Gjensidige

Annual report 2017

The year 2017

Our customers were more satisfied with us in 2017 than ever before, and we maintained high market shares. Profitability remained very good.

Aquisition in Denmark
Gjensidige aquired the Danish insurance company Mølholm Forsikring.

New headquarter in the Baltics
We opened a new, Baltic headquarter with 350 employees in Vilnius, Lithuania.

Great digital commitment
We started recruitment of 40 IT employees as part of our commitment to digitalise and automate work processes.

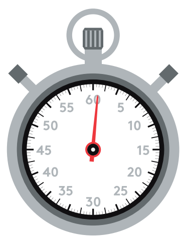
Most attractive employer in the industry
Universum Awards 2017: Gjensidige was proclaimed the most attractive employer in the Norwegian insurance industry.

Image recognition in claims
Gjensidige launched a photo recognition tool that uses artificial intelligence to assess claims based on submission of images via our claims reporting app.

Customer dividend
Gjensidige's general insurance customers in Norway received customer dividend for the eight consecutive year. The Gjensidige Foundation paid about NOK 2.1 billion in customer dividend. That equals 14 per cent of the premiums paid the preceding year.

Partner agreement with the Norwegian Society for Sea Rescue
We signed a partner agreement with the Norwegian Society for Sea Rescue, who shares our commitment to protect lives, health and assets. 120,000 members will receive discounts on boat insurance, as well as other benefits.

World record in Claims settlement
Our claims robot settled what was probably the quickest claims settlement in the history of the world when a customer had his claim accepted in 1.6 seconds.



About the reporting

Gjensidige publishes a web-based annual report on www.gjensidige.no/reporting. The annual report 2017 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 2018

General Meeting	5 April
Ex dividend date	6 April
Q1-result	25 April
Q2-result	13 July
Q3-result	25 October

Sponsorship agreement
During the year, a sponsorship agreement has been signed with both the Norwegian Association of Athletes and the Norwegian Ice Hockey Association.

Universum: Climber of the year
Gjensidige climbed more than any other company in Norway on the list of preferred employers among IT-people. Among IT-girls we climbed 50 steps.

Ipsos Reputation Award 2017
Gjensidige received Ipsos reputation award 2017 because the company has for a long time had a solid reputation, which has also been strengthened in recent years.

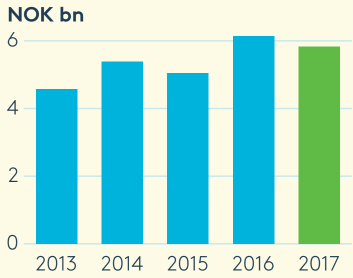
Christmas gift to SOS
We donated NOK 500,000 as a Christmas gift to SOS Children's Villages.

Content

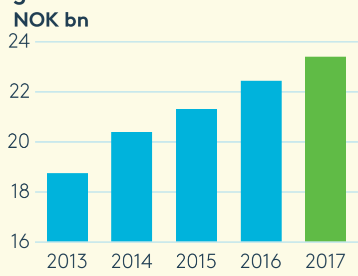
Gjensidige recorded a profit after tax of NOK 4.5 billion in 2017, corresponding to a return on equity of 21.3 per cent. For the general insurance operation the premium growth was 4.3 per cent and the combined ratio was 85.4 per cent. The earnings per share was NOK 9.05 and the Board has proposed a dividend of NOK 7.10 per share.

Key figures

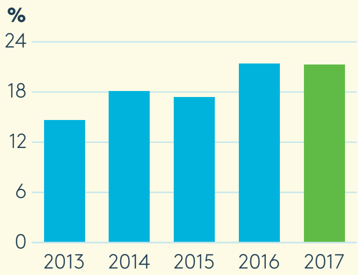
Profit before tax



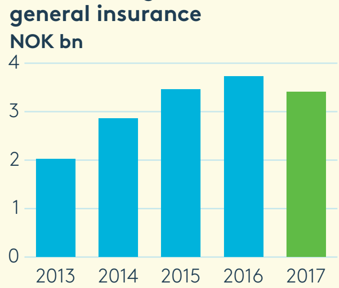
Earned premiums general insurance



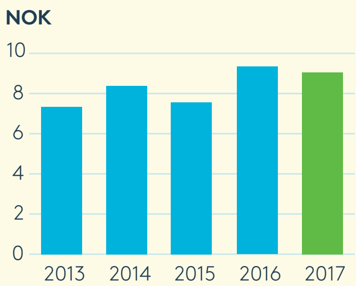
Return on equity



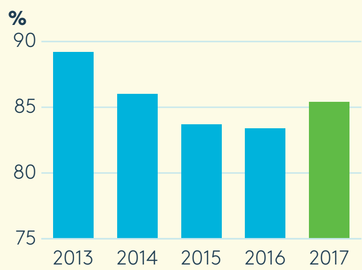
Underwriting result general insurance



Earnings per share



Combined ratio general insurance



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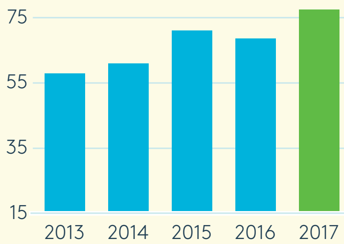
...NOK per share in proposed dividend

Market value as at 31.12.

NOK billion

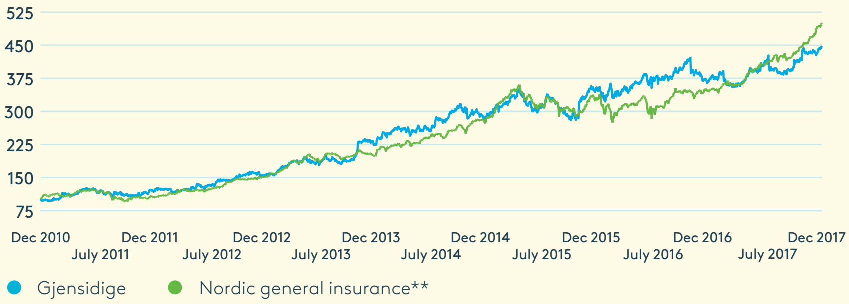


Dividend per share

	Based on profit for the year	Distributiopn of excess capital
2017*	NOK 7.10	
2016	NOK 6.80	
2015	NOK 6.40	NOK 6.00
2014	NOK 5.90	
2013	NOK 6.80	NOK 10.00

* Proposed

Total return*



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

Total return *	Last year	Last two years	Since IPO 10.12.2010
Gjensidige	19 %	26 %	346 %
Nordic general insurance**	44 %	48 %	401 %

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

Financial key figures

Result		2017	2016	2015	2014	2013
Earned premiums, general insurance	NOK million	23,398.3	22,441.9	21,272.0	20,386.8	18,736.9
Other operating income	NOK million	3,615.7	3,049.5	2,883.4	2,711.9	2,147.6
Net income from investments	NOK million	2,029.0	2,196.1	1,473.3	2,475.6	2,538.1
Claims incurred, general insurance	NOK million	(16,401.7)	(15,515.9)	(14,597.5)	(14,470.4)	(13,859.6)
Other claims incurred, losses etc.	NOK million	(2,311.6)	(1,963.7)	(1,927.8)	(1,892.4)	(1,435.7)
Operating expenses, general insurance	NOK million	(3,586.5)	(3,191.4)	(3,217.6)	(3,054.0)	(2,857.8)
Other operating expenses	NOK million	(914.1)	(876.5)	(836.0)	(758.0)	(695.4)
Tax expense	NOK million	(1,309.8)	(1,474.1)	(1,265.0)	(1,210.0)	(903.5)
Profit for the year	NOK million	4,519.3	4,665.9	3,784.7	4,189.6	3,670.6
Earnings per share	NOK	9.05	9.34	7.57	8.34	7.34
Regular dividend per share (Based on profit for the year)	NOK	7.10	6.80	6.40	5.90	6.80
Special dividend per share (Based on distribution of excess capital)	NOK			6.00		10.00

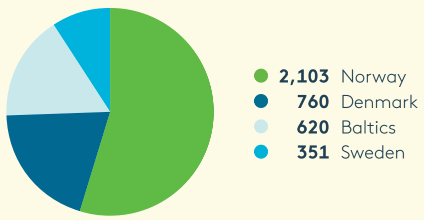
Main figures general insurance		2017	2016	2015	2014	2013
Underwriting result [1]	NOK million	3,410.1	3,734.6	3,456.9	2,862.3	2,019.6
Large losses [2]	NOK million	577.4	871.8	880.3	823.3	906.6
Run-off results [3]	NOK million	1,030.3	1,023.4	724.8	493.7	299.6
Combined ratio [4]	%	85.4	83.4	83.7	86.0	89.2
Loss ratio [5]	%	70.1	69.1	68.6	71.0	74.0
Cost ratio [6]	%	15.3	14.2	15.1	15.0	15.3

Balance		2017	2016	2015	2014	2013
Investment portfolio [7]	NOK million	54,860.2	53,957.7	57,173.9	56,538.8	58,148.2
Provisions for unearned premiums, gross	NOK million	15,746.3	13,654.9	13,097.2	11,944.6	11,049.2
Claims provisions, gross	NOK million	31,332.7	32,447.5	33,178.5	32,926.9	31,749.6
Equity	NOK million	23,703.1	22,326.0	23,330.6	21,656.8	26,287.8
Total equity and liabilities	NOK million	149,072.4	135,926.6	129,264.4	113,982.0	108,946.3

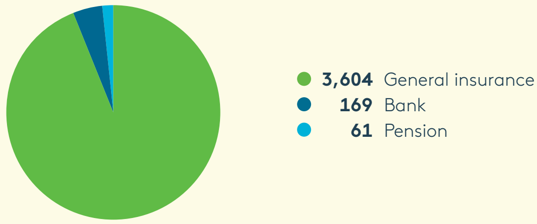
Return		2017	2016	2015	2014	2013
Return on financial assets [8]	%	3.7	3.9	2.6	4.3	4.3
Return on equity [9]	%	21.3	21.4	17.4	18.1	14.6

[1] Underwriting result, general insurance = earned premiums - claims incurred etc. - operating expenses
[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] Combined ratio = claims ratio + cost ratio
[5] Loss ratio = claims incurred etc. /earned premium
[6] Cost ratio = operating expenses/earned premium
[7] Investment portfolio includes all investment funds in the Group, except Pension and Retail Bank
[8] Return on financial assets = net financial income as a percentage of the average financial assets including property (excluding Pension and Retail Bank)
[9] Return on equity = Shareholders' share of net profit for the period/average shareholders' equity for the period

Employees per country as at 31.12.2017



Employees per business area as at 31.12.2017



Health, safety and the environment		**2017**	**2016**	**2015**	**2014**	**2013**
Sickness absence (Self-certified and doctor-certified), Gjensidige Forsikring	%	3.9	3.9	4.1	4.7	5.1
Injuries, Gjensidige Forsikring	Number	0	0	0	0	0
Turnover of employees, Gjensidige Forsikring	%	15.3	9.7	9.6	8.7	9.7

Employees		**2017**	**2016**	**2015**	**2014**	**2013**
Number of employees in the Group	Persons	3,834	4,005	3,908	3,525	3,377
Average age Gjensidige Forsikring	Year	42.0	43.0	44.3	43.1	44.4
Average amount spent on skills development per employee	NOK	10,300	15,000	17,500	17,500	15,800
Participation in a training programme	Days	6,960	7,487	5,524	7,400	8,900

In addition to the financial statements according to IFRS, Gjensidige uses different alternative performance measures (APM) to present the business in a more relevant way for its different stakeholders. The alternative performance measures have been used consistent over time, and relevant definitions have been disclosed in the quarterly reports. Comparable figures are provided for all alternative performance measures in the quarterly reports.

ANOTHER GOOD YEAR BEHIND US – EXCITING OPPORTUNITIES AHEAD

Gjensidige is in a strong position at year-end 2017. Customer satisfaction and customer loyalty are both at a high level. In Norway, we were awarded the Ipsos Reputation Prize, and we had the best reputation in the financial sector.

Gjensidige delivered sound results also in 2017, with a total profit of NOK 4.5 billion. Profitability in Norway was still very good and, outside Norway, it developed in a positive direction according to plan.

We focus strongly on making swift local adaptations outside Norway. We see that joint solutions are not necessarily the right choice everywhere. We are nonetheless on our way to implementing best practice in important areas across organisational and geographical borders.

Work on strengthening our position outside Norway continues unabated. Sweden, Denmark and the Baltics will be reported as separate segments from 2018.

Our banking and pension businesses have now been in operation for more than ten years and they are both strong, ambitious players in the Norwegian market. Combined, they contributed a total of NOK 716 million to Gjensidige's profit for 2017.

Cooperation with our biggest owner, the Gjensidige Foundation, has also been good in the past year. In 2017, our general insurance customers in Norway received customer dividend from the Gjensidige Foundation in the amount of NOK 2.1 billion. The customer dividend is a unique advantage for our customers.

We have had to live with a continued low interest rate level in 2017. The low level is expected to continue in 2018. A low interest rate level means less financial income and increases the need for a strong insurance result. This underlines the importance of good profitability in our core business through cost efficiency, good risk selection and tariff setting.

Social responsibility then and now

Social responsibility has always been a natural and important part of our activities as an insurance company. Today, we base our corporate social responsibility on the UN Global Compact principles, which we have endorsed. By doing so, we commit ourselves to promoting fundamental human rights, labour rights, the environment and anti-corruption, through our own activities and in companies we invest in.

This does not mean that we will give less priority to what has been our most important social responsibility throughout most of our history, namely to prevent loss and accidents in the areas where we do business.

We must recognise that we are increasingly perceived as an international company with international responsibility. This will make new demands of us, both as regards activities and transparency towards the market.

As a major asset manager, it is especially important that we require the companies we invest in to operate in a socially responsible manner. We base our ethical guidelines on the UN Global Compact principles and international conventions on inhumane weapons.

You can read more about our corporate social responsibility on page 22-39 of this annual report.

Changed framework conditions create new opportunities

One of Gjensidige's most important competitive advantages is our ability to change. We have extensive experience of adapting to our customers' needs, and will continue to do so as the framework conditions change.

In 2017, we have made targeted efforts to adapt our procedures and processes to new regulations, including the General Data Protection Regulation (GDPR).

New regulations can pave the way for new ways of competing, and of carrying out service and sales, than we are used to. Like changes in technology and customer behaviour, this can create new opportunities for both existing and new players.

The future will be characterised by an ageing population and increased digitalisation, which will necessitate new solutions, business models and initiatives.

We will address these developments through new initiatives, and be open to participating in new partnerships and collaborations where the opportunity arises. Size and scale will be more and more important if we are to be able to make use of data, technology and knowledge in increasingly sophisticated ways – and be a relevant partner for the future. Our ambition is to develop into an even bigger Nordic insurance company.

Our investments in the accident and health market will continue at a pace that is adapted to market developments. This is an area where we expect growth in the Nordic countries for a long time to come, driven by demographic developments.

Our ambition is strong and clear. We aim to be the industry leader as regards customer orientation in the Nordic general insurance market, and we will continue to create significant value for our owners.

We aim to deliver the best digital customer experiences. We want to be relevant to people's everyday lives and businesses' day-to-day operations. Our job is to ensure that our customers are well prepared if something should happen. And we will help them when a loss or accident occurs. We shall still know the customer best – and care the most.

Helge Leiro Baastad

Helge Leiro Baastad
CEO

Operations 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.

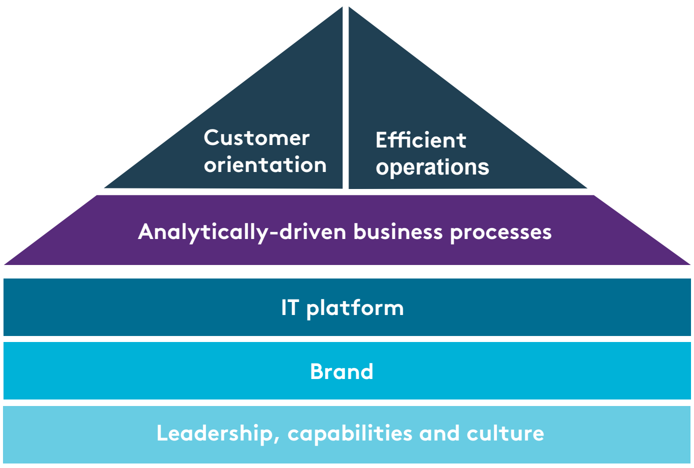
In 2017, Gjensidige's business has been organised in six operational segments:

- General Insurance Private
- General Insurance Commercial
- General Insurance Nordic
- General Insurance Baltics
- Pension
- Retail Bank

Strategy

A strong focus on customers is at the core of Gjensidige's strategy. Backed by a down-to-earth business culture and analytically-driven core operations, this will give Gjensidige a competitive advantage.

Strategic platform



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. Acquisitions shall complement organic growth and contribute to the Company delivering on its strategic goals, and the following group targets after 2–3 years:

- a return on equity of more than 15 per cent
- a combined ratio in the range of 90–93

Three strategic areas are in focus: digital customer experiences, business intelligence and analytics, and dynamic organisational capabilities.

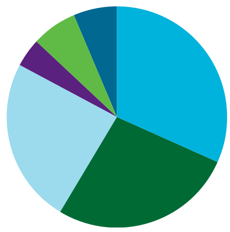
A fast pace and flexibility in the development of products, services and service models are necessary in order to be the preferred insurance provider. The automation of internal processes is intended to ensure cost-efficiency and facilitate increased use of self-service solutions by customers.

Analytical use of data in order to offer attractive products and services and ensure profitable operations is crucial if we are to realise our ambition of being the most customer-oriented general insurance company in the Nordic region.

Changes in technology and customer behaviour mean that increasingly close cooperation is required between our distribution channels. A good understanding of what customers are concerned with in their everyday lives is a prerequisite if we are to develop new, relevant services.

Customers' needs and behaviour are changing faster than ever. It is therefore paramount to reduce the time it takes to develop and launch new customer-oriented services.

Income per segment



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

Information is a strategic resource for Gjensidige. The work on ensuring good data quality, efficient data collection processes, availability, reporting and analysis will therefore be further strengthened.

Our strategic ambitions cannot be realised without motivated, committed managers and employees who have the right expertise and attitudes. A higher pace of change – not least as regards technology and customer behaviour – means that a transition is needed from traditional training-based competence-raising measures to a dynamic learning culture driven by individual managers and employees. Competence shall increasingly be shared through data-driven work processes and cooperation-based solutions. A stronger overall understanding shall be created through internal rotation of managers and staff.

Gjensidige Bank and Gjensidige Pensjonsforsikring play an important strategic role in relation to Gjensidige's position in the Norwegian market. Exclusive customer solutions and concepts will continue to be important in both the private and commercial markets.

As part of our strategic work, we constantly challenge our strategic platform. The main conclusion is that it remains firm, also after the changes we see in the market, including further development of Gjensidige's partner strategy using new technologies.

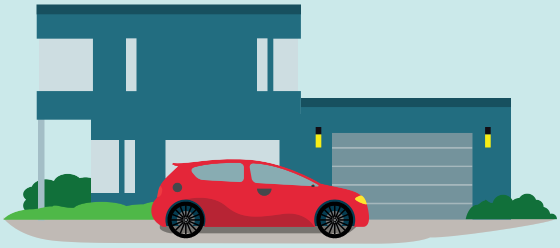
Financial targets

Area	Target	Achievement 2017
Group		
Return on equity	>15 per cent	21.3 per cent
Dividend	Nominal high and stable. Payout ratio >70 per cent	Payout ratio 79 per cent*
Rating	Maintain A rating from S&P	A rating confirmed in August 2017
Solvency margin Standard Formula	120-150 per cent	137 per cent**
Solvency margin Internal Model	125-175 per cent	169 per cent***
General insurance		
Combined ratio	86-89 per cent****	85.4
Cost ratio	~15 per cent	15.3 per cent

* Dividends based on profit for the year.
** Adjusted for proposed dividend for 2017.
*** Adjusted for proposed dividend for 2017. After the balance sheet date, Gjensidige received feedback from the FSA with regards to the partial internal model. See note 23 for further description.
**** Combined ratio target on an undiscounted basis, assuming ~4 pp run-off gains next 3-5 years and normalised large losses impact. Beyond the next 3-5 years, the target is 90-93 given 0 pp 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.



2017

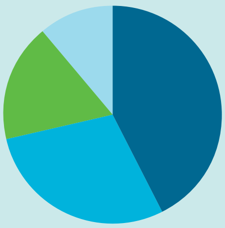
Customer orientation was the top priority in the Private segment in 2017. Work on further digitalising the customer processes to be able to meet customer expectations was in focus. We allowed car claims to be reported using a mobile application instead of the traditional claims report form on paper. The app can use image recognition to appraise the damage immediately, with the help of artificial intelligence. Continuous work on the tariffs, and improved customer and risk selection, contributed to growth, good profitability and increased quality in the customer portfolio.

Outlook

Continuous work is carried out in the Private segment on measures aimed at customer retention and increased quality in all customer processes. Improved availability, simplification of products and processes and more digitalisation are prioritised in order to support the Group's financial targets and improve customer orientation.

Competition is strong, both from established players and from some smaller niche players, but Gjensidige's competitiveness in the Norwegian private market is still good.

Distribution earned premiums



- **42.5 %** Motor
- **28.9 %** Property
- **17.6 %** Accident and health
- **11.0 %** Leisure

Market shares

- **23.9 %** Gjensidige
- **19.1 %** If
- **12.5 %** Tryg
- **13.7 %** SpareBank1
- **30.8 %** Other

Source: Finance Norway, based on written premiums 3rd quarter 2017

Key figures Private

NOK million	2017	2016	2015
Earned premiums	8,516.5	8,291.3	8,152.3
Underwriting result	**2,200.0**	**2,196.7**	**2,208.1**
Loss ratio	61.4 %	60.7 %	60.2 %
Cost ratio	12.8 %	12.8 %	12.7 %
Combined ratio	74.2 %	73.5 %	72.9 %

General Insurance Commercial

The Commercial segment offers a wide range of general insurance products to the commercial, agricultural and municipal markets 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.

2017

Sales activities and retaining good customers were the top priorities in the Commercial segment in 2017. Models based on analytics have been further developed to ensure continued high customer satisfaction and efficient distribution. New products and digital solutions adapted to changed customer needs were also launched. Strategic staff planning throughout the year helped to ensure good operational efficiency in the segment. There is a strong focus on competence building to ensure relevance and competitiveness in a professionalised procurement market.

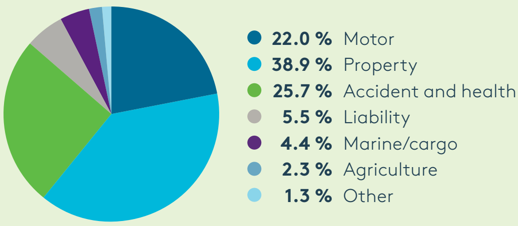
Outlook

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.

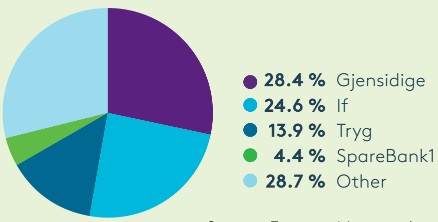
The Norwegian macro economy has stabilised and the market for commercial insurance is somewhat improving. The market is characterised by strong competition and continued price pressure, especially for group pension schemes.

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. In light of market developments, Gjensidige is very pleased with the renewal rate at the beginning of 2018.

Distribution earned premiums



Market shares



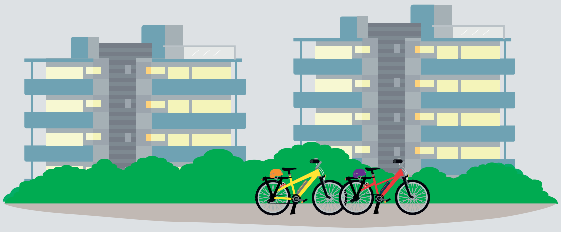
Source: Finance Norway, based on written premiums 3rd quarter 2017

Key figures Commercial

NOK million	2017	2016	2015
Earned premiums	7,300.5	7,257.4	7,076.8
Underwriting result	**1,634.8**	**1,631.3**	**1,440.8**
Loss ratio	66.1 %	66.5 %	68.2 %
Cost ratio	11.5 %	11.0 %	11.4 %
Combined ratio	77.6 %	77.5 %	79.6 %

General Insurance Nordic

The Nordic segment includes the Group's operations in the Danish and 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. In Denmark, the Nykredit group is a key distribution partner.



2017

Integration activities relating to companies and portfolios acquired in recent years were again among the priorities in 2017. Work has also been devoted to continuous strengthening of the distribution partnerships and on making operational processes more efficient. The focus on further development of the business model, portfolio restructuring and repricing helped to strengthen the quality of portfolios in the Danish and Swedish part of the business, during the year.

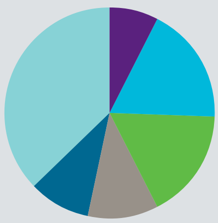
Outlook

Our Nordic operations shall contribute to economies of scale, diversification of risk and increased competitiveness for the Group. The Nordic general insurance markets are relatively consolidated, but Gjensidige sees opportunities for growth through a patient, rational approach.

As from 2018, the Nordic segment will be split into a Danish and a Swedish business area. Both areas will give priority to increased profitability, cost efficiency, integration of acquired businesses, organisational and culture development and investments in customer-oriented digital solutions. The design and implementation of measures will be adapted to each area's distinctive characteristics.

There is strong competition in the markets Gjensidige operates in. The pressure on prices remains high, especially in the market for larger commercial customers and in the municipal market.

Market shares Denmark



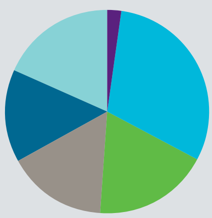
- **7.7 %** Gjensidige
- **18.0 %** Tryg
- **16.8 %** Topdanmark
- **11.0 %** Codan
- **9.5 %** Alm Brand
- **37.0 %** Other

Source: The Danish Insurance Association, based on gross premiums earned 2016

Key figures Nordic

NOK million	2017	2016	2015
Earned premiums	6,563.5	5,917.8	5,233.3
Underwriting result	**192.4**	**247.3**	**509.1**
Loss ratio	81.6 %	80.1 %	74.6 %
Cost ratio	15.5 %	15.7 %	15.6 %
Combined ratio	97.1 %	95.8 %	90.3 %

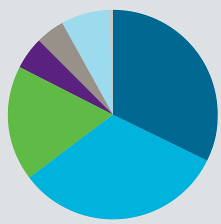
Market shares Sweden



- **2.3 %** Gjensidige
- **30.5 %** Länsförsäkringar
- **18.3 %** If
- **16.0 %** Folksam
- **14.7 %** Trygg-Hansa
- **17.4 %** Other

Source: Insurance Sweden, based on earned premiums as at 3rd quarter 2017

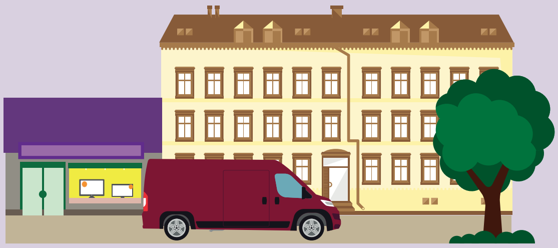
Distribution earned premiums



- **32.5 %** Motor
- **32.4 %** Property
- **17.8 %** Accident and health
- **4.9 %** Liability
- **4.4 %** Agriculture
- **7.5 %** Leasure
- **0.5 %** Other

General Insurance Baltics

Gjensidige's Baltic segment offers general insurance products to the private and commercial markets in Lithuania, Latvia and Estonia. The products are distributed through dedicated channels, insurance agents and brokers. The Baltic insurance market is still immature, and Gjensidige is well positioned for future growth.



2017

Operations in the Baltics were dominated by rationalisation of processes in 2017. Lithuania, Estonia and parts of Latvia are now operating on the same IT core system. Initiatives relating to product development, tariff programmes, distribution, customer relationship management (CRM) and claims settlement continue according to plan after the acquisition of PZU Lietuva late in 2015.

Outlook

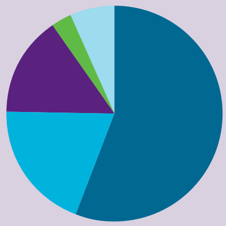
Gjensidige's goal is to be one of the leading insurance companies in the Baltic states. The market is relatively immature, and a significant proportion of both the private and the commercial segments is still uninsured. We expect growth in the market in step with improvements in the general economic situation and increase in the standard of living.

Competition is intense and the pressure on prices considerable, but new and more sophisticated tariffs are expected to contribute to better portfolio quality and profitability. The distribution will be moved towards an increasing share of direct distribution through phone and web sales. The business is expected to be profitable from full-year 2018.

Key figures Baltic

NOK million	2017	2016	2015
Earned premiums	1,074.7	1,036.3	642.0
Underwriting result	**(7.2)**	**(99.5)**	**(98.9)**
Loss ratio	68.5 %	72.2 %	81.8 %
Cost ratio	32.2 %	37.4 %	33.6 %
Combined ratio	100.7 %	109.6 %	115.4 %

Distribution earned premiums



56.0 % Motor
19.3 % Property
15.1 % Accident and health
3.2 % Liability
6.4 % Other

Market shares

9.8 % Gjensidige
25.5 % PZU
19.8 % Vienna
11.6 % If
13.6 % Ergo
19.7 % Other

Source: Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual corrections. Based on gross written premiums for 3rd quarter 2017.

Pension

Gjensidige Pensjonsforsikring (GPF) shall contribute to the sale of a wide range of products to general insurance customers in Norway, and it offers pension products mainly to the Norwegian commercial market. The products are distributed directly by Gjensidige and via selected partners. Gjensidige is the fourth biggest provider in the market for private collective defined contribution pensions with individual investment options.

2017

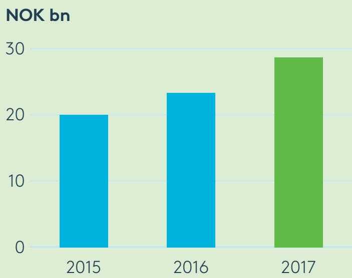
GPF offers defined contribution occupational pension schemes for businesses, in addition to individual pension savings agreements and disability pension. Focus was given to the further development of solutions adapted to customer needs in 2017, which contributed to strong portfolio growth.

Outlook

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.

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

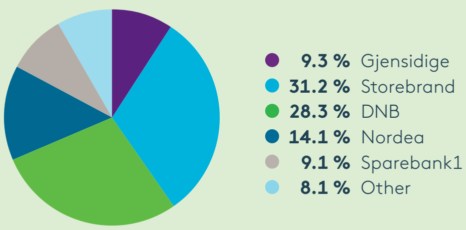
Assets under management



Key figures Pension

NOK million	2017	2016	2015
Net operating income	74.0	88.4	155.9
Net financial income	**29.7**	**26.4**	**41.4**
Profit/(loss) before tax expence	**103.7**	**114.8**	**71.4**

Market shares defined contribution*



Source: Finance Norway, 3rd quarter 2017, Assets under management

* With individual investment options

Retail Bank

Gjensidige Bank is an online bank that will contribute to the sale of a wide range of products to, and loyalty among, general insurance customers in the retail market in Norway. The bank offers housing loans, car financing, unsecured loans, credit cards, day-to-day banking services and savings products. Distribution largely takes place online, and customer service is available by phone, via chat and in Gjensidige's financial offices. Car financing is also distributed through car dealers.

2017

Sales to affinity group customers in the general insurance business, the sale of car insurance and savings products were given high priority in 2017. Growth in lending was high, and loans to the Group's general insurance customers accounted for 75 per cent of the bank's lending volume at year-end.

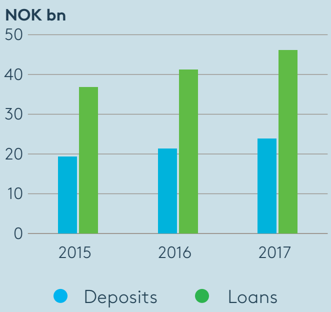
Outlook

Gjensidige Bank shall first and foremost support the Norwegian general insurance business by contributing to a broader product range, and increased loyalty among existing general insurance customers in Norway.

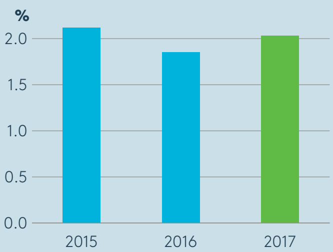
The fulfilment of this purpose will continuously be assessed against the capital required for the bank. The bank will continue to offer a wide range of financial services at attractive terms, through customer-friendly digital solutions, Gjensidige's branch offices and cooperating car dealers, and shall contribute to the Group's growth and profitability.

The banking market in Norway is characterised by considerable competition and an increasing number of competitors. Gjensidige Bank will continue to offer competitive terms in segments that are strategically important to the Group.

Deposits and lending as at 31.12.



Net interest margin



Net interest margin = net interest income/average total assets

Key figures Retail Bank

NOK million	2017	2016	2015
Net interest income	992.3	797.3	721.2
Total income	**1,035.2**	**915.0**	**765.5**
Write-downs and losses	(10.3)	(69.5)	(62.3)
Profit/(loss) before tax expense	**612.3**	**439.1**	**313.2**

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 2017, the portfolio totalled NOK 54.9 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 duraction and currency that matches the duration and currency of the technical provisions.

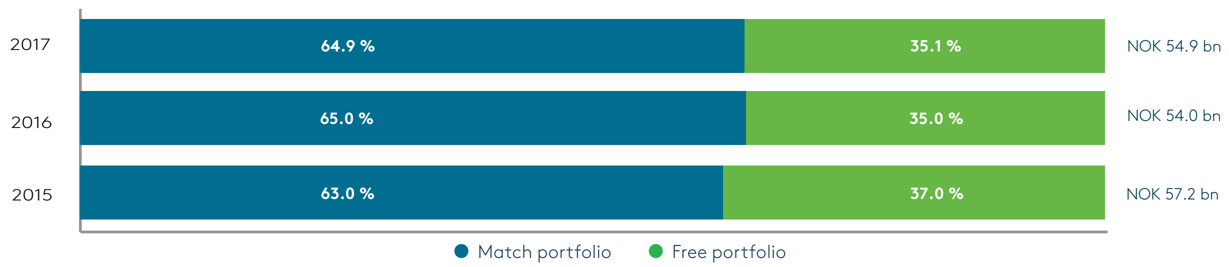
The free portfolio consists of various assets. The allocation of assets in this portfolio must be seen in connection with the Group's capitalisation and risk capacity, and the Group's risk appetite at all times. In general, the currency risk in the investment portfolio is hedged up to 100 per cent, with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

At year-end 2017, the total investment portfolio amounted to NOK 54.9 billion. The financial result amounted to NOK 2.0 billion, corresponding to a return on financial assets of 3.7 per cent.

Financial assets and properties

NOK million	Return in per cent 2017	2016	2015	Result 2017	2016	2015
Match portfolio	2.8	3.5	2.8	981.0	1,264.5	982.0
Free portfolio	5.3	4.6	2.3	1,021.6	890.6	510.4
Financial result from the investment portfolio	**3.7**	**3.9**	**2.6**	**2,002.6**	**2,155.1**	**1,492.4**
Net income from investments				**2,029.0**	**2,196.1**	**1,473.3**

Portfolio composition as at 31.12.



Additional information

		2017	2016	2015
Group				
Return on financial assets [1]	%	3.7	3.9	2.6
Equity	NOK million	23,703.1	22,326.0	23,330.6
Return on equity, annual [2]	%	21.3	21.4	17.4
Equity per share	NOK	47.4	44.7	46.7
Total eligible own funds to meet the group SCR (SF) [3]	NOK million	21,052.5	20,377.9	19,491.4
Group SCR margin (SF) [4]	%	137.5	146.8	138.8
Total eligible own funds to meet the minimum consolidated group SCR (SF) [5]	NOK million	13,980.9	14,065.2	14,088.3
Minimum consolidated group SCR margin (SF) [6]	%	256.2	266.4	280.9
Gjensidige Forsikring ASA				
Total eligible own funds to meet the SCR (SF) [7]	NOK million	18,877.4	18,625.0	18,659.7
SCR margin (SF) [8]	%	168.5	181.5	176.9
Total eligible own funds to meet the MCR (SF) [9]	NOK million	16,281.4	16,124.4	16,236.6
MCR margin (SF), Group [10]	%	346.3	349.2	343.5
Share capital				
Issued shares at the end of the period	Number	500,000,000	500,000,000	500,000,000
Earnings per share (basic and diluted) [11]	NOK	9.05	9.34	7.57
General insurance				
Gross premiums written				
Private	NOK million	8,614.5	8,375.9	8,269.1
Commercial	NOK million	7,637.0	7,446.1	7,434.9
Nordic	NOK million	6,703.9	6,262.4	5,430.0
Baltics	NOK million	1,074.9	1,080.6	702.9
Corporate Centre/reinsurance	NOK million	47.2	53.0	138.7
Total	NOK million	24,077.5	23,218.0	21,975.6
Premiums, net of reinsurance [12]	%	97.1	97.5	97.9
Earned premiums				
Private	NOK million	8,516.5	8,291.3	8,152.3
Commercial	NOK million	7,300.5	7,257.4	7,076.8
Nordic	NOK million	6,563.5	5,917.8	5,233.3
Baltics	NOK million	1,074.7	1,036.3	642.0
Corporate Centre/reinsurance	NOK million	(56.9)	(60.9)	167.7
Total	NOK million	23,398.3	22,441.9	21,272.0
Loss ratio [13]				
Private	%	61.4	60.7	60.2
Commercial	%	66.1	66.5	68.2
Nordic	%	81.6	80.1	74.6
Baltics	%	68.5	72.2	81.8
Total	%	70.1	69.1	68.6
Cost ratio [14]				
Private	%	12.8	12.8	12.7
Commercial	%	11.5	11.0	11.4
Nordic	%	15.5	15.7	15.6
Baltics	%	32.2	37.4	33.6
Total	%	15.3	14.2	15.1

		2017	2016	2015
Combined ratio [15]				
Private	%	74.2	73.5	72.9
Commercial	%	77.6	77.5	79.6
Nordic	%	97.1	95.8	90.3
Baltics	%	100.7	109.6	115.4
Total	%	85.4	83.4	83.7
Combined ratio discounted [16]	%	84.8	82.4	82.3
Pension				
Assets under management pension, at the end of the period	NOK million	28,699.0	23,237.3	20,033.0
of which the group policy portfolio	NOK million	6,018.4	5,409.6	4,877.5
Operating margin [17]	%	24.55	31.62	17.56
Recognised return on paid-up policy portfolio [18]	%	3.75	4.08	5.43
Value-adjusted return on paid-up policy portfolio [19]	%	4.47	4.87	5.42
Customers with insurance agreements at the end of the period [20]	%	69.4	70.0	70.9
Return on equity, annual [2]	%	11.0	13.8	10.0
Retail Bank				
Gross lending, addition in the period	NOK million	4,806.6	4,514.0	9,189.0
Deposits, addition in the period	NOK million	2,495.3	1,913.1	2,653.9
Gross lending, at the end of the period	NOK million	46,056.1	41,249.5	36,735.5
Deposits at the end of the period	NOK million	23,765.7	21,270.4	19,357.2
Deposits-to-loan ratio at the end of the period [21]	%	51.6	51.6	52.7
Assets under management savings, at the end of the period	NOK million	15,975.1	15,141.6	15,555.1
Net interest margin [22]	%	2.03	1.85	2.12
Write-downs and losses [23]	%	0.02	0.18	0.20
Cost/income ratio [24]	%	39.8	44.4	49.5
Shared customers' share of gross lending [25]	%	75.0	76.2	77.0
Capital adequacy ratio [26]	%	18.1	17.1	16.1
Tier 1 capital ratio [27]	%	16.2	15.0	14.2
Common equity Tier 1 capital ratio [28]	%	14.7	13.5	12.7
Return on equity, after tax [2]	%	14.2	12.0	10.3

1 Return on financial assets = net financial income in per cent of average financial assets including property, excluding Retail Bank and Pension
2 Return on equity = Shareholders' share of net profit for the period/average shareholders' equity for the period
3 Total eligible own funds to meet the group SCR (SF) = Total eligible own funds to meet the group SCR under the Solvency II standard formula. Total comprehensive income is included, less a formulaic dividend pay-out ratio in first, second and third quarter of 70 per cent of net profit.
4 Group SCR margin (SF) = Ratio of total eligible own funds to group SCR under the Solvency II standard formula
5 Total eligible own funds to meet the minimum consolidated group SCR (SF) = Total eligible own funds to meet the minimum consolidated group SCR under the Solvency II standard formula. The proposed dividend has been deducted from the total eligible own funds.
6 Minimum consolidated group SCR margin (SF) = Ratio of eligible own funds to minimum consolidated group SCR under the Solvency II formula
7 Total eligible own funds to meet the SCR (SF) = Total eligible own funds to meet the SCR for Gjensidige Forsikring ASA under the Solvency II standard formula. The proposed dividend has been deducted from the total eligible own funds.
8 SCR margin (SF) = Ratio of total eligible own funds to SCR for Gjensidige Forsikring ASA under the Solvency II standard formula
9 Total eligible own funds to meet the MCR (SF) = Total eligible own funds to meet the MCR for Gjensidige Forsikring ASA under the Solvency II standard formula. The proposed dividend has been deducted from the total eligible own funds.
10 MCR margin (SF) = Ratio of eligible own funds to MCR for Gjensidige Forsikring ASA under the Solvency II formula
11 Earnings per share, basic and diluted = the shareholders' share of the profit or loss for the period/average number of outstanding shares in the period
12 Premiums, net of reinsurance = gross premiums written, net of reinsurance/gross premiums written (general insurance)
13 Loss ratio = claims incurred etc./earned premiums
14 Cost ratio = operating expenses/earned premiums
15 Combined ratio = loss ratio + cost ratio
16 Combined ratio discounted = combined ratio if claims provisions had been discounted
17 Operating margin = operating result/(net insurance-related income + management income etc.)
18 Recognised return on the paid-up policy portfolio = realised return on the portfolio
19 Value-adjusted return on the paid-up policy portfolio = total return on the portfolio
20 Shared customers = customers having both pension and general insurance products with Gjensidige
21 Deposits-to-loan ratio = deposits as a percentage of gross lending
22 Net interest margin = net interest income/average total assets
23 Write-downs and losses = write-downs and losses/average gross lending
24 Cost/income ratio = operating expenses/total income
25 Shared customers = customers having both bank and general insurance products with Gjensidige
26 Capital adequacy ratio = net primary capital/risk-weighted assets. The result of the period is not included in the calculation for the quarters, with the exception of fourth quarter.
27 Tier 1 capital ratio = Tier 1 capital/risk-weighted assets.
28 Common equity Tier 1 capital ratio = common equity Tier 1 capital/risk-weighted assets.

The Gjensidige share yielded a total return of 19 per cent in 2017. At year-end, Gjensidige was the seventh biggest company listed on Oslo Børs, with a market value of NOK 77 billion. The profit per share was NOK 9.05 in 2017, 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 target is to distribute high and stable nominal dividends, and at least 70 per cent of the profit after tax 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.

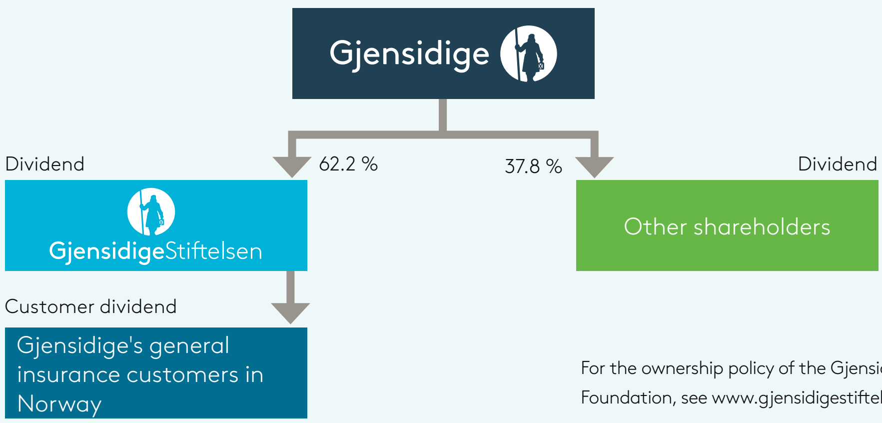
For the 2017 financial year, the Board has proposed that a dividend of NOK 7.10 per share be distributed based on the profit for the year. This corresponds to 79 per cent of the profit after tax.

The dividend for the 2017 financial year will be adopted by the general meeting on 5 April 2018 and paid to shareholders registered on the date of the general meeting. The Gjensidige share will be traded ex dividend on 6 April 2018, the record date will be 9 April 2018 and the dividend will be disbursed on 16 April 2018.

Customer dividend

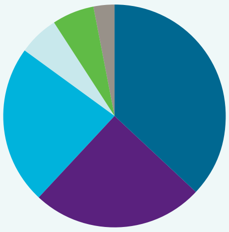
The Gjensidige Foundation is the largest shareholder in Gjensidige, with a holding of 62.2 per cent. The Foundation passes on share dividend relating to the profit for the year from Gjensidige to Gjensidige's general insurance customers in Norway in the form of customer dividend. Share dividends relating 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 time of Gjensidige's general meeting, which adopts the customer dividend.



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

Geographical distribution of shares as at 31.12 2017



Distribution of shares exclusing shares owned by the Gjensidige Foundation

Customer dividend paid in 2017, based on the profit for 2016, accounted for 14 per cent of premiums paid in 2016.

Ownership

At year-end 2017, Gjensidige had approximately 33,000 shareholders. The 20 biggest owners represented a total of 85.1 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 contribute 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.

20 largest shareholders 31. desember 2017 [1]

		Per cent
1	Gjensidigestiftelsen	62.2
2	Deutsche Bank	3.9
3	Caisse de Depot et Placement du Quebec	3.7
4	Folketrygdfondet	3.4
5	Danske Bank	2.7
6	BlackRock Inc	2.1
7	State Street Corporation	0.8
8	The Vanguard Group, Inc	0.8
9	DNB ASA	0.8
10	Storebrand Group	0.6
11	Safe Investment Company	0.5
12	KLP	0.5
13	Nordea	0.5
14	Thornburg Investment Mgt	0.5
15	JPMorgan Chase & Co	0.4
16	Northern Trust Corporation	0.4
17	1832 Asset Mgt	0.3
18	Fidelity Worldwide Investment (FIL)	0.3
19	Legal & General Group	0.3
20	Societe Generale	0.3

[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 2016, carried out by Orient Capital Ltd. The analysis maps the owners behind the nominee accounts. There is no guarantee that the list is correct.

General Meeting

The next ordinary General Meeting will be held at Gjensidige's offices in Schweigaards gate 21, Oslo, on 5 April 2018 at 17:00 CET.

For more detailed information about the governing bodies and/or the General Meeting, see page 40–53 and/or www.gjensidige.no/ir.

Gjensidige's object is to create value for society through safeguarding life, health and assets and by relieving customers of risk. We shall ensure that our experience and expertise in loss prevention benefit society at large. Our activities shall contribute to a good, sustainable society characterised by respect for human rights and the environment we live in.

Corporate social responsibility

Gjensidige follows Oslo Børs's guidance on the reporting of corporate social responsibility. The report is based on an analysis of the most important stakeholders we interface with in our activities, and of CSR matters that are relevant to our relations with these stakeholders.

In 2016, approximately 30 stakeholder groups were identified and assessed, in a processes that involved a number of key personnel in different positions in the Group, including the senior group management.

Of these groups, five were considered to be of particular importance to the risk analysis:

- Public authorities
- Owners
- Employees
- Customers
- Partner organisations

Significance to stakeholders	The environment and climate Employment Direct and indirect taxes Support for local communities Discrimination Possibility of whistleblowing Fair competition	**Socially responsible capital management** **Labour rights** **Product range** **Protection of privacy** **Loss prevention** **Competence-raising** **Corruption**
	Renewable energy Waste handling Water consumption Environmental emissions Sustainable products Insurance for the financially disadvantaged	Talent mapping Money laundering HSE
	Significance to Gjensidige	

We meet these stakeholders in various arenas, such as

- Written correspondence
- Meetings
- Conferences
- Presentations
- Phone calls

The assessment of relevant topics is based on

- what topics the stakeholders are concerned with
- what consequences it will have for Gjensidige if we fail to meet stakeholder expectations
- what consequences it will have for the stakeholders if we fail to meet their expectations

The assessments made in 2017 were mostly the same as in 2016. The topic 'Labour rights' was removed from the table, as we do not see any material risk relating to this topic at the overall level of our operational activities. Instead, labour rights are covered as part of 'Socially responsible capital management'.

As regards discrimination, on the other hand, the assessment in 2017 is that the risk relating to this topic must be deemed to be significant, even if the Company has not had to deal with any problematic cases so far.

The result of the analysis can be 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.

It is important to underline that all the above-mentioned topics are important. The matrix must be read as a prioritised overview of the areas in which it is natural to have expectations of Gjensidige, how great a risk there is of Gjensidige not meeting expectations, and what the consequences could be if the expectations are not met.

Measures and results

Gjensidige offers general insurance products to private and commercial customers in the Nordic region and the Baltic states. In Norway, we also offer banking and savings services to private customers and pension products to commercial customers.

Gjensidige's corporate social responsibility policy is based on our role as one of the biggest insurance companies in the Nordic region with significant engagement in investment activities with a global focus.

In line with this, Gjensidige shall contribute to safe communities where we operate and make arrangements so that our employees can demonstrate social commitment. All aspects of our activities shall be based on respect for human rights and employees' right to meaningful work under safe conditions.

Gjensidige's employees must comply with laws and regulations in the societies in which we do business, and act in accordance with ethical standards. Ethics and compliance with laws and regulations are key aspects of the internal training of our staff.

We shall seek to engage in dialogue with all interest groups affected by our activities. We shall ensure as little negative impact on the environment and climate as possible.

The Board and the management have adopted policies, guidelines and instructions that detail and specify the framework our employees must adhere to in different situations. Documents that are particularly relevant to the exercise of our corporate social responsibility are listed in a table on page 39.

A full version of the group policy for corporate social responsibility (CSR) and socially responsible investments (SRI) is available at www.gjensidige.no.

Several other chapters in this annual report are relevant to understanding how Gjensidige exercises its corporate social responsibility. The most important are:

- Corporate governance. Page 40
- Note 3, Risk and capital management. Page 94
- Note 8, Salaries and remuneration. Page 116
- Note 22, Share-based payment. Page 141

The Company's operations are described in more detail on page 8. Our strategy, financial targets and key figures are described on pages 8 and 9, respectively.

Socially responsible capital management

Gjensidige's asset management shall be based on the ten 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

In addition, asset management shall comply with international conventions on inhumane weapons.

The guidelines apply to investments in equities, fixed-income instruments, hedge funds and property.

The Group's Chief Investment Officer is responsible for ensuring compliance with the policy and guidelines. We have hired the recognised consultancy firm Global Ethical Standard (GES) to carry out an ethical screening of companies. GES's analyses form the basis for our assessment of whether to exclude companies from our investment universe.

One member of the capital management team is responsible for reviewing and compiling all information from the external consultants. This employee draws up a recommendation to the Chief Investment Officer and the Chief Risk Officer, who reach a final decision on whether to exclude the company in question.

Companies that commit serious or systematic violations of our 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.

In 2017, it was decided to exclude 10 companies from Gjensidige's investment portfolio, while 11 previously excluded companies were re-included. At year-end, a total of 89 companies had been excluded.

In 2017, we contacted 9 external managers about 25 companies that were on our list of excluded companies. At the end of the year, we were still in dialogue with the managers about these 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.

Loss prevention

Our core business – insurance – gives customers security by reducing or removing negative financial consequences of damage, injuries and accidents. This is an important welfare need in modern societies. It is nonetheless better for the customer, the insurance company and society as a whole to prevent such events occurring. Loss prevention is therefore a natural and important part of Gjensidige's core activities and corporate social responsibility.

Through our operations, we have acquired extensive expertise in loss prevention. This know-how shall as far as possible be used for the benefit of society as a whole.

Most insurance policies are designed to motivate the customer to avoid losses, both through incentives to reduce risk and through the customers usually having to carry some of the financial risk themselves.

The price customers pay for their insurance is normally strongly affected by the financial risk the customer represents. This risk is affected by the customer's choice of house, car and behaviour, among other things. We reward 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 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.

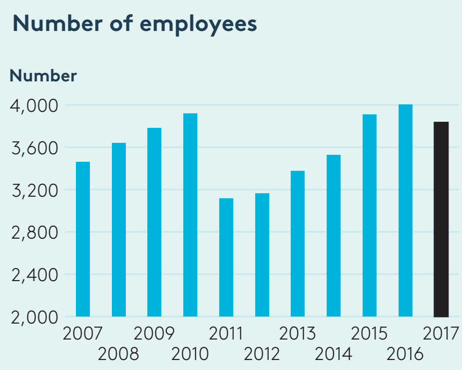
Road safety

Young drivers are especially at risk of being involved in car 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. In 2017, we contributed to the «ErDuSikker» campaign, which raises road safety awareness through a competition in which pupils solve various assignments. Examples of assignments are exercises that highlight dangerous behaviour in traffic, for example sending text messages while driving. The contributions are submitted via social media. More than 8,000 pupils from 38 schools all over the country submitted contributions in 2017.



We collaborate with other insurance companies on road safety through the industry organisation Finance Norway.

In Estonia, Gjensidige contributes to improving road safety through an annual campaign that encourages pedestrians to wear reflectors.

Bad weather forecast

With the help of weather data, we send text messages to customers 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.

In 2017 we sent 291,000 such warnings to customers.

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 – the smoke detector awareness day – on 1 December 2017. 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. Approximately 40,000 households received a visit from the fire service and an electricity inspector in connection with the campaign. This was the 14th year the campaign was held. Statistics from DSB suggest that the campaign has contributed to a marked reduction in the number of deaths caused by fire.

We also contributed to the development and marketing of educational material on fire prevention for schools. Approximately 20,000 children a year take part in this training.

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.

Sponsorships

For many years, we have been the main sponsor of the Norwegian women's and men's national handball teams. In 2017, we were also the main partner of the Norwegian Confederation of Sports (NIF) / Olympiatoppen and its 15 individual sport federations. During the year, we signed new 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 it entails 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 both 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 5-per cent rise in recruitment from 2016 to 2017.

In 2018, we will initiate projects relating to our three new sponsorship agreements. The projects will benefit the grassroots level of the sports as well as Norwegian society as a whole. We will also continue our grassroots-level handball projects.

Employees

Competence development

Business-driven development of employees, managers and the organisation is one of Gjensidige's focus areas. We believe that employees thrive when they can use their abilities, develop and be part of a group. The Group has adopted a People Strategy that prioritises competence-raising measures, because the right expertise will be critical to Gjensidige's chances of succeeding going forward.

Measures to follow up competence and development needs include:
1. A management tool that enables an analytical approach to competence and staff planning.
2. Follow-up and reporting of course days and completed e-learning organised by the Gjensidige Customer and Brand School
3. Follow-up to ensure that all employees have relevant development plans in place based on analyses of Gjensidige's needs.

At year-end 2017, the Group had a total of 3,834 employees.

Management
Good management and continuous competence-raising measures will give Gjensidige important competitive advantages, and the Group can thereby make a contribution to society by being an attractive employer.

Measure:
1. Customised management development programmes have been developed for groups of managers with different experience backgrounds, from newly appointed managers to the senior management group. The management training programme was updated towards the end of 2016 with a view to making the training more individually adapted.

An annual employee survey is conducted in the whole Group. It is followed up to ensure correct development and learning. All managers receive feedback from their employees through a structured process. We see that it pays off to involve individual employees in establishing measures that will help them to be happier at work.

Measures:
1. A main survey that is presented to the Board, the senior group management and all middle managers in autumn
2. A follow-up survey to see whether the measures implemented are effective
3. Special measures for entities that deviate significantly from the goal of employee engagement and job satisfaction.
4. Included in the follow-up of managers and the scorecards for the senior group management
5. In 2018, we will become better at following up and learning from best practice

Recruitment and retention
We work systematically on recruitment and have developed an employer branding strategy to this end. In 2017, Universum named Gjensidige Norway's most attractive employer for economists within the insurance industry. Regardless of industry, we came in as number 45 on the list. This is six places lower than the year before, but reflects a trend across the financial industry. We were also named 'climber of the year' by working IT professionals, and climbed a total of 14 places to number 38. Among women working in IT, we climbed from number 79 in 2016 all the way to number 28 on this year's list.

Measures to recruit and retain critical expertise:
1. We have gathered employees with expertise in employer branding, recruitment and onboarding on the same team. This will create synergies going forward at all stages of the process, from attracting the right expertise to retaining it.
2. We are making targeted efforts to raise Gjensidige's profile as an employer, both through digital channels and activities at relevant educational institutions, such as stands and presentations to students.
3. We have established an internal mentoring programme, intended as a supplement to the personal growth and development of individual employees and managers. This is a measure we believe will help us to retaining critical expertise, promote Gjensidige's culture and contribute to internal career development across divisions and business areas. The programme has resulted in 22 mentors being trained in the Company. The programme runs for one year at a time.
4. We have established an internship scheme, where students work for us for a whole academic year. In 2017, we had 16 students in internships. The work is intended to be relevant for their studies and to help them to put theory into practice.
5. Every year, we organise the Gjensidige Day at Gjensidige's head office, which offers a varied programme for students. In 2017, 60 students

participated in presentations, workshops, group interviews and a social event in the afternoon.

Developing our employees

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.

Employee development measures:

1. We have established a 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.
2. Employees who work in sales and customer advice take part in an extensive course programme leading up to an exam that tests their professional know-how, 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.
3. The Gjensidige Customer and Brand School had 6,960 course days in 2017 (7,113 in 2016). More than 1,700 employees attended courses in 2017 (approx. 1,600 in 2016).
4. We make substantial investments in our customer advisers – both in sales and in claims handling – and in 2017, we spent an average of 10,300 per employee. In 2016, the amount was NOK 15,000. The decrease was due to changes in reporting following a reorganization, and partly due to cost measures.
5. E-learning plays an increasingly important role in the school's programmes. It is mainly used for training in insurance subjects, systems, ethics and procedures. In 2017, staff have completed and passed 7,927 e-learning courses. A total of 701 different competence tests were held.
6. We have an active career development programme in the Company. Among other things, it facilitates internal mobility for the purpose of broadening the employees' range of competence and experience.

Cooperation with employee representatives

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.

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.

In 2017, 86 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.

Diversity, equality and anti-discrimination measures

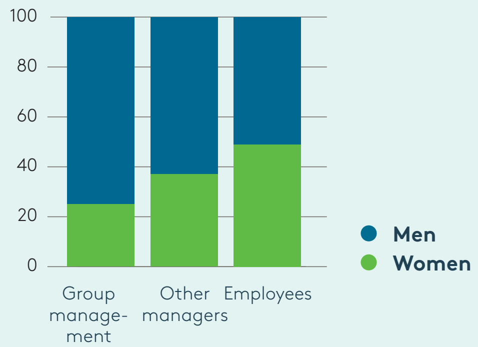
Gjensidige's overriding goal is that all employees in the Group shall have equal opportunities for personal and professional development. We have zero tolerance for discrimination on grounds of

- gender
- age
- disability
- ethnic origin
- sexual orientation
- religion

Measures:

1. 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 still manage to work.

Employees as at 31.12.2017



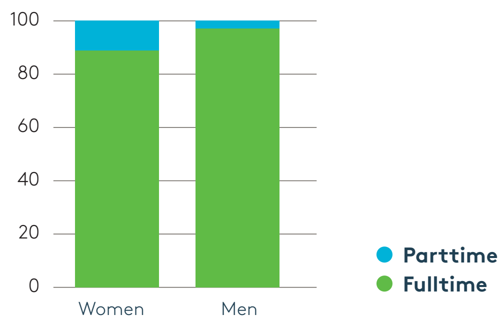
Average salary employees (NOK)

	Women	Men	Women's pay as share of men's pay
Group management	2,820,466	3,101,100	91.00 %
Other managers	967,096	1,043,731	92.70 %
Employees	538,763	616,526	87.40 %
Total	583,810	694,595	84.10 %

2. 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. The average retirement age has increased over time, but fell somewhat in 2016 due to employees taking early retirement in connection with restructuring.
3. All our big office buildings are of universal design in order to accommodate employees with disabilities.
4. We are working on a new diversity policy that will address age, background, mobility impairments and other factors.

Mapping of gender differences in pay and working conditions in Gjensidige Forsikring.
Our statistics are based on full-time equivalents, so that differences in full-time and part-time positions do not explain wage disparities. We see that the wage disparities are greatest in the oldest age groups. Our target is to level wage disparities between male and female employees

Employees per cent 2017



Very few positions in Gjensidige are defined as part-time positions. Part-time work is therefore mainly the result of employees' own choices. We have not gathered information about why employees choose to work part-time.

Gender distribution in executive positions

Gjensidige wishes to increase the proportion of women in executive positions, and this is well known among managers at all levels. It is also an express wish to increase diversity in general, in terms of employees' age, qualifications, background and gender. This is followed up with managers:

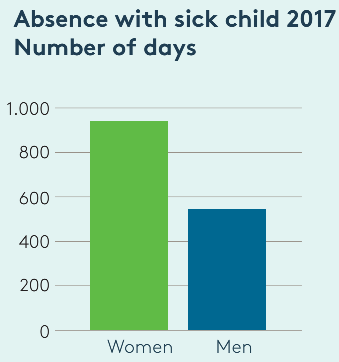
Measures implemented in 2017:

1. Focus on follow-up of and scorecards for senior managers
2. Systematic reporting of the staff composition, including gender balance, in the follow-up of senior managers
3. Reporting procedures for employees who experience discrimination
4. 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 had one meeting in 2016 and one in 2017. The topic was equal pay for women and men. No wage disparities on the basis of gender were identified in Gjensidige.

No special measures relating to equality or discrimination have been necessary in 2016 or 2017.

A family-friendly company

By law, parents are entitled to paid leave in connection with childbirth in all the countries where Gjensidige has employees.



Parents are allowed to stay home from work when their children are ill, as long as this is necessary and reasonable.

We take steps to ensure that employees can work from home, out of consideration for their family or for other reasons.

Human capital and competence development

Good management and continuous competence-raising measures will give Gjensidige important competitive advantages. We also have a responsibility to each individual employee and to society to make sure that employees are sufficiently qualified to be attractive employees.

Management and employee development is attended to by the Gjensidige Customer and Brand School, which is part of the HR Department and is the responsibility of the EVP of Group Staff and General Services.

The HR Department is responsible for strategic staff planning, including mapping of critical roles and expertise in the Company. The plan ensures that there are successors to all critical positions in the Company, and that we always cultivate talents who can take over key positions.

We work systematically on talent recruitment and have developed an employer branding strategy to this end. We make targeted efforts to raise Gjensidige's profile as an employer through digital channels.

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 with a view to avoiding repetitive strain injuries, and to provide information about the prevention of health problems.

Our health-promoting measures include (this varies from office to office):

- Arrangements to facilitate cycling to work in the form of bicycle parking and changing rooms
- Gym rooms
- Competitions that motivate employees for moderate physical activity on a daily basis
- Short exercise breaks during working hours
- Company sports club that organises a range of activities

Special adaptation procedures have been adopted for employees who have health problems that are aggravated by computer work or who 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 nonconformity system.

Sickness absence was 3.9 per cent in Norway, Denmark and Sweden in 2017. Our goal is to reduce sickness absence to 3.0 per cent by 2019.

Measures to ensure a satisfactory HSE situation:

1. Internal HSE audits are carried out to ensure compliance with statutory requirements and internal guidelines. In 2017, as the year before,

three such audits were carried out in Norway, two in Denmark and two in Sweden.
2. Working environment issues are integrated in the annual employee satisfaction survey that is conducted among all employees to identify matters that require special attention.
3. 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.

The result shows that the Company takes a systematic approach to health, safety and the environment, and that relevant measures are successfully implemented. The nonconformities that were found will be addressed and closed.

No work accidents resulting in personal injury or material damage occurred in 2017 (none in 2016).

Customer satisfaction and product quality

It is Gjensidige's goal to be the most customer-oriented company in the Nordic insurance industry. Customer orientation permeates our behaviour, priorities and communication at all levels of the organisation.

The focus on customers is a key part of product and service development, the training of employees, advisory services, sales, claims settlement and the handling of complaints.

Customers' satisfaction with the Company and 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.

In 2017, Gjensidige's customer satisfaction index (KTI) was 77.9 at group level, which is an increase of 0.5 from 2016, and the best result we have ever achieved.

The quality of insurance products is not directly measureable. Quality for the individual customer will depend on the extent to which their expectations are met in connection with claims settlements. It is Gjensidige's ambition that all customers shall receive the right settlement as soon as possible. Both factors are important to their perception of quality.

The possibility of efficient but thorough complaints handling is part of delivering high-quality claims settlements. Gjensidige has established a complaints system whereby customer complaints can be considered at three levels. The first level is the case officer. If the case officer does not reverse the decision, the customer can complain to the second level – the customer ombudsman – which is 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.

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. The composition ensures that the independent representatives decide the outcome of cases in which the consumer authorities and the financial industry disagree.

The number of complaints can provide an indication of how well Gjensidige succeeds in its ambition to deliver high-quality claims settlements.

The Financial Services Complaints Board received 324 complaints from Gjensidige customers in 2017. They accounted for about 12 per cent of all insurance-related complaints to the Board. This must be seen in conjunction with the fact that Gjensidige had a market share of just over 25 per cent in 2017.

Of the cases reported to the Financial Services Complaints Board, the Board found in favour of the customer in whole or in part in 15 per cent of the cases, compared with 21 per cent in 2016. A high percentage would indicate that the threshold for succeeding with a complaint internally in Gjensidige was high.

Innovation and technology development

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.

Other Norwegian companies and public bodies also participate in the project, which is called Big Insight.

In 2017, the project focused on two topics: click data from web portals, to give us a better understanding of customer' online behaviour, and a network analysis of relations between customer that will be used to improve methods for identifying signs of insurance fraud.

Customers and data protection

The Norwegian Data Protection Agency has granted Gjensidige a licence to process personal data, and laws and regulations regulate our collection, storage and use of such data. A group policy and instructions provide detailed guidelines on 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 new employees and is also a part of the introductory programme. 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 they shall be deleted immediately when they are no longer needed, unless special exemptions are authorised by law.

The Senior Group Management has 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 have an independent role and are in contact with the Norwegian Data Protection Agency and with customers and employees who have enquiries about personal data. They also have an internal control function.

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.

The requirements for information security are revised at least once a year. Risk assessments relating to personal data shall be carried out on a regular basis, as part of the Company's ordinary internal control process, and in connection with any change that can affect security.

In 2017, we started an extensive process to ensure that we meet the requirements set out in the new personal data legislation that enters into force in spring 2018.

Notification of matters warranting criticism

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.

Employees are encouraged to report matters warranting criticism and matters they perceive as ethically questionable. 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.
- 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 of Directors.

Whistleblowers are protected by Norwegian 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 own 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 investigation uncovers matters that warrant criticism, HR will take over the case and ensure that it is dealt with. The CEO will decide whether to report employees to the police.

Ethical and customer-friendly business operations

Gjensidige shall have a corporate culture where each individual employee exercises good judgement and is able to handle difficult situations that may arise. Our value creation shall take place in accordance with our ethical guidelines. They 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 ethics describes our values and underlines that all our activities must stand up to public scrutiny. Together with other documents, the code of ethics 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 ethics is monitored as part of our internal control system. The Board has chief responsibility for risk management and the compliance programme, and the CEO is responsible for the implementation. Our most important risk areas and the compliance programme are reviewed annually by the Board. Risk management and internal control are described in more detail on page 48 and 73 and in Note 3.

Zero tolerance for 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 policies 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.

It follows from this that 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. Our 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 can 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.

Investigation of suspicion of unethical conduct

The Internal Investigation Unit considered 48 cases in 2017 concerning suspicion of malpractices or irregularities. Four of these cases gave grounds for especially thorough investigations, but none of them concluded that corruption had taken place.

Money laundering and financing of terrorism

Gjensidige Forsikring is required to implement a risk-based approach to money laundering and financing of terrorism. This means that, in the field of insurance, we must take a risk-based approach to 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.

As part of the risk assessment of individual customers, 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 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 look at the fight against money laundering as a natural part of good risk selection, based on the principle 'know your customers'.

The work to combat money laundering is prioritised at corporate management level. 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.

Underwriting policy

Good risk selection is decisive for financial strength and profitability. Gjensidige's 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, including EIOPA requirements, 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 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.

Procurements and suppliers

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 sub-suppliers 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.

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 through online portals.

The use of electronic tools ensures that all processes are documented and verifiable, and this prevents irregularities.

The environment and climate

Gjensidige's activities do not pollute the natural environment to any material extent. Our CSR policy states that the we shall have as little negative impact on the environment and climate as possible.

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 in Bodø, Drammen, Fredrikstad, Moelv, Skien and Steinkjer 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 use of separation at source.

The Group's energy consumption in 2017 was 12,773 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: 8,100 MWh
- District heating: 1,713 MWh
- Fuel oil: 48 MWh

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

The emission of greenhouse gases from our operations is 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 2017 caused emissions of 2,470 tonnes of CO_2 equivalents, (scope 1 and 2), compared with 2,164 tonnes the year before. The increase in reported emissions is due to a sizeable increase in the number of company cars as a result of integration of new business in our Baltic operations.

We have established a company car policy that entails that CO_2 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.

We help our employees to be environmentally friendly, both in the performance of their duties, as employees in general and in their spare time, among other things through information published on our intranet site.

The information includes tips on
- how to reduce the generation of waste, and how to recycle as much as possible
- energy saving
- how to reduce the use of polluting transport and travel

The assets we insure, such as cars, buildings and companies, will cause pollution to a varying extent. Sensible risk-pricing will usually have a favourable environmental profile, in the sense that large objects that are demanding in terms of resources have a higher insurance premium than less demanding objects.

By their nature, losses have a negative impact on the environment, since resources are needed to repair the damage or replace the loss. The insurance premium is affected by the risk of loss, and, together with our loss prevention work, this contributes to fewer losses and less harm to the environment.

Gjensidige did not cause illegal emissions or receive fines or other sanctions relating to the environment in 2017.

Sustainable products

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.

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 in to our web portal.

Digital customer communication improves the customer experience and helps to reduce costs and paper consumption.

In 2017, the proportion increased from 65 to 70 per cent.

Climate change, trends and insurance

Global warming and climate change will affect our business, our customers and the society we are part of. The same applies to changes in technology, demographics and a number of other factors.

In the countries where we do business, climate change will most likely lead to increased precipitation and more frequent storms. This will increase the risk of both personal injuries and material damage. Weather data and claims incurred in the last 35 years indicate that this is already happening.

In 2017, we estimated that claims expenses resulting from climate-related losses amounted to NOK 292 million. These are losses that can be linked to specific weather events such as storms, flooding and unusually heavy precipitation. The claims mostly concern property, and primarily buildings and their contents. A lower proportion of the claims concern cars, boats, caravans etc.

We have funded and contributed to several studies of how this will affect Norway, and how well-prepared Norwegian society is for a 'wilder and wetter' climate. Together with other major insurance companies in the Nordic region, we have funded the development of the climate tool 'VisAdapt', which can help home owners and house builders in the Nordic countries to adapt to the climate in the best possible way.

Risk relating to such factors is largely addressed as part of ordinary underwriting operations and tariff setting. Examples of environmental and climate-related trends are the increase in the number of electric and hybrid cars, and the increase in the extent of damage to buildings due to more extreme weather. We also see an increased risk of higher prevalence of diseases, especially insect-borne diseases.

We continuously assess whether prices, terms and conditions and compensation rules need to be adapted as a consequence of these trends.

Every year, Gjensidige conducts an emerging risk analysis in order to identify risk relating to phenomena and trends that may represent new risk or changed risk. Such trends can represent both threats against our business and opportunities to create new business. The analysis is intended to describe risks that can be significant, but that cannot be quantified by means of experience-based methods. The purpose of this exercise is not to calculate an exact value for different outcomes, but rather to establish a basis for further discussion, analysis and decisions.

In 2017, we have studied the following emerging risks:
Extreme weather: We can calculate the risk of this phenomenon based on experience. Climate change can give rise to events that lie beyond our realm of experience. We have therefore used simulation models to calculate worst-case scenarios.

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 possibilities that the sharing economy entails.

Block chain: This technology is best known for digital currencies, but it enables completely new ways of handling transactions and keeping an overview of rights. It is important for us to keep up to date on this technology and to be prepared to start using it if it becomes expedient.

Synthetic biology: 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.

Social commitment

Gjensidige and the Company's employees support and are engaged in various social causes both locally and nationally. The purpose is to make a positive contribution in the communities where we do business, and to underpin our social mission, which is to contribute to a safer society.

In Oslo, Gjensidige cooperates with the Church City Mission on creating a better and safer environment in the city centre, where the Company's head office is located. On Gjensidige's part, this cooperation involves a financial contribution to the Church City Mission and participation by our employees. In 2017, employees from several offices all over the country contributed to the Church City Mission's knitting campaign, which is organised before Christmas every year to get people involved and raise money for a Christmas celebration for disadvantaged people.

Employees also participate in various activities under the auspices of the Church City Mission, including homework help and chess courses for children.

In 2017, we donated NOK 500,000 as a Christmas gift to the Norwegian branch of SOS Children's Villages International, which cares for and protects children who lack adult caregivers. The Company's employees decided which cause would receive the gift through a vote.

In Denmark, Gjensidige supports the Christmas Seal Homes foundation (Julemærkehjemmene), which helps around 750 children every year who are victims of bullying or isolation.

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.

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 2017, we funded food packages for 3,500 people. 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, 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 Foundation aims to contribute to a safer society and is particularly concerned with preventive measures and activities for children and young people throughout Norway.

Contributing to a safer society

Gjensidige helps to finance the public welfare system by paying direct and indirect taxes and pay to employees. Tax payable amounted to NOK 1,250 million for the Group in 2017. A large amount in value added tax comes in addition. Pay and employee benefits amounted to NOK 2,973 million.

Tax per country (NOK million)

	Result before tax	Tax
Norway	6,032.9	1,239.8
Denmark	153.7	10.4
Sweden	(317.1)	0.2
Baltics	(6.3)	0.0

Dialogue with authorities and the public

Through the industry organisation Finance Norway, we coordinate our dialogue with the authorities on matters concerning the financial industry. Finance Norway is also engaged in extensive work aimed at schools and the general public to provide information about personal finances, economics and statistics from the financial industry.

In addition to the formal contact with our customers, we seek dialogue through social media and email newsletters, and various customer events.

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

- CSR guidelines

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

Asset management
- SRI – socially responsible investments, group policy

Complaints handling
- Group policy – complaints handling
- Instructions for the customer ombudsman's complaints handling
- Instructions for the companies' complaints-handling

Ethics
- Code of ethics for Gjensidige
- Specification of ethical guidelines relating to gifts and hospitality activities
- Policy on prohibited restriction of competition

Procurements
- Group Procurement Policy

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

Money laundering
- Risk analysis, money laundering
- Anti-money laundering officer, job description

Underwriting
- Underwriting Policy

Key figures, CSR

Topic		2017	2016	2015	2014
Value creation and resource use					
Return on equity	Per cent	21.3	21.4	17.4	18.1
Dividend	NOK millions	3,550*	3,400	6,200	2,950
Distribution percentage	Per cent	79.0	73.0	84.5	70.4
Tax	NOK millions	1,250	1,377	1,057	853
Pay and employee benefits	NOK millions	2,973	2,413	2,545	2,263
Customer satisfaction (KTI group)		77.9	77.4	76.2	74.8
The environment					
Energy consumption	MWh	12,773	11,988	11,131	8,060
CO2 emissions, Scope 1 and 2 **	Tonn	2,470	2,164	2,579	3,043
Paperless customers	Per cent	70	65	60	57
Employees					
Employees, proportion men/women ***	Per cent	52/48	53/ 47	52/ 48	50/ 50
Managers, proportion men/women ***	Per cent	63/37	64/ 36	63/ 37	59/ 41
Competence-raising per employee	NOK	10,300	15,000	17,500	17,500
Average retirement age ****	Year	63.2	63.2	64.4	63.5
Sickness absence ***	Per cent	3.9	3.9	4.1	4.5
Socially responsible investments					
Number of excluded companies	Number	89	85	80	85

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

The Board bases its overall corporate governance on:
– Optimising the Company's assets in a long-term perspective
– Equal treatment of shareholders
– Equal and assured access to reliable, relevant and up-to-date information about the Company's business

Corporate governance

This statement follows the structure set out in the Norwegian Accounting Act Section 3–3b:

1. The statement is submitted in compliance with the Norwegian Code of Practice for Corporate Governance of 30 October 2014.
2. The Code of Practice is available at http://www.nues.no/
3. Grounds are stated for any deviations from the Code of Practice and regulations, and they are commented on under each item.
4. The main elements in the systems for internal control and risk management are described in section 10 of the statement, see section 10a below. The systems for internal control and risk management relating to the financial reporting process are described separately in section 10b.
5. The Company's Articles of Association do not contain provisions that, in whole or in part, expand on or deviate from the provisions of Chapter 5 of the Public Limited Liability Companies Act.
6. The annual report describes the composition of the Board and the Board's select committees. The main elements of the currently applicable instructions and guidelines for these bodies are described in sections 8 and 9 below.
7. The provisions in the Articles of Association that regulate the appointment and replacement of board members are described in section 8 below.
8. The provisions in the Articles of Association and authorisations that empower the Board to decide that the Company shall buy back or issue own shares are explained in section 3 below.

1. Statement on corporate governance

Corporate governance is subject to an annual evaluation and discussion by the Board. The Board discussed and prepared this statement at a meeting on 25 January 2018 and adopted it at a meeting on 15 February 2018. Gjensidige's compliance with the individual items is also described.

The Board's statement on corporate governance in Gjensidige Forsikring ASA is available at www.gjensidige.no.

Core values and social responsibility

Gjensidige's core values and social mission lie in its core business operations – to safeguard life, health and assets through relieving customers of financial risk and providing active, helpful assistance when there is a risk of loss or when a claim has arisen.

Gjensidige has signed the UN Global Compact and we are committed to promoting the ten Global Compact principles for sustainable development. This is particularly important in relation to our asset management, where ethical screening is used to ensure that we do not invest in companies that are in breach of our ethical standards.

The Board has adopted guidelines for ethics and corporate social responsibility. Gjensidige's commitment will be further developed on the basis of the expertise that it accumulates through conducting its core business.

Through our operations, we have acquired extensive expertise in loss prevention. This know-how shall as far as possible be used for the benefit of society as a whole. Traffic and fires are especially important areas in which the Company's expertise in loss prevention can help to save lives and assets. Other important areas are awareness-raising campaigns aimed at combating fraud and other crime, and efforts to promote physical and mental health in the population. The Company's efforts in the area of corporate social responsibility will be concentrated on loss prevention in the broadest sense.

Gjensidige's internal control systems include the Company's core values and guidelines for ethics and corporate social responsibility. A dedicated ethics suggestion box has been established for reporting relevant matters. Effective notification procedures have also been established that make it easy to notify the management and/or the Board of inappropriate conduct that it has not been possible to change through established management systems, and that also ensure that whistleblowers are protected and that matters that are raised receive relevant follow-up.

The Group shall be characterised by high ethical standards. Its corporate governance shall be in accordance with best practice. A good corporate governance policy will improve the Group's potential for value creation and increase the trust and respect it enjoys in society over time.

Our work on social responsibility is described in more detail on pages 22–39 of the annual report and at https://www.gjensidige.no/group. Selected quantitative results are presented in the table on page 39.

The working environment, equal opportunities and integration are described in more detail on page 27 of the annual report.

The Company's financial investments shall comply with generally accepted guidelines for socially responsible investments (SRI). Gjensidige's guidelines for SRI cover human rights, labour rights, the environment, corruption and weapons production. Companies that fail to meet the requirements set out in the guidelines will be excluded from Gjensidige's investment universe.

Deviations from the Code of Practice: None

2. The business

Operations

Pursuant to its Articles of Association, Gjensidige can engage in direct and indirect general and life insurance operations, including taking on pure risk insurance with a duration of no more than one year in the area of life insurance, owning companies that engage in general insurance, life insurance, banking, financing and securities activities, and other related businesses.

Vision and goals

Gjensidige's vision is to know the customer best and care the most. Its mission is to safeguard life, health and assets, which has been the Company's value basis for two hundred years.

Gjensidige's goal is to become the most customer-oriented general insurance company in the Nordic region, based on profitable operations and a leading position.

Strategy

A strong focus on customers is the core of Gjensidige's strategy. Backed by a down-to-earth business culture and analysis-based core operations, this will give Gjensidige a competitive advantage.

Gjensidige's position shall be further strengthened through the development of Gjensidige as a pan-Nordic general insurance player that also takes its share of the growing accident and health insurance market. Acquisitions shall complement organic growth and contribute to the Company delivering on its strategic goals, and the following group targets after 2–3 years:

- a return on equity of more than 15 per cent
- a combined ratio in the range of 90–93

Three strategic areas are in focus: digital customer experiences, analytically-driven business processes, and dynamic organisational capabilities.

A fast pace and flexibility in the development of products, services and service models are necessary in order to be the preferred insurance provider. The automation of internal processes is intended to ensure cost-efficiency and facilitate increased use of self-service solutions by customers.

Analytical use of data in order to offer attractive products and services and ensure profitable operations is crucial if we are to realise our ambition of being the most customer-oriented general insurance company in the Nordic region.

Changes in technology and customer behaviour mean that increasingly close cooperation is required between our distribution channels. A good understanding of what customers are concerned with in their everyday lives is a prerequisite if we are to develop new, relevant services.

Customers' needs and behaviour are changing faster than ever. It is therefore paramount to reduce the time it takes to develop and launch new customer-oriented services.

Information is a strategic resource for Gjensidige. The work on ensuring good data quality, efficient data collection processes, availability, reporting and analysis will therefore be further strengthened.

Our strategic ambitions cannot be realised without motivated, committed managers and employees who have the right expertise and attitudes. A higher pace of change – not least as regards technology and customer behaviour – means that a transition is needed from traditional training-based competence-raising measures to a dynamic learning culture driven by individual managers and employees. Competence shall increasingly be shared through data-driven work processes and cooperation-based solutions. A stronger overall understanding shall be created through internal rotation of managers and staff.

Gjensidige Bank and Gjensidige Pensjonsforsikring play an important strategic role in relation to Gjensidige's position in the Norwegian market. Exclusive customer solutions and concepts will continue to be important in both the private and commercial markets.

As part of our strategic work, we constantly challenge our strategic platform. The main conclusion is that it remains firm, also after the changes we see in the market, including further development of Gjensidige's partner strategy using new technologies.

Deviations from the Code of Practice: None

3. Equity and dividends

Equity

The Gjensidige Group's equity amounted to NOK 23.7 billion at the end of 2017.

The Group's solvency margin at the end of the year was 137 per cent based on the standard formula and 169 per cent based on the Company's partial internal model. See note 23 for further description of event after the balance sheet date.

Dividend

Gjensidige's target is to distribute high and stable nominal dividends, and at least 70 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.

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.

Adopted dividend for 2016

A dividend of NOK 3.4 billion was adopted and disbursed in April 2017 for the 2016 financial year. That corresponds to NOK 6.80 per share.

Proposed dividend for 2017

The proposed dividend for the 2017 financial year is NOK 3,55 billion. That corresponds to NOK 7,10 per share. The proposed dividend based on the profit for the year corresponds to 78.6 per cent of the Group's profit after tax expense. The Board's proposal for the distribution of dividend for the 2017 financial year is explained in more detail in the annual report.

Authorisations granted to the Board

Gjensidige's annual general meeting granted the following authorisations to the Board in 2017:

– Authorisation to purchase Gjensidige shares in the market with a total nominal value of up to NOK 50,000,000, corresponding to 25,000,000 shares with a nominal value of NOK 2. The authorisation is valid until the next annual general meeting, but no longer than until 30 June 2018, and the shares can, among other things, be used as consideration shares in connection with the acquisition of businesses or for subsequent sale and deletion The authorisation can also be used to fulfil the Group's obligations under the share savings programme and incentive schemes for employees. The Board is free to acquire and sell shares in the manner that the Board finds expedient, such, however, that general principles concerning equal treatment of shareholders are adhered to. The minimum and maximum amounts that can be paid per share are NOK 20 and NOK 225, respectively. In 2017, the authorisation was used to purchase shares in connection with the share savings programme for employees and incentive schemes for executive personnel. The authorisation was considered as a separate item at the Company's annual general meeting.

– Authorisation of the Board to decide the distribution of dividend on the basis of the Company's annual accounts for 2016. The authorisation is valid until the next annual general meeting, but no longer than until 30 June 2018. The authorisation is in accordance with the Company's adopted capital strategy and dividend policy. It gives the Company flexibility and means that the Company can distribute additional dividends without having to call an extraordinary general meeting. The authorisation was not used in 2017. The authorisation was considered as a separate item at the Company's annual general meeting.

- Authorisation to raise subordinated debt and other external financing limited to NOK 1.5 billion, and to trade in the bonds issued at all times under the Company's subordinated bond issue and on the conditions stipulated by the Board. The authorisation was not used in 2017. The authorisation was considered as a separate item at the Company's annual general meeting.

- Authorisation to increase the share capital through new subscription for shares. The authorisation enables the Board to exploit the mechanisms provided for in the Public Limited Liability Companies Act. The purpose can, among other things, be to increase the Company's financial flexibility in connection with the acquisition of businesses, and to ensure an optimal capital structure. The authorisation enables the Board to increase the Company's share capital by a total nominal amount of up to NOK 50,000,000, corresponding to 25,000,000 shares with a nominal value of NOK 2. The subscription price and other terms and conditions for subscription are stipulated by the Board. A capital increase within these limits can take place through one or more capital increases, as decided by the Board. The Board may decide that the shareholders' pre-emption right to the new shares can be waived. The Board may also decide that the share capital contribution can be made in the form of assets other than cash. The Board is hereby authorised to implement the amendments of the Articles of Association that the share capital increase necessitates. The authorisation does not include decisions on mergers pursuant to the Public Limited Liability Companies Act Section 13-5. New shares qualify for dividend from the date on which they are registered in the Register of Business Enterprises. The authorisation is valid until the general meeting in 2018, but no longer than until 30 June 2018. The authorisation was not used in 2017. The authorisation was considered as a separate item at the Company's annual general meeting.

When the Board proposes new authorisations to the general meeting, they shall, in the same way as the existing authorisations, be considered as separate items at the Company's annual general meeting, be limited to defined purposes and be valid until the next annual general meeting.

Deviations from the Code of Practice: The authorisation of the Board to carry out share capital increases and to purchase own shares is not entirely limited to defined purposes. Steps were not taken to ensure that the general meeting could vote on each individual purpose the authorisations were intended to cover. This was done in order to ensure the flexibility the authorisations was meant to represent.

4. Equal treatment of shareholders

The Company has only one class of shares and all shares carry equal rights in the Company.

Each share carries one vote at the general meeting, unless otherwise stipulated by law or other official decision.

Existing shareholders have pre-emption rights when new shares are issued. With the approval of at least two-thirds of the total number of votes represented at the general meeting, the general meeting can decide to set aside the pre-emption rights. Grounds must be stated for any proposal to waive pre-emption rights, and this must be documented in the case document submitted to the general meeting.

In cases where the Board decides to issue new shares and the pre-emption right is waived on the basis of an authorisation, the reason will be stated in a stock exchange announcement in connection with the share issue.

The Board shall ensure that the Company complies with the Public Limited Liability Companies Act Sections 3-8 and 3-9 in agreements between the Company and parties mentioned therein. On entering into not immaterial agreements between the Company and shareholders, related parties, board members or members of the management or related parties of such members, the Board shall obtain an assessment from an independent third party. The same applies to agreements with group companies that have minority shareholders. This follows from the rules of procedure for the Board, which are available at https://www.gjensidige.no/group.

All board members and members of the management shall immediately notify the Board if they, directly or indirectly, have an interest in a transaction or agreement that the Company is considering. This applies even if the board member is deemed not to be disqualified from considering the matter. These provisions are laid down in the rules of procedure for the Board. The objective is to avoid harming the Company's reputation in connection with investments where there may be circumstances that can be perceived as an unfortunate close involvement, or a close relationship between the Company and a board member or executive personnel.

The Company's trading in own shares must take place through a stock exchange or in other ways at the listed price.

Deviations from the Code of Practice: None

5. Freely negotiable shares

Pursuant to the Articles of Association, the shares in the Company are freely negotiable. Gjensidige is a Norwegian financial institution. Norwegian framework legislation contains general licensing provisions that apply to all Norwegian financial institutions in connection with large acquisitions of shares (ten per cent or more).

Deviations from the Code of Practice: None

6. The general meeting

The general meeting is Gjensidige's supreme body.

The general meeting is open and accessible for all shareholders. The annual general meeting shall be held before the end of April every year. The Company's Articles of Association do not contain provisions that expand on or deviate from the provisions of the Public Limited Liability Companies Act Chapter 5.

The general meeting is conducted in accordance with the Code of Practice:

- The Articles of Association stipulate that three weeks' notice shall be given. The notice of the meeting and case documents are made available on the Company's website: https://www.gjensidige.no/group. Shareholders may nonetheless demand that the case documents be sent to them free of charge. The minutes will be published at https://www.gjensidige.no/group as soon as they are available.
- The case documents shall be sufficiently detailed to provide a basis for considering the matters raised.
- Shareholders who wish to attend the general meeting must notify the Company in writing at least five days before the meeting. The registration deadline is based on practical considerations in connection with the organisation of the general meeting.
- In connection with elections at the general meeting, it will be possible to vote for one candidate at a time.
- The CEO, the Chair of the Board and the Chair of the Nomination Committee are required to be present unless this is clearly unnecessary or they have valid grounds for not attending.
- The Company's auditor will be present at the meeting.
- If necessary, and if the nature of the matter so requires, the whole Board and the whole Nomination Committee will be present at the meeting.
- Pursuant to the Articles of Association, the general meeting shall be chaired by the Chair of the Board or another person designated by the Board.
- Shareholders may attend by proxy. The notice of the meeting will contain more detailed information about the procedure for attendance by proxy, including an authorisation form. In addition, a person will be appointed who can vote by proxy on behalf of shareholders.
- Shareholders can vote electronically in advance before the general meeting. Voting in advance can be done via the Company's website www.gjensidige.no, and via VPS Investor Services.

More information about the use of proxy and shareholders' right to have matters considered by the general meeting is provided in the notice of the meeting and at https://www.gjensidige.no/group.

Pursuant to the Articles of Association, the Board may decide that shareholders can attend the general meeting by means of electronic aids, including exercising their rights as shareholders electronically.

Members of the Board are present at the general meeting. In accordance with the Articles of Association, the Chair of the Board and the CEO will normally be present to answer questions.

Deviations from the Code of Practice: Pursuant to the Code of Practice, the whole Board, the whole Nomination Committee and the auditor should be present at the general meeting. It has so far not been necessary for all the above parties to be present, but this may change depending on the circumstances relating to the matters to be considered. In accordance with the Articles of Association, the Chair of the Board, the Chair of the Nomination Committee, the Company's auditor and the CEO will be present to answer any questions.

7. Nomination Committee

Gjensidige has decided in its Articles of Association that the Company shall have a Nomination Committee consisting of four to six members elected by the general meeting. The Chair and members of the Nomination Committee are elected for a term of one year.

At present, Gjensidige's Nomination Committee consists of five members. All members are independent of the Board and other executive personnel. According to the rules of procedure for the Nomination Committee, the members should reflect the interests of the shareholders as a whole. As majority owner, the Gjensidige Foundation is represented by two members. This recommendation was followed in 2017.

As of 31 December 2017, the Nomination Committee consisted of the following members:

- Einar Enger (Chair)
- Marianne Ødegaard Ribe
- John Ove Ottestad
- Torun Bakken Skjervø
- Joakim Gjersøe

One of the board members elected from among the employees attends as a regular member in connection with discussions and recommendations concerning the office of Chair of the Board. The Chair of the committee can invite other board members selected from among the employees to take part in certain important discussions relating to the election of the Chair of the Board.

The Nomination Committee started its preparations for the 2017 election already in autumn 2016. A total of eight meetings were held. In order to arrive at the best possible basis for its assessments, the Nomination Committee had conversations with the Chair of the Board, the board members and the CEO.

The Nomination Committee shall contribute to the election of competent and engaged officers with a focus on value creation. The objective is that, together, the elected officers shall be capable of challenging and inspiring the management in the Company's business areas.

The Nomination Committee shall propose candidates for:

- the Board, including the Chair of the Board
- the Nomination Committee, including the Chair of the committee
- the external auditor

A reasoned recommendation containing relevant personal details shall be enclosed with the notice of the meeting.

The Nomination Committee wishes to ensure that the shareholders' views are taken into account when members are nominated for the Board. In addition to the Nomination Committee consulting particularly active shareholders to elicit proposals for candidates and ensure support for its recommendations, all shareholders are encouraged on the Company's website to propose candidates for governing bodies. The deadline for submitting proposals is normally the turn of the year in order to ensure that proposed candidates are considered at the start of the process, and to have time to carry out statutory suitability assessments and obtain the necessary clearances from the financial authorities before the election. The Nomination Committee shall recommend all rates of remuneration to be decided by the general meeting, including the remuneration of members of the Nomination Committee, which is decided by the general meeting, and submit a recommendation concerning whether the proposal for the auditor's fee should be approved.

Deviations from the Code of Practice: None

8. The Board, composition and independence

Composition of the Board

The Board of Gjensidige shall consist of ten members, three of whom are elected by the employees. The shareholder-elected board members are elected for two years at a time. Board members elected by and from among the employees are also elected for two years at time, but such that at least one member is up for election every year.

The Chair of the Board is elected for one year at a time by the general meeting.

Tine G Wollebekk left the Board with effect from 1 June 2017 as a result of her being appointed as CEO of Bank Norwegian and Norwegian Finans Holding from the same date. The Nomination Committee immediately started work on finding her successor.

The Board of Gjensidige shall be broadly composed, and consideration shall be given to the Board's ability to work well as a collective. In the rules of procedure for the Nomination Committee, the general meeting sets out the following guidelines for the Nomination Committee's work:

- The Nomination Committee shall emphasise that all proposed candidates for the Board have the necessary experience, qualifications and capacity to carry out the duties of the office in a satisfactory manner.
- When nominating members to the Board, the principles for good corporate governance mean that emphasis should be placed on the overall interests of the shareholders and on reflecting the composition of the shareholders.
- The members of the Board should be independent of the Company's management.

Each gender currently has at least 40 per cent representation among the shareholder-elected members of the Board. For a more detailed presentation of the board members, see pages 55 to 68 of the annual report and the Company's website https://www.gjensidige.no/group.

The Board's independence

No member of the Company's management is a member of the Board. All shareholder-elected board members are independent of executive personnel. Board members Eivind Elnan, Per-Arne Bjørge and Hilde Nafstad were elected on the proposal of the Company's biggest owner, the Gjensidige Foundation. All board members are independent of important business associates.

Board members' shareholdings

Seven of the board members own shares in the Company; see the overview in Note 8. The board members follow the general rules for primary insiders, but they have all voluntarily accepted and informed their related parties that trading in the Gjensidige share, or derivative instruments, may only take place within a reasonable time frame after submission of the quarterly report, so that trading can take place on the basis of the same information about the Company and the Company's financial position as is available to the rest of the market.

Deviations from the Code of Practice: None

9. The work of the Board

The work of the Board follows a fixed annual plan and is conducted in accordance with established rules of procedure. The rules of procedure are available at https://www.gjensidige.no/group. They contain more detailed rules for the work of the Board and how it handles matters, including what matters shall be considered by the Board, rules for notices of meetings and the conducting of meetings. The Board has also issued instructions for the CEO, which regulate the internal division of responsibility and tasks.

The Board holds regular physical board meetings and holds nine fixed meetings every year. Additional meetings may be held depending on the matters at hand and the situation. They can be held by phone or electronically using the Company's board portal. In 2017, a total of 11 board meetings were held, of which one was an extraordinary board meeting and one was held via the board portal. One of the ordinary meetings was an annual strategy meeting. The Board also held a study session to obtain external input on the Board's strategy revision.

In matters in which the Chair of the Board is or has been actively involved, another board member shall chair the Board's discussion of the matter.

The Board carries out an annual self-evaluation that is also submitted to the Nomination Committee for use as documentation in connection with the committee's work.

The Board of Gjensidige Forsikring ASA has established select committees – an Audit Committee, a Risk Committee and a Remuneration Committee. The committees consist of between three and five members, including at least one elected from among the employees. This contributes to thorough and independent assessments of matters concerning, among other things, internal control, financial reporting and remuneration of executive personnel. The purpose of the committees is to facilitate good and well-prepared discussions at board meetings.

The Audit Committee

The Audit Committee is a preparatory and advisory select committee that is tasked with preparing the Board's follow-up of the financial reporting process and improving the Board's follow-up of the Group, among other things by contributing to thorough and independent consideration by the Board of matters relating to financial reporting. The committee shall also monitor the systems for internal control and risk management, as well as the Company's internal audit function. The committee is also in continuous contact with the Company's elected auditor about the auditing of the annual accounts, and it assesses and monitors the auditor's independence, cf. Chapter 4 of the Auditors Act.

The committee shall state an opinion on the election of the auditor and the auditor's fee. The committee held seven meetings in 2017.

As of 31 December 2017, the Audit Committee consisted of the following members:

- Gisele Marchand (Chair)
- Per Arne Bjørge
- Gunnar Mjåtvedt
- Hilde Merete Nafstad
- Tine G Wollebekk (until 1 June 2017)

The Risk Committee

The Risk Committee is a preparatory and advisory select committee. Among other things, the Risk Committee shall prepare the Board's consideration of matters relating to the group companies' overall risk, and regularly assess whether the Group's management and control systems are adapted to the appetite for risk and scope of the business. The committee also reviews the Company's risk limits and investment strategy and limits. It also prepares the Board's consideration of ORSA and ICAAP, and of whether the risk management system ensures that the internal model reflects at all times the Group's risk profile in an appropriate manner.

The committee held nine meetings in 2017.

As of 31 December 2017, the Risk Committee consisted of the following members:

- Inge K Hansen (Chair)
- Per Arne Bjørge
- John Giverholt
- Lotte Kronholm Sjøberg

The Remuneration Committee

The Remuneration Committee shall, within the limits of the Board's responsibility, strengthen the Board's follow-up of the Group's remuneration policy in relation to the CEO, the senior management team and key personnel.

The committee shall prepare matters for the Board. It is primarily responsible for:

- Drafting proposals for and following up compliance with the Group's guidelines and framework for remuneration
- Annually preparing and proposing the remuneration of the CEO and director of internal audit
- Annually drafting proposals for the CEO's scorecard
- Acting as adviser to the CEO in connection with the annual assessment of the remuneration of the senior group management
- Assessing the management's proposed 'Statement on the stipulation of pay and other remuneration for executive personnel', cf. the Public Limited Liability Companies Act Section 6-16 a.
- Considering other important personnel matters relating to executive personnel

Reference is otherwise made to the Board's statement on remuneration in Note 8 in the annual report.

The committee is an advisory body to the Board. It held one meeting in 2017.

As of 31 December 2017, the Remuneration Committee consisted of the following members:

- Inge K Hansen
- Eivind Elnan
- Gunnar Mjåtvedt

The Gjensidige Group has been granted permission by the authorities to establish a joint remuneration committee for the whole Group, with effect from 1 January 2017.

The Board's impartiality

The Group's rules of procedure for the Board regulate matters concerning board members' impartiality. A board member is disqualified from participating in considering or deciding matters that are of such great importance to the board member or his/her related parties that he or she must be deemed to have a direct or indirect personal or financial interest in the matter. The same applies to the CEO. Board members are also disqualified when other special circumstances are present that could undermine trust in their motives for participating in deciding a matter.

Individual board members are obliged to ensure they are not disqualified from considering a matter on grounds of partiality. In cases of doubt, the matter shall be presented to the Chair of the Board. The Chair of the Board shall submit cases of doubt relating to his or her own impartiality to the whole Board.

In 2017, the Chair of the Board recused himself in connection with the consideration of one matter following an impartiality assessment.

The Board shall approve agreements between the Company and a board member or the CEO. The Board shall also approve agreements between the Company and a third party in which a board member or the CEO must be deemed to have a particular interest.

Introduction programme for new board members

Relevant information about the Company and the work of the Board is made available to new board members on the Company's web-based portal for board members. In addition, new board members will, by meeting key members of the management, be given an introduction to the organisation and running of the Company.

Deviations from the Code of Practice: None

10 Risk management and internal control

a) General

The Board focuses on risk management and internal control, which are an integral part of the Board's systematic work. The Board has adopted a group policy for rik management and internal control. Among other things, the document describes the main principles for risk management and internal control, in addition to describing the division of responsibility. The document is available at https://www.gjensidige.no/group.

The main purpose of risk management and internal control is to provide reasonable assurance of goal attainment based on the following methods:

- Targeted, efficient operations.
- Reliable, available management information and correct external reporting.
- Compliance with internal and external regulations.
- Loss limitation and safeguarding of assets

Gjensidige's internal control system includes the Company's core values, guidelines for ethics and corporate social responsibility and other governing documents.

The Board carries out an annual review of the Group's most important risk areas and its internal control. The Board also receives quarterly reports on the risk situation in the Group. The division of responsibility between the Board and the CEO is as follows:

The Board's responsibilities:

- The Board has overall responsibility for ensuring that Gjensidige has established expedient, effective processes for risk management and internal control in accordance with recognised frameworks.
- The Board shall ensure that such processes are satisfactorily established, implemented and followed up, among other things by considering reports prepared by the Risk Management and Compliance functions that are submitted to the Board by the CEO and the internal audit function, which reports directly to the Board.
- The Board shall ensure that risk management and internal control are integrated in the Group's strategy and business processes.

The CEO's responsibilities:

- The CEO shall ensure that Gjensidige's risk management and internal control are implemented, documented, monitored and followed up in a satisfactory manner. The CEO shall issue instructions and guidelines for how the Group's risk management and internal control shall be carried out in practice, and establish expedient control processes and functions.

Centralised control functions have been established that are independent of business operations: the Risk Management, Compliance and Actuary functions. In addition, the internal audit function serves as an additional, independent control level that reports directly to the Board.

The Risk Management function is an independent function that is responsible for maintaining and further developing the Group's risk management system to ensure that the system is satisfactory at all times in relation to laws, regulations and the requirements of the Board. The Risk Management function shall prepare guidelines for internal control that cover all types of risks in the risk management system, and ensure that they are implemented and followed up at least annually.

The Compliance function is independent in relation to operations. It identifies, assesses, advises on, monitors and reports on the Group's compliance risk. Assessing compliance risk is part of the Group's annual risk assessment process.

The Actuary function is an independent control function that is responsible for actuarial matters. The control tasks that have been assigned to the Actuary function follow from Section 28 of the Financial Undertakings Act concerning the implementation of the Solvency II Directive.

The internal audit function is an independent, objective confirmatory and advisory function that shall contribute to the organisation achieving its goals. Group Audit is the Company's third-line defence. It is tasked with carrying out an independent risk assessment that covers all the Group's operations. Group Audit's primary responsibility is to monitor and check the Group's processes for risk management, internal control and corporate governance. The head of the internal audit function is appointed and dismissed by the Board and submits reports on the Group's risk management and internal control to the Board and the CEO at least once a year.

The Group's control functions are organised on the basis of the principle of three lines of defence.

b) Financial reporting and financial management
Among other things, the CFO is responsible for asset management, risk and capital management, the Actuary function, the planning process and financial performance. Among other things, the Executive Vice President of Group Staff and General Services is responsible for financial reporting and follow-up of the results of and limits on investment activities. This organisation is intended to ensure independence between the leading premise setter for profit performance and those who report the results.

The Gjensidige Group publishes four interim reports in addition to the ordinary annual accounts. The accounts shall meet the requirements of laws and regulations and be prepared in accordance with adopted accounting principles.

Publishing deadlines are stipulated by the Board. The tasks that are carried out in the concluding phase are set out in a schedule that specifies the person responsible and the deadline for ensuring timely reporting. The schedule is reviewed prior to each quarter to ensure that any new circumstances are identified and that the schedule continues to be expedient.

As part of Gjensidige's governing documents, an overall description has been prepared of the process relating to the closing of the accounts. Reporting instructions have also been prepared, including accounting principles that subsidiaries and branch offices must use in their reporting. Internal control is based on the principle of division of labour and dualism, and it is documented through descriptions of processes and procedures in important areas. Authorisation structures, reconciliations and management reviews have been established.

As part of the Board's above-mentioned annual review of the Group's risk areas and internal control, an evaluation is also carried out of risks and controls in the financial reporting process, and of whether measures are necessary.

Consolidated accounts are prepared every month and reported to the Board on a monthly basis, with comments on and explanations for each business segment. In this connection, Group Accounts cooperates with the Actuary function, Group Performance Management, Reinsurance and the controllers in the business areas in order to quality assure the figures and comments. The insurance provisions are assessed monthly by the Actuary function and reviewed annually by an external actuary. Accounting items that entail a varying degree of discretionary assessment are reviewed and documented in advance of the quarterly closing of accounts. Discretionary accounting items are reviewed by the Board's Audit Committee at quarterly meetings. The Audit Committee also considers interim reports, company accounts and consolidated accounts. The processes are identical for the Group and the parent company. The annual accounts are adopted by the respective general meetings.

The Group has established a planning process for financial management whereby the CEO, the CFO and the Chief Performance Officer meet with business and support areas at least every quarter to review financial performance and goal attainment, as well as events that affect future developments. Among other things, they assess risks relating to financial reporting, in both the short and long term. The senior group management reviews the monthly financial reporting, including developments in profit/loss and balance sheet items, goal attainment, the forecast for the year, risk assessment and analyses of and comments on results in business and support areas.

The Group is concerned with ensuring that processes relating to financial reporting and financial management are carried out by personnel with the correct expertise for the different tasks involved. Professional updating through self-study, courses and continuing education takes place on the basis of the needs and complexity of the position in question. The goal is that the Group shall have sufficient expertise and resources at all times to be able to carry out timely closing of the accounts without there being material errors in the consolidated and company accounts. This involves fields such as IFRS, NGAAP and the Annual Accounts Regulations for Insurance Companies etc. Gjensidige participates actively in various industry organisations for banks and life and general insurance companies where topical issues are discussed.

Requirements and principles for outsourced functions or activities are specified in the 'Group Policy on Outsourcing', which has been approved by the Board. The policy ensures compliance with the requirements of the outsourcing provisions in Norwegian law and the Solvency II regulations.

All functions and activities that are not defined as core functions and activities may be outsourced provided that Gjensidige retains full responsibility for the discharging of the entity's obligations.

When outsourcing, the following shall be assessed and documented:

- How a vendor of sufficient quality is to be selected
- Details that the written agreement must include
- How outsourcing will be managed and monitored
- Contingency plans (for both the enterprise and vendor).

Outsourcing shall not:

- Significantly impair the quality of Gjensidige's management
- Unduly increase operational risk
- Impede supervision of outsourced activities
- Undermine continuous and satisfactory service to policyholders.
- Intragroup outsourcing shall always be in line with relevant market prices and conditions; in other words, the same conditions shall apply as for outsourcing to an external party. Particular care should be taken when considering intragroup outsourcing, so that potential conflicts of interest are identified and mitigated.
- Gjensidige's centralised purchasing function, the Group Procurement function, shall be notified of all outsourcing and shall have an updated overview of all outsourcing agreements. The function ensures that the agreements are in accordance with internal requirements. The Group Procurement function is also responsible for sending a message to the FSA when notification to the FSA is required.

The Group Procurement function shall report annually to the Board with an overview of all outsourcing agreements reported to the Financial Supervisory Authority. Furthermore, the Group Procurement function shall, on behalf of Executive Vice President Group Staff and General Services of Gjensidige Forsikring ASA, at least annually, report the results to the Group CEO.

In connection with the outsourcing of important work processes, such as payroll and ICT services, the Group obtains statements in accordance with ISA3402 in order to assess the contracting party's internal control. The purpose of this is to ensure that the contracting party has satisfactory internal control. Gjensidige's own security department also performs independent security checks of the contracting party in relation to ICT systems, including access control and the protection of sensitive data.

Deviations from the Code of Practice: None

11. Remuneration of the Board

The Nomination Committee proposes the remuneration of the Board, which is decided by the general meeting. This remuneration is not dependent on the Group's performance, and none of the board members have share options issued by the Company.

The remuneration of individual board members is described in Note 8 in the annual report. The amount of the remuneration reflects the Board's responsibility, expertise, time consumption and the complexity of the business. In addition, board members are paid a separate fee for participating in the Board's Audit Committee, Risk Committee and Remuneration Committee.

As a rule, board members or companies with which they are associated shall not take on specific assignments for the Company in addition to their office as a board member. If such assignments nonetheless arise, the whole Board shall be informed about this. No such assignments were carried out in 2017, and no fees have therefore been paid to board members over and above the remuneration they receive as members of the Board.

Deviations from the Code of Practice: None

12. Remuneration of executive personnel

The Group has established a remuneration system that applies to all employees. The system is intended to ensure that Gjensidige attracts and retains employees who perform, develop, learn and share. The remuneration shall be competitive, but the Group shall not be a wage leader. Employees are expected to take an overall view of the pay and benefits offered by the Group. 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 pay, pension and insurance schemes, and payments in kind. Variable pay shall be used to reward achievements that exceed expectations, where both results and behaviour in the form of compliance with core values, brand and management principles will be assessed.

Variable pay shall be performance-based without being a risk driver, and it shall reflect the results and contributions of both the Company, the division, the department and the individual employee. Other compensation elements offered shall be perceived as attractive by both new and current employees.

There is a ceiling on all variable remuneration.

The Board's guidelines for stipulating the remuneration of the Senior Group Management and executive personnel meet the regulatory requirements.

The remuneration of the CEO is decided by the Board on the basis of an overall assessment that takes into account Gjensidige's remuneration system and the market salary for corresponding positions. The fixed salary is assessed and stipulated annually based on 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 past two years. Half of the variable remuneration is in the form of a promise of shares in Gjensidige Forsikring ASA, one third of which are allocated 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.

Remuneration of the senior group management is stipulated by the CEO within 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 based on wage growth in society in general and in the financial industry in particular. Variable pay (bonus) for executive personnel is earned annually and is based on an overall assessment of financial and non-financial performance over the past two years. Individual variable remuneration, including holiday pay, can amount to up to 30 per cent of the annual salary. Variable pay is not included in the pension basis. Half of the variable remuneration is in the form of a promise of shares in Gjensidige Forsikring ASA, one third of which are allocated 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 guidelines are submitted to the general meeting as a separate item in accordance with the Public Limited Liability Companies Act Section 6-16 a. The general meeting's decision on the guidelines in the statement on the remuneration of executive personnel is advisory in relation to the Board, except the part of the document that concerns share-based remuneration, which is binding. As a result, the general meeting holds an advisory vote on the Board's statement on the stipulation of pay and other remuneration and the Board's guidelines for the stipulation of pay for executive personnel, as well as a binding vote on the new guidelines for the allocation of shares, subscription rights etc. that the Board proposes pursuant to the Public Limited Liability Companies Act Section 6-16 a (1) no 3.

The Board's complete statement on the remuneration of executive personnel is included in Note 8 in the annual report.

Deviations from the Code of Practice: None

13. Information and communication

Gjensidige shall have an open dialogue with all stakeholders. All financial market participants shall have simultaneous access to correct, clear, relevant and detailed information about the Group's historical results, operations, strategy and outlook. The information shall be consistent over time. The Board has adopted guidelines for the reporting of financial information and other information in the form of an IR policy. The guidelines are available at https://www.gjensidige.no/ir. Gjensidige has published all relevant ownership information about the Group at https://www.gjensidige.no/group. This is the most important means of providing identical, simultaneous and relevant information to all stakeholders. A financial calendar is also published on the website, containing dates for the announcement of financial information and information about the Company's general meetings.

The Company has a dedicated IR (investor relations) function that has a central place in the Company's management, and that ensures that there is regular contact with the Company's owners, potential investors, analysts and the financial market. The goal is that the Company's information work shall be in accordance with best practice at all times.

The interim results are presented directly by webcast and teleconference that are open for all stakeholders. The webcast can be followed directly at https://www.gjensidige.no/ir.

A recording is also made available at the same web address.

A capital market day shall be held when it is considered expedient in order to keep the market up-to-date about the Group's development, goals and strategies.

Deviations from the Code of Practice: None

14. Corporate takeovers

The Company has one big owner, the Gjensidige Foundation. The Foundation has laid down in its statutes that its ownership interest shall amount to at least 60 per cent of the shares issued in Gjensidige.

Guidelines have been adopted for corporate takeovers. These guidelines ensure that all shareholders' interests are safeguarded and they contribute to equal treatment of shareholders.

The guidelines are in compliance with the Norwegian Code of Practice for Corporate Governance. The Board will obtain independent valuations and draft a recommendation on whether or not the shareholders should accept the bid.

In conversations with the bidder and in its other actions, the Board shall endeavour to safeguard the interests of the Company and the shareholders as a whole. The Board shall ensure that all the

Company's shareholders are treated equally and kept up-to-date about relevant matters relating to the bid. The shareholders must be informed as soon as possible to give them time to consider the bid. Endeavours will otherwise be made to avoid undue disruption of other activities during a takeover process.

The Board shall not attempt to prevent bids being made, and, as a rule, it shall seek to facilitate the implementation of bids that may be in the interests of the shareholders. The Board shall not take such actions as described in the Securities Trading Act Section 6-17 without first obtaining instructions from the general meeting. The Company shall not use authorisations to issue shares to prevent a bid.

In order to look after the shareholders' interests, the Board shall consider whether to initiate processes that trigger competing bids in a way that safeguards the shareholders' interests.

As a rule, the Company shall engage the services of an independent legal adviser and an independent financial adviser in its work of assessing a submitted or notified serious bid. These advisers cannot represent the Company's shareholders in connection with the transaction. Grounds shall be stated for the experts' valuation.

Deviations from the Code of Practice: None

15. External auditor

The external auditor is elected by the general meeting on the Nomination Committee's recommendation. The Audit Committee, which in practice is the external auditor's most important point of contact, submits an opinion on the election to the Nomination Committee.

The external auditor normally carries out an interim audit every autumn in addition to auditing the annual accounts. The interim audit focuses on the Company's internal control in relation to the presentation of the accounts. The accounting department and executive personnel have regular contact with the auditor throughout the year.

A number of regular meetings are held between the external auditor and the Company's governing bodies during the course of the year:

The auditor presents the main elements of the audit plan to the Audit Committee annually. In addition, the Audit Committee considers the auditor's assessment of internal control in relation to financial reporting. The auditor attends board meetings when the annual accounts are considered.

At least one meeting is held every year between the Board and the auditor, and between the Audit Committee and the auditor, at which the CEO and other executive personnel are not present.

A policy and guidelines have been adopted for relations with the elected auditor. At least every five years, several accounting companies will normally be invited to tender for the contract for the statutory auditing.

Guidelines have been drawn up for the management's right to use an external auditor for services other than auditing.

The auditor shall under no circumstances carry out advisory assignments or other services if this could affect or give rise to doubts about the auditor's independence and objectivity. Nor shall the auditor act in a manner that entails a risk that he/she will have to audit the result of his/her own advisory services or other services, or that entails a risk that he/she will perform functions that are part of the Group's internal decision-making process.

The Audit Committee shall also monitor the auditor's independence, including what services other than auditing the auditor has provided. The breakdown between the auditor's fee and consultancy fees for 2017 is described in Note 7.

A new external auditor was elected at the general meeting in 2017.

Deviations from the Code of Practice: None

The Gjensidige Insurance Group achieved a solid result in 2017 as well. Customer satisfaction increased to a record level, and competitiveness remained good.

The Board's report 2017

The Gjensidige Insurance Group delivered a solid underwriting result in 2017. The return on financial assets was very satisfactory seen in relation to the low interest rate level. The profit after tax expense was NOK 4.5 billion, corresponding to NOK 9.05 per share.

The underwriting result was NOK 3.4 billion, corresponding to a combined ratio of 85.4. The result was on a par with the result in 2016, adjusted for non-recurring effects. Earned premiums increased by 4.3 per cent to NOK 23.4 billion. Claims expenses increased by 5.7 per cent. Expenses resulting from large losses were lower than expected in a typical year. Run-off gains were as expected. The result is affected by good customer and risk selection and sensible risk pricing.

The return on financial assets was 3.7 per cent, or NOK 2.0 billion, a reduction of 7.1 per cent from 2016.

The Retail Bank and Pension showed continued positive development, with strong growth in volumes and underlying profitability.

The Board is satisfied that the Group met its financial targets in 2017.

The Board proposes that the Company pay a dividend of NOK 3.55 billion for the 2017 financial year. That corresponds to NOK 7.10 per share and entails a payout ratio of 78.6 per cent. Compared with the previous financial year, the proposal corresponds to an increase of 4.4 per cent in nominal dividend based on the profit for the year.

The Gjensidige Foundation's share of the dividend amounts to NOK 2.2 billion. Pursuant to the Foundation's statutes, the 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 April.

The business

Gjensidige Forsikring ASA (Gjensidige Forsikring) is a general insurance company with operations in the Nordic region and the Baltics. 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 Baltics. 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. This is 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 handling. 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 Nordic general insurance company. 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 2017. This is not a coincidence, but 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. The development of digital services and use of data and insight to ensure that we are relevant to our customers' everyday lives are also becoming more and more important.

We are continuously developing new self-service solutions for PCs, mobile phones and tablets. The core of all these services is user-friendliness and simplicity. Our customers can buy insurance, seek advice and report claims on the internet when it suits them. At the same time, continuous efforts are being made to rationalise internal work processes so that we can continue to improve our service to customers in a seamless way across different channels.

In 2017, we carried out a number of measures to make it easier and more attractive to report and check the status of claims online. This has led to a considerable increase in the number of digitally reported claims. Customer satisfaction surveys show that customers are more satisfied with the case processing when the claim has been reported online compared with by phone.

In addition to offering traditional insurance products, Gjensidige has developed several value-adding services for the Norwegian private market, including services relating to property and health. 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 2017. According to Finance Norway's statistics, Gjensidige had a market share of 25.5 per cent of a total marked of just over NOK 56 billion at the end of the third quarter. The market share remained stable throughout the year. Gjensidige prioritises profitability ahead of growth, and the market share development confirms the Company's strong competitiveness.

Gjensidige had a market share of 23.9 per cent in the private market at the end of the third quarter 2017. The market share in the commercial market was 28.4 per cent.

The market shares in Denmark and Sweden were 7.7 per cent (based on the most recent statistics from the Danish Insurance Association, fourth quarter 2016) and 2.3 per cent, respectively (source: Insurance Sweden, third quarter 2017).

In the Baltic general insurance market, Gjensidige had a market share of 9.8 per cent at the end of third quarter. (Sources: Insurance Supervisory Commission of the Republic of Lithuania; Latvian Insurers Association; Statistics Estonia, Gjensidige, all third quarter 2017.)

The market share for group unit-linked defined contribution pensions was 9.3 per cent, while the market share for individual unit-linked pensions was 8.0 per cent. Our market share of transferred defined contribution pension agreements was 19.6 per cent. (Source: Finance Norway, as of the third quarter 2017.)

Inge K. Hansen
Chair of the Board

Inge K Hansen (1946) has been Chair of the Board of Gjensidige since 2008. He is also Chair of the Board of Siriusungen AS, Troms Kraft AS, Hotel and Restaurant Continental AS, Nets AS, Arctic Securities AS, Point Resources AS and Sissener AS. He is a board member of Fram Museum. He was elected Chair of the Year in Norway and the Nordic Countries in 2012.

Hansen has previously been an executive vice president in Statoil and CEO of Aker Kværner. He is a graduate of the Norwegian School of Economics (NHH).

Gjensidige-shares held: See Note 8.

Distribution

Norway

Gjensidige has approximately 760,000 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

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.

Gjensidige-shares held: See Note 8.

customers who contact us to buy or change insurance policies or to seek advice. 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.

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. Almost 60 per cent of customers use the internet at one or several points in the purchasing process, and more than 60 per cent of all frequency claims are reported online.

Nordic
Gjensidige distributes general insurance products in Denmark through its own sales network and in cooperation with the Nykredit group. 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 underwriters, telephony and the internet.

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.

In Sweden, general insurance products are distributed to private customers both directly by phone and via the internet, and through insurance mediators (partners and agents). In the commercial market, distribution mainly takes place through insurance brokers and partners.

Baltics
The most important distribution channels in the Baltic states are direct sales via offices or by phone, and sales through insurance agents and brokers. 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 also 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').

Gjensidige Bank plays an important role by offering simple, user-friendly banking and savings services in the Norwegian market. Customers have access to the bank's services through the online banking and mobile phone solutions, which are adapted for use on smart phones and tablets. Car financing and car insurance are available in common digital solutions at car dealers and at gjensidige.no.

Gjensidige Pensjonsforsikring cooperates closely with Gjensidige Forsikring on the distribution of pension and accident and health insurance agreements to Norwegian companies and private individuals. Gjensidige Pensjonsforsikring is the only player in the market that offers funds exclusively managed externally, and it has highly efficient solutions for membership administration and information about pension rights.

Technology and development
Technological development and digitalisation continue with undiminished intensity. Gjensidige is always looking for new opportunities to improve its customer service and rationalise its operations.

Striking a balance between continuity and modernisation will continue to be important. New technology is providing more and more opportunities to collect and utilise market and customer data and better assess risk. Gjensidige is investing in technology and expertise on a continuous basis in order to generate and utilise relevant insight.

We have merged our development and technology capacity and expertise to form a single effective group entity called Technology and Development. This entity shall be a driving force for the realisation of projects in Gjensidige's strategic focus areas and shall ensure increased use of best practice across the Group.

One important task is to develop and improve digital user interfaces and services for our customers.

New developments and improvements in mobile interfaces and websites make it easier and easier for our customers to buy products, maintain an overview of their customer relationship, and report and follow up claims. Our internal efficiency is constantly being improved through the reuse of ICT solutions between different entities in the Group and by using new technology that makes us more and more efficient.

The work on automating internal processes continued unabated in 2017, at the same time as we developed more customer-oriented solutions based on new technology. We have identified between 250 and 300 processes that can be digitalised and/or automated. Roughly 20 per cent of this potential was realised in the course of 2017.

Products and customer data have been brought together on the same system platform to ensure uniform customer service across distribution channels, standardisation of work processes and cost-efficient operation of ICT systems. A flexible service architecture enables us to use functionality from the core system and information from the customer system for self-service solutions, common user interfaces for customer advisers, and in the work on optimising risk selection and tariff setting, among other things. An evaluation of system solutions is currently being carried out in the different markets with a view to ensuring competitiveness also in the long term.

The year 2017

Maintains leading position in Norway

Gjensidige consolidated its leading position in the Norwegian general insurance market in 2017, despite intense competition. Customer satisfaction was higher than ever. Combined with continued good profitability, this confirms Gjensidige's sound competitiveness in Norway. Gjensidige was awarded Ipso's Reputation Prize in 2017.

Sound development for Gjensidige Bank and Gjensidige Pensjonsforsikring

Gjensidige Bank has experienced strong, profitable growth over several years and achieved lending volume growth of 11.7 per cent in 2017. The growth was primarily driven by housing and car loans, where the bank plays a strategic role in ensuring that the Group is able to offer its insurance customers a complete range of financial services. Growth was particularly strong in car loans, helped by innovative solutions for combined sales of financing and car insurance through car dealers. This has resulted in Gjensidige Bank being the fifth biggest player in the car financing market in Norway.

Gjensidige Pensjonsforsikring (GPF) achieved a growth in assets for management of 23.5 per cent in 2017 and good underlying profitability development. GPF contributes to the provision of a complete range of products and services to Gjensidige's commercial customers.

Developments in the Nordic and Baltic segments according to plan

Operations in the Nordic region (excl. Norway) saw a considerable growth in volume in 2017 as a result of the acquisition of Mølholm Forsikring in Denmark and Vardia in Sweden. Our Baltic business had its first full year of operation following the integration of business acquired late in 2015. The premium volume from operations outside Norway accounted for 32.6 per cent of the total general insurance premium volume in 2017.

In Denmark, a new pricing mechanism and modernisation of tariffs were given high priority in 2017. Tariffs and terms are being upgraded on a continuous basis, one product group at a time, and this work will continue in 2018. The measures are expected to gradually improve profitability in the Danish business.

Sweden and the Baltics developed according to plan following the integration of acquired businesses, and both markets are expected to be profitable from and including 2018 seen as a whole.

Gjensidige has a scalable business model in the Nordic countries. This means that we can attract the best qualified candidates in the market, and it enables us to invest in state-of-the-art technology. Combined with our experience data, based on a long history and big customer databases, this leads to sophisticated analytical insight and competitiveness that can be utilised across segments and geographical borders.

Goal attainment – financial and operational targets

In connection with the annual update of the Group's capital management policy, the Board adopted new solvency margin targets (previous targets in brackets):

- The standard formula: 120–150 per cent (115–140)
- Partial internal model: 125–175 per cent (120–175)

The other financial targets are unchanged.

Area	Target	Achievement 2017
Group		
Return on equity	>15 per cent	21.3 per cent
Dividend	Nominal high and stable. Payout ratio >70 per cent	Payout ratio 79 per cent*
Rating	Maintain A rating from S&P	A rating confirmed in August 2017
Solvency margin Standard Formula	120-150 per cent	137 per cent**
Solvency margin Internal Model	125-175 per cent	169 per cent***
General insurance		
Combined ratio	86-89 per cent****	85.4
Cost ratio	~15 per cent	15.3 per cent

* Dividends based on profit for the year.
** Adjusted for proposed dividend for 2017.
*** Adjusted for proposed dividend for 2017. After the balance sheet date, Gjensidige received feedback from the FSA with regards to the partial internal model. See note 23 for further description.
**** Combined ratio target on an undiscounted basis, assuming ~4 pp run-off gains next 3-5 years and normalised large losses impact. Beyond the next 3-5 years, the target is 90-93 given 0 pp run-off.

The CR target of 86–89 reflects an expectation of average annual run-off gains in the region of NOK 1 billion in the next 3–5 years. Without run-off gains, the CR target is 90–93.

The cost ratio is expected to be around 15 per cent. Continuous efforts are being made to reduce the underlying cost base in order to create room for investments in new technology, the brand and relevant expertise, and thereby ensure good competitiveness going forward.

At the end of 2014, the Group launched six operational key targets for the period until 2018. The development has been positive for all the parameters throughout 2017.

KPIs*	CSI	Digital cust-omers**	Claims reported online**	Claims cost reductions	Customer retention	Customers with >4 GI products
2015	76.2	60 %	46 %	On track	Maintained	Maintained
2016	77.4	65 %	52 %	On track	Maintained	Maintained
2017	77.9	69 %	63 %	Delivered NOK 547 million	Maintained	Maintained
Target 2018	77.0	75 % >	>50 %	NOK 400–500 million	To be main-tained high	Maintain

* Targets communicated at Capital Markets Day 25 November 2014.
** Private Norway

The target for online reporting of claims was achieved already in 2016. In the long term, our ambition is that 80 per cent of all frequency claims will be reported online. Moreover, our ambition is that the handling of 80 per cent of these claims will be fully automated, so that 64 per cent of all frequency claims will be processed entirely digitally.

Three strategic focus areas towards 2020

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 pages 41–42 for a more detailed description of Gjensidige's strategy. A selection of measures and initiatives that have been implemented in 2017 relating to these focus areas is presented in the following.

The best digital customer experience in general insurance

Gjensidige is developing digital service solutions in step with changes in customer preferences and to make operations more and more efficient.

In 2017, a lot of attention has been devoted to simplifying and digitalising processes for claims handling and the purchase of insurance. The results of this work has been encouraging.

Sales through digital channels have increased by more than 30 per cent in 2017, compared with 2016. The proportion of claims reported online or via mobile phone increased from 52 per cent to 63 per cent in the Norwegian private market in 2017.

The claims reporting process was simplified by reducing the number of questions customers have to answer to report a claim. This is a natural consequence of encouraging customers to report claims in our mobile app. This enables customers to report the claim immediately, which, in our experience, contributes to more accurate claims and quicker settlements. By reducing the number of questions, we also facilitate a more standardised claims handling process, which makes it easier to turn it into a digital, automated process. We have established sophisticated analytics models that allow an increasing number of cases to be handled through automatic processes.

One example of this is that we set an unofficial world record in claims handling when a claim was approved just 1.6 seconds after the customer reported the claim. The short processing time is possible because the case is processed by sophisticated algorithms integrated in our core system. For the time being, only travel insurance claims can be processed in this manner. Claims that are too complex to be processed automatically are forwarded for manual case processing.

We also started using machine learning in an image recognition solution for appraising car collision damage. The possibility of taking a photo of the damage is integrated into our claims reporting app. This can save customers the trouble of having to see a garage to appraise the damage. Damage that cannot be appraised automatically is referred to a garage. The solution will become more accurate with time as it gains more experience to build on.

The purchase process for accident and health insurance policies that require a health declaration was massively improved when we launched a simplified digital health declaration with automated assessment. The solution means that many customers will have their insurance applications processed in a matter of seconds, while they used to have to wait for several weeks.

In autumn 2017, we launched a simple 'chat-bot' that can help customers with frequently asked questions about claims. The solution will be further developed to be able to handle a broader range of questions from customers.

We expect digitalisation, automation and artificial intelligence to form the basis for more user-friendly solutions in the time ahead.

Business intelligence and analytics

Combined with the ability to utilise new insight, access to and analysis of large amounts of data will be an important competitive advantage going forward. For example, Gjensidige has come far in utilising publicly available geographical and building data in all relevant processes. This contributes to better pricing, customer and risk selection and more efficient claims settlements.

Many of the pricing tariffs used outside Norway were improved during 2017. This work will continue to have high priority in 2018. Furthermore, extensive efforts were made in 2017 to improve and standardise the data basis used in connection with pricing. In 2018, this work will continue on an inter-Nordic basis, at the same time as we standardise our analysis processes and automate model management.

The trend towards a more analytical CRM has contributed to better models for predicting loss of customers and more relevant initiatives in relation to our customers.

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 MSc 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.

Gjensidige-shares held: See Note 8.

In 2017, we established joint infrastructure for analytical CRM also outside Norway. This will enable increased cross sales, better customer communication and greater accuracy in external sales activities. CRM is an area with a considerable potential, also in the time ahead.

The development of different products and services based on insight via 'the internet of things' and telematics in the fields of health, motor and property insurance will continue to be on the agenda going forward.

Dynamic organisational development

Technological possibilities, customer behaviour and other framework conditions are changing at an increasing pace. This will make increasing demands of management, expertise, dynamic organisational development and corporate culture. Increased technological understanding and mobility in the organisation are preconditions for our capacity for change and development.

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 Elopak AS, 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.

Gjensidige-shares held: See Note 8

Restructuring was carried out towards the end of 2016 and the beginning of 2017, both in the management and in the rest of the organisation, to be able to meet the future in an even better and more efficient way. Rationalisation measures were implemented that, among other things, entailed a reduction of 230 full-time equivalents in staff and support functions.

An important prerequisite for succeeding in the time ahead will be to continue to develop our corporate culture. We therefore focus on team-based work across functional boundaries, and on removing organisational obstacles. The goal is to continue developing an organisation characterised by efficient cooperation and the sharing of knowledge across organisational entities.

Strategic staffing planning is an important foundation for competence and organisational development. The right expertise in the right place at the right time is important. We must be capable of attracting, retaining and developing our employees, and this is something we focus strongly on. 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. A gradual shift will have to be made from in-house learning programmes to innovative platforms that enable managers and employees to learn to develop themselves.

Satisfied, loyal customers

Gjensidige's recognition in the Norwegian market is stable and high, and most customers consider Gjensidige when they are buying insurance. According to Ipsos's annual surveys, we have the best reputation of the biggest companies in the Norwegian financial sector. In 2017, we were awarded the Ipsos Reputation Prize, for a consistently high and growing reputation in Norway. 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 2017.

The customer satisfaction rate showed positive development and increased from 77.4 in 2016 to a record-strong 77.9 in 2017. 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 addition to a broad range of insurance products, we offer banking, pension and savings products in Norway as part of our efforts to increase our product range and the number of products individual customers buy. As much as 75 per cent of the Retail Bank's lending volume at year-end 2017 consisted of loans to insurance customers, and most of the growth in volume comes from insurance customers who are members of organisation or loyalty programmes.

The proportion of Gjensidige Pensjonsforsikring's customers who also have general insurance policies in Gjensidige Forsikring is approximately 70 per cent.

Loyalty among our customers in Denmark was stable in 2017, and there is still a potential for developing longer-lasting customer relationships in both the private and commercial markets.

The customer dividend model promotes loyalty

The unique arrangement whereby our customers receive customer dividend from Gjensidige's biggest owner, the Gjensidige Foundation, contributes to both loyalty and our attractiveness. 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 2017, 90 per cent of customers were aware of the customer dividend model and more than 70 per cent stated that the model contributed to their wanting to continue as customers. Awareness of the customer dividend system among potential customers was around 60 per cent.

Partnership agreements still important

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 dialogue takes place directly with Gjensidige.

In 2017, Gjensidige entered into a cooperation agreement with the Norwegian Society for Sea Rescue (Redningsselskapet).The Society has worked to ensure safety at sea for more than 100 years, and has 120,000 members.

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 2017.

At the beginning of 2017, Gjensidige signed a partnership agreement in Denmark with the car importer Interdan. Already in February, private insurance policies were launched for Peugeot, Citroën and Mitsubishi, which have a 17 per cent share of the Danish market for new car sales. The partnership got off to a good start, with considerable sales taking place through dealers. We expect increased sales in 2018, and are working to establish commercial motor policies through the same partner.

We also entered into a partnership agreement with the retail group Dansk Supermarked in 2017. So far, we have launched an electronics insurance policy for households ('Husets elektronikkforsikring'), which covers most electric and electronic appliances people have in their homes. The insurance is sold through the chains Bilka and Føtex and online at wupti.dk. More types of concept insurance policies are being developed that will be distributed via Dansk Supermarked's stores and web portals.

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

Growth through acquisitions

Gjensidige has clear ambitions for growth in the Nordic region and the Baltics. Since 2005, Gjensidige has acquired a considerable number of small and medium-sized companies and/or portfolios in these markets. The acquisition of complementary companies and portfolios enables us to utilise best practice across the Group based on a scalable business model.

With accounting effect from May 2017, Gjensidige acquired Mølholm Forsikring A/S, which is the market leader in health insurance in Denmark, with a premium volume of around DKK 400 million. The acquisition is in line with Gjensidige's strategy of securing a solid position in the growing market for accident and health insurance in the Nordic region.

Balance sheet and capital 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 2017, a dividend of NOK 3.4 billion was distributed based on the profit for 2016, in line with a dividend policy that aims for a high and stable nominal dividend.

At year-end 2017, the remaining capacity to issue Tier 1 loans amounted to NOK 1.5–1.9 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.

An attractive share

The Gjensidige share yielded a total return for shareholders of 19 per cent in 2017, corresponding to the return on Oslo Børs in the same period. During the period since the Company was listed on the stock exchange in December 2010, the Gjensidige share has yielded a total return of 346 per cent. The average daily trading volume on Oslo Børs was around 416,000 shares in 2017, 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.

Changes in framework conditions

Solvency II

The Solvency II Directive came into effect on 1 January 2016. It entails new rules on capital requirements, requirements for risk management and for reporting on the risk and capital situation. The regulations have been implemented in Norwegian law through the Financial Undertakings Act and pertaining regulations.

Gjensidige has applied for approval of a partial internal model (PIM) for calculating the regulatory capital requirement for parts of the operation. After the balance sheet date, Gjensidige received feedback from the FSA with regards to this. See note 23 for further description. The internal model, as Gjensidige has defined this, gives a good picture of the Company's risk situation and capital requirements and will still be used for internal management purposes.

The board has gone through a thorough process to ensure understanding of the model, and has on several occasions dicussed the results and methods of the model.

Although the regulations have entered into force, there is still some uncertainty about how the calculation of capital requirements and qualifying funds will take place under the new rules. For Gjensidige, the biggest remaining uncertainty factors are whether provisions for the guarantee scheme will be included in qualifying funds, and uncertainties relating to tax. The Financial Supervisory Authority takes the view that the guarantee provision shall be treated as a liability. In Gjensidige's opinion, special Norwegian provisions that are actually an equity element should be treated as solvency capital. Gjensidige will continue to make endeavours to ensure that the regulations are in line with this view.

A proposal was submitted in 2015 to change the tax deduction right with effect from 1 January 2016. The proposal meant that the deduction right would be limited to provisions calculated in accordance with the Solvency II regulations. In its original form, the proposal could have had significant negative tax consequences for Gjensidige, both upon its introduction and in the future. The introduction was postponed as a result of consultation submissions received. The Ministry of Finance will carry out a more thorough assessment of the various factors that were pointed out during the consultation. The national budget for 2018 signalled that new rules will soon be distributed for consultation, but it is still unclear whether and, if so, how the new deduction rules will be changed.

Until such time as new rules are adopted, a tax deduction is granted for technical provisions calculated on the basis of the applicable provision rules, provided that the provisions are deemed to be necessary. February 7. 2018 a consultation paper about changes in the tax rules for insurance- and pension companies was published. Gjensidige will review the consultation paper and look into the consequenses.

Furthermore, there is uncertainty relating to the effect of a risk-reducing effect of deferred tax that is taken into account in the calculation of the capital requirement. This is a tax advantage that will arise should Gjensidige suffer a financial loss equal to the capital requirement. This type of effect can only be taken into account if it is likely that the Company will be able to continue as a going concern, and there is a future profit that makes it possible to utilise this advantage. Work is ongoing at the international level that may result in more specific criteria for when, and if so, how much of the risk-reducing effect of deferred tax can be taken into account in the calculations. This may lead to changes to the capital requirement.

GDPR – new data protection legislation

In May 2018, the new General Data Protection Regulation enters into force. The new rules entail enhanced protection of customers' personal data and increased duties for companies. The new rights include portability – that customers will be able to transfer data they have disclosed to the company – more stringent requirements for erasure, enhanced right of access, that systems have built-in privacy and that choices customers make on the company's website have a privacy setting. It is demanding in terms of resources to change system solutions to meet new requirements, and an implementation project has been established in Gjensidige to address this on behalf of the Group.

Proposed rule changes for telephone sales – the industry can continue its practices

In December 2016, the Government adopted a proposal for a legislative amendment that would tighten the rules that apply to telemarketing. The proposal aimed to protect consumers who have opted out of this type of telemarketing from such marketing. The Standing Committee on Family and Cultural Affairs' recommendation took into account the objections made by the financial industry during the consultation process. If the Storting adopts the proposal, telemarketing calls will still be allowed to consumers who have opted out of this type of marketing in the Central Marketing Exclusion Register, provided that there is an existing customer or donor relationship where the trader has received the consumer's contact information in connection with sales or donations. Such marketing can only concern the traders' own services corresponding to those on which the customer or donor relationship is based.

It is uncertain when the proposal will be considered by the Storting.

Statement on 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 5,829.1 million (6,139.9). The profit from

Gisele Marchand
Board member

Gisele Marchand (1958) has been a member of the Board of Gjensidige since 2010. She is CEO of the law firm Haavind AS, a board member and chair of the audit committee of Norgesgruppen AS and Selvaag Bolig ASA, and 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 Eksportfinans AS, the Norwegian Public Service Pension Fund, the Bates Group and an EVP of Den norske Bank. She is a graduate of Copenhagen Business School.

Gjensidige-shares held: See Note 8.

Profit performance Group

NOK millions	**2017**	**2016**
General Insurance Private	2,200.0	2,196.7
General Insurance Commercial	1,634.8	1,631.3
General Insurance Nordic	192.4	247.3
General Insurance Baltics	(7.2)	(99.5)
Corporate Centre/costs related to owner	(272.4)	(10.6)
Corporate Centre/reinsurance [1]	(337.5)	(230.6)
Underwriting result general insurance [2]	**3,410.1**	**3,734.6**
Pension	103.7	114.8
Retail Bank	612.3	439.1
Financial result from the investment portfolio [3]	2,002.6	2,155.1
Amortisation and impairment losses of excess value – intangible assets	(261.3)	(254.2)
Other items	(38.3)	(49.5)
Profit/(loss) for the period before tax expense	**5,829.1**	**6,139.9**
Key figures general insurance		
Large losses [4]	577.4	871.8
Run-off gains/(losses) [5]	1,030.3	1,023.4
Loss ratio [6]	70.1%	69.1%
Cost ratio [7]	15.3%	14.2%
Combined ratio [8]	85.4%	83.4%

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 205.5 million (382.5) for the year as a whole. Accounting items related to written reinsurance and reinstatement premium are also included.
2 Underwriting result general insurance = earned premiums - claims incurred etc. - operating expenses
3 Excluding the return on financial assets in Pension and Retail Bank.
4 Large losses = loss events in excess of NOK 10.0 million. Expected large losses for the quarter were NOK 318.0 million.
5 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.
6 Loss ratio = claims incurred etc./earned premiums
7 Cost ratio = insurance related operating expenses/earned premiums
8 Combined ratio = loss ratio + cost ratio

general insurance operations, measured by the underwriting result, was NOK 3,410.1 million (3,734.6), corresponding to a combined ratio of 85.4 (83.4).

Adjusted for non-recurring events in 2016, the underwriting result amounted to NOK 3,445.0 million, corresponding to a combined ratio of 84.6.

For the investment portfolio, the return on financial assets was 3.7 per cent (3.9) or NOK 2,002.6 million (2,155.1). The financial result was satisfactory, although somewhat lower than the result in 2016, primarily as a result of a lower return on bonds.

The tax expense amounted to NOK 1,309.8 million (1,474.1), corresponding to an effective tax rate of 22.5 per cent (24.0). The effective tax rate was influenced by realised and unrealised gains from equity investments in the EEA.

The profit after tax was NOK 4,519.3 million (4,665.9), corresponding to NOK 9.05 (9.34) per share.

The underwriting result was positively influenced by a solid growth in premiums of 4.3 per cent, and earned premiums increased to NOK 23.4 billion (22.4). The result reflects continued good control of customer and risk selection and risk pricing. Claims expenses were affected by a favourable weather situation, slightly lower large losses than expected and slightly higher frequency claims, while run-off gains were as expected. The Pension segment made a positive contribution to profit performance, with a higher financial result and management income. The Retail Bank improved its profit performance as a result of an underlying positive development, and a non-recurring effect of NOK 116.6 million from the sale of a portfolio of already written-down, unsecured loans.

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). In preparation for expected changes in IFRS and the introduction of Solvency II, Gjensidige has, with effect from the second quarter 2010, calculated but not recognised the effect on the combined ratio of discounting the claims provisions. For 2017, the combined ratio on a discounted basis would have been 84.8, compared with 82.4 based on the recognised nominal amount.

Expenses for research and development have not been charged to income in Gjensidige's consolidated accounts in 2017 or 2016. Nor have such expenses been capitalised during these two financial years. The parent company has continued its collaboration with the Norwegian Computing Centre and SFI (Statistics for Innovation), which are carrying out projects relating to risk assessment and data analysis.

Balance sheet and capital base

The Group's balance sheet total at year-end 2017 was NOK 149,072.4 million (135,926.6). This increase was mainly attributable to volume growth in the Retail Bank and Pension segments. Equity amounted to NOK 23,703.1 million (22,326.0) as of 31 December 2017.

The return on equity was 21.3 per cent (21.4).

From 1 January 2016, the Company became subject to the Solvency II regulations.The solvency margin for the Group at year-end was 137 (147) per cent based on the standard formula and 169 (180) per cent based on the Company's partial internal model, as defined by Gjensidige. See note 23 for further description of events after the balance sheet date. The guarantee scheme is classified as a liability under Solvency II. If it had been included in solvency capital, the solvency margin for the Group would be 141 (150) per cent based on the standard formula and 172 (183) per cent based on the Company's partial internal model.

Available capital in excess of the risk-based requirement calculated using the Group's partial internal model constitutes the Group's economic excess capital. In addition, a deduction is made for the higher of the estimated additional capital required to maintain the current A rating and the capital required to meet the statutory capital adequacy requirements. At year-end, excess capital above and beyond this amounted to NOK 0.8 billion (1.3).

The solvency margin and excess capital are adjusted for the Board's dividend proposal of NOK 3.55 billion for the 2017 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 1,392.5 million (1,174.3) in loan funds with secured loans and various private equity and property fund investments, in addition to the amounts recognised in the balance sheet.

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 and net payments on/disbursements of 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 NOK 1,718.1 million (2,512.8) in 2017. There is a large positive cash flow from the insurance operations. The difference between the operating profit and the cash flow from operational activities is due to the nature of the business, whereby investments in financial assets are part of operations. The change in the cash flow in 2017 can largely be explained by higher investments in securities because of a lower dividend in 2017 than in 2016.

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 was negative in the amount of NOK 834.6 million (minus 248.4) in 2017. The change was largely due to increased payouts in connection with the acquisition of a subsidiary plus plant and equipment.

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 was negative in the amount of NOK 397.5 million (3,224.5) in 2017. The change is largely due to the distribution of a lower dividend in 2017.

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 2018.

Gjensidige-shares held: See Note 8.

General Insurance Private

The underwriting result was NOK 2,200.0 million (2,196.7). The positive effect from higher run-off gains was offset by a higher underlying loss ratio. The combined ratio was 74.2 (73.5).

Earned premiums increased to NOK 8,516.5 million (8,291.3), and Gjensidige's competitive position remained strong despite intense and increased competition. With effect from October 2016, the Mondux product insurance portfolio was moved from the Nordic segment to the Private segment. Earned premiums in this portfolio amounted to

General Insurance Private

NOK millions	2017	2016
Earned premiums	8,516.5	8,291.3
Claims incurred etc.	(5,226.2)	(5,030.8)
Operating expenses	(1,090.3)	(1,063.8)
Underwriting result	**2,200.0**	**2,196.7**
Amortisation and impairment losses of excess value – intangible assets	(22.2)	(25.8)
Large losses [1]	32.3	56.2
Run-off gains/(losses) [2]	473.2	377.5
Loss ratio [3]	61.4%	60.7%
Cost ratio [4]	12.8%	12.8%
Combined ratio [5]	74.2%	73.5%

[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] Loss ratio = claims incurred etc./earned premiums
[4] Cost ratio = operating expenses/earned premiums
[5] Combined ratio = loss ratio + cost ratio

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 Statoil, 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 Statoil, Norsk Hydro, Saga Petroleum and the Ministry of Petroleum and Energy. She is a director of the board of SN Power AS, and holds directorships-/chairman positions in a number of Boards of Statoil's international companies.

Gjensidige-shares held: See Note 8.

NOK 154.3 million. Adjusted for this and for one large leisure contract that was not renewed from 1 January 2017, premium growth was a satisfactory 3.1 per cent. Premiums for property and accident and health insurance increased, while leisure insurance premiums decreased. Adjusted for the one contract mentioned above, leisure insurance showed growth in premiums. Motor premiums were stable.

Claims incurred amounted to NOK 5,226.2 million (5,030.8). At 61.4 (60.7), the loss ratio was still at a very strong level. Motor and leisure showed an increased underlying loss ratio, while property and accident and health insurance showed positive development. Pricing measures were taken throughout the year to mitigate the effects of higher expected claims inflation in motor insurance going forward. Competition has increased during the year, and price adjustments are made based on an analytical, dynamic and segmented approach to ensure a good balance between profitability and growth. In general insurance, effects of price increases to mitigate effects from expected claims inflation will gradually materialise over 12–24 months from implementation. The Mondux product portfolio had a negative effect of 0.5 percentage points on the underlying loss ratio.

Operating expenses amounted to NOK 1,090.3 million (1,063,8) and the cost ratio was 12.8 (12.8).

General Insurance Commercial

The underwriting result was NOK 1,634.8 million (1,631.3). The lower level of large losses was offset by a less favourable underlying frequency claims development. The combined ratio was 77.6 (77.5).

Earned premiums were NOK 7,300.5 million (7,257.4). The Norwegian economic upturn is moderate, and the market environment for commercial lines remains highly competitive. Premium growth was driven by a well-balanced book of business, with both market activities and pricing measures contributing positively.

Claims incurred amounted to NOK 4,825.6 million (4,825.1) and the loss ratio was 66.1 (66.5). The lower level of large losses contributed positively to the development. The underlying loss ratio was somewhat weaker, in particular for accident and health insurance and motor insurance. Overall, the underlying profitability was still good in absolute terms. Measures have been taken during the year to mitigate the effects of expected higher claims inflation in motor insurance, and the effects will gradually feed into the portfolio.

General Insurance Commercial

NOK millions	2017	2016
Earned premiums	7,300.5	7,257.4
Claims incurred etc.	(4,825.6)	(4,825.1)
Operating expenses	(840.1)	(801.1)
Underwriting result	**1,634.8**	**1,631.3**
Large losses [1]	195.2	448.6
Run-off gains/(losses) [2]	452.9	486.5
Loss ratio [3]	66.1%	66.5%
Cost ratio [4]	11.5%	11.0%
Combined ratio [5]	77.6%	77.5%

[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] Loss ratio = claims incurred etc./earned premiums
[4] Cost ratio = operating expenses/earned premiums
[5] Combined ratio = loss ratio + cost ratio

Operating expenses amounted to NOK 840.1 million (801.1) and the cost ratio was 11.5 (11.0). Continued initiatives to strengthen the distribution model affected the cost base somewhat.

General Insurance Nordic

The underwriting result was NOK 192.4 million (247.3). The reduction in the underwriting result was driven by higher large losses and a run-off loss in Sweden. This was partly offset by an increase in the underwriting result in Denmark, mainly due to lower large losses and higher run-off gains. The combined ratio was 97.1 (95.8). The combined ratio in Denmark was 94.1 (94.7), while the combined ratio in Sweden was 105.3 (99.9).

Earned premiums increased to NOK 6,563.5 million (5,917.8). Currency effects increased earned premiums by NOK 9.8 million. The Mondux transfer reduced earned premiums by NOK 105.4 million, and the Mølholm acquisition contributed NOK 345.4 million. The premiums in the Danish portfolio accounted for around 74 per cent of total premiums in the segment. In Denmark, growth was slightly negative, driven by a decline in commercial insurance lines that was partly offset by growth in private insurance lines. The underlying premium development in the Swedish portfolio was positive, driven by both private and commercial insurance lines.

Claims incurred amounted to NOK 5,354.9 million (4,739.6). Currency effects increased incurred claims by NOK 7.2 million. The loss ratio was 81.6 (80.1). The higher loss ratio was mainly due to higher large losses and a run-off loss in Sweden. The underlying frequency claims development in Sweden was positive. In Denmark, profitability improved, mainly due to lower large losses and higher run-off gains, which offset a less favourable underlying frequency claims development. Pricing measures have been taken during 2017 to compensate for higher expected overall claims inflation in Denmark. In addition, new and more up to date insurance products were launched during the year. They will contribute to better agility, risk pricing and improved renewal processes. Similar initiatives have been taken in the Swedish portfolio.

Operating expenses were NOK 1,016.1 million (930.9). Currency effects increased operating expenses by NOK 0.9 million. The Mølholm acquisition contributed NOK 32.1 million. The cost ratio was 15.5 (15.7).

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 2018.

Gjensidige-shares held: See Note 8.

General Insurance Nordic

NOK millions	**2017**	**2016**
Earned premiums	6,563.5	5,917.8
Claims incurred etc.	(5,354.9)	(4,739.6)
Operating expenses	(1,016.1)	(930.9)
Underwriting result	**192.4**	**247.3**
Amortisation and impairment losses of excess value – intangible assets	(224.2)	(216.8)
Large losses [1]	128.3	161.6
Run-off gains/(losses) [2]	93.2	150.7
Loss ratio [3]	81.6%	80.1%
Cost ratio [4]	15.5%	15.7%
Combined ratio [5]	97.1%	95.8%

1 Large losses = loss event 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 Loss ratio = claims incurred etc./earned premiums
4 Cost ratio = operating expenses/earned premiums
5 Combined ratio = loss ratio + cost ratio

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. Among other things, she has studied at Copenhagen Business School and has a Master's Degree in mediation and conflict resolution from Faculty of Law, Copenhagen University.

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

Gjensidige-shares held: See Note 8.

From 1 January 2018, the Nordic segment will be reported as two segments, Denmark and Sweden, respectively.

General Insurance Baltics

The underwriting result was negative at minus NOK 7.2 million (minus 99.5). The improvement was mainly driven by lower operating expenses and an improved frequency claims development. The combined ratio was 100.7 (109.6), negatively affected by several medium-sized claims.

Earned premiums increased to NOK 1,074.7 million (1,036.3), although the underlying increase was NOK 6.2 million lower when adjusted for currency effects. The positive premium development was driven by portfolio restructuring and repricing measures.

Claims incurred amounted to NOK 736.0 million (748.4). The underlying difference was NOK 4.5 million higher when adjusted for currency effects. The reported loss ratio was 68.5 (72.2), mainly due to an improved underlying frequency claims development. Continued improvements in tariffs and the claims handling process are expected to further improve profitability going forward.

Operating expenses amounted to NOK 345.9 million (387.4). The underlying difference was NOK 2.3 million higher when adjusted for currency effects. The cost ratio improved to 32.2 percent (37.4), mainly due to restructuring and cost-saving initiatives.

General Insurance Baltics

NOK millions	**2017**	**2016**
Earned premiums	1,074.7	1,036.3
Claims incurred etc.	(736.0)	(748.4)
Operating expenses	(345.9)	(387.4)
Underwriting result	**(7.2)**	**(99.5)**
Amortisation and impairment losses of excess value – intangible assets	(14.5)	(14.9)
Large losses [1]		
Run-off gains/(losses) [2]	22.0	12.8
Loss ratio [3]	68.5%	72.2%
Cost ratio [4]	32.2%	37.4%
Combined ratio [5]	100.7%	109.6%

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 Loss ratio = claims incurred etc./earned premiums
4 Cost ratio = operating expenses/earned premiums
5 Combined ratio = loss ratio + cost ratio

Pension

The year was dominated by strong portfolio growth and a good underlying operational development. Operating revenues increased due to a growing number of customers and growth in assets. However, the strengthening of IBNR reserves and generally low interest rates hampered earnings growth which resulted in a profit before tax expense of NOK 103.7 million (114.8).

Administration fees increased to NOK 134.6 million (127.8) in step with the growing customer portfolio. Insurance income decreased to NOK 36.3 million (68.0) as a result of strengthened IBNR reserves.

Management income increased to NOK 130.4 million (83.6), driven by an increase in assets as well as a change in the classification of management costs of NOK 22.9 million, which were previously reported as income reductions but are now treated as operating expenses.

Operating expenses were NOK 227.3 million (191.1) after the change in the classification of management costs as described above and as a result of increased business volume.

Net financial income, including returns on both the group policy portfolio and the corporate portfolio, increased to NOK 29.7 million (26.4) due to reclassifications of income the preceding year following clarifications from the Norwegian FSA. Apart from this, net financial income decreased in 2017 due to reduced interest income related to the company portfolio after the issuing of a subordinated loan (Tier 2) of NOK 300 million in June the year before, in addition to a generally reduced yield on the group portfolio. The company's share of the profit related to the paid-up policy portfolio was allocated in its entirety as a longevity provision.

Assets under management increased by NOK 5,461.7 million. At the end of the year, pension assets under management amounted to NOK 28,699.0 million (23,237.3) including the group policy portfolio of NOK 6,018.4 million (5,409.6).

The recognised return on the paid-up policy portfolio was 3.75 per cent (4.08). The average annual interest guarantee is 3.34 per cent (3.50).

Gjensidige Investeringsrådgivning AS was merged with Gjensidige Bank in February 2017, and the 2016 figures are restated accordingly in this report.

Pension

NOK millions	**2017**	**2016**
Administration fees	134.6	127.8
Insurance income	36.3	68.0
Management income etc.	130.4	83.6
Operating expenses	(227.3)	(191.1)
Net operating income	**74.0**	**88.4**
Net financial income	29.7	26.4
Profit/(loss) before tax expense	**103.7**	**114.8**
Run-off gains/(losses) [1]		
Operating margin [2]	24.55 %	31.62 %
Recognised return on the paid-up policy portfolio [3]	3.75 %	4.08 %
Value-adjusted return on the paid-up policy portfolio [4]	4.47 %	4.87 %

1 Run-off gains/(losses) = changes in estimates from previous years
2 Operating margin = net operating income/(net insurance revenue + management income etc.)
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

Retail Bank

The profit before tax expense increased to NOK 612.3 million (439.1). The improvement was the result of higher income driven by portfolio growth and increased margins as well as lower write-downs and losses. The result includes a non-recurring gain of NOK 116.6 million from the sale of an impaired unsecured lending portfolio during November 2017. The contribution from the merged savings and investment operations was NOK 11.2 million (10.1).

Net interest income amounted to NOK 992.3 million (797.3). The improvement was driven by business growth and increased margins.

Net commission income and other income amounted to NOK 42.9 million (117.7). The decrease was a result of lower gains on financial instruments and higher acquisition costs driven by business growth. In addition, the 2016 financials included a gain on the sale of Visa Europe to Visa International, of which Gjensidige Bank's share was NOK 12.3 million.

The net interest margin was 2.03 per cent (1.85). The increase was driven by improved funding costs.

Operating expenses were NOK 412.5 million (406.5). The expenses were positively impacted by a change in the bank's distribution strategy, which allowed for a higher share of the acquisition costs to be amortised over the life of the loans. The positive impact was offset by an increase in expenses driven by the growth of the business. The cost/income ratio decreased to 39.8 per cent (44.4).

Total write-downs and losses amounted to NOK 10.3 million (69.5). The sale of the impaired unsecured lending portfolio resulted in a gain of NOK 116.6 million, of which NOK 107.7 was related to write-downs. Adjusted for the portfolio sales in 2017 and 2016, total write-downs and losses were NOK 118.0 million (82.1), primarily related to the unsecured lending portfolio. This was the result of portfolio growth and changes in credit policy. Write-downs and losses were 0.02 per cent (0.18) of average gross lending. Normalised for the portfolio sale, the ratio was 0.27 per cent (0.21). The weighted average loan-to-value ratio[1] was estimated to be 60.6 per cent (61.7) for the mortgage portfolio.

Gross lending increased by 11.7 per cent and amounted to NOK 46,056.1 million (41,249.5) at the end of the year. Deposits increased by 11.7 per cent, reaching NOK 23,765.7 million (21,270.4). The deposits-to-loans ratio was 51.6 per cent (51.6).

The merger with Gjensidige Investeringsrådgivning AS was finalised in February 2017. The financial reporting was integrated with effect from January 2017, and the 2016 figures are restated accordingly in this segment report.

On 20 April 2017, the Pillar 2 requirement for Gjensidige Bank ASA was set at 1.5 per cent by the Norwegian Financial Supervisory Authority. The core equity Tier 1 capital for the bank had to be increased to 13.0 per cent with effect from 30 June 2017. As a result, the bank increased its equity through a private placement of NOK 195.0 million with the parent company, and it issued a perpetual

[1] The estimate is based on the exposure at the reporting date and the property valuation at the time the loan was approved, including any higher priority pledge(s).

Retail Bank

NOK millions	**2017**	**2016**
Interest income and related income	1,631.7	1,408.0
Interest expenses and related expenses	(639.4)	(610.7)
Net interest income	**992.3**	**797.3**
Net commission income and other income	42.9	117.7
Total income	**1,035.2**	**915.0**
Operating expenses	(412.5)	(406.5)
Write-downs and losses	(10.3)	(69.5)
Profit/(loss) before tax expense	**612.3**	**439.1**
Net interest margin [1]	2.03 %	1.85 %
Write-downs and losses [2]	0.02 %	0.18 %
Cost/income ratio [3]	39.8%	44.4%

[1] Net interest margin = net interest income/average total assets
[2] Write-downs and losses = write-downs and losses/average gross lending
[3] Cost/income ratio = operating expenses/total income

Tier 1 capital instrument with a total nominal value of NOK 70.0 million in the second quarter. As of 31 December, the requirement for core equity Tier 1 capital was 13.5 per cent.

After the annual evaluation process, Standard and Poor's kept the rating unchanged for Gjensidige Bank ASA and its subsidiary Gjensidige Bank Boligkreditt AS at a long-term and short-term counterparty credit rating of A/A-1, outlook 'stable'. The covered bonds portfolio issued by Gjensidige Bank Boligkreditt kept its long-term rating of AAA and the outlook remained 'stable'

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 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, 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, depending on whether the derivatives used are equity or fixed-income derivatives. Foreign-exchange 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 year, the investment portfolio totalled NOK 54.9 billion (54.0). The financial result for the year was NOK 2,002.6 million (2,155.1), which corresponds to a return on total assets of 3.7 per cent (3.9).

Match portfolio

The match portfolio amounted to NOK 35.6 billion (35.1). The portfolio yielded a return of 2.8 per cent (3.5), excluding changes in the value of the bonds recognised at amortised cost.

Bonds recognised at amortised cost amounted to NOK 17.6 billion (17.5). Unrealised excess value amounted to NOK 1.2 billion (1.3) at the end of the period. The reinvestment rate for new investments in the portfolio of bonds held at amortised cost was approximately 3.1 per cent on average during the fourth quarter, and the running yield was 4.0 per cent at the end of the period.

The average duration of the match portfolio was 3.4 years. The average term to maturity for the corresponding insurance liabilities was 3.6 years. The distribution of counterparty risk and credit rating is shown in the charts on page 13. Securities without an official credit rating amounted to NOK 10.7 billion (11.5). Of these securities, 6.5 per cent (10.2) 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 in the Norwegian consumer price index accounted for 8.5 per cent (10.1) of the match portfolio.

The geographical distribution[1] of the match portfolio is shown in the chart on page 72.

Free portfolio

The free portfolio amounted to NOK 19.3 billion (18.9) at the end of the period. The return was 5.3 per cent (4.6) for the full-year.

Fixed-income instruments

The fixed-income instruments in the free portfolio amounted to NOK 9.2 billion (10.1), of which money market investments, including cash, accounted for NOK 4.1 billion (4.3). 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 2.8 per cent (5.2). It was positively affected by good returns on convertible bonds, high yield bonds and investment grade bonds, and a moderate return on money market investments and cash.

At the end of the period, the average duration in the portfolio was approximately 2.5 years. The distribution of counterparty risk and credit rating is shown in the charts on the next page. Securities without an official credit rating amounted to NOK 2.3 billion (2.6). Of these securities, 15.2 per cent (12.4) were issued by Norwegian savings banks, while the remainder were mostly issued by Norwegian power producers and distributors, property companies, industry and municipalities.

The geographical distribution[1] of the fixed-income instruments in the free portfolio is shown in the chart on page 72.

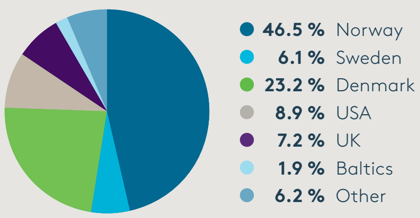
[1] The geographical distribution is related to issuers and does not reflect actual currency exposure.

Financial assets and properties

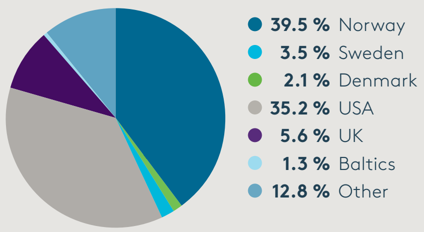
NOK million	Return in per cent 2017	Return in per cent 2016	Result 2017	Result 2016	Carrying amount 31.12. 2017	Carrying amount 31.12. 2016
Match portfolio						
Money market	1.8	2.2	81.4	130.8	4,256.6	5,159.5
Bonds at amortized cost	4.0	4.7	694.7	858.4	17,597.5	17,491.3
Current bonds [1]	1.6	2.3	204.9	275.3	13,729.6	12,417.0
Match portfolio total	**2.8**	**3.5**	**981.0**	**1,264.5**	**35,583.6**	**35,067.8**
Free portfolio						
Money market	0.8	1.0	36.2	43.8	4,061.0	4,321.1
Other bonds [2]	3.1	8.1	103.9	296.5	3,354.6	3,689.5
High yield bonds [3]	6.1	11.5	51.3	208.7	648.8	1,072.2
Convertible bonds [3]	7.6	1.1	80.8	10.2	1,160.1	1,045.3
Current equities [4]	15.1	15.1	452.3	410.1	3,492.7	2,870.3
PE funds	8.4	(12.5)	100.0	(150.6)	1,269.7	1,145.7
Property	9.7	7.9	331.2	250.8	3,494.8	3,072.2
Other [5]	(8.1)	(11.0)	(134.2)	(179.0)	1,794.9	1,673.5
Free portfolio total	**5.3**	**4.6**	**1,021.6**	**890.6**	**19,276.6**	**18,889.9**
Financial result from the invesment portfolio	**3.7**	**3.9**	**2,002.6**	**2,155.1**	**54,860.2**	**53,957.7**
Financial income in Pension and Retail Bank			56.4	72.6		
Interest expenses subordinated loan Gjensidige Forsikring ASA			(30.1)	(31.6)		
Net income from investments			**2,029.0**	**2,196.1**		

[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 2017

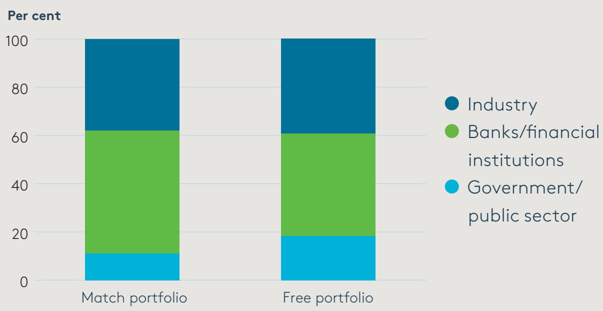


Geographic distribution fixed income instruments in free portfolio at the end of 2017



Credit rating fixed income instruments at the end of 2017

Counterparty risk fixed income instruments at the end of 2017



Equity portfolio

The total equity exposure at the end of the period was NOK 4.8 billion (4.0), of which NOK 3.5 billion (2.9) was current equities and NOK 1.3 billion (1.1) PE funds. The return on current equities was 15.1 per cent (15.1). The return was driven by a good market performance by international equities in general, and by emerging market equities in particular. The return on PE funds was 8.4 per cent (minus 12.5).

Property portfolio

At the end of the period, the exposure to commercial real estate in the portfolio was NOK 3.5 billion (3.1). The property portfolio yielded a return of 9.7 per cent (7.9). The good performance was driven by a general price appreciation in the market during the year.

Risk factors

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 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.

The Risk Management function shall ensure that the senior group management and the Board have sufficient information about the Group's risk profile at all times, and that it is within the adopted risk appetite. The Group has a moderate risk profile and, in the Board's view, no individual events will be capable of seriously harming the Company's financial position.

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 established 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 incurred and been reported to the Company (RBNS), and claims that have 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 to 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.

Risk management is described in more detail in Note 3 to the consolidated annual accounts.

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 stays 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.

Performance-based remuneration models have been introduced for groups of employees, and individual scorecards have also been introduced. Systematic work is being done on the corporate culture and management development, and on firmly establishing requirements and expectations of managers and staff.

Corporate governance

Good corporate governance is a priority for the Board. The Board has based the Group's corporate governance on the Norwegian Code of Practice for Corporate Governance as most recently amended on 30 October 2014, and it has made adjustments to ensure that it complies with the Code in all areas. A more detailed account of how Gjensidige complies with the Code of Practice and the Norwegian Accounting Act's requirements for reporting on corporate governance is provided on pages 40–53 of the annual report and in a separate document that is available on the Group's website www.gjensidige.no/corporate-governance.

Employees, corporate social responsibility and the environment

Gjensidige has endorsed the UN Global Compact principles and follows Oslo Børs's guidance on the reporting of corporate social responsibility. Our work on corporate social responsibility is described in a separate statement on pages 22–39 of the annual report. The Board of Gjensidige has adopted guidelines for how the Company shall exercise social responsibility. The guidelines and the group policy for socially responsible investments are available at www.gjensidige.no/group.

Gjensidige aims to be a developing and health-promoting workplace. Systematic work is carried out on competence-raising measures for managers and employees, and a number of measures and processes have been established relating to employees' health, safety and working environment. Information about the working environment, equality, discrimination and the natural environment, cf. the Accounting Act Section 3-3 (ninth to twelfth paragraphs), is provided on pages 22–39 of the report on corporate social responsibility.

Outlook

The Group targets a 15 per cent return on equity after tax. 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. Strong underwriting profitability is expected to offset a challenging environment as regards achieving investment returns.

1. 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 for the past twelve years.
2. The annual combined ratio is expected to be at the lower end of the target corridor of 90–93 (undiscounted and given zero run-off effects). The target cost ratio is around 15 per cent. A reduction is expected in the underlying cost ratio and loss ratio, but Gjensidige will aim to strike a balance between good profitability and increased investments in order to ensure strong competitiveness going forward. Extraordinary circumstances relating to the weather and the proportion of large losses and run-off can contribute to a combined ratio that is above or below the target range.

3. Over the next 3-5 years, average annual run-off gains are expected to be around NOK 1,000 million, moving the expected reported combined ratio to the lower end of the 86-89 corridor (undiscounted).
4. Regulatory uncertainty relating to Solvency II is unchanged. All else being equal, this supports the already strong capital position.

Over time, dividend pay-outs will reflect Gjensidige's policy not to build unnecessary excess capital.

It is Gjensidige's ambition to become the most customer-oriented general insurance company in the Nordic region, based on profitable operations and a leading position.

The strategic priorities in the period up until 2020 are:
- Digital customer experiences
- Business intelligence and analytics
- Building organisational capabilities

In order to support the three strategic priorities and ensure strong competiveness in future, efficiency measures are being taken to create room for increased investments, primarily in the fields of technology, competence development and brand strength.

Efforts will be intensified to deliver the best digital customer experiences in the Nordic general insurance industry. To support this, Gjensidige is currently evaluating the need for future investments in a new core system. Such investments are not expected to impact the financial targets.

At the same time, Gjensidige intends to increase its presence in the growing market for health and personal insurance.

Competition is still strong in the Norwegian general insurance market. Gjensidige has managed to capitalise on its position as market leader in Norway, and its competitiveness remains good. It has strengthened its leading position relative to its main competitors in parallel with delivering good profitability and high customer satisfaction. The growth rate is expected to remain subdued in the short to medium term, although an uptick in inflation and growth will lead to increased insurance premiums. Continued efforts to maintain and further strengthen Gjensidige's position in the Norwegian market will be prioritised, with particular focus on ensuring cost-efficiency and improving digital customer experiences. At the same time, new, profitable opportunities for growth will be considered in the Nordic region and the Baltic states in order to ensure good utilisation of a scalable business model and best practice. Strong emphasis will also be placed on further developing cooperation with partners and distributors.

Geopolitical uncertainty, low interest rates and financial challenges in several key economies, as well as in the Nordic countries, reflect an uncertain economic situation and remain a source of uncertainty. Gjensidige has a robust investment strategy, although returns are affected by challenging market conditions. The Group is financially sound and has a high proportion of its business in the Norwegian general insurance market. The macroeconomic outlook in the Nordic region and the outlook for Gjensidige's operations are still regarded as good.

There are still some outstanding uncertainties relating to changes to the regulatory framework conditions for the financial sector in Norway and internationally. Gjensidige has submitted an application to use its own partial internal model (PIM) under the Solvency II Regulation. After the balance sheet date, Gjensidige received feedback from the FSA with regards to this. See note 23 for further description. Endeavours will continue to be made to win acceptance for inclusion of the guarantee provision as solvency capital.

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.

Events after the balance sheet date
Gjensidige Forsikring ASA and Gjensidige Forsikring Group are granted approval from the Financial Supervisory Authority of Norway (FSA) for a Partial Internal Model (PIM) under the Solvency II regulation with effect from 31 December 2017. The model approved is more conservative than the model Gjensidige applied for.

As of 31 December 2017, the regulatory Solvency II ratio was 137 per cent based on the Standard Formula. Based on the approved Partial Internal Model, the regulatory Solvency II ratio is estimated to be 145-155 per cent.

The FSA has specified some areas which have to be further validated and documented to achieve approval for Gjensidige's original version of the model. The approval and its conditions will be reviewed by the Board of Gjensidige before the appeal deadline.

No significant events, besides the approval of the partial internal model, have occurred after the year end.

Allocation of the profit before other income and expenses

The Group's profit for the year after tax expense amounted to NOK 4,519.3 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 2017 financial year. This corresponds to NOK 7.10 per share, or 78.6 per cent of the Group's profit after tax.

Gjensidige's target is to distribute high and stable nominal dividends, and at least 70 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.

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 3,760.6 million be allocated as follows:

NOK millions	
Proposed dividend	3,550.0
Transferred to undistributable reserves	85.1
Transferred to other retained earnings	125.5
Allocated	**3,760.6**

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 20,700, including holiday pay, per full-time employee. The bonus is based on the combined ratio achieved, and on the development of the portfolio and customer satisfaction in 2017, as well as a discretionary part based on other elements.

The Board wishes to thank each individual employee for their contribution to Gjensidige's good results in 2017.

Oslo, 15 February 2018
The Board of Gjensidige Forsikring ASA

Inge K. Hansen
Chair

Per Arne Bjørge

Eivind Elnan

John Giverholt

Gisele Marchand

Gunnar Mjåtvedt

Hilde Merete Nafstad

Anne Marie Nyhammer

Lotte Kronholm Sjøberg

Helge Leiro Baastad
CEO

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Gjensidige Forsikring ASA

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Consolidated income statement

NOK millions	Notes	1.1.-31.12.2017	1.1.-31.12.2016
Operating income			
Earned premiums from general insurance		23,398.3	22,441.9
Earned premiums from pension		1,832.7	1,479.4
Interest income etc. from banking operations		1,631.7	1,408.0
Other income including eliminations		151.3	162.0
Total operating income	**4**	**27,014.0**	**25,491.4**
Net income from investments			
Results from investments in associates and joint ventures	5	255.8	184.1
Interest income and dividend etc. from financial assets		1,040.5	1,262.0
Net changes in fair value on investments (incl. property)		(355.1)	(1,040.3)
Net realised gain and loss on investments		1,207.1	1,920.8
Expenses related to investments		(119.3)	(130.5)
Total net income from investments	**6**	**2,029.0**	**2,196.1**
Total operating income and net income from investments		**29,042.9**	**27,687.5**
Claims, interest expenses, loss etc.			
Claims incurred etc. from general insurance		(16,401.7)	(15,515.9)
Claims incurred etc. from pension		(1,661.8)	(1,283.5)
Interest expenses etc. and write-downs and losses from banking operations		(649.8)	(680.1)
Total claims, interest expenses, loss etc.		**(18,713.3)**	**(17,479.6)**
Operating expenses			
Operating expenses from general insurance		(3,586.5)	(3,191.4)
Operating expenses from pension		(227.3)	(191.1)
Operating expenses from banking operations		(412.5)	(406.5)
Other operating expenses		(12.9)	(24.8)
Amortisation and impairment losses of excess value - intangible assets		(261.3)	(254.2)
Total operating expenses	**7**	**(4,500.6)**	**(4,068.0)**
Total expenses		**(23,213.8)**	**(21,547.5)**
Profit/(loss) before tax expense	**4**	**5,829.1**	**6,139.9**
Tax expense	9	(1,309.8)	(1,474.1)
Profit/(loss)		**4,519.3**	**4,665.9**
Profit/(loss) attributable to:			
Owners of the company		4,523.1	4,670.4
Non-controlling interests		(3.8)	(4.5)
Total		**4,519.3**	**4,665.9**
Earnings per share, NOK (basic and diluted)	**24**	**9.05**	**9.34**

Consolidated statement of comprehensive income

NOK millions	Notes	1.1.-31.12.2017	1.1.-31.12.2016
Profit/(loss)		**4,519.3**	**4,665.9**
Components of other comprehensive income			
Items that are not reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability/asset	10	(342.7)	(158.7)
Share of other comprehensive income from associates and joint ventures		(0.7)	0.3
Tax on items that are not reclassified to profit or loss	9	85.7	39.7
Total items that are not reclassified subsequently to profit or loss		**(257.7)**	**(118.7)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences from foreign operations		577.2	(391.3)
Investments available for sale			(12.5)
Tax on items that may be reclassified to profit or loss	9	(88.2)	66.7
Total items that may be reclassified subsequently to profit or loss		**489.1**	**(337.1)**
Total components of other comprehensive income		**231.3**	**(455.8)**
Total comprehensive income		**4,750.7**	**4,210.1**
Total comprehensive income attributable to:			
Owners of the company		4,754.4	4,214.6
Non-controlling interests		(3.8)	(4.5)
Total		**4,750.7**	**4,210.1**

Consolidated statement of financial position

NOK millions	Notes	31.12.2017	31.12.2016
Assets			
Goodwill	11	3,557.4	3,140.2
Other intangible assets	11	1,472.2	1,360.5
Deferred tax assets	9	11.3	19.1
Investments in associates and joint ventures	5	1,859.4	1,601.6
Interest-bearing receivables from joint venture	5, 13	1,620.1	1,420.2
Owner-occupied property, plant and equipment	12	290.1	321.9
Pension assets	10	206.0	488.7
Financial assets			
Financial derivatives	13	674.0	1,335.4
Shares and similar interests	13, 14	7,328.3	6,892.1
Bonds and other securities with fixed income	13	30,734.2	30,385.8
Bonds held to maturity	13	1,136.0	1,625.9
Loans and receivables	13, 15	67,010.1	60,030.6
Assets in life insurance with investment options	13	22,565.5	17,780.0
Reinsurance deposits			0.3
Reinsurers' share of insurance-related liabilities in general insurance, gross	16	827.4	706.8
Receivables related to direct operations and reinsurance		5,840.8	5,621.5
Other receivables	15	1,064.5	945.9
Prepaid expenses and earned, not received income	15	189.9	91.3
Cash and cash equivalents		2,685.2	2,158.7
Total assets		**149,072.4**	**135,926.6**
Equity and liabilities			
Equity			
Share capital		1,000.0	999.9
Share premium		1,430.0	1,430.0
Natural perils capital		2,333.4	2,266.2
Guarantee scheme provision		638.3	628.9
Other equity		18,283.4	16,981.2
Total equity attributable to owners of the company		**23,685.1**	**22,306.3**
Non-controlling interests		18.0	19.8
Total equity	**17**	**23,703.1**	**22,326.0**
Provision for liabilities			
Subordinated debt	13, 18	1,947.3	1,946.8
Premium reserve in life insurance		5,784.9	4,127.0
Provision for unearned premiums, gross, in general insurance	16	9,961.4	9,527.9
Claims provision, gross	16	31,322.7	32,447.5
Other technical provisions		339.6	297.3
Pension liabilities	10	578.3	511.8
Other provisions	19	328.6	342.1
Financial liabilities			
Financial derivatives	13	584.9	1,191.8
Deposits from and liabilities to customers	13, 19	23,765.7	21,270.4
Interest-bearing liabilities	13, 19	23,083.4	19,596.5
Other liabilities	13, 19	1,265.2	1,368.5
Current tax	9	1,131.5	1,272.7
Deferred tax liabilities	9	1,076.8	871.7
Liabilities related to direct insurance and reinsurance	13	1,132.8	555.2
Liabilities in life insurance with investment options	13	22,565.5	17,780.0
Accrued expenses and deferred income	13, 19	500.8	493.3
Total liabilities		**125,369.3**	**113,600.5**
Total equity and liabilities		**149,072.4**	**135,926.6**

Oslo, 15 February 2018 – The Board of Gjensidige Forsikring ASA

Inge K. Hansen
Chair

Per Arne Bjørge

Eivind Elnan

John Giverholt

Gisele Marchand

Gunnar Mjåtvedt

Hilde Merete Nafstad

Anne Marie Nyhammer

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 31.12.2015 attributable to owners of the company	**1,000.0**	**(0.1)**	**1,430.0**	**31.6**	**298.8**	**438.3**	**(1,583.0)**	**21,690.7**	**23,306.3**
Non-controlling interests									24.3
Equity as at 31.12.2015									**23,330.6**
1.1.-31.12.2016									
Profit/(loss) (the controlling interests' share)					21.4			4,649.0	4,670.4
Components of other comprehensive income									
Items that are not reclassified subsequently to profit or loss									
Remeasurement of the net defined benefit liability/asset							(158.7)		(158.7)
Share of other comprehensive income of associates								0.3	0.3
Tax on items that are not reclassified to profit or loss							39.7		39.7
Total items that are not reclassified subsequently to profit or loss							**(119.0)**	**0.3**	**(118.7)**
Items that may be reclassified subsequently to profit or loss									
Exchange differences from foreign operations						(391.3)			(391.3)
Investments available for sale								(12.5)	(12.5)
Tax on items that may be reclassified to profit or loss						66.6		0.1	66.7
Total items that may be reclassified subsequently to profit or loss						**(324.7)**		**(12.4)**	**(337.1)**
Total components of other comprehensive income						**(324.7)**	**(119.0)**	**(12.1)**	**(455.8)**
Total comprehensive income					**21.4**	**(324.7)**	**(119.0)**	**4,637.0**	**4,214.6**
Own shares		0.1						(3.8)	(3.7)
Paid dividend								(6,196.6)	(6,196.6)
Equity-settled share-based payment transactions				7.6					7.6
Perpetual Tier 1 capital					997.7				997.7
Perpetual Tier 1 capital - interest paid					(19.6)				(19.6)
Equity as at 31.12.2016 attributable to the 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									
Profit/(loss) (the controlling interests' share)					45.9			4,477.2	4,523.1
Components of other comprehensive income									
Items that are not reclassified subsequently to profit or loss									
Remeasurement of the net defined benefit liability/asset							(342.7)		(342.7)
Share of other comprehensive income of associates								(0.7)	(0.7)
Tax on items that are not reclassified to profit or loss							85.7		85.7
Total items that are not reclassified subsequently to profit or loss							**(257.0)**	**(0.7)**	**(257.7)**
Items that may be reclassified subsequently to profit or loss									
Exchange differences from foreign operations				0.3		576.6	0.4		577.2
Tax on items that may be reclassified to profit or loss						(88.2)			(88.2)
Total items that may be reclassified subsequently to profit or loss				**0.3**		**488.4**	**0.4**		**489.1**
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**
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)
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**

See note 17 for further information about the equity items.

Consolidated statement of cash flows

NOK millions	1.1.-31.12.2017	1.1.-31.12.2016
Cash flow from operating activities		
Premiums paid, net of reinsurance	29,645.8	27,023.8
Claims paid, net of reinsurance	(18,398.9)	(17,547.5)
Net payment of loans to customers	(4,912.2)	(4,545.8)
Net payment of deposits from customers	2,495.3	1,848.1
Payment of interest from customers	1,509.0	1,326.3
Payment of interest to customers	(257.2)	(264.7)
Net receipts/payments of premium reserve transfers	(1,231.2)	(645.2)
Net receipts/payments from financial assets	(1,812.3)	953.5
Net receipts/payments on sale/acquisition of investment property	97.1	
Operating expenses paid, including commissions	(4,283.3)	(4,400.0)
Taxes paid	(1,250.4)	(1,376.5)
Net other receipts/payments	116.4	140.8
Net cash flow from operating activities	**1,718.1**	**2,512.8**
Cash flow from investing activities		
Net receipts/payments from sale/acquisition of subsidiaries, associates and joint ventures	(502.6)	(92.2)
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment and intangible assets	(328.1)	(110.7)
Net receipts/payments on sale/acquisition of customer portfolios - intangible assets	(3.9)	(45.5)
Net cash flow from investing activities	**(834.6)**	**(248.4)**
Cash flow from financing activities		
Payment of dividend	(3,459.9)	(6,139.5)
Net receipts/payments on subordinated debt incl. interest	(42.3)	261.7
Net receipts of capital from non-controlling interests	2.1	
Net receipts/payments on loans to credit institutions	3,462.4	2,003.6
Net receipts/payments on other short-term liabilities	(53.1)	(19.9)
Net receipts/payments on interest on funding activities	(308.8)	(301.5)
Net receipts/payments on sale/acquisition of own shares	(11.1)	(3.7)
Tier 1 issuance/instalments	70.0	997.0
Tier 1 interest payments	(56.8)	(22.1)
Net cash flow from financing activities	**(397.5)**	**(3,224.5)**
Effect of exchange rate changes on cash and cash equivalents	40.5	(33.1)
Net cash flow	**526.5**	**(993.2)**
Cash and cash equivalents at the start of the year	2,158.7	3,151.9
Cash and cash equivalents at the end of the year	2,685.2	2,158.7
Net cash flow	**526.5**	**(993.2)**
Specification of cash and cash equivalents		
Deposits with central banks	229.6	57.0
Cash and deposits with credit institutions [1]	2,455.6	2,101.7
Total cash and cash equivalents	**2,685.2**	**2,158.7**
[1] Including source-deductible tax account	85.9	85.7

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 2017 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 2017, Norwegian disclosure requirements as set out in the Accounting Act as at 31 December 2017 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 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 2017. 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.

Amendments to IFRS 2: Classification and measurement of share-based payment transactions (2016)

IFRS 2 has been amended regarding the classification and measurement of share-based payment transactions with a net settlement feature for withholding tax obligations. If the entity is obliged to withhold an amount for an employee's tax obligation associated with a share-based payment, and transfer that amount in cash to the tax authority on the employee's behalf, then the entity shall account for that obligation as an equity-settled share-based payment transaction. The amendments are effective from 1 January 2018. The tax obligation in Gjensidige's remuneration scheme will be reclassified from liability to equity as at 1 January 2018. From this date the tax obligation will be accounted for as an equity-settled share-based payment transaction instead of a cash-settled share-based payment transaction. Our preliminary assessment is that the amendment is not expected to have a significant effect on Gjensidige's financial statements.

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. 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.

According to prevailing rules, impairment for credit losses shall only be recognised when objective evidence of impairment losses exists. 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 or at fair value with the changes in fair value recognised in 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 should equal 12-month expected credit losses. If the credit risk has increased significantly, the provision should equal lifetime expected credit losses. This dual approach replaces today's collective impairment model.

During 2017, Gjensidige Bank has worked extensively to put together an internal model to comply with the new IFRS 9 guideline. The new impairment requirements are expected to increase the bank's provisioning for expected credit losses with NOK 13.8 million or 7.7 per cent. Total provisioning for credit losses amounted to NOK 180.3 million at the end of 2017. The changes generated by the new requirements will be charged against other equity. The Capital Adequacy ratios will take into consideration the amortisation schedule proposed by the Norwegian regulations (transition rule). The impact on the Common Equity Tier 1 capital ratio, before the transition rules, was assessed as immaterial at 0.044 per cent. Year 1 impact in the Common Equity Tier 1 capital ratio after transition rules was estimated at 0.002 per cent.

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 has decided to make use of this exception.

IFRS 15 Revenue from contracts with customers (2014)

IFRS 15 covers all contracts with customers, but insurance contracts, among others, are exempted. Insofar as such contracts cover the provision of several services or other services closely related to the insurance operations are carried out, this may have a bearing on how Gjensidige recognises revenues in its accounts. IFRS 15 is effective 1 January 2018. Our assessment is that services beyond what is covered by IFRS 4 about insurance contracts comprise an insignificant part of the income, and the standard will not have a significant effect on Gjensidiges's financial statements.

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 assets 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.

IFRS 17 Insurance Contracts (2017)
IFRS 17 Insurance Contracts 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 effective 1 January 2021. The standard is expected to have an effect on the group's financial statements, significantly changing the measurement and presentation of income and expenses.

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 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. Based on this Gjensidige reports the following operating segments

- General insurance Private
- General insurance Commercial
- General insurance Nordic
- General insurance Baltics
- Pension
- Retail Bank

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 have 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.

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.

Interest income and credit commission income from banking operations

Interest income and interest expenses are calculated and recognised using the effective interest method. The calculation takes into account arrangement fees and direct marginal transaction costs that form an integral part of the effective interest rate. Interest is recognised in profit or loss using the effective interest method both for balance sheet items that are measured at amortised cost and those that are measured at fair value through profit and loss. Interest income on impaired loans is calculated as the effective interest on the impaired value.

Commission income from various customer services is recognised depending on the nature of the commission. Charges are recognised as income when the services have been delivered or when a significant proportion have been completed. Charges that are received for services provided are recognised as income in the period in which the service was performed. Commissions received as payment for various services is recognised as income when the service has been performed. Commission expenses are transaction based, and are recognised in the period in which the service was received.

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.

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 consist 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 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 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 most 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 comprise 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

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.

The bank utilises fair value hedging on interest rate risk. Changes in the value of the hedged object dedicated to the hedged risk are adjusting the hedged objects carrying amount and is recognised in profit or loss. Changes in the value of the hedging instrument are recognised in profit or loss.

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, deposits from and liabilities to customers, interest-bearing liabilities, other liabilities, liabilities related to direct insurance and accrued expenses and deferred income. Interest-bearing liabilities consist mainly of issued certificates and bonds, and buy-back of own issued bonds.

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 are 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

The Group 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 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 transactions 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 for the period with an associated liability in the balance sheet. The liability in the arrangement settled in cash is measured at fair value on each balance sheet date up to and including the date of settlement, and changes in fair value are recognised in the income statement. Employers' social security costs are recognised in the income statement over the expected vesting period.

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.

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.

The accounting policies that are used by Gjensidige in which the assessments, estimates and prerequisites may deviate significantly from the actual results are discussed below.

Goodwill

Goodwill is tested for impairment annually or more often if there are indications that the amounts may be subject to impairment. The testing for impairment entails determining recoverable amount for the cash-generating unit. Normally recoverable amount will be determined by means of discounted cash flows based on business plans. The business plans are based on prior experience and the expected market development. See note 11.

Loans and receivables

For financial assets that are not measured at fair value, it is assessed whether there is objective evidence that there has been a reduction in the value of a financial asset or a group of financial assets on each reporting date. See note 15.

Individual write-downs are assessed before the write-down on groups is determined. If there is objective evidence that a financial asset is impaired, a write-down is made for the estimated loss. Objective evidence means evidence of occurrences indicating that the loan is impaired. This may be information about damaged credit histories, bankruptcy or defaults. For a closer description of the bank, see note 3 in the consolidated group accounts.

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.

Pension

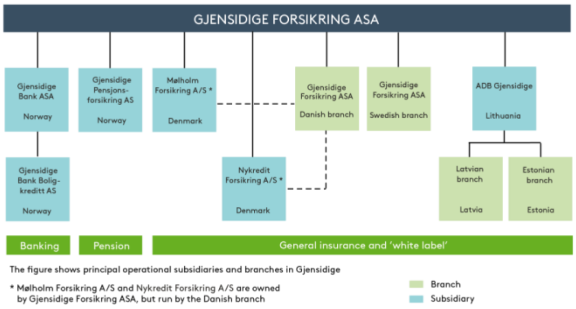
The present value of pension liabilities is calculated on the basis of actuarial and financial assumptions. Any change in the assumptions affects the estimated liability. Change in the discount rate is the assumption most significant to the value of the pension liability. The discount rate and other assumptions are normally reviewed once a year when the actuarial calculations are performed unless there have been significant changes during the year. See note 10.

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, and to credit risk through its operations in Gjensidige Bank ASA. Financial risk is also a material risk for the group.

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. The risk related to the bank business will be described separately. For this reason the term Gjensidige Insurance Group will appear in the text, which is defined as Gjensidige Forsikring Group, excluding Gjensidige Bank ASA. Finally, the capital requirement for these risks and the capital management will be described.

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 employee's 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 with regard to 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.

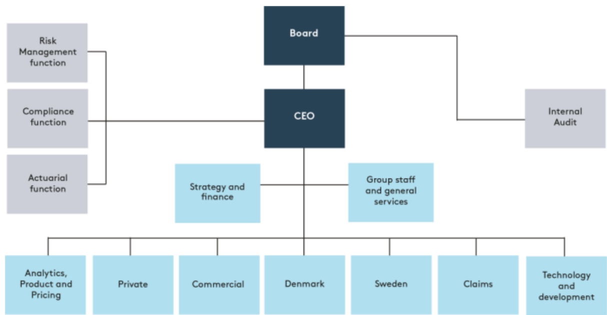
The second line of defence is carried through by centralised control functions for risk management, compliance and actuary;

- 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. It has adopted a risk appetite statement that covers the most important types of risks. This entails ensuring that necessary governing documents, procedures and reporting are in place in order to secure satisfactory risk management, compliance with laws and regulations and the appropriate organisation and documentation of risk management and internal control efforts.

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 Gjensidige Forsikring 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 claims' 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 inclucenced 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

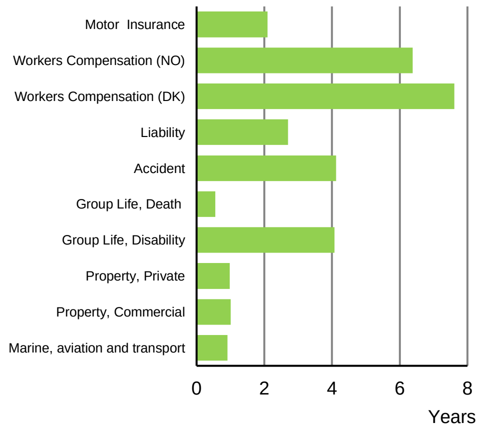
NOK millions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Gross												
Estimated claims cost												
At the end of the accident year	12,852.4	12,995.1	12,562.5	14,786.3	15,977.1	13,485.6	15,382.0	14,961.6	12,841.9	13,895.3	14,321.7	
- One year later	12,891.1	13,067.3	12,509.7	14,654.0	16,221.3	13,434.6	15,275.3	14,603.2	12,813.4	14,148.1		
- Two years later	12,754.2	12,972.7	12,345.5	14,684.2	16,263.1	13,356.1	15,096.9	14,483.6	12,729.6			
- Three years later	12,693.0	12,948.2	12,356.0	14,602.8	16,073.7	13,186.9	14,907.1	14,433.0				
- Four years later	12,711.9	12,906.7	12,205.0	14,520.9	15,872.3	13,011.2	14,780.3					
- Five years later	12,631.9	12,772.5	12,143.4	14,413.8	15,753.5	12,893.4						
- Six years later	12,538.9	12,729.6	12,098.7	14,290.5	15,608.2							
- Seven years later	12,501.1	12,684.8	11,960.6	14,176.4								
- Eight years later	12,452.5	12,598.2	11,907.1									
- Nine years later	12,316.1	12,550.3										
- Ten years later	12,222.7											
Estimated amount as at 31.12.2017	12,222.7	12,550.3	11,907.1	14,176.4	15,608.2	12,893.4	14,780.3	14,433.0	12,729.6	14,148.1	14,321.7	
Total disbursed	11,683.9	11,933.9	11,173.8	13,330.9	14,609.7	11,731.7	13,281.6	12,672.4	10,539.0	11,042.8	7,231.2	129,230.9
Claims provision	538.8	616.4	733.3	845.5	998.5	1,161.7	1,498.7	1,760.6	2,190.6	3,105.3	7,090.5	20,539.9
Prior-year claims provision and loss adjustment provision												10,201.8
Gjensidige Baltic												581.0
Total												**31,322.7**
Net of reinsurance												
Estimated claims cost												
At the end of the accident year	12,571.7	12,825.8	12,531.1	14,290.4	14,988.6	13,280.4	14,624.5	14,836.7	12,841.9	13,652.2	13,797.1	
- One year later	12,610.9	12,907.4	12,478.5	14,186.5	15,168.9	13,223.3	14,475.1	14,472.0	12,813.2	13,903.6		
- Two years later	12,456.2	12,818.2	12,320.5	14,214.8	15,268.5	13,160.1	14,389.5	14,356.6	12,725.3			
- Three years later	12,399.1	12,788.4	12,331.0	14,134.3	15,145.0	12,985.2	14,196.7	14,305.9				
- Four years later	12,418.0	12,747.0	12,180.5	14,051.4	14,939.9	12,804.2	14,084.5					
- Five years later	12,340.6	12,613.4	12,117.7	13,940.0	14,821.1	12,686.4						
- Six years later	12,247.5	12,569.2	12,073.1	13,816.7	14,675.3							
- Seven years later	12,209.8	12,524.4	11,935.0	13,702.6								
- Eight years later	12,161.2	12,437.7	11,881.5									
- Nine years later	12,024.8	12,389.8										
- Ten years later	11,931.4											
Estimated amount as at 31.12.2017	11,931.4	12,389.8	11,881.5	13,702.6	14,675.3	12,686.4	14,084.5	14,305.9	12,725.3	13,903.6	13,797.1	
Total disbursed	11,392.6	11,773.4	11,148.2	12,857.2	13,676.7	11,524.7	12,585.7	12,549.2	10,537.2	11,024.5	6,856.8	125,926.1
Claims provision	538.8	616.4	733.3	845.4	998.5	1,161.7	1,498.7	1,756.7	2,188.1	2,879.2	6,940.3	20,157.3
Prior-year claims provision and loss adjustment provision												9,886.4
Gjensidige Baltic												496.6
Total												**30,540.3**

Table 1b – Analysis of claims development, Gjensidige Forsikring ASA

NOK millions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Gross												
Estimated claims cost												
At the end of the accident year	12,418.5	12,384.4	11,856.9	13,843.0	14,695.5	12,814.0	14,468.1	14,294.9	12,138.9	13,196.7	13,667.3	
- One year later	12,433.3	12,483.2	11,787.2	13,759.9	14,941.2	12,814.9	14,405.4	13,935.8	12,110.3	13,461.9		
- Two years later	12,311.7	12,386.0	11,637.0	13,784.8	14,972.2	12,752.6	14,238.3	13,809.6	12,025.6			
- Three years later	12,249.9	12,348.0	11,642.2	13,703.5	14,787.0	12,596.3	14,064.5	13,756.7				
- Four years later	12,254.7	12,306.9	11,495.4	13,603.0	14,588.8	12,417.1	13,929.1					
- Five years later	12,170.3	12,173.6	11,427.8	13,493.1	14,468.1	12,301.0						
- Six years later	12,080.5	12,130.2	11,379.8	13,365.3	14,322.9							
- Seven years later	12,040.5	12,083.9	11,236.9	13,251.5								
- Eight years later	11,991.7	11,996.5	11,183.2									
- Nine years later	11,853.1	11,946.8										
- Ten years later	11,762.3											
Estimated amount as at 31.12.2017	11,762.3	11,946.8	11,183.2	13,251.5	14,322.9	12,301.0	13,929.1	13,756.7	12,025.6	13,461.9	13,667.3	
Total disbursed	11,223.6	11,334.7	10,460.2	12,414.1	13,333.6	11,143.8	12,445.1	12,021.3	9,898.8	10,463.8	6,841.9	121,580.9
Claims provision	538.7	612.1	723.0	837.4	989.3	1,157.2	1,484.0	1,735.4	2,126.8	2,998.1	6,825.4	20,027.4
Prior-year claims provision and loss adjustment provision												10,649.1
Total												**30,676.5**
Net of reinsurance												
Estimated claims cost												
At the end of the accident year	12,137.9	12,215.4	11,827.1	13,347.1	13,706.9	12,608.9	13,710.6	14,170.0	12,138.9	12,953.6	13,142.8	
- One year later	12,153.2	12,323.5	11,757.7	13,292.3	13,888.9	12,603.6	13,605.2	13,804.6	12,110.0	13,217.5		
- Two years later	12,013.7	12,231.6	11,613.7	13,315.4	13,977.6	12,556.6	13,530.8	13,682.6	12,021.3			
- Three years later	11,956.0	12,188.4	11,618.9	13,234.9	13,858.3	12,394.6	13,354.1	13,629.7				
- Four years later	11,960.9	12,147.2	11,472.5	13,133.5	13,656.5	12,210.1	13,233.2					
- Five years later	11,879.0	12,014.5	11,403.6	13,019.4	13,535.6	12,094.0						
- Six years later	11,789.2	11,969.8	11,355.8	12,891.5	13,390.0							
- Seven years later	11,749.2	11,923.5	11,212.8	12,777.7								
- Eight years later	11,700.4	11,836.0	11,159.2									
- Nine years later	11,561.7	11,786.3										
- Ten years later	11,471.0											
Estimated amount as at 31.12.2017	11,471.0	11,786.3	11,159.2	12,777.7	13,390.0	12,094.0	13,233.2	13,629.7	12,021.3	13,217.5	13,142.8	
Total disbursed	10,932.3	11,174.2	10,436.2	11,940.3	12,400.6	10,936.8	11,749.2	11,898.2	9,897.0	10,445.5	6,467.5	118,277.8
Claims provision	538.7	612.1	723.0	837.4	989.4	1,157.2	1,484.0	1,731.5	2,124.3	2,772.0	6,675.3	19,644.9
Prior-year claims provision and loss adjustment provision												10,333.7
Total												**29,978.6**

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, where reserve risk is the biggest risk. 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. The lines of business that contribute the most to reserve risk are "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 steering 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 2017	Per cent of total	Gross premiums written 2016	Per cent of total
Medical expense insurance	822.6	3.2%	476.9	1.9%
Income protection insurance	1,229.4	4.7%	1,222.3	4.9%
Workers' compensation insurance	908.3	3.5%	1,046.0	4.2%
Motor vehicle liability insurance	3,024.2	11.7%	3,000.7	12.1%
Other motor insurance	4,766.1	18.4%	4,525.5	18.3%
Marine, aviation and transport insurance	283.0	1.1%	285.8	1.2%
Fire and other damage to property insurance	8,424.2	32.5%	8,130.5	32.9%
General liability insurance	689.9	2.7%	647.8	2.6%
Assistance	1,093.0	4.2%	1,049.3	4.2%
Health insurance	1,462.1	5.6%	1,465.4	5.9%
Other non-life insurance	1,262.6	4.9%	1,220.4	4.9%
Non-proportional non-life reinsurance	119.1	0.5%	152.6	0.6%
Pension - insurance with profit participation	220.0	0.8%	433.3	1.8%
Pension - index-linked and unit-linked insurance	1,612.8	6.2%	1,046.2	4.2%
Total	**25,917.1**	**100.0%**	**24,702.8**	**100.0%**

Table 2b – Gross premiums written per line of business, Gjensidige Forsikring ASA

NOK millions	Gross premiums written 2017	Per cent of total	Gross premiums written 2016	Per cent of total
Medical expense insurance	389.3	1.7%	321.2	1.5%
Income protection insurance	1,179.4	5.2%	1,177.9	5.3%
Workers' compensation insurance	908.3	4.0%	1,046.0	4.7%
Motor vehicle liability insurance	2,591.7	11.4%	2,633.3	11.9%
Other motor insurance	4,541.4	20.1%	4,292.2	19.4%
Marine, aviation and transport insurance	275.3	1.2%	277.8	1.3%
Fire and other damage to property insurance	8,191.2	36.2%	7,912.2	35.8%
General liability insurance	652.3	2.9%	609.8	2.8%
Assistance	1,073.5	4.7%	1,037.6	4.7%
Health insurance	1,462.1	6.5%	1,465.4	6.6%
Non-proportional non-life reinsurance	141.1	0.6%	152.6	0.7%
Other	1,244.6	5.5%	1,192.3	5.4%
Total	**22,650.1**	**100.0%**	**22,118.4**	**100.0%**

Table 3 – Gross premiums written per segment

NOK millions	Gross premiums written 2017	Per cent of total	Gross premiums written 2016	Per cent of total
General Insurance Private	8,614.5	33.2%	8,375.9	33.9%
General Insurance Commercial	7,637.0	29.5%	7,446.1	30.1%
General Insurance Nordic	6,703.9	25.9%	6,262.4	25.4%
General Insurance Baltics	1,074.9	4.1%	1,080.6	4.4%
Pension	1,832.7	7.1%	1,479.4	6.0%
Corporate Center/reinsurance	54.1	0.2%	58.5	0.2%
Total	**25,917.1**	**100.0%**	**24,702.8**	**100.0%**
Total Gjensidige Forsikring ASA	**22,650.1**	**87.4%**	**22,118.4**	**89.5%**

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 Analytics, Product and Price division of Gjensidige Forsikring ASA has overall responsibility for the management of the underwriting policy for the entire Group. 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 delegate authority to the respective executive vice presidents of the Analysis, Product and Price, Private, Commercial, Denmark, Sweden and Claims departments of Gjensidige Forsikring ASA. The Analytics, Product and Price, Claims and Actuary departments hold regular meetings together with the business areas to capture changes in the development of reported claims. This includes communication in respect of the reorganisations, process changes, etc., that could affect the level of technical provisions.

Gjensidige's internal model is used to monitor that risk is within defined risk limits.

The main documents for managing insurance risks are:

- Underwriting policy
- Price and product strategy
- Guidelines for product and service development
- Guidelines for underwriting
- Group policy for technical provisions
- Capital management policy

In addition more specific requirements on managing insurance risk are given in underlying guidelines and instructions.

Risk mitigation
Insurance risk is mitigated through several arrangements, ie. 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 only 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 470 million in 2017, increased from NOK 420 million in 2016. 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	**2017**	**2016**	**2017**	**2016**
Change in CR (1%-point)	252.3	239.2	219.2	213.5
Change in loss frequency (1%-point)	2,162.8	2,042.4	2,122.2	1,987.4
Change in severity of claims (+10%)	1,614.3	1,534.4	1,540.7	1,459.5

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". Per 01.01.2018 the reserves must be further increased by NOK 17.65 million.

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.

For information on managing life insurance risk, see description under managing insurance risk under 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

	2017		2016	
	NOK millions	Per cent	NOK millions	Per cent
Match portfolio				
Money market	4,256.6	7.8%	5,159.5	9.6%
Bonds at amortised cost	17,597.5	32.1%	17,491.3	32.4%
Current bonds [1]	13,729.6	25.0%	12,417.0	23.0%
Match portfolio total	**35,583.6**	**64.9%**	**35,067.8**	**65.0%**
Free portfolio				
Money market	4,061.0	7.4%	4,321.1	8.0%
Other bonds [2]	3,354.6	6.1%	3,689.5	6.8%
High Yield bonds[3]	648.8	1.2%	1,072.2	2.0%
Convertible bonds [3]	1,160.1	2.1%	1,045.3	1.9%
Current equities [4]	3,492.7	6.4%	2,870.3	5.3%
PE-funds	1,269.7	2.3%	1,145.7	2.1%
Property [5]	3,494.8	6.4%	3,072.2	5.7%
Other [6]	1,794.9	3.3%	1,673.5	3.1%
Free portfolio total	**19,276.6**	**35.1%**	**18,889.9**	**35.0%**
Investment portfolio total	**54,860.2**	**100.0%**	**53,957.7**	**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 total investment grade, emerging market debt (EMD) and current bonds. Investment grade bonds and EMD 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 202.9 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, hedge funds and commodities.

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	2017	2016
Money market	1,200.1	1,614.5
Bank deposits	333.5	479.0
Bonds held to maturity	30.5	30.5
Loan and receivables	4,536.0	3,149.7
Current bonds	161.3	332.1
Equities	5.5	13.0
Real estate	758.2	734.1
Other		0.2
Total	**7,025.0**	**6,353.2**

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 2017 and 2016. 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	
	2017	**2016**	**2017**	**2016**
Government bonds	13.2%	15.6%	11.6%	14.3%
Corporate bonds	86.8%	84.4%	88.4%	85.7%
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	
	2017	**2016**	**2017**	**2016**
AAA	31.6%	25.7%	29.2%	27.0%
AA	5.1%	4.6%	4.5%	4.7%
A	20.4%	25.3%	20.9%	22.6%
BBB	6.3%	3.1%	6.0%	4.8%
BB	0.1%			
B				
CCC or lower				
Not rated	36.6%	41.3%	39.4%	40.9%
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 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.

After the majority of the remaining investment in Sparebank 1 SR-Bank ASA was sold in January 2017, the equity portfolio has been without significant exposure 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.

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 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.

In addition to the amounts invested through funds, an amount of NOK 8.3 million is committed, but not yet invested for general insurance. The joint venture Oslo Areal AS manages the real estate portfolio. The portfolio 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. Gjensidige Pensjonsforsikring AS has, in addition to the amounts invested through funds, an amount of NOK 778.1 million committed, but not yet invested.

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 2017 and 2016, 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

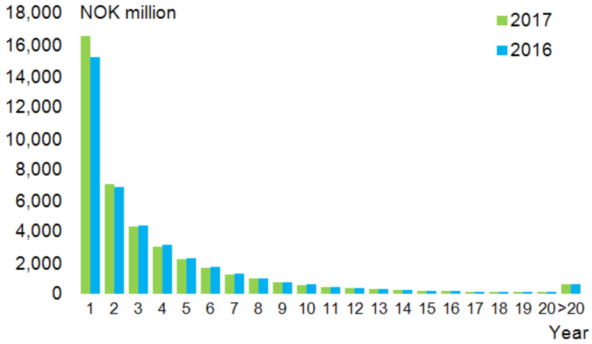
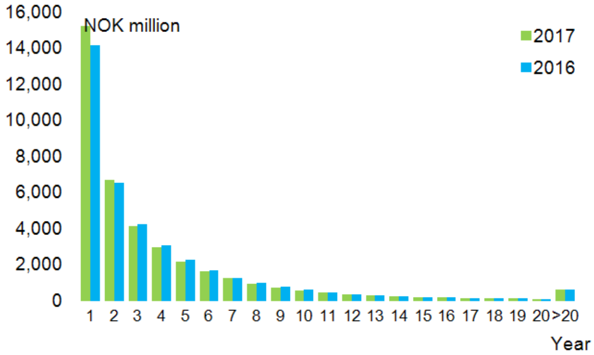


Figure 5b shows the corresponding pay-out pattern for Gjensidige Forsikring ASA. The average duration for Gjensidige Forsikring ASA is similar to that of the general insurance operation.

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	2017	2016
Maturity		
0-1	10,404.1	9,086.3
1-2	5,644.8	8,147.4
2-3	3,410.8	4,887.1
3-4	5,625.4	3,541.9
4-5	4,276.7	3,618.4
5-6	3,537.8	3,357.5
6-7	2,639.3	3,446.4
7-8	2,012.8	1,302.2
8-9	1,684.2	1,725.3
9-10	2,109.5	1,956.7
>10	3,477.0	4,095.9
Total	**44,822.2**	**45,165.1**

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.

Regarding unit-linked products, an interest rate downward shock would increase the assets under management and thus increase the income from asset management. A decrease in the discount curve would also increase the net asset value of future profits. As a consequence, the unit-linked portfolio has a somewhat positive effect in a scenario with a decrease in the interest rate curve, which compensates for a potential loss for the guaranteed products.

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.

The main governing documents for managing market, credit and liquidity risks:

- Policy for investment activities (including definition of allowed asset classes and instruments)
- Investment strategy
- Credit policy
- Liquidity Policy
- Capital management policy

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.

Hedging exchange rate exposure

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.

Hedging inflation exposure
As described under insurance risk, inflation risk related to Danish workers' compensation is for the most part hedged through inflation swaps.

Hedging interest rate exposure in Denmark
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.

Hedging equity exposure
Equity exposure is hedged to a certain extent by the use of put options and futures.

Counterparty default risk – OTC derivatives
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

NOK millions	Gjensidige Insurance Group 2017
Equity down 20%	(1,226.5)
Equity up 20%	1,226.5
Interest rate down 100 bps	66.5
Interest rate up 100 bps	(232.3)
Spread level down 100 bps	1,922.9
Spread level up 100 bps	(1,922.9)
Inflation down 100 bps	860.4
Inflation up 100 bps	(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 areas of responsibility, 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.

The main governing documents for managing operational risk are:

- Group policy for risk management and internal control
- Instructions on management of operational risk
- Instructions for the registration, escalation and reporting of incidents
- Ethical rules for Gjensidige

Management of specific types of risk is embodied in these governing documents:

- Group Policy – handling of irregularities and fraud
- Group Policy for processing of personal data
- Group policy for information security
- Anti-money laundering instructions

Governance of financial and operational risk related to Gjensidige Bank
Gjensidige Bank ASA is mainly exposed to credit risk, market risk, liquidity risk and operational risk. The Board approves the strategy and policies for managing the bank's risks including limits for risk appetite.

The Board of Gjensidige Bank ASA has the overall responsibility for ensuring efficient processes for risk management and internal control. The bank's management is responsible for implementing the guidelines issued by the Board for efficient risk management and internal control processes and keeping the board informed of the risk situation. The bank's 2nd line risk management functions (CRO and Compliance) is responsible for independent surveillance of the banks risk management and risk exposure and ensure that the Board at all time is adequately informed of the bank risk exposure.

The bank's risk areas are evaluated continuously, and the strategy for the risk areas is reviewed annually by the Board. As a part of the ICAAP-process the bank uses different models to calculate capital requirements. The capital requirements are calculated for the risk areas for the entire strategy period in the current strategy plan, shown in the bank's ICAAP document, and capital adequacy is reported to the Board quarterly. The capital plan is constantly updated based on actual growth and updated forecasts.

Credit risk
Credit risk refers to the risk the bank faces in the event of a borrower's failure to repay a loan or credit or to meet their contractual obligation to the bank. The bank's credit risk originates

mostly from loans and credits to consumers in Norway. The bank is also exposed to credit risk through limited commercial exposures and through placements in the liquidity reserve.

The Board sets the overall limit for the bank's credit risk appetite through its Credit Strategy and Policy and the Credit Risk Appetite Statement. Gjensidige Bank ASA offers a wide range of lending products including secured as well as unsecured loans and credit to meet a variety of needs of consumers in the country.

Secured lending mainly comprises loans and credits secured by residential property. The bank also offers car finance which includes loans and leasing secured by vehicles.

In relation to car finance, the bank also has a commercial lending offering in an exceptional basis to support the growth of the standard loans and leasing offered within the car finance business and to create awareness in the market of the banks products. This includes products like dealer floor finance, fleet finance to key players in the car dealer market and loans and leasing to a few corporates related to car business. Lending in the commercial segment are usually secured exposures and in addition the bank may require guarantees prior to approving the exposure.

The bank also has a portfolio of unsecured consumer finance lending which is moderate in size compared to the total lending exposure in the bank. The bank has a higher return on this portfolio that is proportionate to the level of credit risk in the portfolio. A large part of the credit losses are consequently related to the unsecured consumer finance lending portfolio. The bank uses risk-based pricing models driven by scores, and the portfolio shows healthy profitability.

The credit risk related to the bank’s liquidity portfolio is assessed as low.

Table 11a – Credit risk liquidity portfolio by counterparty

NOK millions	AAA	AA	A	BBB	Unrated	2017	2016
Cash and claims on central banks	229.6					229.6	57.0
Loans to and claims on credit institutions		115.6	84.9			200.5	63.0
Government and government guaranteed bonds	824.4					824.4	548.0
Municipalities and counties	345.6	84.4				429.9	89.1
Covered bonds	3,154.4				154.6	3,309.0	2,597.9
Other	369.1		11.3		13.7	394.1	299.1
Total	**4,923.2**	**199.9**	**96.2**		**168.3**	**5,387.6**	**3,654.2**

Table 11b – Credit risk derivatives by counterparty

NOK millions	AAA	AA	A	BBB	Unrated	2017	2016
Credit risk by counterparty		15.9	105.6			121.5	111.3
Total		**15.9**	**105.6**			**121.5**	**111.3**

Models for monitoring credit risk

The bank uses application score models based on internal and external customer information for decisions relating to customers’ applications for a loan. In addition, the bank uses behaviour score models that predict the probability on default in customers for decisions related to top-ups, collections, group write-downs and other portfolio management decisions. For decisions related to commercial exposures, the bank uses company rating provided by external agencies in addition to using internal models to assess the solidity, stability, liquidity and profitability.

With the help of these score models, the lending portfolios in the bank are grouped into risk classes, from the lowest to highest risk, based on their probability of. These risk categorisations are mainly intended to assist in various credit decisions and monitoring. They are then further grouped into three main risk groups: Low risk, Medium risk and High risk which are used in the bank's monthly portfolio monitoring and reporting. The loans that are already impaired or have been individually provisioned on the reporting date are included in a separate category – Impaired and Write-down. In addition, there are a small group of loans that may not have been classified into each of the above categories due to the fact that these are not scored or rated due to insufficient data on the reporting date.

The bank's maximum exposure to credit risk related to lending portfolio is NOK 54,516.1 million.

The weighted average portfolio loan to value ratio is estimated at 60.6 per cent for the mortgage portfolio. This estimate is based on the exposure on the reporting date as a ratio of the property value as estimated upon loan approval, including any higher priority pledge(s). The bank regularly controls depot values and adjusts in case of significant change. The bank’s credit policy is in accordance with the regulation for new mortgage loans set by the Ministry of Finance on 15 June 2015. In addition, the bank has also implemented the Guidelines on unsecured loans issued by the FSA as of Q4’17.

The table below shows the lending portfolio and write-downs as of 31 December 2017 and 31 December 2016 segmented by risk groups.

Table 12a – Risk classification banking operations 2017

NOK millions	Gross lending	Guarantees	Total off balance commitments	Individual write-downs	Other exposures	Maximum credit exposure
Low	40,673.6	5.3	7,595.6			48,274.4
Medium	3,864.1		385.1			4,249.2
High	955.0		110.7			1,065.7
Not classified	384.1		517.9			902.1
Impaired and written down	179.3		3.2	11.2		193.7
Total	**46,056.1**	**5.3**	**8,612.5**	**11.2**		**54,685.1**
Group write-downs	169.1					169.1
Total net	**45,887.1**	**5.3**	**8,612.5**	**11.2**		**54,516.1**

Table 12b – Risk classification banking operations 2016

NOK millions	Gross lending	Guarantees	Total off balance commitments	Individual write-downs	Other exposures	Maximum credit exposure
Low	35,447.1	3.5	6,491.2			41,941.8
Medium	3,962.9		260.4			4,223.3
High	1,017.5		90.0			1,107.4
Not classified	355.1		536.2			891.3
Impaired and written down	466.9			9.0		475.9
Total	**41,249.5**	**3.5**	**7,377.7**	**9.0**		**48,639.7**
Group write-downs	378.5					378.5
Total net	**40,871.0**	**3.5**	**7,377.7**	**9.0**		**48,261.2**

Table 13 – Payments overdue

NOK millions	2017	2016
0-30 days	1,380.7	798.2
30-90 days	363.8	187.4
Over 90 days	254.4	399.5
Total	**1,998.9**	**1,385.1**

Based on the above development, the Board considers the credit risk levels in the bank's portfolio to be satisfactory.

Gross lendings in default for more than 90 days amounted to NOK 254.4 million by the end of the year, compared to NOK 399.5 million in 2016. The total written-down balance on loans in 2017 amounted to NOK 180.3 million compared with NOK 387.6 million in 2016. Gross lendings in default for more than 90 days amounted for 0.6 per cent of gross lending as of the end of the year, compared to 1.0 per cent in 2016.

Market risk

Market risk is the risk of losses associated with movements in market prices, which, in this context relate to positions and activities in the interest-, currency-, credit and stock markets.

The bank's finance strategy set by the Board provides guidelines and limits for managing market risk.

The bank's market risk is substantially related to currency risk, interest-rate risk and spread risk (credit risk).

Interest-rate risk arises when the bank's assets and liabilities have different remaining fixed-rate periods. The interest-rate risk is managed by adopting fixed-interest rate periods for assets and liabilities. In addition, derivatives are used for hedging. Fixed-interest assets and liabilities in millions multiplied by the remaining interest rate period are used to measure interest-rate risk exposure. This is known as 'milli years' (MY).

The interest rate risk limit for all time periods are plus/minus 1,500 MY. The bank's limit for cumulative exposure to interest rate risk is 1,500 MY. Interest rate risk under three months is measured and reported, but the exposure is not included in the interest risk limits. When the limit is fully utilised, the loss for the bank given a one percentage point change in the yield curve will be NOK 15 million. Utilisation of this limit is reported monthly to the Board.

As of 31 December 2017, the bank has a negative interest rate exposure of 249 MY in the 3 months to one year interval. The net accumulated interest rate exposure over three months is a positive 389 MY as of 31 December 2017. By investing in sound securities with short-term maturity and with expectations that the value will be less exposed to changes in the credit spread, the bank limits its spread risk on its assets. The market value of the bank's own bonds varies with changes in the credit spreads.

Currency risk is the risk of loss due to changes in exchange rates. The risk arises from the bank's bond in foreign currency. The bank manages this risk by using derivatives. The bank changes from currencies into NOK with an approved counterparty on both principal and interest through "cross currency rate swaps". In practice this means that a combination of a bond in currency and cross-currency rate swap rate swap, the bond is converted from currency into a bond in NOK based on NIBOR. Under IFRS the changes in the fair value of the derivative related to changes in cross currency basis swaps are recognised as value change in financial instruments.

As of 31 December 2017 the bank has outstanding bonds in Swedish krone of 500 million.

Gjensidige Bank ASA does not have stock market risk. Gjensidige Bank ASA does not have market risk under Pillar 1 because the bank does not have a trading portfolio.

Concentration risk

Concentration risk is the risk of losses due to the bank having large parts of its lending tied to a single borrower or to limited geographic or business areas. The concentration risk is managed using the bank's risk framework and is measured and assessed through annual stress tests / scenario analyses in the credit area.

As of 31 December 2017, the portfolio is geographically diverse, with the greatest lending in the most populous areas of the country. The largest loan is about NOK 308.0 million. The exposure related to the ten largest loans (limit) is about NOK 1,058,5 million. The bank's liquidity reserves are mainly placed in securities issued by the Norwegian government and Norwegian covered bonds (OMF).

Operational risk

Operational risk is the risk of losses resulting from inadequate or failing internal processes or systems, human error or external events and compliance and reputational risk. The bank has its own loss and event database for the evaluation, follow-up and storage of operational incidents.

Departmental managers in the various operational areas are responsible for identifying, limiting and managing the operational risks within their respective areas. Operational risks are identified and communicated via the bank's internal procedures which are tested regularly. Responsibility for follow-up of internal control rests with the Internal Control Manager.

The bank's management regularly reviews its internal controls. The bank has a complex IT infrastructure that must function at all times. It therefore has a particular focus on risks related to ICT/security.

Liquidity risk

Liquidity risk is the risk of the bank not being able to meet its debt obligations when due and/or not being able to finance growth of its assets without incurring a substantial increase in costs.

The bank's finance strategy approved by the Board provides guidelines and limits for managing the bank's liquidity risk. The bank has established guidelines and limits for liquidity risk and risk tolerance, guidelines for liquid assets, guidelines for stable long-term funding and contingency plans. Stress tests are used to test the robustness of the bank's liquidity situation.

The liquidity risk due to lack of access to liquidity is managed by having sufficient liquid assets to cover liabilities that reach maturity. The bank shall have a liquidity reserve (buffer) in short-term deposits, liquid securities and/or committed credit facilities that, in an acute liquidity freeze in the market, allow sufficient time to implement the necessary measures.

As of 31 December 2017 the liquidity reserve was NOK 6,081.0 million, divided between NOK 430.1 million in bank deposits and NOK 5,650.8 million in debt securities. Of the latter assets NOK 693.4 million were investments in covered bonds from Gjensidige Bank Boligkreditt AS (eliminated in the consolidated accounts). The net liquid assets were at an adequate level that covers the bond debt that will fall due in the next 26 months. Stress tests have also been carried out to demonstrate the bank's liquidity need based on future scenarios involving a general recession and/or a bank specific crisis.

Table 14a – Liquidity profile banking operations 2017

NOK millions	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	No fixed maturity	Total
Cash and claims on central banks						229.6	229.6
Loans to and claims on credit institutions						200.5	200.5
Loans to and claims on customers	440.9	848.6	3,556.0	16,481.4	36,723.5	323.1	58,373.5
Certificates, bonds and other interest-bearing securities	54.1	207.7	895.4	3,126.6	416.9	394.1	5,094.8
Other financial assets	66.8					129.4	196.1
Derivatives – gross inflows	1.0	5.8	459.0	616.6	169.7		1,252.1
Total financial assets	**562.8**	**1,062.1**	**4,910.5**	**20,224.6**	**37,310.0**	**1,276.7**	**65,346.6**
Deposits and liabilities to customers	18,006.0	1,495.0	3,637.4	5.5			23,143.9
Liabilities opened for the issue of securities	2.3	56.3	1,356.9	18,741.2	4,333.2		24,489.9
Loan offers and unused credit facilities	8,101.2						8,101.2
Derivatives – gross outflows	1.9	25.5	385.3	457.6	82.3		952.5
Total liabilities	**26,111.4**	**1,576.8**	**5,379.5**	**19,204.3**	**4,415.5**		**56,687.5**

Table 14b – Liquidity profile banking operations 2016

NOK millions	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	No fixed maturity	Total
Cash and claims on central banks						57.0	57.0
Loans to and claims on credit institutions						63.0	63.0
Loans to and claims on customers	335.0	660.7	2,951.5	13,846.5	33,183.9	250.5	51,228.1
Certificates, bonds and other interest-bearing securities	103.3	6.8	710.0	2,440.5	405.8		3,666.5
Other financial assets	34.5					132.3	166.9
Derivatives – gross inflows	3.7	4.6	119.3	1,130.8	116.4		1,374.8
Total financial assets	**476.5**	**672.2**	**3,780.7**	**17,417.9**	**33,706.1**	**502.9**	**56,556.3**
Deposits and liabilities to customers	17,301.8	998.2	2,995.3				21,295.3
Liabilities opened for the issue of securities	3.5	66.6	1,221.3	17,284.0	2,983.6		21,559.0
Loan offers and unused credit facilities	8,239.3						8,239.3
Derivatives – gross outflows	2.6	22.0	89.3	1,022.3	57.3		1,193.6
Total liabilities	**25,547.2**	**1,086.8**	**4,305.9**	**18,306.3**	**3,040.9**		**52,287.1**

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 is 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).

The main governing documents for managing strategic risk are:

- Group strategy
- Risk appetite
- Group policy for risk management and internal control

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 capitalisation of the Group will be based on the following requirements for solvency margin:

- Standard Formula (SF): 120 - 150 per cent
- Partial Internal Model (PIM): 125 - 175 per cent

Solvency margin levels are expected to be in the upper part of the range in order to support an 'A' rating from Standard & Poor's or similar, to stabilise regular dividends over time, 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.

The current regulatory requirement for the Group is based on the standard formula specified by the Solvency II regulation. Gjensidige aims for a partial internal model for calculating the regulatory requirement. Application for an approval is sent to the Norwegian financial supervisory authorities. After the balance sheet date, Gjensidige received feedback from the FSA with regards to the internal model. See note 23 for further description. Gjensidige will continue using the internal model, as defined by Gjensidige for internal management purposes.

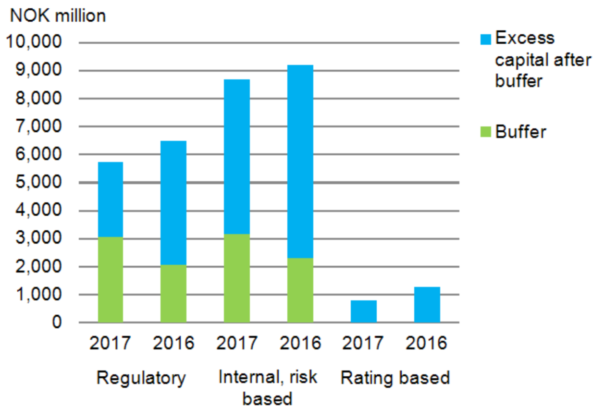
The Group's solvency margins at the end of 2017 were calculated to be:

- Regulatory requirement based on standard formula: 137 per cent
- Internal risk-based requirement based on the internal model, as defined by Gjensidige: 169 per cent.
- Rating requirement: A-rating from Standard and Poor's: 106 per cent

The figures are adjusted according to proposed dividend of NOK 3.55 billion.

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



Regulatory capital requirement

The regulatory capital requirement is calculated based on the standard formula specified in the Solvency II regulation. The capital requirement for the Gjensidige Forsikring Group is NOK 15.3 billion. Eligible capital is NOK 21.1 billion. This gives a solvency margin of137 per cent. The capital requirement for Gjensidige Forsikring ASA is NOK 11.2 billion. Eligible capital is NOK 18.9 billion. This gives a solvency margin of 169 per cent.

When presenting the regulatory capital requirements for Gjensidige Forsikring Group, figures for the bank are included where it is relevant.

Table 15 – Regulatory Solvency Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	2017	2016	2017	2016
Total eligible own funds to meet the SCR	21,052.5	20,377.9	18,877.4	18,625.0
SCR	15,311.0	13,879.8	11,206.2	10,262.3
Capital surplus	5,741.4	6,498.2	7,671.2	8,362.8
SCR margin	137.5%	146.8%	168.5%	181.5%

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.

Table 16 – Regulatory Minimum Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	2017	2016	2017	2016
Total eligible own funds to meet the MCR/minimum consolidated group SCR	13,980.9	14,065.2	16,281.4	16,124.4
MCR/minimum consolidated group SCR	5,457.2	5,280.5	4,702.1	4,618.0
Capital surplus	8,523.7	8,784.7	11,579.3	11,506.4
MCR margin	256.2%	266.4%	346.3%	349.2%

Total eligible own funds to meet the group solvency capital requirement (SCR) is excess of assets over liabilities, calculated according to Solvency II principles, adjusted for proposed dividend and subordinated liabilities.

Table 17 – Eligible capital to cover the Solvency Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	2017	2016	2017	2016
Assets over liabilities according to Solvency II principles (insurance)	17,741.7	17,650.4	20,193.2	19,842.1
Own shares	(0.0)	(0.1)	(0.0)	(0.1)
Proposed dividend	(3,550.0)	(3,400.0)	(3,550.0)	(3,400.0)
Subordinated liabilities (insurance)	2,541.8	2,487.5	2,234.3	2,183.0
Basic own funds	**16,733.4**	**16,737.8**	**18,877.4**	**18,625.0**
Own funds of other financial sectors	4,319.1	3,640.1		
Total eligible own funds to meet the SCR	**21,052.5**	**20,377.9**	**18,877.4**	**18,625.0**

The main differences between Solvency II valuation and valuation according to accounting principles are that:

- Intangibles are valued to zero under Solvency II
- Held-to-maturity-bonds are valued to market value under Solvency II, while amortized cost are 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 derived as the sum of a best estimate and a risk margin. For non-life and health insurance the best estimate of technical provisions consist of the premium provisions and the claims provisions. The tables below show the technical provisions for Gjensidige Forsikring ASA and for the Gjensidige Forsikring Group according to accounting principles and Solvency II principles.

Table 18a – Technical provisions for Gjensidige Forsikring Group

NOK millions	2017 Accounting (IFRS)	2017 Solvency II	2017 Difference	2016 Accounting (IFRS)	2016 Solvency II	2016 Difference
Claims provisions for non-life and health insurance	31,322.7	30,604.0	(718.6)	31,357.4	30,413.2	(944.2)
Premium provisions for non-life and health insurance	10,067.6	2,374.6	(7,692.9)	9,632.8	2,095.7	(7,537.1)
Technical provisions for life insurance (best estimate)	28,583.8	26,750.2	(1,833.7)	23,189.6	21,457.7	(1,731.9)
Risk margin		2,158.8	2,158.8		2,313.9	2,313.9
Total technical provisions	**69,974.1**	**61,887.6**	**(8,086.4)**	**64,179.7**	**56,280.4**	**(7,899.4)**

Table 18b – Technical provisions for Gjensidige Forsikring ASA

NOK millions	2017 Accounting (NGAAP)	2017 Solvency II	2017 Difference	2016 Accounting (NGAAP)	2016 Solvency II	2016 Difference
Claims provisions for non-life and health insurance	30,676.6	29,944.3	(732.3)	30,802.6	29,844.9	(957.7)
Premium provisions for non-life and health insurance	8,835.9	1,963.0	(6,873.0)	8,642.2	1,768.2	(6,874.0)
Risk margin		1,580.1	1,580.1		1,670.8	1,670.8
Total technical provisions	**39,512.5**	**33,487.4**	**(6,025.1)**	**39,444.8**	**33,283.8**	**(6,161.0)**

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. 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 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 1,031 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 370 million (nominal amount NOK 370 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 comprises 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 450 million). The market value of these bonds is NOK 1,960 million per 31.12.2017.

Gjensidige has no tier 3 capital.

Details regarding the hybrid capital are specified in note 18.

Table 19 – Eligible own funds to meet the Solvency Capital Requirement, split by tiers

NOK millions	Gjensidige Forsikring Group 2017	Gjensidige Forsikring Group 2016	Gjensidige Forsikring ASA 2017	Gjensidige Forsikring ASA 2016
Tier 1	16,758.8	16,199.6	15,341.0	15,200.8
Of this; Restricted tier 1 capital from insurance	*1,031.3*	*1,025.0*	*1,031.3*	*1,025.0*
Of this; Restricted tier 1 capital from other financial sectors	*369.6*	*298.2*		
Tier 2	4,293.7	4,178.4	3,536.4	3,424.2
Of this; Natural perils capital	*2,333.4*	*2,266.2*	*2,333.4*	*2,266.2*
Of this; Subordinated liabilities from insurance	*1,510.5*	*1,462.5*	*1,203.0*	*1,158.0*
Of this; Subordinated liabilities from other financial sectors	*449.8*	*449.6*		
Total eligible own funds to meet SCR	**21,052.5**	**20,377.9**	**18,877.4**	**18,625.0**

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 20 – Eligible own funds to meet Minimum Capital Requirement, split by tiers

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	2017	2016	2017	2016
Tier 1	12,889.4	13,009.1	15,341.0	15,200.8
Of this; Restricted tier 1 capital	*1,031.3*	*1,025.0*	*1,031.3*	*1,025.0*
Tier 2	1,091.4	1,056.1	940.4	923.6
Total eligible basic own funds to meet MCR/minimum consolidated group SCR	**13,980.9**	**14,065.2**	**16,281.4**	**16,124.4**

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 21 – Regulatory Solvency Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	2017	2016	2017	2016
Capital available	**21,052.5**	**20,377.9**	**18,877.4**	**18,625.0**
Capital charge for non-life and health uw risk	7,984.5	8,110.7	7,790.3	7,896.7
Capital charge for life uw risk	1,292.1	1,323.7		
Capital charge for market risk	7,656.9	6,509.3	7,963.5	6,550.9
Capital charge for counterparty risk	466.3	496.8	507.1	468.7
Diversification	(3,941.4)	(3,757.0)	(3,065.9)	(2,779.5)
Basic SCR	**13,458.4**	**12,683.5**	**13,195.0**	**12,136.8**
Operational risk	965.4	936.9	861.6	857.9
Adjustments (risk-reducing effect of deferred tax)	(3,163.3)	(3,115.3)	(2,850.4)	(2,732.5)
Gjensidige Bank	4,050.6	3,374.8		
Total capital requirement	**15,311.0**	**13,879.8**	**11,206.2**	**10,262.3**
Solvency ratio	**137.5%**	**146.8%**	**168.5%**	**181.5%**

The Minimum Capital Requirement shall be between 25 per cent and 45 per cent of the SCR. The minimum capital requirement for Gjensidige Forsikring ASA is NOK 4,702.1 million, which constitute 42 per cent of the SCR.

The minimum consolidated group solvency capital requirement for the Gjensidige Forsikring Group is NOK 5,457.2 million.

The regulatory capital surplus for the Gjensidige Forsikring Group, Gjensidige Forsikring ASA and subsidiaries are given in the table below.

Table 22 – Capital in excess of legal requirements

NOK millions	2017	2016
Gjensidige Forsikring Group	5,741.4	6,498.2
Gjensidige Forsikring ASA	7,671.2	8,362.8
Nykredit Forsikring A/S	198.1	198.3
ADB Gjensidige	55.6	94.9
Gjensidige Pensjonsforsikring AS	472.4	437.2
Gjensidige Bank Group	268.5	258.7
Mølholm Forsikring A/S	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.

Internal risk-based capital requirement

The internal risk-based capital requirement is based on Gjensidige's partial internal model. The partial internal model covers market risk and non-life and health insurance risk in Norway, Sweden and Denmark. Eligible capital is calculated according to Solvency II principles, but differs slightly from the regulatory perspective as the risk margin is calculated based on the internal model instead of the standard formula.

Rating requirement

The rating requirement results in the lowest excess capital at group level. Gjensidige's target financial strength rating is 'A' (single A) from Standard & Poor's or the equivalent from another rating institution. This target has been achieved by an actual rating of A' (Stable) from Standard & Poor's. The rating is subject to annual review.

Introduction of the Solvency II-framework

The Solvency II regulation took effect 1 January 2016. The capital position is calculated based on Gjensidge's understanding of requirements and principles given in laws and prescriptions.

There is still some uncertainty about how the calculation of capital requirements and eligible capital should be calculated under the new rules. For general insurance companies the main uncertainties are related to any tax implications of the transition to Solvency II principles for calculating technical provisions and the treatment of the guarantee scheme provision and calculation of the risk-reducing effect of deferred tax in the capital requirement.

Calculation of technical provisions according to Solvency II principles was suggested in a letter from the FSA in June 2014. In August 2015 the Ministry of Justice cancelled a hearing regarding tax based on technical provisions calculated according to Solvency II principles, and the issue was postponed. The Norwegian government budget for 2018 suggests that new rules will be sent to hearing soon, but it is still unclear if and possibly how the new deduction rules will be changed. According to Gjensidige's assessment, transition to Solvency II principles should not involve significant changes in the tax position and Gjensidige expects that the final regulations will reflect this.

FSA argues that the guarantee scheme provision shall be treated as a liability. 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 final clarification the guarantee scheme provision is treated as a liability under Solvency II.

There is uncertainty associated with the risk-reducing effect of deferred tax which is taken into account in the calculation of the capital requirement. This is a tax benefit that will occur if Gjensidige would receive an economic loss equal to the capital requirement. Such an effect can only be taken into account if it is likely that a continued operation of the company is possible and that there is a future profit that will make it possible to exploit this benefit. An international work is ongoing which may result in more specific criteria for calculating the risk-reducing effect of deferred tax. This can lead to changes in the capital requirement.

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 2017 and 2016 is presented below.

Table 23a – 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%

Table 23b – Stress test financial assets 2016

NOK millions	Scenario	Decrease in value
Market risk		(2,284.9)
Insurance risk (life and non-life)	Expected loss CR > 100	(645.0)
Capital, Gjensidige Bank	ICAAP	(100.0)
Tax	Positive effect of reduced tax	501.8
Reduction of capital requirement after stress	Due to lower carrying amount	389.2
Reduction of surplus capital after stress		**(2,138.8)**
Effect on surplus capital		
Available capital before stress		20,377.9
Capital requirement before stress		13,879.8
Surplus without buffer before stress		6,498.2
Surplus without buffer after stress		**4,359.4**
Solvency ratio after stress		132.3%
Solvency ratio before stress		146.8%

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 increase in the interest rates. It includes effect on both assets and liabilities
- The property stress is 10 per cent
- Credit spread risk: 0 per cent loss on government bonds and municipality bonds, 1 per cent loss on Danish mortgage bonds and covered bonds, 1,9 per cent loss on loan funds containing secured debt and 2,7 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.

General insurance is the Group's core activity. General insurance is divided into four 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, including insurances related to motor, property, 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, agriculture and marine/cargo.

General Insurance Nordic

The Nordic segment includes the Group's operations in the Danish and Swedish private, commercial and municipal markets, including insurances related to motor, property, accident and health, liability, agriculture and leisure.

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

Pension 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. The savings products include ready-fund packages, funds from reputable asset managers and asset management.

Retail Bank

Gjensidige Bank is online pure internet bank which shall contribute to sales of a wide range of products to general insurance customers in Norway. The bank offers mortgages, car financing, unsecured lending, savings, credit cards and day-to-day banking services.

Description of the segments income and expenses

Segment income is defined as earned premiums for general insurance, earned premiums and management income etc. for Pension and interest income and other income for Retail Bank.

Segment expenses are defined as claims incurred for general insurance and for Pension, interest expenses etc. for Retail Bank, operating expenses for all segments, and net income from investments for Pension and Retail Bank.

The segment result is defined as the underwriting result for general insurance, and the profit before tax expense for Pension and Retail Bank.

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.

	General insurance															
	Private		Commercial		Nordic		Baltics		Pension		Retail Bank		Eliminations etc. [1]		Total	
NOK millions	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Segment income																
Segment income	8,516.5	8,291.3	7,300.5	7,257.4	6,563.5	5,917.8	1,074.7	1,036.3	1,963.1	1,563.0	1,647.9	1,479.6	(52.2)	(54.1)	27,014.0	25,491.4
Total segment income [2]	**8,516.5**	**8,291.3**	**7,300.5**	**7,257.4**	**6,563.5**	**5,917.8**	**1,074.7**	**1,036.3**	**1,963.1**	**1,563.0**	**1,647.9**	**1,479.6**	**(52.2)**	**(54.1)**	**27,014.0**	**25,491.4**
- Claims, interest expenses, loss etc.	(5,226.2)	(5,030.8)	(4,825.6)	(4,825.1)	(5,354.9)	(4,739.6)	(736.0)	(748.4)	(1,661.8)	(1,283.5)	(649.8)	(680.1)	(258.9)	(172.0)	(18,713.3)	(17,479.6)
- Operating expenses	(1,090.3)	(1,063.8)	(840.1)	(801.1)	(1,016.1)	(930.9)	(345.9)	(387.4)	(227.3)	(191.1)	(412.5)	(406.5)	(568.4)	(287.2)	(4,500.6)	(4,068.0)
+ Net income from investments									29.7	26.4	26.7	46.1	1,972.5	2,123.5	2,029.0	2,196.1
Segment result/profit/(loss) before tax expense	**2,200.0**	**2,196.7**	**1,634.8**	**1,631.3**	**192.4**	**247.3**	**(7.2)**	**(99.5)**	**103.7**	**114.8**	**612.3**	**439.1**	**1,093.1**	**1,610.3**	**5,829.1**	**6,139.9**
Impairment loss goodwill												**(1.5)**				**(1.5)**

[1] Eliminations etc. consist of internal eliminations and other income and expenses not directly attributable to one single segment and large losses of NOK 220.6 million (205.5).

[2] There is no significant income between the segments at this level in 2017 and 2016.

5. Shares in associates and joint ventures

NOK millions	Registered office	Interest held	Cost 31.12.2017	Carrying amount 31.12.2017	Cost 31.12.2016	Carrying amount 31.12.2016
Associates						
FDC A/S	Ballerup, Denmark	33.3%	5.2	42.4	5.2	27.8
Joint ventures						
Oslo Areal AS	Oslo, Norway	50,0%	1,086.9	1,817.0	1,086.9	1,573.8
Total shares in associates and joint ventures			**1,092.2**	**1,859.4**	**1,092.2**	**1,601.6**

NOK millions	Assets	Equity	Liabilities	Revenues	Profit/(loss)	Profit/(loss) recognised
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 shares in associates and joint ventures	**171.9**	**63.9**	**108.1**	**387.7**	**30.1**	**255.8**
For the whole company 2016						
Associates - additional information						
FDC A/S	171.3	54.2	117.1	373.9	3.7	1.7
Other						7.5
Joint ventures - additional information						
Oslo Areal AS						175.0
Total shares in associates and joint ventures	**171.3**	**54.2**	**117.1**	**373.9**	**3.7**	**184.2**

For the whole company

Joint ventures - additional information

Oslo Areal AS

NOK millions	2017	2016
Income statement - items		
Operating income	417.5	423.0
Profit/(loss) after tax expense	491.2	350.0
Statement of financial position - items		
Current assets	34.9	34.6
Fixed assets	7,697.2	6,691.6
Cash and cash equivalents	53.1	46.2
Other liabilities	910.9	784.4
Liabilities to related parties	3,240.3	2,840.4
Equity	3,634.1	3,147.6

Receivables from joint ventures

Oslo Areal AS

NOK millions	2017	2016
Gjensidige's share of loan	1,620.1	1,420.2
Total receivables on joint ventures	**1,620.1**	**1,420.2**

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 1.6 billion at year end. The loan is interest-bearing.

Part of the agreement is that Gjensidige, through a price-adjustment mechanism, was exposed to the property market development with an amount corresponding to half of the proceeds during the period until 31 December 2016. Gjensidige therefore had a higher property-exposure in that period than the 50 per cent holding in Oslo Areal. The agreement was recognised at fair value and the unrealised gain was NOK 54.5 million as at 31 December 2016.

Oslo Areal has entered into contractual commitments to invest about NOK 490.0 million (30.0) in existing and new properties. The commitment falls due during the period until 31 December 2018.

6. Net income from investments

NOK millions	2017	2016
Net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures		
Net income from subsidiaries, associated companies and joint ventures	50.9	94.2
Impairment subsidiaries, associated companies and joint ventures	(50.9)	(94.2)
Net gains/(losses) from sale of subsidiaries, associated companies and joint ventures	255.8	184.1
Total net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures	**255.8**	**184.1**
Net income and gains/(losses) from buildings and other real estate		
Investment properties		
Net revaluation investment properties	(54.5)	38.4
Net gains/(losses) from sale of investment properties	97.1	
Total net income and gains/(losses) from investment properties	**42.6**	**38.4**
Owner-occupied properties		
Rental income from owner-occupied properties		0.1
Net gains/(losses) from sale of owner-occupied properties	2.8	0.4
Administration expenses related to owner-occupied properties		(0.1)
Total net income and gains/(losses) from owner-occupied properties	**2.8**	**0.4**
Total net income and gains/(losses) from buildings and other real estate	**45.4**	**38.8**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated		
Shares and similar interests		
Dividend income	12.8	46.8
Unrealised gains/(losses) from shares and similar interests	(228.3)	(369.8)
Realised gains/(losses) from shares and similar interests	855.3	553.0
Total net income and gains/(losses) from shares and similar interests	**639.8**	**230.0**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	239.8	288.9
Unrealised gains/(losses) from bonds and other fixed-income securities	112.6	175.8
Realised gains/(losses) from bonds and other fixed-income securities	48.9	239.3
Total net income and gains/(losses) from bonds and other fixed-income securities	**401.3**	**704.0**
Derivatives		
Net interest income/(expenses) from derivatives	11.2	24.3
Unrealised gains/(losses) from derivatives	107.5	231.7
Realised gains/(losses) from derivatives	89.2	9.6
Total net income and gains/(losses) from derivatives	**208.0**	**265.6**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated	**1,249.1**	**1,199.7**
Net income and gains/(losses) from bonds held to maturity		
Net interest income from bonds held to maturity	65.0	137.3
Unrealised gains/(losses) from bonds held to maturity	0.8	2.1
Realised gains/(losses) from bonds held to maturity	(1.0)	(5.1)
Net gains/(losses) from changes in exchange rates on bonds held to maturity	16.5	181.2
Total net income and gains/(losses) from bonds held to maturity	**81.3**	**315.6**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	682.8	749.9
Net gains/(losses) from loans and receivables	(9.6)	(3.2)
Net gains/(losses) from changes in exchange rates on loans and receivables	40.0	(21.6)
Total net income and gains/(losses) from loans and receivables	**713.2**	**725.1**
Netto inntekter og gevinster/(tap) fra finansielle eiendeler tilgjengelig for salg		
Net income and gains/(losses) from financial liabilities at amortised cost		
Net interest income/(expenses) from subordinated debt	(41.9)	(37.9)
Total net income and gains/(losses) from financial liabilities at amortised cost	**(41.9)**	**(37.9)**
Net other financial income/(expenses) [1]	(269.4)	10.1
Discounting of claims provision classified as interest expense	(70.5)	(44.9)
Change in discount rate claims provision	66.0	(194.5)
Total net income from investments	**2,029.0**	**2,196.1**
Specifications		
Interest income and expenses from financial assets and liabilities not recognised at fair value through profit or loss		
Interest income from financial assets not recognised at fair value through profit or loss	738.8	886.8
Interest expenses from financial assets not recognised at fair value through profit or loss	(42.0)	(40.7)

[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	2017	2016
Operating expenses		
Depreciation and value adjustments (note 11 and note 12), excl. depreciation properties	294.0	247.9
Employee benefit expenses (note 8)	2,973.3	2,411.0
Software costs	484.6	496.5
Consultants' and lawyers' fees	110.9	82.3
Commissions	597.5	683.5
Other expenses [1]	40.4	146.8
Total operating expenses	**4,500.6**	**4,068.0**
Other specifications		
Employee benefit expenses		
Wages and salaries	2,169.4	2,137.0
Social security cost	487.4	451.1
Pension cost - defined contribution plan (note 10 incl. social security cost)	243.3	229.0
Pension cost - defined benefit plan (note 10 incl. social security cost)	58.4	(419.5)
Share-based payment (note 22)	14.9	13.7
Total employee benefit expenses	**2,973.3**	**2,411.3**
Auditor's fee (incl. VAT)		
Statutory audit [2]	4.7	5.5
Other assurance services	0.1	0.1
Other non-assurance services	1.6	1.9
Tax consultant services	0.4	0.1
Total auditor's fee (incl. VAT)	**6.7**	**7.6**

[1] Other expenses include cost reductions for Gjensidige Forsikring ASA in connection with duties performed for subsidiaries and cost allocations to claims and finance.
[2] 2017 figures concerns new auditor.

8. Salaries and remuneration

The average number of employees in the Group was 3,850 (4,029).

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 which 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:

- Drafting proposals for and following up compliance with the Group's guidelines and framework for remuneration
- Annually considering and proposing the remuneration of the CEO and director of internal audit
- Annually considering and drafting proposals for the CEO's scorecard
- Acting as adviser to the CEO in connection with the annual assessment of the remuneration of the senior group management
- Considering the management's proposed 'Statement on the stipulation of pay and other remuneration for executive personnel' cf. the Public Limited Liability Companies Act section 6-16a
- Considering other important personnel matters relating to executive personnel

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 remunaration 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 development and results, 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 members of the senior group management is 62. The basis for the pension rights earned in the period between 62-67 years is based on the period the individual has been a member of the senior group management. One member has a retirement age of 70, in accordance with the national labour legislation. Of the current members of the senior group management, five 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. Three 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. One of the members has an agreement of up to 12 months payment if the person concerned has been given notice, given that the termination of employment is not due to a substantial breach of contract. Other members of the senior group management have no such agreements of severance pay or payment of pay after termination of employment.

With exception from one employee in the Group, there are no severance pay arrangements for executive personnel who leave their position in Gjensidige Forsikring ASA. 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.

There are no early retirement schemes for executives who relinquish their position in Gjensidige Forsikring ASA in Norway beyond the one mentioned above. In accordance with practice in Denmark and the Baltics, there are some individual agreements on early retirement in connection with resignation in Gjensidige Forsikring ASA in Denmark and the Baltic States.

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, but they get to participate in the collective bonus scheme in the same manner as other employees. 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 2017 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.

Share savings programme
The Board has decided to continue the Group's share savings programme for employees in 2018. 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 1,500 in 2016 and NOK 3,000 from 2017. 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. The Board confirms that the guidelines on the remuneration of executive personnel for 2017 set out in last year's statement have been complied with.

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	316.3	290.1	639.8	294.6	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						700	
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.

Key management personnel compensation
2016

NOK thousands	Fixed salary/ fee	Earned vari- able 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 redeem -ed [6]	Num- ber of shares held	Retire- ment con- ditions
The senior group management										
Helge Leiro Baastad, CEO	4,927.7	998.9	129.2	1,594.7	1,119.0	8,109	11,465	18,662	43,491	2
Jørgen Inge Ringdal, Executive Vice President	2,582.6	339.3	196.4	722.5	380.3	2,399	3,864	5,948	19,811	2
Martin Danielsen, Executive Vice President (1.1.16-30.9.16) [1]	1,810.6	20.0	19.3	560.0	0.0	2,286	3,501	5,325	0	3
Kim Rud-Petersen, Executive Vice President	2,940.0	423.7	231.6	617.6	422.3	3,123	4,021	6,871	9,698	
Hege Yli Melhus Ask, Executive Vice President (1.1.16-30.9.16) [9]	2,668.1	247.7	160.6	470.9	260.6	1,039	3,221	3,375	11,204	3
Catharina Hellerud, Executive Vice President	2,910.2	360.6	165.0	486.7	404.2	2,835	4,387	6,949	15,055	3
Cecilie Ditlev-Simonsen, Executive Vice President (1.1.16-11.11.16) [1]	1,874.7	20.0	146.4	423.2	0.0	2,295	3,358	5,341	0	3
Sigurd Austin, Executive Vice President	2,725.5	375.2	132.0	614.9	397.8	2,809	3,821	6,524	9,349	3
Kaare Østgaard, Executive Vice President	2,732.3	304.9	171.3	763.6	324.7	2,432	3,866	6,127	11,103	3
Mats C. Gottschalk, Executive Vice President	2,913.3	379.6	157.5	486.2	425.4	3,135	4,441	7,391	10,569	3
Jostein Amdal, Executive Vice President (1.10.16-31.12.16) [1]	781.1	104.4	40.8	97.5	117.2	32	38	283	13,193	
Krister Georg Aanesen, Executive Vice President (1.10.16-31.12.16) [1, 10]	662.3	90.5	37.7	57.5	80.7	25	0	197	854	
The Board										
Inge K. Hansen, Chairman	544.8		7.3						12,253	
Trond V. Andersen (1.1.16-6.4.16) [1]	139.8		7.9							
Hans-Erik Andersson (1.1.16-6.4.16) [1, 7]	180.0		4.5							
Gisele Marchand [7]	412.5		1.5						1,481	
Knud Peder Daugaard (7.4.16-31.12.16) [1, 8]	159.8		3.6						3,000	
John Giverholt (7.4.16-31.12.16) [1]	135.5		1.5							
Anne Marie Nyhammer, staff representative (1.9.16-31.12.16) [1]	22.6									
Kjetil Kristensen, staff representative (1.1.16-31.8.16) [1, 4, 8]	317.2									
Gunnar Mjåtvedt, staff representative [4, 8]	364.0								1,975	
Per Arne Bjørge [8]	364.0		2.9						10,542	
Mette Rostad	268.0		2.1						1,550	
Tine Wollebekk [1, 8]	299.6		1.5							
Lotte Kronholm Sjøberg, staff representative [4]	268.0		5.9						429	
The Board, deputies										
Tore Vågsmyr, staff representative (1.1.16-6.4.16) [1, 4]									702	
Ellen Kristin Enger, staff representative (1.1.16-6.4.16) [1, 4]									577	

The control committee and supervisory board are liquidated as of 1 January 2016.

[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 wiII 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 participation as Chairman in the Audit Committee honoured with NOK 144.5 thousand for 2016.
[8] Remuneration includes participation in the Audit Committee honoured with NOK 96.0 thousand for 2016.
[9] Hege Yli Melhus Ask has been on leave from 1 October to 31 December. Her remuneration is presented for the whole year.
[10] Constituted Executive Vice President for Hege Yli Melhus Ask from 1 October to 31 December.

9. Tax

NOK millions	2017	2016
Specification of tax expense		
Tax payable	(977.9)	(1,419.9)
Correction previous years	(72.0)	(23.3)
Change in deferred tax	(259.9)	(30.9)
Total tax expense	**(1,309.8)**	**(1,474.1)**

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:

Taxable temporary differences		
Property, plant and equipment and intangible assets	572.5	96.2
Shares, bonds and other securities	856.9	196.9
Profit and loss account	156.5	210.7
Pension assets		29.6
Tax deductible equity (Security provision)	3,459.5	3,437.3
Total taxable temporary differences	**5,045.4**	**3,970.7**
Deductible temporary differences		
Loans and receivables	(32.5)	(111.7)
Provisions for liabilities	(323.2)	(342.1)
Pension liabilities	(372.3)	
Insurance-related liabilities	(2.2)	(15.0)
Other deductible temporary differences	(46.2)	(58.4)
Total deductible temporary differences	**(776.3)**	**(527.3)**
Loss carried forward	(38.9)	(54.8)
Valuation allowance of deferred tax assets		(0.3)
Net temporary differences	**4,230.2**	**3,388.3**
Net deferred tax liabilities/(deferred tax assets)	**1,065.5**	**852.6**
Of this non-assessed deferred tax assets	11.3	19.1
Deferred tax liabilities	**1,076.8**	**871.7**
Reconciliation of tax expense		
Profit before tax expense	5,829.1	6,139.9
Estimated tax of profit before tax expense (25%)	(1,457.3)	(1,535.0)
Tax effect of		
Different tax rate in foreign subsidiaries	(4.6)	(13.6)
Valuation allowance and reversal of loss carried forward in subsidiaries	(10.1)	(26.5)
Dividend received	3.0	38.0
Tax exempted income and expenses	237.9	81.3
Non tax-deductible expenses	(6.7)	5.0
Correction previous years	(72.0)	(23.3)
Total tax expense	**(1,309.8)**	**(1,474.1)**
Effective rate of income tax	22.5%	24.0%
Loss carried forward		
2019		
2020		
2021		
2022		
2023		
Later or no due date	38.9	54.8
Total loss carried forward	**38.9**	**54.8**
Change in deferred tax		
Deferred tax liabilities as at 1 January	852.5	822.9
Change in deferred tax recognised in profit or loss	259.9	30.9
Change in deferred tax recognised directly in the balance sheet		
Pensions	(85.7)	(39.6)
Companies sold and purchased	34.7	40.6
Exchange rate differences	4.4	(2.2)
Net deferred tax liabilities as at 31 December	**1,065.8**	**852.5**

Tax recognised in other comprehensive income		
Deferred tax pensions	85.7	39.6
Tax payable on exchange rate differences	(88.2)	66.7
Total tax recognised in other comprehensive income	**(2.5)**	**106.3**

Tax cost

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.

Natural perils capital

Natural perils capital is considered to be a permanent difference for tax purposes and no deferred tax is calculated.

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.

Disability pension, spouse/cohabitant pension and child’s pension are also included in the plan subject to more detailed rules.

With effect from and including 2016, Gjensidige changed its contribution rates and cut-off point as an adaptation to the new Act relating to Company Pension Schemes. The new 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.

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.

With effect from 2016, Gjensidige removed the clause concerning CPI indexing of current pensions. This was recognised as a plan change in the accounts. Income in the amount of approximately NOK 480 million was recognised in the pension expense and the pension liability was reduced correspondingly.

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 3.1 per cent, like the year before, and is adjusted for age based on a decreasing trend. The year-on-year nominal wage growth 2017/18 is calculated to be 1.5 per cent, similar to last year. 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 56.1 years.

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.

Gjensidige used up to and including 2016 GAP07, which is a dynamic mortality model that takes into account expected life expectancy. In 2017, K2013BE is used as it estimates life expectancy in a better way than GAP07 proved to be doing.

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.

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 liabilities are exposed to interest rate risk. The discount rate is composed of market interest rates for ten years, while, from year 20, it is based on long-term equilibrium interest rates, and between year ten and year 20, it is interpolated linearly between market interest rates and long-term equilibrium interest rates. A shift in the market interest rates will thereby directly affect the value of the cash flows until year ten and then have a falling effect for the next ten years. From year 20, the market interest rates will only have a marginal effect.

The pension liability will increase by 12,1 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 9.7 per cent in the event of an interest rate increase of one percentage point.

Because of the relationship between pension liabilities and pension assets, Gjensidige has an asset ceiling, since not all pension assets can be used to pay future premiums. This means that the effect of a decrease in the interest rate will be limited to liabilities attributable to current employees and that liabilities attributable to retired employees will remain relatively unchanged. An interest rate fall is the biggest risk, due to the long duration of the liability. An increase in the interest rate leads to a fall in the pension liabilities, but much of the fall will lead to a potential pension increase. 32 per cent of the pension assets are attributable to current employees. With time, however, employees will represent an increasingly lower proportion of the pension assets as a result of employees leaving or retiring. A greater proportion of the return will thereby go to retired and former employees, and less to the employer. This has been incorporated in the asset ceiling assessment.

Credit risk

The pension assets' exposure to credit risk is deemed to be moderate. The credit risk is managed by setting limits on the biggest commitment and rating for individual investments. Most of the pension fund's fixed-income investments shall be within "investment grade". Over five per cent of the pension fund's interest rate investments have a weaker rating than BBB. Unrated bonds amount to 37 per cent. 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 ten per cent in the bond portfolio. This corresponds to an average widening of spreads of 2.1 per cent.

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.

The credit mark-up (on ten-year swaps) at 31 December 2017 was 0.52 per cent.

Based on the same stress tests as for the pension assets, the liabilities would decrease by approximately 11.7 per cent based on a widening of spreads of 0.9 per cent.

In total, the reduction in the liabilities would be slightly higher than the fall in the value of the pension assets.

Life expectancy and disability

The life expectancy assumptions are based on the K2013BE table as reported by FNO (Finans Norge) AS.

K2013BE is a life expectancy estimate used by most enterprises. However, these assumptions must be followed up annually.

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. Gjensidige assumes that wage growth is age-dependent. A younger employee can expect higher annual wage growth than an older employee. This means that wage growth depends on age.

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 per cent higher, it will lead to a 3.9 per cent increase in the liability. An increase in real wages will increase the liabilities. An increase in inflation will increase wages and pension plans and discount rates and the liabilities will to a small extent change.

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.

A number of amendments to the Norwegian regulations were proposed in 2016. The amendments have not been adopted yet. One of the proposed amendments is to make pension assets in the pension fund subject to a funding requirement in line with Solvency II. The level of the pension assets is entering a period of political risk.

Low interest rates can lead to the Financial Supervisory Authority instructing the pension fund to lower interest rates from 2 per cent to 1.5 per cent, or 1 per cent for new earned benefits. Gjensidige expects there to be a high risk of the interest rates being reduced to 1 per cent if long-term government bond yields remain at the 1.3 per cent level.

Gjensidige assumes that a continued low interest rates in future and changes in EU based rules could entail an increase in future contributions to the funded pension plan.

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 2017	Unfunded 2017	Total 2017	Funded 2016	Unfunded 2016	Total 2016
Present value of the defined benefit obligation						
As at 1 January	1,954.9	511.5	2,466.3	2,275.7	555.9	2,831.6
Current service cost	25.1	13.0	38.0	33.2	13.8	46.9
Employers' national insurance contributions of current service cost	4.8	2.5	7.3	4.7	1.9	6.6
Interest cost	52.8	12.5	65.3	62.5	13.6	76.0
Actuarial gains and losses	212.2	75.2	287.4	6.9	6.4	13.3
Benefits paid	(107.2)	(46.4)	(153.6)	(91.6)	(39.2)	(130.7)
Employers' national insurance contributions of benefits paid	(0.2)	(7.6)	(7.7)	(16.7)	(5.3)	(22.0)
Removed CPI indexing of current pensions		14.2	14.2	(449.3)	(33.3)	(482.6)
Business combinations				(3.2)	(0.0)	(3.2)
The effect of the asset ceiling	23.9		23.9	132.7		132.7
Foreign currency exchange rate changes		3.0	3.0		(2.4)	(2.4)
As at 31 December	**2,166.3**	**577.8**	**2,744.0**	**1,954.9**	**511.5**	**2,466.3**
Amount recognised in the balance sheet						
Present value of the defined benefit obligation	2,166.3	577.8	2,744.0	1,954.9	511.5	2,466.3
Fair value of plan assets	(2,371.8)		(2,371.8)	(2,443.2)		(2,443.2)
Net defined benefit obligation/(benefit asset)	**(205.5)**	**577.8**	**372.3**	**(488.3)**	**511.5**	**23.2**
Fair value of plan assets						
As at 1 January	2,443.2		2,443.2	2,366.0		2,366.0
Interest income	66.4		66.4	66.4		66.4
Return beyond interest income	(31.4)		(31.4)	(12.7)		(12.7)
Contributions by the employer	1.0	7.6	8.6	135.1	5.3	140.4
Benefits paid	(107.2)		(107.2)	(91.6)		(91.6)
Employers' national insurance contributions of benefits paid	(0.2)	(7.6)	(7.7)	(16.7)	(5.3)	(22.0)
Business combinations				(3.4)		(3.4)
As at 31 December	**2,371.8**		**2,371.8**	**2,443.2**		**2,443.2**
Pension expense recognised in profit or loss						
Current service cost	25.1	13.0	38.0	33.2	13.8	46.9
Interest cost	52.8	12.5	65.3	62.5	13.6	76.0
Interest income	(66.4)		(66.4)	(66.4)		(66.4)
Removed CPI indexing of current pensions		14.2	14.2	(449.3)	(33.4)	(482.7)
Employers' national insurance contributions	4.8	2.5	7.3	4.7	1.9	6.6
Defined benefit pension cost	**16.3**	**42.1**	**58.4**	**(415.4)**	**(4.1)**	**(419.5)**
The expense is recognised in the following line in the income statement						
Total operating expenses	16.3	42.1	58.4	(415.4)	(4.1)	(419.5)
Remeasurement of the net defined benefit liability/asset recognised in other comprehensive income						
Cumulative amount as at 1 January			(2,326.2)			(2,167.5)
Correction of the opening balance			7.0			
Return on plan assets			(31.4)			(12.7)
Changes in demographic assumptions			(138.8)			6.1
Changes in financial assumptions			(148.6)			(19.4)
The effect of the asset ceiling			(23.9)			(132.7)
Other changes			20.1			
Exchange rate differences			0.7			0.0
Cumulative amount as at 31 December			**(2,641.1)**			**(2,326.2)**

NOK millions	Funded 2017	Unfunded 2017	Total 2017	Funded 2016	Unfunded 2016	Total 2016
Actuarial assumptions						
Discount rate			2.57%			2.77%
Future salary increases [1]			3.10%			3.10%
Change in social security base amount			3.10%			3.10%
Other specifications						
Amount recognised as expense for the defined contribution plan			215.4			202.6
Amount recognised as expense for Fellesordningen LO/NHO			27.9			26.4
Expected contribution to Fellesordningen LO/NHO next year			29.0			27.3

[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 1.5 per cent (1.5). See explanation under Actuarial assumptions.

Per cent	Change in pension benefit obligation 2017	Change in pension benefit obligation 2016
Sensitivity		
- 1% point discount rate	12.1%	11.1%
+ 1% point discount rate	(9.7%)	(9.2%)
- 1% point salary adjustment	(2.9%)	(3.0%)
+ 1% point salary adjustment	3.9%	4.0%
- 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	9.8%	9.1%
10% decreased mortality	2.6%	2.7%
10% increased mortality	(3.5%)	(3.6%)

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		296.5		296.5
Bonds	1,688.7	196.9		1,885.6
Bank		83.0		83.0
Derivatives		106.7		106.7
Total	**1,688.7**	**683.1**		**2,371.8**

Valuation hierarchy 2016	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 31.12.2016
Shares and similar interests		58.6		58.6
Bonds	1,798.2	513.1		2,311.3
Bank		9.8		9.8
Derivatives		63.5		63.5
Total	**1,798.2**	**645.0**		**2,443.2**

11. Goodwill and intangible assets

NOK millions	Goodwill	Customer relationship	Software	Other intangible assets	Total
Cost					
As at 1 January 2016	3,531.1	1,168.8	1,132.6	611.9	6,444.4
Additions		54.1	178.2	212.4	444.8
Additions through business combinations	78.7	56.4			135.2
Additions from internal development			45.8		45.8
Disposals/reclassifications	(46.4)	(10.8)	(48.3)	(11.4)	(117.0)
Exchange differences	(171.7)	(60.4)	(27.3)	(35.6)	(295.0)
As at 31 December 2016	**3,391.7**	**1,208.1**	**1,281.0**	**777.4**	**6,658.2**
Uncompleted projects			126.3		126.3
As at 31 December 2016, including uncompleted projects	**3,391.7**	**1,208.1**	**1,407.3**	**777.4**	**6,784.5**
Amortisation and impairment losses					
As at 1 January 2016	(306.6)	(752.9)	(656.9)	(277.9)	(1,994.3)
Amortisations		(144.6)	(168.8)	(129.9)	(443.3)
Disposals/ reclassifications	46.4	10.8	16.0	2.3	75.5
Impairment losses recognised in profit or loss during the period	(1.5)				(1.5)
Exchange differences	10.2	38.7	14.1	16.8	79.8
As at 31 December 2016	**(251.5)**	**(848.0)**	**(795.6)**	**(388.7)**	**(2,283.8)**
Carrying amount					
As at 1 January 2016	3,224.5	415.9	593.7	334.1	4,568.0
As at 31 December 2016	**3,140.2**	**360.1**	**611.6**	**388.7**	**4,500.7**
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 2016, 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)
Amortisations		(140.2)	(223.7)	(130.1)	(494.0)
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**
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 in 2017 acquired the Danish company Mølholm Forsikring A/S. In 2016, the Swedish insurance portfolio of the Vardia Insurance Group and the company Vardia Försäkring AB were acquired.

Impairment testing goodwill

The carrying amount of goodwill in the Group as at 31 December 2017 is NOK 3.557,4 million.

NOK millions		2017	2016
Goodwill	**Segment**		
Gjensidige Forsikring, Danish branch	Nordic	1,583.2	1,465.3
Nykredit Forsikring	Nordic	891.8	842.0
Gjensidige Forsikring, Swedish branch	Nordic	141.0	160.4
Gouda portfolio	Nordic	87.3	81.5
Vardia portfolio	Nordic	66.8	63.4
Mølholm Forsikring A/S	Nordic	227.1	
ADB Gjensidige	Baltics	431.5	398.9
Gjensidige Forsikring, white label	Private	128.7	128.7
Total		**3,557.4**	**3,140.2**

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 2017. 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 2021 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 2026. 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 87.0 to 101.8.

Cash-generating units	CR-level in growth period	CR-level when calculating terminal value
Gjensidige Forsikring, Danish branch	90.0-97.2%	91.2%
Nykredit Forsikring	87.0-92.4%	91.3%
Gjensidige Forsikring, Swedish branch	92.3-100.8%	92.7%
ADB Gjensidige	90.0-101.8%	93.0%
Gouda portfolio	89.5-94.5%	90.1%

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 2016.

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 2016. 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 314 million
Nykredit Forsikring	No need for impairment	No need for impairment	No need for impairment	Need for impairment app. NOK 28 million
Gjensidige Forsikring, Swedish branch	No need for impairment	No need for impairment	No need for impairment	No need for impairment
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 2016	42.6	682.1	724.7
Additions through business combinations		5.3	5.3
Additions	5.3	43.3	48.6
Disposals	(17.1)	(180.2)	(197.3)
Exchange differences	(0.9)	(9.0)	(9.9)
As at 31 December 2016	**29.9**	**541.4**	**571.3**
Uncompleted projects		61.2	61.2
As at 31 December 2016, including uncompleted projects	**29.9**	**602.6**	**632.5**
Depreciation and impairment losses			
As at 1 January 2016	(7.8)	(420.2)	(428.0)
Depreciation for the year	(0.4)	(60.2)	(60.6)
Disposals	7.5	164.6	172.1
Exchange differences	0.3	5.7	6.0
As at 31 December 2016	**(0.4)**	**(310.1)**	**(310.5)**
Carrying amount			
As at 1 January 2016	34.8	289.4	324.2
As at 31 December 2016	**29.5**	**292.5**	**321.9**
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 for the year	(0.2)	(62.3)	(62.5)
Disposals	0.3	63.0	63.3
Exchange differences		(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**
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 Group mainly consists of leisure houses and cottages, in addition to owner-occupied property in the Baltic.

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.
- Interest-bearing liabilities (banking activities) measured at fair value. These liabilities are valued based on observable credit spreads.
- 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 are 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.

NOK millions	Notes	Carrying amount as at 31.12.2017	Fair value as at 31.12.2017	Carrying amount as at 31.12.2016	Fair value as at 31.12.2016
Financial assets					
Financial derivatives					
Financial derivatives at fair value through profit or loss		674.0	674.0	1,335.4	1,335.4
Financial assets at fair value through profit or loss, initial recognition					
Shares and similar interests	14	7,328.3	7,328.3	6,892.1	6,892.1
Bonds and other fixed income securities		30,734.2	30,734.2	30,385.8	30,385.8
Shares and similar interests in life insurance with investment options		20,034.3	20,034.3	16,002.8	16,002.8
Bonds and other fixed income securities in life insurance with investment options		2,531.2	2,531.2	1,777.2	1,777.2
Financial assets held to maturity					
Bonds held to maturity		1,136.0	1,158.2	1,625.9	1,702.3
Loans and receivables					
Bonds and other fixed income securities classified as loans and receivables	15	21,032.6	22,475.7	19,045.5	20,530.5
Loans		47,597.6	47,617.0	42,405.2	42,425.2
Receivables related to direct operations and reinsurance		5,840.8	5,840.8	5,621.5	5,621.5
Other receivables	15	1,064.5	1,064.5	945.9	945.9
Prepaid expenses and earned, not received income	15	189.9	189.9	91.3	91.3
Cash and cash equivalents		2,685.2	2,685.2	2,158.7	2,158.7
Total financial assets		**140,848.5**	**142,333.2**	**128,287.5**	**129,868.8**
Financial liabilities					
Financial derivatives					
Financial derivatives at fair value through profit or loss		584.9	584.9	1,191.8	1,191.8
Financial liabilities at fair value through profit or loss, designated upon initial recognition					
Liabilities in life insurance with investment options		22,565.5	22,565.5	17,780.0	17,780.0
Financial liabilities at amortised cost					
Subordinated debt		1,947.3	1,968.1	1,946.8	1,904.9
Deposits from and liabilities to customers, bank	19	23,765.7	23,765.7	21,270.4	21,270.4
Interest-bearing liabilities	19	23,083.4	23,260.2	19,596.5	19,649.2
Other liabilities	19	1,265.2	1,265.2	1,368.5	1,368.5
Liabilities related to direct insurance		1,132.8	1,132.8	555.2	555.2
Accrued expenses and deferred income	19	500.8	500.8	493.3	493.3
Total financial liabilities		**74,845.4**	**75,043.1**	**64,202.5**	**64,213.3**
Gain/(loss) not recognised in profit or loss			**1,287.0**		**1,570.5**

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, 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		17,704.1	4,771.6	22,475.7
Loans		4,767.1	42,850.0	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				
Liabilities 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

Valuation hierarchy 2016

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		1,335.4		1,335.4
Financial assets at fair value through profit or loss, initial recognition				
Shares and similar interests	820.4	3,764.6	2,307.0	6,892.1
Bonds and other fixed income securities	10,840.6	18,211.7	1,333.5	30,385.8
Shares and similar interests in life insurance with investment options	15,993.6	9.2		16,002.8
Bonds and other fixed income securities in life insurance with investment options	1,764.3	12.9		1,777.2
Financial assets at amortised cost				
Bonds held to maturity	382.8	1,319.5		1,702.3
Bonds and other fixed income securities classified as loans and receivables		20,529.0	1.5	20,530.5
Loans			42,425.2	42,425.2
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		1,191.8		1,191.8
Financial liabilities at fair value through profit or loss, initial recognition				
Debt in life insurance with investment options	17,757.9	22.1		17,780.0
Financial liabilities at amortised cost				
Subordinated debt		1,904.9		1,904.9
Interest-bearing liabilities		19,649.2		19,649.2

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	Curr-ency 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 31.12.2017
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 financial assets valued based on non-observable market data (level 3) 2016

NOK millions	As at 1.1.2016	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/out of level 3	Curr-ency effect	As at 31.12.2016	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2016
Shares and similar interests	1,943.7	(342.8)	905.7	(199.3)			(0.3)	2,307.0	(303.9)
Bonds and other fixed income securities	2,174.6	(114.4)	324.2	(119.2)		(832.9)	(98.7)	1,333.5	24.0
Total	**4,118.3**	**(457.2)**	**1,229.9**	**(318.5)**		**(832.9)**	**(99.0)**	**3,640.5**	**(279.9)**

Sensitivity of financial assets valued based on non-observable market data (level 3) 2016

NOK millions		Sensitivity
Shares and similar interests	Change in value 10%	230.7
Bonds and other fixed income securities	Change in value 10%	133.4
Total		**364.1**

Reconciliation of liabilities arising from financing activities

NOK millions	As at 31.12.2016	Cash flows	Non-cash flows: Aqui-sitions	Non-cash flows: Ex-change diffe-rences	Non-cash flows: 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).

Hedge accounting

Fair value hedging

Gjensidige utilizes fair value hedge to manage its currency risk in fixed agreements of acquisition of the operations. In 2017 this has been used regarding the acquisition of Mølholm Forsikring. Hedging is performed to prevent from valuation variations of a future settlement due to changes in the currency rate. Currency futures designed as hedging instruments are measured at fair value and changes in fair value are 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 is recognised in goodwill when the acquired operation is accounted for.

Gjensidige Bank utilizes fair value hedge to manage its interest rate risk. Hedging is performed to prevent from valuation variations of issued fixed rate obligations due to changes in the rate level. Interest rate swaps designed as hedging instruments are measured at fair value and changes in fair value are recognised continuously in profit or loss. The changes in fair value for the hedging object linked to the hedged risk are accounted as addition or deduction to the carrying value and in profit or loss. Interest rates swaps are renewed every quarter.

Fair value hedging		**Gain/loss 2017**	
NOK millions	**Fair value**	**Gain**	**Loss**
Gjensidige Bank ASA, group			
Interest rate swaps - hedging instruments	107.2	(17.4)	
Obligation debt - hedging object			17.3
Net gain/loss recognised in profit or loss		**(0.1)**	

Fair value hedging		**Gain/loss 2016**	
NOK millions	**Fair value**	**Gain**	**Loss**
Gjensidige Bank ASA, group			
Interest rate swaps - hedging instruments	125.0	(35.2)	
Obligation debt - hedging object			35.9
Net gain/loss recognised in profit or loss			**0.7**

14. Shares and similar interests

NOK millions	Organisation number	Type of fund	31.12.2017
Gjensidige Forsikring ASA			
Norwegian financial shares and primary capital certificates			
Sparebank 1 Østlandet	920 426 530		36.1
Sparebank 1 SMN	937 901 003		13.7
Sparebank 1 BV	944 521 836		2.3
Indre Sogn Sparebank	837 897 912		0.4
Helgeland Sparebank	937 904 029		0.3
Total Norwegian financial shares and primary capital certificates			**52.7**
Other shares			
SOS International A/S			55.7
A.P Moeller - Maersk A/S			20.9
Sector Asset Management AS	887 139 342		15.9
Paydrive AB			15.0
Scalepoint Technologies Limited			7.4
Norwegian Property ASA	988 622 036		6.9
Helgeland Invest	939 150 234		6.7
Viking Venture II AS	987 493 550		6.6
Subsea 7 S.A.			4.3
Tun Media AS	982 519 985		3.7
FLSmidth & Co A/S			3.6
Stolt-Nielsen Limited			3.3
Kongsberg Gruppen ASA	943 753 709		3.1
Austevoll Seafood ASA	929 975 200		3.1
Novo Nordisk A/S			3.1
Aker Solutions ASA	913 748 174		2.8
Other shares			22.2
Total other shares			**184.3**

NOK millions	Organisation number	Type of fund	31.12.2017
Funds [1]			
Shenkman Global Convertible Bond Fund		Combination fund	1,160.1
Storebrand Global Indeks	989 133 241	Equity fund	887.9
Fisher Emerging Markets Equity Fund USD		Equity fund	408.5
Danske Invest Norske Aksjer Institusjon I	981 582 020	Equity fund	371.3
Storebrand Norge I	981 672 747	Equity fund	336.3
INVESTEC GS GLOBAL EQTY-I$		Equity fund	297.6
Nordea Stabile Aksjer Global	989 851 020	Equity fund	292.2
Sector Healthcare - A USD		Hedge fund	279.8
Wells Fargo Lux Worldwide EM Equity Fund		Equity fund	240.1
DB Platinum CROCI World ESG Fund		Equity fund	183.3
Sector Global Equity Kernel Fund Class P USD		Equity fund	172.6
Winton Futures Fund-Lead Series		Hedge fund	149.4
Pareto Aksje Norge	883 610 512	Equity fund	123.7
Incentive Active Value Fund Cl. A EUR Unrestricted		Hedge fund	116.6
Sector Zen Fund		Hedge fund	104.0
Argentum Secondary III		Private equity fund	101.8
HitecVision Private Equity V LP		Private equity fund	94.8
HitecVision Asset Solution KS		Private equity fund	87.8
HitecVision VI LP		Private equity fund	69.7
Verdane Capital VII KS		Private equity fund	55.2
BaltCap PEF LP		Private equity fund	53.1
HitecVision Private Equity IV LP		Private equity fund	48.7
Viking Venture III DIS		Private equity fund	39.4
CapMan Buyout X		Private equity fund	32.3
Other funds			609.9
Total funds			**6,316.3**

[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			**6,553.7**
Shares and similar interests owned by other group companies			
Shares and similar interests owned by Gjensidige Pensjonsforsikring AS			763.6
Shares and similar interests owned by Nykredit Forsikring A/S			6.3
Shares and similar interests owned by Gjensidige Bank ASA			4.6
Total shares and similar interests owned by other group companies			**774.6**
Total shares and similar interests owned by the Gjensidige Forsikring Group			**7,328.3**

15. Loans and receivables

NOK millions	2017	2016
Loans and receivables		
Mortgage loans	35,941.2	34,081.0
Bonds classified as loans and receivables	21,032.6	19,045.5
Other loans	101.7	125.2
Provision for impairment losses	(180.3)	(396.1)
Loans for consumer goods and auto financing	10,114.9	7,175.0
Total loans and receivables	**67,010.1**	**60,030.6**
Other receivables		
Receivables in relation with asset management	778.8	700.0
Other receivables and assets	285.7	245.9
Total other receivables	**1,064.5**	**945.9**
Prepaid expenses and earned, not received income		
Earned, not received interest income	66.8	46.9
Other prepaid expenses and earned, not received income	123.1	44.4
Total prepaid expenses and earned, not received income	**189.9**	**91.3**

Mortgage loans 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 63.1 million (80.3) are loans given to agricultural customers. Included in other loans are also NOK 40.0 million (40.0) in loans given with regard to sale of subsidiaries.

The loans for consumer goods are loans without a collateral requirement offered to private customers. The loans for auto financing are loans secured by motor vehicles, primarily cars. All loans are mainly given with floating rate.

A considerable amount of receivables in relation with asset management is short-term receivables in relation with sale of securities.

16. Insurance-related liabilities and reinsurers' share

NOK millions		2017			2016	
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	16,978.8	(586.6)	16,392.1	18,331.2	(486.5)	17,844.8
Claims incurred, but not reported	15,468.8	(0.1)	15,468.7	14,847.2	(5.9)	14,841.4
Total as at 1 January	**32,447.5**	**(586.7)**	**31,860.8**	**33,178.5**	**(492.3)**	**32,686.2**
Acquisitions through business combinations and portfolios	115.7	(35.1)	80.7	348.3	(247.7)	100.6
Claims paid, prior year claims	(7,210.9)	234.3	(6,976.5)	(6,289.8)	417.8	(5,872.0)
Increase in liabilities						
Arising from current year claims	19,764.1	(624.6)	19,139.5	18,311.9	(477.3)	17,834.6
- of this paid	(10,981.2)	154.2	(10,827.1)	(11,042.1)	191.9	(10,850.3)
Arising from prior year claims (run-off)	(1,164.8)	134.6	(1,030.3)	(1,033.2)	9.8	(1,023.4)
Other changes, including effects from discounting	(39.5)		(39.5)	239.4		239.4
Transfer of pension savings [2]	(2,321.3)	(33.5)	(2,354.8)	(680.1)	(23.5)	(703.6)
Exchange differences	713.0	(25.7)	687.3	(585.2)	34.6	(550.7)
Total as at 31 December	**31,322.7**	**(782.4)**	**30,540.2**	**32,447.5**	**(586.7)**	**31,860.8**
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 31 December	**31,322.7**	**(782.4)**	**30,540.2**	**32,447.5**	**(586.7)**	**31,860.8**
Provisions for unearned premiums in general insurance						
As at 1 January	9,527.9	(120.1)	9,407.8	9,230.0	(40.7)	9,189.3
Additions through acquisitions	215.7		215.7	342.0	(251.2)	90.8
Increase in the period	24,082.1	(606.3)	23,475.8	23,185.0	(439.6)	22,745.4
Release in the period	(24,083.0)	684.7	(23,398.3)	(23,031.6)	589.7	(22,441.9)
Exchange differences	218.7	(3.2)	215.5	(197.5)	21.6	(175.9)
Total as at 31 December	**9,961.4**	**(45.0)**	**9,916.5**	**9,527.9**	**(120.1)**	**9,407.8**

[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	2017	2016
Discounted claims provision, gross - annuities	6,127.1	4,905.2
Nominal claims provision, gross - annuities	6,855.7	5,449.1

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.

Over the next 3-5 years, average annual run-off gains are expected to be around NOK 1,000 million, moving the expected reported combined ratio to the lower end of the 86-89 corridor (undiscounted).

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	2017	2016
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 21,073 (26,817).

A total of 254,863 (199,200) own shares at an average share price of NOK 138.87 (141.75) have been acquired to be used in Gjensidige's share-based payment arrangements. Of these 191,277 (169,093) 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 33,199 (38,728) shares have been allocated to executive personnel within the share-based remuneration scheme and 36,132 (37,737) bonus shares have been allocated to employees in the share savings programme. Own shares are reduced by 5,745 (reduced by 41,358) 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. In connection with the issuance in 2016, NOK 3.2 million was recognised as a deduction in 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. The Natural perils capital is restricted capital and can only be used for claims related to natural perils in Norway. 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	2017	2016
As at 31 December		
NOK 7.10 (6.80) based on profit for the year [1]	3,550.0	3,400.0
NOK 0.00 (4.00) based on excess capital distribution	0.0	2,000.0

[1] Proposed dividend for 2017 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%
State Street Bank And Trust Co. (nominee)	19,932,114	4.0%
Folketrygdfondet	17,247,573	3.4%
State Street Bank And Trust Co. (nominee)	14,654,396	2.9%
State Street Bank And Trust Co. (nominee)	5,685,051	1.1%

The shareholder list is based on the VPS shareholder registry as of 31 December 2017. A shareholder list showing the owners behind nominee accounts can be found on page 21.

18. Hybrid capital

Subordinated debt

	FRN Gjensidige Bank ASA 2014/2024 SUB	FRN Gjensidige Bank ASA 2015/2025 SUB	Gjensidige Bank ASA 2016/2026 FRN C SUB	FRN Gjensidige Pensjonsforsikring AS 2016/2026 SUB	FRN Gjensidige Forsikring ASA 2014/2044 SUB
ISIN	NO0010713118	NO0010735715	NO00010765027	NO0010767429	NO0010720378
Issuer	Gjensidige Bank ASA	Gjensidige Bank ASA	Gjensidige Bank ASA	Gjensidige Pensjons-forsikring AS	Gjensidige Forsikring ASA
Principal, NOK millions	250	100	100	300	1,200
Currency	NOK	NOK	NOK	NOK	NOK
Issue date	17.06.2014	21.05.2015	19.05.2016	23.06.2016	02.10.2014
Maturity date	17.06.2024	21.05.2025	19.05.2026	23.06.2026	03.10.2044
First call date	17.06.2019	22.05.2020	19.05.2021	23.06.2021	02.10.2024
Interest rate	NIBOR 3M + 1.55%	NIBOR 3M + 1.65%	NIBOR 3M + 2.55%	NIBOR 3M + 2.90%	NIBOR 3M + 1.50%
General terms					
Regulatory regulation	CRD IV	CRD IV	CRD IV	Solvency II	Solvency II
Regulatory call	Yes	Yes	Yes	Yes	Yes
Conversion right	No	No	No	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	No	Yes
Conversion right	No	No	No	No

19. Provisions and other liabilities

NOK millions	2017	2016
Other provisions and liabilities		
Restructuring costs [1]	117.0	194.9
Other provisions	211.6	147.2
Total other provisions and liabilities	**328.6**	**342.1**
Deposits from and liabilities to customers		
Deposits from and liabilities to customers without maturity date, bank	17,365.0	16,614.7
Deposits from and liabilities to customers with maturity date, bank	6,400.6	4,655.7
Deposits from and liabilities to customers	**23,765.7**	**21,270.4**
Interest-bearing liabilities		
Liabilities to bond debt, bank	23,083.4	19,596.5
Total interest-bearing liabilities	**23,083.4**	**19,596.5**
Other liabilities		
Outstanding accounts Fire Mutuals	25.5	30.4
Accounts payable	258.0	247.4
Liabilities to public authorities	356.1	507.9
Other liabilities	625.7	582.8
Total other liabilities	**1,265.2**	**1,368.5**
Accrued expenses and deferred income		
Liabilities to public authorities	31.5	35.8
Accrued personnel cost	318.9	300.2
Other accrued expenses and deferred income	150.4	157.3
Total accrued expenses and deferred income	**500.8**	**493.3**
Restructuring costs [1]		
Provisions as at 1 January	194.9	85.8
New provisions	54.9	163.9
Provisions used during the year	(134.2)	(53.8)
Exchange rate differences	1.4	(1.0)
Provision as at 31 December	**117.0**	**194.9**

[1] In 2017, NOK 54.9 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 2017 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.

	2017		2016	
NOK millions	Income	Expense	Income	Expense
Earned premiums written and gross claims				
ADB Gjensidige	28.5	21.3	32.4	9.0
Gjensidige Pensjonsforsikring AS	6.9	33.5	5.5	23.4
Nykredit Forsikring A/S	1,061.4	740.8	1,041.8	772.3
Administration expenses				
Gjensidige Bank ASA	36.7		30.4	
Gjensidige Pensjonsforsikring AS	67.5		61.5	
Mondux Assurance Agentur A/S	30.8	68.1	44.8	69.9
Nykredit Forsikring A/S	307.0	265.3	344.3	260.5
Vardia Försäkring AB		108.9		55.7
Sum øvrige selskaper	0.9	10.5	11.5	9.9
Interest income and expenses				
Oslo Areal AS	31.8		32.7	
Co-operating companies [1]				
Fire mutuals and Gjensidige Pensjonskasse	20.8	149.3	20.7	148.7
Total	**1,592.2**	**1,397.7**	**1,625.6**	**1,349.4**

[1] Cooperating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

Loans

As at 31 December 2017 employees have loans in Gjensidige Bank amounting to NOK 1,287.2 million (1,501.0). 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.

	2017		2016	
NOK millions	Received	Given	Received	Given
Group contributions				
Gjensidige Pensjon og Sparing Holding AS				8.8
Mondux AB				7.9
Tennant Assuranse AS (eid av Lokal Forsikring AS)			0.3	
Dividends				
Gjensidige Pensjonskasse			9.5	
Gjensidigestiftelsen		2,209.5		3,858.9
Nykredit Forsikring A/S	49.0			
Samtrygd AS	0.7			
Mondux Assurance Agentur A/S	31.5			
Mondux AB	2.6			
Oslo Areal AS			110.0	
Total group contributions and dividends	**83.8**	**2,209.5**	**119.8**	**3,875.6**

In addition the shares in Gjensidige Investeringsrådgiving AS (GIR) were distributed as dividend from Gjensidige Pensjon og Sparing Holding AS to Gjensidige Forsikring ASA i 2016. This was done according to accounting continuity and recognised as a share split of Gjensidige Pensjon og Sparing Holding AS.

NOK millions	2017 Gains	2017 Losses	2016 Gains	2016 Losses
Gains and losses in connection with sale and liquidation				
Oslo Areal AS				1.3
Vervet AS			8.2	
Försäkringproduktion i Sverige AB				4.0
Impairment losses				
Samtrygd AS		0.4		
Nykredit Forsikring A/S		49.0		94.2
Total gains and losses in connection with sale, liquidation and impairment losses		**49.4**	**8.2**	**99.5**

Balances

The table below shows a summary of receivables/liabilities from/to related parties.

NOK millions	2017 Receivables	2017 Liabilities	2016 Receivables	2016 Liabilities
Non-interest-bearing receivables and liabilities				
Gjensidige Pensjonsforsikring AS		12.9		16.5
Mondux Assurance Agentur A/S			16.0	
Nykredit Forsikring A/S	40.0		56.9	
Total other companies	3.7		16.7	26.5
Interest-bearing receivables and liabilities				
Mondux Assurance Agentur A/S		285.8		
Oslo Areal AS	1,620.1		1,420.2	
Gjenforsikringsdepoter og erstatningsavsetning				
Nykredit Forsikring A/S	507.6	507.6	457.5	457.5
Total other companies		60.9		44.3
Total balances within the Group	**2,171.5**	**867.3**	**1,967.2**	**544.9**
Cooperating companies				
Fire Mutuals and Gjensidige Pensjonskasse [2]	111.0	25.4	111.0	44.3
Total balances	**2,282.5**	**892.8**	**2,078.2**	**575.5**

[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	2017	2016
Other transactions				
Interest on bank deposits	Gjensidige Bank ASA	Fire Mutuals	0.7	0.2
Portfolios	Gjensidige Forsikring ASA	Mondux Assurance Agentur A/S	271.9	
Portfolios	Gjensidige Forsikring ASA	Försäkringproduktion i Sverige AB		10.0
Management fees etc.	Gjensidige Pensjonsforsikring AS	Gjensidige Investeringsrådgivning AS/Gjensidige Bank ASA [3]	19.3	15.0
Management fees	Gjensidigestiftelsen	Gjensidige Investeringsrådgivning AS/Gjensidige Bank ASA [3]	5.8	6.5

NOK millions	Claimant	Debtor	2017	2017
Other intercompany balances				
Bank deposits	Fire Mutuals	Gjensidige Bank ASA	45.7	12.7

[3] The companies merged in 2017.

Guarantees

Gjensidige Forsikring 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	2017	2016
Guarantees and committed capital		
Gross guarantees	0.1	0.1
Committed capital, not paid	1,392.5	1,174.3

As part of its ongoing financial management, Gjensidige has undertaken to invest up to NOK 1,392.5 million (1,174.3) 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 (six) in average including option for of extension.

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 2017, 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. 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. The value of the cash-settled share is adjusted at each reporting period based on the share price at this time. 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.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years.

Fair value measurement

The fair value of the shares allocated through the share-based payment for executive personnel is calculated on the basis of the share price at grant date. The amount is recognised immediately. The cash-settled share is adjusted consecutively based on the share price at the reporting time.

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	
	2017	2016	2017	2016
Weighted average share price (NOK)	135.00	143.60	139.26	141.86
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]	6.57	6.67	6.57	6.67

[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 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	2017	2016
Share-based remuneration for key personnel	8.0	8.0
Share savings programme for employees	6.9	5.7
Total expenses (note 7)	**14.9**	**13.7**

Share savings programme

	2017	2016
The number of bonus shares		
Outstanding 1 January	80,856	76,655
Granted during the period	47,481	41,881
Forfeited during the period	(5,510)	(3,192)
Released during the period	(36,131)	(32,737)
Cancelled during the period	(2,750)	(1,751)
Outstanding 31 December	**83,946**	**80,856**
Exercisable 31 December	**0**	**0**
Average remaining life of outstanding bonus shares	1.00	0.96
Weighted average fair value of bonus shares granted	120.27	122.90
Weighted average share price of bonus shares released during the period	139.43	142.43

Weighted average exercise price will always be 0, since the scheme comprises bonus shares and not options.

Remuneration scheme

	Number of shares 2017	Number of cash-settled shares 2017	Number of shares 2016	Number of cash-settled shares 2016
The number of shares				
Outstanding 1 January	63,437	58,176	69,312	63,673
Granted during the period	26,427	23,430	27,573	25,201
Exercised during the period	(33,199)	(30,409)	(38,728)	(35,730)
Modification dividend during the period	2,926	2,768	5,280	5,032
Outstanding 31 December	**59,591**	**53,965**	**63,437**	**58,176**
Exercisable 31 December	**0**	**0**	**0**	**0**
Average remaining life of outstanding shares	0.75	0.74	0.73	0.73

	2017	2016
Weighted average fair value of shares granted [2]	135.00	143.60
Weighted average share price of shares released during the period	133.53	143.59
Fair value of shares granted that are to be settled in cash	154.90	149.20

[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

Gjensidige Forsikring ASA and Gjensidige Forsikring Group are granted approval from the Financial Supervisory Authority of Norway (FSA) for a Partial Internal Model (PIM) under the Solvency II regulation with effect from 31 December 2017. The model approved is more conservative than the model Gjensidige applied for.

As of 31 December 2017, the regulatory Solvency II ratio was 137 per cent based on the Standard Formula. Based on the approved Partial Internal Model, the regulatory Solvency II ratio is estimated to be 145-155 per cent.

The FSA has specified some areas which have to be further validated and documented to achieve approval for Gjensidige's original version of the model. The approval and its conditions will be reviewed by the Board of Gjensidige before the appeal deadline.

Besides the above mentioned approval, no significant events have occurred after the year end.

24. Earnings per share

NOK millions	2017	2016
Profit/(loss) for the year	4,523.1	4,670.4
Weighted average number of shares [1]	499,981,716	499,972,344
Weighted average number of diluted shares share-based payment	118,930	121,343
Weighted average number of shares, diluted [1]	500,100,646	500,093,687
Earnings per share (NOK), basis	**9.05**	**9.34**
Earnings per share (NOK), diluted	**9.04**	**9.34**

[1] Holdings of own shares are not included in the calculations of the number of shares.

Income statement

Gjensidige Forsikring ASA

NOK millions	Notes	1.1.-31.12.2017	1.1.-31.12.2016
Premiums			
Earned premiums, gross	4	22,601.2	21,930.6
Ceded reinsurance premiums		(677.1)	(578.0)
Total earned premiums, net of reinsurance		**21,924.1**	**21,352.6**
General insurance claims			
Gross claims	4	(15,808.7)	(15,205.3)
Claims, reinsurers' share		481.4	497.1
Total claims incurred, net of reinsurance		**(15,327.3)**	**(14,708.2)**
Insurance-related operating expenses			
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses	7	(3,469.1)	(2,973.4)
Received commission for ceded reinsurance and profit share		28.2	23.7
Total insurance-related operating expenses		**(3,440.9)**	**(2,949.7)**
Profit/(loss) of technical account general insurance		**3,155.9**	**3,694.8**
Net income from investments			
Income from investments in subsidiaries, associates and joint ventures		83.9	113.3
Impairment losses of investments in subsidiaries, associates and joint ventures		(49.4)	(94.2)
Interest income and dividend etc. from financial assets		1,107.4	1,266.1
Changes in fair value on investments		(368.1)	(1,053.4)
Realised gain and loss on investments		1,206.1	1,889.6
Administration expenses related to investments, including interest expenses		(239.6)	(187.3)
Total net income from investments	**6**	**1,740.3**	**1,934.1**
Other income		10.2	11.9
Other expenses		(41.2)	(40.8)
Profit/(loss) of non-technical account		**1,709.3**	**1,905.2**
Profit/(loss) before tax expense		**4,865.2**	**5,600.0**
Tax expense	9	(1,104.6)	(1,322.0)
Profit/(loss) before components of other comprehensive income		**3,760.6**	**4,278.0**
Components of other comprehensive income			
Items that are not reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset	10	(339.3)	(159.2)
Tax on items that are not reclassified to profit or loss	9	84.8	39.8
Total items that are not reclassified subsequently to profit or loss		**(254.5)**	**(119.4)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences from foreign operation		359.9	(273.0)
Tax on items that may be reclassified to profit or loss	9	(88.2)	66.6
Total items that may be reclassified subsequently to profit or loss		**271.7**	**(206.5)**
Total comprehensive income		**3,777.9**	**3,952.1**

Statement of financial position

Gjensidige Forsikring ASA

NOK millions	Notes	31.12.2017	31.12.2016
Assets			
Goodwill		1,843.4	1,587.0
Other intangible assets		1,068.8	955.5
Total intangible assets	**11**	**2,912.2**	**2,542.5**
Investments			
Buildings and other real estate			
Owner-occupied property	12	27.0	19.0
Subsidiaries and associates			
Shares in subsidiaries	5	6,297.3	5,741.7
Shares in associates and joint ventures	5	1,086.9	1,086.9
Interest-bearing receivables on subsidiaries and joint ventures	13, 20	1,620.1	1,420.2
Financial assets measured at amortised cost			
Bonds held to maturity	13	712.9	1,226.8
Loans and receivables	13, 15	16,598.3	16,018.9
Financial assets measured at fair value			
Shares and similar interests (incl. shares and similar interests measured at cost)	13, 14	6,553.7	6,134.4
Bonds and other fixed-income securities	13	21,974.7	23,108.2
Financial derivatives	13	549.2	1,207.8
Other investments	13	111.0	
Reinsurance deposits		507.6	457.8
Total investments		**56,038.7**	**56,421.6**
Reinsurers' share of insurance-related liabilities in general insurance, gross			
Reinsurers' share of provision for unearned premiums, gross	16	41.4	115.5
Reinsurers' share of claims provision, gross	16	698.0	512.2
Total reinsurers' share of insurance-related liabilities in general insurance, gross		**739.5**	**627.7**
Receivables			
Receivables related to direct operations	13	5,318.7	4,983.0
Receivables related to reinsurance	13	148.5	340.1
Receivables within the group	20	49.1	89.5
Other receivables	13, 15	822.5	833.5
Total receivables		**6,338.9**	**6,246.0**
Other assets			
Plant and equipment	12	236.2	273.8
Cash and cash equivalents	13	1,625.0	1,143.0
Pension assets	10	204.4	486.2
Total other assets		**2,065.6**	**1,903.0**
Prepaid expenses and earned, not received income			
Other prepaid expenses and earned, not received income		36.5	4.2
Total prepaid expenses and earned, not received income		**36.5**	**4.2**
Total assets		**68,131.4**	**67,745.0**

NOK millions	Notes	31.12.2017	31.12.2016
Equity and liabilities			
Paid in equity			
Share capital		1,000.0	1,000.0
Own shares		(0.0)	(0.1)
Share premium		1,430.0	1,430.0
Perpetual Tier 1 capital		999.8	999.2
Other paid-in equity		45.1	36.7
Total paid in equity		**3,474.9**	**3,465.9**
Retained equity			
Funds etc.			
Natural perils capital		2,333.4	2,266.2
Guarantee scheme provision		638.3	628.9
Other retained earnings		11,425.1	11,318.2
Total retained earnings		**14,396.8**	**14,213.3**
Total equity	**17**	**17,871.7**	**17,679.1**
Subordinated debt	13, 18	1,198.0	1,197.7
Insurance-related liabilities in general insurance, gross			
Provision for unearned premiums, gross	4, 16	8,769.5	8,585.9
Claims provision, gross	4, 16	30,676.6	30,802.6
Provision for premium discounts and other profit agreements		66.5	56.3
Total insurance-related liabilities in general insurance, gross		**39,512.5**	**39,444.8**
Provision for liabilities			
Pension liabilities	10	552.2	493.2
Current tax	9	904.7	1,149.4
Deferred tax liabilities	9	1,122.5	905.4
Other provisions	19	319.3	327.2
Total provision for liabilities		**2,898.6**	**2,875.1**
Liabilities			
Liabilities related to direct insurance	13	646.9	289.6
Liabilities related to reinsurance	13	132.5	88.2
Financial derivatives	13	568.6	1,173.1
Accrued dividend		3,550.0	3,400.0
Other liabilities	13, 19	1,131.5	1,252.9
Liabilities to subsidiaries and associates	13, 20	298.8	43.1
Total liabilities		**6,328.2**	**6,246.9**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	13, 19	322.4	301.4
Total accrued expenses and deferred income		**322.4**	**301.4**
Total equity and liabilities		**68,131.4**	**67,745.0**

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	Re-measure-ment of the net defined benefit liab./asset	Other earned equity	Total equity
Equity as at 31.12.2015	**1,000.0**	**(0.1)**	**1,430.0**	**29.3**		**319.1**	**(1,559.3)**	**16,913.1**	**18,132.1**
1.1.-31.12.2016									
Profit/(loss) before components of other comprehensive income					11.1			4,266.9	4,278.0
Components of other comprehensive income									
Items that are not reclassified subsequently to profit or loss									
Remeasurement of the net defined benefit liability/asset							(159.2)		(159.2)
Tax on items that are not reclassified to profit or loss							39.8		39.8
Total items that are not reclassified subsequently to profit or loss							**(119.4)**		**(119.4)**
Items that may be reclassified subsequently to profit or loss									
Exchange differences from foreign operations						(273.0)			(273.0)
Tax on items that may be reclassified to profit or loss						66.6			66.6
Total items that may be reclassified subsequently to profit or loss						**(206.5)**			**(206.5)**
Total components of other comprehensive income						**(206.5)**	**(119.4)**		**(325.9)**
Total comprehensive income					**11.1**	**(206.5)**	**(119.4)**	**4,266.9**	**3,952.1**
Own shares		0.1						(3.8)	(3.7)
Accrued and paid dividend								(5,396.6)	(5,396.6)
Equity-settled share-based payment transactions				7.3					7.3
Perpetual Tier 1 capital					997.1			(0.2)	996.8
Perpetual Tier 1 capital - interest paid					(8.9)				(8.9)
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									
Profit/(loss) before components of other comprehensive income					34.5			3,726.1	3,760.6
Components of other comprehensive income									
Items that are not reclassified subsequently to profit or loss									
Remeasurement of the net defined benefit liability/asset							(339.3)		(339.3)
Tax on items that are not reclassified to profit or loss							84.8		84.8
Total items that are not reclassified subsequently to profit or loss							**(254.5)**		**(254.5)**
Items that may be reclassified subsequently to profit or loss									
Exchange differences from foreign operations				0.3		359.3	0.4		359.9
Tax on items that may be reclassified to profit or loss						(88.2)			(88.2)
Total items that may be reclassified subsequently to profit or loss				**0.3**		**271.1**	**0.4**		**271.7**
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**
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**

See note 17 for further information about the equity items.

Statement of cash flows

Gjensidige Forsikring ASA

NOK millions	1.1.-31.12.2017	1.1.-31.12.2016
Cash flow from operating activities		
Premiums paid, net of reinsurance	22,009.5	21,273.0
Claims paid, net of reinsurance	(16,175.9)	(15,563.1)
Net receipts/payments from financial assets	2,952.8	3,890.5
Net receipts/payments on sale/acquisition of investment property	97.1	(0.0)
Operating expenses paid, including commissions	(2,858.4)	(3,245.1)
Taxes paid	(1,128.5)	(1,251.0)
Net other receipts/payments		0.5
Net cash flow from operating activities	**4,896.5**	**5,104.8**
Cash flow from investing activities		
Net receipts/payments from sale/acquisition of subsidiaries, associates and joint ventures	(516.7)	(96.6)
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment and intangible assets	(284.7)	(63.9)
Net receipt/payments from sale/acquisition of customer portfolios - intangible assets	(3.9)	(45.5)
Dividends from associated companies	81.1	32.0
Group contributions received	(11.3)	4.9
Net cash flow from investing activities	**(735.4)**	**(169.1)**
Cash flow from financing activities		
Payment of dividend	(3,459.9)	(6,139.5)
Net receipts/payments on subordinated debt incl. interest	(30.6)	(31.4)
Net receipts/payments on loans between Group companies	(1.0)	
Payments regarding intra-group equity transactions	(151.8)	(291.8)
Net receipts/payments on sale/acquisition of own shares	(11.1)	(3.7)
Tier 1 issuance/instalments		997.0
Tier 1 interest payments	(46.1)	(11.9)
Net cash flow from financing activities	**(3,700.5)**	**(5,481.3)**
Effect of exchange rate changes on cash and cash equivalents	21.4	(16.0)
Net cash flow	**482.0**	**(561.5)**
Cash and cash equivalents at the start of the year	1,143.0	1,704.5
Cash and cash equivalents at the end of the year [1]	1,625.0	1,143.0
Net cash flow	**482.0**	**(561.5)**
[1] Including source-deductible tax account	70.8	72.6

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 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 2017. 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.

Amendments to IFRS 2: Classification and measurement of share-based payment transactions (2016)

IFRS 2 has been amended regarding the classification and measurement of share-based payment transactions with a net settlement feature for withholding tax obligations. If the entity is obliged to withhold an amount for an employee's tax obligation associated with a share-based payment, and transfer that amount in cash to the tax authority on the employee's behalf, then Gjensidige shall account for that obligation as an equity-settled share-based payment transaction. The amendments are effective from 1 January 2018. The tax obligation in Gjensidige's remuneration scheme will be reclassified from liability to equity as at 1 January 2018. From this date the tax obligation will be accounted for as an equity-settled share-based payment transaction instead of a cash-settled share-based payment transaction. Our preliminary assessment is that the amendment is not expected to have a significant effect on Gjensidige's financial statements.

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. 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.

According to prevailing rules, impairment for credit losses shall only be recognised when objective evidence of impairment losses exists. 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 or at fair value with the changes in fair value recognised in 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 should equal 12-month expected credit losses. If the credit risk has increased significantly, the provision should 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 has decided to make use of this exception.

IFRS 15 Revenue from contracts with customers (2014)

IFRS 15 covers all contracts with customers, but insurance contracts, among others, are exempted. Insofar as such contracts cover the provision of several services or other services closely related to the insurance operations carried out, this may have a bearing on how Gjensidige recognises revenues in its accounts. IFRS 15 is effective 1 January 2018. Our assessment is that services beyond what is covered by IFRS 4 about insurance contracts comprise an insignificant part of the income. Our assessment is that the standard is not expected to have a significant effect on Gjensidige's financial statements.

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 assets and a lease liabilities. 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.

IFRS 17 Insurance Contracts (2017)

IFRS 17 Insurance Contracts 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 effective 1 January 2021. The standard is expected to have an effect on the group's financial statements, significantly changing the measurement and presentation of income and expenses.

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 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.

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, in addition to a change in gross provision for claims. Similarly, this also applies for the reinsurers' share of the claims costs, which reduce the corresponding gross claims costs. 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 consist 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 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 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 most 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 comprise 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 are 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 nr. 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

The Group 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 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 transactions 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 for the period with an associated liability in the balance sheet. The liability in the arrangement settled in cash is measured at fair value on each balance sheet date up to and including the date of settlement, and changes in fair value are recognised in the income statement. Employers' social security costs are recognised in the income statement over the expected vesting period.

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.

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.

The accounting policies that are used by Gjensidige in which the assessments, estimates and prerequisites may deviate significantly from the actual results are discussed below.

Goodwill

Goodwill is tested for impairment annually or more often if there are indications that the amounts may be subject to impairment. The testing for impairment entails determining recoverable amount for the cash-generating unit. Normally recoverable amount will be determined by means of discounted cash flows based on business plans. The business plans are based on prior experience and the expected market development. See note 11.

Loans and receivables

For financial assets that are not measured at fair value, it is assessed whether there is objective evidence that there has been a reduction in the value of a financial asset or a group of financial assets on each reporting date. See note 15.

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.

Pension

The present value of pension liabilities is calculated on the basis of actuarial and financial assumptions. Any change in the assumptions affects the estimated liability. Change in the discount rate is the assumption most significant to the value of the pension liability. The discount rate and other assumptions are normally reviewed once a year when the actuarial calculations are performed unless there have been significant changes during the year. See note 10.

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. insurance	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	389.3	1,179.4	908.3	2,591.7	4,541.4	275.3	8,191.2	652.3	1,073.5	1,244.6	1,462.1
Reinsurers' share		(0.9)	(19.5)	(80.6)		(16.9)	(553.9)	(17.2)		(1.4)	
Net	**389.3**	**1,178.6**	**888.8**	**2,511.1**	**4,541.4**	**258.4**	**7,637.2**	**635.1**	**1,073.5**	**1,243.2**	**1,462.1**
Premiums earned											
Gross - direct business and accepted proportional reinsurance	368.3	1,202.8	971.0	2,629.0	4,519.4	278.1	8,102.7	633.5	1,071.3	1,173.7	1,509.8
Reinsurers' share		(0.9)	(19.5)	(80.5)		(16.9)	(536.2)	(17.7)		(1.4)	
Net	**368.3**	**1,201.9**	**951.5**	**2,548.5**	**4,519.4**	**261.2**	**7,566.5**	**615.8**	**1,071.3**	**1,172.3**	**1,509.8**
Claims incurred											
Gross - direct business and accepted proportional reinsurance	(261.7)	(790.0)	(695.7)	(1,303.6)	(3,590.9)	(162.4)	(6,132.9)	(472.4)	(735.2)	(828.1)	(756.6)
Reinsurers' share		(0.7)	0.9	14.4	0.5	(0.2)	462.9	(0.3)	(0.1)	2.6	
Net	**(261.7)**	**(790.7)**	**(694.8)**	**(1,289.2)**	**(3,590.4)**	**(162.6)**	**(5,670.0)**	**(472.7)**	**(735.3)**	**(825.5)**	**(756.6)**
Gross claims incurred	(261.7)	(790.0)	(695.7)	(1,303.6)	(3,590.9)	(162.4)	(6,132.9)	(472.4)	(735.2)	(828.1)	(756.6)
Incurred during the year	(295.6)	(820.0)	(1,093.8)	(1,692.9)	(3,469.9)	(199.0)	(6,526.4)	(464.0)	(758.5)	(721.0)	(1,057.8)
Incurred previous years	33.9	30.0	398.1	389.3	(121.0)	36.6	393.5	(8.4)	23.3	(107.1)	301.2
Provision for unearned premiums, gross	132.0	376.8	226.2	1,201.7	2,085.2	38.7	3,169.1	234.2	446.0	549.0	310.2
Claims provision, gross	129.1	4,502.9	9,878.7	7,176.5	693.4	131.3	4,407.5	910.4	184.1	459.5	2,042.8

Non-proportional reinsurance obligations

NOK millions	Health reinsurance	Casualty reinsurance	Marine, aviation, transport reinsurance	Property reinsurance	Total
Premiums written					
Gross - direct business and accepted proportional reinsurance					22,509.1
Gross – accepted non-proportional reinsurance	7.4	15.3	1.2	117.1	141.1
Reinsurers' share				(3.8)	(694.2)
Net	**7.4**	**15.3**	**1.2**	**113.3**	**21,956.0**
Premiums earned					
Gross - direct business and accepted proportional reinsurance					22,459.7
Gross – accepted non-proportional reinsurance	7.4	16.0	1.3	116.8	141.5
Reinsurers' share				(4.0)	(677.1)
Net	**7.4**	**16.0**	**1.3**	**112.8**	**21,924.1**
Claims incurred					
Gross - direct business and accepted proportional reinsurance					(15,729.5)
Gross – accepted non-proportional reinsurance	(33.5)	(19.6)	(3.6)	(22.5)	(79.2)
Reinsurers' share		1.2		0.1	481.4
Net	**(33.5)**	**(18.4)**	**(3.6)**	**(22.3)**	**(15,327.3)**
Gross claims incurred	(33.5)	(19.6)	(3.6)	(22.5)	(15,808.7)
Incurred during the year	(33.5)	(19.6)	(3.6)	(22.5)	(17,178.1)
Incurred previous years					1,369.4
Provision for unearned premiums, gross				0.4	8,769.5
Claims provision, gross	22.6	40.0	1.2	96.5	30,676.6

NOK millions	Norway	Sweden	Denmark
Breakdown of revenue by geographical area			
Gross premium written direct business	16,254.0	1,821.7	4,538.8

5. Shares in subsidiaries and joint ventures

NOK millions	Registered office	Interest held	Cost 31.12.2017	Carrying amount 31.12.2017	Cost 31.12.2016	Carrying amount 31.12.2016
Subsidiaries						
Gjensidige Bank Holding AS (liquidated 2017)	Oslo, Norway	100%			2,131.4	2,152.7
Gjensidige Norge AS	Oslo, Norway	100%	195.7	1.2	195.7	1.2
Gjensidige Pensjon og Sparing Holding AS (liquidated 2017)	Oslo, Norway	100%			724.7	704.1
Gjensidige Pensjonsforsikring AS	Oslo, Norway	100%	681.9	681.9		
Samtrygd AS	Oslo, Norway	100%	1.3	0.8	6.9	6.9
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	1,391.4
Ejendomsselskabet Krumtappen 2 A/S	Copenhagen, Denmark	100%	1.1	1.1	1.1	1.1
Försäkringshuset Amb & Rosèn AB	Stockholm, Sweden	100%	5.1	5.1	5.1	5.1
Gjensidige Bank ASA	Oslo, Norway	100%	2,366.5	2,366.5		
NAF Forsikringsformidling AS	Oslo, Norway	66%	51.0	58.9	47.0	54.9
Mølholm Forsikring A/S	Odense, Denmark	100%	464.8	464.8		
Mondux Assurance Agentur A/S	Copenhagen, Denmark	100%	204.9	213.1	204.9	213.1
Lijatech AS	Oslo, Norway	100%	6.0	6.0		
Mondux AB (solgt 2017)	Malmö, Sweden	100%			7.9	7.9
ADB Gjensidige [1]	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	80.0	80.0
Försäkringsakademin JW AB	Stockholm, Sweden	100%	37.5	37.5	47.3	47.3
Gjensidige Investeringsrådgivning AS [2]	Oslo, Norway	100%			25.0	47.3
Total subsidiaries			**6,830.4**	**6,297.3**	**6,202.2**	**5,741.7**
Joint ventures						
Oslo Areal AS	Oslo, Norway	50%	1,086.9	1,086.9	1,086.9	1,086.9

[1] Gjensidige Baltic AAS and PZU Lietuva SA were merged into ADB Gjensidige in 2016.
[2] Gjensidige Investeringsrådgivning AS was merged with Gjensidige Bank ASA during 2017.

NOK millions	Assets	Equity	Liabilities	Revenues [3]	Profit/(loss)
For the whole company 2017					
Subsidiaries - additional information					
Gjensidige Norge AS	0.2	0.2			(0.0)
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			(0.0)
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)
Lijatech AS	8.7	5.7	3.1	0.0	(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**

NOK millions	Assets	Equity	Liabilities	Revenues [3]	Profit/(loss)
For the whole company 2016					
Subsidiaries - additional information					
Gjensidige Bank Holding AS (group)	44,753.1	3,192.9	41,560.1	805.2	322.2
Gjensidige Norge AS	0.2	0.2			
Gjensidige Pensjon og Sparing Holding AS (group)	24,350.0	675.6	23,674.4	1,479.4	85.6
Samtrygd AS	6.7	6.5	0.2		0.3
Lokal Forsikring AS (group)	10.0	9.4	0.6		0.3
Nykredit Forsikring A/S	1,405.4	344.0	1,061.4	52.9	42.4
Försäkringshuset Amb & Rosèn AB	4.2	3.2	1.0		2.9
NAF Forsikringsformidling AS	80.2	60.1	20.0		(10.5)
Mondux Assurance Agentur A/S	59.7	38.1	21.6		16.1
Mondux AB	12.9	10.7	2.2		0.2
ADB Gjensidige	2,007.7	777.3	1,230.4	1,040.6	(132.3)
Gjensidige Investeringsrådgivning AS	32.2	23.5	8.7	42.6	7.9
Ejendomsselskabet Krumtappen 2 A/S	1.5	1.4	0.1	0.5	0.3
Vardia Försäkring AB	30.0	(12.0)	42.1		(6.2)
Försäkringsakademin JW AB	11.7	9.9	1.8		0.2
Total subsidiaries	**72,765.6**	**5,140.8**	**67,624.7**	**3,421.2**	**329.3**

[3] 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	2017	2016
Total comprehensive income	491.2	484.8
Equity	3,634.1	3,147.6

Receivables from joint ventures

Oslo Areal AS

NOK millions	2017	2016
Gjensidige's share of loan	1,620.1	1,420.2
Total receivables from joint ventures	**1,620.1**	**1,420.2**

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 1.6 billion at year end. The loan is interest-bearing.

Part of the agreement is that Gjensidige, through a price-adjustment mechanism, was exposed to the property market development with an amount corresponding to half of the proceeds during the period until 31 December 2016. Gjensidige therefore had a higher property-exposure in that period than the 50 per cent holding in Oslo Areal. The agreement was recognised at fair value and the unrealised gain was NOK 54.5 million as at 31 December 2016.

Oslo Areal has entered into contractual commitments to invest about NOK 490.0 million (30.0) in existing and new properties. The commitment falls due during the period until 31 December 2018.

6. Net income from investments

NOK millions	2017	2016
Net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures		
Net income from investments in subsidiaries, associated companies and joint ventures	83.8	110.4
Impairment investments in subsidiaries, associated companies and joint ventures	(49.4)	(94.2)
Net gains/(losses) from sale of investments in subsidiaries, associated companies and joint ventures	0.1	2.9
Total net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures	**34.5**	**19.1**
Net income and gains/(losses) from buildings and other real estate		
Investment properties		
Net revaluation investment properties	(54.5)	38.4
Net gains/(losses) from sale of investment properties	97.1	
Total net income and gains/(losses) from investment properties	**42.6**	**38.4**
Total net income and gains/(losses) from buildings and other real estate	**42.6**	**38.4**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated		
Shares and similar interests		
Dividend income	12.8	46.8
Unrealised gains/(losses) from shares and similar interests	(228.3)	(369.8)
Realised gains/(losses) from shares and similar interests	857.8	556.8
Total net income and gains/(losses) from shares and similar interests	**642.4**	**233.8**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	216.3	260.7
Unrealised gains/(losses) from bonds and other fixed-income securities	92.8	137.5
Realised gains/(losses) from bonds and other fixed-income securities	52.1	227.5
Total net income and gains/(losses) from bonds and other fixed-income securities	**361.2**	**625.7**
Derivatives		
Net interest income/(expenses) from derivatives	11.2	24.3
Unrealised gains/(losses) from derivatives	96.6	208.7
Realised gains/(losses) from derivatives	103.1	29.2
Total net income and gains/(losses) from derivatives	**211.0**	**262.2**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated	**1,214.6**	**1,121.7**
Net income and gains/(losses) from bonds held to maturity		
Net interest income from bonds held to maturity	51.7	119.7
Net gains/(losses) from changes in exchange rates on bonds held to maturity	16.5	181.2
Total net income and gains/(losses) from bonds held to maturity	**68.3**	**300.9**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	675.7	739.2
Net gains/(losses) from loans and receivables	(9.6)	(3.2)
Net gains/(losses) from changes in exchange rates on loans and receivables	40.0	(21.6)
Total net income and gains/(losses) from loans and receivables	**706.0**	**714.5**
Net income and gains/(losses) from financial liabilities at amortised cost		
Net other financial income/(expenses) [1]	(321.2)	(21.1)
Discounting of claims provision classified as interest expense	(70.5)	(44.9)
Change in discount rate claims provision	66.0	(194.5)
Total net income from investments	**1,740.3**	**1,934.1**
Specifications		
Interest income and expenses from financial assets and liabilities not recognised at fair value through profit or loss		
Interest income from financial assets not recognised at fair value through profit or loss	724.6	858.5
Interest expenses from financial assets not recognised at fair value through profit or loss	(37.0)	(34.3)
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	(22.5)	(21.7)

[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	2017	2016
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses		
Depreciation and value adjustments (note 11 and note 12), excl. depreciation properties	368.4	332.3
Employee benefit expenses (note 8)	2,556.7	2,001.7
Software costs	368.0	398.2
Consultants' and lawyers' fees	88.7	66.8
Commissions	424.0	483.5
Other expenses [1]	(336.9)	(309.0)
Total insurance-related operating expenses incl. commissions for received reinsurance and sales expenses	**3,469.1**	**2,973.4**
Of which sales expenses		
Employee benefit expenses	659.5	662.7
Commission	455.0	452.0
Other sales expenses	617.6	502.7
Total sales expenses	**1,732.1**	**1,617.4**
Other specifications		
Employee benefit expenses		
Wages and salaries	1,872.3	1,844.1
Social security cost	422.1	378.2
Pension cost - defined contribution plan (note 10 incl. social security cost)	198.6	188.5
Pension cost - defined benefit plan (note 10 incl. social security cost)	52.5	(419.5)
Share-based payment (note 22)	11.2	10.5
Total employee benefit expenses	**2,556.7**	**2,001.7**
Auditor's fee (incl. VAT)		
Statutory audit [2]	2.3	2.6
Other assurance services	0.1	0.1
Other non-assurance services	0.5	0.5
Tax consultant services	0.4	0.1
Total auditor's fee (incl. VAT)	**3.3**	**3.2**

[1] Other expenses include cost reductions for Gjensidige Forsikring ASA in connection with duties performed for subsidiaries and cost allocations to claims and finance.
[2] 2017 figures concerns new auditor.

8. Salaries and remuneration

The average number of employees in the Group was 2,899 (2,948).

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 which 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:

- Drafting proposals for and following up compliance with the Group's guidelines and framework for remuneration
- Annually considering and proposing the remuneration of the CEO and director of internal audit
- Annually considering and drafting proposals for the CEO's scorecard
- Acting as adviser to the CEO in connection with the annual assessment of the remuneration of the senior group management
- Considering the management's proposed 'Statement on the stipulation of pay and other remuneration for executive personnel' cf. the Public Limited Liability Companies Act section 6-16a
- Considering other important personnel matters relating to executive personnel

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 remunaration 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 development and results, 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 members of the senior group management is 62. The basis for the pension rights earned in the period between 62-67 years is based on the period the individual has been a member of the senior group management. One member has a retirement age of 70, in accordance with the national labour legislation. Of the current members of the senior group management, five 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. Three 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. One of the members has an agreement of up to 12 months payment if the person concerned has been given notice, given that the termination of employment is not due to a substantial breach of contract. Other members of the senior group management have no such agreements of severance pay or payment of pay after termination of employment.

With exception from one employee in the Group, there are no severance pay arrangements for executive personnel who leave their position in Gjensidige Forsikring ASA. 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.

There are no early retirement schemes for executives who relinquish their position in Gjensidige Forsikring ASA in Norway beyond the one mentioned above. In accordance with practice in Denmark and the Baltics, there are some individual agreements on early retirement in connection with resignation in Gjensidige Forsikring ASA in Denmark and the Baltic States.

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, but they get to participate in the collective bonus scheme in the same manner as other employees. 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 2017 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.

Share savings programme
The Board has decided to continue the Group's share savings programme for employees in 2018. 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 1,500 in 2016 and NOK 3,000 from 2017. 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. The Board confirms that the guidelines on the remuneration of executive personnel for 2017 set out in last year's statement have been complied with.

Key management personnel compensation
2017

NOK thousands	Fixed salary/ fee	Earned vari- able 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 relea- sed	Num- ber of shares relea- sed	Num- ber of shares not redeem -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	316.3	290.1	639.8	294.6	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						700	
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.

Key management personnel compensation
2016

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 relea- sed	Num- ber of shares relea- sed	Num- ber of shares not redeem -ed [6]	Num- ber of shares held	Retire- ment con- ditions
The senior group management										
Helge Leiro Baastad, CEO	4,927.7	998.9	129.2	1,594.7	1,119.0	8,109	11,465	18,662	43,491	2
Jørgen Inge Ringdal, Executive Vice President	2,582.6	339.3	196.4	722.5	380.3	2,399	3,864	5,948	19,811	2
Martin Danielsen, Executive Vice President (1.1.16-30.9.16) [1]	1,810.6	20.0	19.3	560.0	0.0	2,286	3,501	5,325	0	3
Kim Rud-Petersen, Executive Vice President	2,940.0	423.7	231.6	617.6	422.3	3,123	4,021	6,871	9,698	
Hege Yli Melhus Ask, Executive Vice President (1.1.16-30.9.16) [9]	2,668.1	247.7	160.6	470.9	260.6	1,039	3,221	3,375	11,204	3
Catharina Hellerud, Executive Vice President	2,910.2	360.6	165.0	486.7	404.2	2,835	4,387	6,949	15,055	3
Cecilie Ditlev-Simonsen, Executive Vice President (1.1.16-11.11.16) [1]	1,874.7	20.0	146.4	423.2	0.0	2,295	3,358	5,341	0	3
Sigurd Austin, Executive Vice President	2,725.5	375.2	132.0	614.9	397.8	2,809	3,821	6,524	9,349	3
Kaare Østgaard, Executive Vice President	2,732.3	304.9	171.3	763.6	324.7	2,432	3,866	6,127	11,103	3
Mats C. Gottschalk, Executive Vice President	2,913.3	379.6	157.5	486.2	425.4	3,135	4,441	7,391	10,569	3
Jostein Amdal, Executive Vice President (1.10.16-31.12.16) [1]	781.1	104.4	40.8	97.5	117.2	32	38	283	13,193	
Krister Georg Aanesen, Executive Vice President (1.10.16-31.12.16) [1, 10]	662.3	90.5	37.7	57.5	80.7	25		197	854	
The Board										
Inge K. Hansen, Chairman	544.8		7.3						12,253	
Trond V. Andersen (1.1.16-6.4.16) [1]	139.8		7.9							
Hans-Erik Andersson (1.1.16-6.4.16) [1, 7]	180.0		4.5							
Gisele Marchand [7]	412.5		1.5						1,481	
Knud Peder Daugaard (7.4.16-31.12.16) [1, 8]	159.8		3.6						3,000	
John Giverholt (7.4.16-31.12.16) [1]	135.5		1.5							
Anne Marie Nyhammer, staff representative (1.9.16-31.12.16) [1]	22.6									
Kjetil Kristensen, staff representative (1.1.16-31.8.16) [1, 4, 8]	317.2									
Gunnar Mjåtvedt, staff representative [4, 8]	364.0								1,975	
Per Arne Bjørge [8]	364.0		2.9						10,542	
Mette Rostad	268.0		2.1						1,550	
Tine Wollebekk [1, 8]	299.6		1.5							
Lotte Kronholm Sjøberg, staff representative [4]	268.0		5.9						429	
The Board, deputies										
Tore Vågsmyr, staff representative (1.1.16-6.4.16) [1, 4]									702	
Ellen Kristin Enger, staff representative (1.1.16-6.4.16) [1, 4]									577	

The control committee and supervisory board are liquidated as of 1 January 2016.

[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 wilI 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 participation as Chairman in the Audit Committee honoured with NOK 144.5 thousand for 2016.
[8] Remuneration includes participation in the Audit Committee honoured with NOK 96.0 thousand for 2016.
[9] Hege Yli Melhus Ask has been on leave from 1 Octorber to 31 December. Her remuneration is presented for the whole year.
[10] Constituted Executive Vice President for Hege Yli Melhus Ask from 1 October to 31 December.

9. Tax

NOK millions	2017	2016
Specification of tax expense		
Tax payable	(733.7)	(1,309.6)
Correction previous years	(71.7)	(4.0)
Change in deferred tax	(299.2)	(8.5)
Total tax expense	**(1,104.6)**	**(1,322.0)**

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:

Taxable temporary differences		
Property, plant and equipment and intangible assets	1,463.4	846.1
Shares, bonds and other securities	697.3	133.8
Profit and loss account	156.5	210.8
Pension assets		45.8
Tax deductible equity (Security provision)	2,823.4	2,823.4
Total taxable temporary differences	**5,140.7**	**4,059.9**
Deductible temporary differences		
Loans and receivables	(32.1)	(111.3)
Provisions for liabilities	(319.3)	(327.2)
Pension liabilities	(299.4)	
Total deductible temporary differences	**(650.8)**	**(438.5)**
Net temporary differences	**4,489.8**	**3,621.4**
Deferred tax liabilities/(deferred tax assets)	**1,122.5**	**905.4**
Reconciliation of tax expense		
Profit before tax expense	4,865.2	5,600.0
Estimated tax of profit before tax expense (25%)	(1,216.3)	(1,400.0)
Tax effect of		
Dividend received	23.9	38.0
Tax exempted income and expenses	161.0	45.5
Non tax-deductible expenses	(1.5)	(1.7)
Correction previous years	(71.7)	(4.0)
Total tax expense	**(1,104.6)**	**(1,322.0)**
Effective rate of income tax	22.7%	23.6%
Change in deferred tax		
Deferred tax liabilities as at 1 January	905.4	934.9
Change in deferred tax recognised in profit or loss	299.2	8.5
Change in deferred tax recognised directly in the balance sheet		
Pensions	(84.8)	(39.8)
Exchange differences	2.7	(0.4)
Other changes		2.1
Net deferred tax liabilities/(deferred tax assets) as at 31 December	**1,122.5**	**905.4**
Tax recognised in other comprehensive income		
Deferred tax pensions	84.8	39.8
Tax payable on exchange rate differences	(88.2)	66.6
Total tax on items in other comprehensive income	**(3.3)**	**106.4**

Tax cost

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.

Natural perils capital and Guarantee scheme provision

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.

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.

Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

With effect from and including 2016, Gjensidige changed its contribution rates and cut-off point as an adaptation to the new Act relating to Company Pension Schemes. The new 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.

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.

With effect from 2016, Gjensidige removed the clause concerning CPI indexing of current pensions. This was recognised as a plan change in the accounts. Income in the amount of approximately NOK 480 million was recognised in the pension expense and the pension liability was reduced correspondingly.

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 3.1 per cent, like the year before, and is adjusted for age based on a decreasing trend. The year-on-year nominal wage growth 2017/18 is calculated to be 1.5 per cent, similar to last year. 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 56.1 years.

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.

Gjensidige used up to and including 2016 GAP07, which is a dynamic mortality model that takes into account expected life expectancy. In 2017, K2013BE is used as it estimates life expectancy in a better way than GAP07 proved to be doing.

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.

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 liabilities are exposed to interest rate risk. The discount rate is composed of market interest rates for ten years, while, from year 20, it is based on long-term equilibrium interest rates, and between year ten and year 20, it is interpolated linearly between market interest rates and long-term equilibrium interest rates. A shift in the market interest rates will thereby directly affect the value of the cash flows until year ten and then have a falling effect for the next ten years. From year 20, the market interest rates will only have a marginal effect.

The pension liability will increase by 12,1 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 9.7 per cent in the event of an interest rate increase of one percentage point.

Because of the relationship between pension liabilities and pension assets, Gjensidige has an asset ceiling, since not all pension assets can be used to pay future premiums. This means that the effect of a decrease in the interest rate will be limited to liabilities attributable to current employees and that liabilities attributable to retired employees will remain relatively unchanged. An interest rate fall is the biggest risk, due to the long duration of the liability. An increase in the interest rate leads to a fall in the pension liabilities, but much of the fall will lead to a potential pension increase. 32 per cent of the pension assets are attributable to current employees. With time, however, employees will represent an increasingly lower proportion of the pension assets as a result of employees leaving or retiring. A greater proportion of the return will thereby go to retired and former employees, and less to the employer. This has been incorporated in the asset ceiling assessment.

Credit risk

The pension assets' exposure to credit risk is deemed to be moderate. The credit risk is managed by setting limits on the biggest commitment and rating for individual investments. Most of the pension fund's fixed-income investments shall be within "investment grade". Over five per cent of the pension fund's interest rate investments have a weaker rating than BBB. Unrated bonds amount to 37 per cent. 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 ten per cent in the bond portfolio. This corresponds to an average widening of spreads of 2.1 per cent.

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.

The credit mark-up (on ten-year swaps) at 31 December 2017 was 0.52 per cent.

Based on the same stress tests as for the pension assets, the liabilities would decrease by approximately 11.7 per cent based on a widening of spreads of 0.9 per cent.

In total, the reduction in the liabilities would be slightly higher than the fall in the value of the pension assets.

Life expectancy and disability

The life expectancy assumptions are based on the K2013BE table as reported by FNO (Finans Norge) AS.

K2013BE is a life expectancy estimate used by most enterprises. However, these assumptions must be followed up annually.

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. Gjensidige assumes that wage growth is age-dependent. A younger employee can expect higher annual wage growth than an older employee. This means that wage growth depends on age.

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 per cent higher, it will lead to a 3.9 per cent increase in the liability. An increase in real wages will increase the liabilities. An increase in inflation will increase wages and pension plans and discount rates and the liabilities will to a small extent change.

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.

A number of amendments to the Norwegian regulations were proposed in 2016. The amendments have not been adopted yet. One of the proposed amendments is to make pension assets in the pension fund subject to a funding requirement in line with Solvency II. The level of the pension assets is entering a period of political risk.

Low interest rates can lead to the Financial Supervisory Authority instructing the pension fund to lower interest rates from 2 per cent to 1.5 per cent, or 1 per cent for new earned benefits. Gjensidige expects there to be a high risk of the interest rates being reduced to 1 per cent if long-term government bond yields remain at the 1.3 per cent level.

Gjensidige assumes that a continued low interest rates in future and changes in EU based rules could entail an increase in future contributions to the funded pension plan.

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 2017	Unfunded 2017	Total 2017	Funded 2016	Unfunded 2016	Total 2016
Present value of the defined benefit obligation						
As at 1 January	1,940.1	493.2	2,433.2	2,258.8	528.7	2,787.6
Current service cost	24.3	9.1	33.4	32.3	10.1	42.4
Employers' national insurance contributions of current service cost	4.6	1.7	6.4	4.6	1.4	6.0
Interest cost	52.4	12.0	64.4	62.0	12.9	74.9
Actuarial gains and losses	210.9	73.0	283.9	7.0	6.1	13.2
Benefits paid	(107.1)	(46.4)	(153.5)	(91.5)	(38.0)	(129.4)
Employers' national insurance contributions of benefits paid		(7.6)	(7.6)	(16.5)	(5.1)	(21.6)
Removed CPI indexing of current pensions		14.2	14.2	(445.8)	(31.0)	(476.8)
Business combinations				(3.6)	10.4	6.7
The effect of the asset ceiling	23.9		23.9	132.7		132.7
Foreign currency exchange rate changes		3.0	3.0		(2.4)	(2.4)
As at 31 December	**2,149.1**	**552.2**	**2,701.3**	**1,940.1**	**493.2**	**2,433.2**
Amount recognised in the balance sheet						
Present value of the defined benefit obligation	2,149.1	552.2	2,701.3	1,940.1	493.2	2,433.2
Fair value of plan assets	(2,353.6)		(2,353.6)	(2,426.3)		(2,426.3)
Net defined benefit obligation/(benefit asset)	**(204.4)**	**552.2**	**347.8**	**(486.2)**	**493.2**	**7.0**
Fair value of plan assets						
As at 1 January	2,426.3		2,426.3	2,352.0		2,352.0
Interest income	65.9		65.9	66.0		66.0
Return beyond interest income	(31.5)		(31.5)	(13.4)		(13.4)
Contributions by the employer		7.6	7.6	133.5		138.6
Benefits paid	(107.1)		(107.1)	(91.5)		(91.5)
Employers' national insurance contributions of benefits paid		(7.6)	(7.6)		(5.1)	(21.6)
Business combinations				(3.8)		(3.8)
As at 31 December	**2,353.6**		**2,353.6**	**2,426.3**		**2,426.3**
Expense recognised in profit or loss						
Current service cost	24.3	9.1	33.4	32.3	10.1	42.4
Interest cost	52.4	12.0	64.4	62.0	12.9	74.9
Interest income	(65.9)		(65.9)	(66.0)		(66.0)
Removed CPI indexing of current pensions		14.2	14.2	(445.8)	(31.0)	(476.8)
Employers' national insurance contributions	4.6	1.7	6.4	4.6	1.4	6.0
Defined benefit pension cost	**15.5**	**37.0**	**52.5**	**(412.9)**	**(6.5)**	**(419.5)**
The expense is recognised in the following line in the income statement						
Insurance-related adm. expenses including provisions for received reinsurance and sales expenses	15.5	37.0	52.5	(412.9)	(6.5)	(419.5)
Remeasurement of the net defined benefit liability/asset recognised in other comprehensive income						
Cumulative amount as at 1 January			(2,297.3)			(2,138.1)
Return on plan assets			(31.5)			(13.4)
Changes in demographic assumptions			(136.8)			5.8
Changes in financial assumptions			(147.1)			(19.0)
The effect of the asset ceiling			(23.9)			(132.7)
Exchange rate differences			0.7			0.0
Cumulative amount as at 31 December			**(2,635.9)**			**(2,297.3)**
Actuarial assumptions						
Discount rate			2.57%			2.77%
Future salary increases [1]			3.10%			3.10%
Change in social security base amount			3.10%			3.10%
Other specifications						
Amount recognised as expense for the defined contribution plan			198.6			188.5
Amount recognised as expense for Fellesordningen LO/NHO			25.5			24.1
Expected contribution to Fellesordningen LO/NHO next year			26.5			25.0
Expected contribution to the defined benefit plan for the next year			0.0			0.0

[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 1.5 per cent (1.5). See explanation under Actuarial assumptions.

Per cent	Change in pension benefit obligation 2017			Change in pension benefit obligation 2016
Sensitivity				
- 1% point discount rate	12.1%			11.0%
+ 1% point discount rate	(9.7%)			(9.2%)
- 1% point salary adjustment	(2.9%)			(3.0%)
+ 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	9.8%			9.0%
10% decreased mortality	2.6%			2.7%
10% increased mortality	(3.5%)			(3.6%)

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	1,675.7	195.3		1,871.1
Bank		82.4		82.4
Derivatives		105.9		105.9
Total	**1,675.7**	**677.8**		**2,353.6**

Valuation hierarchy 2016	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 31.12.2016
Shares and similar interests		58.2		58.2
Bonds	1,785.7	509.5		2,295.3
Bank		9.7		9.7
Derivatives		63.1		63.1
Total	**1,785.7**	**640.5**		**2,426.3**

11. Goodwill and intangible assets

NOK millions	Goodwill	Customer relationship	Software	Other intangible assets	Total
Cost					
As at 1 January 2016	1,776.7	650.3	799.0	118.0	3,343.9
Additions		54.1	145.6	191.3	391.1
Additions internal	2.5	0.7		9.0	12.1
Additions from internal development			45.8		45.8
Disposals/reclassifications		(10.7)	(47.6)	(7.0)	(65.3)
Exchange differences	(92.2)	(32.4)	(25.2)	(12.5)	(162.3)
As at 31 December 2016	**1,687.0**	**662.0**	**917.6**	**298.7**	**3,565.4**
Uncompleted projects			116.0		116.0
As at 31 December 2016, including uncompleted projects	**1,687.0**	**662.0**	**1,033.7**	**298.7**	**3,681.4**
Amortisation and impairment losses					
As at 1 January 2016	(100.0)	(369.0)	(380.6)	(69.9)	(919.5)
Amortisations		(91.0)	(139.8)	(48.7)	(279.5)
Disposals/reclassifications		10.7	15.3		25.9
Exchange differences		17.8	12.1	4.3	34.2
As at 31 December 2016	**(100.0)**	**(431.5)**	**(493.0)**	**(114.3)**	**(1,138.9)**
Carrying amount					
As at 1 January 2016	1,676.7	281.3	517.5	48.1	2,523.6
As at 31 December 2016	**1,587.0**	**230.5**	**540.7**	**184.4**	**2,542.5**
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)
Amortisations		(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**
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 in 2017 acquired the Danish company Mølholm Forsikring A/S. In 2016, the Swedish insurance portfolio of the Vardia Insurance Group and the company Vardia Forsäkring AB were acquired.

Impairment testing goodwill

The carrying amount of goodwill in the company as at 31 December 2017 is NOK 1.843,4 million.

NOK millions	2017	2016
Goodwill		
Gjensidige Forsikring, Danish branch	1,506.0	1,149.5
Gouda portfolio	87.3	81.5
Gjensidige Forsikring, Swedish branch	121.5	227.3
Gjensidige Forsikring, white label	128.7	128.7
Total	**1,843.4**	**1,587.0**

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 2017. 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 5 year period is higher than the long term growth expectancy. In the period after 2021 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 2026. 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 89.5 to 100.8.

Cash-generating units	CR-level in growth period	CR-level when calculating terminal value
Gjensidige Forsikring, Danish branch	90.0-97.2%	91.2%
Gouda portfolio	89.5-94.5%	90.1%
Gjensidige Forsikring, Swedish branch	92.3-100.8%	92.7%

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 2016.

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 2016. 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 314 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	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 2016	22.8	624.6	647.3
Additions through business combinations		1.5	1.5
Additions	5.1	33.5	38.6
Disposals	(8.7)	(177.0)	(185.7)
Exchange differences	(0.2)	(6.1)	(6.3)
As at 31 December 2016	**19.0**	**476.5**	**495.4**
Uncompleted projects		61.2	61.2
As at 31 December 2016, including uncompleted projects	**19.0**	**537.6**	**556.6**
Depreciation and impairment losses			
As at 1 January 2016	(3.8)	(377.4)	(381.2)
Depreciation for the year		(52.8)	(52.8)
Disposals	3.6	162.5	166.2
Exchange differences	0.2	3.8	3.9
As at 31 December 2016	**0.0**	**(263.9)**	**(263.9)**
Carrying amount			
As at 1 January 2016	19.0	274.7	293.7
As at 31 December 2016	**19.0**	**273.8**	**292.7**
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 for the year		(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**
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

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.
- Interest-bearing liabilities (banking activities) measured at fair value. These liabilities are valued based on observable credit spreads.
- 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 are 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.

NOK millions	Notes	Carrying amount as at 31.12.2017	Fair value as at 31.12.2017	Carrying amount as at 31.12.2016	Fair value as at 31.12.2016
Financial assets					
Financial derivatives					
Financial derivatives at fair value through profit or loss		549.2	549.2	1,207.8	1,207.8
Financial assets at fair value through profit or loss, initial recognition					
Shares and similar interests	14	6,553.7	6,553.7	6,134.4	6,134.4
Bonds and other fixed income securities		21,974.7	21,974.7	23,108.2	23,108.2
Financial assets held to maturity					
Bonds held to maturity		712.9	730.1	1,226.8	1,286.3
Loans and receivables					
Bonds and other fixed income securities classified as loans and receivables	15	16,496.6	17,708.7	15,895.8	17,160.4
Loans		1,721.8	1,721.8	1,543.3	1,543.3
Receivables related to direct operations and reinsurance		5,467.3	5,467.3	5,323.0	5,323.0
Receivables from group companies	20	49.1	49.1	89.5	89.5
Other receivables		933.5	933.5	833.5	833.5
Prepaid expenses and earned, not received income		36.5	36.5	4.2	4.2
Cash and cash equivalents		1,625.0	1,625.0	1,143.0	1,143.0
Total financial assets		**56,120.2**	**57,349.5**	**56,509.4**	**57,833.6**
Financial liabilities					
Financial derivatives					
Financial derivatives at fair value through profit or loss		568.6	568.6	1,173.1	1,173.1
Financial liabilities at amortised cost					
Subordinated debt	18	1,198.0	1,202.8	1,197.7	1,155.8
Other liabilities	19	1,131.5	1,131.5	1,252.9	1,252.9
Liabilities related to direct insurance and reinsurance		779.4	779.4	377.8	377.8
Accrued expenses and deferred income	19	322.4	322.4	301.4	301.4
Liabilities within the group	20	298.8	298.8	43.1	43.1
Total financial liabilities		**4,298.6**	**4,303.4**	**4,346.0**	**4,304.1**
Gain/(loss) not recognised in profit or loss			**1,224.5**		**1,366.1**

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, 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

Valuation hierarchy 2016

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		1,207.8		1,207.8
Financial assets at fair value through profit or loss, initial recognition				
Shares and similar interests	807.6	3,764.6	1,562.2	6,134.4
Bonds and other fixed income securities	6,711.7	15,063.0	1,333.5	23,108.2
Financial assets at amortised cost				
Bonds held to maturity		1,286.3		1,286.3
Bonds and other fixed income securities classified as loans and receivables		17,158.9	1.5	17,160.4
Loans			1,543.3	1,543.3
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		1,173.1		1,173.1
Financial liabilities at amortised cost				
Subordinated debt		1,155.8		1,155.8

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	Currency 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 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 financial assets valued based on non-observable market data (level 3) 2016

NOK millions	As at 1.1.2016	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/out of level 3	Currency effect	As at 31.12.2016	Amount of net realised/unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2016
Shares and similar interests	1,927.9	(350.7)	171.8	(186.8)				1,562.2	(303.9)
Bonds and other fixed income securities	2,174.5	(114.3)	324.2	(119.2)		(832.9)	(98.7)	1,333.5	24.0
Total	**4,102.4**	**(465.0)**	**496.0**	**(306.0)**		**(832.9)**	**(98.7)**	**2,895.7**	**(279.9)**

Sensitivity of financial assets valued based on non-observable market data (level 3) 2016

NOK millions		Sensitivity
Shares and similar interests	Decrease in value 10%	119.7
Bonds and other fixed income securities	Decrease in value 10%	49.3
Total		**168.9**

Reconciliation of liabilities arising from financing activities

			Non-cash flows			
NOK millions	As at 31.12.2016	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	31.12.2017
Gjensidige Forsikring ASA			
Norwegian financial shares and primary capital certificates			
Sparebank 1 Østlandet	920 426 530		36.1
Sparebank 1 SMN	937 901 003		13.7
Sparebank 1 BV	944 521 836		2.3
Indre Sogn Sparebank	837 897 912		0.4
Helgeland Sparebank	937 904 029		0.3
Total Norwegian financial shares and primary capital certificates			**52.7**
Other shares			
SOS International A/S			55.7
A.P Moeller - Maersk A/S			20.9
Sector Asset Management AS	887 139 342		15.9
Paydrive AB			15.0
Scalepoint Technologies Limited			7.4
Norwegian Property ASA	988 622 036		6.9
Helgeland Invest	939 150 234		6.7
Viking Venture II AS	987 493 550		6.6
Subsea 7 S.A.			4.3
Tun Media AS	982 519 985		3.7
FLSmidth & Co A/S			3.6
Stolt-Nielsen Limited			3.3
Kongsberg Gruppen ASA	943 753 709		3.1
Austevoll Seafood ASA	929 975 200		3.1
Novo Nordisk A/S			3.1
Aker Solutions ASA	913 748 174		2.8
Other shares			22.2
Total other shares			**184.3**
Funds [1]			
Shenkman Global Convertible Bond Fund		Combination fund	1,160.1
Storebrand Global Indeks	989 133 241	Equity fund	887.9
Fisher Emerging Markets Equity Fund USD		Equity fund	408.5
Danske Invest Norske Aksjer Institusjon I	981 582 020	Equity fund	371.3
Storebrand Norge I	981 672 747	Equity fund	336.3
INVESTEC GS GLOBAL EQTY-I$		Equity fund	297.6
Nordea Stabile Aksjer Global	989 851 020	Equity fund	292.2
Sector Healthcare - A USD		Hedge fund	279.8
Wells Fargo Lux Worldwide EM Equity Fund		Equity fund	240.1
DB Platinum CROCI World ESG Fund		Equity fund	183.3
Sector Global Equity Kernel Fund Class P USD		Equity fund	172.6
Winton Futures Fund-Lead Series		Hedge fund	149.4
Pareto Aksje Norge	883 610 512	Equity fund	123.7
Incentive Active Value Fund Cl. A EUR Unrestricted		Hedge fund	116.6
Sector Zen Fund		Hedge fund	104.0
Argentum Secondary III		Private equity fund	101.8
HitecVision Private Equity V LP		Private equity fund	94.8
HitecVision Asset Solution KS		Private equity fund	87.8
HitecVision VI LP		Private equity fund	69.7
Verdane Capital VII KS		Private equity fund	55.2
BaltCap PEF LP		Private equity fund	53.1
HitecVision Private Equity IV LP		Private equity fund	48.7
Viking Venture III DIS		Private equity fund	39.4
CapMan Buyout X		Private equity fund	32.3
Other funds			609.9
Total funds			**6,316.3**

[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			**6,553.7**

15. Loans and receivables

NOK millions	2017	2016
Loans and receivables		
Bonds classified as loans and receivables	16,496.6	15,895.8
Other loans	101.7	123.1
Total loans and receivables	**16,598.3**	**16,018.9**
Other receivables		
Receivables in relation with asset management	725.2	700.0
Other receivables	97.3	133.5
Total other receivables	**822.5**	**833.5**

Bonds are securities classified as loans and receivables in accordance with IAS 39.

Of other loans NOK 63.1 million (80.3) are loans given to agricultural customers. Included in other loans are also NOK 40.0 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	2017			2016		
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	15,593.1	(512.2)	15,080.9	17,038.3	(356.1)	16,682.2
Claims incurred, but not reported	15,209.4	0.0	15,209.4	14,614.3	(5.7)	14,608.6
Total as at 1 January	**30,802.6**	**(512.2)**	**30,290.3**	**31,652.5**	**(361.7)**	**31,290.8**
Acquisitions of portfolios	41.9	(35.1)	6.8	348.3	(247.7)	100.6
Claims paid, prior year claims	(6,953.1)	0.2	(6,952.9)	(5,941.3)	92.1	(5,849.2)
Increase in liabilities						
Arising from current year claims	16,967.8	(621.4)	16,346.4	16,202.2	(479.2)	15,723.0
- of this paid	(9,647.5)	348.1	(9,299.4)	(10,163.7)	485.5	(9,678.2)
Arising from prior year claims (run-off)	(1,159.1)	140.0	(1,019.1)	(996.9)	(18.0)	(1,014.8)
Other changes, including effects from discounting	(39.5)		(39.5)	239.4		239.4
Exchange differences	663.5	(17.5)	646.0	(538.0)	16.8	(521.2)
Total as at 31 December	**30,676.6**	**(698.0)**	**29,978.6**	**30,802.6**	**(512.2)**	**30,290.3**
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	0.0	16,902.2	15,209.4	0.0	15,209.4
Total as at 31 December	**30,676.6**	**(698.0)**	**29,978.6**	**30,802.6**	**(512.2)**	**30,290.3**
Provisions for unearned premiums						
As at 1 January	8,585.9	(115.5)	8,470.4	8,238.4	(32.0)	8,206.4
Additions through acquisitions				342.0	(251.2)	90.8
Increase in the period	22,647.9	(600.2)	22,047.6	22,079.9	(431.5)	21,648.4
Earned in the period	(22,601.2)	677.1	(21,924.1)	(21,930.6)	578.0	(21,352.6)
Exchange differences	136.9	(2.9)	134.1	(143.8)	21.2	(122.6)
Total as at 31 December	**8,769.5**	**(41.4)**	**8,728.0**	**8,585.9**	**(115.5)**	**8,470.4**

[1] For own account.

NOK millions	2017	2016
Discounted claims provision, gross - annuities	5,104.8	4,905.2
Nominal claims provision, gross - annuities	5,703.0	5,449.1

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.

Over the next 3-5 years, average annual run-off gains are expected to be around NOK 1,000 million, moving the expected reported combined ratio to the lower end of the 86-89 corridor (undiscounted).

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	2017	2016
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 21.073 (26,817).

A total of 254.863 (199,200) own shares at an average share price of NOK 138.87 (141.75) have been acquired to be used in Gjensidige's share-based payment arrangements. Of these 191,277 (169,093) 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 33,199 (38,728) shares have been allocated to executive personnel within the share-based remuneration scheme and 36,132 (32,737) bonus shares have been allocated to employees in the share savings programme. Own shares are reduced by 5,745 (reduced by 41,358) 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. In connection with the issuance in 2016 transactions costs amounting to NOK 3.2 million was recognised as a deduction in 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. The Natural perils capital is restricted capital and can only be used for claims related to natural perils in Norway. 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	2017	2016
As at 31 December		
NOK 7.10 (6.80) based on profit for the year	3,550.0	3,400.0
NOK 0.00 (4.00) based on excess capital distribution	0.0	2,000.0

Shareholders
Shareholders owning more than 1 per cent

Investor	Number of shares	Ownership in %
Gjensidigestiftelsen	311,200,115	62.2%
State Street Bank And Trust Co. (nominee)	19,932,114	4.0%
Folketrygdfondet	17,247,573	3.4%
State Street Bank And Trust Co. (nominee)	14,654,396	2.9%
State Street Bank And Trust Co. (nominee)	5,685,051	1.1%

The shareholder list is based on the VPS shareholder registry as of 31 December 2017. 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	No
Conversion right	No	No

19. Provisions and other liabilities

NOK millions	2017	2016
Other provisions and liabilities		
Restructuring costs [1]	107.6	186.4
Other provisions	211.7	140.8
Total other provisions and liabilities	**319.3**	**327.2**
Other liabilities		
Outstanding accounts Fire Mutuals	25.4	30.4
Accounts payable	251.4	236.6
Liabilities to public authorities	341.5	499.8
Other liabilities	513.1	486.1
Total other liabilities	**1,131.5**	**1,252.9**
Other accrued expenses and deferred income		
Liabilities to public authorities	21.5	21.6
Accrued personnel costs	285.4	270.1
Other accrued expenses and deferred income	15.5	9.7
Total other accrued expenses and deferred income	**322.4**	**301.4**
Restructuring costs [1]		
Provision as at 1 January	186.4	85.8
New provisions	46.3	145.4
Provisions used during the year	(125.7)	(44.0)
Exchange rate difference	0.6	(0.8)
Provision as at 31 December	**107.6**	**186.4**

[1] In 2017 NOK 46.3 million is allocated to restructuring provision, due to a decision of changes in processes in Norway and Sweden. 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 2017 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.

	2017		2016	
NOK millions	Income	Expense	Income	Expense
Earned premiums written and gross claims				
ADB Gjensidige	28.5	21.3	32.4	9.0
Gjensidige Pensjonsforsikring AS	6.9	33.5	5.5	23.4
Nykredit Forsikring A/S	1,061.4	740.8	1,041.8	772.3
Administration expenses				
Gjensidige Bank ASA	36.7		30.4	
Gjensidige Pensjonsforsikring AS	67.5		61.5	
Mondux Assurance Agentur A/S	30.8	68.1	44.8	69.9
Nykredit Forsikring A/S	307.0	265.3	344.3	260.5
Vardia Försäkring AB		108.9		55.7
Sum øvrige selskaper	0.9	10.5	11.5	9.9
Interest income and expenses				
Oslo Areal AS	31.8		32.7	
Co-operating companies [1]				
Fire mutuals and Gjensidige Pensjonskasse	20.8	149.3	20.7	148.7
Total	**1,592.2**	**1,397.7**	**1,625.6**	**1,349.4**

[1] Cooperating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

Loans

As at 31 December 2017 employees have loans in Gjensidige Bank amounting to NOK 1,287.2 million (1,501.0). 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.

	2017		2016	
NOK millions	Received	Given	Received	Given
Group contributions				
Gjensidige Pensjon og Sparing Holding AS				8.8
Mondux AB				7.9
Tennant Assuranse AS (eid av Lokal Forsikring AS)			0.3	
Dividends				
Gjensidige Pensjonskasse			9.5	
Gjensidigestiftelsen		2,209.5		3,858.9
Nykredit Forsikring A/S	49.0			
Samtrygd AS	0.7			
Mondux Assurance Agentur A/S	31.5			
Mondux AB	2.6			
Oslo Areal AS			110.0	
Total group contributions and dividends	**83.8**	**2,209.5**	**119.8**	**3,875.6**

In addition the shares in Gjensidige Investeringsrådgiving AS (GIR) were distributed as dividend from Gjensidige Pensjon og Sparing Holding AS to Gjensidige Forsikring ASA i 2016. This was done according to accounting continuity and recognised as a share split of Gjensidige Pensjon og Sparing Holding AS.

NOK millions	2017 Gains	2017 Losses	2016 Gains	2016 Losses
Gains and losses in connection with sale and liquidation				
Oslo Areal AS				1.3
Vervet AS			8.2	
Försäkringproduktion i Sverige AB				4.0
Impairment losses				
Samtrygd AS		0.4		
Nykredit Forsikring A/S		49.0		94.2
Total gains and losses in connection with sale, liquidation and impairment losses		**49.4**	**8.2**	**99.5**

Balances

The table below shows a summary of receivables/liabilities from/to related parties.

NOK millions	2017 Receivables	2017 Liabilities	2016 Receivables	2016 Liabilities
Non-interest-bearing receivables and liabilities				
Gjensidige Pensjonsforsikring AS		12.9		16.5
Mondux Assurance Agentur A/S			16.0	
Nykredit Forsikring A/S	40.0		56.9	
Total other companies	3.7		16.7	26.5
Interest-bearing receivables and liabilities				
Mondux Assurance Agentur A/S		285.8		
Oslo Areal AS	1,620.1		1,420.2	
Gjenforsikringsdepoter og erstatningsavsetning				
Nykredit Forsikring A/S	507.6	507.6	457.5	457.5
Total other companies		60.9		44.3
Total balances within the Group	**2,171.5**	**867.3**	**1,967.2**	**544.9**
Cooperating companies				
Fire Mutuals and Gjensidige Pensjonskasse [2]	111.0	25.4	111.0	44.3
Total balances	**2,282.5**	**892.8**	**2,078.2**	**575.5**

[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	2017	2016
Other transactions				
Portfolios	Gjensidige Forsikring ASA	Mondux Assurance Agentur A/S	271.9	
Portfolios	Gjensidige Forsikring ASA	Försäkringproduktion i Sverige AB		10.0

Guarantees

Gjensidige Forsikring 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	2017	2016
Guarantees and committed capital		
Gross guarantees	0.1	0.1
Committed capital, not paid	614.4	1,146.1

As part of its ongoing financial management, Gjensidige has undertaken to invest up to NOK 614.4 million (1,146.1) 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 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 2017, 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. 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. The value of the cash-settled share is adjusted at each reporting period based on the share price at this time. 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.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years.

Fair value measurement

The fair value of the shares allocated through the share-based payment for executive personnel is calculated on the basis of the share price at grant date. The amount is recognised immediately. The cash-settled share is adjusted consecutively based on the share price at the reporting time.

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	
	2017	**2016**	**2017**	**2016**
Weighted average share price (NOK)	135.00	143.60	139.26	141.86
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]	6.57	6.67	6.57	6.67

[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 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	2017	2016
Share-based remuneration for key personnel	4.9	5.2
Share savings programme for employees	6.3	5.3
Total expenses (note 7)	**11.2**	**10.5**

Share savings programme

	2017	2016
The number of bonus shares		
Outstanding 1 January	74,802	71,537
Granted during the period	43,151	38,533
Forfeited during the periode	(5,285)	(2,925)
Released during the period	(33,708)	(30,713)
Cancelled during the period	(2,377)	(1,623)
Movement to/(from) during the period	(229)	(7)
Outstanding 31 December	**76,354**	**74,802**
Exercisable 31 December	**0**	**0**
Average remaining life of outstanding bonus shares	1.00	0.96
Weighted average fair value of bonus shares granted	120.27	122.90
Weighted average share price of bonus shares released during the period	139.43	142.43

Weighted average exercise price will always be 0, since the scheme comprises bonus shares and not options.

Remuneration scheme

	Number of shares 2017	Number of cash-settled shares 2017	Number of shares 2016	Number of cash-settled shares 2016
The number of shares				
Outstanding 1 January	41,710	38,474	47,131	43,514
Granted during the period	15,985	14,269	17,873	16,517
Exercised during the period	(21,917)	(20,160)	(26,831)	(24,859)
Movement to/(from) during the period	(306)	(273)	0	0
Modification dividend during the period	1,877	1,750	3,537	3,302
Outstanding 31 December	**37,349**	**34,060**	**41,710**	**38,474**
Exercisable 31 December	**0**	**0**	**0**	**0**
Average remaining life of outstanding shares	0.75	0.74	0.73	0.73

	2017	2016
Weighted average fair value of shares granted [2]	135.00	143.60
Weighted average share price of shares released during the period	133.53	143.59
Fair value of shares granted that are to be settled in cash	154.90	137.00

[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

Gjensidige Forsikring ASA and Gjensidige Forsikring Group are granted approval from the Financial Supervisory Authority of Norway (FSA) for a Partial Internal Model (PIM) under the Solvency II regulation with effect from 31 December 2017. The model approved is more conservative than the model Gjensidige applied for.

As of 31 December 2017, the regulatory Solvency II ratio was 137 per cent based on the Standard Formula. Based on the approved Partial Internal Model, the regulatory Solvency II ratio is estimated to be 145-155 per cent.

The FSA has specified some areas which have to be further validated and documented to achieve approval for Gjensidige's original version of the model. The approval and its conditions will be reviewed by the Board of Gjensidige before the appeal deadline.

Besides the above mentioned approval, no significant events have occurred after the year end.

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 2017 and as per 31 December 2017.

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 2017. 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 2017. 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 2017.

To the best of our knowledge:

- the annual accounts for 2017 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 2017
- 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

15 February 2018

The Board of Gjensidige Forsikring ASA

Inge K. Hansen Chairman	Lotte K. Sjøberg Board member	Eivind Elnan Board member
John Giverholt Board member	Per-Arne Bjørge Board member	Gisele Marchand Board member
Gunnar Mjåtvedt Board member	Anne Marie Nyhammer Board member	Hilde M. Nafstad Board member

Helge Leiro Baastad
CEO

Auditor's report

Translation from the original Norwegian version

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 balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow 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 2017, 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 2017, 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. The IT operations are largely outsourced to service providers, but Gjensidige develops the Norwegian insurance system as well as the Nordic data warehouse itself. 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' service providers to assess whether the service provider had adequate internal controls in areas that are important for Gjensidige' 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 the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, 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, 15 February 2018
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Photo: Jo Michael de Figueiredo • Illustrations: byHands

Gjensidige is a leading Nordic insurance group listed on the Oslo Stock Exchange. We have about 3,800 employees and offer insurance products in Norway, Denmark, Sweden and the Baltic states. In Norway, we also offer banking, pension and savings. Operating income was NOK 27 billion in 2017, while total assets were NOK 149 billion.

Gjensidige Forsikring ASA
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