magne Andersen

KLP Banken AS
Sverre Thornes (Chair)
Aage E. Schaanning (deputy chair)
Karianne Oldernes Tung
Aina Slettedal Eide
Kjell Fosse
Christin Kleppe
(employees' representative)
Espen Trandum
(employees' representative)
Oddvar Engelsåstrø
(deputy employees' representative)
Eivind Østre
(deputy employees' representative)
Managing Director:
Leif Magne Andersen

KLP Bedriftspensjon AS
Marianne Sevaldsen (Chair Chair)
Per Myklestu
Alexander Berg Larsen
Gro Myking
Gry Pettersvold
Nina Frivold (employees'
representative)
Harald Ramon Hagen
(deputy employees' representative)
Managing Director: Torun Wahl KLP

KLP Boligkreditt AS
Aage E. Schaanning (Chair)
Kjell Fosse
Karianne Oldernes Tung
Marit Barosen
Adm.dir: Christopher Steen

KLP Eiendom AS
Sverre Thornes (Chair)
Arvid Grundekjøn
Mimmi K. Berdal
Ida Louise Skaurum Mo
Aage E. Schaanning
Einar Kvien
(employees' representative)
Andreas L. Farberg
(deputy for Einar Kvien)
Managing Director: Gunnar Gjørtz

KLP Forsikringsservice AS
Sverre Thornes (Chair)
Marianne Sevaldsen (deputy chair)
Cathrine Hellandsvik
Helge Rudi
Heidi Iren Sunde
Managing Director: Erik Falk

KLP Kapitalforvaltning AS
Sverre Thornes (Chair)
Ingvild Dingstad
Gro Myking
Leif Ola Rød
Hilde Seem
Magne Valen-Sendstad
(employees' representative)
Gunnar Børjesson (deputy)
Per Christian Standerholen (deputy)
Bent Marius Undlien (deputy)
Marte Siri Storaker
(deputy employees' representative)
Managing Director:
Håvard Gulbrandsen

KLP Kommunekreditt AS
Aage E. Schaanning (Chair)
Kjell Fosse
Karianne Oldernes Tung
Aud Norunn Strand
Managing Director: Carl Steinar Lous

KLP Skadeforsikring AS
Sverre Thornes (Chair)
Lene Elisabeth Bjerkan
Camilla Dunsæd
Marianne Sevaldsen
Jan-Hugo Sørensen
Steinar Haukeland
(employees' representative)
Mona Wittenberg
(employees' representative)
Camilla Gravem
(deputy employees' representative)
Jørn Kärnä
(deputy employees' representative)
Managing Director: Tore Tenold

KLP-Huset AS
Gunnar Gjørtz (Chair)

Elected representatives

KLPS CORPORATE ASSEMBLY 2018-2020

Anne Katarina Cartfjord	Helse-Midt Norge RHF
Anita Eidsvold Grønli	Nedre Romerike Brann og redning
Arne Sandbu	Nord-Fron kommune
Atle Brynestad	Helse Sør-Øst RHF
Brit Kramprud Lundgård	Øyer kommune
Erik Arne Hansen	Helse Nord RHF
Eva Ottesen	Gratangen kommune
Inger Torun Klosbøle	Nord-Aurdal kommune
Janne Fardalb Kristoffersen	Lindesnes kommune
Katrine Lereggen	Melhus kommune
Magnus Mjør	Stord kommune
May Holen	Oslo Sanitetsforening
Nils A Røhne	Stange kommune
Ola Bergheim	Nore Energi AS
Ola Stene	Levanger kommune
Ole John Østenstad	Førde kommune
Per Karlsen	Helse Vest RHF
Svein Tore Valsø	Helse Sør-Øst RHF
Tor Egil Bakken	Larvik kirkelige fellesråd
Tove Mette Bjørkmo	Sortland kommune
Tove Trovatn	Helse Vest RHF
Unni Skaar	Sarpsborg kommune
Vibeke Stjern	Åfjord kommune
Øystein Beyer	Porsgrunn kommune

Deputy members

Ståle Refstie	Sunndal kommune
Bjørg Tveito Lundfaret	Nome kommune
Roger Gjennestad	Sykehuset Vestfold HF
Jarle Nilsen	Karmøy kommune
Knut Langeland	Helse Nord RHF
Gunn Cecilie Ringdal	Lier kommune
Øyvind Mikalsen	Avfallsservice AS
Hanne Aspaas	Horten kommune
Camilla Storøy	Herøy kommune
Lars Erik Hyllvang	Engerdal kommune
Heidi Magnussen	St. Olav Hospital HF
Marianne S. Næss	Hammerfest kommune

Nominated by the Employee Organisations

Klemet Rønning-Aaby	UNIO
Anne Green Nilsen	Fagforbundet
Pål Skarsbak	Fagforbundet
Lizzi Thorkildsen	Delta
Ole Jakob Knudsen	Naturviterne
Tone Faugli	Fagforbundet

Deputy members

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Ingrid Myran	Fagforbundet
Arne Løseth	Fagforbundet
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Frode Berge	KLP Bergen
Hanne Bratlie	KLP Oslo
Ingrid Eriksen	KLP Oslo
Linda Brodin	KLP Oslo
Magnus Haldorsen	KLP Skadeforsikring
Marianne Holt Holgersen	KLP Oslo
Odd Steinsrud	KLP Skadeforsikring
Oddvar Engelsåstrø	KLP Trondheim
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Steinar Marthinsen
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Photo: Anders Eidsnes
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Photo: Steffen Ødegård
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Cover photo: Jenny Marie Viggen
Design: Bardus Design

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