Gjensidige

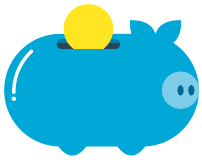
Annual Report 2018

The year 2018

was characterised by an unusual number of damages resulting from weather and climate. Our customer satisfaction rose to a new record level.

Gjensidige Bolighandel
We entered the real estate market with an innovative combined home sellers insurance and sales solution that provides more security when buying and selling a home.

The best reputation in the industry
Gjensidige has the best reputation among insurance companies in Norway, according to RepTrak, and is perceived as Norway's most sustainable insurance company according to the Sustainable Brand Index.



Customer dividend
Our general insurance customers in Norway received customer dividend for the ninth year in a row. Gjensidige distributed NOK 2.2. billion in customer dividend. This corresponds to 14 per cent of insurance premiums in 2017.

Sale of Gjensidige Bank
We agreed to sell Gjensidige Bank to Nordea, and entered into an agreement on mutual distribution of banking and insurance products, which will enhance the range of services we offer our customers.

Recognition for corporate social responsibility in Lithuania
Our corporate social responsibility project 'Find time for conversation' won two top awards in the Baltic Communication Awards.

Flood protection from Gjensidige
Prior to the expected spring flood, we deployed flood damage equipment in advance for the first time in a number of locations at risk in Norway.

Sustainable products
Ethical labelling of funds, an online doctor and the innovative BikeFinder solution to reduce the number of bike thefts are examples of our sustainability initiatives in 2018.

'Plogging' to tackle litter
Plogging is a new activity that involves picking up litter while you jog. Gjensidige was one of the organisers of a new plogging run at Oslo Marathon.

New core values
We established the new core values 'Create a sense of security, Apply new thinking, and Go for it'.

Green watchman
In connection with our Capital Markets Day, we launched a green version of our watchman logo, as a symbol of our focus on sustainability.

Collaboration with YS and Tekna
We renewed our partnership agreements with the trade unions Tekna and YS. Through these agreements, the members of these unions can take out insurance on favourable terms from Gjensidige.

Christmas donation to Save the Children
The year's Christmas donation went to Save the Children, following a vote among our employees in Norway, Sweden and Denmark.

About the reporting

Gjensidige publishes a web-based annual report on www.gjensidige.no/reporting. The annual report 2018 will not be printed.

Find further information about the Group on www.gjensidige.no/group

In case of any discrepancies, the Norwegian version of the annual report shall prevail.

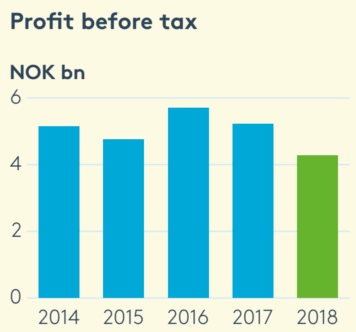
Financial calender 2019

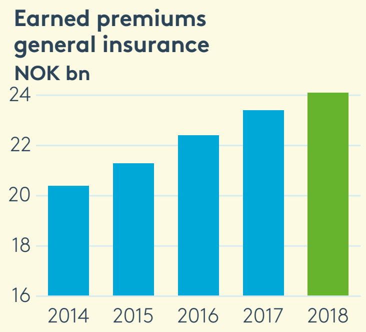
General Meeting	28 March
Ex dividend date	29 March
Q1-result	25 April
Q2-result	12 July
Q3-result	23 October

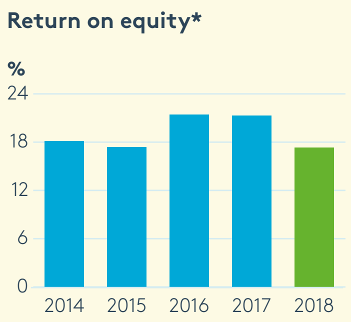
Content

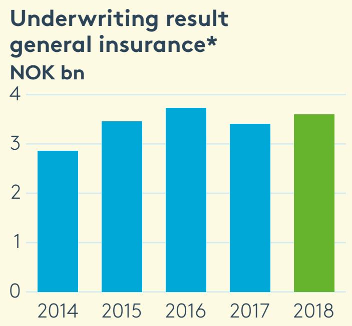
Gjensidige recorded a profit after tax of NOK 3.7 billion in 2018, corresponding to a return on equity of 17.3 per cent. For the general insurance operation the premium growth was 2.8 per cent and the combined ratio was 85.0 per cent. The earnings per share was NOK 7.44 and the Board has proposed a dividend of NOK 7.10 per share.

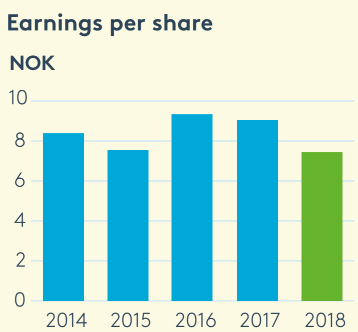
Key figures and alternative performance measures

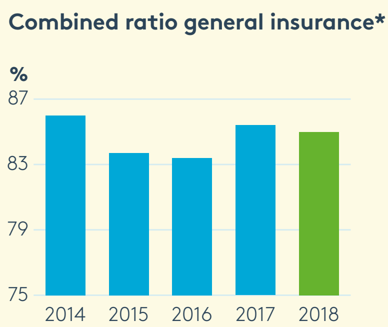










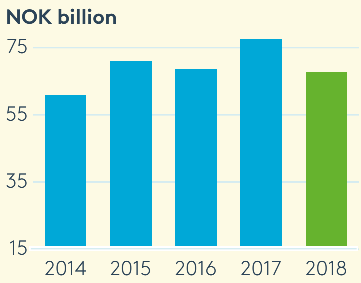


* Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018

7.10...

...NOK per share in proposed dividend

Market value as at 31.12.



Dividend per share

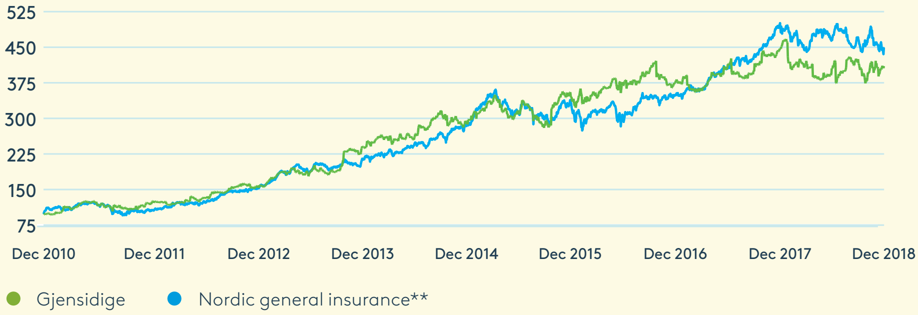
	Based on profit for the year	Distribution of excess capital
2018*	7.10 NOK	
2017	7.10 NOK	
2016	6.80 NOK	
2015	6.40 NOK	6.00 NOK
2014	5.90 NOK	

* Proposed

Total return*	Last year	Last two years	Since IPO 10.12.2010
Gjensidige	-8%	10%	310%
Nordic general insurance**	-3%	34%	348%

* Dividend reinvested
** Non-weighted average in local currency for Tryg, Topdanmark, Sampo and Alm.Brand.

Total return*



* Dividend reinvested
** Non-weighted average in local currency for Tryg, Topdanmark, Sampo and Alm.Brand

Financial key figures and alternative performance measures

Result		2018	2017	2016	2015	2014
Earned premiums, general insurance	NOK million	24,052.8	23,398.3	22,441.9	21,272.0	20,386.8
Other operating income	NOK million	2,208.7	1,967.8	1,569.9	1,553.4	1,362.3
Net income from investments	NOK million	830.2	2,002.2	2,152.6	1,488.2	2,447.9
Claims incurred, general insurance	NOK million	(16,791.1)	(16,401.7)	(15,515.9)	(14,597.5)	(14,470.4)
Other claims incurred, losses etc.	NOK million	(1,833.5)	(1,661.8)	(1,283.5)	(1,275.7)	(1,126.4)
Operating expenses, general insurance	NOK million	(3,655.9)	(3,586.5)	(3,191.4)	(3,217.6)	(3,054.0)
Other operating expenses	NOK million	(546.2)	(501.6)	(470.1)	(476.7)	(400.1)
Tax expense	NOK million	(883.5)	(1,156.6)	(1,363.0)	(1,184.5)	(1,138.5)
Profit/(loss) from continuing operations	NOK million	3,381.6	4,060.2	4,340.5	3,561.6	4,007.5
Profit/(loss) from discontinued operations	NOK million	334.9	459.1	325.4	223.1	182.1
Profit/(loss) from continuing and discontinued operations	NOK million	3,716.4	4,519.3	4,665.9	3,784.7	4,189.6
Earnings per share	NOK	7.44	9.05	9.34	7.57	8.38
Regular dividend per share (Based on profit for the year)	NOK	7.10	7.10	6.80	6.40	5.90
Special dividend per share (Based on distribution of excess capital)	NOK				6.00	

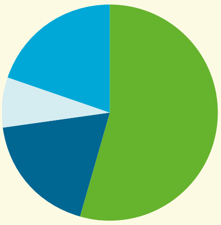
Main figures general insurance		2018	2017	2016	2015	2014
Underwriting result [1]	NOK million	3,605.8	3,410.1	3,734.6	3,456.9	2,862.3
Large losses [2]	NOK million	954.7	577.4	871.8	880.3	823.3
Run-off results [3]	NOK million	2,356.9	1,030.3	1,023.4	724.8	493.7
Combined ratio [1]	%	85.0	85.4	83.4	83.7	86.0
Loss ratio [1]	%	69.8	70.1	69.1	68.6	71.0
Cost ratio [1]	%	15.2	15.3	14.2	15.1	15.0

Balance		2018	2017	2016	2015	2014
Investment portfolio[4]	NOK million	52,816.0	54,860.2	53,957.7	57,173.9	56,538.8
Equity	NOK million	23,845.2	23,703.1	22,326.0	23,330.6	21,656.8
Total equity and liabilities	NOK million	156,762.9	149,072.4	135,926.6	129,264.4	113,982.0

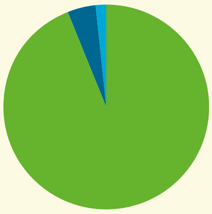
Return		2018	2017	2016	2015	2014
Return on financial assets [1]	%	1.5	3.7	3.9	2.6	4.3
Return on equity [1]	%	17.3	21.3	21.4	17.4	18.1

1 Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018
2 Large losses = loss events in excess of NOK 10.0 million
3 Run-off gains/(losses) = changes in estimates from earlier periods. Reserving is based on best estimate, and expected run-off result over time is zero
4 Investment portfolio includes all investment funds in the Group, except Pension and Retail Bank

Employees per country as at 31.12.2018



Employees per business area as at 31.12.2018



Health, safety and the environment		2018	2017	2016	2015	2014
Sickness absence (Self-certified and doctor-certified), Gjensidige Forsikring	%	3.8	3.9	3.9	4.1	4.7
Injuries, Gjensidige Forsikring	Number	2	0	0	0	0
Turnover of employees, Gjensidige Forsikring	%	12.4	15.3	9.7	9.6	8.7

Employees		2018	2017	2016	2015	2014
Number of employees in the Group	Persons	3,893	3,834	4,005	3,908	3,525
Average age Gjensidige Forsikring	Year	43.0	42.0	43.0	44.3	43.1
Average amount spent on skills development per employee	NOK	11,100	10,300	15,000	17,500	17,500
Participation in a training programme	Days	5,982	6,960	7,487	5,524	7,400

BACK ON A WINNING TRACK

After several years of record-breaking results, we must conclude that 2018 was a year marked by an abnormally high number of weather-related claims. The total profit amounted nonetheless to a healthy NOK 3.7 billion. The poorer profit performance was in part due to circumstances beyond our control, including a harsh winter, an unusually dry summer and several flood events. Fluctuations like this are part and parcel of the general insurance business. However, we cannot ascribe the weaker result in 2018 to weather conditions alone. Profitability was also challenged by changes in the market. We have conducted a thorough analysis of the reasons for this development and we have identified targeted measures to get us back on a winning track.

We implement measures throughout the Group, but the focus of the measures varies from market to market, since the drivers and needs differ. In Norway, the primary focus is on adjusting the prices of products where we have not kept up with claims inflation, as well as implementing certain cost-efficiency measures. Profitability has been weaker over time outside Norway. The measures in place to increase efficiency and profitability have had a positive effect, and they will continue unabated into 2019.

We have implemented measures that will better enable us to update tariffs much more quickly than before, so that we can react more quickly to changes in market terms and thus ensure good profitability. We are also in the process of upgrading our IT platform outside Norway, which will enable us to achieve considerable rationalisation benefits over time.

Sale of Gjensidige Bank

In summer 2018, we agreed to sell Gjensidige Bank to Nordea, and to enter into a cooperation agreement on distribution in the Norwegian market. Gjensidige Bank has experienced strong development, with solid volume growth and increasing profitability. The development in the financial sector however indicates that we can serve our customers better through a cooperation than through a self-owned bank. There is a lot of enthusiasm about this cooperation both in Gjensidige and in Nordea, and I am confident that this will improve our position in Norway.

Attractive customer dividend

Cooperation with our biggest owner, the Gjensidige Foundation, was also good in 2018. The Foundation distributes its ordinary share dividend in full to Norwegian general insurance customers, who received dividend totalling NOK 2.2 billion in 2018. Since the Company was listed in 2010, our customers have received NOK 15 billion in dividend. We are the only insurance company in Norway to pay a customer dividend. A number of savings banks have started paying a customer dividend in recent years, based on the model we use, and we regard this as confirmation that this arrangement is successful and attractive.

Clarification of our corporate social responsibility

Sustainability and corporate social responsibility have been important to our business right back to when the first Gjensidige companies were founded more than 200 years ago. The UN Global Compact Principles, which we have endorsed, form the basis for our current sustainability work. Sustainability is a precondition for long-term value creation and is integral to our strategy. The Board has highlighted four UN Sustainable Development Goals that we shall particularly endeavour to support: Good health; Decent work and economic growth; Sustainable cities and communities; and Climate action. In 2018, we launched a process to identify concrete measures and goals that will further refine our sustainability work. As a leading insurance company, we will endeavour to reduce carbon intensity by means of loss prevention work and more environmentally friendly claims settlement processes. You can read more about this on page 22–49 of this annual report.

Best today, best in the future

The general insurance business model has remained surprisingly stable for centuries. We are now experiencing leaps and bounds in technology, regulatory changes and changed customer behaviour, which indicate that the business model may undergo material changes over the next ten to twenty years. Those who have not heard about disruption – new business models that completely undermine traditional methods – must have been in hibernation. In other sectors, we have seen large, established companies being swept away in a short space of time, because they were unable to adapt to the new competitive situation. We are determined to retain a leading role in the changes taking place now, and those we see taking form. We have established an internal think tank to work on developing new business models that can address threats and opportunities. We will not hesitate to 'disrupt' our own business models when this is expedient.

In the short term however, our priority is to get the most out of our existing business. Good profitability is a vital condition for ensuring we have the momentum and determination we need to set the agenda, and to be an active driver of development. Our point of departure is very strong. We have particularly satisfied customers and high customer loyalty, in Norway especially, where we have the strongest reputation in the financial sector and one of the strongest regardless of sector. We have the broadest and most refined insurance expertise, and our employees are more engaged than the average for our sector in the Nordic countries.

Going forward, we will work on measures to further strengthen customer satisfaction and loyalty and to attract new customers. Self-service solutions that require digitalisation, standardisation and automation will have high priority, since we see that customers increasingly request such solutions. We already have world-leading solutions in a number of areas, not least with respect to digital registration and automated claims processing.

In the years to come, we will increasingly see the effect of these initiatives, in the form of greater efficiency, reduced expenses and even more satisfied customers.

Structure and capital

We are subject to increasingly complex regulation and stricter requirements to comply with official regulations. Combined with more capital-intensive technology needs, we believe that this will lead to further consolidation in our industry. As a well-capitalised and profitable company, we are well positioned to take part in this development.

The sale of Gjensidige Bank will free up capital in the first quarter of 2019. We will take the time we need to investigate possible acquisition or merger options before any excess capital goes back to our owners.

Our attractive dividend policy remains unchanged. We will deliver high and stable nominal dividend on a regular basis, of at least 80 per cent[1] of our current profit after tax over time.

Our ambition for the future is unchanged, strong and clear. We shall be the most customer-oriented company in the Nordic general insurance industry.

Three key strategic priorities have been and remain the basis for our business. We aim to deliver the best digital customer experiences in the Nordic countries and the Baltic states, we will make use of data, technology and knowledge in increasingly sophisticated ways, and we will actively work on management and employee development.

Our customers, be they private or commercial, shall find that we are relevant in their day-to-day lives, and we shall ensure that they are well prepared if something should happen. We will be there to help them if disaster strikes or an accident happens. We shall know the customer best, and care the most – also in 2019.

Helge Leiro Baastad

Helge Leiro Baastad
CEO

[1] Assuming sale of Gjensidige Bank.

The business in brief

Gjensidige is a Nordic general insurance group listed on Oslo Børs, with its head office in Oslo. We safeguard life, health and assets in Norway, Denmark, Sweden, Lithuania, Latvia and Estonia. In Norway, we also offer pension schemes and banking and savings solutions for private customers.

Gjensidige is the biggest general insurance company in Norway, where our brand is strong. We are in a good position for further growth both in the Nordic region and in the Baltics.

In 2018, Gjensidige's business has been organised in seven operational segments:

- General Insurance Private
- General Insurance Commercial
- General Insurance Denmark
- General Insurance Sweden
- General Insurance Baltic
- Retail Bank
- Pension

Strategy

Core activity and vision

Gjensidige's core activity is to offer general insurance and risk-based accident and health insurance. We also offer services that naturally support our core activity, such as pension, banking and real estate agency services. We are also increasingly developing value-added additional services that increase our customers' security and well-being. An ecosystem of products and services creates greater value for the customer, and gives us greater opportunity to defend our 'ownership' of the customer from niche companies.

Our vision is to know the customer best and care the most. This vision reflects our view that customer orientation is a competitive advantage. Real customer orientation requires a culture in which advisory services, sales, claims processing, product development and systems development form integral elements. It takes time to develop a culture like this, and it is difficult to copy. Good customer experiences have created a trust in our brand over time of intrinsic value, which we must maintain.

The competitive situation

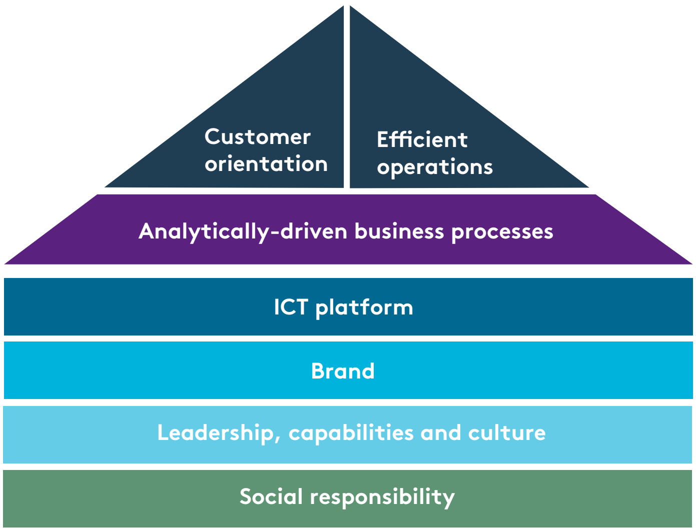
We face competition from traditional general insurance companies and bancassurance companies. We have seen a few attempts in recent years to establish non-traditional business models. The number of such initiatives is expected to increase going forward. New regulation and technology may usher in new business models that may challenge existing models.

Our response to such threats is to maintain and strengthen the close relationship we have with the customer by providing good customer orientation, and developing new solutions and, if necessary, new business models.

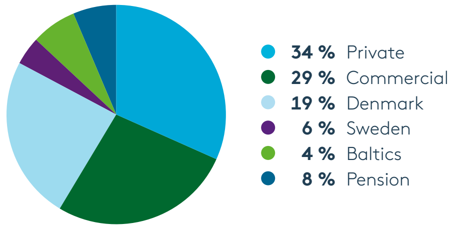
A sustainable company

Our activities shall contribute to a sustainable society by supporting the UN Sustainable Development Goals. We shall achieve this by developing resource-saving and sustainable processes and products,

Strategic platform



Income per segment



The distribution is based on earned premiums/income, excluding corporate center and other income including eliminations.

and by operating in an ethically responsible manner that upholds our reputation. Our sustainability work is described in more detail on page 22–49 of the sustainability report.

Best today, best tomorrow

Our most important priority in the short term is to improve the profitability of our existing activities. Sound profitability is a precondition for having the resources required to test, learn and develop, which, in turn, are necessary for maintaining competitiveness in the long term.

We will clarify financial accountability in the business segments, introduce a new IT core system and infrastructure and improve our price models. We are in the process of developing a new core system, and will implement it first in Denmark and Sweden, and then Norway. A new joint group core system will provide better opportunities for the business segments to share best practice, and develop new products and price models more quickly.

We will test new technologies and business opportunities ourselves to generate own experience and learning, so that we are equipped to assess disruptive threats and any opportunities that arise as a result.

Alliances will be an important precondition, in addition to structural initiatives, because ecosystems based on real-time behavioural data from multiple parties will become an increasingly important means of meeting customers' needs.

Our strategic priorities towards 2022

We will maintain our strong and unique position, and improve profitability. We will adjust prices quickly to ensure they are adapted to claims inflation, while at the same time ensuring our competitiveness. We continuously work on major and minor rationalisation measures that generate cost savings and better customer experiences.

We will continue to improve profitability and growth in the markets outside Norway. Important measures in this context include a new IT core system, more sophisticated price models, rationalisation measures and organic growth.

Capital discipline will continue to be given high priority, and our capital strategy will support our attractive dividend policy and contribute to ensuring high and stable nominal dividends on a regular basis. We will continue to have a rational and disciplined approach to possibilities for mergers and acquisitions. We will free up capital in 2019 through the sale of Gjensidige Bank. We will spend the year exploring the structural opportunities available before, if applicable, returning excess capital to the owners.

Gjensidige's position shall be further strengthened through the development of Gjensidige as a pan-Nordic general insurance player that is also taking its share of the growing accident and health insurance market. By complementing organic growth and contributing to the Group delivering on its strategic goals, acquisitions shall increase the value of the Group and its long-term dividend capacity.

Operational priorities

The Board has identified three operational priorities that are vital to the strategy succeeding in the short term and to laying the foundation for long-term development:

1. Digital customer experiences
2. Insightful analysis
3. Dynamic organisational development

Digital customer experiences

It shall be easy to buy, own and use our products. This means that we must be able to increasingly offer digital customer experiences. The processing of claims is subject to particularly rapid change. When we enable customers to report a claim digitally, from a mobile phone for example, we can process the claim report automatically in just a few seconds. This creates good customer experiences, and is a very efficient means of cutting costs if it is done in a controlled manner. We will further develop such solutions, and use market-leading technology.

Insightful analysis

New technology and new customer behaviour, not least with respect to sharing data, creates increasingly better opportunities for 'knowing the customer best'. We have a large customer base, and enjoy the trust of our customers. We will maintain this trust by collecting, processing and using data in a secure and structured manner, which enables us to develop increasingly relevant and user-friendly solutions for customers. By predicting customers' needs more accurately, we can provide better advice in both staffed and self-service solutions. We will also develop pricing and tariff models based on data, technology and insight in order to ensure optimal risk selection and risk pricing at all times.

Dynamic organisational development

In order to be able to develop and apply technology that enables us to create good customer experiences, employees from different fields must have the right expertise and cooperate well. This makes great demands of the organisation and management. The management must have broad competence to be able to recognise opportunities, take the right initiatives and lead capable employees in a manner that generates value creation. Job rotation as a means of developing competence across business areas and staff entities is therefore, along with the recruitment and development of employees, an important strategic tool.

Strategy towards 2030

In the long term, we believe that access to real-time data generated by developing and participating in ecosystems is more important than all other relevant trends. We believe that this will become increasingly important in all our product areas, while the pace and focus will vary from area to area.

We will therefore facilitate participation in such systems, and actively seek national and international alliance partners who can strengthen our position. The right ecosystem design and the right alliance partners will enable us to attract more and better customers, offer more correct prises, reduce claims incurred and develop value-adding products and services that can generate increased profitability and loyalty.

Financial targets 2019–2022

Ambitions	Targets
Combined ratio	86-89 per cent [1]
Cost ratio	<15 per cent
Solvency margin Partial Internal Model	135-200 per cent [2]
Return on equity after tax	>20 % [1-3]
Underwriting result from operations outside Norway	NOK 750 m [4] (in 2022)
Dividend	Nominal high and stable. Payout ratio >80 prosent over time [2]

1 Assuming annual run-off gains ~NOK 1 billion through 2022. Corresponds to 90-93 per cent given zero run-off gains post 2022.
2 Assuming sale of Gjensidige Bank
3 Corresponds to >16 per cent given zero run-off gains post 2022
4 Excluding run-off

General Insurance Private

The Private segment offers a wide range of general insurance products and services in the Norwegian private market, both in property and accident and health insurance. The products are primarily sold through dedicated distribution channels, but also in cooperation with a number of partners. Loyal customers and a strong brand make Gjensidige market leader in the private general insurance market.

2018

Customer orientation was still the top priority in the Private segment in 2018. Various surveys show very high customer satisfaction and this is reflected in unusually high customer loyalty. Good customer experiences are increasingly linked to self-service in digital channels, not least via mobile phones. We lead the field when it comes to using advanced digital solutions that make it easier for customers to buy, own and use our insurance policies. Increased digitalisation of customer processes and better facilitation of self-service solutions were important focuses also in 2018. Continuous work on the tariffs, and improved customer and risk selection, contributed to better quality in the customer portfolio, and volume growth in a market where competition is strong.

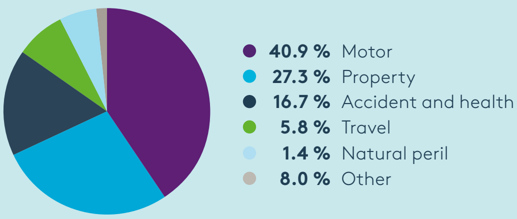
Profitability was challenged by a cold winter with a lot of snow, an unusually dry summer and an unexpected increase in claims inflation for car insurance. Significant measures were implemented to improve profitability, including by adjusting prices.

Outlook

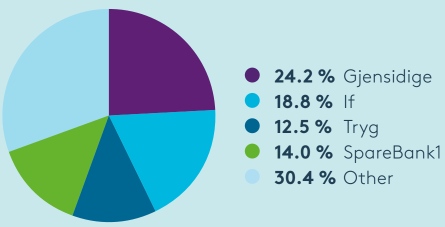
Competition is strong, both from established banks, insurance companies and smaller niche companies. Gjensidige ' s competitiveness in the Norwegian private market is still regarded as good.

Measures to further improve customer orientation and retain strong customer loyalty will continue to be important going forward. We will automate more and more processes, and lay the groundwork for digital claim reports, so that customers' claims can be settled more quickly and correctly. We will develop better data analysis tools and methods, so that we can give customers better and more relevant advice in both staffed and self-service solutions. Over time, we expect this to lead to reduced costs, increased sales efficiency and even greater customer satisfaction. We will also continue the process of adjusting prices to improve profitability.

Distribution earned premiums



Market shares



Source: Finance Norway, based on written premiums 3rd quarter 2018

Key figures Private

NOK million	2018	2017	2016
Earned premiums	8,762.5	8,516.5	8,291.3
Underwriting result	**1,934.8**	**2,200.0**	**2,196.7**
Loss ratio	65.3%	61.4%	60.7%
Cost ratio	12.6%	12.8%	12.8%
Combined ratio	77.9%	74.2%	73.5%

General Insurance Commercial

The Commercial segment offers a wide range of general insurance products to commercial and agricultural customers, and the public sector in Norway. Sales primarily take place through dedicated distribution channels, and only 20 per cent of the premium volume is brokered business. Gjensidige is market leader in general insurance for the commercial and agricultural markets. Most of the customer portfolio consists of small and medium-sized enterprises and agricultural customers.

2018

During the year, the division has optimised its use of resources, defined focus areas and consolidated its position in the market. Models based on analytics have been further developed to ensure continued efficient distribution, a high activity level and good customer service. Product and tariff developments have been high on the agenda throughout the year to ensure relevance in a market subject to constant change. Significant efforts have been made to adapt digital solutions to customers' needs to provide a digital boost for Commercial customers and thus secure our position in the market. There is a strong focus on competence building to ensure relevant customer service and good competitiveness in a professionalised procurement market.

Profitability was challenged in 2018 by a severe winter, an unusually dry summer, multiple flood events and an unexpected increase in claims inflation for car insurance. Significant measures were implemented to improve profitability, including by adjusting prices.

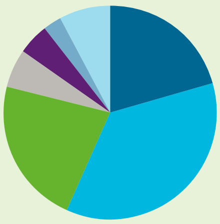
Outlook

In recent years, Gjensidige has consolidated its position as market leader in commercial and agricultural insurance, and is in a good position for the future.

Work on improved risk pricing and analytical processes as tools for strengthening customer activities is given particular focus in the Commercial segment. Continuous initiatives to deliver the best customer experience in combination with analytics and operational efficiency will help to ensure forward-looking and customer-oriented operations.

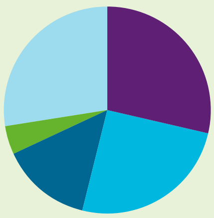
The Commercial segment expects the development in premiums to be positive throughout 2019 thanks to the current positive trend in the Norwegian economy. Previous and new price initiatives are also expected to contribute to growth in premiums and improved profitability. The work on adapting the products' terms and conditions will also continue.

Distribution earned premiums



- **20.7%** Motor
- **36.1%** Building
- **22.3%** Accident and health
- **5.7%** Liability
- **4.9%** Marine/cargo
- **2.7%** Natural peril
- **7.7%** Other

Market shares



- **28.7%** Gjensidige
- **25.4%** If
- **14.1%** Tryg
- **4.4%** SpareBank1
- **27.4%** Other

Source: Finance Norway, based on written premiums 3rd quarter 2018

Key figures Commercial

NOK million	2018	2017	2016
Earned premiums	7,603.3	7,300.5	7,257.4
Underwriting result	**1,548.2**	**1,634.8**	**1,631.3**
Loss ratio	68.2%	66.1%	66.5%
Cost ratio	11.5%	11.5%	11.0%
Combined ratio	79.6%	77.6%	77.5%

General Insurance Denmark

The Denmark segment includes the Group's operations in the Danish private, commercial and municipal markets. Gjensidige has its own distribution channels in these markets as well as distribution through a number of partners and brokers. In Denmark, the Nykredit Group is a key distribution partner. We are a well-established player in the Danish market, and come in fifth in relation to market share.

2018

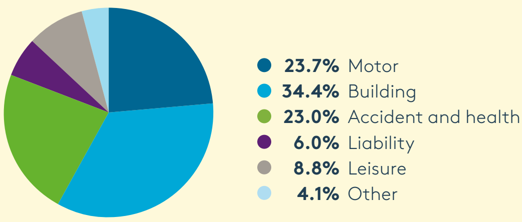
The work on strengthening distribution channels and the rationalisation of operating processes continued during 2018, with a focus on increased digitalisation and automation. The focus on further developing the business model, portfolio restructuring and repricing helped to strengthen the quality of portfolios in the Danish part of the business.

Outlook

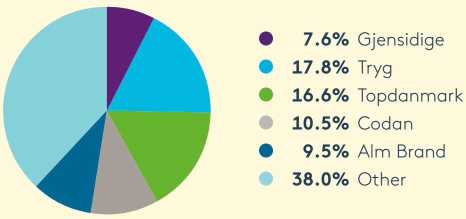
The Danish general insurance market is relatively consolidated, and marked by both strong competition and high price pressure. To generate further profitability, Gjensidige will prioritise increasing sales efficiency and customer loyalty, improving pricing models and further developing the partnership structure of the Danish part of the business. We will work on further rationalising costs through digitalisation and automation. Simplifying the business model, the organisation, products and processes are important means of achieving efficient operations. The implementation of the new IT core system, which will start in 2019, will make an important contribution to this work.

Gjensidige will look for opportunities for growth in Denmark, both organic opportunities and through value generating acquisitions.

Distribution earned premiums



Market shares Denmark



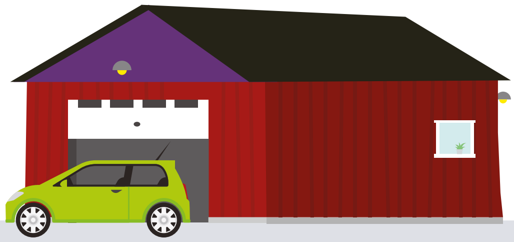
Source: The Danish Insurance Association, based on gross premiums as at 3rd quarter 2017

Key figures Denmark

NOK million	2018	2017
Earned premiums	4,904.6	4,827.4
Underwriting result	**434.5**	**284.0**
Loss ratio	76.8%	80.0%
Cost ratio	14.4%	14.1%
Combined ratio	91.1%	94.1%

General Insurance Sweden

The Sweden segment includes the Group's operations in the Swedish private, commercial and municipal markets. Gjensidige has its own distribution channels in these markets as well as distribution through a number of partners and brokers. We are the seventh biggest general insurance company in Sweden, by market share.



2018

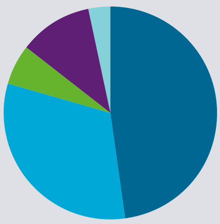
The Swedish part of the business improved its profitability in 2018 by focusing on repricing and implementing a number of rationalisation measures, including renegotiating partnership agreements and automating processes. We continued to work on improving our internal procedures and processes to improve quality, risk selection and premium levels when renewing policies. The customer centre in Malmø was scaled up to handle all customer service and outbound sales activities for our private customers in Sweden.

Outlook

The Swedish market is relatively consolidated and marked by strong competition. Gjensidige will prioritise creating growth and robust profitability through digitalisation, automation of processes and the development of its culture and organisation. We will work on repricing the portfolio, improving our price models and customer relations activities, and concentrate activities around fewer areas, particularly in the Commercial market. Costs will be further reduced once we have implemented the new IT core system.

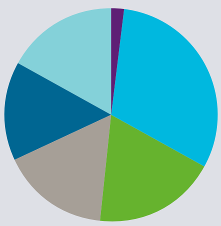
Gjensidige will seek to strengthen its position in Sweden through organic growth in addition to opportunities for value generating acquisitions.

Distribution earned premiums



- **48.0%** Motor
- **31.7%** Building
- **6.1%** Accident and health
- **11.2%** Liability
- **3.1%** Other

Market shares Sweden

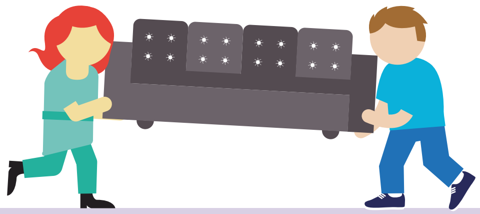


- **2.1%** Gjensidige
- **30.3%** Länsförsäkringar
- **18.4%** If
- **16.0%** Folksam
- **14.5%** Trygg Hansa
- **16.5%** Other

Source: Insurance Sweden, based on earned premiums as at 3rd quarter 2018

Key figures Sweden

NOK million	2018	2017
Earned premiums	1,569.2	1,736.1
Underwriting result	**78.2**	**(91.6)**
Loss ratio	78.5%	85.9%
Cost ratio	16.5%	19.3%
Combined ratio	95.0%	97.1%



General Insurance Baltic

Gjensidige's Baltic segment offers general insurance products to the private and commercial markets in Lithuania, Latvia and Estonia. A large proportion of products are distributed through external channels such as insurance agents and brokers, but we also distribute products through our own channels. Gjensidige is the fifth biggest player in the Baltics, where strong growth is expected in the immature insurance market as the living standard improves.

2018

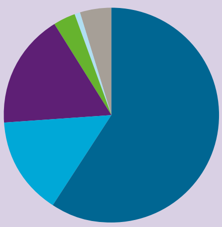
The Baltic part of the business improved its profitability in 2018 through significant rationalisation measures and optimisation of tariffs and sales processes. There has been significant progress with respect to digitalisation, strengthening direct sales channels, analytical CRM, risk-based pricing and optimisation of claims processing.

Outlook

There is intense competition in the Baltic states, and the pressure on prices is expected to continue. Gjensidige is well positioned to take part in the attractive growth opportunities in the Baltics. We will focus on increasing customer loyalty in profitable segments by means of competitive tariffs and product packages. Another focus will be acquiring new customers by means of marketing and partnership agreements. Costs still need to be cut, but a competitive position is now starting to take shape that will enable us to participate in the market growth.

Gjensidige will look for opportunities for growth in the Baltics, both organic opportunities and through value generating acquisitions.

Distribution earned premiums



Market shares

Source: Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual corrections. Based on gross written premiums for 3rd quarter 2018.

Key figures Baltics

NOK million	2018	2017	2016
Earned premiums	1,078.8	1,074.7	1,036.3
Underwriting result	**68.5**	**(7.2)**	**(99.5)**
Loss ratio	62.7%	68.5%	72.2%
Cost ratio	31.0%	32.2%	37.4%
Combined ratio	93.7%	100.7%	109.6%

Pension

The Pension segment offers defined contribution occupational pension schemes for businesses, in addition to individual pension savings agreements and disability pension. Pension is a priority area that helps to ensure that Gjensidige can be a complete supplier of insurance and pension products to private and commercial customers. The business contributes to stronger customer relations and loyalty among our general insurance customers.

2018

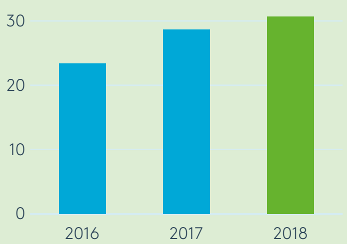
Its performance has improved in recent years as a result of its expedient business model and efficient operations. Focus was given to the further development of solutions well-adapted to customer needs in 2018, as in the previous year, which contributed to strong portfolio growth. Close to one third of our small and medium sized enterprise-customers with insurance of the person-coverage in Gjensidige Forsikring were customers in our pensions business as well. This figure is still low given that 70 per cent of our pension customers are general insurance customers, thus indicating a considerable potential for growth.

Outlook

The market for defined contribution pensions is growing and Gjensidige is well-positioned to participate in it. The positive growth rate in volume and performance is expected to continue.

We expect to win market shares in the defined-contribution pension market, which does not tie up a lot of capital, thanks to our brand, customer friendly digital solutions and our large portfolio of general insurance customers among small and medium-sized companies. We expect the percentage of general insurance customers who are also pension customers to continue increasing in 2019.

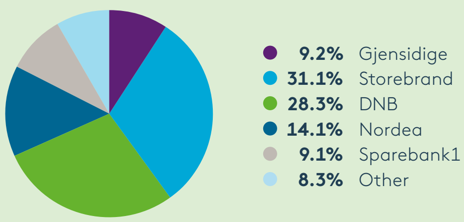
Assets under management



Key figures Pension

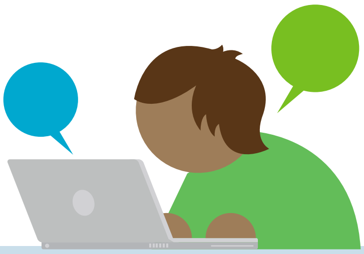
NOK millions	2018	2017	2016
Net operating income	126.5	74.0	88.4
Net financial income	40.2	29.7	26.4
Profit/(loss) before tax expense	**166.6**	**103.7**	**114.8**

Market shares defined contribution*



Source: Finance Norway, 3rd quarter 2018. Based on insurance obligations

* With individual investment options



Retail Bank

Gjensidige Bank is a digital bank that offers digital banking services, housing loans, car and consumer financing, banking and saving in funds. The bank cooperates closely with many partners, dealers and agents. Distribution largely takes place online, but also by phone, chat and in Gjensidige's financial offices.

In 2018, Gjensidige Forsikring entered into an agreement on selling Gjensidige Bank to Nordea. The sale is expected to take place in the first quarter of 2019. The parties entered into a cooperation agreement on the distribution of banking and insurance services in Norway. The sale of the bank, combined with the mutual distribution agreement will give Gjensidige the opportunity to increase its focus on its core business, while still being able to offer customers a combination of insurance and banking services. Nordea will also distribute Gjensidige's insurance policies to its customers in Norway.

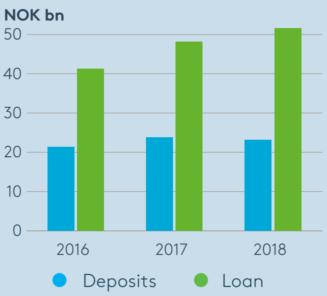
2018

Growth in car financing, improvements in consumer financing and sales of a wide range of products to members of the bank's partner organisations were high priorities in 2018. Competitive prices, good digital solutions and efficient customer service resulted in strong lending growth during the year.

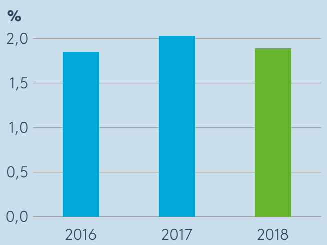
Outlook

Gjensidige Bank will continue to focus on sustainable and profitable growth. Improving customer processes supported by digitalisation will be an important part of the bank's value proposition.

Deposits and lending as at 31.12.



Net interest margin*



* Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Bank 2018

Key figures Retail Bank

NOK millions	2018	2017	2016
Net interest income	1,021.3	992.3	797.3
Total income	**1,005.6**	**1,035.2**	**915.0**
Write-downs and losses	(70.0)	(10.3)	(69.5)
Profit/(loss) before tax expense	**447.3**	**612.3**	**439.1**

The purpose of the investment portfolio is primarily to cover the actuarial liabilities and to achieve the Group target return on equity. At the end of 2018, the portfolio totalled NOK 52.8 billion.

Asset management

The Group's investment portfolio includes all investment funds in the Group, except for investment funds in the Pension and Retail Bank segments. A large part of the asset management is outsourced to external managers, while the Group's investment function concentrates on asset allocation, risk management and the selection of managers. Direct property investments take place via the company Oslo Areal, in which Gjensidige has an ownership interest of 50 per cent.

The investment portfolio consists of two parts: a match portfolio and a free portfolio. The match portfolio is intended to correspond to the Group's technical provisions. It is invested in fixed-income instruments with a duration and currency that matches the duration and currency of the technical provisions.

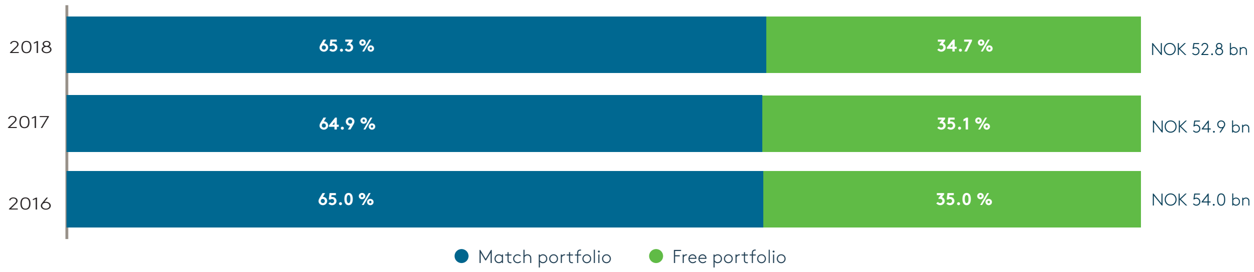
The free portfolio consists of various assets. The allocation of assets in this portfolio must be seen in connection with the Group's capitalisation and risk capacity, and the Group's risk appetite at all times. In general, the currency risk in the investment portfolio is hedged up to 100 per cent, with a permitted safety margin of +/- 10 per cent per currency.

At year-end 2018, the total investment portfolio amounted to NOK 52.8 billion. The financial result amounted to NOK 0.8 billion, corresponding to a return on financial assets of 1.5 per cent.

Financial assets and properties

NOK million	Return in per cent 2018	2017	2016	Result 2018	2017	2016
Match portfolio	2.0	2.8	3.5	706.5	981.0	1,264.5
Free portfolio	0.6	5.3	4.6	114.4	1,021.6	890.6
Financial result from the investment portfolio	**1.5**	**3.7**	**3.9**	**820.9**	**2,002.6**	**2,152.6**
Net income from investments				**830.2**	**2,002.2**	**2,152.6**

Portfolio composition as at 31.12.



The Gjensidige share yielded a total return of minus 8 per cent in 2019. At year-end, Gjensidige was the ninth biggest company listed on Oslo Børs, with a market value of NOK 68 billion. The profit per share was NOK 7.44 in 2018, and the Board has proposed a dividend of NOK 7.10 per share.

Investor information

Investor information

Gjensidige shall have an open dialogue with all stakeholders, and it follows the Oslo Børs Code of Practice for IR. Established guidelines for investor relations are available at www.gjensidige.no/ir.

Each quarter, we meet with analysts and investors to discuss results and business operations. A member of Gjensidige's Investor Relations team usually attends these meetings, possibly together with the CEO and/or the CFO or another relevant executive from the Company.

Dividend and dividend policy

Gjensidige's goal is to distribute high and stable nominal dividends to shareholders, and a dividend ratio over time of at least 70 per cent of the profit after tax expense over time. After the sale of Gjensidige Bank, the targeted dividend ratio will increase to 80 per cent of the profit after tax expense over time. When determining the size of the dividend, consideration will be given to expected future capital needs. Over time, Gjensidige will also distribute excess capital.

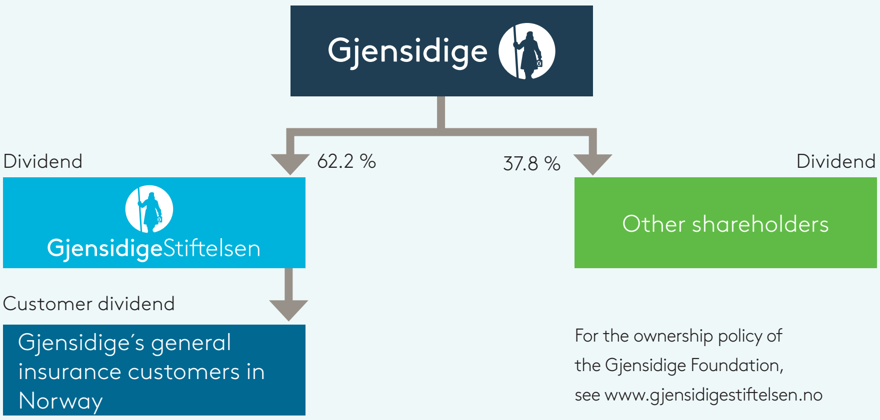
For the 2018 financial year, the Board has proposed that a dividend of NOK 7.10 per share be distributed based on the profit for the year. This corresponds to 95.5 per cent of the Group profit after tax. The proposed dividend is contingent on the approval of the Financial Supervisory Authority because it amounts to more than 100 per cent of the profit for Gjensidige Forsikring ASA in 2018.

The general meeting on 28 March 2019 will vote on the dividend for the 2018 financial year. The approved dividend will be paid to shareholders registered on the date of the general meeting. The Gjensidige share will be traded ex dividend on 29 March 2019, the record date will be 1 April 2019 and the dividend will be disbursed on 9 April 2019.

Customer dividend

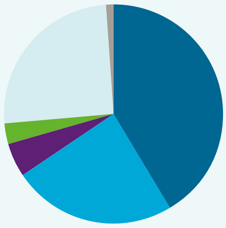
The Gjensidige Foundation is the largest shareholder in Gjensidige, with a holding of 62.2 per cent. The Foundation passes on its share dividend relating to the profit for the year from Gjensidige, to Gjensidige's general insurance customers in Norway in the form of customer dividend. Share dividends relating to the distribution of excess capital are retained and managed by the Gjensidige Foundation.

Customer dividend is allocated to customers based on how much they paid in insurance premiums during the financial year in question. It is then distributed to customers who are still customers at the



For the ownership policy of the Gjensidige Foundation, see www.gjensidigestiftelsen.no

Geographical distribution of shares as at 31.12 2018



Distribution of shares exclusing shares owned by the Gjensidige Foundation

time of Gjensidige's general meeting, which adopts the customer dividend.
Customer dividend paid in 2018, based on the profit for 2017, accounted for 14 per cent of premiums paid in 2017.

Ownership

At year-end 2018, Gjensidige had approximately 35,000 shareholders. The 20 biggest owners represented a total of 85.6 per cent of the shares in the Company.

The Gjensidige Foundation has laid down in its statutes that its ownership interest in Gjensidige shall amount to at least 60 per cent, which shall contri-bute to predictability and stable ownership.

The Foundation is willing to consider a reduced ownership fraction in the event of any acquisitions or capital increases that are in accordance with Gjensidige's overall strategy.

The Foundation manages ownership of Gjensidige on behalf of Gjensidige's general insurance customers in Norway. It has an ownership policy that focuses on high value creation over time, and expects a competitive dividend.

General Meeting

The next ordinary General Meeting will be held at Gjensidige's offices in Schweigaards gate 21, Oslo, on 28 March 2019 at 17:00 CET.

For more detailed information about the governing bodies and/or the General Meeting, see page 50-55 and/or www.gjensidige.no/ir.

20 largest shareholders 31. desember 2018 [1]

		Per cent
1	Gjensidigestiftelsen	62.24
2	Folketrygdfondet	4.15
3	Caisse de Depot et Placement du Quebec	3.68
4	Deutsche Bank	3.50
5	BlackRock Inc	1.98
6	Danske Bank	1.87
7	DNB ASA	1.16
8	The Vanguard Group, Inc	0.98
9	Nordea	0.92
10	Svenska Handelsbanken Group	0.92
11	State Street Corporation	0.85
12	Storebrand Investments	0.68
13	Government of China	0.53
14	KLP Kapitalforvaltning	0.47
15	Beutel Goodman & Co	0.31
16	Northern Trust Corporation	0.29
17	Sparebank 1 Gruppen	0.27
18	Legal & General Group	0.25
19	Scotia Bank	0.25
20	Equinor ASA	0.25

[1] The list of shareholders is based on an analysis of the register of shareholders in the Norwegian Central Securities Depository (VPS) as at 31 December 2018, carried out by Orient Capital Ltd. The analysis maps the owners behind the nominee accounts. There is no guarantee that the list is correct.

Over the course of its 200-year history, Gjensidige has sought to create a sense of security for our customers by safeguarding life, health and assets. We have implemented loss prevention measures, and provided help when the damage was done. Our experience and expertise shall benefit society at large.

Sustainability

1. The Board's and the management's perspective on sustainability

Gjensidige has always had a strong focus on its corporate social responsibility, and this work is based on our role as one of the biggest insurance companies in the Nordic countries. We are convinced that integrating sustainability into our core activities is vital to value creation in the long term. Gjensidige takes its responsibility seriously and shall strive to make the world a better place.

A description of how we work on our obligations under the UN Global Compact follows below. Our work is also in accordance with the UNEP Principles for Sustainable Insurance. We describe our focus areas, goals, measures, the measures' effect and our ambitions for new measures. The report complies with the recommendations in Finance Norway's 'Roadmap for green competitiveness in the financial sector,' which describes how the financial sector can contribute to making Norway a low-emissions society.

In 2018, the Board adopted sustainability goals for the areas Gjensidige deemed to be of greatest significance to Gjensidige and the Company's stakeholders:

- Reduce carbon intensity
- Socially responsible investments
- A safer society

Chapter 2 on page 23 describes the risk and materiality assessment, and Chapter 5 on page 28 sets out the grounds for our focus areas and the status of measures. The focus areas fall under three overriding categories: climate and the environment, social factors and business governance.

Climate change and environmental challenges are a high priority, and Gjensidige has set ambitious and clear goals for our contribution to reducing greenhouse gas emissions (carbon intensity), both directly and indirectly through loss prevention, our claims settlements and our own emissions.

Social factors: All aspects of our activities shall be based on respect for human rights and employees' right to meaningful work under safe conditions. We will further develop an organisation in which diversity characterises our activities and generates new ideas and perspectives in the work on a more sustainable society.

It is also important to Gjensidige to contribute to a safer society, apart from its role as an insurance company, and collaborates with non-profit organisations and the Gjensidige Foundation. Our commitment aims to contribute to a warmer society, ensure integration in the labour market and that children and young people have equal opportunities.

Good business governance is decisive for the Board and the management. Corporate governance is described in a separate chapter in the annual report on page 50–55. Socially responsible investments (SRI), data protection (GDPR), corruption and money laundering, and our Code of Conduct are particularly relevant to sustainability. Certain policies adopted by the Board are available at gjensidige.no. Other policies relevant to our sustainability work are set out in Chapter 5.7 on page 42.

The Board believes that Gjensidige's ambitions and measures will help to promote four of the 17 UN Sustainable Development Goals in particular. This is explained in Chapter 4 on page 27.

Definition
Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
(Citation: UN)

Gjensidige's ambitions, measures and goals are described in more detail in Chapter 5 on page 28 of this report, where we also describe which of the UN Sustainable Development Goals our measures contribute to.

2. Gjensidige's work on sustainability

Sustainability and insurance go hand in hand. Gjensidige has been creating value for society for more than 200 years by engaging in the lives of people and enterprises before and after claims arise. Based on our long experience, we have gathered knowledge about what causes losses, and how they can be avoided.

Our role in society

It is Gjensidige's ambition to be the most customer-oriented general insurance company in the Nordic countries and the Baltic states. Customer orientation permeates our behaviour, priorities and communication at all levels of the organisation. The focus on customers is key throughout the value chain, from product and service development via the training of employees, advisory services, sales, claims settlement and the handling of complaints.

Climate and environmental issues are becoming increasingly important to all our stakeholders. Sustainability is therefore an integral component of our strategy.

Sustainability is about striking a balance between what is good for the climate and environment, social factors and the economy. We use this definition actively in our work on integrating sustainability throughout the organisation. Our internal processes shall maintain a high ethical standard.

We must apply new thinking, and involve customers, employees and suppliers in the further development of our sustainable solutions. We are already well under way, and this will be a feature of our work going forward.

Customer satisfaction

Satisfied customers and good risk assessments are decisive for value creation in the short and long term. Satisfaction with the Company and our individual advisers is measured on a continuous basis, and improvement measures are initiated based on feedback from the customers.

Gjensidige has defined clear goals for customer satisfaction. The level of goal attainment influences the payment of bonuses to executive personnel and collective bonuses to all employees. The following results were achieved in 2018:

- In 2018, Gjensidige's customer satisfaction index (KTI) was 78.1 at group level, which is an increase of 0.2 from 2017,and the best result we have ever achieved.
- Voted the most sustainable insurance company in Norway by Sustainable Brands.
- BearingPoint assessed the digital maturity of 78 Norwegian companies, and Gjensidige emerged as the most digital insurance company (Digital Leaders Studies).

It is Gjensidige's ambition that all customers shall receive the right claims settlement as soon as possible. Both factors are important to their perception of quality.

The customers' possibility of obtaining efficient but thorough complaints handling is important to ensure high-quality claims settlement. Gjensidige has established a complaints system whereby customer complaints can be considered at three levels. This is intended to ensure that customers' complaints are assessed independently and thoroughly. We have commented on the status of this in Chapter 5.7 on page 42.

Stakeholder analysis

By stakeholder is meant those who influence the Company or who are influenced by the Company. In line with the recommendation made by Oslo Børs on the reporting of corporate social responsibility, a thorough stakeholder analysis was conducted in 2016. It is updated every year. Investors/owners, customers, employees, suppliers and society at large are our most important stakeholders. We engage in dialogue with our stakeholders as necessary. We have illustrated the arenas for and topics of our dialogue with different stakeholders in the figure on next page.

Investors/owners
We communicate with our investors/owners in different arenas, and enable them to make informed decisions.
- Investor meetings
- Interim presentations
- Annual reports
- Website
- Analysts and capital market days

Customers
Dialogue with our customers is an important means of reaching our ambition to become the most customer-oriented general insurance company in the Nordic countries. We communicate with our customers through
- Relevant products/services
- Digital solutions
- Loss prevention
- Efficient claims settlements

Suppliers
Good cooperation with our suppliers is decisive if we are to reach our sustainability goals. Compliance with our procurement policy is critical to our goal attainment
- Renewable energy
- Waste handling
- Reuse
- Corruption/money laundering
- Fair competition
- HSE

Employees
Engaged and motivated employees are important to our profitability, and we have different forums that give us an insight into ideas and concerns
- Labour rights
- Competence development
- HSE
- Protection of privacy
- Diversity
- Employee surveys

Society at large
Insurance is an important social benefit and significant factor in safeguarding life, health and assets. We safeguard the interests of society through:
- Loss prevention
- Environmental and climate measures
- Socially responsible capital management
- Protection of privacy
- Anti-corruption and money laundering
- Sponsorship and donations

Risk and materiality assessment for Gjensidige's stakeholders
The assessment of relevant topics is based on
- what topics the stakeholders consider important
- the consequences for Gjensidige if we fail to meet stakeholder expectations

The Board has assessed nine topics as being relevant to the Company's stakeholders: (see Chapter 5 on page 28 for more information about the grounds)
- sustainable claims settlements
- loss-reducing measures
- sustainable products
- digital transformation
- socially responsible investments
- good risk management
- own climate footprint
- engaged employees
- a safer society

The results of the risk and materiality assessment have been compiled in a table, where topics of great significance to both stakeholders and Gjensidige are placed in the top right-hand corner. Topics that are less important to Gjensidige and the stakeholders are placed in the bottom left-hand corner.

Prioritised focus areas for our sustainability efforts

Value for society	Important focus areas	High management focus	Top priority
Very high		Good governance	Reduce CO2-intensity Damage prevention Sustainable compensation Responsible investments Safer society
		Sustainable products Digital transformation	Engage our employees
High			
	High	**Value for Gjensidige**	Very high

3. Gjensidige's sustainability risk management process

Insurance is a collective financial arrangement whereby those with insurance receive help when a loss arises. Sustainable solutions are a precondition for longterm value creation and a cornerstone of Gjensidige's strategy, and it shall permeate everything we do. Good risk management is the core of our business.

Overriding management

Gjensidige will help to ensure that we, our partners and customers work to reach the environmental and climate goals of the Paris Agreement. The expected increase in the scope of natural disasters as a result of environmental and climate change affects our activities, such as the development of products, financial planning, pricing, rebuilding and loss prevention measures. Environmental and climate change affects risk assessments and the pricing of insurance. For example, we continuously assess the effects of extreme weather and changes in risk exposure, based on experience, expert assessments and prognoses.

Good risk selection and the right pricing is decisive for financial strength and profitability. The Board adopts risk management and internal control requirements in Gjensidige, and defines fundamental principles, processes, roles and responsibilities through the 'Group policy for risk management and internal control'. The management shall ensure that governing documents exist that underpin and supplement these requirements.

The policy makes requirements of the risk management system, which is intended to ensure that the Group ' s risk profile is within the limits adopted by the Board at all times. Risk is categorised as:

- Business and strategic risk
- Insurance risk
- Financial risk
- Operational risk and compliance risk

The Board receives quarterly reports on the status and development of risk, capital and compliance for the Group. Among other things, the report addresses developments in the most important areas of risk, and measurements and assessments in relation to the adopted risk limits.

The transfer of risk forms the core of insurance. Gjensidige's underwriting policy sets out the overriding limits and principles for insurance risk. The underwriting policy is intended to provide the Company with an overview and control of its risk exposure. It is also intended to ensure that the Company complies with applicable laws and regulations, and that it acts in a way that is generally perceived as fair and reasonable, and that is in line with Gjensidige's guidelines for ethical business operations. The underwriting policy explicitly states, for example, that the Company shall not enter into insurance contracts that form the basis for the payment of claims or other benefits to states or geographical areas subject to sanctions adopted by the UN or the EU.

Gjensidige uses a partial internal model approved by the Financial Supervisory Authority of Norway for the calculation of risk and capital requirements. The model takes, among other things, weather and climate related losses into consideration. The data that forms the basis for the model is updated annually together with assessments of the effects of climate and weather-related events on the scope of losses.

Risk description

Emerging risks:

The risk picture is complex and constantly changing. Emerging risk is potential new or changed risks that generally develop over time, often as a result of changes in climate, the political situation or technology. Since 2009, Gjensidige has had a separate emerging risk process. Its main objective is to identify and monitor these types of potential emerging risks and the possible consequences for the Company, so that the necessary measures and adjustments can be implemented at an early stage. The assessment of emerging risks is based on internal assessment and on various external sources. The emerging risks given priority in Gjensidige in 2018 were:

- Extreme weather and climate change
- Artificial intelligence
- Nanotechnology
- Synthetic biology

Extreme weather and climate change have been included in Gjensidige's emerging risk report since 2009. Wind and flooding are considered the biggest risks for Gjensidige. Gjensidige's internal model is used to assess its potential exposure to these types of events, and to other natural and weather events.

Artificial intelligence (AI) is computer systems that are capable of solving problems by learning from their own experience. The use of AI presents opportunities for rationalising processes and changing interaction with customers.

Nanotechnology is an emerging technology that presents new business opportunities and new risks. For example, nanotechnology makes it possible to create materials with new and unique properties. This can potentially change the risk picture, in certain product areas in particular.

Synthetic biology is the construction of biological components and systems that do not exist in nature, and the simulation of existing biological elements. Technology for growing cells and tissue in laboratories and tailoring them to specific purposes opens up new possibilities in the prevention and treatment of diseases and injuries. This may affect mortality, life expectancy and treatment needs, and could significantly impact the financial aspects of life and health insurance.

These areas may have a significant effect on the insurance market going forward, creating both risks and opportunities. They are included in strategic discussions, with respect to reassurance assessments, strengthened UW analyses, and to see what is insurable in the time ahead.

Climate-related threats, opportunities and risk

The climate and environment are affected by the customer's choice of house, car and behaviour, among other things. Gjensidige rewards a number of security measures by giving a discount on the insurance premium. Measures that contribute to reducing the risk for both us and customers include warnings of weather events, burglar alarms, inspections of electrical systems in buildings, the installation of equipment that reduces the risk of water damage in buildings, and tracking systems for cars.

The insurance premium paid by our customers is affected by the risk of loss. The assets we insure, such as cars, buildings and companies, will contribute to climate and environmental challenges to a varying extent. Sensible risk-pricing will contribute to a favourable environmental profile.

We define sustainability risk as factors with potential consequences for the climate and environment or socio-economic consequences. Work is now underway to incorporate sustainability risk, even more than before, into our insurance policies.

Risk management measures

Our stakeholders are increasingly keen to see what contribution Gjensidige makes to achieving the goals of the UN SDGs and the Paris Agreement. This can affect our business, our customers and the society we are part of in the short and long term.

By their nature, losses have a negative impact on the environment, since resources are needed to repair the damage or replace the loss. Gjensidige therefore has a strong focus on loss prevention work, and thus helps to prevent claim events and reduce the impact on the environment.

Measures to boost robustness in relevant scenarios

- Help to increase knowledge of insurance claims data and climate consequences by sharing claims data relating to weather events.
- Use our expertise and actively cooperate with public bodies to ensure the environmentally friendly development of cities and the country as a whole.
- In cooperation with Finance Norway, share insurance claims data relating to weather events, so that a joint Norwegian database can be established to help municipalities plan developments and regulations.

Physical measures to handle physical climate risk

- Gjensidige already notifies customers if bad weather is forecast that entails a risk to life, health and assets.
- Implement loss-reducing measures such as deployment of flood protection equipment in the event of a risk of flooding.

Other measures to handle risk

- By means of a Risk Management concept, we will establish an index that shows how our customer portfolio is developing with respect to risk level.
- We shall strengthen our position earlier in the value chain by helping and encouraging our customers to make sustainable low-risk choices, e.g. in connection with the construction of new buildings. This means lower insurance premiums for our customers and favourable consequences for the environment, customers and us.
- We will continue to take a critical approach to entering new customer contracts so that we secure a more sustainable low-risk customer portfolio. The Risk Management report that we have developed differentiates customer feedback based on the challenges and improvement potential of each individual customer. By sharing

our knowledge of loss prevention work, we enable our customers to implement the sustainability measures required to achieve the best terms. The risk management score shall be high, and it shall be synonymous with a sustainable customer portfolio.

- We shall acquire more knowledge of the climate and environmental consequences, to ensure that our customer dialogue creates confidence in the market and that we are perceived as the most sustainable insurance company.

Objectives and methods

On our Capital Market Day, we communicated our ambition to reduce our own and claims-related carbon intensity, relative to earned premiums, year by year[1]. We will work on finalising the method for achieving break-even and establish a reliable means of measuring and reporting status in 2019.

We would like to initially assess different initiatives to boost the circular economy, e.g. more repairs, reuse, reduce waste and different measures for reducing transport costs and promoting more climate and environmentally friendly reconstruction.

4. How Gjensidige's objectives and strategy contribute to the UN Sustainable Development Goals

The 17 UN Sustainable Development Goals (SDGs), and the 169 targets are ambitious and call for a global effort to make the world a better place, focusing on the climate and the environment, social conditions and the economy. Through its activities, Gjensidige shall implement measures that promote the UN SDGs, and have a particular focus on the goals that are most relevant to an insurance company.

Gjensidige's activities shall promote four UN Sustainable Development Goals in particular, which are the SDGs that concern Good health; Decent work and economic growth; Sustainable cities and communities; and Climate action.

A brief review of the UN SDG targets that are particularly relevant to Gjensidige follow below, and how we shall strive to ensure they are met.

A more detailed description of which of Gjensidige's sustainability focus areas support the UN SGDs is presented in Chapter 5 on page 28.

[1] Given a Combined Ratio within the stipulated range, which reflects normal claims years.

3 GOOD HEALTH AND WELL-BEING

3 Good health; targets: 3.6 and 3.8

Gjensidige shall help to halve the number of deaths and injuries caused by road traffic accidents.

Gjensidige shall also help to achieve financial risk protection, and universal access to quality essential healthcare services.

8 DECENT WORK AND ECONOMIC GROWTH

8 Decent work and economic growth; targets: 8.2, 8.3, 8.4 and 8.8

Gjensidige insures enterprises that are vital to establishing workplaces, entrepreneurship, creativity and innovation, and stimulates the establishment new enterprises and growth of exixting companies, including through access to financial services.

Gjensidige is concerned with greater facilitation of the circular economy, and its goal towards 2030 is to progressively improve global resource efficiency in consumption and production, and endeavour to increase awareness of the need for a circular economy, in accordance with the 10-year framework of programmes on sustainable consumption and production.

Gjensidige endeavours to ensure that employees and partners respect labour rights and promote safe and secure working environments for all workers, including migrant workers, and those in precarious employment.

11 SUSTAINABLE CITIES AND COMMUNITIES

11 Sustainable cities and communities; targets: 11.5, 11a, and 11b

Gjensidige shall by 2030 significantly reduce the number of deaths and the number of people affected by disasters, including water-related disasters, and help to reduce the direct economic losses relative to global gross domestic product that follow from such disasters.

Gjensidige shall support positive economic, social and environmental links between urban, periurban and rural areas by strengthening national and regional development planning.

Gjensidige shall also support adaptation to climate change, resilience to disasters, and develop and implement holistic and comprehensive disaster risk management at all levels.

13 CLIMATE ACTION

13 Climate action; targets: 13.1, 13.2 and 13.3

Gjensidige shall strengthen resilience and adaptive capacity to climate-related hazards and natural disasters, including providing insurance claims data to the authorities to ensure better measures are instigated to combat climate change and planning at the national level.

Gjensidige shall work on loss-reducing measures that strengthen individual and institutional capacity on climate change mitigation and early warning, and strengthen their knowledge of and raise awareness about the climate.

5. The focus areas for Gjensidige's sustainability work

We have set goals for our sustainability work, and initiate measures in all of the areas we believe are significant for reaching the goal. The following areas are designated as important to Gjensidige's work on the environment and climate, social factors and business governance, based on the materiality analysis.

SDG = The UN Sustainable Development Goals

Gjensidige's focus areas	SDG	Sustainability goal	Status of measures
Reduce carbon intensity			
Sustainable claims settlements Our purchasing policy applies to the whole Group, and requires that deliveries are sustainable. We use our purchasing power to exert influence, and, in continuous dialogue with our most important suppliers, we ensure that sustainable solutions are chosen.		Gjensidige shall help to reduce our customers' climate footprint. Our claims settlements shall be sustainable by 2030. We will achieve this by means of concrete measures, dialogue with customers and by supporting a circular economy.	**What we have achieved:** • Circular economy established in our building and motor claims processes in Norway, Sweden and Denmark **New measures** • Establish a break-even point for carbon emissions and contribute to reducing carbon emissions. • Establish better follow-up of our suppliers' sustainability **Read more in Chapter 5.1 on page 31**
Loss-reducing measures Loss-reducing measures have always been a key element of our corporate social responsibility. Providing guidance to customers is the mainstay of our customer dialogue, and we will help customers to reduce their risk of loss.		By providing advice to our customers and society at large, we shall help to increase their knowledge of sustainability. • Requirements made of customers in the private and commercial markets to be entitled to discounts. • Contribute to at least 1,000 media reports on loss prevention per year.	**What we have achieved:** • Our loss prevention work is showing good effect in agriculture. **New measures** • Further develop our concept 'the Gjensidige Experience' to enable our customer advisers to give good, sustainable advice. • Start-up of project to analyse the effect of risk checks for our commercial customers. **Read more in Chapter 5.2 on page 32**
Reduce our own climate footprint Insurance is a knowledge business that does not directly affect the environment to any extent, however we can help achieve a more sustainable society by reducing our own 'climate footprint', and use our market power in relation to our suppliers and in our investments.		We shall keep reducing our climate footprint, and aim to become a climate neutral business by 2030.	**What we have achieved:** • Part of the environmental certification scheme run by the Eco-Lighthouse Foundation. • Report our emissions to the Carbon Disclosure Project (CDP). **New measures** • Reduce the strain on employees and the load on the environment by reducing travel, and further facilitate new communication channels to reduce travel needs. **Read more in Chapter 5.3 on page 33**

Gjensidige's focus areas	SDG	Sustainability goal	Status of measures
Socially responsible investments			
Socially responsible investments Gjensidige reserves considerable funds to secure payouts to customers who experience losses. Our investment strategy requires the business to be sustainable and is followed up continuously.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION	All investments shall, as far as practically possible, be screened for breaches of our SRI policy, which is based on the UN Global Compact principles and the Inhumane Weapons Convention. All breaches must be followed up. All external fund managers must recognise the importance of the UN SDGs, and have a strategy for how they as fund managers can work to achieve one or more of these goals.	**What we have achieved:** • More dialogue with external fund managers on ESG. • Investors sign up to CDP. • Implemented ESG assessments in all internal credit analyses. **New measures** • Greater focus on external fund managers' strategies for implementing the UN SDGs. **Read more in Chapter 5.4 on page 34**
A safer society			
Engaged employees We wish to develop an organi-sation in which diversity characterises our activities and generates new ideas and per-spectives in the work on a more sustainable society. We want our employees to be engaged and motivated, and we encourage them to give feedback on what works well and what areas could be improved in our annual employee satisfaction survey.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH	Further develop our culture for building expertise and generating new ideas and perspectives, to ensure our employees are also relevant in the future. Have engaged and motivated employees and achieve top quartile results in the employee satisfaction survey.	**What we have achieved:** • Competence building for employees. 5,982 course days in 2018. • 75 per cent job satisfaction (95 per cent response rate), higher than the average for the industry in the Nordic countries. • Ranked by Equileap. Best gender balance in Norway. • Ranked by SheIndex. Third best of 25 listed companies on Oslo Børs. **New measures** • Cooperation established with BI Norwegian Business School. • Cooperation established with Seema, with a focus on diversity and diversity management. **Read more in Chapter 5.5 on page 36**
Sustainable products We monitor the market and wish to offer sustainable products. We develop new products and services that will help change behaviour, and thus reduce greenhouse gas emissions through, among other things, cooperation with our partners.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES	By the end of 2025, we shall have made it possible for customers to make sustainable choices within the established product areas, motor vehicles, property, leisure, and accident and health.	**What we have achieved:** • We have a broad range of products that directly and indirectly have a climate/ environmental profile included in the terms. **New measures** • Develop more green products. • Enable the customer to make sustainable choices, based on better information about terms and consequences. **Read more in Chapter 5.6 on page 41**

Gjensidige's focus areas	SDG	Sustainability goal	Status of measures
A safer society			
Digital transformation Digitalisation provides new opportunities and threats. The sharing economy, blockchain and synthetic biology are examples of areas where technology will affect the environment, health and sustainable cities. We are keen to use new technologies in our work on a more sustainable customer dialogue and new products.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	Establish market-leading digital advisory and support services that ensure efficient customer services and provide information about sustainable solutions for our customers in all countries we operate in by 2025. Ninetyfive per cent of our customers shall be 'paperless' by 2025.	**What we have achieved:** • Gjensidige voted the best digital insurance company in a survey carried out by BearingPoint in 2018. • The percentage of 'paperless' customers was 73 per cent at the end of 2018. **New measures** • Further develop our digital solutions pursuant to diversity and universal design requirements. • Further develop our digital advisory services to ensure efficient customer service. **Read more in Chapter 5.7 on page 42**
A safer society – social commitment For many years, Gjensidige has collaborated with various non-profit organisations and sports associations to contribute to a safer society.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES	We collaborate with non-profit organisations in all the countries we operate in to contribute to: • a warmer society • provide work experience and contribute to the expedient integration of at least four full-time equivalents/persons per year • ensure children and young people have equal opportunities	**What we have achieved:** • Helped ensure that disadvantaged people in all the countries in which we operate have received assistance, meals, Christmas presents etc. • Established a collaboration with the Church City Mission, including an initiative to provide work experience for refugees. • Sports sponsor – handball, athletics and swimming. **New measures** • Establish cooperation agreements in Sweden and Denmark, and the Baltic states. • Further develop sponsorship agreements with sports associations to give disadvantaged children and young people the opportunity to take part in activities. **Read more in Chapter 5.8 on page 43**
Good business governance We are concerned with good risk management because it is essential to an insurance company. It affects everything from product pricing assessment to capital needs. We have established an internal control system that facilitates compliance with laws and regulations. We have a particular focus on data protection compliance (GDPR), corruption and money laundering, and our Code of Conduct.	8 DECENT WORK AND ECONOMIC GROWTH	Our business shall be characterised by propriety and reliability, with effective risk management and good internal control, which also improves products, services and processes. In addition to complying with external and internal rules, decisions and actions shall also be in line with Gjensidige's values and Code of Conduct, in a manner that creates and preserves value for customers, owners, employees and society at large.	**What we have achieved:** • The Financial Services Complaints Board received 297 complaints from Gjensidige customers in the first nine months of 2018, and in 18 per cent of the cases, it found in favour of the customers. • S&P strong ERM rating. **New measures** • Consider joining the Global Reporting Initiative (2-5 years). **Read more in Chapter 5.9 on page 44**

5.1 Sustainable claims settlements

What we do

All procurements over a certain size must be quality-assured by the Corporate Procurement department. Most purchasing agreements are the result of competitive tendering carried out in accordance with adopted guidelines.

All our suppliers must sign a self-declaration on corporate social responsibility. By signing this declaration, they undertake to:

- Conduct their business in a way that does not violate internationally recognised principles and guidelines relating to human and labour rights.
- Ensure that manufacturers and subsuppliers of goods and/or services to Gjensidige do not violate internationally recognised principles and guidelines relating to human and labour rights.
- Ensure that products delivered to Gjensidige are of high environmental quality.

All procurements shall be as environmentally effective as possible, meaning that they shall seek to achieve maximum value creation and minimum environmental harm. Suppliers are, to the extent possible, encouraged to make environmentally friendly choices. This applies to all the countries we operate in.

There is a greater focus on the circular economy in our claims settlement. This applies to both buildings and motor vehicles. Reuse must never be at the expense of quality and safety, and we make stringent environmental and quality requirements in relation to the choice of materials. This is because quality is sustainable.

Companies that provide services in connection with claims payments for damaged buildings in Norway must be certified in Startbank. Startbank is a register of suppliers that is used by purchasers in the fields of building, construction, public administration, insurance and real estate. This ensures that qualified suppliers are law-abiding and that competition takes place on equal terms.

All material procurements are ordered electronically. As far as possible, all suppliers shall use electronic invoicing. Documents relating to invitations to tender, negotiations and agreements are stored electronically. Competitive tender procedures are carried out with the help of online portals. The use of electronic tools ensures that all processes are documented and verifiable, and this prevents irregularities.

Environmentally friendly building and household contents insurance

When a loss is reported, we make sure that our customers feel safe and well-informed about the choices we recommend. Gjensidige also has extensive networks of local assessors in every country, who help to assess the scope of damage. In the work on repairing the damage or replacing the loss, materials are chosen based on social factors, the environment and financial durability. Local assessors, as well as using photos and robot assessment, also mean there is less need to travel, both for customers and assessors.

Gjensidige cooperates with other insurance companies in industry organisations to find, new, sustainable solutions for repairing wet rooms in a manner that is best for the customer and the environment, including by reducing waste and transport.

In Sweden, we cooperate with Godsinlösen (GIAB). GIAB works on the circular economy, by collecting damaged items from insurance companies and repairing them, thus contributing to reuse. This enables us to contribute to increasing durability and saving the environment.

Environmentally friendly motor insurance

Repairing damage to and covering losses for cars and other vehicles represent a large percentage of Gjensidige's claims costs. This is an area in which we can influence and achieve sustainable solutions. The circular economy in the form of more repairs and the reuse of car parts is a topic in every country we operate in. Gjensidige is participating in a pilot project under the auspices of Finance Norway Insurance services and Norske Biloppsamleres Forening to test the availability of used parts and prices. The purpose of the pilot is to:

- reduce the number of vehicles that are written off by lowering the costs of repairs by utilising used parts
- contribute to increased employment in garages
- reduce the costs of spare parts by using used parts rather than new parts where expedient (Norway has Europe's most expensive parts and the lowest reuse percentage of used parts)
- promote greater environmental responsibility by reusing used car parts

A final evaluation will be carried out in January 2019.

The practice of using used parts is more common in Sweden where the conditions are different; people have a different relationship to cars (cheaper to buy), a better distribution network and all cars that are scrapped go to disassembly companies. Our supplier agreements stipulate that the garages must always endeavour to repair or find used parts before they order new parts. The calculation system CABAS is used to manage this process in Sweden. We have also reduced the use of loss assessment in Sweden, which helps to reduce transport costs.

We have a considerable focus on repairs and reusing car parts in Denmark. We have also selected partners who work on repairing damage to windscreens and car windows. This increases the percentage of repairs considerably, and reduces material consumption and transport costs.

Effect of our efforts

- Car parts are reused in 5 per cent of motor insurance claims in Norway, Sweden and Denmark.
- We have conducted safety audits of 5 suppliers.
- In 2018, we calculated claims expenses relating to climate-related losses (storms, flooding, unusually strong wind and unusually high precipitation) to total NOK 210.5 million.
- Our agricultural advisers have conducted more than 11,000 risk checks since 2015. As a result, we are now seeing a record low number of fires in farm buildings.
- We are now carrying out risk checks of new and existing customers in the Norwegian commercial market to uncover risk and encourage measures to improve safety.
- We do not insure coal-fired power plants.

New measures

- Establish better follow-up of our suppliers' sustainability, and thus measure the effect of the sustainability measures initiated going forward.
- Sustainable solutions are important criteria when choosing new suppliers.
- Rebuild private homes in a green manner following a claim, exceeding the minimum requirements.
- Commercial insurance incl. green-blue rebuilding. Example: Rebuild with a green roof and green-blue outdoor areas. This is particularly important in builtup areas as a means of creating natural paths for rain water.

5.2 Loss-reducing measures for our customers and society

What we do

Natural disaster claims

With the help of weather data, we send text messages to customers who are likely to be affected by bad weather. The messages are based on official weather data and our customer data, so that we avoid distributing false alarms. Every year, we receive feedback from grateful customers who have had time to secure their assets thanks to these messages.

We have increased flood preparedness by deploying pumping equipment in areas prone to flooding before the spring thaw. The intention is to reduce the risk of major losses, and to provide the quickest possible help to as many customers as possible affected by floods.

Road safety

Young drivers are especially at risk of being involved in accidents. Gjensidige therefore has several measures targeting this group. In Norway, we give an insurance discount to young people who have practised driving with an accompanying driver for a sufficient number of kilometres. When they reach the age of 23, customers who have driven claim-free for the past year or longer will receive a sum of money as a reward. The longer the claim-free period, the bigger the reward. We collaborate with the Norwegian Council for Road Safety (Trygg Trafikk) on awareness-raising campaigns in upper secondary schools several places in Norway. #ErDuSikker? is a traffic safety competition for upper secondary schools.

In 2018, Gjensidige collaborated with the reuse app Tise, and distributed fashionable 'watch me' slap wraps, where the focus was on getting young people to use reflective devices. We collaborate with other insurance companies on road safety through the industry organisation Finance Norway.

Gjensidige helps to improve road safety in Estonia by running an annual campaign to increase pedestrians' use of reflective devices, and in 2018, Gjensidige distributed 20,000 reflective vests in Latvia and Lithuania to increase pedestrians' visibility in traffic.

Fire prevention

Together with the Norwegian Fire Protection Association, the Directorate for Civil Protection and Emergency Planning (DSB) and local fire brigades, we organised Røykvarslerdagen – smoke detector awareness day – on 1 December 2018. The goal of the campaign is to raise awareness about how important an early warning is in the event of fire. An important message is that people should change the batteries in their smoke detectors on a set date every year. Gjensidige makes essential contributions to the campaign by planning, making and funding information videos and other material, and through marketing, funding of batteries and participating in stands and home visits.

Various fire prevention measures are initiated in the Baltic states, including new customers receiving smoke detectors. In Latvia, Gjensidige is one of the sponsors of a fire safety conference focusing on commercial customers.

Gjensidige conducts risk checks of 3,500 agricultural customers every year, to identify faults etc. that may cause fires. Checking electrical systems using a heat-seeking camera is an important part of the risk check. Our experience shows that 7 of 10 fires are related to faults in electrical systems.

Every year, Gjensidige is represented on a number of councils, committees and boards that work on fire prevention, prevention of water damage and other initiatives for the benefit of Norwegian society.

In all the three Baltic countries, we are conducting 'safe home' campaigns in cooperation with the media and representatives of the fire service, the police, security companies and electricity companies. The purpose of the campaigns is to raise awareness of loss prevention and to prevent accidents, fires and burglaries.

Health

Gjensidige offers sustainable solutions by facilitating, and encouraging, better health. This improves life quality and prevents illnesses and injuries.

Effect of our efforts

- In 2018, we sent 566,117 weather warnings to customers (2017: 291,000).
- We have never registered so few fires among our agricultural customers.
- More than 6,500 pupils from 27 schools all over the country submitted contributions to the #ErDuSikker campaign in 2018.
- In 2018, we were awarded the title of most responsible company in Estonia in its 'Traffic Safety Awards'.
- 70,000 young people used the learner driving app when learning to drive.
- We are part of the Norwegian cooperation group for fire prevention in schools, which runs Brann-vettskolen.no. This measure ensures that 20,000 children receive fire prevention training every year.

New measure

- Further develop our concept 'the Gjensidige Experience' to enable our customer advisers to give good, sustainable advice.
- Include sustainability in our risk assessments of customers to help them make climate-friendly choices.

5.3 Our own climate footprint

What we do

- Eco-Lighthouse
- Company cars
- Travel

Greenhouse gas emissions from our operations are extremely modest. We work continuously to further reduce our emissions, and we report our emissions to the Carbon Disclosure Project.

The use of electricity and district heating does not cause greenhouse gas emissions, which must therefore be calculated on the basis of an assumed energy mix. The production of hydropower does not cause emissions either. We have calculated that our operations in 2018 caused emissions of 4,754 tonnes of CO2 equivalents, (scope 1 and 2), compared with 4,452 tonnes the year before. These figures are higher than prior years, due to a change in the calculation of emissions caused by electricity.

Certified Eco-Lighthouse

In order to ensure that we impact the environment as little as possible, all our 11 Norwegian offices that have more than 30 employees are certified Eco-Lighthouses. Eco-Lighthouse is a national environmental certification scheme run by the Eco-Lighthouse Foundation. The foundation was established by key organisations in the private and public sector.

The offices that are certified Eco-Lighthouses use an environmental management system for the handling and reduction of materials consumption, waste, energy consumption and transport. An annual environmental report is prepared for all these offices that documents the status of implemented environmental measures and action plans for the coming year. Among other things, the report covers waste handling, energy consumption, procurements, paper consumption, transport and climate accounts. The offices must be recertified every three years. It is an extensive process that is carried out by an environmental team at the office in question in cooperation with an external adviser certified by the Eco-Lighthouse Foundation. In 2017, our offices Trondheim and Tønsberg were recertified.

Annual reporting and regular recertification ensure that our offices live up to the highest standards for environmentally friendly operations. At our Copenhagen office, systems and procedures for handling and sorting waste are approved by the City of Copenhagen's environmental authorities.

As a knowledge-based company, our direct emissions are largely related to the running of offices and to travel and transport.

We work systematically to reduce our impact on the natural environment by limiting our consumption of energy and the generation of various types of waste, such as paper, office supplies, electrical appliances and household waste.

The environmental measures focus on energy efficiency, reduced travel through increased use of video conferences, and responsible waste management with extensive separation at source.

Limited use of company cars

We have established a company car policy that entails that CO2 emissions from company cars cannot exceed 130 grams per kilometre. At our head office, we have three electric cars that employees can use in connection with meetings and private errands, so that we reduce the use of taxis and private cars.

Effect of our efforts

- In 2018, the Group's energy consumption was 12,671 MWh. Most of our energy consumption is related to lighting, heating and computers. The energy carriers are electricity, which in Norway is almost exclusively based on hydropower; district heating, which is largely based on waste incineration; and fuel oil.

The consumption breaks down as follows:

- Electricity: 8,669 MWh
- District heating: 1,814 MWh
- Fuel oil: 19 MWh

Approximately 63 per cent of the electricity was consumed in Norway.

- Gjensidige did not cause illegal emissions or receive fines or other sanctions relating to the environment in 2018.

New measure

- Reduce business trips by increasing the use of technology such as video conferences, using trains where possible and borrowing electric cars.

5.4 Socially responsible investments

What we do

Gjensidige has endorsed the UN Global Compact. This is the framework that guides the assessments we make in relation to socially responsible investments and corporate social responsibility in the investment area. Gjensidige supports the Carbon Disclosure Projects' (CDP) work as an Investor Signatory in its endeavours to improve companies' reporting of their effect on the climate and the strategy they employ to reduce CO2.

As a member of the Norwegian Forum for Responsible and Sustainable Investments (NORSIF), we support the work on developing and promoting sustainable investments as a dedicated field in Norway, and share experience and knowledge across the Norwegian finance community.

Gjensidige's asset management is based on the 10 UN Global Compact principles:

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
5. Businesses should uphold the effective abolition of child labour.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.

8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Our guidelines concern investments in shares, interest instruments, hedge funds and property; both direct investments and through external fund managers. In addition, asset management shall comply with international conventions on inhumane weapons.

The Group's Chief Investment Officer is responsible for ensuring compliance with the policy and guidelines. We have hired the recognised consultancy firm GES Investment Services to carry out an ethical screening of companies. GES analyses, together with information from other external sources, form the basis for the exclusion of and dialogue with companies in Gjensidige's investment universe.

One member of the capital management team is responsible for reviewing and compiling all information from the external consultants and other external sources in connection with preparation of Gjensidige's exclusion list. This employee draws up a recommendation to the Chief Investment Officer (CIO) and the Chief Risk Officer (CRO), who together make a final decision on whether to exclude companies or take them off the exclusion list. Companies that commit serious or systematic violations of Gjensidige's ethical guidelines and fail to take satisfactory steps to correct their conduct shall be placed on the list of excluded companies.

When a company is excluded, we will make sure that the company is not part of any portfolios that we manage ourselves, either by not buying securities in the company or by selling any securities we own. Socially responsible management is always a topic when we hire external managers. We only enter into agreements with investment managers who have appropriate guidelines and a satisfactory investment history.

If excluded companies nonetheless appear in externally managed funds, we will ask the manager to explain the situation. Managers who are unable to provide a satisfactory explanation within a reasonable time or who fail to demonstrate willingness to satisfy Gjensidige's ethical guidelines criteria will not be given new investment mandates. Gjensidige's Chief Investment Officer decides in each case whether the violation is severe enough for existing investments to be terminated.

The work on socially responsible investments is summed up by the table below. The work carried out is in proportion to the percentage of our investments which largely entail following up external fund managers, bond investments in the match portfolio and real estate investments in Oslo Areal:

Direct investments			**External fund managers**
Equities	**Bonds**	**Property**	**All asset classes**
Negative screening based on own exclusion list.	Negative screening based on own exclusion list.	Uses the BREEAM NOR environmental classification system for new buildings and complete restorations.	Negative screening based on own exclusion list.
Active ownership. We endeavour to influence companies through dialogue where we consider it expedient.	ESG is a part of all credit analyses that form the basis for investments in corporate bonds, and in the ongoing dialogue with companies and the dialogue prior to share issues.	Through Oslo Areal, Gjensidige invests in environmental buildings and locations, in public transport hubs in particular.	Proponent for changing investment mandates and individual investments that are not in accordance with Gjensidige's SRI policy.

Effect of our efforts

In 2018, 15 companies were excluded from Gjensidige's investment portfolio, while 13 previously excluded companies were re-included, some as the result of mergers. At yearend, a total of 91 companies had been excluded. They break down as follows based on the reason for exclusion (a company can be excluded for several reasons):

Labour standards	Corruption	Human rights	The environment	Weapons
8	13	25	23	30

In 2018, we contacted ten external fund managers about 29 companies that were on our list of excluded companies. This dialogue led to a decision to sell a management mandate, a fund manager selling a particular company and a change in an investment. New investment mandates that do not comply with the current SRI policy cannot be entered into.

Work has been conducted throughout the year to include an ESG assessment in all internal credit analyses. The focus of this work has been on identifying ESG elements that influence our assessment of the credit risk. Governance is considered to be particularly important across companies.

Our real estate investments are made through the property company Oslo Areal, a company that engages in property development in the Oslo area and invests in environmentally friendly buildings near public transport hubs. The company uses the BREEAM NOR environmental classification system for new buildings and complete restorations. In 2018, the Company sold two properties without environmental certification and purchased two buildings in an environmental location beside a public transport hub, one of which is a new building certified pursuant to BREEAM NOR in the design and planning phase. The two new properties both have green roofs, and one of the buildings has a solar energy system. The Company was also awarded its first BREEAM-In-Use certification for Sørkedalsveien 6 in Oslo in 2018.

New measures

- Continuous efforts are made to improve existing processes and new measures in the area of socially responsible investments. We can exert the greatest influence through active dialogue on ESG criteria with our external fund managers, and incorporate ESG requirements in the mandates we establish. This dialogue will concern, as well as investments in individual companies and investment mandates, their exercise of ownership, reporting of their impact on the environment and other ESG perspectives in the underlying portfolio and their work on the UN Sustainable Development Goals. As illustrated, this work takes the form of setting criteria for and following up Gjensidige's direct investments and establishing requirements to be used by external fund managers and following up these mandates. Investments are considered on an ongoing basis that aim to an even greater extent to help solve the current climate challenges through infrastructure investments in renewable energy.
- Oslo Areal actively follows up the ten immediate measures of the property sector's roadmap towards 2050. Among other things, the Company has assessed uses for the properties' roofs. Relevant measures include bee hives and solar energy systems.

5.5 Engaged employees

What we do

Gjensidige shall be an attractive workplace that attracts engaged and motivated employees. In order to be able to give our customers the help they need, our employees undergo thorough training in ethics, data protection, information security, knowledge of our products and management training in our own school. This is intended to enable us to treat customers with trust and respect, provide professional and ethical advice based on necessary qualifications and knowledge of the customer's situation.

Diversity

The right competence in the right place at the right time is vital to maintaining competitiveness. It is important to Gjensidige to facilitate diversity. We look at alternative work methods that include diversity, and that also make it possible to work even more efficiently across the organisation. Our experience is that such work methods are perceived as enriching and generate new approaches and solutions to different problems.

Gender equality

Gjensidige has had a strong focus on gender balance and increasing the percentage of women in senior positions. There is zero tolerance for all forms of discrimination. Requirements relating to greater diversity are included in the senior management's Performance Agreements, and in the basis for the assessment of bonus. Diversity is followed up in the biannual People Review, which covers all members of the senior management.

Wage growth for women and men is continuously measured and followed up. Any unexplained differences identified receive special followup.

We have established a collaboration with Seema in 2018, which aims to increase the focus on and understanding of the importance of diversity and diversity management as a sustainable competitive advantage.

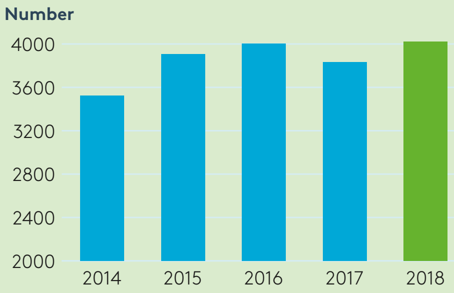
Notification

Reporting procedures are in place for employees who experience discrimination. Gjensidige has an equality and discrimination committee that convenes as necessary. The committee comprises staff from the HR department and employee representatives. It is the Group's HSE manager who decides when to convene the committee. The committee held one meeting in 2016 , one in 2017 and one in 2018. The topic of these meetings was equal pay for women and men.

ILO and cooperation with employee representatives

All of our employees have full freedom of association. Collective bargaining takes place in accordance with the agreements with the different trade unions. Gjensidige recognizes the main ILO conventions, and supports the International Labour Organization's promotion of decent work based on social justice and internationally recognised labour rights.

Number of employees



The cooperation between the Company's management and the employees' trade unions is systematic and good, and it is based on a well-established structure with regular meetings of various committees. Rules have been adopted for what processes and decisions employee representatives shall be involved in. Employee representatives are paid by the Company. Under Norwegian law, employees of the Group are entitled to be represented on the Company's governing bodies. Employee representatives are elected by and from among the employees.

Definition of diversity

Diversity is defined as differences in employees':

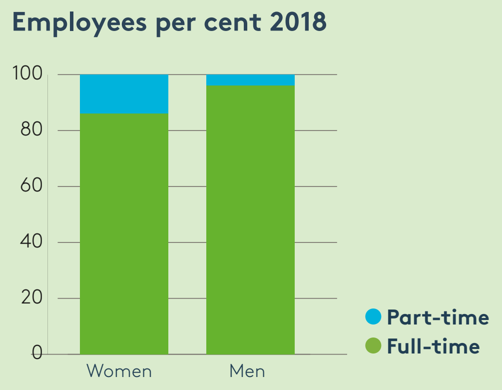
- gender
- age
- competence
- functional ability
- ethnic origin
- sexual orientation
- religion

The Company management maintains a close dialogue with employee representatives in connection with restructuring processes. The company shall attend to those who are affected in the best possible way. This concerns everything from decisions, information, finding alternative positions in the company, to offering assistance from external advisers and finding new jobs for those who are made redundant.

IW enterprise

Gjensidige shall be an inclusive workplace for all employees. We are an Inclusive Workplace (IW) enterprise and cooperate with the Norwegian Labour and Welfare Administration (NAV) on job training for people who, for various reasons, have been unemployed. NAV pays subsidies for employees who suffer from chronic illnesses but who still manage to work.

Gjensidige has a range of measures and a special programme for entities with a high level of sickness absence. Our 'Focus projects' have had a great impact, leading to reduced sickness absence and greater employee satisfaction. Gjensidige has measures in place that help to ensure that older employees can continue working until they reach retirement age. The measures vary between countries. Examples of measures include the possibility of reduced working hours and extra holidays.



All our big office buildings are universally designed in order to accommodate employees with disabilities.

Health, safety and the environment (HSE)

Systematic health, safety and environmental work is given high priority in Gjensidige. Our goal is not only to prevent sickness absence and injuries, but also to ensure that Gjensidige is a health-promoting workplace. We therefore work on preventing and following up sickness absence and on making adaptations for employees with disabilities.

The work stations of all new employees are inspected as soon as possible by a physiotherapist or an occupational therapist, if practically possible. The purpose of this is to adapt the work station to avoid repetitive strain injuries, and to provide information about the prevention of health problems.

Special adaptation procedures have been adopted for employees who have or wish to prevent such problems arising.

The HSE work is monitored through audits and followed up internally by employees with special responsibility for HSE. All incidents that can represent a risk must be reported in the Company's non-conformity system. In 2018, as the year before, three such audits were carried out in Norway, two in Denmark, and one in Sweden.

Working environment issues are integrated in the annual employee satisfaction survey that is conducted among all employees to identify matters that require special attention.

All managers review the survey with their staff in cooperation with the HR department. Each department defines an action plan that is followed up by the respective managers.

General measures that are intended to promote health and a good working environment include:

- Arrangements to facilitate cycling to work in the form of bicycle parking and changing rooms
- Gym rooms
- Short exercise breaks during working hours
- Company sports club that organises a range of activities

Competenceraising to meet the needs of the future

It is important to Gjensidige that everyone has the opportunity to develop in their job. We facilitate work across national borders in all the countries we operate in. This generates new perspectives, learning and a better result for our customers.

Gjensidige has a flat organisational structure and the Company believes that diversity and cooperation are important preconditions for building a good delivery culture and being attractive in the labour market of the future. We have implemented a development model that highlights that most learning – 70 per cent – takes place in connection with day-to-day tasks. The remaining 30 per cent comes from organised tuition and training.

Employees who work in sales and customer advice take part in an extensive course programme leading up to an exam that tests their professional knowhow, ethics and the customer dialogue. Advisers targeting the private market are certified in accordance with a national industry scheme for the sale of general insurance.

The Gjensidige Customer and Brand School ensures that all employees have the necessary prerequisites for implementing the Group's customer orientation strategy. The school's main focus areas are sales, claims settlement and management. It offers courses and programmes that underpin our group strategy and requirements for certification of customer advisers.

All new Gjensidige employees take part in an introduction day where the CEO and other key personnel talk about the Company's strategy, competence-building, culture, brand, ethics and more practical information.

Talent development

It is important to Gjensidige to attract and retain skilled employees. The People Review enables senior managers to follow up developments in the talent pool for experts and managers. Internal mobility is facilitated for the purpose of broadening the employees' range of competence and specialised knowledge.

We have also established an internal mentoring programme, as a supplement to the personal growth and development of individual employees and managers. The programme will help us to retain critical expertise, promote Gjensidige's culture and contribute to internal career development across divisions and business areas.

Customised management development programmes have been developed for groups of managers with different experience backgrounds, from newly appointed managers to the senior group management.

Gjensidige is highlighted as an attractive employer, both through digital channels and activities at relevant educational institutions, such as stands and presentations to students. In accordance with our employer branding strategy, we have established an internship scheme where students work for us for a whole academic year in order to gain relevant work experience. The work is intended to be relevant for their studies by putting theory into practice. Every year, we organise the Gjensidige Day at Gjensidige's head office, which offers a varied programme for students.

Cooperation with educational institutions

We have established a cooperation with BI Norwegian Business School, and sponsor their master's programme in Analytics. The cooperation between BI Norwegian Business School and our analytics environment is an important means of showing students the job opportunities that are available in Gjensidige and in the insurance sector in general.

We also run a management programme at the senior executive level in cooperation with the Norwegian School of Economics (NHH), the Administrative Research Unit AFF and HEC Paris.

HR analysis

It is important to Gjensidige to work in an analytical manner to secure a good factual basis for our HR-related decisions. An analytics team has therefore been established that cooperates with other analytics resources in the Group. In 2018, the analytics team has focused on the following topics:

Employee surveys

The Group's annual employee surveys provide important feedback on whether our employees are engaged and motivated in their work. All managers receive feedback from their employees through a structured process. We see that it pays to involve individual employees in establishing measures that will help them to be happier at work.

A followup survey is conducted in addition to the main survey, if necessary, to see whether measures are effective. Special measures are implemented for entities that deviate significantly from the goal of employee engagement and job satisfaction.
Work engagement is included in the followup of managers and the Performance Agreement for the senior group management.

HR reports

An HR report is prepared every quarter, showing the status of HR trends in gender balance, developments in wage disparities between women and men, the status of measures after the employee survey, turnover, sickness absence, the proportion of consultants and temporary staff. Work is now underway to ensure that measures are implemented to follow up competence goals.

People review

The Performance Agreement, which makes up part of the bonus evaluation, also measures senior managers' management and strategic staff planning prowess.

Effect of our efforts

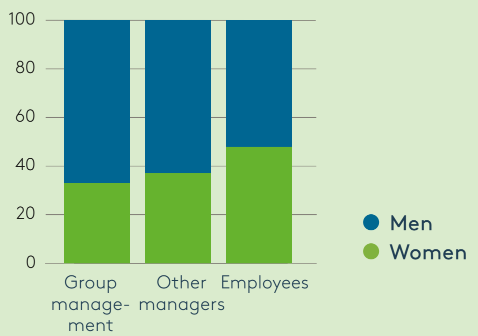
- Employee satisfaction in 2018 shows a figure of 75 per cent, which is higher than the average for financial undertakings in Norway and the Nordic countries in all criteria.
- Equileap has ranked Gjensidige the best company in Norway in terms of gender balance, and 19th in the top 200 companies worldwide – up from number 40 in 2017.
- Gjensidige was fifth among the 60 biggest companies in Norway with respect to gender balance, according to EY's She index.
- Sickness absence was 4 per cent in the Group in 2018.
- Number of occupational injuries: 2.
- In 2018, 84 per cent of the Company's employees in Norway were covered by collective agreements. In Denmark, 80 per cent of our employees were covered by collective agreements, and in Sweden 100 per cent.
- In 2018, 100 per cent of our employees took a course on the GDPR.

- In 2018, we had 22 students in the internship scheme.
- Universum ranked Gjensidige Norway's most attractive employer in the insurance industry in 2018.
- The Gjensidige Customer and Brand School had 5,982 course days in 2018 (6,960 course days in 2017).
- E-learning plays an increasingly important role in the school's programmes In 2018, 11,805 e-learning courses were completed and passed, compared to 7,927 i 2017.

New measures

- Integrate diversity management based on experience from the collaboration with Seema on diversity and diversity management, and assess the need to initiate measures to reduce covert discrimination.
- Follow-up to ensure that all employees have relevant development plans in place based on analyses of Gjensidige's needs.
- New training measures for employees relating to sustainability.
- Assess how we can include ESG in Performance Agreements.

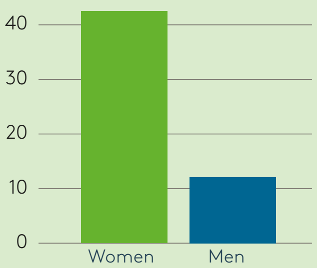
Employees as at 31.12.2018



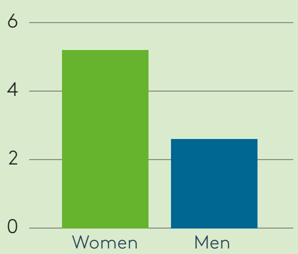
Average salary employees (NOK)

	Women	Men	Women's pay as share of men's pay
Group management	2,400,598	3,140,073	76.5%
Other managers	947,798	1,049,686	90.3%
Employees	526,925	601,987	87.5%
Total	571,981	680,373	84.1%

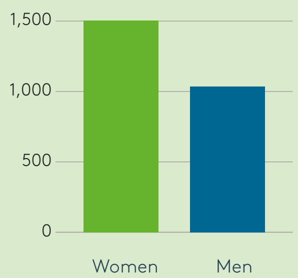
Parental leave Number of weeks 2018



Sickness absence in per cent 2018



Absence with sick child 2018 Number of days



5.6 Sustainable products

What we do

Active loss prevention and the provision of advice gives customers the incentive to prevent and limit losses. This is because it is more environmentally friendly to prevent and upgrade than to rebuild. Safety measures are rewarded by discounts being given when insurance is taken out.

Many sustainability elements are incorporated into the terms of our insurance policies, some of which are described below.

Property

Sustainable measures after claims events:

- Demolition and removal: Waste that after a claims event is harmful to the environment must be destroyed in an environmentally sound manner at Gjensidige's expense.
- Public orders/technical regulations: After a claims event, we cover the upgrade to the applicable technical regulations (less energy consumption, less risk of loss).
- Incentives in coverage that include faulty workmanship encourages the use of local, skilled and taxable labour. It also counteracts unnecessary repairs and social dumping.
- We cover alterations/facilitation for wheelchair users following accidents as standard in our home, cabin and household contents policies.
- Good 'comprehensive insurance' coverage for bikes and electric bikes in our most sold household contents policy.
- Covering repairs of smashed mobile phone screens promotes reuse rather than a use and throw mentality.

Motor vehicles

We have a number of initiatives to promote road safety, and we encourage safe and claim-free driving. Our bonus system rewards customers for safe and claim-free driving. We collaborate with other parties such as Trygg Trafikk in projects focusing on young people. Our liability insurance for motor bikes and cars covers the replacement of safety equipment such as helmets and child seats in the event of collisions.

- Gjensidige's learner driving app enables young people to log their driving practice, and it rewards extensive training.
- Under this agreement, young people receive a payout when they turn 23 if they have not incurred driving claims.

Environmentally friendly car loans

In cooperation with the Norwegian Automobile Federation (NAF), the member organisation for car owners, we have developed an environmentally friendly car loan for hybrid, hydrogen and electric cars. The loan is distributed by NAF and furnished by Gjensidige Bank.

Liability insurance

Customers are given incentives to secure their assets by preventing and limiting losses. We actively follow up sectors that file many liability claims, in order to reduce the number of claims in future. We require that they implement various safety measures before they can take out insurance, to encourage them to operate in a responsible manner. New products include:

- Gjensidige's environmental insurance covers more than ordinary liability insurance. It covers expenses in connection with preventing and limiting losses, and environmental compensation pursuant to the Nature Diversity Act, which is intended to safeguard nature, landscapes and biological diversity.
- Drone insurance: Drones can be used more to replace human labour, to enable society to run more efficiently. This also reduces the risk of harm to people in that drones can carry out different types of reconnaissance work, e.g. in connection with fires.

Insurance for farmed animals and plant cultures

The health of domestic animals and farmed animals in Norway is in a unique position, and we have the lowest use of antibiotics in Europe. The World Health Organization has highlighted antibiotic resistance as one of the most serious challenges facing the world's population. Limiting the use of antibiotics is an important health measure, which is supported by the insurance product.

Travel insurance

We have developed digital services with an online shop, online claims forms and digital proof of insurance. Ensuring customers' safety when they are travelling is important, and we offer advice on travel and illness in the Gjensidige app. We take advantage of reuse and repairs where expedient in settlement processes.

- Online doctor: Customers can have a video consultation with a doctor by means of an app on their mobile phone. This solution saves customers time and transport expenses.

Life and health insurance

Customers can use our services without necessarily having sustained a loss that warrants compensation. The services are available 24/7, and make day-to-day life easier for customers.

- School robot – AV1
- Online doctor
- Braive
- Phone line for children and young people, and the Helsetelefonen phone line

New measures

- Develop more green products (1–4 years).
- Make information about sustainable choices available.

5.7 Digital transformation

What we do

The continuous improvement of processes is vital to being customer-oriented and ensuring cost efficiency. Digitalisation offers many sustainable solutions that benefit our customers and society at large. The use of artificial intelligence is also considered to be one of our priority emerging risks, where we see both opportunities and threats.

We focus on making our services and products available in all digital channels. We have good processes for taking advantage of the opportunities digitalisation presents throughout the customer journey, from efficient CRM sales, digital marketing, digital product experiences, e-commerce, to mobile phones and social media.

Gjensidige has an efficient digital claims settlement process, which has a high rate of customer satisfaction. Gjensidige offers a range of digital services and digitalisation activities, including the following:

Research collaboration: In order to ensure that our products and customer service maintain a high international level at all times, we collaborate with research institutions on innovation. In the period from 2015 to 2022, we are participating in a research collaboration with, among others, the University of Oslo, the University of Bergen and the Norwegian Computing Centre on several projects that we expect to give us new insight into topics relating to the processing of large data volumes (big data). Examples include risk pricing, forecast and trend analyses and insurance fraud.

Sharing economy: Platforms that allow consumers and businesses to exchange goods and services without traditional intermediaries can represent a risk to our business model. We have therefore taken a closer look at the threats and opportunities that the sharing economy entails. In 2018 we cooperated with the car sharing-company Nabobil about insurance for cars rented through their service.

Paperless customers: We work continuously to increase the proportion of 'paperless' customers, meaning customers who choose to receive information from us through digital channels instead of on paper. With the exception of information that is required by law to be distributed on paper, paperless customers receive all documentation and other information by email, text messages or by logging into our web portal. Digital customer communication improves the customer experience and helps to reduce costs and paper consumption.

Digital diversity: All user groups should be able to benefit from the services we offer to the market. It should be easy to reach Gjensidige despite different preconditions and disabilities. We therefore work systematically on meeting the requirements set out in the WCAG 2.0 standard, which provides guidelines on the universal design of web content.

We offer our customers a range of digital services.

Effect of our efforts

- Gjensidige came out top as the most digital insurance company in the year's Digital Leaders study. The consultancy company BearingPoint assessed the digital maturity of 78 Norwegian companies.
- Percentage of digital customers – 73 per cent.
- Percentage of digital sales in 2018 is 16.9 per cent (Private Norway).
- Percentage of claims reported online in 2018 is 70 per cent (Private Norway).

New measures

- Further develop our digital advisory services to ensure efficient customer services and that our customers receive information about sustainable solutions.
- Gjensidige's ambition is to increase annual digital sales by 20 per cent by 2022.
- Gjensidige's goal is for 80 per cent of all claims to be reported via digital channels by 2022. Another goal is for 80 per cent of the claims to be processed automatically.

5.8 A safer society – social commitment

What we do

Collaborate with non-profit organisations

Gjensidige collaborates with the Church City Mission on creating a better and safer local community. This involves making a financial contribution to the Church City Mission, and various activities that engage our employees. In 2018, employees from several of our offices all over the country contributed to the Church City Mission ' s knitting campaign which it runs before Christmas every year. It aims to create 'a warmer society' by raising money for a Christmas celebration for disadvantaged people. In 2018, we held a gift-raising event where employees could donate used items in good condition to those in need, via the Church City Mission. Employees also participate in various activities under the auspices of the Church City Mission, including homework help and chess courses for children.

In Denmark, Gjensidige supports the Christmas Seal Homes foundation (Julemærkehjemmene), which helps children who are victims of bullying or isolation.

In Lithuania, we cooperate with the aid organisation Food Bank, which distributes food to the poor. Gjensidige provides free insurance, supports activities and encourages employees to take part in the distribution of food packages. In 2018, we funded food packages for 13,400 people, instead of giving our business associates Christmas presents. We are a member of the 'For a Safe Lithuania' campaign, the purpose of which is to give children from underprivileged families an increased sense of security and self-esteem. In Latvia, we are doing a tour of the biggest schools, teaching children about safety in the home. We sponsor and help to organise the Fire Safety Conference, which targets business and industry. In Estonia as well, we cooperate with the Food Bank on the distribution of food to the poor.

Gjensidige's social commitment in Norway must be seen in conjunction with the Gjensidige Foundation, our biggest owner. The Foundation makes substantial donations that are funded by the return on the capital that was freed up in connection with the stock exchange listing of Gjensidige Forsikring in 2010.

The Gjensidige Foundation aims to contribute to a safer society and is particularly concerned with preventive measures and activities for children and young people throughout Norway.

Sponsorships

Since 1991, we have been the main sponsor of the Norwegian women's national handball team. Since 2017, we have also been the main partner of the Norwegian Confederation of Sports (NIF) / Olympiatoppen and its 15 individual sports federations, and we have sponsorship agreements with the Norwegian Ice Hockey Association, the Norwegian Swimming Federation and the Norwegian Athletics Association.

We use our sponsorships to create activities for children and young people, so that we help to recruit new athletes and promote a healthier lifestyle. For the last few years, we have organised two projects called 'Minihåndballjentene' and 'Minihåndballgutta' that have been very popular. The projects target children between the ages of 9 and 12, and entail that a number of boys and girls are selected as mascots for the national handball teams. The national team members mentor their mascots throughout the year, and attend practice sessions with the mascot's teams. It is highly motivating for the children, and their parents, who often do voluntary work for the team, to meet top players this way. The age group was chosen because figures from the Handball Association show that many children drop out of the sport when they reach their early teens. The projects are considered an important contribution to the Handball Association seeing a rise in recruitment.

Effect of our efforts

- Instead of giving employees a Christmas present, we made a NOK 250,000 donation to Save the Children. The Company's employees decided which cause would receive the donation through a vote.
- Annual donations to the Church City Mission: NOK 300,000, and NOK 75,000 to the project 'i arbeid' and a further NOK 150,000 in connection with the year ' s TV Telethon.
- We gave NOK 100,000 to the Red Cross in connection with their 'Christmas relay race' in 2018.
- The Christmas Seal Homes foundation (Julemærke-hjemmene) helps around 750 children every year who are victims of bullying or isolation.
- The Gjensidige Foundation is deeply engaged in society and distributes around NOK 200 million every year to help to make society safer.
- Gjensidige helps to finance the public welfare system by paying direct and indirect taxes and pay to employees. Tax payable amounted to

NOK 1,282 million for the Group in 2018. A large amount in value added tax comes in addition. Pay and employee benefits amounted to NOK 2,982 million.

New measures

- Extend collaboration with voluntary/non-profit organisations to also include work experience, help to achieve a warmer society, and engage our employees in different activities involving children and young people.
- Use sponsorship agreements with sports associations to give more children and young people the opportunity to take part in activities.

5.9 Good business governance

What we do

- Emerging risks and risk management (see Chapter 3 on page 25)
- Data protection (GDPR)
- Insurance Distribution Directive (IDD)
- Customer complaints
- Anti-corruption
- Money laundering and financing of terrorism
- Notification channel

Data protection (GDPR)

Gjensidige processes personal data in accordance with the laws and regulations that regulate our collection, storage and use of such data. A group policy and instructions provide detailed requirements for the processing of personal data. Gjensidige's employees are bound by a statutory duty of secrecy about all matters relating to our customers. Data protection training is mandatory for all employees and is also a part of the introductory programme for new employees. Access to personal customer data shall only be granted to employees who need it in the course of their work. The Company shall not obtain other personal data than what it needs to serve the individual customer.

Personal data shall only be used and stored for as long as this is necessary, and must then be erased, unless special exemptions are authorised by law.

The respective EVPs have overriding responsibility for the processing of personal data and internal control relating thereto. Other managers are responsible for ensuring that employees who have access to personal data have the competence and other qualifications required to be able to comply with the regulations and protect the customer's personal data.

The data protection officers are an internal control function. They are in contact with the Norwegian Data Protection Authority, and with customers and employees who have queries concerning the processing of personal data.

Customers can request access to the information stored about them at any time, and they can demand that incorrect information be corrected. Requests for access may be rejected in special cases following a concrete assessment, for example in connection with the investigation of insurance fraud. Our privacy statement is available at gjensidige.no. It describes how we handle personal data.

Risk assessments relating to breaches of data protection regulations are carried out, as part of the Company's ordinary risk assessment process, to safeguard information security, among other things. A more detailed risk assessment (Data Privacy Impact Assessment – DPIA) is carried out if changes are made that are likely to affect security.

Insurance Distribution Directive (IDD)

The IDD safeguards consumer protection by, among other things, ensuring customers receive good information and that our customer advisers have the right expertise.

Ethical and customer-friendly business operations

Gjensidige shall have a corporate culture where each individual employee exercises good judgement. Our value creation shall take place in accordance with our ethical guidelines, which are set out in a number of policy documents that are adopted by the Board and managed by the EVP of Group Staff and General Services.

Our Code of Conduct describes our values and underlines that all our activities must stand up to public scrutiny. Together with other documents, the Code of Conduct describes what is acceptable conduct and requires all employees to behave in a respectful, considerate and generally polite manner in relation to colleagues, competitors, customers and others.

Our internal regulations include a prohibition against role conflicts that can prevent impartial conduct in relation to customers, suppliers, shareholders or other business connections.

The risk of criminal offences and violations of our Code of Conduct is monitored as part of our internal control system. The Board has chief responsibility for risk management and internal control, and the CEO is responsible for the implementation. Our most important risk areas and internal control are reviewed annually by the Board. Risk management and internal control are described in more detail on pages 47 and 76 and in Note 3.

Complaints handling

Gjensidige has established a complaints system whereby customer complaints can be considered at three levels.

1. The customer's case officer.
2. The customer ombudsman (the Company's internal complaints board). The customer ombudsman service is staffed by highly experienced claims settlement personnel, who can take a fresh look at the case without being influenced by the original case officer's personal assessment.
3. The third level is the Norwegian Financial Services Complaints Board (Finansklagenemnda), which is a joint complaints board for the whole insurance industry that comprises representatives of the consumer authorities, the financial industry and independent experts. Its composition ensures that independent representatives decide the outcome of cases in which the consumer authorities and the financial industry disagree.

Notification channel

Gjensidige shall have a low threshold for reporting unpleasant matters. Employees who wish to raise such matters can contact their manager, the HR department, their HSE manager, an employee representative or the safety delegate. Everyone has a duty to report criminal matters, or situations where life or health is at risk. A poster with instructions on procedures for whistleblowing is easily accessible on our intranet site.

We have established notification channels in all countries we operate in, apart from Sweden where the legislation is different and notification must take place through a manager. In Norway, whistleblowing is facilitated through two electronic mailboxes:

- An internal mailbox for reporting ethics-related matters
- An external mailbox for reporting irregularities and malpractices

Notifications addressed to the internal mailbox are dealt with by the Company's HR department based on clear procedures. Relevant matters are reported to the Group's risk committee and the Board.

Whistleblowers are protected by law and the Company's internal regulations, and employees who report such matters shall not be subjected to reprisals. Notifications addressed to the external mailbox are in principle anonymous, unless the whistleblower chooses to give their name. Employees may submit notifications to this mailbox anonymously, as may customers, suppliers and other external stakeholders. Notifications of irregularities or malpractices are dealt with by Gjensidige's Internal Investigation Unit. The department carries out a preliminary investigation or assessment based on the content of the notification. If the assessment uncovers matters that warrant criticism, the HR department will take over the case, assess it and decide which sanctions to impose. The CEO will decide whether to report employees to the police.

Anti-corruption

For Gjensidige, the risk of corruption will largely be related to the Company's sale of insurance and investment advice to the private and public sector, entering into agreements and the procurement of goods and services. Our definition of corruption follows the definition used in Norwegian law: abusing one's position to obtain an advantage for the company, oneself or others. The work on combating corruption requires clearly defined rules and active enforcement of the rules.

Gjensidige's internal regulations state that the Company has zero tolerance for corruption and anything resembling corruption. The regulations consist of instructions and a group policy adopted by the Board. The group policy for corporate social responsibility, the group policy on the Code of Conduct, the group policy on specific ethical guidelines relating to hospitality activities and guidelines on welfare measures, seminars and gifts are also relevant in this context.

Our employees are not allowed to offer or receive bribes or facilitation payments. The same applies to gifts that can be regarded as improper. The rules apply to managers and employees at all levels of the Company, also in countries where Norwegian law does not apply. Special rules have been stipulated for employees with responsibility for relations with customers and suppliers.

Our anti-corruption programme consists of three main elements:
1. Preventive activities
2. Control and detection
3. Follow-up and sanctions

Preventive activities include clear definitions and rules, clear authorisations, risk mapping, training and information material.

Control and detection include audits, compliance, notification/whistleblowing, reporting and internal investigation. Follow-up and sanctions take place in accordance with policies and instructions, and are decided by HR and, ultimately, the CEO.

The programme gives a detailed description of what is meant by corruption, examples of acceptable and unacceptable behaviour, and assignments intended to contribute to reflection on difficult situations.

It is not permitted to accept gifts worth more than NOK 500. Regardless of the gift's value, it must not be accepted if it means that the employee's partiality or independence can be placed in doubt. All gifts and hospitality activities must be registered in the Company's gift and hospitality register.

All managers are responsible for establishing procedures and processes in their area of responsibility in order to prevent and uncover irregularities and fraudulent acts, including corruption. The Internal Investigation Unit is tasked with uncovering corruption, and it is responsible for investigating concrete cases where improper conduct is suspected. The unit shall also contribute to establishing and developing procedures and processes that can prevent and uncover such matters.

The rules are available at gjensidige.no, on the intranet and in e-learning courses, and managers shall contribute to ensuring that employees are aware of the rules. The purpose is to prevent and help to put a stop to activities that may entail a breach of the regulations at an early stage.

All new employees in the Group participate in an introductory course at which ethics and corruption are on the agenda. Gjensidige does not make donations to politicians, political parties or organisations with a mainly political agenda.

Money laundering and financing of terrorism
Gjensidige is obliged to take a risk-based approach to money laundering and financing of terrorism in relation to its customers, based on the customer relationship and the type of products and transactions involved. In practice, this means that we carry out a risk assessment in connection with the sale of insurance to new and existing customers, and with the payment of claims. The risk assessment is comprehensive, and is based on characteristics of the customer, the customer relationship, the product, the transaction and other matters of relevance.

All customers are checked against sanction lists and lists of politically exposed persons. The risk assessment may result in more extensive customer due diligence measures. Customer service staff are subject to clear guidelines for when such measures shall be initiated, and how to handle such a situation. If such measures fail to clarify the situation, the Company will carry out more detailed investigations in order to clarify whether the transaction can be carried out. The investigations are carried out by the Company's investigation department, which comprises employees who have previously worked in the police force, and have expertise in and experience of investigation. In cases where there is a sufficiently strong suspicion of money laundering or financing of terrorism, Gjensidige will report the matter as a suspicious transaction to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). If money laundering or financing of terrorism can be substantiated, the Company will not enter into the insurance contract or settle the claim, to the extent that such sanctions are permitted by law.

A solid defence against money laundering is not only necessary because of official instructions. In the insurance business, money laundering often goes hand in hand with insurance fraud. At Gjensidige, we consider the fight against money laundering as a natural part of good risk selection, based on the principle 'know your customers'. Instructions relating to money laundering have been adopted by the Board, and a risk assessment focusing on money laundering is presented to the senior group management once a year. The importance of combating money laundering is clearly communicated at all levels.

The money laundering regulations for banking and investment services deviate slightly from the insurance industry. Separate money laundering instructions have been established for Gjensidige

Bank, as well as clear procedures for uncovering and dealing with suspected money laundering. An anti-money laundering officer has been appointed, who follows up cases that the customer service staff cannot resolve themselves.

Employees who have contact with customers undergo thorough training in money laundering regulations and procedures. This applies in all parts of the Group.

Effect of our efforts

- The Internal Investigation Unit assessed 48 cases in 2018 (2017: 48) concerning suspicion of malpractices or irregularities. Of these cases, 15 resulted in verbal cautioning or a stronger reaction.

Customer complaints

- The Financial Services Complaints Board received 297 complaints from Gjensidige customers in the first nine months of 2018. This equalled 12 per cent of the total numer of complaints to the Board. Gjensidige's market share in 2018 was approximately 25 per cent.
- Of the cases reported to the Financial Services Complaints Board, the Board found in favour of the customer in whole or in part in 18 per cent of the cases in 2018, compared to 15 per cent in 2017. A high percentage would indicate that the threshold for succeeding with a complaint internally in Gjensidige is high.
- We don't have comparable statistics regarding Sweden and Denmark, both because of diverging statistical routines and low market shares. We regard the level of complaints as acceptable, but continually strive to reduce the number.

New measures

- Gjensidige will join the Global Reporting Initiative or other reporting initiatives (2-5 years).
- Integrate TFCD (Task Force on Climaterelated Financial Disclosure) in annual reports (1-2 years).
- Group policy for sustainability.

Governing documents of particular relevance to the exercise of corporate social responsibility

Risk management

- Group policy for risk management and internal control
- Information security policy
- Underwriting policy

Protection of privacy

- Group policy for the processing of personal data
- Instructions for the processing of personal data
- Instructions for employees' processing of personal data

Asset management:

- Group policy for SRI – ethical investments
- Group instructions for SRI – ethical investments

Complaints handling

- Guidelines for the companies' and customer ombudsman's complaints handling

Procurements

- Group policy for procurements
- Guidelines for procurements

Ethics

- Code of Conduct
- Ethical Rules for Gjensidige
- Specification of ethical rules
- Policy on prohibited restriction of competition

Corruption

- Group policy for handling irregularities and malpractices, including corruption
- Instructions for handling irregularities and malpractices, including corruption

Money laundering

- Group policy for money laundering
- Job instructions for the anti-money laundering officer

Key figures, CSR

Topic		2018	2017	2016	2015	2014
Value creation and resource use						
Return on equity	Per cent	17.3	21.3	21.4	17.4	18.1
Dividend	NOK millions	3,550[1]	3,550	3,400	6,200	2,950
Distribution percentage	Per cent	95.5	79.0	73.0	84.5	70.4
Paid tax	NOK millions	1,282	1,250	1,377	1,057	853
Pay and employee benefits	NOK millions	2,982	2,803	2,261	2,432	2,163
Customer satisfaction (CSI group)		78.1	77.9	77.4	76.2	74.8
The environment						
Energy consumption	MWh	12,671	12,773	11,988	11,131	8,060
CO2 emissions, Scope 1 and 2 [2]	Tons	5,426	5,354	5,150	5,456	7,277
Paperless customers Per cent	Per cent	73	70	65	60	57
Employees						
Employees, proportion men/women [3]	Per cent	52/48	52/48	53/47	52/48	50/50
Managers, proportion men/women [3]	Per cent	63/37	63/37	64/36	63/37	59/41
Competence-raising per employee	NOK	11,100	10,300	15,000	17,500	17,500
Sickness absence [3]	Per cent	3.8	3.9	3.9	4.1	4.5
Socially responsible investments						
Number of excluded companies	Number	91	89	85	80	85

1 Based on the Board's proposal.
2 Emissions for 2014 deviates from reported emissions in the Annual report for 2014, when Norwegian only emissions were reported.
3 Norway, Denmark and Sweden.

6. Memberships, commitments, certifications

Rating	Result
Morgan Stanley (MSCI)	BBB
Sustainalytics	BBB
CDP	D
IPSOS	Best reputation in Norwegian Finance Industry
Sustainable Brand	Most sustainable brand in Norwegian insurance industry
Bearingpoint	Most digital insurance company in Norway
Equileap	Best gender balance among Norwegian companies
Universum	Most attractive employer in the insurance industry
We support	
Paris 2015	
UN Global Compact	
NORSIF	
UN Principles for Sustainable Insurance	
The church city mission	
Certified	
Eco-Lighthouse	

Corporate governance

The Board's statement on corporate governance is set out below. It complies with the structure adopted by the Norwegian Corporate Governance Board (NUES). The statement also meets the information requirements set out in Section 3-3b of the Accounting Act and Section 5-8a of the Securities Trading Act. It is available at www.gjensidige.no.

The Board is concerned with openness and honesty, and equal treatment of shareholders. The Company's business shall be based on sustainable strategies and decisions. Our information principles are set out on our website. We are predictable and transparent.

The Articles of Association do not contain provisions that deviate from Chapter 5 of the Public Limited Liability Companies Act. The information requirements in the Accounting Act are integrated into the statement below where appropriate. This also applies to information about shareholder matters.

1. Statement on corporate governance

This statement is based on the principle of "comply or explain". There are no major deviations. However, in line with the requirements of the Code of Practice, we nonetheless include a statement on each point in accordance with the Code of Practice of 17 October 2018. Minor deviations are noted and explained.

2. The business

The Articles of Association describe the object of the business and set clear limits for its content. Gjensidige is a financial group, and is subject to the restrictions and rules set out in the Financial Institutions Act. Within this framework, Gjensidige primarily operates as a general insurance group in the Nordic countries and the Baltic states. In Norway, the Group is also engaged in banking and life and pension insurance. In 2019, Gjensidige will no longer have investments in banking operations, but banking will continue to be integrated in its business through a strategic collaboration with Nordea.

The Board sets clear objectives for the business with a view to creating value for shareholders. The objectives take society at large into account; see the separate statement on corporate social responsibility on page 22–49. The objectives are revised and adopted annually. Objectives for the coming year are revised and determined annually towards the end of the current year.

Long term objectives, strategies and the risk profile are also evaluated once a year in connection with the work on strategy in June, or as necessary in connection with major events or structural changes.

3. Equity and dividends

The Board has a clearly communicated solvency and dividend policy adapted to the Company's objectives, strategy and risk profile. It is available at www.gjensidige.no. The policy emphasises an annual cash dividend, and that any excess capital will not be retained by the Company, but will be disbursed to the shareholders over time.

Gjensidige's solvency and capital needs are, in principle, defined by the rules adopted by the authorities. The standard requirements that have been adopted are based on average figures. The Board wishes solvency and capital requirements to be defined in relation to Gjensidige's actual exposure at all times, and it has therefore invested considerable resources in the Group's own internal model, which provides continuous, qualified information about solvency and capital needs. The model has been approved by the Financial Supervisory Authority of Norway, and it gives the Board a good, relevant basis for making decisions in the areas it covers. The Board has also decided that Gjensidige shall meet the requirements for an A-rating, which also has implications for its final solvency and capital decisions.

It can be expedient for the Board to be authorised by the General Meeting to make decisions concerning the distribution of dividends throughout the year if there are financial grounds for doing so. Such decisions must be formally based on the approved accounts for 2018, and will, if relevant, come in addition to the dividend adopted by the Annual General Meeting. Such authorisation must be decided by the General Meeting. It will apply until the next Annual General Meeting, but no longer than until 30 June the following year.

The Board also believes that it is expedient for the Board to be authorised to purchase own shares, partly to fulfil the Group's share savings programme and remuneration schemes for employees, and partly so that shares can be used as a consideration in connection with the acquisition of businesses or for subsequent sale or cancellation. Such authorisation must be decided by the General Meeting and will apply until 30 June the following year.

The Board also believes that it is expedient for the Board to be authorised to raise subordinated loans and other external financing, and to trade in the bonds issued at all times under the Company's subordinated bond issues. Such authorisation must be decided by the General Meeting and will apply until the next Annual General Meeting, but no longer than until 30 June the following year.

Finally, the Board also believes that it is expedient for it to be given limited authority to increase the share capital through subscription for new shares. Such authorisation must be decided by the General Meeting and will apply until 30 June the following year.

Reference is made to the items to be considered by the General Meeting for more information and for the conditions that are set.

Deviation: NUES recommends that the grounds for such authorisations should be explained and that they should be limited to defined purposes. The Board fundamentally agrees with NUES, but believes that a certain degree of flexibility is necessary. As long as the authorisations are clearly limited in time and scope, and, in reality, merely adjust and rationalise the undertaking's capital structure, the Board's management authorisation should include powers to make such decisions rather than having to hold an extraordinary general meeting.

4. Equal treatment of all shareholders

Shareholders' pre-emption rights in connection with an increase in share capital is an important and fundamental right in a good, harmonious shareholder community, and the pre-emption right can only be waived in exceptional circumstances. Waiving of this right will be based on the Company's and shareholders' mutual interests. In such case, there will be full openness about the matter, and the shareholders will receive identical information simultaneously through a stock exchange announcement and subsequently on our website.

This also applies if the Board utilises the authorisations it has been granted.

The Board's transactions in own shares must always comply with the arm's length principle and be on ordinary market terms.

Transactions between related parties and group companies must take place on commercial terms, and on the basis of an independent evaluation if the transaction is not immaterial.

5. Shares and negotiability

There are no provisions in the Company's Articles of Association that limit the right to own, trade or vote for shares in the Company.

6. General meetings

The Board regards the General Meeting an important arena for all shareholders.

However, there are so many shareholders in Gjensidige that it is not possible in practice to hold a physical meeting where they can all participate. A considerable amount of work is therefore put into preparing items, and into facilitating powers of attorney and the possibility to vote without attending the physical meeting. The meeting itself is broadcast in real time.

Prior to the meeting, the shareholders have ample opportunity to contact the Company to clarify matters or to get help to raise items at the General Meeting.

More information is available on our website.

The Board has noted that NUES recommends that efforts should be made to make it possible to vote for individual candidates to the Board and Nomination Committee. Elections are demanding in financial undertakings, partly because of official suitability requirements and partly because of the requirements of the Board's combined expertise, i.e. to ensure a functioning board with broad expertise.

For Gjensidige, where one shareholder owns more than 60% of the shares, it is not the formal election itself at the General Meeting that represents a challenge, but the preparations for the election. The Board has noted that elections require an extensive process. All shareholders can submit proposals for candidates, and the Nomination Committee contacts the biggest shareholders in writing. All submitted views are taken into account. The Board considers this work to be very important to the Company's business, position and further development.

Deviation: NUES recommends that efforts should be made to make it possible to vote for individual candidates to the Board and Nomination Committee. Elections are demanding in financial undertakings, partly because of official suitability requirements and partly because of the requirements of the board's combined expertise. The election is therefore organised such that the General Meeting votes on the Nomination Committee's overall recommendation.

7. Nomination Committee

The Company has a Nomination Committee, as provided for in the Articles of Association, comprising four to six members, subject to the decision of the General Meeting. The General Meeting elects the chair and members, and stipulates the committee's remuneration.

The committee members are independent of the shareholder-elected board members and executive personnel.

In financial undertakings, the General Meeting elects the chair of the board. One of the board members elected from among the employees therefore takes part in discussions and decisions on the recommendation for chair of the board. This is by our own choice, and it is in accordance with the principle of workplace democracy that generally prevails in Norway.

The Nomination Committee also submits a recommendation for the election of the auditor to ensure that this election is also independent of the Board. The Board's Audit Committee has a right to state its opinion in that connection.

The Nomination Committee is easily accessible to shareholders, and the process is subject to deadlines to ensure that the views of all shareholders are made known before the relevant discussions take place in the Nomination Committee.

8. The Board

In the Board's opinion, the composition of the Board safeguards the interests of the shareholders as a whole, and the Company's needs for competence, capacity and diversity.

At least two of the shareholder-elected members are independent of the Company's main shareholder. The Company's main shareholder, the Gjensidige Foundation, assumes that the chair of the board shall be independent of the Gjensidige Foundation and have the same relationship to all shareholders.

No executive personnel or representatives of business associates are members of the Board.

The shareholder-elected board members are elected, in accordance with the Articles of Association, for one year at a time. The employee representatives are elected for two years at a time.

The Nomination Committee encourages board members to own shares in the Company.

9. The work of the Board

The Board plans nine pre-arranged board meetings per year, including at least one two-day strategy seminar. Two extraordinary meetings were also held electronically in 2018. Good and efficient procedures have been established for extraordinary board meetings.

In accordance with the law, the Board has established three board committees comprising board members – the Remuneration Committee, the Audit Committee and the Risk Committee. The committees' mandates are based on a group perspective. The board committees do not have decision-making power. Their purpose is to make preparations for board meetings. In the Board's experience, the introduction of board committees has improved its work, and has led to deeper and stronger involvement in the business's challenges and initiatives.

In accordance with the Financial Institutions Act, the Company has established four independent control functions that each play a key role within their areas of responsibility – a Risk Management function, a Compliance function, an Actuary function and the Internal Audit function. Those involved are all employees of the Company. The internal auditor – the head of the Internal Audit function – is appointed by the Board, which also decides the auditor's salary, and has a special position as the Board's most important control officer. The others are appointed by the CEO. The functions are presented in more detail in note 3. The Board emphasises that these functions have a close relationship with the Board through board work and reporting, and, in particular, the work in the board committees.

An overview of the board members' involvement is provided below

	Nationality	Elected	Board meetings Participated/ No of meetings	Committee	Committee Participated/ No of meetings
Gisele Marchand	Norwegian	General Meeting	11/11	Risk/Remuneration	10/11
Per Arne Bjørge	Norwegian	General Meeting	11/11	Audit	7/7
Eivind Elnan	Norwegian	General Meeting	11/11	Remuneration	2/2
Hilde M. Nafstad	Norwegian	General Meeting	11/11	Risk	9/9
Terje Seljeseth	Norwegian	General Meeting	11/11	Risk	8/9
Vibeke Krag	Danish	General Meeting	11/11	Audit	7/7
John Giverholt	Norwegian	General Meeting	11/11	Risk	9/9
Gunnar Mjåtvedt	Norwegian	Employee representative	11/11	Audit	7/7
Anne Marie Nyhammer	Norwegian	Employee representative	11/11	Remuneration	2/2
Lotte Kronholm Sjøberg	Danish	Employee representative	11/11	Risk	8/9

The Board has adopted rules of procedure for its work, and works on the basis of an annual plan. There is a good, open atmosphere on the Board. The board members have effective access to material relevant to their board work through Admincontrol.

If the chair of the board has been directly or indirectly involved in a matter, another board member has chaired the meeting instead. If a board member is disqualified on grounds of partiality, he/she cannot be involved in consideration of the matter in question, and must leave the board room and is excluded from involvement in the matter.

The Board carries out an annual self-evaluation, with or without external help. The Nomination Committee has access to the evaluation. It also holds discussions with the Board and the Company's management on their work and the expertise needed to meet the challenges that are expected to arise in the longer term.

10. Risk management and internal control

The Board complies with NUES's recommendations in its work on risk management and internal control. The Company's most important risk areas and the internal control system are continuously reviewed.

The work on internal control is based on the COSO principles, which comprise three lines of defence. They are the management's own control measures (first line), the Compliance function's and Risk Management function's control measures (second line) and the Internal Audit (third line). Gjensidige is first and foremost an insurance group. The independent actuary function is therefore an important and necessary part of the Board's work, and for assessing the actuarial liabilities.

The accounting department has established processes for good internal control, and focuses on having the right expertise and sufficient resources to prepare the accounts and other statutory reporting in accordance with the applicable laws and regulations.

The reporting of deviations and other established systematic reporting give the Board insight into the processes and status.

In the Board's opinion, the control environment is good and functions as intended. The frameworks for the assessment of risk – identification and qualification of risks – are continuously quantified and evaluated. Control activities and the coordination of the different control environments are adopted annually by and in consultation with the Board. The Board's Audit Committee is responsible for information, communication and risk monitoring.

In connection with risk management, the Board adopts annual risk limits in light of the Company's future plans, financial strength and the capital plan communicated to the shareholders. See Note 3 for more information.

The Board has issued a separate report on corporate social responsibility, see page 22–49. Consideration for society at large is an integral part of Gjensidige's strategy and a precondition for long-term value creation.

11. Remuneration of the Board

None of the board members have share options or other incentives issued by the Company. Their remuneration is decided by the General Meeting, on the Nomination Committee's recommendation, and is described in Note 8. Reference is made to the Nomination Committee's presentation, assessment and proposal, available at www.gjensidige.no.

12. Remuneration of executive personnel

The Board has adopted guidelines for a remuneration scheme that applies to executive personnel. It is presented to the General Meeting each year, together with a report on any deviations that have taken place since the previous General Meeting. The statement is available in the case documents at www.gjensidige.no and also in Note 8.

The guidelines help to ensure good alignment between shareholder and employee interests. The remuneration scheme is linked to value creation over time, and is based on quantifiable factors that the employee can influence. A ceiling has been set for performance-based remuneration.

13. Information and communications

The Board has adopted an IR policy for the Company's reporting of financial and other investor information. It is based on openness and takes into account the requirement for equal treatment of shareholders and other stakeholders in the securities market. The IR policy is published at www.gjensidige.no.

The IR policy also regulates the Company's contact with shareholders.

14. Takeovers

Guidelines have been adopted for how the Board shall respond to any takeover bids. The guidelines are in accordance with the Code of Practice.

The Board points out that the Gjensidige Foundation owns more than 60 per cent of the shares, and that a takeover bid process would therefore be unusual. However, the Board is prepared to engage in such dialogue out of consideration for the shareholders as a whole, and to take part in value-creating discussions with any parties with interesting value propositions.

15. The external auditor

The external auditor submits his/her plan for the performance of the audit each year. The plan is initially discussed by the Board's Audit Committee, and is also seen in conjunction with other internal control and risk management plans. The plan is considered at a board meeting with the external auditor in attendance.

The external auditor plays an important role, and it is his/her task to confirm to the General Meeting that the accounts adopted by the Board are correct. The Board places great emphasis on openness in relation to the external auditor and the audit team, and on ensuring good, efficient cooperation with employees, and that the auditor has the access he/she requires.

It is primarily the Audit Committee and the Company's management that are in continuous contact with the external auditor. The Nomination Committee is tasked with evaluating the external auditor's overall contribution, and recommending election or re-election. The Nomination Committee occasionally proposes changing the external auditor, irrespective of the auditor's contribution, in part to ensure new impulses and assessments, and in part to subject the audit to competitive tender.

The Gjensidige Insurance Group delivered a profit in 2018 marked by an unusually high number of weather-related claims and high run-off gains. Customer satisfaction increased to a record level, and competitiveness remained good in Norway.

Annual report 2018

The Gjensidige Insurance Group delivered a good underwriting result in 2018. The return on financial assets was affected by challenging financial markets. The profit after tax expense was NOK 3.7 billion, corresponding to NOK 7.44 per share.

The underwriting result was NOK 3.6 billion, corresponding to a combined ratio of 85.0. This was a slight improvement on the previous year. However, adjusted for high run-off gains, the underwriting result in 2018 was weaker than in 2017. Earned premiums increased by 2.8 per cent to NOK 24.1 billion.

Claims incurred were affected by the weather in 2018, with a long, harsh winter, an unusually dry and warm summer, and storms and heavy rainfall in the third quarter. This led to weather-related deviation in frequency claims estimated to NOK 530–660 million compared with historical average levels. The weather conditions also led to an increase in disbursements linked to large losses, compared to the year before, but the level was nonetheless lower than that normally expected. The run-off gains were higher than expected.

The return on financial assets was 1.5 per cent, or NOK 0.8 billion, compared to 3.7 per cent or NOK 2.0 billion the year before.

General insurance operations outside Norway showed a considerable improvement, as a result of better underlying frequency claims development and lower operating expenses combined with higher run-off gains.

The Pension segment recorded a record profit in 2018.

The Board proposes that the Company pay a dividend of NOK 3.55 billion for the 2018 financial year. That corresponds to NOK 7.10 per share and entails a distribution percentage of 95.5 per cent. Compared with the previous financial year, the proposal corresponds to an unchanged nominal dividend. Gjensidige's goal is to distribute high and stable nominal dividends to shareholders, and a dividend ratio over time of at least 70 per cent of the profit after tax expense over time . After the sale of Gjensidige Bank, the targeted dividend ratio will increase to 80 per cent of the profit after tax expense over time. When determining the size of the dividend, consideration will be given to expected future capital needs. Over time, Gjensidige will also distribute excess capital.

The Gjensidige Foundation's share of the dividend amounts to NOK 2.2 billion. Pursuant to the Foundation's statutes, the regular dividend will be passed on to Gjensidige's general insurance customers in Norway. The customer dividend is adopted by the Foundation's general meeting in May.

The business

Gjensidige Forsikring ASA (Gjensidige Forsikring) is a general insurance company with operations in the Nordic region and the Baltic states. The Company's head office is in Oslo in Norway. The object of the business is to safeguard life, health and assets for customers in the private and commercial markets by offering insurance on competitive terms. In Norway, we also offer banking, pension and savings products and services. We build stronger relations by offering customers a broad range of products and services. Gjensidige Forsikring is the parent company of the Gjensidige Group (Gjensidige).

Gjensidige is the market leader in general insurance in Norway, and one of the biggest insurance companies in the Nordic region and the Baltic states. These markets represent our defined market area for further growth.

The general insurance operations include both property insurance and accident and health insurance. The Norwegian general insurance operations also include life insurance, which is pure risk insurance with a duration of up to one year, largely group life insurance.

Gjensidige's business model is based on an integrated value chain that includes the development and production of financial services and products, a high degree of direct distribution, service and customer dialogue, and efficient claims settlements. Digitalisation and an analytical approach mark activities throughout the value chain. Distribution in cooperation with our partners is an important part of the business model, especially in Denmark and Sweden.

Customer orientation

Gjensidige is working systematically to become the most customer-oriented company in the Nordic general insurance field. Our vision is to 'know the customer best and care the most'. Customer satisfaction is measured systematically, both at group level and down to the individual employee level, and improvement measures are implemented continuously. Customer satisfaction was record-high in 2018. This is the result of systematic work over a long period.

Our ambition is to create the best customer experience in our industry, and we call this the Gjensidige Experience. One of the most important ways of achieving this goal is through training and competence-raising for our employees.

In recent years, user-friendly self-service solutions have become an increasingly important precondition for delivering good customer experiences. Customers increasingly prefer to buy insurance and report claims digitally.

Work continued unabated on developing and improving such solutions in 2018. We are continuously developing new self-service solutions for PCs, mobile phones and tablets. Our customers can buy insurance, seek advice and report claims on the internet when it suits them.

In 2018, we made it easier to buy insurance at gjensidige.no by improving graphic design, a simpler language and making it easier to compare different types of insurance. There was a significant increase in insurance sales through this channel compared with 2017.

We are still finding that many customers start their insurance search online, but go on to buy insurance over the phone. We invest a great deal of work in analysing why the digital purchase process comes to a halt, and in developing measures to make it easier and safer for customers to complete the process online.

In 2018, we carried out a number of measures to make it easier and more attractive to report and check the status of claims online. In Norway, 63 per cent of frequency claims were reported through Gjensidige's app or website in 2018. Digital claim reports leads to quicker case processing and payment, and experience shows that this is very important to customer satisfaction.

In addition to offering traditional insurance products, Gjensidige has developed several value-adding services for the Norwegian private market, including services relating to property, motor and health insurance. The purpose is to contribute to brand preference and loyalty.

Market position

Gjensidige was the biggest player in Norwegian non-marine general insurance also in 2018. According to Finance Norway's statistics, Gjensidige had a market share of 25.8 per cent of a total market of just over NOK 58 billion at the end of the third quarter. The market share increased slightly during the year. Gjensidige prioritises profitability ahead of growth, and the market share development reflects its continued strong competitiveness.

Gjensidige had a market share of 24.2 per cent in the private market at the end of the third quarter 2018. The market share in the commercial market was 28.7 per cent.

The market share in Denmark was 7.6 per cent in the third quarter 2017, including Mølholm. The figure is based on the most recent statistics from the Danish Insurance Association and our own calculations. In Sweden, the market share was 2.1 per cent in the third quarter 2018, according to Insurance Sweden.

Gisele Marchand
Chair

Gisele Marchand (1958) was elected as chair in 2018 and has been a member of the Board of Gjensidige since 2010. She is chair of the renumeration committee and member of the risk committee. She is a board member and chair of the audit committee of Norgesgruppen AS. Further on she is chair in Selvaag Bolig ASA, as well as chair of the renumeration and audit committees. She is also a board member of Eiendomsspar AS, Victoria Eiendom AS, Scatec Solar ASA and Boligbygg Oslo KF. She has previous experience from several Boards, e.g. Norske Skog ASA and Oslo Børs AS.

Marchand has previously been CEO of the law firm Haavind AS, Eksportfinans AS, the Norwegian Public Service Pension Fund, the Bates Group and an EVP of Den norske Bank, where she had the responsibility for private- and commercial customers in Norway. She is a graduate of Copenhagen Business School.

Marchand is up for election to the Board in 2019.

Shares in Gjensidige: See note 8.

Per Arne Bjørge
Board member

Per Arne Bjørge (1950) has been a member of the Board of Gjensidige since 2011. He is Chair of the Board and general manager of PAB Consulting AS. Bjørge is Chair of the board of Borgund Invest AS, Havskjer AS and Havskaar AS. He is a board member of the Gjensidige Foundation and of 3D Perception AS and of Tafjord Kraft AS.

Among other things, Bjørge has previously been a bank director with Kreditkassen (Nordea) and worked as an auditor. He has a bachelor in economics and is a qualified auditor.

Bjørge is up for election to the Board in 2019.

Shares in Gjensidige: See note 8.

In the Baltic general insurance market, Gjensidige had a market share of 8.3 per cent at the end of the third quarter. (Sources: Insurance Supervisory Commission of the Republic of Lithuania; Latvian Insurers Association; Statistics Estonia, Gjensidige, all third quarter 2018).

The market share for group unit-linked defined contribution pensions was 9.2 per cent. (Finance Norway, third quarter 2018)

Distribution

Norway

Gjensidige has approximately 775,000 customers in the Private segment and around 150,000 in the Commercial segment in Norway.

Sales and advisory services are mostly offered via our own distribution network, but we also use agents and dealers in some cases. We also cooperate with several local mutual fire insurers. Gjensidige has cooperation agreements with several large national trade unions and interest organisations. The organisations' members enjoy customer advantages in Gjensidige through these agreements.

Gjensidige's commercial customers in Norway are primarily served through dedicated sales channels (around 80 per cent of the premium volume). The other customers are mostly served indirectly through insurance brokers.

Both the Private and Commercial segments distribute products and services through a combination of telephony, web-based solutions and local branch offices. The customers can choose their point of contact and the service they want, and they shall experience the same quality and service regardless of which channel they choose.

This model contributes to both good customer experiences and cost-efficient distribution.

The sales centres and customer service centres are responsible for external sales and for serving customers who contact us to buy or change insurance policies or to seek advice over the phone. We have 32 local branch offices that offer advisory services in the fields of insurance and banking. The offices can refer customers to other departments if the queries concern pensions and saving. In summer 2018, a decision was made to reduce the number of offices to 24 during 2019, due to the increasing number of sales made over the phone and online, and as part of the ongoing work on cost-efficiency.

The customer portal gjensidige.no plays an increasingly important role in relations with our customers. In the portal, private and commercial customers can see an overview of their insurance policies. They can manage their customer relationship themselves, for example by reporting a claim or keeping track of case processing on the internet. A considerable proportion of sales to private customers in Norway is now initiated at gjensidige.no. Customer surveys show that the proportion of customers who use digital platforms for the whole or part of the purchase process rose throughout 2018. The proportion was 74 per cent in the last quarter, which was up from 58 per cent in the corresponding period in 2017.

Denmark

Gjensidige distributes general insurance products in Denmark through its own sales network and in cooperation with the Nykredit Group, which is Denmark's biggest mortgage lender. In addition, private insurance products are sold through a number of partners, especially travel agents, car dealers and estate agents. Otherwise, the private market is served directly via telephony and the internet. The use of underwriters was discontinued in 2018.

A considerable share of sales in the Danish commercial market take place in collaboration with brokers. The market for small and medium-sized customers and agricultural customers is served via the phone and through dedicated underwriters.

Distribution in the municipal market takes place either directly or through brokers. The market is to a large extent based on competitive tendering.

Sweden
In Sweden, general insurance products are largely distributed to private customers directly by phone and via the internet, but also through insurance mediators such as partners and agents. Distribution is based on thorough segmentation. In the commercial market, distribution mainly takes place through insurance brokers and partners, but the proportion of direct sales is also increasing. We focus our activities on small and medium-sized enterprises in selected sectors.

Baltics
The most important distribution channels in the Baltic states are direct sales via offices, networks, brokers, price comparison services, agents, partners and customer centres. Sales via the internet are increasing, but still make up a small proportion of overall sales. Gjensidige aims to continue to develop cost-efficient, multi-channel distribution models in the Baltic market, with the emphasis on web-based solutions and telephony.

Customer orientation, increased sales of a wider range of products and access to customers through strategic partners will be important growth drivers.

Other
Gjensidige is also positioned to deliver products adapted to other distribution channels, both in Norway and in the other Nordic countries. Distribution largely takes place through agents and via business partners such as shops and car dealers that wish to expand their product range with insurance products under their own label ('white label').

Since 2007, Gjensidige's customers in Norway have had access to banking services through Gjensidige Bank. In summer 2018, Gjensidige entered into an agreement on the sale of Gjensidige Bank to Nordea. The parties agreed, at the same time, to enter into mutual cooperation on the distribution of banking and insurance services in Norway. Gjensidige expects that this cooperation will give customers an even better range of financial services, and that it will foster strong customer loyalty and be a means of recruiting new customers.

Gjensidige Pensjonsforsikring cooperates closely with Gjensidige Forsikring on the distribution of pension and accident and health insurance agreements to Norwegian companies and private individuals. At the end of 2018, 70 per cent of customers in Gjensidige Pensjonsforsikring were also customers in Gjensidige Forsikring. Around a third of our small and medium-sized commercial customers who have accident and health cover in Gjensidige Forsikring were also customers in our pension operations. This confirms successful cross sales and a good potential for further growth in our pension operations. Gjensidige Pensjonsforsikring is the only player in the market that that offers funds exclusively managed externally, and it has highly efficient solutions for membership administration and information about pension rights.

Eivind Elnan
Board member

Eivind Elnan (1974) has been a member of the Board of Gjensidige since 2017. He has during the past ten years founded and built up two technology companies, Securo AS/Scuti AS and Hypoxic Technologies AS, both of which focus on fire protection solutions. He is now general manager of Hypoxic Technologies AS, which in 2017 became part of the German group Wagner Group GmbH. He has a master's degree (sivilingeniør) in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU). Elnan has been a board member of the Gjensidige Foundation since 2016, and was previously a deputy member of the board. Elnan has previous work experience from Securo AS, Innherred Vekst AS and Accenture and other firms.

In addition to being a member of the board of Gjensidige Foundation, he is Chair of the board of Scuti AS, Industrivegen 10 Verdal AS, Braxi AS and Ax Innovasjon AS. He is also a member of the board of Securo AS.

Elnan is up for election to the Board in 2019.

Shares in Gjensidige: See note 8.

Technology and infrastructure
Customers' use of smart phones and the development of new data tools together represent a pressing need for technological changes in the insurance industry.

The use of smart phones means that customers increasingly expect to be able to do things themselves, through user-friendly apps or web portals. Customers doing things themselves opens up new possibilities for creating customised solutions of high relevance and value to customers. We see a growing trend in various market surveys that both private and commercial customers prefer self-service solutions.

Good utilisation of data is contingent on technological solutions and expertise being in place to collect, store and structure data in a safe and useful manner.

Good digital user experiences also require our work processes to be standardised and automated to a great extent. Gjensidige has made considerable investments in expertise and technology, which are prerequisites for ensuring market-leading solutions for our customers. Among other things, we have recruited a considerable number of employees with technology expertise, to secure control of strategic knowledge.

We used the introduction of the new General Data Protection Regulation (GDPR) to upgrade procedures and processes for collecting, storing and processing data.

We have developed a joint design system for all digital development in the Company. This facilitates more holistic customer experiences, more efficient development and reuse of solutions. This enables us to scale up and introduce successful solutions more quickly in more business areas.

Customers' use of our digital sales, service and claims solutions has increased significantly throughout 2018, and is expected to continue. This means that our staffed channels can spend more time on providing value-adding advisory services.

In 2018, we have also started introducing more automation in our tariff setting, to enable us to update prices more quickly than before. This is vital to be able to quickly adapt prices to changes in competitive conditions and claims inflation. For example, we changed the tariffs for motor insurance in the Norwegian private market twice in 2018, processes which previously could take as long as 12 months.

We were ranked at the most digital insurance company in Norway in the consultancy company BearingPoint's report 'Digital leaders in Norway 2019'. This shows that our work in this area has been noticed, but we are also well aware that new, major initiatives will be needed in the years to come.

In 2018, we started testing in connection with the introduction of a new core system. It will be implemented in Denmark in 2019, thereafter in Sweden, and in Norway at a later date. The new core system will provide brand new opportunities for using best practice throughout the Group. We will be able to develop products and tariffs more quickly than before, and have better options for establishing ecosystems of products and services in cooperation with other parties. The new core system will help to increase cost-efficiency and secure our competitiveness also in the longer term.

The year 2018

More extreme weather and poorer motor insurance profitability in Norway

The profit in 2018 was affected by extreme weather in Norway. The winter season at the start of the year was relatively cold with a lot of snow, which led to a higher number of collision claims for motor vehicles, an increase in the number of building fires and an increase in the number of buildings wholly or partly damaged by snow on their roofs. The summer was unusually warm and dry, which resulted in increased disbursements to agricultural customers due to crop failures. There were a number of periods of heavy precipitation in autumn, which resulted in a considerable number of water damage claims. We sent almost twice as many weather warnings to customers in 2018 as we did in 2017.

Competition also intensified in Norway as a result of a number of companies changing their reward schemes for motor vehicle owners early on in the year. Gjensidige also adjusted its reward scheme to ensure competitive products for customers, which led to increased claims disbursements throughout the year. At the same time, higher claims inflation for motor vehicles, due, among other things, to more advanced cars and electric and hybrid cars, contributed to increased disbursements.

The increase in claims incurred was addressed by significant price adjustments both for property and motor insurance, to ensure satisfactory profitability going forward. It takes 12 to 24 months in general insurance to see the full effect of price measures in the accounts.

Despite considerable price increases during 2018, Gjensidige strengthened its leading position in the Norwegian general insurance market. Its market share increased slightly during the year, and, in the third quarter, it was at its highest level in more than six years.

Customer satisfaction, which was already at a very high level, rose to its highest level ever. Market surveys also show that Gjensidige is the first choice for a much larger share of the market than any of its competitors in Norway.

The development in its market shares and customer satisfaction reflect the Group's continued strong competitiveness.

The operations outside of Norway showed continued progress, and the ambition to yield a profit in 2018 in Sweden and the Baltics was achieved. Going forward we will continue to work with measures to increase cost efficiency and adjustment of prices to further enhance profitability.

Gjensidige Bank sold to Nordea

In summer 2018, Gjensidige entered into an agreement to sell Gjensidige Bank to Nordea. The parties agreed, at the same time, to enter into mutual cooperation on the distribution of banking and insurance services in the Norwegian market. The agreed purchase price was NOK 5.5 billion, subject to certain adjustments based on the performance of the bank until closing of the transaction. The takeover is expected to take place is the first quarter 2019.

Goal attainment and updated financial and operational targets

The tables to the right show the goal attainment for financial and operational targets that apply to the period 2014 to 2018.

Financial targets were met in 2018, with the exception of the combined ratio. The combined ratio adjusted for run-off gains above the expected level, was higher than the target range as a result of higher claims incurred linked to the extreme weather in Norway and weaker profitability of motor insurance in Norway.

The ambitious operational targets launched in 2014 were met, with the exception of the percentage of digital customers. There was considerable progress however with respect to the percentage of digital customers during the period.

New financial and updated targets

In autumn 2018, the Board adopted updated financial targets that apply to each year from 2019 up to and including 2022. Operational targets were also adopted that we aim to reach during 2022. They were described in more detail in connection with the Capital Markets Day in November 2018.

Most customer-oriented – and sustainable

Our ambition of being the most customer-oriented general insurance company in the Nordic region and the Baltic states forms the basis for all our priorities. And we shall achieve this through cost-efficient operations based on digitalisation, analytical insight and relevant expertise. Sustainable decisions and solutions are a basic precondition for long-term value creation.

Annual financial targets 2014–2018

Area	Delivered 2018	Target
Return on equity	17.3 per cent	>15 per cent
Combined ratio	85.0 per cent (90.7 per cent excluding run-off gains beyond expected level)	86-89 per cent [1)]
Cost ratio	15.2 per cent	~15 per cent
Dividends	NOK 7.10 per share, 95.5 per cent pay-out ratio	Nominal high and stable >70 per cent

[1] Combined ratio target on an undiscounted basis, assuming ~NOK 1bn annual run-off gains through 2022.

Operational targets 2014–2018

KPIs [1]	CSI	Digital customers [2]	Claims reported online [2]	Claims cost reductions	Customer retention	Customers with >4 GI products
2015	76.2	60%	46%		Maintained	Maintained
2016	77.4	65%	52%		Maintained	Maintained
2017	77.9	69%	63%		Maintained	Maintained
2018	78.1	73%	70%	NOK 547 million	Maintained high	Maintained
Targets 2018	77.0	75%	>50%	NOK 400-500 million	Maintain high	Maintained

[1] Target communicated at Capital Markets Day 25 November 2014
[2] Private Norway

Annual financial targets 2019-2022

Area	Target
Combined ratio	86-89 per cent [1)]
Cost ratio	<15 per cent
Solvency margin (PIM)	135-200 per cent [2)]
Return on equity after tax	>20 per cent [1)-3)]
Underwriting result outside Norway	NOK 750 million (in 2022) [4)]
Dividend	Nominal high and stable (and >80 per cent over time)

[1] Assuming annual run-off gains ~NOK 1 billion through 2022
Corresponds to 90-93 per cent given zero run-off gains post 2022
[2] Assuming sale of Gjensidige Bank
[3] Corresponds to >16 per cent given zero run-off gains post 2022
[4] Excluding run-off

Operational targets for 2022

Metric	Target 2022	Status 2018
Customer satisfaction (CSI)	> 78, Group	78
Customer retention	> 90 per cent, Norway	91 per cent
	> 85 per cent, outside of Norway	79 per cent
Sales effectiveness	+ 10 per cent, Group	+ 1 per cent
Automated tariffs	100 per cent, Group	2 per cent
Digital claims reporting	80 per cent, Norway	63 per cent
Claims straight-through processing	64 per cent, Norway	10 per cent
Claims cost	Reduce by NOK 500 million, Group	
Claims related CO2-intensity	Reduce year by year, Group	

John Giverholt
Board member

John Giverholt (1952) has been a member of the Board of Gjensidige since 2016. He was formerly Managing Director of Ferd AS. He was previously CFO of the same company, Executive Vice President at DNB and Deputy Finance Director at Norsk Hydro.

Giverholt holds a Bachelor's degree in business economics from the University of Manchester and the exam for stateauthorised auditors from the Norwegian School of Economics (NHH).

Giverholt is Chair in Ortomedic AS and Lillevold og Partners AS. He is a board member of Aars AS, A Wilhelmsen AS, CEK Holding AS, Fredensborg Eiendom AS and GammelNok AS.

Giverholt is up for election to the Board in 2019.

Shares in Gjensidige: See note 8.

For more than 200 years, Gjensidige has exercised social responsibility by safeguarding people's lives, health and assets, and we have engaged in loss prevention activities for just as long. In 2018, we announced our goal to reduce both our own and our customers' carbon intensity, and we launched the green watchman. Read more about this and other sustainability goals in our Sustainability report on page 22-49.

Three operational strategic focus areas
Gjensidige has defined three strategic focus areas in order to achieve its financial and operational targets: digital customer experiences, analytics-driven operations and dynamic organisational development. See page 8-10 and 78-79 for a more detailed description of Gjensidige's strategy. A selection of measures and initiatives that have been implemented in 2018 relating to these focus areas is presented in the following.

The best digital customer experience in general insurance
Gjensidige shall be the most customer-oriented general insurance company in the Nordic region and the Baltic states. In order to keep this promise, we must offer good, digital services. Customers increasingly prefer to use self-service solutions in digital channels, and technology increasingly facilitates more automated processes.

We have four priority ambitions for customer orientation towards 2022:

1. We shall maintain customer satisfaction at a very high level, with a customer satisfaction index (CSI) of above 78 for the Group.

2. We shall maintain very high customer loyalty in Norway, and increase loyalty outside Norway. Our goals for customer retention in Norway and outside Norway are 90 and 85 per cent respectively.

3. We shall increase sales efficiency by 10 per cent, through, among other things, a larger proportion of digital sales and more analytical CRM.

4. We shall increase the percentage of digital claim reports in Norway, and in the longer term, in Denmark, Sweden and the Baltic states to 80 per cent. Better customer analyses and increased digitalisation have been important focus areas in 2018, and will remain so going forward in order to reach these goals.

We expect digitalisation, automation and artificial intelligence to form the basis for more user-friendly solutions in the time ahead. They enable us and our customers to save time, and our advisers to spend more time on providing value-adding advisory services to customers.

As well as generating rationalisation gains, experience shows that digital solutions also help increase customer satisfaction. This is because we can serve customers more quickly and smoothly, and fewer errors arise.

Business intelligence and analytics
The ability to analyse large quantities of customer data, and translate the analyses into insight, is vital to competitiveness in general insurance.

We use advanced data analysis in all areas of the insurance business, including product development, pricing and underwriting, marketing and sales, and claims processing.

We have made efforts to strengthen and improve our analysis activities in all these areas in recent years. New tools, such as artificial intelligence and machine learning, are important aspects in this work. Four areas have highest priority going forward:

1. We are introducing more and more automation and standardisation in pricing, so that we can update tariffs more quickly than before. Processes that previously took months can now be completed in the course of a few days. While all tariffs

were processed manually until very recently, we had, at the end of 2018, started implementing automated processing for 18 per cent of our data-driven tariffs. All data-driven tariffs will be automated by 2022.

2. We shall strengthen sales efficiency by analysing data in real time. This improves our opportunity to provide relevant and value-adding advisory services to our customers in all channels, both self-service and staffed channels. When customers receive more targeted advice and information about products, it saves time for them and our customer advisers. It also increases the likelihood of the customer buying a product that meets their need. We will also increase sales efficiency by optimising our channel mix by using internal distribution channels and optimal use of our channels.

3. Our goal is for 80 per cent of all claims in our Norwegian business to be reported digitally, and for 64 per cent of all claim reports to be processed automatically in 2022. In 2018, 80 per cent of claim reports concerning travel were registered digitally and 22 per cent were processed automatically. Many customers were notified that their claim has been processed within two seconds of submitting the claims report. This is possible thanks to standardised, digital claims forms and algorithms that are built into our core system.

4. We shall reduce claims incurred by NOK 500 million by 2022 through better control of repair methods and selection of suppliers, and reducing fraud, as well as cutting costs through increased automation. One example of this is cosmetic damage to cars, which can be processed more quickly and cheaply using what is known as 'smart repair'.

We are convinced that our initiatives will help increase customer satisfaction and cost-efficiency.

Dynamic organisational development

Restructuring was carried out towards the end of 2018, where the most significant change was that the responsibility for claims processing was transferred to the respective divisions Private, Commercial, Denmark and Sweden. The purpose of this was to give the divisions overall responsibility for their customers, in order to further strengthen customer satisfaction and competitiveness. The development of interdisciplinary competence is important for keeping up with developments that address changes in technology and customer behaviour, and new measures will be considered in 2019.

It is important to Gjensidige to further develop its corporate culture. The whole organisation was involved in the work on the new core values in 2018: 'Create a sense of security, apply new thinking, go for it'. The core values were launched in September, and are now in the process of being implemented in our development and evaluation activities.

A senior management programme was initiated in 2018 to help secure a joint understanding of the challenges and opportunities in the Group.

Strategic staffing planning is an important foundation for competence and organisational development. A strengthening of insurance, analytical and digital skills throughout the organisation will be emphasised in the follow-up of managers going forward. Measures in this context will include activities through the Gjensidige Customer and Brand School, planned secondments and job rotation.

Satisfied, loyal customers

Brand recognition for Gjensidige in the Norwegian market is stable and very high. Half the population would consider Gjensidige when buying insurance. Moreover, Gjensidige has the strongest reputation in the industry and is among the ten companies in Norway with the best reputation regardless of industry, according to Ipsos' annual survey.

The customer satisfaction rate again showed positive development and increased from 77.9 in 2017 to a record-strong 78.1 in 2018. Satisfaction is highest among customers who have reported a claim or been in dialogue with Gjensidige for other reasons.

Customer satisfaction is high in Gjensidige Norway, which confirms high satisfaction with our services. Around 70 per cent of our private customers are members of an organisation or loyalty programme, and these customers are characterised by even higher loyalty than average. Our most loyal insurance customers are those who have the most products.

In Denmark, determined efforts are being made to increase familiarity with Gjensidige. Unaided familiarity in the Danish market was 15 per cent on average in 2018.

Loyalty among our customers in Denmark was stable in 2018. There is still a potential for developing longer-lasting customer relationships in both the private and commercial markets. This also applies to our business in Sweden and the Baltic states.

Unique customer dividend model in Norway

The arrangement whereby our customers receive customer dividend from Gjensidige's biggest owner, the Gjensidige Foundation, is unique. Every year since the Company was listed on the stock exchange, Gjensidige has paid customer dividend to its Norwegian general insurance customers based on how much they pay in insurance premiums. During this period, customers have received an annual amount corresponding to 11-16 per cent of their premium. We measure customers' awareness of the customer dividend on an ongoing basis. At year-end 2018, 92 per cent of customers were aware of the customer dividend model and more than 75 per cent stated that the model contributed to their wanting to continue as customers. Awareness of the customer dividend system among potential customers was 64 per cent.

Good cooperation with partners

Gjensidige has many years' experience of partnership agreements, and, at the turn of the year, our partner organisations had a total of 1.7 million members. Our partnership agreements are structured so that the customer relationship is owned by and the customer dialogue takes place directly with Gjensidige.

In 2018, we renewed the agreements in Norway with the trade unions YS and Tekna, which we have cooperated with for many years, while NITO, which we have also cooperated with for many years, decided not to renew its agreement.

In the commercial segment, we have a number of organisational and chain agreements with industry associations and individual companies. New agreements were established and existing agreements renewed in 2018.

Gjensidige works closely with its strategic partners, and good management of partnership agreements will be given priority also in the time ahead.

Growth ambitions in the Nordic region and the Baltic states

The sale of Gjensidige Bank to Nordea strengthens Gjensidige's financial position, and frees up capacity to be able to make value-adding acquisitions. Acquisitions will primarily be relevant in the Nordic region outside Norway, and in the Baltic states, where Gjensidige has clear growth ambitions. If such opportunities do not materialise, the excess capital will be distributed to the shareholders over time, in line with Gjensidige's dividend policy.

Since 2005, Gjensidige has acquired a considerable number of small and medium-sized companies and/or portfolios in the Nordic region and the Baltic states. The acquisition of complementary companies and portfolios enables us to utilise best practice across the Group and increase diversification. Size and scale are expected to be increasingly important going forward to meet increased needs for investments in technology and expertise, and to be able to navigate a future characterised by more extensive regulatory requirements and new ecosystems.

Capital and balance sheet optimisation

Gjensidige works continuously on balance sheet and capital optimisation in order to ensure attainment of the Group's financial targets as well as an efficient capital structure and sufficient financial flexibility.

In April 2018, a dividend of NOK 3.55 billion was distributed based on the profit for 2017, in line with a dividend policy that aims for a high and stable nominal dividend.

At year-end 2018, the remaining capacity to issue Tier 1 loans amounted to NOK 1.4–1.9 billion. It is not Gjensidige's ambition to fully utilise this capacity, but it will consider the possibilities for issuing further loans contingent on satisfactory market terms. The capacity to issue Tier 2 loans was fully utilised. In addition, other balance sheet and capital optimisation measures will be continuously assessed.

Return on the Gjensidige share

The Gjensidige share yielded a negative total return for shareholders of 8 per cent in 2018. Oslo Børs recorded a negative total return of 2 per cent during the same period. Since the Company was listed on the stock exchange in December 2010, the Gjensidige share has yielded a total return of 310 per cent. The average daily trading volume on Oslo Børs was around 573,000 shares in 2018, and the share is one of the 25 most liquid shares listed there. In addition, a substantial number of shares are traded in other marketplaces. Gjensidige pursues a shareholder-friendly capital and dividend policy, and the Gjensidige share is and should be a dividend-paying share.

Changed framework conditions

Solvency position

Gjensidige has applied for approval of a partial internal model (PIM) for calculating the regulatory capital requirement for parts of the business. The model was approved in 2018. The approved model is more conservative than the model Gjensidige originally applied for. Gjensidige has decided to accept the approval, but will continue to make efforts to get Gjensidige's own version of the partial internal model approved. The internal model, as defined by

Gjensidige, provides a good picture of the Company's risk situation and capital needs, and will continue to be used for internal control purposes. The Board has been involved in an extensive process to ensure the model is understood, and has discussed its results and methods in a number of contexts.

Tax

Tax deductions for technical provisions in general insurance companies will be limited with effect from 2018 to provisions for probable future expenses linked to insurance liabilities. Tax deductions will thus no longer be made for provisions for natural disaster capital and the guarantee scheme for general insurance (Norway). A transitional arrangement is in place whereby provisions for natural disaster capital and the guarantee scheme for general insurance, as of 1 January 2018, can, for tax purposes, be placed in a separate account that will only be taxable if the general insurance business is wound-up. Provision is not made for deferred tax on natural disaster capital or for the guarantee scheme for general insurance (Norway) pursuant to IAS 12 Income Taxes.

The tax value of the technical provisions in Gjensidige Forsikring was significantly reduced in 2018, largely because the previous security provision is no longer included. A transitional arrangement nonetheless enables the firm to divide the revenue recognition, for tax purposes, of this reduction on a straight-line basis over ten years, starting in 2018. The amount in question is NOK 4,667 million.

New rules have been adopted for life insurance companies and pension enterprises that clarify the distinction between client and firm assets. Pursuant to the new rules, the recognition of income and deductions and dating of assets in the customer portfolio are carried out in accordance with the accounting rules. Firm assets will still be taxed pursuant to the general stipulation and dating rules in the Taxation Act.

Pursuant to the transitional arrangement, life insurance companies can transfer the profit from their customer portfolio to the profit and loss account. The account is written down by 20 per cent each year. Gjensidige Pensjonsforsikring has added NOK 249.8 million to this account, 20 per cent of which is taken to income each year. The figure comprises temporary differences in the customer portfolio from 2017, and the profit for the year from the customer portfolio.

Vibeke Krag
Board member

Vibeke Krag (1962) has been a member of the Board of Gjensidige since 2018. She is previously CEO of Codan Forsikring A/S, General Counsel of the Codan Group, Lawyer and Partner at Eversheds LLP, Head of Legal at Forstædernes Bank A/S.

She is a Board Member of Nykredit A/S, Nykredit Realkredit A/S, Eniig Energi A/S, Eniig Energi Naturgas A/S, Unified Credit and Competition Council. In addition she is a Member of the Nomination Committee for the University of Copenhagen.

Krag has a Master of Law from University of Copenhagen and has a Board Leadership Masterclass from Copenhagen Business School.

Krag is up for election to the Board in 2019.

Shares in Gjensidige: See note 8.

Data protection

EU's new General Data Protection Regulation (GDPR) entered into force in 2018. Gjensidige took this opportunity to overhaul its systems and procedures for collecting, storing, processing and erasing data covered by the regulation. This was a major project that not only ensured compliance with the regulation, but also led to many operational improvements.

Statement concerning the annual accounts

Gjensidige reports consolidated financial information pursuant to International Financial Reporting Standards (IFRS).

Pursuant to the requirements of Norwegian accounting legislation, the Board confirms that the requirements for the going concern assumption have been met and that the annual accounts have been prepared on this basis.

The preparation of the accounts and application of the chosen accounting principles involve using assessments and estimates, and necessitate the application of assumptions that affect the carrying amount of assets and liabilities, income and expenses. The estimates and the pertaining assumptions are based on experience and other factors. The uncertainty associated with this means that the actual figures may deviate from the estimates. It is especially the insurance liabilities that are associated with this type of uncertainty

Profit/loss
The Group recorded a profit before tax expense of NOK 4,265.0 million (5,216.8). The result does not include the profit from Gjensidige Bank. The profit from general insurance operations, measured by the underwriting result, was NOK 3,605.8 million (3,410.1), corresponding to a combined ratio of 85.0 (85.4). The profit was positively affected by high run-off gains of NOK 2.4 billion. Adjusted for this, the underwriting result was NOK 1,248,9 million (2,379,8), corresponding to a combined ratio of 94.8 (89.8).

For the investment portfolio, the return on financial assets was 1.5 per cent (3.7), or NOK 820.9 million (2,002.6). The result was negatively affected by the weak development in the stock markets and increasing margins (widening of spreads) for credit, which negatively affected the bond portfolio.

The tax expense amounted to NOK 883.5 million (1,156.6), corresponding to an effective tax rate of 20.7 per cent (22.2). The effective tax rate was affected by realised and unrealised gains from equity investments in the EEA and a reduction in deferred tax on the guarantee scheme of around NOK 200 million.

The profit after tax expense for continued and discontinued operations was NOK 3,716.4 million (4,519.3), corresponding to NOK 7.44 (9,05) per share.

The underwriting result was positively affected by solid growth in premiums of 2.8 per cent, and earned premiums increased to NOK 24.1 billion (23.4). The result reflects the extraordinary weather conditions in Norway, with a long, harsh winter followed by an unusually warm, dry summer, and storms and heavy rain during the third quarter. Weather-related developments in frequency claims for motor, building and agricultural insurance in the first three quarters of the year, taking average historical levels into

Profit performance Group

NOK millions	2018	2017
General Insurance Private	1,934.8	2,200.0
General Insurance Commercial	1,548.2	1,634.8
General Insurance Denmark	434.5	284.0
General Insurance Sweden	78.2	(91.6)
General Insurance Baltics	68.5	(7.2)
Corporate Centre/costs related to owner	(379.1)	(272.4)
Corporate Centre/reinsurance [1]	(79.3)	(337.5)
Underwriting result general insurance [4]	**3,605.8**	**3,410.1**
Pension	166.6	103.7
Financial result from the investment portfolio [4]	820.9	2,002.6
Amortisation and impairment losses of excess value – intangible assets	(264.6)	(261.3)
Other items	(63.8)	(38.3)
Profit/(loss) for the period before tax expense	**4,265.0**	**5,216.8**
Key figures general insurance		
Large losses [2]	954.7	577.4
Run-off gains/(losses) [3]	2,356.9	1,030.3
Loss ratio [4]	69.8%	70.1%
Cost ratio [4]	15.2%	15.3%
Combined ratio [4]	85.0%	85.4%

1 Large losses in excess of NOK 30.0 million are charged to the Corporate Centre, while claims of less than NOK 30.0 million are charged to the segment in which the large losses occur. As a main rule, the Baltics segment has a retention level of EUR 0.5 million. Large losses allocated to the Corporate Centre amounted to NOK 202.9 million (220.6) for the year as a whole. Accounting items related to written reinsurance and reinstatement premium are also included.
2 Large losses = loss events in excess of NOK 10.0 million. Expected large losses for the quarter were NOK 318.0 million.
3 Run-off gains/(losses) = changes in estimates from earlier periods. Provisions are based on best estimates, and the expected run-off result over time is zero.
4 Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018.

account, are estimated to be between NOK 530 and 660 million. There were also a higher number of large losses than last year, partly driven by the weather conditions. However, the overall level of large losses was still slightly lower than the level expected in the long term.

An in-depth analysis performed by Gjensidige's actuaries in the fourth quarter concluded that there was a surplus in the claims provisions relating to accident and health claims for occupational injuries and motor claims in Norway, primarily from the period 2008 to 2014. This comes in addition to the previously calculated surplus provision, the remaining part of which amounts to NOK 4 billion, and which is scheduled to be distributed in the amount of around NOK 1 billion per year from 2019. The surplus of NOK 1,080 million was released in full in the fourth quarter, which contributed to the high level of run-off gains for the year 2018.

The Pension segment contributed record profits in 2018, driven by higher income through growth in customer portfolios and positive non-recurring effects. The Retail Bank's profit performance deteriorated as a result of higher operating and non-recurring expenses, write-downs and losses in addition to a reduction in income.

With the exception of claims provisions relating to the Danish workers' compensation portfolio and accident and health claims in Swedish third-party liability motor insurance, Gjensidige's claims provisions are recognised at nominal value (not discounted). For 2018, the combined ratio on a discounted basis would have been 84.0, compared with 84.8.

Expenses for research and development have not been charged to income in Gjensidige's consolidated accounts in 2018 or 2017. Nor have such expenses been capitalised during these two financial years.

Balance sheet and capital base
The Group's balance sheet total at year-end 2018 was NOK 156,762.9 million (149,072.4). This increase was mainly attributable to volume growth in the Retail Bank and Pension segments. Equity amounted to NOK 23,845.2 million (23,703.1) as of 31 December 2018.

The return on equity was 17.3 per cent (21.3).

In the first quarter 2018, the Financial Supervisory Authority of Norway approved Gjensidige's partial internal model for calculating the regulatory requirement, however with terms that result in a somewhat higher capital requirement than Gjensidige originally applied for. The solvency margin based on the approved partial internal model was 169 per cent, while it would have been 190 per cent based on Gjensidige's own partial internal model. The solvency margin, corrected for the sale of Gjensidige Bank ASA, was estimated to be 245 per cent. The solvency margin for 2017 based on the standard formula was 138 per cent, while it came to 169 per cent using Gjensidige's own partial internal model.

The solvency margin has been adjusted for the Board's dividend proposal of NOK 3.55 billion for the 2018 financial year.

Off-balance sheet commitments and derivatives
As part of the Group's investment activities, an agreement has been entered into for the investment of up to NOK 702.2 million (1,392.5) in loan funds with secured loans and various private equity and property fund investments, in addition to the amounts recognised in the balance sheet. In addition, Oslo Areal has a credit facility of a total of NOK 4 billion, of which NOK 2.5 billion had been used as of 31 December 2018.

Gunnar Mjåtvedt
Board member

Gunnar Mjåtvedt (1960) has been a member of Gjensidige's Board as an employee representative since 2007. He is also Gjensidige's senior employee representative.

Mjåtvedt has previously held positions as a sales consultant and senior consultant, and he has nearly 30 years' experience of the insurance sector. He studied mathematics and science subjects at upper secondary School, and is authorized insurance adviser within health and pension.

Mjåtvedt is up for election to the Board in 2020.

Shares in Gjensidige: See note 8.

Hilde Merete Nafstad Board member

Hilde Merete Nafstad (1963) has been a member of the Board of Gjensidige since 2017.

She is Vice President Finance and Control in Equinor, and is a Master of General Business from BI (siviløkonom). She is a deputy member of the general assembly of Gjensidige Foundation.

Nafstad has had several leading positions in Equinor Norsk Hydro, Saga Petroleum and the Ministry of Petroleum and Energy. She holds directorships-/chairman positions in a number of Boards of Statoil's international companies.

Nafstad is up for election to the Board in 2019

Shares in Gjensidige: See note 8.

Cash flow

Gjensidige is primarily an insurance company in which investments are part of the operational cash flow and therefore largely affected by strategic decisions. The Company's ability to self-finance investments is good. The net cash flow from operational activities mainly consists of payments in the form of premiums, net payments made/received in connection with deposits and loans from the banking operations and from the sale of investment assets, plus payments in the form of claims settlement costs, purchases of reinsurance, administration expenses and tax.

The net cash flow from operational activities was negative in the amount of NOK 1,891.7 million (plus 1,718.1) in 2018. The change in the cash flow in 2018 can largely be ascribed to the considerable decline in deposits from customers in banking operations.

The net cash flow from investment activities mainly consists of payments made/received in connection with the acquisition of subsidiaries and associated companies, owner-occupied property, plant and equipment, plus dividend from associated companies and joint ventures. The net cash flow from investment activities in 2018 was minus NOK 438.3 million (minus 834.6). The acquisition of Mølholm Forsikring in 2017 meant investments were higher than in 2018, when no similar purchases were made.

The net cash flow from financing activities mainly consists of payments made/received in connection with external debt financing and the payment of dividend to shareholders. The net cash flow from financing activities in 2018 was NOK 2,492.5 million (minus 397.5). The change is largely due to higher loans from financial institutions in the banking operations.

General Insurance Private

The underwriting result was NOK 1,934.8 million (2,200.0). A more adverse frequency claims situation, particularly driven by extreme weather conditions in Norway, and an increase in large losses were partly offset by an increase in run-off gains. The combined ratio was 77.9 (74.2).

Earned premiums increased to NOK 8,762.5 million (8,516.5). All main product lines recorded higher premiums compared with the same period the previous year, driven by price increases. Gjensidige's competitive position remained strong despite continued fierce competition.

Claims incurred amounted to NOK 5,720.7 million (5,226.2). The loss ratio was 65.3 (61.4), negatively impacted by frequency claims and large losses, partly offset by higher run-off gains. The loss ratio for motor increased as a result of the difficult driving conditions during the winter as well as underlying claims inflation driven by structural changes in the

General Insurance Private

NOK millions	2018	2017
Earned premiums	8,762.5	8,516.5
Claims incurred etc.	(5,720.7)	(5,226.2)
Operating expenses	(1,106.9)	(1,090.3)
Underwriting result[3]	**1,934.8**	**2,200.0**
Amortisation and impairment losses of excess value – intangible assets	(17.5)	(22.2)
Large losses [1]	142.2	32.3
Run-off gains/(losses) [2]	787.2	473.2
Loss ratio [3]	65.3%	61.4%
Cost ratio [3]	12.6%	12.8%
Combined ratio [3]	77.9%	74.2%

[1] Large losses = loss events in excess of NOK 10.0 million. Claims incurred in excess of NOK 30.0 million per event are charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018

Norwegian vehicle fleet and the new bonus model, which reduces the threshold for reporting claims. Significant pricing measures were initiated at the start of the year to mitigate the effects of claims inflation. The measures typically take 12-24 months to be fully reflected in the accounts. The expectation of reaching a turning point as regards motor profitability during the first half of 2019 remains unchanged. Property showed an increase in the loss ratio following the harsh and long-lasting winter, with significantly larger amounts of snow in the southern and south-eastern parts of Norway, regions where Gjensidige has a high market share. The loss ratio for property insurance was further impacted by fires and water damage related to the dry summer followed by heavy rainfall and storms towards the end of the third quarter.

Operating expenses amounted to NOK 1,106.9 million (1,090.3), which translates into a cost ratio of 12.6 (12.8).

Anne Marie Nyhammer
Board member

Anne Marie Nyhammer (1964) has been a member of Gjensidige's Board as an employee representative since 2016. She is technical manager in Gjensidige, and employee representative.

Nyhammer has previously been employed in DnB and in Norsk Hydro/Leirvik Sveis.

Nyhammer is up for election to the Board in 2020.

Shares in Gjensidige: See note 8.

General Insurance Commercial

The underwriting result was NOK 1,548.2 million (1,634.8). The decrease was mainly driven by an unfavourable underlying frequency claims situation mainly driven by the extraordinary weather conditions in Norway and an increase in large losses, partly offset by a significant increase in run-off gains. The combined ratio was 79.6 (77.6).

Earned premiums increased to NOK 7,603.3 million (7,300.5) mainly due to new business initiatives and solid renewals throughout the year for most product lines, especially motor, property and liability insurance. Ongoing pricing initiatives contributed to premium growth. Price increases and adjustments of terms and conditions will continue.

Claims incurred amounted to NOK 5,182.8 million (4,825.6), which correspond to a loss ratio of 68.2 (66.1). This increase, despite the significantly higher run-off gains, was primarily driven by motor, property and agriculture lines of business.

Motor and property were significantly impacted by the severe winter conditions. Property was further affected by damages resulting from heavy rainfall and storms during the third quarter.

The hot and dry weather during the summer resulted in significant damage to agricultural crops in Norway. Damage to crops in Norway related to drought is to a large extent covered by the Norwegian Government. However, Gjensidige covers part of the damage, over and above compensation from the Government. Gjensidige recorded a claims cost of NOK 80 million relating to crop damage in the third quarter 2018.

Motor insurance was negatively impacted by underlying claims inflation. Pricing measures were stepped up from the first quarter and will continue going forward, with the aim of closing the gap to the expected underlying claims inflation. It takes 12-24 months to see the full effect of price increases in the results. Motor profitability is still expected to reach a turning point during the first half of 2019.

Operating expenses amounted to NOK 872.3 million (840.1), corresponding to a cost ratio of 11.5 (11.5).

General Insurance Commercial

NOK millions	2018	2017
Earned premiums	7,603.3	7,300.5
Claims incurred etc.	(5,182.8)	(4,825.6)
Operating expenses	(872.3)	(840.1)
Underwriting result[3]	**1,548.2**	**1,634.8**
Large losses [1]	523.9	195.2
Run-off gains/(losses) [2]	1,268.4	452.9
Loss ratio [3]	68.2%	66.1%
Cost ratio [3]	11.5%	11.5%
Combined ratio [3]	79.6%	77.6%

[1] Large losses = loss events in excess of NOK 10.0 million. Claims incurred in excess of NOK 30.0 million per event are charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018

General Insurance Denmark

The underwriting result was NOK 434.5 million (284.0). The increase in the underwriting result was mainly driven by higher run-off gains, lower large losses and a somewhat improved underlying frequency claims situation. The combined ratio was 91.1 (94.1).

Earned premiums amounted to NOK 4,904.6 million (4,827.4). Adjusted for currency effects of NOK 125.3 million, earned premiums decreased somewhat, as a result of pricing and risk selection measures in the commercial portfolio. This was partly offset by growth in the private insurance lines.

Claims incurred amounted to NOK 3,766.2 million (3,863.0). Adjusted for currency effects of NOK 100.0 million, claims incurred decreased significantly compared with the same period in 2017. The loss ratio improved to 76.8 (80.0). driven by higher run-off gains and lower large losses, as well as a somewhat improved underlying frequency claims situation. In particular property and accident and health insurance contributed positively.

Operating expenses increased to NOK 704.0 million (680.3) of which currency effects accounted for NOK 17.7 million. The cost ratio was 14.4 (14.1).

General Insurance Denmark

NOK millions	**2018**	**2017**
Earned premiums	4,904.6	4,827.4
Claims incurred etc.	(3,766.2)	(3,863.0)
Operating expenses	(704.0)	(680.3)
Underwriting result[3]	**434.5**	**284.0**
Amortisation and impairment losses of excess value – intangible assets	(159.0)	(153.1)
Large losses [1]	55.7	87.6
Run-off gains/(losses) [2]	171.0	98.9
Loss ratio [3]	76.8%	80.0%
Cost ratio [3]	14.4%	14.1%
Combined ratio [3]	91.1%	94.1%

[1] Large losses = loss events in excess of NOK 10.0 million. Claims incurred in excess of NOK 30.0 million per event are charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018

General Insurance Sweden

The underwriting result increased to NOK 78.2 million (minus 91.6). The improvement was primarily driven by a more favourable underlying frequency claims situation and higher run-off gains. The combined ratio was 95.0 (105.3).

Earned premiums decreased to NOK 1,569.2 million (1,736.1), of which NOK 56.7 million was attributed to currency effects. The decrease was mainly the result of repricing measures in the private insurance lines.

Claims incurred decreased to NOK 1,231.7 million (1,491.9), of which NOK 48.7 million was due to currency effects. The loss ratio improved to 78.5 (85.9), partly driven by higher run-off gains and partly by a better underlying frequency claims contribution from

General Insurance Sweden

NOK millions	**2018**	**2017**
Earned premiums	1,569.2	1,736.1
Claims incurred etc.	(1,231.7)	(1,491.9)
Operating expenses	(259.3)	(335.8)
Underwriting result[3]	**78.2**	**(91.6)**
Amortisation and impairment losses of excess value – intangible assets	(70.2)	(71.1)
Large losses [1]	30.0	40.6
Run-off gains/(losses) [2]	64.7	(5.7)
Loss ratio [3]	78.5%	85.9%
Cost ratio [3]	16.5%	19.3%
Combined ratio [3]	95.0%	105.3%

[1] Large losses = loss events in excess of NOK 10.0 million. Claims incurred in excess of NOK 30.0 million per event are charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018

Terje Seljeseth
Board member

Terje Seljeseth (1960) has been a member of the Board of Gjensidige since 2018. He is working with analytics at the Tinius Foundation, and has previously been Executive Vice President in Schibsted for Product & Technology and for Classified Media. He has also been Managing Director in FINN.no, and has held various positions in Aftenposten AS and Telenor Media AS.

Seljeseth is an ADB Candidate / IT from the Computer Science School in Oslo and has Mathematics/ Informatics from UIO.

Seljeseth is up for election to the Board in 2019.

Shares in Gjensidige: See note 8.

both the private and commercial portfolio as a result of improved pricing and risk selection. Negotiations with partners and quality improvements are expected to contribute to continued improved profitability going forward.

Operating expenses decreased to NOK 259.3 million (335.8), of which NOK 11.0 million of the decline being due to currency effects. The underlying improvement was due to the integration of Vardia's operations. The cost ratio improved to 16.5 (19.3).

General Insurance Baltics

The underwriting result increased to NOK 68.5 million (minus 7.2), primarily driven by a significant improvement in the frequency claims situation and a favourable cost development. Initiatives to improve profitability were successfully executed during 2018. The combined ratio was 93.7 (100.7).

Earned premiums amounted to NOK 1,078.8 million (1,074.7). Currency effects increased earned premiums by NOK 31.1 million. The decrease, adjusted for currency effects, was the result of portfolio restructuring and repricing. Sales growth initiatives through low-cost channels such as the web, own call centres and new partnerships are expected to gain traction during 2019.

Claims incurred amounted to NOK 675.9 million (736.0). Currency effects increased claims incurred by NOK 21.3 million. The loss ratio was 62.7 (68.5). The significant improvement was primarily the result of improved tariffs, portfolio restructuring and efficient claims handling processes.

Operating expenses amounted to NOK 334.4 million (345.9). Currency effects increased operating expenses by NOK 10.0 million. The underlying improvement was mainly due to restructuring and cost saving initiatives. The cost ratio improved to 31.0 per cent (32.2).

General Insurance Baltics

NOK millions	**2018**	**2017**
Earned premiums	1,078.8	1,074.7
Claims incurred etc.	(675.9)	(736.0)
Operating expenses	(334.4)	(345.9)
Underwriting result[3]	**68.5**	**(7.2)**
Amortisation and impairment losses of excess value – intangible assets	(14.5)	(14.5)
Large losses [1]		
Run-off gains/(losses) [2]	24.4	22.0
Loss ratio [3]	62.7%	68.5%
Cost ratio [3]	31.0%	32.2%
Combined ratio [3]	93.7%	100.7%

1 Large losses = loss events in excess of EUR 0.5 million. Claims incurred in excess of this per event are as a rule charged to the Corporate Centre.
2 Run-off gains/(losses) = changes in estimates from previous years
3 Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018

Lotte Kronholm Sjøberg
Board member

Lotte Kronholm Sjøberg (1972) has been a member of Gjensidige's Board as an employee representative since 2015. She is chair of the staff union in Gjensidige Forsikring Denmark.

Among other things, Kronholm Sjøberg has previously held position as a consultant in the change and ownership-departement in Nykredit Forsikring. She has studied at Copenhagen Business School and has a Master's Degree in mediation and conflict resolution from Faculty of Law, Copenhagen University.

Kronhold Sjøberg is up for election to the Board in 2019.

Shares in Gjensidige: See note 8.

Pension
Increased operating revenues continued to contribute to significant growth in earnings. The profit before tax expense was NOK 166.6 million (103.7) which is the best yearly result ever for the pension business.

During the fourth quarter the provisioning for longevity relating to the paid-up policy portfolio was completed.

Pension

NOK millions	**2018**	**2017**
Administration fees	144.4	134.6
Insurance income	72.6	36.3
Management income etc.	150.5	130.4
Operating expenses	(241.0)	(227.3)
Net operating income	**126.5**	**74.0**
Net financial income	40.2	29.7
Profit/(loss) before tax expense	**166.6**	**103.7**
Run-off gains/(losses) [1]		
Operating margin [2]	34.41%	24.55%
Recognised return on the paid-up policy portfolio [3]	5.61%	3.75%
Value-adjusted return on the paid-up policy portfolio [4]	4.30%	4.47%

1 Run-off gains/(losses) = changes in estimates from previous years
2 Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group 2018
3 Recognised return on the paid-up policy portfolio = realised return on the portfolio
4 Value-adjusted return on the paid-up policy portfolio = total return on the portfolio

Administration fees increased to NOK 144.4 million (134.6) driven by a growing customer portfolio. Insurance income was NOK 72.6 million (36.3). The main reasons for the improved income was a strengthening of IBNR reserves the same quarter in 2017 and risk result relating to the paid-up policies, previously used for provisioning for longevity 2018. Management income increased to NOK 150.5 million (130.4) as a result of growth in assets under management.

Operating expenses increased to NOK 241.0 million (227.3), driven by increased distribution costs due to higher business volume.

Net financial income, including returns on both the group policy portfolio and the corporate portfolio, amounted to NOK 40.2 million (29.7). The improvement was related to an increased return on financial assets, particularly property, as well as a release of excess longevity results in the fourth quarter.

The recognised return on the paid-up policy portfolio was 5.61 per cent (3.75). The improvement was related to non-recurring effects due to the changed classification of unrealised gains relating to property investments. The average annual interest guarantee was 3.3 per cent.

Assets under management have increased by NOK 1,989.2 million since year end 2017, but they decreased by NOK 1,023.3 billion during the fourth quarter as a result of market turmoil. Total pension assets under management amounted to NOK 30,688.2 million (28,699.0) including the group policy portfolio of NOK 6,586.4 million (6,018.4).

Retail Bank (discontinued operation)
With reference to IFRS 5, Gjensidige Bank was reported as discontinued operation from the third quarter 2018. Please refer to note 25 for further details.

The profit before tax expense decreased to NOK 447.3 million (612.3). Adjusted for non-recurring items in 2017 (impaired portfolio sale and change in probability of default and loss given default) and 2018 (impaired and written-off portfolio sale, termination of the distribution agreement, costs as a consequence of the sale of the bank and a correction of individual loan loss[3] provisioning) profit before tax expense amounted to NOK 384.2 million (445.0). The decrease was mainly driven by higher expenses and lower income.

Net interest income amounted to NOK 1,021.3 million (992.3). The improvement was driven by lending growth, partly offset by lower lending margins.

Net commission income and other income amounted to minus NOK 15.7 million (plus 42.9). The decrease was the result of higher acquisition costs driven by business growth and losses on financial instruments.

The net interest margin[1] was 1.89 per cent (2.03). The decrease was driven by the change in the portfolio composition and an increase in financing costs.

Operating expenses were NOK 488.4 million (412.5). The increase was driven by costs related to sale of the bank to Nordea, termination of the distribution agreement with Gjensidige's Private division and business growth. Expenses, adjusted for non-recurring items were NOK 459.5 million (412.5). The increase is mainly due to business growth.

The cost/income ratio increased to 48.6 per cent (39.8), driven by the decrease in income and increased expenses.

Total write-downs and losses amounted to NOK 70.0 million (10.3). The increase was driven by the non-recurring items mentioned above. Excluding these items, total write-downs and losses amounted to NOK 156.4 million (156.0).

The new IFRS rules have been implemented and the previous year's financials are therefore not directly comparable. The transition from IAS 39 to IFRS 9 rules led to an increase of NOK 13.9 million in the losses and provisioning balance at the beginning of the year. The impact was charged directly to equity, after adjusting for the impact of tax.

Write-downs and losses were 0.14 per cent (0.02) of average gross lending. Adjusted for non-recurring items, write-downs and losses were 0.32 per cent (0.36) of average gross lending.

The weighted average loan-to-value ratio[2] for the mortgage portfolio was estimated to be 60.9 per cent (60.6).

Gross lending increased by 12.0 per cent and amounted to NOK 51,582.5 million (46,056.1) at the end of 2018. Deposits decreased by 2.7 per cent, reaching NOK 23,123.0 million (23,765.7). The deposits-to-loans ratio was 44.8 per cent (51.6).

As result of the Share Purchase Agreement between Gjensidige Forsikring ASA and Nordea, S&P Global Ratings placed its 'A' long-term and 'A-1' short-term issuer credit ratings for Gjensidige Bank ASA and its subsidiary Gjensidige Bank Boligkreditt AS, on Credit Watch with positive implications. The change took place on 4 July.

1) The net interest margin is calculated as net interest income as a percentage of average total assets, annualised.
2) The loan-to-value ratio estimate is calculated on the basis of the exposure on the reporting date and the property valuation, including any higher priority pledge(s), at the time the loan was approved and taking into account any corrections done manually thereafter to reflect accurate valuation.
3) Following a comprehensive loan-by-loan review of the impaired car loan portfolio, individual write-downs have been adjusted upwards. The increased individual provisions are partly offset by a reduction in group provisions, but the net impact was minus NOK 30.9 million (negative earnings impacts).

Retail Bank

NOK millions	**2018**	**2017**
Interest income and related income	1,744.6	1,631.7
Interest expenses and related expenses	(723.3)	(639.4)
Net interest income	**1,021.3**	**992.3**
Net commission income and other income	(15.7)	42.9
Total income	**1,005.6**	**1,035.2**
Operating expenses	(488.4)	(412.5)
Write-downs and losses	(70.0)	(10.3)
Profit/(loss) before tax expense	**447.3**	**612.3**
Net interest margin [1]	1.89 %	2.03 %
Write-downs and losses [1]	0.14 %	0.02 %
Cost/income ratio [1]	48.6 %	39.8 %

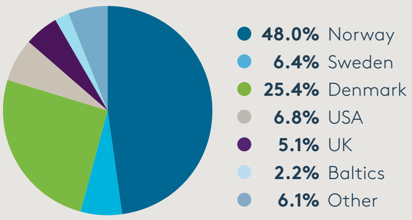
[1] Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Bank 2018

Financial assets and properties

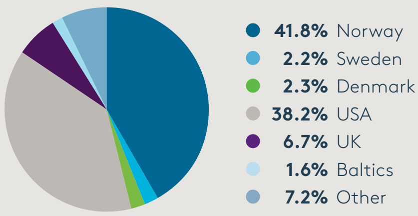
NOK million	Return in per cent 2018	Return in per cent 2017	Result 2018	Result 2017	Carrying amount 31.12. 2018	Carrying amount 31.12. 2017
Match portfolio						
Money market	1.2	1.8	57.5	81.4	4,917.9	4,256.6
Bonds at amortized cost	4.0	4.0	642.1	694.7	15,698.5	17,597.5
Current bonds [1]	0.1	1.6	7.0	204.9	13,892.5	13,729.6
Match portfolio total	**2.0**	**2.8**	**706.5**	**981.0**	**34,508.9**	**35,583.6**
Free portfolio						
Money market	0.6	0.8	26.9	36.2	3,703.2	4,061.0
Other bonds [2]	(0.8)	3.1	(23.0)	103.9	3,912.7	3,354.6
High yield bonds [3]	(2.8)	6.1	(12.8)	51.3	436.1	648.8
Convertible bonds [3]	(1.1)	7.6	(11.3)	80.8	713.8	1,160.1
Current equities [4]	(6.4)	15.1	(217.1)	452.3	2,466.2	3,492.7
PE funds	14.8	8.4	189.5	100.0	1,346.6	1,269.7
Property	7.0	9.7	275.8	331.2	4,608.8	3,494.8
Other [5]	(8.4)	(8.1)	(113.3)	(134.2)	1,119.6	1,794.9
Free portfolio total	**0.6**	**5.3**	**114.4**	**1,021.6**	**18,307.1**	**19,276.6**
Financial result from the invesment portfolio	**1.5**	**3.7**	**820.9**	**2,002.6**	**52,816.0**	**54,860.2**
Financial income in Pension			40.2	29.7		
Interest expenses subordinated loan Gjensidige Forsikring ASA			(30.9)	(30.1)		
Net income from investments			**830.2**	**2,002.2**		

[1] The item includes discounting effects of the insurance liabilities in Denmark and Sweden, and a mismatch between interest rate adjustments on the liability side in Denmark and the corresponding interest rate hedge. Investments include mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt.
[2] The item includes investment grade, emerging market and current bonds. Investment grade and emerging market bonds are investments in internationally diversified funds that are externally managed.
[3] Investments in internationally diversified funds that are externally managed.
[4] Investments mainly in internationally diversified funds that are externally managed. In addition, there is negative derivative exposure of NOK 202.9 million.
[5] The item includes currency hedging related to Gjensidige Sweden and Gjensidige Denmark, lending, paid-in capital in Gjensidige Pensjonskasse, profit/loss effects from total return swaps with Gjensidige Pensjonsforsikring AS and Gjensidige Pensjonskasse, hedge funds, commodities and finance-related expenses.

Geographic distribution match portfolio at the end of 2018

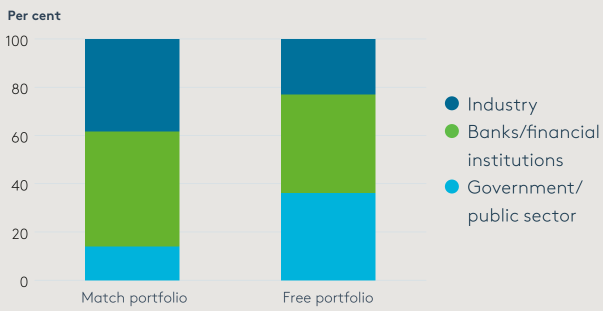


Geographic distribution fixed income instruments in free portfolio at the end of 2018



Credit rating fixed income instruments at the end of 2018

Counterparty risk fixed income instruments at the end of 2018



Management of financial assets and properties

The Group's investment portfolio includes all investment funds in the Group, except for investment funds in the Pension and Retail Bank segments. The investment portfolio is split into two parts: a match portfolio and a free portfolio. The match portfolio is intended to correspond to the Group's technical provisions. It is invested in fixed-income instruments with a duration and currency that match the duration and currency of the technical provisions. The free portfolio consists of various assets. The allocation of assets in this portfolio must be seen in conjunction with the Group's capitalisation and risk capacity, as well as the Group's risk appetite at all times. Results from the use of derivatives for tactical and risk management purposes are assigned to the respective asset classes. Currency risk in the investment portfolio is generally hedged close to 100 per cent, within a permitted range of +/- 10 per cent per currency.

At the end of the period, the investment portfolio totalled NOK 52.8 billion (54.9). The financial result as of the fourth quarter was NOK 820.9 million (2,002.6), which corresponds to a return on total assets of 1.5 per cent (3.7).

Match portfolio

The match portfolio amounted to NOK 34.5 billion (35.6). The portfolio yielded a return of 2.0 per cent (2.8), excluding changes in the value of the bonds recognised at amortised cost. The lower result compared to the previous year was mainly due to widening of the credit spread on current bonds in the match portfolio. Bonds recognised at amortised cost amounted to NOK 15.7 billion (17.6).

Unrealised excess value amounted to NOK 0.8 billion (1.2) at the end of the period. The reinvestment rate for new investments in the portfolio of bonds held at amortised cost was approximately 3.3 per cent on average for the year, and the running yield was 3.8 per cent at the end of the period.

The average duration of the match portfolio was 3.3 years. The average term to maturity for the corresponding insurance liabilities was 3.8 years. The distribution of counterparty risk and credit rating is shown in the charts on page 74. Securities without an official credit rating amounted to NOK 9.0 billion (10.7). Of these securities, 6.1 per cent (6.5) were issued by Norwegian savings banks, while the remainder were mostly issued by Norwegian power producers and distributors, property companies, industry and municipalities. Bonds with a coupon linked to the development of the Norwegian consumer price index accounted for 6.4 per cent (8.5) of the match portfolio.

Free portfolio

The free portfolio amounted to NOK 18.3 billion (19.3) at the end of the period. The return was 0.6 per cent (5.3).

Fixed-income instruments

The fixed-income instruments in the free portfolio amounted to NOK 8.8 billion (9.2), of which money market investments, including cash, accounted for NOK 3.7 billion (4.1). The rest of the portfolio was invested in international bonds (investment grade, high yield and convertible bonds). The total fixed-income portfolio yielded a return of minus 0.2 per cent (2.8). The increase in credit spreads was the main driver of the negative returns.

At the end of the period, the average duration in the portfolio was approximately 3.1 years. The distribution of counterparty risk and credit rating is shown in the tables on page 74. Securities without an official credit rating amounted to NOK 1.3 billion (2.3). Of these securities, 6.0 per cent (15.2) were issued by Norwegian savings banks, while the remainder were mostly issued by industry and municipalities.

The geographical distribution[1] of the fixed-income instruments in the free portfolio is shown in the chart above.

Equity portfolio

The total equity exposure at the end of the period was NOK 3.8 billion (4.8), of which NOK 2.5 billion (3.5) consisted of current equities and NOK 1.3 billion (1.3) of PE funds. The return on current equities was minus 6.4 per cent (plus 15.1). The result was influenced by a non-recurring gain of NOK 57.5 million on the sale of a single stock holding. The negative return was driven by a weak market development for equities in general. MSCI World and emerging market equities declined approximately 8 per cent and 16 per cent respectively during the year. PE funds generated a return of 14.8 per cent (8.4).

Property portfolio

At the end of the period, the exposure to commercial real estate in the portfolio was NOK 4.6 billion (3.5).

1 The geographical distribution is related to issuers and does not reflect actual currency exposure

The property portfolio yielded a return of 7.0 per cent (9.7).

Risk

Risk is defined as the possibility of a potential event affecting the Group's goal attainment. In order to understand and manage risk, an assessment is therefore carried out of both the probability of the potential event occurring and its consequences should it occur. Through the Group's risk management and internal control framework, a common library structure has been established that systematically identifies, assesses, communicates and manages risk throughout the Group. The risk assessment process is coordinated with the Group's planning and strategy processes.

Risk management is based on specified goals and strategies and the limits on risk exposure stipulated by the Board. Further description of risk management can be found in Note 3 to the annual accounts.

Insurance risk

The risk in individual insurance contracts is the probability of an insurance event occurring, and uncertainty concerning the size of the subsequent compensation amount. The insurance risk relating to special types of major risks or exposure is managed through authorisations and lines of reporting for ordinary operations. Clear guidelines have been drawn up for what insurance policies can be taken out. The risk of a generally unsatisfactory premium level is monitored on a continuous basis by the product and actuary department, and increasingly precise methods for pricing are being developed.

The Board stipulates annual limits for the Group's reinsurance programme. The limits are defined based on the need to protect equity against large loss events or other significant negative developments. Reinsurance is also used to safeguard the underwriting result and provide protection against the frequency of medium-sized and large losses. The reinsurance programme is described in more detail in Note 3 to the consolidated annual accounts.

The statutory actuary function is carried out by the Group's actuary department. The actuary function is responsible for controlling technical provisions, including that the data used to calculate technical provisions are of sufficient quality. It shall also state an opinion on guidelines for taking out insurance policies and reinsurance schemes in the Group. In order to ensure the actuary function's independence, employees included in this function are not responsible for calculating the technical provisions. This is done by other employees in the actuary department. The head of the actuary function reports to the CEO.

The technical provisions are intended to cover claims that have been incurred and reported to the Company (RBNS), and claims that have been incurred but not yet been reported (IBNR). There will always be a risk that these provisions will be insufficient. Gjensidige therefore makes continuous efforts to further develop methods and models based on new experience and knowledge. External actuaries are sometimes used to perform independent calculations of the best estimate for technical provisions.

The insurance risk is deemed to be moderate based on the reinsurance coverage the Group has purchased.

Financial risk

Financial risk concerns exposure relating to financial investments in the insurance operations. The counter entry in the balance sheet consists of actuarial liabilities, other liabilities and equity. The investments mainly consist of fixed-income investments, property and equity investments. The value of the investments can be affected by changes in macroeconomic factors.

Through the Board's adoption of strategic allocations of assets with pertaining risk limits for the different risk types and a dynamic risk management model, limits are set that make it possible to rapidly adjust risk relating to changed macroeconomic assumptions. Price, interest rate and currency risk is also followed up through stress tests, where the buffer capital must be sufficient at all times to be able to withstand sharp falls in both equity and bond prices.

For more detailed information about financial risk and stress tests, see Note 3 to the consolidated annual accounts.

Limits have been defined for the necessary access to liquid assets. They are taken into account in the strategic allocation of assets. The liquidity risk is considered to be very low. The Group is exposed to credit risk through investments in the bond and money market and through lending. The Board has defined limits for the credit operations. Credit losses have been insignificant to date. Outstanding claims against the Group's reinsurers may also represent a substantial credit risk. Counterparty risk in the reinsurance market is continuously assessed. The Group's reinsurers shall at least have an A rating from Standard & Poor's or an equivalent rating from one of the other reputable rating companies.

The Board has assessed the risk of losses on loans, guarantee liabilities and other receivables, and necessary provisions have been made in the accounts.

Operational risk

Operational risk is defined as a potential incident or event that may arise during operations and that may have financial consequence and/or negative consequences for reputation. Operational risk can be due to human error, weaknesses in systems, faults in processes or external events. In order to reduce the risk, emphasis has been placed on well-defined and clear lines of reporting and division of responsibility in the organisation of the business. Set procedures have been established for conducting risk assessments, and the Board evaluates the status annually as part of the Company's internal control system.

An independent Compliance function has been established to help the Group avoid official sanctions, financial losses or a loss of reputation as a result of failure to comply with external and internal regulations. The Compliance function identifies, assesses, advises on, monitors and reports on the Group's risk of non-compliance with laws, regulations and internal guidelines.

The Risk Management function shall help the Group to manage operational risk in accordance with requirements and expectations adopted by the Board. The Risk Management function identifies, assesses, advises on, monitors and reports on operational risk and undesirable incidents.

A group-wide incidents database has been created in order to register, handle and, not least, learn from undesirable incidents.

Ethical issues are discussed at training courses for new employees and they are also discussed regularly by management groups and at departmental staff meetings. This is intended to reduce the risk of breaches of procedures and guidelines, while also contributing to a good working environment.

Employees have also signed a personal data discipline statement relating to the use of the Group's information and IT systems.

Gjensidige works actively to combat corruption, and a dedicated anti-corruption programme has been established to reduce the risk of irregularities and corruption. The programme consists of a combination of preventive activities, control and detection activities, and a clear and consistent follow-up and sanctions system.

Gjensidige has established an internal audit function. On behalf of the Board, this function has been assigned the role of monitoring and assessing whether the risk management and internal control systems function as intended.

Strategic risk

Strategic risk is related to decisions and strategic choices as well as the implementation of critical measures. Gjensidige's strategy is monitored continuously in relation to changes in performance, developments in the market and competition, and changes in framework conditions. Factors that have been identified as critical to the Company's goal attainment are monitored particularly closely. To ensure that Gjensidige is ahead of developments, strategic risk is managed through continuous monitoring of competitors and the market, follow-up of profitability, and through product development and planning processes.

In the insurance market, Gjensidige faces challenges from both traditional Norwegian financial players and new companies. Increased digitalisation and new business models entail new challenges. Emphasis is therefore placed on Gjensidige's ability to quickly adapt to consumer demand for new service channels and its ability to utilise modern technology and support systems in an efficient manner.

Continuous efforts are being made to develop new products and service solutions that are adapted to customer needs, at the same time as the organisation, processes and value chains are reviewed and standardised to reduce costs and increase efficiency. There is a risk that Gjensidige will not manage to adapt to the changes in time and in line with market expectations. In order to reduce this risk, Gjensidige keeps close track of developments in the insurance market.

More and more is expected of our staff and managers in terms of expertise. There is a risk that inadequate or insufficiently adapted expertise will reduce our chances of realising commercial and strategic ambitions. There is also competition to attract and retain capable employees. Targeted efforts are therefore being made to ensure that we have the right expertise at all levels of the organisation, including through systematic staffing and succession planning and arrangements that ensure good internal mobility among employees.

The Gjensidige Customer and Brand School is responsible for competence-raising and management development in Gjensidige. The school offers training for sales personnel, claims handlers and managers based on the Group's strategic focus and development areas. New employer branding measures have been implemented and recruitment processes have been further developed and made more targeted.

Corporate governance

The Board has prepared a separate report on corporate governance in line with NUES' recommendation on page 50-55.

Employees, corporate social responsibility and the environment

The Board has prepared a separate report on corporate social responsibility in line with Oslo Børs' recommendation on page 22-49. The report also covers employee and environmental considerations.

Strategy and outlook

The Group's annual financial and solvency targets for the period 2019 through 2022, given disposal of the bank, are as follows:

- Combined ratio between 86 and 89 per cent (undiscounted)
  - Corresponding to 90 to 93 per cent given zero run-off gains
  - Average annual run-off gains of ~NOK 1 billion are still expected through 2022
- Cost ratio <15 per cent
- Solvency margin based on the Partial Internal Model (both the regulatory approved model and the model with internal calibration) between 135 and 200 per cent
  - The solvency margin should remain in the upper half of the range in order to support an 'A' rating, stable regular dividends over time, financial flexibility for smaller acquisitions and organic growth not financed through retained earnings, as well as providing a buffer for regulatory changes.
- Return on equity after tax > 20 per cent
  - Corresponding to > 16 per cent excluding run-off gains
- Underwriting result outside Norway of NOK 750 million in 2022, excluding run-off

These are financial targets and should not be regarded as guidance for any specific quarter or year. Unexpected circumstances relating to the weather, the proportion of large losses and run-off gains or losses could contribute to a combined ratio that is above or below the annual target range.

Gjensidige's ambition is to become the most customer-oriented general insurance company in the Nordic and Baltic region. The Group's priority is to retain its strong and unique position in Norway and to continue improving profitability outside. Furthermore, the Group will focus on ensuring continued capital discipline, including delivering attractive returns to shareholders. The key operational strategic priorities to reach these ambitions are to deliver the best digital customer experiences, focus on business intelligence and advanced analytics and to develop dynamic organisational capabilities.

Organic growth is expected to be in line with nominal GDP growth in Gjensidige's market areas in the Nordic countries and the Baltic states over time. In addition, profitable growth will be achieved by pursuing a disciplined acquisition strategy, as has been done successfully in the past. Strong emphasis will also be placed on further developing cooperation with partners and distributors. The sale of Gjensidige Bank to Nordea is expected to be closed during the first quarter 2019. The mutual distribution of insurance and financing products will commence shortly after, with the parties exploring opportunities in both the private and commercial segments.

Competition is still strong in the Norwegian general insurance market. Gjensidige has managed to capitalise on its position as market leader in Norway, and competitiveness remains good. Continued efforts to maintain and further strengthen Gjensidige's position in the Norwegian market will be prioritised.

In particular, Gjensidige will continue with efforts to improve profitability for the motor insurance line in Norway. Profitability for this insurance line is still expected to reach a turning point during the first half of 2019.

Initiatives to further improve profitability and growth outside Norway continue. New, profitable M&A opportunities will be considered in the Nordic region and the Baltic states.

Gjensidige is currently in a blue-print process for a new core system. The investment in a new core system is expected to be handled within the current cost ratio target, and will be made step-by-step, starting with Denmark, then Sweden and finally Norway.

Gjensidige has a robust investment strategy, although returns are affected by challenging market conditions. There are still some outstanding uncertainties relating to changes to the regulatory framework conditions for the financial sector in Norway and internationally.

The Group has satisfactory capital buffers in relation to internal risk models, statutory solvency requirements and its target rating. The Board considers the Group's capital situation and financial strength to be good.

The sale of Gjensidige Bank will, upon closing, have a temporary negative impact on the Group's return on equity, until the proceeds have been reinvested in value-enhancing opportunities or returned to shareholders. The gain on the sale will be excluded from the basis for calculating the pay-out ratio for regular dividends.

Geopolitical uncertainty, low interest rates and financial challenges in several key economies, reflect an uncertain economic situation. The macroeconomic outlook in the Nordic region and the outlook for Gjensidige's operations are still regarded as good.

There is always considerable uncertainty associated with the assessment of future developments. However, the Board remains confident in Gjensidige's ability to deliver solid earnings- and dividend growth over time.

Events after the balance sheet date

No significant events have occurred after the end of the period.

Allocation of the profit before other income and expenses

The Group's profit for the year after tax expense for continued and discontinued operations amounted to NOK 3,716.4 million. The Board has adopted a dividend policy that forms the basis for the dividend proposal submitted to the general meeting. The Board proposes a dividend of NOK 3.55 billion for the 2018 financial year. This corresponds to NOK 7.10 per share, or 95.5 per cent of the Group's profit after tax. The proposed dividend is contingent on the approval of the Financial Supervisory Authority because it amounts to more than 100 per cent of the profit for Gjensidige Forsikring ASA in 2018.

Gjensidige's capitalisation is adapted at all times to the Group's adopted strategic goals and appetite for risk. The Group shall maintain its financial freedom of action in parallel with strong capital discipline that supports the Group's targeted return on equity.

It is proposed that the parent company's profit before other components of income and expense of NOK 3,034.5 million be allocated as follows:

NOK millions	
Proposed dividend	3,550.0
Transferred to undistributable reserves	186.4
Transferred from other retained earnings	(701.9)
Allocated	**3,034.5**

Other components of income and expense as presented in the income statement are not included in the allocation of profit.

The Board has decided to pay employees of Gjensidige Forsikring ASA a collective bonus corresponding to NOK 16.000, including holiday pay, per full-time employee. The bonus is based on the underwriting result, market development, customer satisfaction and organisation, engagement, expertise and presence. The Board can apply a discretionary assessment in relation to the criteria, and assess the year's results and to what extent they support the dividend policy.

The Board wishes to thank each individual employee for their contribution to Gjensidige's results in 2018.

Oslo, 14 February 2019
The Board of Gjensidige Forsikring ASA

Gisele Marchand
Chair

Per Arne Bjørge

Eivind Elnan

John Giverholt

Vibeke Krag

Gunnar Mjåtvedt

Hilde Merete Nafstad

Anne Marie Nyhammer

Terje Seljeseth

Lotte Kronholm Sjøberg

Helge Leiro Baastad
CEO

Financial statements and notes

Gjensidige Forsikring Group

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Gjensidige Forsikring ASA

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Consolidated income statement

NOK millions	Notes	1.1.-31.12.2018	1.1.-31.12.2017
Operating income			
Earned premiums from general insurance		24,052.8	23,398.3
Earned premiums from pension		2,050.5	1,832.7
Other income including eliminations		158.2	135.1
Total operating income	**4**	**26,261.6**	**25,366.1**
Net income from investments			
Results from investments in associates and joint ventures	5	291.8	255.8
Interest income and dividend etc. from financial assets		1,032.2	1,024.8
Net changes in fair value on investments (incl. property)		(502.8)	(355.1)
Net realised gain and loss on investments		129.8	1,196.0
Expenses related to investments		(120.8)	(119.3)
Total net income from investments	**6**	**830.2**	**2,002.2**
Total operating income and net income from investments		**27,091.7**	**27,368.4**
Claims, interest expenses, loss etc.			
Claims incurred etc. from general insurance		(16,791.1)	(16,401.7)
Claims incurred etc. from pension		(1,833.5)	(1,661.8)
Total claims, interest expenses, loss etc.		**(18,624.6)**	**(18,063.5)**
Operating expenses			
Operating expenses from general insurance		(3,655.9)	(3,586.5)
Operating expenses from pension		(241.0)	(227.3)
Other operating expenses		(40.6)	(12.9)
Amortisation and impairment losses of excess value - intangible assets		(264.6)	(261.3)
Total operating expenses	**7**	**(4,202.1)**	**(4,088.1)**
Total expenses		**(22,826.7)**	**(22,151.6)**
Profit/(loss) before tax expense	**4**	**4,265.0**	**5,216.8**
Tax expense	9	(883.5)	(1,156.6)
Profit/(loss) from continuing operations		**3,381.6**	**4,060.2**
Profit/(loss) from discontinued operations	25	334.9	459.1
Profit/(loss) from continuing and discontinued operations		**3,716.4**	**4,519.3**
Profit/(loss) attributable to:			
Owners of the company continuing operations		3,382.7	4,064.0
Owners of the company discontinued operations		334.9	459.1
Non-controlling interests		(1.2)	(3.8)
Total		**3,716.4**	**4,519.3**
Earnings per share from continuing and discontinued operations, NOK (basic and diluted)	**24**	**7.44**	**9.05**
Earnings per share from continuing operations, NOK (basic and diluted)	**24**	**6.77**	**8.13**

Consolidated statement of comprehensive income

NOK millions	Notes	1.1.-31.12.2018	1.1.-31.12.2017
Profit/(loss)		**3,716.4**	**4,519.3**
Other comprehensive income			
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability/asset	10	(50.8)	(340.2)
Share of other comprehensive income of associates and joint ventures		0.0	(0.7)
Tax on other comprehensive income that will not be reclassified subsequently to profit or loss	9	12.7	85.1
Total other comprehensive income that will not be reclassified subsequently to profit or loss		**(38.1)**	**(255.9)**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Exchange differences from foreign operations		14.9	577.2
Tax on other comprehensive income that will be reclassified subsequently to profit or loss	9	(0.7)	(88.2)
Total other comprehensive income that will be reclassified subsequently to profit or loss		**14.2**	**489.1**
Total other comprehensive income of continuing operations		**(23.9)**	**233.2**
Total other comprehensive income of discontinued operations		0.1	(1.8)
Total comprehensive income from continuing and discontinued operations		**3,692.6**	**4,750.7**
Total comprehensive income attributable to:			
Owners of the company continuing operations		3,358.8	4,297.2
Owners of the company discontinued operations		335.0	457.3
Non-controlling interests		(1.2)	(3.8)
Total		**3,692.6**	**4,750.7**

Consolidated statement of financial position

NOK millions	Notes	31.12.2018	31.12.2017
Assets			
Goodwill	11	3,577.0	3,557.4
Other intangible assets	11	1,288.1	1,472.2
Deferred tax assets	9	13.1	11.3
Investments in associates and joint ventures	5	2,959.7	1,859.4
Interest-bearing receivables from joint venture	5, 13	2,513.1	1,620.1
Owner-occupied property, plant and equipment	12	251.9	290.1
Pension assets	10	156.6	206.0
Financial assets			
Financial derivatives	13	577.9	674.0
Shares and similar interests	13, 14	5,134.9	7,328.3
Bonds and other securities with fixed income	13	26,374.8	30,734.2
Bonds held to maturity	13	391.5	1,136.0
Loans and receivables	13, 15	20,477.9	67,010.1
Assets in life insurance with investment options	13	23,909.5	22,565.5
Reinsurers' share of insurance-related liabilities in general insurance, gross	16	926.9	827.4
Receivables related to direct operations and reinsurance		6,784.7	5,840.8
Other receivables	15	1,081.7	1,064.5
Prepaid expenses and earned, not received income	15	81.7	189.9
Cash and cash equivalents		2,363.3	2,685.2
Assets held for sale	25	57,898.8	
Total assets		**156,762.9**	**149,072.4**
Equity and liabilities			
Equity			
Share capital		999.9	1,000.0
Share premium		1,430.0	1,430.0
Natural perils capital		2,491.1	2,333.4
Guarantee scheme provision		653.9	638.3
Perpetual Tier 1 capital Gjensidige Bank (held for sale)		444.8	
Other equity		17,824.9	18,283.4
Total equity attributable to owners of the company		**23,844.7**	**23,685.1**
Non-controlling interests		0.5	18.0
Total equity	**17**	**23,845.2**	**23,703.1**
Provision for liabilities			
Subordinated debt	13, 18	1,498.0	1,947.3
Premium reserve in life insurance		6,336.2	5,784.9
Provision for unearned premiums, gross, in general insurance	16	10,051.1	9,961.4
Claims provision, gross	16	29,355.8	31,322.7
Other technical provisions		353.2	339.6
Pension liabilities	10	562.4	578.3
Other provisions	19	319.3	328.6
Financial liabilities			
Financial derivatives	13	869.9	584.9
Deposits from and liabilities to customers	13, 19		23,765.7
Interest-bearing liabilities	13, 19		23,083.4
Other liabilities	13, 19	2,838.4	1,265.2
Current tax	9	638.8	1,131.5
Deferred tax liabilities	9	1,093.0	1,076.8
Liabilities related to direct insurance and reinsurance	13	1,174.5	1,132.8
Liabilities in life insurance with investment options	13	23,909.5	22,565.5
Accrued expenses and deferred income	13, 19	403.3	500.8
Liabilities held for sale	25	53,514.4	
Total liabilities		**132,917.7**	**125,369.3**
Total equity and liabilities		**156,762.9**	**149,072.4**

Oslo, 14 February 2019
The Board of Gjensidige Forsikring ASA

Gisele Marchand
Chair

Per Arne Bjørge

Eivind Elnan

John Giverholt

Vibeke Krag

Gunnar Mjåtvedt

Hilde Merete Nafstad

Anne Marie Nyhammer

Terje Seljeseth

Lotte Kronholm Sjøberg

Helge Leiro Baastad
CEO

Consolidated statement of changes in equity

NOK millions	Share capital	Own shares	Share premium	Other paid-in capital	Perpetual Tier 1 capital	Exchange differ-ences	Re-measure-ment of the net defined benefit liab./asset	Other earned equity	Total equity
Equity as at 31.12.2016 attributable to owners of the company	**1,000.0**	**(0.1)**	**1,430.0**	**39.2**	**1,298.3**	**113.5**	**(1,702.0)**	**20,127.2**	**22,306.3**
Non-controlling interests									19.8
Equity as at 31.12.2016									**22,326.0**
1.1.-31.12.2017									
Comprehensive income									
Profit/(loss) (the controlling interests' share)					45.9			4,477.2	4,523.1
Total components of other comprehensive income				0.3		488.4	(256.6)	(0.7)	231.3
Total comprehensive income				**0.3**	**45.9**	**488.4**	**(256.6)**	**4,476.5**	**4,754.4**
Transactions with owners of the company									
Own shares		0.0						(9.4)	(9.4)
Paid dividend								(3,399.6)	(3,399.6)
Remeasurement of the net defined benefit liability/asset of liquidated companies							22.0	(22.0)	
Equity-settled share-based payment transactions				8.8					8.8
Perpetual Tier 1 capital					70.5			(0.6)	69.8
Perpetual Tier 1 capital - interest paid					(45.3)				(45.3)
Total transactions with owners of the company		**0.0**		**8.8**	**25.2**		**22.0**	**(3,431.5)**	**(3,375.6)**
Equity as at 31.12.2017 attributable to the owners of the company	**1,000.0**	**(0.0)**	**1,430.0**	**48.2**	**1,369.4**	**602.0**	**(1,936.7)**	**21,172.2**	**23,685.1**
Non-controlling interests									18.0
Equity as at 31.12.2017									**23,703.1**
Adjustment due to amendment to IFRS 2				8.5					8.5
Adjustment on initial application of IFRS 9 in the bank								(10.4)	(10.4)
Equity as at 1.1.2018									**23,701.2**
1.1.-31.12.2018									
Comprehensive income									
Profit/(loss) (the controlling interests' share)					47.5			3,670.1	3,717.6
Total components of other comprehensive income				0.1		14.1	(38.0)		(23.8)
Total comprehensive income				**0.1**	**47.5**	**14.1**	**(38.0)**	**3,670.1**	**3,693.8**
Transactions with owners of the company									
Own shares		(0.0)						(10.9)	(11.0)
Paid dividend								(3,549.9)	(3,549.9)
Equity-settled share-based payment transactions				7.9					7.9
Perpetual Tier 1 capital					75.4			(0.6)	74.7
Perpetual Tier 1 capital - interest paid					(46.9)				(46.9)
Net effect of purchase of non-controlling interests								(7.2)	(7.2)
Total transactions with owners of the company		**(0.0)**		**7.9**	**28.4**			**(3,568.6)**	**(3,532.3)**
Equity as at 31.12.2018 attributable to the owners of the company	**1,000.0**	**(0.1)**	**1,430.0**	**64.7**	**1,445.3**	**616.0**	**(1,974.6)**	**21,263.3**	**23,844.7**
Non-controlling interests									0.5
Equity as at 31.12.2018									**23,845.2**

See note 17 for further information about the equity items.

Consolidated statement of cash flows

NOK millions	1.1.-31.12.2018	1.1.-31.12.2017
Cash flow from operating activities		
Premiums paid, net of reinsurance	31,022.5	29,645.8
Claims paid, net of reinsurance	(20,168.4)	(18,398.9)
Net payment of loans to customers	(5,498.6)	(4,912.2)
Net payment of deposits from customers	(647.0)	2,495.3
Payment of interest from customers	1,612.1	1,509.0
Payment of interest to customers	(297.2)	(257.2)
Net receipts/payments of premium reserve transfers	(1,266.8)	(1,231.2)
Net receipts/payments from financial assets	(984.1)	(1,812.3)
Net receipts/payments on sale/acquisition of investment property		97.1
Operating expenses paid, including commissions	(4,586.8)	(4,283.3)
Taxes paid	(1,281.7)	(1,250.4)
Net other receipts/payments	204.3	116.4
Net cash flow from operating activities	**(1,891.7)**	**1,718.1**
Cash flow from investing activities		
Net receipts/payments from sale/acquisition of subsidiaries, associates and joint ventures	(34.7)	(502.6)
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment and intangible assets	(403.6)	(328.1)
Net receipts/payments on sale/acquisition of customer portfolios - intangible assets		(3.9)
Net cash flow from investing activities	**(438.3)**	**(834.6)**
Cash flow from financing activities		
Payment of dividend	(3,549.9)	(3,459.9)
Net receipts/payments on subordinated debt incl. interest	(41.8)	(42.3)
Net receipts of capital from non-controlling interests		2.1
Net receipts/payments on loans to credit institutions	6,455.4	3,462.4
Net receipts/payments on other short-term liabilities	(26.7)	(53.1)
Net receipts/payments on interest on funding activities	(349.7)	(308.8)
Net receipts/payments on sale/acquisition of own shares	(11.0)	(11.1)
Tier 1 issuance/instalments	74.7	70.0
Tier 1 interest payments	(58.6)	(56.8)
Net cash flow from financing activities	**2,492.5**	**(397.5)**
Effect of exchange rate changes on cash and cash equivalents	(7.9)	40.5
Net cash flow	**154.6**	**526.5**
Cash and cash equivalents at the start of the year	2,685.2	2,158.7
Cash and cash equivalents at the end of the year	2,839.9	2,685.2
Net cash flow	**154.6**	**526.5**
Specification of cash and cash equivalents		
Deposits with central banks	53.9	229.6
Cash and deposits with credit institutions [1]	2,786.0	2,455.6
Total cash and cash equivalents	**2,839.9**	**2,685.2**
[1] Including source-deductible tax account	91.7	85.9
hereof source-deductible tax account from discontinued operations	6.2	6.7
Specification of cash and cash equivalents from discontinued operations		
Deposits with central banks	53.9	229.6
Cash and deposits with credit institutions	422.6	200.4
Total cash and cash equivalents from discontinued operations	**476.6**	**430.1**
Specification of cash and cash equivalents from continuing operations		
Cash and deposits with credit institutions	2,363.3	2,255.2
Total cash and cash equivalents from continuing operations	**2,363.3**	**2,255.2**
Cash flow from discontinued operations		
Net cash flow from operating activities	(6,162.0)	(3,034.5)
Net cash flow from investing activities	(28.3)	(21.4)
Net cash flow from financing activities	6,236.8	3,366.1
Total cash flow from discontinued operations	**46.5**	**310.2**

Notes

1. Accounting policies

Reporting entity

Gjensidige Forsikring ASA is a publicly listed company domiciled in Norway. The company's head office is located at Schweigaardsgate 21, Oslo, Norway. The consolidated financial statements of the Gjensidige Forsikring Group (Gjensidige) as at and for the year ended 31 December 2018 comprise Gjensidige Forsikring ASA and its subsidiaries and Gjensidige's interests in associates and joint ventures. The activities of Ggjensidige consist of general insurance, pension and banking. Gjensidige does business in Norway, Sweden, Denmark, Latvia, Lithuania and Estonia.

The accounting policies applied in the consolidated financial statements are described below. The policies are used consistently throughout Gjensidige with the exception of one difference that is permitted in accordance with IFRS 4 about insurance contracts. See description under the section Claims provision, gross.

Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs endorsed by EU, and interpretations that should be adopted as of 31 December 2018, Norwegian disclosure requirements as set out in the Accounting Act as at 31 December 2018 and additional disclosure requirements in accordance with the Norwegian Financial Reporting Regulations for Non-Life Insurance Companies (FOR 2015-12-18-1775) pursuant to the Norwegian Accounting Act.

New standards adopted

IFRS 15 Recognition of revenue for customers (2014)

Gjensidige implemented IFRS 15 at 1 January 2018. The standard establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. A five-step model to determine how and when revenues are recognised, but it does not apply to recognition of income from insurance contracts, financial assets or leases, which make up substantially all of the Group's revenue streams, has been used. Other revenue streams, such as revenue from sale of goods, revenue from sale and dissemination of third party services and commission income constitute a negligible part of the revenue. For these revenues, the modified retrospective method of effects from first-time use is recognised on the day of implementation and without restating comparable figures. The new standard has not affected Gjensidige's financial position, earnings or cash flows.

IFRS 9 Financial instruments (2014)

Gjensidige Bank implemented IFRS 9 at 1 January 2018, and there were two implementation effects. The new impairment requirements increased the bank's provision for expected credit losses with NOK 13.8 million. The negative net implementation effect of NOK 10.4 million (after tax) were recognised in the opening balance. See note 25 about discontinued operations and the financial statement of Gjensidige Bank.

Amendments to IFRS 2: Classifications and measurement of share-based payment transactions

Gjensidige implemented amendments to IFRS 2 at 1 January 2018, and there was one implementation effect. The tax liability as at 31 December 2017 amounting to NOK 8.5 million was reclassified from liability to equity as at 1 January 2018.

New standards and interpretations not yet adopted

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2018. They have not been applied when preparing these consolidated financial statements. Those that may be relevant to Gjensidige are mentioned below. Gjensidige does not plan early implementation of these standards.

IFRS 9 Financial instruments (2014) in the insurance operations

IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. See also the section below about delayed implementation. The standard introduces new requirements for the classification and measurement of financial assets, including a new expected loss model for the recognition of impairment losses, and changed requirements for hedge accounting.

IFRS 9 contains three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. Financial assets will be classified as either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on how they are managed and which contractual cash flow properties they have. IFRS 9 introduces a new requirement in connection with financial liabilities earmarked at fair value, where changes in fair value that can be attributed to the liabilities' credit risk are presented in other comprehensive income rather than over profit or loss.

Impairment provisions according to IFRS 9 shall be measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost and interest rate instruments at fair value through other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision shall equal 12-month expected credit losses. If the credit risk has increased significantly, the provision shall equal lifetime expected credit losses. This dual approach replaces today's collective impairment model.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2016)

The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report under the existing standard, IAS 39 Financial Instruments. In addition, the insurance sector of a financial conglomerate is allowed to defer the application of IFRS 9 until 1 January 2021, where all of the following conditions are met:

- no financial instruments are transferred between the insurance sector and any other sector of the financial conglomerate other than financial instruments that are

measured at fair value with changes in fair value recognised through the profit of loss account by both sectors involved in such transfers;
- the financial conglomerate states in the consolidated financial statements which insurance entities in the group are applying IAS 39;
- disclosures requested by IFRS 7 are provided separately for the insurance sector applying IAS 39 and for the rest of the group applying IFRS 9.

Gjensidige is a financial conglomerate that mainly has business within insurance, and has therefore decided to make use of this exception.

IFRS 16 Leasing (2016)
IFRS 16 requires all contracts that qualify under its definition as a lease to be reported on a lessee's balance sheet as right of use assets and lease liabilities. Earlier classification of leases as either operating leases or finance leases are removed. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. A lessee shall recognise a right-of-use asset and a lease liability. The interest effect of discounting the lease liability shall be presented separately from the depreciation charge for the right-of-use asset. The depreciation expense will be presented with Gjensidige's other depreciations, whereas the interest effect of discounting will be presented as a financial item. IFRS 16 is effective 1 January 2019. The standard is expected to have an effect on Gjensidige's financial statements, significantly increasing Gjensidige's recognised assets and liabilities and potentially affecting the presentation and timing of recognition of charges in the income statement.

Estimated expected amount to be recognised as a lease liability and right-of-use asset at the time of implementation is approximately NOK 1.2 billion. An estimate of the negative effect on equity will be about NOK 40 million.

To determine whether a contract contains a lease, it is considered whether the contract conveys the right to control the use of an identified asset. This is considered to be the case for rental contracts, leases for cars and some office machines, etc. However, the latter group is exempted for recognition due to low value. IT agreements are not considered to fall under IFRS 16 since these are based on the purchase of capacity that is not physically separated and thus not identifiable. The rental period will be calculated based on the duration of the agreement plus any option periods if these with reasonable certainty will be exercised. Joint expenses etc. will not be recognised in the lease liability for the rental contracts. The discount rate for the rental contracts will be determined by looking at observable borrowing rates in the bond market for each of the countries in which Gjensidige operates. The interest rates will be adapted to the actual lease contracts duration etc. The discount rate for the leasing cars will be determined based on an assessment of which loan interest Gjensidige would achieve for financing cars from a financing company.

Gjensidige has recognised its lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application, as well as the recognition of related right-of-use assets to an amount corresponding to the lease liability. For the largest rental agreements in Norway, Sweden and Denmark, Gjensidige has chosen to recognise the right-of-use asset at the carrying amount as if the standard had been applied since the date of implementation, but discounted using the tenant's incremental borrowing rate at the date of initial application. The difference between this and the lease liability will be recognised directly in equity on 1 January 2019.

IFRS 17 Insurance Contracts (2017)
IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. IFRS 17 is a complex standard that includes some fundamental differences to current accounting for liability measurement and profit recognition. Insurance contracts will be recognised at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the group of contracts (the contractual service margin). If a group of contracts is or become loss-making, the loss will be recognised immediately. Insurance revenue, insurance service expenses and insurance finance income or expenses will be presented separately. IFRS 17 is expected to be effective 1 January 2022. The standard is expected to have an effect on the group's financial statements, significantly changing the measurement and presentation of income and expenses.

Amendments to IAS 12: Changes in classification of tax on equity items that are classified as liability for tax purposes
In accordance with IAS, 12 paragraph 57A, tax on equity items classified as liability for tax purposes is no longer classified as part of the equity transaction, but as part of the tax expense in income the income statement.

Based on our preliminary assessments and on the basis of Gjensidige's current operations, other amendments to standards and interpretation statements will not have a significant effect.

Basis of measurement

The consolidated financial statements have been prepared based on the historical cost principle with the following exceptions

- derivatives are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value

Functional and presentation currency

Functional currency
Functional currency is determined for each company in Gjensidige, based on the currency within the primary economic environment where each company operates. Transactions in the company's accounts are measured in the subsidiary's functional currency. Transactions in foreign currency are translated to functional currency based on the day rate at the transaction date. At the end of each reporting period, monetary items in foreign currency are translated at the closing rate, non-monetary items are measured at historical cost translated at the time of the transaction and non-monetary items denominated in foreign currency at fair value are translated at the exchange rates prevailing at the date of calculation of fair value. Exchange rate differences are recognised continuously in the income statement during the accounting period.

Presentation currency
The consolidated financial statements are presented in NOK. The mother company and the different branches have respectively Norwegian, Swedish, Danish kroner and Euro as functional currency.

For companies with other functional currencies, balance sheet items are translated at the exchange rate at the balance sheet date, including excess values on acquisition, and profit and loss accounts at an annual average rate. Exchange rate differences are recognised in other comprehensive income.

In case of loss of control, significant influence or joint control, accumulated exchange rate differences that are recognised in other comprehensive income related to investments attributable to controlling interests, are recognised in the income statement.

Exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form a part of the net investment in the foreign operation and are recognised in other comprehensive income.

Goodwill arising on the acquisition of a foreign operation and fair value adjustments of the carrying amount of assets and liabilities arising on the acquisition of the foreign operation are treated as assets and liabilities in the functional currency of the foreign operation.

All financial information is presented in NOK, unless otherwise stated.

Due to rounding differences, figures and percentages may not add up to the total.

Segment reporting

The operating segments are determined based on Gjensidige's internal organisational management structure and the internal financial reporting structure to the chief operating decision maker. In Gjensidige Forsikring Group, the Senior Group Management is responsible for evaluating and following up the performance of the segments and is considered the chief operating decision maker. Gjensidige reports on six operating segments, which are independently managed by managers responsible for the respective segments depending on the products and services offered, distribution and settlement channels, brands and customer profiles. Identification of the segments is based on the existence of segment managers who report directly to the Senior Group Management/CEO and who are responsible for the performance of the segment under their charge.

As a result of Gjensidige Forsikring entering into an agreement with Nordea on 2 July for the sale of Gjensidige Bank to Nordea, Gjensidige Bank has been reported as a discontinued operation from the third quarter of 2018 and is no longer a separate segment in Gjensidige Group. The reported segment information therefore does not include amounts for Gjensidige Bank. See separate note 25 for more information.

Based on this Gjensidige reports the following operating segments

- General insurance Private
- General insurance Commercial
- General insurance Denmark
- General insurance Sweden
- General insurance Baltics
- Pension

The recognition and measurement principles for Gjensidige's segment reporting are based on the IFRS principles adopted in the consolidated financial statements.

Inter-segment pricing is determined on arm's length distance.

Consolidation policies

Subsidiaries

Subsidiaries are entities controlled by Gjensidige Forsikring. Gjensidige Forsikring controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If the Group has the majority of voting rights in an entity, the entity is presumably a subsidiary of the Group. The Group evaluates all relevant facts and circumstances in order to evaluate whether the Group has control of the entity in which it is invested. Among other things, ownership, voting rights, ownership structure and relative strengths, as well as options controlled by the Group and shareholder agreements or other agreements.

The result, as well as each component in other comprehensive income, is attributable to the Group and to non-controlling interests, although this results in deficits of non-controlling interests. If necessary, the accounts of subsidiaries are adjusted to be in line with the Group's accounting policies.

Associates and joint ventures

Gjensidige has investments in associates and joint ventures.

Associates are entities in which Gjensidige has a significant, but not a controlling or joint control, influence over the financial and operational management. Normally this will apply when Gjensidige has between 20 and 50 per cent of the voting power of another entity.

Joint ventures are defined as companies where there exists a contractual agreement giving joint control together with one or more parties. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group's joint venture has investment properties that are accounted for at fair value.

Associates and joint ventures are accounted for using the equity method, and initial recognition is at cost. Any goodwill is reduced with impairment losses. The investor's share of the investee's profit or loss and amortisation of excess value is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

The Group's share of earnings from investments in associates and joint ventures is presented on a separate line in the income statement. Changes in other income and expenses in these investments are included in other income and expenses. Correspondingly, the group's share of recognitions directly to equity in the underlying investment is presented in the Group's equity statement.

See note 5 for a further description of Gjensidige's joint venture.

Transactions eliminated on consolidation

Intra-group balances and transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with equity accounted companies are eliminated against the investment to the extent of Gjensidige's interest. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Business combinations

Business combinations are accounted for by applying the acquisition method. The cost of the business combination is the fair value at the date of exchange of assets acquired, liabilities incurred and equity instruments issued by Gjensidige, in exchange for control of the acquired company, and any expenses directly attributable to the business combination.

The purchase price allocation of the business combination changes if there is new information about the fair value applicable per date for acquisition of control. The allocation can be changed up to 12 months after the acquisition date (if the purchase price allocation that was completed at the acquisition date was preliminary). Non-controlling interests are calculated on the non-controlling interests of identifiable assets and liabilities or at fair value.

Goodwill is calculated as the sum of the purchase price and book value of non-controlling interest and fair value of previously owned interests, less the net value of identifiable assets and liabilities calculated at the acquisition date.

If the fair value of net assets in the business combination exceeds the purchase price (negative goodwill), the difference is recognised immediately at the acquisition date.

Cash flow statement

Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

Operational activities are primary activities within each of the Group's business areas. Investment activities include the purchase and sale of assets that are not considered cash equivalents and which are not included in the Group's primary activities. Financing activities include raising and repaying loans, as well as collecting and servicing equity.

Equivalent to cash is cash equivalents, e.g. bank deposits. Bank deposits with maturity less than three months ahead are considered cash. Certificates and bonds with a similar short residual maturity are not classified as cash.

Recognition of revenue and expenses

Operating income and operating expenses consist of income and expenses in relation to the business in the different business areas, see below.

Earned premiums from general insurance

Insurance premiums are recognised over the term of the policy. Earned premiums from general insurance consist of gross premiums written and ceded reinsurance premiums.

Gross premiums written include all amounts Gjensidige has received or is owed for insurance contracts where the insurance period starts before the end of the accounting period. At the end of the period provisions are recorded, and premiums written that relate to subsequent periods are adjusted for.

Ceded reinsurance premiums reduce gross premiums written, and are adjusted for according to the insurance period. Premiums for inward reinsurance are classified as gross premiums written, and are earned according to the insurance period.

Earned premiums from pension

Earned premiums from pension consist of earned risk premium and administration expenses in relation to the insurance contracts.

Claims incurred

Claims incurred consist of gross paid claims less reinsurers' share, in addition to a change in provision for claims, gross, also less reinsurers' share. Direct and indirect claims processing costs are included in claims incurred. The claims incurred contain run-off gains/losses on previous years' claims provisions.

Operating expenses

Operating expenses consist of salaries and administration and sales costs.

Net income from investments

Financial income consists of interest income on financial investments, dividend received, realised gains related to financial assets, change in fair value of financial assets at fair value through profit or loss, and gains on financial derivatives. Interest income on interest rate instruments is recognised in profit or loss using the effective interest method.

Financial expenses consist of interest expenses on loans that are not part of the banking operations, realised losses related to financial assets, change in fair value of financial assets at fair value through profit or loss, recognised impairment on financial assets and recognised loss on financial derivatives. All expenses related to loans measured at amortised cost are recognised in profit or loss using the effective interest method.

Tangible assets

Owner-occupied property, plant and equipment

Recognition and measurement

Items of owner-occupied property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the item. In cases where equipment or significant items have different useful lives, they are accounted for as separate components.

Owner-occupied property is defined as property that is used by Gjensidige for conducting its business. If the properties are used both for Gjensidige's own use and as investment properties, classification of the properties is based on the actual use of the properties.

Subsequent costs

Subsequent costs are recognised in the asset's carrying amount when it is probable that the future economic benefits associated with the asset will flow to Gjensidige, and the cost of the asset can be measured reliably. If the subsequent cost is a replacement cost for part of an item of owner-occupied property, plant and equipment, the cost is capitalized and the carrying amount of what has been replaced is derecognised. Repairs and maintenances are recognised in profit or loss in the period in which they are incurred.

Depreciation

Each component of owner-occupied property, plant and equipment are depreciated using the straight-line method over estimated useful life. Land, leisure houses and cottages are not depreciated. The estimated useful lives for the current and comparative periods are as follows, with technical installations having the highest depreciation rate

- owner-occupied property 10-50 years
- plant and equipment 3-10 years

Depreciation method, expected useful life and residual values are reassessed annually. An impairment loss is recognised if the carrying amount of an asset is less than the recoverable amount.

Leasing

Operational lease contracts

Leases, where the main part of the risk and return associated with ownership of the asset are not transferred, are classified as operating leases. Lease payments are classified as operating expenses and are recognised on a straight-line basis over the contract period.

Intangible assets

Goodwill

Goodwill acquired in a business combination represents cost price of the acquisition in excess of Gjensidige's share of the net fair value of identifiable assets, liabilities and contingent liabilities in the acquired entity at the time of acquisition. Goodwill is recognised initially at cost and subsequently measured at cost less accumulated impairment losses.

For investments accounted for according to the equity method, carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets

Other intangible assets which consist of customer relationships, trademarks, internally developed software and other intangible assets that are acquired separately or as a group are recognised at historical cost less accumulated amortisation and accumulated impairment losses. New intangible assets are capitalized only if future economic benefits associated with the asset are probable and the cost of the asset can be measured reliably.

Development expenditures (both internally and externally generated) is capitalized only if the development expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Gjensidige intends to and has sufficient resources to complete the development and to use or sell the asset.

Amortisation

Intangible assets, other than goodwill is amortised on a straight-line basis over the estimated useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows

- customer relationships 5–10 years
- internally developed software 5–8 years
- other intangible assets 1–10 years

The amortisation period and amortisation method are reassessed annually. An impairment loss is recognised if the carrying amount of an asset is less than the recoverable amount.

Impairment of non-financial assets

Indicators of impairment of the carrying amount of tangible and intangible assets are assessed at each reporting date. If such indicators exist, then recoverable amount of an assets or a cash generating unit is estimated. Indicators that are assessed as significant by Gjensidige and might trigger testing for an impairment loss are as follows

- significant reduction in earnings in relation to historical or expected future earnings
- significant changes in Gjensidige's use of assets or overall strategy for the business
- significant negative trends for the industry or economy
- other external and internal indicators

Goodwill is tested for impairment annually. The annual testing of goodwill is performed in the third quarter.

Recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets generating cash inflows that are largely independent of cash inflows from other assets or groups of assets (cash-generating unit). Goodwill is allocated to the cash-generating unit expecting to benefit from the business combination.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to the carrying amount of goodwill and then proportionally to the carrying amount of each asset in the cash-generating unit. Previously recognised impairment losses are for assets except for goodwill, reversed if the prerequisites for impairment losses are no longer present. Impairment losses will only be reversed if the recoverable amount does not exceed the amount that would have been the carrying amount at the time of the reversal if the impairment loss had not been recognised.

Impairment losses recognised for goodwill will not be reversed in a subsequent period. On disposal of a cash generating unit, the goodwill attributable will be included in the determination of the gain or loss on disposal.

Technical provisions

Provision for unearned premiums, gross

The provision for unearned premiums, gross reflects the accrual of premiums written. The provision corresponds to the unearned portions of the premiums written. No deduction is made for any expenses before the premiums written are accrued.

In the case of group life insurance for the commercial market, the provision for unearned premiums, gross also includes provisions for fully paid whole-life cover (after the payment of disability capital).

Claims provision, gross

The claims provision comprises provisions for anticipated future claims payments in respect of claims incurred, but not fully settled at the reporting date. These include both claims that have been reported (RBNS – reported but not settled) and those that have not yet been reported (IBNR – incurred but not reported). The provisions related to reported claims are assessed individually by the Claims Department, while the IBNR provisions are calculated based on empirical data for the time it takes from a loss or claim occurring (date of loss) until it is reported (date reported). Based on experience and the development of the portfolio, a statistical model is prepared to calculate the scope of post-reported claims. The appropriateness of the model is measured by calculating the deviation between earlier post-reported claims and post-reported claims estimated by the model.

Claims provisions are not normally discounted. For contracts with annuity payments over a long horizon, discounting is performed. IFRS 4 permits the use of different policies within Gjensidige in this area.

Claims provisions contain an element that is to cover administrative expenses incurred in settling claims.

Adequacy test

A yearly adequacy test is performed to verify that the level of the provisions is sufficient compared to Gjensidige's liabilities. Current estimates for future claims payments for Gjensidige's insurance liabilities at the reporting date, as well as related cash flows, are used to perform the test. This includes both claims incurred before the reporting date (claims provisions) and claims that will occur from the reporting date until the next annual renewal (premium provisions). Any negative discrepancy between the original provision and the liability adequacy test will entail provision for insufficient premium level.

Provisions for life insurance

Technical provisions regarding life insurance in Gjensidige Pensjonsforsikring are premium reserve and additional provision.

The technical provisions related to the unit linked contracts are determined by the market value of the financial assets. The unit linked contracts portfolio is not exposed to investment risk related to the customer assets since the customers are not guaranteed any return. In addition, there is a portfolio of annuity contracts which have an average 3.3 per cent annually guaranteed return on assets.

Reinsurers' share of insurance-related liabilities in general insurance, gross

Reinsurers' share of insurance-related liabilities in general insurance, gross is classified as an asset in the balance sheet. Reinsurers' share of provision for unearned premiums, gross and reinsurers' share of claims provision, gross are included in reinsurers' share of insurance-related liabilities in general insurance, gross. The reinsurers' share is less expected losses on claims based on objective evidence of impairment losses.

Financial instruments in the insurance business

Financial instruments are classified in one of the following categories

- at fair value through profit or loss
- investments held to maturity
- loans and receivables
- financial derivatives
- financial liabilities at amortised cost
- financial liabilities classified as equity

Recognition and derecognition

Financial assets and liabilities are recognised when Gjensidige becomes a party to the instrument's contractual terms. Initial recognition is at fair value. For instruments that are not derivatives or measured at fair value through profit or loss, transaction expenses that are directly attributable to the acquisition or issuance of the financial asset or the financial liability, are included. Normally initial recognition will be equal to the transaction price. Subsequent to initial recognition the instruments are measured as described below.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, or when Gjensidige transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

At fair value through profit or loss

Financial assets and liabilities are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if

- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value

Transaction expenses are recognised in profit or loss when they incur. Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

The category at fair value through profit or loss comprise the classes shares and similar interests and bonds and other fixed income assets.

Investments held to maturity

Investments held to maturity are non-derivative financial assets with payments that are fixed or which can be determined in addition to a fixed maturity date, in which a business has intentions and ability to hold to maturity with the exception of

- those that the business designates as at fair value through profit or loss at initial recognition
- those that meet the definition of loans and receivables

Investments held to maturity are measured at amortised cost using the effective interest method, less any impairment losses.

The category investments held to maturity comprises the class bonds held to maturity.

Loans and receivables

Loans and receivables are non-derivative financial assets with payments that are fixed or determinable. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Interest-free loans are issued to finance fire alarm systems within agriculture for loss prevention purposes. These loans are repaid using the discount granted on the main policy when the alarm system is installed.

The category loans and receivables comprises the classes loans, receivables related to direct operations and reinsurance, other receivables, prepaid expenses and earned, not received income and cash and cash equivalents and obligations classified as loans and receivables.

Financial derivatives

Financial derivatives are used in the management of exposure to equities, bonds and foreign exchange in order to achieve the desired level of risk and return. The instruments are used both for trading purposes and for hedging of other balance sheet items. Any trading of financial derivatives is subject to strict limitations.

Gjensidige uses financial derivatives, amongst other to hedge foreign currency exchanges arising from the ownership of foreign subsidiaries with other functional currency.

Transaction expenses are recognised in profit or loss when they incur. Subsequent to initial recognition financial derivatives are measured at fair value and changes in fair value are recognised in profit or loss.

The category financial derivatives comprise the classes financial derivatives at fair value through profit or loss and financial derivatives used as hedge accounting.

Hedge accounting

Gjensidige utilises fair value hedging on currency risk in fixed agreements of acquisition of operations. Changes in the fair value of the hedging instrument are recognised in profit or loss, together with the change in fair value of the fixed agreement. The change in fair value of the fixed agreement is recognised in goodwill when the acquired operation is accounted for.

Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost using the effective interest method. When the time horizon of the financial liability's due time is quite near in time the nominal interest rate is used when measuring amortised cost.

The category financial liabilities at amortised cost comprises the classes subordinated debt, other liabilities, liabilities related to direct insurance and accrued expenses and deferred income.

Financial liabilities classified as equity

Gjensidige has perpetual tier 1 capital accounted for as equity. The instruments are perpetual, but the principal can be repaid on specific dates, for the first time five years after it was issued. The agreed terms meet the requirements in the EU's CRR/Solvency II regulations and the instruments are included in Gjensidige's Tier 1 capital for solvency purposes. These regulatory requirements mean that Gjensidige has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments do not meet the requirement for a liability in IAS 32 and are therefore presented on the line perpetual Tier 1 capital under equity. Further, it implies that the interest is not presented under Total interest expenses but as a reduction in other equity. Correspondingly, seen in isolation, the benefit of the tax deduction for the interest will lead to an increase in other equity and not be presented as a deduction under the line Tax expense, since it is the shareholder who benefits from the tax deduction.

Other items classified as equity

Natural perils capital and guarantee scheme provision are accounted for as equity because the funds belong to the group. As a consequence, they do not meet the requirement for liability in IAS 32 and are therefore presented as funds within equity.

Definition of fair value

Subsequent to initial recognition, investments at fair value through profit or loss are measured at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. For financial instruments traded in active markets, listed market prices or traders' prices are used, while for financial instruments not traded in an active market, fair value is determined using appropriate valuation methods.

For further description of fair value, see note 13.

Definition of amortised cost

Subsequent to initial recognition, investments held to maturity, loans and receivables and financial liabilities that are not measured at fair value are measured at amortised cost using the effective interest method. When calculating effective interest rate, future cash flows are estimated, and all contractual terms of the financial instrument are taken into consideration. Fees paid or received between the parties in the contract and transaction costs that are directly attributable to the transaction, are included as an integral component of determining the effective interest rate.

Impairment of financial assets

Loans, receivables and investments held to maturity

For financial assets that are not measured at fair value, an assessment of whether there is objective evidence that there has been a reduction in the value of a financial asset or group of assets is made on each reporting date. Objective evidence might be information about credit report alerts, defaults, issuer or borrower suffering significant financial difficulties, bankruptcy or observable data indicating that there is a measurable reduction in future cash flows from a group of financial assets, even though the reduction cannot yet be linked to an individual asset.

An assessment is first made to whether objective evidence of impairment of financial assets that are individually significant exists. Financial assets that are not individually significant or that are assessed individually, but not impaired, are assessed in groups with respect to impairment. Assets with similar credit risk characteristics are grouped together.

If there is objective evidence that the asset is impaired, impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in profit or loss.

Impairment losses are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal shall not result in the carrying amount of the financial asset exceeding the amount of the amortised cost if the impairment had not been recognised at the time the loss was reversed. Reversal of previous losses on impairment is recognised in profit or loss.

Dividend

Dividend from investments is recognised when the Group has an unconditional right to receive the dividend. Proposed dividend is recognised as a liability from the point in time when the General Meeting approves the payment of the dividend.

Provisions

Provisions are recognised when Gjensidige has a legal or constructive obligation as a result of a past event, it is probable that this will entail the payment or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Information about contingent assets are disclosed where an inflow of economic benefits is probable. Information about a contingent liability is disclosed unless the possibility of an outflow of resources is remote.

Provision for restructuring are recognised when Gjensidige has approved a detailed and formal restructuring plan which has commenced or has been announced. Provisions are not made for future expenses attributed to the operations.

Events after the balance sheet date

New information after the balance sheet date of Gjensidige's financial position at the balance sheet date is taken into account in the financial statement. Events after the balance sheet date that do not affect the company's financial position at the balance sheet date, but which will affect the company's financial position in the future, are disclosed if this is material.

Pensions

Pension liabilities are assessed at the present value of future pension benefits that are recognised as accrued at the reporting date. Future pension benefits are calculated on the basis of expected salary at the retirement date. Pension assets are valued at fair value. Net pension liability is the difference between the present value of future pension benefits and the fair value of the pension assets. Employer's social security cost is recognised during the period under which an underfunding occurs. Net pension liability is shown in the balance sheet on the line Pension liabilities. Any overfunding is recognised to the extent that it is likely that the overfunding can be utilised. An overfunding in a funded plan cannot be offset against an underfunding in an unfunded plan. If there is a net overfunding in the funded plan, it is recognised as Pension assets.

The period's pension cost (service cost) and net interest expense (income) are recognised in the income statement and are presented as an operating cost in the income statement. Net interest expense is calculated using the discount rate for the liability at the beginning of the period of the net liability. Net interest expense therefore consists of interest on the obligation and return on the assets.

Deviations between estimated pension liability and estimated value of pension assets in the previous financial year and actuarial pension liability and fair value of pension assets at the beginning of the year are recognised in other comprehensive income. These will never be reclassified through profit or loss.

Gains and losses on curtailment or settlement of a defined benefit plan are recognised in the income statement at the time of the curtailment or settlement.

Deductible grants to defined contribution plans are recognised as employee expenses in the income statement when accrued.

Share-based payment

Gjensidige has a share saving program for employees and a share-based remuneration scheme for senior executives. The share savings program is an arrangement with settlement in shares, while the remuneration scheme is an arrangement with settlement in both shares and cash.

The share-based payment arrangements is measured at fair value at the time of allocation. Fair value is accrued over the period during which employees acquire the right to receive the shares. Share-based payment arrangements which are recovered immediately are recognised as expenses at the time of allocation. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised shall be based on the number of equity instruments that eventually vest. Non-vesting conditions and possible market conditions are reflected in the measurement of fair value, and no adjustment of the amount charged as expenses is done upon failing to meet such conditions.

The cost of share-based transactions with employees is recognised as an expense over the average recovery period. For arrangements that are settled in shares, the value of the allocated shares in the period is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. For arrangements settled in cash, the value of the options granted is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. This applies to Gjensidige's obligation to withhold an amount for the employees' tax liability and transfer this amount in cash to the tax authorities on behalf of the employee. Employers' social security costs are calculated based on the fair value of the shares on each balance sheet date. The amount is recognised in the income statement over the expected vesting period and accrued according to IAS 37.

Share-based payment arrangements settled by one of the shareholders in the ultimate mother company is also recognised as a share-based payment transaction with settlement in equity.

See note 22 for a further description of Gjensidige's share-based payment arrangements.

Tax

Income tax expense comprises the total of current tax and deferred tax.

Current tax

Current tax is tax payable on the taxable profit for the year, based on tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is determined based on differences between the carrying amount and the amounts used for taxation purposes, of assets and liabilities at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that they can be offset by future taxable income. If deferred tax arises in connection with the initial recognition of a liability or asset acquired in a transaction that is not a business combination, and it does not affect the financial or taxable profit or loss at the time of the transaction, then it will not be recognised.

Deferred tax liabilities are recognised for temporary differences resulting from investments in subsidiaries and associates, except in cases where Gjensidige is able to control the reversal of temporary differences, and it is probable that the temporary difference will not be reversed in foreseeable future. Deferred tax assets that arise from deductible temporary differences for such investments are only recognised to the extent that it is probable that there will be sufficient taxable income to utilise the asset from the temporary difference, and they are expected to reverse in the foreseeable future.

Recognition

Current tax and deferred tax are recognised as an expense or income in the income statement, with the exception of deferred tax on items that are recognised in other comprehensive income, where the tax is recognised in other comprehensive income, or in cases where deferred tax arises as a result of a business combination. For business combinations, deferred tax is calculated on the difference between fair value of the acquired assets and liabilities and their carrying amount. Goodwill is recognised without provision for deferred tax.

Related party transactions

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

The provider of intra-group services, that are not considered core activities, will as a main rule, allocate its incurred net costs (all costs included) based on a Cost Contribution Arrangement as described in OECD Guidelines chapter 8 and on the basis of paragraph 13-1 in the Norwegian Tax Act.

Identified functions that are categorized as core activities will be charged out with a reasonable mark up or alternatively at market price if identifiable, comparable prices exist.

Transactions with affiliated companies

The Fire Mutuals operate as agents on behalf of Gjensidige. For these services commission is paid. The Fire Mutuals are also independent insurance companies with fire and natural damage on their own account. Gjensidige provides various services to support this insurance operation. For these services and to reinsure the Fire Mutuals' fire insurance Gjensidige receives payment based on arm's length distance.

Non-current assets held for sale and discontinued operations

A discontinued operation is a part of Gjensidige that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition. The management must be committed to a plan to sell the asset, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

When Gjensidige is committed to a plan to sell, which involves loss of control of a subsidiary, all the assets and liabilities fo that subsidiary shall be classified as held for sale when the criteria above is met, regardless of whether Gjensidige will retain a non-controlling interest in its former subsidiary after the sale.

Since Gjensidige Bank represents a separate and significant business in Gjensidige, which is now sold, Gjensidige Bank is presented as a discontinued operation. See note 25 for further information.

Profit after tax expense from discontinued operations is presented on a separate line in the consolidated income statement. Comparative figures have been restated. Net cash flows attributable to discontinued operations are presented on separate lines in the consolidated statement of cash flows. Comparative figures have been restated. Assets and liabilities held for sale are presented as separate lines in the statement of financial position. Comparative figures have not been restated.

2. Use of estimates

The preparation of the financial statements under IFRS and the application of the adopted accounting policies require that management make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on experience and other factors that are assessed as being justifiable based on the underlying conditions. Actual figures may deviate from these estimates. The estimates and associated prerequisites are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both the existing and future periods.

Assumptions and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of insurance-related liabilities within the next financial year are discussed below.

Insurance-related liabilities

Use of estimates in calculation of insurance-related liabilities is primarily applicable for claims provisions.

Insurance products are divided in general into two main categories; lines with short or long settlement periods. The settlement period is defined as the length of time that passes after a loss or injury occurs (date of loss) until the claim is reported and then paid and settled. Short-tail lines are e.g. property insurance, while long-tail lines primarily involve accident and health insurances. The uncertainty in short-tail lines of business is linked primarily to the size of the loss.

For long-tail lines, the risk is linked to the fact that the ultimate claim costs must be estimated based on experience and empirical data. For certain lines within accident and health insurances, it may take ten to 15 years before all the claims that occurred in a calendar year are reported to the company. In addition, there will be many instances where information reported in a claim is inadequate to calculate a correct provision. This may be due to ambiguity concerning the causal relationship and uncertainty about the injured party's future work capacity etc. Many personal injury claims are tried in the court system, and over time the level of compensation for such claims has increased. This will also be of consequence to claims that occurred in prior years and have not yet been settled. The risk linked to provisions for lines related to insurances of the person is thus affected by external conditions. To reduce this risk, the company calculates its claims liability based on various methods and follows up that the registered provisions linked to ongoing claims cases are updated at all times based on the current calculation rules. See note 3 and 16.

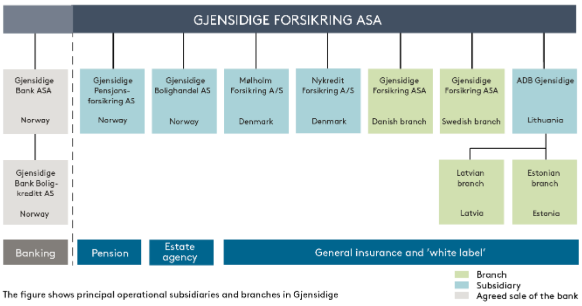
3. Risk and capital management

Introduction

Gjensidige's core business is general insurance, and the risk related to non-life and health insurance risk is therefore a major part of the risk Gjensidige is exposed to. Gjensidige is also exposed to life insurance risk through its operations in Gjensidige Pensjonsforsikring AS. Financial risk is also a material risk for the group.

On 2 July Gjensidige agreed to sell Gjensidige Bank AS to Nordea, and since the third quarter the bank has been reported as discontinued operations.

Figure 1 – Business structure



In this note, the risk management system will be described first. Then the different risks and management of these risks will be described. Finally, the capital requirement for these risks and the capital management will be described. Note that we distinguish between the terms Gjensidige Insurance Group and Gjensidige Forsikring Group, where Gjensidige Insurance Group consists of Gjensidige Forsikring Group excluding Gjensidige Bank ASA.

Risk management system

The risk management system is organised with three lines of defence.

Figure 2 – The risk management system is organised with three lines of defence

The primary responsibility for risk management and internal control is held by every employee and leader in the group. This is the first line of defence. There are established procedures and guidelines that must be followed, and risk management and internal control is therefore performed as a part of all employees' daily work. Control functions in line management are incorporated into the overall internal control system. Such functions include risk and compliance coordinators, group security, data privacy officer, anti-money laundry officer and quality functions reviewing distribution and claims handling.

The CEO has an overall responsibility for the risk management of the group. The Group's capital management committee has an advisory role regarding the assessment and proposal of changes in use of capital. The Group's Risk Control Committee has an advisory role to the CEO with respect to overall Group Risk situation, and other risk management and internal control matters. Both committees are chaired by the Group CEO. Responsibility for the daily risk management is delegated to the responsible line managers in their respective areas.

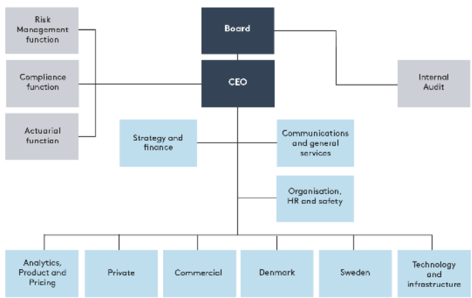
The second line of defence is carried through by centralised control functions for risk management, compliance and actuary;

- The risk management function is responsible for monitoring and developing Gjensidige Forsikring Group's risk management and internal control system. In addition, the function shall have an overview of the risks the Group is or may be exposed to, and what this means for the Group solvency. The risk management function is headed by the Chief Risk Officer (CRO) in Gjensidige Forsikring ASA. The CRO has responsibility for establishing the procedures for performing risk management and reporting risk exposures as well as monitoring Board approved limits.
- The compliance function shall identify, assess, advice, monitor and report on risk related to compliance with external and internal regulations. The compliance function is headed by the Chief Compliance Officer (CCO)
- The actuarial function is responsible for coordinating the calculation and control of the technical provisions. The responsibility is centralised in the Group's Actuary department, which is headed by the Chief Actuary. Even though the actuarial function is organised in the Group's Actuary department, its responsibilities are limited to controlling activities, and has no responsibility for developing claim provision models and regular claim provision calculations. This ensures independence of the actuarial function.

All control functions in the second line of defence report directly to the CEO on subject matters.

The third line of defence is the group's internal audit function, which monitors that the risk management and internal control system. The audit function reports directly to the Board of Gjensidige Forsikring ASA.

Figure 3 – Operational structure



The Board has the overall responsibility for ensuring that the level of risk-taking in the Group is satisfactory relative to the Group's financial strength and willingness to take risks. The board has adopted a risk appetite statement that covers the most important types of risks. This entails ensuring that necessary governing documents and procedures are in place. Laws and regulation are to be followed. The work with the risk management and internal control is to be appropriately organised, documented and reported.

The Board has established an audit committee and a risk committee consisting of chosen Board members. The audit committee is tasked with preparing the Board's monitoring of the financial reporting process, the systems for internal control and risk management, as well as the Company's internal audit function. The risk committee is tasked with preparing the Board's monitoring of risk and capital matters. While the audit committee has a retrospective perspective, the risk committee has a forward-looking perspective in relation to the company's strategy, risk appetite and risk capacity. The aim is to strengthen and increase the efficiency of the full Board's discussions. In addition, a remuneration committee assists the Board in remuneration matters.

Gjensidige Forsikring ASA has established strategies, policies and more detailed guidelines, routines and authorisation rules for main risk areas. Group policies are subject to approval by the Board of each company within the Group based on local legislation.

General insurance

Risk description

General insurance covers non-life and health insurance contracts. The Gjensidige Insurance Group is exposed to general insurance risk in Norway, Sweden, Denmark and the Baltics. Gjensidige's current risk appetite is large in the core area of general insurance in the Nordic and Baltic countries. The risk appetite is the greatest in areas which Gjensidige has high structural competence and access to data. Other business areas shall contribute to the Group's total growth and profitability, but with limited risk appetite.

In order to describe general insurance risk, the most important components are elaborated below, and these are reserve risk, premium risk and lapse risk.

Reserve risk

Reserve risk is the risk that the current claims provisions are not sufficient to cover the development of already incurred claims and related expenses. Reserve risk reflects the emergence of uncertainty related to:

- Actual claim size (for reported, but not yet settled claims, i.e. RBNS) being higher than expected,
- Claims incurred but not yet reported (IBNR) being greater than expected, and
- Claim payments being paid out at a different time to that expected.

The cost of reported claims not yet paid (RBNS) is estimated by a claims handler for each individual claim and is based on relevant information available from claims reports, loss adjusters, medical certificates and information about the costs of settling claims with similar characteristics in previous periods. The key statistical methods used for calculating claims provisions for claims incurred but not yet reported (IBNR) are:

- Chain ladder methods, which use historical data to estimate the proportions of the paid and incurred to date of the ultimate claim costs.
- Expected loss ratio methods (e.g. Bornhuetter-Ferguson), which use Gjensidige's expectation of the loss ratio for a line of business in the estimation of future claims payments.
- Methods where "Chain ladder" and "Expected loss ratio" methods are used in combination. One advantage of the use of these methods is that more weight can be given to experience data when the run-off development of the actual claim year has become more stable.

The methods used will depend on the line of business and the time period of data available. Some methods assume that future claim development will follow the same pattern as historical claims. There are reasons why this may not always be the case, and it may be necessary to modify model parameters. The reasons why historical claims not necessarily project the future can be:

- Economic, legal and social trends and social inflation (e.g. a shift in court awards)
- Changes in the mix of insurance contracts
- The impact of large losses

IBNR provisions and provisions for outstanding claims are initially estimated at a gross level, and a separate calculation is carried out to estimate the size of reinsurance recoveries.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified (RBNS), where information about the claim is available. There may be cases where certain claims may not be apparent to the insured until many years after the event that gave rise to the claims.

Estimation uncertainty is an inherent character of the claim provisions. Several factors contribute to this uncertainty and include claim frequency and claim severity. An increase in the frequency of claims can be due to seasonal effects and more sustainable effects. During the winter season snow and cold weather will cause an increase in the frequency of claims in Motor insurance. In Property insurance, a cold winter will cause an increase in the frequency of claims due to frozen water pipes and increased use of electrical power and open fire places for heating of the houses. Shifts in the level of claims frequency may occur due to e.g. change in customer behaviour and new types of claims. The effect on the profitability of a permanent change in the level of claims frequency will be high. In Motor insurance in Norway, for example, an increase of one percentage point in the level of claims frequency will increase the loss ratio by three to four percentage points.

Growth in severity of claims may, for example, be driven by the development of consumer price index (CPI) and salary increases. In Property insurance, the severity of claims will be influenced by inflation and specifically by increased building costs, which in the past has been slightly higher than CPI. For accident and health, the insurance policies are divided into two main groups, one with fixed sum insured and another part where the compensation is adjusted in accordance with a public/government index (in Norway: 'G' - the basic amount in the National Insurance Scheme). This is the case in Workers' Compensation, for instance. The Group writes Workers' Compensation insurance in Norway and Denmark. The regulation of this line of business is quite different in these countries. In Norway Workers' Compensation covers both accident and diseases, while in Denmark diseases are covered by a governmental body. The compensation in Norway is exclusively in the form of lump sums, while in Denmark the compensation consists of both lump sums and annuity payments. Annuity payments are calculated on the basis of assumptions about mortality, interest rate and retirement age. For bodily injuries, the severity of claims is also influenced by court awards, which tend to increase the compensation more than the general inflation. This is also a significant factor, due to the long period typically required to settle these cases.

The tables below show how total claims in Gjensidige develop over time.

Table 1a – Analysis of claims development, general insurance

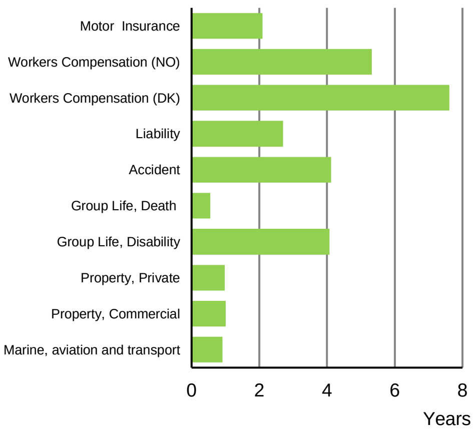
NOK millions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Gross												
Estimated claims cost												
At the end of the accident year	13,004.2	12,569.8	14,785.3	15,981.0	13,479.3	15,379.0	14,952.6	12,836.3	13,893.0	14,918.1	16,719.5	
- One year later	13,076.0	12,517.2	14,652.0	16,227.1	13,427.7	15,270.9	14,594.4	12,809.0	14,145.1	14,970.2		
- Two years later	12,981.4	12,352.6	14,683.3	16,268.7	13,349.1	15,093.0	14,475.4	12,725.1	14,261.3			
- Three years later	12,956.8	12,363.6	14,601.6	16,078.3	13,180.0	14,904.0	14,425.4	12,772.2				
- Four years later	12,915.5	12,211.8	14,519.3	15,876.6	13,004.3	14,776.9	14,393.5					
- Five years later	12,780.8	12,150.1	14,412.3	15,757.7	12,886.4	14,647.9						
- Six years later	12,737.9	12,105.6	14,288.9	15,612.3	12,637.5							
- Seven years later	12,693.2	11,967.2	14,174.1	15,323.1								
- Eight years later	12,606.5	11,913.5	13,761.5									
- Nine years later	12,558.7	11,565.2										
- Ten years later	12,142.0											
Estimated amount as at 31.12.2018	12,142.0	11,565.2	13,761.5	15,323.1	12,637.5	14,647.9	14,393.5	12,772.2	14,261.3	14,970.2	16,719.5	
Total disbursed	11,280.4	10,617.8	12,882.6	14,394.2	11,674.5	13,731.8	13,241.2	11,326.1	12,366.7	12,242.6	7,645.2	131,403.1
Claims provision	861.5	947.4	879.0	928.8	963.0	916.1	1,152.3	1,446.1	1,894.6	2,727.5	9,074.3	21,790.7
Prior-year claims provision and loss adjustment provision												7,005.1
Gjensidige Baltic												560.0
Total												**29,355.8**
Net of reinsurance												
Estimated claims cost												
At the end of the accident year	12,834.5	12,538.2	14,290.3	14,988.7	13,274.1	14,619.8	14,827.8	12,836.3	13,649.9	14,393.5	16,439.4	
- One year later	12,915.7	12,485.8	14,185.5	15,171.2	13,216.4	14,468.8	14,463.2	12,808.8	13,900.5	14,445.5		
- Two years later	12,826.4	12,327.5	14,215.0	15,270.8	13,153.1	14,384.1	14,348.4	12,720.9	14,016.8			
- Three years later	12,796.6	12,338.5	14,134.2	15,146.8	12,978.3	14,192.1	14,298.4	12,767.9				
- Four years later	12,755.4	12,187.2	14,050.9	14,941.4	12,797.3	14,079.7	14,266.5					
- Five years later	12,621.2	12,124.3	13,939.6	14,822.4	12,679.5	13,950.7						
- Six years later	12,577.1	12,079.8	13,816.2	14,676.5	12,430.6							
- Seven years later	12,532.3	11,941.5	13,701.5	14,405.6								
- Eight years later	12,445.5	11,887.7	13,300.6									
- Nine years later	12,397.7	11,552.7										
- Ten years later	11,988.5											
Estimated amount as at 31.12.2018	11,988.5	11,552.7	13,300.6	14,405.6	12,430.6	13,950.7	14,266.5	12,767.9	14,016.8	14,445.5	16,439.4	
Total disbursed	11,127.0	10,605.3	12,421.6	13,476.7	11,467.6	13,034.6	13,140.6	11,348.3	12,254.3	11,797.3	7,574.4	128,247.7
Claims provision	861.5	947.4	879.0	928.8	963.0	916.1	1,125.9	1,419.6	1,762.4	2,648.2	8,865.0	21,317.1
Prior-year claims provision and loss adjustment provision												7,005.1
Gjensidige Baltic												495.2
Total												**28,817.4**

Table 1b – Analysis of claims development, Gjensidige Forsikring ASA

NOK millions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Gross												
Estimated claims cost												
At the end of the accident year	12,390.1	11,860.2	13,836.8	14,692.3	12,804.0	14,460.0	14,282.2	12,129.5	13,190.6	14,260.2	16,238.6	
- One year later	12,488.7	11,790.7	13,752.9	14,940.0	12,804.5	14,396.2	13,923.3	12,102.0	13,455.1	14,317.5		
- Two years later	12,391.4	11,640.2	13,779.0	14,970.7	12,742.3	14,229.5	13,797.7	12,017.2	13,575.0			
- Three years later	12,353.3	11,645.9	13,697.3	14,784.5	12,586.1	14,056.8	13,745.5	12,066.4				
- Four years later	12,312.4	11,498.3	13,596.3	14,586.0	12,406.9	13,921.0	13,716.5					
- Five years later	12,178.5	11,430.5	13,486.5	14,465.1	12,290.7	13,794.1						
- Six years later	12,135.2	11,382.7	13,358.5	14,319.9	12,043.8							
- Seven years later	12,089.0	11,239.5	13,244.2	14,031.4								
- Eight years later	12,001.5	11,185.6	12,832.2									
- Nine years later	11,951.9	10,839.2										
- Ten years later	11,535.3											
Estimated amount as at 31.12.2018	11,535.3	10,839.2	12,832.2	14,031.4	12,043.8	13,794.1	13,716.5	12,066.4	13,575.0	14,317.5	16,238.6	
Total disbursed	10,673.9	9,903.4	11,960.2	13,104.1	11,082.8	12,886.0	12,576.9	10,657.1	11,727.4	11,683.7	7,217.0	123,472.4
Claims provision	861.4	935.8	872.0	927.2	961.0	908.2	1,139.6	1,409.3	1,847.6	2,633.9	9,021.6	21,517.6
Prior-year claims provision and loss adjustment provision												7,252.3
Total												**28,769.8**
Net of reinsurance												
Estimated claims cost												
At the end of the accident year	12,220.7	11,830.2	13,341.8	13,700.0	12,598.8	13,700.9	14,157.4	12,129.5	12,947.5	13,735.5	15,958.5	
- One year later	12,328.5	11,761.0	13,286.4	13,884.1	12,593.2	13,594.1	13,792.1	12,101.8	13,210.5	13,792.8		
- Two years later	12,236.6	11,616.7	13,310.6	13,972.8	12,546.3	13,520.7	13,670.7	12,013.0	13,330.4			
- Three years later	12,193.3	11,622.5	13,229.9	13,853.0	12,384.4	13,344.9	13,618.5	12,062.2				
- Four years later	12,152.3	11,475.2	13,128.0	13,650.8	12,199.9	13,223.7	13,589.5					
- Five years later	12,019.0	11,406.3	13,013.9	13,529.9	12,083.8	13,096.9						
- Six years later	11,974.3	11,358.5	12,885.9	13,384.1	11,836.9							
- Seven years later	11,928.1	11,215.3	12,771.5	13,113.8								
- Eight years later	11,840.5	11,161.4	12,371.2									
- Nine years later	11,790.9	10,828.2										
- Ten years later	11,381.9											
Estimated amount as at 31.12.2018	11,381.9	10,828.2	12,371.2	13,113.8	11,836.9	13,096.9	13,589.5	12,062.2	13,330.4	13,792.8	15,958.5	
Total disbursed	10,520.4	9,892.5	11,499.2	12,186.6	10,875.9	12,188.7	12,476.3	10,679.4	11,615.0	11,238.3	7,146.1	120,318.5
Claims provision	861.4	935.8	872.0	927.2	961.0	908.2	1,113.2	1,382.8	1,715.4	2,554.6	8,812.4	21,044.0
Prior-year claims provision and loss adjustment provision												7,252.3
Total												**28,296.3**

The duration (average time between the date of loss until the claim is finally settled) differs significantly between the types of risk under consideration. Long duration will increase the company's exposure to inflation. The figure below shows the duration of different products.

Figure 4 – Duration of different products



Premium risk

Premium risk relates to future exposures, future claims and their related expenses. Exposure arises on unexpired risk from contracts already underwritten (i.e. the "unearned" exposure) and from future underwritten contracts.

Premium risk originates from the following factors:

- Uncertainty in premium rates
- Uncertainty in claim severity
- Uncertainty in claim frequency
- Uncertainty in timing of claims payments
- Uncertainty in operating and claims handling expenses

Lapse risk

Lapse risk is defined as the risk of a change in value caused by deviations from the actual rate of policy lapses from their expected rates, i.e. an increase in the level of customers leaving the company. Gjensidige considers lapse risk to be limited for non-life and health insurance business, as the main effect of higher lapse rates will be a reduction in future profit.

Risk exposure

Reserve risk and premium risk are both material risks. Lapse risk contributes only marginally to the total risk exposure for both the Gjensidige Insurance Group and Gjensidige Forsikring ASA. For reserve risk, most of the claims provisions and related risk exposure are related to lines of business exposed to personal injury, where it takes long time to settle claims. A large part of the reserve risk is related to lines of business such as “Workers' compensation insurance”, “Motor vehicle liability insurance” and “Income protection insurance”. For premium risk, the risk exposure is mainly related to “Motor insurance” and “Fire and other damage to property insurance”.

Risk concentration

Gjensidige’s general insurance portfolio is largest in Norway, but Gjensidige also has a significant part of its general insurance business in Denmark, Sweden and the Baltics.

Gjensidige has developed governing documents for insurance risk. The purpose is to diversify the types of insurance risks, and within each of these categories achieve a sufficiently large population of risks to reduce the fluctuation in the expected outcome. There are detailed guidelines that ensure that the risks underwritten are within Gjensidige’s risk appetite.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The two tables below show that Gjensidige has a well-diversified portfolio both between countries and between products. The portfolio consists mainly of private insurance and insurance related to small and medium-sized commercial business.

Table 2a – Gross premiums written per line of business, Gjensidige Insurance Group

NOK millions	Gross premiums written 2018	Per cent of total	Gross premiums written 2017	Per cent of total
Medical expense insurance	1,168.4	4.3%	822.6	3.2%
Income protection insurance	1,232.7	4.6%	1,229.4	4.7%
Workers' compensation insurance	890.0	3.3%	908.3	3.5%
Motor vehicle liability insurance	3,092.9	11.5%	3,024.2	11.7%
Other motor insurance	4,827.5	17.9%	4,766.1	18.4%
Marine, aviation and transport insurance	303.6	1.1%	283.0	1.1%
Fire and other damage to property insurance	8,617.8	32.0%	8,424.2	32.5%
General liability insurance	745.9	2.8%	689.9	2.7%
Assistance	1,100.0	4.1%	1,093.0	4.2%
Health insurance	1,485.0	5.5%	1,462.1	5.6%
Other non-life insurance	1,284.5	4.8%	1,262.6	4.9%
Non-proportional non-life reinsurance	125.8	0.5%	119.1	0.5%
Pension - insurance with profit participation	295.4	1.1%	220.0	0.8%
Pension - index-linked and unit-linked insurance	1,755.2	6.5%	1,612.8	6.2%
Total	**26,924.6**	**100.0%**	**25,917.1**	**100.0%**

Table 2b – Gross premiums written per line of business, Gjensidige Forsikring ASA

NOK millions	Gross premiums written 2018	Per cent of total	Gross premiums written 2017	Per cent of total
Medical expense insurance	495.8	2.1%	389.3	1.7%
Income protection insurance	1,192.6	5.1%	1,179.4	5.2%
Workers' compensation insurance	890.0	3.8%	908.3	4.0%
Motor vehicle liability insurance	2,634.9	11.3%	2,591.7	11.4%
Other motor insurance	4,609.3	19.9%	4,541.4	20.1%
Marine, aviation and transport insurance	294.9	1.3%	275.3	1.2%
Fire and other damage to property insurance	8,410.3	36.2%	8,191.2	36.2%
General liability insurance	709.1	3.1%	652.3	2.9%
Assistance	1,080.5	4.7%	1,073.5	4.7%
Health insurance	1,485.0	6.4%	1,462.1	6.5%
Non-proportional non-life reinsurance	150.0	0.6%	141.1	0.6%
Other	1,263.4	5.4%	1,244.6	5.5%
Total	**23,215.8**	**100.0%**	**22,650.1**	**100.0%**

Table 3 – Gross premiums written per segment

NOK millions	Gross premiums written 2018	Per cent of total	Gross premiums written 2017	Per cent of total
General Insurance Private	8,942.2	33.2%	8,614.5	33.2%
General Insurance Commercial	8,017.9	29.8%	7,637.0	29.5%
General Insurance Denmark	5,196.8	19.3%	4,882.4	18.8%
General Insurance Sweden	1,495.1	5.6%	1,821.5	7.0%
General Insurance Baltics	1,110.1	4.1%	1,074.9	4.1%
Pension	2,050.5	7.6%	1,832.7	7.1%
Corporate Center/reinsurance	112.0	0.4%	54.1	0.2%
Total	**26,924.6**	**100.0%**	**25,917.1**	**100.0%**
Total Gjensidige Forsikring ASA	**23,215.8**	**86.2%**	**22,650.1**	**87.4%**

Managing insurance risk

An underwriting policy approved by the Board gives guidelines for fundamental principles and responsibilities in product and tariff development, risk selection and determination of the terms and pricing of individual risks. The Board has further approved policy for technical provisions, which gives the overall principles for the provisions. Gjensidige’s internal model is used to determine long-term profitability targets for each line of business.

A retention limit specifies the maximum loss that the Gjensidige is willing to take and gives guidance on reinsurance Gjensidige purchases. The maximum retention limit is specified in the Capital management policy and is approved by the Board. Gjensidige’s internal model is used to determine the reinsurance strategy.

The Gjensidige Forsikring Group has a centralised actuarial function, where the Chief Actuary in Gjensidige Forsikring ASA has the overall responsibility for the Group’s insurance technical provisions. Having the actuarial function as a common second line of defense for the Group ensures that all parts of the organisation use the same principles and models for the calculation of technical provisions.

The Group CEO delegates authority to the respective executive vice presidents for the following departments Analytics, Product and Price, Private, Commercial, Denmark and Sweden. The Analytics, Product and Price and Actuary departments hold regular meetings together with the business areas to capture changes in the development of reported claims. This includes communication with respect to the reorganisations, process changes, etc., that could affect the level of technical provisions. Insurance risk in subsidiaries are followed up by their respective boards.

Gjensidige's internal model is used to monitor that risk is within defined risk limits.

Risk mitigation
Insurance risk is mitigated through several arrangements, like for instance reinsurance and hedging of inflation.

Reinsurance
Gjensidige Forsikring ASA buys reinsurance as protection against the effect of catastrophic events (such as wind storms) and large claims (such as major fires). The reinsurance programme is mainly bought to protect the Group's equity capital. Gjensidige purchases almost exclusively non-proportional reinsurance contracts with sufficiently high retentions for coverage of relatively few, large claims to be recoverable. Subsidiaries are reinsured by Gjensidige Forsikring ASA, and the subsidiaries' reinsurance exposure is included in the reinsurance programme for the Gjensidige Insurance Group. The maximum retention level per event for the Group, approved by the Board, was NOK 480 million in 2018, increased from NOK 470 million in 2017. As a general rule, Gjensidige purchases reinsurance to limit any single claim or claim event per insurance product to NOK 100 million. For weather claims the retention is NOK 200 million. For some insurance risks Gjensidige purchases reinsurance coverage that will reduce the retention level to under 100 million. Decisions concerning the reinsurance programme are based on an analysis of exposure, claims history, Gjensidige's internal model simulations and Gjensidige's capitalisation. As a general requirement, all reinsurers need to be rated 'A-'or better by Standard & Poor's (or the equivalent from other rating agencies) when entering into a contract with Gjensidige.

Hedging of inflation rate for Danish workers' compensation
Gjensidige is exposed to the risk of increased inflation on most of its technical provisions. Increased inflation will result in higher future claim payments than earlier expected. A large part of this inflation risk is related to Danish workers' compensation, which is hedged through inflation swaps.

Risk sensitivity
Sensitivity tests are performed in order to show how different risks impact the profit or loss for the year, and thereby impact the equity at the year-end, please see table 4. Combined ratio (CR) is the key measure of profitability for the general insurance business. The calculations show the effect of a change of one per cent in CR, which can be caused by both premium risk and reserve risk. Premium risk related to changes in loss frequency and severity of claims is also shown. Note that tax impact is not included in the calculations. Changes in inflation assumptions will mainly affect the claims provisions (reserve risk), but is counter-acted by inflation swaps. Sensitivity related to inflation is shown in the section for financial risk.

Table 4 – Potential loss based on different sensitivities

	Gjensidige Insurance Group		Gjensidige Forsikring ASA	
NOK millions	**2018**	**2017**	**2018**	**2017**
Change in CR (1%-point)	261.0	252.3	223.9	219.2
Change in loss frequency (1%-point)	2,087.9	2,162.8	2,049.9	2,122.2
Change in severity of claims (+10%)	1,699.5	1,614.3	1,625.9	1,540.7

Changes in the composition of the insurance portfolio may have an impact on the effect of the changes in the frequency and severity of claims.

Life insurance

Risk description
The Gjensidige Insurance Group is exposed to life insurance risk through products sold in Gjensidige Pensjonsforsikring AS. Gjensidige Pensjonsforsikring AS has a relatively large risk appetite within occupational defined contribution plans and collective disability and survivor benefits, moderate risk appetite within individual disability plans and low risk appetite within capital-intensive and complicated products (paid-up defined benefit policies). In order to describe life insurance risk, the most important components are elaborated below, and these are; mortality, longevity, disability, catastrophe, lapse and expense risk.

Mortality risk
Mortality risk is the risk that actual mortality rates are higher than expected. It is defined as a permanent increase in mortality rates for all ages. Higher mortality rates will result in higher claim payments to the surviving spouse or children. Mortality risk in Gjensidige Pensjonsforsikring AS is low as there is a limited amount of policies covering mortality risk. In addition, mortality rates are low, so an increase in these will have a limited impact. This means that it is not the risk of increased mortality that is dominant for Gjensidige Pensjonsforsikring AS, but the risk of decreased mortality; longevity risk.

Longevity risk
Longevity risk is the risk that actual mortality rates are lower than expected. Lower mortality will result in a higher total of pension payments for guaranteed products. The company cannot charge additional premium for contractual periods previously entered into. The risk for the company is that the provisions that shall cover all future claims are insufficient.

Gjensidige Pensjonsforsikring AS is especially exposed to longevity risk in the paid-up policies, where Gjensidige Pensjonsforsikring AS is liable to pay a defined benefit until death. Since 2014 Gjensidige Pensjonsforsikring AS has been increasing reserves in order to satisfy the mortality tariff "K2013". By year end 2018 Gjensidige Pensjonsforsikring is fully reserved according to "K2013".

Disability risk
Disability risk is the risk that actual disability is higher than expected and/or the recovery is lower than expected. Higher disability rates, but also lower recovery rates will increase the claim payments. Both individual and collective disability products expose Gjensidige Pensjonsforsikring AS to disability risk. Apart from lapse risk, disability risk is one of the major insurance risks for Gjensidige Pensjonsforsikring AS.

Catastrophe risk
Catastrophe risk is defined as the risk of an immediate increase in mortality due to a catastrophic event. Mortality risk is in general low, and the catastrophe scenario for catastrophe risk will have a very small impact on Gjensidige Pensjonsforsikring AS' portfolio.

Lapse risk
Lapse risk is the risk of an increase in lapse rates, i.e. the risk of an increase in customers leaving the company. This is mainly relevant in Solvency II aspects, because Solvency II takes into account expected future profit. Lapse risk reflects the risk of a potential reduction of the expected future profit if customers leave the company. Lapse risk is mainly related to unit-linked products, and represents an important risk for the company in Solvency II. However, if a large number of customers choose to leave the company, the effect on the capital position would be limited. Reduced future profit would lead to a reduction of eligible capital, but would be counteracted by a lower risk margin (increasing eligible capital) and a lower capital requirement.

Expense risk
Expense risk is the risk of actual expenses being higher than expected. The risk is related to the administration result which is the expected administration income minus the expected expenses for the whole lifetime of the products that fall within the contract boundary. Expense risk is larger in Solvency II aspects, because the contract boundary is longer. For some products, the company cannot increase the administration fee if the expenses increase (e.g. guaranteed paid-up policies). For other products, the company can increase the administration fee for the future and thereby reduce the losses.

Risk exposure
Gjensidige Pensjonsforsikring AS offers several disability pension products and for this reason disability risk is a material risk. In addition, longevity risk is a substantial risk because of the portfolio of paid up policies. In Solvency II context the risk exposure looks

very differently where lapse risk is the dominating risk. This is only the case in Solvency II because future profit is accounted for. Expense risk is mostly relevant in Solvency II context, but is also a minor contributing factor to risk exposure for Gjensidige Pensjonsforsikring AS.

Risk concentration

Life insurance consists of policies in the Norwegian market. The portfolio derives mainly from employees of small and medium-sized commercial customers in the whole country, and the risk concentration is considered limited.

Information on managing insurance risk is described under the section General insurance.

Financial risk

Risk description

Financial risk is the risk of experiencing losses due to changes in macroeconomic conditions and/or changes in financial asset values and liabilities. Gjensidige is exposed to these types of risk through the Group's investment activities. The risk is managed at the aggregate level and handled through the guidelines for asset management and investment strategies, which have been drawn up for Gjensidige Forsikring ASA and its subsidiaries. The primary purpose of the investments is to support the insurance business by securing the value of insurance liabilities against fluctuations in market variables. Funds beyond this will be invested to help achieve the Group's overall profitability goals, with a controlled downside risk.

Investments for general insurance and life insurance are managed separately. Financial risk related to general insurance and life insurance is described separately where appropriate.

The investment portfolio for general insurance is split into two parts: a match portfolio and a free portfolio. The match portfolio is intended to correspond to the Group's technical provisions in order to reduce interest rate risk, currency risk and to some extent inflation risk. It is invested in fixed-income instruments with a duration matched to the duration of the technical provisions. The free portfolio consists of various assets. The allocation of assets in this portfolio must be seen in relation to the Group's capitalisation and risk capacity, as well as the Group's risk appetite at all times.

Table 5 – Asset allocation general insurance

	2018		2017	
	NOK millions	Per cent	NOK millions	Per cent
Match portfolio				
Money market	4,917.9	9.3%	4,256.6	7.8%
Bonds at amortised cost	15,698.5	29.7%	17,597.5	32.1%
Current bonds [1]	13,892.5	26.3%	13,729.6	25.0%
Match portfolio total	**34,508.9**	**65.3%**	**35,583.6**	**64.9%**
Free portfolio				
Money market	3,703.2	7.0%	4,061.0	7.4%
Other bonds [2]	3,912.7	7.4%	3,354.6	6.1%
High Yield bonds [3]	436.1	0.8%	648.8	1.2%
Convertible bonds [3]	713.8	1.4%	1,160.1	2.1%
Current equities [4]	2,466.2	4.7%	3,492.7	6.4%
PE-funds	1,346.6	2.5%	1,269.7	2.3%
Property [5]	4,608.8	8.7%	3,494.8	6.4%
Other [6]	1,119.6	2.1%	1,794.9	3.3%
Free portfolio total	**18,307.1**	**34.7%**	**19,276.6**	**35.1%**
Investment portfolio total	**52,816.0**	**100.0%**	**54,860.2**	**100.0%**

[1] The item includes the market value of the interest rate hedge in Denmark. Investments include mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt.
[2] The item includes investment grade and current bonds. Investment grade bonds are investments in internationally diversified funds that are externally managed.
[3] Investments in internationally diversified funds that are externally managed.
[4] The item mainly includes investments in internationally diversified funds that are externally managed. In addition, there is negative derivative exposure of NOK 598.5 million.
[5] In addition, there is a total return swap with Gjensidige Pensjonskasse reducing the property exposure by NOK 150.0 million.
[6] The item includes currency hedging related to Gjensidige Sverige and Gjensidige Denmark, lending, paid-in capital in Gjensidige Pensjonskasse and hedge funds.

Gjensidige Pensjonsforsikring AS manages several portfolios including unit-linked portfolio, paid-up policy portfolio, other group policy portfolio and company portfolio. Gjensidige Pensjonsforsikring AS does not carry investment risk for the unit-linked portfolio. The other portfolios expose the Company's equity to risk.

Table 6 – Asset allocation Gjensidige Pensjonsforsikring AS, excluding the unit-linked portfolio

NOK millions	2018	2017
Money market	1,309.7	1,200.1
Bank deposits	225.5	333.5
Bonds held to maturity	30.6	30.5
Loan and receivables	4,962.3	4,536.0
Current bonds	155.4	161.3
Equities	67.2	5.5
Real estate	908.5	758.2
Total	**7,659.2**	**7,025.0**

Risk exposure

Within market risk the largest risks are spread risk and equity risk for Gjensidige Insurance Group and Gjensidige Forsikring ASA. Holdings in related undertakings are in general treated as equity risk in Gjensidige Forsikring ASA, while the risk is fully consolidated for Gjensidige Insurance Group. Consequently, equity risk is greatest for Gjensidige Forsikring ASA. The investments in property through Oslo Areal AS contribute to property risk. There is also some currency risk, while the interest rate risk and concentration risk contributes only marginally to the total risk exposure.

Spread risk

Spread risk is the risk related to the values of assets, liabilities and financial instruments due to changes in the level or volatility of credit spreads over the risk-free interest rate term structure. It is the fixed-income portfolio that is exposed to spread risk.

The tables below show allocation of the fixed-income portfolio per sector and per rating category at year-end in 2018 and 2017. Investments in fixed-income funds are not included in the tables.

Table 7 – Allocation of the fixed-income portfolio per sector

	Gjensidige Insurance Group		Gjensidige Forsikring ASA	
	2018	2017	2018	2017
Government bonds	20.8%	13.2%	19.1%	11.6%
Corporate bonds	79.2%	86.8%	80.9%	88.4%
Collateralised securities	0.0%	0.0%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 8 – Allocation of the fixed-income portfolio per rating category

	Gjensidige Insurance Group		Gjensidige Forsikring ASA	
	2018	2017	2018	2017
AAA	32.8%	31.6%	30.2%	29.2%
AA	11.9%	5.1%	12.5%	4.5%
A	16.0%	20.4%	14.6%	20.9%
BBB	11.4%	6.3%	11.4%	6.0%
BB		0.1%		
B				
CCC or lower				
Not rated	28.0%	36.6%	31.3%	39.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Issuers without a rating from an official rating company are mainly investments in the Norwegian fixed-income portfolio.

Equity risk

Equity risk is the risk related to the values of assets, liabilities and financial instruments as a result of changes in the level or volatility of market prices of equities.

For both the Gjensidige Insurance Group and Gjensidige Forsikring ASA the equity exposures are mainly investments in Norwegian equity funds and internationally diversified funds, with the majority focusing on developed markets. There are also investments in several private equity funds as well as fund of funds, focusing on the Nordic region.

The equity portfolio has no significant exposures in single shares. The largest equity exposures are presented in Note 14.

Property risk
Property risk is the risk related to the value of assets, liabilities and financial instruments due to changes in the level or volatility of market prices of property.

The motivation for investing in real estate is primarily that it enhances the risk-adjusted return, through an expected rate of return on real estate that lies between bonds and equities, with a modest correlation with both of them.

Property risk is material to the Gjensidige Insurance Group and Gjensidige Forsikring ASA. Gjensidige Forsikring ASA has a 50 per cent share in Oslo Areal AS, which is fully consolidated in the solvency calculations. The Group owns most of its properties through Oslo Areal AS, although a small part of the portfolio is invested in property funds outside Norway. The real estate portfolio managed by Oslo Areal AS consists of investment properties. The real estate portfolio has its largest concentration in offices in the Oslo area, but it also contains property in other major cities in Norway.

Interest rate risk
Interest rate risk is the risk related to the value of assets, liabilities and financial instruments due to changes in the term structure of interest rates or interest rate volatility. For both the Gjensidige Insurance Group and Gjensidige Forsikring ASA the interest rate risk is small.

Figure 5a shows the expected pay-out pattern for the premium and claims provisions for the general insurance operation as at year-end 2018 and 2017, respectively. Approximately one third of the provisions are expected to be paid out within one year.

Figure 5a – Payout pattern insurance liabilities, Gjensidige general insurance

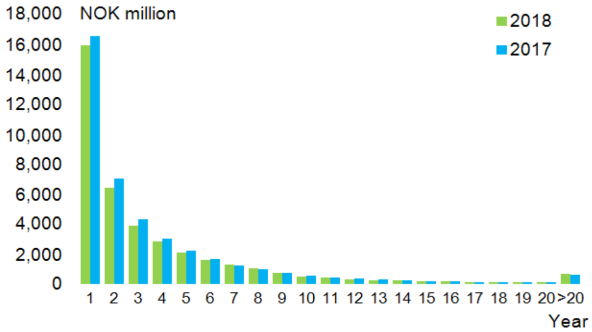
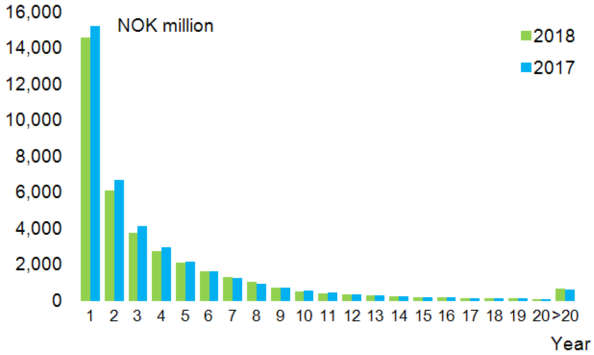


Figure 5b shows the corresponding pay-out pattern for Gjensidige Forsikring ASA. The average duration for Gjensidige Forsikring ASA is similar to that of the general insurance operation.

Figure 5b – Payout pattern insurance liabilities, Gjensidige Forsikring ASA



As mentioned the match portfolio is intended to correspond to the Gjensidige Insurance Group's technical provisions in order to reduce interest rate risk. There is also some interest rate risk in the free portfolio.

The table below shows the maturity profile of the fixed-income portfolio for general insurance.

Table 9 – Maturity profile (numbers of years) fixed-income portfolio

NOK millions	2018	2017
Maturity		
0-1	8,546.3	10,404.1
1-2	4,244.0	5,644.8
2-3	5,778.7	3,410.8
3-4	5,693.6	5,625.4
4-5	5,341.5	4,276.7
5-6	2,906.9	3,537.8
6-7	2,627.2	2,639.3
7-8	1,675.6	2,012.8
8-9	2,236.9	1,684.2
9-10	1,170.6	2,109.5
>10	3,152.1	3,477.0
Total	**43,373.4**	**44,822.2**

As opposed to the general insurance the risk for Gjensidige Pensjonsforsikring AS is a reduction of interest rate levels. This risk arises in the portfolio of paid-up policies which guarantees an annual investment return. A decrease in the interest rate level increases the risk of not achieving the guaranteed investment return. However, the sensitivity to interest rate in Gjensidige Pensjonsforsikring AS has a hedging effect on group risk.

Foreign exchange risk
Foreign exchange risk is the risk related to the value of assets, liabilities and financial instruments due to changes in currency exchange rates.

Gjensidige Insurance Group underwrites insurance in the Scandinavian and Baltic countries, and thus has insurance liabilities in the corresponding currencies. The foreign exchange risk, at both group and company level, is generally hedged by matching technical provisions with investments in the corresponding currency. Generally, foreign exchange risk in the investment portfolio is hedged close to 100 per cent, within a permitted limit of +/- ten per cent per currency, except for smaller mandates with active currency management.

Counterparty default risk
Counterparty default risk reflects possible losses due to unexpected default of the counterparties and debtors of Gjensidige Insurance Group.

The Gjensidige Insurance Group and Gjensidige Forsikring ASA are exposed to counterparty risk through the investments in securities and derivatives, cash at banks, and through receivables from intermediaries and reinsurance contracts.

Liquidity risk
Liquidity risk is defined as the inability to meet payments when due, or by the need to realise investments at a high cost to meet payments. For most general insurers, liquidity risk is quite limited. Premium income is paid up front, and claims are paid out at a later stage. Future payments are not based on contractual payment dates, but rather on when claims arise and how long the claims handling takes. This will result in a positive net cash flow under normal circumstances. Large net outflows would generally only arise as a result of acquisitions or the recapitalisation of subsidiaries. In the event of a large claim or catastrophic event, the payments will take place sometime after the event, and the reinsurers will cover most of the cost within a short time of the payments having been made to the claimants. In an extreme scenario, reinsurers could fail to honour their obligations after a catastrophic event.

Risk concentration

The risk concentration regarding financial investments is defined as risk regarding the accumulation of exposures within the same geographical area, industry sector etc.

For both the Gjensidige Insurance Group and Gjensidige Forsikring ASA sector concentration of fixed-income securities are regulated by the guidelines for credit exposure, which is a part of the Group Credit policy. The guidelines define a number of industry sectors together with allocation limits to each sector in order to ensure diversification in the total portfolio. The current allocation of fixed-income securities meets the guidelines requirement.

The equity investments in Gjensidige Forsikring ASA are mainly investments in internationally diversified funds. Investments are both in developed and emerging markets, together with funds in the Norwegian market. The degree of diversification, both for sector and geographical concentration, is thus dependent of the composition in the fund structure.

Geographical concentrations of fixed-income securities in the match portfolios of the Gjensidige Insurance Group and Gjensidige Forsikring ASA are mainly proportional to the amount of technical provisions in the various countries, in which business is conducted.

Geographical concentration of fixed-income securities in the free portfolio is monitored by using a look-through approach in respect of the fixed-income funds. Fixed-income funds consist of internationally diversified funds in asset classes like investment grade, high yield and convertible bond funds. The money market portfolio mainly consists of Norwegian bonds and certificates, thereby ensuring liquid assets are held in the portfolio.

Managing financial risk

The Board yearly approves the investment strategy with limits for the various types of risk and asset allocation. A dynamic risk management model is established, which provides the necessary framework for rapid adaptation of risk to changes in market conditions and/or weak development for financial income. Monitoring of prices, interest rate, credit spread and foreign currency risk is also performed through “stress tests”, where the buffer capital at all times must be sufficient to withstand the risk of simultaneous sharp falls in asset prices.

The Board has set limits for credit exposure. Credit limits are set for designated counterparties. The limits are based on either the official credit rating of the counterparty or internal analyses. These are monitored and reported monthly at the Group level. Outstanding claims against the Group reinsurers may also represent a significant credit risk. Counterparty risk in the reinsurance is therefore assessed continuously. Group reinsurers must have a minimum Standard & Poor’s rating of A- or equivalent from a well reputed rating agency. The Board has considered the risk of losses on loans, guarantees and other receivables, and it is made adequate provision for this risk in the accounts. The management of credit risk is defined in Gjensidige’s credit policy. A separate limit is defined for credit spread risk.

Gjensidige Forsikring ASA has a liquidity policy regarding assets, and limits have been set for the necessary access to liquid funds. These are taken into account in the strategic asset allocation. There are no specific liquidity requirements for Gjensidige Forsikring Group, but each subsidiary has its own liquidity policy.

The investment strategy defines several risk limits in order to have a diversified investment portfolio. The limits have been set to interest rate risk, asset and liability management risk (ALM-risk), credit spread risk, foreign exchange risk and asset allocation in the investment portfolio. There is also a limit for risk-adjusted capital for the investment portfolio. These limits are reported monthly and monitored frequently.

Risk mitigation

The Gjensidige Insurance Group and Gjensidige Forsikring ASA use several risk mitigation techniques. The match portfolio is intended to correspond to the Group’s technical provisions in order to reduce interest rate risk, currency risk and to some extent inflation risk. It is invested in fixed-income instruments with a duration matched to the duration of the technical provisions.

An overview of other risk mitigation techniques is given below.

<u>Hedging exchange rate exposure</u>
Gjensidige Forsikring ASA uses financial derivatives to hedge foreign currency risk arising from investments in securities, and the ownership of foreign branches with other functional currency. Currency forwards and currency swaps are the primary instruments used for hedging currency risk. In addition, the Gjensidige Insurance Group has implemented a currency hedging strategy with the purpose of minimizing currency risk in surplus capital (according to the rating requirement). This is implemented by adjusting assets in foreign branches and subsidiaries so that surplus capital in foreign currencies is minimized.

<u>Hedging inflation exposure</u>
As described under insurance risk, inflation risk related to Danish workers' compensation is for the most part hedged through inflation swaps.

<u>Hedging interest rate exposure in Denmark</u>
Interest rate risk is a significant risk factor associated with the Workers’ Compensation business in Denmark due to the high volume and duration of technical provisions related to the product. Most of the interest rate risk exposure in insurance liabilities is hedged using interest rate swaps. The advantage of using interest rate swaps in contrast to bonds is that instruments with desired duration are available in the Danish swap market, but not in the bond market.

<u>Hedging equity exposure</u>
Equity exposure is hedged to a certain extent by the use of put options and futures.

<u>Counterparty default risk – OTC derivatives</u>
The over-the-counter (OTC) derivatives are covered by ISDA Master agreements, which set out standard terms that apply to all the transactions entered between parts. The Master Agreement allows parties to calculate their financial exposure under OTC transactions on a net basis. The Credit Support Annex (CSA) is a legal document that defines the rules under which collateral is posted or transferred between swap counterparties to mitigate the credit risk arising from derivative positions.

Risk sensitivity

Sensitivity analysis is performed at the Gjensidige Group level. The aim of the sensitivity analysis is to show the financial effect of different predefined scenarios. The following assumptions are made for the different risk drivers:

- Equities: It is assumed that the market value of equities increases/decreases with 20 per cent
- Interest rate: It is assumed that the yield curve taken as a whole changes with one percentage point
- Inflation: The whole inflation rate curve is changed with one percentage point. It is assumed that technical provisions increase. The effect on the value of inflation swaps and deferred tax is also taken into account. It is assumed that inflation does not affect Gjensidige Pensjonsforsikring AS, Gjensidige Pensjonskasse and Gjensidige Bank.
- Spread: It is assumed that credit spreads increase/decrease.

The table below shows the effect of the different sensitivities.

Table 10 – Potential loss based on different sensitivities

	Gjensidige Insurance Group	
NOK millions	**2018**	**2017**
Equity down 20%	(782.2)	(1,226.5)
Equity up 20%	782.2	1,226.5
Interest rate down 100 bps	25.5	66.5
Interest rate up 100 bps	(217.7)	(232.3)
Spread level down 100 bps	1,747.4	1,922.9
Spread level up 100 bps	(1,747.4)	(1,922.9)
Inflation down 100 bps	743.7	860.4
Inflation up 100 bps	(787.4)	(907.8)

Operational risk

Operational risk is the risk of economic losses and/or loss of reputation due to weaknesses or faults in processes and systems, errors made by employees, or external events. In order to reduce the risk, emphasis has been placed on having well-defined and clear lines of reporting and a clear division of responsibility in the organisation of the business. Set procedures have been established for conducting risk assessments, and the Board evaluates the status annually as part of the Company's internal control system.

An independent Compliance function has been established to help the Group to avoid official sanctions, financial losses or a loss of reputation as a result of failure to comply with laws, regulations and standards. The Compliance function identifies, assesses, advises on, monitors and reports on the Group's risk of non-compliance with laws, regulations and internal guidelines. An incidents database has been created in order to close, handle and, not least, learn from undesirable incidents.

All managers in Gjensidige are responsible for risk within their own area, and shall be able to demonstrate that controls are adequate and functioning. The risk evaluation shall be regularly updated if there are changes or events that trigger the risk situation changes. In addition, there is a requirement for an annual review and reporting of operational risk. "Risk and compliance coordinators" are appointed within each division and operating subsidiary in order to assist managers with operational risk management.

The major operational risks in the business are included in the own risk and solvency assessment (ORSA) and form a part of the annual risk assessment process.

Operational risk arising specifically from financial operations is monitored and controlled and described in the investment policy adopted by the Board.

Strategic risk and business risk

Strategic risk is the risk of loss due to the inability to establish and implement business plans and strategies, make decisions, allocate resources or respond to changes.

The most important tool for managing strategic risk in Gjensidige is a robust Group strategy process and a dynamic performance management process.

Assessing strategic and business risk is a natural part of the strategic analysis and is integrated with the strategy process at the Group management and Board level. Risk assessments are also a part of the acquisition and integration process. The annual strategic risk assessment processes are integrated into the overall planning process in all relevant divisions and subsidiaries.

Strategic risks in the business are covered in the own risk and solvency assessment (ORSA).

Capital management

Gjensidige shall have a capitalisation that is adapted to the Group's strategic targets and risk appetite at all times. The Group shall maintain its financial flexibility and at the same time exercise a stringent capital discipline that supports the return on equity target. Any future excess capital will be distributed to the shareholders over time.

The target zone for the solvency margin is between 135 per cent and 200 per cent, provided that the sale of the bank is carried out as planned. The solvency margin levels are expected to be at the upper end of the range to support a Standard & Poor's A rating or equivalent, to stabilize regular dividends over time, to ensure financial flexibility for smaller acquisitions and organic growth not financed through retained earnings, as well as providing a buffer against regulatory uncertainties

All subsidiaries will be capitalised in line with the respective regulatory requirements, while capital in excess of the requirements will, as far as possible, be held in the parent company Gjensidige Forsikring ASA. The Group will make use of all forms of Tier 1 and Tier 2 capital, including subordinated debt, in a responsible and value-optimising manner and within the limits set by regulators and rating agencies.

Requirements for Gjensidige's capitalization are specified in a capital management policy approved by the Board. A department under the CFO is responsible for the capital management and must ensure that the requirements in the capital management policy are followed.

Gjensidige received in 2018 an approval by the Financial Supervisory Authorities (FSA) to use a partial internal model to calculate the regulatory solvency capital requirement. The FSA require the use of the standard formula to calculate storm risk, and the standard formula's correlation between market and underwriting risk. The approved partial *internal model* is therefore more conservative than the model Gjensidige applied for. Gjensidige believes that the partial internal model, without the imposed conditions from the FSA, provides a better representation of the risk, and therefore also states figures for its own partial internal model.

Gjensidige is well capitalized and satisfies the target zone, both by the use of the approved partial internal model and by its own partial internal model.

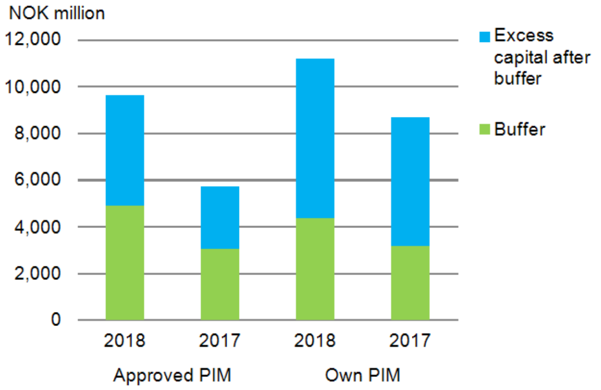
The Group's solvency margins at the end of 2018 were calculated to be:

- 169 per cent based on Gjensidige's approved partial internal model
- 190 per cent based on Gjensidige's own partial internal model

The figures are adjusted according to proposed dividend of NOK 3.55 billion. The sale of Gjensidige bank has not yet been completed, and the bank is therefore included in the calculations above. The solvency margin without the bank would have been 245 per cent for the approved partial internal model.

The capital position is calculated based on Gjensidige's understanding of requirements and principles given in laws and prescriptions.

Figure 6 – Excess capital in the group from different perspectives



The solvency II balance

Both assets and liabilities are valued at market value in Solvency II, and in some cases, this deviates from accounting principles.

The main differences between valuation according to Solvency II principles and accounting principles are:

- Intangibles are valued to zero under Solvency II
- Held-to-maturity-bonds are valued to market value under Solvency II, while amortized cost is used for accounting purposes
- Technical provisions are valued differently (see below for more details)

- Policyholders' receivables are valued to zero according to Solvency II principles, as the related cashflows are included in the calculation of technical provisions (premium provision)
- The guarantee scheme provision is treated as a liability under Solvency II, while it is treated as equity according to accounting principles
- Different valuation of deferred tax as a result of the differences above

According to Solvency II principles, technical provisions are the sum of a best estimate and a risk margin. For non-life insurance and health insurance, the best estimate for technical technical provisions can be divided into premium provisions and claims provisions. The tables below show the technical provisions for Gjensidige Forsikring ASA and the Gjensidige Insurance Group in accordance with Solvency II principles and accounting principles

Table 11a – Technical provisions for Gjensidige Forsikring Group

	2018			2017		
NOK millions	Accounting (IFRS)	Solvency II	Difference	Accounting (IFRS)	Solvency II	Difference
Claims provisions for non-life and health insurance	29,355.8	24,683.3	(4,672.5)	31,322.7	30,604.0	(718.6)
Premium provisions for non-life and health insurance	10,154.1	2,363.8	(7,790.3)	10,067.6	2,374.6	(7,692.9)
Technical provisions for life insurance (best estimate)	30,495.9	28,110.2	(2,385.7)	28,583.8	26,750.2	(1,833.7)
Risk margin		1,964.2	1,964.2		2,158.8	2,158.8
Total technical provisions	**70,005.8**	**57,121.6**	**(12,884.2)**	**69,974.1**	**61,887.6**	**(8,086.4)**

Table 11b – Technical provisions for Gjensidige Forsikring ASA

	2018			2017		
NOK millions	Accounting (NGAAP)	Solvency II	Difference	Accounting (NGAAP)	Solvency II	Difference
Claims provisions for non-life and health insurance	28,769.8	24,110.2	(4,659.6)	30,676.6	29,944.3	(732.3)
Premium provisions for non-life and health insurance	9,475.1	1,952.1	(7,522.9)	8,835.9	1,963.0	(6,873.0)
Risk margin		1,228.5	1,228.5		1,580.1	1,580.1
Total technical provisions	**38,244.9**	**27,290.8**	**(10,954.1)**	**39,512.5**	**33,487.4**	**(6,025.1)**

Claims provisions for non-life and health insurance are discounted in Solvency II, while the claims provisions (except claims provisions for workers' compensation product in Denmark and motor vehicle liability insurance in Sweden) are undiscounted in the accounting figures. From the third quarter of 2018, the claims provision does not include planned run-off gains under Solvency II, as is done in the accounting provisions. All other assumptions for Solvency II purposes are identical with the accounting assumptions.

Premium provisions for non-life and health insurance are calculated as the current value of future cash-flows for unexpired risk for contracts within contract boundaries. Premium provisions according to accounting principles correspond to the unexpired proportion of premiums written for contracts in force at the valuation date, where no deductions are made for any expenses before the written premiums are accrued. The practical consequence of this difference is mainly that future profit for the contracts Gjensidige is liable for are included as eligible capital in the Solvency II balance sheet. As the premium provisions according to Solvency II are discounted this will also result in a difference.

Technical provisions for life insurance are based on a market value approach according to Solvency II principles, where future cash-flows are discounted using the Solvency II interest rate curve. This is different from accounting principles where the guaranteed interest rate is used. Also, the main difference between accounting and Solvency II principles, for index- and unit-linked insurance, is the inclusion of future profits in Solvency II.

A risk margin is added to the technical provisions according to Solvency II principles. The risk margin is calculated as the cost of holding the capital needed to cover the solvency capital requirement through the entire run-off, if all business was terminated.

Note that the Solvency II interest rate curves with no volatility adjustment are used for determining the Solvency II technical provisions, and that no transitional measures are used for the calculations.

Eligible capital

Eligible capital to meet the Solvency Capital Requirement is the difference between assets and liabilities.

Table 12 – Eligible capital to cover the Solvency Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	2018	2017	2018	2017
Assets over liabilities according to Solvency II principles (insurance)	19,823.7	17,741.7	23,263.5	20,193.2
Own shares	(0.1)	(0.0)	(0.1)	(0.0)
Proposed dividend	(3,550.0)	(3,550.0)	(3,550.0)	(3,550.0)
Subordinated liabilities (insurance)	2,487.5	2,541.8	2,186.0	2,234.3
Basic own funds	**18,761.1**	**16,733.4**	**21,899.5**	**18,877.4**
Own funds of other financial sectors	4,904.0	4,319.1		
Total eligible own funds to meet the SCR	**23,665.1**	**21,052.5**	**21,899.5**	**18,877.4**

Eligible own funds are divided into three capital groups according to Solvency II regulations. Gjensidige has mainly tier 1 capital, which is considered to be capital of best quality. Of the total amount of tier 1 capital, NOK 1,010 million comes from the restricted tier 1 category. This is the market value of bonds issued by Gjensidige Forsikring ASA (nominal amount of NOK 1,000 million). For Gjensidige Forsikring Group the tier 1 capital also includes tier 1 capital from the bank sector. Restricted tier 1 capital for the bank sector is NOK 445 million (nominal amount NOK 445 million) and consists of bonds issued by Gjensidige Bank ASA.

The tier 2 capital for the Gjensidige Forsikring Group and Gjensidige Forsikring ASA consists of natural perils capital and subordinated liabilities. Natural perils capital can only be used to cover claims related to natural perils, but can in an insolvent situation also be used to cover other liabilities. The subordinated liabilities comprise of bonds issued by Gjensidige Forsikring ASA (nominal amount of NOK 1,200 million), Gjensidige Pensjonsforsiking AS (nominal amount of NOK 300 million) and Gjensidige Bank ASA (nominal amount of NOK 550 million). The market value of these bonds is NOK 2.027 million per 31.12.2018.

Gjensidige has no tier 3 capital.

Details regarding the hybrid capital are specified in note 18.

Table 13 – Eligible own funds to meet the Solvency Capital Requirement, split by tiers

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2018**	**2017**	**2018**	**2017**
Tier 1	19,146.7	16,758.8	18,232.4	15,341.0
Of this; Restricted tier 1 capital from insurance	*1,010.0*	*1,031.3*	*1,010.0*	*1,031.3*
Of this; Restricted tier 1 capital from other financial sectors	*444.8*	*369.6*		
Tier 2	4,518.4	4,293.7	3,667.1	3,536.4
Of this; Natural perils capital	*2,491.1*	*2,333.4*	*2,491.1*	*2,333.4*
Of this; Subordinated liabilities from insurance	*1,477.5*	*1,510.5*	*1,176.0*	*1,203.0*
Of this; Subordinated liabilities from other financial sectors	*549.8*	*449.8*		
Total eligible own funds to meet SCR	**23,665.1**	**21,052.5**	**21,899.5**	**18,877.4**

There are restrictions on the tier 2 capital that can be used to cover the minimum capital requirement. Only 20 per cent of the MCR can be covered by tier 2 capital. The total eligible basic own funds to cover minimum consolidated capital requirement is therefore lower than total eligible own funds to meet solvency capital requirement.

Table 14 – Eligible own funds to meet Minimum Capital Requirement, split by tiers

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2018**	**2017**	**2018**	**2017**
Tier 1	14,792.5	12,889.4	18,232.4	15,341.0
Of this; Restricted tier 1 capital	*1,010.0*	*1,031.3*	*1,010.0*	*1,031.3*
Tier 2	980.1	1,091.4	819.4	940.4
Total eligible basic own funds to meet MCR/minimum consolidated group SCR	**15,772.6**	**13,980.9**	**19,051.8**	**16,281.4**

Regulatory capital requirement

The regulatory requirement for 2018 is based on the approved partial internal model, while comparative figures from 2017 are based on the standard formula. When presenting the regulatory capital requirements for Gjensidige Forsikring Group, figures for the bank are included where it is relevant.

The solvency capital requirement is based on different sources of risks. The main risks for Gjensidige Forsikring ASA and Gjensidige Forsikring Group are non-life and health insurance risk and market risk. Non-life and health insurance risk is mainly related to uncertainty in insurance result for the next year (premium risk) and the risk of the claims provisions not being sufficient (reserve risk). Counterparty default risk and operational risk also contribute to the capital requirement. A diversification benefit is accounted for as all risks will not occur at the same time. The capital requirement is also adjusted for future tax benefit which would occur if a loss equal to the solvency capital requirement should occur. This tax benefit can only be accounted for if it is reasonable that the company is able to continue with its business after such a loss.

Table 15 – Regulatory Solvency Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2018**	**2017**	**2018**	**2017**
Capital available	**23,665.1**	**21,052.5**	**21,899.5**	**18,877.4**
Capital charge for non-life and health uw risk	7,053.1	7,984.5	6,852.0	7,790.3
Capital charge for life uw risk	1,633.1	1,292.1		
Capital charge for market risk	6,445.8	7,656.9	6,903.9	7,963.5
Capital charge for counterparty risk	470.0	466.3	649.1	507.1
Diversification	(4,334.4)	(3,941.4)	(3,332.5)	(3,065.9)
Basic SCR	**11,267.6**	**13,458.4**	**11,072.5**	**13,195.0**
Operational risk	822.7	965.4	709.1	861.6
Adjustments (risk-reducing effect of deferred tax)	(2,718.7)	(3,163.3)	(2,447.4)	(2,850.4)
Gjensidige Bank	4,670.8	4,050.6		
Total capital requirement	**14,042.4**	**15,311.0**	**9,334.2**	**11,206.2**
Solvency ratio	**168.5%**	**137.5%**	**234.6%**	**168.5%**

In addition to the Solvency Capital Requirement (SCR), there is a defined minimum level of capital. The latter is called Minimum Capital Requirement (MCR) for solo companies and minimum consolidated group Solvency Capital Requirement for insurance groups. If the capital falls below this level, the company or group will be prohibited to continue the business any further. Minimum consolidated group SCR applies for the insurance group excluding the bank.

The minimum consolidated group SCR is the sum of the minimum capital requirement of the judicial entities belonging to the group. The minimum consolidated capital requirement for Gjensidige Forsikring Group is NOK 4.900,5 million, which constitute 52 per cent of the SCR.

Table 16 – Regulatory Minimum Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2018**	**2017**	**2018**	**2017**
Total eligible own funds to meet the MCR/minimum consolidated group SCR	15,772.6	13,980.9	19,051.8	16,281.4
MCR/minimum consolidated group SCR	4,900.5	5,457.2	4,097.1	4,702.1
Capital surplus	10,872.2	8,523.7	14,954.7	11,579.3
MCR margin	321.9%	256.2%	465.0%	346.3%

Capital in excess

The regulatory capital surplus for the Gjensidige Forsikring Group, Gjensidige Forsikring ASA and subsidiaries are given in the table below.

Table 17 – Capital in excess of legal requirements

NOK millions	**2018**	**2017**
Gjensidige Forsikring Group	9,622.8	5,741.4
Gjensidige Forsikring ASA	12,565.3	7,671.2
Nykredit Forsikring A/S	196.0	198.1
ADB Gjensidige	93.7	55.6
Gjensidige Pensjonsforsikring AS	707.8	472.4
Gjensidige Bank Group	233.2	268.5
Mølholm Forsikring A/S	93.6	35.3

There are some restrictions on Gjensidige Forsikring ASA's and Gjensidige Pensjonsforsikring's ability to access or use the Group's assets, as well as settling its obligations. Group contributions added together with dividends must not exceed justifiable payment of dividend based on a company's financial strength and operations. Distributions from insurance companies must be within profit for the year. If it is desired to distribute more than this, then it has to be approved in advance by the Financial Supervisory Authority.

Regulatory uncertainty related to Solvency II

There is still some uncertainty regarding how the guarantee scheme should be treated under Solvency II. The FSA argues that the guarantee scheme should be considered as a liability under Solvency II. Gjensidige is of the opinion that the high level of domestic deposits which are actually equity elements should be treated as eligible solvency capital. The company will continue to pursue a regulatory framework in line with this. Until a final clarification is reached, the guarantee scheme provision is treated as a liability under Solvency II. A hearing from the FSA, dated 31. January 2018, suggests a change in the guarantee scheme that may lead to an increase of about 70 million kroners in the guarantee scheme This can potentially have a negative effect on the capital. Based on this, the uncertainty in eligible own funds with respect to the guarantee scheme is of size NOK (0,1) to 0,5 billion kroners.

New tax rules imply tax on the security provision which is taken into account in the year-end capital calculations. If the company is ceased there will also be tax on the natural peril fund provision. However, since no liquidation of the company is expected in the foreseeable future, no deferred tax is recognized related to natural peril fund provision.

EIOPA has suggested several changes in the calculation of the capital requirement and eligible own funds. These changes are not expected to have any major impact on the capital position of Gjensidige. The EU does not want to change the modelling of interest rate risk at the time being, and the requirements for calculations and documentation of risk-reducing effect of deferred taxes in the capital requirement will not have a capital effect with Gjensidige's current balance.

Stress test

The stress test for the Gjensidige Forsikring Group is defined in the Capital Management policy approved by the Board. The main objective of the stress test is to demonstrate the adequacy of capital as a result of extreme but plausible events. The stress test is performed by summing up probable losses from the various areas of the business. Stress parameters for investments are chosen in order to reflect a loss probability of 1 in 200 on a quarterly basis. Diversification is accounted for by choosing diversified parameters. Tax effects are accounted for as a deferred tax asset would arise after a large financial loss.

The stress test is performed on a monthly basis. A rule has been set for management action with escalation to the CEO or the Board if the solvency margin is below the predefined levels.

The stress test is performed for the Gjensidige Forsikring Group, including Gjensidige Pensjonsforsiking AS.

The outcome of the stress test at year-end 2018 and 2017 is presented below.

Table 18a – Stress test financial assets 2018

NOK millions	Scenario	Decrease in value
Market risk		(2,598.2)
Insurance risk (life and non-life)	Expected loss CR > 100	(559.0)
Capital, Gjensidige Bank	ICAAP	(192.0)
Tax	Positive effect of reduced tax	541.3
Reduction of capital requirement after stress	Due to lower carrying amount	375.9
Pension liabilities	Salary, G-regulation, mortality	(82.3)
Reduction of surplus capital after stress		**(2,514.2)**
Effect on surplus capital		
Available capital before stress		23,665.1
Capital requirement before stress		14,042.4
Surplus without buffer before stress		9,622.8
Surplus without buffer after stress		**7,108.5**
Solvency ratio after stress		152.0%
Solvency ratio before stress		168.5%

Table 18b – Stress test financial assets 2017

NOK millions	Scenario	Decrease in value
Market risk		(2,273.4)
Insurance risk (life and non-life)	Expected loss CR > 100	(705.0)
Capital, Gjensidige Bank	ICAAP	(100.0)
Tax	Positive effect of reduced tax	467.7
Reduction of capital requirement after stress	Due to lower carrying amount	450.6
Pension liabilities	Salary, G-regulation, mortality	(82.3)
Reduction of surplus capital after stress		**(2,242.5)**
Effect on surplus capital		
Available capital before stress		21,052.5
Capital requirement before stress		15,311.0
Surplus without buffer before stress		5,741.4
Surplus without buffer after stress		**3,499.0**
Solvency ratio after stress		123.5%
Solvency ratio before stress		137.5%

The following assumptions apply:

- The equity risk stress is 17 per cent. It includes stress on all equities including hedge funds and private equity
- Interest rate risk is calculated on a 50 bps change in the interest rates. It includes effect on both assets and liabilities. The interest rate scenario is the strictest of an interest rate increase or decrease
- The property stress is 10 per cent
- Credit spread risk: 0 per cent loss on government bonds and municipality bonds, 0,4 per cent loss on Danish mortgage bonds and covered bonds, 1,9 per cent loss on loan funds containing secured debt and 3,07 per cent loss on other bonds
- Insurance risk: For non-life and health insurance business the expected loss is determined as the expected loss given that the combined ratio is above one hundred (calculated by the internal model). For life insurance business, the stress is determined as the loss for death, longevity and disability insurance with probability of 1 in 200 on a quarterly basis (calculated by the standard formula).
- Capital, Gjensidige Bank: Capital deficit to fulfil regulatory requirement for Gjensidige Bank given that the crisis scenario presented in the ICAAP occurs
- Tax effect: A loss equal to the stress scenario results in a tax benefit that will have a positive effect

4. Segment information

The group has six reportable segments, as described below, which offers different products and services within different geographical areas. The Groups reportable segments are identified based on the Group's internal reporting. The Group CEO holds regular meetings with its reporting managers for the different segments, concerning performance management, which focuses on future measures to ensure performance and deliveries.

Gjensidige Bank was discontinued from the third quarter 2018 and is no longer a separate segment in Gjensidige Group. The segment information reported does therefore not include amounts for Gjensidige Bank. Please see note 25 for further details.

General insurance is the Group's core activity. General insurance is divided into five segments, mainly based on the customer's geographical placement. Other operational segments deliver products and services mainly to customers in Norway.

Description of the segments

General Insurance Private

The Private segment offers a wide range of general insurance products and services in the Norwegian private market, both in property and accident and health and leisure.

General Insurance Commercial

The Commercial segment offers a wide range of general insurance products to the commercial, agriculture and municipality markets in Norway, including insurances related to motor, property, accident, health, coastal and marine/transport.

General Insurance Denmark

The Group's operations in Denmark offers general insurance products to private, commercial and municipal markets, including insurances related to motor, property, accident and health, liability, agriculture and leisure.

General Insurance Sweden

In Sweden, the Group offers insurance related to the private, commercial and municipality markets, including insurances related to motor, property, accident and health and liability.

General Insurance Baltics

Gjensidige's Baltic operations provide general insurance products to the private and commercial markets in Latvia, Lithuania and Estonia, including insurances related to motor, property and accident/health.

Pension

Gjensidige Pensjonsforsikring shall contribute to sales of a wide range of products to general insurance customers in Norway by offering pension and savings products, mainly to the Norwegian commercial market. The pension products include defined contribution pensions and related risk for disability and death, private pension savings and individual disability pensions.

Description of the segments income and expenses

Segment income is defined as earned premiums for general insurance and earned premiums and management income etc. for Pension.

Segment expenses are defined as claims incurred for general insurance and for Pension.

The segment result is defined as the underwriting result for general insurance and the profit before tax expense for Pension.

Change in the segments

Due to the merger of Gjensidige Bank ASA (GB) and Gjensidige Investeringsrådgivning AS (GIR) in 2017, the evaluation of GIR has been moved from Gjensidige Pensjon og Sparing Holding AS to GB from 1 January 2017. The new name of the former Pension and Savings segment is Pension. Comparable figures are changed accordingly. With effect from 1 January 2018 the former Nordic segment has been divided into two new segments: Denmark and Sweden. Comparable figures are changed accordingly.

	Segment income [2]		Claims		Operating expenses		Net income from investments		Segment result/profit/(loss) before tax expense	
NOK millions	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
General Insurance Private	8,762.5	8,516.5	(5,720.7)	(5,226.2)	(1,106.9)	(1,090.3)			1,934.8	2,200.0
General Insurance Commercial	7,603.3	7,300.5	(5,182.8)	(4,825.6)	(872.3)	(840.1)			1,548.2	1,634.8
General Insurance Denmark	4,904.6	4,827.4	(3,766.2)	(3,863.0)	(704.0)	(680.3)			434.5	284.0
General Insurance Sweden	1,569.2	1,736.1	(1,231.7)	(1,491.9)	(259.3)	(335.8)			78.2	(91.6)
General Insurance Baltics	1,078.8	1,074.7	(675.9)	(736.0)	(334.4)	(345.9)			68.5	(7.2)
Pension	2,201.0	1,963.1	(1,833.5)	(1,661.8)	(241.0)	(227.3)	40.2	29.7	166.6	103.7
Eliminations etc. [1]	142.1	(52.2)	(213.7)	(258.9)	(684.2)	(568.4)	790.0	1,972.5	34.2	1,093.1
Total	**26,261.6**	**25,366.1**	**(18,624.6)**	**(18,063.5)**	**(4,202.1)**	**(4,088.1)**	**830.2**	**2,002.2**	**4,265.0**	**5,216.8**

[1] Eliminations etc. consist of internal eliminations and other income and expenses not directly attributable to one single segment and large losses of NOK 202.9 million (220.6).
[2] There is no significant income between the segments at this level in 2018 and 2017.

5. Investments in associates and joint ventures

NOK millions	Registered office	Interest held	Cost 31.12.2018	Carrying amount 31.12.2018	Cost 31.12.2017	Carrying amount 31.12.2017
Associates						
Malling & Co Eiendomsfond IS [1]	Oslo, Norway	35.1 %	792.3	908.5		
FDC A/S (sold in 2018)	Ballerup, Denmark				5.2	42.4
Joint ventures						
Oslo Areal AS	Oslo, Norway	50.0%	1,086.9	2,051.2	1,086.9	1,817.0
Total investments in associates and joint ventures			**1,879.2**	**2,959.7**	**1,092.2**	**1,859.4**

[1] In addition, the Investment option portfolio in Gjensidige Pensjonsforsikring AS holds a 27.8 % share in the fund.

NOK millions	Assets	Equity	Liabilities	Revenues	Profit/(loss)	Profit/(loss) recognised
For the whole company 2018						
Associates - additional information						
FDC A/S (sold in 2018)						57.5
Malling & Co Eiendomsfond IS	2,505.4	2,432.2	73.3	60.1	56.0	
Joint ventures - additional information						
Oslo Areal AS						234.2
Total investments in associates and joint ventures	**2,505.4**	**2,432.2**	**73.3**	**60.1**	**56.0**	**291.8**
For the whole company 2017						
Associates - additional information						
FDC A/S	171.9	63.9	108.1	387.7	30.1	11.7
Other						0.1
Joint ventures - additional information						
Oslo Areal AS						244.0
Total investments in associates and joint ventures	**171.9**	**63.9**	**108.1**	**387.7**	**30.1**	**255.8**

For the whole company

Joint ventures - additional information
Oslo Areal AS

NOK millions	2018	2017
Income statement - items		
Operating income	415.4	417.5
Profit/(loss) after tax expense	468.5	491.2
Statement of financial position - items		
Current assets	38.0	34.9
Fixed assets	10,230.4	7,697.2
Cash and cash equivalents	62.2	53.1
Other liabilities	1,201.8	910.9
Liabilities to related parties	5,026.2	3,240.3
Equity	4,102.5	3,634.1

Receivables from joint ventures
Oslo Areal AS

NOK millions	2018	2017
Gjensidige's share of loan	2,513.1	1,620.1
Total receivables on joint ventures	**2,513.1**	**1,620.1**

Percentage of votes held is the same as percentage of interest held for all investments.

Gjensidige and Oslo AMF Pensionsforsäkring (AMF) owns Oslo Areal AS as a joint venture (50/50), as each party has rights to its share of the net assets of the arrangement. The parties will make joint investments in the Norwegian real estate market through Oslo Areal. The investment is recognised at cost of NOK 1.1 billion at year end. Gjensidige Forsikring has granted a loan to Oslo Areal amounting to NOK 2.5 billion at year end. The loan is interest-bearing and total loan limit is NOK 4.0 billion.

Oslo Areal has entered into contractual commitments to invest about NOK 99.0 million (490.0) in existing and new properties. The commitment falls due during the period until 31 December 2019.

6. Net income from investments

NOK millions	2018	2017
Net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures		
Net gains/(losses) from sale of subsidiaries, associated companies and joint ventures	291.8	255.8
Total net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures	**291.8**	**255.8**
Net income and gains/(losses) from buildings and other real estate		
Investment properties		
Net revaluation investment properties		(54.5)
Net gains/(losses) from sale of investment properties		97.1
Total net income and gains/(losses) from investment properties		**42.6**
Owner-occupied properties		
Net gains/(losses) from sale of owner-occupied properties	0.2	2.8
Total net income and gains/(losses) from owner-occupied properties	**0.2**	**2.8**
Total net income and gains/(losses) from buildings and other real estate	**0.2**	**45.4**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated upon initial recognition		
Shares and similar interests		
Dividend income	5.1	12.8
Unrealised gains/(losses) from shares and similar interests	(323.9)	(228.3)
Realised gains/(losses) from shares and similar interests	431.5	857.8
Total net income and gains/(losses) from shares and similar interests	**112.7**	**642.4**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	221.8	239.8
Unrealised gains/(losses) from bonds and other fixed-income securities	11.2	107.4
Realised gains/(losses) from bonds and other fixed-income securities	70.3	38.1
Total net income and gains/(losses) from bonds and other fixed-income securities	**303.3**	**385.3**
Derivatives		
Net interest income/(expenses) from derivatives	35.2	11.2
Unrealised gains/(losses) from derivatives	(312.3)	96.6
Realised gains/(losses) from derivatives	(251.6)	103.1
Total net income and gains/(losses) from derivatives	**(528.7)**	**211.0**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated upon initial recognition	**(112.7)**	**1,238.7**
Net income and gains/(losses) from bonds held to maturity		
Net interest income from bonds held to maturity	29.3	65.0
Unrealised gains/(losses) from bonds held to maturity	(1.7)	0.8
Realised gains/(losses) from bonds held to maturity	(0.5)	(1.0)
Net gains/(losses) from changes in exchange rates on bonds held to maturity		16.5
Total net income and gains/(losses) from bonds held to maturity	**27.0**	**81.3**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	708.0	682.8
Net gains/(losses) from loans and receivables	(3.4)	(9.6)
Net gains/(losses) from changes in exchange rates on loans and receivables	0.8	40.0
Total net income and gains/(losses) from loans and receivables	**705.4**	**713.2**
Net income and gains/(losses) from financial liabilities at amortised cost		
Net interest income/(expenses) from subordinated debt	(43.0)	(41.9)
Total net income and gains/(losses) from financial liabilities at amortised cost	**(43.0)**	**(41.9)**
Net other financial income/(expenses) [1]	(20.1)	(285.7)
Discounting of claims provision classified as interest expense	(71.6)	(70.5)
Change in discount rate claims provision	53.1	66.0
Total net income from investments	**830.2**	**2,002.2**
Specifications		
Interest income and expenses from financial assets and liabilities not recognised at fair value through profit or loss		
Total interest income from financial assets not recognised at fair value through profit or loss	733.9	745.6
Total interest expenses from financial assets not recognised at fair value through profit or loss	(43.1)	(48.8)

[1] Net other financial income/(expenses) include financial income and expenses not attributable to individual classes of financial assets or liabilities, and financial administration costs.

7. Expenses

NOK millions	2018	2017
Operating expenses		
Depreciation and value adjustments (note 11 and note 12), excl. depreciation properties	559.6	541.2
Employee benefit expenses (note 8)	2,982.3	2,803.1
ICT costs	406.2	395.7
Consultants' and lawyers' fees	92.9	91.7
Commissions	576.0	597.5
Other expenses [1]	(414.8)	(341.1)
Total operating expenses	**4,202.1**	**4,088.1**

Other specifications

Employee benefit expenses		
Wages and salaries	2,174.6	2,050.1
Social security cost	515.6	474.8
Pension cost - defined contribution plan (note 10)	206.8	190.4
Pension cost - multi-employer plan (AFP) (note 10)	22.2	22.1
Pension cost - defined benefit plan (note 10)	51.7	53.3
Share-based payment (note 22)	11.5	12.4
Total employee benefit expenses	**2,982.3**	**2,803.1**
Auditor's fee (incl. VAT)		
Statutory audit	4.4	4.1
Other assurance services	0.1	0.1
Other non-assurance services	1.1	0.5
Tax consultant services	0.2	0.4
Total auditor's fee (incl. VAT)	**5.8**	**5.0**

[1] Other expenses include cost allocations to claims and finance.

8. Salaries and remuneration

The average number of employees in the Group was 3,633 (3,850).

The Board's statement on the stipulation of pay and other remuneration

Gjensidige's remuneration policy

The Group has established a remuneration system that applies to all employees. The system is meant to secure that Gjensidige attracts and keeps colleagues who performs, develops, learns and shares. The remuneration shall be competitive, but the Group shall not be a wage leader. Employees are expected to see the remuneration and benefits offered by the Group as an overall whole. The Group's remuneration systems shall be open and performance-based, so that they, as far as possible, are perceived as being fair and predictable. The remuneration that is paid shall correspond to the agreed performance.

Guidelines for remuneration and career development shall be linked to achievement of the Group's strategic and financial goals and core values, and both quantitative and qualitative targets shall be taken into consideration. The measurement criteria shall promote the desired corporate culture and long-term value creation, and, as far as possible, take actual capital costs into account. The remuneration system shall contribute to promoting and providing incentives for good risk management, prevent excessive risk-taking and contribute to avoiding conflicts of interest. A fixed basic salary shall be the main element of the overall remuneration, which also consists of variable remuneration, pension, insurance and payments in kind. Variable remuneration shall be used to reward performances that is agreed through target cards or that exceeds expectations, where both results and behaviour in form of compliance with the core values, brand and management principles are to be assessed.

Variable remuneration shall be performance-based without being a risk driver, and shall reflect the results and contributions on company, division, department and individual level. Other elements of compensation offered should be considered attractive from both new and current employees. There is an upper limit for variable remuneration.

The senior group management is defined as senior executives and they are responsible for activities that may be critical to the company's risk exposure. The level of remuneration will take into account both qualitative criteria for their role and quantitative criteria, as well as an individual assessment of their impact on the company's risk.

Decision-making process

The Board has established a remuneration committee consisting of three members; the Chairman of the Board and two board members.

The remuneration committee shall prepare matters for consideration by the Board. It is primarily responsible for:

- The Board's annual statement of Gjensidige's remuneration policy
- The annual evaluation of and matters concerning salary and other remuneration to the CEO
- The annual evaluation of and matters concerning salary and remuneration to the company's internal auditor
- Guidelines for salary and other remuneration to senior executives
- Statement of determining salary and other remuneration to senior executive, including
    - Guidelines for determining salary and other remuneration for the upcoming financial year
    - Guidelines for the Management Salary Policy that hast taken place during the previous financial year, including how the guidelines for the executive salary determination have been implemented
    - An account of the management salary policy that has taken place during the previous financial year, including how the guidelines for the executive salary determination have been implemented
- Other important personnel matters relating to executive personnel
- The Board's treatment of completed HR processes, including talent and successor development and strategic manpower management

Guidelines for the upcoming financial year

Remuneration of the CEO

The CEO's salary and other benefits are stipulated by the Board on the basis of an overall assessment that takes into account Gjensidige's remuneration scheme and market salary for corresponding positions.

The fixed salary is assessed and stipulated annually on the basis of the wage growth in society in general and in the financial industry in particular. Variable remuneration (bonus) is decided by the Board on the basis of agreed goals and deliveries. It can amount to up to 50 per cent of the fixed salary including holiday pay. Variable remuneration is earned annually and is based on an overall assessment of financial and non-financial performance over the last two years. Variable remuneration is not included in the pension basis. The assessment takes into account the enterprise's overall performance targets for return on equity adjusted for extraordinary dividends and transactions and combined ratio, as well as developments in customer satisfaction. In addition, it emphasizes the CEO's personal contribution to the Group's historical and future results and wealth creation, compliance with the Group's vision, values, ethical guidelines and management principles.

Variable remuneration relating to Gjensidige's performance is decided on the basis of the past two years' performance. Half of the variable remuneration is paid in the form of a promise of shares in Gjensidige Forsikring ASA, 1/3 of which will be released in each of the following three years. Restricted variable remuneration that has not yet been disbursed may be reduced if subsequent results and developments indicate that it was based on incorrect assumptions. The CEO does not receive performance-based benefits over and above the above-mentioned bonus, but may receive payments in kind such as a company car and the coverage of costs for electronic communication. Payments in kind shall be related to the CEO's function in the Group, and otherwise be in line with market practice.

The retirement age of the CEO is 62. It is possible to step down after reaching the age of 60 if the Board or CEO so wishes. The CEO has pension rights pursuant to Gjensidige's closed defined-benefit pension scheme. Pursuant to the CEO's employment contract, he is entitled to a pension corresponding to 100 per cent of his annual salary on retirement at the age of 62, which is then reduced in steps to 70 per cent upon reaching the age of 67 at full vesting period.

On retirement at the age of 60, a corresponding agreed reduction applies from 100 per cent upon retirement to 70 per cent upon reaching the age of 67. From the age of 67, the pension is calculated on the basis of the Company's ordinary entitlement earning period of 30 years and is 70 per cent of the fixed salary with a full earning period. Company car arrangements and other benefits are retained until the age of 67.

The CEO has a period of notice of six months, and is not entitled to severance pay or termination benefits if he leaves the Company earlier.

Remuneration of executive personnel and employees who can materially influence the Group's risk

Remuneration of the senior group management is stipulated by the CEO, in accordance with limits discussed with the remuneration committee and on the basis of guidelines issued by the Board. Correspondingly, the Group's guidelines are used as the basis for other executive personnel and employees who can materially influence risk.

The overall remuneration is decided on the basis of the need to offer competitive terms in the various business areas. It shall contribute to attracting and retaining executive personnel with the desired expertise and experience who promote the Group's core values and development.

The fixed salary is assessed and stipulated annually on the basis of wage growth in society in general and in the financial industry in particular. Variable remuneration (bonus) to executive personnel is earned annually, and is based on an overall assessment of financial and non-financial performance over the two last years. The assessment takes into account a combination of the enterprise's overall performance targets for return on equity adjusted for extraordinary dividends and transactions and combined ratio, as well as developments in customer satisfaction. In addition, it evaluates the target achievement of the business unit in question, as well as personal contribution relating to compliance with the Group's vision, values, ethical guidelines and management principles. Half of the variable remuneration is in the form of a promise of shares in Gjensidige Forsikring ASA, one third of which are released in each of the following three years. Restricted variable remuneration that has not yet been disbursed may be reduced if subsequent results and developments indicate that it was based on incorrect assumptions.

The individual variable remuneration may amount to up to 30 per cent of the annual salary including holiday pay. Variable pay is not included in the pension basis.

After consulting with the remuneration committee, the CEO may make exceptions for special positions if this is necessary to be able to offer competitive terms. Payments in kind to executive personnel shall be related to their function in the Group, and otherwise be in line with market practice.

The retirement age for some members of the senior group management is 62, the others have a retirement age of 70. Of the current members of the senior group management, six are members of the closed Norwegian defined-benefit pension scheme. Given the full earnings period, they are entitled to a pension of 70 per cent of final salary at the full vesting period of 30 years at age 67. Four members are part of the Company's defined-contribution pension scheme. The Company continues a previously agreed individual pension agreement for one member of the senior group management.

Members of the senior group management have a period of notice of six months. No members of the senior group management today have agreements of severance pay or payment of pay after termination of employment.

In accordance with practice in Denmark and the Baltic, there are certain individual agreements on severance pay in connection with resignation in Gjensidige Forsikring ASA in Denmark and the Baltic.

Remuneration of personnel with supervisory tasks

The remuneration of personnel with control and supervisory tasks shall be independent of the performance of the business area they are in charge of.

None of the executive personnel with supervisory tasks currently has variable bonus schemes. The fixed salary is based on the Group's general principles of competitively, but not leading wages.

Pension benefits and payments in kind follow the Group's general arrangement.

Remuneration of officers of the Company and other employees with remuneration corresponding to executive personnel

The remuneration shall follow the guidelines set out above. There are currently no such employees.

Binding guidelines for shares, subscription rights etc. for the upcoming financial year

Of the variable remuneration earned in 2018 by the CEO and other employees covered by the Regulations relating to remuneration in financial institutions, 50 per cent of the gross earned variable remuneration will be given in the form of a promise of shares in Gjensidige Forsikring ASA. One third of the shares will be released in each of the following three years.

The Board has decided to continue the Group's share savings programme for employees in 2019. The CEO and executive personnel are entitled to take part in the programme on a par with other Gjensidige employees. Under the current programme, employees can save through deductions from their salary for the purchase of shares in Gjensidige Forsikring ASA for up to NOK 75,000 per year. Purchases take place quarterly following publication of the results. A discount of 20 per cent of the purchase price is offered, limited upwards to NOK 3,000. For those who keep the shares and are still employed in the Group, one bonus share is awarded for every four share they have owned for more than two years.

Report on executive remuneration in the preceding financial year

In accordance with the guidelines, one employee in the finance department has been offered up to 50 per cent variable remuneration.

In accordance with the guidelines, the CEO of Gjensidige Bolighandel AS has been granted a possible bonus of 50 per cent of salary as a one-off compensation in 2020, provided that the goals for the company are achieved. Half of the bonus amount can be paid out, the other half being treated as for other senior employees by half being used for share purchase.

The Board confirms that the guidelines on the remuneration of executive personnel for 2018 set out in last year's statement have been complied with.

Key management personnel compensation
2018

NOK thousands	Fixed salary/ fee	Earned varia- ble salary	Calcu- lated value of total benefits other than cash	Rights earned in the financial year according to pension plan [5]	Annual vesting share- based pay- ment	Num- ber of shares assign- ed, not re- leased	Num- ber of shares re- leased	Num- ber of shares not re- deem- ed [6]	Num- ber of shares held	Retire- ment con- ditions
The senior group management										
Helge Leiro Baastad, CEO	5,197.2	1,016.1	169.9	1,577.0	1,015.3	6,768	9,021	15,363	55,300	2
Jørgen Inge Ringdal, Executive Vice President	2,726.1	335.1	202.7	702.4	334.3	2,506	2,871	5,274	24,322	2
Kim Rud-Petersen, Executive Vice President (1.1.18-31.8.18) [1, 10]	1,919.8	273.8	189.9	675.9	253.1	2,079	3,147	4,885		
Hege Yli Melhus Ask, Executive Vice President (1.1.18-31.8.18) [1, 9]	1,869.8	18.5	110.7	406.1	4.9	1,205	1,567	2,842		3
Catharina Hellerud, Executive Vice President	3,067.4	342.6	175.6	455.7	341.8	2,652	3,287	5,703	20,047	3
Sigurd Austin, Executive Vice President	3,115.8	401.0	186.6	665.0	400.2	2,929	3,209	6,051	14,124	3
Kaare Østgaard, Executive Vice President	2,881.8	345.2	240.9	825.2	331.6	2,237	2,809	4,830	14,951	3
Mats C. Gottschalk, Executive Vice President	3,069.7	451.5	160.8	470.6	450.7	3,255	3,515	6,526	15,772	3
Jostein Amdal, Executive Vice President	3,085.8	382.9	168.3	569.3	382.1	2,579	366	3,183	14,761	
Janne Merethe Flessum, Executive Vice President (1.3.18-31.12.18) [1]	2,012.0	217.6	137.8	218.1	207.8	80	69	196	3,819	
Aysegul Cin, Executive Vice President (1.9.18-31.12.18) [1]	780.4	30.0	116.2	60.8	30.0				1,489	
Lars Gøran Bjerklund, Executive Vice President (1.9.18-31.12.18) [1, 11]	956.8	38.4	91.6	250.7	38.4					
Anne-Mari Kalager, acting Executive Vice President (1.9.18-31.12.18) [1, 12]	885.4	20.1	55.4	217.3	20.1					
The Board										
Inge K. Hansen, Chairman (1.1.18-5.4.18) [1, 8]	339.2		3.4							
Gisele Marchand, board member (1.1.18-5.4.18), Chairman (5.4.18-31.12.18) [8]	541.1		10.1						1,481	
John Giverholt [8]	363.5		5.1						3,500	
Per Arne Bjørge [7, 8]	442.5		6.0						10,542	
Eivind Elnan [8]	290.7		9.6						2,200	
Hilde Merete Nafstad [8]	368.3		5.1						2,946	
Vibeke Krag (5.4.18-31.12.18) [1, 8]	186.4		1.7						1,500	
Terje Seljeseth (5.4.18-31.12.18) [1, 8]	170.2		1.7							
Gunnar Mjåtvedt, staff representative [4, 8]	392.2								2,208	
Anne Marie Nyhammer, staff representative [4]	283.0									
Lotte Kronholm Sjøberg, staff representative [4, 8]	346.0		5.1						752	

[1] The stated remuneration applies to the period the individual in question has held the position/office.
[2] Age 62, 100 per cent salary reducing gradually to 70 per cent at age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[3] Age 62, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] For staff representatives only remuneration for the current position is stated.
[5] Everyone in the senior group management has pension plans, benefit or contribution based.
[6] Including bonus shares in the share saving's programme for employees. See note 22 for terms and further description of the scheme.
[7] Remuneration includes remuneration as Chairman in the Audit Committee honoured with NOK 155 thousand for 2018.
[8] Remuneration includes remuneration in other committees.
[9] Hege Yli Melhus Ask's remuneration is presented until her resignation 31 August 2018.
[10] Kim Rud-Petersen resigned from his position 31 August 2018. End-pay is agreed to amount to NOK 9,129 thousand.
[11] Borrower in Gjensidige Bank ASA with NOK 2,516.7 thousand outstanding. Applicable terms are 2.19% interest for housing credit and 2.55% for top-up loan. Maturity date for top-up loan is 20.9.2030.
[12] Borrower in Gjensidige Bank ASA with NOK 3,105.2 thousand outstanding. Applicable terms are 2.19% interest and loan maturity as at 28.11.2023.

Key management personnel compensation
2017

NOK thousands	Fixed salary/ fee	Earned varia- ble salary	Calcu- lated value of total benefits other than cash	Rights earned in the financial year according to pension plan [5]	Annual vesting share- based pay- ment	Num- ber of shares assign- ed, not re- leased	Num- ber of shares re- leased	Num- ber of shares not re- deem- ed [6]	Num- ber of shares held	Retire- ment con- ditions
The senior group management										
Helge Leiro Baastad, CEO	5,082.7	957.7	187.7	1,434.8	959.9	8,695	9,741	17,616	49,264	2
Jørgen Inge Ringdal, Executive Vice President	2,649.4	356.3	195.7	632.1	358.4	2,913	3,222	5,639	22,143	2
Kim Rud-Petersen, Executive Vice President	3,045.6	391.1	290.1	639.8	369.4	2,578	3,496	5,953	11,438	
Hege Yli Melhus Ask, Executive Vice President (1.8.17-31.12.17) [9]	2,788.3	176.9	160.0	437.0	174.1	1,941	2,112	3,204	12,367	3
Catharina Hellerud, Executive Vice President	2,985.5	376.5	163.8	440.4	378.7	3,115	3,726	6,338	17,650	3
Sigurd Austin, Executive Vice President	2,854.1	417.5	158.4	606.4	414.7	3,229	3,422	6,331	11,766	3
Kaare Østgaard, Executive Vice President	2,806.9	334.3	209.9	749.8	331.5	2,601	3,326	5,402	13,326	3
Mats C. Gottschalk, Executive Vice President	2,991.2	466.0	161.0	460.7	468.2	3,288	3,893	6,786	13,254	3
Jostein Amdal, Executive Vice President	2,828.8	384.5	161.7	456.4	386.6	835	148	970	13,906	
Krister Georg Aanesen, konserndirektør (1.1.17-31.7.17) [1, 10]	847.4	185.4	66.4	159.2	171.3	662	60	799	1,368	
The Board										
Inge K. Hansen, Chairman	624.9		15.4						12,253	
Gisele Marchand [7]	423.0								1,481	
Knud Peder Daugaard (1.1.17-6.4.17) [1, 8]	184.0		0.6							
John Giverholt	306.0								3,500	
Anne Marie Nyhammer, staff representative [4]	275.0									
Gunnar Mjåtvedt, staff representative [4, 8]	275.0								2,081	
Per Arne Bjørge [8]	404.5		1.9						10,542	
Mette Rostad (1.1.17-6.4.17) [1]	143.2								1,000	
Tine Wollebekk (1.1.7-31.5.17) [1, 8]	247.2									
Lotte Kronholm Sjøberg, staff representative [4]	306.0								582	
Eivind Elnan (6.4.17-31.12.17) [1]	139.5		4.9						2,200	
Hilde Merete Nafstad (6.4.17-31.12.17) [1, 8]	189.5								446	

[1] The stated remuneration applies to the period the individual in question has held the position/office.
[2] Age 62, 100 per cent salary reducing gradually to 70 per cent at age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[3] Age 62, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] For staff representatives only remuneration for the current position is stated.
[5] Everyone in the senior group management except for one has pension plans, benefit or contribution based.
[6] Including bonus shares in the share saving's programme for employees. See note 22 for terms and further description of the scheme.
[7] Remuneration includes remuneration as Chairman in the Audit Committee honoured with NOK 148 thousand for 2017.
[8] Remuneration includes remuneration in other committees.
[9] Hege Yli Melhus Ask has been on leave from 1 January to 31 July. Her remuneration is presented for the whole year.
[10] Constituted Executive Vice President for Hege Yli Melhus Ask from 1 January to 31 July.

9. Tax

NOK millions	2018	2017
Specification of tax expense		
Tax payable	(821.2)	(836.7)
Correction previous years	(27.2)	(71.9)
Change in deferred tax	(35.1)	(248.0)
Total tax expense	**(883.5)**	**(1,156.6)**

Deferred tax liabilities and deferred tax assets

Deferred tax liabilities and deferred tax assets are offset when there is a legally enforceable right to offset those assets/liabilities and when deferred tax liabilities/deferred tax assets relate to the same fiscal authority. The amounts offset are as follows:

	2018	2017
Taxable temporary differences		
Property, plant and equipment and intangible assets	216.8	572.5
Shares, bonds and other securities	288.5	856.9
Profit and loss account	325.1	156.5
Account for deferred income tax from technical provisions including security provision	4,228.1	3,459.5
Total taxable temporary differences	**5,058.5**	**5,045.4**
Deductible temporary differences		
Loans and receivables	(31.9)	(32.5)
Provisions for liabilities	(310.8)	(323.2)
Pension liabilities	(360.8)	(372.3)
Insurance-related liabilities		(2.2)
Other deductible temporary differences	53.7	(46.2)
Total deductible temporary differences	**(649.8)**	**(776.3)**
Loss carried forward	(38.9)	(38.9)
Net temporary differences	**4,369.8**	**4,230.2**
Net deferred tax liabilities	**1,079.9**	**1,065.5**
Of this non-assessed deferred tax assets	13.1	11.3
Deferred tax liabilities	**1,093.0**	**1,076.8**
Reconciliation of tax expense		
Profit before tax expense	4,265.0	5,216.8
Estimated tax of profit before tax expense (25%)	(1,066.3)	(1,304.2)
Tax effect of		
Different tax rate in foreign subsidiaries	10.6	(4.6)
Valuation allowance and reversal of loss carried forward in subsidiaries	(1.6)	(10.1)
Dividend received	1.2	3.0
Tax exempted income and expenses	229.4	234.3
Non-tax-deductible expenses	(29.6)	(3.1)
Correction previous years	(27.2)	(71.9)
Total tax expense	**(883.5)**	**(1,156.6)**
Effective rate of income tax	20.7%	22.5%
Loss carried forward		
2020		
2021		
2022		
2023		
2024		
Later or no due date	24.8	38.9
Total loss carried forward	**24.8**	**38.9**
Change in deferred tax		
Deferred tax liabilities as at 1 January	1,065.5	852.5
Change in deferred tax recognised in profit or loss continuing operations	35.1	248.0
Change in deferred tax discontinued operations	(6.8)	11.9
Change in deferred tax recognised in other comprehensive income and directly in the balance sheet		
Pensions	(12.7)	(85.7)
Companies sold and purchased		34.7
Exchange rate differences	(1.2)	4.1
Net deferred tax liabilities as at 31 December	**1,079.9**	**1,065.5**

Tax expense

In connection with the conversion of Gjensidige Forsikring BA to a public limited company the Ministry of Finance has consented to an exemption from capital gains taxation on the transfer of business to the newly formed public limited company under certain conditions. The consequences of the tax relief decision have been incorporated into the tax expense and tax liabilities from the fourth quarter 2010. The tax relief decision involves greater complexity and discretionary assessments, which entails a greater degree of uncertainty with respect to the tax expense and tax liabilities until all the effects have ultimately been evaluated by the tax authorities.

In February 2015, Gjensidige received a decision from the Central Tax Office for Large Enterprises in connection with the calculation of a tax gain as a result of the conversion of Gjensidige Forsikring BA into a public limited company (ASA) in 2010. The decision means that the tax payable for 2010 is reduced by around NOK 35 million. The tax will be further reduced for the ensuing years, by a total of around NOK 137 million at known tax rates. Gjensidigestiftelsen received a similar decision, and we have been informed that they have appealed the decision on the grounds that there is no basis for the change and that the tax office has based its decision on an incorrect valuation. Gjensidige agrees with Gjensidigestiftelsen's assessment. Changing the decision concerning Gjensidigestiftelsen will have tax consequences for Gjensidige in relation to the above-mentioned figures, which will then not materialize. The appeal is still being processed by the Tax Appeal Board.

Changes in the taxation of insurance companies

As from 2018 tax-deductible insurance provisions are limited to provisions for probable future costs related to insurance liabilities. Thus, there are no longer given tax deductions for provisions to Natural perils capital and Guarantee scheme provision (Norway). As a transitional mean the amount allocated to the Natural perils capital and the Guarantee scheme provision as at 1.1.2018, for tax purposes may be set aside in a separate account which will only be taxable at the time of winding-up the insurance business. According to IAS 12 Income Taxes, no provision is made for deferred tax related to the Natural perils capital and the Guarantee scheme provision (Norway). Previously, a deferred tax provision related to the Guarantee scheme provision (Norway) was recongised.

The tax-deductible insurance provisions in Gjensidige Forsikring are significantly reduced in 2018, mainly because the former Security provision has been excluded. A transitional rule allows the company to distribute the taxable income arising from this evenly over the next 10 years, starting 2018. The amount to be distributed is NOK 4,667 million.

Life insurance companies can in the income year 2018, according to the transitional rule, transfer profit from the customer portfolio into a gain and loss account. Gjensidige Pensjonsforsikring has transferred NOK 249.8 million into this account. The amount consists of temporary differences in the customer portfolio from 2017, as well as the profit for the year regarding customer portfolio.

10. Pension

Gjensidige Forsikring is required to have an occupational pension plan pursuant to the Norwegian Act relating to Mandatory Occupational Pensions. The Company's pension plans meet the requirements of the Act.

Gjensidige has both defined contribution and defined benefit plans for its employees. The defined benefit plan has been placed in a separate pension fund and is closed to new employees. New employees become members of the defined contribution pension plan.

Defined contribution plan

Defined contribution pension is a private pension plan that supplements the National Insurance scheme. Benefits from the pension plan come in addition to retirement pension from the National Insurance scheme. The retirement age is 70.

The defined contribution plan is a post-employment benefit plan under which Gjensidige pays fixed contributions into a separate entity and there is no legal or constructive obligation to pay further amounts. The rates are seven per cent of earnings between 0 and 7.1 times the National Insurance basic amount (G) and 20 per cent of earnings between 7.1 and 12 G.

Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

Gjensidige Forsikring's branches and some of its subsidiaries have a defined contribution pension plan corresponding to the plan in Gjensidige Forsikring in Norway.

Defined benefit plan

Description of the plan

Together with benefits from the National Insurance scheme and any paid-up policies from former employment relationships, the retirement pension amounts to approximately 70 per cent of the final salary, given a full earning period of 30 years. The retirement age is 70, but it is 65 for underwriters.

The defined benefit plan is a post-employment benefit plan that entitles employees to contractual future pension benefits. Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

In addition, Gjensidige has pension liabilities to some employees over and above the ordinary group pension agreement. This applies to employees with a lower retirement age, employees who earn more than 12 times the National Insurance basic amount (G) and supplementary pensions.

The ordinary retirement pension is a funded plan where the employer contributes by paying into the pension assets. Pension over and above the ordinary group pension agreement is an unfunded plan that is paid for through operations.

Actuarial assumptions

Actuarial assumptions are shown in the table. The discount rate is the assumption that has the greatest impact on the value of the pension liability. Wage growth, pension increases and the adjustment of the National Insurance basic amount are based on historical observations and expected future inflation. Wage growth is set at 3.2 per cent (3.1), and is adjusted for age based on a decreasing trend. The year-on-year nominal wage growth 2018/19 is calculated to be 1.91 per cent (1.55). The reason for the low wage growth is that the pension plan is closed to new members and that the average age of employee members is 56.8 years (56.1).

The discount rate is based on a yield curve stipulated on the basis of the covered bond yield. The discount rate is based on observed interest approximately ten years ahead. The market's long-term view of the interest rate level is estimated on the basis of the required real interest rate, inflation and future credit risk. An interpolation has been made in the period between the observed interest and long-term market expectations. A discount curve has thus been calculated for each year in which pensions will be disbursed.

The sensitivity analysis is based on only one assumption being changed at a time, while all the others remain constant. This is seldom the case, since several of the assumptions co-vary. The sensitivity analysis has been prepared using the same method as the actuarial calculation of the pension liability in the balance sheet is based on.

Risk

The risk in the net pension liability is a combination of the pension plan itself, the pension liability, pension assets, financing level and the co-variation between pension liabilities and pension assets.

Gjensidige is exposed to financial risk since the pension assets are managed in Gjensidige Pensjonskasse as an investment choice portfolio. The financial risk is related to investments in equities, interest-bearing securities and property. Most of the investments are in securities funds and bonds. The financial risk comprises stock market, interest rate, credit, currency and liquidity risk, whereas the greatest risk factor is interest rate risk. Financial risk in pension assets is estimated using defined stress parameters for each asset class and assumptions about how the development of the different asset classes will co-vary.

The pension assets are higher than the calculated pension liabilities. However, the use of pension assets to pay future premiums is limited, and part of the overfunding is expected to be used to increase pension payments. An increase in the liabilities (such as, as a result of interest exemption) will be partly offset by a reduction in overfunding. Interest rate rises lead to a fall in liabilities that, in isolation, can lead to increased overfunding. The risk factors below must therefore be seen in the light of the overfunding.

Interest rate risk
The pension assets' exposure to interest rate risk is deemed to be moderate because the market value-weighted duration is approximately 2.5 years. The portfolio value will fall by approximately 2.5 per cent in the event of a parallel shift in the yield curve of plus one percentage point.

The pension liability will increase by 11.9 per cent in the event of a parallel shift in the whole yield curve (fall in interest) of minus one percentage point. The value will fall by 9.8 per cent in the event of an interest rate increase of one percentage point.

Credit risk
The pension assets' exposure to credit risk is deemed to be moderate. Most of the pension fund's fixed-income investments shall be within "investment grade". If the credit risk on a global basis were to increase by a factor corresponding to the factor used in stress tests for pension funds (equal to a deterioration in relation to the 99.5 percentile), this would lead to a fall of approximately nine per cent in the bond portfolio.

The pension liabilities are exposed to some credit risk because the Norwegian covered bond yield, which forms the basis for determining the discount rate, entails a certain credit risk.

Life expectancy and disability
The life expectancy assumptions are based on the K2013BE table as reported by FNO (Finans Norge) AS.

The rate of disability is based on the IR73 table. This measures long-term disability. The incidence of disability is low compared to many other employers.

Gjensidige's employees could be involved in big disaster-like events such as plane crashes, bus crashes, as spectators at sporting events or through incidents in the workplace. If such an event occurs, the pension liability could significantly increase. Gjensidige has invested in disaster insurance that means that it will receive compensation if such an event occurs.

Wage growth
Future pension benefits depend on future wage growth and the development of the National Insurance basic amount (G). If wage growth in the Company is lower than the increase in G, the benefits will be reduced.

Wage growth will deviate from the path defined by employees getting higher or lower wage growth than what the job indicates. Gjensidige manages employees' wage growth based on collective agreements and individual agreements. Salary levels can increase strongly from one year to the next.

If wage growth is one percentage point higher, it will lead to a 3.9 per cent increase in the liability. If wage growth is one percentage point lower, it will lead to a 3.1 per cent decrease in the liability. If G is one percentage point higher it will lead to a 1.5 per cent decrease in the liability.

Minimum requirement for the level of pension assets
The pension assets must meet certain minimum requirements defined in Norwegian laws, regulations and in orders issued by the Financial Supervisory Authority of Norway (FSA).

If the level of the pension assets falls below a lower limit, Gjensidige will have to pay extra pension contributions to bring them up to the lower limit. On certain conditions, Gjensidige will also be repaid pension assets.

Gjensidige Pensjonskasse measures risk based on requirements set by the Financial Supervisory Authority in the form of stress tests. These tests should reflect 99.5 per cent value at risk. The pension fund has a buffer capital utilization of approximately 75 per cent, which indicates that there is no requirement to provide pension funds to improve the pension fund's solvency.

Private collective pension (AFP)

As a member of Finance Norway, Gjensidige has a collective (AFP) pension agreement for its employees. AFP is a defined benefit scheme funded jointly by many employers. The administrator of the pension plan has not presented calculations that allocate the pension assets or liabilities in the plans to the individual member enterprises. Gjensidige therefore recognises the plan as a defined contribution plan.

If the administrator of the AFP plan presents such allocation figures, this could result in the plan being recognised as a defined benefit plan. It is difficult, however, to arrive at an allocation key that is acceptable to Gjensidige. An allocation key based on the Gjensidige's share of total annual pay will not be acceptable since such a key is too simple and will not adequately reflect the financial liabilities.

NOK millions	Funded 2018	Unfunded 2018	Total 2018	Funded 2017	Unfunded 2017	Total 2017
Present value of the defined benefit obligation						
As at 1 January	2,166.3	577.8	2,744.0	1,954.9	511.5	2,466.3
Current service cost	25.6	9.4	35.0	25.1	13.0	38.0
Employers' national insurance contributions of current service cost	4.9	1.8	6.7	4.8	2.5	7.3
Interest cost	55.6	13.3	68.8	52.8	12.5	65.3
Actuarial gains and losses	(59.1)	25.0	(34.2)	212.2	75.2	287.4
Benefits paid	(99.2)	(36.7)	(135.9)	(107.2)	(46.4)	(153.6)
Employers' national insurance contributions of benefits paid	(0.2)	(6.7)	(6.9)	(0.2)	(7.6)	(7.7)
Settlements		2.1	2.1		14.2	14.2
Discontinued operations	(4.5)	(23.7)	(28.2)			
The effect of the asset ceiling	(32.0)		(32.0)	23.9		23.9
Foreign currency exchange rate changes		0.2	0.2		3.0	3.0
As at 31 December	**2,057.2**	**562.4**	**2,619.6**	**2,166.3**	**577.8**	**2,744.0**

NOK millions	Funded 2018	Unfunded 2018	Total 2018	Funded 2017	Unfunded 2017	Total 2017
Amount recognised in the balance sheet						
Present value of the defined benefit obligation	2,057.2	562.4	2,619.6	2,166.3	577.8	2,744.0
Fair value of plan assets	(2,213.8)		(2,213.8)	(2,371.8)		(2,371.8)
Net defined benefit obligation/(benefit asset)	**(156.6)**	**562.4**	**405.8**	**(205.5)**	**577.8**	**372.3**
Fair value of plan assets						
As at 1 January	2,371.8		2,371.8	2,443.2		2,443.2
Interest income	60.9		60.9	66.4		66.4
Return beyond interest income	(116.9)		(116.9)	(31.4)		(31.4)
Contributions by the employer	1.5	6.7	8.2	1.0	7.6	8.6
Benefits paid	(99.2)		(99.2)	(107.2)		(107.2)
Employers' national insurance contributions of benefits paid	(0.2)	(6.7)	(6.9)	(0.2)	(7.6)	(7.7)
Discontinued operations	(4.0)		(4.0)			
As at 31 December	**2,213.8**		**2,213.8**	**2,371.8**		**2,371.8**
Pension expense recognised in profit or loss						
Current service cost	25.6	9.4	35.0	24.9	9.2	34.1
Interest cost	55.6	13.3	68.8	52.7	12.0	64.8
Interest income	(60.9)		(60.9)	(66.3)		(66.3)
Settlement		2.1	2.1		14.2	14.2
Employers' national insurance contributions	4.9	1.8	6.7	4.8	1.8	6.5
Defined benefit pension cost	**25.2**	**26.5**	**51.7**	**16.1**	**37.1**	**53.3**
The expense is recognised in the following line in the income statement						
Total operating expenses	25.2	26.5	51.7	16.1	37.1	53.3
Remeasurement of the net defined benefit liability/asset recognised in other comprehensive income						
Cumulative amount as at 1 January			(2,641.1)			(2,326.2)
Correction of the opening balance						7.0
Return on plan assets			(116.9)			(31.4)
Changes in demographic assumptions			(24.6)			(138.8)
Changes in financial assumptions			58.8			(148.6)
The effect of the asset ceiling			32.0			(23.9)
Other changes						20.1
Exchange rate differences			0.1			0.7
Cumulative amount as at 31 December			**(2,691.7)**			**(2,641.1)**
Actuarial assumptions						
Discount rate			2.98%			2.57%
Future salary increases [1]			3.20%			3.10%
Change in social security base amount			3.20%			3.10%
Other specifications						
Amount recognised as expense for the defined contribution plan			206.8			190.4
Amount recognised as expense for Fellesordningen LO/NHO			22.2			22.1
Expected contribution to Fellesordningen LO/NHO next year			22.8			27.2
Expected contribution to the defined benefit plan for the next year			1.3			

[1] Future salary increases represent our expected average future salary increase for the industry. Since Gjensidige has a closed plan, average future salary increase for our population is 1.91 per cent (1.55). See explanation under Actuarial assumptions.

Per cent	Change in pension benefit obligation 2018	Change in pension benefit obligation 2017
Sensitivity		
- 1%-point discount rate	12.5%	12.1%
+ 1%-point discount rate	(9.8%)	(9.7%)
- 1%-point salary adjustment	(3.2%)	(2.9%)
+ 1%-point salary adjustment	4.0%	3.9%
- 1%-point social security base amount	1.8%	1.7%
+ 1%-point social security base amount	(1.6%)	(1.5%)
+ 1%-point future pension increase	12.4%	9.8%
10% decreased mortality	2.7%	2.6%
10% increased mortality	(3.6%)	(3.5%)

Valuation hierarchy 2018 NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total as at 31.12.2018
Shares and similar interests		130.6		130.6
Bonds		2,034.4		2,034.4
Derivatives		48.7		48.7
Total		**2,213.8**		**2,213.8**

Valuation hierarchy 2017 NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total as at 31.12.2017
Shares and similar interests		296.5		296.5
Bonds		1,885.6		1,885.6
Bank		83.0		83.0
Derivatives		106.7		106.7
Total		**2,371.8**		**2,371.8**

11. Goodwill and intangible assets

NOK millions	Goodwill	Customer relationship	Software	Other intangible assets	Total
Cost					
As at 1 January 2017	3,391.7	1,208.1	1,281.0	777.4	6,658.2
Additions		16.8	284.2	68.3	369.3
Additions through business combinations	206.3	101.5	19.3	66.0	393.1
Additions from internal development			10.8		10.8
Disposals/reclassifications	(17.5)		(133.6)	(56.1)	(207.2)
Exchange differences	240.1	90.1	29.1	52.8	412.2
As at 31 December 2017	**3,820.6**	**1,416.6**	**1,490.8**	**908.4**	**7,636.4**
Uncompleted projects			103.9		103.9
As at 31 December 2017, including uncompleted projects	**3,820.6**	**1,416.6**	**1,594.7**	**908.4**	**7,740.2**
Amortisation and impairment losses					
As at 1 January 2017	(251.5)	(848.0)	(795.6)	(388.7)	(2,283.8)
Amortisation continuing operations		(140.2)	(209.5)	(130.1)	(479.8)
Amortisation discontinued operations			(14.2)		(14.2)
Disposals/reclassifications			135.2	55.2	190.4
Exchange differences	(11.7)	(66.5)	(14.2)	(30.9)	(123.2)
As at 31 December 2017	**(263.2)**	**(1,054.7)**	**(898.3)**	**(494.5)**	**(2,710.6)**
Carrying amount					
As at 1 January 2017	3,140.2	360.1	611.6	388.7	4,500.7
As at 31 December 2017	**3,557.4**	**361.9**	**696.4**	**413.9**	**5,029.6**
Cost					
As at 1 January 2018	3,820.6	1,416.6	1,490.8	908.4	7,636.4
Additions		2.1	218.4	12.2	232.8
Additions through business combinations	6.6				6.6
Additions from internal development			24.7		24.7
Disposals/reclassifications			(200.6)	(14.4)	(215.0)
Exchange differences	13.5	3.6	0.9	(3.0)	15.0
As at 31 December 2018	**3,840.7**	**1,422.3**	**1,534.3**	**903.2**	**7,700.5**
Uncompleted projects			223.4		223.4
As at 31 December 2018, including uncompleted projects	**3,840.7**	**1,422.3**	**1,757.7**	**903.2**	**7,923.9**
Amortisation and impairment losses					
As at 1 January 2018	(263.2)	(1,054.7)	(898.3)	(494.5)	(2,710.6)
Amortisation		(128.7)	(231.0)	(148.2)	(507.8)
Disposals/reclassifications			164.6	9.9	174.5
Exchange differences	(0.5)	(7.4)	(1.8)	(5.1)	(14.8)
As at 31 December 2018	**(263.7)**	**(1,190.8)**	**(966.4)**	**(637.9)**	**(3,058.7)**
Carrying amount					
As at 1 January 2018	3,557.4	361.9	696.4	413.9	5,029.6
As at 31 December 2018	**3,577.0**	**231.5**	**791.2**	**265.3**	**4,865.2**
Amortisation method	N/A	Straight-line	Straight-line	Straight-line	
Useful life (years)	N/A	5-10	5-8	1-10	

The Group’s intangible assets are either acquired or internally developed. Goodwill, customer relationships, trademarks and parts of other intangible assets are all acquired through business combinations, and are a result of a purchase price allocation of initial cost of the acquisition. Software is developed for use in the insurance business. External and internal assistance used in relation with implementation or substantial upgrade of software, including adjustment of standard systems, are capitalized as intangible assets. Amortisation is included in the accounting line Expenses.

The group has not acquired any portfolio or company in 2018. In 2017, the Danish company Mølholm Forsikring A/S was acquired.

Impairment testing goodwill

The carrying amount of goodwill in the Group as at 31 December 2018 is NOK 3,577.0 million.

NOK millions		2018	2017
Goodwill	**Segment**		
Gjensidige Forsikring, Danish branch	Denmark	1,592.3	1,583.2
Nykredit Forsikring	Denmark	895.5	891.8
Gjensidige Forsikring, Swedish branch	Sweden	144.6	141.0
Gouda portfolio	Denmark	87.3	87.3
Vardia portfolio	Sweden	65.3	66.8
Mølholm Forsikring A/S	Denmark	228.4	227.1
ADB Gjensidige	Baltikum	434.9	431.5
Gjensidige Forsikring, white label	Privat	128.7	128.7
Total		**3,577.0**	**3,557.4**

Each of the units above is the smallest identifiable group of assets that generates cash inflows and are considered as separate cash-generating units. The annual assessment of impairment losses was carried out in the third quarter of 2018. An indication assessment was also carried out in the other quarters in order to assess whether new circumstances calls for new impairment testing of goodwill.

Recoverable amount for the cash-generating units is determined based on an assessment of the value in use. The value in use is based on a discounting of future cash flows, with a relevant discount rate that takes into account maturity and risk.

Budgets/prognoses and the period for which the cash flows are projected

The projection of cash flows is based on budget and forecast for the next five years reviewed by the management and approved by the Board of Directors. The growth in this 5-year period is higher than the long-term growth expectancy. In the period after 2022 a lower annual growth has been used than in the budget period to arrive at a normal level before a terminal value is calculated. The terminal value is calculated in 2027. Gjensidige normally has a ten-year horizon on its models, as the acquired companies are in a growth phase and a shorter period will give a less correct view of expected cash flows. The long-term growth rate beyond the board approved plan, is no higher than the long-term growth in the market for the respective cash generating units.

The management's method

As far as possible, the management has sought to document the assumptions upon which the models are based through external information. External information is first and foremost used in the assessment of discount rate and exchange rates. When it comes to future cash flows, the management has also considered the degree of historical achievement of budgets. If expected budgeted results are not achieved, the management has conducted a deviation analysis. These deviation analyses are reviewed by the Board of Directors of the respective subsidiaries, as well as the management in Gjensidige Forsikring.

Level of combined ratio (CR)

The expected CR level is both in the growth period and when estimating the terminal value considered to be from 84.3 to 98.8.

Cash-generating units	CR-level in growth period	CR-level when calculating terminal value
Gjensidige Forsikring, Danish branch	84.5-91.0%	91.0%
Nykredit Forsikring	84.3-91.3%	91.3%
Mølholm Forsikring	94,0-96,6 %	94,0 %
Gjensidige Forsikring, Swedish branch	91.2-98.8%	91.2%
ADB Gjensidige	90.0-96.9%	93.0%
Gouda portfolio	88.0-92.6%	88.6%

Growth rate in terminal value calculation

The growth rate is determined to 2.5 per cent in Scandinavia and 3.0 per cent in Baltics. This is the same growth as in 2017.

Discount rate

The discount rate is before tax, and is composed of a risk-free interest rate, a risk premium and a market beta. The risk-free rate is equivalent to a ten-year interest rate on government bonds in the respective countries where the subsidiaries and branches operate in and in addition a risk premium is added. The risk premium varies so that the discount rate is 7.5 per cent for all companies. This corresponds to the discount rate of the group and is the same as used in 2017. The group's discount rate represents the group's assumption of risk, and is the same independent of country. Country-risk has been adjusted directly in the cash flow of all units.

Sensitivity analysis to key assumptions

The excess values related to the acquisitions are based on different key assumptions. If these assumptions change significantly from expected in the impairment models, a need for impairment may arise. See table.

Sensitivity table goodwill	Discount rate increases by 1%	Growth reduces by 2% compared to expected next 3 years	CR increases by 2% next 3 years	All circumstances occur simultaneously
Gjensidige Forsikring, Danish branch	No need for impairment	No need for impairment	No need for impairment	Need for impairment app. NOK 588 million
Nykredit Forsikring	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Mølholm Forsikring	Need for impairment app. NOK 53 million	No need for impairment	Need for impairment app. NOK 128 million	Need for impairment app. NOK 216 million
Gjensidige Forsikring, Swedish branch	No need for impairment	No need for impairment	No need for impairment	Need for impairment app. NOK 256 million
ADB Gjensidige	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gouda porfolio	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gjensidige Forsikring, white label	No need for impairment	No need for impairment	No need for impairment	No need for impairment

12. Owner-occupied property, plant and equipment

NOK millions	Owner-occupied property	Plant and equipment [1]	Total
Cost			
As at 1 January 2017	29.9	541.4	571.3
Additions through business combinations		2.1	2.1
Additions	8.1	49.6	57.7
Disposals	(6.4)	(78.4)	(84.8)
Exchange differences	0.6	9.7	10.2
As at 31 December 2017	**32.2**	**524.4**	**556.6**
Uncompleted projects		50.1	50.1
As at 31 December 2017, including uncompleted projects	**32.2**	**574.5**	**606.7**
Depreciation and impairment losses			
As at 1 January 2017	(0.4)	(310.1)	(310.5)
Depreciation continuing operations	(0.2)	(61.4)	(61.6)
Depreciation discontinued operations		(0.9)	(0.9)
Disposals	0.3	63.0	63.3
Exchange differences	(0.0)	(6.8)	(6.8)
As at 31 December 2017	**(0.4)**	**(316.1)**	**(316.5)**
Carrying amount			
As at 1 January 2017	29.5	292.5	321.9
As at 31 December 2017	**31.8**	**258.4**	**290.1**
Cost			
As at 1 January 2018	32.2	524.4	556.6
Additions	1.5	28.0	29.5
Disposals	(1.4)	(32.4)	(33.8)
Exchange differences	(0.0)	(0.3)	(0.3)
As at 31 December 2018	**32.2**	**519.8**	**552.0**
Uncompleted projects		45.4	45.4
As at 31 December 2018, including uncompleted projects	**32.2**	**565.2**	**597.5**
Depreciation and impairment losses			
As at 1 January 2018	(0.4)	(316.1)	(316.5)
Depreciation	(0.2)	(51.8)	(52.0)
Disposals	0.1	23.0	23.2
Exchange differences		(0.2)	(0.2)
As at 31 December 2018	**(0.5)**	**(345.1)**	**(345.6)**
Carrying amount			
As at 1 January 2018	31.8	258.4	290.1
As at 31 December 2018	**31.7**	**220.1**	**251.9**
Depreciation method	Straight-line	Straight-line	
Useful life (years)	10-50	3-10	

[1] Plant and equipment consist mainly of machinery, vehicles, fixtures and furniture.

Owner-occupied property in Gjensidige Forsikring Group mainly consists of leisure houses and cottages, in addition to owner-occupied property in the Baltics.

There are no restrictions on owner-occupied property, plant and equipment. Owner-occupied property, plant and equipment are not pledged as security for liabilities.

13. Financial assets and liabilities

Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date at the prevailing market conditions.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The different valuation levels and which financial assets/liabilities that are included in the respective levels are accounted for below.

Quoted prices in active markets

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. A financial asset/liability is considered valued based on quoted prices in active markets if fair value is estimated based on easily and regularly available prices and these prices represent actual and regularly occurring transactions at arm's length principle. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

The following financial assets are classified as level one in the valuation hierarchy:

- Listed shares
- Norwegian government/government backed bonds and other fixed income securities
- Exchange traded funds (ETF)

Valuation based on observable market data

When quoted prices in active markets are not available, the fair value of financial assets/ liabilities is preferably estimated on the basis of valuation techniques based on observable market data.

A financial asset/liability is considered valued based on observable market data if fair value is estimated with reference to prices that are not quoted, but are observable either directly (as prices) or indirectly (derived from prices).

The following financial assets/liabilities are classified as level two in the valuation hierarchy:

- Currency derivatives, equity options and forward rate agreements, in which fair value is derived from the value of underlying instruments. These derivatives are valued using common valuation techniques for derivatives (option pricing models etc.).
- Equity funds, bond funds, hedge funds and combination funds, in which fair value is estimated based on the fair value of the underlying investments of the funds.
- Bonds, certificates or index bonds that are unlisted, or that are listed but where transactions are not occurring regularly. The unlisted instruments in this category are valued based on observable yield curves and estimated credit spreads where applicable.
- Listed subordinated notes where transactions are not occurring regularly.

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data.

A financial asset/liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

The following financial assets are classified as level three in the valuation hierarchy:

- Unlisted private equity investments. The private equity investments that are not organized as funds are valued using cash flow analysis, price multiples and recent market transactions. The private equity investments that are organized as funds are valued based on NAV (Net Asset Value) as reported by the fund administrators in accordance with IPEV guidelines (International Private Equity and Venture Capital Valuation. Because of late reporting from the funds, the NAV from the previous quarterly reporting is used in estimating fair value. The NAV is then assessed for discretionary adjustments based on objective events since the last reporting date. Objective events may be the development in underlying values of listed companies since the last reporting, changes in regulations or substantial market movements.
- Real estate funds. The real estate funds are valued based on reported NAV values as reported by the fund administrators. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value.

The valuation process for financial assets classified as level three

In consultation with the Investment Performance and Risk Measurement department, the Chief Investment Officer decides which valuation models will be used when valuing financial assets classified as level three in the valuation hierarchy. The models are evaluated as required. The fair value and results of the investments and compliance with the stipulated limits are reported weekly to the Chief Financial Officer and Chief Executive Officer, and monthly to the Board.

Sensitivity financial assets level three

The sensitivity analysis for financial assets that are valued on the basis of non-observable market data shows the effect on profits of realistic and plausible market outcomes. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in value. A fall in value of ten per cent is deemed to be a realistic and plausible market outcome for shares and similar interests, as well as bonds and other securities with a fixed return that are included in level three of the valuation hierarchy.

Hedge accounting

Fair value hedging

Gjensidige utilized up to and including 2017 fair value hedge to manage its currency risk in fixed agreements of acquisition of the operations, last regarding the acquisition of Mølholm Forsikring. Hedging was performed to prevent from valuation variations of a future settlement due to changes in the currency rate. Currency futures designed as hedging instruments were measured at fair value and changes in fair value were recognised continuously in profit or loss, together with the change in fair value of the fixed agreement. The change in fair value of the fixed agreement was recognised in goodwill when the acquired operation was accounted for.

NOK millions	Notes	Carrying amount as at 31.12.2018	Fair value as at 31.12.2018	Carrying amount as at 31.12.2017	Fair value as at 31.12.2017
Financial assets					
Financial derivatives					
Financial derivatives at fair value through profit or loss		577.9	577.9	674.0	674.0
Financial assets at fair value through profit or loss, designated upon initial recognition					
Shares and similar interests	14	5,134.9	5,134.9	7,328.3	7,328.3
Bonds and other fixed income securities		26,374.8	26,374.8	30,734.2	30,734.2
Shares and similar interests in life insurance with investment options		20,627.2	20,627.2	20,034.3	20,034.3
Bonds and other fixed income securities in life insurance with investment options		3,282.3	3,282.3	2,531.2	2,531.2
Financial assets held to maturity					
Bonds held to maturity		391.5	392.5	1,136.0	1,158.2
Loans and receivables					
Bonds and other fixed income securities classified as loans and receivables	15	20,303.7	21,176.9	21,032.6	22,475.7
Loans		2,687.3	2,687.3	47,597.6	47,617.0
Receivables related to direct operations and reinsurance		6,784.7	6,784.7	5,840.8	5,840.8
Other assets and receivables	15	1,081.7	1,081.7	1,064.5	1,064.5
Prepaid expenses and earned, not received income	15	81.7	81.7	189.9	189.9
Cash and cash equivalents		2,363.3	2,363.3	2,685.2	2,685.2
Total financial assets		**89,690.9**	**90,565.1**	**140,848.5**	**142,333.2**
Financial liabilities					
Financial derivatives					
Financial derivatives at fair value through profit or loss		869.9	869.9	584.9	584.9
Financial liabilities at fair value through profit or loss, designated upon initial recognition					
Debt in life insurance with investment options		23,909.5	23,909.5	22,565.5	22,565.5
Financial liabilities at amortised cost					
Subordinated debt	18	1,498.0	1,487.5	1,947.3	1,968.1
Deposits from and liabilities to customers, bank	19			23,765.7	23,765.7
Interest-bearing liabilities	19			23,083.4	23,260.2
Other liabilities	19	2,838.4	2,838.4	1,265.2	1,265.2
Liabilities related to direct insurance and reinsurance		1,174.5	1,174.5	1,132.8	1,132.8
Accrued expenses and deferred income	19	403.3	403.3	500.8	500.8
Total financial liabilities		**30,693.6**	**30,683.1**	**74,845.4**	**75,043.1**
Gain/(loss) not recognised in profit or loss			**884.7**		**1,287.0**

Valuation hierarchy 2018

The table shows a valuation hierarchy where financial assets/liabilities are divided into three levels based on the method of valuation.

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		577.9		577.9
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	122.0	3,653.8	1,359.1	5,134.9
Bonds and other fixed income securities	13,193.2	12,402.9	778.7	26,374.8
Shares and similar interests in life insurance with investment options	20,610.0	17.3		20,627.2
Bonds and other fixed income securities in life insurance with investment options	3,268.1	14.1		3,282.3
Financial assets at amortised cost				
Bonds held to maturity	255.7	136.8		392.5
Bonds and other fixed income securities classified as loans and receivables		21,173.0	3.8	21,176.9
Loans			2,687.3	2,687.3
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		869.9		869.9
Financial liabilities at fair value through profit or loss, designated upon initial recognition				
Debt in life insurance with investment options	23,878.1	31.4		23,909.5
Financial liabilities at amortised cost				
Subordinated debt		1,487.5		1,487.5

Valuation hierarchy 2017

The table shows a valuation hierarchy where financial assets/liabilities are divided into three levels based on the method of valuation.

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		674.0		674.0
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	47.0	5,069.5	2,211.8	7,328.3
Bonds and other fixed income securities	11,218.3	18,611.6	904.3	30,734.2
Shares and similar interests in life insurance with investment options	20,021.1	13.2		20,034.3
Bonds and other fixed income securities in life insurance with investment options	2,515.5	15.6		2,531.2
Financial assets at amortised cost				
Bonds held to maturity	392.6	762.2	3.4	1,158.2
Bonds and other fixed income securities classified as loans and receivables		22,471.1	4.6	22,475.7
Loans			47,617.0	47,617.0
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		584.9		584.9
Financial liabilities at fair value through profit or loss, designated upon initial recognition				
Debt in life insurance with investment options	22,536.7	28.8		22,565.5
Financial liabilities at amortised cost				
Subordinated debt		1,968.1		1,968.1
Interest-bearing liabilities		23,260.2		23,260.2

Reconciliation of financial assets valued based on non-observable market data (level 3) 2018

NOK millions	As at 1.1.2018	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/ out of level 3	Cur-rency effect	As at 31.12.2018	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.9.2018
Shares and similar interests	2,211.8	96.6	126.4	(164.1)		(911.7)		1,359.1	70.1
Bonds and other fixed income securities	904.3	60.7		(187.6)			1.3	778.7	
Total	**3,116.2**	**157.4**	**126.4**	**(351.7)**		**(911.7)**	**1.3**	**2,137.8**	**70.1**

Sensitivity of financial assets valued based on non-observable market data (level 3) 2018

NOK millions		Sensitivity
Shares and similar interests	Change in value 10%	135.9
Bonds and other fixed income securities	Change in value 10%	77.9
Total		**213.8**

Reconciliation of financial assets valued based on non-observable market data (level 3) 2017

NOK millions	As at 1.1.2017	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/ out of level 3	Cur-rency effect	As at 31.12.2017	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.9.2017
Shares and similar interests	2,307.0	(33.6)	177.1	(128.2)		(111.0)	0.5	2,211.8	25.2
Bonds and other fixed income securities	1,333.5	65.7	358.5	(929.7)		(4.6)	80.9	904.3	2.3
Total	**3,640.5**	**32.1**	**535.7**	**(1,057.9)**		**(115.6)**	**81.4**	**3,116.2**	**27.5**

Sensitivity of financial assets valued based on non-observable market data (level 3) 2017

NOK millions		Sensitivity
Shares and similar interests	Change in value 10%	221.2
Bonds and other fixed income securities	Change in value 10%	90.4
Total		**311.6**

Reconciliation of liabilities arising from financing activities 2018

					Non-cash flows			
NOK millions	**As at 1.1.2018**	**Subsidi-ary held for sale**	**As at 1.1.2018**	**Cash flows**	**Aqui-sitions**	**Ex-change diffe-rences**	**Other changes**	**As at 31.12.2018**
Perpetual Tier 1 capital [1]	1,369.4	369.6	999.8				0.7	1,000.5
Subordinated debt	1,947.3	449.8	1,497.5				0.4	1,498.0
Interest-bearing liabilities	23,083.4	23,083.4						

[1] Including accrued interest after tax, NOK 2.1 million (2.9).

Reconciliation of liabilities arising from financing activities 2017

			Non-cash flows			
NOK millions	**As at 1.1.2017**	**Cash flows**	**Aqui-sitions**	**Ex-change diffe-rences**	**Other changes**	**As at 31.12.2017**
Perpetual Tier 1 capital [1]	1,298.3	69.8			1.2	1,369.4
Subordinated debt	1,946.8				0.5	1,947.3
Interest-bearing liabilities	19,596.5	3,514.0		(41.8)	14.7	23,083.4

[1] Including accrued interest after tax, NOK 2.9 million (3.0).

14. Shares and similar interests

NOK millions	Organisation number	Type of fund	31.12.2018
Gjensidige Forsikring ASA			
Norwegian financial shares and primary capital certificates			
SpareBank 1 Ringerike Hadeland	937 889 275		10.6
SpareBank 1 Østlandet	920 426 530		9.1
SpareBank 1 BV	944 521 836		7.1
SpareBank 1 SMN	937 901 003		6.5
Helgeland Sparebank	937 904 029		4.5
DNB ASA	981 276 957		4.4
Sparebanken Telemark	937 891 334		1.8
Indre Sogn Sparebank	837 897 912		0.5
Total Norwegian financial shares and primary capital certificates			**44.5**
Other shares			
SOS International A/S			56.0
Paydrive AB			25.5
Sector Asset Management AS	887 139 342		15.9
Subsea 7 S.A.			10.8
Aker ASA	886 581 432		9.7
A.P Moeller - Maersk A/S			8.7
Scalepoint Technologies Limited			7.4
Helgeland Invest AS	939 150 234		6.7
Viking Venture II AS	987 493 550		5.7
Equinor ASA	923 609 016		4.7
Tun Media AS	982 519 985		3.7
Kongsberg Gruppen ASA	943 753 709		3.5
Wallenius Wilhelmsen ASA	995 216 604		3.1
Yara International ASA	986 228 608		3.1
Norsk Hydro ASA	914 778 271		3.0
Northern Drilling Ltd			2.8
Other shares			22.9
Total other shares			**193.0**
Funds [1]			
Shenkman Global Convertible Bond Fund		Convertible bond fund	713.8
Nordea Stabile Aksjer Global	989 851 020	Equity fund	462.9
RBC Funds Lux - Global Equity Focus Fund		Equity fund	312.5
Sector Healthcare - A USD		Hedge fund	307.2
Danske Invest Norske Aksjer Institusjon I	981 582 020	Equity fund	306.7
INVESTEC GS GLOBAL EQTY-I$		Equity fund	295.9
Wells Fargo Lux Worldwide EM Equity Fund		Equity fund	290.1
Fisher Emerging Markets Equity Fund USD		Equity fund	287.6
Storebrand Norge I	981 672 747	Equity fund	197.5
Incentive Active Value Fund Cl. A EUR Unrestricted		Hedge fund	127.4
Pareto Aksje Norge	883 610 512	Equity fund	126.6
HitecVision Private Equity V LP		Private equity fund	117.2
HitecVision VI LP		Private equity fund	105.4
HitecVision Asset Solution KS		Private equity fund	102.6
Sector Zen Fund		Hedge fund	90.9
HitecVision Private Equity IV LP		Private equity fund	74.7
Storebrand Global Indeks B	989 133 241	Equity fund	67.9
Argentum Secondary III		Private equity fund	63.1
Viking Venture III DIS		Private equity fund	48.6
HitecVision VII		Private equity fund	46.7
Norvestor VII LP		Private equity fund	42.1
Verdane Capital VII KS		Private equity fund	36.8
Energy Ventures III LP		Private equity fund	36.4
Norvestor V LP		Private equity fund	34.8
Procuritas Capital Investor V		Private equity fund	30.7
Altor Fund II LP		Private equity fund	30.5
Other funds			467.1
Total funds			**4,823.6**

[1] Norwegian Private Equity funds organised as internal partnerships doesn't have organisation number.

NOK millions	Organisation number	Type of fund	31.12.2018
Shares and similar interests owned by branches			
Shares and similar interests owned by Gjensidige Forsikring ASA, Danish branch			0.3
Total shares and similar interests owned by branches			**0.3**
Total shares and similar interests owned by Gjensidige Forsikring ASA			**5,061.4**
Shares and similar interests owned by other group companies			
Shares and similar interests owned by Gjensidige Pensjonsforsikring AS			67.2
Shares and similar interests owned by Nykredit Forsikring A/S			6.4
Total shares and similar interests owned by other group companies			**73.5**
Total shares and similar interests owned by the Gjensidige Forsikring Group			**5,134.9**

15. Loans and receivables

NOK millions	2018	2017
Loans and receivables		
Mortgage loans		35,941.2
Bonds classified as loans and receivables	20,299.9	21,032.6
Other loans	178.1	101.7
Provision for impairment losses		(180.3)
Loans for consumer goods and auto financing		10,114.9
Total loans and receivables	**20,477.9**	**67,010.1**
Other receivables		
Receivables in relation with asset management	803.4	778.8
Other receivables and assets	278.3	285.7
Total other receivables	**1,081.7**	**1,064.5**
Prepaid expenses and earned, not received income		
Earned, not received interest income		66.8
Other prepaid expenses and earned, not received income	81.7	123.1
Total prepaid expenses and earned, not received income	**81.7**	**189.9**

Mortgage loans in 2017 consist mainly of loans from the Gjensidige Bank Group. Primarily this is loans with floating rate to customers in the private segment.

Bonds are securities classified as loans and receivables in accordance with IAS 39.

Of other loans NOK 49.0 million (63.1) are loans given to agricultural customers. Included in other loans are also NOK 82.4 million (40.0) in loans given with regard to sale of subsidiaries.

The loans in 2017 for consumer goods are loans without a collateral requirement offered to private customers. The loans in 2017 for auto financing are loans secured by motor vehicles, primarily cars. All loans are mainly given with floating rate.

A considerable number of receivables in relation with asset management is short-term receivables regarding financial investments.

Beyond the liabilities that arise from insurance contracts, Gjensidige Forsikring has not issued guarantees for which provisions have been made.

16. Insurance-related liabilities and reinsurers' share

NOK millions	2018			2017		
Movements in insurance-related liabilities and reinsurers' share	Gross	Reinsurers' share	Net of re-insurance [1]	Gross	Reinsurers' share	Net of re-insurance [1]
Claims and claims handling costs						
Claims reported and claims handling costs	14,136.9	(781.3)	13,355.5	16,978.8	(586.6)	16,392.1
Claims incurred, but not reported	17,185.8	(1.1)	17,184.7	15,468.8	(0.1)	15,468.7
Total as at 1 January	**31,322.7**	**(782.4)**	**30,540.2**	**32,447.5**	**(586.7)**	**31,860.8**
Acquisitions through business combinations and portfolios				115.7	(35.1)	80.7
Claims paid, prior year claims	(7,485.8)	635.0	(6,850.7)	(7,210.9)	234.3	(6,976.5)
Increase in liabilities						
Arising from current year claims	21,301.5	(302.5)	20,999.0	19,764.1	(624.6)	19,139.5
- of this paid	(12,170.1)	(70.8)	(12,241.0)	(10,981.2)	154.2	(10,827.1)
Arising from prior year claims (run-off)	(2,338.9)	(18.0)	(2,356.9)	(1,164.8)	134.6	(1,030.3)
Other changes, including effects from discounting	13.5		13.5	(39.5)		(39.5)
Transfer of pension savings [2]	(1,266.8)	(22.2)	(1,288.9)	(2,321.3)	(33.5)	(2,354.8)
Exchange differences	(20.4)	22.6	2.2	713.0	(25.7)	687.3
Total as at 31 December	**29,355.8**	**(538.4)**	**28,817.4**	**31,322.7**	**(782.4)**	**30,540.2**
Claims reported and claims handling costs	13,835.4	(374.6)	13,460.8	14,136.9	(781.3)	13,355.5
Claims incurred, but not reported	15,520.4	(163.8)	15,356.6	17,185.8	(1.1)	17,184.7
Total as at 31 December	**29,355.8**	**(538.4)**	**28,817.4**	**31,322.7**	**(782.4)**	**30,540.2**
Provisions for unearned premiums in general insurance						
As at 1 January	9,961.4	(45.0)	9,916.5	9,527.9	(120.1)	9,407.8
Additions through acquisitions				215.7	0.0	215.7
Increase in the period	24,877.7	(724.1)	24,153.6	24,082.1	(606.3)	23,475.8
Release in the period	(24,779.3)	726.5	(24,052.8)	(24,083.0)	684.7	(23,398.3)
Exchange differences	(8.7)	0.1	(8.6)	218.7	(3.2)	215.5
Total as at 31 December	**10,051.0**	**(42.4)**	**10,008.6**	**9,961.4**	**(45.0)**	**9,916.5**

[1] For own account.
[2] According to new Norwegian Financial Reporting Regulations for Life Insurance Companies, claims provision is reclassified to premium reserve. Comparable figures have not been restated.

NOK millions	2018	2017
Discounted claims provision, gross - annuities	4,886.8	6,127.1
Nominal claims provision, gross - annuities	5,397.7	6,855.7

The claims provisions shall cover future claims payments. The claims provisions for insurances with annuity payments are converted to present value (discounted), whereas other provisions are undiscounted.

The reason why the claims provisions for annuities are discounted is due to very long cash flows and substantial future interest income. The claims for occupational injuries in Denmark are paid either as annuities or as lump-sum indemnities (which are calculated mainly as discounted annuities). Therefore, it is most expedient to regard the whole portfolio as annuities. For Swedish MTPL personal injuries are paid as lifelong annuities. The discount rate used is the swap rate.

In depth reserve reviews have been performed by actuaries in Gjensidige. The analyses conclude that excess claims reserves related to personal injury in connection with workers compensation and motor TPL in Norway, primarily for the 2008-2014 vintages, are NOK 1,080 million higher than previously anticipated, adding to the previous excess reserves of approximately NOK 4 billion. The additional excess reserves are released in their entirety in and recognised as run-off gains in the fourth quarter of 2018. The plan for release of the remaining NOK 4 billion in excess reserves, with approximately NOK 1 billion per year through 2022, remains unchanged.

17. Equity

Share capital
At the end of the year the share capital consisted of 500 million ordinary shares with a nominal value of NOK 2, according to the statutes. All issued shares are fully paid in.

The owners of ordinary shares have dividend and voting rights. There are no rights attached to the holding of own shares.

In thousand shares	2018	2017
Issued 1 January	500,000	500,000
Issued 31 December	500,000	500,000

Own shares
In the column for own shares in the statement of changes in equity the nominal value of the company's holdings of own shares is presented. Amounts paid in that exceeds the nominal value is charged to other equity so that the cost of own shares reduces the Group's equity. Gains or losses on transactions with own shares are not recognised in the income statement.

At the end of the year the number of own shares was 31,371 (21,073).

A total of 306,489 (254,863) own shares at an average share price of NOK 131.59 (138.87) have been acquired to be used in Gjensidige's share-based payment arrangements. Of these 231,493 (191,277) shares have been sold to employees, at the same price, but with a discount in the form of a contribution, see note 22. In addition, 30,010 (33,199) shares have been allocated to executive personnel within the share-based remuneration scheme and 34,688 (36,132) bonus shares have been allocated to employees in the share savings programme. Own shares are increased by 10,298 (reduced by 5,745) through the year.

Share premium
Payments in excess of the nominal value per share are allocated to share premium.

Other paid-in capital
Other paid in equity consists of wage costs that are recognised in profit and loss as a result of the share purchase program for employees.

Perpetual Tier 1 capital
Perpetual Tier 1 capital consists of a perpetual hybrid instrument in Gjensidige Bank ASA and Gjensidige Forsikring ASA, classified as equity.

Exchange differences
Exchange differences consist of exchange differences that occur when converting foreign subsidiaries and branches, and when converting liabilities that hedge the company's net investment in foreign subsidiaries and branches.

Remeasurement of the net defined benefit liability/asset
Remeasurement of the net defined benefit liability/asset consists of the return of plan assets beyond interest income and gains/losses occurring by changing the actuarial assumptions used when calculating pension liability.

Other earned equity
Other earned equity consists of this year's and previous year's retained earnings that are not disposed to other purposes and includes provisions for compulsory funds (natural perils fund, guarantee scheme).

Natural perils capital
Operating profit/loss from the compulsory natural perils insurance shall be adjusted against the Natural perils capital. Natural perils capital is capital that can only be used to cover claims for natural damage, but which in an insolvent situation can also be used to cover other obligations. Natural peril is defined as claim in direct relation to natural hazard, such as landslide, storm, flood, storm surge, earthquake or eruption.

Guarantee scheme
The provision for guarantee scheme is restricted capital and shall provide security to the insured for the right fulfilment of claims covered by the agreement even after the agreement is terminated in Norway.

Dividend
Proposed and approved dividend per ordinary share

NOK millions	2018	2017
As at 31 December		
NOK 7.10 (7.10) based on profit for the year [1]	3,550.0	3,550.0

[1] Proposed dividend for 2018 is not recognised at the reporting date, and it does not have any tax consequences.

Shareholders
Shareholders owning more than 1 per cent

Investor	Number of shares	Ownership in %
Gjensidigestiftelsen	311,200,115	62.2%
Folketrygdfondet	20,754,407	4.2%
State Street Bank and Trust Comp (nominee)	18,984,586	3.8%
State Street Bank and Trust Comp (nominee)	14,573,536	2.9%

The shareholder list is based on the VPS shareholder registry as of 31 December 2018. A shareholder list showing the owners behind nominee accounts can be found on page 21.

18. Hybrid capital

Subordinated debt

	FRN Gjensidige Pensjonsforsikring AS 2016/2026 SUB	FRN Gjensidige Forsikring ASA 2014/2044 SUB
ISIN	NO0010767429	NO0010720378
Issuer	Gjensidige Pensjons-forsikring AS	Gjensidige Forsikring ASA
Principal, NOK millions	300	1,200
Currency	NOK	NOK
Issue date	23.06.2016	02.10.2014
Maturity date	23.06.2026	03.10.2044
First call date	23.06.2021	02.10.2024
Interest rate	NIBOR 3M + 2.90%	NIBOR 3M + 1.50%
General terms		
Regulatory regulation	Solvency II	Solvency II
Regulatory call	Yes	Yes
Conversion right	No	No

Perpetual Tier 1 capital

	Gjensidige Bank ASA 15/PERP FRN C HYBRID	Gjensidige Bank ASA 15/PERP FRN C HYBRID	FRN Gjensidige Forsikring ASA 2016/PERP C HYBRID	Gjensidige Bank ASA 15/PERP FRN C HYBRID
ISIN	NO0010735707	NO0010744295	NO0010771546	NO0010797509
Issuer	Gjensidige Bank ASA	Gjensidige Bank ASA	Gjensidige Forsikring ASA	Gjensidige Bank ASA
Principal, NOK millions	150	150	1,000	70
Currency	NOK	NOK	NOK	NOK
Issue date	21.05.2015	15.09.2015	08.09.2016	20.06.2017
Maturity date	Perpetual	Perpetual	Perpetual	Perpetual
First call date	22.05.2020	15.09.2020	08.09.2021	20.06.2022
Interest rate	NIBOR 3M + 3.15%	NIBOR 3M + 3.40%	NIBOR 3M + 3.60%	NIBOR 3M + 3.20 %
General terms				
Regulatory regulation	CRD IV	CRD IV	Solvency II	CRD IV
Regulatory call	Yes	Yes	Yes	Yes
Conversion right	No	No	No	No

19. Provisions and other liabilities

NOK millions	2018	2017
Other provisions and liabilities		
Restructuring costs [1]	128.3	117.0
Other provisions	190.9	211.6
Total other provisions and liabilities	**319.3**	**328.6**
Deposits from and liabilities to customers		
Deposits from and liabilities to customers without maturity date, bank		17,365.0
Deposits from and liabilities to customers with maturity date, bank		6,400.6
Deposits from and liabilities to customers		**23,765.7**
Interest-bearing liabilities		
Liabilities to bond debt, bank		23,083.4
Total interest-bearing liabilities		**23,083.4**
Other liabilities		
Outstanding accounts Fire Mutuals	27.6	25.5
Accounts payable	186.2	258.0
Liabilities to public authorities	290.3	356.1
Motor insurance tax to Norwegian Motor Insurers' Bureau (TFF)	1,612.6	0.0
Other liabilities	721.7	625.7
Total other liabilities	**2,838.4**	**1,265.2**
Accrued expenses and deferred income		
Liabilities to public authorities	32.2	31.5
Accrued personnel cost	305.6	318.9
Other accrued expenses and deferred income	65.6	150.4
Total accrued expenses and deferred income	**403.3**	**500.8**
Restructuring costs [1]		
Provisions as at 1 January	117.0	194.9
New provisions	91.2	54.9
Reversal of provisions	(4.4)	0.0
Provisions used during the year	(74.4)	(134.2)
Exchange rate differences	(1.1)	1.4
Provision as at 31 December	**128.3**	**117.0**

[1] In 2018, NOK 91.2 million is allocated to restructuring provision, due to a decision of changes in processes in the group. The processes have been communicated to all entities affected by the changes.

20. Related party transactions

Overview

Gjensidige Forsikring ASA is the Group's parent company. As at 31 December 2018 the following companies are regarded related parties. See note 5 in Gjensidige Forsikring ASA for specification of subsidiaries and joint ventures.

	Registered office	Interest held
Ultimate parent company		
Gjensigestiftelsen holds 62.24 per cent of the shares in Gjensidige Forsikring ASA	Oslo, Norway	
Other related parties		
Fire Mutuals	All over the country, Norway	
Gjensidige Pensjonskasse	Oslo, Norway	94.7%

Transactions

Income statement

The table below shows transactions with related parties recognised in the income statement.

	2018		2017	
NOK millions	**Income**	**Expense**	**Income**	**Expense**
Earned premiums written and gross claims				
ADB Gjensidige	23.9	16.8	28.5	21.3
Gjensidige Pensjonsforsikring AS	6.3	22.2	6.9	33.5
Nykredit Forsikring A/S	1,126.8	776.3	1,061.4	740.8
Administration expenses				
Gjensidige Bank ASA (Discontinued operations)	47.7		36.7	
Gjensidige Pensjonsforsikring AS	72.4		67.5	
Mondux Assurance Agentur A/S			30.8	68.1
Nykredit Forsikring A/S	297.7	293.0	307.0	265.3
Vardia Försäkring AB				108.9
Total other companies	0.6	38.4	0.9	10.5
Interest income and expenses				
Oslo Areal AS	39.9		31.8	
Co-operating companies [1]				
Fire Mutuals and Gjensidige Pensjonskasse	21.6	142.5	20.7	148.7
Total	**1,636.9**	**1,289.2**	**1,592.2**	**1,397.0**

[1] Cooperating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

Loans

As at 31 December 2018 employees have loans in Gjensidige Bank amounting to NOK 1,433.9 million (1,287.2). The loans are offered on normal commercial conditions.

Income and losses

The table below shows a summary of contributions/dividends from/to related parties as well as other gains and losses.

	2018		2017	
NOK millions	**Received**	**Given**	**Received**	**Given**
Group contributions				
NAF Forsikringsformidling AS		16.5		
Gjensidige Bolighandel AS		24.9		
Dividends				
Gjensidigestiftelsen		2,209.5		2,209.5
Gjensidige Pensjonsforsikring AS - recognised not received	100.0			
Nykredit Forsikring A/S - received	89.9		49.0	
Nykredit Forsikring A/S - recognised not received	179.1			
Samtrygd AS			0.7	
Mondux Assurance Agentur A/S	5.0		31.5	
Mondux AB			2.6	
Total group contributions and dividends	**374.0**	**2,250.9**	**83.8**	**2,209.5**

	2018		2017	
NOK millions	**Gains**	**Losses**	**Gains**	**Losses**
Impairment losses				
NAF Forsikringsformidling AS		76.0		
Samtrygd AS				0.4
Nykredit Forsikring A/S				49.0
Total gains and losses in connection with sale, liquidation and impairment losses		**76.0**		**49.4**

Balances

The table below shows a summary of receivables/liabilities from/to related parties.

	2018		2017	
NOK millions	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Non-interest-bearing receivables and liabilities				
Gjensidige Pensjonsforsikring AS	105.0	43.9		12.9
NAF Forsikringsformidling AS		21.9		
Gjensidige Bolighandel AS		32.4		
Gjensidige Bank ASA	9.0	0.0		
Nykredit Forsikring A/S	197.1	2.6	40.0	
Vardia Försäkring AB	17.6			
Total other companies	10.7	1.1	9.1	
Interest-bearing receivables and liabilities				
Mondux Assurance Agentur A/S				285.8
Oslo Areal AS	2,513.1		1,620.1	
Reinsurance deposits, premiums and claims provisions				
Nykredit Forsikring A/S	1,094.7	1,094.7	507.6	507.6
Total other companies		69.9		60.9
Total balances within the Group	**3,947.4**	**1,266.5**	**2,176.8**	**867.3**
Cooperating companies				
Fire Mutuals and Gjensidige Pensjonskasse [2]	111.0	25.3	111.0	25.4
Total balances	**4,058.4**	**1,291.8**	**2,287.8**	**892.8**

[1] Gjensidige Forsikring ASA is a sponsor of Gjensidige Pensjonskasse and has contributed with funds equivalent to NOK 111.0 million.

NOK millions	**Purchaser**	**Seller**	**2018**	**2017**
Other transactions				
Interest on bank deposits	Gjensidige Bank ASA (Discontinued operations)	Fire Mutuals	0.6	0.7
Portfolios	Gjensidige Forsikring ASA	Mondux Assurance Agentur A/S		271.9
Management fees etc.	Gjensidige Pensjonsforsikring AS	Gjensidige Investeringsrådgivning AS/Gjensidige Bank ASA [3]	14.7	19.3
Management fees	Gjensidigestiftelsen	Gjensidige Investeringsrådgivning AS/Gjensidige Bank ASA [3]	1.5	5.8

NOK millions	**Claimant**	**Debtor**	**2018**	**2017**
Other intercompany balances				
Bank deposits	Fire Mutuals	Gjensidige Bank ASA (Discontinued operations)	40.3	45.7

[3] The companies merged in 2017.

Guarantees

Gjensidige Forsikring ASA is responsible externally for any insurance claim arising from the cooperating mutual fire insurers' fire insurance business, see note 21.

21. Contingent liabilities

NOK millions	**2018**	**2017**
Guarantees and committed capital		
Gross guarantees	0.1	0.1
Committed capital, not paid	702.2	1,392.5
Credit facility Oslo Areal	1,486.9	2,379.9

As part of its ongoing financial management, Gjensidige has undertaken to invest up to NOK 702.5 million (1,392.5) in loan funds containing senior secured debt and various private equity and real estate investments, over and above amounts recognized in the balance sheet.

The timing of the outflow of capital is dependent on when the funds are making capital calls from their investors. Average remaining operating time for the funds, based on fair value, is slightly less than four years (four) and slightly less than five years (five) in average including option for of extension.

Gjensidige Forsikring has granted a loan to Oslo Areal amounting to NOK 2.5 billion (1.6) at year end. The loan is interest-bearing and total loan limit is NOK 4.0 billion.

Gjensidige Forsikring is liable externally for any insurance claim arising in the cooperating mutual fire insurers' fire insurance operations.

According to the agreement with Gjensidige Pensjonskasse the return, if not sufficient to cover the pension plans guaranteed interest rate, should be covered from the premium fund or through contribution from Gjensidige Forsikring.

22. Share-based payment

Description of the share-based payment arrangements

As at 31 December 2018, Gjensidige has the following share-based payment arrangements:

Share-based remuneration for executive personnel with settlement in equity and cash (remuneration scheme)
Gjensidige has established equity-settled share-based payment for the group management and more explicitly defined executive personnel.

As described in the Board's statement on the stipulation of pay and other remuneration in note 8, half of the variable remuneration is paid in the form of shares in Gjensidige Forsikring ASA, one third of which can be sold in each of the following three years. Of this, rather on the big side 50 per cent is distributed as equity and only just 50 per cent is distributed as cash in order to pay tax liabilities (net of tax settlement).

The fair value at the grant date is measured based on the market price. The amount is recognised as payroll expenses at grant date with a corresponding increase in other paid-in equity, both for the part that is settled in equity and for the part that is settled in cash to cover the tax obligations. No specific company-related or market-related entitlement criteria apply to the shares, but the Company may carry out a reassessment if subsequent results and development suggest that the bonus was based on incorrect assumptions. The expected allocation is set to 100 per cent. No adjustment is made to the value of the cash-settled share based on the share price at the reporting date. The number of shares is adjusted for dividend paid.

Equity-settled share savings program for employees
Gjensidige has established a share savings programme for employees of the Group with the exception of employees of Gjensidige Baltic. All employees are given an opportunity to save an annual amount of up to NOK 75,000. Saving take the form of fixed deductions from salary that is used to buy shares four times a year. The employees are offered a discount in the form of a contribution of 20 per cent, limited upwards to NOK 3,000 kroner per year, which corresponds to the maximum tax-exempt discount. Employees will receive one bonus share for every four shares they have owned for more than two years, provided that they are still employed by the Company or have become retired. No other vesting conditions exists in this arrangement.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation with a corresponding increase in other paid-in equity. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years, with a corresponding increase in other paid-in equity.

Fair value measurement

The fair value of the shares allocated through the share-based payment for executive personnel and the cash to cover the tax obligations is calculated on the basis of the share price at grant date. The amount is recognised immediately.

Fair value of the bonus shares allocated through the share savings program is calculated on the basis of the share price at grant date, taking into account the likelihood of the employee still being employed after two years and that he/she has not sold his/her shares during the same two-year period. The amount is recognised during the vesting period which is two years.

The following assumptions were used in the calculation of fair value at the time of calculation

	Remuneration scheme		Share savings programme	
	2018	**2017**	**2018**	**2017**
Weighted average share price (NOK)	149.10	135.00	130.55	139.26
Expected turnover	N/A	N/A	10%	10%
Expected sale	N/A	N/A	5%	5%
Lock-in period (years)	3	3	2	2
Expected dividend (NOK per share) [1]	4.50	6.57	4.50	6.57

[1] The expected return is based on the Group's actual profit/loss after tax expense as of the third quarter, grossed up to a full year, plus the maximum distribution of dividend corresponding to 70 per cent (70) of the profit after tax expense. This was carried out as a technical calculation because the Company's forecast for the fourth quarter result was not available at the time the calculations were carried out.

Payroll expenses

NOK millions	2018	2017
Share-based remuneration for key personnel	4.3	5.9
Share savings programme for employees	7.2	6.5
Total expenses (note 7)	**11.5**	**12.4**

Share savings programme

	2018	2017
The number of bonus shares		
Outstanding 1 January	83,946	80,856
Granted during the period	57,405	47,481
Transferred in/out during the period		(1,073)
Forfeited during the period	(5,076)	(5,510)
Released during the period	(34,688)	(36,131)
Cancelled during the period	(2,572)	(2,750)
Outstanding 31 December	**99,015**	**83,946**
Exercisable 31 December	**0**	**0**
Average remaining life of outstanding bonus shares	1.02	1.00
Weighted average fair value of bonus shares granted	115.89	120.27
Weighted average share price of bonus shares released during the period	130.55	139.26

Weighted average exercise price will always be 0, since the scheme comprises bonus shares and not options.

Remuneration scheme

	Number of shares 2018	Number of cash-settled shares 2018	Number of shares 2017	Number of cash-settled shares 2017
The number of shares				
Outstanding 1 January	59,591	53,965	63,437	58,176
Granted during the period	23,070	20,501	26,427	23,430
Transferred in/out during the period			(306)	(273)
Exercised during the period	(30,010)	(27,340)	(33,199)	(30,409)
Cancelled during the period	(1,264)	(1,127)		
Modification dividend during the period	2,553	2,412	2,926	2,768
Outstanding 31 December	**53,940**	**48,411**	**59,591**	**53,965**
Exercisable 31 December	**0**	**0**	**0**	**0**
Average remaining life of outstanding shares	0.71	0.71	0.75	0.74

	2018	2017
Weighted average fair value of shares granted [2]	149.10	135.00
Weighted average share price of shares released during the period	147.91	133.53
Fair value of shares granted that are to be settled in cash	135.20	154.90

[2] The fair value is calculated based on the market value of the share at the time of allocation.

Weighted average exercise price will always be 0, since the scheme comprises shares and not options.

23. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

24. Earnings per share

NOK millions	2018	2017
Profit/(loss) for the year for continuing and discontinued operations	3,717.6	4,523.1
Profit/(loss) for the year for continuing operations	3,382.7	4,064.0
Weighted average number of shares [1]	499,978,103	499,981,716
Weighted average number of diluted shares share-based payment	119,756	118,930
Weighted average number of shares, diluted [1]	500,097,859	500,100,646
Earnings per share from continuing and discontinued operations (NOK), basis	**7.44**	**9.05**
Earnings per share from continuing and discontinued operations (NOK), diluted	**7.43**	**9.04**
Earnings per share from continuing operations (NOK), basis	**6.77**	**8.13**
Earnings per share from continuing operations (NOK), diluted	**6.76**	**8.13**

[1] Holdings of own shares are not included in the calculations of the number of shares.

25. Discontinued operations

On 2 July Gjensidige Forsikring ASA entered into a share purchase agreement with Nordea for the sale of Gjensidige Bank ASA. The agreed purchase price was NOK 5.5 billion, subject to certain adjustments based on the performance of the bank until closing of the transaction. Closing is expected to take place within Q1 2019, subject to customary regulatory approvals. At the time of the agreement, it was calculated that Gjensidige Forsikring Group could expect a gain of approximately NOK 1.9 billion upon closing of the transaction while Gjensidige Forsikring ASA could expect a gain of approximately NOK 3.1 billion. The result from the time of agreement to final closing is Gjensidige's risk. Final calculation of the gain will be available a while after the closing.

Gjensidige Bank ASA, together with its subsidiary Gjensidige Bank Boligkreditt AS, constitute the segment Retail Bank. An analysis of income and expenses from the discontinued operation can be found in the table on page 11 in the interim report for the fourth quarter. Additional amounts are presented in the table below.

Gjensidige Bank ASA implemented IFRS 9 1 January 2018. The tables below reconcile the carrying amounts of financial assets, from their previous measurement categories in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9. Please refer to Gjensidige Bank ASA's annual report for 2018 for further information.

Income statement, financial position and cash flow items

NOK millions	1.1.-31.12.2018	1.1.-31.12.2017
Income statement		
Profit /(loss) before tax expense	447.3	612.3
Tax expense	(112.4)	(153.2)
Profit /(loss) after tax expense from discontinued operations (attributable to owners of the company)	**334.9**	**459.1**
Earnings per share from discontinued operations, NOK (basic and diluted)	**0.67**	**0.92**
Financial position		
Cash and claims from central banks	53.9	229.6
Net loans and receivables to credit institutions	422.6	200.5
Net loans and receivables to customers	51,253.0	45,875.9
Sertificates, bonds etc.	5,746.7	4,957.5
Other assets	422.5	271.3
Total assets	**57,898.8**	**51,534.8**
Deposits from and liabilities to customers	23,123.0	23,765.7
Debt through issuance of securities	29,382.4	23,083.4
Subordinated loans	549.8	449.8
Other liabilities	459.2	336.4
Perpetual Tier 1 capital instrument	444.8	369.6
Other equity	3,939.6	3,530.0
Total equity and liabilities	**57,898.8**	**51,534.8**

Reconciliation of financial position balances from IAS 39 to IFRS 9

Total positive impact on equity from IFRS 9 at transition amounts to NOK 10.4 million after tax.

NOK millions 1 January 2018	IAS 39 carrying amount 31.12.2017	Reclassi-fications	Remeasure-ments	IFRS 9 carrying amount 1.1.2018
Net loans to customers at amortised cost	45,875.9		(13.9)	45,862.0
Financial assets	**45,875.9**		**(13.9)**	**45,862.0**

Reconciliation of provision for losses at transition from IAS 39 to IFRS 9

The total negative impact on equity from IFRS 9 at transition amounts to NOK 10.4 million after tax.

NOK millions 1 January 2018	IAS 39 carrying amount 31.12.2017	Reclassi-fications	Remeasure-ments	IFRS 9 carrying amount 1.1.2018
Net loans and receivables to customers				
Opening balance under IAS 39	180.3			
Remeasurement expected credit losses (ECL)			13.9	
Closing balance under IFRS 9				194.1
Total financial assets measured at amortised cost	**180.3**		**13.9**	**194.1**

Income statement

Gjensidige Forsikring ASA

NOK millions	Notes	1.1.-31.12.2018	1.1.-31.12.2017
Premiums			
Earned premiums, gross	4	23,105.9	22,601.2
Ceded reinsurance premiums		(715.9)	(677.1)
Total earned premiums, net of reinsurance		**22,389.9**	**21,924.1**
General insurance claims			
Gross claims	4	(15,973.9)	(15,808.7)
Claims, reinsurers' share		324.5	481.4
Total claims incurred, net of reinsurance		**(15,649.4)**	**(15,327.3)**
Insurance-related operating expenses			
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses	7	(3,558.6)	(3,469.1)
Received commission for ceded reinsurance and profit share		51.0	28.2
Total insurance-related operating expenses		**(3,507.6)**	**(3,440.9)**
Profit/(loss) of technical account general insurance		**3,233.0**	**3,155.9**
Net income from investments			
Income from investments in subsidiaries, associates and joint ventures		374.0	83.9
Impairment losses of investments in subsidiaries, associates and joint ventures		(76.0)	(49.4)
Interest income and dividend etc. from financial assets		1,043.1	1,107.4
Changes in fair value on investments		(494.7)	(368.1)
Realised gain and loss on investments		143.2	1,206.1
Administration expenses related to investments, including interest expenses		(166.2)	(239.6)
Total net income from investments	**6**	**823.4**	**1,740.3**
Other income		10.3	10.2
Other expenses		(37.1)	(41.2)
Profit/(loss) of non-technical account		**796.6**	**1,709.3**
Profit/(loss) before tax expense		**4,029.5**	**4,865.2**
Tax expense	9	(995.0)	(1,104.6)
Profit/(loss) before components of other comprehensive income		**3,034.5**	**3,760.6**
Other comprehensive income			
Other comprehensive income that are not reclassified to profit or loss			
Changes in estimates related to defined benefit plans	10	(49.4)	(339.3)
Tax on other comprehensive income that are not reclassified to profit or loss	9	12.3	84.8
Total other comprehensive income that are not reclassified to profit or loss		**(37.0)**	**(254.5)**
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences from foreign operations		3.2	359.9
Tax on items that may be reclassified to profit or loss	9	(0.7)	(88.2)
Total other comprehensive income that may be reclassified to profit or loss		**2.5**	**271.7**
Total comprehensive income		**3,000.0**	**3,777.9**

Statement of financial position

Gjensidige Forsikring ASA

NOK millions	Notes	31.12.2018	31.12.2017
Assets			
Goodwill		1,846.6	1,843.4
Other intangible assets		1,013.0	1,068.8
Total intangible assets	**11**	**2,859.5**	**2,912.2**
Investments			
Buildings and other real estate			
Owner-occupied property	12	28.5	27.0
Subsidiaries and associates			
Shares in subsidiaries	5	3,832.7	6,297.3
Shares in subsidiaries, held for sale	5	2,461.5	
Shares in associates and joint ventures	5	1,086.9	1,086.9
Interest-bearing receivables on subsidiaries and joint ventures	13, 20	2,513.1	1,620.1
Financial assets measured at amortised cost			
Bonds held to maturity	13	105.8	712.9
Loans and receivables	13, 15	15,471.3	16,598.3
Financial assets measured at fair value			
Shares and similar interests (incl. shares and similar interests measured at cost)	13, 14	5,061.4	6,553.7
Bonds and other fixed-income securities	13	22,152.3	21,974.7
Subordinated loans	13	44.3	
Financial derivatives	13	577.9	549.2
Other investments	13	111.0	111.0
Reinsurance deposits		1,094.7	507.6
Total investments		**54,541.4**	**56,038.7**
Reinsurers' share of insurance-related liabilities in general insurance, gross			
Reinsurers' share of provision for unearned premiums, gross	16	39.6	41.4
Reinsurers' share of claims provision, gross	16	473.6	698.0
Total reinsurers' share of insurance-related liabilities in general insurance, gross		**513.2**	**739.5**
Receivables			
Receivables related to direct operations	13	6,323.5	5,318.7
Receivables related to reinsurance	13	75.5	148.5
Receivables within the group	20	339.6	49.1
Other receivables	13, 15	820.2	822.5
Total receivables		**7,558.9**	**6,338.9**
Other assets			
Plant and equipment	12	203.7	236.2
Cash and cash equivalents	13	1,656.4	1,625.0
Pension assets	10	155.2	204.4
Total other assets		**2,015.2**	**2,065.6**
Prepaid expenses and earned, not received income			
Other prepaid expenses and earned, not received income		46.2	36.5
Total prepaid expenses and earned, not received income		**46.2**	**36.5**
Total assets		**67,534.4**	**68,131.4**

NOK millions	Notes	31.12.2018	31.12.2017
Equation and liabilities			
Paid in equity			
Share capital		1,000.0	1,000.0
Own shares		(0.1)	(0.0)
Share premium		1,430.0	1,430.0
Perpetual Tier 1 capital		1,000.5	999.8
Other paid-in equity		58.2	45.1
Total paid in equity		**3,488.6**	**3,474.9**
Retained equity			
Funds etc.			
Natural perils capital		2,491.1	2,333.4
Guarantee scheme provision		653.9	638.3
Other retained earnings		10,655.3	11,425.1
Total retained earnings		**13,800.3**	**14,396.8**
Total equity	**17**	**17,288.9**	**17,871.7**
Subordinated debt	13, 18	1,198.3	1,198.0
Insurance-related liabilities in general insurance, gross			
Provision for unearned premiums, gross	4, 16	9,399.6	8,769.5
Claims provision, gross	4, 16	28,769.8	30,676.6
Provision for premium discounts and other profit agreements		75.4	66.5
Total insurance-related liabilities in general insurance, gross		**38,244.9**	**39,512.5**
Provision for liabilities			
Pension liabilities	10	559.9	552.2
Current tax	9	591.3	904.7
Deferred tax liabilities	9	1,289.0	1,122.5
Other provisions	19	316.5	319.3
Total provision for liabilities		**2,756.7**	**2,898.6**
Liabilities			
Liabilities related to direct insurance	13	381.5	646.9
Liabilities related to reinsurance	13	40.9	132.5
Financial derivatives	13	869.9	568.6
Accrued dividend		3,550.0	3,550.0
Other liabilities	13, 19	2,766.0	1,131.5
Liabilities to subsidiaries and associates	13, 20	104.9	298.8
Total liabilities		**7,713.3**	**6,328.2**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	13, 19	332.3	322.4
Total accrued expenses and deferred income		**332.3**	**322.4**
Total equity and liabilities		**67,534.4**	**68,131.4**

Statement of changes in equity

Gjensidige Forsikring ASA

NOK millions	Share capital	Own shares	Share premium	Other paid-in capital	Perpetual Tier 1 capital	Exchange differ-ences	Changes in estimates related to def. benefit plans	Other earned equity	Total equity
Equity as at 31.12.2016	**1,000.0**	**(0.1)**	**1,430.0**	**36.7**	**999.2**	**112.6**	**(1,678.7)**	**15,779.4**	**17,679.1**
1.1.-31.12.2017									
Comprehensive income									
Profit/(loss) before components of other comprehensive income					34.5			3,726.1	3,760.6
Total components of other comprehensive income				0.3		271.1	(254.1)		17.3
Total comprehensive income				**0.3**	**34.5**	**271.1**	**(254.1)**	**3,726.1**	**3,777.9**
Transactions with the owners of the company									
Own shares		0.0						(9.4)	(9.4)
Accrued and paid dividend								(3,549.6)	(3,549.6)
Equity-settled share-based payment transactions				8.2					8.2
Perpetual Tier 1 capital					0.6			(0.6)	
Perpetual Tier 1 capital - interest paid					(34.6)				(34.6)
Equity as at 31.12.2017	**1,000.0**	**(0.0)**	**1,430.0**	**45.1**	**999.8**	**383.8**	**(1,932.8)**	**15,945.9**	**17,871.7**
Adjustment due to amendment to IFRS 2				5.5					5.5
Equity as at 1.1.2018	**1,000.0**	**(0.0)**	**1,430.0**	**50.6**	**999.8**	**383.8**	**(1,932.8)**	**15,945.9**	**17,877.2**
1.1.-31.12.2018									
Comprehensive income									
Profit/(loss) before components of other comprehensive income					35.0			2,999.5	3,034.5
Total components of other comprehensive income				0.1		2.4	(37.0)		(34.5)
Total comprehensive income				**0.1**	**35.0**	**2.4**	**(37.0)**	**2,999.5**	**3,000.0**
Transactions with the owners of the company									
Own shares		(0.0)						(10.9)	(11.0)
Accrued and paid dividend								(3,549.9)	(3,549.9)
Equity-settled share-based payment transactions				7.6					7.6
Perpetual Tier 1 capital					0.6			(0.6)	
Perpetual Tier 1 capital - interest paid					(34.9)				(34.9)
Equity as at 31.12.2018	**1,000.0**	**(0.1)**	**1,430.0**	**58.2**	**1,000.5**	**386.2**	**(1,969.8)**	**15,384.0**	**17,288.9**

See note 17 for further information about the equity items.

Statement of cash flows

Gjensidige Forsikring ASA

NOK millions	1.1.-31.12.2018	1.1.-31.12.2017
Cash flow from operating activities		
Premiums paid, net of reinsurance	23,228.8	22,009.5
Claims paid, net of reinsurance	(17,918.9)	(16,176.0)
Net receipts/payments from financial assets	2,935.6	2,952.8
Net receipts/payments on sale/acquisition of investment property		97.1
Operating expenses paid, including commissions	(2,988.5)	(2,858.4)
Taxes paid	(1,099.7)	(1,128.5)
Net cash flow from operating activities	**4,157.3**	**4,896.5**
Cash flow from investing activities		
Net receipts/payments from sale/acquisition of subsidiaries, associates and joint ventures	(28.4)	(516.7)
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment and intangible assets	(325.7)	(284.7)
Net receipt/payments from sale/acquisition of customer portfolios - intangible assets		(3.9)
Dividends from associated companies	89.9	81.1
Group contributions received		(11.3)
Net cash flow from investing activities	**(264.2)**	**(735.4)**
Cash flow from financing activities		
Payment of dividend	(3,549.9)	(3,459.9)
Net receipts/payments on subordinated debt incl. interest	(29.8)	(30.6)
Net receipts/payments on loans between Group companies	1.0	(1.0)
Payments regarding intra-group equity transactions	(119.2)	(151.8)
Payments regarding intra-group equity transactions, subsidiary held for sale	(95.0)	
Net receipts/payments on sale/acquisition of own shares	(11.0)	(11.1)
Tier 1 interest payments	(46.6)	(46.1)
Net cash flow from financing activities	**(3,850.5)**	**(3,700.5)**
Effect of exchange rate changes on cash and cash equivalents	(11.2)	21.4
Net cash flow	**31.4**	**482.0**
Cash and cash equivalents at the start of the year	1,625.0	1,143.0
Cash and cash equivalents at the end of the year [1]	1,656.4	1,625.0
Net cash flow	**31.4**	**482.0**
[1] Including source-deductible tax account	72.0	70.8

Notes

1. Accounting policies

Reporting entity

Gjensidige Forsikring ASA is a publicly listed company domiciled in Norway. Gjensidige's head office is located at Schweigaardsgate 21, Oslo, Norway. The activities of Gjensidige consist of general insurance. Gjensidige does business in Norway, Sweden and Denmark.

The accounting policies applied in the financial statements are described below. The policies are used consistently throughout Gjensidige with the exception of one difference that is permitted in accordance with IFRS 4 about insurance contracts. See description under the section Claims provision, gross.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian Financial Reporting Regulations for Non-Life Insurance Companies (FOR-2015-12-18-1775). The Norwegian Financial Reporting Regulations for Insurance Companies is to a great extent based on IFRSs endorsed by EU, and interpretations.

New standards adopted

IFRS 15 Recognition of revenue for customers (2014)

Gjensidige implemented IFRS 15 at 1 January 2018. The standard establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. A five-step model to determine how and when revenues are recognised, but it does not apply to recognition of income from insurance contracts, financial assets or leases, which make up substantially all of the Group's revenue streams, has been used. Other revenue streams, such as revenue from sale of goods, revenue from sale and dissemination of third party services and commission income constitute a negligible part of the revenue. For these revenues, the modified retrospective method of effects from first-time use is recognised on the day of implementation and without restating comparable figures. The new standard has not affected Gjensidige's financial position, earnings or cash flows.

Amendments to IFRS 2: Classifications and measurement of share-based payment transactions

Gjensidige implemented amendments to IFRS 2 at 1 January 2018, and there was one implementation effect. The tax liability as at 31 December 2017 amounting to NOK 5.5 million was reclassified from liability to equity as at 1 January 2018.

New standards and interpretations not yet adopted

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2018. They have not been applied when preparing these financial statements. Those that may be relevant to Gjensidige are mentioned below. Gjensidige does not plan early implementation of these standards.

IFRS 9 Financial instruments (2014)

IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. See also the section below about delayed implementation. The standard introduces new requirements for the classification and measurement of financial assets, including a new expected loss model for the recognition of impairment losses, and changed requirements for hedge accounting.

IFRS 9 contains three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. Financial assets will be classified as either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on how they are managed and which contractual cash flow properties they have. IFRS 9 introduces a new requirement in connection with financial liabilities earmarked at fair value, where changes in fair value that can be attributed to the liabilities' credit risk are presented in other comprehensive income rather than over profit or loss.

Impairment provisions according to IFRS 9 shall be measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost and interest rate instruments at fair value through other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision shall equal 12-month expected credit losses. If the credit risk has increased significantly, the provision shall equal lifetime expected credit losses. This dual approach replaces today's collective impairment model.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2016)

The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report under the existing standard, IAS 39 Financial Instruments.

Gjensidige is an insurance company and has therefore decided to make use of this exception.

IFRS 16 Leasing (2016)

IFRS 16 requires all contracts that qualify under its definition as a lease to be reported on a lessee's balance sheet as right of use assets and lease liabilities. Earlier classification of leases as either operating leases or finance leases are removed. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. A lessee shall recognise a right-of-use asset and a lease liability. The interest effect of accounting the lease liability shall be presented separately from the depreciation charge for the right-of-use asset. The depreciation expense will be presented with Gjensidige's other depreciations, whereas the interest effect of discounting will be presented as a financial item. IFRS 16 is effective 1 January 2019. The standard is expected to have an effect on Gjensidige's financial statements, significantly increasing Gjensidige's recognised assets and liabilities and potentially affecting the presentation and timing of recognition of charges in the income statement.

Estimated expected amount to be recognised as a lease liability and right-of-use asset at the time of implementation is approximately NOK 1.2 billion. An estimate of the negative effect on equity will be about NOK 40 million.

To determine whether a contract contains a lease, it is considered whether the contract conveys the right to control the use of an identified asset. This is considered to be the case for rental contracts, leases for cars and some office machines, etc. However, the latter group is exempted for recognition due to low value. IT agreements are not considered to fall under IFRS 16 since these are based on the purchase of capacity that is not physically separated and thus not identifiable. The rental period will be calculated based on the duration of the agreement plus any option periods if these with reasonable certainty will be exercised. Joint expenses etc. will not be recognised in the lease liability for the rental contracts. The discount rate for the rental contracts will be determined by looking at observable borrowing rates in the bond market for each of the countries in which Gjensidige operates. The interest rates will be adapted to the actual lease contracts duration etc. The discount rate for the leasing cars will be determined based on an assessment of which loan interest Gjensidige would achieve for financing cars from a financing company.

Gjensidige has recognised its lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application, as well as the recognition of related right-of-use assets to an amount corresponding to the lease liability. For the largest rental agreements in Norway, Sweden and Denmark, Gjensidige has chosen to recognise the right-of-use asset at the carrying amount as if the standard had been applied since the date of implementation, but discounted using the tenant's incremental borrowing rate at the date of initial application. The difference between this and the lease liability will be recognised directly in equity on 1 January 2019.

IFRS 17 Insurance Contracts (2017)
IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. IFRS 17 is a complex standard that includes some fundamental differences to current accounting for liability measurement and profit recognition. Insurance contracts will be recognised at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the group of contracts (the contractual service margin). If a group of contracts is or become loss-making, the loss will be recognised immediately. Insurance revenue, insurance service expenses and insurance finance income or expenses will be presented separately. IFRS 17 is expected to be effective 1 January 2022. The standard is expected to have an effect on the group's financial statements, significantly changing the measurement and presentation of income and expenses.

Amendments to IAS 12: Changes in classification of tax on equity items that are classified as liability for tax purposes
In accordance with IAS, 12 paragraph 57A, tax on equity items classified as liability for tax purposes is no longer classified as part of the equity transaction, but as part of the tax expense in income the income statement.

Based on our preliminary assessments and on the basis of Gjensidige's current operations, other amendments to standards and interpretation statements will not have a significant effect.

Basis of measurement

The financial statements have been prepared based on the historical cost principle with the following exceptions

- derivatives are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value

Functional and presentation currency

Functional currency
Functional currency is determined for each the company and the branches in Gjensidige, based on the currency within the primary economic environment where each entity operates. Transactions in the company's/branches' accounts are measured in the company's/branches' functional currency. Transactions in foreign currency are translated to functional currency based on the day rate at the transaction date. At the end of each reporting period, monetary items in foreign currency are translated at the closing rate, non-monetary items are measured at historical cost translated at the time of the transaction and non-monetary items denominated in foreign currency at fair value are translated at the exchange rates prevailing at the date of calculation of fair value. Exchange rate differences are recognised continuously in the income statement during the accounting period.

Presentation currency
The financial statements are presented in NOK. The mother company and the different branches have respectively Norwegian, Swedish and Danish kroner as functional currency.

For branches with other functional currencies, balance sheet items are translated at the exchange rate at the balance sheet date, including excess values on acquisition, and profit and loss accounts at an annual average rate. Exchange rate differences are recognised in other comprehensive income.

In case of loss of control, significant influence or joint control, accumulated exchange rate differences that are recognised in other comprehensive income related to investments attributable to controlling interests, are recognised in the income statement.

Exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form a part of the net investment in the foreign branch and are recognised in other comprehensive income.

Goodwill arising on the acquisition of a foreign portfolio and fair value adjustments of the carrying amount of assets and liabilities arising on the acquisition of the foreign branch are treated as assets and liabilities in the functional currency of the foreign branch.

All financial information is presented in NOK, unless otherwise stated.

Due to rounding differences, figures and percentages may not add up to the total.

Segment reporting

The operating segments are determined based on Gjensidige's internal organisational management structure and the internal financial reporting structure to the chief operating decision maker. In Gjensidige Forsikring Group, the Senior Group Management is responsible for evaluating and following up the performance of the segments and is considered the chief operating decision maker. Gjensidige reports on two operating segments, General insurance Private and General insurance Norway, which are independently managed by managers responsible for the respective segments depending on the products and services offered, distribution and settlement channels, brands and customer profiles. Identification of the segments is based on the existence of segment managers who report directly to the Senior Group Management/CEO and who are responsible for the performance of the segment under their charge. In addition, the company comprises a Swedish and Danish branch that is reported as a part of the segment Nordic in the consolidated financial statements.

The recognition and measurement principles for Gjensidige's segment reporting are based on the IFRS principles adopted in the consolidated financial statements.

Inter-segment pricing is determined on arm's length distance.

Subsidiaries, associated companies and joint ventures

Subsidiaries, associated companies and joint ventures are recognised using the cost method.

Cash flow statement

Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

Operational activities are primary activities within Gjensidige. Investment activities include the purchase and sale of assets that are not considered cash equivalents and which are not included in Gjensidige's primary activities. Financing activities include raising and repaying loans, as well as collecting and servicing equity.

Equivalent to cash is cash equivalents, e.g. bank deposits. Bank deposits with maturity less than three months ahead are considered cash. Certificates and bonds with a similar short residual maturity are not classified as cash.

Recognition of revenue and expenses

Premiums

Insurance premiums are recognised over the term of the policy. Gross premiums earned are calculated on the basis of the amounts Gjensidige has received or is owed for insurance contracts where the insurance period starts before the end of the period (gross premiums written). At the end of the period provisions are recorded, and premiums written that relate to subsequent periods are adjusted for (change in gross provision for unearned premiums). Earned premiums net of reinsurance are calculated by applying equivalent accrual to premium for ceded reinsurance, which reduces the corresponding gross premiums. Premiums for inward reinsurance are classified as gross premiums written, and are earned according to the insurance period.

Claims incurred

Claims incurred consist of gross paid claims less reinsurers' share, in addition to a change in gross provision for claims, gross, also less reinsurers' share. Direct and indirect claims processing costs are included in claims incurred. The claims incurred contain run-off gains/losses on previous years' claims -provisions.

Insurance-related operating expenses

Insurance-related operating expenses consist of insurance-related administration expenses including commissions for received reinsurance and sales expenses, less received commissions for ceded reinsurance and profit share.

Net income from investments

Financial income consists of interest income on financial investments, dividend received, realised gains related to financial assets, change in fair value of financial assets at fair value through profit or loss, and gains on financial derivatives. Interest income on interest rate instruments is recognised in profit or loss using the effective interest method.

Financial expenses consist of interest expenses on loans, realised losses related to financial assets, change in fair value of financial assets at fair value through profit or loss, recognised impairment on financial assets and recognised loss on financial derivatives. All expenses related to loans measured at amortised cost are recognised in profit or loss using the effective interest method.

Tangible assets

Owner-occupied property, plant and equipment

Recognition and measurement

Items of owner-occupied property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the item. In cases where equipment or significant items have different useful lives, they are accounted for as separate components.

Owner-occupied property is defined as property that is used by Gjensidige for conducting its business. If the properties are used both for Gjensidige's own use and as investment properties, classification of the properties is based on the actual use of the properties.

Subsequent costs

Subsequent costs are recognised in the asset's carrying amount when it is probable that the future economic benefits associated with the asset will flow to Gjensidige, and the cost of the asset can be measured reliably. If the subsequent cost is a replacement cost for part of an item of owner-occupied property, plant and equipment, the cost is capitalized and the carrying amount of what has been replaced is derecognised. Repairs and maintenances are recognised in profit or loss in the period in which they are incurred.

Depreciation

Each component of plant and equipment are depreciated using the straight-line method over estimated useful life. Land, leisure houses and cottages are not depreciated. The estimated useful lives for the current and comparative periods are as follows

- plant and equipment 3-10 years

Depreciation method, expected useful life and residual values are reassessed annually. An impairment loss is recognised if the carrying amount of an asset is less than the recoverable amount.

Leasing

Operational lease contracts

Leases where the main part of the risk and return associated with ownership of the asset are not transferred are classified as operating leases. Lease payments are classified as operating expenses and are recognised on a straight-line basis over the contract period.

Intangible assets

Goodwill

Goodwill acquired in acquisition of portfolios represents cost price of the acquisition in excess of Gjensidige's share of the net fair value of identifiable assets, liabilities and contingent liabilities in the acquired portfolio at the time of acquisition. Goodwill is recognised initially at cost and subsequently measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets which consist of customer relationships, trademarks, internally developed software and other intangible assets that are acquired separately or as a group are recognised at historical cost less accumulated amortisation and accumulated impairment losses. New intangible assets are capitalized only if future economic benefits associated with the asset are probable and the cost of the asset can be measured reliably.

Development expenditures (both internally and externally generated) is capitalized only if the development expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Gjensidige intends to and has sufficient resources to complete the development and to use or sell the asset.

Amortisation

Intangible assets, other than goodwill is amortised on a straight-line basis over the estimated useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows

- customer relationships 10 years
- internally developed software 5–8 years
- other intangible assets 1–10 years

The amortisation period and amortisation method are reassessed annually. An impairment loss is recognised if the carrying amount of an asset is less than the recoverable amount.

Impairment of non-financial assets

Indicators of impairment of the carrying amount of tangible and intangible assets are assessed at each reporting date. If such indicators exist, then recoverable amount of an assets or a cash generating unit is estimated. Indicators that are assessed as significant by Gjensidige and might trigger testing for an impairment loss are as follows

- significant reduction in earnings in relation to historical or expected future earnings
- significant changes in Gjensidige's use of assets or overall strategy for the business
- significant negative trends for the industry or economy
- other external and internal indicators

Goodwill is tested for impairment annually. The annual testing of goodwill is performed in the third quarter.

Recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets generating cash inflows that are largely independent of cash inflows from other assets or groups of assets (cash-generating unit). Goodwill is allocated to the cash-generating unit expecting to benefit from the acquisition.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated- first to the carrying amount of goodwill and then proportionally to the carrying amount of each asset in the cash-generating unit. Previously recognised impairment losses are for assets except for goodwill, reversed if the prerequisites for impairment losses are no longer present. Impairment losses will only be reversed if the recoverable amount does not exceed the amount that would have been the carrying amount at the time of the reversal if the impairment loss had not been recognised.

Impairment losses recognised for goodwill will not be reversed in a subsequent period. On disposal of a cash generating unit, the goodwill attributable will be included in the determination of the gain or loss on disposal.

Technical provisions

Provision for unearned premiums, gross

The provision for unearned premiums, gross reflects the accrual of premiums written. The provision corresponds to the unearned portions of the premiums written. No deduction is made for any expenses before the premiums written are accrued.

In the case of group life insurance for the commercial market, the provision for unearned premiums, gross also includes provisions for fully paid whole-life cover (after the payment of disability capital).

Claims provision, gross

The claims provision comprises provisions for anticipated future claims payments in respect of claims incurred, but not fully settled at the reporting date. These include both claims that have been reported (RBNS – reported but not settled) and those that have not yet been reported (IBNR – incurred but not reported). The provisions related to reported claims are assessed individually by the Claims Department, while the IBNR provisions are calculated based on empirical data for the time it takes from a loss or claim occurring (date of loss) until it is reported (date reported). Based on experience and the development of the portfolio, a statistical model is prepared to calculate the scope of post-reported claims. The appropriateness of the model is measured by calculating the deviation between earlier post-reported claims and post-reported claims estimated by the model.

Claims provisions are not normally discounted. For contracts with annuity payments over a long horizon, discounting is performed. IFRS 4 permits the use of different policies within Gjensidige in this area.

Claims provisions contain an element that is to cover administrative expenses incurred in settling claims.

Adequacy test

A yearly adequacy test is performed to verify that the level of the provisions is sufficient compared to Gjensidige's liabilities. Current estimates for future claims payments for Gjensidige's insurance liabilities at the reporting date, as well as related cash flows, are used to perform the test. This includes both claims incurred before the reporting date (claims provisions) and claims that will occur from the reporting date until the next annual renewal (premium provisions). Any negative discrepancy between the original provision and the liability adequacy test will entail provision for insufficient premium level.

Reinsurers' share of insurance-related liabilities in general insurance, gross

Reinsurers' share of insurance-related liabilities in general insurance, gross is classified as an asset in the balance sheet. Reinsurers' share of provision for unearned premiums, gross and reinsurers' share of claims provision, gross are included in reinsurers' share of insurance-related liabilities in general -insurance, gross. The reinsurers' share is less expected losses on claims based on objective evidence of impairment losses.

Financial instruments

Financial instruments are classified in one of the following categories

- at fair value through profit or loss
- investments held to maturity
- loans and receivables
- financial derivatives
- financial liabilities at amortised cost
- financial liabilities classified as equity

Recognition and derecognition

Financial assets and liabilities are recognised when Gjensidige becomes a party to the instrument's contractual terms. Initial recognition is at fair value. For instruments that are not derivatives or measured at fair value through profit or loss, transaction expenses that are directly attributable to the acquisition or issuance of the financial asset or the financial liability, are included. Normally the initial recognition value will be equal to the transaction price. Subsequent to initial recognition the instruments are measured as described below.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, or when Gjensidige transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

At fair value through profit or loss

Financial assets and liabilities are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if

- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value

Transaction expenses are recognised in profit or loss when they incur. Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

The category at fair value through profit or loss comprise the classes shares and similar interests and bonds and other fixed income assets.

Investments held to maturity
Investments held to maturity are non-derivative financial assets with payments that are fixed or which can be determined in addition to a fixed maturity date, in which a business has intentions and ability to hold to maturity with the exception of

- those that the business designates as at fair value through profit or loss at initial recognition
- those that meet the definition of loans and receivables

Investments held to maturity are measured at amortised cost using the effective interest method, less any impairment losses.

The category investments held to maturity comprises the class bonds held to maturity.

Loans and receivables
Loans and receivables are non-derivative financial assets with payments that are fixed or determinable. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Interest-free loans are issued to finance fire alarm systems within agriculture for loss prevention purposes. These loans are repaid using the discount granted on the main policy when the alarm system is installed.

The category loans and receivables comprises the classes loans, receivables related to direct operations and reinsurance, other receivables, prepaid expenses and earned, not received income, cash and cash equivalents, bonds and other fixed income securities classified as loans and receivables and receivables within Gjensidige.

Financial derivatives
Financial derivatives are used in the management of exposure to equities, bonds and foreign exchange in order to achieve the desired level of risk and return. The instruments are used both for trading purposes and for hedging of other balance sheet items. Any trading of financial derivatives is subject to strict limitations.

Gjensidige uses financial derivatives, amongst other to hedge foreign currency exchanges arising from the ownership of foreign subsidiaries with other functional currency.

Transaction expenses are recognised in profit or loss when they incur. Subsequent to initial recognition financial derivatives are measured at fair value and changes in fair value are recognised in profit or loss.

The category financial derivatives comprise the classes financial derivatives at fair value through profit or loss and financial derivatives used as hedge accounting.

Hedge accounting
Gjensidige utilises fair value hedging on currency risk in fixed agreements of acquisition of operations. Changes in the fair value of the hedging instrument are recognised in profit or loss, together with the change in fair value of the fixed agreement. The change in fair value of the fixed agreement is recognised in the cost price of the share when the acquired operation is accounted for.

Financial liabilities at amortised cost
Financial liabilities are measured at amortised cost using the effective interest method. When the time horizon of the financial liability's due time is quite near in time the nominal interest rate is used when measuring amortised cost.

The category financial liabilities at amortised cost comprises the classes subordinated debt, other liabilities, liabilities related to direct insurance and reinsurance, accrued expenses and deferred income and liabilities within Gjensidige.

Financial liabilities classified as equity
Gjensidige has perpetual tier 1 capital accounted for as equity. The instruments are perpetual, but the principal can be repaid on specific dates, for the first time five years after it was issued. The agreed terms meet the requirements in the EU's CRR/Solvency II regulations and the instruments are included in Gjensidige's Tier 1 capital for solvency purposes. These regulatory requirements mean that Gjensidige has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments do not meet the requirement for a liability in IAS 32 and are therefore presented on the line perpetual Tier 1 capital under equity. Further, it implies that the interest is not presented under Total interest expenses but as a reduction in other equity. Correspondingly, seen in isolation, the benefit of the tax deduction for the interest will lead to an increase in other equity and not be presented as a deduction under the line Tax expense, since it is the shareholder who benefits from the tax deduction.

Other items classified as equity
Natural perils capital and guarantee scheme provision are accounted for as equity because the funds belong to the group. As a consequence, they do not meet the requirement for liability in IAS 32 and are therefore presented as funds within equity.

Definition of fair value
Subsequent to initial recognition, investments at fair value through profit or loss are measured at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. For financial instruments traded in active markets, listed market prices or traders' prices are used, while for financial instruments not traded in an active market, fair value is determined using appropriate valuation methods.

For further description of fair value, see note 13.

Definition of amortised cost
Subsequent to initial recognition, investments held to maturity, loans and receivables and financial liabilities that are not measured at fair value are measured at amortised cost using the effective interest method. When calculating effective interest rate, future cash flows are estimated, and all contractual terms of the financial instrument are taken into consideration. Fees paid or received between the parties in the contract and transaction costs that are directly attributable to the transaction, are included as an integral component of determining the effective interest rate.

Impairment of financial assets

Loans, receivables and investments held to maturity
For financial assets that are not measured at fair value, an assessment of whether there is objective evidence that there has been a reduction in the value of a financial asset or group of assets is made on each reporting date. Objective evidence might be information about credit report alerts, defaults, issuer or borrower suffering significant financial difficulties, bankruptcy or observable data indicating that there is a measurable reduction in future cash flows from a group of financial assets, even though the reduction cannot yet be linked to an individual asset.

An assessment is first made to whether objective evidence of impairment of financial assets that are individually significant exists. Financial assets that are not individually significant or that are assessed individually, but not impaired, are assessed in groups with respect to impairment. Assets with similar credit risk characteristics are grouped together.

If there is objective evidence that the asset is impaired, impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in profit or loss.

Impairment losses are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal shall not result in the carrying amount of the financial asset exceeding the amount of the amortised cost if the impairment had not been recognised at the time the loss was reversed. Reversal of previous losses on impairment is recognised in profit or loss.

Dividend

Dividend from investments is recognised when Gjensidige has an unconditional right to receive the dividend. Proposed dividend is recognised as a liability in accordance with the Accounting Act and Regulations on Simplified Application of International Accounting Standards (FOR 2008-01-21 no. 57). This implies that dividend reduces equity in the fiscal year the dividend provision relates to.

Provisions

Provisions are recognised when Gjensidige has a legal or constructive obligation as a result of a past event, it is probable that this will entail the payment or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Information about contingent assets are disclosed where an inflow of economic benefits is probable. Information about a contingent liability is disclosed unless the possibility of an outflow of resources is remote.

Provision for restructuring are recognised when Gjensidige has approved a detailed and formal restructuring plan which has commenced or has been announced. Provisions are not made for future expenses attributed to the operations.

Events after the balance sheet date

New information after the balance sheet date of Gjensidige's financial position at the balance sheet date is taken into account in the financial statement. Events after the balance sheet date that do not affect the company's financial position at the balance sheet date, but which will affect the company's financial position in the future, are disclosed if this is material.

Pensions

Pension liabilities are assessed at the present value of future pension benefits that are recognised as accrued at the reporting date. Future pension benefits are calculated on the basis of expected salary at the retirement date. Pension assets are valued at fair value. Net pension liability is the difference between the present value of future pension benefits and the fair value of the pension assets. Employer's social security cost is recognised during the period under which an underfunding occurs. Net pension liability is shown in the balance sheet on the line Pension liabilities. Any overfunding is recognised to the extent that it is likely that the overfunding can be utilised. An overfunding in a funded plan cannot be offset against an underfunding in an unfunded plan. If there is a net overfunding in the funded plan, it is recognised as Pension assets.

The period's pension cost (service cost) and net interest expense (income) are recognised in the income statement and are presented as an operating cost in the income statement. Net interest expense is calculated using the discount rate for the liability at the beginning of the period of the net liability. Net interest expense therefore consists of interest on the obligation and return on the assets.

Deviations between estimated pension liability and estimated value of pension assets in the previous financial year and actuarial pension liability and fair value of pension assets at the beginning of the year are recognised in other comprehensive income. These will never be reclassified through profit or loss.

Gains and losses on curtailment or settlement of a defined benefit plan are recognised in the income statement at the time of the curtailment or settlement.

Deductible grants to defined contribution plans are recognised as employee expenses in the income statement when accrued.

Share-based payment

Gjensidige has a share saving program for employees and a share-based remuneration scheme for senior executives. The share savings program is an arrangement with settlement in shares, while the remuneration scheme is an arrangement with settlement in both shares and cash.

The share-based payment arrangement is measured at fair value at the time of allocation. Fair value is accrued over the period during which employees acquire the right to receive the shares. Share-based payment arrangements which are recovered immediately are recognised as expenses at the time of allocation. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised shall be based on the number of equity instruments that eventually vest. Non-vesting conditions and possible market conditions are reflected in the measurement of fair value, and no adjustment of the amount recognised as expenses is done upon failing to meet such conditions.

The cost of share-based transactions with employees is recognised as an expense over the average recovery period. For arrangements that are settled in shares, the value of the allocated shares in the period is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. For arrangements settled in cash, the value of the options granted is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. This applies to Gjensidige's obligation to withhold an amount for the employees' tax liability and transfer this amount in cash to the tax authorities on behalf of the employee. Employers' social security costs are calculated based on the fair value of the shares on each balance sheet date. The amount is recognised in the income statement over the expected vesting period and accrued according to IAS 37.

Share-based payment arrangements settled by one of the shareholders in the ultimate mother company is also recognised as a share-based payment transaction with settlement in equity.

See note 22 for a further description of Gjensidige's share-based payment arrangements.

Tax

Income tax expense comprises the total of current tax and deferred tax.

Current tax

Current tax is tax payable on the taxable profit for the year, based on tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is determined based on differences between the carrying amount and the amounts used for taxation purposes, of assets and liabilities at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that they can be offset by future taxable income. If deferred tax arises in connection with the initial recognition of a liability or asset acquired in a transaction that is not a business combination, and it does not affect the financial or taxable profit or loss at the time of the transaction, then it will not be recognised.

Deferred tax liabilities are recognised for temporary differences resulting from investments in subsidiaries and associates, except in cases where Gjensidige is able to control the reversal of temporary differences, and it is probable that the temporary difference will not be reversed in foreseeable future. Deferred tax assets that arise from deductible temporary differences for such investments are only recognised to the extent that it is probable that there will be sufficient taxable income to utilise the asset from the temporary difference, and they are expected to reverse in the foreseeable future.

Recognition

Current tax and deferred tax are recognised as an expense or income in the income statement, with the exception of deferred tax on items that are recognised in other comprehensive income, where the tax is recognised in other comprehensive income, or in cases where deferred tax arises as a result of a business combination. For business combinations, deferred tax is calculated on the difference between fair value of the acquired assets and liabilities and their carrying amount. Goodwill is recognised without provision for deferred tax.

Related party transactions

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

The provider of intra-group services, that are not considered core activities, will as a main rule, allocate its incurred net costs (all costs included) based on a Cost Contribution Arrangement as described in OECD Guidelines chapter 8 and on the basis of paragraph 13-1 in the Norwegian Tax Act.

Identified functions that are categorized as core activities will be charged out with a reasonable mark up or alternatively at market price if identifiable, comparable prices exist.

Transactions with affiliated companies

The Fire Mutuals operate as agents on behalf of Gjensidige Forsikring. For these services commission is paid. The Fire Mutuals are also independent insurance companies with fire and natural damage on their own account. Gjensidige provides various services to support this insurance business. For these services and to reinsure the Fire Mutuals' fire insurance, Gjensidige receives payment based on arm's length distance.

Non-current assets held for sale and discontinued operations

A discontinued operation is a part of Gjensidige that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition. The management must be committed to a plan to sell the asset, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

When Gjensidige is committed to a plan to sell, which involves loss of control of a subsidiary, all the assets and liabilities fo that subsidiary shall be classified as held for sale when the criteria above is met, regardless of whether Gjensidige will retain a non-controlling interest in its former subsidiary after the sale.

Since Gjensidige Bank represents a separate and significant business in Gjensidige, which is now sold, Gjensidige Bank is presented as a discontinued operation. See note 25 in the group's financial statement for further information.

The shares in Gjensidige Bank is presented on a separate line in the statement of financial position.

2. Use of estimates

The preparation of the financial statements under IFRS and the application of the adopted accounting policies require that management make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on experience and other factors that are assessed as being justifiable based on the underlying conditions. Actual figures may deviate from these estimates. The estimates and associated prerequisites are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both the existing and future periods.

Assumptions and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of insurance-related liabilities within the next financial year are discussed below.

Insurance-related liabilities

Use of estimates in calculation of insurance-related liabilities is primarily applicable for claims provisions.

Insurance products are divided in general into two main categories; lines with short or long settlement periods. The settlement period is defined as the length of time that passes after a loss or injury occurs (date of loss) until the claim is reported and then paid and settled. Short-tail lines are e.g. property insurance, while long-tail lines primarily involve accident and health insurances. The uncertainty in short-tail lines of business is linked primarily to the size of the loss.

For long-tail lines, the risk is linked to the fact that the ultimate claim costs must be estimated based on experience and empirical data. For certain lines within accident and health insurances, it may take ten to 15 years before all the claims that occurred in a calendar year are reported to the company. In addition, there will be many instances where information reported in a claim is inadequate to calculate a correct provision. This may be due to ambiguity concerning the causal relationship and uncertainty about the injured party’s future work capacity etc. Many personal injury claims are tried in the court system, and over time the level of compensation for such claims has increased. This will also be of consequence to claims that occurred in prior years and have not yet been settled. The risk linked to provisions for lines related to insurances of the person is thus affected by external conditions. To reduce this risk, the company calculates its claims liability based on various methods and follows up that the registered provisions linked to ongoing claims cases are updated at all times based on the current calculation rules. See note 3 (in the consolidated group accounts) and 16.

3. Risk and capital management

For information about insurance and financial risk please refer to note 3 in the consolidated financial statements that cover both Gjensidige Forsikring ASA and Gjensidige Forsikring Group.

4. Premiums and claims etc. in general insurance

For segment information according to IFRS 8 please refer to note 4 in the consolidated financial statements. The information below is worked out based on the requirements in the Norwegian Financial Reporting Regulations for Non-Life Insurance Companies.

Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)

NOK millions	Medical exp. insur.	Income protection insurance	Workers' comp.-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	Health insurance
Premiums written											
Gross - direct business and accepted proportional reinsurance	495.8	1,192.6	890.0	2,634.9	4,609.3	294.9	8,410.3	709.1	1,080.5	1,263.4	1,485.0
Reinsurers' share		(0.9)	(21.2)	(11.8)		(20.5)	(647.9)	(13.4)		(1.3)	
Net	**495.8**	**1,191.7**	**868.9**	**2,623.1**	**4,609.3**	**274.5**	**7,762.4**	**695.7**	**1,080.5**	**1,262.1**	**1,485.0**
Premiums earned											
Gross - direct business and accepted proportional reinsurance	474.4	1,183.2	884.8	2,677.8	4,570.7	294.8	8,351.5	702.1	1,098.8	1,245.3	1,472.5
Reinsurers' share		(0.9)	(21.1)	(11.7)		(20.5)	(643.3)	(14.0)		(1.0)	
Net	**474.4**	**1,182.3**	**863.7**	**2,666.1**	**4,570.7**	**274.3**	**7,708.2**	**688.1**	**1,098.8**	**1,244.0**	**1,472.5**
Claims incurred											
Gross - direct business and accepted proportional reinsurance	(347.3)	(421.2)	315.5	(965.3)	(3,644.8)	(310.5)	(7,222.8)	(447.4)	(863.2)	(964.1)	(992.3)
Reinsurers' share			14.5	26.5		15.7	264.7	1.8			
Net	**(347.3)**	**(421.2)**	**330.1**	**(938.8)**	**(3,644.8)**	**(294.8)**	**(6,958.1)**	**(445.7)**	**(863.2)**	**(964.1)**	**(992.3)**
Gross claims incurred	(347.3)	(421.2)	315.5	(965.3)	(3,644.8)	(310.5)	(7,222.8)	(447.4)	(863.2)	(964.1)	(992.3)
Incurred during the year	(346.9)	(591.1)	(232.7)	(1,635.0)	(3,662.4)	(319.0)	(7,308.5)	(475.6)	(829.9)	(916.6)	(1,007.6)
Incurred previous years	(0.4)	169.9	548.3	669.7	17.6	8.5	85.7	28.2	(33.3)	(47.6)	15.4
Provision for unearned premiums, gross	152.5	458.0	231.8	1,200.0	2,224.7	38.6	3,436.0	243.2	424.7	669.1	320.7
Claims provision, gross	149.4	4,026.4	8,761.2	6,400.8	686.0	150.0	4,863.2	952.5	209.8	499.3	1,890.0

Non-proportional reinsurance obligations

NOK millions	Health re-insurance	Casualty re-insurance	Marine, aviation, transport re-insurance	Property re-insurance	Total
Premiums written					
Gross - direct business and accepted proportional reinsurance					23,066.0
Gross – accepted non-proportional reinsurance	6.8	16.7	1.6	124.8	150.0
Reinsurers' share				(3.1)	(720.1)
Net	**6.8**	**16.7**	**1.6**	**121.7**	**22,495.9**
Premiums earned					
Gross - direct business and accepted proportional reinsurance					22,955.9
Gross – accepted non-proportional reinsurance	6.8	16.8	1.6	124.8	150.0
Reinsurers' share				(3.1)	(715.9)
Net	**6.8**	**16.8**	**1.6**	**121.7**	**22,389.9**
Claims incurred					
Gross - direct business and accepted proportional reinsurance					(15,863.3)
Gross – accepted non-proportional reinsurance	(22.7)	(23.4)	(0.7)	(63.7)	(110.6)
Reinsurers' share		1.3	0.1		324.5
Net	**(22.7)**	**(22.2)**	**(0.6)**	**(63.7)**	**(15,649.4)**
Gross claims incurred	(22.7)	(23.4)	(0.7)	(63.7)	(15,973.9)
Incurred during the year	(22.7)	(23.4)	(0.7)	(63.7)	(17,436.0)
Incurred previous years					1,462.1
Provision for unearned premiums, gross				0.4	9,399.6
Claims provision, gross	39.8	41.8	0.7	98.9	28,769.8

NOK millions	Norway	Sweden	Denmark
Breakdown of revenue by geographical area			
Gross premium written direct business	17,018.7	1,595.7	4,568.3

5. Shares in subsidiaries and joint ventures

NOK millions	Registered office	Interest held	Cost 31.12.2018	Carrying amount 31.12.2018	Cost 31.12.2017	Carrying amount 31.12.2017
Subsidiaries						
Gjensidige Norge AS	Oslo, Norway	100%	195.7	1.2	195.7	1.2
Gjensidige Pensjonsforsikring AS	Oslo, Norway	100%	681.9	681.9	681.9	681.9
Samtrygd AS	Oslo, Norway	100%	1.3	0.8	1.3	0.8
Lokal Forsikring AS	Oslo, Norway	100%	31.4	11.3	31.4	11.3
Nykredit Forsikring A/S	Copenhagen, Denmark	100%	1,625.1	1,342.4	1,625.1	1,342.4
Ejendomsselskabet Krumtappen 2 A/S	Copenhagen, Denmark	100%	1.1	1.1	1.1	1.1
Försäkringshuset Amb & Rosèn AB	Stockholm, Sweden	100%	7.4	7.4	5.1	5.1
Gjensidige Bank ASA (held for sale)	Oslo, Norway	100%			2,366.5	2,366.5
NAF Forsikringsformidling AS	Oslo, Norway	66%	90.9	22.8	51.0	58.9
Mølholm Forsikring A/S	Odense, Denmark	100%	496.3	496.3	464.8	464.8
Mondux Assurance Agentur A/S (liquidated 2018)	Copenhagen, Denmark	100%			204.9	213.1
Gjensidige Bolighandel AS	Oslo, Norway	100%	116.2	116.2	6.0	6.0
ADB Gjensidige	Vilnius, Lithuania	100%	1,068.7	1,017.3	1,068.7	1,017.3
Vardia Försäkring AB	Stockholm, Sweden	100%	89.5	89.5	89.5	89.5
Försäkringsakademin JW AB	Stockholm, Sweden	100%	44.4	44.4	37.5	37.5
Total subsidiaries			**4,449.9**	**3,832.7**	**6,830.4**	**6,297.3**
Shares in subsidiaries, held for sale (see note 25 in Gjensidige Forsikring Group's financial statement)						
Gjensidige Bank ASA	Oslo, Norway	100%	2,461.5	2,461.5		
Joint ventures						
Oslo Areal AS	Oslo, Norway	50%	1,086.9	1,086.9	1,086.9	1,086.9

NOK millions	Assets	Equity	Liabilities	Revenues [1]	Profit/(loss)
For the whole company 2018					
Subsidiaries - additional information					
Gjensidige Norge AS	0.1	0.2			
Gjensidige Pensjonsforsikring AS	32,370.3	854.0	31,516.3	2,201.0	125.4
Samtrygd AS	0.1	0.1			
Lokal Forsikring AS	7.8	7.8			
Nykredit Forsikring A/S	1,717.7	471.0	1,246.7	57.6	155.6
Försäkringshuset Amb & Rosèn AB	0.4	1.3	(1.0)		0.4
NAF Forsikringsformidling AS	22.9	22.9			4.5
Mølholm Forsikring A/S	469.1	213.4	255.6	526.5	26.7
ADB Gjensidige	2,114.0	880.5	1,233.5	1,079.4	49.8
Gjensidige Bolighandel AS	94.6	89.9	4.7	2.0	(26.0)
Ejendomsselskabet Krumtappen 2 A/S	1.4	1.4			
Vardia Försäkring AB	37.7	16.3	21.4		2.0
Försäkringsakademin JW AB	16.5	15.9	0.6		2.0
Certes Sak AB	5.6	5.6			0.7
Total subsidiaries	**36,858.3**	**2,580.3**	**34,277.9**	**3,866.5**	**341.1**
Subsidiaries, held for sale - additional information					
Gjensidige Bank ASA (group)	57,898.8	4,384.4	53,514.4	1,744.6	334.9

NOK millions	Assets	Equity	Liabilities	Revenues [1]	Profit/(loss)
For the whole company 2017					
Subsidiaries - additional information					
Gjensidige Norge AS	0.2	0.2			
Gjensidige Pensjon og Sparing Holding AS (liquidated)					0.1
Gjensidige Pensjonsforsikring AS	29,890.7	728.8	29,161.9	1,963.1	75.9
Gjensidige Bank ASA (group)	51,534.8	3,899.6	47,635.2	1,631.7	459.1
Samtrygd AS	0.1	0.1			
Lokal Forsikring AS (group)	7.8	7.8			(3.2)
Nykredit Forsikring A/S	1,628.4	401.5	1,226.8	54.1	78.6
Försäkringshuset Amb & Rosèn AB	0.5	(1.6)	2.1		(4.8)
NAF Forsikringsformidling AS	66.2	49.7	16.6		(10.5)
Mølholm Forsikring A/S	421.8	151.9	269.9	345.4	14.8
Mondux Assurance Agentur A/S	285.8	224.8	61.0		(23.9)
Mondux AB					(0.1)
ADB Gjensidige	2,100.3	822.7	1,277.7	1,076.8	(17.3)
Gjensidige Bolighandel AS	8.7	5.7	3.1		(0.3)
Ejendomsselskabet Krumtappen 2 A/S	1.5	1.5			(0.0)
Vardia Försäkring AB	34.3	14.5	19.8		16.7
Försäkringsakademin JW AB	14.9	14.2	0.8		3.6
Certes Sak AB	4.9	4.9			0.7
Total subsidiaries	**86,001.0**	**6,326.2**	**79,674.9**	**5,071.2**	**589.4**

[1] Operating income. For companies where financial income is operating income, financial income is included. For other companies, financial income is not included.

For the whole company

Joint ventures - additional information

Oslo Areal AS

NOK millions	2018	2017
Total comprehensive income	614.4	491.2
Equity	4,102.5	3,634.1

Receivables from joint ventures

Oslo Areal AS

NOK millions	2018	2017
Gjensidige's share of loan	2,513.1	1,620.1
Total receivables from joint ventures	**2,513.1**	**1,620.1**

Percentage of votes held is the same as percentage of interest held for all investments.

Gjensidige and Oslo AMF Pensionsforsäkring (AMF) owns Oslo Areal AS as a joint venture (50/50), as each party has rights to its share of the net assets of the arrangement. The parties will make joint investments in the Norwegian real estate market through Oslo Areal. The investment is recognised at cost of NOK 1.1 billion at year end. Gjensidige Forsikring has granted a loan to Oslo Areal amounting to NOK 2.5 billion at year end. The loan is interest-bearing and total loan limit is NOK 4.0 billion.

Oslo Areal has entered into contractual commitments to invest about NOK 99.0 million (490.0) in existing and new properties. The commitment falls due during the period until 31 December 2019.

6. Net income from investments

NOK millions	2018	2017
Net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures		
Income from investments in subsidiaries, associated companies and joint ventures	374.0	83.8
Impairment investments in subsidiaries, associated companies and joint ventures	(76.0)	(49.4)
Net gains/(losses) from sale of investments in subsidiaries, associated companies and joint ventures		0.1
Total net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures	**298.0**	**34.5**
Net income and gains/(losses) from buildings and other real estate		
Investment properties		
Net revaluation investment properties		(54.5)
Net gains/(losses) from sale of investment properties		97.1
Total net income and gains/(losses) from investment properties		**42.6**
Total net income and gains/(losses) from buildings and other real estate		**42.6**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated upon initial recognition		
Shares and similar interests		
Dividend income	5.1	12.8
Unrealised gains/(losses) from shares and similar interests	(323.9)	(228.3)
Net realised gains/(losses) from shares and similar interests	431.5	857.8
Total net income and gains/(losses) from shares and similar interests	**112.7**	**642.4**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	200.7	216.3
Unrealised gains/(losses) from bonds and other fixed-income securities	13.8	92.8
Net realised gains/(losses) from bonds and other fixed-income securities	85.5	52.1
Total net income and gains/(losses) from bonds and other fixed-income securities	**300.1**	**361.2**
Derivatives		
Net interest income/(expenses) from derivatives	35.2	11.2
Unrealised gains/(losses) from derivatives	(312.3)	96.6
Net realised gains/(losses) from derivatives	(251.6)	103.1
Total net income and gains/(losses) from derivatives	**(528.7)**	**211.0**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated upon initial recognition	**(115.9)**	**1,214.6**
Net income and gains/(losses) from bonds held to maturity		
Net interest income from bonds held to maturity	24.3	51.7
Net gains/(losses) from changes in exchange rates on bonds held to maturity		16.5
Total net income and gains/(losses) from bonds held to maturity	**24.3**	**68.3**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	703.1	675.7
Net gains/(losses) from loans and receivables	(3.4)	(9.6)
Net gains/(losses) from changes in exchange rates on loans and receivables	0.8	40.0
Total net income and gains/(losses) from loans and receivables	**700.4**	**706.0**
Net other financial income/(expenses) [1]	(64.9)	(321.2)
Discounting of claims provision classified as interest expense	(71.6)	(70.5)
Change in discount rate claims provision	53.1	66.0
Total net income from investments	**823.4**	**1,740.3**
Specifications		
Interest income and expenses from financial assets and liabilities not recognised at fair value through profit or loss		
Total interest income from financial assets not recognised at fair value through profit or loss	724.0	724.6
Total interest expenses from financial assets not recognised at fair value through profit or loss	(31.0)	(37.0)
Specification of other financially related income and expenses not recognised in net income from investments		
Net interest from bank deposits and subordinated loan classified as other income and other expenses	(25.8)	(24.0)

[1] Net other financial income/(expenses) include financial income and expenses not attributable to individual classes of financial assets or liabilities, and financial administration costs.

7. Expenses

NOK millions	2018	2017
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses		
Depreciation and value adjustments (note 11 and note 12), excl. depreciation properties	405.1	368.4
Employee benefit expenses (note 8)	2,746.1	2,562.7
ICT costs	376.2	368.0
Consultants' and lawyers' fees	85.2	88.7
Commissions	408.8	424.0
Other expenses [1]	(462.9)	(342.8)
Total insurance-related operating expenses incl. commissions for received reinsurance and sales expenses	**3,558.6**	**3,469.1**
Of which sales expenses		
Employee benefit expenses	996.8	984.4
Commission	529.6	455.0
Other sales expenses	624.5	617.6
Total sales expenses	**2,150.9**	**2,057.1**
Other specifications		
Employee benefit expenses		
Wages and salaries	1,994.0	1,872.3
Social security cost	472.2	422.1
Pension cost - defined contribution plan (note 10)	197.1	183.2
Pension cost - multi-employer plan (AFP) (note 10)	21.7	21.4
Pension cost - defined benefit plan (note 10)	50.7	52.5
Share-based payment (note 22)	10.3	11.2
Total employee benefit expenses	**2,746.1**	**2,562.7**
Auditor's fee (incl. VAT)		
Statutory audit	2.4	2.3
Other assurance services		0.1
Other non-assurance services	0.9	0.5
Tax consultant services	0.2	0.4
Total auditor's fee (incl. VAT)	**3.4**	**3.3**

[1] Other expenses include cost reductions for Gjensidige Forsikring ASA regarding duties performed for subsidiaries and cost allocations to claims and finance.

8. Salaries and remuneration

The average number of employees in the Group was 2,839 (2,899).

The Board's statement on the stipulation of pay and other remuneration

Gjensidige's remuneration policy

The Group has established a remuneration system that applies to all employees. The system is meant to secure that Gjensidige attracts and keeps colleagues who performs, develops, learns and shares. The remuneration shall be competitive, but the Group shall not be a wage leader. Employees are expected to see the remuneration and benefits offered by the Group as an overall whole. The Group's remuneration systems shall be open and performance-based, so that they, as far as possible, are perceived as being fair and predictable. The remuneration that is paid shall correspond to the agreed performance.

Guidelines for remuneration and career development shall be linked to achievement of the Group's strategic and financial goals and core values, and both quantitative and qualitative targets shall be taken into consideration. The measurement criteria shall promote the desired corporate culture and long-term value creation, and, as far as possible, take actual capital costs into account. The remuneration system shall contribute to promoting and providing incentives for good risk management, prevent excessive risk-taking and contribute to avoiding conflicts of interest. A fixed basic salary shall be the main element of the overall remuneration, which also consists of variable remuneration, pension, insurance and payments in kind. Variable remuneration shall be used to reward performances that is agreed through target cards or that exceeds expectations, where both results and behaviour in form of compliance with the core values, brand and management principles are to be assessed.

Variable remuneration shall be performance-based without being a risk driver, and shall reflect the results and contributions on company, division, department and individual level. Other elements of compensation offered should be considered attractive from both new and current employees. There is an upper limit for variable remuneration.

The senior group management is defined as senior executives and they are responsible for activities that may be critical to the company's risk exposure. The level of remuneration will take into account both qualitative criteria for their role and quantitative criteria, as well as an individual assessment of their impact on the company's risk.

Decision-making process

The Board has established a remuneration committee consisting of three members; the Chairman of the Board and two board members.

The remuneration committee shall prepare matters for consideration by the Board. It is primarily responsible for:

- The Board's annual statement of Gjensidige's remuneration policy
- The annual evaluation of and matters concerning salary and other remuneration to the CEO
- The annual evaluation of and matters concerning salary and remuneration to the company's internal auditor
- Guidelines for salary and other remuneration to senior executives
- Statement of determining salary and other remuneration to senior executive, including
    - Guidelines for determining salary and other remuneration for the upcoming financial year
    - Guidelines for the Management Salary Policy that hast taken place during the previous financial year, including how the guidelines for the executive salary determination have been implemented
    - An account of the management salary policy that has taken place during the previous financial year, including how the guidelines for the executive salary determination have been implemented
- Other important personnel matters relating to executive personnel
- The Board's treatment of completed HR processes, including talent and successor development and strategic manpower management

Guidelines for the upcoming financial year

Remuneration of the CEO

The CEO's salary and other benefits are stipulated by the Board on the basis of an overall assessment that takes into account Gjensidige's remuneration scheme and market salary for corresponding positions.

The fixed salary is assessed and stipulated annually on the basis of the wage growth in society in general and in the financial industry in particular. Variable remuneration (bonus) is decided by the Board on the basis of agreed goals and deliveries. It can amount to up to 50 per cent of the fixed salary including holiday pay. Variable remuneration is earned annually and is based on an overall assessment of financial and non-financial performance over the last two years. Variable remuneration is not included in the pension basis. The assessment takes into account the enterprise's overall performance targets for return on equity adjusted for extraordinary dividends and transactions and combined ratio, as well as developments in customer satisfaction. In addition, it emphasizes the CEO's personal contribution to the Group's historical and future results and wealth creation, compliance with the Group's vision, values, ethical guidelines and management principles.

Variable remuneration relating to Gjensidige's performance is decided on the basis of the past two years' performance. Half of the variable remuneration is paid in the form of a promise of shares in Gjensidige Forsikring ASA, 1/3 of which will be released in each of the following three years. Restricted variable remuneration that has not yet been disbursed may be reduced if subsequent results and developments indicate that it was based on incorrect assumptions. The CEO does not receive performance-based benefits over and above the above-mentioned bonus, but may receive payments in kind such as a company car and the coverage of costs for electronic communication. Payments in kind shall be related to the CEO's function in the Group, and otherwise be in line with market practice.

The retirement age of the CEO is 62. It is possible to step down after reaching the age of 60 if the Board or CEO so wishes. The CEO has pension rights pursuant to Gjensidige's closed defined-benefit pension scheme. Pursuant to the CEO's employment contract, he is entitled to a pension corresponding to 100 per cent of his annual salary on retirement at the age of 62, which is then reduced in steps to 70 per cent upon reaching the age of 67 at full vesting period.

On retirement at the age of 60, a corresponding agreed reduction applies from 100 per cent upon retirement to 70 per cent upon reaching the age of 67. From the age of 67, the pension is calculated on the basis of the Company's ordinary entitlement earning period of 30 years and is 70 per cent of the fixed salary with a full earning period. Company car arrangements and other benefits are retained until the age of 67.

The CEO has a period of notice of six months, and is not entitled to severance pay or termination benefits if he leaves the Company earlier.

Remuneration of executive personnel and employees who can materially influence the Group's risk

Remuneration of the senior group management is stipulated by the CEO, in accordance with limits discussed with the remuneration committee and on the basis of guidelines issued by the Board. Correspondingly, the Group's guidelines are used as the basis for other executive personnel and employees who can materially influence risk.

The overall remuneration is decided on the basis of the need to offer competitive terms in the various business areas. It shall contribute to attracting and retaining executive personnel with the desired expertise and experience who promote the Group's core values and development.

The fixed salary is assessed and stipulated annually on the basis of wage growth in society in general and in the financial industry in particular. Variable remuneration (bonus) to executive personnel is earned annually, and is based on an overall assessment of financial and non-financial performance over the two last years. The assessment takes into account a combination of the enterprise's overall performance targets for return on equity adjusted for extraordinary dividends and transactions and combined ratio, as well as developments in customer satisfaction. In addition, it evaluates the target achievement of the business unit in question, as well as personal contribution relating to compliance with the Group's vision, values, ethical guidelines and management principles. Half of the variable remuneration is in the form of a promise of shares in Gjensidige Forsikring ASA, one third of which are released in each of the following three years. Restricted variable remuneration that has not yet been disbursed may be reduced if subsequent results and developments indicate that it was based on incorrect assumptions.

The individual variable remuneration may amount to up to 30 per cent of the annual salary including holiday pay. Variable pay is not included in the pension basis.

After consulting with the remuneration committee, the CEO may make exceptions for special positions if this is necessary to be able to offer competitive terms. Payments in kind to executive personnel shall be related to their function in the Group, and otherwise be in line with market practice.

The retirement age for some members of the senior group management is 62, the others have a retirement age of 70. Of the current members of the senior group management, six are members of the closed Norwegian defined-benefit pension scheme. Given the full earnings period, they are entitled to a pension of 70 per cent of final salary at the full vesting period of 30 years at age 67. Four members are part of the Company's defined-contribution pension scheme. The Company continues a previously agreed individual pension agreement for one member of the senior group management.

Members of the senior group management have a period of notice of six months. No members of the senior group management today have agreements of severance pay or payment of pay after termination of employment.

In accordance with practice in Denmark and the Baltic, there are certain individual agreements on severance pay in connection with resignation in Gjensidige Forsikring ASA in Denmark and the Baltic.

Remuneration of personnel with supervisory tasks
The remuneration of personnel with control and supervisory tasks shall be independent of the performance of the business area they are in charge of.

None of the executive personnel with supervisory tasks currently has variable bonus schemes. The fixed salary is based on the Group's general principles of competitively, but not leading wages.

Pension benefits and payments in kind follow the Group's general arrangement.

Remuneration of officers of the Company and other employees with remuneration corresponding to executive personnel
The remuneration shall follow the guidelines set out above. There are currently no such employees.

Binding guidelines for shares, subscription rights etc. for the upcoming financial year
Of the variable remuneration earned in 2018 by the CEO and other employees covered by the Regulations relating to remuneration in financial institutions, 50 per cent of the gross earned variable remuneration will be given in the form of a promise of shares in Gjensidige Forsikring ASA. One third of the shares will be released in each of the following three years.

The Board has decided to continue the Group's share savings programme for employees in 2019. The CEO and executive personnel are entitled to take part in the programme on a par with other Gjensidige employees. Under the current programme, employees can save through deductions from their salary for the purchase of shares in Gjensidige Forsikring ASA for up to NOK 75,000 per year. Purchases take place quarterly following publication of the results. A discount of 20 per cent of the purchase price is offered, limited upwards to NOK 3,000. For those who keep the shares and are still employed in the Group, one bonus share is awarded for every four share they have owned for more than two years.

Report on executive remuneration in the preceding financial year

In accordance with the guidelines, one employee in the finance department has been offered up to 50 per cent variable remuneration.

In accordance with the guidelines, the CEO of Gjensidige Bolighandel AS has been granted a possible bonus of 50 per cent of salary as a one-off compensation in 2020, provided that the goals for the company are achieved. Half of the bonus amount can be paid out, the other half being treated as for other senior employees by half being used for share purchase.

The Board confirms that the guidelines on the remuneration of executive personnel for 2018 set out in last year's statement have been complied with.

Key management personnel compensation
2018

NOK thousands	Fixed salary/ fee	Earned varia- ble salary	Calcu- lated value of total benefits other than cash	Rights earned in the financial year according to pension plan [5]	Annual vesting share- based pay- ment	Num- ber of shares assign- ed, not re- leased	Num- ber of shares re- leased	Num- ber of shares not re- deem- ed [6]	Num- ber of shares held	Retire- ment con- ditions
The senior group management										
Helge Leiro Baastad, CEO	5,197.2	1,016.1	169.9	1,577.0	1,015.3	6,768	9,021	15,363	55,300	2
Jørgen Inge Ringdal, Executive Vice President	2,726.1	335.1	202.7	702.4	334.3	2,506	2,871	5,274	24,322	2
Kim Rud-Petersen, Executive Vice President (1.1.18-31.8.18) [1, 10]	1,919.8	273.8	189.9	675.9	253.1	2,079	3,147	4,885		
Hege Yli Melhus Ask, Executive Vice President (1.1.18-31.8.18) [1, 9]	1,869.8	18.5	110.7	406.1	4.9	1,205	1,567	2,842		3
Catharina Hellerud, Executive Vice President	3,067.4	342.6	175.6	455.7	341.8	2,652	3,287	5,703	20,047	3
Sigurd Austin, Executive Vice President	3,115.8	401.0	186.6	665.0	400.2	2,929	3,209	6,051	14,124	3
Kaare Østgaard, Executive Vice President	2,881.8	345.2	240.9	825.2	331.6	2,237	2,809	4,830	14,951	3
Mats C. Gottschalk, Executive Vice President	3,069.7	451.5	160.8	470.6	450.7	3,255	3,515	6,526	15,772	3
Jostein Amdal, Executive Vice President	3,085.8	382.9	168.3	569.3	382.1	2,579	366	3,183	14,761	
Janne Merethe Flessum, Executive Vice President (1.3.18-31.12.18) [1]	2,012.0	217.6	137.8	218.1	207.8	80	69	196	3,819	
Aysegul Cin, Executive Vice President (1.9.18-31.12.18) [1]	780.4	30.0	116.2	60.8	30.0				1,489	
Lars Gøran Bjerklund, Executive Vice President (1.9.18-31.12.18) [1, 11]	956.8	38.4	91.6	250.7	38.4					
Anne-Mari Kalager, acting Executive Vice President (1.9.18-31.12.18) [1, 12]	885.4	20.1	55.4	217.3	20.1					
The Board										
Inge K. Hansen, Chairman (1.1.18-5.4.18) [1, 8]	339.2		3.4							
Gisele Marchand, board member (1.1.18-5.4.18), Chairman (5.4.18-31.12.18) [8]	541.1		10.1						1,481	
John Giverholt [8]	363.5		5.1						3,500	
Per Arne Bjørge [7, 8]	442.5		6.0						10,542	
Eivind Elnan [8]	290.7		9.6						2,200	
Hilde Merete Nafstad [8]	368.3		5.1						2,946	
Vibeke Krag (5.4.18-31.12.18) [1, 8]	186.4		1.7						1,500	
Terje Seljeseth (5.4.18-31.12.18) [1, 8]	170.2		1.7							
Gunnar Mjåtvedt, staff representative [4, 8]	392.2								2,208	
Anne Marie Nyhammer, staff representative [4]	283.0									
Lotte Kronholm Sjøberg, staff representative [4, 8]	346.0		5.1						752	

[1] The stated remuneration applies to the period the individual in question has held the position/office.
[2] Age 62, 100 per cent salary reducing gradually to 70 per cent at age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[3] Age 62, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] For staff representatives only remuneration for the current position is stated.
[5] Everyone in the senior group management has pension plans, benefit or contribution based.
[6] Including bonus shares in the share saving's programme for employees. See note 22 for terms and further description of the scheme.
[7] Remuneration includes remuneration as Chairman in the Audit Committee honoured with NOK 155 thousand for 2018.
[8] Remuneration includes remuneration in other committees.
[9] Hege Yli Melhus Ask's remuneration is presented until her resignation 31 August 2018.
[10] Kim Rud-Petersen resigned from his position 31 August 2018. End-pay is agreed to amount to NOK 9,129 thousand.
[11] Borrower in Gjensidige Bank ASA with NOK 2,516.7 thousand outstanding. Applicable terms are 2.19% interest for housing credit and 2.55% for top-up loan. Maturity date for top-up loan is 20.9.2030.
[12] Borrower in Gjensidige Bank ASA with NOK 3,105.2 thousand outstanding. Applicable terms are 2.19% interest and loan maturity as at 28.11.2023.

Key management personnel compensation
2017

NOK thousands	Fixed salary/ fee	Earned varia- ble salary	Calcu- lated value of total benefits other than cash	Rights earned in the financial year according to pension plan [5]	Annual vesting share- based pay- ment	Num- ber of shares assign- ed, not re- leased	Num- ber of shares re- leased	Num- ber of shares not re- deem- ed [6]	Num- ber of shares held	Retire- ment con- ditions
The senior group management										
Helge Leiro Baastad, CEO	5,082.7	957.7	187.7	1,434.8	959.9	8,695	9,741	17,616	49,264	[2]
Jørgen Inge Ringdal, Executive Vice President	2,649.4	356.3	195.7	632.1	358.4	2,913	3,222	5,639	22,143	[2]
Kim Rud-Petersen, Executive Vice President	3,045.6	391.1	290.1	639.8	369.4	2,578	3,496	5,953	11,438	
Hege Yli Melhus Ask, Executive Vice President (1.8.17-31.12.17) [9]	2,788.3	176.9	160.0	437.0	174.1	1,941	2,112	3,204	12,367	[3]
Catharina Hellerud, Executive Vice President	2,985.5	376.5	163.8	440.4	378.7	3,115	3,726	6,338	17,650	[3]
Sigurd Austin, Executive Vice President	2,854.1	417.5	158.4	606.4	414.7	3,229	3,422	6,331	11,766	[3]
Kaare Østgaard, Executive Vice President	2,806.9	334.3	209.9	749.8	331.5	2,601	3,326	5,402	13,326	[3]
Mats C. Gottschalk, Executive Vice President	2,991.2	466.0	161.0	460.7	468.2	3,288	3,893	6,786	13,254	[3]
Jostein Amdal, Executive Vice President	2,828.8	384.5	161.7	456.4	386.6	835	148	970	13,906	
Krister Georg Aanesen, konserndirektør (1.1.17-31.7.17) [1, 10]	847.4	185.4	66.4	159.2	171.3	662	60	799	1,368	
The Board										
Inge K. Hansen, Chairman	624.9		15.4						12,253	
Gisele Marchand [7]	423.0								1,481	
Knud Peder Daugaard (1.1.17-6.4.17) [1, 8]	184.0		0.6							
John Giverholt	306.0								3,500	
Anne Marie Nyhammer, staff representative [4]	275.0									
Gunnar Mjåtvedt, staff representative [4, 8]	275.0								2,081	
Per Arne Bjørge [8]	404.5		1.9						10,542	
Mette Rostad (1.1.17-6.4.17) [1]	143.2								1,000	
Tine Wollebekk (1.1.7-31.5.17) [1, 8]	247.2									
Lotte Kronholm Sjøberg, staff representative [4]	306.0								582	
Eivind Elnan (6.4.17-31.12.17) [1]	139.5		4.9						2,200	
Hilde Merete Nafstad (6.4.17-31.12.17) [1, 8]	189.5								446	

[1] The stated remuneration applies to the period the individual in question has held the position/office.
[2] Age 62, 100 per cent salary reducing gradually to 70 per cent at age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[3] Age 62, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] For staff representatives only remuneration for the current position is stated.
[5] Everyone in the senior group management except for one has pension plans, benefit or contribution based.
[6] Including bonus shares in the share saving's programme for employees. See note 22 for terms and further description of the scheme.
[7] Remuneration includes remuneration as Chairman in the Audit Committee honoured with NOK 148 thousand for 2017.
[8] Remuneration includes remuneration in other committees.
[9] Hege Yli Melhus Ask has been on leave from 1 January to 31 July. Her remuneration is presented for the whole year.
[10] Constituted Executive Vice President for Hege Yli Melhus Ask from 1 January to 31 July.

9. Tax

NOK millions	2018	2017
Specification of tax expense		
Tax payable	(788.7)	(733.7)
Correction previous years	(26.6)	(71.7)
Change in deferred tax	(179.7)	(299.2)
Total tax expense	**(995.0)**	**(1,104.6)**

Deferred tax liabilities and deferred tax assets

Deferred tax liabilities and deferred tax assets are offset when there is a legally enforceable right to offset those assets/liabilities and when deferred tax liabilities/deferred tax assets relate to the same fiscal authority. The amounts offset are as follows:

	2018	2017
Taxable temporary differences		
Property, plant and equipment and intangible assets	1,215.2	1,463.4
Shares, bonds and other securities	293.0	697.3
Profit and loss account	125.2	156.5
Account for deferred income from technical provisions including security provision	4,223.7	2,823.4
Total taxable temporary differences	**5,857.2**	**5,140.7**
Deductible temporary differences		
Loans and receivables	(31.9)	(32.1)
Provisions for liabilities	(308.5)	(319.3)
Net pension liabilities	(360.8)	(299.4)
Total deductible temporary differences	**(701.2)**	**(650.8)**
Net temporary differences	**5,156.0**	**4,489.8**
Deferred tax liabilities	**1,289.0**	**1,122.5**
Reconciliation of tax expense		
Profit before tax expense	4,029.5	4,865.2
Estimated tax of profit before tax expense (25%)	(1,007.4)	(1,216.3)
Tax effect of		
Dividend received	1.2	23.9
Tax exempted income and expenses	56.6	161.0
Non-tax-deductible expenses	(18.8)	(1.5)
Correction previous years	(26.6)	(71.7)
Total tax expense	**(995.0)**	**(1,104.6)**
Effective rate of income tax	24.7%	22.7%
Change in deferred tax		
Deferred tax liabilities as at 1 January	1,122.5	905.4
Change in deferred tax recognised in profit or loss	179.7	299.2
Change in deferred tax recognised in other comprehensive income		
Pensions	(12.3)	(84.8)
Exchange differences	(0.8)	2.7
Net deferred tax liabilities as at 31 December	**1,289.0**	**1,122.5**
Tax recognised in other comprehensive income		
Deferred tax pensions	12.3	84.8
Tax payable on exchange rate differences	(0.7)	(88.2)
Total tax recognised in other comprehensive income	**11.7**	**(3.3)**

Tax expense

In connection with the conversion of Gjensidige Forsikring BA to a public limited company the Ministry of Finance has consented to an exemption from capital gains taxation on the transfer of business to the newly formed public limited company under certain conditions. The consequences of the tax relief decision have been incorporated into the tax expense and tax liabilities from the fourth quarter 2010. The tax relief decision involves greater complexity and discretionary assessments, which entails a greater degree of uncertainty with respect to the tax expense and tax liabilities until all the effects have ultimately been evaluated by the tax authorities.

In February 2015, Gjensidige received a decision from the Central Tax Office for Large Enterprises in connection with the calculation of a tax gain as a result of the conversion of Gjensidige Forsikring BA into a public limited company (ASA) in 2010. The decision means that the tax payable for 2010 is reduced by around NOK 35 million. The tax will be further reduced for the ensuing years, by a total of around NOK 137 million at known tax rates. Gjensidigestiftelsen received a similar decision, and we have been informed that they have appealed the decision on the grounds that there is no basis for the change and that the tax office has based its decision on an incorrect valuation. Gjensidige agrees with Gjensidigestiftelsen's assessment. Changing the decision concerning Gjensidigestiftelsen will have tax consequences for Gjensidige in relation to the above-mentioned figures, which will then not materialize. The appeal is still being processed by the Tax Appeal Board.

Changes in the taxation of insurance companies
As from 2018 tax deductible insurance provisions are limited to provisions for probable future costs related to insurance liabilities. Thus, there are no longer given tax deductions for provisions to Natural perils capital and Guarantee scheme provision (Norway). As a transitional mean the amount allocated to the Natural perils capital and the Guarantee scheme provision as at 1.1.2018, for tax purposes may be set aside in a separate account which will only be taxable at the time of winding-up the insurance business. According to the Norwegian Financial Reporting Regulations for Insurance Companies § 3-4 there are not made any provision for deferred tax on Natural perils capital and Guarantee scheme provision (Norway).

The tax-deductible insurance provisions are significantly reduced in 2018, mainly because the former Security provision has been excluded. A transitional rule allows the company to distribute the taxable income arising from this evenly over the next 10 years, starting 2018. The amount to be distributed is NOK 4,667 million.

10. Pension

Gjensidige Forsikring is required to have an occupational pension plan pursuant to the Norwegian Act relating to Mandatory Occupational Pensions. The Company's pension plans meet the requirements of the Act.

Gjensidige has both defined contribution and defined benefit plans for its employees. The defined benefit plan has been placed in a separate pension fund and is closed to new employees. New employees become members of the defined contribution pension plan.

Defined contribution plan

Defined contribution pension is a private pension plan that supplements the National Insurance scheme. Benefits from the pension plan come in addition to retirement pension from the National Insurance scheme. The retirement age is 70.

The defined contribution plan is a post-employment benefit plan under which Gjensidige pays fixed contributions into a separate entity and there is no legal or constructive obligation to pay further amounts. The rates are seven per cent of earnings between 0 and 7.1 times the National Insurance basic amount (G) and 20 per cent of earnings between 7.1 and 12 G.

Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

Gjensidige Forsikring's branches and some of its subsidiaries have a defined contribution pension plan corresponding to the plan in Gjensidige Forsikring in Norway.

Defined benefit plan

Description of the plan

Together with benefits from the National Insurance scheme and any paid-up policies from former employment relationships, the retirement pension amounts to approximately 70 per cent of the final salary, given a full earning period of 30 years. The retirement age is 70, but it is 65 for underwriters.

The defined benefit plan is a post-employment benefit plan that entitles employees to contractual future pension benefits. Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

In addition, Gjensidige has pension liabilities to some employees over and above the ordinary group pension agreement. This applies to employees with a lower retirement age, employees who earn more than 12 times the National Insurance basic amount (G) and supplementary pensions.

The ordinary retirement pension is a funded plan where the employer contributes by paying into the pension assets. Pension over and above the ordinary group pension agreement is an unfunded plan that is paid for through operations.

Actuarial assumptions

Actuarial assumptions are shown in the table. The discount rate is the assumption that has the greatest impact on the value of the pension liability. Wage growth, pension increases and the adjustment of the National Insurance basic amount are based on historical observations and expected future inflation. Wage growth is set at 3.2 per cent (3.1), and is adjusted for age based on a decreasing trend. The year-on-year nominal wage growth 2018/19 is calculated to be 1.91 per cent (1.55). The reason for the low wage growth is that the pension plan is closed to new members and that the average age of employee members is 56.8 years (56.1).

The discount rate is based on a yield curve stipulated on the basis of the covered bond yield. The discount rate is based on observed interest approximately ten years ahead. The market's long-term view of the interest rate level is estimated on the basis of the required real interest rate, inflation and future credit risk. An interpolation has been made in the period between the observed interest and long-term market expectations. A discount curve has thus been calculated for each year in which pensions will be disbursed.

The sensitivity analysis is based on only one assumption being changed at a time, while all the others remain constant. This is seldom the case, since several of the assumptions co-vary. The sensitivity analysis has been prepared using the same method as the actuarial calculation of the pension liability in the balance sheet is based on.

Risk

The risk in the net pension liability is a combination of the pension plan itself, the pension liability, pension assets, financing level and the co-variation between pension liabilities and pension assets.

Gjensidige is exposed to financial risk since the pension assets are managed in Gjensidige Pensjonskasse as an investment choice portfolio. The financial risk is related to investments in equities, interest-bearing securities and property. Most of the investments are in securities funds and bonds. The financial risk comprises stock market, interest rate, credit, currency and liquidity risk, whereas the greatest risk factor is interest rate risk. Financial risk in pension assets is estimated using defined stress parameters for each asset class and assumptions about how the development of the different asset classes will co-vary.

The pension assets are higher than the calculated pension liabilities. However, the use of pension assets to pay future premiums is limited, and part of the overfunding is expected to be used to increase pension payments. An increase in the liabilities (such as, as a result of interest exemption) will be partly offset by a reduction in overfunding. Interest rate rises lead to a fall in liabilities that, in isolation, can lead to increased overfunding. The risk factors below must therefore be seen in the light of the overfunding.

Interest rate risk
The pension assets' exposure to interest rate risk is deemed to be moderate because the market value-weighted duration is approximately 2.5 years. The portfolio value will fall by approximately 2.5 per cent in the event of a parallel shift in the yield curve of plus one percentage point.

The pension liability will increase by 11.9 per cent in the event of a parallel shift in the whole yield curve (fall in interest) of minus one percentage point. The value will fall by 9.8 per cent in the event of an interest rate increase of one percentage point.

Credit risk
The pension assets' exposure to credit risk is deemed to be moderate. Most of the pension fund's fixed-income investments shall be within "investment grade". If the credit risk on a global basis were to increase by a factor corresponding to the factor used in stress tests for pension funds (equal to a deterioration in relation to

the 99.5 percentile), this would lead to a fall of approximately nine per cent in the bond portfolio.

The pension liabilities are exposed to some credit risk because the Norwegian covered bond yield, which forms the basis for determining the discount rate, entails a certain credit risk.

Life expectancy and disability
The life expectancy assumptions are based on the K2013BE table as reported by FNO (Finans Norge) AS.

The rate of disability is based on the IR73 table. This measures long-term disability. The incidence of disability is low compared to many other employers.

Gjensidige's employees could be involved in big disaster-like events such as plane crashes, bus crashes, as spectators at sporting events or through incidents in the workplace. If such an event occurs, the pension liability could significantly increase. Gjensidige has invested in disaster insurance that means that it will receive compensation if such an event occurs.

Wage growth
Future pension benefits depend on future wage growth and the development of the National Insurance basic amount (G). If wage growth in the Company is lower than the increase in G, the benefits will be reduced.

Wage growth will deviate from the path defined by employees getting higher or lower wage growth than what the job indicates. Gjensidige manages employees' wage growth based on collective agreements and individual agreements. Salary levels can increase strongly from one year to the next.

If wage growth is one percentage point higher, it will lead to a 3.9 per cent increase in the liability. If wage growth is one percentage point lower, it will lead to a 3.1 per cent decrease in the liability. If G is one percentage point higher it will lead to a 1.5 per cent decrease in the liability.

Minimum requirement for the level of pension assets
The pension assets must meet certain minimum requirements defined in Norwegian laws, regulations and in orders issued by the Financial Supervisory Authority of Norway (FSA).

If the level of the pension assets falls below a lower limit, Gjensidige will have to pay extra pension contributions to bring them up to the lower limit. On certain conditions, Gjensidige will also be repaid pension assets.

Gjensidige Pensjonskasse measures risk based on requirements set by the Financial Supervisory Authority in the form of stress tests. These tests should reflect 99.5 per cent value at risk. The pension fund has a buffer capital utilization of approximately 75 per cent, which indicates that there is no requirement to provide pension funds to improve the pension fund's solvency.

Private collective pension (AFP)

As a member of Finance Norway, Gjensidige has a collective (AFP) pension agreement for its employees. AFP is a defined benefit scheme funded jointly by many employers. The administrator of the pension plan has not presented calculations that allocate the pension assets or liabilities in the plans to the individual member enterprises. Gjensidige therefore recognises the plan as a defined contribution plan.

If the administrator of the AFP plan presents such allocation figures, this could result in the plan being recognised as a defined benefit plan. It is difficult, however, to arrive at an allocation key that is acceptable to Gjensidige. An allocation key based on the Gjensidige's share of total annual pay will not be acceptable since such a key is too simple and will not adequately reflect the financial liabilities.

NOK millions	Funded 2018	Unfunded 2018	Total 2018	Funded 2017	Unfunded 2017	Total 2017
Present value of the defined benefit obligation						
As at 1 January	2,149.1	552.2	2,701.3	1,940.1	493.2	2,433.2
Current service cost	25.0	9.2	34.2	24.3	9.1	33.4
Employers' national insurance contributions of current service cost	4.8	1.8	6.5	4.6	1.7	6.4
Interest cost	55.2	13.2	68.4	52.4	12.0	64.4
Actuarial gains and losses	(59.4)	24.6	(34.8)	210.9	73.0	283.9
Benefits paid	(99.0)	(36.7)	(135.7)	(107.1)	(46.4)	(153.5)
Employers' national insurance contributions of benefits paid		(6.7)	(6.7)		(7.6)	(7.6)
Settlements		2.1	2.1		14.2	14.2
The effect of the asset ceiling	(32.0)		(32.0)	23.9		23.9
Foreign currency exchange rate changes		0.2	0.2		3.0	3.0
As at 31 December	**2,043.7**	**559.9**	**2,603.6**	**2,149.1**	**552.2**	**2,701.3**
Amount recognised in the balance sheet						
Present value of the defined benefit obligation	2,043.7	559.9	2,603.6	2,149.1	552.2	2,701.3
Fair value of plan assets	(2,198.8)		(2,198.8)	(2,353.6)		(2,353.6)
Net defined benefit obligation/(benefit asset)	**(155.2)**	**559.9**	**404.7**	**(204.4)**	**552.2**	**347.8**
Fair value of plan assets						
As at 1 January	2,353.6		2,353.6	2,426.3		2,426.3
Interest income	60.5		60.5	65.9		65.9
Return beyond interest income	(116.2)		(116.2)	(31.5)		(31.5)
Contributions by the employer		6.7	6.7		7.6	7.6
Benefits paid	(99.0)		(99.0)	(107.1)		(107.1)
Employers' national insurance contributions of benefits paid		(6.7)	(6.7)		(7.6)	(7.6)
As at 31 December	**2,198.8**		**2,198.8**	**2,353.6**		**2,353.6**
Expense recognised in profit or loss						
Current service cost	25.0	9.2	34.2	24.3	9.1	33.4
Interest cost	55.2	13.2	68.4	52.4	12.0	64.4
Interest income	(60.5)		(60.5)	(65.9)		(65.9)
Settlement		2.1	2.1		14.2	14.2
Employers' national insurance contributions	4.8	1.8	6.5	4.6	1.7	6.4
Defined benefit pension cost	**24.5**	**26.3**	**50.7**	**15.5**	**37.0**	**52.5**

NOK millions	Funded 2018	Unfunded 2018	Total 2018	Funded 2017	Unfunded 2017	Total 2017
The expense is recognised in the following line in the income statement						
Insurance-related adm. expenses including provisions for received reinsurance and sales expenses	24.5	26.3	50.7	15.5	37.0	52.5
Remeasurement of the net defined benefit liability/asset recognised in other comprehensive income						
Cumulative amount as at 1 January			(2,635.9)			(2,297.3)
Return on plan assets			(116.2)			(31.5)
Changes in demographic assumptions			(23.8)			(136.8)
Changes in financial assumptions			58.6			(147.1)
The effect of the asset ceiling			32.0			(23.9)
Exchange rate differences			0.1			0.7
Cumulative amount as at 31 December			**(2,685.3)**			**(2,635.9)**
Actuarial assumptions						
Discount rate			2.98%			2.57%
Future salary increases [1]			3.20%			3.10%
Change in social security base amount			3.20%			3.10%
Other specifications						
Amount recognised as expense for the defined contribution plan			197.1			183.2
Amount recognised as expense for Fellesordningen LO/NHO			21.7			21.4
Expected contribution to Fellesordningen LO/NHO next year			22.0			26.5
Expected contribution to the defined benefit plan for the next year						

[1] Future salary increases represent our expected average future salary increase for the industry. Since Gjensidige has a closed plan, average future salary increase for our population is 1.91 per cent (1.55). See explanation under Actuarial assumptions.

Per cent	Change in pension benefit obligation 2018	Change in pension benefit obligation 2017
Sensitivity		
- 1%-point discount rate	12.5%	12.1%
+ 1%-point discount rate	(9.8%)	(9.7%)
- 1%-point salary adjustment	(3.1%)	(2.9%)
+ 1%-point salary adjustment	3.9%	3.9%
- 1%-point social security base amount	1.7%	1.7%
+ 1%-point social security base amount	(1.5%)	(1.5%)
+ 1%-point future pension increase	12.4%	9.8%
10% decreased mortality	2.7%	2.6%
10% increased mortality	(3.6%)	(3.5%)

Valuation hierarchy 2018	Level 1	Level 2	Level 3	
NOK millions	Quoted prices in active markets	Valuation techniques based on observable market data	Valuation techniques based on non-observable market data	Total as at 31.12.2018
Shares and similar interests		129.7		129.7
Bonds		2,020.7		2,020.7
Derivatives		48.4		48.4
Total		**2,198.8**		**2,198.8**

Valuation hierarchy 2017	Level 1	Level 2	Level 3	
NOK millions	Quoted prices in active markets	Valuation techniques based on observable market data	Valuation techniques based on non-observable market data	Total as at 31.12.2017
Shares and similar interests		294.2		294.2
Bonds		1,871.1		1,871.1
Bank		82.4		82.4
Derivatives		105.9		105.9
Total		**2,353.6**		**2,353.6**

11. Goodwill and intangible assets

NOK millions	Goodwill	Customer relationship	Software	Other intangible assets	Total
Cost					
As at 1 January 2017	1,687.0	662.0	917.6	298.7	3,565.4
Additions		16.8	265.8	56.5	339.1
Additions internal	155.9	26.2		47.8	229.9
Disposals/reclassifications	(17.5)		(113.9)	(56.1)	(187.5)
Exchange differences	118.1	44.9	28.1	19.2	210.2
As at 31 December 2017	**1,943.4**	**749.9**	**1,097.7**	**366.1**	**4,157.1**
Uncompleted projects			89.2		89.2
As at 31 December 2017, including uncompleted projects	**1,943.4**	**749.9**	**1,186.8**	**366.1**	**4,246.2**
Amortisation and impairment losses					
As at 1 January 2017	(100.0)	(431.5)	(493.0)	(114.3)	(1,138.9)
Amortisation		(73.4)	(192.3)	(49.2)	(314.8)
Disposals/reclassifications			115.6	54.4	169.9
Exchange differences		(30.0)	(13.7)	(6.5)	(50.2)
As at 31 December 2017	**(100.0)**	**(534.9)**	**(583.4)**	**(115.7)**	**(1,334.0)**
Carrying amount					
As at 1 January 2017	1,587.0	230.5	540.7	184.4	2,542.5
As at 31 December 2017	**1,843.4**	**215.0**	**603.4**	**250.4**	**2,912.2**
Cost					
As at 1 January 2018	1,943.4	749.9	1,097.7	366.1	4,157.1
Additions		2.1	216.8		218.9
Disposals/reclassifications			(14.5)	(9.9)	(24.4)
Exchange differences	3.1	1.1	0.8	(5.8)	(0.8)
As at 31 December 2018	**1,946.6**	**753.2**	**1,300.7**	**350.3**	**4,350.7**
Uncompleted projects			195.7		195.7
As at 31 December 2018, including uncompleted projects	**1,946.6**	**753.2**	**1,496.4**	**350.3**	**4,546.5**
Amortisation and impairment losses					
As at 1 January 2018	(100.0)	(534.9)	(583.4)	(115.7)	(1,334.0)
Amortisation		(61.2)	(209.9)	(89.2)	(360.3)
Disposals/reclassifications			3.7	9.9	13.6
Exchange differences		(2.7)	(1.7)	(1.8)	(6.2)
As at 31 December 2018	**(100.0)**	**(598.8)**	**(791.4)**	**(196.7)**	**(1,686.9)**
Carrying amount					
As at 1 January 2018	1,843.4	215.0	603.4	250.4	2,912.2
As at 31 December 2018	**1,846.6**	**154.3**	**705.1**	**153.6**	**2,859.5**
Amortisation method	N/A	Straight-line	Straight-line	Straight-line	
Useful life (years)	N/A	5-10	5-8	1-10	

The company's intangible assets are either acquired or internally developed. Goodwill, customer relationships and parts of other intangible assets are all acquired through acquisition of portfolios or mergers, and are a result of a purchase price allocation of initial cost of the acquisition. Software is developed for use in the insurance business. External and internal assistance used in relation developed software is developed for use in the insurance business. External and internal assistance is used in relation with implementation or substantial upgrade of software, including adjustment of standard systems, are capitalized as intangible assets. Amortisation is included in the accounting line Insurance-related administration expenses including commissions for received reinsurance and sales expenses.

The company has not acquired any portfolio or company in 2018. In 2017, the Danish company Mølholm Forsikring A/S was acquired.

Impairment testing goodwill

The carrying amount of goodwill in the company as at 31 December 2018 is NOK 1.846,6 million.

NOK millions	2018	2017
Goodwill		
Gjensidige Forsikring, Danish branch	1,508.1	1,506.0
Gouda portfolio	87.6	87.3
Gjensidige Forsikring, Swedish branch	122.2	121.5
Gjensidige Forsikring, white label	128.7	128.7
Total	**1,846.6**	**1,843.4**

Each of the units above is the smallest identifiable group of assets that generates cash inflows and considered as separate cash-generating units. The annual assessment of impairment losses was carried out in the third quarter of 2018. There has also been carried out indication assessments during other quarters in order to assess whether there is new evidence that calls for a new impairment assessment.

Recoverable amount for the cash-generating units is determined based on an assessment of value in use. The value in use is based on a discounting of future cash flows, with a relevant discount rate that takes into account maturity and risk.

Budgets/prognoses and the period for which the cash flows are projected

The projection of cash flows is based on budget and forecast for the next four years reviewed by the management and approved by the Board. The growth in this five-year period is higher than the long-term growth expectancy. In the period after 2022 a lower annual growth has been used than in the budget period to arrive at a normal level before a terminal value is calculated. The terminal value is calculated in 2027. Gjensidige normally has a ten-year horizon on its models, as the acquired companies are in a growth phase and a shorter period will give a less correct view of expected cash flows. The long-term growth rate beyond the board approved plan, is no higher than the long-term growth in the market for the respective cash generating units.

The management's method

As far as possible, the management has sought to document the assumptions upon which the models are based through external information. External information is first and foremost used in the assessment of discount rate and exchange rates. When it comes to future cash flows, the management has also considered the degree of historical achievement of budgets. If expected budgeted results are not achieved, the management has conducted a deviation analysis. These deviation analyses are reviewed by the Board of the respective subsidiaries, as well as the management in Gjensidige Forsikring.

Level of combined ratio (CR)

The expected CR level is both in the growth period and when estimating the terminal value considered to be from 84.5 to 98.8.

Cash-generating units	CR-level in growth period	CR-level when calculating terminal value
Gjensidige Forsikring, Danish branch	84.5-91.0%	91.0%
Gouda portfolio	88.0-92.6%	88.6%
Gjensidige Forsikring, Swedish branch	91.2-98.8%	91.2%

The growth rate in terminal value calculation

The growth rate is determined to 2.5 per cent in Scandinavia and the same that was used in 2017.

Discount rate

The discount rate is before tax, and is composed of a risk-free interest rate, a risk premium and a market beta. The risk-free rate is equivalent to a ten-year interest rate on government bonds in the respective countries where the subsidiaries and branches operate in and in addition a risk premium is added. The risk premium varies so that the discount rate is 7.5 per cent for all companies. This corresponds to the discount rate of the group and is the same as used in 2017. The group's discount rate represents the group's assumption of risk, and is the same independent of country. Country-risk has been adjusted directly in the cash flow of all units.

Sensitivity analysis to key assumptions

The excess values related to the acquisitions are based on different key assumptions. If these assumptions change significantly from what they are expected to be in the impairment models, a need for impairment may arise. See table.

Sensitivity table goodwill	Discount rate increases by 1%	Growth reduces by 2% compared to expected next 3 years	CR increases by 2% next 3 years	All circumstances occur simultaneously
Gjensidige Forsikring, Danish branch	No need for impairment	No need for impairment	No need for impairment	Need for impairment app. NOK 481 million
Gouda portfolio	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gjensidige Forsikring, Swedish branch	No need for impairment	No need for impairment	Need for impairment app. NOK 22 million	Need for impairment app. NOK 341 million
Gjensidige Forsikring, white label	No need for impairment	No need for impairment	No need for impairment	No need for impairment

12. Owner-occupied property, plant and equipment

NOK millions	Owner-occupied property	Plant and equipment [1]	Total
Cost			
As at 1 January 2017	19.0	476.5	495.4
Additions	8.1	39.7	47.8
Disposals		(69.8)	(69.8)
Exchange differences		5.4	5.4
As at 31 December 2017	**27.0**	**451.8**	**478.8**
Uncompleted projects		50.1	50.1
As at 31 December 2017, including uncompleted projects	**27.0**	**502.0**	**529.0**
Depreciation and impairment losses			
As at 1 January 2017		(263.9)	(263.9)
Depreciation		(53.6)	(53.6)
Disposals		55.5	55.5
Exchange differences		(3.8)	(3.8)
As at 31 December 2017		**(265.8)**	**(265.8)**
Carrying amount			
As at 1 January 2017	19.0	273.8	292.7
As at 31 December 2017	**27.0**	**236.2**	**263.2**
Cost			
As at 1 January 2018	27.0	451.8	478.8
Additions	1.5	21.0	22.5
Disposals		(15.6)	(15.6)
Exchange differences		(0.7)	(0.7)
As at 31 December 2018	**28.5**	**456.6**	**485.1**
Uncompleted projects		45.4	45.4
As at 31 December 2018, including uncompleted projects	**28.5**	**502.1**	**530.5**
Depreciation and impairment losses			
As at 1 January 2018		(265.8)	(265.8)
Depreciation		(44.8)	(44.8)
Disposals		11.9	11.9
Exchange differences		0.3	0.3
As at 31 December 2018		**(298.4)**	**(298.4)**
Carrying amount			
As at 1 January 2018	27.0	236.2	263.2
As at 31 December 2018	**28.5**	**203.7**	**232.2**
Depreciation method	Straight-line	Straight-line	
Useful life (years)	10-50	3-10	

[1] Plant and equipment consist mainly of machinery, vehicles, fixtures and furniture.

Owner-occupied property in Gjensidige Forsikring ASA mainly consists of leisure houses and cottages that are not depreciated.

There are no restrictions on owner-occupied property, plant and equipment. Owner-occupied property, plant and equipment are not pledged as security for liabilities.

13. Financial assets and liabilities

Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date at the prevailing market conditions.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The different valuation levels and which financial assets/liabilities that are included in the respective levels are accounted for below.

Quoted prices in active markets

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. A financial asset/liability is considered valued based on quoted prices in active markets if fair value is estimated based on easily and regularly available prices and these prices represent actual and regularly occurring transactions at arm's length principle. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

The following financial assets are classified as level one in the valuation hierarchy:

- Listed shares
- Norwegian government/government backed bonds and other fixed income securities
- Exchange traded funds (ETF)

Valuation based on observable market data

When quoted prices in active markets are not available, the fair value of financial assets/ liabilities is preferably estimated on the basis of valuation techniques based on observable market data.

A financial asset/liability is considered valued based on observable market data if fair value is estimated with reference to prices that are not quoted, but are observable either directly (as prices) or indirectly (derived from prices).

The following financial assets/liabilities are classified as level two in the valuation hierarchy:

- Currency derivatives, equity options and forward rate agreements, in which fair value is derived from the value of underlying instruments. These derivatives are valued using common valuation techniques for derivatives (option pricing models etc.).
- Equity funds, bond funds, hedge funds and combination funds, in which fair value is estimated based on the fair value of the underlying investments of the funds.
- Bonds, certificates or index bonds that are unlisted, or that are listed but where transactions are not occurring regularly. The unlisted instruments in this category are valued based on observable yield curves and estimated credit spreads where applicable.
- Listed subordinated notes where transactions are not occurring regularly.

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data.

A financial asset/liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

The following financial assets are classified as level three in the valuation hierarchy:

- Unlisted private equity investments. The private equity investments that are not organized as funds are valued using cash flow analysis, price multiples and recent market transactions. The private equity investments that are organized as funds are valued based on NAV (Net Asset Value) as reported by the fund administrators in accordance with IPEV guidelines (International Private Equity and Venture Capital Valuation. Because of late reporting from the funds, the NAV from the previous quarterly reporting is used in estimating fair value. The NAV is then assessed for discretionary adjustments based on objective events since the last reporting date. Objective events may be the development in underlying values of listed companies since the last reporting, changes in regulations or substantial market movements.
- Real estate funds. The real estate funds are valued based on reported NAV values as reported by the fund administrators. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value.

The valuation process for financial assets classified as level three

In consultation with the Investment Performance and Risk Measurement department, the Chief Investment Officer decides which valuation models will be used when valuing financial assets classified as level three in the valuation hierarchy. The models are evaluated as required. The fair value and results of the investments and compliance with the stipulated limits are reported weekly to the Chief Financial Officer and Chief Executive Officer, and monthly to the Board.

Sensitivity financial assets level three

The sensitivity analysis for financial assets that are valued on the basis of non-observable market data shows the effect on profits of realistic and plausible market outcomes. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in value. A fall in value of ten per cent is deemed to be a realistic and plausible market outcome for shares and similar interests, as well as bonds and other securities with a fixed return that are included in level three of the valuation hierarchy.

Hedge accounting

Fair value hedging

Gjensidige utilized up to and including 2017 fair value hedge to manage its currency risk in fixed agreements of acquisition of the operations, last regarding the acquisition of Mølholm Forsikring. Hedging was performed to prevent from valuation variations of a future settlement due to changes in the currency rate. Currency futures designed as hedging instruments were measured at fair value and changes in fair value were recognised continuously in profit or loss, together with the change in fair value of the fixed agreement. The change in fair value of the fixed agreement was recognised in goodwill when the acquired operation was accounted for.

NOK millions	Notes	Carrying amount as at 31.12.2018	Fair value as at 31.12.2018	Carrying amount as at 31.12.2017	Fair value as at 31.12.2017
Financial assets					
Financial derivatives					
Financial derivatives at fair value through profit or loss		577.9	577.9	549.2	549.2
Financial assets at fair value through profit or loss, designated upon initial recognition					
Shares and similar interests	14	5,061.4	5,061.4	6,553.7	6,553.7
Bonds and other fixed income securities		22,152.3	22,152.3	21,974.7	21,974.7
Financial assets held to maturity					
Bonds held to maturity		105.8	106.1	712.9	730.1
Loans and receivables					
Bonds and other fixed income securities classified as loans and receivables	15	15,341.4	16,112.0	16,496.6	17,708.7
Loans		2,687.3	2,687.3	1,721.8	1,721.8
Receivables related to direct operations and reinsurance		6,399.0	6,399.0	5,467.3	5,467.3
Receivables from group companies	20	60.5	60.5	49.1	49.1
Other receivables		931.2	931.2	933.5	933.5
Prepaid expenses and earned, not received income		46.2	46.2	36.5	36.5
Cash and cash equivalents		1,656.4	1,656.4	1,625.0	1,625.0
Total financial assets		**55,019.4**	**55,790.3**	**56,120.2**	**57,349.5**
Financial liabilities					
Financial derivatives					
Financial derivatives at fair value through profit or loss		869.9	869.9	568.6	568.6
Financial liabilities at amortised cost					
Subordinated debt	18	1,198.3	1,186.3	1,198.0	1,202.8
Other liabilities	19	2,766.0	2,766.0	1,131.5	1,131.5
Liabilities related to direct insurance and reinsurance		422.4	425.5	779.4	779.4
Accrued expenses and deferred income	19	332.3	332.3	322.4	322.4
Liabilities within the group	20	104.9	101.9	298.8	298.8
Total financial liabilities		**5,693.8**	**5,681.9**	**4,298.6**	**4,303.4**
Gain/(loss) not recognised in profit or loss			**782.9**		**1,224.5**

Valuation hierarchy 2018

The table shows a valuation hierarchy where financial assets/liabilities are divided into three levels based on the method of valuation.

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		577.9		577.9
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	55.0	3,653.8	1,352.5	5,061.4
Bonds and other fixed income securities	9,193.6	12,180.0	778.7	22,152.3
Financial assets at amortised cost				
Bonds held to maturity		106.1		106.1
Bonds and other fixed income securities classified as loans and receivables		16,108.1	3.8	16,112.0
Loans			2,687.3	2,687.3
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		869.9		869.9
Financial liabilities at amortised cost				
Subordinated debt		1,186.3		1,186.3

Valuation hierarchy 2017

The table shows a valuation hierarchy where financial assets/liabilities are divided into three levels based on the method of valuation.

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		549.2		549.2
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	41.7	5,069.5	1,442.5	6,553.7
Bonds and other fixed income securities	6,820.9	14,249.4	904.3	21,974.7
Financial assets at amortised cost				
Bonds held to maturity		730.1		730.1
Bonds and other fixed income securities classified as loans and receivables		17,704.1	4.6	17,708.7
Loans			1,721.8	1,721.8
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		568.6		568.6
Financial liabilities at amortised cost				
Subordinated debt		1,202.8		1,202.8

Reconciliation of financial assets valued based on non-observable market data (level 3) 2018

NOK millions	As at 1.1.2018	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/ out of level 3	Curren-cy effect	As at 31.12.2018	Amount of net realised/unrealis ed gains recognised in profit or loss that are attributable to instruments held as at 31.12.2018
Shares and similar interests	1,442.5	96.6	126.4	(159.5)		(153.5)		1,352.5	70.1
Bonds and other fixed income securities	904.3	60.7		(187.6)			1.3	778.7	
Total	**2,346.8**	**157.4**	**126.4**	**(347.1)**		**(153.5)**	**1.3**	**2,131.2**	**70.1**

Sensitivity of financial assets valued based on non-observable market data (level 3) 2018

NOK millions		Sensitivity
Shares and similar interests	Decrease in value 10%	135.3
Bonds and other fixed income securities	Decrease in value 10%	77.9
Total		**213.1**

Reconciliation of financial assets valued based on non-observable market data (level 3) 2017

NOK millions	As at 1.1.2017	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/ out of level 3	Curren-cy effect	As at 31.12.2017	Amount of net realised/unrealis ed gains recognised in profit or loss that are attributable to instruments held as at 31.12.2017
Shares and similar interests	1,562.2	(57.6)	177.1	(128.2)		(111.0)		1,442.5	25.2
Bonds and other fixed income securities	1,333.5	65.7	358.5	(929.7)		(4.6)	80.9	904.3	2.3
Total	**2,895.7**	**8.0**	**535.7**	**(1,057.9)**		**(115.6)**	**81.0**	**2,346.8**	**27.5**

Sensitivity of financial assets valued based on non-observable market data (level 3) 2017

NOK millions		Sensitivity
Shares and similar interests	Decrease in value 10%	144.3
Bonds and other fixed income securities	Decrease in value 10%	90.4
Total		**234.7**

Reconciliation of liabilities arising from financing activities 2018

NOK millions	As at 1.1.2018	Cash flows	Non-cash flows Aqui-sitions	Ex-change diffe-rences	Other changes	As at 31.12.2018
Perpetual Tier 1 capital [1]	999.8				0.7	1,000.5
Subordinated debt	1,198.0				0.3	1,198.3

[1] Including accrued interest after tax, NOK 2.1 million (2.1).

Reconciliation of liabilities arising from financing activities 2017

NOK millions	As at 1.1.2017	Cash flows	Non-cash flows Aqui-sitions	Ex-change diffe-rences	Other changes	As at 31.12.2017
Perpetual Tier 1 capital [1]	999.2				0.5	999.8
Subordinated debt	1,197.7				0.3	1,198.0

[1] Including accrued interest after tax, NOK 2.1 million (2.2).

14. Shares and similar interests

NOK millions	Organisation number	Type of fund	31.12.2018
Gjensidige Forsikring ASA			
Norwegian financial shares and primary capital certificates			
SpareBank 1 Ringerike Hadeland	937 889 275		10.6
SpareBank 1 Østlandet	920 426 530		9.1
SpareBank 1 BV	944 521 836		7.1
SpareBank 1 SMN	937 901 003		6.5
Helgeland Sparebank	937 904 029		4.5
DNB ASA	981 276 957		4.4
Sparebanken Telemark	937 891 334		1.8
Indre Sogn Sparebank	837 897 912		0.5
Total Norwegian financial shares and primary capital certificates			**44.5**
Other shares			
SOS International A/S			56.0
Paydrive AB			25.5
Sector Asset Management AS	887 139 342		15.9
Subsea 7 S.A.			10.8
Aker ASA	886 581 432		9.7
A.P Moeller - Maersk A/S			8.7
Scalepoint Technologies Limited			7.4
Helgeland Invest AS	939 150 234		6.7
Viking Venture II AS	987 493 550		5.7
Equinor ASA	923 609 016		4.7
Tun Media AS	982 519 985		3.7
Kongsberg Gruppen ASA	943 753 709		3.5
Wallenius Wilhelmsen ASA	995 216 604		3.1
Yara International ASA	986 228 608		3.1
Norsk Hydro ASA	914 778 271		3.0
Northern Drilling Ltd			2.8
Other shares			22.9
Total other shares			**193.0**
Funds [1]			
Shenkman Global Convertible Bond Fund		Convertible bond fund	713.8
Nordea Stabile Aksjer Global	989 851 020	Equity fund	462.9
RBC Funds Lux - Global Equity Focus Fund		Equity fund	312.5
Sector Healthcare - A USD		Hedge fund	307.2
Danske Invest Norske Aksjer Institusjon I	981 582 020	Equity fund	306.7
INVESTEC GS GLOBAL EQTY-I$		Equity fund	295.9
Wells Fargo Lux Worldwide EM Equity Fund		Equity fund	290.1
Fisher Emerging Markets Equity Fund USD		Equity fund	287.6
Storebrand Norge I	981 672 747	Equity fund	197.5
Incentive Active Value Fund Cl. A EUR Unrestricted		Hedge fund	127.4
Pareto Aksje Norge	883 610 512	Equity fund	126.6
HitecVision Private Equity V LP		Private equity fund	117.2
HitecVision VI LP		Private equity fund	105.4
HitecVision Asset Solution KS		Private equity fund	102.6
Sector Zen Fund		Hedge fund	90.9
HitecVision Private Equity IV LP		Private equity fund	74.7
Storebrand Global Indeks B	989 133 241	Equity fund	67.9
Argentum Secondary III		Private equity fund	63.1
Viking Venture III DIS		Private equity fund	48.6
HitecVision VII		Private equity fund	46.7
Norvestor VII LP		Private equity fund	42.1
Verdane Capital VII KS		Private equity fund	36.8
Energy Ventures III LP		Private equity fund	36.4
Norvestor V LP		Private equity fund	34.8
Procuritas Capital Investor V		Private equity fund	30.7
Altor Fund II LP		Private equity fund	30.5
Other funds			467.1
Total funds			**4,823.6**

[1] Norwegian Private Equity funds organised as internal partnerships doesn't have organisation number.

Shares and similar interests owned by branches	
Shares and similar interests owned by Gjensidige Forsikring ASA, Danish branch	0.3
Total shares and similar interests owned by branches	**0.3**
Total shares and similar interests owned by Gjensidige Forsikring ASA	**5,061.4**

15. Loans and receivables

NOK millions	2018	2017
Loans and receivables		
Bonds classified as loans and receivables	15,341.4	16,496.6
Other loans	129.9	101.7
Total loans and receivables	**15,471.3**	**16,598.3**
Other receivables		
Receivables in relation with asset management	730.0	725.2
Other receivables	90.3	97.3
Total other receivables	**820.2**	**822.5**

Bonds are securities classified as loans and receivables in accordance with IAS 39.

Of other loans NOK 49.0 million (63.1) are loans given to agricultural customers. Included in other loans are also NOK 82.4 million (40.0) regarding loans given with regard to sale of subsidiaries.

Beyond the liabilities that arise from insurance contracts, Gjensidige Forsikring has not issued guarantees for which provisions have been made.

16. Insurance-related liabilities and reinsurers' share

NOK millions	2018			2017		
Movements in insurance-related liabilities and reinsurers' share	Gross	Reinsurers' share	Net of re-insurance [1]	Gross	Reinsurers' share	Net of re-insurance [1]
Claims and claims handling costs						
Claims reported and claims handling costs	13,774.4	(698.0)	13,076.4	15,593.1	(512.2)	15,080.9
Claims incurred, but not reported	16,902.2		16,902.2	15,209.4		15,209.4
Total as at 1 January	**30,676.6**	**(698.0)**	**29,978.6**	**30,802.6**	**(512.2)**	**30,290.3**
Acquisitions of portfolios				41.9	(35.1)	6.8
Claims paid, prior year claims	(7,358.6)	331.4	(7,027.1)	(6,953.1)	0.2	(6,952.9)
Increase in liabilities						
Arising from current year claims	18,269.3	(313.6)	17,955.7	16,967.8	(621.4)	16,346.4
- of this paid	(10,528.5)	211.7	(10,316.8)	(9,647.5)	348.1	(9,299.4)
Arising from prior year claims (run-off)	(2,295.3)	(11.0)	(2,306.3)	(1,159.1)	140.0	(1,019.1)
Other changes, including effects from discounting	13.5		13.5	(39.5)		(39.5)
Exchange differences	(7.1)	5.8	(1.3)	663.5	(17.5)	646.0
Total as at 31 December	**28,769.8**	**(473.6)**	**28,296.2**	**30,676.6**	**(698.0)**	**29,978.6**
Claims reported and claims handling costs	13,593.0	(473.6)	13,119.4	13,774.4	(698.0)	13,076.4
Claims incurred, but not reported	15,176.8	0.0	15,176.8	16,902.2	0.0	16,902.2
Total as at 31 December	**28,769.8**	**(473.6)**	**28,296.2**	**30,676.6**	**(698.0)**	**29,978.6**
Provisions for unearned premiums						
As at 1 January	8,769.5	(41.4)	8,728.0	8,585.9	(115.5)	8,470.4
Increase in the period	23,795.3	(714.2)	23,081.1	22,647.9	(600.2)	22,047.6
Earned in the period	(23,148.0)	715.9	(22,432.0)	(22,601.2)	677.1	(21,924.1)
Exchange differences	(17.2)	0.1	(17.0)	136.9	(2.9)	134.1
Total as at 31 December	**9,399.6**	**(39.6)**	**9,360.1**	**8,769.5**	**(41.4)**	**8,728.0**

[1] For own account.

NOK millions	2018	2017
Discounted claims provision, gross - annuities	4,886.8	5,104.8
Nominal claims provision, gross - annuities	5,397.7	5,703.0

The claims provisions shall cover future claims payments. The claims provisions for insurances with annuity payments are converted to present value (discounted), whereas other provisions are undiscounted.

The reason why the claims provisions for annuities are discounted is due to very long cash flows and substantial future interest income. The claims for occupational injuries in Denmark are paid either as annuities or as lump-sum indemnities (which are calculated mainly as discounted annuities). Therefore, it is most expedient to regard the whole portfolio as annuities. For Swedish MTPL personal injuries are paid as lifelong annuities. The discount rate used is the swap rate.

In depth reserve reviews have been performed by actuaries in Gjensidige. The analyses conclude that excess claims reserves related to personal injury in connection with workers compensation and motor TPL in Norway, primarily for the 2008-2014 vintages, are NOK 1,080 million higher than previously anticipated, adding to the previous excess reserves of approximately NOK 4 billion. The additional excess reserves are released in their entirety in and recognised as run-off gains in the fourth quarter of 2018. The plan for release of the remaining NOK 4 billion in excess reserves, with approximately NOK 1 billion per year through 2022, remains unchanged.

17. Equity

Share capital

At the end of the year the share capital consisted of 500 million ordinary shares with a nominal value of NOK 2, according to the statutes. All issued shares are fully paid in.

The owners of ordinary shares have dividend and voting rights. There are no rights attached to the holding of own shares.

In thousand shares	2018	2017
Issued 1 January	500,000	500,000
Issued 31 December	500,000	500,000

Own shares

In the column for own shares in the statement of changes in equity the nominal value of the company's holdings of own shares is presented. Amounts paid in that exceeds the nominal value is charged to other equity so that the cost of own shares reduces the Group's equity. Gains or losses on transactions with own shares are not recognised in the income statement.

At the end of the year the number of own shares was 31,371 (21,073).

A total of 306,489 (254,863) own shares at an average share price of NOK 131.59 (138.87) have been acquired to be used in Gjensidige's share-based payment arrangements. Of these 231,493 (191,277) shares have been sold to employees, at the same price, but with a discount in the form of a contribution, see note 22. In addition, 30,010 (33,199) shares have been allocated to executive personnel within the share-based remuneration scheme and 34,688 (36,132) bonus shares have been allocated to employees in the share savings programme. Own shares are increased by 10,298 (reduced by 5,745) through the year.

Share premium

Payments in excess of the nominal value per share are allocated to share premium.

Other paid-in capital

Other paid in equity consists of wage costs that are recognised in profit and loss as a result of the share purchase program for employees.

Perpetual Tier 1 capital

Perpetual Tier 1 capital consists of a perpetual hybrid instrument, classified as equity.

Exchange differences

Exchange differences consist of exchange differences that occur when converting foreign branches, and when converting liabilities that hedge the company's net investment in foreign branches.

Remeasurement of the net defined benefit liability/asset

Remeasurement of the net defined benefit liability/asset consists of the return of plan assets beyond interest income and gains/losses occurring by changing the actuarial assumptions used when calculating pension liability.

Other earned equity

Other earned equity consists of this year's and previous year's retained earnings that are not disposed to other purposes and includes provisions for compulsory funds (natural perils fund, guarantee scheme).

Natural perils capital

Operating profit/loss from the compulsory natural perils insurance shall be adjusted against the Natural perils capital. Natural perils capital is capital that can only be used to cover claims for natural damage, but which in an insolvent situation can also be used to cover other obligations. Natural peril is defined as claim in direct relation to natural hazard, such as landslide, storm, flood, storm surge, earthquake or eruption.

Guarantee scheme

The provision for guarantee scheme is restricted capital and shall provide security to the insured for the right fulfilment of claims covered by the agreement even after the agreement is terminated in Norway.

Dividend

Proposed and approved dividend per ordinary share

NOK millions	2018	2017
As at 31 December		
NOK 7.10 (7.10) based on profit for the year	3,550.0	3,550.0

Shareholders

Shareholders owning more than 1 per cent

Investor	Number of shares	Ownership in %
Gjensidigestiftelsen	311,200,115	62.2%
Folketrygdfondet	20,754,407	4.2%
State Street Bank and Trust Comp (nominee)	18,984,586	3.8%
State Street Bank and Trust Comp (nominee)	14,573,536	2.9%

The shareholder list is based on the VPS shareholder registry as of 31 December 2018. A shareholder list showing the owners behind nominee accounts can be found on page 21.

18. Hybrid capital

	Subordinated debt	Perpetual Tier 1 capital
	FRN Gjensidige Forsikring ASA 2014/2044 SUB	FRN Gjensidige Forsikring ASA 2016/PERP C HYBRID
ISIN	NO0010720378	NO0010771546
Issuer	Gjensidige Forsikring ASA	Gjensidige Forsikring ASA
Principal, NOK millions	1,200	1,000
Currency	NOK	NOK
Issue date	02.10.2014	08/09/2016
Maturity date	03.10.2044	Perpetual
First call date	02.10.2024	08.09.2021
Interest rate	NIBOR 3M + 1.50%	NIBOR 3M + 3.60%
General terms		
Regulatory regulation	Solvency II	Solvency II
Regulatory call	Yes	Yes
Conversion right	No	No

19. Provisions and other liabilities

NOK millions	2018	2017
Other provisions and liabilities		
Restructuring costs [1]	125.6	107.6
Other provisions	190.9	211.7
Total other provisions and liabilities	**316.5**	**319.3**
Other liabilities		
Outstanding accounts Fire Mutuals	27.6	25.4
Accounts payable	179.3	251.4
Liabilities to public authorities	270.8	341.5
Motor insurance tax to Norwegian Motor Insurers' Bureau (TFF)	1,612.6	
Other liabilities	675.8	513.1
Total other liabilities	**2,766.0**	**1,131.5**
Other accrued expenses and deferred income		
Liabilities to public authorities	29.7	21.5
Accrued personnel costs	283.7	285.4
Other accrued expenses and deferred income	18.9	15.5
Total other accrued expenses and deferred income	**332.3**	**322.4**
Restructuring costs [1]		
Provision as at 1 January	107.6	186.4
New provisions	86.8	46.3
Provisions used during the year	(67.8)	(125.7)
Exchange rate difference	(1.0)	0.6
Provision as at 31 December	**125.6**	**107.6**

[1] In 2018 NOK 86.8 million is allocated to restructuring provision, due to a decision of changes in processes in Norway and Denmark and to closure of offices in Privat Norway. The processes have been communicated to all entities affected by the changes.

20. Related party transactions

Overview

Gjensidige Forsikring ASA is the Group's parent company. As at 31 December 2018 the following companies are regarded related parties. See note 5 in Gjensidige Forsikring ASA for specification of subsidiaries and joint ventures.

	Registered office	Interest held
Ultimate parent company		
Gjensigestiftelsen holds 62.24 per cent of the shares in Gjensidige Forsikring ASA	Oslo, Norway	
Other related parties		
Fire Mutuals	All over the country, Norway	
Gjensidige Pensjonskasse	Oslo, Norway	94.7%

Transactions

Income statement

The table below shows transactions with related parties recognised in the income statement.

	2018		2017	
NOK millions	**Income**	**Expense**	**Income**	**Expense**
Earned premiums written and gross claims				
ADB Gjensidige	23.9	16.8	28.5	21.3
Gjensidige Pensjonsforsikring AS	6.3	22.2	6.9	33.5
Nykredit Forsikring A/S	1,126.8	776.3	1,061.4	740.8
Administration expenses				
Gjensidige Bank ASA (discontinued operations)	47.7		36.7	
Gjensidige Pensjonsforsikring AS	72.4		67.5	
Mondux Assurance Agentur A/S			30.8	68.1
Nykredit Forsikring A/S	297.7	293.0	307.0	265.3
Vardia Försäkring AB				108.9
Total other companies	0.6	38.4	0.9	10.5
Interest income and expenses				
Oslo Areal AS	39.9		31.8	
Co-operating companies [1]				
Fire mutuals and Gjensidige Pensjonskasse	21.6	142.5	20.7	148.7
Total	**1,636.9**	**1,289.2**	**1,592.2**	**1,397.0**

[1] Cooperating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

Loans

As at 31 December 2018 employees have loans in Gjensidige Bank amounting to NOK 1,433.9 million (1,287.2). The loans are offered on normal commercial conditions.

Income and losses

The table below shows a summary of contributions/dividends from/to related parties as well as other gains and losses.

	2018		2017	
NOK millions	**Received**	**Given**	**Received**	**Given**
Group contributions				
NAF Forsikringsformidling AS		16.5		
Gjensidige Bolighandel AS		24.9		
Dividends				
Gjensidigestiftelsen		2,209.5		2,209.5
Gjensidige Pensjonsforsikring AS - recognised, not received	100.0			
Nykredit Forsikring A/S - received	89.9		49.0	
Nykredit Forsikring A/S - recognised, not received	179.1			
Samtrygd AS			0.7	
Mondux Assurance Agentur A/S	5.0		31.5	
Mondux AB			2.6	
Total group contributions and dividends	**374.0**	**2,250.9**	**83.8**	**2,209.5**

	2018		2017	
NOK millions	**Gains**	**Losses**	**Gains**	**Losses**
Impairment losses				
NAF Forsikringsformidling AS		76.0		
Samtrygd AS				0.4
Nykredit Forsikring A/S				49.0
Total gains and losses in connection with sale, liquidation and impairment losses		**76.0**		**49.4**

Balances

The table below shows a summary of receivables/liabilities from/to related parties.

	2018		2017	
NOK millions	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Non-interest-bearing receivables and liabilities				
Gjensidige Pensjonsforsikring AS	105.0	43.9		12.9
NAF Forsikringsformidling AS		21.9		
Gjensidige Bolighandel AS		32.4		
Gjensidige Bank ASA	9.0			
Nykredit Forsikring A/S	197.1	2.6	40.0	
Vardia Försäkring AB	17.6	0.0		
Total other companies	10.7	1.1	9.1	
Interest-bearing receivables and liabilities				
Mondux Assurance Agentur A/S				285.8
Oslo Areal AS	2,513.1		1,620.1	
Reinsurance deposits, premiums and claims provisions				
Nykredit Forsikring A/S	1,094.7	1,094.7	507.6	507.6
Total other companies		69.9		60.9
Total balances within the Group	**3,947.4**	**1,266.5**	**2,176.8**	**867.3**
Cooperating companies				
Fire Mutuals and Gjensidige Pensjonskasse [2]	111.0	25.3	111.0	25.4
Total balances	**4,058.4**	**1,291.8**	**2,287.8**	**892.8**

[2] Gjensidige Forsikring ASA is a sponsor of Gjensidige Pensjonskasse and has contributed with funds equivalent to NOK 111.0 million.

NOK millions	**Purchaser**	**Seller**	**2018**	**2017**
Other transactions				
Portfolios	Gjensidige Forsikring ASA	Mondux Assurance Agentur A/S		271.9

Guarantees

Gjensidige Forsikring ASA is responsible externally for any insurance claim arising from the cooperating mutual fire insurers' fire insurance business, see note 21.

21. Contingent liabilities

NOK millions	**2018**	**2017**
Guarantees and committed capital		
Gross guarantees	0.1	0.1
Committed capital, not paid	568.7	614.4
Credit facility Oslo Areal	1,486.9	2,379.9

As part of its ongoing financial management, Gjensidige has undertaken to invest up to NOK 568.7 million (614.4) in loan funds containing senior secured debt and various private equity and real estate investments, over and above amounts recognised in the balance sheet.

The timing of the outflow of capital is dependent on when the funds are making capital calls from their investors. Average remaining operating time for the funds, based on fair value, is slightly less than four years (four) and slightly less than fem years (six) in average including option for extension.

Gjensidige Forsikring has granted a loan to Oslo Areal amounting to NOK 2.5 billion (1.6) at year end. The loan is interest-bearing and total loan limit is NOK 4.0 billion.

Gjensidige Forsikring is liable externally for any insurance claim arising in the cooperation mutual fire insurers' fire insurance operations.

According to the agreement with Gjensidige Pensjonskasse, the return, if not sufficient to cover the pension plans guaranteed interest rate, should be covered from the premium fund or through contribution from Gjensidige Forsikring.

22. Share-based payment

Description of the share-based payment arrangements

As at 31 December 2018, Gjensidige has the following share-based payment arrangements:

Share-based remuneration for executive personnel with settlement in equity and cash (remuneration scheme)
Gjensidige has established equity-settled share-based payment for the group management and more explicitly defined executive personnel.

As described in the Board's statement on the stipulation of pay and other remuneration in note 8, half of the variable remuneration is paid in the form of shares in Gjensidige Forsikring ASA, one third of which can be sold in each of the following three years. Of this, rather on the big side 50 per cent is distributed as equity and only just 50 per cent is distributed as cash in order to pay tax liabilities (net of tax settlement).

The fair value at the grant date is measured based on the market price. The amount is recognised as payroll expenses at grant date with a corresponding increase in other paid-in equity, both for the part that is settled in equity and for the part that is settled in cash to cover the tax obligations. No specific company-related or market-related entitlement criteria apply to the shares, but the Company may carry out a reassessment if subsequent results and development suggest that the bonus was based on incorrect assumptions. The expected allocation is set to 100 per cent. No adjustment is made to the value of the cash-settled share based on the share price at the reporting date. The number of shares is adjusted for dividend paid.

Equity-settled share savings program for employees
Gjensidige has established a share savings programme for employees of the Group with the exception of employees of Gjensidige Baltic. All employees are given an opportunity to save an annual amount of up to NOK 75,000. Saving take the form of fixed deductions from salary that is used to buy shares four times a year. The employees are offered a discount in the form of a contribution of 20 per cent, limited upwards to NOK 3,000 kroner per year, which corresponds to the maximum tax-exempt discount. Employees will receive one bonus share for every four shares they have owned for more than two years, provided that they are still employed by the Company or have become retired. No other vesting conditions exists in this arrangement.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation with a corresponding increase in other paid-in equity. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years, with a corresponding increase in other paid-in equity.

Fair value measurement

The fair value of the shares allocated through the share-based payment for executive personnel and the cash to cover the tax obligations is calculated on the basis of the share price at grant date. The amount is recognised immediately.

Fair value of the bonus shares allocated through the share savings program is calculated on the basis of the share price at grant date, taking into account the likelihood of the employee still being employed after two years and that he/she has not sold his/her shares during the same two-year period. The amount is recognised during the vesting period which is two years.

The following assumptions were used in the calculation of fair value at the time of calculation

	Remuneration scheme		Share savings programme	
	2018	**2017**	**2018**	**2017**
Weighted average share price (NOK)	149.10	135.00	130.55	139.26
Expected turnover	N/A	N/A	10%	10%
Expected sale	N/A	N/A	5%	5%
Lock-in period (years)	3	3	2	2
Expected dividend (NOK per share) [1]	4.50	6.57	4.50	6.57

[1] The expected return is based on the Group's actual profit/loss after tax expense as of the third quarter, grossed up to a full year, plus the maximum distribution of dividend corresponding to 70 per cent (70) of the profit after tax expense. This was carried out as a technical calculation because the Company's forecast for the fourth quarter result was not available at the time the calculations were carried out.

Payroll expenses

NOK millions	2018	2017
Share-based remuneration for key personnel	3.4	4.9
Share savings programme for employees	6.9	6.3
Total expenses (note 7)	**10.3**	**11.2**

Share savings programme

	2018	2017
The number of bonus shares		
Outstanding 1 January	76,354	74,802
Granted during the period	51,454	43,151
Forfeited during the period	(4,929)	(5,285)
Released during the period	(31,595)	(33,708)
Cancelled during the period	(2,418)	(2,377)
Movement to/(from) during the period	(101)	(229)
Outstanding 31 December	**88,765**	**76,354**
Exercisable 31 December	**0**	**0**
Average remaining life of outstanding bonus shares	1.02	1.00
Weighted average fair value of bonus shares granted	115.89	120.27
Weighted average share price of bonus shares released during the period	130.55	139.43

Weighted average exercise price will always be 0, since the scheme comprises bonus shares and not options.

Remuneration scheme

	Number of shares 2018	Number of cash-settled shares 2018	Number of shares 2017	Number of cash-settled shares 2017
The number of shares				
Outstanding 1 January	37,349	34,060	41,710	38,474
Granted during the period	13,256	11,919	15,985	14,269
Exercised during the period	(18,986)	(17,418)	(21,917)	(20,160)
Cancelled during the period	(1,264)	(1,127)		
Movement to/(from) during the period			(306)	(273)
Modification dividend during the period	1,530	1,434	1,877	1,750
Outstanding 31 December	**31,885**	**28,868**	**37,349**	**34,060**
Exercisable 31 December	**0**	**0**	**0**	**0**
Average remaining life of outstanding shares	0.71	0.71	0.75	0.74

	2018	2017
Weighted average fair value of shares granted [2]	149.10	135.00
Weighted average share price of shares released during the period	147.91	133.53
Fair value of shares granted that are to be settled in cash	135.20	154.90

[2] The fair value is calculated based on the market value of the share at the time of allocation.

Weighted average exercise price will always be 0, since the scheme comprises shares and not options.

23. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Declaration from the Board and the CEO

Today, the Board and the CEO have considered and approved the Board's Report and the Annual Accounts for Gjensidige Forsikring ASA, the Group and the parent company, for the calendar year 2018 and as per 31 December 2018.

The consolidated accounts have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations, together with the additional disclosure requirements that derive from the accounting regulation non-life insurance undertakings pursuant to the Norwegian Accounting Act and that shall be adopted as per 31 December 2018. The annual accounts for the parent company were submitted in accordance with the Accounting Act and the Regulations concerning accounting regulation for non-life insurance undertakings as per 31 December 2018. The Board's Report for the Group and the parent company, including The Boards statement on corporate governance and corporate social responsibility, is in accordance with the requirements of the Accounting Act and Norwegian Accounting Standard no. 16 as per 31 December 2018.

To the best of our knowledge:

- the annual accounts for 2018 for the Group and the parent company have been prepared in accordance with current accounting standards
- the information in the accounts gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position and results as a whole as per 31 December 2018
- The Board's Report for the Group and the parent company gives a true and fair summary of:
    - the development, results and position of the Group and the parent company
    - the most important risk and uncertainty factors that the Group and parent company are currently facing

14 February 2019
The Board of Gjensidige Forsikring ASA

Gisele Marchand
Chair of the Board

Lotte K. Sjøberg
Board member

Eivind Elnan
Board member

John Giverholt
Board member

Per-Arne Bjørge
Board member

Vibeke Krag
Board member

Gunnar Mjåtvedt
Board member

Anne Marie Nyhammer
Board member

Hilde M. Nafstad
Board member

Terje Seljeseth
Board member

Helge Leiro Baastad
CEO

Auditor's report

To the General Meeting of Gjensidige Forsikring ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gjensidige Forsikring ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2018, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of claims provision

Key audit matter	How the matter was addressed in the audit
Measurement of the Groups claims provisions is based on different methods and models, complex calculations and a number of assumptions and estimates related to future developments that are uncertain. The accounting principles are described in note 1, significant accounting estimates are described in in note 2, insurance risk is described in note 3 and insurance provisions are specified in note 16. The calculation models, assumptions and estimates applied are of great significance when measuring the claims provisions. The most important assumptions and estimates relate to: • Estimate of future claims payments, which, among other, are based on historic payment patterns,. • Determination of the margin included in the claims provisions to address the uncertainty related to calculated provisions. The calculation models, assumptions and estimates are essential for the measurement of claims provisions and are therefore identified as a key audit matter.	Gjensidige has established various control activities related to the measurement of claims provisions. We assessed and tested the design of control activities related to data source, calculation models and determination of assumptions. For a sample of these controls, we tested if they operated effectively in the reporting period. We challenged the choice of models and the use of assumptions and estimates in the measurement of claims provisions by, among other, performing recalculations of selected parts of the claims provisions. We used Gjensidige's data source in the calculations. We assessed whether the disclosure information related to claims provisions is adequate. We have involved our own actuaries in the work to assess choice of models and the use of assumptions and estimates as well as performing recalculations on selected parts of the claims provisions.

IT systems: Controls relevant for financial reporting and data quality

Key audit matter	How the matter was addressed in the audit
Gjensidige has an extensive IT environment with a variety of different IT systems. IT systems include both in-house developed and standardized systems with different degrees of adaptations and changes. A significant part of the IT operations and infrastructure is outsourced to service providers. The IT systems are essential to recording and reporting of transactions and to provide data for significant estimates and calculations as well to as obtain relevant additional information. Refer to note 3 for further information on operational risk in Gjensidige. Good governance and control of IT systems in Gjensidige and service providers are essential for ensuring accurate, complete and reliable financial reporting and is thus identified as a key audit matter.	Gjensidige has established an overall governance model and control activities related to its IT systems. We have obtained an understanding of the overall governance model for IT systems that are relevant for financial reporting. We have assessed the design of control activities related to IT operations that are relevant for financial reporting, change management and information security. For a sample of these controls, we tested if they operated effectively in the reporting period. We assessed the third party confirmation (ISAE 3402) from several of Gjensidige's service providers to assess whether the service provider had adequate internal controls in areas that are important for Gjensidige's financial reporting. We used our own IT specialists to understand the overall governance model for IT systems and in the assessment and testing of control activities related to IT.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 14 February 2019
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

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Gjensidige is a leading Nordic insurance group listed on the Oslo Stock Exchange. We have about 3,900 employees and offer insurance products in Norway, Denmark, Sweden and the Baltic states. In Norway, we also offer banking, pension and savings. The Group's operating income was NOK 26 billion in 2018, while total assets were NOK 157 billion.

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