

Stapi pension fund

Financial statement 2020

Stapi lífeyrissjóður
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Independent auditors report

To the Board of Directors and members of Stapi Pension Fund

Endorsement relating to the audit of annual accounts

Opinion

We have audited the annual accounts of Stapi Pension Fund (the “fund”) for the year 2020. The annual accounts contain a statement of changes in equity for the disbursement of pensions, a statement of financial position, statement of cash flow, statement of actuarial position, information on material accounting policies and other annotations.

It is our opinion that the annual accounts provide a true and fair view of the fund’s financial position on 31 December 2020 and its performance and movement of cash in hand during the year 2020 in accordance with legislation on annual accounts and the regulations of the Financial Supervising Authority regarding the annual accounts of pension funds.

This opinion is in agreement with our report to the audit committee and the Board of Directors.

The basis for this opinion

Our audit has been conducted in accordance with international auditing standards. Our responsibilities according to those standards are further explained in the chapter *Auditor’s responsibilities relating to the auditing of annual accounts* in the endorsement. We are independent of the fund in accordance with the applicable code of conduct for auditors. We believe we have obtained sufficient and appropriate auditing documents on which to base our opinion.

According to our best knowledge and understanding we declare that we have not provided any unlawful services according to Paragraph 1, Article 5 of Regulation 537/2014 of the European Parliament and that we are unrestrained by the fund in our auditing.

We were elected the fund’s auditors at its Annual General Meeting, 30 June 2020.

Comparative amounts

The fund’s annual accounts, 31 December 2019 were audited by another auditor. The endorsement is dated 26 March 2020 and is without reservations.

Critical audit matters

Key auditing elements are those which, according to our professional assessment, carried the strongest weight in the auditing of the annual accounts. We do not express specific opinions regarding individual key aspects, but we emphasised those features during the general auditing of the annual accounts and when deciding upon our opinion thereof.

Independent Auditor's Report cont.

Critical audit matters	Auditing response
<p>The existence and assessment of investments</p> <p>The book value of investments amounted to ISK 290,327 million or 98% of total assets on 31 December 2020 (2019: ISK 250,322 million). We refer to annotations 2 and 10-12 regarding investments.</p> <p>Among investments are shares, mutual-fund certificates, bonds, restricted cash and derivatives. The fund adopts an investment policy which, <i>inter alia</i>, deals with the structure of securities and the confidence limits of individual portfolios. The investments are generally in the safe keeping of a bank or a financial firm. Since investments are a significant proportion of the fund's assets it is a key aspect of our auditing to confirm that the investments exist and are in the fund's ownership.</p> <p>The investments are variously held at present value, historical cost or in accordance with a valuation method where variables are based on market information, either directly or indirectly, and on administrators' assessment. Due to the materiality and significance of investments and the fact that some are held on the basis of an valuation method, which <i>inter alia</i> is based on administrators' assessment their existence and assessment are key elements in the audit.</p> <p>Assessment of the pension obligation of the fund's mandatory division</p> <p>The fund's pension obligation amounted to ISK 442,998 million at end of year 2020 (2019: ISK 419,667 million). Revalued assets in excess of the mandatory division's obligations amounted to ISK 6,432 million at end of year, or 1.45% of equity (2019: - 1,636 million, or -0.39%). The mandatory division's pension obligation is calculated by an independent actuary.</p> <p>Owing to the significance of the actuarial position for the fund's mandatory division the calculation of pension obligation is a key element in the audit.</p> <p>Cf. survey of actuarial position and explanatory note 14.</p>	<p>Our auditing practices aimed at confirming the fund's ownership of investments at end of year and assess the methods used by administrators when determining their value.</p> <p><i>Inter alia</i>, this work included:</p> <ul style="list-style-type: none"> • Confirming the existence and ownership of investments at end of year, using external confirmations • Confirming the rate of exchange of a sample of registered securities with the assistance of data suppliers and information from fund managers. • Assessing the methods and calculations of fund managers with regard to non-listed investments. • Explanatory notes in the annual accounts were inspected. <p>Our auditing practices aimed at assessing the premises used by an actuary when valuing a pension obligation.</p> <p><i>Inter alia</i>, this work included:</p> <ul style="list-style-type: none"> • Assessing the independence and competence of the actuary. • Examining calculation methods. • Analysing the change in pension obligation during the year by presenting an anticipated development for the year and comparing this to the actuary's conclusions. • Our price assessment specialist conducted an independent calculation of a certain aspect of the pension obligation for the purpose of estimating the actuary's conclusion. • We inspected the overview of the actuarial position and explanatory note 14 in the annual accounts and confirmed that presentation is in accordance with regulations.

Responsibilities of the Board of Directors and CEO regarding the annual accounts

The Board of Directors and the CEO are responsible for the compilation and clear presentation of the annual accounts in accordance with legislation on annual accounts, as well as assuming responsibility for the internal controls required to enable them to produce annual accounts without material misstatements, whether this be due to fraudulent behaviour or errors.

Independent Auditor's Report cont.

When compiling the annual accounts, the Board of Directors and the CEO are under an obligation to assess the fund's viability and provide relevant information on all aspects which may affect the fund's performance as a going concern and to base their financial reporting on the principle of continuing viability, unless their intention is either to dissolve the fund or wind up the operation, or in the event that they have no other realistic option than terminating the fund's activity.

The Board of Directors and the CEO shall monitor the compilation and presentation of the annual accounts.

Auditors' responsibilities regarding the annual accounts

Our aim is to acquire reasonable assurance as to whether the annual accounts in their totality are free of significant misstatement, whether this be due to fraudulent behaviour or errors, and to produce an audit endorsement which states our opinion. Reasonable assurance entails reliability but no guarantee that an auditing process in accordance with international auditing standards will always reveal significant or material misstatements in the event that those are present. Misstatements may be due to fraudulent actions or errors and are regarded as significant if they on their own, or in totality, could influence financial decisions of the users of the accounts.

When auditing in accordance with international auditing standards we invariably apply our professional judgement, critically assessing audit evidence. In addition:

- We examine and assess the risk of a significant misstatement in the annual accounts, whether due to fraudulent acts or errors; we plan and carry out auditing processes to respond to such risks and we acquire sufficient and relevant auditing evidence on which to base our opinion. The risk of failing to find a significant misstatement due to fraudulence is greater than that of not uncovering erroneous faults, since fraudulence may involve conspiracy, forgery or deliberate omission, misleading presentation, or the avoidance of internal audit.
- We build up an understanding of internal audit, in order to be able to plan appropriate auditing practices, but not for the purpose of assessing the effectiveness of internal audit.
- We examine whether administrative financial reporting methods, assessments and relevant explanations are appropriate.
- We form a conclusion as to whether the Board of Directors and CEO make appropriate use of the principle of viability as expressed in the financial statements and we assess, on the basis of our audit whether circumstances exist which might raise serious doubt as to the fund's viability. In the event that we believe material doubt exists as regards viability, we are, in our endorsement, obliged to draw special attention to relevant explanatory notes in the annual accounts or, if such explanatory notes are unsatisfactory, to withhold unreserved endorsement. Our conclusion is based on auditing evidence obtained up to the date of our endorsement. Nevertheless, future events or circumstances may render the fund nonviable.

Independent Auditor's Report cont.

- We assess the presentation, structure and content of the annual accounts as a whole, including explanatory notes, as well as estimating whether the annual accounts provide a lucid illustration of background events and business transactions.

Inter alia, we inform the Board of Directors and the audit committee of the estimated scope and time limits of the auditing process and of consequential findings which may arise during the course of our audit, for example material flaws in internal audit.

Furthermore, we declare to the Board of Directors and the audit committee that we have acted in accordance with the code of ethics with regard to independence and that when appropriate we shall disclose information on relationships or other conditions which may be seen to undermine our independence and we shall provide details of any mitigating actions we have taken in such an eventuality.

We estimate from matters reported to the Board of Directors and the audit committee, which elements are of the highest significance in terms of auditing the annual accounts and thus identified as key elements of the auditing process. We describe those elements in our endorsement unless laws and regulations prevent such disclosures, or in the event that special and extremely rare circumstances cause us to decide not to provide information on a key element, since the negative consequences of such communication are considered weightier than the public benefit of disclosure.

Confirmation relating to other legal provisions

In compliance with the stipulations of Paragraph 2, Article 104 of Act no. 3/2006 on annual accounts we confirm that, to the best of our knowledge, the report by the Board of Directors accompanying these annual accounts provides the information required in accordance with legislation on annual accounts and which is not contained in explanatory notes.

Hrafnhildur Helgadóttir, auditor, is accountable for the audit of the annual accounts and for this endorsement.

Reykjavík 30 March 2021

KPMG ehf.

Report by the Board of Directors

Stapi Pension Fund operates in accordance with the Pension Act, No. 129/1997, on mandatory insurance of pension rights and on activities of pension funds. The fund's operation is authorised by the Ministry of Finance in compliance with Article 52 of the aforementioned Act. The objective of the fund is to guarantee its members, as well as their surviving spouses and children, a pension according to the fund's Articles of Association. The fund comprises three separate sections, a mandatory division, a voluntary division and a specially designated voluntary division.

Main items of information regarding performance and developments

Return on the fund's assets fluctuated considerably during the year. During the first quarter of the year, stocks in the fund's asset portfolio fell significantly due to the impact of the Covid-19 pandemic. The fund's low risk strategy, however, and diffuse composition of assets reduced the impact on the fund's portfolio as a whole. In the wake of lowered interest rates and other stimulating measures taken by public authorities to limit the impact of Covid-19, stock markets recovered and thus real return on Stapi's assets in 2020 was over 9%. This positive return follows a real return of close to 10% in 2019; thus the past few years have been among the fund's best as regards return on investment. The fund's objective is a real return of 3.5% whereas average real return of the past 10 years is 4.5%.

The Board of Directors anticipates that the fund's operation will be along similar lines in the next few years. However, the impact of the Covid 19 pandemic is still felt in the fund's daily operations as well as having to some degree affected the value of the fund's assets. When the fund's contingency plan relating to the pandemic is operative, some of Stapi's employees are located outside their workstations and there is limited access to the fund's offices. Thus daily operations have been able to maintain full performance in challenging circumstances. The Board of Directors expects the aftermath of the pandemic on the fund's daily operations to continue in the coming year, but its impact on the fund's assets might last longer.

Indeterminate entitlements in Stapi's system of entitlements mainly develop in step with alterations in the fund's asset index. Thus fluctuations in asset value will have less impact on the fund's ability to fulfil its obligations than otherwise would have been the case. The assessment of the fund's obligations is based on a forecast of fund members' life expectancy and thus entailing a high degree of uncertainty. The average life expectancy of people in Iceland has been increasing – a trend which can reasonably be expected to continue in the years to come. On the basis of unaltered pension age and entitlements, such a development would negatively affect the fund's ability to fulfil its obligations in the long term, since members would, in such circumstances, generally receive payments for a longer period than assumed in calculations. It is, therefore, necessary that the fund's entitlement system be based on updated and far-sighted demographic premises.

Fund membership and contributions

In the year 2020 a total of 20,628 fund members working for 3,326 employers paid contributions to the fund's mandatory division. The year's total contributions amounted to ISK 12,915 million. Contributions to the mandatory division were ISK 12,468 million, increasing by 2.5% from the previous year and contributions to the voluntary division grew by 10.8% compared to the previous year, totalling ISK 334 million. Contributions to the specially designated voluntary division amounted to ISK 113 million during the year. The number of active members who generally make regular monthly contributions to the fund was 14,654 in the mandatory division, 783 in the voluntary division and 370 in the specially designated voluntary division.

Pension disbursements

The mandatory division's total pension disbursements during the year amounted to ISK 7,140 million, rising by 11.4% from the previous year. Individual retirement pension plans were ISK 5,091 million,

Report by the Board of Directors, cont.

disability benefits amounted to ISK 1,736 million, spouse pensions were ISK 264 million and child benefits were ISK 48 million. Pension disbursements from the voluntary division amounted to a total of ISK 276 million and from the specially designated voluntary division ISK 1.6 million. The total number of pensioners in the mandatory division at end of year was 10,966.

During the year, the national parliament (Althing) approved a temporary authorisation for a special disbursement of savings in voluntary divisions, up to a maximum of ISK 12 million per person. Applications were accepted during the period 1 April 2020 until 1 January 2021. Stapi received applications from 124 members for the disbursement of a total of ISK 125 million, or less than 2% of the fund's voluntary divisions.

Operating expenses

The fund's operating expenses in 2020 amounted to ISK 465 million. Operating expenses as a proportion of assets came to 0.2%. Full-time equivalent units were 19.3 during the year, and total payroll expenses were ISK 233 million.

Assets and return on investments

The mandatory division's net assets available for benefits were ISK 288,345 million and increased by 15.6% compared to the previous year. The division's nominal return on investments was positive by 13.1% but real return was 9.2%. The net assets of the voluntary division amounted to ISK 7,204 million, increasing by 12.2% from the previous year. The voluntary division offers three investment options: the deposit portfolio, the conservative portfolio and the dynamic portfolio; the net real return of those portfolios, respectively, totalled -3.4%, 10.5% and 8.1% during the year. The net assets of the specially designated voluntary division were ISK 319 million at end of year.

Actuarial position

An actuarial audit has been carried out with respect to the fund's mandatory division at end of year 2020. The year's actuarial performance was positive by ISK 8,068 million, and the fund's actuarial position at end of year was positive by ISK 6,432 million, or 1.5% of the fund's liabilities. The positive actuarial performance can be explained in terms of the fund's sound return on investments last year and, in addition, alterations to the fund's Articles of Association passed at the Annual General Meeting in 2020 improved the position by ISK 2,777 million.

Governance

It is the assessment of Stapi Pension Fund that good governance is a precondition for the fund's successful operation and the achievement of its aims and objectives. By sound governance, the fund wishes to build a foundation of thorough and professional work practices and constructive relations with fund members and their employers who pay contributions to the fund. This way, trust is built up in contacts and communication between the fund's management and staff, on the one hand, and fund members, employers, customers and others who have contacts with the fund. The aim of ensuring that the fund always provides exemplary services is part of good governance, and that the fund is equipped with up to date information technology and contributes to the transparency of its operation by providing timely and reliable information. When formulating governance practices, the fund's management and Board of Directors have looked to generally recognised opinions and guidelines on good corporate governance.

The fund's Board of Directors is elected at an Annual General Meeting. The Board is composed of eight members and gender ratios are to be equal. Four deputy directors are elected and subject to the same regulations. The Board of Directors appoints an audit committee, consisting of three individuals as well as a compliance officer.

Report by the Board of Directors, cont.

In accordance with law, the Board of Directors of Stapi Pension Fund is responsible for ensuring that the fund's operations comply with law, regulations and the fund's Articles of Association. The fund's Board of Directors shall also undertake general supervision regarding daily activities, accounting and management of the fund's assets. The Board shall formulate investment strategy and internal supervision, document supervision processes and develop surveillance systems which enable the fund to analyse, monitor, assess and control risks in the fund's operations. The managing director, who is in charge of the fund's day to day operation, shall comply with the policies and instructions laid down by the fund's Board of Directors. The managing director can only implement unusual or significant measures in accordance with the Board's authorisation. It is the function of the Board of Directors to gather information, analyse and decide upon a strategy relating to risks attached to the fund's operations; that is, establish reasonable limits in this context.

The fund's Board of Directors is in charge of the fund's risk management and surveillance and accountable for appropriate performance in this field. The Board shall compile and agree upon a risk management strategy and ensure that the fund maintains a risk management policy encompassing all of the fund's operations. The risk management policy shall contain valid procedures and working practices. The Board must also ensure that those procedures are satisfactory and that all practices are sound and reliable.

The Board of Directors has appointed an audit committee in compliance with the provisions of Article 108 of Act no. 3/2006. The audit committee monitors work procedures relating to the compilation of financial statements, the organisation and performance of internal supervision, internal auditing and risk management, supervision of the auditing of annual accounts, assessment of the independence of auditors and auditing firm as well as the monitoring of other services to the fund performed by auditors or auditing firm. The audit committee issues its recommendations to the Board of Directors regarding the choice of auditor or auditing firm. The audit committee holds regular meetings with the internal auditor, the chief risk management officer and, as required, other fund staff members and submits reports of those meetings to the Board of Directors. In addition to supervision by management and monitoring by the chief risk management officer, the Board of Directors has appointed an internal auditor who works in accordance Act no. 129/1997 and Regulation no. 687/2001 concerning auditing departments and pension funds' supervisory bodies. The fund's internal auditor is PwC. The internal auditor conducts regular monitoring processes and submits their results to the Board of Directors. The internal auditor works in close co-operation with the audit committee and the chief risk management officer.

The fund employs a chief risk management officer who is answerable to the fund's CEO and has direct access to the Board of Directors. The chief risk management officer is in charge of all the fund's risk management and internal control, including risk classification and the organisation of risk management and is obliged to ensure that the fund's Board of Directors and the audit committee always have the best available information regarding risk management and risk level, on the basis of policy and agreed work procedures. The chief risk management officer is in charge of the formation of a risk strategy, risk management strategy, own risk assessment and the compilation of a risk management plan in consultation with the CEO, office manager and investment council. The risk strategy, risk management strategy and own risk assessment is submitted to the Board of Directors for acceptance.

The fund's lawyer has the function of a compliance officer in accordance with the fund's rules regarding work procedures in securities trading and is directly answerable to the Board of Directors this capacity. All compulsorily notifiable commercial undertakings shall be reported to the compliance officer who is authorised to call for information regarding the fund's transactions from the tax

Report by the Board of Directors, cont.

statements of employees and directors. The compliance officer submits regular reports on his activities to the internal auditor which are subsequently stated in the auditor's report to the audit committee and the Board of Directors.

The statement on governance for the year 2020 is published *in toto* in a special section of these annual accounts.

The provision of non-financial information

Stapi Pension Fund is classified as a concern relating to public interest, cf. Act no. 3/2006 on annual accounts and consequently the Report by the Board of Directors contains information necessary to assess the fund's development, scope, position and impact regarding issues associated with the environment, society and the fund's employees, according to Article 66 of the Act referred to above. In addition, the fund's human rights policy is outlined as well as measures taken to prevent the occurrence of bribing and corruption.

Business model

Stapi Pension Fund is intended for salary and wage earners on the general labour market spanning the area from Hornafjörður to Hrótafjörður. The fund has a staff of 20 in two workstations, Akureyri and Neskaupstaður. The fund operates in accordance with Act no. 129/1997 on mandatory pension entitlements and the operation of pension funds and therefore has a full operational licence. The objective of the fund is to guarantee its members, their surviving spouses and children, a pension in accordance with its Articles of Association. Thus the fund receives members' contributions, accumulates their yield and pays out pensions, disability pensions, derived pensions and child benefits.

Social policy

The fund's social influence and responsibility is revealed in two major aspects of its operation. On the one hand, paying pensions to its members is the responsibility of the fund, and, on the other, the fund is accountable for its investment activities. The fund fulfils its role of paying pensions to its members in accordance with its Articles of Association, code of ethics and other documented regulations of the fund. As regards investment activities, the fund annually announces its investment policy, its objectives and restrictions. In addition, the fund's investment policy refers to moral criteria with respect to its investments. Furthermore, the fund conducts its operations with a view to Guidelines and policy aims relating to governance, representation and socially responsible investments which specify the criteria and expectations of Stapi Pension Fund towards companies in its asset portfolio and their asset management policies.

Stapi Pension Fund was a founding member of IcelandSIF, an independent platform for responsible and sustainable investments. The objective of IcelandSIF is to support knowledge acquisition and dialogue among investors regarding the methodology of sustainable and responsible investments.

In 2020 the fund signed a "A declaration of intent regarding investments for the benefit of sustainable development", together with the Icelandic government, banks, savings banks, banking institutions, insurance companies, other pension funds and investment pools. With its signature Stapi undertakes the obligation of taking into account Iceland's international obligations and the benchmarks established by the Icelandic government. The fund, furthermore, accepts the obligation, in accordance with the declaration of intent, to publish its policy of responsible and sustainable investments and to provide information on measures it has taken in this context. The fund is not a signatory to the United Nations regulations on responsible investments (UN Principles for Responsible Investments) but makes use of such regulations, *inter alia*, to assess the behaviour of companies in which it invests, with a view to social aspects. The fund's investment strategy for the year 2021 contains a discussion on principles of morality in investments.

Report by the Board of Directors, cont.

Personnel policy

Stapi's Board of Directors has established the fund's personnel policy which emphasises professional satisfaction, a pleasant working environment and an ambitious programme of training and education. The policy also states that all the fund's employees shall be shown due respect, independent of gender, age, nationality or religion. It is the fund's objective that all staff members be equally esteemed and have the same opportunities regarding employment, salary, privileges, professional training and working environment. The fund has decided on a special policy and programme to prevent bullying, sexual harassment, gender specific discrimination and other inappropriate conduct. Stapi endeavours to offer the best possible working environment, equipment and facilities at any given time and to ensure the safety of staff members at work. The fund regularly appraises the need for renewal of staff equipment and facilities. It is Stapi's aim to support the healthy living of its employees, both in a mental and physical sense, and the fund provides financial support to assist its employees in accessing fitness facilities.

One employee terminated his employment with a Stapi operator during the year and a new employee was recruited.

Environmental policy

The fund has adopted a centralised, access-controlled print solution with the objective of reducing paper use. The fund also aims to transfer electrical equipment no longer in use to re-utilisation or recycling. Special emphasis is placed upon minimising and classifying waste resulting from the fund's operation.

The fund aims for the increased transfer of its document administration to electronic format to improve the safety of information assets and reduce paper use. As an investor, the fund expects companies in which it has invested to comply with laws and regulations regarding environmental issues and to demonstrate an understanding in this context, as well as controlling and, insofar as possible, reducing the environmental impact of the activity in question.

Human rights policy

The fund's human rights policy is that all persons be granted human rights regardless of gender, sexual orientation, skin colour, nationality, religion, domicile and financial situation. In their decision-making, the Board and the fund's employees emphasise equal rights and the avoidance of discrimination.

In its function as an investor, the fund expects companies in which it has part ownership to take measures to ensure that their operations or commercial activities do not contravene internationally recognised human rights and that they do not have commercial dealings with those who practise human rights violations. Furthermore, the fund expects companies which form part of its asset portfolio to formulate a human rights policy, communicate it and its guidelines to their staff, business partners and suppliers in the event that the company in question runs operations or has business relationships in countries where human rights are not honoured according to the assessment of international organisations.

Protection against corruption and bribery

In support of sound governance and to prevent the occurrence of cases involving bribery and corruption, the following, *inter alia*, may be regarded as useful guidelines:

- Code of ethics
- Work rules set by Board of Directors
- Policy and regulations relating to protection against money laundering as well as due diligence, and random reliability checks
- Rules on work procedures regarding the business relations of directors and those staff members who deal in financial instruments

Report by the Board of Directors, cont.

The fund's Board of Directors has appointed an accountable manager of protection against money laundering and a compliance officer who, in consultation with the chief risk management officer, *inter alia*, monitors corruption risks and compliance with the terms and conditions indicated in the above documents.

Stapi has not defined non-financial key criteria, but aims to examine the viability of adopting such measurements in the year 2021.

The Board of Directors and the CEO of Stapi Pension Fund hereby ratify and endorse with their signatures the fund's annual accounts for the year 2018.

Akureyri, 30 March 2021

Statement of changes in net assets for pension payments in 2020

	Expl.	2020	2019
Contributions			
Fund members' contributions		3,488,742	3,295,740
Employers' contributions		9,426,520	9,276,608
Transfer of entitlements and repayments		(123,709)	(100,045)
		<u>12,791,553</u>	<u>12,472,303</u>
Special additional contributions	3	599,054	614,699
		<u>13,390,607</u>	<u>13,087,002</u>
Pensions			
Total pensions	4	7,417,696	6,583,981
Contribution to vocational rehabilitation fund		77,389	78,753
Direct costs relating to disability pensions	5	6,458	4,401
Retirement pensions from Institute of Social Security		(948)	(1,005)
		<u>7,500,595</u>	<u>6,666,131</u>
Net investment income			
Net income from holdings in companies and funds	6	25,379,933	19,249,834
Net income from bonds	7	8,532,477	9,914,959
Net income from derivatives		45,200	0
Net income from investments in residential housing		(887)	(760)
Interest income from tied bank deposits		32,669	45,211
Interest income from cash in hand		400,711	215,459
Interest income from contributions and other claims		41,100	77,117
Other investment income		6,692	31,340
Cost of investments	8	(128,293)	(98,817)
		<u>34,309,601</u>	<u>29,434,342</u>
Operating expenses			
Office and administration expenses	9	464,735	428,662
Change in net assets for pension payments			
Net assets from previous year		39,734,878	35,426,552
		<u>256,133,222</u>	<u>220,706,669</u>
Net assets for pension payments at end of year			
		<u>295,868,101</u>	<u>256,133,221</u>

Balance sheet 31 December 2020

	Expl.	2020	2019
Assets			
Investments			
Holdings in companies and funds	10	158,534,455	121,710,528
Bonds	11	131,251,378	127,804,622
Tied bank deposits		496,344	806,862
Deratives		45,200	0
		<u>290,327,377</u>	<u>250,322,011</u>
Claims			
Claims against employers		1,352,585	1,351,675
Other claims		65,359	31,856
		<u>1,417,944</u>	<u>1,383,531</u>
Various assets			
Property, plant and equipment	13	282,614	289,884
Cash in hand		<u>3,967,420</u>	<u>4,457,132</u>
Total assets		<u>295,995,354</u>	<u>256,452,559</u>
Liabilities			
Trade payables			
Other liabilities		127,255	319,338
Total liabilities		<u>127,255</u>	<u>319,338</u>
Net assets for pension payments		<u>295,868,101</u>	<u>256,133,221</u>
Off-balance sheet liabilities	15		

Cash flow 2020

	2020	2019
Incoming payments		
Contributions	13,389,697	12,488,862
Paid-in interest on cash in hand and claims	70,604	159,497
Other pay-ins	60,939	614,699
	<u>13,521,240</u>	<u>13,263,058</u>
Payouts		
Pensions	7,500,595	6,583,981
Operating expenses	456,251	424,426
Investment í tangible assets	1,213	113,200
Other payouts	414,818	110,613
	<u>8,372,878</u>	<u>7,232,220</u>
Increase in disposable cash for investment	5,148,363	6,030,838
Investing activities		
Proceeds from holdings in companies and funds	349,143	815,827
Purchased holdings in companies and funds	(45,357,446)	(33,112,587)
Proceeds from sold holdings in companies and funds	33,557,031	29,030,400
Principal and interest instalments on bonds	12,938,420	14,866,594
Purchased bonds	(32,082,403)	(24,304,105)
Proceeds from sale of bonds	24,243,674	7,961,414
Reimbursed tied deposits	343,185	212,756
Purchased residential housing	0	(34,500)
Proceeds from sold residential housing	0	62,400
Paid income from residential housing operations	0	3,186
Cost of residential housing	(887)	(3,947)
	<u>(6,009,282)</u>	<u>(4,502,561)</u>
Increase (decrease) of cash and cash equivalents	(860,919)	1,528,277
Exchange difference of cash and cash equivalents	371,207	133,079
Cash in hand at beginning of year	4,457,132	2,795,776
Cash in hand at end of year	<u>3,967,420</u>	<u>4,457,132</u>

Financial ratios

	2020	2019	2018	2017	2016
Mandatory division					
Net assets in excess of liabilities	1.45%	-0.39%	-1.79%	-0.92%	-1.54%
Net assets in excess of accruing liabilities	1.08%	-0.07%	-0.18%	-1.05%	-3.18%
Net real return *).....	9.15%	9.98%	1.46%	5.21%	-0.13%
Average of net real return during the past 5 years *).....	5.05%	5.06%	4.13%	3.99%	3.76%
Average of net real return during the past 10 years *).....	4.53%	4.14%	2.73%	1.22%	0.62%
Proportional allocation of investments:					
Listed ownership interests in companies and funds	42.1%	37.9%	35.4%	34.2%	34.8%
Listed bonds	39.6%	45.1%	49.3%	50.5%	51.1%
Listed ownership interests in companies and funds	12.5%	11.1%	10.5%	10.7%	10.3%
Unlisted bonds	5.7%	6.3%	4.4%	3.6%	3.0%
Tied bank deposits	0.2%	0.3%	0.4%	0.6%	0.8%
Investments in residential housing	0.0%	0.0%	0.0%	0.5%	0.0%
Proportional division of investments according to currencies					
Assets in Icelandic kronur ISK	65%	68%	71%	74%	76%
Assets in foreign currencies	35%	32%	29%	26%	24%
Number of active fund members	14,654	15,200	15,086	14,486	13,903
Number of fund members at end of year	92,054	91,086	89,433	87,292	85,711
Number of pensioners	10,966	10,261	9,620	9,059	8,559
Proportional division of pensions:					
Retirement pensions	71.3%	70.8%	70.6%	68.9%	67.4%
Disability pensions	24.3%	24.4%	24.4%	25.7%	26.9%
Spouse pensions	3.7%	4.0%	4.3%	4.6%	4.7%
Child benefits	0.7%	0.7%	0.7%	0.8%	0.9%
Full position equivalents	19.3	18.3	18.3	15.0	14.0
Total contributions (at constant prices)	13,053,541	13,212,792	12,571,716	10,911,782	9,700,955
Total pensions (at constant prices)	7,222,963	6,717,128	6,114,734	5,737,778	5,413,198
Total net investment income (at constant prices) *)	33,424,479	29,513,666	10,685,428	14,621,430	4,197,209
Office and administrative costs (at constant prices)	430,367	411,717	455,748	402,460	338,397
Increase (decrease) of net assets (at constant prices)	38,824,691	35,597,613	16,686,662	19,392,974	8,146,570
Pension burden	55.3%	50.8%	48.6%	52.6%	55.8%
Office and administrative costs (total) as a % of contributions	3.3%	3.1%	3.6%	3.7%	3.5%
Net investment income as a % of mean asset position *)	12.2%	12.1%	4.8%	6.9%	2.1%
Office and administrative costs as a % of mean asset position	0.16%	0.17%	0.20%	0.19%	0.17%

*) Financial ratios, investment income and asset position have been recalculated in accordance with new auditing practice. Net real return is calculated from net investment income less operating costs and other expenses. When calculating net investment income as a percentage of mean asset position, other expenses have been subtracted from investment income. Constant prices are based on changes in the consumer price index.

Financial ratios

	2020	2019	2018	2017	2016
Voluntary division: Conservative portfolio					
Net real return	8.08%	11.27%	-0.19%	6.15%	1.33%
Mean net real return of past 5 years.....	5.24%	5.20%	3.93%	4.85%	4.44%
Mean net real return of past 10 years.....	5.16%	5.71%	5.68%	6.56%	6.61%
Proportional allocation of investments					
Listed ownership interests in companies and funds	47.7%	38.1%	45.0%	37.0%	33.4%
Listed bonds	52.3%	61.9%	55.0%	63.0%	66.6%
Tied bank deposits	0.0%	0.0%	0.0%	0.0%	0.0%
Proportional division of investments according to currencies					
Assets in Icelandic kronur ISK	78.9%	83.1%	84.2%	79.6%	89.9%
Assets in foreign currencies	21.1%	16.9%	15.8%	20.4%	10.1%
Number of active fund members					
Number of active fund members	163	206	191	166	165
Number of fund members at end of year	4,324	4,312	4,339	4,420	4,396
Number of pensioners	138	161	200	97	95
Proportional division of pensions:					
Retirement pensions	100%	100%	98.7%	100%	100.0%
Disability pensions	0.0%	0.0%	0.0%	0.0%	0.0%
Spouse pensions	0.0%	0.0%	1.3%	0.0%	0.0%
Child benefits	0.0%	0.0%	0.0%	0.0%	0.0%
Total contributions (at constant prices)					
Total contributions (at constant prices)	98,847	99,602	103,258	53,401	47,447
Total pensions (at constant prices)					
Total pensions (at constant prices)	86,896	63,929	103,645	63,612	64,694
Total net investment income (at constant prices) *)					
Total net investment income (at constant prices) *)	200,725	212,105	50,336	115,396	53,215
Office and administrative costs (at constant prices)					
Office and administrative costs (at constant prices)	8,441	7,806	7,217	7,198	6,675
Increase (decrease) of net assets (at constant prices)					
Increase (decrease) of net assets (at constant prices)	204,235	239,975	42,732	97,984	29,292
Pension burden					
Pension burden	87.9%	64.2%	100.3%	119.1%	136.4%
Office and administrative costs (total) as a % of contributions					
Office and administrative costs (total) as a % of contributions	8.5%	7.8%	7.1%	13.5%	14.1%
Net investment income as a % of mean asset position *)					
Net investment income as a % of mean asset position *)	11.6%	14.8%	3.5%	5.4%	2.6%
Office and administrative costs as a % of mean asset position					
Office and administrative costs as a % of mean asset position	0.5%	0.5%	0.5%	0.5%	0.5%

Financial ratios

	2020	2019	2018	2017	2016
Voluntary division: Dynamic portfolio					
Net real return	10.52%	14.93%	-0.72%	5.34%	-0.20%
Mean net real return of past 5 years.....	5.80%	5.33%	3.81%	4.80%	4.95%
Mean net real return of past 10 years.....	5.37%	5.32%	5.00%	5.99%	5.99%
Proportional allocation of investments					
Listed ownership interests in companies and funds	62.5%	43.0%	59.2%	55.2%	51.7%
Listed bonds	37.5%	57.0%	40.8%	44.8%	48.3%
Proportional division of investments according to currencies					
Assets in Icelandic kronur ISK	68.8%	75.0%	76.7%	69.5%	71.0%
Assets in foreign currencies	31.2%	25.0%	23.3%	30.5%	29.0%
Number of active fund members	371	373	352	320	290
Number of fund members at end of year	11,053	10,958	10,926	10,936	10,796
Number of pensioners	227	169	164	59	57
Proportional division of pensions:					
Retirement pensions	98.8%	98.0%	94.9%	98.5%	98.9%
Disability pensions	1.2%	2.0%	2.4%	1.5%	1.7%
Spouse pensions	0.0%	0.0%	2.7%	0.0%	0.0%
Child benefits	0.0%	0.0%	0.0%	0.0%	0.0%
Total contributions (at constant prices)	54,476	133,060	59,905	220,499	71,588
Total pensions (at constant prices)	166,875	104,241	111,193	57,658	80,393
Total net investment income (at constant prices) *)	650,604	712,405	116,353	282,372	85,386
Office and administrative costs (at constant prices)	22,383	21,310	19,463	19,284	17,946
Increase (decrease) of net assets (at constant prices)	515,823	719,927	45,603	425,929	58,637
Pension burden	306.3%	78.4%	185.6%	26.2%	112.3%
Office and administrative costs (total) as a % of contributions	41.1%	16.0%	32.5%	8.8%	25.1%
Net investment income as a % of mean asset position *)	13.8%	18.4%	3.0%	4.9%	1.6%
Office and administrative costs as a % of mean asset position	0.5%	0.5%	0.5%	0.5%	0.5%

Financial ratios

	2020	2019	2018	2017	2016
Voluntary division: Deposit portfolio					
Net real return	-3.41%	0.20%	-0.35%	2.44%	2.55%
Mean net real return of past 5 years.....	0.26%	1.50%	2.03%	2.67%	2.68%
Mean net real return of past 10 years.....	1.50%	2.46%	3.34%	4.12%	0.00%
Proportional allocation of investments					
Listed ownership interests in companies and funds	100%	100%	100%	100%	100%
Proportional division of investments according to currencies					
Assets in Icelandic kronur ISK	100%	100%	100%	100%	100%
Number of active fund members	249	247	257	247	249
Number of fund members at end of year	357	383	327	320	360
Number of pensioners	21	11	11	9	9
Proportional division of pensions:					
Retirement pensions	100%	100%	100%	100%	74.2%
Disability pensions	0.0%	0.0%	0.0%	0.0%	25.8%
Spouse pensions	0.0%	0.0%	0.0%	0.0%	0.0%
Child benefits	0.0%	0.0%	0.0%	0.0%	0.0%
Total contributions (at constant prices)	83,791	-666	81,556	-21,683	48,216
Total pensions (at constant prices)	22,234	12,226	93,353	9,717	21,628
Total net investment income (at constant prices) *)	2,685	12,107	12,873	20,208	24,089
Office and administrative costs (at constant prices)	2,399	2,152	2,202	2,022	2,348
Increase (decrease) of net assets (at constant prices)	61,843	-2,941	-1,127	-13,214	48,328
Pension burden	26.5%	-1836.0%	114.5%	-44.8%	44.9%
Office and administrative costs (total) as a % of contributions	2.9%	-323.3%	2.7%	-9.3%	4.9%
Net investment income as a % of mean asset position *)	0.6%	5.5%	2.9%	3.0%	3.4%
Office and administrative costs as a % of mean asset position	0.5%	0.5%	0.5%	0.4%	0.5%

Financial ratios

	2020	2019	2018	2017	2016
Specific voluntary division: Conservative portfolio					
Net real return	8.61%	4.90%	-4.40%	-0.50%	-
Mean net real return of past 5 years.....	0.00%	0.00%	0.00%	0.00%	-
Proportional allocation of investments					
Listed ownership interests in companies and funds	40.2%	33.9%	45.2%	100%	-
Listed bonds	59.8%	66.1%	54.8%	0.0%	-
Proportional division of investments according to currencies					
Assets in Icelandic kronur ISK	95.1%	81.7%	95.9%	100%	-
Assets in foreign currencies	5.0%	18.3%	4.1%	0.0%	-
Number of active fund members					
Number of active fund members	370	378	346	265	-
Number of fund members at end of year	494	469	423	334	-
Number of pensioners	7	4	4	1	-
Proportional division of pensions:					
Retirement pensions	100%	100%	49.5%	100%	-
Disability pensions	0.0%	0.0%	0.0%	0.0%	-
Spouse pensions	0.0%	0.0%	50.5%	0.0%	-
Child benefits	0.0%	0.0%	0.0%	0.0%	-
Total contributions (at constant prices)					
Total contributions (at constant prices)	99,951	98,920	73,101	16,541	-
Total pensions (at constant prices)	1,628	1,245	347	39	-
Total net investment income (at constant prices) *)	31,108	11,271	-484	101	-
Office and administrative costs (at constant prices)	1,145	637	195	0	-
Increase (decrease) of net assets (at constant prices)	128,286	108,310	72,075	16,603	-
Pension burden					
Pension burden	1.6%	1.3%	0.5%	0.2%	-
Office and administrative costs (total) as a % of contributions	1.1%	0.6%	0.3%	0.0%	-
Net investment income as a % of mean asset position *)	12.1%	7.9%	-0.9%	0.6%	-
Office and administrative costs as a % of mean asset position	0.4%	0.4%	0.4%	0.0%	-