2023
Annual Report

The Pension Sceme
for the Pharmacy Sector

Contents

Introduction

About the pension scheme

The Pension Scheme for the Pharmacy Sector (POA) manages the pension entitlements of employees in pharmacies in Norway.

The Pension Scheme for the Pharmacy Sector was established in 1953 and is a statutory collective pension scheme. This means that eligible dispensing pharmacists and permanent employees in pharmacies are both entitled and obliged to become members of the pension scheme. In addition to the employees at 1,045 pharmacies, the scheme has members from other businesses that are closely associated with the pharmacy sector, and whose employers have specifically applied for membership.

Administration

The Norwegian Act on the Pension Scheme for the Pharmacy Sector stipulates that the scheme will be managed by the Norwegian Public Service Pension Fund in accordance with regulations issued by the Norwegian Ministry of Labour and Social Inclusion (AID). POA must comply with the Norwegian Financial Institutions Act and the Norwegian Insurance Activities Act, as long as these do not conflict with the provisions of the Norwegian Pharmacy Pension Scheme Act. The pension scheme must also at all times fulfil the capital requirements applicable to pension undertakings subject to the Financial Institutions Act and the Insurance Activities Act.

The Board of Directors of the Pension Scheme for the Pharmacy Sector is the scheme's decision-making body. The Board is headed by the CEO of the Norwegian Public Service Pension Fund and has four additional members, each with a personal deputy.

The Board is appointed by the Norwegian Ministry of Labour and Social Inclusion with a four-year mandate following nominations from the members' employers' associations and the employee unions. Two of the appointed Board members represent employers, while pharmacists and technical personnel are each represented by one Board member.

Board of Directors 2023

- Chair: Tomas Berg, CEO of the Norwegian Public Service Pension Fund
- Kristin Juliussen, Director of Analysis and Investigation at the Spekter Employers' Association
- Trond A. Teisberg, Chief Negotiator at the Federation of Norwegian Enterprise (Virke)
- Kjell Morten Aune, Special Adviser at Parat/Norwegian Association of Pharmacy Technicians
- Greta Torbergsen, Secretary General of the Norwegian Association of Pharmacists

The general manager is Kari Lund.

Pension benefits

The Pension Scheme for the Pharmacy Sector comprises retirement pensions, contractual pensions (AFP), and disability pensions. Upon the death of a member, dependents may be entitled to dependents' pensions.

The retirement pension in the scheme is a defined-benefit pension. The total retirement pension from the Norwegian National Insurance Scheme and POA constitutes 66 per cent of the pension basis on full qualification (360 months), before life expectancy adjustment. The life expectancy adjustment may result in a pension lower than 66 per cent.

The annual cohorts up to and including 1958 have an individual guarantee that nevertheless ensures 66 per cent of the pension basis at the age of 67 after 30 years of qualification, subject to certain conditions. The 1959-1962 annual cohorts also have an individual guarantee, but for these cohorts the guarantee supplement is gradually reduced. The pension basis is maximised to ten times the basic amount of the Norwegian National Insurance Scheme. The pension is coordinated with the Norwegian National Insurance Scheme (gross pension). The Board determines the annual adjustment of the pensions, and also sets the premium rate. More information about the various benefits can be found at spk.no/apotekordningen.

The Pension Scheme for the Pharmacy Sector is a statutory collective pension scheme and the regulations are closely linked to public service pensions. As from 1 January 2020, the Storting has adopted a new model for public service pensions for the annual cohorts as from 1963, but POA is not subject to these regulatory adjustments.

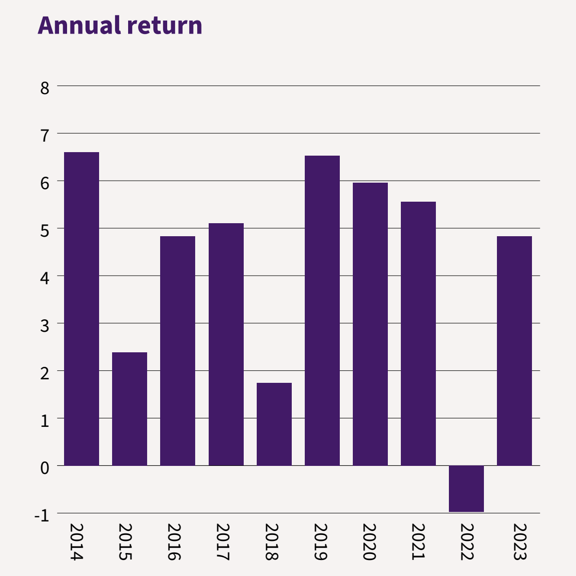
Key figures

Key figures 2023

		2023	2022	2021
Employers and members				
Employers in the pension scheme (no. of pharmacies)	Number	1,045	1,045	1,031
Members	Number	28,386	23,624	22,781
Actively-employed members*	Number	10,353	8,903	8,780
Pensioners**	Number	5,677	6,438	6,179
Persons with entitlements from previous positions*	Number	12,356	8,283	7,822
Occupational pensions: (in NOK thousand)				
Accrued pension entitlements	NOK thousand	10,385,461	9,726,510	9,095,116
Pension premium	NOK thousand	911,526	859,772	812,640
Pensions paid	NOK thousand	445,981	425,104	387,169
Investment management				
Funds in the Pharmacy Scheme	NOK million	14,204	13,144	12,891
Annual return on funds (value-adjusted)	Per cent	4.8	-1,0	5.6

* Prior to 2023, only members who worked at least 20 per cent counted. As from 2023, there is no limit to the work percentage.
** Prior to 2023, members with rights from previous employment and earnings for under 3 years were counted as retirement pensioners as from 67 years of age. As from 2023, these are counted as “Persons with rights from previous employment”.

Investment management

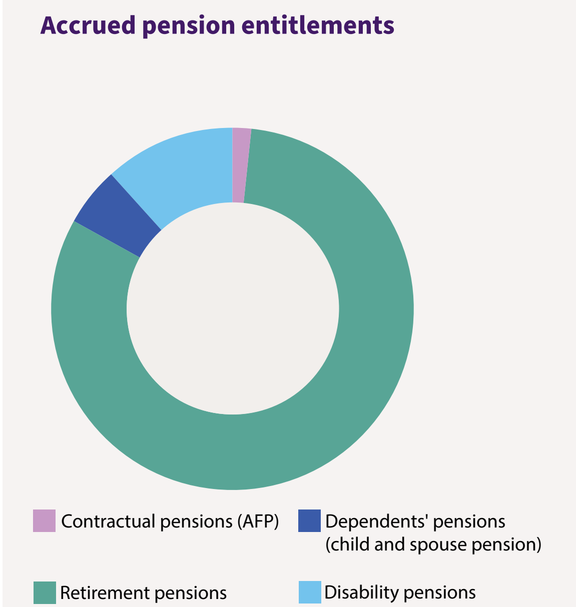


The assets of the Pension Scheme for the Pharmacy Sector are invested in available-for-sale and hold-to-maturity bonds, Nordic shares, real estate, foreign equity funds, alternative investment funds and loans to members.

The value-adjusted return for 2023 was 4.83 per cent. The average return for the past ten-year period was 4.26 per cent.

Read more on page 29.

Pension rights



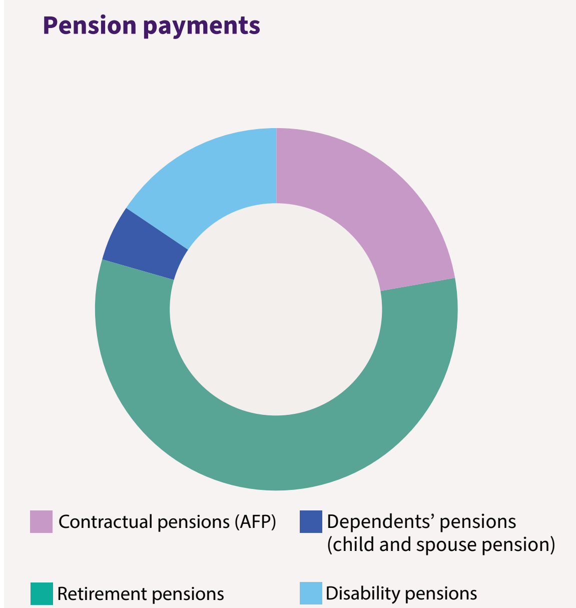
Accrued pension entitlements (in NOK thousand)

Contractual pensions (AFP)	188,174
Retirement pensions	8,449,297
Dependents' pensions (child and spouse pension)	541,375
Disability pensions	1,206,615
Total	**10,385,461**

Accrued pension entitlements in the scheme increased by NOK 659 million from 2022 to 2023, and are now NOK 10.4 billion. Retirement pensions (including AFP) account for 83 per cent of the accrued pension entitlements.

Read more on page 27.

Pensions paid



Pension payments (in NOK thousand)

Contractual pensions (AFP)	99,430
Retirement pensions	255,001
Dependents' pensions (child and spouse pension)	23,291
Disability pensions	68,258
Total	**445,981**

Pension payments increased by NOK 20.9 million from 2022 to 2023. NOK 446 million was paid out, and 79 per cent concerned retirement pensions (incl. AFP).

More statistics on pages 31-33.

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for the Pension Scheme for the Pharmacy Sector

The Pension Scheme for the Pharmacy Sector (POA) achieved a result of NOK 129 million in 2023. The value-adjusted return on the total portfolio was 4.83 per cent. The solvency of the Pension Scheme for the Pharmacy Sector was by and large unchanged in 2023.

Organisation

The Pension Scheme for the Pharmacy Sector is managed by the Norwegian Public Service Pension Fund, Oslo. At the end of 2023, the pension scheme had three permanent employees. All employees are investment managers, and all are men. Ongoing follow-up of the employees is carried out by the Norwegian Public Service Pension Fund.

No discrimination may occur on the grounds of gender, race, age or ethnic background in the Pension Scheme for the Pharmacy Sector.

The members of the Board are appointed by the Norwegian Ministry of Labour and Social Inclusion. The Board of Directors is headed by the CEO of the Norwegian Public Service Pension Fund. The other Board members represent the Federation of Norwegian Enterprise (Virke), the Spekter Employers' Association, the Norwegian Association of Pharmacists and Parat/the Norwegian Association of Pharmacy Technicians. As at 31 December 2023, the Board had five members: two women and three men. During the year the Board of the pension scheme held seven Board meetings and dealt with 48 items of business.

No insurance has been taken out for members of the Board or for the general manager for their possible liability towards the undertaking and any third parties.

Sustainability/Corporate Social Responsibility

The pension scheme has guidelines for sustainable investments. For funds managed internally, this entails applying principles for active ownership and the exclusion of companies.

No investments may be made in, or loans extended to, companies that are in infringement of the conduct or product criteria set by the Board. In this connection, POA relies on the exclusion lists of the Government Pension Fund Global (GPFG) and KLP. In overall terms, these two exclusion lists cover POA's investment universe.

For external management mandates, the manager is required to have explicit, formalised and transparent ESG processes.

The pension scheme's operations do not affect the external environment.

Members, contributions and benefit payments

At year-end 2023, employees at 1,045 pharmacies were members of the pension scheme. This is the same number of pharmacies as at the end of 2022. The pension scheme also includes members who are not pharmacy employees, but who work in other positions associated with the pharmacy sector. The fund had a total of 10,353 actively contributing members, as well as 5,677 current pensioners at the end of the year.

Employees at pharmacies have mandatory membership of the pension scheme according to the more detailed provisions provided in the Act on the Pension Scheme for the Pharmacy Sector. Employees in other positions related to the pharmacy sector can apply for membership and can also apply for withdrawal.

In 2023, NOK 902 million was paid in premiums, compared with NOK 860 million in 2022. In addition, NOK 446 million was paid out in pensions, compared with NOK 425 million in 2022.

The premium rate was 18.1 per cent in 2023. The premium is divided between employees and employers. Employees paid a premium of 3.4 per cent of the contribution base, while employers paid a premium of 14.7 per cent.

Ongoing retirement pensions and dependents' pensions for persons over the age of 67 were adjusted by 6.41 per cent in 2023. Ongoing disability pensions and dependents' pensions for persons under the age of 67 were also adjusted by 6.41 per cent.

Financial risk

The Board has adopted an investment strategy that clearly delineates which risks may be taken and which investments may be made. The strategy outlines that capital should be invested with a long-term perspective and with a moderate level of risk.

In the opinion of the Board, the scheme's investment strategy and authorisation structure provide a good level of control of the management of the scheme's assets.

Insurance risk

Risk management on the investment side and risk management in relation to the actuarial provisions reserves are viewed together. The actuarial reserves are liabilities with a long time frame. The capital is therefore also invested in a long-term perspective.

The actuarial reserves compiled for 2023 are based on the actuarial assumptions for mortality in the case of longevity risk, and mortality for risk of death, from the basic elements in K2013. The assumed disability rates are based on the K1963 calculation basis, boosted by a factor of 2.5. The calculation rate is 3.0 per cent.

Result

The profit for the year is NOK 129 million. The equivalent result in 2022 was a loss of NOK 13 million. Net profit related to financial assets stood at NOK 651 million in 2023. This includes changes in unrealised gains and losses. Both equities and fixed-income investments contribute to positive financial asset performance in 2023. The net result related to financial assets was a loss of NOK 124 million in 2022.

In 2023, a total increase in pension liabilities (the premium reserve) of NOK 659 million was recorded. Growth in the total number of members, as well as salary increases and the adjustment of current pensions, all contribute to the increase in liabilities.

This year's profit of NOK 129 million will be allocated to other retained earnings.

Financial position

As at 31 December 2023, the Pension Scheme for the Pharmacy Sector had assets totalling NOK 14,460 million.

Other retained earnings totalled NOK 2,764 million at year-end. This is an increase of NOK 127 million from 2022. The pension scheme calculates the solvency margin requirement based on the rules that apply to private pension funds. As at 31 December 2023, the calculated solvency margin requirement totalled NOK 365 million. The solvency margin requirement must be covered by other retained earnings.

The scheme's free equity consists of other retained earnings in excess of the solvency margin requirement. Free equity totalled NOK 2,399 million at the end of 2023. This is necessary buffer capital to cover random risks that are not covered by the premium. By comparison, free equity totalled NOK 2,295 million at the end of 2022.

As at 31 December 2023, NOK 1,240 million in net unrealised capital gains was allocated to the securities adjustment reserve. The securities adjustment reserve serves as a buffer against possible future falling market prices.

The buffer capital was strengthened somewhat during 2023. The positive return on the securities portfolio contributed to this strengthening. The return (value-adjusted) of 4.83 per cent in 2023 is better than the comparable reference index, and also surpasses the assumptions made at the beginning of the year.

The pension scheme calculates capital requirements based on binding capital requirements from the Norwegian Financial Supervisory Authority (Simplified Solvency Capital Requirements). The calculations are made under rules similar to those applying to private pension funds. The solvency capital requirement must cover the risk of loss of the pension fund's buffer capital and demonstrates the scheme's ability to withstand losses without threatening the scheme's continued operations. For calculation of the simplified solvency capital requirement, until 2032 pension companies can use a transitional rule for calculation of the fair value for insurance liabilities.

As at 31 December 2023, the buffer capital fulfils the capital requirement based on calculations of simplified solvency capital requirements using the transitional rule (solvency capital coverage of 197 per cent). The calculations show that the pension scheme also has a satisfactory financial position without recourse to the transitional rule (solvency capital coverage of 187 per cent).

Summary

The annual financial statements have been prepared under the going concern assumption. As at 31 December 2023, the pension scheme had set aside technical reserves in accordance with the provisions of Act No. 11 of 26 June 1953 on the Pension Scheme for the Pharmacy Sector.

In the opinion of the Board, the annual financial statements for the Pension Scheme for the Pharmacy Sector provide a satisfactory basis for assessing the results of the pension scheme's operations during 2023 and the scheme's financial position at year-end.

The Board considers the financial position at the end of the year to be satisfactory.

Together with the adopted investment strategy, the Board is of the opinion that this provides a satisfactory basis for meeting the challenges faced by the sector. The requirements concerning the going concern assumption are thereby satisfied.

Oslo, 20 March 2024

Tomas Berg (Chair)

Kristin Juliussen

Greta Torbergsen

Trond Teisberg

Kjell Morten Aune

Kari Lund (general manager)

Financial statements and notes

Income Statement

	Note	2023	2022
TECHNICAL ACCOUNTS			
Premium income			
Premium income	15	911,526,300	859,771,744
Net income from investments in the collective portfolio			
Interest income and dividends, etc. from financial assets		449,828,461	334,820,302
Net operating income from real estate fund		66,264,976	50,482,172
Value adjustments on investments		285,438,369	-338,478,414
Realised profit and loss on investments		-172,530,401	-163,185,899
Total net income from investments in the collective portfolio	**19**	**629,001,405**	**-116,361,839**
Insurance benefits			
Pensions paid	16	445,980,859	425,104,074
Recognised changes in insurance liabilities			
Change in premium reserve	12	658,951,542	631,393,600
Change in special liabilities	13	-9,959,894	-9,959,894
Change in securities adjustment reserve		288,627,168	-343,547,444
Total recognised changes in insurance liabilities		**937,618,816**	**277,886,262**
Insurance-related operating costs			
Administrative costs	17	29,402,569	28,608,810
Insurance-related administrative costs	18	18,770,835	16,775,941
Total insurance-related operating costs		**48,173,404**	**45,384,751**
Technical result		**108,754,626**	**-4,965,182**

	Note	2023	2022
NON-TECHNICAL ACCOUNT			
Net income from investments in company portfolio			
Interest income and dividends, etc. from financial assets		15,521,024	21,670,188
Net operating income from real estate fund		2,286,428	3,267,299
Value adjustments on investments		9,848,856	-21,906,948
Realised profit and loss on investments		-5,953,044	-10,561,693
Total net income from investments in the company portfolio	**19**	**21,703,265**	**-7,531,153**
Other income			
Interest income on bank deposits, operations		86,232	100,644
Administrative costs and other costs linked to the company portfolio			
Administrative costs	17	1,048,493	962,419
Non-technical result		**20,741,003**	**-8,392,928**
Comprehensive income		**129,495,629**	**-13,358,110**
Transfers and allocations			
Allocated to/transferred from(-) other retained earnings	20	129,495,629	-13,358,110
Total allocations		**129,495,629**	**-13,358,110**

Balance Sheet/Assets

	Note	31.12.2023	31.12.2022
ASSETS IN COMPANY PORTFOLIO			
INVESTMENTS			
Financial assets valued at amortised cost			
Fixed-income securities	3	109,726,965	100,792,620
Mortgage loans	4	1,191,409	1,382,874
Total financial assets valued at amortised cost		**110,918,374**	**102,175,493**
Financial assets measured at fair value			
Shares and mutual funds	5, 8	104,235,297	95,084,083
Fixed-income securities	6, 8	123,866,859	101,448,158
Financial derivatives	7, 8	2,149,991	843,639
Bank deposits		5,142,209	5,554,824
Total financial assets at fair value		**235,394,357**	**202,930,704**
Total investments in company portfolio		**346,312,730**	**305,106,198**
Receivables			
Receivables related to premium income	10	223,782,148	213,907,255
Receivables from brokers		0	0
Total receivables		**223,782,148**	**213,907,255**
Other assets			
Bank deposits, operations	9	9,035,244	6,950,861
Prepaid expenses and accrued income			
Accrued non-invoiced premiums		8,600,000	8,500,000
Accrued dividends		3,655,350	3,761,189
Prepaid expenses		0	15,624
Total prepaid expenses and accrued income		**12,255,350**	**12,276,813**
Total assets in company portfolio		**591,385,472**	**538,241,127**

	Note	31.12.2023	31.12.2022
ASSETS IN CLIENT PORTFOLIOS			
Investments in collective portfolio			
Financial assets valued at amortised cost			
Fixed-income securities	3	4,394,202,426	4,237,475,452
Mortgage loans	4	47,711,988	58,138,119
Total financial assets valued at amortised cost		**4,441,914,414**	**4,295,613,571**
Financial assets measured at fair value			
Shares and mutual funds	5, 8	4,174,279,281	3,997,479,868
Fixed-income securities	6, 8	4,960,458,465	4,265,035,281
Financial derivatives	7, 8	86,100,055	35,467,875
Bank deposits		205,928,471	233,533,288
Total financial assets at fair value		**9,426,766,272**	**8,531,516,311**
Total investments in collective portfolio		**13,868,680,686**	**12,827,129,882**
Total assets in client portfolios		**13,868,680,686**	**12,827,129,882**
Total assets		**14,460,066,158**	**13,365,371,009**

Balance sheet/Equity and liabilities

	Note	31.12.2023	31.12.2022
Retained earnings			
Other accrued dividends	11, 14	2,764,171,655	2,637,149,888
Total retained earnings		**2,764,171,655**	**2,637,149,888**
Insurance liabilities			
Premium reserve	12	10,385,461,142	9,726,509,600
Special liability – for regulation of pensions	13	31,051,204	41,011,098
Securities adjustment reserve		1,240,191,733	951,564,564
Total insurance liabilities		**11,656,704,079**	**10,719,085,262**
Liabilities in company portfolio			
Financial liabilities measured at fair value			
Financial derivatives	7, 8	0	0
Expenses and income accrued			
Accrued expenses		4,227,298	3,763,687
Other current liabilities			
Liabilities to broker		32,000,000	0
Liabilities in client portfolios			
Financial liabilities measured at fair value			
Financial derivatives	7, 8	0	0
Expenses and income accrued			
Accrued expenses		2,963,126	5,372,172
Total equity and liabilities		**14,460,066,158**	**13,365,371,009**

Oslo, 20 March 2024

Tomas Berg (Chair)

Kristin Juliussen | Greta Torbergsen | Trond Teisberg | Kjell Morten Aune

Kari Lund (general manager)

Statement of changes in equity

	Other accrued dividends	Total equity
Equity 31.12.2021	**2,650,507,997**	**2,650,507,997**
Comprehensive income 2022	-13,358,110	-13,358,110
Equity 31.12.2022	**2,637,149,888**	**2,637,149,888**
Change in accounting policy (see Note 2)	-2,473,862	-2,473,862
Equity 01.01.2023	**2,634,676,026**	**2,634,676,026**
Comprehensive income 2023	129,495,629	129,495,629
Equity 31.12.2023	**2,764,171,655**	**2,764,171,655**

Cash flow statement

(Figures in whole NOK)	2023	2022
Premiums paid	901,504,063	860,489,057
Pensions paid	-445,980,859	-425,104,074
Change in mortgage loans	10,734,729	-5,068,527
Interest payments	387,289,060	278,871,287
Dividend payments	116,846,219	100,247,372
Payments relating to operations	-51,151,708	-52,054,507
Net cash flow from operating activities (A)	**919,241,504**	**757,380,608**
Net payments/disbursements on purchase/sale of investments	-945,174,555	-724,351,905
Net cash flow from investing activities (B)	**-945,174,555**	**-724,351,905**
Payment of other equity	0	0
Net cash flow from financing activities (C)	**0**	**0**
Net cash flow in the period (A+B+C)	**-25,933,050**	**33,028,703**
Cash and cash equivalents at 01.01	**246,038,974**	**213,010,271**
Cash and cash equivalents at 31.12	**220,105,924**	**246,038,974**

Notes

Note 1 Accounting Policies

As far as appropriate, the financial statements are presented in accordance with good accounting practice, the Norwegian Accounting Act and Regulation no. 1457 of 20 December 2011 on the annual accounts of pension enterprises. The information in the notes is prepared in accordance with Chapter 5 of the Norwegian Annual Accounting Regulations.

IFRS 9 is implemented in the financial statements as from 1 January 2023. Comparison figures have not been reworked. IFRS 9 deals with the classification and measurement of financial instruments, including valuation at amortised cost and valuation at fair value. Valuation at amortised cost solely applies to financial assets that are fixed-income instruments and for which the purpose is to hold the asset to receive contractually adjusted cash flows.

Pension premiums

Pension premiums are recorded as income as they accrue. Pension premiums are paid quarterly in arrears.

Interest income

Interest is recorded as income as it accrues.

Measurement at amortised cost

Bonds and assets in the loans and receivables portfolio are valued at cost price, adjusted for recognised premium/discount and expected credit loss. The premium/discount at the acquisition date is recognised in the income statement over the bond's remaining life.

Mortgages are booked at nominal value as at the balance sheet date.

Measurement at fair value

Shares and mutual fund units

Fair value is equivalent to market value. Market value is based on the closing listed price in 2023.

Shares in real estate funds are included in shares and mutual funds. The mutual fund shares are assessed at market value as at the balance sheet date. The market value is based on independent valuations of the properties.

Shares and mutual funds also include units in infrastructure funds and speciality funds. The funds have calculated the value of the mutual fund units as at the balance sheet date in accordance with the industry standard.

Bonds

Changes in value are recognised in the income statement. Fair value is equivalent to the market value. Market value is equivalent to the tax assessment value for 2023.

Financial derivatives

Fair value is equivalent to market value.

Foreign currency

Bank deposits, together with receivables and liabilities denominated in foreign currencies, are recorded using exchange rates as at the balance sheet date.

Insurance liabilities

The calculations are based on the assumption that the pension scheme will continue to operate for as long as obligations exist towards its members as at the balance sheet date. Accordingly, account has been taken of all potential pension benefits provided for in the Act on the Pension Scheme for the Pharmacy Sector, both current benefits and benefits that may be relevant in the future. Account has also been taken of the contractual pension scheme (AFP) that allows for the drawing of a pension from the age of 62, subject to certain criteria.

The cash value of all scheme members' pensions has been calculated on the basis of membership status as at the balance sheet date. This calculation has been carried out using standardised actuarial principles, and allowance has been made for discounting and calculation of risk. The calculations are based on a linear accrual of pension benefits from initial employment until retirement, subject to adjustment for any additional periods during which the member may previously have accrued pension entitlements.

The actuarial assumptions for mortality in the case of longevity risk and mortality for risk of death are based on the basic elements in K2013 with initial mortality and reduction (12;10), i.e. the parameters stated in the letter from the Norwegian FSA of 8 March 2013.

The assumed rates of disability are based on the K1963 calculation basis, boosted by a factor of 2.5.

The calculation rate is 3.0 per cent.

Securities adjustment reserve

Securities valued at fair value are considered to be a single portfolio. The total of the market value minus the acquisition cost is the unrealised gain or loss on the portfolio. Any net unrealised gain in the collective portfolio is allocated to the securities adjustment reserve. Any net unrealised loss is recognised as an expense in the income statement.

Retained earnings

Retained earnings consist of other retained earnings. Other retained earnings comprise the pension scheme's excess capital in relation to the pension scheme's commitments. As a minimum this equity must cover the estimated solvency margin requirement. The solvency margin requirement is described in more detail in Note 11. Other retained earnings in excess of the solvency margin requirement/minimum capital requirement are defined as free equity. There are no guidelines limiting the application of free equity in the Pension Scheme for the Pharmacy Sector.

Tax status

In a statement from 1998, the former Oslo Tax Office concluded that the Pension Scheme for the Pharmacy Sector is a tax-free institution. The pension scheme's financial statements therefore do not include any tax charge.

Note 2 IFRS 9 – initial recognition

Initial use of IFSR 9

Figures in NOK thousands

Accounting record	IAS 39 31.12.22	Changed classification	Changed loss provision	IFRS 9 01.01.2023
Financial assets measured at amortised cost				
Investments held to maturity	4,338,267	-	2,474	4,335,793
Mortgage loans	59,521	-	-	59,521
Financial assets measured at fair value				
Shares and mutual funds	4,092,564	-	-	4,092,564
Fixed-income securities	4,366,483	-	-	4,366,483
Financial derivatives	36,311	-	-	36,311
Bank deposits	239,088	-	-	239,088

Note 3 | Fixed-income securities at amortised cost

Figures in NOK thousands

Issuer	Par value	Cost price	Book value	Market value
Government-guaranteed	0	0	0	0
Banking/finance	968,687	968,195	968,399	938,738
Municipality/county	25,000	23,835	24,501	23,058
Industry	3,103,350	3,055,618	3,063,508	2,968,502
Energy	365,000	367,238	365,056	353,612
Bonds held to maturity:	**4,462,037**	**4,414,886**	**4,421,464**	**4,283,909**
Interest earned			88,407	88,407
Provision for future credit loss			-5,941	
Total book value	**4,462,037**	**4,414,886**	**4,503,930**	**4,372,316**

Of which proportion in the collective portfolio	4,394,203
Of which proportion in the company portfolio	109,727

Assessment of expected losses	01.01.2023	31.12.2023	Change
One year's expected loss	2,474	2,574	100
Expected losses for the duration of the bond	0	3,367	3,367
Total loss provision	**2,474**	**5,941**	**3,467**

All bonds measured at amortised cost are acquired for the purpose of collecting fixed cash flows throughout the duration of the bond. The portfolio of bonds measured at amortised cost has a stabilising effect on POA's total return in relation to the risk of short-term price fluctuations, and strict requirements are made of both credit quality and the interest on these bonds. The effective average yield on bonds classified as held to maturity is more than 4 per cent.

On assessing future credit losses, the bonds are assessed individually. POA's investment strat-egy requires that bonds measured at amortised cost have a credit quality (or implicit credit quality) equivalent to a minimum of BBB on the acquisition date. The basis for the assessment of the probability of losses is S&P's assessments of loss probabilities for different rating classes. For bonds without a rating, the basis is a prudent self-assessment of implicit rating. The majority of unrated bonds are assigned to the BBB category. The basis for the assessment of probable losses is standard recovery rates for different rating classes, but for each bond we have also assessed specific aspects of the bond that can lead to higher or lower recovery. A significant portion of POA's amortised cost portfolio is against mortgages in real estate or other collateral in the form of guarantees or similar that positively affect recovery.

As at 1 January 2023, no bonds with significantly increased credit risk had been identified since the recognition date. Expected credit losses are therefore assessed against a one-year horizon for all bonds. As at 31 December, a bond with a significant increase in credit risk since the acquisition date was identified. The bond is not defaulted. For this bond, the expected credit loss has been assessed for the duration of the bond. For all other bonds, the expected credit loss against a one-year horizon is the basis for the loss provision.

Note 4 | Mortgage loans

As from 1 June 2022, the mortgage scheme for members of the pension scheme was discontinued for new loan applications. Members who already had a mortgage will retain this mortgage for the remaining term. Mortgages are booked at nominal value as at the balance sheet date. No losses have been written off in the last six years. As a result, combined with the portfolio's remaining size and that the loans are against real estate mortgages, no amount has been allocated to cover future credit losses on this portfolio.

Borrowers with mortgage loans are partially covered by credit insurance, for which the pension scheme has self-insurance arrangements. No provisions have been made for potential claims as at the balance sheet date, since the number of claims and the amounts relating to them have been low in recent years.

Specification of the loan portfolio:

	Mortgage loans
Number	78
Amount	49,027,583
First due date	-295,450
Interest earned	171,264
Total	**48,903,397**
Of which proportion in the collective portfolio:	47,711,988
Of which proportion in the company portfolio:	1,191,409

The interest rate on mortgage loans increased from 2.30 per cent at the start of 2023 to 4.50 per cent at the end of the year.

Note 5| Shares/mutual fund units

Shares listed on Oslo Børs/VINX

Company	Cost price	Book value
Af Gruppen Ord	8,460,832	12,420,000
Aker Bp Asa	13,921,133	15,366,000
Borregaard Asa	8,630,850	24,853,000
Elkem Asa	15,682,820	10,580,000
Equinor Asa (Formerly Statoil Asa)	13,371,036	14,496,750
Essity B	11,121,848	12,344,325
Europris Asa	7,467,594	21,873,750
Hexagon Composites	16,179,728	17,616,800
Kid	7,904,676	12,892,000
Lerøy Seafood Group	8,275,077	6,276,000
Mowi	10,176,030	9,100,000
Norske Skog Asa	16,883,705	19,267,560
Ringerike Sparebank	6,450,586	10,835,472
Sparebank 1 Sørøst-Norge (formerly Sbvg)	5,310,002	9,913,280
Sparebanken Midt Norge	13,457,222	17,016,000
Storebrand Asa	18,364,062	18,008,000
Tgs Nopec Geophysical Co	12,986,318	11,237,000
Vår Energi Asa	17,317,641	14,954,400
Yara International	14,975,852	14,448,000
Total Norwegian shares	**226,937,011**	**273,498,337**
Autostore Holdings Ltd.	9,272,664	5,994,000
Dsv As	18,332,986	18,746,312
Huhtamaki Oyj	4,737,906	4,947,046
Investor Ab B-Aksjer	11,168,918	29,412,244
Novo Nordisk A/S-B	7,634,738	48,361,576
Sampo Oyj-A	17,636,266	20,895,198
Subsea 7 S.A (formerly Acergy S.A.)	22,311,477	29,640,000
Upm-Kymmene Oyj	10,152,479	13,380,011
Volvo Ab-B	16,062,774	31,645,811
Total foreign shares	**117,310,208**	**203,022,197**
Total individual shares listed on the Oslo Stock Exchange/VINX	**344,247,220**	**476,520,534**

Equity funds

Fund	Cost price	Book value
BlackRock World Index Fund	240,337,679	1,117,255,567
iShares Emerging Markets Index Fund (IE) – USD Flex Acc	67,398,256	93,977,689
Total foreign equity funds	**307,735,934**	**1,211,233,256**

Hedge funds/Speciality funds

Fund	Cost price	Book value
Archmore Infrastructure Debt Platform SCA-SICA V-SIF	25,652,190	21,786,023
Cheyne Real Estate Credit (Crech) Fund Iv - Loans Scs Sicav-Sif Class 1A	46,540,724	60,379,897
Cheyne Real Estate Credit (Crech) Fund V - Scs Sicaf - Sif Class 1A	28,094,183	36,657,762
Cheyne Real Estate Credit Holdings Vi	303,875,168	343,338,571
Pareto Real Estate Credit Fund Scsp	500,000,000	498,483,200
Qvt A-1769	908,578	2,312,863
Sector Healthcare Fund (Class A In Nok)	20,402,707	40,611,880
Total foreign hedge funds/speciality funds	**925,473,552**	**1,003,570,196**

Real estate funds

Fund	Cost price	Book value
Aberdeen Eiendomsfond Norge I AS	3,175,833	3,446,779
Aberdeen Eiendomsfond Norge I IS	306,296,790	341,229,839
Pareto Eiendomsfelleskap AS/IS	427,763,408	612,870,049
Union Core Real Estate Fund AS	6,750,000	6,626,865
Union Core Real Estate Fund IS	668,250,001	623,017,060
Total real estate funds	**1,412,236,031**	**1,587,190,593**

Total shares and mutual funds	**2,989,692,737**	**4,278,514,578**

Of which proportion in the collective portfolio	2,916,856,358	4,174,279,281
Of which proportion in the company portfolio	72,836,379	104,235,297

The portfolio of Nordic individual shares consists of shares listed on the main market of the Oslo Stock Exchange, Euronext Expand Oslo and Euronext Growth Oslo, as well as shares listed on Nasdaq Nordic, which includes the stock exchanges in Copenhagen, Stockholm and Helsinki. Limits have been imposed on the proportion of total assets that can be invested in shares in a single company, as well as for the overall maximum risk on the management of individual shares. The benchmark index for the Nordic equity portfolio in 2023 was the VINX Nordic Benchmark Cap Net Index.

The BlackRock World Index Subfund mirrors the index for equities in developed markets. iShares Emerging Markets Index Fund mirrors equities in the emerging markets index – MSCI Emerging Markets Index. Combined, the two funds have almost the same risk profile as the global benchmark index MSCI All Country World Index.

Investments in speciality funds at year-end consisted of seven different funds – two hedge funds, three funds that invest in real estate loans, a fund that invests in credit bonds against real estate mortgages, and an infrastructure investment fund.

Real estate investments consist of units in DEAS Eiendomsfond Norge I IS/AS (formerly Aberdeen), Pareto Eiendomsfellesskap AS/IS og Union Core Real Estate Fund IS/AS. The investments are posted at market value on the balance sheet date. The market value of the units is calculated based on independent valuations of the properties.

Note 6 | Fixed-income securities at fair value

Issuer	Cost price	Market value
Banking and finance	1,535,922,723	1,524,496,464
Municipality/county	780,902,500	727,374,894
Government-guaranteed	1,049,654,080	1,057,490,635
Industry	965,063,464	934,676,163
Energy	114,087,500	112,699,541
Subordinated loans	676,483,177	676,372,284
Total fixed-income securities classified as financial current assets	**5,122,113,444**	**5,033,109,981**
Interest earned		51,215,343
Total	**5,122,113,444**	**5,084,325,324**

Of which proportion in the collective portfolio		4,960,458,465
Of which proportion in the company portfolio		123,866,859

The fixed-income securities portfolio classified as financial current assets consists of fixed-income securities listed on the Oslo Stock Exchange, Oslo ABM and Nordic Nasdaq (Stockholm), as well as unlisted securities. All fixed-income securities classified as financial current assets are denominated in NOK, with the exception of one denominated in USD, four denominated in EUR and five denominated in SEK. Fixed-income securities issued in foreign currencies are currency hedged.

Note 7 | Financial derivatives

The purpose of using derivatives in asset management is to increase the effectiveness of the management of fund assets, including the potential to hedge investments. In principle, the pension scheme can only invest in listed (standardised) derivatives. The underlying securities must be securities in which the scheme can invest in accordance with applicable guidelines. Non-standardised (OTC) derivatives may only be used by POA for foreign currency forward contracts, as well as Forward Rate Agreements (FRA) and interest rate swaps to a limited extent.

As at 31 December 2023, there were investments in the following derivatives:

Currency purchased	Currency sold	Nominal amount in NOK	Fair value in NOK
NOK	EUR	-417,718,694	18,825,294
NOK	USD	-847,131,637	54,842,659
NOK	GBP	-559,701,674	16,135,076
NOK	SEK	-206,717,346	-6,061,146
NOK	DKK	-83,733,470	3,694,372
Total foreign currency forward contracts		**-2,115,002,821**	**87,436,255**
Put option on the S&P 500		2,401,155	813,792
Total equity derivatives		**2,401,155**	**813,792**
Total capitalised derivatives:		**-2,112,601,666**	**88,250,047**
Of which proportion in the collective portfolio			86,100,055
Of which proportion in the company portfolio			2,149,992

In addition to hedging currency exposure using foreign exchange forward contracts, in 2023 POA regularly hedged the foreign equity investments using equity options. These hedging arrangements were recognised in the financial statements at around NOK 18.5 million in 2023.

In order to streamline fixed income management, to a limited extent fixed income futures were traded in 2023. These resulted in a total accounting gain of around NOK 125 thousand.

Note 8 | Financial instruments measured at fair value

In accordance with the Norwegian Act relating to annual accounts for pension companies, financial instruments measured at fair value must be classified with regard to how fair value is measured. Such classification gives an indication of the relative uncertainty related to measurement of the different levels.

The regulation defines three calculation levels for how fair value is measured:

1. Fair value is measured using listed prices in active markets for identical financial instruments. No adjustment is made for these prices.

2. Fair value is measured using other observable input than the listed prices used in level 1, either directly (prices) or indirectly (derived from prices).

3. Fair value is measured using input which is not based on observable market data (non-observable input).

Fair value hierarchy of financial instruments measured at fair value:

	31.12.2023	Level 1	Level 2	Level 3
Shares and mutual funds	4,278,514,579	476,520,534	1,211,233,256	2,590,760,789
Bonds	5,033,109,981		5,033,109,981	
Financial derivatives	88,250,047		88,250,047	
Total	**9,399,874,607**	**476,520,534**	**6,332,593,284**	**2,590,760,789**

Note 9 | Bank deposits

Of bank deposits related to operations of NOK 9,035,244 as at 31 December 2023, NOK 263,935 concerns restricted tax deduction funds.

As security for various derivative positions, the pension scheme is obliged to provide collateral in the form of locked-in bank deposits held in margin accounts. As at 31 December 2023, NOK 88,716,955 comprises restricted deposits.

Note 10 | Receivables related to premium income -- loss on receivables

Receivables had a book value of NOK 223,782,148 and consisted of:

	31.12.2023	31.12.2022
Receivables related to premium income:	223,657,633	213,933,018
Receivable related to loans:	317,132	364,476
Provision for potential loss:	-192,617	-390,239
Total accounts receivable:	**223,782,148**	**213,907,255**

Receivables are posted at nominal value on the balance sheet date. Provision has been made for expected losses on receivables. Book losses on receivables are specified as follows:

	2023	2022
Realised loss on receivables:	0	253,374
Change in provision for expected loss:	-197,622	-236,068
Recorded loss on receivables:	**-197,622**	**17,306**

Note 11 | Solvency margin requirement

The pension scheme has calculated the solvency margin requirement using rules similar to those applicable to private pension funds in accordance with the administrative regulations from the Norwegian Ministry of Labour and Social Inclusion with effect from 2011. As at 31 December 2023, the solvency margin requirement is estimated to amount to NOK 364,768,904. The basis for calculation of the solvency margin requirement is as follows (figures in whole 1,000):

	Calculation basis	Calculation factor	Calculated solvency margin requirement
Premium reserve for retirement pensions:	8,637,472	4.00%	345,499
Mortality risk (uncovered risk, gross):	243,083	0.30%	729
Disability pension and premium exemption (gross risk premiums):	71,311	26.00%	18,541
Total solvency margin requirement as at 31.12.2023:			**364,769**

The solvency margin requirement must be covered by other retained earnings. Other retained earnings, less the solvency margin requirement, but with the addition of the securities adjustment reserve, total NOK 3,639,825,005. This constitutes the scheme's buffer capital.

For comparison, the calculation basis for the solvency margin requirement as at 31 December 2022 was as follows *(figures in whole 1,000)*:

	Calculation basis	Calculation factor	Calculated solvency margin requirement
Premium reserve for retirement pensions:	8,094,382	4.00%	323,775
Mortality risk (uncovered risk, gross):	260,851	0.30%	783
Disability pension and premium exemption (gross risk premiums):	67,735	26.00%	17,611
Total solvency margin requirement as at 31.12.2022:			**342,169**

Note 12 | Premium reserve

The Pension Scheme for the Pharmacy Sector is only obliged to perform a technical calculation of future insurance liabilities every five years. The Board has nonetheless decided to perform such technical calculations annually. The results of these calculations are also used for accounting purposes.

The premium reserve is calculated as the present value of accrued pension entitlements as at the balance sheet date. The premium reserve must cover future pension entitlements accrued at the balance sheet date by the scheme's members. For the pension recipients, the premium reserve is the current value of remaining pension payments. Wherever possible the provision amount has been calculated in accordance with the guidelines applicable to private sector pension funds.

The actuarial assumptions for mortality in the case of longevity risk and mortality for risk of death are based on the basic elements in K2013.

The assumed disability rates are based on the K1963 calculation basis, boosted by a factor of 2.5.

The calculation rate is 3 per cent.

The administration reserve takes account of the expected future costs associated with the payment of pensions. The administration reserve is not calculated individually, but forms part of the premium reserve. The Pension Scheme for the Pharmacy Sector has opted to make provision for these future costs in the order of 4 per cent of calculated pension liabilities. Provision has been made in respect of current pensioners, actively contributing members and former employees with deferred pensions (i.e. employees who have left member-qualifying positions and have earned pension entitlements).

Note 13| Special liability – for adjustment of pensions

A one-off settlement was performed for the calculated costs of future regulation of pensions for companies that withdrew from the pension scheme with effect from 1 January 2017 and 1 January 2018. The one-off settlement in 2017 amounted to NOK 87,883,720, while the one-off settlement in 2018 amounted to NOK 11,715,220. The one-off settlements were allocated as a special liability in the balance sheet.

The actual cost for the regulation of pensions each year is reflected in the premium reserve. The special allocation for the calculated adjustment cost is, therefore, reduced annually by 1/10 of the original amount. Remaining special obligation as at 31.12.2023 is NOK 31,051,204.

Note 14| Simplified solvency capital requirement

The binding capital requirement – simplified solvency capital requirement – for pension funds is a simplified version of the Solvency II regulations that apply to insurance companies and is based on the Norwegian Financial Supervisory Authority's stress test, with some adjustments.

The simplified solvency capital requirement as at 31 December 2023 amounts to NOK 1,891 million (NOK 1,742 million as at 31 December 2022). The calculated liable capital exceeds the simplified solvency capital requirement by NOK 1,840 million (NOK 1,598 million in 2022). This gives a solvency capital ratio of 197 per cent (192 per cent in 2022). In the calculation of buffer capital, consideration has been made of the transitional rule from the Norwegian Financial Supervisory Authority for the upward adjustment of the premium reserve to fair value. The transitional rule entails that the effect of the upward adjustment to fair value is distributed over 16 years. In the calculation, it is assumed that the remaining upward adjustment is 9/16 parts.

Without using the transitional rule, the liable capital is calculated to exceed the simplified solvency capital requirement by NOK 1,643 million (NOK 1,397 million in 2022). This gives a solvency capital ratio of 187 per cent (180 per cent in 2022).

Note 15 | Premium contributions

Members contributed premium income totalling NOK 901,504,063 in 2023. By comparison, the book value of premium income was NOK 911,526,300. In 2022, members contributed premium income totalling NOK 860,489,057 while the book value of premium income was NOK 859,771,744. The differential between premium income and premium contributions is attributable to the change in invoiced, but unpaid premiums and the application of accrual accounting to premium income.

Note 16 | Pensions

Of the pension costs in the income statement, NOK 789,538 represents write-offs of pension benefit overpayments. The equivalent figure for 2022 was NOK 450,288.

Note 17 | Administrative costs

Total administrative costs amounted to NOK 30,451,062 (NOK 29,571,229 in 2022). The pension scheme had three employees in 2023. Pay and social security expenses for these three investment managers totalled NOK 5,892,324 in 2023 and are included in administrative costs.

Note 18| Insurance-related administrative costs

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2023, NOK 17,866,884 was charged against income in respect of the purchase of administrative services for the pension scheme, including costs related to bookkeeping, actuarial services, administration of pensions and internal auditing (NOK 16,597,984 in 2022). Furthermore, NOK 451,500 was charged against income for audit services, including value added tax (NOK 372,235 in 2022). The entire amount was related to standard audit services. NOK 427,980 was charged against income for remuneration to Board members (NOK 381,627 in 2022). Various other costs, cost reimbursements and interest income from customers total NOK 24,471 in net terms (NOK -575,905 in 2022). The total insurance-related administrative costs were NOK 18,770,835 (NOK 16,775,941 in 2022).

In 2023, the following remuneration was paid to the Board members of the scheme:

Tomas Berg (Chair)	85,596
Trond Teisberg	85,596
Greta Torbergsen	85,596
Kristin Juliussen	85,596
Kjell Morten Aune	83,589
Katrine Andresen Roald, deputy	2,007
Total	**427,980**

Note 19 | Return on capital

The calculated return on the total portfolio is as follows:

Year:	2023	2022	2021	2020	2019
Return stated in percentage terms (value-adjusted):	4.83	-0.99	5.56	5.96	6.52
Return stated in percentage terms (recognised):	2.71	1.84	3.85	3.05	3.12

The return on capital shown above has been calculated in respect of the entire portfolio: i.e. both the collective and the company portfolios.

Note 20 | Analysis of result

(Amounts in NOK million)	2023	2022
Changes in pension plan:	0.00	0.00
Interest result[1)]:	337.35	-406.12
Risk result[2)]:	-29.01	2.48
Other result[3)]:	107.31	46.74
Administration result:	0.00	0.00
Insurance result:	**415.65**	**-356.90**

1) The interest result is the difference between the actual return and the calculation rate in the premium reserve.
2) The risk result is a comparison of risk income less risk expenses. Risk income comprises received and technically estimated risk premiums for mortality and disability, as well as mortality cross-subsidy. Risk expenses are supplemented by provisions for risk events.
3) Recognised difference between invoiced and actual calculated premium. A negative other result indicates the receipt of insufficient premium income.

Audit report

Auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Pension Scheme for the Pharmacy Sector

Opinion

We have audited the financial statements of The Pension Scheme for the Pharmacy Sector (the Pension fund), which comprise the balance sheet as at 31 December 2023, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Pension fund as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with 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 Pension fund in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the Board of Directors and Managing Director) is responsible for the other information. 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 board of directors' report contains the information required by legal requirements and 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 or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 Pension fund'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 Pension fund 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 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 the 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 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, 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 Pension fund'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 Pension fund'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 Pension fund 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.

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.

Oslo, 22 March 2024
ERNST & YOUNG AS

Johan-Herman Stene
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been prepared for information purposes only.)

Insight

Pension liabilities

The pension scheme's premium reserve is calculated at NOK 10,385 billion as at 31 December 2023. This is an increase of NOK 659 million compared to 31 December 2022.

The premium reserve is defined as the present value of accrued pension entitlements at the balance sheet date. The present value is found by discounting the expected future pension payments using a calculation interest rate of 3 per cent.

The following factors are also considered

(i) probabilities of survival and receiving a retirement pension,

(ii) probabilities of losing working capacity and receiving a disability pension, and

(iii) probabilities of dying and leaving family members who are entitled to a spouse or children's pension.

On calculating the premium reserve, the mortality basis K2013 is used, and the disability basis K1963 strengthened by 250 per cent.

The calculation interest rate, one year's earnings for active members and adjustment of the pension basis or pension benefits, help to build up the premium reserve. On the other hand, pension payments reduce the premium reserve.

Insurance result NOK 416 million

The insurance result is positive and can be split into three different results: interest result, risk result and other result.

Interest result NOK 337 million

The interest result is positive, which means that the return (4,83 per cent) on the pension assets has exceeded the calculation interest rate (3.0 per cent) in the premium reserve. At the end of 2023, the size of the pension assets was around NOK 4 billion higher than the premium reserve.

Risk result NOK -29 million

The risk result is negative at NOK 29 million. In 2023, risk premium calculated according to the current mortality and disability basis was lower than the net increase in the premium reserve, as a consequence of actual risk events during the year.

Other result NOK 107 million

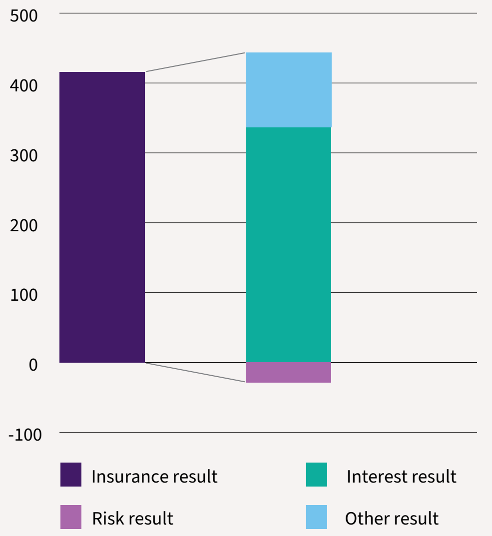
Other result is positive. This is the difference between the premiums charged during the year and the premium calculated in the insurance system. The invoiced premium is calculated on the basis of a fixed percentage (18.1 per cent) of the pension basis. Actuarially calculated premiums are updated continuously throughout the year as a result of changes to members' pension entitlements.

Assessment of the pension scheme's financial position
In the Pension Scheme for the Pharmacy Sector, the obligations in their entirety must be secured by the accumulation of funds. The value of the funds allocated for pensions (assets) should at least correspond to the size of the technical reserves, to ensure a reasonable degree of coverage in the scheme. This is in line with the requirements made of similar private schemes that are subject to the Norwegian Insurance Activities Act.

The overfunding under the scheme was NOK 4 billion at the end of 2023. This represented an increase of NOK 416 million last year, as the total of the three aforementioned results.

It is primarily premium income and several years of good returns that have contributed to this significant overfunding. Income from premiums is considered to be reliable income, while the returns are more uncertain. The premium rate of 18.1 per cent will help the pension fund to continue to build up the necessary buffer.

Insurance result



The figure shows the insurance result split into three different results: interest result, risk result and other result.

Investment management

In 2023, investment management delivered a return of 4.83 per cent. Assets under management increased by around NOK 1.1 billion during the year and amounted to NOK 14.2 billion at the end of 2023.

The investment management of the Pension Scheme for the Pharmacy Sector (POA) must contribute to ensuring that the scheme can meet its long-term obligations without excessive premium variations, but at the same time achieve as high a return as possible within available risk capacity.

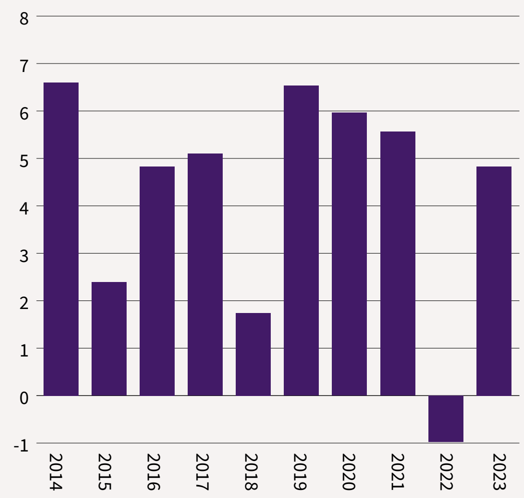
The Board adopts the investment strategy. The level of risk in the investment portfolio is based on a set of financial objectives, which will ensure that the wish for a high return is balanced against how much risk the scheme can withstand taking. There must be at least a 95 per cent probability that the scheme maintains the Board's minimum solvency capital coverage requirements in the one-year term.

Throughout 2023, as in previous years, POA maintained a moderate level of risk in its investment portfolio.

Results in 2023

After a slow start in the autumn, the financial markets rose sharply towards the end of the year. The last quarter was clearly the best quarter of the year, and accounted for over half the result contribution for the year. The total return for 2023 was 4.83 per cent. This is above the average for the last decade. In the period from 2014 to 2023, the return varied between -0.99 and 6.60 per cent, and the average return was 4.26 per cent.

Annual return



The figure shows the annual return in the period from 2014 to 2023.

All asset classes except real estate contributed positively to the 2023 result.

Equity market returns were very favourable in the last quarter, and for the year as a whole, POA's equities gave a return of 18,1 per cent. The share prices thus recovered after the negative return of minus 13.6 per cent in 2022.

POA has investments in various alternative investment funds that in combination yielded a return of 5.6 per cent in 2023. Given the moderate risk in these funds, we consider this to be a good result.

On the fixed-income side, the year started with a drop in the value of fixed-yield portfolios as a result of interest rate increases, but in the last months of the year, interest rates changed course and values rebounded. Both fixed- and floating-rate bonds thereby contributed to positive results in the past year. The total return from bonds assessed at market value was 3.74 per cent for 2023.

Around one third of the funds are placed in bonds that are recognised at amortised cost (hold to maturity bonds). These bonds deliver a stable good return contribution. A number of older investments matured during the year. At the same time, POA invested around NOK one billion in new investment bonds at interest rates from 4 to just over 6 per cent. This pushes up the average return, and in 2023 the return on hold to maturity bonds was 4.25 per cent. This is 0.35 percentage points more than in 2022.

11-12 per cent of the funds have been invested in commercial property. The value of the properties is reassessed by independent sources either every quarter, or every six months. Even though rental income has increased by about 10 per cent during the last two years, property values fell by around 17 per cent over the same period of time. Most of the decrease in value occured in 2023, and despite increased returns from rental income, the return on property investments ended at minus 7.4 per cent.

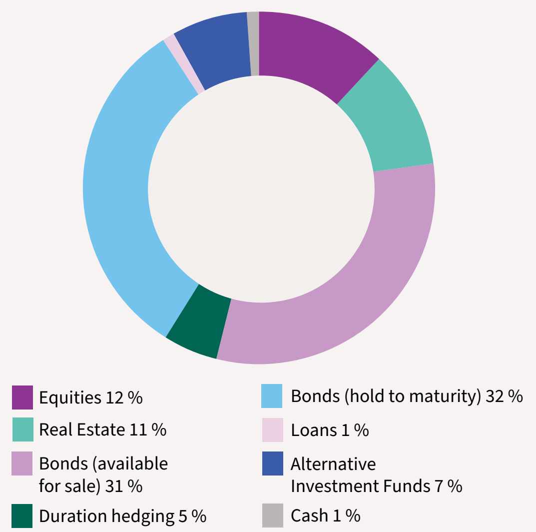
Asset allocation

At the end of the year, the pension scheme managed funds totalling NOK 14.2 billion. The portfolio increased by around NOK 1.1 billion in 2023, as a result of this year's return as well as an ongoing liquidity surplus in the scheme.

Management has a continuous focus on identifying the investment opportunities offering optimum utilisation of the risk capacity of the Pension Scheme for the Pharmacy Sector. Over the year, the allocation to interest rate hedging bonds, investment bonds and real estate was reduced, while the allocation to floating-rate available-for-sale bonds increased.

In the investment plan, in line with the management's recommendation the Board decided to increase the risk level somewhat during 2024.

Asset allocation



The figure shows strategic allocations for the various asset classes at the beginning of 2024.

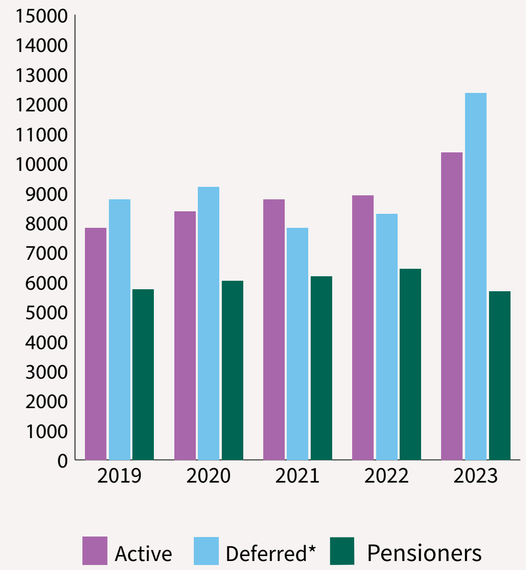
Statistics

Members

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actively-employed members*	7,422	7,585	7,645	7,704	7,527	7,812	8,380	8,780	8,903	10,353
Persons with entitlements from previous positions (deferred)*	6,767	7,175	7,522	7,925	8,331	8,770	9,196	7,822	8,283	12,356
Pensioners**	4,600	4,951	5,121	5,338	5,517	5,739	6,030	6,179	6,438	5,677
AFP	310	293	269	264	288	273	271	310	312	307
Retirement pensions	2,513	2,955	3,165	3,368	3,484	3,693	3,916	3,975	4,235	3,577
Disability pensions	1,415	1,335	1,309	1,329	1,354	1,366	1,431	1,468	1,451	1,403
Spouse's pensions	343	342	352	348	360	374	380	394	415	365
Children's pensions	19	26	26	29	31	33	32	32	25	25
Ratio actively employed/pensioners	1,613	1,532	1,493	1,443	1,364	1,361	1,390	1,421	1,383	1,824
Ratio actively employed/pensioners and deferred	0.653	0.626	0.605	0.581	0.544	0.538	0.550	0.627	0.605	0.574

** Prior to 2023, only members who worked at least 20 per cent counted. As from 2023, there is no limit to the work percentage.*
*** Prior to 2023, members with entitlements from previous employment and earnings for less than 3 years were counted as retirement pensioners as from 67 years of age. As from 2023, these are included as deferred (persons with entitlements from previous employment).*

Development in number of members



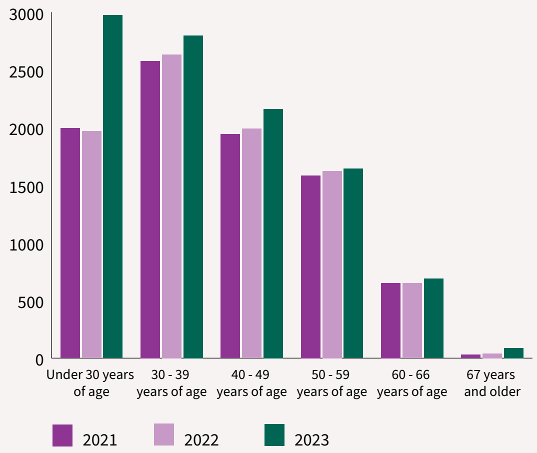
** No longer work in an organisation linked to the Pension Scheme for the Pharmacy Sector, but have pension entitlements with us.*

Actively-employed members

Position title	2023	Change from 2022
Pharmacy manager	1,073	8
Pharmacist (Master)	1,811	123
Pharmacist (Bachelor)	1,708	12
Pharmacy technician	5,514	1,270
Office/Driver/Cleaning	247	37
TOTAL	**10,353**	**1,450**

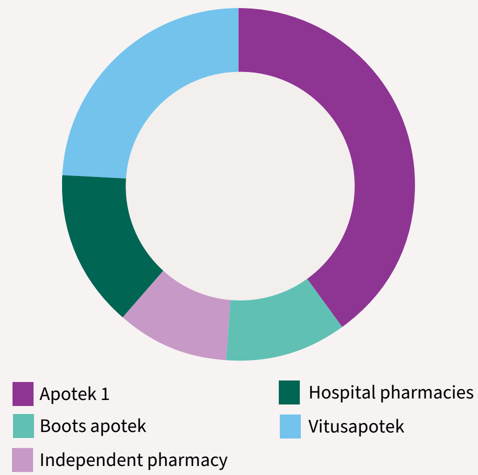
The table shows the distribution of actively-employed members by position title.

Actively-employed members by age group



The figure shows the development in actively-employed members by age groups for the last three years.

Actively-employed members by chains



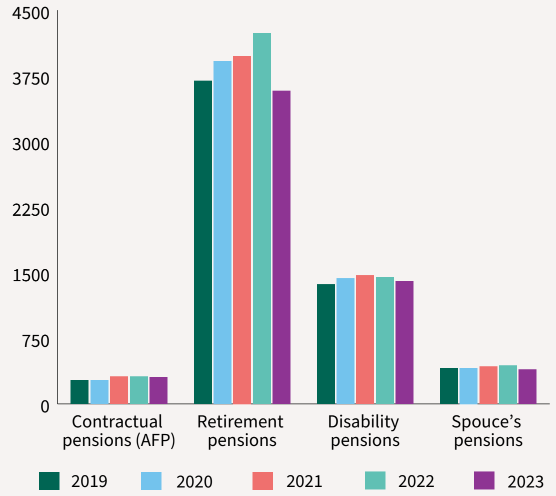
The figure shows the number of actively-employed members by chains.

Pensions paid in 2023

Type of pension	Gross paid	Coordination deduction	Net paid
Retirement pensions and AFP	958	603	355
Disability pensions	68	0	68
Dependents' pensions	45	22	23
Total	**1,071**	**625**	**446**

The table shows the amount of pension benefit payments made in 2023, grouped by type of pension. The amounts are in millions of NOK. The gross amount shows the total amount paid by the National Insurance Scheme and the Pension Scheme for the Pharmacy Sector. The net amount shows the Pension Scheme for the Pharmacy Sector's share.

Pensions



The graph shows the development in the number of pensioners over the last five years. There has been a change in the definition of retirement pensioner in the statistics for 2023 (see explanation below the table on page 32).

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